



WORLD BANK IN KAZAKHSTAN



TURNING THE TIDE IN TURBULENT TIMES:

Leveraging Trade for Kazakhstan's development



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Acronyms

3PL	Third Party Logistics
ADB	Asian Development Bank
AEO	Authorized Economic Operator
ASYCUDA	Automated System for Customs Data.
CACO	Central Asian Cooperation Organization
CAREC	Central Asia Regional Economic Cooperation
CIS	Commonwealth of Independent States
EBRD	European Bank for Reconstruction and Development
EAEU	Eurasian Economic Union
ECI	Economic Complexity Index
ECO	Economic Cooperation Organization
ECU	Eurasian Customs Union
EDI	Electronic Data Interchange
EU	European Union
EurAsEC	Eurasian Economic Community
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
ICBD	International Centre of Boundary Cooperation
ICT	Information and Communication Technology
IMF	International Monetary Fund
IT	Information Technology
KTZ	Kazakhstan Temir Zholy
OECD	Organisation for Economic Cooperation and Development
PPP	Public-Private Partnership
R&D	Research and Development
RCA	Revealed Comparative Advantage
SCM	Supply Chain Management
SEZ	Special Economic Zone
SMEs	Small and Medium-Sized Enterprises
SPS	Sanitary and phytosanitary
TBT	Technical Barriers to Trade
TFA	Trade Facilitation Agreement
TLC	Transport and Logistics Center
TRQ	Tariff-Rate Quotas
UNCTAD	United Nations Conference on Trade and Development
WB	World Bank
WEF	World Economic Forum
WTO	World Trade Organization

Summary

Kazakhstan is facing its greatest economic challenge since the global crisis. With oil prices at US\$50 per barrel, the country urgently needs to adjust its economic model and find new sources of economic growth. Kazakhstan main export has been crude oil, considered a low-complexity mineral products, which has made the country extremely vulnerable to shocks. For Kazakhstan to reach high income status it will need to move up the value chain and find new sources of growth.

However, new opportunities are arising. China's new Silk Road initiative, renewed regional integration efforts through the Eurasian Economic Union, CAREC and WTO accession are opening up new prospects for Kazakhstan to integrate more successfully with the region and the world and to position itself as a key trade and transit corridor between Asia, Europe, and the Middle East. To support this goal, the Kazakh government also launched a series of ambitious reforms to enhance its business environment, diversify its economy and promote growth and trade. While Kazakhstan outperforms its regional peers in terms of overall business environment, it still ranks poorly in trading across borders.

Kazakhstan is embarking on an economic transformation at a time where new global trends are reshaping economic fundamentals. As countries in Asia and Europe enhance their living standards, opportunity costs will matter more than direct transport costs, resulting in increasing opportunities to transport goods from East Asia to Europe and the Middle East overland – which is substantially cheaper than air and faster than sea transport. However, the opportunity cost of delays also increases as storage, insurance and the upfront costs of purchasing goods become more important.

If Kazakhstan wants to achieve its ambitious goal of becoming a regional transit, business and logistics hub, it will need to address three key reform areas as a matter of priority:

- **Trade across borders** hinges on streamlining and expediting customs procedures, increasing transparency, improving risk management, enhancing freedom of transit and further harmonizing procedures at the Customs Union level.

- **Infrastructure** needs to be upgraded, and priority attention should be paid to enhance the competitiveness of the logistics sector.
- Measures should be taken to develop **intermodal facilities and logistics centers**, promote the use of modern logistics concepts and adoption of international best practices, develop the multimodal transport industry, and promote greater use of Information and Communication Technology (ICT) and Electronic Data Interchange (EDI) systems.

There are a number of important transport projects in preparation which will enhance connectivity between Astana and Almaty and the Western part of Kazakhstan. However, these investments will need to be complemented by reforms to reduce transit time to generate economic opportunities for Kazakhstan and economic operators located along or transiting through the corridors. These projects will help promote local economic development through enhanced market access, the development of value-added services, and are expected to have a positive impact on private sector development and job creation.

This policy note has been drafted with the support Kazakhstan quest to establish vibrant economic corridors and to generate new sources of growth in a low-commodity price environment. The activity has been supported by the Competitive Industries and Innovation Program (CIIP, TF015585).

• CHALLENGES AND OPPORTUNITIES

Economic rebalancing

Kazakhstan is in the middle of a major economic rebalancing. Kazakhstan experienced a broad-based economic slowdown in 2015 due to falling export oil prices, which led to a large terms-of-trade shock, and weaker external demand from Kazakhstan's top export destinations—China, the European Union (EU), and Russia. GDP growth dropped from 4.1 percent in 2014 to 1.2 percent in 2015, and preliminary data suggest that the economy contracted by 0.2 percent in the first five months of 2016. Exports

decreased sharply in 2015, and are expected to continue to contract in 2016, while imports are affected by weak private sector demand due to lower consumer and investor confidence following the depreciation of the Tenge in August 2015 (Table 1). Although still positive, Kazakhstan's trade surplus contracted significantly, from 13.5 percent of GDP in 2014 to 3.95 percent in 2015, and after five consecutive years of running a positive current account balance, Kazakhstan saw its current account go into deficit in 2015.

As growth prospects remain uncertain, Kazakhstan needs to accelerate its structural reforms to diversify its economy. With oil prices expected to remain low throughout 2016, modest growth in the EU, growth in China slowing down, and Russia, a major destination for Kazakhstan's metal exports, expected to contract by 0.6 percent in 2016, Kazakhstan's current account balance is

expected to deteriorate further this year, and Kazakhstan's GDP growth should remain close to zero under the baseline scenario (Table 1). Accelerating the pace of structural reforms to diversify the economy and facilitate trade is, in this context, crucial. Indeed, the reasons for Kazakhstan's current economic difficulties are to be found in the structure of its economy and its high dependency on exports of mineral products.

Table 1. Kazakhstan's economic challenges

	2014	2015	2016	2017	2018
			<i>Projections</i>		
GDP at constant market prices	4.1	1.2	0.1	1.9	3.7
Exports of goods and services	-3.2	-3.6	-2.1	2.1	2.5
Imports of goods and services	-4.0	-0.6	-1.0	3.0	4.0

Note: Baseline scenario oil prices: US\$ 50.8 per barrel (2015), US\$ 41.0 (2016), US\$ 50.0 (2017), US\$ 53.3 (2018); *Source:* World Bank. "Kazakhstan: A Long Road to Recovery." Kazakhstan Economic Update No. 3 (Summer 2016)

Kazakhstan's increasing concentration of exports on low-complexity mineral products makes the country more vulnerable to shocks. Kazakhstan's trade composition reflects poor diversification and low sophistication of its economy. Kazakhstan's exports have concentrated considerably over the last 20 years making the country more vulnerable to shocks. Mineral products accounted for 75 percent of Kazakhstan's exports in 2014, up from 56 percent at the turn of the century and 35 percent in 1996 (Table 2). Crude oil - Kazakhstan's main export - is among the bottom five products by complexity, along with other raw minerals. While Kazakhstan's non-

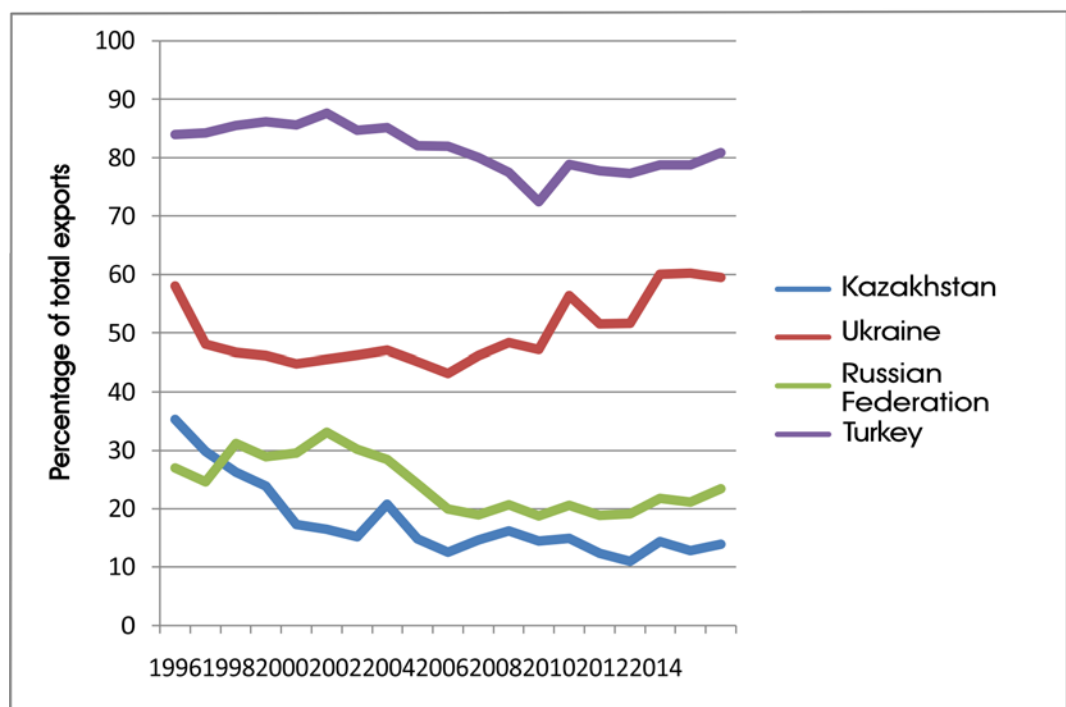
resource export base was slightly higher than that of the Russian Federation in 1996 it rapidly fell below Russia's level and has remained inferior since then. Kazakhstan's non-natural resource export base has been shrinking over time, and it is now much smaller than its regional peers and countries with a similar income level per capita such as Turkey (Figure 1). On a per capita basis, Kazakhstan's non-natural resource export base is also narrower than Russia's and Ukraine's, and falls well below that of countries with a similar level of income per capita like Turkey (Figure 2)

Table 2. Since 1996, Kazakhstan's exports concentrated significantly

1996		2000		2014	
<i>Product</i>	<i>Share of exports</i>	<i>Product</i>	<i>Share of exports</i>	<i>Product</i>	<i>Share of exports</i>
Mineral products	35%	Mineral products	56%	Mineral products	75%
-- crude oil	19%	-- crude oil	51%	-- crude oil	58%
Metals	30%	Metals	26%	Metals	11%
Chemical products	12%	Chemical products	5.9%	Chemical products	5%
Vegetable products	9.4%	Vegetable products	4.4%	Vegetable products	3.2%
Machines	3.6%	Precious metals	3.5%	Machines	2%
Textiles	3.1%	Machines	1.4%	Precious metals	0.96%

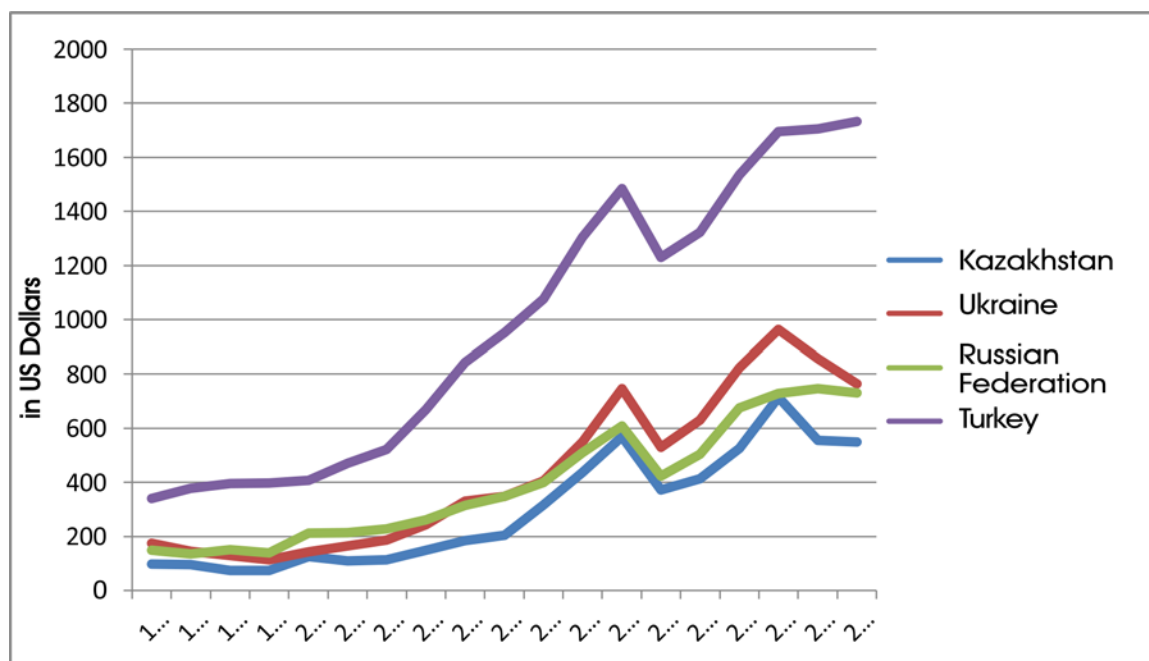
Source: Observatory of Economic Complexity. <http://atlas.media.mit.edu/en/>

Figure 1. Kazakhstan's non-natural resource export base is much smaller than its regional peers (as a percentage of total exports)



Source: Observatory of Economic Complexity. Authors' calculations.

