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# **Assessing the Impact of Non-Tariff Barriers in the EEU: Results of Enterprise Surveys**

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EDB Centre for Integration Studies

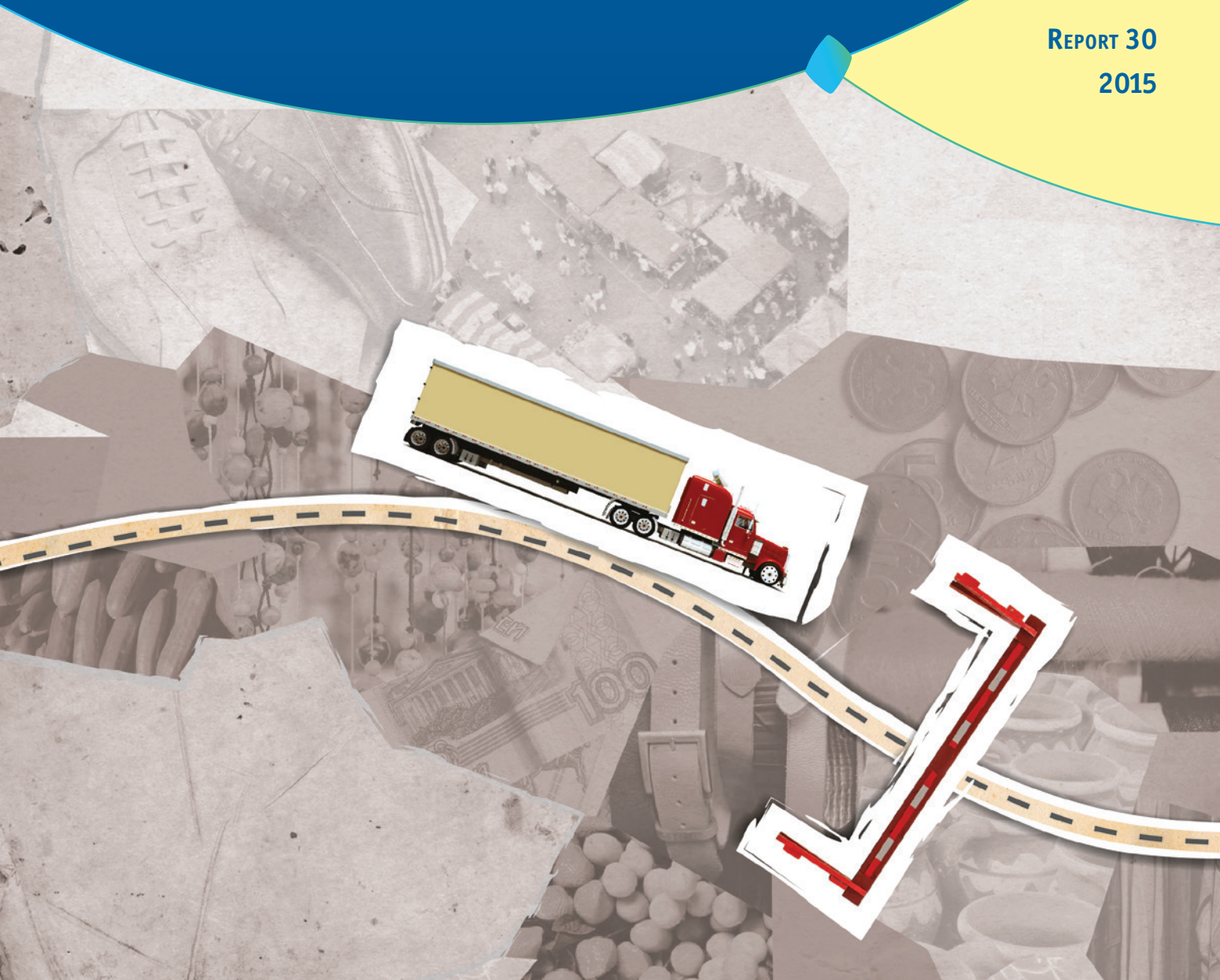
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# ASSESSING THE IMPACT OF NON-TARIFF BARRIERS IN THE EEU: RESULTS OF ENTERPRISE SURVEYS

REPORT 30  
2015



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After the establishment of the Customs Union (CU) and the Single Economic Space (SES), Belarus, Kazakhstan and Russia have repeatedly stated the need to eliminate exemptions, limitations, and barriers to mutual trade in goods and services. This report represents the first stage of a study on the economic impact of reduction within the SES and the emerging Eurasian Economic Union (EEU) of non-tariff barriers (NTBs) to trade among Member States. It gives an overview of works on the definition and classification of NTBs, and the quantitative assessment and calculation of the economic effects of NTBs reduction. The report also presents the results of surveys and interviews with enterprises and companies of Belarus, Kazakhstan, and Russia that export goods and services to the markets of the CU and EEU. These surveys and interviews revealed respondents' views on the NTBs they face when exporting to each of the partner states. They also obtained quantitative estimates of NTBs as a percentage of the value of exported goods, which made it possible to estimate the costs of each of the NTBs to the enterprises.

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## ACRONYMS AND ABBREVIATIONS

**BAMAP** — Association of International Road Carriers of the Republic of Belarus  
**CGE** — Computable General Equilibrium  
**CIS** — Commonwealth of Independent States  
**CIS EDB** — Centre for Integration Studies EDB  
**COMTRADE** — UN Database of Merchandise Trade Statistics  
**CU** — Customs Union  
**DCFTA** — Deep and Comprehensive Free Trade Agreement  
**EDB** — Eurasian Development Bank  
**EEC** — Eurasian Economic Commission  
**EEU** — Eurasian Economic Union  
**EFTA** — European Free Trade Association  
**EU** — European Union  
**FAO** — Food and Agriculture Organization of the United Nations  
**FDI** — Foreign Direct Investment  
**GDP** — Gross Domestic Product  
**HS** — Harmonized System  
**IMF** — International Monetary Fund  
**ITC** — International Trade Centre  
**LSM** — Least Squares Method  
**NAFTA** — North American Free Trade Association  
**NTBs** — Non-Tariff Barriers or Non-Tariff Measures  
**OECD** — Organization for Economic Cooperation and Development  
**R&D** — Research and Experimental Development  
**RTA** — Regional Trade Agreements  
**SES** — Single Economic Space  
**SIEI EDB** — System of Indicators of Eurasian Integration EDB  
**TFP** — Total factor productivity  
**UNCTAD** — United Nations Conference on Trade and Development  
**UNIDO** — United Nations Industrial Development Organization  
**WTO** — World Trade Organization



## Analytical summary

This report includes the classification of NTBs used in the CU and SES according to UNCTAD's approach and based on a survey of enterprises to determine the restrictive impact of NTBs on mutual trade and the impact that they have on the value of exported goods and services.

**When classifying NTBs from the list of the Eurasian Economic Commission (EEC), it was found that the greatest number of NTBs in the CU and SES are for sanitary and phytosanitary measures, technical barriers, price control measures and measures affecting competition.** There were also many measures relating to subsidies and restrictions on government procurement. The SES list does not contain measures relating to restrictions on marketing and post-sales service, nor to trade defence measures. Nevertheless, during the survey a number of enterprises indicated that such NTBs are used in the CU and SES. This also emphasizes the need to gather more information on barriers and restrictions to trade in goods within the Eurasian integration union.

Given the lack of a unified approach to the internationally recognized NTBs in the services sector, this study does not use the classification list of restrictions on trade in services proposed by the EEC. However, barriers contained on this list were used in the survey of financial institutions and the transport sector.

**Given that the current UNCTAD classification is the most comprehensive and internationally recognized, it would be advisable for the EEC to use it in the future to gather information and create a database on NTBs in mutual trade in goods in the EEU.** This database should also include information on normative legal acts of CU and SES countries that introduce particular NTBs. This will facilitate the classification and coding of NTBs, and allow for a more accurate assessment of their impact on trade among member countries.

**The survey of export enterprises has required a number of important tasks to be carried out:**

- To obtain basic information on the problem from a sufficiently large number of managers and leading specialists from enterprises (about 530 industrial enterprises were surveyed in the three countries) and to consider their views in decision-making to reduce NTBs within the SES;
- To evaluate existing restrictions in bilateral trade among SES countries and take into account information obtained in the subsequent quantitative analysis of the impact of NTBs;
- To estimate the relative importance of various NTBs in general and by type of activity;
- To quantify NTBs and determine the possible effect of reducing them.

**The results of the survey of export enterprises showed that the main barriers that create restrictions on trade within the SES are technical ones. Among these, the most**

**important are the need for testing and certification of products, as well as compliance with industry standards.** A solution to the problem that the respondents propose is the mutual recognition of conformity of assessment procedures for products not covered by CU technical regulations, and the use of international standards and harmonization of rules and regulations in marking, packaging and labelling. **Other barriers reported by respondents, regardless of the direction of trade, are pricecontrol measures, including additional taxes and fees in the destination country (particularly relating to VAT), and measures affecting competition (the institution of special importers).**

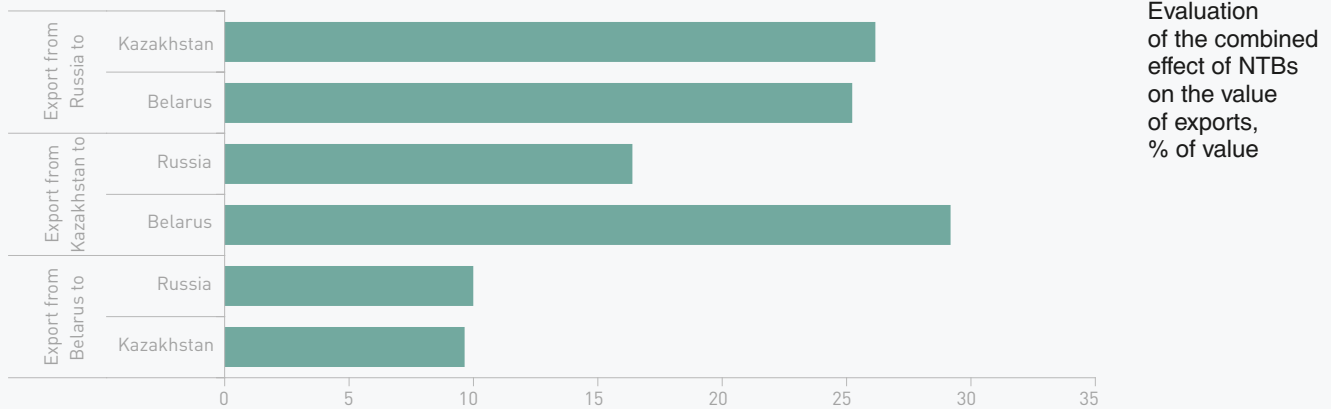
Furthermore, Kazakh and Russian exporters note the restrictive impact of pre-shipment inspection and other formalities; contingent trade-protective measures; finance measures in the form of regulations related to payment for imports into the destination country and to obtaining credit to finance imports. Exports from Belarus are constrained by the limitations on government procurement in Kazakhstan and Russia.

Quantitative assessment of the restrictive impact of NTBs based on the survey results showed that **Belarusian exporters have the lowest costs from NTBs. The cumulative effect of all barriers, adjusted for outliers, is estimated to be no more than 15% of the value of exports, regardless of the direction of exports. Quantitative estimates of NTBs by Russian exporters, when truncated, are an average of about 25% of the cost of exporting to Kazakhstan and Belarus. The results of the survey of Kazakh exporters are less clear. Their assessments of barriers vary, depending on the method of calculation and the direction of trade, from 16.3% to 78.9% of the value of exports.** This is due to inconsistency in responses and a tendency for higher estimates of the impact of barriers than in other countries. To further simulate the effects of reducing NTBs, the lowest values of the estimates should be used, e.g., 16.3% of the value when exporting to Russia and 29.1% to Belarus. This conclusion will be checked by a gravity analysis of foreign trade within the SES.

**According to the enterprises, the main barriers that increase the cost of trade within the SES are technical barriers, measures affecting competition, price control measures. This is based on the respondents' answers on the restrictive impact of a barrier.** The impact of technical barriers is rated as high by respondents in all directions of trade, regardless of the methodology of calculation. High costs associated with the regulation of competition are confirmed by answers to the open-ended question, and the costs associated with regulation of prices are confirmed by the closed-ended one.

In addition to these barriers, Belarusian respondents face significant costs because of measures taken by Kazakhstan and Russia to restrict access to government procurement procedures, as well as the use by SES countries of sanitary and phytosanitary measures. Exporters from Kazakhstan and, in particular, from Russia noted the high costs associated with finance measures used by Belarus. This barrier is often also relevant for exporters to Kazakhstan.

In general, Kazakh respondents give uniformly high quantitative assessments of the impact of NTBs. Russian exporters identify several key barriers that characterize the whole integration association, and do not consider other barriers as significant. A similar profile of responses is provided by Belarusian respondents. With a quite low average



level of quantitative estimates of impact, they have identified a number of barriers that nevertheless have a significant impact on the value of exported products.

**The main sector of the economy in which the costs of the barriers are high regardless of the direction of trade, is the production of machinery and equipment. Also high costs of non-tariff regulation of trade are faced by exporters of chemical products (to Belarus and Russia), wood products (to Kazakhstan and Russia), agricultural products (to Belarus), as well as electrical, electronic and optical equipment (to Kazakhstan).**

In addition to the impact on the cost of exported goods, NTBs may also limit the range of exports if these are prohibitive barriers. **The results showed that trade inside the SES is characterised by a limited range of products. The range of supply by Belarusian enterprises to the Russian market is wider than its trade with third countries.** In other areas, trade corresponds to the average range for shipments to third countries or less. A narrow range of products is typical for the export of Russian products to the Belarusian and Kazakh markets, and Kazakh products to the Belarusian market.

At the same time, **most respondents deny that there is a problem of reduced product range due to NTBs. A little more daunting is the problem of expanding the existing product range, but it is only mentioned by Belarusian enterprises.** This situation is largely due to the great difference in size of the economies of the SES countries and the distance between Belarus and Kazakhstan. Belarusian enterprises consider the Russian market as their main market, due to the small size of their domestic market, while for Russian enterprises, the Belarusian market, and to a certain extent the Kazakh market, are too small to supply the entire spectrum of products. For Kazakh enterprises, the SES market is not dominant due to the structure of their export basket, geographical location and proximity to China.

**At the same time, the role of barriers in limiting the range of exports is low.** For Belarusian enterprises, the main factor limiting the range of exported products is low competitiveness. **The negative role of NTBs was noted by less than 5% of respondents. For Russian enterprises that are interested in the SES market, the effect of barriers is a significant enough factor leading to a reduction in the range of products, while for Kazakhstan this factor hampers diversification. However, their**

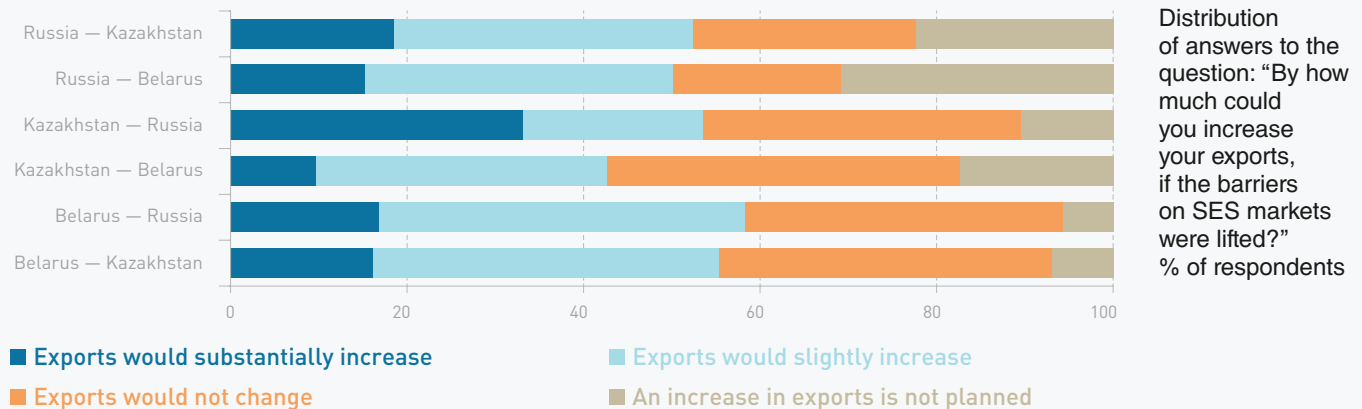
**average impact does not exceed the impact of internal factors on the enterprises themselves.** The most significant barriers, as when assessing the impact on the value of exports, are technical barriers, price regulation and measures affecting competition. However, many exporters, especially from Russia, believe that the more important barrier is often the overall regulatory environment in the SES countries, rather than the effect of NTBs.

**As a consequence of the limited role of barriers and lack of interest in expanding the range of products, respondents do not expect that reducing NTBs will have a large effect on the range of exported products. Certain improvements are expected by Belarusian enterprises, anticipating an increase in competitiveness of their products in the SES markets if the barriers are lifted. Also a potential positive effect was noted by a significant number of Kazakh enterprises that supply products to the Russian market. They expect a significant improvement in opportunities to expand the range of exported products.**

Barriers to international cargo transportation by road were assessed by means of in-depth interviews in Kazakhstan and focus groups with transport enterprises in Belarus. When comparing freight market access in Russia and Belarus with access in other countries, answers from Belarusian and Kazakh respondents differed significantly. Most Kazakh enterprises responded that it is the same as in other countries, and one of the respondents noted that the market of the CU/SES is even easier to access. However, Belarusian transport enterprises believe that access to the cargo transportation market in Russia and Kazakhstan is more difficult than in other countries, although, according to the respondents, the restrictiveness of access varies greatly depending on the type of transportation. **Belarusian and Kazakh carriers and logistics enterprises consider market access to Russian two-way road haulage as virtually free.** At the same time, Belarusian enterprises noted minor limitations in the implementation of this mode of transport in Kazakhstan, and Kazakh enterprises rated access in Belarus as almost free. **With respect to transit through the territory of the partner country, Belarusian respondents noted significant barriers to transport through Kazakhstan, and Kazakh carriers said the same thing about going through Russia.**

As the main barriers to accessing the road transport market in Russia and Kazakhstan, Belarusian transport enterprises identified the following **in bilateral traffic and transit: VAT reimbursement for fuel (in the EU you can get a VAT reimbursement for fuel); the limited effect in Russia of “green card” insurance (coverage is only about €3,000); dimensions (axle load, for Russia); transportation of oversized cargo (Kazakhstan); a large number of inspections (e.g., rest periods for drivers) and fines.**

**Belarusian transport enterprises rated access to the Russian market for the transport of goods from third countries to Russia and vice versa as almost completely closed.** For the transport of goods from third countries to Russia and Kazakhstan, the basic restrictions cited by respondents were the number of permits issued and the principle of residence during customs clearance of goods. **Belarusian transport enterprises named the number of permits issued as one of the most**



acute problems, the main barrier to the development of freight traffic from third countries to Russia.

During in-depth interviews in Kazakhstan, respondents named as constraints and barriers to transportation of cargo to Russia: bureaucratic procedures, the large number of inspections and fines from transport inspectors and traffic police. Meanwhile, Kazakh enterprises responded in the survey that there are generally no barriers and constraints to international freight in Belarus (bilateral, transit to/from third countries).

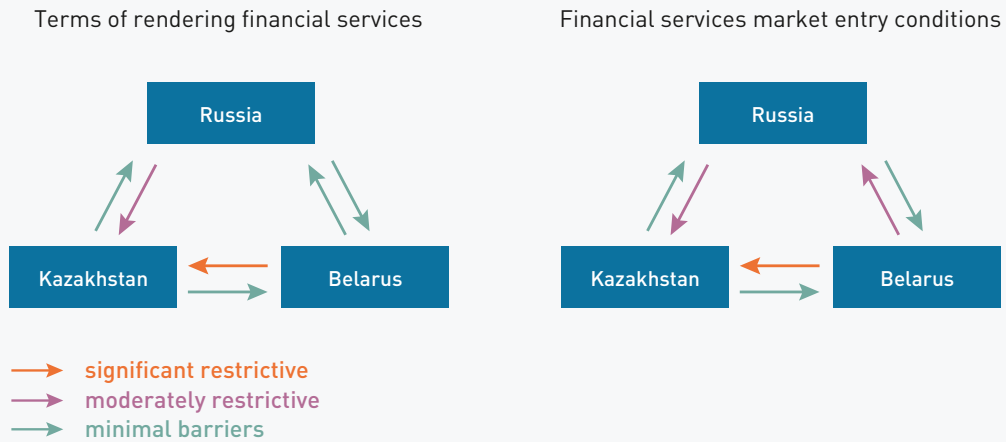
Belarusian focus group participants noted that the Russian system of permits substantially reduces the amount of traffic from third countries to Russia and from Russia to third countries, and consequently, affects cargo traffic volumes, foreignexchange earnings and export of transport services. According to respondents, Belarusian freight hauliers need to get 24 times more permits. A similar situation is observed in Kazakhstan.

According to estimates of the Belarusian transport enterprises, abolition of the permit system would double the volume of turnover in three years and increase the vehicle fleet by 30–40% per year.

Kazakh respondents believe that barriers and restrictions in the Russian market increase transport costs by an average of 10–20%. Should barriers and restrictions in Russia be eliminated, the volume of freight traffic would increase by 30–35%.

The proposal of Belarusian transport enterprises was to form a permit-free system in freight transport for residents in the territory of the CU and the EEU for all types of traffic. Belarusian and Kazakh respondents also noted the need to harmonize the legislation of EEU countries in international road transport; abolish the residence principle during customs clearance of goods; and develop common approaches to monitoring by the transport (road) control bodies.

In the expert survey of CEOs of Belarusian and Russian enterprises rendering financial services on CU/SES markets, the enterprises called conditions for providing financial services in Kazakhstan restrictive and moderately restrictive, respectively, while assessments by Belarusian respondents about Russia and by Russian respondents about Belarus conformed to the conditions of free trade. Kazakh organizations



also evaluated on average that the terms of financial services in Belarus and Russia presented minimal barriers.

On average, the Belarusian respondents felt that barriers to entering the market (permits, licenses, procedures related to functioning, etc.) have a significant restrictive impact on the rendering of financial services in Kazakhstan and a moderately restrictive impact in Russia. In addition, the Belarusian organizations considered these barriers higher than those associated with activities on the markets of these countries.

According to Russian respondents, the two types of barriers have a moderately restrictive impact on trade in financial services in Kazakhstan. At the same time, they rated barriers in Belarus as minimal. In turn, the Kazakh organizations believe that these barriers have a minimal restrictive impact on trade in financial services in the partner countries.

During the survey, respondents gave a quantitative assessment of barriers to mutual trade in financial services as a percentage of the costs of financial institutions. **Belarusian respondents evaluated barriers associated with the entrance to the market and to activities both in Russia and Kazakhstan as up to 10% of the costs. Kazakh organizations believe that the two types of barriers constitute 10% of the costs of the organization in Belarus and 15% in Russia. Russian organizations evaluated barriers in Belarus as 13% and 15% respectively, while in Kazakhstan 15% and 10%.**

| Enterprises of Belarus   | Enterprises of Kazakhstan   | Enterprises of Russia  |
|--|---|--|
| <div>In Russia<br/>entrance to the market — 10%<br/>activity — 10%</div>     | <div>In Belarus<br/>entrance to the market — 10%<br/>activity — 10%</div> | <div>In Belarus<br/>entrance to the market — 13%<br/>activity — 15%</div>    |
| <div>In Kazakhstan<br/>entrance to the market — 10%<br/>activity — 10%</div> | <div>In Russia<br/>entrance to the market — 15%<br/>activity — 15%</div>  | <div>In Kazakhstan<br/>entrance to the market — 15%<br/>activity — 10%</div> |

## Introduction

There has been a reduction of import tariffs in the multilateral trading system and an increase in the number of regional trade agreements involving tariff-free trade among countries. A result of this is the increasingly important role of NTBs as barriers to the movement of goods and services. NTBs negate the positive effects of easier access to the market due to trade liberalization from the removal of tariff barriers. They can have a negative impact not only on trade flows within the existing export basket, but can also hinder the entry of new products, as well as the emergence of new trading partners.

Currently, there is a fairly wide range of NTBs, including technical standards, sanitary and phytosanitary measures, customs clearance procedures, and issues of occupational health and safety. On the one hand, their use is quite legitimate and serves the purpose of implementing the state technical policy and state policy to ensure protection of human and animal health, plant protection, etc. On the other hand, they can restrict competition, raise costs and cause trade distortions. Therefore, quantification of NTBs and identification of their impact on trade and the economy as a whole, as well as identifying the potential effects of reducing them, are of great interest. We must recognize that NTBs cannot be lifted completely, because, as mentioned earlier, they are part of state policy. However, reducing them is an important factor in expanding trade and investment.

Since the establishment of the CU and SES, Belarus, Kazakhstan and Russia have repeatedly expressed the need to identify NTBs that stand in the way of expansion of trade among the partner countries and the effective development of Eurasian integration. The countries have already taken a number of steps in this direction, particularly in technical regulations. SES and CU countries have signed an agreement on common principles and rules of technical regulation in Belarus, Kazakhstan and Russia. This provides for a coherent policy, a consolidated list of products with established mandatory requirements in the framework of the CU and the development of CU technical regulations for products included in the list. Implementing the technical regulations of the CU and establishing common technical requirements for products started in 2012. CU and SES countries are also harmonizing national legislation for standardization, accreditation, measurement and state control of technical regulation. All of this will reduce the technical barriers and simplify the supply of goods and services in the common market.

Belarus, Kazakhstan and Russia on May 29, 2014 signed the Treaty establishing the EEU, which also stipulated that in the internal market, the Member States do not apply NTBs except as provided for by the Treaty. Limitations may be applied for preservation of life and health; protection of government morality, law and order; preservation of the environment, animals and plants; preservation of cultural values; compliance with international obligations; and ensuring national defence and security. However, such measures should not constitute means of unjustifiable discrimination or disguised restriction on trade. The Member States have established general principles of technical regulation, and identified its order, rules and procedures (Annex 9), and



general principles governing sanitary, veterinary-sanitary and phytosanitary quarantine measures (Annex 12).

However as international experience shows, NTBs that the EEU Treaty forbids are a multifaceted phenomenon. In addition to technical standards and sanitary and phytosanitary measures, they include many other implicit and explicit barriers to the movement of goods and services. Therefore, the aim of this study was to identify and classify the NTBs used in the CU and SES, and their quantitative evaluation based on focus groups and surveys of export enterprises. The results have provided preliminary empirical information for the analysis and evaluation of NTBs in the SES. In addition, they have served as the basis for further quantitative estimates of the economic effects of reducing the NTBs in mutual trade within the SES, based on econometric models and computable general equilibrium models<sup>1</sup>.

The further exposition is organized as follows. The first section deals with the classification of NTBs and analyses the list of exclusions and other limitations and barriers in the SES. The second section presents the methodology for conducting surveys of industrial enterprises, enterprises engaged in road transport and banks in CU and SES countries. The third section contains the results of the surveys of exporting SES enterprises. The final section presents the key findings.

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<sup>1</sup> Estimating the economic effects of reducing non-tariff barriers in the SES, Report № 29, Centre for Integration Studies, EDB, 2015.



## 1. Classification and analysis of the NTB list

The lack of a clear definition of NTBs has led to different approaches to their classification and grouping (Laird and Yeats, 1990; Laird and Vossenaar, 1991; Deardorff and Stern, 1997). In 1994, UNCTAD combined the classification proposed by Laird and Vossenaar with its own system, and created the Trade Analysis and Information System (TRAINS), which includes a system of coding and classification of NTBs.

In 2007–2012, UNCTAD continued to work on the description and systematization of NTBs, resulting in the creation of a new classification approved by several international organizations (the MAST group – Multi-Agency Support Team<sup>2</sup>). It groups NTBs into three integrated areas (tree/branches): technical and non-technical measures, those relating to imports, and exports. In turn, each area is divided into groups (chapters), and then into subgroups. The classification allocates 16 groups of NTBs, which are designated by letters of the English alphabet from A to R. They cover all possible areas of non-tariff regulation, including, in addition to standard technical and sanitary/phytosanitary barriers, such measures as financial ones and those affecting competition, trade-related investment measures, distribution restrictions associated with sales, post-sale service, government procurement, rules of origin, protection of intellectual property rights, etc. Each group is divided into subgroups to the three-digit level, in accordance with the logic that is used, for example, in the Harmonized System (HS). Currently, the classification is still in the development stage, and not all of the groups have NTBs at a lower level. For example, in such groups as subsidies, restrictions on government procurement, protection of intellectual property rights and rules of origin, there is no breakdown into subgroups, and research on measures applied by countries is still being conducted. This classification is currently employed by UNCTAD to gather information and create a database on NTBs (TRAINS).

Despite the fact that the World Trade Organization (WTO) is a member of the MAST group, the WTO uses its own approach to the classification of NTBs. For non-agricultural products, these are divided into five groups: participation of the state in trade (e.g., government support, procurement, countervailing duties), technical barriers to trade, customs procedures and administrative formalities for entering the market; specific constraints (such as import licensing and quantitative restrictions), payments related to imports (import deposits, and other ways to ensure payment of customs duties, discriminatory loans, etc.)<sup>3</sup>.

At the same time, the report of the WTO on the development of world trade in 2012, dedicated to NTBs, noted that the UNCTAD classification is by far the most comprehensive and suitable for economic analysis. Therefore, this study used the classification of the list of barriers and restrictions on trade in goods that was prepared by the Eurasian Commission according to UNCTAD's approach.

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<sup>2</sup> MAST group members are the Food and Agriculture Organization of the United Nations (FAO), the International Monetary Fund, the International Trade Centre, Organisation for Economic Co-operation and Development, the United Nations Conference on Trade and Development (UNCTAD), the World Bank, the World Trade Organization, the United Nations Industrial Development Organization (UNIDO).

