



CADGAT

Central Asia Data Gathering and Analysis Team

Trade policies and major export items 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:

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

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

Introduction

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 deficiencies and to improve access to global markets. However, statistics on intraregional trade indicate that the level of trade in the region has not lived up to its potential.

The reports (three in total) are based on data collected from various sources, with the results of this laborious work depicted 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 trade policies and major export items of each of the five 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 following key findings can be drawn from the data review:

- The leaders of the Central Asian countries adopted diverse economic strategies which led to divergence in their 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 respectively 62.4% and 63.4% 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.

Brief Outline of Central Asian States' Trade Policy

Kazakhstan

In general, the customs and tariff policy of Kazakhstan is liberal. The highest customs duties are set on finished products; average customs duties apply to components production, and minimal customs duties are set on raw materials and goods of importance for food security but not produced in Kazakhstan. Changes in tariff policy are based on international market indicators and the commitments within the Customs Union (CU).¹ On average, the level of current import duties is 10.6%. Goods imported from members of the Commonwealth of Independent States (CIS) are not subject to customs duties. Moreover, customs duties are not applied to goods produced in the Least Developed Countries (47 states), which enjoy the national system of trade preferences. At present, the preferential trade regime is open to 104 least developed and developing countries. This regime entails reductions of import duties (up to 75%). In addition, in order to stimulate export, export duties are generally not applied to domestic producers. There is, however, a list of items for which export duties are applied: animal pelts, hair, non-ferrous and black metals and certain types of oil products.² Non-tariff instruments include anti-dumping measures, compensation measures, protection measures, bans or limits (including quantitative ones), quota systems, state monopoly on export and/or import of goods, licensing, and technical regulation.³

Kyrgyzstan

Kyrgyzstan's trade policy can be described as the most liberal in the region. Kyrgyzstan was the first Central Asian state to gain membership in the World Trade Organization (WTO), in 1998. This has been influential in shaping the external trade policies of this small, landlocked country. In 1999, the 10% customs duty on imported goods was replaced by differentiated tariffs, averaging at 8.5%, according to the government of Kyrgyzstan; currently, the average tariff for agricultural goods is 8.1% and for industrial goods 4.1% – lower than the country's

¹Since 1 January 2010, Kazakhstan has been a member of the Customs Union with Russia and Belarus, which aims at a unified set of customs tariffs for all three countries. Since that time, all imported goods from countries further abroad are subject of unified customs duties in Kazakhstan, Russia and Belarus. Kazakhstan also places special emphasis on becoming a WTO member, and has been gradually adjusting its trade policy in accordance with WTO membership requirements.

² Government of the Republic of Kazakhstan (2010): "O Stavkah Tamozhennih Poshlin Respubliki Kazahstan, Postanovlenie Pravitelstva Respubliki Kazahstan ot 7 Ijuna 2010 Goda, № 520", available at: http://ru.government.kz/docs/p100000520_20100607.htm, accessed 10 July 2013. Government of the Republic of Kazakhstan (2012): "O Vnesenii Izmenenij v Postanovlenie Pravitelstva Respubliki Kazahstan ot 7 Ijuna 2010 Goda, № 520. Postanovlenie Pravitelstva Respubliki Kazahstan ot 15 Oktiabria 2012 Goda, № 1312", available at: <http://ru.government.kz/documents/premlaw/102012>, accessed 10 July 2013.

³Ibid.

WTO commitments of 12.2% and 6.5%, respectively.⁴ According to a World Bank assessment, Kyrgyzstan's trade regime is 'ranked 15th out of 125 countries, [and] is more open than that of an average Europe and Central Asia (ECA) (4.4%) or low-income country (11.6%).'⁵ Since 2012 the Kyrgyz government has been debating whether to join the Customs Union of Russia, Belarus and Kazakhstan. While the government in Bishkek has apparently been under some pressure from the members of the CU, domestic experts have not yet agreed whether the benefits of joining are greater than the potential negative side-effects for such a small economy as that of Kyrgyzstan.

