



Date: 27 August 2025

AMCHAM ISSUE BRIEF

Track and Trace Labelling

BRIEF DESCRIPTION OF THE ISSUE:

The Government of Kazakhstan requires pharmaceutical, tobacco and other products to use a track-and-trace (T&T) system, also known as Identification Means, and is considering extending this to beverages and other industries. The stated purpose of T&T is to ensure product safety and combat illicit trade, but AmCham member companies doubt it will achieve these goals. They instead believe T&T will increase capital and operating expenses both for producers and retailers, including many small and micro-businesses, and discourage producing in Kazakhstan.

Extending T&T to non-tobacco or pharmaceutical products is not aligned to international best practices. The World Health Organization's Framework Convention on Tobacco Control, ratified by Kazakhstan, mandates T&T for tobacco products but leading OECD economies do not extend T&T to other fast-moving consumer goods (FMCG).ⁱ The United Kingdom, for example, has no additional T&T requirements.ⁱⁱ The United States only requires a much less costly T&T approach for children's products.ⁱⁱⁱ

Before expanding T&T, the cost and benefits should be studied. The government should in particular listen to the voice of FMCG manufacturers, who share the goal of countering illicit trade and ensuring product safety, yet reject that T&T is an effective approach, and see it as an unnecessary barrier to the government's goal of encouraging local production. The government should also listen to retailers, who will bear additional costs and risks, again with no clear benefit.

The Government of Kazakhstan is subject to the Eurasian Economic Union (EEU) decision to require industries to implement a Track & Trace system.^{iv} So far it has been applied in industries including furs (2019), tobacco (2020), shoes (2021), and medicine (2024). The government has indicated their interest in expanding this effort to the beverage, dairy, jewelry, textile and other industries.

Kazakhtelecom has a monopoly on T&T systems, forcing companies to pay a non-market-defined cost. Kazakhtelecom has conducted pilot projects for beverages, but the methodology included only production and a limited number of sale points, but



did not study the supply chain. AmCham members therefore consider the depth, duration and scale of the pilot projects insufficient to understand the effect on industries and are strongly concerned that the negative impact will be significant. Two member companies that have examined the introduction of T&T believe productivity could decrease by up to one-third, putting products made in Kazakhstan at a disadvantage to those made in other EEU countries. Knock-on effects include increased prices for consumers and decreased state budget revenue.

On the retailers' side, if a QR code cannot be scanned electronically or is otherwise unreadable, the product cannot be sold and must be returned to the manufacturer, with the cost increasing over distance. T&T also limits the ability to combine items into gift packs, needlessly restricting a common marketing practice. For logistics and warehouse management, it also adds complexity and inefficiencies when aggregating products, for example when bottles are combined into cases and pallets.

For importers, the implementation of T&T labeling requirements involves entering into contracts with third-party owners of customs warehouses; however, their capacities are limited, which leads to high service costs. Applying T&T to imported goods often involves destroying the original transport packaging to access the products, followed by repackaging. This would significantly increase the cost for importers and require extra time for implementation. This is also associated with a high risk of product damage and could necessitate extensive personnel increases.

PROPOSAL:

1. Before moving forward with implementation, an independent third party should conduct a study on the effectiveness of T&T in achieving its declared goals. The results of this study should be made public and accessible. AmCham members are willing to share relevant information as well as participate in government working groups as part of the study.
2. For each industry a comprehensive risk analysis assessment should be conducted by trusted experts in close coordination with affected companies, not just pilot projects. These individualized reports would be in line with the



Analysis of Regulatory Effect legislation and address the concerns unique to each industry.

3. Detailed, realistic timelines and plans for phased implementation should be developed in consultation with each industry to minimize the negative impacts. In the case of clear negative consequences, the Government is advised to prepare compensation packages for the impacted industry.
4. The Government should eliminate the monopoly of Kazakhtelecom by permitting other service providers for T&T systems. AmCham members are aware of several local companies that would have the technology available.

If these proposals are accepted, implementation of the initiative can proceed but with the support of AmCham. This dialogue and collaboration will minimize negative effects on state budget revenue, inflation, companies profitability, and competitiveness. AmCham member companies also welcome the opportunity to share other effective steps they take to prevent the illicit trade or counterfeiting of their goods. Additionally, the Government can understand how concern over counterfeiting varies greatly by industry. The risk assessments and phased timelines will allow companies to more accurately prepare for the shift in regulation, leading to greater compliance.

i1

ⁱ World Health Organization, *Protocol to Eliminate Illicit Trade in Tobacco Products* (Geneva: World Health Organization, 2013), accessed June 4, 2025,

https://iris.who.int/bitstream/handle/10665/80873/9789241505246_eng.pdf

"TTC2050 - Overview of the UK Tobacco Track and Trace system," HM Revenue & Customs, accessed June 4, 2025, <https://www.gov.uk/hmrc-internal-manuals/tobacco-track-and-trace-compliance/ttc2050>.

⁽¹⁾ "Tracking Label FAQ," U.S. Consumer Product Safety Commission, accessed June 4, 2025,

<https://www.cpsc.gov/FAQ/Tracking-Label>.

State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan, "Press Release on the Use of Navigation Seals to Track Shipments in the Eurasian Economic Union," March 15, 2023,

<https://kgd.gov.kz/en/news/press-release-use-navigation-seals-track-shipments-eurasian-economic-union-1-140560>