Figure 2. Kazakhstan's non-natural resource export base per capita is narrower than Russia's and Ukraine's



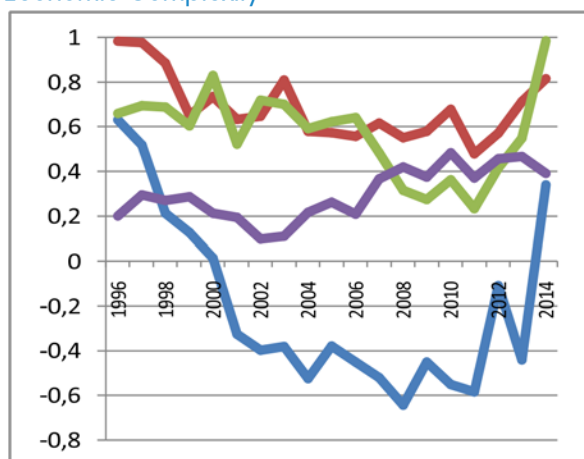
Source: Observatory of Economic Complexity. Authors' calculations.

The deterioration of Kazakhstan's economic complexity of exports means that Kazakhstan is missing the opportunity to move up the value chain. Kazakhstan's increasing concentration of exports has resulted in a deterioration of its overall complexity of exports after 1996, with some ups and downs since 2008 (Figure 3). By comparison, Russia, which started at the same level as Kazakhstan – or even slightly lower according to the ECI calculated by the Atlas of Economic Complexity – and Turkey, which started well below Kazakhstan, rapidly outperformed Kazakhstan and still do. Kazakhstan has a revealed comparative advantage in a relatively low number of products – meaning that it

exports more of a particular product than the share of total world trade that the product represent. While the number of products with a RCA increased slightly in Kazakhstan in recent years, from 55 and 60 in 2010 and 2013 respectively, to 78 in 2014, it remains well below that of Russia (131), Belarus (200) and Ukraine (221). In fact, even in sectors where Kazakhstan would be expected to have a comparative advantage, such as oil and agriculture, it has failed to create value-added products. More than 70 percent of Kazakhstan's crude oil was refined in 1991. Today, the figure stands at 17.5 percent, and Kazakhstan imports around 40 percent of its gasoline and fuels from Russia.

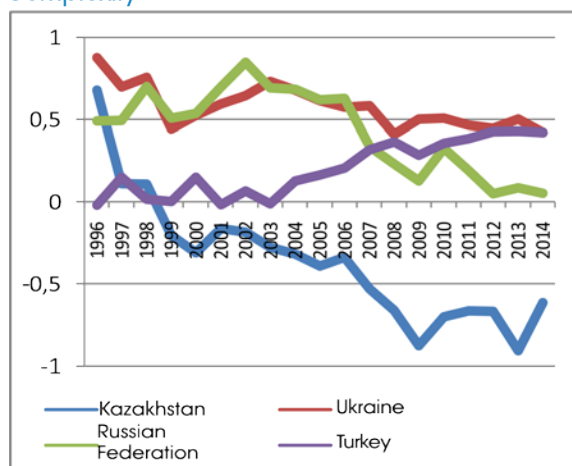
Figure 3. Kazakhstan's economic complexity declined significantly after 1996

ECI as calculated by the Observatory of Economic Complexity



Source: Observatory of Economic Complexity

ECI as calculated by the Atlas of Economic Complexity



Source: Harvard's Atlas of Economic Complexity.
<http://atlas.cid.harvard.edu>

On the other hand, Kazakhstan's main imports are highly complex products. Machines, such as computers, large construction vehicles, pumps and centrifuges, account for 26 percent of Kazakhstan's imports, transportation (cars, trucks and spare parts) for 15 percent, and chemical products for 8.7 percent. Most of the imported machinery equipment is supplied to the oil and gas companies in the Caspian region that specialize in upstream activities such as exploration, drilling and bringing oil to the surface. Machinery and chemicals products are the most complex products

that only highly skilled and productive economies can produce.

In addition to a lack of product diversification, Kazakhstan's export markets are highly concentrated making the country's growth prospects dependent on its three main trading partners. More than 55 percent of Kazakh exports go to EU countries – a large part of which transit via Russia making them vulnerable to geopolitical tensions. China comes second with 12.5 percent – up from 7.7 percent in 2000 – and Russia third with 6.6 percent. Taken together the EU, China and

Russia represent more than 74 percent of Kazakhstan's exports, making the country vulnerable to economic conditions in its three trading partners. With EU growth expected to remain modest in 2016, China's growth slowing down and Russia facing a recession, Kazakhstan's exports are expected to decrease again in 2016.

Regional integration and WTO accession: challenges and new opportunities

Renewed regional integration efforts provide enhanced opportunities for Kazakhstan to position itself as a key trade and transit corridor between Asia, Europe, and the Middle East. A large number of regional organizations and fora were set up following the collapse of the Former Soviet Union to promote regional integration. Yet, their overlapping memberships and mandates, their lack of funding, their weak organizational structures and the limited commitment of national leaders limited their ability to decisively improve the way in which Central Asian countries cooperated in the economic sphere. Several recent developments, however, seem to be shuffling the deck, opening up new opportunities for Kazakhstan to better integrate regionally: China's new Silk Road initiative and its intention to make greater use of the Shanghai Cooperation Organization (SCO) to promote regional economic cooperation, the on-going efforts to strengthen the Central Asia Regional Economic Cooperation (CAREC), and the recent creation of the Eurasian Economic Union.

China's New Silk Road project: a new opportunity for Kazakhstan to become a regional trade and transit hub. Announced in 2013 by China's President Xi Jinping, China's New Silk Road Economic Belt - also known as the "One Belt, One Road" - aims at reviving historic trade ties among Central Asian countries and China with a view to accelerating and reducing the cost of goods delivery between China, Europe and the Middle East. Given its strategic location between Europe and Asia, Kazakhstan plays a central role in China's New Silk Road strategy. The New Silk Road project offers Kazakhstan an opportunity to position itself as a bridge between Europe, Asia, and the Middle East, and to become the key transit hub of the New Silk Road. Indeed, of all the trade routes that join Asia and Europe, the one through Kazakhstan is the shortest. Alternative routes, via sea or via the South through Turkey take much

longer. Because of the many borders to be crossed when coming from the South, transit time from Turkey to Kazakhstan takes around 20 days, twice as much as from the EU to Almaty or Astana. As for sea transit from Asia to Europe, it generally takes about 40-60 days. The new Silk Road overland route through Kazakhstan should allow delivery time to be reduced from 40-60 days to 13-14 days. However, shortcomings in trade and logistics are making today's Silk Road an expensive one. Improving trading across border, infrastructure and logistics is essential if Kazakhstan wants to capitalize on the new opportunity that the New Silk Road project offers. The New Silk Road project is giving new impetus to some regional integration initiatives in this regard, in particular in the infrastructure area. Among the Organizations called on to play a role in the implementation of the New Silk Road project is the SCO. At the July 2016 SCO summit, member states agreed to support joint infrastructure development in the region and called for a common SCO transport system to be put in place. Because of its strategic position between Europe and Asia, Kazakhstan should be among the primary beneficiaries of such initiatives.

On-going efforts to strengthen the CAREC can help accelerate regional economic integration and strengthen Kazakhstan's position as a trade and transit corridor between Asia and Europe. Launched in 2001, CAREC is an informal forum that promotes regional cooperation and better integration among CAREC countries in four areas: transport, trade facilitation, energy, and trade policy. While CAREC has many strengths, being an action-oriented, pragmatic alliance of countries and institutions, with a clear focus on a few key priority sectors, the lack of country ownership, insufficient linkages between regional and national plans, the weakness of the CAREC Institute and lack of planning have undermined its effectiveness. Efforts are on-going as part of the CAREC Strategic Framework 2011-2020 to address some of these issues. CAREC's greatest area of engagement has been the transportation sector. Six priority transport corridors traversing Central Asia east to west and north to south were identified, four of which go through Kazakhstan. As of 2015, more than US\$8.27 billion had been invested in Kazakhstan through CAREC for projects that have improved transport, trade, and energy infrastructure. With its strategic location at the heart of Central Asia, Kazakhstan is to benefit directly from improvements resulting from CAREC's projects along the new Silk Road network.

The creation of the Eurasian Economic Union: a promising but challenging development.

In 2010, under the leadership of the Russian Federation, the Eurasian Customs Union (ECU) between Belarus, Kazakhstan, and the Russian Federation entered into force. Customs duties on goods traded within the Union were eliminated and a Common External Tariff, mainly based on the Russian tariff, was put in place, resulting in significant tariff increases in Kazakhstan. Economic integration was further deepened in 2012 with the establishment of the Single Economic Space or Eurasian Economic Space – a single market providing for the free movement of persons, goods, services and capital. On 1 January 2015, the Customs Union and the Single Economic Space were superseded by the Eurasian Economic Union (EAEU), which incorporated both the customs union and the single economic space into the EAEU's

legal framework. A Eurasian Economic Commission was established in replacement of the Customs Union Commission. The Commission enjoys extensive regulatory power in areas such as customs tariff and non-tariff regulation; customs administration; technical regulations; sanitary, veterinary and phytosanitary measures; allocation of import duties; competition policy; industrial and agriculture subsidies; internal trade in services and investment; transport and transportation; and intellectual property rights. In January 2015, the Union was enlarged to Armenia, and in August 2015 to Kyrgyzstan. The creation of the Union was presented as a tool to promote economic development and boost regional trade. However, Kazakhstan's gains from the Union have so far been limited.

Establishment of the Eurasian Economic Union: Key Dates

- January 1995: Agreement on the Customs Union of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation. Kyrgyzstan joined in 1996, followed by Tajikistan in 1997.
- February 1999: Agreement on the Establishment of the Customs Union and the Single Economic Space between Belarus, Kazakhstan, the Kyrgyz Republic, the Russian Federation, and Tajikistan - terminated on 1 January 2015.
- October 2000: Agreement on the Establishment of the Eurasian Economic Community between Belarus, Kazakhstan, the Kyrgyz Republic, the Russian Federation, and Tajikistan (EurAsEC).
- 2006: Divergences among EurAsEC members led Russia, Kazakhstan and Belarus to establish a customs union on their own.
- October 2007: Treaty on the Establishment of the Common Customs Territory and the Formation of the Customs Union between Russia, Belarus and Kazakhstan (Eurasian Customs Union-ECU)
- 1 January 2010: The ECU Commission starts working.
- 1 July 2010: The common customs territory becomes effective. The ECU Customs Code enters into force.
- 2011: Internal physical border controls are eliminated.
- January 2012: entry into force of the Single Economic Space or Eurasian Economic Space.
- 1 January 2015: entry into force of the Eurasian Economic Union (EAEU), which terminates the EurAsEC and incorporates the ECU and the Single Economic Space into the EAEU's legal framework.
- 2 January 2015: Armenia becomes a member of the EAEU.
- 12 August 2015: Kyrgyzstan becomes a member of the EAEU.

The creation of the Eurasian Customs Union led to an increase in tariffs and non-tariff barriers, thereby undermining the trade potential of the ECU. By joining the Eurasian Customs Union, Kazakhstan effectively adopted the Russian tariff and had to raise tariffs on some 5,400 tariff lines. The number of tariff lines with zero tariffs dropped from 1,164 in 2009 to 641 in 2012. Kazakhstan also introduced tariff-rate quotas (TRQs) for imports of beef, poultry, and pork, as required by the ECU. A series of regulatory changes, including the introduction of more restrictive non-tariff measures were also adopted, most of them based on Russian regulations. Sanitary, phytosanitary and technical standards, in particular, became much more stringent - more restrictive in fact than those used in other major markets. Regulations on import licensing were also toughened, and new mandatory requirements, which were meant to facilitate trade, are in fact increasing transaction costs. This is the case, in particular, of the new Certificate of State Registration for goods subject to sanitary and epidemiological surveillance.