Tajikistan

Tajikistan's trade policy remains liberal, with relatively uniform and stable tariff. The average tariff rate stands at 7.5%. Several non-zero tariff bands are under 4% and the maximum band is set at 15%. Tariffs have remained stable, with no changes over the past 5 years. Non-tariff barriers (NTBs) are not used for protectionist purposes; the few that remain are a reflection of differences in standards and quality requirements. The government in Dushanbe charges a sales tax on selected strategic export items,⁶ but other exports are exempted from taxation. The Customs Service (CS) and the Ministry of Economic Development and Trade (MEDT) are working to eliminate remaining technical barriers to trade and to improve understanding of the roles and functions of specific government institutions in trade facilitation. The government has taken steps to ensure that compulsory certification and licensing procedures are completed in the course of two days, and to reduce the certification stock to 65% of the current level.⁷ Logistical costs of trading in account for 22% to 25% of the merchandise trade value – one of the highest ratios in the world. Landlocked geographic conditions, poor customs infrastructure and the transit system through Uzbekistan create serious disruptions to Tajikistan's international trade and add significantly to the logistics costs. Therefore, the government has been seeking donor support and private funding to

⁴Ministry of Economy and Antitrust Policy.2012. *Torgovayapolitika*. Available at <http://www.mineconom.kg>

⁵World Bank. 2010. 'Kyrgyz Republic Trade Brief', *World Trade Indicators 2009/10: Country Trade Briefs*. Washington, DC: World Bank. Available at <http://www.worldbank.org/wti>.

⁶For example, since 2009 there has been a 3% sales tax on exports of aluminium (one of the major exports) and 10% on cotton exports.

⁷Nevertheless, approximately 24% of businesses in Tajikistan cite customs and trade regulations as a major constraint, compared with 17% worldwide, according to the World Bank's Enterprises Survey. To improve the situation, approval has been given to the government resolution on creating a single window for export/import and transit procedures, its detailed implementation action plan and creation of a Coordination Committee on the implementation of the single window. The Coordination Committee commenced regular meetings with all key stakeholders in 2011. Similarly, by 2011, the government had adopted a resolution on the creation of a State Unitary Enterprise 'Single Window Centre', with an approved charter. This initiative aims to reduce the time and expenses incurred in conducting foreign trade activities and create a better customs and trade environment.

improve the quality of domestic transport infrastructure and to enable connections to alternative regional transport routes.

Turkmenistan

Judged by its 5.1% simple average of the World Bank *Most Favored Nation* (MFN) applied tariff in 2002, the most recent year for which internationally comparable tariff data are available, Turkmenistan had a regime more open to trade than an average European and Central Asian (ECA) country (9.5%) or a lower-middle-income (15.8%) country. Similar to most in comparable groups, Turkmenistan is more protective of its agricultural goods (12.8% tariff) than of non-agricultural items (3.9% tariff). Moreover, the 80.1% share of tariff lines with zero MFN tariff in 2002 was by far the highest in the region, where the average was 14.7%.⁸ When trade flows are taken into consideration, it is apparent that exports from Turkmenistan have good access to international markets, especially in comparison to the neighbouring countries. Turkmenistan's weighted average rest-of-the-world tariff (including preferences) is 1.5%, lower than the regional and income group averages of 2.1 and 2.9%, respectively. In contrast to most other countries in the region, agricultural products from Turkmenistan enjoy a more favourable trading environment (0.8% tariff) than non-agricultural products (1.5% tariff). Turkmenistan is an observer at the WTO.

Uzbekistan

Uzbekistan's trade regime is relatively restrictive, with various administrative measures aimed at suppressing domestic and external trade.⁹ The government tries to curb imports through high tariff protection and also non-tariff measures.¹⁰ Uzbekistan has import-exclusive excises, which significantly raise the rate of protection. The MFN tariff schedule applied to 38 countries has four bands, with tariffs escalating with the level of processing. This schedule is designed to encourage imports of capital goods and production inputs, and discourage import of consumer goods and other goods that would compete with domestic production. Uzbekistan is more protective of its agricultural goods (19.5% tariff) than non-agricultural ones (14.9% tariff). Restricted access to foreign exchange further limits imports. In order to stabilize domestic grain prices, an export ban has been emplaced on grains, rice and flour. Moreover, at certain periods Uzbekistan rations export of agricultural products (mainly fruits

⁸ World Bank. 2010. 'Turkmenistan Trade Brief', *World Trade Indicators 2009/10: Country Trade Briefs*. Washington, DC: World Bank. Available at <http://www.worldbank.org/wti>.

