



WORLD TRADE
ORGANIZATION

RESTRICTED

WT/TPR/G/411

13 April 2021

(21-3096)

Page: 1/27

Trade Policy Review Body

Original: English

TRADE POLICY REVIEW

REPORT BY

KYRGYZ REPUBLIC

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Kyrgyz Republic is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on the Kyrgyz Republic.

Contents

1 INTRODUCTION	3
2 ECONOMIC POLICY.....	3
2.1 Macroeconomic Situation	3
2.2 Monetary and Fiscal Policy	4
2.3 Fiscal Policy and Development Issues.....	5
3 SECTORAL POLICIES AND REFORMS	6
3.1 Agriculture.....	6
3.2 Industry	8
3.2.1 Mining industry.....	9
3.3 Energy	9
3.4 Tourism.....	11
3.5 Information and Communication Technologies	12
4 TRADE POLICY	13
4.1 Trade in Goods.....	13
4.2 Trade in Services.....	15
4.3 Customs Regulation	15
4.3.1 Trade facilitation.....	16
4.4 Non-Tariff Regulation	17
4.4.1 Technical regulation	18
4.4.2 Sanitary and phytosanitary measures.....	19
4.5 Investment Policy	19
4.6 Public Procurement Policy	20
4.7 Protection of Intellectual Property Rights	21
4.8 Competition Policy and Business Environment	23
4.8.1 Business environment	24
4.9 Regional Economic Integration	25
4.9.1 Eurasian Economic Union	25
4.9.2 Agreement on the CIS Free Trade Area	25
4.9.3 Free trade agreements	26
5 FURTHER DIRECTIONS OF TRADE POLICY OF THE KYRGYZ REPUBLIC	27
6 LIST OF ABBREVIATIONS.....	27

1 INTRODUCTION

1.1. The Kyrgyz Republic is a landlocked country for which trade and the rapid free movement of goods are vital for trade relations with other WTO Members, as well as for economic stability and prosperity. Geographically located in the middle of the continent and being landlocked, the Kyrgyz Republic has no choice but to rely on overland trade routes without obstacles or barriers.

1.2. The Kyrgyz Republic has been a Member of the World Trade Organization for more than 20 years. During this period, the Kyrgyz Republic was the subject of two WTO Trade Policy Reviews, in 2006 and 2013. This is the third Trade Policy Review of the Government of the Kyrgyz Republic. The report includes information on economic development, achievements in trade policy for 2013-2019, and future trends and directions of economic development and trade policy priorities.

1.3. During this period, fundamental changes took place, both in the geographical distribution and the structure of trade, and in the foreign trade regime itself. Conducting an appropriate liberal trade policy contributed to the development of the economic sector as a services sector; in particular, the openness of the market and the liberal legal regime determined the development of foreign trade.

1.4. During the period under review, the main directions of the trade policy of the Kyrgyz economy were associated with further integration into the multilateral trading system with liberalization of the trade regime, in the context of both WTO commitments and the processes of regional economic integration.

1.5. Since 2015, the main direction in the trade policy of the Kyrgyz Republic has been associated with the processes of regional economic integration within the framework of the Eurasian Economic Union (EAEU). As a result, in order to harmonize national legislation with EAEU law, a number of new regulatory and legal documents were adopted and amendments were made to existing ones.

1.6. Through participation in the regional integration processes, the Kyrgyz Republic demonstrates its commitment to preserving and strengthening the WTO's indispensable role as a primary platform for negotiations and multilateral trade liberalization, and for the development and enforcement of the rules of the multilateral trading system.

1.7. The Kyrgyz Republic actively uses various ways of entering the world market, especially through the development of foreign trade in the context of integration processes. In this regard, together with its integration partners, the Kyrgyz Republic is actively working on the creation of free trade areas between the EAEU and third countries in order to develop commodity and geographical diversification of Kyrgyz exports.

2 ECONOMIC POLICY

2.1 Macroeconomic Situation

2.1. The socio-economic development of the Kyrgyz Republic in 2013-2019 occurred in the context of a sharp decline of global oil prices, a crisis in the foreign exchange market due to the strengthening of the US dollar against other currencies, and other external factors, contributing to a trend of uneven economic growth of the country.

2.2. The macroeconomic policy of the Kyrgyz Republic has been developed in accordance with the National Strategy for Sustainable Development of the Kyrgyz Republic for the Period 2013-2017¹, the National Development Strategy for 2018-2040², and the Program for the Transition of the Kyrgyz Republic to Sustainable Development (PTSD) for the Period 2013-2017³, which were aimed at: (i) ensuring macroeconomic stability; (ii) creating conditions for the growth of business activity and investment attractiveness of the main sectors of the economy; (iii) realizing foreign trade potential; (iv) developing foreign trade cooperation; (v) saving resources and improving energy efficiency; and (vi) encouraging regional development and digitalization of the national economy.

¹ Decree of the President of the Kyrgyz Republic of 27 September 2013, No. 194.

² Decree of the President of the Kyrgyz Republic of 31 October 2018, No. 221.

³ Decree of the Government of the Kyrgyz Republic of 30 April 2013, No. 218.

2.3. Particular attention was focused on the development of the mining, energy, tourism, agriculture, transport, and financial sectors, as well as businesses based on new and environmentally friendly technologies.

2.4. During the period under review, slight fluctuations in the rates of economic growth were observed, although they had positive values. In 2013, gross domestic product (GDP) grew by 10.9% (after a sharp decline in 2012 due to an accident at Kumtor, the country's largest gold mining enterprise), in 2014 by 4.0%, in 2015 by 3.9%, in 2016 by 4.3%, in 2017 by 4.7%, in 2018 by 3.8%, and in 2019 by 4.6%.⁴

2.5. Nominal GDP in 2019 compared to 2013 increased by 66.1% (KGS 355.3 billion), and at the end of 2019 amounted to KGS 590 billion.

2.6. The main sectors of the economy contributing to GDP for the period 2013-2019 were services, industry, and agriculture, which provided economic growth in the country. Their share of the country's GDP production in 2019 amounted to 76.5%, decreasing by 2.7% compared to 2013.

2.7. The sector most vulnerable to impact of risks, including climatic, is agriculture, whose share of GDP decreased by 2.9% over this period (from 14.6% in 2013 to 11.7% in 2019). The share of the industrial sector decreased from 18.6% in 2013 to 17.9% in 2019, while the services sector increased from 46.6% in 2013 to 46.9% in 2019. Therefore, this sector of the economy had an impact on maintaining economic growth with corresponding contributions to the real rate of GDP growth, although the deterioration of the terms of trade since joining the EAEU, together with other factors, caused a slowdown in growth dynamics in this area. The construction sector expanded noticeably from 6.3% in 2013 to 8.3% in 2019, mainly due to the accelerated pace of the contribution of housing and of facilities in energy and transport infrastructure.

2.8. During the period under review, there was an increase in household spending on final consumption, which was supported by an increase in consumer lending and wages, and a mainly positive contribution to the growth rate of the population's income was made by the volume of remittances of labour migrants (reaching in some years over 30% of the country's GDP). The poverty rate fell from 37.0% in 2013 to 20.1% in 2019.