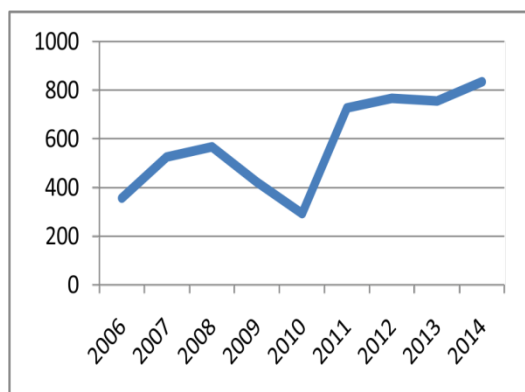
Establishment of the Union increased regional trade, but caused trade diversion in favor of Russia and Belarus, thereby inhibiting Kazakh gains in the Union. The entry into force of the Customs Union in January 2010 did lead to an increase in bilateral trade between Kazakhstan and its two Customs Union trading partners, the Russian Federation and Belarus, but this increase was mainly the result of a surge in imports. After 2010, Kazakhstan's trade balance with the Russian Federation and Belarus, which was already in the red, deteriorated sharply (Figure 4). The main reason for Kazakhstan's negative trade balance

with its Customs Union partners is to be found in Kazakhstan's trade structure. The country has little to offer other than its natural resources. According to some estimates, Kazakhstan's participation in the Customs Union saves the country some US\$ 500 mn in customs duties, but if Kazakhstan is to benefit more fully from the opportunities created by the Customs Union, it urgently needs to diversify its economy and move up the value chain.

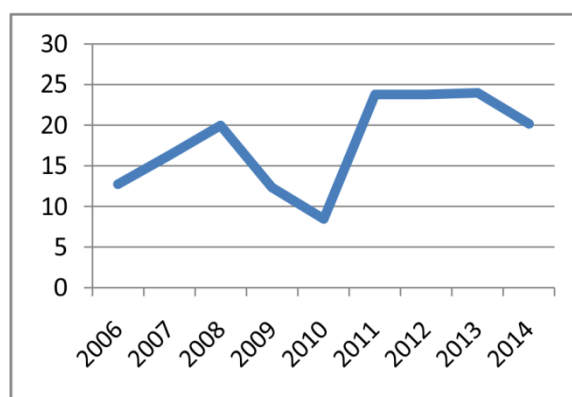
Membership in the EAEU increases Kazakhstan's exposure to economic developments in ECU partners, in particular Russia. The creation of the EAEU, and with it the removal of internal trade and capital barriers, makes mitigating shocks from Russia more complicated. The entry into force of the Union coincided with a contraction of Russia's economy following the sharp drop in oil prices and Western sanctions over Ukraine, which had direct repercussions on Kazakhstan. The depreciation of the Russian Ruble against the Tenge in 2014 made imports from Russia cheaper, putting Kazakh companies under strain, while exports were hit by the trade sanctions imposed on Russia. In this context, WTO membership presents a unique opportunity for Kazakhstan to diversify its trading relations, and through it its economy.

Figure 4. After 2010, Kazakhstan's bilateral trade with Belarus and the Russian Federation increased, but its trade balance with its two EAEU partners deteriorated sharply

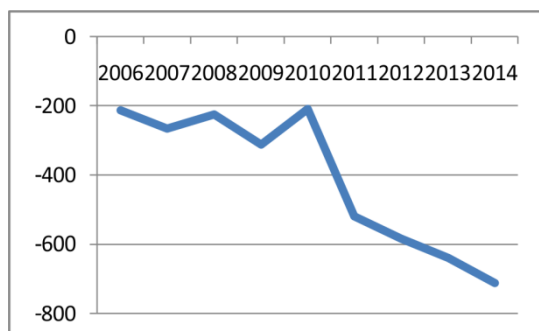
Kazakhstan's bilateral trade with Belarus (in US\$ mn)



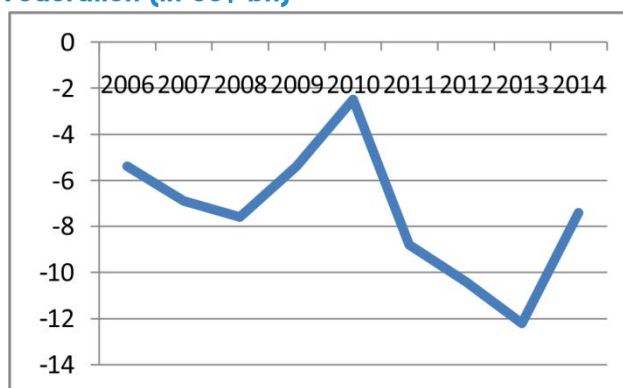
Kazakhstan's bilateral trade with the Russian Federation (in US\$ bn)



Kazakhstan's trade balance with Belarus (in US\$ mn)



Kazakhstan's trade balance with the Russian Federation (in US\$ bn)



Source: UNComtrade

WTO accession can help Kazakhstan diversify its trading relations. On 30 November 2015, Kazakhstan joined the WTO after 20 years of intense negotiations. WTO membership gives Kazakhstan access to the markets of all WTO Members on a most-favoured nation basis, making it easier for Kazakhstan to enter new markets.

Membership in the WTO should stimulate economic growth and investment. WTO accession sends a strong signal of commitment to economic reform, stability and opening. The transparency and non-discriminatory obligations, along with the binding commitments that come with WTO accession offer foreign investors

guarantees of fair competition and of a predictable and more liberal environment in which to operate. With greater stability, predictability, and fairness, and a more open business environment, investment is encouraged. According to Jensen and Tarr, 70 percent of the gains from WTO accession - estimated at 3.7 percent of GDP in the medium term and close to 10 percent in the longer run - are expected to come from the liberalization of foreign direct investment in business services.

Kazakhstan's tariff commitments can be a catalyst for greater competitiveness, but are

likely to impact sectors differently. The tariff reductions negotiated during the WTO accession process will lower the costs of imports for both national producers and consumers and encourage domestic competition. Companies' resulting easier access to affordable inputs and technology should boost innovation and competitiveness, and provide further impetus for Kazakhstan's integration into the global economy. As a result of WTO accession, tariffs on agricultural products will be reduced from 16.7 percent to 7.6 percent, and tariffs on non-agricultural goods will be bound at 5.9 percent - well below the levels negotiated by the Russian Federation, i.e. 10.8 percent for agricultural goods and 7.3 percent for non-agricultural products. In their study on the impact of WTO accession, Jensen and Tarr had estimated the gains from a 50 percent tariff liberalization at 0.4 percent of household consumption. A more recent World Bank paper, foresees gains of 0.3 percent (as percent of consumption) per year, based on the Russian tariff.

Membership in the WTO is expected to lead to a positive rebalancing of Kazakhstan's trade flows with its Customs Union trading partners. According to a 2014 World Bank study, membership in the WTO should lead to a strong rebalancing of imports to pre-Customs Union patterns, thereby mitigating the negative impact of the Union on Kazakhstan's economy.

WTO accession can help mitigate the negative regulatory impact that followed the creation of the Customs Union. As noted above, a series of more stringent regulations were adopted in the wake of the creation of the Customs Union and gave rise to intense discussions during accession negotiations. A unique aspect of Kazakhstan's accession package is the fact that a number of Kazakhstan's commitments are binding on the EAEU and its member states, in particular those related to SPS, TBT, and import licensing, and require both Kazakhstan and other EAEU member states to ensure conformity with WTO rules.

To take full advantage of WTO membership, Kazakhstan needs to deepen its structural reforms. WTO accession can be a powerful tool to promote economic diversification and bolster competitiveness provided pro-active measures are taken to seize the opportunities that WTO membership opens. A deepening of structural

reforms to further improve the business environment, logistics, and infrastructure, and facilitate trade is essential to attract investment, improve competitiveness and further support Kazakhstan's integration into the global economy.

Kazakhstan's active strategy to promote growth and trade

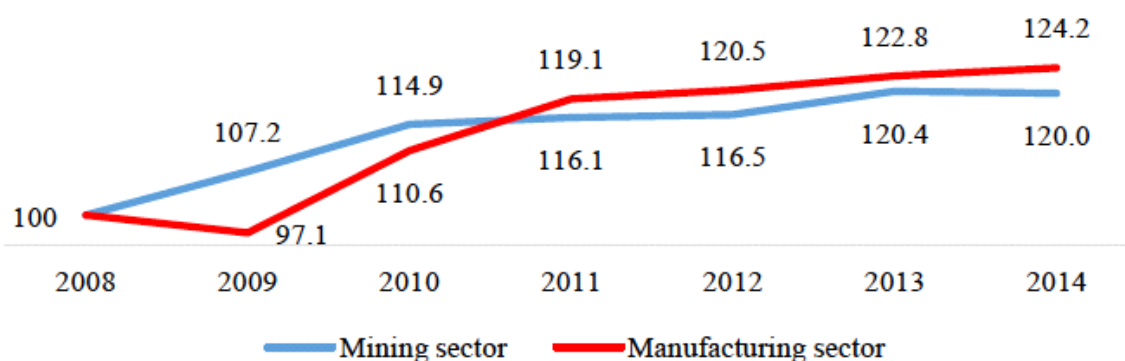
Kazakhstan has been pursuing an ambitious reform agenda to enhance its business environment, diversify its economy and promote growth and trade. Over the past few years, Kazakhstan launched a series of structural reforms with a view to improving its business climate and stimulating economic development. In December 2012, President Nazarbayev announced the Kazakhstan 2050 Strategy, which sets a series of economic, social and political objectives with the aim of turning Kazakhstan into one of the 30 most developed economies by 2050. To create the foundations for growth and industrialization, infrastructure constraints have to be removed. This is particularly true for a country of the size of Kazakhstan. To address these constraints, the government launched the Infrastructure Development Program Nurly Zhol (or "Bright Path to the Future") in November 2014. This US\$9 billion program aims to develop and modernize transportation and logistics infrastructure, industrial infrastructure, energy infrastructure, public utilities, housing, social infrastructure, and SMEs. Finally, in May 2015, President Nazarbayev launched the "100 Concrete Steps, A Modern State for All" to help implement the 2050 Strategy. The 100 Concrete Steps cover five institutional areas: (i) professionalizing public administration, (ii) enforcing the rule of law, (iii) increasing state transparency and accountability, (iv) fostering economic diversification and growth, and (v) uniting the nation. The 100 Concrete Steps include several key reforms aimed at attracting strategic investors in various sectors, including tourism, energy, and agriculture, and at modernizing and simplifying customs procedures. These reforms indicate a strong commitment to building a more diversified, innovative and competitive economy.

A series of measures were also taken to improve the business environment for investors. In 2009, President Nursultan Nazarbayev

launched the State Program of Accelerated Industrial-Innovative Development of Kazakhstan for 2010-2014 (SPAID). This program marked the transition to an active industrial policy in Kazakhstan. A new law on investment was passed to give greater confidence to investors and the National Agency for Export and Investment “KAZNEX INVEST” was established. An Ombudsman was created to investigate complaints by investors

and the “one shop” principle was introduced to assist investors. These changes bore fruits: The manufacturing sector attracted 2.9 times more foreign direct investment over five years of the SPAID than in the five years preceding the SPAID and for the first time in recent history, the manufacturing sector of Kazakhstan began to grow at a faster pace than the mining sector (Figure 5).