⁹ According to the World Bank, based on its 15.5% simple average of the MFN applied tariff, Uzbekistan has the most restrictive trade regime in the Europe and Central Asia (ECA) region and it is also more restrictive than that of an average low-income country (12.7%). Based on the MFN applied tariff, it ranks 156th out of 181 countries (where no. 1 is least restrictive).

¹⁰ This is in line with Uzbekistan's gradual approach to the transition from communism, relying heavily on the use of state controls, trade and foreign exchange restrictions, and large public investments.

and vegetables) to Russia and Kazakhstan by administratively closing the borders to agricultural exports, so as to lower domestic prices for agricultural produce.

Major export items (goods and services) from Central Asian countries

Kazakhstan: Eight major export items (USD mill. and as percentage of total exports)

	1995		2000		2005		2008		2009		2010		2011	
	USD	%	USD	%	USD	%	USD	%	USD	%	USD	%	USD	%
Crude oil and gas condensate	7931	48.9	4502	51.1	17395	38.5	41303	58.0	26207	60.7	36950	61.3	55128	62.4
Purified copper and raw copper materials	571	10.9	669	7.6	1436	5.1	2244	3.1	1407	3.2	1876	3.1	2542	2.9
Products of inorganic chemistry; compounds of rare-earth metals, radioactive elements and isotopes	59	1.1	126	1.4	846	3.0	1991	2.8	2142	4.9	2593	4.3	2412	2.7
Natural gas	20	0.4	38	0.4	410	1.5	976	1.4	1389	3.2	746	1.2	2236	2.5
Ore and ferrous concentrates	260	4.9	513	5.8	638	2.3	1228	1.7	845	1.9	1108	1.8	1235	1.4
Ferrous metal-roll; metal-roll from unalloyed and alloyed steel	475	9	764	8.7	901	3.2	1985	2.8	1344	3.1	1249	2.1	1223	1.4
Manufactured gold products; semi-manufactured gold in the form of powder	N/A	N/A	189	2.1	200	0.7	506	0.7	653	1.5	865	1.4	984	1.1
Wheat and wheat/rye mixture	229	4.4	454	5.1	220	0.8	1358	1.9	560	1.3	911	1.5	579	0.6

Kyrgyzstan: Eight major export items (USD mill. and as percentage of total exports)

	1995		2000		2005		2008		2009		2010		2011	
	USD	%	USD	%	USD	%	USD	%	USD	%	USD	%	USD	%
Gold	0,1	0.0	195	38.2	2301	34.2	464	25.0	530	31.6	668	38.1	1006	44.9
Clothing	N/A	N/A	3	0.5	23	3.4	99	5.3	73	4.4	126	7.2	142	6.3
Fruits & vegetables	23	5.5	7	1.4	15	2.2	74	4.0	68	4.1	94	5.3	126	5.6
Electricity	41	9.9	80	15.6	20	3.0	25	1.4	37	2.2	48	2.8	74	3.3
Cotton fibre	0	0.0	32	6.3	41	6.1	24	1.3	22	1.3	28	1.6	31	1.4
Electric lamps	10	2.4	12	2.3	16	2.3	21	1.1	18	1.1	20	1.1	22	1.0
Tobacco and tobacco products	22	5.3	31	6.1	12	1.8	15	0.8	15	0.9	22	1.3	13	0.6
Wool	19	4.7	2	0.4	2	0.3	2	0.1	2	0.1	2	0.1	1	0.0

Tajikistan: Eight major export items from (USD mill. and as percentage of total exports)¹¹

