

**PUBLIC DOCUMENT**

**Department of Commerce of  
the United States of America**

The Government of the Republic of Kazakhstan, having reviewed the petition for institution of an anti-dumping investigation in relation to supplies of silicomanganese from Kazakhstan to the United States of America filed on 6 April 2001 by the sole U.S. producer of silicomanganese, Eramet Marietta Inc., with the U.S. Department of Commerce and the U.S. International Trade Commission, advises as follows.

In the Republic of Kazakhstan, from the moment when it acquired independence, there has been no framework established for the sale of exported products at dumped prices, because exclusively market mechanisms have been operating in the industrial environment for a long period.

Kazakhstan is unique among world producers of ferrous alloys in that its geographic position in relation to primary consumer markets is extremely disadvantageous – there is no seaport, costs are high for transportation to the nearest possible ports of shipment (international transportation rates on Russian railroads). On the one hand, this factor has a negative effect on the competitiveness of Kazakhstani ferrous alloys, and on the other hand it makes all the primary world consumer markets for ferrous alloys equally preferable.

According to information from the Statistics Agency of the Republic of Kazakhstan (from 4 June 2001), the only domestic silicomanganese producer in Kazakhstan is Kazchrome TNC OJSC. The sole Kazakhstani ferrous alloy producer therefore has no preferred sales market as do China and India in nearby countries such as Japan, Korea, and Taiwan, or such as Brazil, Venezuela, and Mexico do in the United States and Canada.

Based on this reality of equal delivery costs to any consumer market (Western Europe, the United States, Southeast Asia), the key factor in determining markets for exports is the existing price levels in such markets that would allow maximum profits. Naturally, depending on the current prices in each of

PUBLIC DOCUMENT

**Request of the Government of the Republic of Kazakhstan  
for revocation of nonmarket economy status**

The anti-dumping law of the United States of America (USA) defines the term “nonmarket economy country” as a country that “does not operate on market principles of cost or pricing structures, so that sales of merchandise in such country do not reflect the fair value of the merchandise.” 19 U.S.C. § 1677(18)(A).

The factors taken into account by the Department of Commerce when making the determination of whether a country is a nonmarket economy country are:

1. the level of convertibility of the domestic currency into foreign currencies;
2. the extent to which salary levels depend on negotiations between employees and management;
3. the degree of openness of the country to the establishment of joint ventures or investments by foreign firms;
4. the share of state ownership and the extent of control over the means of production;
5. the state’s level of control over the allocation of resources and over the decisions of companies as to price and output;
6. other relevant factors.

*See* 19 U.S.C. 1677(18)(B). Because the above factors are not treated as absolute conditions, the Department need not find that a country has a completely competitive market in order to change its status from nonmarket economy to market economy. Below is a discussion of Kazakhstan’s market policy in light of the above factors.

## **1. Currency convertibility**

On 16 July 1996, the Republic of Kazakhstan acceded to the conditions of Article VIII (sections 2, 3, and 4) of the International Monetary Fund (IMF) Convention, thereby undertaking:

- not to introduce or strengthen any currency restrictions;
- not to introduce or modify any exchange rate practices whatsoever;
- not to enter into any bilateral payment agreements that contravene Article VIII of the IMF Convention or introduce restrictions on imports for reasons related to the balance of payments.

The Government of Kazakhstan has lifted restrictions on the execution of payments and transfers in current international transactions, thereby establishing conditions that ensure the free convertibility of the tenge and the transition to a multilateral payment system.

Supporting documents are attached (Document 1 – Article VIII of the IMF Convention).

Today a foreign investor can open foreign currency accounts at any bank, settle debts in any foreign currency, and convert and repatriate revenues.

Regulatory acts of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan do not require domestic or foreign companies to sell any portion of their hard currency revenues to the state.