Figure 5. Kazakhstan’s manufacturing sector has started to grow at a faster pace than the mining sector (growth of industrial production, index of physical volume, percentage)

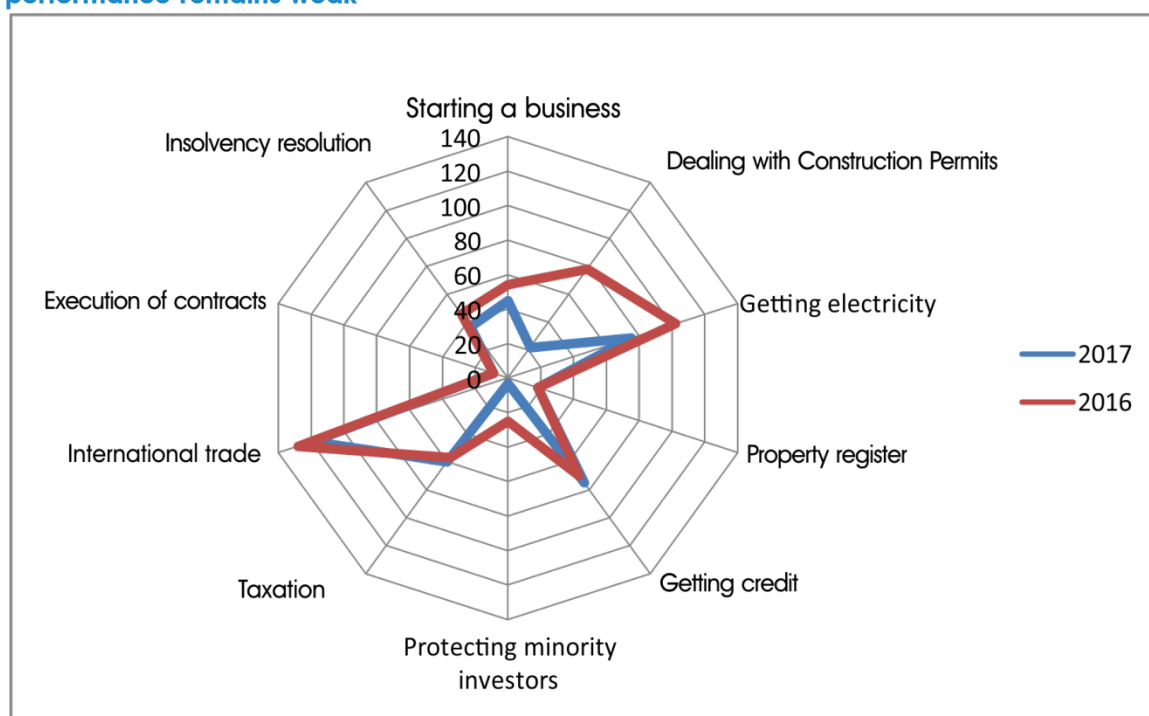


Source: Alibek Konkakov and Gulaikhan Kubayeva, “Progress in diversification of the economy in Kazakhstan”, Maastricht School of Management, Working Paper 2016/8, August 2016.

As a result, Kazakhstan has been a top reformer in recent years and significantly improved its overall business climate. After having moved up 12 ranks in the Doing Business Index of the World Bank in 2016, Kazakhstan moved up another 6 ranks this year, from 41st in 2016 to 35th in 2017. In 2015-2016, the Kazakh government implemented business regulation reforms making it easier to do business in seven of the ten areas examined: starting a business, dealing with construction permits, getting electricity, protecting minority investors, enforcing contracts, resolving insolvency, and trading across borders. This makes Kazakhstan the top reformer in Europe and Central Asia, the second top reformer in the world, a top-10 reformer for the second year in a row, and the country introducing reforms in the most indicators.

However, Kazakhstan’s performance in Trading across borders remains weak. Along with “getting credit”, “trading across borders” is the area where Kazakhstan’s performance is the weakest. In 2015-2016, Kazakhstan made exporting less costly by removing two export documents required for customs clearance, which enabled it to move from the 122nd to the 119th position in the 2017 Doing Business ranking. However, Kazakhstan still remains well behind most countries in the region in the Trading across borders indicator (Figures 6 to 7). Kazakhstan’s regulatory border management processes and policies lack simplicity, transparency, reliability and efficiency, and negatively impact trade costs.

Figure 6. Despite recent progress on Doing Business indicators, Kazakhstan's trading across borders performance remains weak*

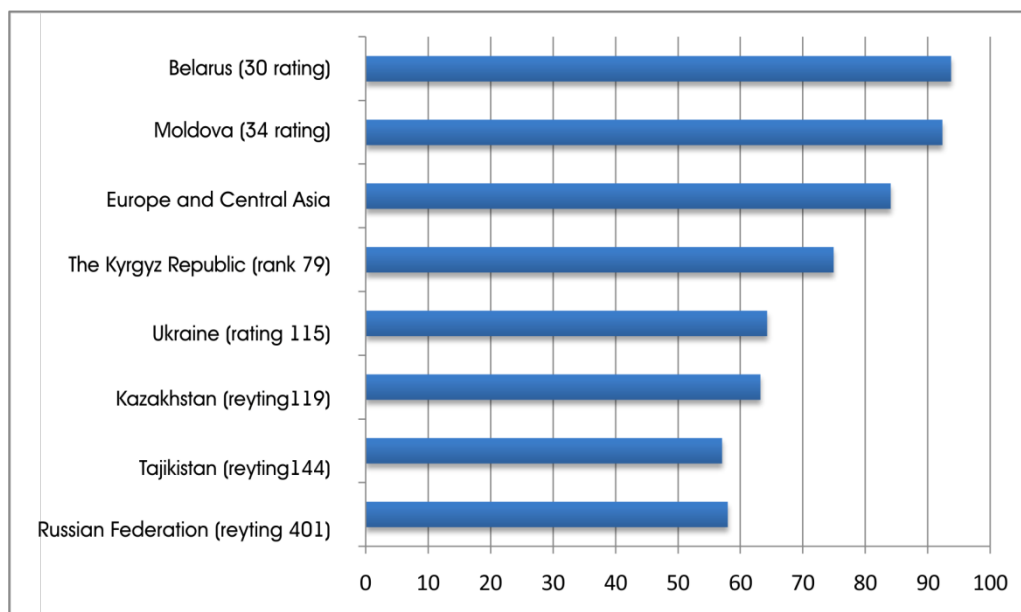


Note: The Trading Across Borders Methodology changed in 2017. As a result, the two lines cannot be compared directly, but merely reflect the individual rankings in 2016 and 2017.

*The numbers in the diagram indicate Kazakhstan's rank.

Source: World Bank. Doing Business Indicators

Figure 7. Kazakhstan's trading across borders performance lags behind regional peers (distance to frontier)



Source: World Bank. Doing Business Indicators 2017

High trade costs affect the competitiveness of Kazakhstan as a trade and transit hub.

Kazakhstan and other Central Asia countries tend to have higher costs between themselves than European or Asian countries between themselves and sea transport between Asia and Europe remains more than two times cheaper than rail transport via Kazakhstan. As a result, if trade costs are taken into consideration, the EU is as “close” to China as Kazakhstan. Measures to facilitate trade and transit procedures and to improve transportation infrastructure and logistics connectivity are essential if Kazakhstan wants become a competitive transit corridor between Asia, Europe, and the Middle East and a regional trade hub.

Becoming a competitive trade hub: an ambitious medium-term project.

Moving goods between Asia and Europe via Kazakhstan will only deliver limited benefits unless they stop on the way and value is added in Kazakhstan. Measures to ease border procedures and improve infrastructure and logistics are essential to facilitate transit. They also contribute to lowering trade costs and to promoting trading activities. However, such measures are not sufficient to turn Kazakhstan into a real, competitive regional trade hub. Other reforms to promote industrial activity, investment, innovation, firms’ access to credit, and conformity with international standards, among others, are key. Diversification processes usually span from 25 to 35 years. Kazakhstan’s first priority should be to ease trading across border and improve infrastructure and logistics to create the foundations to facilitate transit and trade, while keeping in mind the more ambitious goal of turning the country into a regional trade hub that delivers diversified economic activities and jobs.

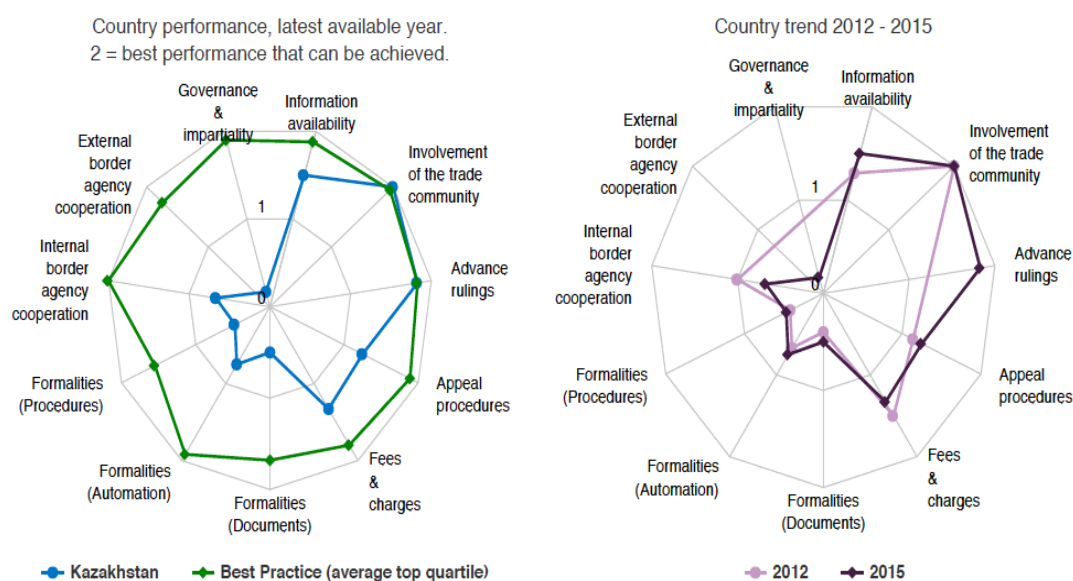
- **LEVERAGING NEW ECONOMIC OPPORTUNITIES TO FACILITATE TRANSIT AND TRADE**

Trade facilitation

While the country continues to make progress in trade facilitation, more needs to be done to speed up and streamline procedures, in line with Kazakhstan's international obligations and best practices. In fact, Kazakhstan falls short of several of its future obligations under the WTO Trade Facilitation Agreement (TFA) – an agreement adopted by WTO Members in December 2013 to facilitate and expedite the customs release of goods and reduce trade costs and ratified by Kazakhstan in May 2016 (see Annex 1 for an overview of the TFA provisions that Kazakhstan has notified as Category A – i.e. provisions that Kazakhstan will implement by the time the Agreement enters into force – and those that it will implement at a later stage). Full implementation of the TFA is expected to bring significant benefits. According to OECD estimates, the Agreement should lower trade costs by 10 to 14.5 percent.

Kazakhstan's customs formalities need to be further streamlined. Kazakhstan scores poorly in the OECD Trade Facilitation Indicators in terms of customs formalities (Figure 8). The number of documents required for import/export clearance should be reduced and document requirements streamlined, which would help decrease the time and cost associated with customs clearance. Kazakh traders need to prepare six customs documents in order to export a product to China, twice as many as those needed to import, as well as additional forms from other government agencies, depending on the product and market. Among the required documents, the certificate of radiation test requires a special inspection, an expensive and potentially lengthy procedure. As a result, the time and cost associated with complying with customs regulations and documentary requirements necessary to export far exceed regional and best practice averages (Table 3). Between 2016 and 2017, the gap between Kazakhstan and Europe and Central Asia related to the cost to export even increased slightly.

Figure 8. Kazakhstan scores poorly in terms of customs formalities



Source: OECD Trade Facilitation Indicators

Table 3. Time and cost to export

Indicator	Kazakhstan	Europe & Central Asia	OECD high income
Time to export: Border compliance (hours)	133	28	12
Cost to export: Border compliance (USD)	574	195	150
Time to export: Documentary compliance (hours)	128	27	3
Cost to export: Documentary compliance (USD)	320	111	36

Source: World Bank. Doing Business Indicators 2017

The high transaction cost of processing and clearing goods poses a major obstacle to business as it substantially increases opportunity costs. Recent changes in the *Doing Business* methodology removed transportation costs from being counted in the ranking. One would have expected Kazakhstan to improve significantly in the ranking, given its landlocked position, vast land mass and long distances. The fact that Kazakhstan's ranking on trading across borders remained unchanged signals that transportation costs were not a bottleneck responsible for the poor trading across borders performance. Instead, businesses face documentary and regulatory compliance obstacles. Lowering trade transaction costs would expedite the movement, release and clearance of goods, including goods in transit, thus benefitting all parties involved in the supply chain.