<sup>3</sup> For example: WTO (2012) *World Trade Report 2012. Trade and Public Policies: A Closer Look at Non-Tariff Measures in the 21<sup>st</sup> Century*.

The classification results led to the conclusion that the greatest number of NTBs in the CU/SES affect sanitary and phytosanitary measures, technical barriers, price control measures, and measures affecting competition. Well-represented groups of measures relate to subsidies and restrictions on government procurement. It should be noted that the mere existence of a large number of measures in any group of NTBs is not an indication that it has a strong restrictive impact on trade. To determine the extent of this impact, a quantitative assessment of NTBs is needed, using different methods and approaches. For example, the results of the survey of enterprises of Belarus, Kazakhstan and Russia did not reveal any significant effect of sanitary and phytosanitary measures on the export price of goods (see Section 3.5), despite the fairly extensive list of NTBs in this group. At the same time, although the SES list does not contain measures relating to distribution restrictions and post-sales service, nor to contingent trade-protective measures, during the survey a number of enterprises indicated the presence of such NTBs in the CU/SES and application of those by partner states. It also emphasizes the need to gather more information on barriers and restrictions to trade in goods within the Eurasian integration association.

In some cases, the assignment of a particular barrier from the list of EEC codes for UNCTAD subgroups was to some extent arbitrary. This is due to the fact that the description of NTBs in the list of the EEC sometimes was too general and in need of additional clarification. For more accurate coding of NTBs in accord with the UNCTAD classifier, it is necessary to study the regulations according to which they are introduced and applied. However, in most cases, the EEC list contains no reference to the normative legal acts of CU/SES members. Given that the current UNCTAD classification is the most comprehensive and internationally recognized, it would be advisable for the Eurasian Economic Commission to use it in the future to gather information and create a database on NTBs in the EEU.

As noted earlier, there are currently a limited number of works devoted to the quantification of NTBs in the services sector and the analysis of their impact on trade and the economy. There is also no single approach to the classification of NTBs to trade in services. Many researchers are of the opinion that these barriers vary widely depending on the type of service. Hoekman and Braga (1997) grouped the main barriers to trade in services into four main categories:

- Quantitative restrictions, including quotas and other such factors limiting trade in services. These usually do not relate to the service itself, but are imposed upon its suppliers. An example is the use of local content requirements. The most radical type of such limitation is a total ban on the import of services.
- Limitations on the price of the service or price controls, if these limits depend on whether the firm providing services is domestic or foreign. Hoekman and Braga noted that although that we are talking about NTBs, some restrictions may actually have a tariff character: for example, aircraft landing fees, fees for unloading.
- Specific restrictions on the part of the state, for example in the form of licensing, the right to provide these services if they depend on whether the firm providing the services is domestic or foreign — i.e., discrimination in favour of the former.

This type of restriction is common in the provision of financial, legal and medical services. It is also very common in government procurement.

- Prohibition or restriction of access for the importer of services to additional services. This is common in transport and communication services, when foreign service providers must use domestic enterprises to acquire services.

Hoekman and Braga considered so-called discriminatory measures, i.e., only those that depend on whether the enterprise is domestic or a foreign service provider. Meanwhile, a number of authors (Findlay and Warren, 2000) note that the consideration of non-discriminatory barriers, i.e., those that are equally restrictive for foreign and domestic producers services, is also very important. These authors believe that it is necessary not only to consider such barriers, but also to conduct cross-country comparisons.

Given the lack of a unified approach to the internationally recognized NTBs in the services sector, this study does not employ the classification list of restrictions on trade in services proposed by the EEC.

Since NTBs are complex and multidimensional phenomena, the list of NTBs cannot fully reflect all aspects of non-tariff regulation. Surveys of export enterprises are thus an important tool for obtaining primary information about the NTBs that actually exist in the SES countries.

## 2. Business surveys and focus groups: main characteristics

To identify and evaluate NTBs to trade among CU/SES countries, business surveys were conducted, and focus groups and in-depth interviews with exporters were held in each country. In Belarus, Kazakhstan and Russia, more than 530 enterprises were surveyed; at each enterprise a questionnaire was filled out by a supervisor or senior manager.

Questions in the questionnaire were divided into 16 groups.

*The first and second groups* contained general information about the enterprise and its exports, in particular its share in the total volume of exports of the CU/SES countries, and a list of its major export commodities.

*The third group* included issues relating to existing barriers to export enterprises in the CU/SES. Here, in particular, it was suggested to rate whether it is easier or more difficult to enter the markets of the partner countries than those of other countries. This group included an important question about the restrictive impact of NTBs, classified according to the UNCTAD system, on the enterprise's exports to the CU/SES.

*The fourth group* of questions was related to technical barriers to trade. These assessed the restrictive impact on exports of factors related to standards and technical regulations. Enterprises were also asked for their opinion on what action would be required to reduce technical barriers to trade among the CU countries.

*The fifth group* analysed factors related to contingent trade-protective measures, according to their restrictive impact on exports to the CU/SES countries.

*The sixth group* included questions relating to finance measures and assessment of their restrictive impact.

*The seventh and eighth groups* evaluated NTBs regarding price controls and measures affecting competition, respectively.

*The ninth, tenth and eleventh groups* were focused on the impact on exports of trade-related investment measures, subsidies and government procurement. The information contained in the groups of questions from the fourth to the eleventh allowed more in-depth information on measures relating to each of the NTBs and on limiting their impact on exports of enterprises within the CU/SES.

*The twelfth group* contained a quantitative assessment of each of the previously analysed NTBs by the enterprises (in accord with the UNCTAD classification system). The impact of NTBs was estimated as a percentage of the value of exports. The data obtained from the assessments provide useful information about the impact of NTBs in mutual trade on the costs of the businesses.

*The thirteenth group* investigated the opinion of enterprises as to by how much they could reduce costs if each of the previously considered NTBs (as classified by UNCTAD) was lifted.

*The fourteenth group* investigated the similarity of the product range supplied to the partner countries, compared with the structure of exports to other countries. The difference in export baskets, among other factors, may be explained by the presence of NTBs that impede the movement of goods.

*The fifteenth group* contained a list of questions relating to barriers to launching new products in the CU/SES market. Enterprises responded to the question: Why did the diversification of exported goods to the market planned by the above integration agreement not happen, and was it due to NTBs? This group also included the question: Was there a reduction in the range of exported products to partner countries, and if so, was it due to market barriers?

*The sixteenth group* of questions investigated the restrictive impact of NTBs on the diversification of products exported by the enterprise. Enterprises also answered the question of how they could expand the range of products and exports if barriers were lifted.

In addition to industry, the study was conducted in two service sectors: the financial sector and the road transport sector.

The choice of the financial services sector was due to its importance for the effective development and functioning of Eurasian integration. Barriers in this sector can have a negative impact on foreign direct investment flows among countries and can affect trade in goods. It should be noted that in recent years, the study of barriers in the financial sector has been seen as a priority topic in the analysis of the effects of regional trade agreements. For example, in assessing the economic consequences of establishing a free trade area between the EU and Japan (Copenhagen Economics, 2010), it was noted that growth of wealth due to a reduction of barriers was higher in the financial services sector than in other sectors.

A survey of CU/SES financial institutions to assess the impact of barriers to trade in financial services was conducted in each of the partner states and included seven groups of questions.

*The first and second groups* of questions sought general information about the organization that provides financial services, and also to determine the form of its presence in the market of the CU/SES countries (subsidiary, equity participation, provision of financial services through partners and other forms).

*The third group* aimed at obtaining information on barriers to trade in financial services. In particular, market access for financial services in Belarus, Kazakhstan and Russia was compared to access in other countries, as well as the conditions for granting financial services.

*The fourth group* contained questions concerning restrictive measures resulting from barriers associated with entry into the market.

*The fifth group* focused on barriers associated with activities in the CU/SES countries.

*The sixth group* included questions aimed at quantitative assessment of barriers and restrictions related to entrance into the financial services market and their impact on the cost of services.

*The seventh group* aimed to determine the effect of barriers and restrictions on the provision of new services, in particular, diversification and increase in the volume of exports.

The choice of road freight transport was driven by the severity of the problem of barriers and restrictions that exist in the CU/SES market in this kind of activity. This issue has been the subject of discussion in the Supreme Eurasian Economic Council and the EEC, as noted; it has an impact on the performance of the CU and SES. In order to fully identify barriers and analyse their significance, there was a Belarusian focus group with transport enterprises from Belarus and Russia. In Kazakhstan, a series of in-depth interviews with Kazakh transport enterprises was carried out.

The focus groups and interviews covered the following issues:

- Evaluation of access to the market of transport services in CU/SES countries on a 5-point scale. The evaluation was conducted for four modes of transport: bilateral trade; transit through the territory of the CU/SES partner; from third countries into the CU/SES country; and domestic transportation in CU/SES countries.
- Evaluation of access to the transport services market of CU/SES countries in comparison with access in other countries.
- Identification of measures with the most restrictive impact on access to the market of partner countries for each type of cargo (bilateral traffic and transit through the territory of CU/SES countries, from third countries into CU/SES countries, domestic transportation in CU/SES countries).
- Impact of the barriers that the enterprises identified during focus groups and in-depth interviews, on the cost of services provided for each type of transportation.
- The impact that reducing these barriers would have for growth in freight traffic.
- Measures to be taken to lift the barriers to cargo market access (for each type) in the CU/SES countries.

Surveys of industrial enterprises and the services sector provide complete and detailed information on existing barriers, as well as their impact on costs and the possibility of expanding exports. These data can be used in further calculations using computable general equilibrium models, as well as directly in the development of economic policies within the CU/SES countries and the development of measures to reduce NTBs, as the respondents also expressed their recommendations as to what should be done to eliminate barriers and restrictions in the process of Eurasian integration.

### **3. Assessment of the impact of NTBs on trade: the results of SES enterprises surveys**

#### **3.1. Surveys of exporting SES enterprises: goals and objectives**

This section contains the results of surveys of SES export enterprises. The main purpose of these interviews was to identify the perception by exporters of existing NTBs within the SES, and its impact on trade among SES countries. Around the same time in Belarus, Kazakhstan and Russia, with a specially designed questionnaire, surveys were conducted of enterprises that export their products to the SES. The questionnaire was developed in view of modern international experience in this kind of research (see, e.g., Ecorys, 2009; Copenhagen Economics, 2010). Surveys of export enterprises were the first step in assessing the impact of NTBs on trade among SES countries. They provided unique empirical information directly from managers and leading specialists in foreign economic activity from the export enterprises.

The questionnaire for the survey of export enterprises was developed based on the goals and objectives of the study and included the following aggregated sets of questions: 1) general information about the enterprise and its export activities (11 questions); 2) qualitative evaluation of existing NTBs in mutual trade among SES countries (12 questions); 3) quantitative evaluation of existing NTBs in mutual trade among SES countries, and the potential effects of reducing them (32 questions); 4) impact of NTBs in mutual trade among SES countries on diversification and the launch of new products (6 questions). For each SES country, a standard questionnaire was used in which respondents were asked the same questions regarding each of the countries to which their enterprise exports its products. As a result, a comparative analysis was carried out on six pairs of countries: Belarus — Kazakhstan; Russia — Belarus; Kazakhstan — Belarus; Kazakhstan — Russia; Russia — Belarus, and Russia — Kazakhstan. The survey was conducted almost simultaneously in Belarus, Kazakhstan and Russia by domestic sociological organizations commissioned by the CIS EDB.

In Belarus, a survey of export enterprises was conducted by the NOVAK Laboratory of Axiometrical Studies (Minsk), from April to May 2014. Enterprises to participate in the survey were selected from a list of major Belarusian exporters to Kazakhstan and Russia, provided by the National Statistical Committee of the Republic of Belarus (the list included more than 360 export enterprises). From this list, 195 enterprises were surveyed, representing all areas of Belarus and Minsk and reflecting the sectoral structure of Belarus's exports within the SES. Managers and leading specialists of enterprises responsible for foreign economic activity were interviewed. At each enterprise one person was interviewed.

In Kazakhstan, the survey was conducted from April to May 2014 by the Public Opinion Independent Research Enterprise (Astana) using a nationally representative



sample. The survey was conducted in the Akmolinskaya, Aktubinskaya, Vostochno Kazakhstanskaya, Zhambylskaya, Zapadno Kazakhstanskaya, Kostanaiskaya, Mangistauskaya, Pavlodarskaya, Severo Kazakhstanskaya and Uzhno Kazakhstanskaya regions of Kazakhstan, as well as in the city of Astana. The surveyed enterprises reflect the sectoral structure of Kazakhstan's exports within the SES. Leaders of 188 enterprises were interviewed: managers and leading specialists of enterprises responsible for foreign economic activity. At each enterprise one person was interviewed.

The survey of export enterprises in Russia was carried out from March to April 2014 by Bashkirova and Partners Independent Market Research Agency using a nationally representative sample. The survey was conducted in the Moscow, Leningrad, Sverdlovsk, Nizhny Novgorod, Chelyabinsk, Vladimir, Orenburg, Kirov, Tula and Rostov regions, Krasnodar Territory, the Republic of Bashkortostan and the Republic of Khakassia. The surveyed enterprises reflect the sector structure of Russia's exports within the SES. Representatives of 144 enterprises were interviewed: managers and leading specialists of enterprises responsible for the implementation of foreign economic activity. At each enterprise one person was interviewed.

The primary results of the surveys represent unique empirical material and have an independent value for researchers and professionals on NTBs in the SES. In-depth analysis of the results of survey included an audit for consistency of responses to various questions in the questionnaire, and appropriate adjustments were made if necessary.

For a more in-depth study of the problem of NTBs in the SES, in addition to a nationwide survey of export enterprises, a small expert survey was also conducted of enterprises providing financial services in each SES country. During the focus groups and in-depth interviews about the barriers and restrictions to the trucking industry in the CU and SES, barriers were identified to the provision of transport services.

Important elements in a comprehensive study of NTBs in the SES include interviewing export enterprises in SES countries; expert interviews; focus groups and in-depth interviews; and in-depth analysis of the results both in individual countries and in groups of countries for comparison. The results of the survey allow us to solve four important tasks. Firstly, to get basic information on the problem from a sufficiently large number of managers and leading enterprise specialists (about 530 industrial enterprises from three countries were polled) and to take into account their views in decision-making to reduce NTBs within the SES. Secondly, to evaluate restrictions in bilateral trade among the SES countries and take into account information obtained in the subsequent quantitative analysis of the impact of NTBs. Thirdly, to estimate the relative importance of various NTBs in general and by type of activity. Fourthly, to quantify NTBs and determine the possible effects of reducing them.

Thus surveys of export enterprises are an important source of information on existing NTBs in the SES, and serve as the basis for calculating the cost of trade equivalents. The identified NTBs are translated into tariff equivalents (as determined by the percentage of increase of the price or cost of goods as a result of the NTBs), which allows the evaluation of their impact on mutual trade. The difficulty of assessing the impact of NTBs requires an integrated approach using a variety of related methods, one of which



is to directly assess the costs of trade by surveys of export enterprises (Vinokurov, Pelipas and Tochitskaya, 2014).

### 3.2. General characteristics of the surveyed enterprises

This subsection provides general information about the basic characteristics of the surveyed exporters. Among the most common characteristics are: number of employed workers; ownership structure; main activities; and frequency of participation in export activities.

Features of the economies of the SES countries, and approaches to the selection of export enterprises for the survey, are reflected in the structure of employment and ownership of the enterprises surveyed (Tables 3.1 and 3.2). In Belarus, about two-thirds of all enterprises had more than 500 employees. Combined with medium-sized enterprises, this group is about 90% of the sample of Belarusian exporters. The share of small and medium-sized enterprises is about 15% of the sample. The explanation for this structure is that about 200 enterprises were selected for the survey from a list of the largest export enterprises of Belarus. This approach to the relatively small economy of Belarus seems to us quite reasonable and representative from the point of view of NTBs.

For Kazakhstan and Russia, the situation is significantly different, which is also due to the nature of the selection of enterprises for the survey (national representative sample, efficiently covering the total export enterprises in the SES). In Kazakhstan, the share of enterprises was: large — about 14%, medium — about 28%, small — about 58%. In Russia, the share of large enterprises is considerably higher at more than 40%, and the share of small and medium-sized enterprises is approximately the same.

Thus the structure of the sample by size of enterprises varies considerably across countries, due to both the characteristics of the sampling and objective differences of the economies of the three countries. Does this have an impact on the assessment of the NTBs and their impact on trade among SES countries? In our view, the size of the enterprise should not have a significant impact here. However, this question is purely empirical, and the

| Number of employees | Belarus               |       | Kazakhstan            |       | Russia                |       |
|---------------------|-----------------------|-------|-----------------------|-------|-----------------------|-------|
|                     | Number of enterprises | %     | Number of enterprises | %     | Number of enterprises | %     |
| below 50            | 7                     | 3.6   | 55                    | 29.4  | 23                    | 16.0  |
| 51–150              | 22                    | 11.3  | 53                    | 28.3  | 36                    | 25.0  |
| 151–500             | 43                    | 22.0  | 53                    | 28.3  | 26                    | 18.1  |
| 501–1000            | 49                    | 25.1  | 17                    | 9.1   | 24                    | 16.7  |
| 1001–5000           | 62                    | 31.8  | 7                     | 3.7   | 27                    | 18.8  |
| above 5000          | 12                    | 6.2   | 2                     | 1.1   | 8                     | 5.6   |
| Total               | 195                   | 100.0 | 187                   | 100.0 | 144                   | 100.0 |

**Table 3.1.**  
Distribution of export enterprises by number of employees

Note: Percentages are rounded up to the first decimal place, and their amount can slightly differ from 100%.

Source: The authors' calculations based on surveys of exporters by CIS EDB.

**Table 3.2.**  
The ownership  
structure of export  
enterprises

| Ownership        | Belarus               |       | Kazakhstan            |       | Russia                |       |
|------------------|-----------------------|-------|-----------------------|-------|-----------------------|-------|
|                  | Number of enterprises | %     | Number of enterprises | %     | Number of enterprises | %     |
| Private          | 72                    | 37.3  | 172                   | 91.5  | 139                   | 96.5  |
| State            | 89                    | 46.1  | 12                    | 6.4   | 4                     | 2.8   |
| Foreign investor | 32                    | 16.6  | 4                     | 2.1   | 1                     | 0.7   |
| Total            | 193                   | 100.0 | 188                   | 100.0 | 144                   | 100.0 |

*Note:* Percentages are rounded up to the first decimal place, and their amount can slightly differ from 100%. State-owned enterprises were deemed to be those with state participation above 50%. Foreign enterprises were deemed to be those where the share of foreign investors was equal to or greater than 50%, and the second owners were private individuals.

*Source:* The authors' calculations based on surveys of exporters by CIS EDB.

hypothesis can be tested on the basis of the available data. Therefore, the distribution of enterprises by number of employees is one of the attributes for grouping in the following analysis of the results of the export enterprises survey.

The ownership structure of the enterprises surveyed in the SES differs significantly. In Belarus, the surveyed enterprises were dominated by those with state ownership, more than 46% of the sample. The share of private enterprises amounted to about 37% and about 17% was contributed by enterprises with foreign capital. By contrast, in Kazakhstan and Russia, private enterprises dominate the sample (92% and 97%, respectively), with the number of state-owned export enterprises being very low. This reflects the real economic situation in the SES countries, where Belarusian state-owned enterprises still dominate the economy, and in Kazakhstan and Russia enterprises are predominantly private. The difference in the form of ownership, in our opinion, should not have a material impact on the estimates in question<sup>4</sup>.

Table 3.3 groups of the surveyed enterprises by main activity, and is important from an analytical point of view. As previously mentioned, one of the main tasks of surveys of export enterprises was to obtain direct information on NTBs in the main sectors of the economy. It is important to obtain a relatively detailed assessment of the various NTBs to calculate tariff equivalents.

Such estimates have both independent analytical value, and can be used in the quantitative analysis of the impact of NTBs on mutual trade. Distribution of export enterprises by type of activity is an essential feature of grouping for further analysis of the effects of reducing NTBs. Table 3.3 highlights in grey five types of activities that have the largest share in the total number of export enterprises' responses. This allows the visual comparison of the main sectors of the economy in which the surveyed enterprises are active in each SES country. In Belarus, the share of enterprises in food, beverages and tobacco, textile and garment production, production of rubber and plastic products, machinery and equipment and other industries accounts for about 64%.

In Kazakhstan, five major activities account for about 68% of the surveyed enterprises: agriculture, forestry, fisheries; food products, including beverages and tobacco; chemical production; production of other non-metallic mineral products; the metallurgical

<sup>4</sup> This is true only for Belarus and can easily be verified empirically.

| Activity   | Belarus               |      | Kazakhstan            |      | Russia                |      |
|--|-----------------------|------|-----------------------|------|-----------------------|------|
|  | Number of enterprises | %    | Number of enterprises | %    | Number of enterprises | %    |
| Agriculture, forestry and fishing                                  | 7                     | 3.6  | 30                    | 16.0 | 10                    | 6.9  |
| Manufacture of food products, beverages and tobacco                | 37                    | 19.0 | 43                    | 22.9 | 12                    | 8.3  |
| Manufacture of textile and apparel                                 | 21                    | 10.8 | 12                    | 6.4  | 6                     | 4.2  |
| Manufacture of leather, leather products and footwear              | 7                     | 3.6  | 1                     | 0.5  | 9                     | 6.3  |
| Manufacture of wood and wood products                              | 12                    | 6.2  | 2                     | 1.1  | 11                    | 7.6  |
| Manufacture of pulp and paper, publishing                          | 1                     | 0.5  | 1                     | 0.5  | 5                     | 3.5  |
| Chemical production  | 9                     | 4.6  | 15                    | 8.0  | 9                     | 6.3  |
| Manufacturing of pharmaceutical products                           | 2                     | 1.0  | 5                     | 2.7  | 6                     | 4.2  |
| Manufacture of rubber and plastic products                         | 16                    | 8.2  | 12                    | 6.4  | 7                     | 4.9  |
| Manufacture of other non-metallic mineral products                 | 8                     | 4.1  | 22                    | 11.7 | 6                     | 4.2  |
| Metallurgical production, manufacture of fabricated metal products | 7                     | 3.6  | 17                    | 9.0  | 23                    | 16.0 |
| Manufacture of machinery and equipment                             | 25                    | 12.8 | 7                     | 3.7  | 12                    | 8.3  |
| Manufacture of electrical and optical equipment                    | 11                    | 5.6  | 7                     | 3.7  | 13                    | 9.0  |
| Manufacture of transport equipment                                 | 7                     | 3.6  | 9                     | 4.8  | 7                     | 4.9  |
| Other industrial sectors   | 25                    | 12.8 | 5                     | 2.7  | 8                     | 5.6  |
| Total  | 195                   | 100  | 188                   | 100  | 144                   | 100  |

**Table 3.3.**  
Distribution of export enterprises by main activity

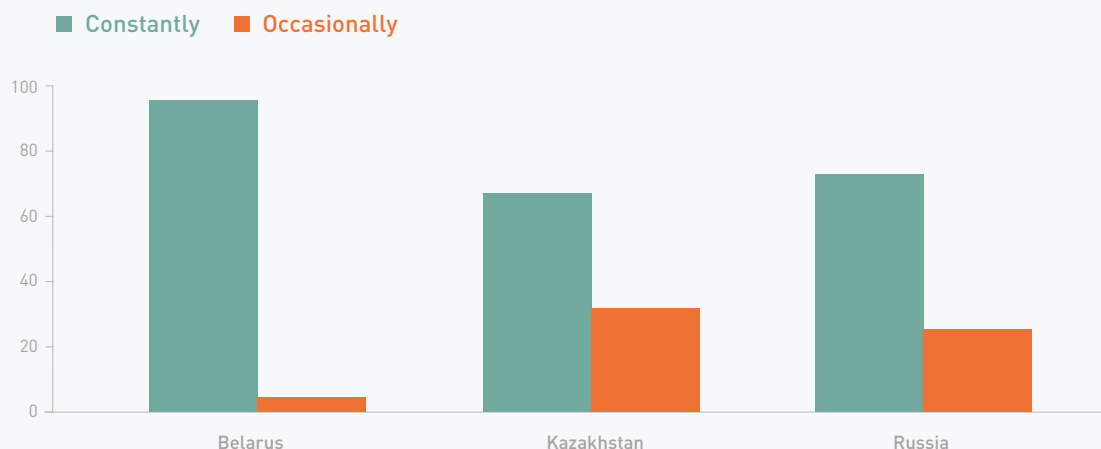
Note: Percentages are rounded up to the first decimal place, and their total can slightly differ from 100%. Five types of activities that have the largest share in the total number of surveyed enterprises are highlighted in grey.

Source: The authors' calculations based on surveys of exporters by CIS EDB.

industry and manufacture of fabricated metal products. In Russia, the enterprises of food, beverage and tobacco production; wood processing and production of wood products; metallurgical production and fabricated metal products; machinery and equipment; and manufacture of electrical and optical equipment account for about 50%.

An important characteristic of the surveyed enterprise is the regularity of its exports (Figure 3.1). Since, as noted earlier, in Belarus surveyed enterprises were chosen from the list of major exporters, it is not surprising that the vast majority of enterprises in the sample export their products on a regular basis (97%). The enterprises of Kazakhstan and Russia differ significantly. The number of enterprises that constantly export products from Kazakhstan and Russia is 68% and 74%, respectively. Regularity of exports may significantly affect the perception by respondents of the impact of NTBs in mutual trade among the SES countries. Therefore, for further analysis, the

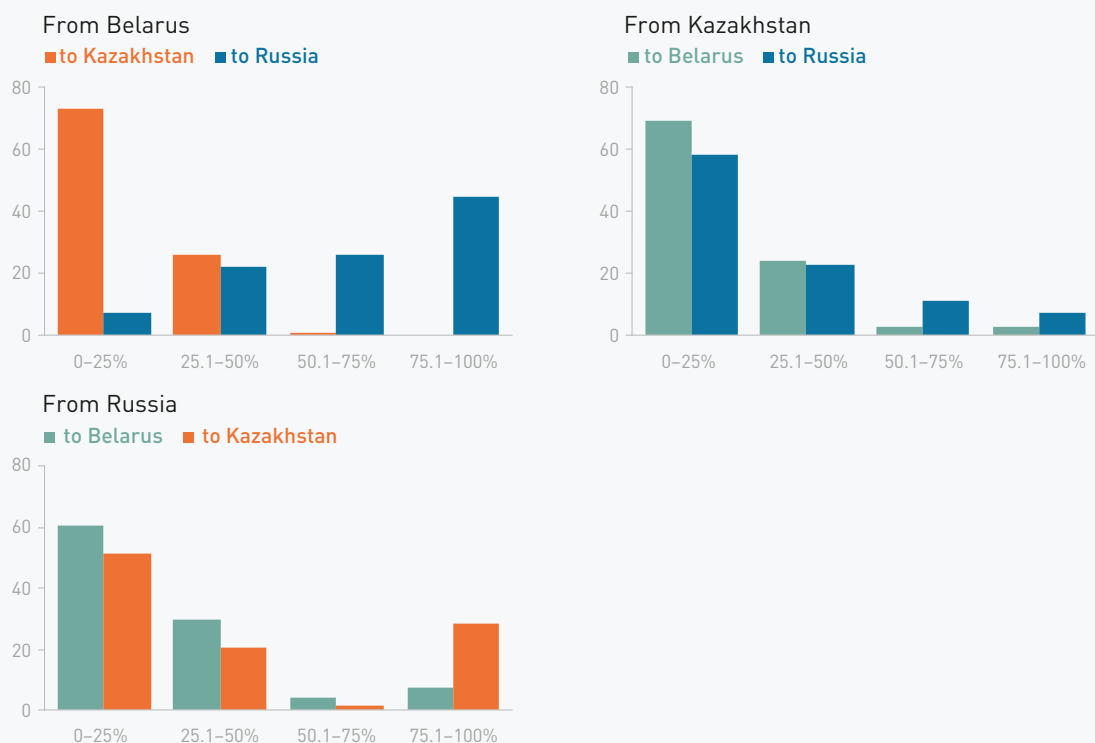
**Figure 3.1.**  
Distribution  
of answers to the  
question: “How  
often do you export  
products?” %



Source: The authors' calculations based on surveys of exporters by CIS EDB.

distribution of enterprises by whether they export products constantly or occasionally is an essential feature of the grouping, which may impact the evaluation of NTBs by respondents<sup>5</sup>.

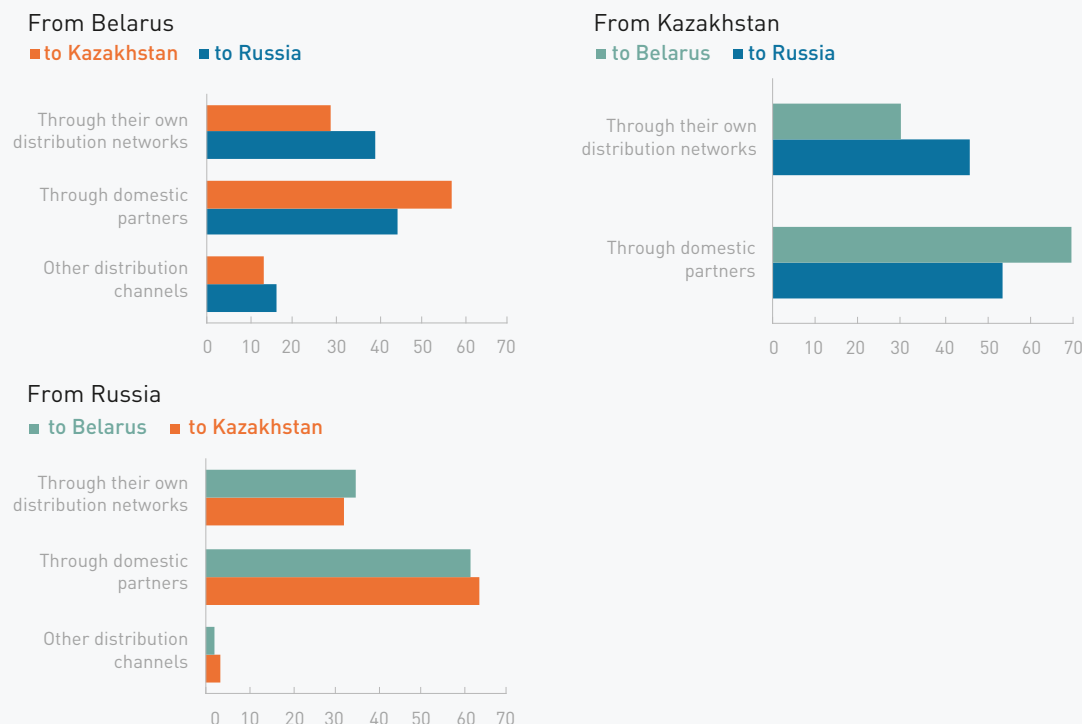
**Figure 3.2.** Share  
of the value of  
exports to SES  
countries in the  
total value of  
exports to all  
countries, %



Note: Average for 2009-2013.

