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New ECIPE Jan Tumlrir Essay

KAZAKHSTAN AND THE WORLD ECONOMY: An Assessment of Kazakhstan's Trade Policy and Pending Accession to the WTO

Kazakhstan has been negotiating accession to the WTO for twelve years, following a line of ex-Soviet states seeking membership. In this new, comprehensive study Brian Hindley presents a detailed analysis of Kazakhstan's long accession process. WTO membership is a matter of economic strategy. For Kazakhstan though, legitimate geopolitical concerns have come into play as Russia has pushed for deepened regional economic integration while neglecting its own accession negotiations. But, Kazakhstan's strategy of global economic integration would be better served by WTO membership than the regional alternative. Greater support from big WTO players such as the EU and the US could help the Kazakh government to accelerate accession without waiting for Russia.

As a transition economy, Kazakhstan's long WTO accession process has partly reflected the need to throw off old command-style economic management. The government have stated strong intent to anchor Kazakhstan within the multilateral trade regime and global financial markets, and the past decade of successful economic reform bodes well. But a closer look at current economic and trade policy shows the persistence of trade barriers that will be challenged in their accession negotiations: discriminatory taxes, the transaction passport and investment barriers. From the Kazakh side, the recent commodity boom has also lowered the sense of urgency to join, as the Kazakh economy continues to experience impressive growth rates.

The results of an econometric study show that membership of the WTO would lead to only small immediate trade benefits, as Kazakhstan has already liberalised its trade policy considerably and the majority of its exports, oil and minerals, are not covered by WTO agreements. The benefits would primarily come through the import side. Kazakhstan could therefore argue that WTO membership asks only a low "price of membership" in the conditions it sets. However WTO membership would provide Kazakhstan with a lock-in mechanism that can help increase investor confidence. If Kazakhstan attained a similar level of institutional quality as in the European Union, quantitative assessment suggests that trade can increase by 75 percent.

– WTO membership is a much better option for Kazakhstan, from an economic standpoint, than either the *status quo* (which includes, of course, the unconsummated customs unions that Kazakhstan has entered so freely) or a full-fledged customs union with Russia. Kazakhstan trades more with Russia than is optimal, and too little with the EU and the rest of the world says Brian Hindley.

The situation is though further complicated by Kazakhstan's strong strategic alliance with Russia, who claim pre-eminence in the region, are pushing strongly for deeper regional integration and who's own WTO accession is fraught with problems. Given such political sensitivities, Kazakhstan is likely to need a greater level of support from the EU and US in particular than has been shown thus far. These countries have been operating on a de facto "Russia first" policy in the region with regards WTO accession. If they, and the Kazakh government, really wish to see Kazakhstan integrated into the multilateral trade regime, stronger collaboration between the two parties will be needed to overcome strong political pressures to the contrary.

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Kazakhstan and the World Economy: An Assessment of Kazakhstan's Trade Policy and Pending Accession to the WTO By Brian Hindley
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Other publications on Kazakhstan recently published by ECIPE

Kazakhstan's Revealed Comparative Advantage Vis-À-Vis the EU-27

By Arastou Khatibi

This paper aims to examine Kazakhstan's competitiveness vis-à-vis world exports to the EU-27 and intra-exports between the EU-27 member countries. The empirical analysis is based on Balassa's revealed comparative advantage (RCA) measure. The analysis reveals that although Kazakhstan shows a revealed comparative advantage in a number of sectors, its competitiveness has a falling trend in almost all sectors.

Kazakhstan's Accession to the WTO: A Quantitative Assessment

By Arastou Khatibi

In light of Kazakhstan's interest to join the World Trade Organization (WTO), this paper investigates the impact of the WTO accession on trade flows by using a standard gravity model. It argues that accession to the WTO involves a short run benefit from further reducing tariff and non-tariff barriers, and a long-term strategy that involves institutional reforms.

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