High opportunity and inventory costs caused by lengthy customs procedures are serious barriers to supply chain efficiency. It is estimated that on average, a one-day delay reduces the export value of most goods by one percent. Opportunity, inventory and warehousing costs caused by lengthy customs procedures and lack of reliability in the supply chain by importers are estimated at US\$ 273 million p.a. (based on 2014 data). Time spent by goods imported from non-EAEU in clearance procedures at borders represents an opportunity cost estimated at US\$ 47 million and the cost of temporary storage in the customs warehouse is valued at US\$ 120 million (Table 4). This makes the logistics corridor uncompetitive. As a result, local shippers maintain 90 to 180 days of inventory on hand (of consumer goods) versus 15-30 days for Western consumer goods distributors and retailers.

Table 4. Opportunity cost (OC), cost of customs warehousing (WHC) and cost of capital (COC) in million US\$ (2014)

Commodities	OC	WHC	COC	Total
Other bulk commodities	2,4	11,6	-	14,0
Machinery	6,2	22,5	-	28,7
Vehicles	1,5	5,4	-	6,8
Iron & steel	0,8	3,7	-	4,5
Oil & oil products	0,7	3,6	-	4,4
Plastics	0,7	3,5	-	4,3
Electronic equipment	18,4	33,6	40,3	92,3
Food & Beverage	5,8	14,1	22,6	42,5
Pharmaceutical products	5,6	10,2	12,3	28,1
Apparel and footwear	1,4	3,4	8,3	13,1
Detergent and cosmetics	0,6	1,4	3,4	5,3
Other containerized goods	3,2	7,7	18,5	29,3
Total	47,2	120,8	105,3	273,3

Source: World Bank's staff estimates based on UNCOMTRADE data

Documentary formalities are further complicated by a continued reliance on paper-based processes and lack of full automation. Kazakhstan introduced electronic customs and transit declarations as early as 1997. These documents were subsequently modified to be harmonized with ECU partners. However, while customs control is computerized and declarations can be lodged online by the broker, the clearance process is still paper-based. There is a 100 percent manual check of documents for completeness and consistency, and the electronic

calculation of duties is manually rechecked. Electronic payment of duties, taxes, fees and charges is not yet possible. Companies have to submit an electronic declaration to customs authorities, and get a confirmation, but once at the border, a hard copy of the declaration is still required. In addition, automated processing is not available full-time and the use of e-documents is hindered by interoperability problems. The customs administration uses several connected systems to perform various functions but is not able to perform electronic data exchanges. Implementing UNCTAD's customs management system (ASYCUDA World) would improve customs automation. The new system is expected to be operational by mid-2017. However, the planned ASYCUDA project only covers customs. Other services, such as those performing sanitary and phytosanitary controls, will not have access to the system.

The lack of transparency in customs procedures and fees creates uncertainty and unpredictability in the supply chain and affects the development of Kazakhstan as a transit corridor. While there is an official customs website, online information on customs procedures remains scarce. Information on fees and charges imposed on or in connection with importation and exportation, for example, is only available in paper publications. In addition, there is no enquiry point established to provide information on customs

formalities and respond to requests of traders for required forms and documents. As a result, fines and additional delays for improperly following the procedures are common, and inconsistencies in the interpretation and application of procedures by border control agencies frequent. In many cases, depending on the type of goods, Customs require importers to produce additional permissions and licenses, on top of the standard set of documents required, which adds time and cost to the clearance procedure (Table 5). The customs clearance process of consumer goods, for example, requires a minimum of two additional documents to be submitted by the importer. At least two days are needed to clear the goods if the importer has obtained the documents in advance. If Customs request additional documents that could not be obtained in advance, it might take up to 10 to 15 days to obtain them and complete customs clearance. Establishing an online trade portal that would make available all information on customs clearance requirements and procedures from all agencies involved in the customs clearance process, and that would act as an enquiry point as required under the WTO Trade Facilitation Agreement, would help enhance transparency of customs clearance.

Ensuring that border agencies hold regular consultations with traders and stakeholders would enhance transparency and promote mutual trust between Customs and the business community. There is limited evidence that some level of consultations between the government and traders takes place before laws and regulations related to the movement, release, and clearance of goods enter into force. However, regular consultations do not seem to be the norm. The establishment of a National Trade Facilitation Committee as required under the Trade Facilitation Agreement could be used as an opportunity to institutionalize a public private sector dialog.

Table 5. Number of additional documents and time needed for customs clearance of imported goods by commodities

Commodities	Number of additional documents needed	Time needed for customs clearance in days	Additional Documents Required
Machinery	2	3	Certificate for compliance Import license
Vehicles	1	1	Certificate for compliance
Iron & steel	3	1	N.A.
Oil & oil products	4	1	N.A.
Electronic equipment	3-4	2	Certificate for compliance Import license Permission from sanitary epidemiological authority Permission from National Security Committee
Food & Beverage	3	2-3	Certificate for compliance Import license Permission from sanitary epidemiological authority Permission from National Security Committee
Pharmaceutical products	4	3	N.A.
Apparel and footwear	2	2-3	N.A.
Detergent and cosmetics	2	2-3	N.A.

Source: World Bank staff based on interviews with traders

The lack of transparency in customs procedures also hampers the development of the logistics sector by providing disincentives for entry by additional players. Currently international logistics companies are discouraged from providing third party logistics (3PL) services in Kazakhstan due to the lack of clarity and consistent application of trade and customs clearance procedures. The entry of international 3PL service providers could have a significant impact on the quality of logistics services in Kazakhstan, in particular through the transfer of logistics know-how, and lead to further improvement of Kazakhstan's competitiveness and better integration of the country into the global logistics network.

The establishment of a Single Window would simplify customs formalities and help reduce

time and cost. Although not formally required under the TFA, the creation of a Single Window that enables traders to submit documentation and/or data requirements for importation, exportation, or transit of goods through a single entry point to regulatory authorities or agencies is instrumental in facilitating procedures and reducing the time and cost of customs clearance. The establishment of a Single Window is one of the 100 Concrete Steps announced in May 2015 by President Nazarbayev. Efforts are underway to create a Single Window environment, but the tight timeframe set will limit the functionality of the system.

The lack of contemporary border management practices further delays the release of goods. A number of international practices commonly used to facilitate border clearance are not yet adequately implemented.

These concern: the capacity for (automated) pre-arrival lodgment and processing of documents – all documents are manually checked at the border prior to the final determination and payment of customs duties at inland terminals; the separation of controls undertaken in ‘real-time’ from those that can be completed ‘post-transaction’ (such as valuation or conformity) and the separation of release from final determination of customs duties; the absence of accelerated controls for perishable goods; simplified clearance procedures and other benefits for Authorized Economic Operators – i.e. traders who present a low risk of non-compliance; and expedited release of ‘express consignment’ goods entered through air cargo facilities under special conditions (“expedited shipments”). There are no Authorized Economic Operators in Kazakhstan, to a large extent due to the fact that the CU Code requires a level of guarantee for the payment of customs payments and taxes that most Kazakh companies, in particular SMEs, consider prohibitive.

Enhancing advance rulings procedures would improve certainty and predictability of cross border trade transactions. Determination of the value of goods, classification of goods, and determination of rules of origin are common sources of disputes between Customs and traders. Advance ruling provisions aim at setting up a transparent and formal process for traders to obtain, upon request, rulings from Customs prior to the transaction with a view to improving predictability of cross border trade transactions and facilitating trade. While Kazakhstan’s Customs do issue advance rulings, measures could be taken to enhance transparency and accessibility of the system and ensure Kazakhstan’s conformity with the WTO Trade Facilitation Agreement. In particular, procedural rules on advance rulings should be further developed and online request procedures should be made available.

Although a risk management system was put in place in 2010 to facilitate customs clearance, physical inspection remains high, delaying customs clearance. Risk management represents a modern, effective and efficient way to deploy customs resources more effectively and to facilitate customs clearance. Kazakhstan introduced a general risk management system covering all operators in 2010. The system provides

for selective customs controls, i.e. only consignments deemed at high risk of non-compliance should be subject to screening and/or physical examination. However, in reality, the principle of selective control does not appear to be fully implemented and discretion results in excessive interventions. The “green channel” exists on paper, but is not used. In reality, all consignments are subject to manual documentary checks. Pre-arrival processing of customs documents is not implemented: all documents are systematically checked at the border. Customs officials estimate that around 24 percent of goods crossing the border are physically inspected, which contrasts with best practices whereby only 1 percent to 5 percent of goods are inspected. However, according to traders, up to 50 percent of goods are actually subject to physical inspection. Furthermore, the principle of selective control does not seem to be applied consistently throughout the national territory. Systematic physical examination of consignments seems to be the norm at certain checkpoints. As physical inspection is carried out manually, resulting delays can be significant.

Inconsistent application of customs clearance procedures can considerably distort transportation flows. Operations of customs in different locations vary considerably (speed of clearance, physical inspection, administration of customs value, classification of goods, unofficial payments, etc.). Companies importing goods into Kazakhstan tend to bring goods to one customs clearance location near their main headquarters and make distribution throughout Kazakhstan after customs clearance. It is not uncommon to see companies such as Procter & Gamble or Metro Cash & Carry bring goods from the EU all the way down to Almaty by either rail or trucks and then shortly after clearance send them back by trucks to Northern or Western Kazakhstan.

Ensuring full freedom of transit should be a priority if Kazakhstan wants to become a regional transit hub between Asia and Europe. While Kazakhstan committed to apply most trade facilitation measures related to freedom of transit under the WTO Trade Facilitation Agreement upon entry into force of the Agreement, it did not commit to implement three specific provisions: the creation of separate infrastructure for trade in transit, the possibility to provide guarantees for multiple

transactions for the same operators or renewal of guarantees without discharge of subsequent consignments, and the appointment of a national transit coordinator to which enquiries and proposals relating to the good functioning of transit operations could be addressed. Implementing these provisions as a matter of priority would expedite the movement of goods in transit and help consolidate Kazakhstan's position as a regional transit hub.

Further streamlining and harmonizing procedures is needed at the ECU level to fully reap the benefits of the Union. The Customs Union intended to ease trade facilitation and supply chain at the Kazakh-Russian border by abolishing customs control within the ECU territory and by providing for common customs procedures, and common rules for customs declaration, valuation of goods and customs clearance. The customs checkpoint at the Kazakh-Russian border was dismantled in July 2012. However, the establishment of the Customs Union also led to additional non-tariff restrictions and new documentary requirements, such as the Certification of State Registration. In addition, the impossibility for Kazakh traders to clear their goods in Belarus or the Russian Federation forces them to rely on Belarussian or Russian customs brokers to clear their goods, thereby increasing costs and complicating customs clearance. As noted above, the ECU Code also made it more difficult to obtain the status of Authorized Economic Operators. In addition, interagency coordination within the ECU territory remains limited and information systems are not well interconnected. Finally, risk management approaches at the level of the Customs Union are not well integrated, thereby limiting the benefits of the system. Although ECU rules provide for customs control to be based on the principle of selective control and for the sharing of information on risks, the typologies of risks are defined nationally and the risk management systems of the three partners differ significantly in terms of management techniques and degree of automation.

Better external border agency cooperation with non-ECU neighbors would improve supply chain flows and further facilitate cross border trade. Kazakhstan's efforts to improve cross border trade would be usefully complemented by measures to enhance interagency cooperation at the main border crossing points between Kazakhstan and non-ECU neighbors, in particular China. Such measures could involve: aligning working days and hours with non-ECU neighboring countries, aligning customs procedures and formalities, developing joint border checkpoints, interconnecting information systems to permit exchange of information, performing joint customs controls, and establishing a one stop border post control.

Infrastructure

Road, rail and pipeline are the three main modes of transportation in Kazakhstan. There is no significant freight by air or sea. Bulk commodities are generally transported by rail or pipeline, given their relatively low-value, non-perishable, and less prone to theft in transit nature. Rail transport offers a relatively lower cost option over road transport on long distances (more than 1,500km). Road transportation is used mainly for distributing fast moving consumer goods (FMCG) and non-FMCG durable products within Kazakhstan. Most multinational companies deliver imported goods to Almaty, and then further deliver them by trucks to various parts of Kazakhstan. It is estimated that 99.98 percent of freight by truck in Kazakhstan is domestic.

Most exports are transported by pipeline or rail, reflecting the composition of trade in Kazakhstan. Kazakhstan's exports consist mostly of oil, gas and bulk commodities, which are best transported by pipeline or rail. As a result, export and import movements represented only 0.01 percent and 0.02 percent of all freight transported by trucks in 2013, while transit traffic by truck through Kazakhstan could be assumed to be practically zero (Table 6).

