4. Conclusion

For the conclusion, it is worth to notice that all energies of the IMF, the World Bank, and the WTO are consumed in doing whatever is necessary to perpetuate their global status. The purpose and functions for which these institutions were created have been violating from the very beginning of their existence. When governments of developing countries liberalize in the context of WTO negotiations, they demand reciprocal concessions such as access to Northern markets, however they receive no concessions. The IMF and the World Bank are experiencing a crisis of legitimacy due to the institutions' lack of democratic governance, adverse impacts of their operations, lack of accountability to those impacted and corruption. Democratic practice, accountability, and transparency need to be restored from the base.

What can be the recommendations for the effective solution of this problem? Generally, there are three options:

- either to create new international institutions;
- reform existing ones;
- work within the prevailing institutional framework.

The author agrees with the opinion of Joseph E. Stiglitz, who thinks it is really time to reason seriously either of the reformation or creation of new establishments in the world. The Nobel economics laureate argues: "I used to say that since we are going to need these institutions, it is better to reform them than to start from scratch. I'm beginning to have second thoughts. I'm beginning to ask, has the credibility of the IMF been so eroded that maybe it's better to start from scratch? Is the institution so resistant to learning to change, to becoming a more democratic institution, that maybe it is time to think about creating some new institutions that really reflect today's reality, today's greater sense of democracy. It is really time to re-ask the question: should we reform or should we build from start? [12]"

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TRADE REGULATIONS AND POLICIES IN KAZAKHSTAN

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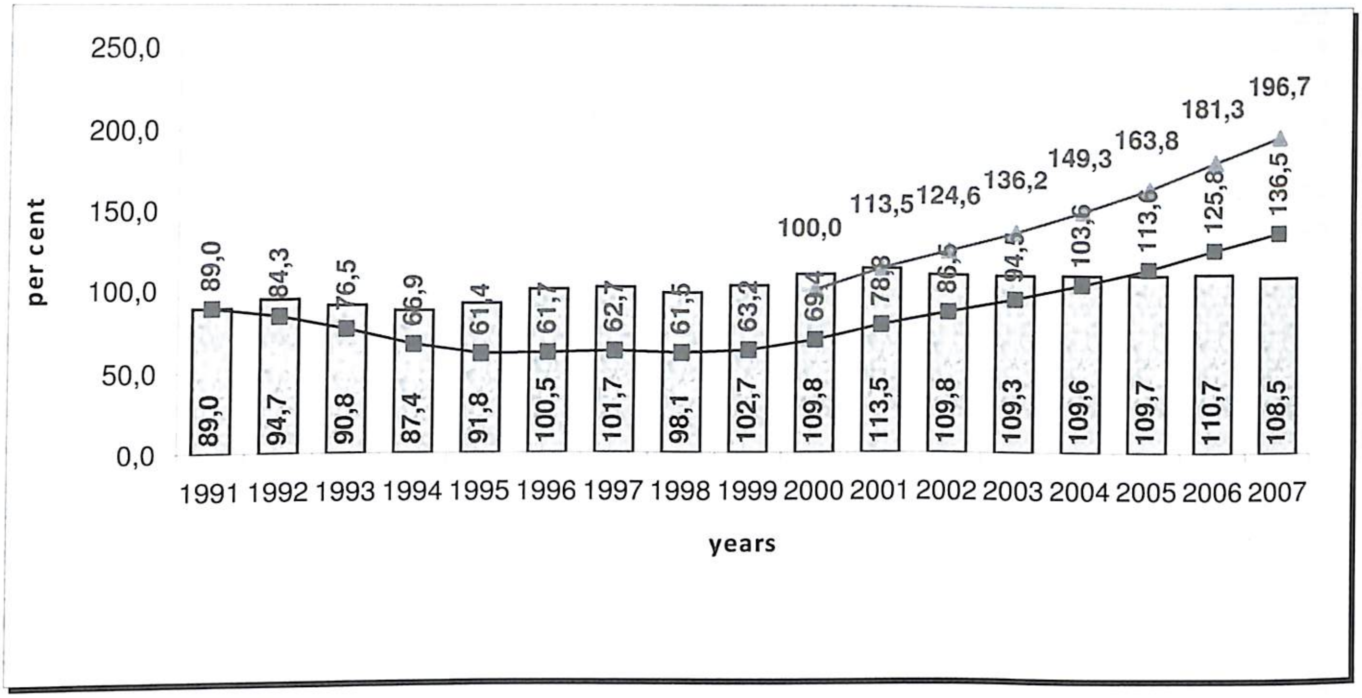
Economic growth