Any individual who is registered as an individual entrepreneur or any legal entity operating in the Republic has the right to convert funds in the national currency—the tenge—into foreign currency and to take those funds out of the country under conditions stipulated in the following relevant regulatory documents:

- Rules for the Conduct of Currency Operations in the Republic of Kazakhstan;
- the Rules for Licensing Activities Associated with the Use of Currency.

Exchange operations may be performed without limitation in cash foreign currency within the Republic of Kazakhstan through exchange bureaus of banks and special organizations.

Relevant supporting documents are attached (Document 2 – Rules for the Conduct of Currency Operations in the Republic of Kazakhstan and Rules for Licensing Activities Associated with the Use of Currency).

## **2. Salary rates and negotiations between employees and employers**

On 1 January 2000, the Republic of Kazakhstan enacted the Law of the Republic of Kazakhstan “On Labor in the Republic of Kazakhstan.”

The Constitution of the Republic of Kazakhstan and several other laws of the Republic of Kazakhstan, including the laws “On Labor in the Republic of Kazakhstan,” “On Labor Unions,” “On Collective Labor Disputes and Strikes,” “On Collective Agreements,” and “On Social Partnership in the Republic of Kazakhstan,” guarantee employees’ freedom to join labor unions and to strike, labor unions’ freedom to negotiate salary rates with company management, protection from dismissal and discrimination, and freedom of movement in work and residence.

Today there are two functioning nationwide labor union associations (whose members represent more than 50% of workers): the Federation of Labor Unions of the Republic of Kazakhstan and the Confederation of Free Labor Unions of Kazakhstan.

The legislation of the Republic of Kazakhstan governs the relationship created by individual employment agreements—the agreements between employer and employee, concluded in writing, under which the employee undertakes to perform work according to a particular specialty, qualification, or position and to follow documents of the employer, and the employer undertakes to pay, on time and in full, salary and other money payments stipulated by legislation and the agreement between the parties, as well as to provide work conditions as stipulated by the labor legislation and the collective agreement.

There is a multilevel system of collective agreement regulation of labor relations: state – industry – region – enterprise.

The system includes:

- a General Agreement concluded annually between the Government of the Republic of Kazakhstan, nationwide labor union associations, and nationwide employers’ associations;
- industry-wide agreements concluded at the ministry level with employers and 30 labor unions;
- regional agreements concluded at the level of oblast, city, and district akims with representatives of employers and labor unions;
- collective agreements concluded at enterprises between employers and labor unions.

The system is grounded in the regulatory foundation of the Republic of Kazakhstan and the fifteen conventions of the International Labor Organization (ILO) that have been ratified by Kazakhstan:

- No. 155 Occupational Safety and Health Convention;
- No. 148 Working Environment Convention;
- No. 122 Employment Policy Convention;
- No. 111 Discrimination (Employment and Occupation) Convention;
- No. 87 Freedom of Association and Protection of the Right to Organize Convention;
- No. 135 Workers' Representatives Convention;
- No. 144 Tripartite Consultation Convention;
- No. 29 Forced Labor Convention;
- No. 100 Equal Remuneration Convention;
- No. 105 Abolition of Forced Labor Convention;
- No. 98 Right to Organize and Collective Bargaining Convention;
- No. 138 Minimum Age Convention;
- No. 88 Employment Service Convention;
- No. 81 Labor Inspection Convention;
- No. 129 Labor Inspection (Agriculture) Convention.

Kazakhstan is in the process of ratifying Convention No. 182 (1999), on the Worst Forms of Child Labor.

In an opinion issued by the 1995 World Summit on Social Development, a list was provided of the seven fundamental ILO conventions: Nos. 87, 98, 29, 105, 100, 111, and 138. The Republic of Kazakhstan has ratified all seven of these fundamental ILO conventions. Under Article 4.3 of the Constitution of the Republic of Kazakhstan, international agreements ratified by the Republic prevail over its laws.

