



CADGAT

Central Asia Data Gathering and Analysis Team

Tariffs and formal and informal trade barriers in Central Asia

Central Asia Regional Data Review

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In 2009, the Norwegian Institute of International Affairs (NUPI) and the OSCE Academy established the Central Asia Data-Gathering and Analysis Team (CADGAT). The purpose of CADGAT is to produce new cross-regional data on Central Asia that can be freely used by researchers, journalists, NGOs and government employees inside and outside the region. The project is managed and the reports are edited by Kristin Fjaestad and Indra Overland at NUPI. Comments and questions can be sent to: cadgat@nupi.no. The datasets can be found at: www.osce-academy.net/en/cadgat/

The following datasets have been published previously:

1. Hydroelectric dams and conflict in Central Asia
2. Narcotics trade and related issues in Central Asia
3. Language use and language policy in Central Asia
4. The transport sector in Central Asia
5. Road transportation in Central Asia
6. Gender and politics in Central Asia
7. Political relations in Central Asia
8. Trade policies and major export items in Central Asia
9. Intra-regional trade in Central Asia

CADGAT has also produced a database on 'Elites in Central Asia', which can be found at the same website.

Introduction

Background to reports

These reports present an important aspect of regional cooperation in Central Asia – trade. Many factors speak in favour of regional trade and cooperation, including (a) the communication, transport and energy infrastructure created by the former Soviet Union as an integrated national system; (b) environmental issues which require regional approaches; (c) the potential attraction of a region free of trade and transit barriers for foreign and local investors, compared with the limitations of small national economies; (d) utilization of regional cooperation to overcome geographical obstacles and to improve access to global markets. However, statistics on intra-regional trade indicate that the level of trade in the region still falls short of its potential.

These reports (three in total) are based on data collected from various sources, with the results of this laborious effort presented in tables and graphs. As the data come from different sources they may not be free of methodological flaws. However, where possible the data have been verified and compared with various alternative sources.

This first report deals with the trade policies and major export items of each of the five Central Asian countries. It includes a review of trade policies and trade complementarity in the region, and tables showing the evolution of export profiles of each country after independence.

Key findings

- The leaders of the Central Asian countries have adopted diverse economic strategies which have led to divergence in trade policies, ranging from quite liberal (Kyrgyzstan) to relatively restrictive (Uzbekistan). This can be seen as one obstacle to harmonization of regional trade and cooperation.
- All five Central Asian states have natural resources as their main export items, and are largely dependent on these exports. In 2011, the most important export commodity in Kazakhstan (crude oil and gas condensate) and Tajikistan (aluminium) accounted for 62.4% and 63.4%, respectively, of total exports.
- The Central Asian states have a low degree of trade complementarity: they produce and export many of the same items and therefore need to look for trade partners beyond their immediate neighbours.

Import/export tariffs for main import/export items

Goods	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
Machinery and Equipment	Rates usually vary within the range 5–15%, depending on the type of machinery and equipment. ¹ Tariffs are usually calculated in dollars or euro.	Based on WTO commitments, average customs duties in Kyrgyzstan remain at 5%.	For non-electrical and electrical machinery: 5.0%. Transport equipment: 5.1%	Average custom tariff for industrial products: 2.31%.	For machinery or equipment not produced in Uzbekistan: 5 or 10%. Since most types of machinery and equipment are not produced in the country, the rate of customs duties is usually 5 or 10%. In some cases is it 30% (e.g. some types of agricultural equipment produced in Uzbekistan)
Chemical products	For most chemical products: 5%; for pharmaceutical products: 5–10%.		For all industrial products: 4.41%		For most chemicals: 10%. Where there is local production capacity, the rate increases to 30%.

¹ Kazakhstan has uniform rates with Russia and Belarus within the Customs Union.