During the period of 2000-2006 Kazakhstan maintained high rates of economic growth on the background of recovery in production. In 2006 real gross domestic product (GDP) increased by 10.7% versus the 2005 level. It is of principal importance that three years ago the country exceeded the pre-reform level of development: in 2004 real GDP grew by 103.6% versus 1990 and in 2006, by 125.8%.

Kazakhstan has come very close to the fulfillment of the goal to double real GDP versus the 2000 level (Fig. 1).

Figure 1. Dynamics of real GDP changes in Kazakstan in 1991-2007 (%)



Bottom captions (left to right): Growth rates, % vs previous year;

Growth rates (1990=100); Growth rates (2000=100)

Source: The Agency of Statistics of Kazakhstan Republic (ASKR).

In 2006 real GDP per capita (in USD) was $5,291.6; in 2007 this figure will exceed $6,000 which in terms of purchasing power parity (PPP) would amount to around $10,000.

Successful foreign trade is an important factor which has determined the economic growth over the last years. Favorable market environment, specifically high world prices for Kazakhstan's major export goods such as hydrocarbons, ferrous and non-ferrous metals led to increased volume of exports and, even to a greater extent, of export revenues making a substantial contribution to economic growth. Until now (at the moment economic achievements of Russia are becoming more and more evident) Kazakhstan used to be an indisputable leader among the former Soviet Republics in many aspects of economic system reform and macroeconomic parameters of development achieved as a result of this reform. However, economic growth is not an end in itself and the state should not aim to achieve it at any price. While developing an adequate policy of economic growth one must take into account a number of important factors. First, high rates of growth should be seen from a long-term perspective and not used just as an instrument for making a favorable report about the government's activities over the last two or three years. Second, high rates of growth become really meaningful if they are accompanied with the necessary structural reforms (diversification of economy, reduction of dependence on fuel and energy complex, accelerated development of post-industrial sectors). Moreover, on certain stages progressive structural changes may be accompanied with declining growth rates. Third, it must be a real growth and not a result of juggling statistics to cater to the political demand of the day (it's not a big problem for Kazakhstan yet, but certain signs of it are sometimes visible). Fourth, state policy should not always be directed towards economic growth goals without due regard for the quality of economic policy.

Trade Policy of Kazakhstan

The trade policy of Kazakhstan constitutes an important part of the state economic policy. The subject of the trade policy is external and internal trade.

I would like to point out here the high degree of openness of Kazakhstan economy which is determined, firstly, by the degree of integration into the world economy based on comparative advantage doctrine and, secondly, liberalization of foreign trade.

Economic development, experienced by Kazakhstan during the last years, entailed simultaneous increase of volume of external trade. At present, Kazakhstan is engaged in commerce with 177 countries. Trading and economic agreements have been concluded with more than 50 countries, most of which benefit from Most-Favoured Nations (MFN) regime in trade. Kazakhstan has established free-trade area. Also, we continue our work on deepening the integration process within the framework of Eurasian Economic Community (EurAsEC) comprises, along with our country, Russian Federation, Byelorussia, Kyrgyzstan, Tajikistan. At the beginning of this year, Uzbekistan has also joined this organization.