2.9. The main directions of macroeconomic policy are specified and concretized annually, taking into account the state of the economy, and reflected in joint statements of the Government and the National Bank of the Kyrgyz Republic (NBKR). Issues of coordination of macroeconomic policy are considered by the Coordination Council for Macroeconomic and Investment Policy under the Government of the Kyrgyz Republic.

2.2 Monetary and Fiscal Policy

2.10. The monetary policy in 2013-2019 led to the following results. There was a decrease in the weighted average interest rate, which in 2019 amounted to 17.5% in national currency and 9.7% in foreign currency.

2.11. During the entire reporting period, inflation dynamics were generally moderately low. The only exception was in 2014, when the average annual consumer price index (CPI) was 107.5% (due to a decrease in agricultural production, an increase in import prices for grains and fuels and lubricants, and an increase in the US dollar exchange rate). In other years, this indicator ranged from 100.4% (2016) to 106.6% (2013); in 2019, the CPI was 101.1%.

2.12. Since 2015, according to experts, more than 70% of the inflation rate can be explained by non-monetary factors.

2.13. In general, the dynamics of the inflation rate in the Kyrgyz Republic for the period 2013-2019 show the high sensitivity of the consumer market to world food and energy prices. The most sensitive

⁴ Source: National Statistical Committee (NSC) of the Kyrgyz Republic (KR), "Kyrgyzstan in figures" for 2013-2020.

markets in the country for responding to the rise in consumer prices were bakery and petroleum products.

2.14. From 2013 to 2019, the monetary policy of the NBKR was aimed at ensuring price stability in the country. Thanks to the implemented policy, it was possible to keep inflation within moderate limits. In 2013-2019, the average annual inflation rate was kept at about 3.9%. Efforts of the NBKR were focused on improving the transmission mechanism of monetary policy through improving the efficiency and flexibility of monetary policy instruments. In general, after some tightening in 2014-2015, the monetary conditions have tended to soften since 2016. The discount rate of the NBKR was significantly reduced. At the beginning of 2016 the discount rate was 10.0%, and then it gradually decreased to 5.0% at the beginning of 2018. Since then, it has practically held at this level and was slightly adjusted to 4.25% in 2019. This was due to the need to maintain measures to stimulate economic growth in the country and promote a gradual decrease in market interest rates on loans for the real sector of the economy.

2.15. In 2016, all regulation in the budgetary sphere was consolidated into the Budget Code of the Kyrgyz Republic⁵, which came into force on 1 January 2017. The budget system consists of the following: the national budget; the budget of the Social Fund; the budget of the Mandatory Health Insurance Fund; and local budgets.

2.16. National and local taxes were established in the Kyrgyz Republic. The special (simplified) tax regimes were determined.

2.17. The largest tax burden falls on industry (18%), while for agriculture it is only 1.2%. This is due to the fact that this sector of the economy is subject only to land and property taxes. The services sector occupies the main share in structure of the country's GDP; this sector also accounts for a significant share of tax revenues (12.2%).

2.18. The country practices tax incentives that are provided to leasing companies, the banking sector, the construction sector, food and processing industries, exporters, the grain and flour import sector, agricultural processing, agricultural commodity and service cooperatives, private cardiac surgery medical institutions and preschool educational organizations, charitable organizations, societies of disabled people, institutions of the penal system, and credit unions.⁶

2.19. The conceptual basis of fiscal policy is formulated and implemented in the framework of the Fiscal Policy Concept in the Kyrgyz Republic for 2015-2020⁷, the main goals of which are improving investment climate; ensuring completeness of tax collection; modernizing tax and customs services; improving and automating the tax reporting system, by reducing the number of reports and streamlining frequency of their submission; identifying and minimizing factors leading to emergence of systemic corruption, and revealing its real socio-economic grounds; promoting a law-abiding lifestyle; and implementing the State's anti-corruption policy in the fiscal sphere.

2.3 Fiscal Policy and Development Issues

2.20. For the period 2013-2019, the consolidated budget revenues of the Kyrgyz Republic (including the budget of the Social Fund and of the Mandatory Health Insurance Fund) increased by almost 50%, while the consolidated budget deficit averaged 1.7% of GDP over the period, and in 2014 and 2018 it was less than 1% of GDP. According to the preliminary results of 2019, the consolidated budget deficit amounted to 0.1% of GDP. The rise in budget contributions from the gross income of the Kumtor mine and the annual increase in rates for alcohol and tobacco products as part of the harmonization of excise rates in the EAEU contributed to growth of budget revenues.

2.21. External debt grew from USD 3.2 billion in 2013 to over USD 3.8 billion, or 43.3% of GDP, in 2019. At the same time, the strong dependence of the State on foreign aid, which forms more than 25% of budget revenues, as well as growth of the debt burden, increases the risks in the sphere of ensuring the financial stability of the State.

⁵ Budget Code of the Kyrgyz Republic of 16 May 2016, No. 59

⁶ Tax Code of the Kyrgyz Republic of 17 October 2008, No. 230.

⁷ Decree of the Government of the Kyrgyz Republic of 7 July 2015, No. 455.

2.22. Public expenditure policy of the Kyrgyz Republic in the period 2013-2019 was aimed at full and timely financing of all social guarantees of the State and creating favourable conditions for economic growth.

2.23. In order to effectively manage public finances of the Kyrgyz Republic, the Strategy for the Development of Public Finance Management in the Kyrgyz Republic for 2017-2025 was adopted.⁸

2.24. The Strategy is the first long-term strategic document defining further directions and priorities of the public finance management reform in the Kyrgyz Republic in 10 years, taking into account the recommendations of best practices and the already existing results of the public finance management reform.

2.25. At the same time, the Strategy is not sufficiently implemented. Implementation of programme budgeting has slowed down. The programme classification needs improvement. Ministries and agencies noted the complexity of transition to new principles of budgeting and requested trainings and seminars on programme budgeting.

2.26. The problem of state budget subsidies in a number of sectors has not been solved. These subsidies include: non-market-price subsidies for electricity and centralized heating; non-market-price subsidies for irrigation water supply; numerous tax incentives (for example, VAT exemptions for the supply of mineral fertilizers); and subsidizing the interest rate for agricultural producers within the framework of the government programme "Financing for Agriculture", which has been implemented since 2013.

2.27. Further, the budgetary policy will include such areas as ensuring effective and transparent management of public finances by improving the regulatory legal framework; optimizing budgetary funds in the public and social sectors by increasing the efficiency of spending; reducing costs and strengthening targeting; improving the system of inter-budgetary relations; and activating the investment process through attracting investments, including on the basis of public-private partnership.

3 SECTORAL POLICIES AND REFORMS

3.1 Agriculture

3.1. Agriculture is one of the most important sectors of the economy. Its share in 2019 was equal to 11.7% of the country's GDP, a decrease of 2.9% compared to 2013. But in the nominal value, the GDP of agriculture for the period under review has an upward trend. In 2013 the gross agricultural output of the Republic was KGS 171.7 billion; in 2019 it was KGS 221.0 billion, an increase of 28.7%.

3.2. The overall growth rate of agriculture remains steadily on the whole lower than the rates of general economic growth in the period under review.

3.3. The share of people employed in the agricultural sector decreased from 31.7% in 2013 to 18.1% in 2019, and the number fell from 716,700 people to 443,200 people.