Table 6. Shares of freight transported by rail and road (2011 data)

	Total (mln tons)	Export (percent of total)	Import (percent of total)	Transit (percent of total)	Domestic (percent of total)
Total	2,974.9	4.17	0.62	3.24	91.97
Road	2,475.5	0.01	0.02	0.00	99.98
Rail	279.7	35	6.41	5.39	53.2
-incl. containers	41.1	19.01	14.82	18.91	47.26

Source: World Bank. "Improvement and Further Development of Kazakhstan's Logistics System" (2013)

Kazakhstan's infrastructure needs upgrading to meet Kazakhstan's aspirations to become a transit hub between Asia and Europe.

The quality and density of infrastructure facilitates the movement of goods, services and people, and as such impacts economic activity. Kazakhstan ranks only 107 out of 140 in terms of quality of road infrastructure in the WEF Global Competitiveness Index 2016. Kazakhstan's road network consists mainly of Class III sections of local and international road networks, most of which are in need of repair. Moreover, the road network in rural areas is underdeveloped and in poor condition, thereby increasing transportation costs and undermining economic development. Transportation costs are estimated at about 10 percent of the cargo value, well above the 4 percent average of developed economies. Kazakhstan is also lagging behind in terms of port and air transport infrastructure –114th and 85th rank respectively - but it scores better in terms of quality of railroads (27th rank). If Kazakhstan wants to capitalize on its location and become a transit hub between Asia and Europe, it will require high quality, efficient infrastructure, combined with efficient border processes and logistical services.

Kazakhstan's current efforts to upgrade its infrastructure are key to the success of Kazakhstan's development strategy. The State Programme for Infrastructure Development up to 2020 (Nurly Zhol or "Bright Path to the Future"), which was launched in November 2014 and whose core goal is to create an efficient transport and logistics infrastructure in Kazakhstan, will be instrumental in strengthening Kazakhstan's potential as a transit hub. In addition, by putting a particular

focus on the development of transportation infrastructure and logistics at the local level, the Programme will improve accessibility and increase connectivity throughout the country, thereby promoting development of Kazakhstan's regions.

In the aviation sector, the Programme foresees the renovation of airports and the gradual liberalization of air transport regulation. By 2020, 75 new international air routes should be opened.

In the water transport sector, the Programme provides for the renovation and expansion of the country's only seaport, Aktau, located on the Caspian Sea. The addition of three dry cargo terminals should increase the port's capacity from 16.5 million to about 20 million metric tons, making the transport of goods to Europe via the Caspian Sea without transiting via Russia an economically attractive alternative.

In the road and railways sector, the Programme calls for the renovation of thousands of kilometers of roads and railway, and the upgrade of railroad engines, trucks and passenger cars. Highways will connect the capital, Astana, with regional transport hubs, such as Aktau (Center-West Corridor) and Almaty (Center-South Corridor). Both corridors are co-financed by the World Bank. Under the Programme, 81 percent of state railroads should be assessed as "good" by 2020 and the rest as "satisfactory." A major reform in the railway sector is the functional separation between infrastructure development and rail transport, also known as "unbundling of functions", which should allow for an increased participation of the private sector in the provision of railway services. The National

Railway Company “Kazakhstan Temir Zholy” (KTZ) defines itself as a “national logistics operator” that provides transportation and logistics services for freight transit, imports and exports, in line with the country’s 2050 Strategy’s target of doubling transit traffic through Kazakhstan by 2020 and increasing it 10-fold by 2050.

Several new international corridors have been built or are under construction, which will strengthen Kazakhstan’s transit position between Asia, Europe, and the Middle East. A key project is the construction of the international “Western Europe–Western China corridor”, which starts from Orenburg in the Russian Federation and ends at Khorgos in China – about 85 percent of which is cofinanced by the World Bank and other IFIs. The Chinese city of Khorgos, which is expected to develop quickly into what some believe will be the Western Shenzhen, is seen as a key transit hub between China and Europe under China’s New Silk Road strategy. A special economic zone (SEZ) was established in Khorgos-Eastern Gate, which includes a logistics and industrial zone, a railway station and the Kazakh-Chinese Khorgos International Centre of Boundary Cooperation (ICBC). In July 2015, Kazakhstan’s first dry port was launched in the SEZ. Another major project was the construction of a railway link Uzen-Turkmenistan along the international North–South corridor to connect China and Iran via Kazakhstan and Turkmenistan. The new container train service was launched on February 1, 2016. The 9,000-kilometre route reduces transit time between China and Iran from 25-30 days (when transported by sea) to 10 days.

These efforts are bearing fruit, but more could be done to further improve intermodal infrastructure. Containerized cargo transiting from Asia to Europe via Kazakhstan increased 34 percent to roughly 47,000 TEUs in 2014, and the number of container trains transiting via Kazakhstan increased 57 percent to 1,290 from 2014 to 2015, according to the national railway operator. Kazakhstan is gradually becoming one of the biggest transit hubs between Asia and Europe and the Gulf countries. However, improving the interconnections between road, rail, and water transport could further enhance the efficiency of the transport network and increase competitiveness of the transit corridor.

Efforts are also underway to promote Public-Private Partnerships (PPPs) and private sector’s participation. In November 2015, Kazakhstan adopted a new law on PPPs. Together with the new decrees and amendments to the 2006 Law on Concessions, which allows long-term lease concessions to be awarded to private sector operators over a range of state-owned assets outside the oil and gas sector, the new PPP law broke new ground by expanding the scope for PPPs and allowing government financial support to a wider range of projects. The new law is part of the government’s efforts to bolster investment and promote economic development. However, it remains to be seen whether the implementing regulations that are now being prepared will provide the adequate framework to permit the successful implementation of PPP transactions, a sector in which Kazakhstan’s record has so far been rather disappointing.

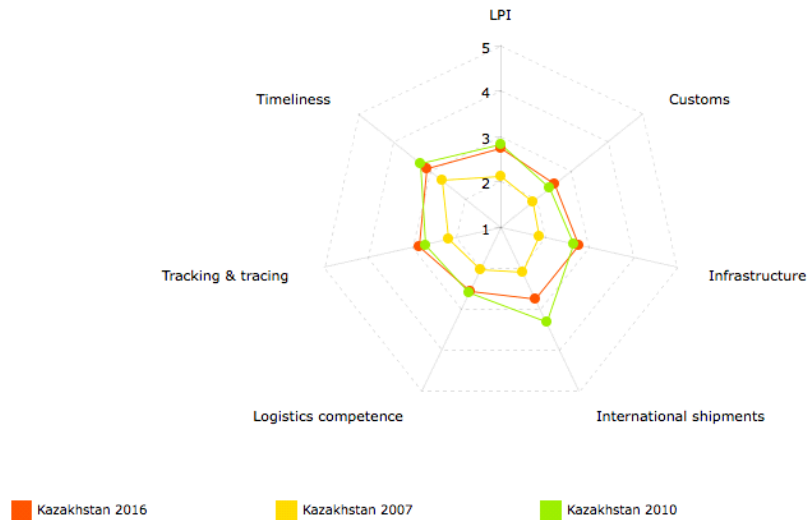
Logistics

While Kazakhstan’s logistics performance has improved since 2007, it remains below that of its regional and income level peers. Kazakhstan’s logistics performance has improved significantly since 2007 on all six dimensions of the LPI index: 1) Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs; 2) Quality of trade and transport-related infrastructure (e.g., ports, railroads, roads, information technology); 3) Ease of arranging competitively priced shipments; 4) Competence and quality of logistics services (e.g., transport operators, customs brokers); 5) Ability to track and trace consignments; and 6) Timeliness of shipments in reaching destination within the scheduled or expected delivery time (Figure 10). Ranked 133rd in 2007, Kazakhstan moved up to the 77th position in 2016. However, it still lags behind its regional peers (Figure 11) and was one of the most underperforming non-high income countries in 2014. The level of port and airport fees and charges is high, the quality of infrastructure low, the competence and quality of logistics services (e.g., transport operators, customs brokers) weak, and the efficiency of the customs clearance process insufficient. As a result, the share of logistics costs in Kazakhstan is estimated at more than 25 percent

of the cost of production, which is much higher than the world average - which stands at 11 percent. Kazakhstan's poor logistics performance represents a serious impediment to trading activities, increasing the cost of doing business,

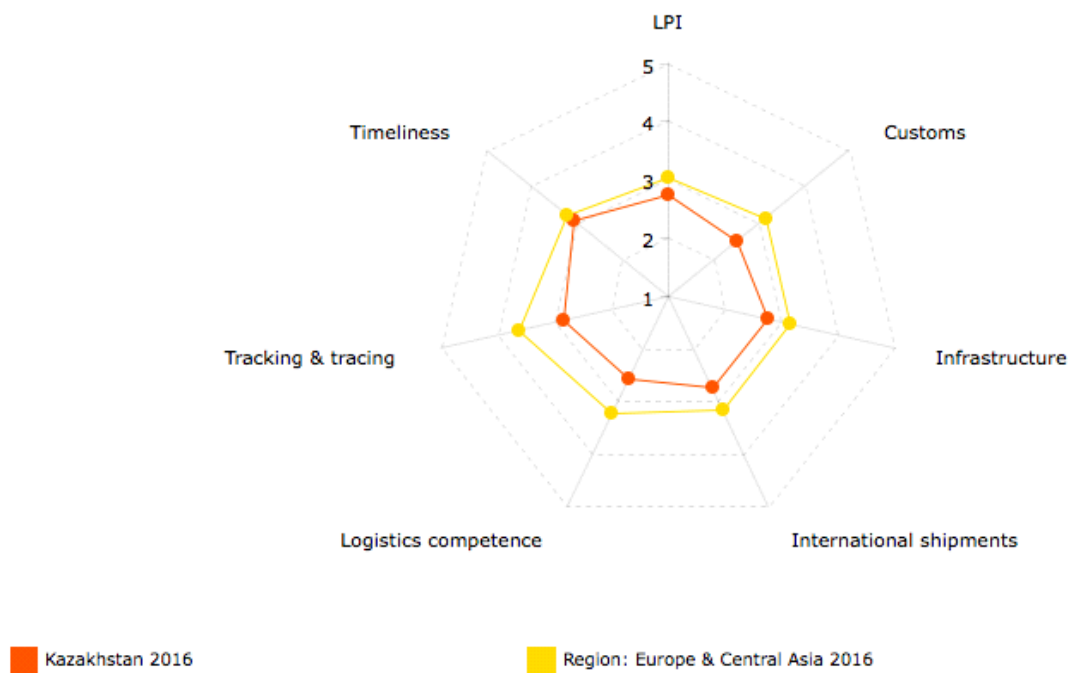
and limits Kazakhstan's competitiveness. If it wants to become a regional transit and logistics hub, Kazakhstan needs to improve its logistics reliability and reduce logistics costs.

Figure 10. Kazakhstan's logistics performance improved since 2007



Source: Logistics Performance Index 2016

Figure 11. Kazakhstan underperforms compared to its regional peers



Source: Logistics Performance Index 2016

Diverse factors impact the competitiveness of Kazakhstan's logistics system. First, the lack of quality storage facilities in Kazakhstan and modern logistics centers has long been a recurring complaint of traders in spite of the relatively dynamic development of logistics centers in the country. Logistics facilities in Kazakhstan are not optimally operated – there is room for improvement with regard warehouse layout, management and service levels. Second, the provision of logistics services is fragmented, in particular at the border. Border transit usually involves several transport providers, a change of transportation mode, and information flows across different systems. Third, the legacy design of the supply chain from the breakup of the Soviet Union, which implies the obligation of going through a bonded warehouse, is a major rigidity in the supply chain. Finally, the slow pace of the transport sector's liberalization efforts, the lack of competition and insufficient number of third party logistics (3PL), which drive up costs, and the lack of qualified professionals are also frequently mentioned. Putting aside customs clearance issues, Kazakhstan scores the lowest in terms of "competence and quality of logistics services" in the WB Logistics Performance Index, with a modest score of 2.57 (out of 5). The low reliability of supply chains and high transaction costs that result from these weaknesses acts as a key constraint on Kazakhstan's competitiveness.