Within the framework of EurAsEC, free trade regime has been established with no exemptions and limitations, the List of goods; to which preferential trade regime apply when importing to the territory of EurAsEC members, new HS nomenclature have been elaborated.

On this stage, the work continues on formation of Common Customs Tariffs on import customs tariffs, harmonization of foreign trade and customs legislation unification of customs tariff policy, and elimination of technical barriers in trade.

Moreover, pursuant to declaration made by the Heads of Kazakhstan, Byelorussia, Russia and Ukraine, intensive work has been conducted on formation of the Common Economic Area (CEA). CEA shall merge customs territories of the member-states, in which shall function the mechanisms of regulation of the economies based on uniform principles providing free movement of goods, services and labor. Within the framework of CEA, it planned further integration through provision of equal competition conditions and maintenance of macroeconomic stability, tax and monetary and credit as well as currency and financial policies. In addition, internal trade is one of the vigorously developing branches of the economy. In the sphere of internal trade, the high extend of entrepreneurship activity has been shaped, the requirements for quality have been raised, the measures on improvement of the rules for trading in the markets as well as promotion of modern system of wholesale trade have been strengthened.

Kazakhstan started liberalizing its foreign trade in the mid-1990s. Market reforms undertaken during 1994-1997 enabled the government to continue major but gradual reforms in the foreign trade sector. In 2001, the shares of exports and imports in GDP were about 49 and 37 % in current prices, respectively, both significantly higher than in 1996. The average weighted tariff was lowered to slightly less than 9 percent and the number of tariffs in excess of 20 percent was cut by more than half. The applied average weighted import tariff decreased to 9.8 percent in 2000.

Trade liberalization in Kazakhstan coincided with a deep economic decline, and the majority of the public believes that trade liberalization was one of the major causes of the decline. The financial crisis of August 1998 resulted in an introduction of provisional tariff and non-tariff regulations with the aim of protecting the domestic market from dumping and quantitative imports, which greatly damaged local producers. So, import substitution policy became the most dominant strategy of policy makers after shock on domestic producers in 1998. One of the basic policy instruments which was proposed under this program was the wide implementation of safeguard, anti-dumping and countervailing tariffs on imported goods, agricultural and non-agricultural.

Trade Barriers in Kazakhstan

Trade barriers may occur in international trade when goods have to cross political boundaries. A trade barrier is a restriction on what would otherwise be **free trade.** The most common form of trade barriers are *tariffs*, or *duties* (the two words are often used interchangeably in the context of international trade), which are usually imposed on imports. There is also a category of *nontariff barriers*, also known as *nontariff measures*, which also serve to restrict global trade.

Nontariff barriers (NTBs) include 1) *quantitative restrictions*, or quotas, that may be imposed by one country or as the result of agreements between two or more countries. Examples of quantitative restrictions include international commodity agreements, voluntary export restraints, and orderly marketing arrangements. 2) *Administrative regulations* constitute a second category of NTBs. These include a variety of requirements that must be met in order for trade to occur, including fees, licenses, permits, domestic content requirements, financial bonds and deposits, and government procurement practices. The third type of NTB covers 3) *technical regulations* that apply to such areas as packaging, labeling, safety standards, and multilingual requirements. Other types of existing technical trade barriers include environmental, health, and safety certification requirements

1) Import Regulations

- **Tariff and tariff administration measures**

The average tariff rate in Kazakhstan is 8.6 percent. However, Kazakhstan imposes much higher rates on certain imports, among which are canned fish and shrimps (30 percent), sugar (25 percent), and processed meat (30 percent). Some other imports are subject to a high import tariff rate of 100 percent. Besides, Kazakhstan also sets the minimum tariff duties on imports such as color television sets and recorders. The tariff rate on color television sets with screens ranging from 52cm to 75cm is 10 percent, but the minimum tariff on each piece is not lower than €40. Color television sets of other sizes are charged a rate of 10 percent and a minimum tariff of €20. The tariff structure of Kazakhstan has had negative impact on the relevant Chinese exports. The Chinese side is concerned over the issue.