3.4. The main socio-economic problem of the country is a steady trend of the income growth of the population employed in agriculture lagging behind the general level.

3.5. The main producers of agricultural products are private farms and personal farm households, producing 61.0% and 34.4%, respectively, of the country's agricultural products. The share of state farms is 1.9%. The industry is dominated by peasants and small farms, which due to their size and fragmentation, are not so effective.

3.6. The main sectors of agricultural production in the Kyrgyz Republic are livestock and crop production. The structure of the industry has not changed. In 2019, the share of crop production in total agricultural production accounted for 50.2%; animal livestock, 47.1%; forestry, hunting and

⁸ Decree of the Government of the Kyrgyz Republic of 22 December 2016, No. 696.

fishing, 0.3%; and agricultural services, 2.4%. In 2013, those percentages were 50.2%, 47.5%, 0.2%, and 2.1%, respectively.

3.7. The agricultural complex does not ensure the country's food independence in all respects. The Kyrgyz Republic fully covers its needs only for vegetables, fruits and melons, and potatoes, which are also exported.

3.8. The export potential of the agricultural sector in total export volume is approximately 10% (about USD 190 million per year on average over the past five years). At the same time, crop production plays a leading role (more than two thirds).

3.9. The export potential of agriculture is not fully realized due to the small scale of farms and problems in organizing product marketing.

3.10. An existing tax policy, according to which a single farmer working in the informal sector receives preferences in taxation and social insurance, is an obstacle to the enlargement of economic entities.

3.11. Lack of well-established market mechanisms and stable relations between the producers and processors of raw materials led to a significant part of the industry's products being sold unprocessed.

3.12. State policy in the agricultural sector is characterized by low fiscal pressure from the State, as a result of a liberal policy of state regulation of the sector.

3.13. State support mechanisms for the agricultural sector can be divided into two categories: general sectoral preferences and state support programmes.

3.14. Sectoral preferences may include favourable tax administration. The agricultural sector is exempt from VAT and income tax. The land tax has not been increased for a long time and does not play a significant role in the budget at any level. The livestock tax is small as well.

3.15. State support is provided in the form of implementing regulatory functions (norms and rules on mineral fertilizers, animal and plant protection facilities, and policies regarding the use of resources, including land and water), and maintaining the necessary institutional infrastructure.

3.16. During the period under review, programmes on supporting commodity producers by issuing commodity loans through the State Fund for Economic Development (SFED) under the Ministry of Finance of the Kyrgyz Republic were implemented, and the implementation of a number of programmes on improvement of financing of the agricultural sector, including the "Credits available to farmers"⁹ programme, was continued.

3.17. In 2013 the second phase of the support programme was launched, which significantly expanded the base for the provision of credit through a new scheme of subsidizing the government interest rate to commercial banks issuing loans to farmers. The interest rate for crops and livestock production was defined at the level of 10%, and 9% for processors and seed farms.

3.18. Agricultural mechanization was supported by the State, mainly through grants.

3.19. The PTSD for the Period of 2013-2017 contained financing of the irrigation system as a priority area aimed at raising land irrigation in a number of regions to expand areas of irrigated arable land.

3.20. The Concept for Development of the Agricultural Cooperative System in the Kyrgyz Republic for 2017-2021 is being implemented¹⁰, which provides solutions to problems of developing agricultural cooperatives and is intended to create necessary conditions for resolving financial and economic problems.

⁹ The "Credits available to farmers" programme of preferential loans to farmers under the Agricultural Financing Program provided more than KGS 18.3 billion in 2011-2016.

¹⁰ Decree of the Government of the Kyrgyz Republic of 21 April 2017, No. 237.

3.21. In the future, in order to resolve current problems, the creation of agro-industrial clusters is envisaged in agricultural production.

3.22. The priority direction of the Government's policy in agriculture will be state support for production and processing of agricultural products that are labour-intensive but create high value-added. The target guidelines for development of the industry will be the growth of production volumes and efficiency, overcoming small-scale commodities, improving the quality of agricultural products, ensuring the country's food security, and building the potential of the processing industry.

3.2 Industry

3.23. The ongoing reforms in the economy in accordance with the PTSD for 2013-2017, aimed at optimizing tax administration, adopting tax incentives, providing state support to exporters, creating quality infrastructure for industrial products, and reducing barriers to trade, contributed to the improvement of development indicators in industry.

3.24. For 2013-2019, the industry was characterized by positive growth rates. On average, its share in the structure of the country's GDP was about 18%, and nominal expression for the period under review increased by 69% from KGS 169.8 billion to KGS 284.0 billion. At the same time, this sector provided about 18% of tax revenues to the state budget and about 80% of the country's export supplies.

3.25. The main volume of industrial products (up to 90%) is produced by six key industries: (i) production of basic metals and finished metal products, except for machinery and equipment; (ii) production of food (including drinks) and tobacco products; (iii) production of coke and refined petroleum products; (iv) production of rubber and plastic products, and other non-metallic mineral products (construction materials); (v) textile production, production of clothing and footwear, leather and other leather products; and (vi) provision of electricity, etc.

3.26. The number of employees in industry amounted to 137,600 people in 2013, and 344,000 people in 2019, or about 5.8% and 14.4%, respectively, of the total number of working individuals.

3.27. The competitive advantages for development of industry in the Kyrgyz Republic are such factors as the existing educational base, the relatively low cost of production factors, and the moderate inflation level. Due to the low level of the population's income, the Kyrgyz Republic has comparative advantages for the development of labour-intensive industries.

3.28. At the same time, in order to provide state support to small enterprises under the implementation of the Program of the Government of the Kyrgyz Republic "Zhany doorgo kyrk kadam"¹¹, the "Microfinance of small-sized enterprises in the Kyrgyz Republic" programme was approved, which recognized the garment and textile industry was one of the priority sectors.

3.29. One of the priority areas was to increase the export potential of the manufacturing industry. To further promote exports of the garment industry, the Government of the Kyrgyz Republic intended to create a Technopolis.

3.30. Increasing the export potential was planned through: (i) the creation of a logistics centre in a Technopolis, both for the supply of finished products and for the import of raw materials; (ii) the development of the Strategy for promotion and protection of the brand "Made in Kyrgyzstan"; and (iii) the creation of a flexible policy of differentiated customs payments with respect to raw materials and finished products.

3.31. The source of funding for the programme was the funds of the Russian-Kyrgyz Development Fund. According to this programme, business entities implementing a cluster production system and participating in a value chain of operating clusters in priority sectors of the economy were given priority for credit. The marginal interest rate for small businesses was not more than 14%.

¹¹ Decree of the Government of the Kyrgyz Republic dated 28 December 2017, No. 593-r.

3.32. In priority sectors, the support measures take into account the integration capacities of the EAEU, including industrial cooperation and involvement in common production chains. An additional aspect of the policy to support industrial development will be expanding cooperation with large international industrial companies for launching new industries.

3.2.1 Mining industry

3.33. In terms of geology, the Kyrgyz Republic is characterized by a very complex structure. Many types of sedimentary, igneous and metamorphic rocks were created under different geodynamic conditions. More than 10,000 deposits of ore, energy, and non-metallic minerals have been discovered in the Kyrgyz Republic. The registered reserves of minerals include primary and placer gold reserves in 107 deposits amounting to 654.2 tonnes as of 1 January 2019; silver reserves in 23 deposits amounting to 257.2 tonnes as of 2019; and coal reserves in 45 deposits amounting to 1.5 billion tonnes¹² as of 1 January 2019.