Source: The authors' calculations based on surveys of exporters by CIS EDB.

<sup>5</sup> Such differences are relevant for Kazakhstan and Russia.



**Figure 3.3.**  
Distribution  
channels of export  
products in the  
SES, %

Source: The authors' calculations based on surveys of exporters by CIS EDB.

Figure 3.2 presents the distribution of export enterprises by share of the value of exports to the SES in the total value of global exports. Among Belarusian enterprises, the vast majority export to Kazakhstan up to 50% of their production, and 73% export up to 25% of their production. The situation is significantly different in trade with Russia: More than 70% of Belarusian enterprises export to Russia more than 50% of their production, and about 45% export to Russia more than 75% of their production. Kazakh enterprises that export most of their products to Belarus and Russia are not numerous (approximately 6% and 19%, respectively). About 70% of the Kazakh enterprises exported up to 25% of their production to Belarus, and up to 59% to Russia. A similar situation is observed in Russia. Most Russian enterprises exported to Belarus and Kazakhstan up to 50% of their production (90% and 70%, respectively). Of the surveyed enterprises, more than half exported to Belarus about 11% and to Kazakhstan about 30%.

Export enterprises of Belarus, Kazakhstan and Russia distributed their products in the markets of SES mainly through domestic partners (Figure 3.3). In Belarus, the share of this distribution channel was 57% and 45% in trade with Kazakhstan and Russia, respectively. For Kazakhstan and Russia, these values are still higher and amount to 70%, 54%, 62% and 67%, respectively. The largest shares of enterprises that distribute products in the markets of the SES are those in trade between Kazakhstan and Russia (46%). In the other groups of countries, the share of this distribution channel is approximately the same, at 30 to 40%.

Completing the description of the main characteristics of the surveyed enterprises, it should be noted that a number of these characteristics may be important for grouping, and will impact the evaluation of NTBs. Therefore, in the further analysis of the survey results of export enterprises, we had to examine the impact of the principal characteristics of the surveyed enterprises on the generalized assessments of NTBs in the group of countries under review.

### **3.3. Evaluation of markets openness within the SES**

#### **3.3.1. Openness of markets compared to the rest of the world**

To assess the openness of markets within the SES, respondents were asked: “How would you assess the access of your export products to the markets of the CU compared to exports to other countries?” There were five possible answers: “much more difficult”, “a little harder”, “no difference”, “a little easier”, and “much easier”. Also enterprises were noted that do not export their products outside the SES. These enterprises were excluded from further assessment of SES market openness in comparison with that of other countries<sup>6</sup>. The distribution of answers to this question is presented in Figure 3.4.

Data analysis of Belarusian enterprises shows that more than half of respondents believe that access of their products to the markets of Kazakhstan is somewhat or significantly easier than to the markets of other countries. The situation is similar for Russian markets: More than 50% of Belarusian respondents indicated that access to the Russian market in one degree or another is easier compared to other countries. The share of Belarusian respondents who said that access to the Russian and Kazakh markets is to a certain extent more difficult is 8% and 10% respectively. The share of Belarusian respondents who found no difference in access to the Kazakh and Russian markets in comparison with the rest of the world was approximately 30% and 24%, respectively.

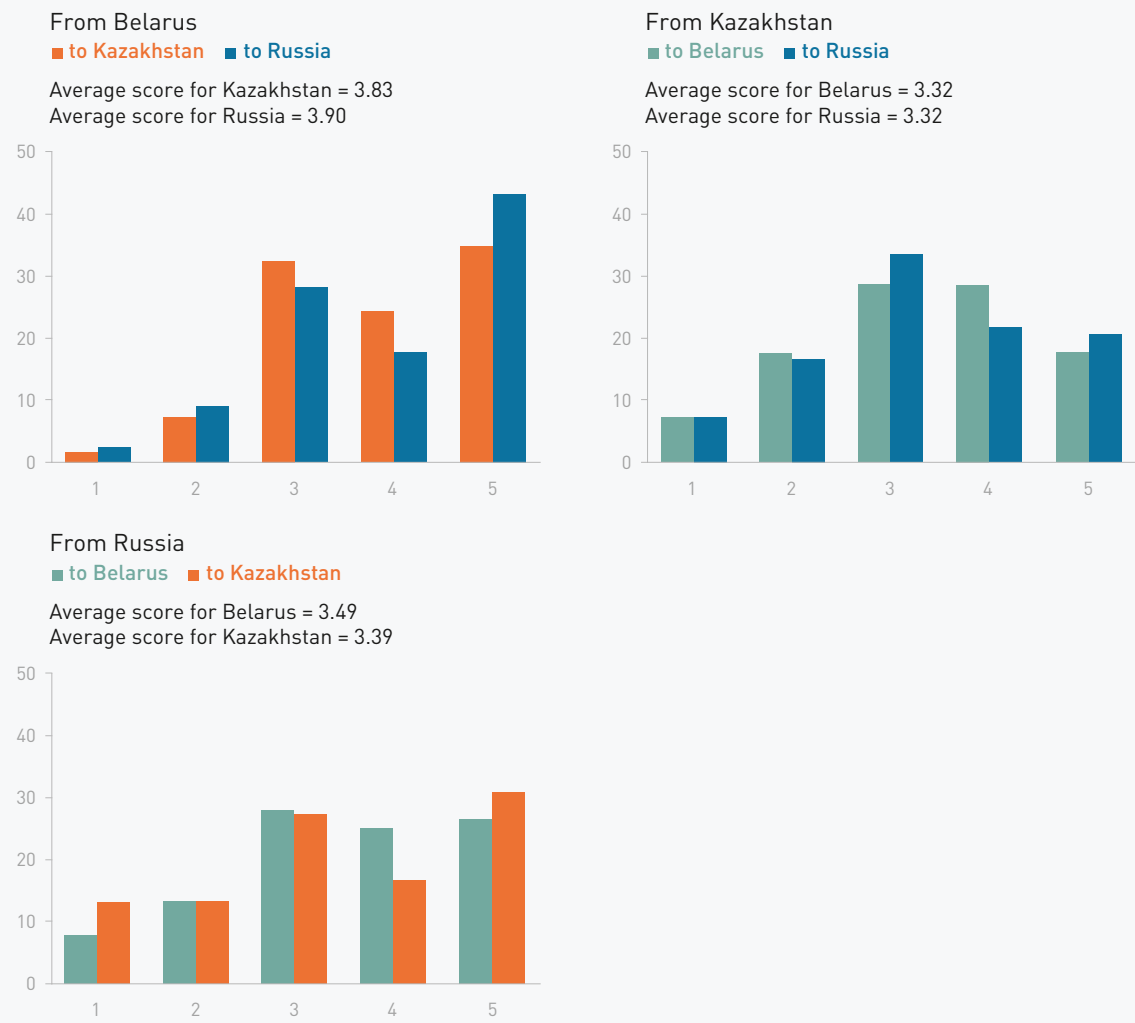
In Kazakhstan, the situation is somewhat different. The share of Kazakh respondents who state that access of their products to the Russian and Belarusian markets is a little or much easier than to the markets of other countries is 39% and 35%, respectively. In turn, there is a higher proportion of those who argue that the openness of Russian and Belarusian markets is lower than that of other countries (21% and 20%, respectively). The share of Kazakh respondents who did not find any differences is comparable with the results for Belarus.

Distribution of answers by Russian enterprises is closer to the corresponding distributions in Kazakhstan than to those in Belarus. However, about 48% of Russian respondents believe that the access of their products to the markets of Belarus is a little or much easier than to the markets of other countries, and only 35% said the same for Kazakh markets. Approximately 20% of Russian respondents believe that access to the markets of Belarus and Kazakhstan is more difficult than to other countries.

For generalized assessments of SES market openness by individual groups of countries, the answers to the question were presented in the form of a 5-point scale that allowed

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<sup>6</sup> In Belarus, there were 44 such enterprises, in Kazakhstan 37, in Russia 35.



**Figure 3.4.** Openness of SES markets for exports compared to exports to other countries, %

Note: Points in the diagrams correspond to the following answers of respondents: 1 – “much more difficult” 2 – “a little harder” 3 – “no difference” 4 – “a little easier,” 5 – “much easier.” The higher the average score, the easier the access to the markets of the country, and vice versa.

Source: The authors’ calculations based on surveys of exporters by CIS EDB.

the calculation of the average score (see Figure 3.4). Since the score of 3 corresponds to the absence of differences in the openness of SES markets compared to the rest of the world, then intuitively, average scores for groups of countries greater than 3 mean that the respondents on average assessed the openness of their exports to SES markets higher than exports to other countries. The closer the average score is to 5 (“much easier”), the higher the openness of SES markets for the Member States compared to the rest of the world<sup>7</sup>.

The highest average scores are observed for the responses of Belarusian exporters. These scores are 3.83 and 3.9 to Kazakhstan and Russia, respectively. The values of the average

<sup>7</sup> It is clear that the opposite situation is also true, but we do not consider it here, since all average scores exceed 3 (see Figure 3.4).

scores are close to 4. This may indicate that the Belarusian enterprises on average estimate access to the Kazakh and Russian markets as a bit easier than that to other countries. Average scores on the answers of respondents from Kazakhstan and Russia are somewhat less than from Belarus, but, they nevertheless exceed a value of 3 (average score of 3.32 for the groups Kazakhstan — Belarus and Kazakhstan — Russia, 3.44 for the group Russia — Belarus and 3.39 for the group Russia — Kazakhstan). In general, Russian exporters assess the situation somewhat more positively than their counterparts from Kazakhstan.

When assessing the average scores, we should consider the different number of enterprises by groups of countries in the calculation of average scores, as well as differences in the variation of the responses. Table 3.4 presents the statistical evaluation of the degree of openness of SES markets to exports, compared with exports to other countries. In this case, we tested the hypothesis that access to the export markets of the CU does not differ from access to export markets in other countries (i.e., average scores for groups of countries are equal to 3). As shown in Table 3.4, in all cases, except for the Kazakhstan — Belarus pair, average scores were significantly greater than 3, which confirms our conclusion about easier access of exports to SES markets compared to exports to other countries. The statistically insignificant result for the Kazakhstan — Belarus group is most likely caused by the small number of observations in the calculation of the average score. Thus from the point of view of SES exporters, markets of the integration association on average are more open to Member Countries in comparison with the markets of the rest of the world.

As already noted, more than 97% of the Belarusian enterprises surveyed constantly export their products (see Figure 3.1). Among the Kazakh enterprises, about 68% are continual exporters, and among Russian enterprises just over 74%. We have investigated whether the regularity of the exports impacts assessment of the openness of SES markets compared to those of other countries. Since virtually all Belarusian exporters are constantly exporting their products, the average scores will scarcely vary depending on the frequency of exports. However, for enterprises from Russia and Kazakhstan, these differences are significant.

In particular, the average score for accessibility of export products of Russian enterprises to the markets of Belarus, compared with exports to other countries, was 3.64 points for

**Table 3.4.**  
Statistical  
assessment of the  
openness of SES  
markets compared  
to exports to other  
countries

| Direction of exports | Average score | Standard deviation | Number of observations | t-statistic |
|----------------------|---------------|--------------------|------------------------|-------------|
| Belarus — Kazakhstan | 3.83          | 1.042              | 124                    | 8.87***     |
| Belarus — Russia     | 3.90          | 1.135              | 165                    | 10.19***    |
| Kazakhstan — Belarus | 3.32          | 1.188              | 28                     | 1.43        |
| Kazakhstan — Russia  | 3.32          | 1.184              | 155                    | 3.36***     |
| Russia — Belarus     | 3.49          | 1.238              | 76                     | 3.45***     |
| Russia — Kazakhstan  | 3.39          | 1.381              | 85                     | 2.60**      |

*Note:* The null hypothesis  $H_0: \bar{x} = 3$  (i.e., access to export markets of the CU does not differ from access to export markets of other countries); the alternative hypothesis  $H_1: \bar{x} > 3$  (i.e., to export products to the CU markets is easier than to other countries); \*\*\* and \*\* indicates rejection of the null hypothesis at 1% and 5%, respectively.

*Source:* The authors' calculations.



| Activity   | Belarus    |        | Kazakhstan |        | Russia  |            |
|--|------------|--------|------------|--------|---------|------------|
|  | Kazakhstan | Russia | Belarus    | Russia | Belarus | Kazakhstan |
| Agriculture, forestry and fishing                                  | 4.00       | 4.00   | 4.25       | 3.28   | 3.67    | 3.25       |
| Manufacture of food products, beverages and tobacco                | 3.74       | 3.97   | 3.17       | 3.36   | 2.00    | 2.40       |
| Manufacture of textile and apparel                                 | 3.92       | 4.28   | -          | 3.09   | 4.00    | 3.67       |
| Manufacture of leather, leather products and footwear              | 3.40       | 3.33   | -          | -      | 3.33    | 2.33       |
| Manufacture of wood and wood products                              | 4.13       | 4.09   | -          | -      | 3.00    | 2.43       |
| Manufacture of pulp and paper products, publishing                 | 5.00       | 5.00   | -          | -      | -       | 3.50       |
| Chemical production  | 4.14       | 3.75   | 3.80       | 3.30   | 2.50    | 2.50       |
| Manufacture of pharmaceutical products                             | 3.00       | 3.00   | -          | 3.00   | 3.40    | 2.67       |
| Manufacture of rubber and plastic products                         | 3.70       | 3.50   | -          | 2.33   | 2.33    | 2.75       |
| Manufacture of other non-metallic mineral products                 | 5.00       | 3.60   | -          | 3.75   | 4.75    | 3.75       |
| Metallurgical production, manufacture of fabricated metal products | 3.50       | 3.43   | 3.00       | 3.94   | 4.00    | 3.83       |
| Manufacture of machinery and equipment                             | 3.71       | 3.83   | 3.00       | 3.38   | 3.40    | 4.11       |
| Manufacture of electrical and optical equipment                    | 3.75       | 4.38   | -          | 3.00   | 3.71    | 3.82       |
| Manufacture of transport equipment                                 | 4.00       | 4.00   | 2.67       | 3.14   | 3.83    | 3.60       |
| Other industrial sectors   | 3.94       | 3.95   | -          | 3.00   | 4.25    | 3.67       |
| Average  | 3.83       | 3.90   | 3.32       | 3.32   | 3.49    | 3.39       |

**Table 3.5.** SES markets' openness for exports compared to exports to other countries, depending on type of activity (average score)

Note: The average scores for activities exceeding the average score of all activities are highlighted with grey. A dash indicates the absence of this kind of activity or very limited number of observations to determine the average score.

Source: The authors' calculations.

constantly exporting enterprises, while for enterprises exporting their products from time to time, the average score was significantly lower at 2.55. A similar situation is observed with exports from Kazakhstan: The average score of enterprises exporting frequently is 3.47, compared to 3.06 for enterprises that export occasionally. For Kazakhstan, no such difference in exports to Belarus was shown, but this is due, most likely, to the small number of subgroups in the calculation of average scores. In turn, the average score for the accessibility of exports to the Russian markets compared to exports to other countries is 3.43 points for businesses that are constantly involved in export activity, compared to 3 points for those that export occasionally.

Thus the perception of the openness of export markets is to some extent dependent on the frequency of an enterprise's exports (which suggests the necessary experience and skills)<sup>8</sup>. It suggests that the export of products within the CU, according to the respondents, is to a certain extent easier than to other countries. Moreover, accounting for the frequency of exports increases the average scores for openness to export products on the CU markets,

<sup>8</sup> Discrepancies between the average score for enterprises exporting often and those exporting occasionally are statistically significant.

compared to exports to other countries and, in turn, reduces the differences among the average scores for Belarus, Kazakhstan and Russia.

It should be noted that the use of other characteristics of enterprises previously discussed as grouping characteristics did not produce any meaningful results. Statistically significant differences were not found in the estimates of the openness of SES market compared to the rest of the world, depending on: size of enterprise; ownership structure; share of the value of exports to the SES in total value of exports; and distribution channels. These grouping characteristics were not used for further analysis in the preparation of generalized assessments of existing NTBs.

Table 3.5 presents the average scores for openness of export markets in the SES, compared with exports to the rest of the world, by major activities. The average scores for all the activities presented in Figure 3.3 and Table 3.4 are the weighted average of the average scores by type of activity. The average scores for activities exceeding the average score of all activities are highlighted with grey. This table allows selection by group of countries of those activities that were noted by respondents as the most openness of markets of the SES countries for their products.

According to Table 3.5, seven types of activity are noted by Belarusian exporters as the most open markets of Kazakhstan and Russia for their products (these activities overlap in some cases, and in cases some differ). For Kazakh exporters, there are only two such activities on the Belarusian market and four on the Russian market. This is obviously because Kazakh export products on the markets of the SES countries are represented by fewer types of activities than is the case for Belarus and Russia. Russian exporters note seven activities with the largest market openness in Belarus and eight activities in Kazakhstan.

### 3.3.2. Trade openness on SES markets

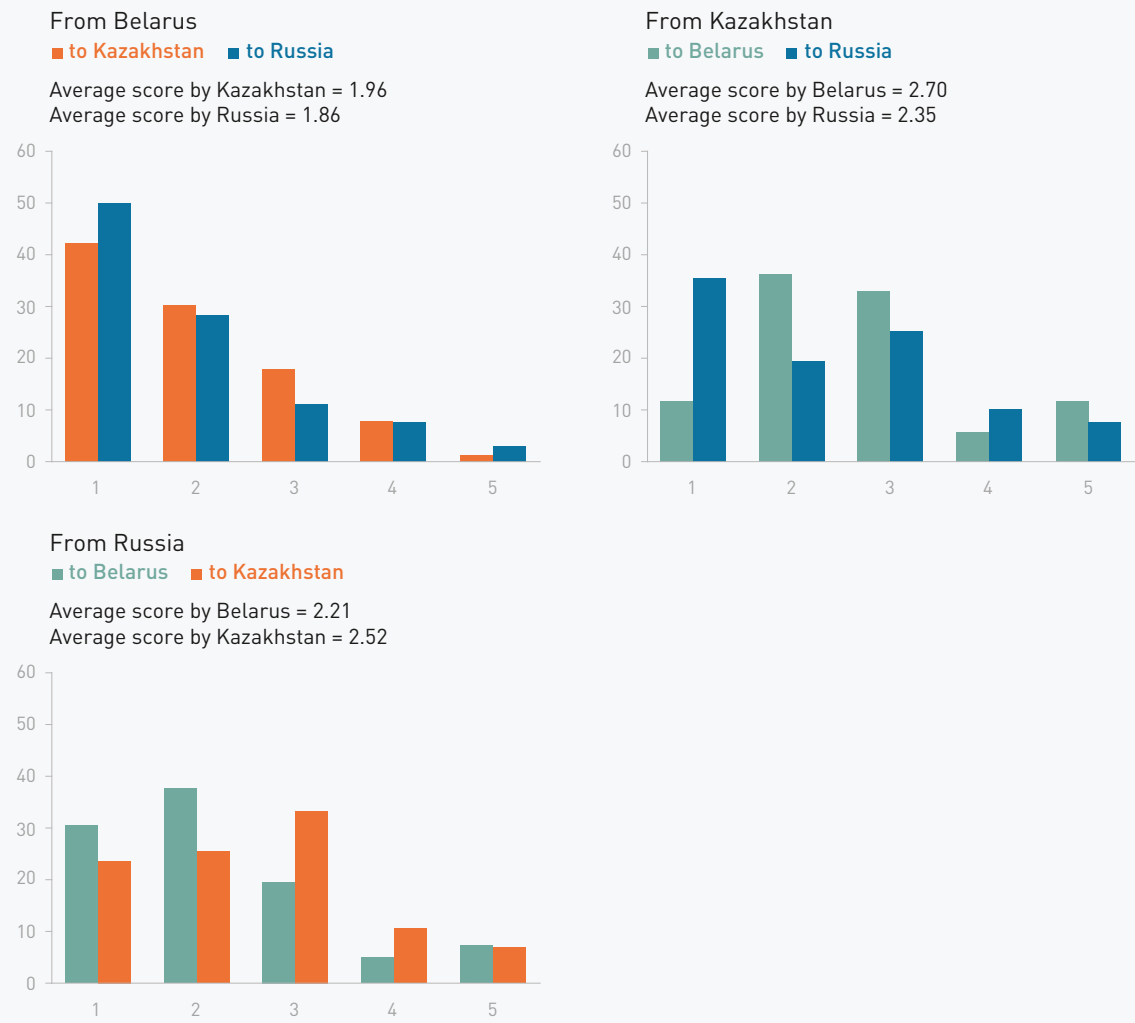
To assess trade restrictions in the SES markets, respondents were asked to assess the exports to each country on a 5-point scale, where 1 corresponds to completely free trade, and 5 is an absolutely closed market due to barriers. In this case, a score of 3 represents an intermediate state between mostly free trade and mostly closed markets<sup>9</sup>. Figure 3.5 presents the distribution of answers to this question.

Belarusian exporters on average estimated SES market openness as quite high: The average score was 1.96 for Kazakhstan and 1.86 for Russia (the median in both cases is 2). This is close to an estimation of trade openness as mostly free, with few restrictions. More than 72% of Belarusian respondents believe that trade with Kazakhstan is free or has minor restrictions. Trade with Russia is considered free or mostly free by almost 78% of the respondents. The proportion of those who consider trade with Kazakhstan and Russia as non-free or having significant restrictions is very low.

As shown in Figure 3.5, the answers of Kazakh exporters are less optimistic. The average score for Belarus was 2.7, for Russia it was 2.35 (the median in the first case is equal to 3, in the second to 2). The share of Kazakh respondents who rated trade with SES countries as non-free or having significant restrictions is relatively small (about 18%). At the same

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<sup>9</sup> The five-point scale here is: 1 — completely free trade, 2 — mostly free trade with minor limitations, 3 — moderate restrictions, 4 — significant restrictions, 5 — completely closed market.



**Figure 3.5.** Degree of trade openness in SES markets, %

*Note:* The assessment uses a 5-point scale, where 1 corresponds to completely free trade, and 5 is a completely closed market due to barriers. The lower the average score, the higher the trade openness (lower barriers), and vice versa.  
*Source:* The authors' calculations based on surveys of exporters by CIS EDB.

time, one-third of Kazakh exporters believe that trade with Belarus has an average level of restrictions. Over 25% of respondents believe that the same situation exists in their trade with Russia. Approximately 49% of respondents believe that trade with Belarus is open or has minor restrictions. With respect to Russia, the share of positive ratings is higher, at 55%. On average, Kazakh exporters evaluated the openness of Belarusian markets as moderate. Evaluation of the openness of Russian markets is closer to free trade, with minor restrictions.

The average score which characterises trade openness in the SES, according to Russian exporters, was 2.21 for Belarus, 2.52 for Kazakhstan (the median in the first case is equal to 2, in the second to 3). As in the case of Belarus and Kazakhstan, a small proportion of Russian respondents consider trade within the SES as non-free or having

substantial restrictions (approximately 12% in Belarus and about 18% in Kazakhstan). Approximately 33% of respondents believe that trade with Kazakhstan has a moderate level of restrictions, while in regard to Belarus only 20% of respondents think so. About 68% of Russian exporters note that trade with Belarus is free or has minor limitations. In Kazakhstan, only about 49% of the respondents think so. Thus Russian exporters rate the markets of Belarus as mostly free with few restrictions. The average score of the Kazakh markets is closer to trade with reasonable restrictions.

Table 3.6 shows the statistical evaluation of trade openness in SES countries. Here we have tested the hypothesis that trade among these groups of countries is mostly open, with minor restrictions (i.e., the average scores for groups of countries is equal to 2). These estimates allow us to consider the number of observations and variations in respondents' answers. In general the earlier findings are confirmed.

Belarusian exporters on average rated trade with Kazakhstan and Russia as predominantly open with minor restrictions (the null hypothesis of equality of the average score of 2 is not rejected at the adopted level of significance). Kazakh exporters on average rated their trade with Belarus and Russia as having an average level of restrictions (the null hypothesis of equality of the average score of 2 is rejected at the adopted level of significance). Russian exporters on average rated their trade with Belarus as predominantly open with minor restrictions, and trade with Kazakhstan as having a moderate level of restrictions. Thus the Belarusian exporters perceive the overall situation with regard to openness of trade within the SES countries as more positive than do their partners in the integration association. The most pessimistic estimates are those of Kazakh exporters, who on average rate the degree of trade openness in the SES with a moderate level of restrictions. Russian exporters believe that trade with Belarus is to a certain extent more open than trade with Kazakhstan.

As already noted, some of the enterprises of Kazakhstan and Russia are involved in exports irregularly. This influences the average assessment of trade openness within the SES. Kazakh exporters who export their products to the markets of Belarus occasionally rated the openness of the Belarusian economy at 3.2 points. The average score of those who regularly export products was significantly lower and amounted to 2.61 points (i.e., they evaluated the openness of the Belarusian market for Kazakh goods more optimistically). For the Russian market, no such differences were found.

**Table 3.6.**  
Statistical  
evaluation of trade  
openness in SES  
countries

| Direction of exports | Average score | Standard deviation | Number of observations | <i>t</i> -statistic |
|----------------------|---------------|--------------------|------------------------|---------------------|
| Belarus — Kazakhstan | 1.96          | 1.028              | 138                    | −0.457              |
| Belarus — Russia     | 1.86          | 1.087              | 195                    | −1.799              |
| Kazakhstan — Belarus | 2.70          | 1.159              | 33                     | 3.470***            |
| Kazakhstan — Russia  | 2.35          | 1.124              | 187                    | 4.258***            |
| Russia — Belarus     | 2.21          | 1.151              | 82                     | 1.652               |
| Russia — Kazakhstan  | 2.52          | 1.169              | 144                    | 5.338***            |

*Note:* The null hypothesis  $H_0: \bar{x} = 2$  (i.e., trade is mostly open, with minor restrictions), the alternative hypothesis  $H_1: \bar{x} > 2$  (i.e., there is a moderate level of trade restrictions); \*\*\* and \*\* indicate rejection of the null hypothesis at 1% and 5%, respectively.

*Source:* The authors' calculations.

| Activity   | Belarus    |        | Kazakhstan |        | Russia  |            |
|--|------------|--------|------------|--------|---------|------------|
|  | Kazakhstan | Russia | Belarus    | Russia | Belarus | Kazakhstan |
| Agriculture, forestry and fishing                                  | 1.67       | 1.57   | 2.60       | 2.63   | 2.33    | 2.60       |
| Manufacture of food products, beverages and tobacco                | 1.88       | 1.65   | 2.67       | 2.40   | 3.00    | 2.82       |
| Manufacture of textile and apparel                                 | 1.80       | 1.76   | -          | 2.33   | 2.00    | 2.80       |
| Manufacture of leather, leather products and footwear              | 1.80       | 1.43   | -          | -      | 2.83    | 3.00       |
| Manufacture of wood and wood products                              | 1.78       | 1.83   | -          | 3.50   | 2.14    | 2.75       |
| Manufacture of pulp and paper products, publishing                 | -          | -      | -          | -      | 2.00    | 1.67       |
| Chemical production  | 1.86       | 1.56   | 2.40       | 2.36   | 3.25    | 2.71       |
| Manufacturing of pharmaceutical products                           | -          | 2.50   | -          | 3.20   | -       | -          |
| Manufacture of rubber and plastic products                         | 1.91       | 1.75   | -          | 2.60   | 3.67    | 3.60       |
| Manufacture of other non-metallic mineral products                 | 2.00       | 2.88   | -          | 1.92   | 1.25    | 2.20       |
| Metallurgical production, manufacture of fabricated metal products | 3.25       | 2.29   | 2.67       | 1.59   | 1.92    | 2.14       |
| Manufacture of machinery and equipment                             | 2.20       | 2.08   | 3.20       | 2.76   | 2.18    | 2.78       |
| Manufacture of electrical and optical equipment                    | 1.89       | 2.00   | -          | 2.29   | 2.00    | 2.27       |
| Manufacture of transport equipment                                 | 1.75       | 2.14   | 2.0        | 2.71   | 1.83    | 2.40       |
| Other industrial sectors   | 1.83       | 1.84   | -          | 1.89   | 1.75    | 1.67       |
| Average  | 1.96       | 1.86   | 2.70       | 2.35   | 2.21    | 2.52       |

**Table 3.7.** Trade openness in SES markets depending on the type of activity (average score)

*Note:* The average scores for activities exceeding the average score of all activities are highlighted in grey. A dash indicates the absence of this kind of activity or a very limited number of observations to determine the average score.

*Source:* The authors' calculations.

Russian exporters who operate on a regular basis, on the average rated the openness of the Belarusian market at 2.1 points, and the Kazakh market at 2.39 points. Meanwhile, those who export their products occasionally gave higher ratings: 3.1 points for Belarus and 2.82 points for Kazakhstan. These differences are statistically significant. Thus as for the average estimates of openness to export products of SES markets as compared to exports to other countries, assessments of the openness of trade within the SES to some extent depends on the frequency of the enterprise's exports.