At the end of 2004, the Kazakhstan government adjusted the standards for load limits of imports. Kazakhstan imposes a unified tariff on certain imports from China, charging by vehicle regardless of the load limit of the vehicle. Due to the strict load limit to imports in the new regulation, the tariff per unit of goods has increased at least by 30 percent. China is concerned about the unreasonable practice of charging the tax by vehicle.

- **Barriers to customs procedures**

Since October 2002, Kazakhstan has authorized a third-party organization to do "customs audit" on imports, which usually determines the customs value of imports based on the international prices. The practice is not in accordance with Article 7 of the WTO Customs Valuation Agreement and results in overvaluation of about 20 percent of the imports.

The Kazakhstan Customs specifies that when declaring imports with photocopies or fax copies of documents, an importer must verify the authenticity of such documents through notarization and notify the Customs with a letter; the imports will not be released if an importer fails to provide the "Transaction Passport" issued by the Kazakhstan Customs and the Central Bank for the purpose of supervising the use of capital during the transaction. The cumbersome Customs clearance procedures and unreasonable documentation requirements of Kazakhstan have added to the importer's Customs clearance costs and risks and have constituted practical obstacles to Customs clearance. The Chinese side is concerned over this issue.

Furthermore, the Kazakhstan Customs Code clearly states that a certificate of origin is required of imports only under three circumstances. However, in the actual practice, the Customs requires certificates of origin of imports under other circumstances as well; otherwise, import duties will be doubled based on the specified legal rates of Kazakhstan. This arbitrary practice has caused great uncertainty for relevant Chinese exports to Kazakhstan. The Chinese side is concerned about this issue.

- **Discriminatory taxes and fees on imported goods**

Kazakhstan imposes discriminatory taxes and fees on imports, which constitutes discrimination against the imports. The Kazakhstan Tax Code states that the excise duties on domestic products subject to taxation are paid in local currency, while those on some imports subject to taxation must be paid in Euros. For example, the excise duties on domestically-produced alcohol are 300 Tenge per liter, while those of imported alcohol are 3 Euros per liter. The influence of exchange rate fluctuation may lead to higher domestic taxes on imports. The Chinese side hopes that Kazakhstan can unify the domestic taxes and fees on domestic products and imports.

- **Technical barriers to trade**

Kazakhstan sets special testing regulations on certain imports, which are required to pass the national safety test conducted by the Kazakhstan Committee on Standards, Metrology and Certification to ensure that they do not jeopardize human health, property or the ecological environment. Mechanical and electronic products exported from China, such as washing machines, refrigerators, lighting equipment, and food-processing equip ment are subject to tests by the Kazakhstan Committee on Standards, Metrology and Certification. This regulation has both added to the inspection fee of enterprises and caused them great inconvenience. The Chinese side is concerned about this issue.

- **Sanitary and phytosanitary measures**

Kazakhstan demands that imported food and feed are subject to strict sanitary and health tests. The Chinese enterprises complain that in testing relevant imports, Kazakhstan arbitrarily adds testing items and upgrades inspection standards, which become much higher than those for the like domestic products. The practice has constituted discrimination against imports. China hopes that Kazakhstan can unify the testing standards of the imports and the like domestic products, improve the transparency in the making and revision of sanitary and health testing standards, and grant enterprises a reasonable period of time to make adjustments, so as to reduce the unreasonable policy risks that relevant Chinese imports to Kazakhstan must endure.

- **Government procurement**

In October 2002, Kazakhstan enacted the Law on State Procurement, which sets strict regulations on the procedures and requirements for government procurement. However, in practice, government procurement in Kazakhstan still lacks transparency; and extensive preferences are granted to domestic suppliers. These regulations on bidding for government projects constitute discrimination against foreign enterprises. The Chinese side is very concerned about the issue.