<p>Food products</p>	<p>Wide variation in tariffs. For instance: pork 15% (should be not less than 0.4 euro per 1 kg), lamb 25% (not less than 0.35 euro per 1 kg), condensed milk 20%, uncondensed milk 15%, green tea 20% (not less than 0.8 euro per 1 kg), live animals 5%. In general, tariffs on food products are relatively high; this is part of the protectionist system within the Common Economic Space.</p>	<p>Average tariffs for agricultural goods: 8.1%; for industrial goods: 4.1%</p>	<p>For agricultural products: 8.99% sugars and confectionery: 6.3% fats and oils: 6.7% beverages and tobacco: 32.9%</p>	<p>Average custom tariff for agricultural products: 24.46%. Beer: 50% of customs cost, but not less than 1.4 USD per litre. Wines and other alcoholic drinks</p> <ul style="list-style-type: none"> • up to 20% inclusive: 100% of custom cost, but not less than 7 USD per litre; • more than 20%: 100% of custom cost, but not less than 10.3 USD/l. <p>Spirit used for preparing alcoholic drinks: 4 USD for 1 pack.</p>	<p>For food products produced in Uzbekistan: 30% protective customs duty tariff. For food products not produced in Uzbekistan (e.g. seafood, coconut oil, cacao): 5%. Products produced in Uzbekistan but not in sufficient amounts or deemed not a necessity: 10%. Customs duty rates for food products are relatively high compared to other import items because local production is protected.</p>
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<p>Energy and petrochemicals</p>	<p>Petrochemicals, mineral oil, bitumen, mineral wax, light distillates: 5%.</p>		<p>For petroleum: 5.0%</p>		<p>Mineral fuel, oil and products of their refining, bituminous products, mineral waxes, electricity: 10%. Coke etc. of coal, lignite or peat, retort carbon; 5%. Light distillates as well as medium and heavy distillates: 30%.</p>
<p>Ferrous and non-ferrous metals</p>	<p>The standard set of tariffs is 5%. To some types of fabricated metal products the tariff range 10–15% is applied.</p>			<p>Precious metal: less 1 kg, no tax; 0.20 USD for 1 item more than 1 kg</p>	<p>With rare exceptions: 5% or 10%</p>

Formal/informal barriers and policy instruments to trade

Kazakhstan		Kyrgyzstan		Tajikistan		Turkmenistan		Uzbekistan	
Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal
<p>Membership in Customs Union an obstacle to the flow of goods from non-member states.</p> <p>Existence of non-tariff barriers in trade regulation. Non-tariffs regulations and bans are imposed on certain group of goods, such as electricity, carpets, chicken, tinned goods and margarine.²</p> <p>Overly complex and time-consuming customs procedures.</p> <p>Technical regulations. Current procedure of double certification both on raw materials and final products contradicts the state system of</p>	<p>The raw material-oriented economy. Except for the oil and gas sector, most domestic producers are not competitive on international markets.</p> <p>Weak governmental support of Kazakhstani trade companies abroad. Large oil and gas projects are supported by the government, but companies from other industries often do not receive adequate support from Kazakhstani Embassies.</p> <p>Lack of information about foreign markets. Private companies focus on internal market, and do not have enough information about other foreign markets. This complicates their</p>	<p>No serious formal trade regulation instruments. Traders working in Kyrgyzstan are often the victims of trade instruments imposed in bordering countries (Kazakhstan and Uzbekistan in particular).</p>	<p>Key informal barrier to trade remains corruption of customs officers. However, many traders see this as an opportunity to lower their costs, as bribes are always below the level of official taxes.</p>	<p>Logistical costs of trading in Tajikistan account for 22–25% of merchandise trade value: one of the highest ratios in the world. Landlocked geographical conditions, poor customs infrastructure and transit system through Uzbekistan that creates serious disruptions to international trade add significantly to logistics costs.</p> <p>The system of double certification on both raw materials and final products contradicts the state system of control over final production, as the latter implies certification of final products only. Thus, the certification tariffs adopted in the</p>	<p>Complex and time-consuming customs procedures.</p> <p>Protection of local producers</p>	<p>Unpredictable changes in tariff schedules.</p> <p>Restrictions on imports of certain products (cigarettes, medical drugs, alcohol, beer).</p> <p>Restrictions on export of certain products of high national value (e.g. Turkmen carpets) and raw materials.</p> <p>Restrictions, (prohibitions, quotas and licenses) on trade in goods that have implications for national security, public health and the environment, or are deemed to</p>	<p>Difficulties in getting quotas and licenses for trade activity.</p> <p>Some types of businesses are controlled by President's family members (import of building materials, cigarettes, alcohol).</p>	<p>Frequent, unpredictable changes in tariff schedules.</p> <p>Taxes on imports that are not levied on domestically produced goods or that have higher rates for imported than domestically produced goods.</p> <p>Quantitative restrictions (prohibitions, quotas and licenses) on trade in goods that have implications for national security,</p>	<p>Foreign currency conversion problems. Although Uzbekistan introduced full local currency convertibility in October 2003, businesses report of difficulties with conversion process.</p> <p>Lengthy closure of borders for exports of agricultural products, aimed at lowering prices in domestic market.</p> <p>For certain products (e.g. chewing gum, toys, cigarettes, used equipment), foreign currency conversion cannot be obtained, as imports of these</p>