3.34. Currently one large gold mine (Kumtor), located in the east of the country, accounts for almost 40% of total industrial production.

3.35. The mining company is the largest taxpayer and private sector employer in the Kyrgyz Republic. The Government receives about 20% of its revenue from the Kumtor mine. Gold exports, of which almost 98% comes from Kumtor, represent about 35% on average of Kyrgyz merchandise exports in recent years. Its dependency on a single source of income poses a significant risk for the Kyrgyz Republic, works are being carried out towards launching and developing other deposits.

3.36. The sector is regulated by such special laws as the Laws "On Subsoil"¹³, "On Coal"¹⁴, "On Subsoil and Gas"¹⁵, and "On Concessions".¹⁶ On 19 May 2018, a new version of the Law of the Kyrgyz Republic "On Subsoil" was adopted.

3.37. The National Development Strategy of the Kyrgyz Republic for 2018-2040 and the Program of the Government of the Kyrgyz Republic and the Concept for the Development of Regional Policy of the Kyrgyz Republic for 2018-2022¹⁷ emphasize the need to improve the efficiency of mining operations and introduce modern technologies with a minimum impact on the environment.

3.38. The Law of the Kyrgyz Republic "On Subsoil" of 2018 introduced a "social package" as a tool for establishing relationships between the local population and subsoil users and is aimed at reducing the opposition of the local population towards mining. The obligation to draw up a social package applies only to subsoil objects of national importance that are at the stage of exploration and operation.

3.3 Energy

3.39. The Kyrgyz Republic is an energy-deficient country. Its own energy resources cover 51% of its needs, mainly from electricity generated at hydroelectric power plants; the rest is covered by energy imports from neighbouring countries.

3.40. The country's hydropower resources are estimated at 142.5 billion kWh, of which 42% is economically profitable, and only about 10% of which is economically exploited. In the Commonwealth of Independent States (CIS) rating, the Kyrgyz Republic ranks third in terms of hydropower potential.

¹² Source: State Committee for Industry, Energy and Subsoil Use of the Kyrgyz Republic.

¹³ Law of the Kyrgyz Republic "On Subsoil" dated 19 May 2018, No. 49 (as of 23 March 2020, No. 29).

¹⁴ Law of the Kyrgyz Republic "On Coal" dated 3 February 1999, No. 18 (as of 18 July 2014, No. 144).

¹⁵ Law of the Kyrgyz Republic "On Subsoil and Gas" dated 8 June 1998, No. 77 (as of 20 November 2015, No. 19).

¹⁶ Law of the Kyrgyz Republic "On Concessions and Concession Enterprises in the Kyrgyz Republic" dated 6 March 1992, No. 850-XII (as of 30 July 2013, No. 178).

¹⁷ Decree of the Government of the Kyrgyz Republic "On Approval of the Concept for Development of Regional Policy of the Kyrgyz Republic" for the period of 2018-2022 of 31 March 2017, No. 194.

3.41. The Kyrgyz Republic has a high potential for renewable energy sources (RESs), which is estimated at 840.2 million tonnes of fuel equivalent per year. The main types of RESs in the Kyrgyz Republic are solar energy, energy from small rivers and streams, wind energy, energy from geothermal waters, and energy from biomass.

3.42. To date, the State Balance of Mineral Resources in the territory of the Republic includes 45 coal deposits with reserves of 1.535 billion tonnes, including brown coal (1.083 billion tonnes), bituminous coal (327.8 million tonnes), and coking coal (120.896 million tonnes). The volume of coal production is about 1.8 million tonnes, and the volume of imports is about 1 million tonnes.

3.43. The industrial reserves of oil and gas are small. Oil reserves amount to 88.34 million tonnes; extractable ores, 10.356 million tonnes; and natural gas, 3,995.4 million m³. The reserves are concentrated in the south of the country in 11 deposits, and they provide the country with less than 5% of its needs. Oil production is 85,000 tonnes, and imports are 600,000 tonnes. Imports of natural gas are 400 million m³. Gas is imported by Gazprom, a Russian company, which also transports, distributes, and sells gas in the Kyrgyz Republic. Gazprom acquired the only national distributor, Kyrgyzgaz, in 2014.

3.44. More than 3.1 million giga-calories of thermal energy are produced in the Republic annually. Electric boilers are quite important in the production of thermal energy.

3.45. Electricity generation and transmission accounts for more than 3% of GDP, which is about 15% of industrial production and more than 5% of government revenues.

3.46. More than 90% of domestic demand for electricity is satisfied by hydroelectric power plants. To date, the electricity is generated by 19 hydroelectric power stations and 2 thermal power stations, the total capacity of which is 3,788 MW. The total volume of electricity production for 2013-2019 was 13-15 billion kW per year.

3.47. During the years of market reform, the consumption of electricity by the population increased 3.3 times (due to affordability), while the consumption of coal decreased almost 3 times, gas 4 times, and heating oil 16 times.

3.48. The Kyrgyz Republic was a net exporter of electricity to neighbouring countries, but in 2014-2016 the shortage of electricity consumption in winter was covered by imports. Since 2017, electricity exports have exceeded imports.

3.49. The main problems of the energy sector for the period under review were natural and climatic (such as the dependence of energy supply on the water level in the Naryn river and water accumulation in Toktogul reservoir); the threat to energy security due to a shortage of energy capacity; the failure to meet the growing needs of the economy and population in fuel and energy resources; and global trends in the price of fuel and energy resources.

3.50. Problems in technical and technological spheres caused high losses of electricity and deterioration of energy equipment, a lag in the development of innovative technologies, a high level of GDP energy and carbon intensity, and an absence of long-term energy-saving policy. In the economic sphere, these were energy tariffs failing to cover the costs of energy companies and the lack of energy companies' own funds for development and modernization.

3.51. The action plan on reforming the energy sector was implemented in 2013 and 2014, which resulted in amendments to the Law of the Kyrgyz Republic "On Electricity"¹⁸ approval of the Medium-term Tariff Policy of the Kyrgyz Republic on electricity and thermal energy for 2014-2017¹⁹, and establishing a regulating body for tariff setting and licensing.

3.52. In February 2016, the JSC National Energy Holding Company was established with 100% state ownership. Subsequently, through the adoption of the Laws of the Kyrgyz Republic "On Special

¹⁸ Law of the Kyrgyz Republic "On Electricity" dated 28 January 1997, No. 8 (as of 24 July 2019, No. 99).

¹⁹ Decree of the Government of the Kyrgyz Republic "On Approval of the Medium-term Tariff Policy of the Kyrgyz Republic for Electric and Thermal Energy for 2014-2017" dated 20 November 2014, No. 660.

Status of Toktogul Cascade of Hydroelectric Power Plants and the National High-Voltage Power Line", "On Strategic Objects of the Kyrgyz Republic", and "On Privatization of State Property", the energy assets were included into the privatization program of the state property of the Kyrgyz Republic for 2015-2017.

