



BENEFITS OF THE MEMBERSHIP OF THE WORLD TRADE ORGANIZATION TO KAZAKHSTAN

The final meeting of the Working Group, which officially announced the completion of negotiations on Kazakhstan's accession to The World Trade Organization (WTO) was held on June 22, 2015 in Geneva. Kazakhstan submitted its initial application on January 29, 1996 but it took nearly two decades to finalize accession talks on joining the WTO. Kazakhstan will officially become the 162nd member of the WTO at the 10th Ministerial Conference of the WTO in Kenya on December 15-19, 2015. Until this date, some formalities about the process still need to be settled. Kazakhstan's accession process was one of the most challenging negotiation issues of the WTO, which required long and detailed talks on tariff adjustments. Besides, being a member of the Eurasian Economic Union (EAEU) made this process even more complicated for both Kazakhstan and the WTO.

Since 90% of Kazakhstan's foreign trade is with the WTO members, joining the WTO could positively affect the economy of Kazakhstan by providing easy access to foreign markets for Kazakh companies. Moreover, Kazakh citizens would be provided with a wide range of high quality products and the competitiveness in the domestic market could be improved.

After becoming a full member of the WTO, Kazakhstan is planning to adjust the national legislation to the agreements and treaties of the WTO, which would stimulate the inflow of foreign direct investments. This option is substantially important for the authorities of Kazakhstan because nowadays all major foreign investor countries in Kazakhstan (Netherlands, the USA, Switzerland, China and France) are members of the WTO.

Another benefit for Kazakhstan in becoming an official member of the WTO is the possibility to use international mechanisms and institutions to solve trade problems and other economic issues. The WTO assists countries to solve their problems about trade through negotiations on an equal ground. Therefore, Kazakh companies would be able to appeal to the WTO in order to get a guarantee

of protection of economic and legal interests of businesses.

As part of the accession negotiations, Kazakhstan concluded 29 bilateral market access agreements on goods and 15 bilateral market access agreements on services. On goods, Kazakhstan has agreed to bind tariffs for all products on an average rate of 6.1%. For agricultural products, this average would be 7.6 % while for non-agricultural products it would be 5.9 %. Moreover, Kazakhstan approved the application of the tariff-rate quotas system, which would be applied to beef and poultry products. Imports entering the market within the quota will benefit from lower tariffs (15% for the in-quota tariff rate), while higher duties will be applied to products imported outside the quota (40% for the out-of-quota tariff).

In addition, Kazakhstan agreed to bind export duties for 370 tariff lines, of which 55 would be bound at 0% rate. As soon as the EAEU will establish its own export duties policy, Kazakhstan will also unify the list of export duties with Russia for 556 tariff lines. After being a member of the EAEU, Kazakhstan raised the average tariff rate from 6.2 % to 10.6 %. But after joining the WTO, the average tariff rate will again fall to 6.1 %. On the other hand, according to the accession agreements signed between Russia and the WTO in 2012, the average tariff rate should reduce from 10.9 % to 7.9 %. At this point, Kazakhstan's average tariff rate is lower than Russia and Kazakhstan has liberalized tariff rates for 3.171 products, which will be imported at cheaper rates and could be re-exported to EAEU member countries (Russia, Belarus, Armenia, Kyrgyzstan). Therefore, EAEU member countries should establish control mechanisms to protect themselves.

On services, Kazakhstan has also made commitments in 10-service sectors (including 116 sub-sectors). Consequently, within 2 years after the accession to the WTO, international travel agencies and tour operator services will be allowed to enter Kazakhstan's domestic market. Besides, within 2.5 years after the accession to the WTO, Kazakhstan, as a member of the WTO Basic Telecommunica-

tions Agreement, will eliminate the foreign equity limitation, so foreign companies could increase their share in Kazakh telecommunication sector to more than 49%, except in the JSC "Kazakhtelecom". Within 5 years after the accession to the WTO, foreign insurance companies and foreign banks will be allowed to establish branches in Kazakhstan.

However, there is still an uncertainty in the provisions of Kazakhstan's accession package. For instance, Astana will take part at the Doha Round of negotiations to resolve the problems related to implementation of the WTO standards in agriculture. According to the WTO Agreement on Subsidies and Countervailing Measures, Kazakhstan will have to eliminate all industrial and agricultural subsidies. It should be noted that the folding of the subsidiary policy has become one of the most sensitive issues for Kazakhstan because of essential need for providing governmental support to domestic producers in both industrial and agricultural sectors. The first years of implementation can be difficult for local companies because of the elimination of government support for industry and agricultural sector, which could reduce competitiveness of local products with imported products from developed countries.

Nevertheless, it is already decided that value-added tax preferences applied to certain domestic agricultural producers and processors should be eliminated by January 1, 2018. Besides, preferential tariffs and tariff exemptions in automotive industry would be removed by July 1, 2018, and local provisions applied to the existing investment contracts in the oil and gas sector should be eliminated by January 1, 2021.