² Trade Policy of the Republic of Kazakhstan, *WTO: Instruments and Opportunities*, 2012, <http://trade.gov.kz/?r=4&p=135>, accessed 24 June 2013.

<p>control over final production, as the latter implies certification of final products only. Thus, the certification tariffs adopted in the processing industry are too high.</p>	<p>operations abroad and reduces the interest in international-ization.³</p> <p>Underdeveloped transport infrastructure and geographical isolation; extreme distances to sea ports. Transport costs, including railways, are high, obstructing export growth and competitiveness of domestic products.</p>			<p>processing industry are too high.</p> <p>Poor customs and trade infrastructure. Tajikistan ranked 179th among 181 economies as to ease of trade indicator in the World Bank's <i>Doing Business</i> 2012 survey.</p> <p>Poor trade facilitation.</p>			<p>contravene social norms.</p>	<p>public health and the environment, or are deemed to contravene social norms.</p> <p>products into Uzbekistan are strongly discouraged.</p>
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³ R. Vakulchuk, F. Irnazarov, & A. Libman, *Liberalization of Trade in Services in Kazakhstan and Uzbekistan: Analysis of Formal and Informal Barriers*, World Bank Series, Washington, DC, 2012.

List of major items produced in other Central Asian countries and smuggled into Central Asian countries

Kazakhstan		Kyrgyzstan		Tajikistan		Turkmenistan		Uzbekistan	
Product	Estimated percentage smuggled of total imports	Product	Estimated percentage smuggled of total imports	Product	Estimated percentage smuggled of total imports	Product	Estimated percentage smuggled of total imports	Product	Estimated percentage smuggled of total imports
Household electronics	90% (10+80) ⁴	Petrol	7–10% (estimates reached 70% for 2007/2008)	Oil products	25%	Cell phone sets	30%	Electronics	75%
Food products (vegetables, fruits, meat, milk)	50%	Clothing/textile goods	70%	Tobacco	50%	Clothing	10%	Clothing	80%
Alcohol, cigarettes	50%	Alcohol products	30%	Textiles ⁵	30%	Cigarettes	15–20%	Cigarettes	90%
Cloth, tissues ⁶	80%	Tobacco products	20–40%	Food products	30%	Flour	20%	Flour	95%
Cars ⁷	5–15%	Confectionery	30–50%	Consumer goods	30%	Toys	30%	Toys	90%

⁴Only some 10% of mobile phones are 'whitephones', i.e. legally imported into Kazakhstan. A further 10% are 'black phones', i.e. illegally imported. The remaining 80% are 'greyphones', i.e. imported in semi-legal ways. See <http://www.zakon.kz/74731-cena-serosti.-v-kazahstane-podnjalis.html>, accessed 24 June 2013.

⁵For the last three categories actual or physical smuggling is quite low. The estimated figure includes customs under-declaration as well.

⁶See <http://magazine.asiakz.com/rus/article/348>, accessed 24 June 2013.

⁷Since 2011 the customs clearance for imported cars increased twofold in Kazakhstan. The purchase of cars in Kyrgyzstan has become a new type of smuggling: smuggled cars from Kyrgyzstan are not subject to customs clearance.