3.53. Though the fuel and energy complex of the Kyrgyz Republic is regulated by a number of legislative and regulatory legal acts (RLAs), implementation of the adopted laws, strategies, programmes, and other governmental documents was not sufficiently carried out.

3.54. In the future, the sustainable and reliable supply of heat and heat energy in the Republic will be carried out, first of all, through the development of the coal industry and gas supply. The development of the coal industry is expected through technical re-equipment, modernization of existing coal enterprises, and the development of new deposits. In accordance with the general scheme of gas supply and gasification of settlements, the increase in gas supplies will be carried out through the import of natural gas.

3.55. To increase the share of energy from renewable sources in the country's energy balance, it will be necessary to create a mechanism for the practical implementation of these technologies and to carry out work to attract financial resources for the implementation of projects on RESs, including investments.

3.4 Tourism

3.56. The Kyrgyz Republic has a high touristic potential. The gross value added in the tourism sector in 2019 amounted to more than KGS 30 billion, and reached 4.9% of GDP, compared with 4.6% in 2013. The number of people employed in this area increased by 9.7% from 2013 to 2019, from 8,137 to 8,931 people.

3.57. The number of visits by tourists also has an upward trend. During the period under review, it increased by 29.4% from 1.38 million to 1.78 million people. The increase in the influx of foreign tourists was facilitated by the introduction of a visa-free regime for 44 countries in mid-2012. In 2016, the Kyrgyz Republic became one of the leaders in the ranking of the UN World Tourism Organization (UNWTO).

3.58. The development of tourism in the Kyrgyz Republic is hampered by limited air access to many destinations, high transport costs for foreign tourists, and poor road conditions.

3.59. Also, the development of the industry is hindered by facilities providing services that do not meet the requirements of international quality, safety, and environmental standards.

3.60. An important problem is incomplete and inaccurate registration of arriving foreign tourists. The existing system for registering the arrivals of foreign tourists does not reflect a complete and objective picture of the tourist flow to the Kyrgyz Republic and the impact of tourist expenses on the economy of the Republic. In addition, almost all of the money turnover in the tourism sector occurs in cash, which does not allow an assessment of the actual picture.

3.61. To improve the quality of tourist services and the safety of tourists, the following measures are envisaged: (i) the introduction of a mechanism of economic responsibility of tour operators and travel agencies in order to protect the rights of tourists; (ii) the creation of a specialized tourist rescue service; (iii) the improvement of the current professional standards of the main professions of workers in the tourism industry; (iv) the elaboration and implementation of training programmes that meet the needs of the modern tourism industry; and (iv) support for advanced applied research in the field of tourism.

3.62. The country's medium-term policy is aimed at increasing the efficiency of state regulation of the development of the tourism industry and promoting the improvement of quality and variety of tourism services and products.

3.63. The main directions of tourism development in the Kyrgyz Republic were determined in the Program of the Government of the Kyrgyz Republic for the Development of Tourism until 2020²⁰, adopted in 2016.

3.64. Recognizing that the tourism sector is one of the priority and export-oriented sectors of the economy of the Kyrgyz Republic, a new Program of the Government of the Kyrgyz Republic for the Development of the Tourism Sector for 2019-2023²¹ was adopted in 2019. The Action Plan reflects modern global trends in tourism and pays great attention to the socio-economic development of the country's regions.

3.5 Information and Communication Technologies

3.65. The widespread introduction of information technologies in production and management is a priority of the country's development policy.

3.66. In 2017, the Kyrgyz Republic became the first country in Central Asia to join the international Open Government Partnership (OGP) programme. It aims to fulfil the commitments of the governments of the participating countries to ensure transparency in governance, empower citizens, fight corruption, and use new technologies.

3.67. In 2017, the "Taza Koom" digital transformation programme was presented in the Kyrgyz Republic²², which systematizes the previously completed work in the direction of the digital economy.

3.68. The "Taza Koom"²³ programme is part of the National Development Strategy of the Kyrgyz Republic for 2018-2040. The medium-term objectives of the programme are to shift 186 public services to an online format. The programme is aimed at achieving goals related to the formation of digital infrastructure, creating a favourable environment, and increasing the efficiency of government agencies.

3.69. Under the programme, citizens of the Kyrgyz Republic can obtain electronic biometrical passports.

3.70. In the spring of 2018, a system of interdepartmental electronic interaction called "Tunduk"²⁴, which was designed to increase the efficiency of management in government bodies by ensuring the prompt receipt of data necessary for the provision of public services, was introduced.

3.71. At the end of 2019, 62 government agencies and 28 commercial organizations were connected to the "Tunduk" system.

3.72. At present, 40 government agencies exchange data through "Tunduk"; 438 services were developed for data transmission; and 99 databases were implemented in 26 state bodies.

3.73. The Plan for automation of requested and issued certificates by the state bodies was developed. In 2019, the issuance of 13 certificates was automated (including those on the citizenship of the Kyrgyz Republic, on the registration address, on the registration of taxpayers, on debts, on the availability of property, on the availability of a pension and insurance premiums, and on trademarks).

²⁰ Decree of the Government of the Kyrgyz Republic "Program of the Government of the Kyrgyz Republic for the Development of Tourism until 2020" dated 11 April 2016, No. 192.

²¹ Decree of the Government of the Kyrgyz Republic "Program of the Government of the Kyrgyz Republic for the Development of the Tourism Sector for 2019-2023" dated 31 January 2019, No. 36.

²² Viewed at: <http://tazakoom.kg>.

²³ Decree of the Government of the Kyrgyz Republic "On the Council for Electronic Governance and Development of Information and Communication Technologies ('Taza Koom') under the Government of the Kyrgyz Republic" of 19 May 2017, No. 297 (as amended by Decree of the Government of the Kyrgyz Republic of 28 March 2018, No. 159).

²⁴ Decree of the Government of the Kyrgyz Republic "On Approval of the Requirements for the Interaction of Information Systems in the System of Interdepartmental Electronic Interaction 'Tunduk'" of 11 April 2018, No. 200.

3.74. In March 2019, the "Safe City" system for preventing and fixing traffic violations, aimed at round-the-clock recording of the movement of motor vehicles and the prevention and disclosure of crimes, including those related to the use of vehicle, was launched on the streets of Bishkek city and highways of international importance in the Chui region. As part of the implementation of the first stage of the "Safe City" project, several types of cameras with different functionalities were installed at 110 sites in Bishkek city and Chui region

3.75. The National Digital Transformation Program "Taza Koom" (renamed as "Sanarip Kyrgyzstan") is the main reference point for accounting of technological measurement as a cross-cutting parameter.

3.76. The concept of digital transformation "Sanarip Kyrgyzstan" ("Digital Kyrgyzstan") for 2019-2023, approved by the Decision of the Security Council of the Kyrgyz Republic dated 14 December 2018, No. 2, defines the country's medium-term priorities in the field of digital transformation in accordance with Strategy 2040 and sets the following priority objectives: creating new opportunities for the population through the development of digital skills; providing high-quality digital services; increasing the efficiency, openness, and accountability of the public administration system; increasing the level of citizen involvement in processes of state and municipal decision-taking through the digital transformation of the public and municipal administration system; ensuring economic growth through the digital transformation of priority sectors of the economy; strengthening international partnerships; and creating new economic clusters.