The principles of tri- and bilateral cooperation are set out in the laws of the Republic of Kazakhstan "On Labor in the Republic of Kazakhstan" (enacted 1

January 2001) and “On Social Partnership in the Republic of Kazakhstan” (enacted 18 December 2000).

The Constitution of the Republic of Kazakhstan (Article 28) and the labor legislation have established the principle of labor remuneration without discrimination at a level no lower than the minimum salary stipulated by law, which is set each year in accordance with the Law of the Republic of Kazakhstan “On the National Budget.”

The Law “On Social Partnership in the Republic of Kazakhstan,” which has been praised by international experts, has given social dialogue the status of state policy. An atmosphere has been created for the development of democratic labor unions and the exercise of civil and political rights based on the principles of freedom of association and the right to strike.

Kazakhstan is the only country in the Commonwealth of Independent States (CIS) that has adopted a law on social partnership.

The sixth trilateral General Agreement has been concluded, in which the parties in social partnership undertook obligations in the field of:

- growth in the economy and private enterprise;
- labor relations and assistance in public employment;
- security of social guarantees and the struggle against poverty and unemployment;
- labor protection, health, and environmental safety;
- security of the rights and guarantees of working women and youth;
- improvement of social partnership, coordination of the activities of the parties, and ensuring control over the fulfillment of the agreement.

The Government of the Republic of Kazakhstan, nationwide labor union associations, and employers signed the Cooperation Program with the International Labor Organization, which is being implemented successfully.

Supporting documents are attached (Document 3 – the Law of the Republic of Kazakhstan “On Labor in the Republic of Kazakhstan” and materials regarding the Republic of Kazakhstan’s entry into the ILO).

### **3. Joint ventures and foreign investments**

From the moment when it declared independence, the Republic of Kazakhstan has been actively attracting foreign investment.

The cumulative volume of foreign investment in the Republic of Kazakhstan since 1993 totals US\$12,530,300,000.

In 2000, total foreign investment into the country's economy was US\$2,751,500,000<sup>1</sup>. Due to the discharge of foreign debts in the amount of US\$1,415,300,000, the index of net incoming capital in 2000 was 15% lower than the 1999 level.

Foreign investors are participating in the privatization of medium-sized and major enterprises in the steel industry, in the energy sector, and in many other key sectors of the economy. (*See Document 4 – EBRD report*).

The articles of the Law of the Republic of Kazakhstan “On Foreign Investments” dated 27 December 1994 guarantee that:

- the activities of foreign investors within the Republic of Kazakhstan can be carried out on conditions identical to those granted to Kazakhstani individuals and legal entities;
- revenues received by foreign investors from entrepreneurial activity may be used at the discretion of the investors;
- foreign investments are protected from nationalization and expropriation.

Since 1995 tax legislation has been in effect in Kazakhstan which incorporates international taxation principles oriented towards an economy with market mechanisms of development. As of today, agreements on avoidance of double taxation have been signed with 32 countries around the world, preventing double taxation of investors' revenues.

Kazakhstan has created a Foreign Investors' Council under the President of the Republic of Kazakhstan—a consultative and advisory body created in order to maintain a direct dialogue between the Government of the Republic of Kazakhstan and major foreign investors. This body includes four working groups made up of representatives from national ministries and departments and foreign companies (the working groups are focused on (1) improvement of the tax legislation, (2) the legislative base, (3) current activities, and (4) investment image). The primary purposes of the Council are to work out recommendations aimed at improving the investment climate, make proposals to resolve current problems, improve legislation, and create favorable conditions for doing business in Kazakhstan. At least twice a year, the Council holds meetings where the President of the Republic of Kazakhstan directly participates.

---

<sup>1</sup> In 1999 alone, Kazakhstan received US\$1,852,100,000 in foreign investment, placing Kazakhstan third in terms of annual foreign investment volume among all former Socialist Bloc countries, behind only Poland and Hungary.