	1995		2000		2005		2008		2009		2010		2011	
	USD	%	USD	%	USD	%	USD	%	USD	%	USD	%	USD	%
Aluminium	391	52.2	437	58.3	572	62.9	1109	75.5	605	60.0	1040	73.8	757	63.4
Cotton fibre and textiles	219	29.1	130	16.6	188	20.7	175	8.6	128	12.6	140	9.9	233	19.5
Fruits and vegetables	0,2	0.002	19	2.4	23	2.5	45	3.6	54	5.3	55	3.9	60	5.0
Processed food products and beverages	4	0.05	12	1.4	7	0.8	6	0.3	5	0.5	5	0.3	4	0.3
Electricity	126	16.8	94	11.9	61	6.6	71	4.9	72	7.0	81	5.7	54	4.5
Gold	0,1	0.001	24	3.1	22	2.4	24	1.5	22	2.1	25	1.7	33	2.8
Transport	3	0.03	42	5.3	15	1.6	21	3.6	52	5.1	89	6.2	29	2.4
Dried fruits	7	0.9	10	1.2	11	1.1	15	1.2	23	2.3	25	1.8	26	2.1

¹¹ Source: Tajikistan State Statistics Agency

Turkmenistan: Seven major export items (in USD mill. and as percentage of total exports)¹²

	1996		2000		2005		2008		2009		2010		2011	
	USD	%	USD	%	USD	%	USD	%	USD	%	USD	%	USD	%
Natural gas	1022	60.8	1825	47.2	5509	59.1	274	36.4	70	11.7	389	32.8	1244	49.7
Cotton fibre	332	19.7	154	4	122	1.3	84	8.6	136	22.8	210	17.7	224	8.9
Oil products	173	10.3	966	24.7	1661	17.8	221	3.6	214	36.0	211	17.7	513	20.5
Crude oil	N/A	N/A	262	6.8	1400	15	N/A	N/A	N/A	N/A	142	11.9	242	9.7
Electricity	58	3.4	29	0.8	72	0.8	39	5.2	32	5.3	10	0.8	16	0.7
Cotton fabric	8	0.5	64	1.7	37	0.4	13	1.8	20	3.4	21	1.8	30	1.2
Carpets and other carpet items	3	0.2	11	0.3	0,2	0.0	2	0.3	7	1.2	3	0.3	2	0.1

¹² *Turkmenistan Economic Autocracy and the recent Growth Performance*, Alexandre Repkine, February 2002. Available from: http://psychologie.dev.czu.cz/stred-asiie/html/CD/stredni_asie/Turkmenistan_final.pdf , accessed 27 June 2013. There are no data available for 1991–1995. According to *10 славных лет эпохи Великого Туркменбашу* (Ashgabat, 2001), ‘calculations were not computed’. Moreover, no statistical information is available on the 8th export item.

Uzbekistan: Eight major export items (in USD mill. and as percentage of total exports)¹³

	1995		2000		2005		2008		2009		2010		2011	
	USD	%	USD	%	USD	%	USD	%	USD	%	USD	%	USD	%
Cotton fibre	1584	46	898	27.5	1033	19.1	1065	9.3	1012	8.6	1 479	11.3	1348	9.0
Food products	80	2.3	176	5.4	206	3.8	509	4.5	706	6.0	1 261	9.7	1 990	13.2
Chemical industry products	122	3.5	95	2.9	287	5.3	648	5.6	589	5.0	1 177	9.0	838	5.6
Energy and petrochemicals	436	12.5	336	10.3	622	11.5	2916	24.7	4026	34.2	660	5.1	2780	18.5
Ferrous and non-ferrous metals	163	4.7	216	6.6	692	12.8	787	7.0	589	5.0	3 235	24.8	1 116	7.4
Machinery and equipment	76	2.2	111	3.4	454	8.4	868	7.6	341	2.9	894	6.8	999	6.7
Services	250	7.2	447	13.7	660	12.2	1204	10.4	1038	8.8	723	5.5	1 773	11.8
Gold	611	17.5	809	25	963	17.8	3991	34.5	2672	22.7	2283	17.5	3552	27.2

¹³ Sources: [Отчеты "Основные показатели социально-экономического развития Республики Узбекистан" за 2006-2011 года](#), Информационно-аналитический обзоры "Экономика Узбекистана" за 2003 – 2009 г.г., IMF reports, Reports of the Centre for Economic Research, Uzbekistan.