Table 3.7 presents the average scores for trade openness in the SES markets for the main activities. The average scores for all the activities presented in Figure 3.5 and Table 3.6 are the weighted average of the average scores by type of activity. Grey highlighting indicates the average scores for activities that are below the average score for all activities (i.e., trade is more open). Table 3.7 allows the selection of the groups of those activities for which respondents noted the greatest openness to trade in the SES markets. These average scores for trade openness can serve as a kind of index to a quantitative analysis of NTBs in general and in the context of various types of activity.

### 3.4. Qualitative assessment of the impact of NTBs in the SES countries

#### 3.4.1. Impact of NTBs on exports: overall evaluation

To determine the influence of NTBs on trade within the SES, the respondents were asked to evaluate the main groups of NTBs on a 5-point scale, where 1 means that the NTBs do not hamper exports to SES and 5 means that the barrier very restrictive impact<sup>10</sup>. In this case, a score of 3 represents an intermediate state between insignificant and significant restrictive impact. As previously mentioned, the regularity of exports has some influence on the averaged results of the polls. Therefore, when assessing the restrictive impact of NTBs on trade among SES countries, this fact was taken into account, and the corresponding calculations were made for different groups of enterprises. As a result, no differences were identified in the estimates of those enterprises that export their products continuously, and those that do it occasionally. Table 3.8 presents the results. The average scores for groups of NTBs that are above average grades in all NTBs (arithmetic mean) are highlighted in grey. This allows us to visualize the most restrictive NTBs by certain groups of countries.

It should be noted that in general, the average evaluation score of the restrictive impact of NTBs is relatively low. For the Belarus – Kazakhstan group, the maximum value of the average score is 1.78 (technical barriers to trade); the minimum is 1.19 (restrictions on post-sales service). In the Belarus – Russia group, the maximum score is 1.75 (as in the previous case, technical barriers to trade); the minimum score is 1.15 (restrictions on post-sales service). In general, Belarusian exporters provide a rather low assessment of the restrictive impact of NTBs on their exports to the SES. The following NTBs are the most sensitive for export enterprises of Belarus to trade with Kazakhstan: sanitary and phytosanitary measures, technical barriers to trade, price control measures, measures affecting competition, subsidies, including export and restrictions on government procurement. In trade with Russia, the situation is similar with the exception of one NTB – subsidies. The average score for all NTBs for the Belarus – Kazakhstan group is 1.41, and for the Belarus – Russia group it is 1.38. This indicates a relatively low rating of the impact of restrictive NTBs on trade within the SES.

Kazakh exporters demonstrate a much higher concern about NTBs. In particular, the average score for the restrictive impact of all NTBs for the Kazakhstan – Belarus group is 2.28 and 1.99 for the Kazakhstan – Russia group. The most important NTBs for Belarus and Russia are practically identical. These are sanitary and phytosanitary measures, technical barriers to trade, pre-shipment inspection and other formalities, price control measures, finance measures and restrictions on government procurement (the exception to this list is contingent trade-protective measures in trade with Belarus).

The maximum score for the Kazakhstan – Belarus group is 2.58, for the Kazakhstan – Russia group 2.21. In both cases, this is due to technical barriers to trade.

Evaluation by Russian exporters of the impact of restrictive NTBs is closer to the evaluation by their Belarusian partners. In particular, the average score of restrictive

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<sup>10</sup> A five-point scale in this case is interpreted as follows: 1 – non-tariff barrier does not have a restrictive impact, 2 – non-tariff barrier has little restrictive impact, 3 – there is a moderate level of restrictions, 4 – a non-tariff barrier has significant restrictive impact, 5 – a non-tariff barrier has a very restrictive impact.

| NTBs   | Belarus    |        | Kazakhstan |        | Russia  |            |
|--|------------|--------|------------|--------|---------|------------|
|  | Kazakhstan | Russia | Belarus    | Russia | Belarus | Kazakhstan |
| Sanitary and phytosanitary measures  | 1.52       | 1.51   | 2.48       | 2.02   | 1.21    | 1.26       |
| Technical barriers to trade  | 1.78       | 1.75   | 2.58       | 2.21   | 1.82    | 1.97       |
| Pre-shipment inspection and other formalities  | 1.25       | 1.28   | 2.42       | 2.07   | 1.57    | 1.63       |
| Contingent trade-protective measures   | 1.33       | 1.29   | 2.09       | 2.07   | 1.62    | 1.7        |
| Non-automatic licensing, quotas, prohibitions and quantity-control measures other than for SPS and TBT reasons   | 1.34       | 1.32   | 2.15       | 1.97   | 1.54    | 1.61       |
| Price control measures, including additional taxes and charges   | 1.65       | 1.62   | 2.48       | 2.07   | 2.11    | 2.22       |
| Finance measures, regulation of conditions of payment for imports in the destination country or the conditions for obtaining and using credit to finance imports | 1.38       | 1.35   | 2.48       | 2.04   | 1.87    | 1.72       |
| Measures affecting competition   | 1.48       | 1.46   | 2.30       | 2.05   | 2.34    | 2.32       |
| Trade-related investment measures  | 1.32       | 1.3    | 2.21       | 1.95   | 1.49    | 1.52       |
| Distribution restrictions  | 1.34       | 1.28   | 2.27       | 1.85   | 1.43    | 1.44       |
| Restriction on the post-sales service  | 1.19       | 1.15   | 2.06       | 1.79   | 1.34    | 1.39       |
| Subsidies, including export subsidies  | 1.42       | 1.41   | 2.06       | 1.94   | 1.38    | 1.25       |
| Restrictions on government procurement   | 1.66       | 1.55   | 2.30       | 2.03   | 1.48    | 1.51       |
| Protection of intellectual property rights   | 1.24       | 1.24   | 2.03       | 1.88   | 1.24    | 1.25       |
| Rules of origin  | 1.41       | 1.32   | 2.21       | 1.97   | 1.15    | 1.27       |
| Export-related measures  | 1.24       | 1.2    | 2.3        | 1.87   | 1.39    | 1.36       |
| Average  | 1.41       | 1.38   | 2.28       | 1.99   | 1.56    | 1.59       |

**Table 3.8.**  
Assessment  
of the influence  
of restrictive NTBs  
on SES exports  
(average score)

Note: The grey tone highlights average scores on NTBs, exceeding the average score for all NTBs.

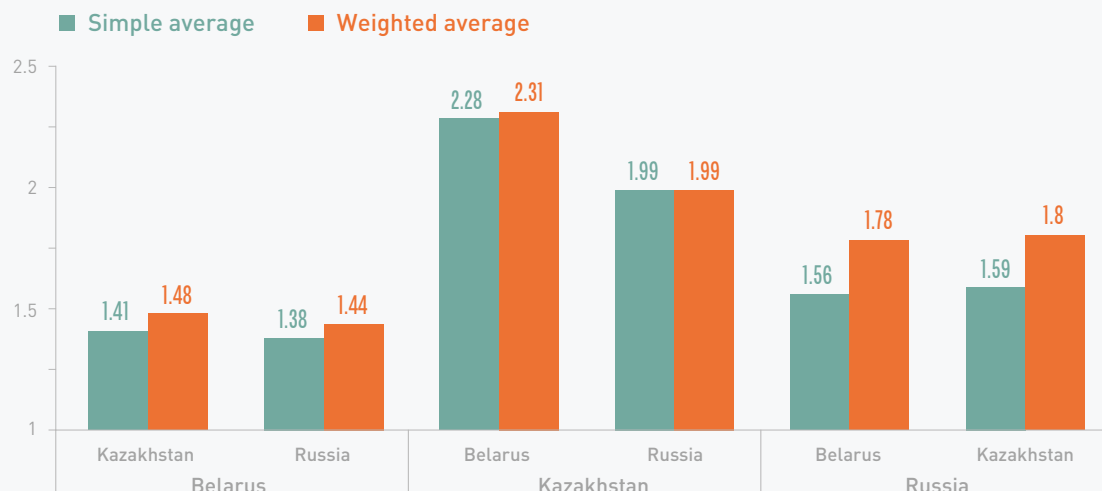
Source: The authors' calculations.

impact of all NTBs for the Russia – Belarus group is 1.56 and 1.59 for the Russia – Kazakhstan group. The most important NTBs, according to Russian respondents, are technical barriers to trade, pre-shipment inspection and other formalities, contingent trade-protective measures, price control measures, finance measures and measures affecting competition. The maximum average score here is for measures affecting competition (2.34 and 2.32 for the Russia – Belarus group and the Russia – Kazakhstan group, respectively).

Thus the data in Table 3.8 allow us to highlight the most important NTBs by groups of countries, to assess their relative importance in terms of the restrictive impact on exports to the SES, as well as to give a generalized assessment of the restrictive impact of NTBs by groups of countries. Such an assessment is presented in Figure 3.6, and consists of two types of averages: the simple average of the last row of Table 3.8, and the average where the weights used are the share of each NTB in the NTBs' cumulative effect on the increase in the value of exports. These estimates are slightly different, but in general are unidirectional.



**Figure 3.6.** General degree of influence of restrictive NTBs on SES exports (average score)



*Note:* The average cumulative score is calculated as a weighted average of the average scores of all NTBs (see Table 3.14), where the weights are the share of each NTB in the NTBs' cumulative effect on the increase in the value of exports.

*Source:* The authors' calculations.

Belarusian exporters are the most optimistic in their assessments of the influence of restrictive NTBs on export to the SES. Russian respondents, according to these estimates, assess the impact of NTBs on mutual trade within the SES as greater than do their Belarusian partners in the integration association. At the same time, Belarusian and Russian exporters believe that NTBs to trade with Kazakhstan are higher than those to trade between Russia and Belarus. The highest aggregate estimates of the impact of restrictive NTBs are observed with Kazakh exporters. The degree of restrictions on trade with Belarus, according to the respondents, is greater than on trade with Russia.

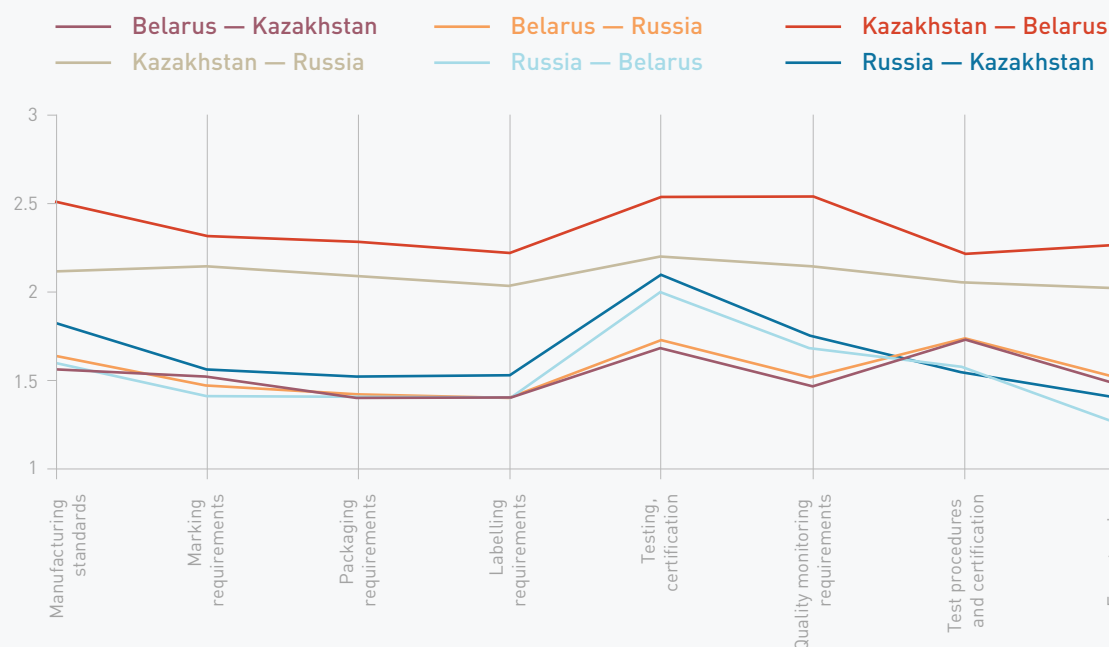
### 3.4.2. NTBs impact on exports: details

#### *Technical barriers to trade*

This subsection presents details of NTBs' restrictive impact on exports to the SES. Technical barriers for all groups of countries were among the most important barriers on the list of NTBs. Figure 3.7 shows detailed technical barriers' impact on trade among SES countries. This figure clearly illustrates that Kazakh exporters consider this NTB more serious than do respondents from Belarus and Russia. Manufacturing standards, testing and certification, as well as quality control requirements are rated by Kazakh exporters as the biggest problems.

For Belarusian exporters, the most important technical barriers are manufacturing standards, testing and certification, test procedures and certification. Russian exporters rate as the main technical barriers manufacturing standards, testing and certification, as well as other factors.





**Figure 3.7.** Rating of the restrictive impact of technical barriers (average score)

Source: The authors' calculations.

Table 3.9 presents estimates of the significance of various measures aimed at reducing technical barriers, derived from the respondents' answers. In the survey, the export enterprises were asked: "What actions would be required to reduce technical barriers to trade among CU countries?" Rating was carried out on a 5-point scale, where 1 means that the measure does not matter, and 5 that it is very significant. As can be seen, the Belarusian exporters rate as the most important: measures to reduce the impact of technical barriers to trade with Kazakhstan; mutual recognition of conformity assessment procedures for

| Measures to reduce technical barriers  | Belarus    |        | Kazakhstan |        | Russia  |            |
|--|------------|--------|------------|--------|---------|------------|
|  | Kazakhstan | Russia | Russia     | Россия | Belarus | Kazakhstan |
| Development and implementation of new standards and technical regulations in the CU                                | 2.02       | 2.00   | 2.79       | 2.42   | 1.89    | 2.06       |
| Adoption of international standards  | 2.33       | 2.24   | 2.79       | 2.49   | 1.76    | 1.96       |
| Mutual recognition of conformity assessment procedures for products not covered by technical regulations of the CU | 2.38       | 2.34   | 2.79       | 2.45   | 2.05    | 2.15       |
| Harmonization/convergence of rules and regulations for marking, packaging and labelling within the CU              | 2.31       | 2.26   | 2.42       | 2.42   | 2.06    | 2.13       |
| Development of standardized requirements and rules for handling goods  | 2.00       | 2.04   | 2.00       | 2.16   | 1.60    | 1.69       |
| Other ways to reduce barriers related to standards and technical regulations                                       | 1.76       | 1.57   | 1.67       | 1.97   | -       | -          |

**Table 3.9.** Importance of measures to reduce technical barriers to SES trade (average score)

Source: The authors' calculations.

products not covered by technical regulations of the CU; and the use of international standards and harmonization of rules and standards for marking, packaging and labelling within the CU. Similar measures are noted by Belarusian exporters to Russia.

Kazakh exporters note the following measures regarding exports to Belarus: development and implementation of new standards and technical regulations of the CU; the use of international standards; and mutual recognition of conformity assessment procedures for products not covered by technical regulations of the CU. The same measures, in their opinion, are relevant to trade with Russia.

Russian exporters believe that especially important when trading with Belarus are harmonization (convergence) of the rules and norms of marking, labelling and packaging within the CU; mutual recognition of conformity assessment procedures for products not covered by technical regulations of the CU; and the development and implementation of new standards and technical regulations in the CU. Similar priorities are observed with Russian respondents in regard to Kazakhstan.

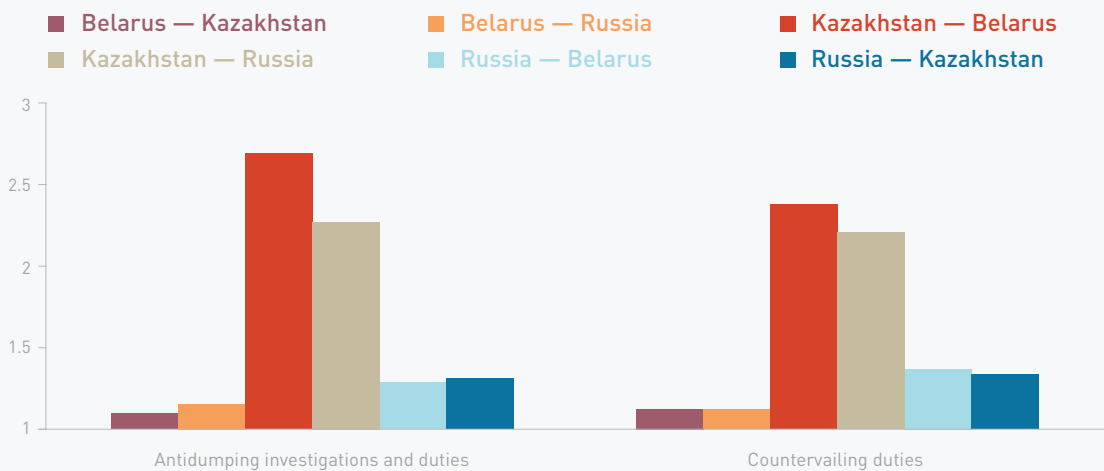
*Contingent trade-protective measures*

Contingent trade-protective measures are the most important for Kazakh exporters. Anti-dumping investigations and duties, as well as countervailing duties, according to Kazakh respondents, have a much more significant impact on the export of their products within the SES than according to their Belarusian and Russian SES partners (see Figure 3.8).

*Finance measures*

Figure 3.9 presents estimates of the impact of various financial restrictive measures on exports to the SES. For Belarusian and Russian exporters, these measures appear to be significantly less important than for Kazakh exporters. Kazakh exporters note that regulation of the conditions for obtaining and using credit to finance imports is one of the

**Figure 3.8.**  
Evaluation of the  
restrictive impact  
of conditional  
trade-protective  
measures on SES  
trade (average  
score)



Source: The authors' calculations.

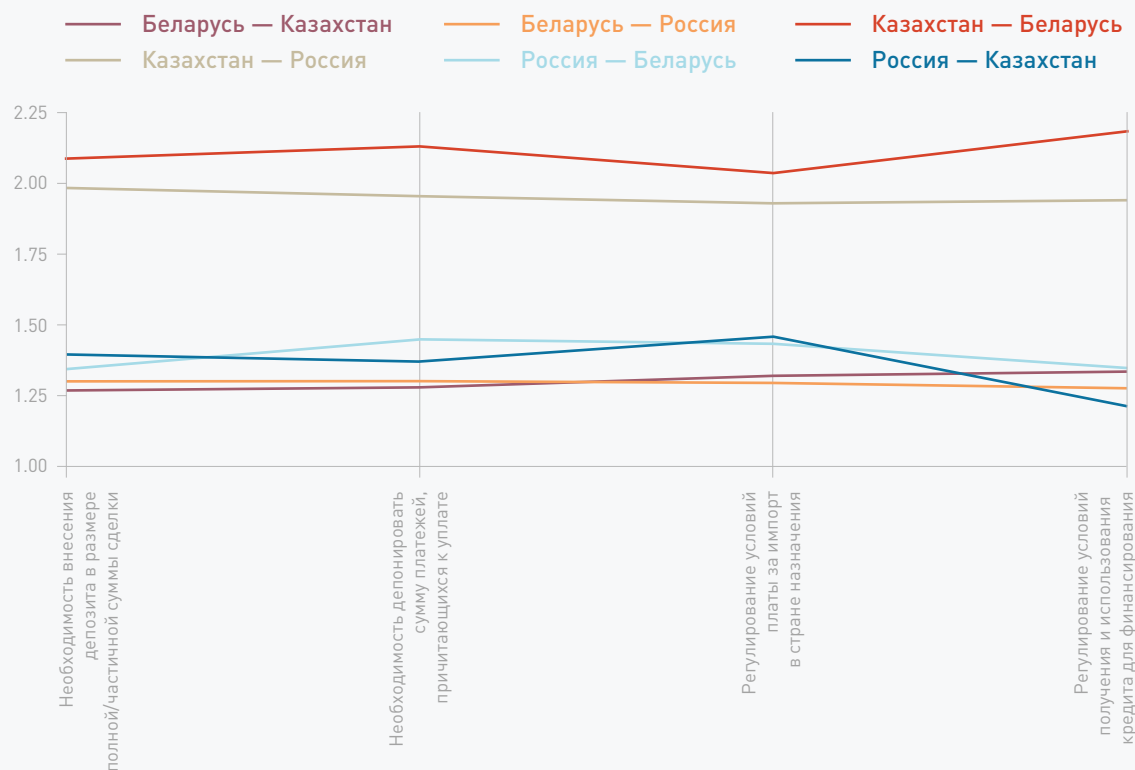
most important finance measures. Russian exporters as a whole assess finance measures as more important than do their Belarusian partners, but the difference in the influence of finance measures for SES exports for Belarusian and for Russian exporters is very small. Exceptions are other finance measures, where Russian respondents show a clear difference.

### *Measures affecting competition*

Figure 3.10 presents estimates of the impact of the restrictive measures that affect competition in mutual SES trade. According to Belarusian exporters, these NTBs are not a significant barrier to trade with Kazakhstan and Russia. In contrast, Russian and Kazakh exporters especially noted some impact of these NTBs on their SES exports. The highest impact, according to the respondents, is related to the presence of special importers in the destination country. Mandatory use of the services of national operators is also considered a barrier to trade within the SES for Kazakhstan and Russian enterprises.

### *Price control measures, including additional taxes and fees*

According to Figure 3.11 Kazakh exporters are experiencing the greatest problems due to price control measures, including additional taxes and fees. Kazakh respondents say the most important NTBs are additional taxes on imported goods in the destination country

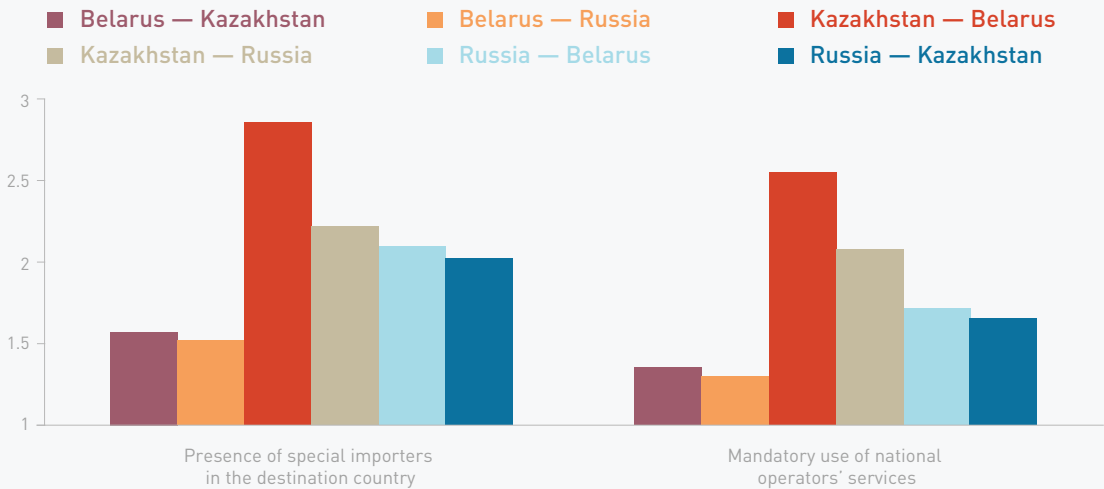


**Figure 3.9.**  
Evaluation of the effect of restrictive finance measures (average score)

Source: The authors' calculations.

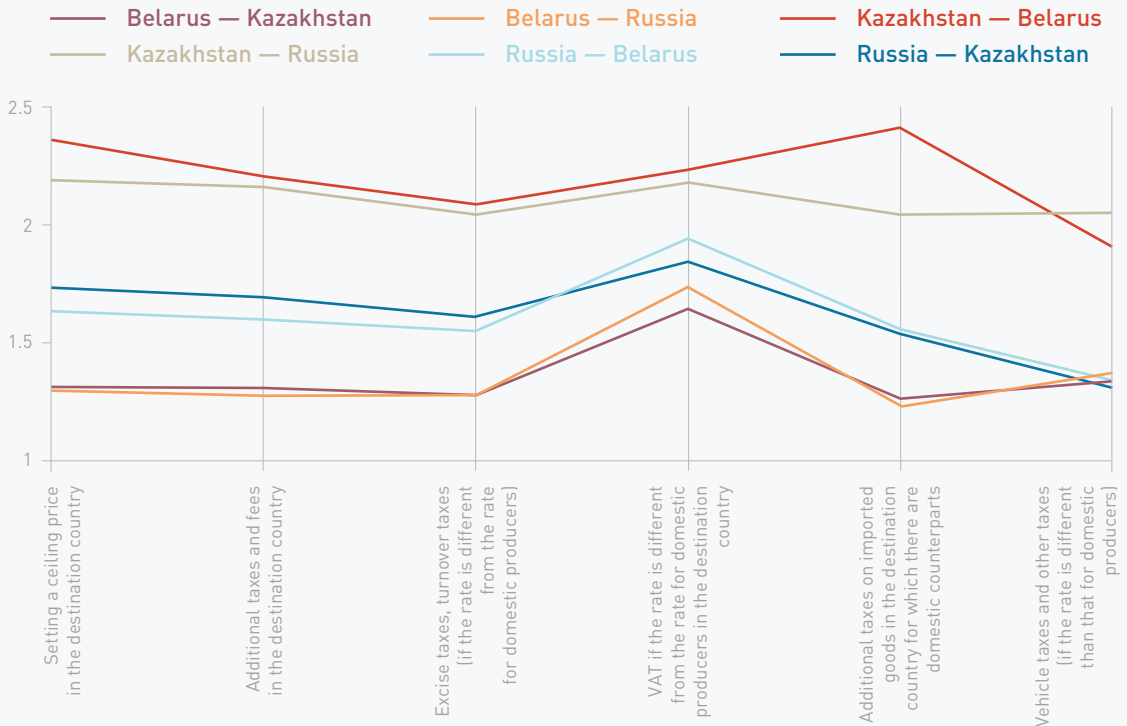
# ASSESSING THE IMPACT OF NON-TARIFF BARRIERS IN THE EEU: RESULTS OF ENTERPRISE SURVEYS

**Figure 3.10.**  
Evaluation of the  
impact of restrictive  
measures affecting  
competition  
(average score)



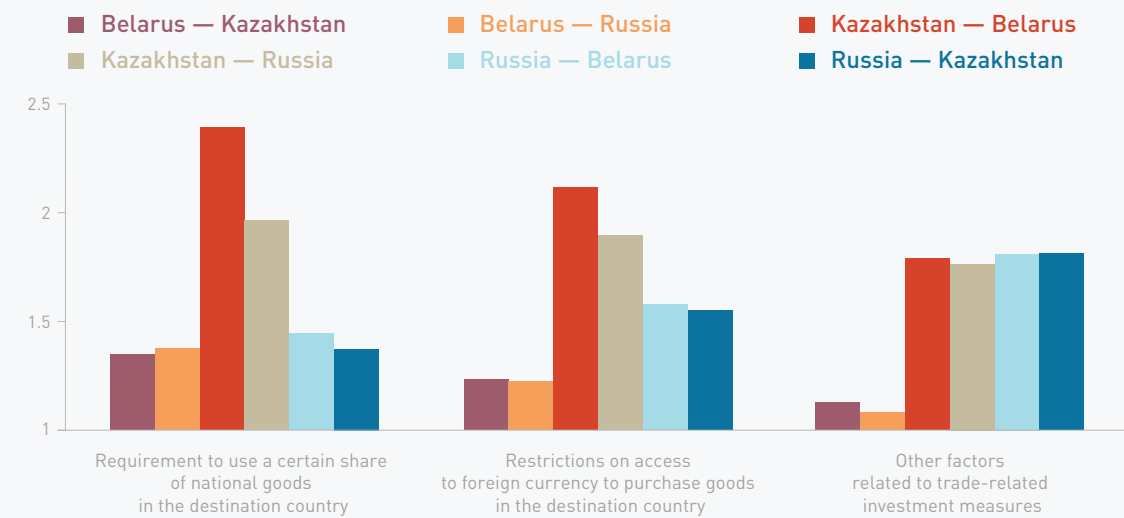
Source: The authors' calculations.

**Figure 3.11.**  
Evaluation of the  
effect of restrictive  
price control  
measures,  
including additional  
taxes and fees  
(average score)



Source: The authors' calculations.

for which there are domestic counterparts, and the tax on vehicles, if the rate is different from that of domestic producers.



**Figure 3.12.** Evaluation of the impact of restrictive trade-related investment measures (average score)

Source: The authors' calculations.

Russian exporters generally evaluated the restrictive role of this NTB higher than did Belarusian exporters. VAT payment, if the rate is different from the rate for domestic producers in the destination country, is for Russian exporters the most essential element of the NTB in question. For Belarusian enterprises, this element is also the most significant, although respondents rated its restrictive impact lower than did their Russian partners.