3.77. Information systems and databases were introduced to minimize corruption risks, reduce time for servicing a population, speed up and simplify the procedures for receiving any relevant information on public services, and allow for making non-cash settlement when paying for public services and fines for violation of traffic rules under the "Safe City" project.

3.78. It should also be noted that the use of information systems in the population census will provide precise information about residential and non-residential premises, determine the exact population size in order to calculate the correct volume of GDP per capita, and ensure a gradual shift from hard-copy to electronic documentation that will contribute significantly to preserving the environment.

3.79. In accordance with Section V of Strategy 2040, the "Priority Development Directions of the Kyrgyz Republic until 2023", digital technologies will be introduced as a priority in such areas as education, healthcare, tourism, agriculture, telecommunications, banking, light industry, and construction.

4 TRADE POLICY

4.1 Trade in Goods

4.1. The foreign trade of the Kyrgyz Republic is characterized by a long-lasting surplus of imports that leads to serious macroeconomic consequences. This situation led to an excess of foreign trade turnover over GDP, before 2015.

4.2. The growth rates of foreign trade of the Kyrgyz Republic for 2013-2019 are negative; foreign trade turnover during this period fell by 12.7%, from USD 7.993 billion to USD 6.975 billion.²⁵ Exports in 2019 amounted to USD 1.986 billion and compared to 2013 decreased by 1%, so the imports amounted to USD 4.989 billion and decreased by 16.7%.

4.3. In 2015 when the Kyrgyz Republic joined the EAEU, the foreign trade turnover decreased to USD 5.636 billion, but in 2016 it reached a low of USD 5.573 billion.

4.4. The reasons for negative dynamics of foreign trade turnover were the decline in oil import prices, which caused a slowdown in economic growth in EAEU countries, a decrease in re-exports from the Republic due to the introduction of new rules, the inability of Kyrgyz producers to meet the

²⁵ Source: NSC KR, "Foreign Trade of the Kyrgyz Republic" for 2013-2020.

technical and phytosanitary requirements of the EAEU, and periodical problems of border control at checkpoints between the Kyrgyz Republic and Kazakhstan.

4.5. Since 2017, there has been a moderate recovery in the country's foreign trade; a positive fact was the increase in the share of exports in the structure of foreign trade turnover and a slight decrease in the trade deficit. In the structure of trade, the share of exports in 2019 accounted for 28.5%, and imports for 71.5%; in 2013 those percentages were 25.1% and 74.9%, respectively. The trade deficit in 2013 was USD 3.98 billion, up from USD 3.002 billion in 2019.

4.6. The Kyrgyz Republic carries out export deliveries with more than 130 countries both far and near. At the same time, the main role in the formation of export markets for the period under review is played by nine countries: Switzerland, Kazakhstan, the Russian Federation, Uzbekistan, Turkey, China, the United Arab Emirates, Tajikistan, and the United Kingdom. Supplies of products from Kyrgyz enterprises to these countries accounted for more than 90% of total exports.

4.7. During the period under review, the main export items of the Republic remained gold (its share remained more than one third of total export volume; in the last two years it was less than half), agricultural products (cotton fibre, leather raw materials, tobacco, vegetables and fruits, nuts, and honey), electricity, mineral ores, clothing and accessories, and footwear, which make up almost 70% of the total export supplies.

4.8. The supply of electricity, cotton fibre, and tobacco over the period under review has a downward trend and currently accounts for only about 1%-2% of total exports, while supplies of dairy products, knitwear and textile clothing, and mineral ore are growing.

4.9. In the geographical structure of imports, the Russian Federation, China, Kazakhstan, Uzbekistan, Turkey, and Germany remain as traditional suppliers of imported products. Their share in the total imports of the country was 50.1% in 2019 and 75.5% in 2013.

4.10. Apart from fuel and energy resources, the main import items are machinery and equipment, means of transport, clothing and footwear, fabrics and threads, pharmaceutical products, and rolled ferrous metals and their products.

4.11. In order to expand export opportunities and increase the competitiveness of domestic producers in external markets, the Plan of the Government of the Kyrgyz Republic on Export Development of the Kyrgyz Republic for 2015-2017 was adopted.²⁶ The Plan identified six priority sectors: tourism; textile and clothing; meat; fruit and vegetables; milk and dairy products; and bottled water.

4.12. The objectives of the Plan were addressed within four areas: access to trade information and export promotion; simplification of trade procedures; support and development of quality infrastructure; and access to financial resources.

4.13. In 2018, the Government of the Kyrgyz Republic adopted the Export Development Program for 2019-2022 and an Action Plan for its implementation. The programme focuses on the development of four sectors (garment, dairy, fruit and vegetable processing, and green and innovative instrument engineering) and three cross-sectoral areas (quality infrastructure, access to finance, and export promotion).

4.14. The relations of the Kyrgyz Republic with foreign states in the field of foreign trade activities are built on the basis of compliance with obligations arising from international treaties of the Kyrgyz Republic.

4.15. Since the entry into force of the Treaty on the Accession of the Kyrgyz Republic to the Treaty on the EAEU, the national legislation was brought in line with the Treaty on the EAEU.²⁷

²⁶ Decree of the Government of the Kyrgyz Republic of 31 March 2015, No. 174.

²⁷ Thirty-nine laws of the Kyrgyz Republic and 51 decisions of the Government of the Kyrgyz Republic were adopted.

4.2 Trade in Services

4.16. The services sector occupies the main share in structure of the country's GDP; in 2013 it amounted to 46.5%, and in 2019 46.9%. A foreign trade turnover in services in kind in 2019 amounted to USD 2.103 billion; in 2013 it was USD 2.192 billion, a decrease of 4.2%. At the same time, the balance of international services was negative, except in 2019, which amounted to USD 61.9 million.²⁸

4.17. A significant item in the total volume of services is represented by services in the field of tourism and travel, which in 2019 accounted for 49.2% or USD 1.034 billion, the volume of which increased by 12.5% compared to 2013.

4.18. The second important export item is transport services, the share of which in the total volume of services in 2019 amounted to 34.5% or USD 725.0 million.

4.19. Compared to 2013, the volume of transport services in 2019 decreased by USD 1.4 million, which was due to a decrease in the country's foreign trade turnover. In addition, in the field of transport services, there has been a slowdown in freight turnover in railway transport since 2012 and a decrease in this indicator in 2015-2016 by about 12%, which was related to the introduction and operation of a unified tariff for railroad transportation of goods between the Kyrgyz Republic and Kazakhstan and the small-scale nature of merchandise export.

4.20. The next sector in order of importance is telecommunications, computer and information services, the share of which in 2019 amounted to 1.8%; compared with 2013, the share decreased by 0.2%, and the volume of this service decreased by 13.2%. Due to the global trend of replacing traditional communication services, users of communication services are switching to data transmission through various Internet applications.

4.21. Employment in the services sector for the period under review had an upward trend. In 2013 it employed 47.2%, and in 2019 almost 55% of the working-age population, or 1.068 million people in 2013 and 1.343 million people in 2019, indicating that the services sector remains the largest source of employment in the Kyrgyz Republic.

4.22. The tax revenues from this sector also comprise a significant share of total tax revenues, but the tax burden in this sector is significantly lower than the tax burden of the industry sector and is only about 12.2%.