The limited capacity of logistics service providers, lack of transparency, lack of competition, and regulatory constraints hamper the development of an efficient multimodal transport industry. There are over 70 enterprises offering logistics services in Kazakhstan, including express and courier companies, customs brokers and freight forwarders. However, only a few freight forwarders - most of them branches of foreign companies - offer integrated multimodal services. Most local forwarders are not familiar with modern logistics management methods and services and are poorly integrated in global logistics network. The lack of competition and limited access of private operators to the railway system and intermodal transportation negatively impact Kazakhstan's competitiveness as a transit country. Kazakhstan's recent accession to the WTO and the liberalization of transport services that will result from it may help to increase competitiveness in this area. The provision of multimodal services is

further complicated by the lack of legal framework. There is no legislation on the occupation of Multimodal transport operator, making it impossible to offer multimodal transport services under a single contract, and information on legal and technical requirements is lacking, hampering trading activities.

Greater use of logistics Information and Communication Technology (ICT) will help improve logistics performance in Kazakhstan. ICT tools are underutilized among transport and logistics firms. Automation systems in warehousing and inventory planning are limited and warehouse management systems (WMS) are not widely used. Because of an absence of integration and compatibility of existing IT systems, information sharing and information exchange between supply chain participants is limited and leads to delays of shipments, overstocking of inventories, suboptimal load factors and inefficient trucking operations. Development of ICT systems in Kazakhstan would improve the efficiency and coordination of supply chain processes. The continuous improvement of the ICT infrastructure in the logistics sector will allow transport and logistics firms to replace paper-based and manual processes with automated processes that speed the flow of information and goods in the supply chains.

Kazakhstan's poor logistics performance must be understood and addressed within the regional context. As a landlocked country, Kazakhstan is dependent on its neighbors for cross border trade. The poor quality of logistics services and infrastructure in Eurasian countries negatively impacts Kazakhstan's logistics performance. Addressing logistics deficiencies at the regional level must be a priority if Kazakhstan is to become an efficient regional transit, logistics and business hub. Various infrastructure and trade facilitation projects supported by international organizations such as the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund (IMF), and the World Bank (WB) already put a large emphasis on the regional dimension in an effort to better integrate the markets of the region and expand regional trade opportunities. The creation of the EAEU is, in this respect, a positive development as it will lead to EAEU-wide initiatives.

Indeed, the Eurasian Economic Commission has competence in freight transport and logistics. While the legal framework for logistics services is still being developed, benefits brought by the Customs Union are seen very positively by the private sector.

Kazakhstan has embarked on an ambitious plan to improve its logistics infrastructure. An Interagency Committee for the development of Kazakhstan's logistics system, chaired by the Deputy Prime-Minister, was established in 2011, and Kazakhstan's national Railway company "Kazakhstan Temir Zholy" (KTZ) was appointed as the country's integrated logistics operator. As part of the infrastructure development programme Nurly Zhol, a series of transport and logistics centers (TLC) will be established by 2020 to modernize Kazakhstan's logistics infrastructure. The most notable projects are the Khorgos-Eastern Gate Special Economic Zone (see above) and the Astana TLC, which opened last year. The Astana center is Kazakhstan's first premium class logistics center. It provides for multimodal rail-road transportation services. It includes a container terminal and special gas chambers for long-term storage of fruit, and is equipped with modern loading and unloading apparatus. It is semi-automated. Further TLCs will be built in Aktau, Aktobe, Almaty, Atyrau, Kostanai, Pavlodar, Semey and Uralsk, in an effort to equip Kazakhstan's regions with modern logistics facilities and to

position the country as a regional transport, logistics and trade hub. These initiatives demonstrate the strong commitment of the Kazakh government to develop its logistics infrastructure and services. However, the absence of integrated planning limits infrastructure productivity and leads to fragmentation of the supply chain and loss of synergies between stakeholders.

To become a competitive logistics hub, Kazakhstan needs to find ways to provide more value added services to its transit flows.

Given its level of development, Kazakhstan needs to find ways to compete on value added services rather than on price. Raising competitiveness and further improving the quality of logistics services by bringing in new investment and attracting 3PL providers, developing training in logistics and supply chain management to enhance skills both at a practical and strategic level, developing specialized storage, providing repair and return logistics, and taking a leading role in sustainable transport and logistics issues would enable Kazakhstan to position itself as a quality logistical hub. To achieve this, Kazakhstan should develop a comprehensive national logistics strategy and plan of action for domestic and international logistics covering the entirety of the supply chain, from warehousing, to loading, handling and transport, rather than looking at each activity separately.

- **TRADE FACILITATION**

- *Customs formalities*

- **Simplify document requirements for customs clearance.** Review documents required to import and export and reduce documentary requirements to a minimum.
 - **Review the requirement to present hard copies of documents** on top of e-documents.
 - **Develop Standard Operating Procedures for officers** to enhance transparency and predictability of the system and ensure consistency of application throughout the territory.
 - **Review fees and charges and reduce their number wherever possible.**
 - **Streamline and simplify ECU customs procedures**, in particular those related to imports of sanitary and phytosanitary products, to goods subject to import and export licensing under the ECU Unified Lists, and to the issuance of the Certificate of State Registration.

- *Transparency*

- **Develop an online trade information portal** that would make available all information on customs clearance requirements and procedures from all agencies involved in the customs clearance process, and that would act as an **enquiry point** where traders can obtain authoritative information, as required under the WTO Trade facilitation agreement.
 - **Prepare guides/manuals** explaining procedures governing customs clearance (documents required, various steps, etc) and the use of e-documents, and make them available online.
 - *Customs clearance and risk management*

- Implement **pre-arrival processing of import documentation** and establish a **Green Channel** for low-risk goods.
- **Further develop and refine risk management** procedures and **establish a common approach to risk management across all border agencies** to ensure consistent application throughout the national territory and reduce “red channel” cases, i.e. goods subject to physical inspection.
- **Establish a central body** responsible for developing and overseeing the implementation of the common approach at all border crossing points and inland terminals.
- **Separate good release from final determination of customs duties**, taxes and fees and charges, which allows importers to obtain release of their goods under a guarantee, if required, prior to the final determination and payment of customs duties.
- **Introduce accelerated controls for perishable goods** and preferential treatment concerning the separation of release from customs clearance.
- **Review the requirements for the Authorized Economic Operator Program** and adjust them so that they can constitute the basis for a functional AEO program in Kazakhstan. Begin with a pilot program, for example, for exports.
- **Develop procedural rules for advance rulings** and make **online request** procedure available online.
- **Improve external border agency cooperation with non-ECU neighboring countries, in particular China**, by aligning customs procedures and formalities, aligning working days and hours with non-ECU neighboring countries, performing joint customs controls, interconnecting information systems to permit exchange of information, and establishing a one stop border post control.

- *Automation*
- **Complete the process of establishing and putting into operation ASYCUDA World and progressively extend to all agencies involved in customs clearance.** Make access and information/risk sharing available and operational for other border agencies.
- *Single Window*
- **Review and streamline business procedures** in all agencies involved in international trade, including the development of a shared vision and blueprint for the implementation of a national single window.
- **Develop a single window for trade operations**, a one-stop shop for traders, which connects all agencies involved in international trade, and where permits and declarations can be requested, uploaded, processed and received.
- *Freedom of transit (as required under the WTO Trade Facilitation Agreement)*
- **Create separate infrastructure for trade in transit.**
- **Provide guarantees for multiple transactions** for the same operators or renewal of guarantees without discharge of subsequent consignments.
- **Appoint national transit coordinator** to which enquiries and proposals relating to the good functioning of transit operations could be addressed.
- *Governance*
- **Establish a National Trade Facilitation Committee** to institutionalize a public-private sector dialog (secretariat, IT infrastructure, technical assistance) and oversee implementation of the WTO Trade Facilitation agreement.
- *Infrastructure and Logistics*
- *National strategy*
- **Establish a public-private dialogue on transport and logistics** to identify issues faced by shippers and service providers that affect transit time, cost and reliability, and discuss measures to address them.
- **Develop a national transport and logistics strategy and action plan** to support the sustainable development of the transport and logistics sectors and set out measures to be taken over a 3-5-year period. The strategy should also ensure the setup of the necessary regulatory and institutional framework of the transport and logistics sectors, which will be needed for the successful implementation of planned interventions.
- **Finalize the implementing regulations for the November 2015 law on PPPs** to make the law operational and facilitate the implementation of PPP transactions.
- *Intermodal infrastructure and logistics*
- **Develop intermodal infrastructure** by improving the interconnections between road, rail, and water transport in order to further enhance the efficiency of the transport network and increase competitiveness of Kazakhstan as a transit corridor. In particular, develop intermodal facilities and logistics centers and improve integrated planning to enhance synergies and increase efficiency in the transactions between manufacturers, traders, 3PLs and freight forwarders.
- **Improve market access for private intermodal operators by removing market access restrictions and establishing equitable conditions** and common rules to increase competitiveness, improve of intermodal services and reduce transportation and handling fees.

- *Entry of international 3PLs*
- **Create a solid framework for attracting international 3PLs to the local logistics market** to promote transfer of logistics know-how and improve the quality of logistics services available, and to enhance the country's competitiveness as a transit corridor and integration into the global logistics network.
- In cooperation with industry associations, **identify potential investment projects and market them to international 3PLs and their investors.**
- *Performance metrics, standards and certification*
- **Support local research institutions and related organizations to introduce supply chain performance measurement metrics and develop a national baseline of performance benchmarks** to measure future improvements in the supply chain.
- Provide **support to business associations and educational institutions to establish standards and certification for logistics**

and SCM professionals. These should be based on international standards.

- **Encourage practitioners to obtain international certification.**
- *Information technology*
- Encourage business leaders to make greater use of ICT and EDI systems **in transport, logistics and SCM** to improve inventory management, vehicle fleet utilization and routing, and track-and-tracing.
- *Training*
- **Improve education and professional training in logistics and SCM** to ensure that skills developed match future market requirements. Lack of knowledge of modern logistics and SCM constrains logistics sector development, limits use of logistics IT and adoption of best practices.
- Support **advanced training in ICT and EDI** through the national education institutions to promote their use.

Annex 1

Table 1: Provisions of the WTO Trade Facilitation Agreement that Kazakhstan will implement by the time the Agreement enters into force (notified as Category A Commitments in document WT/PCTF/N/KAZ/1 dated 1 March 2016)

Provision	Summary of main requirements
Article 2: Opportunity to Comment, Information before Entry into Force and Consultations	
1. Opportunity to Comment and Information before Entry into Force	<ul style="list-style-type: none"> · Traders and other interested parties must be given an opportunity and reasonable time to comment on proposals for new trade-related and customs laws and administrative regulations, as well as any amendments thereto. · New or amended laws and regulations must be made publicly available, as early as possible before their entry into force.
Article 4: Procedures for Appeal or Review	
	Members shall provide traders with the right to appeal decisions made by Customs in an administrative and/or judicial proceeding.
Article 5: Other Measures to Enhance Impartiality, Non-Discrimination and Transparency	
1. Notifications for Enhanced Controls or Inspections	<ul style="list-style-type: none"> · For countries that have such a system, the conditions under which notifications or guidance may be made and maintained on the system, and the actions taken as a consequence of the notification or guidance, shall be subject to certain disciplines
2. Detention	<ul style="list-style-type: none"> · If Customs or other border authority detains imported goods for inspection, it shall inform promptly the carrier, the importer or his agent (such as the customs broker, acting on the importer's behalf).
3. Test Procedures	<ul style="list-style-type: none"> · Members may grant traders the right to a second test, where test results on a sample of goods taken upon arrival of goods declared for importation are adverse to the trader · Members shall publish the contact information of laboratories where confirmatory tests can be carried out or provide this information to the importer. (They may be regional or international laboratories, if there are no national accredited laboratories) · Members shall consider the results of the second test.
Article 6: Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation and Penalties	
1. General Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation	<ul style="list-style-type: none"> · The amount and purposes of any fees or charges imposed on imports or exports must be consistent with the GATT Article VIII restrictions. · Members must: <ul style="list-style-type: none"> - publish specified information about such fees and charges - publish any new or amended fees or charges an "adequate time" prior to their entry into force - periodically review their fees and charges in order to reduce the number and diversity "where practicable"