*Trade-related investment measures*

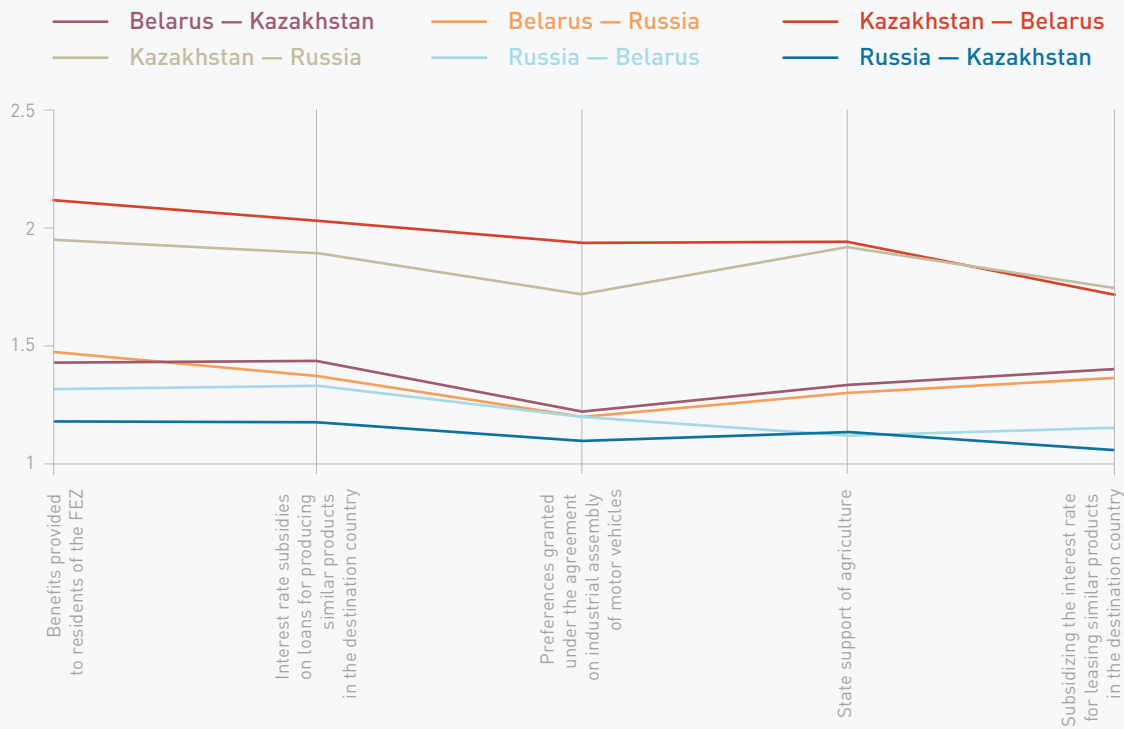
Kazakh exporters rated trade-related investment measures as the most restrictive barrier. The most important is the requirement to use a certain percentage of national goods in the destination country (particularly in trade with Belarus). Restrictions on access to foreign exchange for the purchase of goods in the destination country are also more important for Kazakh exporters than for Russian exporters and especially Belarusian exporters. According to respondents from Belarus and Russia, these NTBs do not have very significant impact (Figure 3.12).

The survey data show that subsidies are not considered by Belarusian and Kazakh exporters as a significant barrier to mutual trade. Kazakh exporters assessed the restrictive impact of this NTB as slightly higher. Here the most influential are the benefits provided to FEZ residents and government support for agricultural production (Figure 3.13).

Evaluation of government procurement as restrictive for Kazakh exporters is mainly related to the manner of regulation of government procurement; the absence of a single tender database; and the duration of the evaluation process before the tender. For Russian exporters, the language of the documents for participation in the tender is a significant limitation. Belarusian exporters note as barriers the procedure for regulating government procurement and the lack of a single tender database (Figure 3.14).

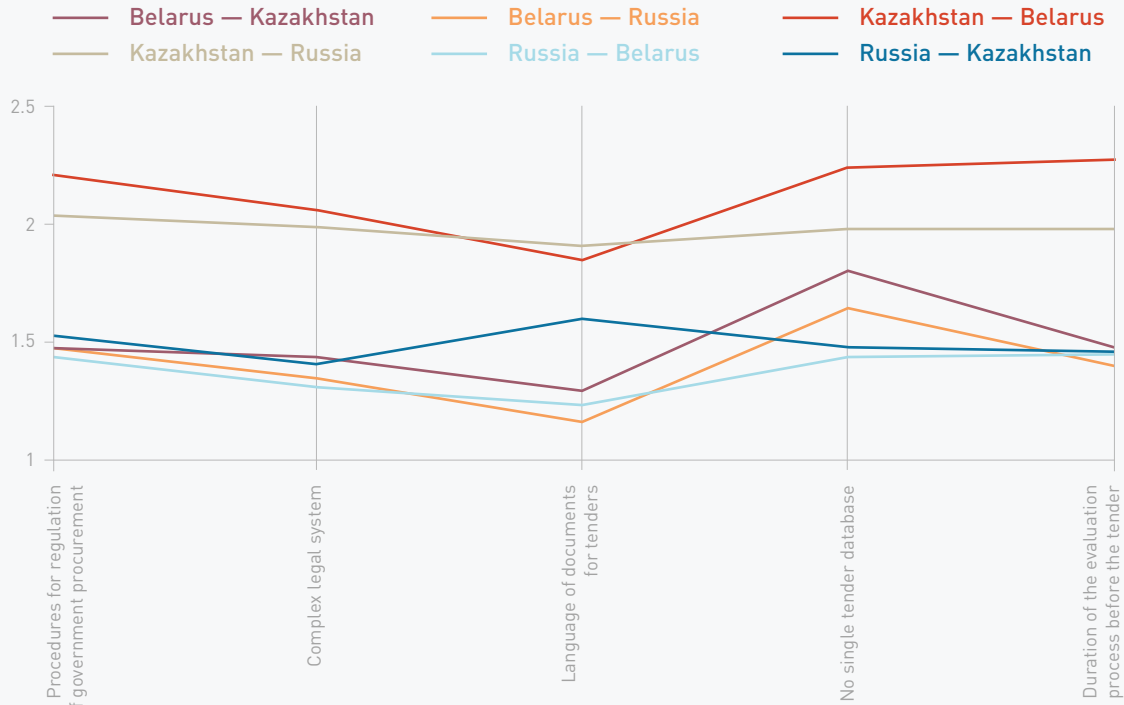
ASSESSING THE IMPACT OF NON-TARIFF BARRIERS  
IN THE EEU: RESULTS OF ENTERPRISE SURVEYS

**Figure 3.13.**  
Assessment  
of the restrictive  
impact of subsidies  
(average score)



Source: The authors' calculations.

**Figure 3.14.**  
Assessment  
of the impact  
of restrictive  
government  
procurement  
(average score)



Source: The authors' calculations.

### 3.5. Quantitative assessment of the impact of NTBs on trade

Quantitative assessment of the impact of NTBs on trade within the SES was performed on the basis of respondents' answers to two questions:

- (1) "Do the NTBs in the destination country affect the value of goods exported by your enterprise? If yes, then estimate this influence as a percentage of the value of your exports".
- (2) "By how much do you think the cost (of production and sales) of export units be reduced by reducing certain NTBs in the destination country?"

In the first case, respondents were given the opportunity to determine the extent of the impact of NTBs (the open-ended question). The second question gave a choice on a scale from 1 to 5, where 1 meant a slight reduction in the cost due to reducing of NTBs (to 5%), and 5 a significant cost reduction (20%). Using questions with a similar meaning (open-ended and closed-ended) made it possible to monitor whether respondents were consistent in their responses and to analyse possible differences in their responses. With this in mind, the second question accented the effect of removing barriers. Accordingly, the respondent in answering this question could suggest that economic policies are not always able to fully eliminate NTBs.

#### 3.5.1. Quantitative assessment of the impact of NTBs on the value of exported goods — an open-ended question

##### *Prevalence of certain types of NTBs*

The survey results show that the breadth of distribution of various NTBs within the SES essentially depends on the direction of trade. Most often a significant impact of NTBs on trade with SES partners was noted by Russian export enterprises. The enterprises from Russia and Kazakhstan stated that the partner most likely to resort to NTBs was Belarus. Belarusian exporters, by contrast, are rarely faced with a noticeable impact of NTBs on the value of their exports.

The most common NTBs that affect the value of exported products are price control measures and measures affecting competition (Table 3.10). The proportion of respondents who indicated a significant impact of these barriers is significantly higher than the average values for all NTBs, regardless of the direction of trade<sup>11</sup>. Most often the impact of price control and regulation of competition was noted by enterprises exporting goods from Russia to Belarus (52.4% and 59.8% of respondents) and to Kazakhstan (49.1% and 43%).

Other NTBs affecting trade within the SES are technical barriers to trade. Their impact is mostly noticed by Russian enterprises, as well as by Belarusian enterprises exporting to Russia. Probably this problem is often faced by Kazakh exporters, but statistically it is not confirmed because of the small sample size.

<sup>11</sup> A statistically significant difference from the average is not confirmed only in exports from Kazakhstan to Belarus, due to the small number of observations (33).



**Table 3.10.**  
Proportion  
of respondents who  
reported an effect  
of NTBs on the  
value of exported  
goods within the  
SES

| NTBs   | Belarus         |        | Kazakhstan |        | Russia  |                 |
|--|-----------------|--------|------------|--------|---------|-----------------|
|  | Kazakh-<br>stan | Russia | Belarus    | Russia | Belarus | Kazakh-<br>stan |
| Sanitary and phytosanitary measures  | 10.9            | 11.3   | 21.2       | 11.2   | 19.5    | 22.8            |
| Technical barriers to trade  | 10.9            | 12.8** | 30.3       | 17.6   | 35.4**  | 49.1**          |
| Pre-shipment inspection and other formalities  | 3.6**           | 2.6**  | 24.2       | 17.1   | 19.5    | 22.8            |
| Contingent trade-protective measures   | 4.3**           | 3.6**  | 21.2       | 10.2   | 24.4    | 21.1            |
| Non-automatic licensing, quotas, prohibitions and quantity-control measures other than for SPS and TBT reasons | 5.1             | 2.6*   | 15.2       | 16.0   | 13.4**  | 13.2**          |
| Price control measures   | 14.5**          | 11.8*  | 27.3       | 18.7** | 52.4**  | 49.1**          |
| Finance measures   | 7.2             | 6.7    | 33.3       | 16.0   | 45.1**  | 25.4            |
| Measures affecting competition   | 24.6**          | 23.6** | 30.3       | 19.3** | 59.8**  | 43.0**          |
| Trade-related investment measures  | 3.6**           | 5.1    | 15.2       | 10.2   | 17.1    | 14.0*           |
| Restriction of sales   | 5.8             | 6.7    | 18.2       | 12.8   | 9.8**   | 7.9**           |
| Restriction on the post-sales service  | 5.1             | 3.1    | 15.2       | 9.1*   | 9.8**   | 7.0**           |
| Subsidies, including export subsidies  | 8.0             | 8.2    | 15.2       | 9.1*   | 14.6**  | 5.3**           |
| Restrictions on government procurement   | 13.8*           | 13.3** | 15.2       | 9.1*   | 8.5**   | 10.5**          |
| Protection of intellectual property rights   | 2.2**           | 2.6**  | 3.0**      | 7.0**  | 12.2**  | 6.1**           |
| Rules of origin  | 5.1             | 6.2    | 15.2       | 13.4   | 8.5**   | 7.0**           |
| Measures relating to exports   | 5.1             | 3.6    | 12.1       | 9.6    | 17.1    | 10.5**          |
| Average score  | 8.1             | 7.7    | 19.5       | 12.9   | 22.9    | 19.7            |

Note: \*\* and \* indicate that the hypothesis of equality of the mean for a given direction of trade is rejected at 5% and 10%, respectively. The cases highlighted in grey are where the percentage of respondents who reported the effect of an NTB on trade was significantly higher than the average share for trade in the selected areas.

Source: The authors' calculations.

A domestic barrier, characteristic of Belarus, is finance measures that restrict imports, including those from SES countries. The impact of the barrier is noted by 45.1% of Russian and 33.3% of Kazakh exporters. In turn, Belarusian exporters more often mention restrictions in access to government procurement procedures in Russia and Kazakhstan.

The least common NTB to trade within the SES is the instrument for protection of intellectual property rights. The proportion of respondents who export from Belarus to Kazakhstan and vice versa and report on the impact of this barrier is not statistically different from zero (at the 5% significance level). Also export enterprises rarely note the impact of measures relating to exports; measures aimed at limiting post-sales service; the use of rules of origin; problems of non-automatic licensing and quantitative control measures other than sanitary and technical barriers.

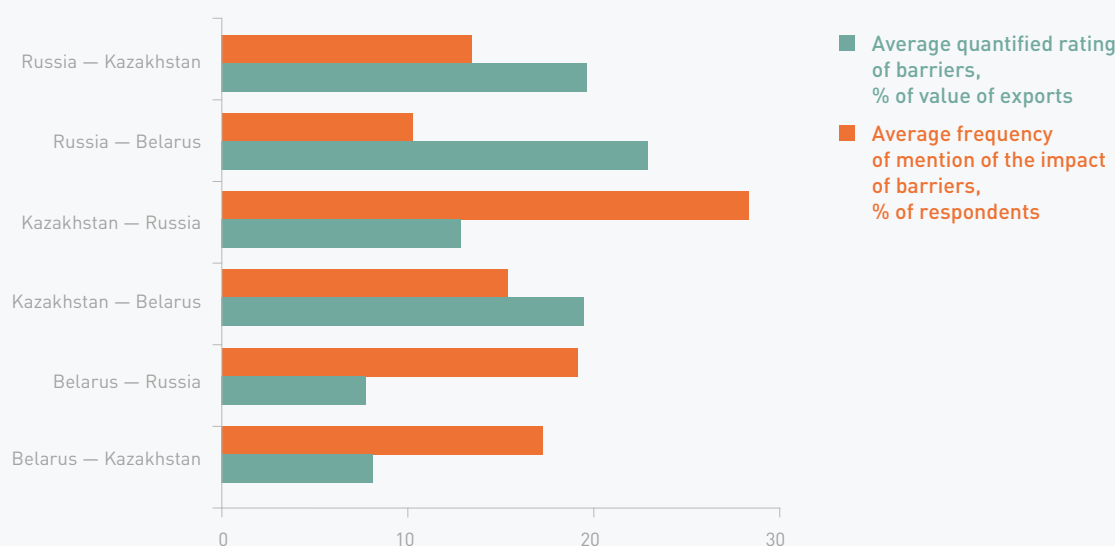
There are significant differences in the overall distribution of frequency in selection of significant NTBs by exporters from the different countries. Russian exporters on average identify several major barriers that have an impact on trade (technical barriers, price

controls, measures affecting competition, finance measures), while the impact of the remaining barriers is noted only by a small number of respondents. In the case of Belarus, a common barrier which impacts exporters is related to measures affecting competition. Belarusian exporters rarely note the influence of the other barriers. In turn, the relatively uniform distribution of responses by Kazakh exporters on the impact of NTBs shows that they are faced equally with almost all types of NTBs. However, the influence of these barriers can vary widely.

### *Quantitative assessment of the effect of individual NTBs on the value of exports*

Quantitative assessment of the impact of NTBs on the value of exported goods was calculated as the average score for the entire sample, including those enterprises that indicated that NTBs do not affect their trade. For those enterprises, the rating of the impact of barriers was assumed to be equal to zero. Accordingly, the final score is the multiplication of the proportion of respondents who reported an effect of NTBs on the value of exports, by the average size of their assessments of the impact<sup>12</sup>.

The highest quantitative assessment of the impact of NTBs on the cost of exported products was given by Kazakh respondents, especially for exports to Russia. The lowest rating was reported by Russian enterprises exporting to Belarus and to a lesser extent to Kazakhstan (Figure 3.15). Accordingly, despite the frequent mention of the effect of NTBs on export value by Russian exporters, the average effect of barriers to trade for the entire sample is not very high. For exports to Belarus, costs associated with NTBs, on average, were estimated by respondents at 2.4%, while to Kazakhstan the figure was 2.7%. By contrast, the high scores from Kazakh exporters who had noted the presence



**Figure 3.15.** Average value for 16 types of NTBs of the proportion of respondents who indicated an impact on trade, and the average quantitative assessment of the impact

Source: The authors' calculations based on surveys of exporters by CIS EDB.

<sup>12</sup> An exception is related to the respondents who answered that the barriers affect the value of exports, but did not give quantitative estimates. These respondents were excluded from the analysis. Such cases were present in the survey of exporters from Belarus and Kazakhstan (3 companies and 1 enterprise, respectively).

of barriers that influence the value of exports (especially to Russia), are responsible for a high overall level of barriers for the entire sample (2.9% of the value of exports to Belarus and 3.6% of exports to Russia. See Table 3.11).

Belarusian exporters also gave a relatively high assessment of the impact of NTBs on trade (Figure 3.15). However, the small proportion of Belarusian respondents who are affected by these barriers determines the generally low assessment of NTBs' impact on the value of Belarusian exports for the entire sample. On average, each of the types of NTBs, according to Belarusian respondents, increases the cost of products exported to Kazakhstan and Russia by 1.4 and 1.5%, respectively.

The importance of barriers also changes significantly with the transfer from analysis of frequency of mentioning the barrier as affecting the value of exports, to quantification of its influence. Dominance of NTBs associated with measures that restrict competition became apparent. This barrier generates the highest costs to the respondents, regardless of the direction of trade. In most areas, related costs are estimated at 6–7% of the value of exported goods.

The top five challenges for all the countries also include finance measures and technical barriers to trade (Table 3.11). However, their impact on the value of exported goods is not very high and scarcely differs from the mean. Price control measures, which are often mentioned by respondents in all countries, are not very significant in quantitative terms. They are among the major barriers (with above average effect) only in the perception of Russian exporters.

High costs, statistically different from the average, are also present in the export of goods from Belarus to Russia and Kazakhstan, due to measures restricting participation in government procurement. This problem was also noted by Kazakh respondents exporting to Belarus. By contrast, for Russian enterprises the access to government procurement in the SES countries does not incur considerable costs (which are significantly lower than the average by direction of trade).

Evaluation of other barriers included in the top five are not statistically distinguishable from the average barriers in individual directions of trade.

The least significant barriers according to the respondents are those related to protection of copyright and limiting post-sales service. These barriers are on the list of the five least significant for all countries. For Belarus, their impact on the value of exports is not statistically different from zero (at the 5% significance level). Also, the hypothesis that barriers of exports from Belarus to Russia in the form of pre-shipment inspection and other formalities; non-automatic licensing, quotas, prohibitions and quantitative control measures other than sanitary and phytosanitary measures and technical barriers are equal to zero is not rejected at the 5% level. In the case of exports to Kazakhstan, the effects of contingent trade-protective measures, investment, marketing restrictions, and even sanitary and phytosanitary measures, falling within the top five barriers, are statistically not different from zero.

For exports from Russia to Kazakhstan, the effect of barriers related to subsidies, restrictions on procurement, and intellectual property rights protection is statistically insignificant. The list of non-significant measures expands for exports to Belarus due to rules of origin; trade-related investment measures; restrictions of sales; pre-shipment

| NTBs   | Belarus    |        | Kazakhstan |        | Russia  |            |
|--|------------|--------|------------|--------|---------|------------|
|  | Kazakhstan | Russia | Belarus    | Russia | Belarus | Kazakhstan |
| Sanitary and phytosanitary measures  | 1.5        | 1.3    | 1.8        | 2.4    | 1.5     | 2.6        |
| Technical barriers to trade  | 1.8        | 2.1    | 3.1        | 4.6    | 3.1     | 5.0*       |
| Pre-shipment inspection and other formalities  | 0.2**      | 0.1**  | 1.2**      | 3.3    | 2.3     | 2.3        |
| Contingent trade-protective measures   | 0.5**      | 0.2**  | 2.2        | 2.0**  | 2.5     | 2.8        |
| Non-automatic licensing, quotas, prohibitions and quantity-control measures other than for SPS and TBT reasons | 0.3**      | 0.2**  | 1.7        | 3.4    | 1.7     | 1.9        |
| Price control measures   | 1.4        | 1.2    | 3.9        | 4.1    | 4.7**   | 6.3**      |
| Finance measures   | 1.6        | 1.3    | 5.1        | 4.4    | 4.4*    | 3.4        |
| Measures affecting competition   | 6.0**      | 6.4**  | 10.1*      | 5.5    | 7.0**   | 7.2**      |
| Trade-related investment measures  | 0.8        | 1.1    | 0.3**      | 3.0    | 1.9     | 2.6        |
| Restriction of sales   | 0.8        | 1.1    | 4.5        | 4.5    | 1.9     | 1.9        |
| Restrictions on post-sales service   | 0.6**      | 0.7*   | 1.6        | 3.2    | 1.1*    | 1.4        |
| Subsidies, including export subsidies  | 1.5        | 1.5    | 2.5        | 3.0    | 1.1*    | 0.9**      |
| Restrictions on government procurement   | 3.0*       | 2.9*   | 5.2        | 3.9    | 0.7**   | 1.2**      |
| Protection of intellectual property rights   | 0.3**      | 0.3**  | 1.2        | 3.2    | 1.7     | 1.1*       |
| Rules of origin  | 0.9        | 2.2    | 0.7**      | 4.4    | 0.5**   | 0.6**      |
| Measures relating to exports   | 0.9        | 0.9    | 2.1        | 3.2    | 1.5     | 1.3**      |
| Average score  | 1.4        | 1.5    | 2.9        | 3.6    | 2.4     | 2.7        |

**Table 3.11.** Assessment of the impact of NTBs on trade within the SES, % of the value of exported goods

Note: \*\* and \* indicate that the hypothesis of equality of the mean in a given direction of trade is rejected at 5% and 10%, respectively. Green colour highlights five of the most significant barriers to trade within a particular direction; grey highlight the five least significant barriers.

Source: The authors' calculations.

inspection; non-automatic licensing, quotas, prohibitions and quantitative control measures other than sanitary and phytosanitary measures and technical barriers<sup>13</sup>.

For enterprises exporting from Kazakhstan to Russia, the least important barriers, in addition to traditional for other trade directions, are also sanitary and phytosanitary measures, which should be related to the structure of exports.

### *Total effect of NTBs on trade*

The cumulative effect of all NTBs was obtained as the sum of the individual effects of the 16 types of barriers for each enterprise<sup>14</sup>. Accordingly, the greatest impact of NTBs is

<sup>13</sup> One of the reasons for statistically insignificant estimates of the impact of NTBs in the value of exports, is the small number of observations in the sample of Russian exporters to Belarus: 82 enterprises. Almost all barriers are statistically insignificant when exporting from Kazakhstan to Belarus (33 enterprises). For exports from Kazakhstan to Russia, all the barriers, by contrast, are statistically significant.

<sup>14</sup> For the purpose of analysis of the cumulative effect, four exporters were excluded from the sample, three from Belarus and one from Kazakhstan, who reported that the barriers did have an impact, but did not give quantitative estimates for some of them. As a consequence, the sum of the average scores for the 16 barriers (from Table 3.11) does not necessarily correspond to the median estimate of the cumulative effect (from Table 3.12).

related to exports from Kazakhstan to Belarus and Russia (48.2% and 58.3% of the value, respectively), while the smallest is associated with exports from Belarus to Kazakhstan and Russia (22% and 23.4%). Russian enterprises evaluate the costs of NTBs, on average, as 37.7% of the value of production for export to Belarus and 42.4% for export to Kazakhstan.

However, these figures are probably overestimated, since according to the answers of some respondents, the cumulative effect of all NTBs increased the cost of exported goods more than 10-fold<sup>15</sup>. Obviously, these are unrealistic estimates, because if that were the case, exporting would not have been possible. To solve this problem, where possible, our calculations employed the trimmed mean. The main limitation on using the truncated mean is the small sample size. For example, analysis of the impact of NTBs in individual industries was conducted by the usual average. On the one hand, this was due to the fact that the number of respondents in this survey representing small industries was extremely small initially (Table 3.3). On the other hand, it is possible that even an extremely small number of exporters, such as those shipping from Belarus to Kazakhstan, as parts of a small industry, represent a significant part of the general population. Accordingly, elimination of observations in this case will lead to a loss of important information.

Table 3.12 presents the results of assessments of the impact of NTBs on exports of goods within the SES by individual branches of industry and agriculture. The absolute values of the barriers, for the reasons described above, should be interpreted as rather arbitrary. However, their high or low values allow us to judge in which sectors the impact of NTBs is most pronounced.

The main industry in which the impact of NTBs is significantly above average for all directions of trade, is the production of machinery and equipment. For Russia and Belarus, assessment of barriers in this sector is significantly higher than for other industries. For exports from Belarus to Russia, quantification of the barrier reaches 57.9% of the cost of production. This can be viewed as a relatively reliable figure, as the number of respondents from Belarus specializing in the production of machinery and equipment is sufficiently large (25 enterprises). However, the main contribution to the restriction of exports of goods is made by the measures affecting competition, finance measures, and regulation of government procurement.

Russian exporters of machinery and equipment assess the costs of NTBs as even greater (over 100% of their value), with a noticeable impact on virtually all non-tariff regulation of trade. In addition to trade in mechanical engineering products, Russian exporters also note the costs of barriers to agricultural trade (exports to Belarus) and electrical products (exports to Kazakhstan). For manufacturers of electrical equipment, widely represented in the sample, the main barriers to exports to Belarus are price regulation and limited access to government procurement, while for exports to Kazakhstan, respondents did not distinguish among individual barriers.

Kazakh exporters of machinery and equipment also note the costs of NTBs, but the small number of respondents in the subsamples suggests a greater error in the estimates. Furthermore, Kazakh exporters note the costs of NTBs in the woodworking industry,

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<sup>15</sup>This is a particular problem for the survey of Kazakh exporters.

| NTBs   | Belarus    |        | Kazakhstan |        | Russia  |            |
|--|------------|--------|------------|--------|---------|------------|
|  | Kazakhstan | Russia | Belarus    | Russia | Belarus | Kazakhstan |
| Agriculture, forestry and fishing                                  | 16.7       | 10.7   | 27.2       | 15.7   | 75.0    | 31.7       |
| Manufacture of food products, beverages and tobacco                | 15.5       | 17.8   | 28.8       | 47.3   | 29.5    | 29.8       |
| Textile and garment production                                     | 23.2       | 21.1   | -          | 34.8   | 31.7    | 44.4       |
| Manufacture of leather, leather products and footwear              | 4.9        | 3.5    | -          | -      | 14.5    | 32.6       |
| Manufacture of wood and wood products                              | 20.1       | 14.1   | -          | 655.0  | 13.6    | 32.6       |
| Pulp and paper production, publishing                              | -          | -      | -          | -      | 49.3    | 10.7       |
| Chemical production  | 6.8        | 9.2    | 156.3      | 152.9  | 44.3    | 25.4       |
| Manufacturing of pharmaceutical products                           | -          | 7.5    | -          | 4.0    | 38.2    | 23.7       |
| Manufacture of rubber and plastic products                         | 16.9       | 14.5   | -          | 4.0    | 38.7    | 22.4       |
| Manufacture of other non-metallic mineral products                 | 0.0        | 25.5   | -          | 11.7   | 22.0    | 15.0       |
| Metallurgical production, manufacture of fabricated metal products | 24.3       | 14.3   | 12.7       | 99.0   | 17.6    | 41.4       |
| Manufacture of machinery and equipment                             | 46.3       | 57.9   | 60.0       | 85.4   | 106.9   | 144.0      |
| Manufacture of electrical and optical equipment                    | 34.7       | 22.6   | -          | 37.1   | 22.4    | 62.5       |
| Manufacture of transport equipment                                 | 1.8        | 12.0   | 41.7       | 25.1   | 20.0    | 26.6       |
| Other industrial sectors   | 27.6       | 20.4   | 19.7       | 34.5   | 22.8    | 14.8       |
| Average score  | 22.0       | 23.4   | 48.2       | 58.3   | 37.7    | 42.4       |

**Table 3.12.** Overall assessment of the impact of NTBs on trade within the SES by industry, % of the value of exported goods

*Note:* The value of the average estimate of the total impact of NTBs in some sectors is not indicated due to the absence or scarcity of observations. "Other industrial sectors" also includes answers of respondents from small industries. Testing of the hypothesis of equality of the mean was not conducted due to the small size of the subsamples by industries.

*Source:* The authors' calculations.

the chemical industry, and metallurgy. The effect of individual barriers is distributed evenly through important export sectors of the chemical industry and metallurgy. The exceptions are measures that restrict competition, especially in Russia, where their influence is far above average.

### 5.5.2. Expected effect of the elimination of NTBs – a closed-ended question

#### *Assessment methodology*

Analysis of the influence of NTBs through the respondents' assessment of the effect of eliminating them was based on a closed survey in which interval values of the barrier levels were coded using point scale. Accordingly, it was necessary to translate the respondents' answers into point values for the expected effect of the removal of barriers. This change has been made in accordance with Table 3.13, using the average value of the intervals. Exceptions are answers 1 (costs will be reduced slightly – up to 5%) and 5 (the cost will be significantly reduced – by more than 20%). Since option 5 was rarely

**Table 3.13.** Ratio of the original scale of Question 13 and the point estimates of the effect of reducing the barriers

| Original scale           | Cost reduction suggested in the question, % | Point value of cost reduction, % |
|--------------------------|---|----------------------------------|
| 1                        | < 5   | 0 or 2.5                         |
| 2                        | 5–10  | 7.5                              |
| 3                        | 10–15                                       | 12.5                             |
| 4                        | 15–20                                       | 17.5                             |
| 5                        | > 20  | 22.5                             |
| Does not affect the cost | 0   | 0                                |

Source: The authors' calculations.

chosen by respondents, it was suggested that the evaluation of the barriers should not significantly exceed the others, and it was given as an average between 20 and 25. In addition, a higher value for an NTB in practice would be close to prohibitive levels, which would be inconsistent with the fact that export is occurring. The change for option 1 was more difficult, because of the different interpretations by respondents of the answer “no effect on cost”, depending on their country.

The majority of respondents from Belarus and Kazakhstan chose the answer “does not affect the cost” regardless of the barrier. This is consistent with respondents' answers to other questions, in particular Question 3.3 about the restrictive impact of barriers to trade, in which respondents most often chose the option “does not have a restrictive impact”. In the case of Russia, the logic of the answers to these two questions was confused. A majority of respondents indicated that elimination of tariffs will lead to a slight reduction in their costs, although before that the assertion dominated that barriers do not have a restrictive impact. Probably the meaning of the answer “does not affect the cost” to the question regarding elimination of NTBs was not clearly explained to the respondents in Russia during the survey.

To solve the problem, respondents' answers to Question 13 were, where appropriate, adjusted on the basis of their answers to the Question 3.3. The answer “0”, i.e., “does not affect the cost”, has been registered for all respondents who initially responded to Question 3.3 that the analysed NTB has no restrictive impact on trade. This adjustment primarily affected Answer 1 (not only in Russia, but also in Belarus and Kazakhstan)<sup>16</sup>.