4.23. The main trade partners of the Kyrgyz Republic in the services sector are Kazakhstan and the Russian Federation, and in recent years Tajikistan and Uzbekistan. Most of the services exports of the Kyrgyz Republic go to the EAEU countries, which are distinguished by a high degree of integration and few restrictions applied to services.

4.24. The export of services, in contrast to the export of goods, is not so vulnerable in terms of logistical issues, requirements for quality of goods, phytosanitary and other border controls, and political measures. All of these advantages give reason to predict in the near future the leadership of the services industry in international trade due to the development of tourism and transport services.

4.3 Customs Regulation

4.25. Since the accession of the Kyrgyz Republic to the EAEU in 2015, the customs, tariff, and non-tariff regulation has been carried out in accordance with the legal framework of the EAEU.

4.26. The legal basis for customs-tariff regulation in the Kyrgyz Republic is the Treaty on the EAEU dated 29 May 2014, the Customs Code of the EAEU, and the Law of the Kyrgyz Republic "On the Customs Regulation" dated 24 April 2019, No. 52.

4.27. As a member of the EAEU, the Kyrgyz Republic applies the Commodity Nomenclature of Foreign Economic Activity (CN FEA) of the EAEU and the rates of the Common Customs Tariff of the

²⁸ Source: NSC KR.

EAEU (CCT EAEU), except for 166 commodity subheadings, in respect of which reduced customs duty rates were applied (transition period expired on 31 December 2020).

4.28. Before accession of the Kyrgyz Republic to the EAEU, the applied average import customs tariff was in the range 5.0%-5.2%, while the level of bound customs tariff was under 7.4%. After the country's accession to the EAEU, the customs tariff increased to 9.4%. As of the end of 2020, the applied customs tariff level was 6.7%.

4.29. Since joining the EAEU, the Kyrgyz Republic has implemented tariff quotas on the import of certain agricultural products.

4.30. Until 2020, it was allowed to import into the Kyrgyz Republic raw cane sugar of sub-items for industrial processing with exemption from import customs duties in the amount of not more than 100,000 tonnes per year.

4.31. Preferences for payment of import customs duties were also introduced to six important infrastructure projects within the framework of international treaties of the Kyrgyz Republic signed before 1 April 2015, prior to the termination of these international treaties.

4.32. Until 31 December 2022, the Kyrgyz Republic has been granted an exemption from import customs duty in respect of military products imported into its territory to satisfy the needs of the Armed Forces of the Kyrgyz Republic, the analogues of which were not produced in the EAEU, as well as certain types of civil helicopters and civil passenger and cargo aircrafts.

4.33. The legal framework of the EAEU envisages the provision of tariff preferences in relation to certain commodity items, the conditions for the provision of which are regulated by decisions of the bodies of the Eurasian Economic Commission (EEC).

4.34. The Kyrgyz Republic applies the Unified System of Tariff Preferences for the import of goods from developing and least developed countries.

4.35. In view of the accession of the Kyrgyz Republic to the EAEU, in accordance with the provisions fixed in the Protocol on negotiations with WTO Members to modify tariff commitments taken earlier by the Kyrgyz Republic²⁹, compensatory negotiations are underway.

4.3.1 Trade facilitation

4.36. The Kyrgyz Republic joined the Trade Facilitation Agreement (TFA) in November 2016.³⁰ Notifications for Category A, B, and C commitments have been submitted. The National Trade Facilitation Council was established.³¹ The Plan for implementation of the TFA was developed. The Plan identified priority areas such as access to information, indicators at the border, transit, and export.

4.37. In order to increase the effectiveness of work at customs checkpoints, modern inspection complexes have been installed.

4.38. A "Single Window Information System", the TULPAR-SYSTEM, was launched, to which more than 30 government agencies have been connected. The total number of platform users was over 35,000 in 2019.

4.39. Since 2016, the provision of preliminary information on goods imported into the customs territory by road has been mandatory in the Kyrgyz Republic. A preliminary information procedure

²⁹ Paragraph 41 of the Annex to the "Protocol on the Conditions and Transitional Provisions for the Application by the Kyrgyz Republic of the Treaty on the Eurasian Economic Union of 29 May 2014".

³⁰ Law of the Kyrgyz Republic "On Ratification of the Protocol on Amendments to the Marrakesh Agreement establishing the World Trade Organization, adopted on 27 November 2014 in Geneva" was adopted on 22 November 2016, No. 183.

³¹ Decree of the Government of the Kyrgyz Republic "On Trade Facilitation Council in the Kyrgyz Republic" of 18 July 2017, No. 435.

is carried out at the external checkpoints of the Kyrgyz Republic (at its borders with China, Uzbekistan, and Tajikistan).

4.40. The movement of goods from EAEU member States was simplified; the procedure for inspection and registration of goods imported from EAEU member States was excluded. All customs procedures and sanitary and phytosanitary (SPS) controls were terminated on the Kyrgyz-Kazakh border.

4.41. At present, the conditions for transit through the territory of the Kyrgyz Republic correspond to the overwhelming majority of the provisions of Article 11 "Freedom of Transit" of the TFA.

4.42. From the moment of the accession of the Kyrgyz Republic to the EAEU, the procedure of taking preliminary decisions on classification of goods in accordance with the EAEU Commodity Nomenclature was applied. It is planned to consider the possibility of issuing preliminary decisions on determination of the customs value and the country of origin.

4.43. According to the Customs Code of the EAEU, the institution of an authorized economic operator, which has a positive impact on the process of simplifying international trade and transit, was introduced.

4.44. By decision of the Government of the Kyrgyz Republic, the list of perishable products, in respect of which permits are issued on a priority basis when imported into the Kyrgyz Republic, was approved.

4.45. Further, it was planned to develop and implement an interdepartmental system of veterinary, phytosanitary, and sanitary risk management and notification to strengthen control and inspections.

4.46. Work on the introduction of a national tracking system for goods subject to sanitary-epidemiological and veterinary control (surveillance) is underway (unified automated control system (UACS)).

4.4 Non-Tariff Regulation

4.47. Before joining the EAEU, the application of safeguard, anti-dumping, and countervailing measures in the territory of the Kyrgyz Republic in relation to third countries was regulated by national legislation.

4.48. In order to protect the interests of the domestic flour-grinding industry, by the Decree of the Government of the Kyrgyz Republic dated 4 March 2014, No. 119, a special safeguard duty was introduced on the import of wheat flour into the territory of the Kyrgyz Republic at the rate of 3 KGS/kg. This resolution was in effect until the entry into force of the Treaty on the Accession of the Kyrgyz Republic to the Treaty on the EAEU.

4.49. After joining the EAEU, the Kyrgyz Republic applies a common trade remedy mechanism in relation to the import of goods from third countries.

4.50. The decision to apply a safeguard, anti-dumping, or countervailing measure, to modify or terminate a safeguard, anti-dumping, or countervailing measure, or to not apply a measure is taken by the EEC following an investigation, which is conducted in accordance with Annex No. 8 to the Treaty on the EAEU.³² No safeguard investigations are conducted in the EAEU member States at the national level.