2. Specific Disciplines on Fees and Charges for Customs Processing Imposed on or in Connection with Importation and Exportation	<ul style="list-style-type: none"> · Customs fees and charges must be limited in amount to the approximate cost of the services rendered. · Fees not linked to a specific import or export operation must be closely connected to the customs processing of the goods.
3. Penalty Disciplines	<ul style="list-style-type: none"> · Members who apply civil or administrative customs penalties shall: <ul style="list-style-type: none"> - impose penalties only on the person(s) responsible for the violation - ensure that the amount of such penalties are proportionate to the degree and severity of the violation - avoid conflicts of interest - avoid creating an incentive for the assessment of a penalty that is not commensurate with the circumstances of the case - provide the person with a written explanation - consider a "prior disclosure" as a potential factor to mitigate the penalty amount
Article 7: Release and Clearance of Goods	
1. Pre-arrival Processing	<ul style="list-style-type: none"> · Traders shall be permitted to submit the import documentation and other information required for release of imported goods, in electronic format where appropriate, prior to arrival of the goods in order to expedite release
3. Separation of Release from Final Determination of Customs Duties, Taxes, Fees and Charges	<ul style="list-style-type: none"> · Members shall allow importers to obtain release of their goods, under a guarantee, if required, prior to the final determination and payment of customs duties, taxes, fees and charges where the final determination is not done prior to, upon arrival or as rapidly as possible after arrival · Any required guarantee shall be limited in amount to the equivalent of duties, taxes, fees and charges to which the goods may be liable, as determined by Customs · If the importer commits an offense, Customs may require a guarantee for the potential fine or penalty as a condition for release of the goods (however, release of goods in cases of violations of law or fraud shall be determined by each Member's law) · Customs shall discharge the guarantee without delay when no longer required for its intended purposes/when all requirements have been met
4. Risk Management	<ul style="list-style-type: none"> · Members shall apply risk management to customs control in connection with import, export and transit of goods · Members shall concentrate customs control on high risk consignments and expedite the release of low-risk goods · Members shall use appropriate selectivity criteria in applying risk management
5. Post-Clearance Audit	<ul style="list-style-type: none"> · Members must use post-clearance audit "with a view to expediting the release of goods" and, wherever practicable, to inform risk management

	<ul style="list-style-type: none"> · Audits must be transparent and the persons subject to audit should be notified with information about audit results
9. Perishable Goods ¹⁵	<p>Members shall adopt or maintain procedures for the importation of perishable goods that:</p> <ul style="list-style-type: none"> · allow release within shortest possible time; · provide for release, where appropriate, outside Customs normal business hours; · give priority to such goods when scheduling examinations; · allow such goods to be stored in appropriate conditions for their conservation, where facilities approved by the relevant authorities are available; · where practicable, and upon request, allow release to occur at these storage facilities; and · require Customs to give a written explanation to the importer, on request, when there is a significant delay in the release of the goods.
Article 8: Border Agency Cooperation	
	<ul style="list-style-type: none"> · National border authorities/agencies shall cooperate and coordinate border controls and procedures to facilitate trade · Countries with common land borders shall, to the extent possible and practicable, cooperate and coordinate procedures to facilitate cross-border trade
Article 9: Movement of Goods Intended for Import under Customs Control	
	<ul style="list-style-type: none"> · A declarant should be able to move goods from a customs office of entry to another customs office within the same customs territory (under customs control).
Article 10: Formalities Connected With Importation, Exportation And Transit	
1. Formalities and Documentation Requirements	<ul style="list-style-type: none"> · Members must periodically review formalities and documentation requirements with a view towards simplifying or reducing them · Documentation requirements or formalities should be as fast and efficient as possible. They should not be adopted if a less trade-restrictive solution is available. They should be eliminated or modified if no longer necessary
2. Acceptance of Copies	<ul style="list-style-type: none"> · Border agencies shall endeavour to accept copies of supporting documents that may be required for import, export or transit formalities. · If the original document has been provided to one government authority, other government authorities shall accept a copy authenticated by the agency holding the original. · Neither an original nor a copy of the export declaration issued by authorities in the country of export shall be required for importation of the goods.
5. Pre-shipment Inspection	<ul style="list-style-type: none"> · If a Member presently requires pre-shipment inspection of imports in relation to tariff classification or customs valuation, it shall end such requirements

	<ul style="list-style-type: none"> · Members are encouraged not to introduce any such pre-shipment inspection requirements in the future.
6. Use of Customs Brokers	<ul style="list-style-type: none"> · Members shall not introduce the requirement for the mandatory use of customs brokers. · Measures on the use of customs brokers, or any subsequent modifications thereof shall be notified to the Committee and published promptly. · Any broker licensing rules shall be transparent and objective.
7. Common Border Procedures and Uniform Documentation Requirements	<ul style="list-style-type: none"> · Customs shall apply uniform documentation requirements and uniform release and clearance procedures
8. Rejected Goods	<ul style="list-style-type: none"> · The importer shall have the right to return to the exporter, or any other person, imported goods that have been rejected by competent authorities due to failure to comply with prescribed sanitary and phytosanitary regulations or technical regulations
9. Temporary Admission of Goods and Inward and Outward Processing	<ul style="list-style-type: none"> · Members shall adopt customs procedures for the temporary admission, inward processing and outward processing of goods. <p>A temporary admission procedure allows goods to be imported for a limited period of time (six months, one year, etc.) for defined purposes (e.g., goods to be displayed at trade exhibitions; shipping containers imported to be filled; tools needed for a domestic manufacturing operation; traveller's personal effects; foreign-registered automobiles used by visitors to the country, etc.) without payment of import duties and taxes.</p> <p>Manufacturers use the inward processing procedure for goods that have been returned to them for repair or for parts, materials, or other production inputs they use in their processing operations. Under the procedure, the goods may be imported without payment of duty or taxes provided the manufacturer exports the repaired or finished product within a specified period. Or duty may be refunded under a duty drawback scheme once the goods are exported.</p> <p>Outward processing allows persons to send domestic or previously-imported/duty-paid goods abroad for purposes of repair (for example, goods returned to the manufacturer under warranty) or for other processing, and re-import the repaired or processed goods within a fixed period of time without payment of import duty or taxes, with the exception of duty or tax assessed on the value-added by the foreign processing operation.</p>
Article 11: Freedom of Transit	
	<ul style="list-style-type: none"> · Regulations or formalities on transit shall be eliminated or reduced if no longer required or a less trade-restrictive solution becomes available, and they should not be applied in a manner that would be a disguised restriction on trade · Charges that may be imposed on transit only for transit administrative procedures entailed or transit services provided, and shall be limited in amount to the expense of such procedures or cost of such services · Members shall not seek, take or maintain voluntary restraints or similar

	measures on traffic in transit
Strengthened Non-Discrimination (Paragraph 4)	<ul style="list-style-type: none"> · Treatment Preceding Transit: A Member shall not treat goods that will pass in transit through another Member's territory to the final destination less favourably than if the goods were shipped to the destination without passing through that other Member's territory
Transit, Procedures and Controls (Paragraphs 6-10)	<ul style="list-style-type: none"> · In processing and control of transit movements, a Member: <ul style="list-style-type: none"> o shall allow pre-arrival declaration o shall not apply formalities, documentation requirements or controls other than those necessary to identify the goods and ensure compliance with transit requirements o shall not apply customs charges, formalities or inspections other than at the offices of departure and destination (and not en-route) o shall not apply technical regulations and conformity assessment procedures on goods in transit o shall promptly terminate the transit operation once goods reach the office of exit, if all requirements are met
Cooperation and Coordination (Paragraphs 16)	<ul style="list-style-type: none"> · Members must endeavour to cooperate and coordinate to enhance freedom of transit
Article 23: Institutional Arrangements	
	Each Member shall have a national trade facilitation body to oversee implementation of the WTO trade facilitation agreement

Table 2: Provisions of the WTO Trade Facilitation Agreement that Kazakhstan did not notify as Category A commitments, i.e. provisions that Kazakhstan will not implement upon entry into force of the Agreement

Provision	Summary of main requirements
Article 1: Publication and Availability of Information	
1. Publication	<ul style="list-style-type: none"> · Members shall publish the general trade-related information listed in the proposal · Members shall publish such information "promptly" and in a "non-discriminatory and easily accessible manner" that will allow other governments, traders and interested persons to become acquainted with them.
2. Information Available Through Internet	<ul style="list-style-type: none"> · Members shall prepare practical guides to their import, export, and transit procedures including appeal procedures · Members shall publish on the internet: <ul style="list-style-type: none"> (i) the practical guides, (ii) the forms and documents required for import, export or transit, (iii) relevant trade laws (where possible), and (iv) the enquiry point contact information.
3. Enquiry Points	<ul style="list-style-type: none"> · A Member shall establish one or more "enquiry points" to respond to "reasonable" questions about the matters listed in Article 1.1 (procedures for importation, exportation, and transit; rates of duties; fees and charges; rules for classification and valuation of products; laws and regulations; import/export/transit restrictions, etc) , and to requests for required forms and documents. - If a member of a customs union or involved in regional integration, a Member may opt to participate in a regional enquiry point, rather than establishing a national enquiry point. · The Member shall respond to such enquires and requests within a "reasonable" time. · Members are encouraged not to charge fees for answering basic enquiries. Any fees charged for enquiries or for providing forms or documents shall be limited to the approximate cost incurred.
4. Notification	<ul style="list-style-type: none"> · A Member shall provide the Committee with the names of the official publications and the address(es) of the website(s) where the information required by Article 1.1 and 1.2 has been published · A Member shall provide the Committee with the contact details of its enquiry point(s)
Article 2: Opportunity to Comment, Information before Entry into Force and Consultations	
2. Consultations	Border agencies must hold "regular consultations" with traders and stakeholders

Article 3: Advance Rulings	<ul style="list-style-type: none"> · Customs shall provide a written ruling on request of a trader concerning the tariff classification or origin of his goods (or any other matters described in paragraph 9(b) prior to their importation) · The ruling shall be binding on Customs and remain valid for a reasonable period of time · A trader shall have rights to be notified if Customs takes certain actions adverse to his interests (such as a refusal to issue a ruling or a decision to revoke or modify a ruling) · Customs must publish certain information about the ruling process
Article 7: Release and Clearance of Goods	
2. Electronic Payment	To the extent practicable, Members should allow electronic payment of duties, taxes, fees and charges.
6. Establishment and Publication of Average Release Times	<ul style="list-style-type: none"> · Members are encouraged to measure and publish, on a periodic basis and in a consistent manner, the average time it takes to release goods · Members are encouraged to share their experience in carrying out these measurements with the WTO trade facilitation committee
7. Trade Facilitation Measures for Authorized Operators	<ul style="list-style-type: none"> · Members shall provide certain additional trade facilitation benefits to "authorized operators," or those traders who Customs has determined present a low risk of non-compliance with legal requirements. · Members shall publish the qualification criteria · Members' are encouraged to base authorized trader schemes on international standards, unless inappropriate or ineffective · A Member shall afford other Members the possibility to negotiate a mutual recognition of their respective authorized trader schemes
8. Expedited Shipments	<ul style="list-style-type: none"> · Members shall establish special facilitative procedures (as described in paragraph 8.2, e.g. minimize the documentation required) to allow expedited release of at least those goods entered through air cargo facilities · Members may permit only those persons or firms who fulfil the criteria listed in the subparagraphs of 8.1 to apply for expedited release treatment · Criteria for application for expedited release treatment shall be published
Article 10: Formalities Connected With Importation, Exportation And Transit	
3. Use of International Standards	<ul style="list-style-type: none"> · Members are encouraged to use "relevant international standards" as the basis for their import, export and transit formalities and procedures. · Members are encouraged to take part in preparation and periodic review of standards through the "appropriate" international organizations.
4. Single Window	<ul style="list-style-type: none"> · Members shall endeavor to establish a "single window" to which a trader can submit all documents and/or data required by customs and all other border or licensing authorities for the import, export or transit of goods, and from which the trader will receive all notifications. · "One-time submission:" where a trader submits required data and/or

	<p>documents to the single window he/she shall not be asked again for the same information other than in exceptional cases.</p> <ul style="list-style-type: none"> · Members shall use ICT to the extent possible and practicable.
Article 11: Freedom of Transit	
	<p>5. Members are encouraged to make available, where practicable, physically separate infrastructure (such as lanes, berths and similar) for traffic in transit.</p> <p>13. Each Member shall, in a manner consistent with its laws and regulations, allow comprehensive guarantees which include multiple transactions for same operators or renewal of guarantees without discharge for subsequent consignments.</p> <p>17. Each Member shall endeavor to appoint a national transit coordinator to which all enquiries and proposals by other Members relating to the good functioning of transit operations can be addressed.</p>
Article 12: Customs Cooperation	
	<p>One Member shall provide another, upon request and subject to conditions, information and/or documents concerning specific import or export declarations.</p>