### *Quantitative assessment of the effect of individual NTBs*

The results of quantification of the size of NTBs through the respondents' assessment of the effect of reducing them were on average close to those obtained through the open-ended question about the quantitative impact of barriers to trade. The differences that arose in the results are because, on the one hand, the use of a closed question yielded a higher percentage of respondents who gave a quantitative estimate of the impact of NTBs on the cost of exported products; on the other hand, due to the scale provided, there was a significant reduction in the maximum possible scale effect of the barrier.

<sup>16</sup> There were cases when the respondents answered that an individual NTB does not impact trade, at the same time arguing that its abolition would significantly reduce costs.



| NTBs   | Belarus    |        | Kazakhstan |        | Russia  |            |
|--|------------|--------|------------|--------|---------|------------|
|  | Kazakhstan | Russia | Belarus    | Russia | Belarus | Kazakhstan |
| Sanitary and phytosanitary measures  | 2.1**      | 1.7**  | 4.8        | 4.9    | 0.9**   | 1.5        |
| Technical barriers to trade  | 2.2**      | 1.9**  | 7.4*       | 4.7    | 2.5     | 3.4**      |
| Pre-shipment inspection and other formalities  | 0.5**      | 0.5**  | 6.0        | 4.6    | 1.6     | 1.3*       |
| Contingent trade-protective measures   | 0.8        | 0.7    | 3.2*       | 3.8    | 1.8     | 2.0        |
| Non-automatic licensing, quotas, prohibitions and quantity-control measures other than for SPS and TBT reasons | 0.5**      | 0.6**  | 3.0**      | 3.9    | 1.7     | 1.7        |
| Price control measures   | 1.5        | 1.7**  | 7.0        | 5.0*   | 4.3**   | 4.7**      |
| Finance measures   | 0.9        | 0.9    | 6.1        | 3.6    | 3.4**   | 2.7        |
| Measures affecting competition   | 1.5        | 1.5    | 5.2        | 4.6    | 5.4**   | 5.3**      |
| Trade-related investment measures  | 0.5**      | 0.6**  | 4.8        | 4.0    | 1.5     | 1.7        |
| Distribution restrictions  | 0.9        | 1.1    | 5.1        | 3.7    | 1.2*    | 1.4        |
| Restrictions on post-sales service   | 0.6*       | 0.4**  | 4.4        | 3.4    | 0.8**   | 0.7**      |
| Subsidies, including export subsidies  | 0.8        | 0.9    | 3.3        | 3.5    | 1.1**   | 0.9**      |
| Restrictions on government procurement   | 1.8*       | 1.4    | 4.3        | 3.8    | 1.3     | 1.8        |
| Protection of intellectual property rights   | 0.5**      | 0.6**  | 4.5        | 4.0    | 0.9**   | 0.7**      |
| Rules of origin  | 0.7*       | 0.8    | 4.9        | 4.2    | 0.7**   | 0.5**      |
| Rules of origin  | 1.0        | 0.8    | 4.9        | 3.6    | 1.1**   | 1.0**      |
| Rules of origin  | 1.0        | 1.0    | 4.9        | 4.1    | 1.9     | 2.0        |

**Table 3.14.**  
Assessment  
of impact of NTBs  
on trade within the  
SES, % of the value  
of exported goods

Note: \*\* and \* indicate that the hypothesis of equality of the mean in a given direction of trade is rejected at 5% and 10%, respectively. The green colour highlights five of the most significant barriers to trade in a particular direction; grey highlights the five least significant barriers.

Source: The authors' calculations.

On average, the greatest effect of certain NTBs (more than 4% of the cost of exported goods) was noted by Kazakh respondents, in particular those exporting to Russia. Russian exporters evaluate the cost of NTBs at an average of 2% of the cost of production, regardless of the destination country, while Belarusians put it at 1% of the cost.

The most relevant barriers, the removal of which can significantly reduce exporters' costs, are technical barriers and price controls (Table 3.14). These barriers are among the top 5 in all directions of trade within the SES, and their negative impact is significantly above average in most cases. The high effect on the costs of removing technical barriers corresponds to the estimate of the quantitative impact obtained through the open-ended question. The effect of price controls on the open-ended question was not rated so high, but the regularity with which this was mentioned as a significant barrier was significantly higher than average. The limit on the scale of assessments in the closed question increased the frequency of mentioning of the barrier and made it one of the key ones.

Another systemic problem, which accords with the method of assessment of barriers through the effect of reducing them, is presented by measures governing competition. However, it is not as acute a problem as may be expected from the analysis of responses to

the open-ended question about the quantitative impact of barriers to trade. This problem is only important for Russian exporters.

Moreover, Russian exporters note significant costs arising from the finance measures taken by Belarus to limit imports. This issue is also noted by Kazakh exporters, which repeats the findings from the open-ended question.

For Belarusian enterprises, the important issues are sanitary and phytosanitary measures that increase the cost of exports to Kazakhstan and Russia on a scale significantly larger than the other NTBs. In addition, a noticeable decline in the value of exports according to the survey of Belarusian exporters may occur if restrictions are lifted on government procurement in Kazakhstan and, to a lesser extent, in Russia. However, the relevance of this problem among responses to the open-ended question was considerably higher.

The least effect on the value of exported goods from the removal of barriers is expected by respondents in all countries in the areas of protection of intellectual property rights and restrictions on post-sales service. In general, the responses of exporters from Belarus and Russia show that the majority of NTBs do not impose significant costs. For Russia, nonessential barriers, in addition to the above, are subsidies, rules of origin, measures relating to exports, sanitary and phytosanitary measures. In the case of Belarus significantly lower than the average effect on the value of exported products are rules of origin; trade-related investment measures; pre-shipment inspections and other formalities; non-automatic licensing, quotas, prohibitions and quantitative control measures other than sanitary and phytosanitary measures and technical barriers. Kazakh enterprises that export products to the CU countries gave a similarly high estimate for the open-ended questions about the impact on virtually all types of NTBs.

### *Total effect of NTBs on trade*

The net effect of the elimination of all NTBs is expected by respondents to be on a level close to that shown from answers to the open-ended question on the effect of barriers on the value of exported products. The most systematic elimination of NTBs in the SES would improve the terms of trade in machinery and equipment (Table 3.15). In this industry, the assessment of the impact of barriers on production costs was above average in almost all directions of trade. However, the answers to the open-ended question reveal an even greater magnitude of problems associated with NTBs in the production of machinery and equipment. But the main barriers in the industry, regardless of the direction of trade, are measures affecting competition. The role of finance measures and regulation of government procurement, which was noted by the Belarusian respondents to the open-ended question, is not higher than that of price controls, subsidies and measures restricting sales.

Another difference is that the closed-ended question described the tangible presence of barriers to export of wood products, as well as textile and garment production, from Belarus to the SES countries. The increase in barriers by manufacturers of textile and garment products was primarily due to assessments of restrictions on government procurement.

| Exporter<br>Partner country  | Belarus         |        | Kazakhstan |        | Russia  |                 |
|--|-----------------|--------|------------|--------|---------|-----------------|
|  | Kazakh-<br>stan | Russia | Belarus    | Russia | Belarus | Kazakh-<br>stan |
| Agriculture, forestry and fishing                                  | 9.2             | 15.4   | 61.5       | 57.2   | 56.7    | 27.0            |
| Manufacture of food products, beverages and tobacco                | 17.9            | 15.4   | 66.9       | 69.9   | 38.1    | 28.6            |
| Textile and garment production                                     | 30.7            | 24.9   | -          | 76.5   | 25.0    | 32.0            |
| Manufacture of leather, leather products and footwear              | 6.0             | 6.1    | -          | -      | 16.7    | 26.5            |
| Manufacture of wood and wood products                              | 36.7            | 33.5   | -          | 163.3  | 14.6    | 24.7            |
| Pulp and paper production, publishing                              | -               | -      | -          | -      | 46.7    | 10.8            |
| Chemical production  | 4.3             | 4.4    | 87.0       | 87.1   | 53.8    | 26.8            |
| Manufacturing of pharmaceutical products                           | -               | 6.3    | -          | 126.5  | 22.0    | 24.2            |
| Manufacture of rubber and plastic products                         | 10.9            | 11.4   | -          | 85.0   | 25.0    | 24.0            |
| Manufacture of other non-metallic mineral products                 | 0.0             | 12.2   | -          | 31.7   | 25.0    | 24.5            |
| Metallurgical production, manufacture of fabricated metal products | 17.5            | 8.9    | 74.2       | 59.1   | 21.3    | 31.0            |
| Manufacture of machinery and equipment                             | 23.6            | 25.7   | 114.0      | 58.7   | 47.5    | 53.6            |
| Manufacture of electrical and optical equipment                    | 6.7             | 3.9    | -          | 64.6   | 41.1    | 52.5            |
| Manufacture of transport equipment                                 | 3.8             | 10.4   | 105.0      | 86.1   | 17.9    | 37.5            |
| Other industrial sectors   | 6.5             | 12.9   | 50.0       | 26.6   | 15.6    | 12.9            |
| Average  | 16.6            | 16.1   | 78.9       | 65.3   | 30.2    | 31.4            |

**Table 3.15.** Overall assessment of the impact of reducing NTBs on trade within the SES by industry and agriculture, % of the value of exported goods

*Note:* The value of the mean estimate of the total impact of NTBs in some sectors is not indicated due to the absence or scarcity of relevant observations. "Other industrial sectors" also include answers of respondents from small industries. Testing of the hypothesis of equality of the mean was not conducted due to the small size of the subsamples by industry.

*Source:* The authors' calculations.

Also the influence of NTBs increased on exports of chemical products from Russia to Belarus. Agriculture is another sector in which trade is seriously hampered by NTBs applied in Belarus.

Kazakh respondents rate as high the impact of reducing the barriers to export vehicles to the SES, as well as wood products and pharmaceutical products for export to Russia. This is somewhat different from the results obtained from the open-ended question. However, these activities are represented by a small number of respondents, which does not allow statistically significant differences in the estimates.

### 5.5.3. Comparison of the results: selection of the optimal quantification of the impact of NTBs on trade

The values for the impact of NTBs on exported goods obtained by the two assessment methods are quite close. Tests for equality of the average cumulative effect of the impact of all NTBs, as evaluated through open-ended and closed-ended questions, do not reject this hypothesis for all six areas of trade. The largest discrepancy in the estimates

is observed in exports from Kazakhstan to Belarus (30.7% of the cost). However, the small sample size and a significant variance in the estimates of barriers predetermine an extremely high (95%) confidence interval for both approaches (from 10 to 86.4 in quantifying barriers through an open-ended question, and from 54 to 103.8 through a closed-ended one). This does not allow, even at a 10% significance level, rejection of the hypothesis of equality of the estimates.

The problem of high dispersion of responses and, as a consequence, a large error of the mean in assessing the impact of NTBs on trade within the SES through the open-ended question, is characteristic of most directions of trade (with the exception of exports from Belarus). It is related to the presence of outliers in the form of cases where respondents evaluated the effect of several simultaneous NTBs as very great. The maximum values of the cumulative effect of NTBs reached 420% of the cost of production for exports from Belarus to Russia, 1,400% for exports from Kazakhstan to Russia, 1,165% for exports from Russia to Kazakhstan. Obviously, these estimates are unrealistic.

The solution to this problem was provided by using a closed-ended question with a limited scale for responses. This approach significantly reduced the dispersion, especially for assessment of barriers by Russian exporters, without actually changing the value of the barriers themselves<sup>17</sup>. The problem of outliers was not completely eliminated, however. There remained cases in which the enterprise rated the total influence of NTBs as 360% for exports from Kazakhstan to Russia, 315% for exports from Belarus, 277.5% for exports from Russia to Kazakhstan. This level of barriers can still be regarded as prohibitive, and therefore does not reflect reality.

The trimmed mean was calculated to exclude the impact of outliers on the average level of NTBs. Truncation was applied to the extreme 5% of cases using the program SPSS. This procedure significantly reduced the average cumulative value of the costs of NTBs, as well as the variance of estimates with an open-ended question. For exports from Belarus to Kazakhstan and Russia, reduction of the cumulative rating of NTBs (with the open-ended question), due to the calculation of the trimmed mean, amounted approximately to 10% of the value of exported products (Table 3.16). For Russia this reduction was approximately 14% of the cost, while the magnitude of the standard error had significantly decreased. In the case of Kazakhstan, reduction of the average level of NTBs was very large, especially when exporting to Russia (more than 40% of the value). At the same time improvements in dispersion were not so great, which is connected with the specific distribution of the respondents' ratings, in which there were several peaks.

In assessing the impact of NTBs by using a closed-ended question, the effect of calculating the trimmed mean was not so great. For Belarus and Russia, this predetermined even greater closeness of the estimates obtained using open-ended and closed-ended questions. For Kazakhstan, the effect was reversed. The differences in the estimates became statistically significant and exceeded 40% of the value of the exported products. Furthermore, there was a greater standard error of the mean. One reason for the large differences in the average rating of barriers by Kazakh exporters is the initially low correlation of the answers to the closed-ended and open-ended questions. For example,

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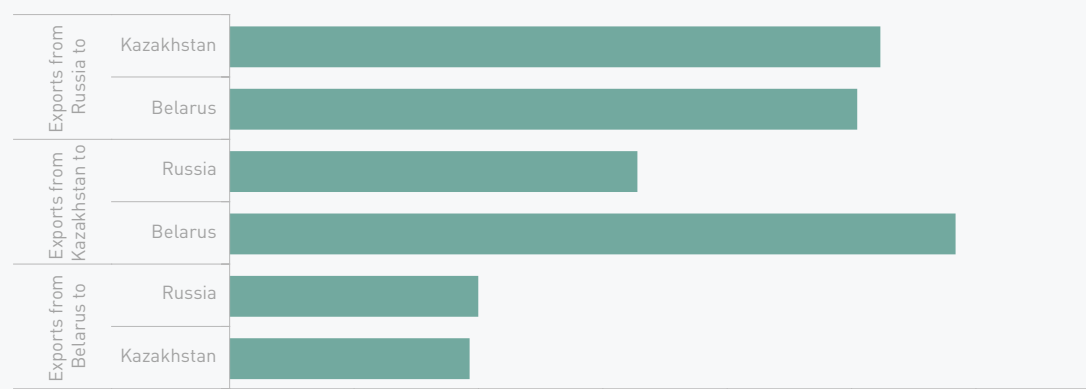
<sup>17</sup> Barriers according to Russian and Belarusian exporters declined in line with expectations, but this decrease was not statistically significant.

| Exporter<br>Partner country   | Belarus    |        | Kazakhstan |        | Russia  |            |
|---|------------|--------|------------|--------|---------|------------|
|   | Kazakhstan | Russia | Belarus    | Russia | Belarus | Kazakhstan |
| Open-ended question about the influence of NTBs on the value of exported products |            |        |            |        |         |            |
| Number of observations  | 135        | 192    | 32         | 186    | 82      | 114        |
| Mean, % of cost   | 22.0       | 23.4   | 48.2       | 58.3   | 37.7    | 42.4       |
| Error of the mean   | 4.6        | 3.9    | 18.7       | 15.8   | 12.5    | 10.5       |
| Trimmed mean, % of cost   | 12.4       | 14.3   | 29.1       | 16.3   | 23.1    | 28.5       |
| Error of trimmed mean   | 3.2        | 2.7    | 13.5       | 6.7    | 2.7     | 3.7        |
| Closed question about the effect of reducing NTBs                                 |            |        |            |        |         |            |
| Number of observations  | 138        | 195    | 33         | 187    | 82      | 114        |
| Mean, % of cost   | 16.6       | 16.1   | 78.9       | 65.3   | 30.2    | 31.4       |
| Error of the mean   | 3.5        | 2.6    | 12.2       | 5.7    | 3.9     | 3.7        |
| Trimmed mean, % of cost   | 9.6        | 10.0   | 74.8       | 58.2   | 25.2    | 26.1       |
| Error of trimmed mean   | 1.9        | 1.6    | 12.8       | 6.0    | 2.7     | 2.9        |
| Tests   |            |        |            |        |         |            |
| Equality of the mean, p-value   | 0.349      | 0.118  | 0.172      | 0.677  | 0.569   | 0.325      |
| Equality of trimmed means, p-value  | 0.454      | 0.176  | 0.017      | 0.000  | 0.587   | 0.609      |
| Pearson's correlation coefficient   | 0.525      | 0.522  | 0.478      | 0.357  | 0.808   | 0.735      |

Note: The trimmed mean was calculated in SPSS, with the exception of 5% of extreme observations. Error of the trimmed mean was calculated using the bootstrap method.

Source: The authors' calculations.

20 enterprises that did not indicate an effect of NTBs in the open-ended question, expected the cumulative effect of the removal of these barriers to be more than 100% of the value of the exported goods. Thus in the case of Kazakhstan, it would be appropriate to consider the most realistic assessment of the extent of NTBs, that obtained using the trimmed mean by an open-ended question, as it gives the smallest variance. For Belarus and Russia, the trimmed mean should be applied to closed-ended questions (Figure 3.16),



**Figure 3.16.** Final evaluation of the cumulative effect of NTBs on the value of exports, % of value

Source: The authors' calculations based on surveys of exporters by CIS EDB.

which is also associated with recommendations in the literature to choose the smallest value for estimating the effect of NTBs. The realism of the estimates will be further tested using econometric analysis of trade flows among the CU countries.

### **3.6. Assessment of the impact of NTBs on the range of products and introduction of new products in SES markets**

#### **3.6.1. Range of products exported to SES countries**

The effect of NTBs, as well as other protective measures, on trade manifests itself not only in reducing the volume of exports, but also in limiting their range. Accordingly, a wider than average range of products supplied to the market of a country may be a sign of lower tariffs and NTBs in the market.

In the survey, respondents were asked to compare the range of products that they supply to the SES market and to the markets of third countries. Belarusian enterprises exporting to Russia indicated the most significant differences in the two product ranges (Figure 3.17). 52.4% responded that the range of products supplied to Russia is much greater than to other export markets; on the other hand, 5.5% responded that it is somewhat less. In assessing the range of products exported to Kazakhstan, answers of respondents were more balanced. 39% of enterprises responded that the range of products supplied to that country is greater than the average supplied to other countries and 35% said it was less than the average: i.e., roughly the same proportion. This distribution of responses shows that the average range of goods exported from Belarus to Kazakhstan does not differ from the range supplied to the markets of third countries, although at some enterprises there may be appreciable differences.

The effect of integration within the SES on the range for Kazakh exporters is less obvious. When assessing exports to Russia, the majority of respondents (50.3%) said that the range of products supplied to the country does not differ from other export destinations. The majority of Kazakh exporters export a much narrower list of goods to Belarus than to other countries (32.1% of respondents).

The majority of Russian exporters evaluate neutrally the diversity of products exported to the SES countries. Slightly less than half of respondents claim that the range of products supplied to Belarus (45.3%) and Kazakhstan (47%) corresponds to the range of products for other export markets. A significant share of the respondents (37.3% in both cases) estimates the range of exports to these countries as considerably or somewhat smaller than to other countries. Half as many exporters claim that the range of supplies to the SES is above average. Accordingly, in the distribution of the responses of Russian exporters, there is a slight tendency towards a more narrow range of exports to the SES than to other countries. The statistical significance of this variation can be estimated through analysis of the mean values for the range of products (Table 3.17).

Calculation of the average of the respondents' answers regarding the range of exported products to the SES compared with exports to other countries, was carried out on the basis of the 5-point scale that was originally incorporated in the survey. On this scale,



**Figure 3.17.** Distribution of answers to the question: “Compare your range of products exported to the SES to your exports to other countries”; % of responses

Note: The rating was carried out on a five-point scale (from 1 to 5), where 1 is a range substantially less than to other export markets, 2 is somewhat less than to other export markets, 3 is the same as to other export markets, 4 is somewhat greater than to other export markets, and 5 is substantially greater than to other export markets. The results are shown only for businesses that exported both to the SES and to third countries\*.

Source: The authors' calculations based on surveys of exporters by CIS EDB.

\* In the case of Kazakhstan, the question comparing the range of products supplied to the markets of the SES and third countries was initially answered by all respondents, including those who did not supply products to third countries (according to Question 3.1). Responses by these respondents were not considered in the analysis. This reduced the sample of those exporting from Kazakhstan to Belarus to 28 enterprises and from Kazakhstan to Russia to 155 enterprises.

3 corresponds to the same range of exports to the SES and to third countries. If the value is greater than 3, the list of goods exported to the SES is more diverse than the average list of exports to other countries, and if it is less than 3, the list of goods is shorter. The analysis showed that statistically an answer greater than 3 was given by respondents only for the range of exports from Belarus to Russia. By contrast, exports from Russia to Belarus and Kazakhstan, as well as from Kazakhstan to Belarus, have a significantly narrower average range than exports to other countries.



To some extent, the lower estimate of the diversity of exports from Russia and Kazakhstan than from Belarus is caused by the particular features of the sample. The presence in Kazakhstan and Russia of respondents, who only occasionally supply products for export, lowers its rating in comparison with Belarus, where such enterprises were scarcely included in the sample. However, even eliminating enterprises that only export occasionally, the average scores of the range of exports to SES markets from Russia to Kazakhstan and to Belarus, and also from Kazakhstan to Russia, are below 3 (2.7, 2.8 and 2.6, respectively). Thus differences in the sampling do not introduce significant distortions to the main results of the study.

In terms of activities related to the range of exports, which would be common to all directions of trade within the SES, this range would have been significantly different from the average and not large (Table 3.18). A wide range of exported products is characteristic of most trade directions only in metallurgy and production of machinery and equipment. An exception is machinery and equipment exports from Kazakhstan to Belarus, where the average estimate of the range of exported goods is equal to 2, i.e., slightly less than that for exports to other countries. Another trend that is characteristic for most trade directions is that the range of products exported within the SES by agricultural organizations is narrow. The only exception is the export of agricultural products from Belarus to Russia, where the range is significantly greater than the average for Belarusian enterprises that export to other countries.

A range close to the average or slightly above average is exported within the SES in most directions of trade by the enterprises of many industries, including the textile and garment industry, manufacturers of rubber and plastic products, the chemical and pharmaceutical industry, and manufacturers of electrical equipment. An average or slightly below average range is supplied to the SES by factories manufacturing leather goods and footwear, as well as other non-metallic mineral products.

For a variety of industries, the trends may be opposite, depending on the direction of trade. For example, in the agriculture-related food industry, Belarusian enterprises supply a wide range of products to Russia and Kazakhstan. By contrast, exporters from Russia deliver an extremely narrow range of food products to the markets of Belarus and Kazakhstan. Woodwork products also come in a wide range from Belarus to Russia

**Table 3.17.**  
Statistical  
evaluation of the  
average range  
of exports to the  
SES compared  
to exports to other  
countries

| Direction of exports | Average score | Standard deviation | Number of observations | <i>t</i> -statistic |
|----------------------|---------------|--------------------|------------------------|---------------------|
| Belarus — Kazakhstan | 3.05          | 1.286              | 117                    | 0.432               |
| Belarus — Russia     | 4.14          | 1.054              | 145                    | 13.080***           |
| Kazakhstan — Belarus | 2.46          | 1.230              | 28                     | -2.458**            |
| Kazakhstan — Russia  | 2.92          | 1.076              | 155                    | -0.821              |
| Russia — Belarus     | 2.73          | 0.963              | 75                     | -2.397**            |
| Russia — Kazakhstan  | 2.66          | 1.039              | 83                     | -2.957***           |

*Note:* Null hypothesis  $H_0: \bar{x} = 3$  (i.e., the range of products exported to SES does not differ from the range of exports to other markets), the alternative hypothesis  $H_1: \bar{x} \neq 3$  (i.e., there are differences in the range of exports to SES and to other countries); \*\*\* and \*\* indicate rejection of the null hypothesis at 1% and 5%, respectively.

*Source:* The authors' calculations.

| Activity   | Belarus    |        | Kazakhstan |        | Russia  |            |
|--|------------|--------|------------|--------|---------|------------|
|  | Kazakhstan | Russia | Belarus    | Russia | Belarus | Kazakhstan |
| Agriculture, forestry and fishing                                  | 2.00       | 4.50   | 1.50       | 2.80   | 2.00    | 2.00       |
| Manufacture of food products, beverages and tobacco                | 3.25       | 4.25   | 2.33       | 2.75   | 1.00    | 1.80       |
| Textile and garment production                                     | 2.77       | 4.19   | -          | 3.00   | 3.00    | 2.67       |
| Manufacture of leather, leather products and footwear              | 2.80       | 3.33   | -          | 1.00   | 2.67    | 2.00       |
| Manufacture of wood and wood products                              | 3.63       | 3.50   | -          | 3.00   | 1.86    | 2.14       |
| Pulp and paper production, publishing                              | -          | -      | -          | 3.00   | -       | 3.50       |
| Chemical production  | 3.29       | 3.88   | 2.60       | 2.80   | 2.75    | 2.50       |
| Manufacturing of pharmaceutical products                           | -          | 4.50   | -          | 2.80   | 3.40    | 2.33       |
| Manufacture of rubber and plastic products                         | 3.33       | 4.36   | -          | 2.67   | 3.00    | 2.75       |
| Manufacture of other non-metallic mineral products                 | -          | 3.50   | -          | 2.50   | 2.00    | 2.00       |
| Metallurgical production, manufacture of fabricated metal products | 3.00       | 4.33   | 3.00       | 3.50   | 2.80    | 3.06       |
| Manufacture of machinery and equipment                             | 3.41       | 4.50   | 2.00       | 2.88   | 3.22    | 3.13       |
| Manufacture of electrical and optical equipment                    | 2.63       | 4.13   | -          | 2.83   | 3.14    | 3.00       |
| Manufacture of transport equipment                                 | 2.67       | 4.80   | 2.67       | 3.00   | 2.83    | 2.80       |
| Other industrial sectors   | 2.68       | 3.95   | 4.00       | 3.50   | 3.80    | 2.67       |
| Average  | 3.05       | 4.14   | 2.46       | 2.92   | 2.73    | 2.66       |

**Table 3.18.**  
Assessment of the range of exports to SES countries depending on the type of activity (average score)

Note: Grey highlights average scores by type of activity equal to or greater than 3 and greater than the average score for all activities. Blue highlights activities where the average score is close to or less than 2. Statistical analysis of the average equity was not conducted due to the small number of observations in the subsamples. A dash indicates the absence of this kind of activity or a very limited number of observations to determine the average score.

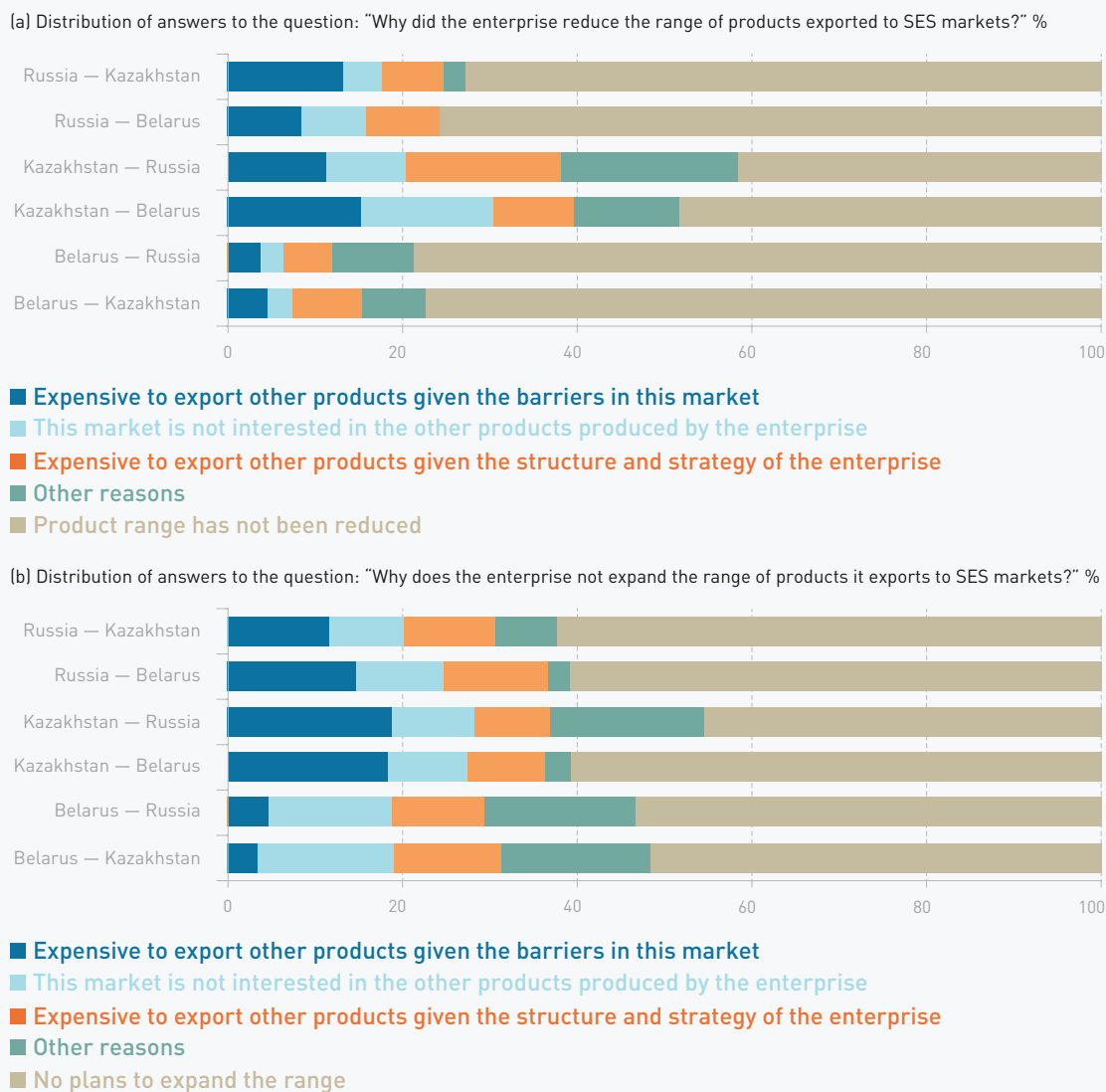
Source: The authors' calculations.

and Kazakhstan (and in an average range from Kazakhstan to Russia). At the same time, Russian enterprises in that industry export to SES markets only a short list of products.