At the same time, the legislation of the Republic of Kazakhstan provides measures for state support of investments made in priority sectors of the economy, by granting tax benefits and preferences as to the payment of income, property, and land taxes, as well as exemptions from payment of customs duties for a period of up to five years.

Under the Law of the Republic of Kazakhstan “On Land” dated 31 January 2001, foreign legal entities and individuals are granted the right of long-term land use and the right to lease agricultural land and forest plots for a term of up to 49 years. In relation to land, foreign investors undertake obligations on an equal basis with citizens and legal entities of the Republic of Kazakhstan.

In 2000, 2366 operating joint ventures and foreign enterprises were registered within the Republic of Kazakhstan (1189 JVs, 1177 foreign enterprises). In 2000, about 6% of enterprises were owned by foreign citizens and legal entities, which produced industrial products worth US\$1,570,000,000, comprising 15.1% of the total nationwide production volume. (Document 5—Table 1: Number of Enterprises and Industrial Output according to Property Categories for the period Jan-Dec 2000.)

These significant levels of foreign capital and participation in Kazakhstan’s economy demonstrate that the Republic fosters market conditions for entrepreneurial activity on a competitive basis, regardless of the country of origin and form of ownership.

Supporting documents are attached (Document 6 – Law of the Republic of Kazakhstan “On Foreign Investments” dated 27 December 1994).

#### **4. State control over the means of production**

In 2000, the vast majority of the gross domestic product (GDP) of the Republic of Kazakhstan was attributable to private enterprise – 76.7% of GDP. The share of private ownership in all sectors of the country’s economy has been following a trend of steady growth for the past several years.

Supporting documents are attached (Document 7 – Table 2 “Structure According to Form of Ownership by Industry”).

In the period from 1991 through the 1st quarter of 2001, the following have been privatized:

- 21,702 state-owned facilities, including state shareholdings and state interests in 3454 organizations, which comprises 70% of the total number of organizations with state interests, as well as 18,248 facilities in the social sphere and other assets;
- 2,124 state agricultural enterprises (state farms).



Supporting documents are attached (Document 8 –list of regulatory acts of the Republic of Kazakhstan under which privatization of state property is being (and has been) carried out).

Within the framework of the National Program for Denationalization and Privatization of State Property for 1993-1995 and 1996-1998, enterprises have been privatized in various sectors of the economy (showing the number of enterprises privatized in each sector):

- oil and gas – 55;
- electric power – 43;
- coal – 20;
- mining and metals – 40;
- machine-building – 241;
- chemicals – 26;
- transportation and communications – 411.

The buyers have been foreign investors from the USA, the United Kingdom, Korea, Germany, Switzerland, Belgium, Canada, Holland, Ireland, the People's Republic of China, Gibraltar, and Russia.

In accordance with the Program for Privatization and Management of State Property in 1999-2000, as approved by Resolution No. 683 of the Government of the Republic of Kazakhstan dated 1 June 1999, all facilities in national state ownership were divided into four categories: “national companies,” “blue chips,” “major facilities,” and “second-tier enterprises.”

The largest enterprises in the energy and mining industries are in the categories of “national companies,” “blue chips,” and “major facilities”:

- national companies – 19;
- blue chips – 10, including joint-stock companies in the oil and gas industry (2), mining and metals industry (6), banking (1), and telecommunications (1), in which the state has a participatory share. One of them was sold in 2000, two were transferred into trust management, and the sale of one enterprise is planned for 2001;
- major facilities – 44 enterprises, two of which (coal mining and exploration) were sold in 2000. By the end of 2002, the Government of the Republic of Kazakhstan plans to privatize a majority of enterprises, in which electric power facilities occupy a dominant position. Currently consultations are

underway with the EBRD to attract financing for privatization projects involving regional electric grid companies.

The state retains an interest in 45 major organizations, 41 of which function as joint-stock companies. Under the current legislation, the state participates in the management of these joint-stock companies on an equal basis with other shareholders, without any privileges whatsoever.