Kazakhstan's Oil and Gas Law requires that domestic mining and oil enterprises give preemptive consideration to domestic suppliers when procuring products or services. Domestic mining and enterprises are not allowed to import foreign products or services, unless such products or services are not available in Kazakhstan. The regulation constitutes discrimination against foreign product and service providers, including Chinese enterprises.

- **Prohibited Imports**

Military weapons and ammunition; narcotics; pornography; live animals (unless with special permit); photographs or other printed materials aimed against Kazakhstan; pigeons; gold and silver (except personal jewellery) and articles containing precious stones or pearls; anything owned by a third party that is to be carried in for that third party.

2) Export Regulations

- **Export restrictions**

To support domestic manufacturers of paper products, heat insulation materials, and toiletry and hygiene products, and to encourage the export of processed products, the Kazakhstan government has passed a resolution prohibiting the export of regenerated paper, corrugated cardboard, waste and scrap paper as of September 26, 2004.

According to the new Tax Code of 2004, the Kazakhstan government imposes export duties on crude oil based on the fluctuation of the international price, with the rates ranging from 1 percent to 33 percent. The practice of imposing export duties based on the international price rather than on the actual export price and the unpredictability of progressive duty rates have, in effect, restricted the export of petroleum from Kazakhstan. The Chinese side is concerned about the matter.

- **Prohibited Exports**

Arms, ammunition, precious metals, (gold, silver, etc.) and articles made thereof (also if containing precious stones and/or real pearls), antiquities and art objects (subject to duty and special permit from the Ministry of

Culture), furs. Carpets and jeweler items are prohibited unless accompanied by a document from the National Museum confirming that the articles are not antique.

Conclusion

Tariffs and other trade barriers have a definite effect on consumption and production. They serve to reduce consumption of the imported product, because the tariff raises the domestic price of the import. They also serve to stimulate domestic production of the product when that is possible, also because of the higher domestic price. Proponents of tariffs argue that such an increase in domestic production is desirable, while opponents argue that it is inefficient from an economic standpoint. The overall effect of tariffs and trade barriers on international trade is to reduce the volume of trade and to increase the prices of imports. Proponents of free trade argue that both of those results are undesirable, while proponents of protectionism argue that tariffs may be necessary for a variety of reasons.

There are several reasons advanced for imposing trade barriers. These include protecting domestic producers against foreign competitors (especially infant industries), improving a nation's terms of trade, reducing domestic **unemployment,** and improving a nation's balance of-payments position. Those who would argue against imposing trade barriers point to the possibility of retaliation by other nations, leading to a trade war. The more trade barriers there are, the lower the volume of international trade and the higher the domestic prices of imported goods. As a result, global resources are less efficiently allocated and the level of world **income** and production is reduced. It has been the recognition of the negative effects of trade barriers on international trade that has led to international agreements, such as GATT, designed to reduce or eliminate them.

As a whole we can conclude that:

- trade liberalization, clear and transparent trade policy rules meet the interests of long-term economic development and, consequently, facilitate human development;
- open trade contributes to saturation of the market with diverse high-quality and reasonably-priced goods which makes it beneficial for a wide range of consumers;
- integration into international markets and participation in the international division of labor stimulate the inflow of investments, generate employment and contribute to household income growth;
- trade allows to enjoy following: increased variety of goods, lower costs through economies of scale, increased competition, enhanced flow of ideas.
- to achieve sustainable economic development Kazakhstan needs to carry out the necessary structural adjustments, diversify production and increase the competitive ability of its industries;

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THE IMPACT OF ECONOMIC GLOBALIZATION ON TRANSITIONAL ECONOMIES AND THE ACTIONS ADOPTED TO MEET THE CHALLENGE OF ECONOMIC GLOBALIZATION, THE CASE OF KAZAKHSTAN

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Over the past two decades, the world economy has become increasingly integrated as flows of goods, labor, and capital across countries have expanded rapidly. The developed, the developing or even the transitional countries are all drifting with this trend unexceptionally. Although there is a general belief that globalization