### 3.6.2. Factors influencing the range of products within the SES

Objective reasons for limiting the range to trade within the SES include the discrepancy in size of the domestic markets of Belarus, Kazakhstan and Russia, as well as the distances among the countries. For Belarus, the Russian market is its main market, and Russia's potential for importing many commodity groups significantly exceeds the volume of Belarusian production. Accordingly, Belarus exports the widest range of products to the Russian market. For Russia, the Belarusian domestic market is much less important. Due to the size of its economy, Belarus does not need the entire spectrum of products that are exported by Russian enterprises. For Kazakhstan, the role of the Belarusian market is potentially higher, but due to the geographical factor, Kazakh enterprises can deliver their products to the market of Russia and other CIS countries with lower costs, thereby reducing the range of goods traded between Kazakhstan and Belarus. Exports from

**Figure 3.18.**  
Factors limiting  
the range of exports



*Note:* Other reasons given by respondents are the low competitiveness of products; lack of demand resulting from the crisis in particular; logistical difficulties, etc.

*Source:* The authors' calculations based on surveys of exporters by CIS EDB.

Russia to Kazakhstan are also affected by the small size of the Kazakh market compared to the scale of the Russian economy.

In addition to objective factors that underlie the gravity model of foreign trade, the range of exported products is also influenced by domestic factors related to the characteristics of the enterprises and the barriers to trade. Their role was analysed by the survey of respondents on the factors that cause them to reduce the range of exported products or that make it impossible to expand that range.

The majority of respondents did not face the problem of reduced product range. It is a concern only for Kazakh exporters, in particular in their trade with Belarus (Figure 3.18).

The problem of the lack of opportunities to increase the range of exported products to the SES as a whole is more acute (Figure 3.18b). This applies primarily to exports from Belarus, but also from Russia to Belarus; however, the proportion of respondents from these countries who find it impossible to increase the range of their exports does not exceed 50%. For Kazakh exporters, on the other hand, the more acute problem is to preserve their the range, rather than extending it, especially for exports to Belarus.

For Belarusian exporters, a major role in limiting the range of exports (both through its reduction and their inability to expand it) is played by domestic factors and lack of interest in the SES market. The relevance of the latter increases dramatically with regard to increasing the range. Reduction of the range of Belarusian exporters is primarily due to higher costs for exporting, i.e., non-competitiveness. A low competitiveness factor was also often meant by respondents when they selected “other”. Barriers play an extremely small role in limiting the range of exports of Belarusian exporters.

Barriers play a much more important role in limiting the range of exports from Russia. They dominate among the factors that lead to a reduction in the existing range of exported goods. As a factor limiting the diversification, the barriers are becoming less relevant (for exports to Belarus), while the role of domestic factors, in particular the strategy of the enterprise, increases.

For Kazakh exporters, barriers significantly reduce the ability to expand the range. They also contribute to a reduction in the range of existing exports, but to a lesser extent, especially for Belarus. Domestic factors play a much larger role in reducing the range, including the strategy of the enterprises and loss of competitiveness.

Thus the problem of a limiting the range of exports within the SES is relevant primarily to Kazakhstan. For Russia, it is largely due to an objective reason: the small size of the market of the partner countries (Belarus in particular). Nevertheless, the role of the barriers to export is also substantial. Since tariff restrictions within the SES have been virtually eliminated, obviously the barriers meant are NTBs affecting foreign trade volumes.

### **3.6.3. The role of individual NTBs in limiting the range of trade**

Analysis of the impact of individual NTBs on the range of exports uses the distribution of respondents’ answers to the question: “Rate the NTBs on a 5-point scale in terms of their restrictive impact on the diversification of exports to the SES.” On this scale, 1 point means that NTBs do not have a restrictive impact on the range of goods traded, and 5 points means a very restrictive impact.

The average results of the estimates for Belarus and Russia are slightly more than 1 point, and for Kazakhstan close to 2 (Table 3.19). Thus the role of NTBs in limiting the range of exports is not great, except for exports from Kazakhstan. For a more precise understanding of the severity of the problem of NTBs as a factor limiting the range of exports, their impact was compared to the effect of the regulatory environment in the destination country. In cases where the impact of individual NTBs on trade is greater than that of the regulatory environment as a whole, we can talk about the importance of policies in the partner country for the protection of the domestic market from imports.

**Table 3.19.**  
Assessment of the  
range of exports  
to the SES, by type  
of activity (average  
score)

| Exporter<br>Partner country  | Belarus         |        | Kazakhstan |        | Russia  |                 |
|--|-----------------|--------|------------|--------|---------|-----------------|
|  | Kazakh-<br>stan | Russia | Belarus    | Russia | Belarus | Kazakh-<br>stan |
| Sanitary and phytosanitary measures  | 1.4*            | 1.4    | 2.3**      | 1.9    | 1.4     | 1.5             |
| Technical barriers to trade  | 1.6**           | 1.6**  | 2.3**      | 2.0*   | 1.6     | 1.9**           |
| Pre-shipment inspection and other formalities  | 1.1*            | 1.1*   | 2.5**      | 2.0*   | 1.3     | 1.5             |
| Contingent trade-protective measures   | 1.2             | 1.1    | 2.1*       | 1.8    | 1.4     | 1.5             |
| Non-automatic licensing, quotas, prohibitions<br>and quantity-control measures other than for SPS<br>and TBT reasons | 1.2             | 1.2    | 2.1*       | 1.9    | 1.4     | 1.6             |
| Price control measures   | 1.5**           | 1.5**  | 2.6**      | 2.0*   | 1.7**   | 1.9*            |
| Finance measures   | 1.3             | 1.3    | 2.2*       | 1.9*   | 1.6     | 1.6             |
| Measures affecting competition   | 1.4             | 1.3*   | 2.3*       | 2.0**  | 1.7**   | 1.9*            |
| Trade-related investment measures  | 1.2             | 1.2    | 2.2        | 1.8    | 1.4     | 1.5             |
| Restriction of sales   | 1.2             | 1.2    | 2.0        | 1.8    | 1.5     | 1.5             |
| Restriction on post-sales service  | 1.2             | 1.1    | 2.0        | 1.8    | 1.3*    | 1.2**           |
| Subsidies, including export subsidies  | 1.3             | 1.3    | 1.9        | 1.7    | 1.3     | 1.3**           |
| Restrictions on government procurement   | 1.6**           | 1.5**  | 2.0        | 1.8    | 1.4     | 1.4*            |
| Protection of intellectual property rights   | 1.1**           | 1.1*   | 1.9        | 1.8    | 1.2**   | 1.2**           |
| Rules of origin  | 1.2             | 1.2    | 1.9        | 1.8    | 1.2**   | 1.3**           |
| Measures relating to exports   | 1.1             | 1.2    | 2.0        | 1.9    | 1.3     | 1.3**           |
| Average  | 1.3             | 1.3    | 2.1        | 1.9    | 1.4     | 1.5             |
|  | 1.2             | 1.2    | 1.7        | 1.8    | 1.4     | 1.6             |

Note: \*\* and \* indicate that the hypothesis of equality of the mean in a given direction of trade is rejected at 5% and 10%, respectively. Grey highlights the barriers whose effect is higher than that of the regulatory environment.

Source: The authors' calculations.

Measures that have a significant restrictive impact on the range of exports in all directions of trade include technical barriers, price control measures, and actions that restrict competition. These barriers are also crucial in reducing the volume of trade.

For Belarusian exporters, important barriers that restrict the range of their exports also include the regulation of government procurement in the SES, and sanitary and phytosanitary measures applied in Kazakhstan. This observation is also consistent with the analysis of the impact of barriers on the volume of exported products.

Kazakh respondents gave a high rating to the extent of negative impact of many NTBs put in place by Belarus on the range of their exports. Diversification of exports from Kazakhstan to Belarus is restricted by sanitary and phytosanitary measures, pre-shipment inspections, contingent trade-protective measures, non-automatic licensing, other non-quantitative measures of control and finance measures significantly more strongly than it is by the common regulatory environment. The range of exports from Kazakhstan to Russia, besides barriers common to all SES countries, is significantly

limited by a much smaller number of measures: pre-shipment inspection and other formalities, as well as finance measures. Kazakh respondents also rated the impact of other barriers as no lower than that of the regulatory environment of Belarus and Russia as a whole.

Russian export enterprises did not note other barriers than those that are inherent in all directions of trade within the SES. On the contrary, they tend to believe that the impact of many barriers is significantly lower than the negative impact of the regulatory environment of Belarus and Kazakhstan. In the case of Kazakhstan, the least significant barriers for Russian exporters are restrictions on post-sales services, subsidies, including export restrictions in government procurement, intellectual property protection, the application of rules of origin, and measures relating to exports. Exports to Belarus are influenced by restrictions on post-sales services, intellectual property protection, and the application of rules of origin, according to exporters, to a lesser extent than by the regulatory environment as a whole.

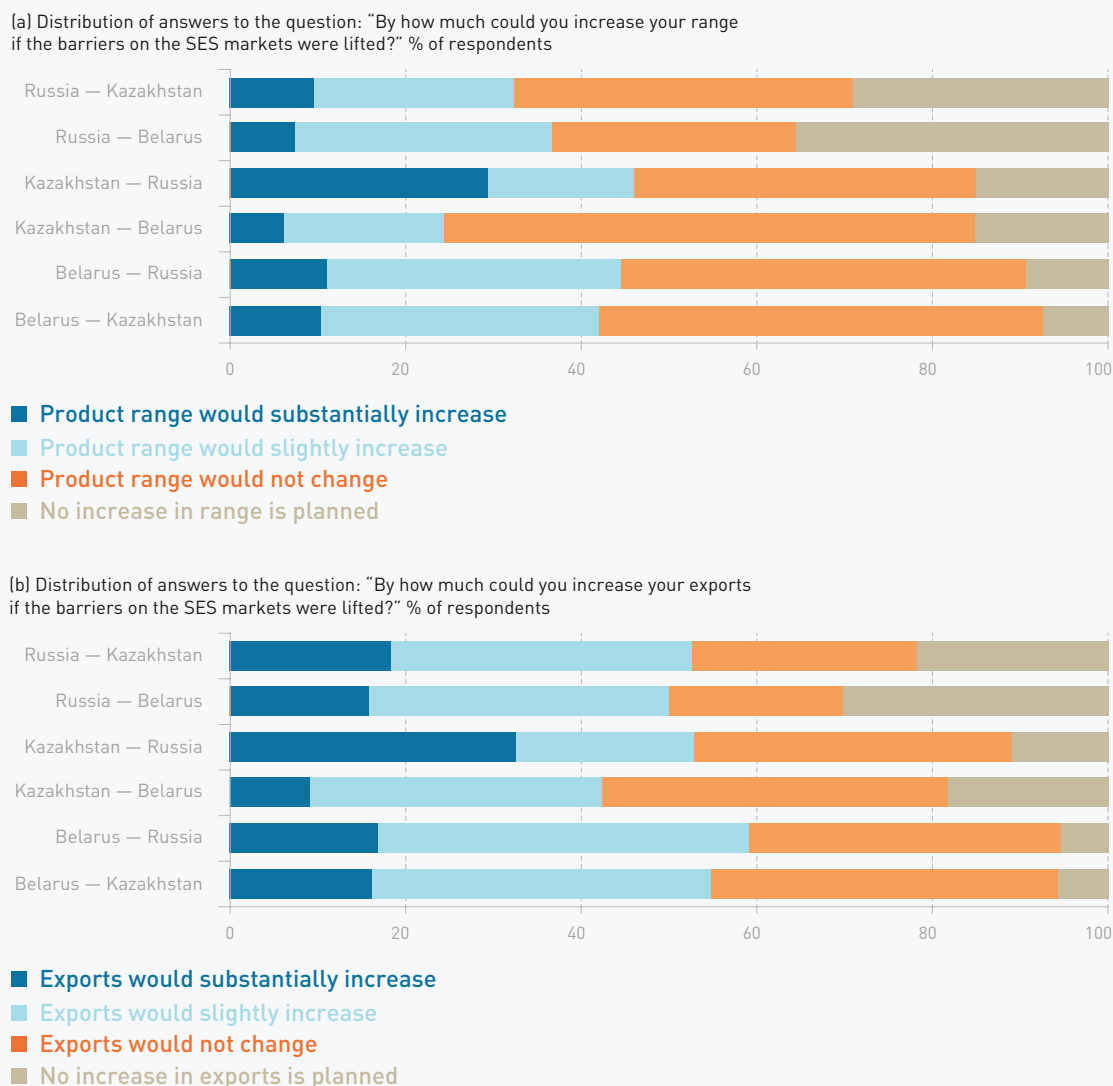
#### **3.6.4. Effect of the removal of barriers on the range of exported products**

Generally speaking, the impact of the elimination of NTBs on exports for a range of products is expected to be lower than the volume of existing exports (Figure 3.19). This effect, according to respondents, will impact less than half of the enterprises. Firstly, this is because some enterprises have no plans to diversify. This mainly refers to enterprises in Russia, 35.4% of which do not plan to diversify their exports to Belarus and 28.9% to Kazakhstan. This supports the hypothesis that the relatively narrow range of products supplied by Russian enterprises on the SES market is mainly due to the small size of the markets. Secondly, the importance of NTBs as a restrictive factor in the diversification for several directions of trade was less than that of domestic factors. Accordingly, the removal of barriers would not affect the range, according to nearly half of the respondents from Belarus who export to Russia and Kazakhstan, and according to more than 60% of Kazakh respondents who export to Belarus. Russian respondents more rarely responded that the removal of NTBs will have no impact on the range of exported goods (Figure 3.19a). This is consistent with the conclusion that for Russian exporters interested in diversifying exports, the barriers are an important restrictive factor, more so than internal factors at the enterprises themselves.

Belarusian enterprises demonstrate relatively high expectations concerning the effect of reducing NTBs, on the range of exported goods. More than 40% of respondents (44.6% exporting to Russia and 41.9% exporting to Kazakhstan) believe that their range of exports would increase. At the same time, originally less than 5% of the respondents had claimed that the barriers were a key constraint to diversifying exports.

Higher expectations are observed only for enterprises exporting goods from Kazakhstan to Russia. Unlike in other areas, these enterprises mainly noted that the abolition of NTBs would significantly expand the range of their exports (29.4% of respondents). For most other areas, the share of these responses was close to 10%. The lowest share of those who expect diversification to result from the reducing of barriers are also Kazakh exporters exporting to Belarus.

**Figure 3.19.** Effect of reducing barriers to trade within the SES



Source: The authors' calculations based on surveys of exporters by CIS EDB.

### 3.7. Barriers to international freight transport by road

#### *Purpose and structure of in-depth interviews and focus groups*

The purpose of in-depth interviews and focus groups was to investigate the barriers and constraints faced by transport enterprises engaged in freight transport by road. As previously mentioned, this type of service was selected for detailed examination because the existing barriers affect CU and SES performance, as they are directly related to the movement of goods among the partner countries. They are also among the critical and controversial issues that were discussed in the Supreme Eurasian Economic Council and the Eurasian Economic Commission.



The focus group was held in Belarus and was attended by directors of 12 Belarusian transport enterprises, as well as the acting director general and deputy director general of the BAMAP International Association of Road Carriers. In Kazakhstan, the respondents' opinions on the barriers to freight transport by road among the CU/SES countries were studied through in-depth interviews with directors or deputy directors of six logistics and transport enterprises.

To study the opinions of the respondents, questions were prepared, which have been grouped into several sets.

The first set of questions asked respondents to quantify the extent to which access to the road transport market in partner countries is free, using a 5-point scale, where 1 represents completely free access, and 5 is a completely closed market due to barriers. Respondents were also asked to compare the access to the market of the partner countries to access to the markets of other countries.

The second set of questions was aimed at identifying those measures that have the most restrictive impact on freight transport by road in the CU/SES.

The third set of questions was aimed to quantify these barriers. The respondents were asked how barriers affect the cost of services rendered, and by how much the volume of cargo could grow if the barriers were removed.

The fourth set of questions was aimed at ascertaining the views of the enterprises as to what is needed to remove barriers to the transport market of CU/SES countries.

#### *Rating of restrictions on freight traffic*

Table 3.20 presents the results of the respondents' ratings of CU/SES market access. In general, it should be noted that both Belarusian carriers and Kazakh transportation and logistics enterprises rate the openness of two-way road haulage market in Russia as virtually free. Belarusian enterprises pointed to minor restrictions to this mode of transport in Kazakhstan and Kazakh enterprises rated access in Belarus as close to free. With respect to transit through the territory of the partner country, Belarusian respondents noted significant barriers when carrying freight through Kazakhstan, and Kazakh carriers said the same about transport through Russia.

|   | Belarus |            | Kazakhstan |        |
|---|---------|------------|------------|--------|
|   | Russia  | Kazakhstan | Belarus    | Russia |
| Bilateral traffic   | 1.2     | 2.2        | 1.3        | 1.5    |
| Transit through the territory of a CU partner                 | 1.5     | 2.7        | 1.3        | 2.6    |
| Transportation from third countries to the CU partner country | 4.6     | 4.7        | 1.2        | 2      |
| Domestic transportation in the CU partner country             | 5       | 5          | 5          | 5      |

**Table 3.20.**  
Assessment  
of restrictiveness  
of access in freight  
transport by type

*Note:* 1 corresponds to conditions of completely free access, and 5 is a completely closed market due to barriers.

*Source:* In-depth interviews and focus groups.

Answers from Belarusian and Kazakh respondents differed significantly when comparing freight market access to Russia and Belarus with access to other countries. Most Kazakh enterprises responded that it is the same as in other countries, and one of the respondents noted that the CU/SES market is even easier to access. Most respondents (Belarusian) associate difficulty of access with steep competition and lower prices rather than with barriers.

Belarusian transport enterprises believe that access to the cargo transportation market in Russia and Kazakhstan is more difficult compared to other countries. Respondents noted that when comparing transportation from Belarus to Poland and Germany, with transportation from Belarus to Russia, Belarusian cargo carriers have a virtually unlimited number of permits to travel to Germany and Poland. The ECMT books that the International Road Transport Union issues to Belarusian transport enterprises for the above-mentioned countries do not contain any restrictions. But for Russia, only about 17% of ECMT books issued to Belarus do not contain restrictions.

Belarusian transport enterprises identify the following as the main barriers to market access for truck traffic to Russia, within the framework of bilateral transport and transit:

- VAT reimbursement for fuel (in the EU you can get a VAT reimbursement for fuel);
- “green card” insurance is limited in Russia (covers only about €3,000);
- dimensional parameters (axle load);
- a large number of inspections (e.g., rest periods for drivers) and fines.

Focus group participants indicated that in many European countries, Belarusian transport enterprises have the right to a VAT reimbursement for fuel. For example, if a Belarusian truck refuels in the Netherlands, there is a 20% VAT reimbursement. But if a truck refuels in Russia, the VAT is not refundable and is included in the cost, which in turn affects the competitiveness of Belarusian carriers. The same is true in Kazakhstan. Belarusian respondents also drew attention to the fact that when transporting cargo over the territory of the European Union, the international motor liability insurance for third parties (the “green card”) assumes that in the event of an accident, the insurance enterprise will reimburse the full cost of the damage to the victim. In Russia, the “green card” compensation limit per vehicle is €2,719 and per victim €3,625 (in Belarus the limit on the “green card” is €10,000). Therefore, when buying a “green card” in Russia, Belarusian truckers are virtually unprotected.

According to the participants in the Belarusian focus group, it is important to have a coherent policy regulating size parameters of vehicles. To date, the work is in progress, and a single weight certificate was introduced. However, the parameters in Belarus and Russia on certain items are different. As a result, cargo that goes through Belarus without any violations of these parameters in accordance with Belarusian law, may, upon entering Russian territory, not meet the parameters of that country. For example, in Belarus there is a parameter for double- and triple-axle loading, while in Russia, the concept is one of single-axle loading. Sometimes the load on a dual axle corresponds to the Belarusian parameters, but at the entrance to Russian territory, it cannot match the Russian single-axis parameter.

For transport from third countries to Russia, in addition to the above barriers, the respondents noted the following:

- number of permits issued;
- principle of residency during customs clearance of goods (if the destination country is Russia, customs clearance can only be carried out by a Russian enterprise).

Belarusian transport enterprises named the number of permits issued as one of the most pressing problems, and rated this as the main barrier to freight traffic from third countries to Russia. Focus group participants noted that currently Belarus has about 12,000 vehicles engaged in international transport. Russia issues to Belarusian enterprises permits for the first category of transportation to Russia from third countries on the basis of one permit per year per vehicle. For example, a single vehicle from Belarus can only make one trip per year from Germany to Russia, while the vehicle of a German enterprise can make 16–18 trips from Germany. Currently permits in Russia are divided into several categories. Europe is divided by country, according to which are the most attractive in terms of the income the carrier can earn. For example, Germany and The Netherlands are in the first category, Spain and Poland are in the second category, Lithuania is in the third category. A permit of the first category, the most profitable, is issued to Belarus for one vehicle per year. Moreover, this system is only effective for Belarus, as for example the Poles get universal permits.

The permits system was introduced in Russia in 2001 with the aim of monitoring the market for international freight transport. With the introduction of this system, Belarusian enterprises were granted 100–120,000 permits, but since then their number has been declining every year. The Belarusian focus group participants drew attention to the fact that the restriction on the number of permits is only valid for Belarus, whereas Polish and Lithuanian transport enterprises have received an almost unlimited number of permits from the Russians. As of 2012 they have been entitled to carry freight from third countries if transfer reloading is carried out in Poland or Lithuania under bilateral permits, the number of which is not limited. Thus Polish and Lithuanian enterprises have practically unlimited opportunities for development, and so they are intensively increasing their fleets. At the moment about 200,000 trucks are engaged in international freight transport in Poland, and in Lithuania this number is 30,000. Polish and Lithuanian road carriers are expanding their presence in the international transport of goods to Russia, displacing both Belarusian and Russian enterprises.

It should be noted that Belarus has not imposed a system of permits on Russian carriers. They can freely travel through the country and transport anything to/from third countries. According to BAMAP statistics, since 2002, the number of trips by Belarusian vehicles has significantly decreased, while the number of Russian transits through Belarus has increased almost 3.5-fold. For example, in 2013, Russian trucks crossed Belarus 472,000 times.

Belarusian transport enterprises also identified as barriers to cargo transportation in Russia the large number of inspections and fines by transport inspectors and traffic police. In regard to Kazakhstan, Belarusian focus group participants stated that the barriers were similar to those of Russia for transit and bilateral traffic, as well as for transportation from/to third countries.

For bilateral and transit traffic, the most significant barrier is the insurance coverage of damage caused by a traffic accident. Kazakhstan is not covered by the “green card”, as the country is not a member of this system. The problems of VAT reimbursements and outsized cargo are also relevant. Authorisation for transportation includes a condition – only daytime transportation is allowed and the speed limit is 50 km/h. This applies to any oversized cargo, whether small or large, with minimal deviations. In Belarus, these restrictions are prescribed only for extremely oversized cargo, and in Kazakhstan for all cargo. This also complicates the transport of oversized cargo.

According to the Belarusian transport enterprises operating in Kazakhstan, the permit system is a major obstacle to international road transportation. The Belarusian side initiated amendments to the Agreement between the Government of the Republic of Belarus and the Government of the Republic of Kazakhstan on international road transport, which include the termination of the permit system for bilateral freight transit. The Agreement was signed in the summer of 2013, and in December the Belarusian side carried out all the necessary legal procedures for ratification of this document, and the President of the Republic of Belarus had signed the law on its ratification. But in Kazakhstan ratification of the document has not yet occurred.

During in-depth interviews in Kazakhstan, the respondents named the following as constraints and barriers to transportation of cargo to Russia: bureaucratic procedures, a large number of inspections and fines by transport inspectors and traffic police. Kazakh enterprises also responded that in general there are no barriers and constraints to international freight in Belarus (bilateral, transit to/from third countries).

#### *Impact of barriers on the value and volume of traffic*

Belarusian focus group participants noted that the Russian system of permits very substantially reduces the amount of traffic from third countries to Russia and from Russia to third countries, and, consequently, affects cargo traffic volumes, foreign exchange earnings, and export of transport services. According to estimations by shipping enterprises, each truck could make two trips per month (currently, due to the current system of permits, it can make only one trip per year). According to respondents, Belarusian freight hauliers need to get 24 times more permits. A similar situation is observed in Kazakhstan. This forces Belarusian transport enterprises to open enterprises in Russia and Kazakhstan.

According to estimates of the Belarusian transport enterprises, abolition of the permit system will double the turnover in three years, increasing the fleet by 30–40% per year. The fact that “green card” insurance applies to Russia on a limited scale and does not exist in Kazakhstan means that any Belarusian transport enterprise could go bankrupt in six months. Focus group participants also noted that fines have a significant impact on enterprises’ costs.

Kazakh respondents believe that the barriers and restrictions on the Russian market cause an increase in transport costs by an average of 10–20%. Should barriers and restrictions in Russia be eliminated, the volume of freight traffic would increase by 30–35%.

*Respondents' proposals for elimination of barriers and restrictions*

According to both Belarusian and Kazakh respondents, the formation of the CU and the SES should lead to more favourable conditions for the residents of Member States in relation to other states. However, so far it has not been implemented fully, so it requires legislative work, trilateral and bilateral negotiations on the removal of barriers and constraints to road freight transport in CU/SES and the EEU, which will be operational as of 2015.

The proposal of Belarusian transport enterprises was to form a permit-free system in the freight transport for residents in the territory of the CU and the EEU for all types of traffic. Annex 24 of the Treaty on the EEU provides for a permit-free system only for bilateral and transit traffic. Focus group participants noted that Belarus does not use a system of permits for Kazakh or Russian transport enterprises; accordingly, Russia and Kazakhstan should not require a permit for the transport of goods to/from third countries for Belarusian carriers. This would solve the problem 100% and would remove 95% of all barriers in this sector. As a first step, Belarusian transport enterprises have proposed a universal permit so that there would be no bilateral or trilateral permits, first, second and third category permits in Russian and the EEU. In the event that these proposals are implemented, the Belarusian transport enterprises will submit to the Government a proposal to introduce a system of permits for Russian and Kazakh carriers.

Belarusian focus group participants also suggested the need for a phased in 2015–2025 reducing of the ban on domestic transportation in the EEU for transport enterprises of member countries. Focus group participants noted that the European Union, in creating the general conditions for five years (1992–1997), came out for the liberalization of domestic transportation. It should be noted that the liberalization of domestic transportation is provided for by the Treaty on the EEU (Annex 24).

Respondents also noted the need to harmonize the legislation of member countries of the EEU regarding international road transport, raising the payout limit for the “green card” on the territory of Russia and addressing the matters of insurance coverage in Kazakhstan, abolition of the residence principle during customs clearance of goods and the development of common approaches to transport (vehicle) control by the transport (vehicle) authorities.

### **3.8. NTBs on financial services markets**

In the expert survey of CEOs and financial services in SES markets, barriers were identified to the export of financial services. Table 3.21 presents the results of a survey of SES financial institutions to assess the impact of barriers to mutual trade in financial services.

Respondents were asked to assess the conditions for rendering financial services in the partner country on a 5-point scale, where 1 corresponds to completely free trade, and 5 is a completely closed market due to existing barriers. The survey results show that the countries have different evaluations. Organizations in Belarus and Russia assessed the conditions for providing financial services in Kazakhstan as restrictive and moderately

ASSESSING THE IMPACT OF NON-TARIFF BARRIERS  
IN THE EEU: RESULTS OF ENTERPRISE SURVEYS

**Table 3.21.**  
Results of surveys  
of financial  
institutions  
(average score)

| Issue  | Belarus         |            | Kazakhstan  |             | Russia      |                 |
|--|-----------------|------------|-------------|-------------|-------------|-----------------|
|  | Kazakh-<br>stan | Russia     | Belarus     | Russia      | Belarus     | Kazakh-<br>stan |
| Terms of rendering financial services in the partner country   | 3               | 2          | 2           | 2           | 1.83        | 2.25            |
| <b>Barriers associated with entry into the market</b>  | <b>3.2</b>      | <b>2.6</b> | <b>2.33</b> | <b>2.17</b> | <b>1.67</b> | <b>2.75</b>     |
| The quota for participation in the authorized capital of the bank  | 2.5             | 1.75       | 2.33        | 2.17        | 1.38        | 1.33            |
| The need to obtain prior authorization for establishment of separate divisions of financial institutions if they are subsidiaries of foreign investors (primary organizations) or have a share of foreign investors in their authorized capital of more than 49%   | 2.6             | 2.8        | 2.33        | 2.5         | 2.5         | 1.67            |
| The possibility of obtaining a license to conduct insurance business by a subsidiary of an insurance organization is made dependent on the duration of existence of the parent enterprise'   | 2               | 2          | 2.67        | 2           | 1.17        | -               |
| The need to obtain prior authorization for the establishment of credit institutions with foreign investments   | 2.5             | 2.25       | 2.67        | 2.17        | 1.33        | 1.75            |
| Financial services for which a license is required can only be conducted by legal entities or individual entrepreneurs of the country in which services are provided'  | 2.6             | 2          | 3           | 2.17        | 1.5         | 2.25            |
| Restrictions related to the legal form in which a bank or an insurance enterprise shall be established'  | 2               | 1.6        | 2.67        | 2           | 1.67        | 2.5             |
| The high costs associated with the opening of a representative office or subsidiary in a CU partner country (various kinds of payments, rent, etc.)  | 3               | 3.25       | 2           | 1.5         | -           | -               |
| <b>Barriers related to activities</b>  | <b>2.6</b>      | <b>2</b>   | <b>2.33</b> | <b>2.17</b> | <b>1.83</b> | <b>2.75</b>     |
| Requirements to obtain prior permission from the competent authority of the country to increase the size of the share capital by foreign investors and/or their subsidiaries, for alienation in favour of foreign investors (including sales to foreign investors) of their shares (proportion of authorized capital), and of national shareholders (participants), for alienation of their shares (proportion of authorized capital) in favour of foreign investors and/or their subsidiaries | 2.6             | 2.8        | 2.33        | 2.33        | 2.33        | 3.23            |
| Prohibition of a number of operations by financial institutions that are subsidiaries of foreign investors (the primary organizations), or have a share of foreign investors in their authorized capital in excess of 49%  | 2               | 1.8        | 2.33        | 2.5         | 2.33        | 2.75            |

### 3.ASSESSMENT OF THE IMPACT OF NTBS ON TRADE: THE RESULTS OF SESE ENTERPRISE SURVEYS

| Issue   | Belarus    |        | Kazakhstan |        | Russia  |            |
|---|------------|--------|------------|--------|---------|------------|
|   | Kazakhstan | Russia | Belarus    | Russia | Belarus | Kazakhstan |
| Requirements regarding the percentage of workers who are citizens of the country in which a subsidiary or representative office of the bank/insurance enterprise is to be opened, out of the total number of employees        | 2.4        | 2.2    | 2.33       | -      | 1.5     | 2          |
| The requirement regarding the proportion of citizens of the country where a subsidiary or a representative office of the bank/insurance enterprise is to be opened that must be on the board of directors and executive board | 1.4        | 1.8    | -          | -      | 1.5     | 1.75       |
| Restrictions on the proportion of founders in the authorized capital  | 2.67       | 2      | 2          | 1.67   | 2.17    | 2.5        |
| Barriers relating to standards of banking (insurance) services/products   | 1.63       | 2      | 2.34       | 1.75   | 1.42    | 1.5        |
| Barriers associated with access to information about risks, exchange of information (credit bureaus/credit registers)   | 3.75       | 3.5    | 2.33       | 2      | 1.5     | 1.75       |
| <b>The quantitative expression of barriers in the destination country</b>   |            |        |            |        |         |            |
| Barriers associated with entering the market  | 10         | 10     | 10         | 15     | 13      | 15         |
| Barriers related to activities  | 10         | 10     | 10         | 15     | 15      | 10         |

Source: The authors' calculations based on surveys of exporters by CIS EDB.