Under Decree No. 422 of the President of the Republic of Kazakhstan dated 28 July 2000 and Resolution No. 1587 of the Republic of Kazakhstan dated 24 October 2000, a number of facilities with strategic significance were placed on a list of companies that are not subject to privatization until 2003.

According to the statistical data for 2000, the average number of economically active members of the population (the workforce) in the republic comprised 7.1 million people, of which 6.2 million people (87.2%) were employed. Some 4.8 million people were working at privately owned enterprises and organizations, comprising 76.7% of the total number of employed people.

As of 1 January 2001, 81,000 private small enterprises were doing business in the republic, in which the number of workers comprised 493,000 people or 93% of the total number of those employed at small enterprises.

The Constitution of the Republic of Kazakhstan dated 20 August 1995, the Law of the Republic of Kazakhstan “On Land” dated 24 January 2001, the Civil Code of the Republic of Kazakhstan dated 27 December 1994, the Code of Civil Procedure of the Republic of Kazakhstan dated 13 July 1999, and the Criminal Code of the Republic of Kazakhstan dated 16 July 1997 guarantee the protection of private property and the rights of individuals and legal entities to protect their rights and liberties by applying to judicial bodies.

*Matters related to private property are governed by:*

- Article 6 of the Constitution of the Republic of Kazakhstan, articles 2 and 15 of the Law of the Republic of Kazakhstan “On Land,” articles 2, 14, 188, and 191 of the Civil Code of the Republic of Kazakhstan.

*Matters related to the right to court protection are governed by:*

- Article 13 of the Constitution of the Republic of Kazakhstan, articles 2, 8, 29, 278, and 279 of the Code of Civil Procedure of the Republic of Kazakhstan, and Article 2 of the Criminal Code of the Republic of Kazakhstan.

Supporting documents are attached (Document 9 – a list of the above articles of relevant regulatory acts of the Republic of Kazakhstan).

## **5. Government control over the allocation of resources and price and output decisions by enterprises**

The Government of Kazakhstan has effectively removed itself from any role in controlling the allocation of credit and capital in the economy. As of 1 April 2001, 46 banks were operating in Kazakhstan, including:

- one bank with 100% state participation – Eximbank Kazakhstan CJSC;
- one international bank;
- sixteen banks with foreign participation (including nonresident subsidiary banks).

Kazakhstan's bank system is almost completely privatized, and banking institutions are private.

The state also has an interest in the charter capital of two banks:

- Halyk Savings Bank of Kazakhstan OJSC;
- Bank Tsentr-Kredit OJSC.

The state's interest in the charter capital is insignificant and comprises 33.3% +1 share and 11.7% respectively. The Government of the Republic of Kazakhstan has decided to sell the state shareholding in Halyk Bank (the tender will be on 28 June 2001).

A key indicator of the monetary/credit policy of the National Bank is the official refinancing rate of the National Bank for the domestic financial market. The refinancing rate is established by the National Bank in order to carry out its functions, and depends on the condition of the money market, credit supply and demand, the inflation rate, and inflationary expectations.

Supporting documents are attached (Document 10—The Rules of Initial Placement of Government Securities Issued by the Ministry of Finance of the Republic of Kazakhstan and the Decree on Interest Rates on the NBK's operations).

The Government of the Republic of Kazakhstan, in order to finance the national budget deficit, borrows capital on the domestic and foreign markets, including through the placement of government securities. The cost of borrowing is determined under market conditions.

The Ministry of Finance of the Republic of Kazakhstan uses the following to place government securities on the domestic market:

- the auction method (used most frequently) – bids are satisfied beginning with the highest discounted prices and ending when the authorized issue volume is exhausted;
- the subscription method – uses the interest rates set by the issuer for each type of securities and bids are accepted for purchase until the authorized issue volume is reached.