In conclusion, Kazakhstan has entered into transition period of implementation of the WTO policies. The results can be more clearly seen only after the fulfillment of all the WTO protocols. However, in the long term, Kazakhstan could significantly benefit from accession to the WTO by further enhancing economic reforms in order to become a full partner in the global trade regime.

Politics, Foreign Affairs and Security

- The House of Representatives of the National Assembly of Belarus approved the date of 11 October, 2015 as the president election date. According to the Central Election Commission, election would involve a novelty, namely, a pre-election campaigning could now be financed by the electoral funds that the candidates may establish.
- The President of Ukraine, Petro Poroshenko, submitted to the Verkhovna Rada a draft of amendments to the country's Constitution regarding power decentralization. The Ukrainian President also announced that the draft of the constitutional amendments would envisage no special status for Donbas. However, according to Petro Poroshenko, there would be the possibility of a special local self-governmental procedure in separate administrative-territorial units of the Donetsk and Lugansk regions.
- The President of Turkmenistan, Gurbanguly Berdimukhamedov, met with the Georgian counterpart, Giorgi Margvelashvili, during his first official visit to Georgia. During the meeting, high-ranked officials focused on energy matters. During the visit, the parties signed 10 Memorandums of Understanding (MoU) in fields of economy, education, culture and agriculture.
- The Government of Canada expanded the anti-Russian sanctions imposing restrictions against another 14 companies and organizations and by adding three Russian citizens to the sanctions list.
- The Minister of Finance of Greece, Yanis Varoufakis, announced his resignation after the announcement of referendum results, according to which 61.3% of voters rejected the demands for more austerity from the European Central Bank, the European Commission and the International Monetary Fund.
- The Minsk subgroup on security issues of the Contact Group on settling the conflict in Donbas has unveiled a plan to sign an agreement regarding a withdrawal of weapons under 100mm caliber from the front line.

- The National People's Congress of China passed a new national security law, which would tighten government control over many areas of life. The law broadly defined national security to cover various areas ranging from finance to cyber security.
- Last week the border security units of Uzbekistan have fired their weapons at the neighboring countries three times. Uzbek border guards opened fire on two Kazakh men who were fishing by the Syr Darya River. Uzbek border guards also exchanged fire with Kyrgyz border detachments and fired on a group of Tajiks crossing the border.

Economy, Finance and Energy

- After the breakdown in negotiations on the pricing plan for the next quarter, the Ukrainian state energy company Naftogaz stopped buying gas from Russia. However, Naftogaz stated that the company would continue Russian gas supplies to other European customers. It would be the second time in less than a year that Russian fuel supplies have stopped running to Ukraine.
- The Deputy Chairman of the Board of Directors of Russian energy company Gazprom, Aleksey Miller, announced about signing a Memorandum of intent to cooperate on the new gas pipeline project via the Baltic Sea with Germany's E.ON, Royal Dutch Shell and Austria's OMV. The new gas project was dubbed Nord Stream-2, as 86% of its length would double the route of the Nord Stream pipeline.
- The Ministry of Investment and Development of Kazakhstan announced that it was planned to increase the number of innovation enterprises up to 20% of all enterprises and the volume of innovation products up to 2.5% of GDP by 2020.
- The Head of the Russian Direct Investment Fund (RDIF), Kirill Dmitriyev, announced that the Fund together with the Public Investment Fund (PIF) of Saudi Arabia agreed to create a partnership to invest \$10 billion for projects implemented in Russia. The RDIF stated that the PIF would invest in projects in infrastructure,

retail, logistics and agriculture for a five-year period.

- The Ministry of Economy of Kyrgyzstan prepared a list of 19 projects for a total amount of \$330.2 million, which would be submitted to the Economic Development Cooperation Fund (EDCF) of South Korea for financing.
- According to the report prepared by the National Bank of Kazakhstan, the state reduced its external debt by 1.8%, from \$157.062 billion to \$154.191 billion since January 2015.
- The Minister of Energy of Kazakhstan and the JSC Karazhanbas-munai signed an additional agreement on extending the contract on Karazhanbas oil and gas field in Mangistau province. The contract for hydrocarbon production at Karazhanbas was extended from 2020 to 2035.
- According to the report prepared by the State Oil Fund of Azerbaijan, the assets of the Fund increased from 28.31 billion manat in 2013 to 29.28 billion manat in 2014.

Society and Culture

- The Government of Kazakhstan extended the current pilot project of the visa free regime for citizens of developed countries until December 31, 2017.
- The Municipal Assembly of Tbilisi at a special meeting approved the procedure for compensation payment for damage caused by devastating floods in the Georgian capital.
- The World Bank Board of Executive Directors approved an allocation of \$15 million from the International Development Association for the Tajikistan Higher Education Project with a goal to develop mechanisms that improve and monitor the quality of higher education.
- Turkmenistan adopted a Program on Improving the Employment and Creating New Jobs for 2015-2020 and the Action Plan for its implementation. It was stated that the establishment of industrial-innovative facilities would be among the priorities of the Program.