\* It should be noted that in accordance with Presidential Decree of April 14, 2014, No. 165 "On amendments and additions to the Decree of the President of the Republic of Belarus on insurance activity"; as of July 1, 2014, restrictions were lifted on registration by a foreign investor of an insurance organization, subject to the exercise by this investor of insurance activities in Belarus for at least 10 years.



restrictive, respectively. At the same time, the assessments of Belarusian respondents about Russia and Russian respondents about Belarus conformed to the conditions of free trade.

Kazakhstan organizations also said that on average, there are minimal barriers to financial services in Belarus and Russia.

In the questionnaire, barriers affecting trade in financial services were divided into two groups: barriers to entry to the market and barriers associated with activities in an SES country. These barriers were evaluated on a 5-point scale, where 1 means they have no restrictive impact, and 5 means they have a very restrictive impact. On average, the Belarusian respondents felt that the barriers associated with entrance to the market (permits, licenses, procedures associated with the activity, and others) have a significant restrictive impact on the rendering of financial services in Kazakhstan, and a moderately restrictive impact in Russia. In addition, the Belarusian organizations considered that these barriers were higher than those associated with activities in the markets of these countries.

According to Russian respondents, the two types of barrier have a moderately restrictive impact on trade in financial services in Kazakhstan. At the same time they rated barriers in Belarus as minimal. In turn, the Kazakh organizations believe that these barriers have a minimal restrictive impact on trade in financial services in the partner countries.

In the preparation of the questionnaire and the allocation of subgroups of barriers for each type, we used information contained in the list of restrictions to mutual trade prepared by the EEC, which made a quantitative assessment possible.

For the group of barriers related to market entry, the most restrictive in both Kazakhstan and Russia, according to Belarusian organizations, were the need to obtain prior authorization for the establishment of separate divisions of financial institutions if they are subsidiaries of foreign investors (primary organization) or have a share of foreign investors in its authorized capital of more than 49%; and the high costs associated with the opening of a representative office or subsidiary in an SES country. Belarusian respondents believe that entry into the Kazakh market is moderately restricted by such barriers as the need to obtain prior authorization for the establishment of credit institutions or foreign investment activities in financial services, which requires a license and can only be done by legal entities and individual entrepreneurs of the country in which the services are rendered.

According to Kazakh organizations in Belarus, the most restrictive barriers are as follows: Activities of financial services requiring a license can only be performed by legal entities and individual entrepreneurs of the country in which the services are rendered; the possibility of obtaining a license to operate a subsidiary depending on the term of existence of the parent enterprise; restrictions associated with the legal form; and the need to obtain prior authorization to set up credit institutions with foreign investments.

For the Russian market, Kazakh organizations considered the most restrictive barrier to be the requirement to obtain prior authorization for the establishment of separate divisions of financial institutions. Russian organizations believe that this barrier has the most restrictive impact on the provision of financial services in Belarus. Respondents

from Russia considered the most significant limitation in Kazakhstan to be the legal form required by a bank or insurance enterprise.

Among the barriers associated with the activities of all the countries, respondents noted as the greatest limitations the requirements to obtain prior permission from the competent authority of the country to increase the size of the share capital by foreign investors and/or their subsidiaries, for alienation in favour of foreign investors (including sales to foreign investors) of their shares (proportion of authorized capital), and of national shareholders (participants), for alienation of their shares (proportion of authorized capital) in favour of foreign investors and/or their subsidiaries. Belarusian respondents consider strongly restrictive, both in the markets of Kazakhstan and of Russia, barriers associated with access to information about risks and the exchange of information. In Kazakhstan, respondents from Belarus noted as moderately restrictive the barriers associated with the share in the authorized capital of the founders and the proportion of workers who are citizens of the country where a subsidiary or a representative office of the bank/insurance enterprise is to be opened, out of the total number of employees.

Kazakh respondents considered that in Belarus, the most significant the barriers are those relating to standards of banking services, and in the Russian market the prohibition of a number of operations by financial institutions that are subsidiaries of foreign investors (primary organization) or have a proportion of foreign investors in their authorized capital of more than 49%. In turn, Russian organizations rate this barrier as one of the most significant for the Kazakhstan market, along with the restriction on the share in the authorized capital of the founders.

During the survey, a quantitative assessment by respondents about barriers to mutual trade in financial services as a percentage of the costs of financial institutions was very important. Respondents from Belarus evaluated barriers associated with entrance to the market and to activities both in Russia and Kazakhstan as up to 10% of the costs. Kazakh organizations believe that the two groups of barriers constitute 10% of their costs in Belarus, and 15% in Russia. Russian organizations evaluated barriers in Belarus at 13% and 15%, respectively, and those in Kazakhstan at 15% and 10%.

## Conclusions

When classifying NTBs from the EEC list, it was found that the greatest number of NTBs in the CU/SES are sanitary and phytosanitary measures, technical barriers, price control measures, and measures affecting competition. There were also many NTBs related to subsidies and restrictions on government procurement. The EEC list does not contain measures relating to restrictions on marketing and restrictions on post-sales service, or contingent trade-protective measures. Despite this, during the survey a number of enterprises identified such NTBs in the CU/SES and their use by partner states. This fact emphasizes the need to gather more information on barriers and restrictions to trade in goods within the Eurasian integration union.

Given that the current UNCTAD classification is the most comprehensive and internationally recognized, it would be advisable for the EEC to use it in the future to gather information and create a database on NTBs in the EEU. This database should also include information on normative legal acts of CU/SES members that introduce particular NTBs. This will facilitate the classification and coding of NTBs, and allow more accurate assessment of their impact on trade among member countries.

The results of the survey of export enterprises showed that they rate trade within the SES as fairly open. The most optimistic estimates were those of Belarusian export enterprises and Russian enterprises exporting to Belarus. Trade between Russia and Kazakhstan is less open, but mutual market access in these countries is rated higher than in trade with third countries. The only direction of trade which exporters considered on average as not higher than the average for other countries is exports from Kazakhstan to Belarus.

Respondents from the CU/SES countries rate differently the impact of NTBs on mutual trade. Belarusian enterprises believe that on average, individual NTBs do not have a restrictive impact on exports to Kazakhstan and Russia. Russian enterprises rate their impact as more restrictive. The most restrictive impact on trade is associated with NTBs to exports from Kazakhstan, particularly to Belarus.

One of the main barriers that create restrictions on trade within the SES is technical barriers. Among these, those with the greatest impact are the need for testing and certification of products, as well as compliance with industry standards. Solutions to the problem proposed by respondents are: mutual recognition of conformity assessment procedures for products not covered by CU technical regulations; use of international standards; and harmonization of CU rules and regulations in marking, packaging and labelling. Other barriers reported by respondents, regardless of the direction of trade, are measures of price control, including additional taxes and fees in the destination country (particularly relating to VAT), and measures affecting competition (the institution of special importers).

Kazakh and Russian exporters draw attention to the restrictive impact of pre-shipment inspection and other formalities; contingent trade-protective measures; finance measures that adjust the conditions of payment for import into the destination country; and the

conditions for obtaining and using credit to finance imports. Belarusian exports are constrained by the restrictions on government procurement in Kazakhstan and Russia.

Quantitative assessment of the restrictive impact was carried out in several ways: open-ended and closed-ended questions, with calculation of the ordinary and the truncated mean for adjusting for outliers. Regardless of the method of estimation, the lowest costs of NTBs are typically for Belarusian export enterprises. The cumulative effect of all barriers adjusted for outliers is estimated to be no more than 15% of the value of exports, regardless of the direction of exports. Quantitative estimates of NTBs made by Russian exporters are also unaffected by the choice of calculation methodology. At the truncated mean, they are close to 25% of the value, when exporting both to Kazakhstan and Belarus. The interpretation of the results of the survey of Kazakh exporters is less clear. Their assessments of barriers vary, depending on the method of calculation and the direction of trade, from 16.3% to 78.9% of the value of exports. This is due to the inconsistency in responses and a tendency to higher estimates of the impact of barriers than in other countries. To further simulate the effects of reducing NTBs, the lowest values of the estimates should be used, i.e., 16.3% of the cost when exporting to Russia and 29.1% to Belarus. This conclusion will be checked with the help of gravity analysis of foreign trade within the SES.

The main barriers that increase the cost of trade within the SES, according to the enterprises, are technical barriers, measures affecting competition, and price control measures. This is based on the respondents' answers on the restrictive impact of each barrier. The impact of technical barriers is rated as high by respondents in all directions of trade, regardless of the methodology of calculation. High costs associated with the regulation of competition are shown by the answers to the open-ended question, and the costs associated with regulation of prices are shown by the closed-ended question.

Belarusian respondents also face significant costs from the measures taken by Kazakhstan and Russia to restrict access to government procurement procedures, as well as the use by SES countries of sanitary and phytosanitary measures. Kazakh and Russian exporters noted the high costs associated with finance measures used by Belarus. This barrier is often also relevant for exporters to Kazakhstan.

In general, Kazakh respondents tend to give uniformly high quantitative assessments of the impact of NTBs. Russian exporters identify several key barriers that characterize the whole integration association, and do not consider other barriers as significant. A similar profile of responses is provided by Belarusian respondents. With a quite low average level of quantitative estimates, they identified a number of barriers that have a significant impact on the value of exported products.

The main sector of the economy where the costs of the barriers are high regardless of the direction of trade, is production of machinery and equipment. In addition, the high cost of non-tariff regulation of trade is faced by exporters of chemical products (to Belarus and Russia), wood products (to Kazakhstan and Russia), agricultural products (to Belarus), as well as electrical, electronic and optical equipment (to Kazakhstan).

In addition to the impact on the cost of exported goods, NTBs may also limit the range of exports, if these are prohibitive barriers. The results showed that trade inside the SES

is characterised by a limited range of products. The only range that is wider than that with third countries is that from Belarusian enterprises to the Russian market. In other directions, trade corresponds to the average range for shipments to third countries or is less than that. A narrow range is typical for the export of Russian products to the markets of Belarus and Kazakhstan, and Kazakh products to the Belarusian market. Yet most respondents deny that there is a problem of reduced product range due to NTBs. A little more daunting is the problem of expanding the existing product range, but this is only mentioned by Belarusian enterprises. This situation is largely due to the great difference in size of the economies of the SES countries and the distance between Belarus and Kazakhstan. Belarusian enterprises consider the Russian market as their main market due to the small size of their domestic market, whereas for Russian enterprises the market of Belarus, and to a certain extent of Kazakhstan, is too small to supply to it the entire spectrum of products. For Kazakh enterprises, the SES market is not a dominant one due to the structure of their export basket, geographical location and proximity to China.

Accordingly, the role of barriers in restricting the range of exported products is not significant. For Belarusian enterprises, the main factor limiting the range of exported products is low competitiveness. The negative role of NTBs was noted by less than 5% of the respondents. For Russian enterprises that are interested in the SES market, the effect of barriers is a quite significant factor in reducing the product range, while for Kazakhstan this factor impedes diversification. However, the barriers' impact on the range on average does not exceed the impact of domestic factors on the enterprises themselves. The most significant barriers when assessing the impact on the value of exports, are technical barriers, price regulation, and measures affecting competition. However, many exporters, especially those from Russia, believe that the more important barrier is often the overall regulatory environment in SES countries, rather than the effect of NTBs.

As a consequence of the limited role of barriers and lack of interest in diversification of products, respondents do not expect a large effect on the range of exported products from reducing NTBs. Certain improvements are expected by Belarusian enterprises, assuming the likelihood of an increase in competitiveness of their products in the SES markets if the barriers are lifted. Also, the potential positive effect was noted by a large proportion of Kazakh enterprises supplying products to the Russian market. They expect a significant improvement in opportunities to diversify their exported products.

Barriers to international cargo transportation by road were assessed by means of in-depth interviews in Kazakhstan, and by focus groups with transport enterprises in Belarus. According to the respondents, restrictiveness of access varies greatly depending on the type of cargo transport. Belarusian and Kazakh carriers and logistics enterprises consider access to Russia's two-way road haulage market as virtually free. At the same time, the Belarusian enterprises indicated minor restrictions in this mode of transport in Kazakhstan, and the Kazakh enterprises rated access to Belarus as close to free. With respect to transit through the territory of the partner country, Belarusian respondents noted significant barriers to transport through Kazakhstan, and Kazakh carriers said the same thing about going through Russia.

In bilateral traffic and transit, Belarusian transport enterprises identified these main barriers to the road transportation market in Russia and Kazakhstan: VAT reimbursement for fuel (in the EU you can get a VAT reimbursement for fuel); the limited effect in the Russia of “green card” insurance (coverage is only about €3,000); size parameters (axle load, for Russia); transportation of oversized cargo (for Kazakhstan); the large number of inspections (e.g., rest periods for drivers); and fines.

Belarusian transport enterprises rated access to the Russian market for the transport of goods from third countries to Russia and vice versa as almost completely closed. In respect to cargo haulage from a third country to Russia and Kazakhstan, the following major restrictions were noted: the number of permits issued; and the principle of residency during customs clearance of goods. Belarusian transport enterprises named the number of permits issued as one of the most pressing problems, and the main barrier to the development of freight traffic from third countries to Russia.

During in-depth interviews in Kazakhstan, the respondents named as constraints and barriers to transportation of cargo to Russia: bureaucratic procedures, the large number of inspections and fines by transport inspectors and traffic police. Meanwhile, Kazakh enterprises responded in the survey that in general there are no barriers and constraints to international freight in Belarus (bilateral, transit to/from third countries).

Belarusian focus group participants noted that the Russian system of permits substantially reduces the amount of traffic from third countries to Russia and from Russia to third countries and, consequently, affects cargo traffic volumes, foreign exchange earnings and export of transport services. According to respondents, Belarusian freight hauliers need to get 24 times more permits. A similar situation is observed in Kazakhstan. According to the Belarusian transport enterprises, abolition of the permit system would double the turnover in three years and increase the fleet by 30–40% per year.

Kazakh respondents believe that the barriers and restrictions on the Russian market increase transport costs by an average of 10–20%. Should barriers and restrictions in Russia be eliminated, the volume of freight traffic would increase by 30–35%.

Belarusian transport enterprises’ proposal was to form a permit-free system in the freight transport for residents in the territory of the CU and the EEU for all types of traffic. Respondents from Belarus and Kazakhstan also noted the need to harmonize the legislation of member countries of the EEU with regard to international road transport, the abolition of the residence principle during customs clearance of goods and the development of common approaches to monitoring by the transport (road) control bodies.

In the expert survey of CEOs rendering financial services on CU/SES markets, the enterprises from Belarus and Russia described the conditions for providing financial services in Kazakhstan as restrictive and moderately restrictive, respectively, while the assessments of Belarusian respondents about Russia and Russian respondents about Belarus conformed to the conditions of free trade. Kazakh organizations also evaluated that on average, the terms of financial services in Belarus and Russia have minimal barriers.

On average, the Belarusian respondents felt that the barriers associated with the entrance to the market (permits, licenses, procedures associated with the activity, and others) have

a significant restrictive impact on the rendering of financial services in Kazakhstan, and a moderately restrictive impact in Russia. The Belarusian organizations considered these barriers higher than those associated with the activities in the markets of these countries. According to Russian respondents, the two types of barrier have a moderately restrictive impact on trade in financial services in Kazakhstan, while they rated barriers in Belarus as minimal. In turn, the Kazakh organizations believe that these barriers have a minimal restrictive impact on trade in financial services in the partner countries.

During the survey, respondents gave a quantitative assessment of barriers to mutual trade in financial services as a percentage of the costs of financial institutions. **Belarusian respondents evaluated barriers associated with entrance to the market and to activities both in Russia and Kazakhstan as up to 10% of their costs. Kazakh organizations believe that the two types of barriers constitute 10% of the costs of the organization in Belarus and 15% in Russia.** Russian organizations evaluated the two types of barriers in Belarus as 13% and 15% respectively, while in Kazakhstan the figures were 15% and 10%.



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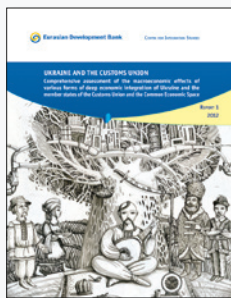
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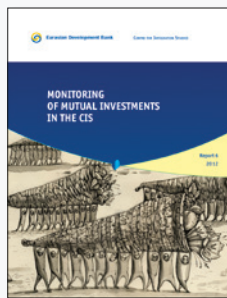
### Comprehensive assessment of the macroeconomic effect of different forms of intensive economic cooperation by Ukraine with the member states of the Customs Union and the Single Economic Space within the framework of the Eurasian Economic Community (EEC)

The main goal of the project is to assess a macroeconomic effect of the creation of the Customs Union and Single Economic Space of Russia, Belarus and Kazakhstan, and to determine prospects of the development of integration links between Ukraine and the CU. The project was conducted by the team of five research institutions. The results presented in

the Report have been widely recognized and become standard.

*Available in Russian and English.*

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/ukraine/>



### Monitoring of Mutual Investments in the Member States of the CIS

The monitoring of mutual CIS investments provides analytical support for work conducted by state and supranational agencies on developing a suitable strategy for deepening integration processes throughout the post-Soviet space. The Centre in partnership with IMEMO (RAS) has created and is regularly updating the most comprehensive database up to date.

*Available in Russian and English*

[http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/invest\\_monitoring/](http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/invest_monitoring/)



### Customs Union and cross-border cooperation between Kazakhstan and Russia

Research on the economic effects of the development of industrial relations under the influence of the Customs Union in the border regions of Russia and Kazakhstan.

[http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/kaz\\_rus\\_e/](http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/kaz_rus_e/)



### Studies of Regional Integration in the CIS and in Central Asia: A Literature Survey

This report, published under auspices of the EDB Centre for Integration Studies, summarizes both international studies in the area of regional integration within the former Soviet Union and Russian language materials on this issue, reviewing the research papers and publications in the area of economics, political studies, international relations and international political economy, law and area studies.

*Available in Russian and English.*

[http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/CIS\\_CentralAsia/](http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/CIS_CentralAsia/)



### Unified trade policy and addressing the modernization challenges of the SES

The Report presents an analysis of the key economic risks arising under the agreement by SES participants of a foreign trade policy, formulates proposals on the main thrusts of SES Common Trade Policy, and names measures for its reconciled implementation.

[http://eabr.org/e/research/centreCIS/projectsandreportsCIS/trade\\_policy/](http://eabr.org/e/research/centreCIS/projectsandreportsCIS/trade_policy/)



### Assessment of the economic, institutional and legal impact of labour migration agreements within the framework of the Single Economic Space

The project included analysis of two labour agreements that came into force on January 1, 2012 within the SES of Russia, Belarus and Kazakhstan. It analyzes their economic and social impact on labour migration processes, labour market and productivity, strengthening of the regional economic relations.

[http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/labour\\_migration/](http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/labour_migration/)

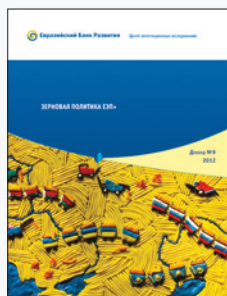


### EDB integration barometer 2012

The EDB Centre for Integration Studies in cooperation with the Eurasian Monitor International Research Agency examined the approaches of population to regional integration.

*Available in Russian and English*

[http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/integration\\_barometer/](http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/integration_barometer/)



### SES+ Grain policy

Growth in grain production is propelling Kazakhstan, Ukraine and Russia to the leadership ranks of the global grain market. The Report systematically analyzes trends in development of the grain sector and actual policies and regulations in SES countries, Ukraine and other participants of the regional grain market.

[http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/grain\\_policy/](http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/grain_policy/)



### Threats to public finances of the CIS in the light of the current global instability (in Russian)

The Report deals with the assessment of the risks for the government finances of the CIS countries in the light of current world instability. The report was conducted at the request of the Finance Ministry of the Republic of Kazakhstan, and presented at the permanent council of the CIS Finance Ministers.

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/risks/>



### Technological Coordination and Improving Competitiveness within the SES

The report presents a number of proposals aimed at improving SES competitiveness within the international division of labour.

[http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/technological\\_coordination/](http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/technological_coordination/)



### The Customs Union and Neighbouring Countries: Models and Instruments for Mutually Beneficial Partnership

The report proposes a broad spectrum of approaches to the fostering of deep and pragmatic integrational interaction between the CU/SES and countries throughout the Eurasian continent.

[http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/cu\\_and\\_neighbors/](http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/cu_and_neighbors/)



### Cross-Border Cooperation between Russia, Belarus and Ukraine

Cooperation between 27 cross-border regions of Belarus, Russia and Ukraine has significant potential; however the existing frontiers and barriers are a significant factor that fragments the region's economic space.

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/project16/>



### Labour Migration and Human Capital of Kyrgyzstan: Impact of the Customs Union

The report focuses on the effects of Kyrgyzstan's possible accession to the Customs Union (CU) and Single Economic Space (SES) on the flows of labour resources, the volume of cash remittances, labour market conditions and professional education and training in this country.

[http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/labor\\_migration\\_kyrgyzstan\\_cu/](http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/labor_migration_kyrgyzstan_cu/)



### Customs Union and Ukraine: Economic and technological cooperation in sectors and industries

The authors of the report study the issue of industrial and inter-industry links between the SES economies and Ukraine and come to a conclusion that cooperation between enterprises has been maintained in practically all segments of the processing industries, while in certain sectors of mechanical engineering this cooperation has no alternatives.

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/project18/>



### Tajikistan's Accession to the Customs Union and Single Economic Space

Tajikistan's accession to the CU and the SES will have a positive economic impact on the country's economy. The Report includes a detailed economic analysis of the issue using various economic models and research methods.

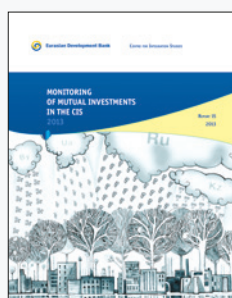
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### Monitoring of direct investments of Belarus, Kazakhstan, Russia and Ukraine in Eurasia

The Eurasia FDI Monitoring project supplements another research by the EDB Centre for Integration Studies —Monitoring of Mutual Foreign Investment in the CIS Countries (CIS Mutual Investment Monitoring).

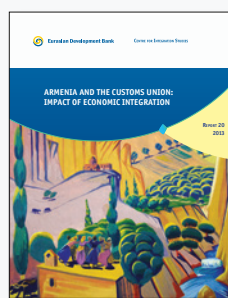
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### Monitoring of Mutual Investments in the CIS

The report contains new results of the joint research project of the Centre for Integration Studies of EDB and the Institute of World Economy and International Relations of the Russian Academy of Sciences. It is aimed at the maintenance and development of the monitoring database of mutual direct investment in the CIS countries and Georgia. A general characteristic of mutual investments in the CIS at the end of 2012 is provided.

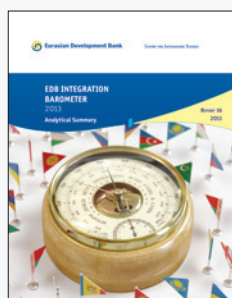
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### Armenia and the Customs Union: Impact of Accession

This report provides the assessment of the macroeconomic impact of Armenia joining the Customs Union.

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/project20/>



### EDB Integration Barometer — 2013

The EDB Centre for Integration Studies in cooperation with the Eurasian Monitor International Research Agency examined the approaches of population to regional integration.

[http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/integration\\_barometer/](http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/integration_barometer/)



### System of Indicators of Eurasian Integration

The System of Indicators of Eurasian Integration (SIEI) is designed to become the monitoring and assessment tool for integration processes within the post-Soviet territory.

[http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/siei/index.php?id\\_16=37610](http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/siei/index.php?id_16=37610)

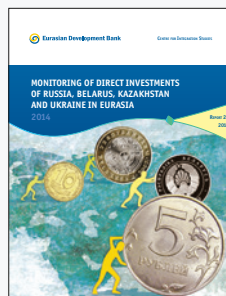




### Quantifying Economic Integration: of the European Union and the Eurasian Economic Union: Methodological Approaches

The objective of the project is to discuss and analyse economic integration in Eurasia, both on the continental scale “from Lisbon to Shanghai,” and in the EU-EEU dimension “from Lisbon to Vladivostok.”

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/project21/>



### Monitoring of direct investments of Russia, Belarus, Kazakhstan and Ukraine in Eurasia – 2014

The second report presents new results of the permanent annual project dedicated to monitoring of direct investments of Belarus, Kazakhstan, Russia and Ukraine in Eurasia. On the basis of the statistics collected during monitoring, detailed information is provided on the dynamics, actual geographical location and sectoral structure of the investments.

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/project24/>



### Pension Mobility within the Eurasian Economic Union and the CIS

In the report the experts evaluate the prospects of implementing effective mechanisms in the region to tackle pension problems of migrant workers.

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/project24/>



### An Assessment of the Impact of Non-Tariff Barriers in the EEU: the Results of the Survey of Exporters

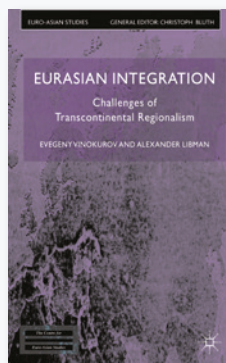
A large-scale poll of 530 enterprises in Belarus, Kazakhstan and Russia suggests that non-tariff barriers account 15% to 30% of the value of exports. Belarusian exporters estimate non-tariff barriers in their trade with Russia and Kazakhstan at 15% of the value of their exports, Kazakh exporters at 16% for exports to Russia and 29% for exports to Belarus, and Russian exporters at about 25% for exports to each of the two other countries.



### EDB Integration Barometer – 2014

The results of the third research into preferences of the CIS region population with respect to various aspects of Eurasian integration suggest that the “integration core” of the Eurasian Economic Union (EEU) continues to form and crystallise.

[http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/integration\\_barometer/index.php?id\\_16=42460](http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/integration_barometer/index.php?id_16=42460)



### Eurasian Integration.

#### Challenges of Transcontinental Regionalism

Evgeny Vinokurov, Alexander Libman

Basingtoke: Palgrave Macmillan

“Vinokurov and Libman have pulled together a tremendous range of information and insight about Eurasian economic integration. Their eminently readable book tackles an important and timely topic, which lies at the heart of global economic and political transformation in the 21st century.”

Johannes Linn, *Brookings Institute*

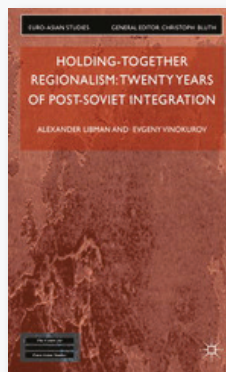
<http://eabr.org/e/research/centreCIS/monographsCIS/>



### Monitoring of mutual CIS investments 2014

This is the fifth report on the results of the long-term research project devoted to monitoring of mutual direct investments in the CIS countries and Georgia. The current report provides detailed information on the scope and structure of mutual investments of CIS countries up to the end of 2013. The report provides information on the most important trends in the first half of 2014, including the situation in Ukraine and its impact on the Russian direct investments in the country. It also presents an analysis of the prospects for mutual direct investments of the Eurasian Economic Union countries.

[http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/invest\\_monitoring/index.php?id\\_16=42737](http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/invest_monitoring/index.php?id_16=42737)



### Holding-Together Regionalism: Twenty Years of Post-Soviet Integration (Euro-Asian Studies)

An in-depth analysis of one of the most important and complex issues of the post-Soviet era, namely the (re-)integration of this highly interconnected region. The book considers the evolution of “holding-together” groups since the collapse of the Soviet Union in 1991, looking at intergovernmental interaction and informal economic and social ties.

<http://eabr.org/e/research/centreCIS/monographsCIS/>



### Regional Integration Database

This is an applied research project, which represents the creation of a specialized regularly updated database of the most significant regional integration organisations (RIOs) and economic/trade agreements of the world.

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/project26/>