When placing government securities on international capital markets, the Ministry of Finance of the Republic of Kazakhstan uses:

- the open subscription method (public issue, offer for subscription) among an unrestricted number of investors, to be carried out through a syndicate of underwriters named on the eurobond market by the loan managers. The head of the syndicate is the lead manager. The lead manager, on behalf of the other managers, coordinates the issue conditions with the issuer and, if necessary, helps the issuer to prepare an issue prospectus. The securities are placed on market conditions via a broad group of financial institutions with investors in various countries around the world. Such issuances are almost always listed on the exchange.

In the competitive environment of the economy, prices on products are unrestricted and are established on the basis of supply and demand.

Pursuant to Law No. 144-P of the Republic of Kazakhstan “On Competition and Restriction of Monopolistic Activity” dated 19 January 2001, the state regulates prices on the products of market entities that abuse their dominant position, in cases when it is impossible or infeasible to break the monopolist into smaller units.

The Government of the Republic of Kazakhstan is removing price controls on goods and services, except for the regulation of consumer prices on electricity, heat, and water. The Government of the Republic of Kazakhstan is taking measures to reorganize the Kazakhstan Temir Zholy republic state enterprise, which will allow it to rescind control over railroad tariffs within three to four years.

The following laws of the Republic of Kazakhstan pertain to unfair competition and anti-monopoly regulation:

- Law No. 232-I of the Republic of Kazakhstan “On Unfair Competition” dated 9 June 1998 (as amended by Law No. 125-II of the Republic of Kazakhstan dated 15 December 2000);
- Law No. 272-I of the Republic of Kazakhstan “On Natural Monopolies” dated 9 June 1998 (as amended by the laws of the Republic of Kazakhstan No. 413-I dated 13 July 1999 and No. 42-II dated 29 March 2000);

- Law No. 144-II of the Republic of Kazakhstan “On Competition and Restriction of Monopolistic Activity” dated 19 January 2001.

In 1998, the inflation rate in the Republic of Kazakhstan was 1.9%, in 1999 it was 17.8%, and in 2000 it was 9.8%. The plan for national socioeconomic development in 2001 predicts an inflation rate of 6.9%. (Detailed information regarding price changes in the consumer sector of the economy is set out in Table 3 – Document 11.)

The Parliament of the Republic of Kazakhstan has adopted a number of laws that meet international criteria:

- Law No. 232-1 of the Republic of Kazakhstan “On Unfair Competition” dated 9 June 1998;
- the Law of the Republic of Kazakhstan “On Bankruptcy” dated 21 January 1997.

The Law “On Bankruptcy” is being effectively implemented in practice, as demonstrated by the following table showing that the number of enterprises declaring bankruptcy has been higher post-1997 when the Law was enacted:

Table 3

#### Number of enterprises declared bankrupt

<b>Period</b>	<b>Number of enterprises declared bankrupt</b>
1996	111
1997	344
1998	1603
1999	1707
2000	1442
January-March 2001	248

Supporting documents are attached (Document 12—the Law “On Bankruptcy” dated 21 January 1997 and Document 13 – Law No. 232-I of the Republic of Kazakhstan “On Unfair Competition” dated 9 June 1998).

## 6. Other relevant factors

Kazakhstan has gained experience in the successful recovery of its economy after the 1998 regional financial crises. The results of this experience and the current state of the economy show that the Government of the Republic of Kazakhstan has established a market-based economic system capable of adapting to world economic pressures quickly and at minimal expense.

In December 1999, a trilateral International Monetary Fund program was signed in conjunction with an expanded lending facility. The program provides for further reforms of the economy and liberalization of the domestic market. Thanks to the balanced macroeconomic situation, Standard & Poor's and other ratings agencies have raised Kazakhstan's credit rating. Kazakhstan has gained access to international capital markets with the aid of two five- and seven-year eurobond issues. This confirms Kazakhstan's reputation as a serious borrower that has a long-term strategy for continued operation on capital markets. The last issue serves as a reference point for possible bond placements by Kazakhstani corporate borrowers on international capital markets.

In May 2000, Kazakhstan completed early repayment of the loans extended to it by the International Monetary Fund (STF (1993), Stand-by 1 (1994), Stand-by 2 (1995), EFF (1996))—a first for all the countries of the CIS and Eastern Europe. It thereby showed international economic organizations, financial institutions, and foreign creditors its ability to service loans.

The positive trends in the growth of the economy continued in 2000. According to estimates, in 2000 the gross domestic product grew 9.7% over 1999. Since April 1999, the National Bank of Kazakhstan has followed a free-floating exchange rate policy. As a result, there has been a stable growth trend in exports and an improvement in the trade and payment balances. The monetization level of the economy at the end of 2000 was 15.3% of GDP.

In the first quarter of 2001, the Republic of Kazakhstan continued these positive economic development trends. Gross domestic product in the first quarter of 2001 grew by 11% over the same period in 2000.

In March 2001, there was an increase in the money mass of 53.4% over March 2000, according to National Bank data.

The increased money supply facilitated further growth in economic activity. Since the beginning of the year the currency market has maintained a balanced average tenge-USD exchange rate.

A steady increase in output of industrial and agricultural products and in construction, in conjunction with the real growth in the revenues of market entities, will contribute to the growth of the country's transportation infrastructure and other service industries.

The Government of the Republic of Kazakhstan continues to reform the budget system, carry out future budget planning, reform the budgetary relations between the central and regional governments to conform to principles of medium-term stability, manage state expenditures by forming and improving the regulatory base, regulate the budget process, improve the methods of implementation of foreign borrowing strategies, develop approaches to the refunding of budgetary monies to end borrowers, and decrease the state budget deficit.

The Government of the Republic of Kazakhstan maintains and observes the fundamental principles of taxation, such as fairness, specificity, convenience, economy, simplicity, and neutrality.

In the course of broad discussions with representatives from major enterprises that are being managed by foreign investors and from the Association of Financiers, auditing companies, and unions of Kazakhstani entrepreneurs, with active participation on the part of the mass media, on 18 May 2001 the Parliament of the Republic of Kazakhstan passed a new tax code which will take effect 1 January 2002. The Ministry of State Revenues of the Republic of Kazakhstan has opened a website at <http://www.mgd.kz/> with information about the new tax code of the Republic of Kazakhstan. Two conferences have been held outside Kazakhstan, in London and Washington, with the involvement of major international organizations that specialize in tax legislation.

The purpose of the tax legislation is to increase receipts of taxes and other mandatory payments to the budget by way of expanding the taxable base, organizing the currently existing tax benefits, systematizing the multitude of current disputes and payments of a non-tax nature, and improving tax administration.

Kazakhstan adheres to the principles of liberalization of foreign trade and is working towards joining the World Trade Organization (WTO). In accordance with Resolution No. 211 of the Government of the Republic of Kazakhstan “On Entry into the WTO” dated 19 February 1996, Kazakhstan has sent an official inquiry to the WTO Secretariat regarding the Republic of Kazakhstan’s entry into the WTO.

Work towards joining the WTO consists of the following tasks:

1. bringing the national legislation into compliance with international standards and rules;
2. preparing official documents and submitting them to the WTO Secretariat;
3. conducting consultations with member-states of the Customs Union on matters related to WTO membership;
4. training a negotiating team and engaging in bi- and multilateral negotiations with the main partner members of the WTO.

On the first task, in 1999 much work was done to harmonize the national legislation with the rules of international trade. New laws were adopted for the protection of the domestic market, for security of achievements in breeding, and on standardization and patents, amendments were made to the Customs Code, etc. (in all, nine new laws were adopted and five existing laws were amended). Work will continue in this direction.

On the second task, in the last few years (including the current year) at the twelve meetings of the Interdepartmental Commission (IDC) held by the Government on WTO issues, discussions and work continued on creating a set of obligations related to access by foreign suppliers of goods and services to Kazakhstan's markets.

The following have been sent to the WTO Secretariat:

- revised (2nd version) proposals on access to Kazakhstan's services market and Kazakhstan's revised proposals on access to the goods market (3rd version) (import tariffs on industrial products);
- a set of agriculture-related documents, including aggregated measures to support agriculture in 1996-1998, export subsidies, and import tariffs on agricultural produce granted to the agricultural sector in 1997-1998;
- fourteen laws;
- a large amount of analytical materials in the form of replies to questions from interested WTO countries pursuant to the results of three Working Group meetings in Geneva;
- pursuant to an additional request from the WTO Secretariat, information on technical barriers to trade, commercial aspects of intellectual property rights, trade-related investment measures, a Taxation Memorandum, a Privatization Memorandum, and information on sanitary and phytosanitary measures in the Republic of Kazakhstan.

On the third task, consultative meetings have been held regularly with member-states of the Customs Union on matters related to entry into the WTO. At 11 consultative conferences among the directors of government delegations, there have been joint discussions of the main approaches to all key issues involved in joining the WTO: customs tariffs on imports, measures to support agriculture, and access to the services market.

On the fourth task, three meetings of the WTO Membership Working Group have been held, as well as two rounds of bilateral negotiations (March and October 1997, and October 1998).

In July 2001 the fourth meeting of the WTO Membership Working Group will be held.



the world's sales markets, Kazakhstan's ferrous alloys are redirected to the markets where prices are highest.

In recent years the silicomanganese prices in the U.S. market have been unusually high in comparison to other markets, which is the reason for the increased interest in supplying silicomanganese to that market.

To our knowledge, the total yearly consumption volume of silicomanganese in the United States is about 400,000 tons per year. Meanwhile, the capacity of Eramet Marietta Inc. - the only producer of manganese alloys in the United States - does not exceed 100,000 tons per year. The market deficit is about 300,000 tons per year, which is covered by imports of silicomanganese from other countries.

Kazakhstan's share in silicomanganese imports into the United States was less than 1% in 1998, about 9% in 1999, and about 18% in 2000. Kazakhstan is trying to compete on an equal basis with other silicomanganese producers in the market.

In its turn, the Government of the Republic of Kazakhstan is taking steps to end the outdated view of Kazakhstan as a non-market economy and protect the interests of Kazakhstani producers by requesting that Kazakhstan be recognized as a "market economy country."

As of today, the Government of the Republic of Kazakhstan has prepared a "Request of the Government of the Republic of Kazakhstan for revocation of nonmarket economy status" (the "Request"), with a translation into English (attached).

It must be emphasized that the issue of Kazakhstan's market economy status is being presented within the context of an individual anti-dumping proceeding and the Government of the Republic of Kazakhstan respectfully requests that this issue be considered and ruled upon during the period before a preliminary determination is issued regarding the alleged existence of dumping.

Considering the importance and urgency of this event, we are sending you this Request in order to obtain the status of a "market economy country," which is warranted at this time and will allow us to more effectively defend Kazakhstan's interests, because when the value of the product is being determined, production costs and factors in the Republic of Kazakhstan should be taken into account, rather than those of a "surrogate country."

Furthermore, receiving the status of a "market economy country" will reflect both the market realities for industries operating in Kazakhstan and the cooperative and market-based business and investment relationships between the Republic of Kazakhstan and the United States. I would like to take advantage of this opportunity to express my respect and esteem for you.

Attachments: 1. Request for revocation of nonmarket economy status (in English) – 15 pp.

2. attachments to the Request

**Deputy Prime Minister of  
the Republic of Kazakhstan**

**O. Jandosov**

DC1:477965.3