4.51. The licensing of the export and import of specific goods in the Kyrgyz Republic is regulated in accordance with the Decision of the Board of the Eurasian Economic Commission dated 21 April 2015, No. 30, "On measures of non-tariff regulation". The licensing of the export and import of dual-use and military goods is regulated by national legislation.

³² Viewed at:
http://www.eurasiancommission.org/ru/act/trade/podm/mery/Pages/measures_list_applied.aspx.

4.52. In exceptional cases, a member State of the EAEU in trade with third countries may unilaterally apply temporary restrictions on the import and export of certain goods.

4.4.1 Technical regulation

4.53. In the field of technical regulation, during the period from 2013 to 2015, the national technical regulations were in force in the Republic, establishing mandatory requirements for objects of technical regulation, as well as rules for product identification and conformity assessment procedures.

4.54. Since joining the EAEU, in accordance with the Treaty on the EAEU, the Kyrgyz Republic implemented a unified policy in the field of technical regulation, ensuring the uniformity of measurements and the application of SPS measures. From the date of entry into force of the technical regulation of the Customs Union/EAEU, the corresponding national technical regulations of the Kyrgyz Republic were recognized as invalid.

4.55. Within the EAEU, 49 technical regulations of the CU/EAEU were adopted, of which 43 entered into force.

4.56. The document confirming the compliance with technical regulations of the EAEU, depending on the type of product, is either the certificate of conformity or the declaration of conformity, drawn up according to the Unified Forms of the EAEU.

4.57. In terms of standardization, the total number of adopted national standardization documents – national standards of the Kyrgyz Republic (KSS), national standards of the Russian Federation (NS GOST R), national standards of foreign countries (NS FC), and interstate standards (GOST) – amounted to about 7,000 units. Amongst them, 611 units were harmonized with International Organization for Standardization (ISO), 690 units with interstate standards (International Electrotechnical Commission (IEC)), and 238 units with the Codex Alimentarius.

4.58. As of the end of 2019, about 51% of national standardization documents were harmonized with international and regional standards.

4.59. In 2015, the Kyrgyz Republic became a member of the Standards and Metrology Institute for Islamic Countries (SMIIC).

4.60. In terms of metrology, the regulatory framework of the Kyrgyz Republic in the field of ensuring the uniformity of measurements was established. The Kyrgyz Republic, as a member of the Interstate Council for Standardization, Metrology and Certification of the Commonwealth of Independent States (EASC CIS), an associated member of the International Organization for Legal Metrology (OIML), a member of the Euro-Asian Cooperation of National Metrological Institutions (COOMET), constantly improves the regulatory framework and harmonizes with documents of the EASC, OIML, and EAEU.

4.61. The activities in the field of ensuring the uniformity of measurements are regulated by the Law of the Kyrgyz Republic "On Ensuring the Uniformity of Measurements" adopted in 2012.

4.62. A system for ensuring the uniformity of measurements was created in the Republic, consisting of a state body for metrology, a national body for metrology, private metrological laboratories, and state surveillance.

4.63. In accordance with the Treaty on the EAEU, the unified regulatory documents have been adopted. These documents govern the procedures for approving the type of measuring instruments and standard samples, verification of measuring instruments, metrological certification of a measurement technique (method), and rules for the mutual provision of information in the field of ensuring the uniformity of measurements contained in the information funds of EAEU member States.

4.64. The national accreditation system was brought into line with international norms and rules and complies with the requirements of the EAEU.

4.65. In 2013, the Kyrgyz Center for Accreditation (KCA) became a full member of the International Laboratory Accreditation Cooperation (ILAC) and a signatory to the Agreement on Mutual Recognition of CAB Accreditation (ILAC-MRA) in the field of accreditation of testing and calibration laboratories. In 2018, KCA received the status of a full member of the International Halal Accreditation Forum (IHAF).

4.66. In order to create conditions for the development of the halal industry in the Kyrgyz Republic, in 2015 the Government adopted the Concept for the Development of the Halal Industry in the Kyrgyz Republic for the Period 2017-2020 and the Action Plan for its implementation.³³

4.4.2 Sanitary and phytosanitary measures

4.67. The procedures for veterinary and phytosanitary certification are established by the legislation of the Kyrgyz Republic on the basis of the relevant international standards of the World Organisation for Animal Health and the International Plant Protection Convention (IPPC).

4.68. In the process of the accession of the Kyrgyz Republic to the EAEU, the Government approved the quarantine phytosanitary rules of the Kyrgyz Republic³⁴ and priority veterinary and sanitary requirements for the prevention of animal diseases³⁵, which were aimed at ensuring appropriate changes in the rules of sanitary, phytosanitary, and veterinary measures for harmonization with the legal framework of the EAEU. The Concept for the Development of the National Quality Infrastructure of the Kyrgyz Republic for the Period up to 2020 is also aimed at achieving these goals.³⁶

4.69. In accordance with the Treaty on the EAEU, the sanitary and epidemiological surveillance in the country is carried out at 22 sanitary control points. According to the latest changes in national legislation, the issuance of a number of sanitary and epidemiological certificates has been cancelled.

4.70. The phytosanitary control on the state border with Uzbekistan, Tajikistan, and China is carried out at 13 phytosanitary control points and 2 international airports (Manas airport and Osh airport), terminals, temporary storage warehouses, and internal stationary phytosanitary control posts.

4.71. Four plant quarantine laboratories operate in the Republic; five veterinary laboratories were accredited in the cities of Bishkek and Osh; and one phytosanitary laboratory is in the process of accreditation.

4.72. In order to implement a comprehensive state strategy on phytosanitary measures, the Government of the Kyrgyz Republic approved the Framework Program for Ensuring Phytosanitary Safety in the Kyrgyz Republic for 2019-2023.³⁷ The document defines the main priorities for the development of the phytosanitary service and makes it possible to achieve a decrease in the number of quarantine pests by 2023 by conducting a systematic analysis of pest risk in accordance with international standards and determining zones free from quarantine pests.

4.5 Investment Policy

4.73. As a result of the intensification of investment and construction activities in the Republic, the use of investments in non-financial assets in 2013-2019 steadily increased and amounted to KGS 191.6 billion in 2019, having increased by 1.7 times compared to 2013. The volume of investments in fixed assets in 2019 amounted to KGS 181.0 billion, which is also 1.7 times more than in 2013.

³³ Decree of the Government of the Kyrgyz Republic "On Approval of the Concept of Development of the Halal Industry in the Kyrgyz Republic" dated 22 June 2015, No. 385.

³⁴ Decree of the Government of the Kyrgyz Republic "On Approval of Quarantine Phytosanitary Rules of the Kyrgyz Republic and Regulation on the Procedure for Issuing Phytosanitary, Re-export Phytosanitary and Quarantine Certificates" dated 18 June 2015, No. 376.

³⁵ Decree of the Government of the Kyrgyz Republic "On Approval of Priority Veterinary and Sanitary Requirements for the Prevention of Animal Diseases" dated 18 June 2015, No. 377.

³⁶ Decree of the Government of the Kyrgyz Republic "On Approval of the Concept of Development of the National Quality Infrastructure of the Kyrgyz Republic for the Period up to 2020" dated 22 June 2016, No. 346.

³⁷ Decree of the Government of the Kyrgyz Republic "On Approval of the Framework Program for Ensuring Phytosanitary Safety in the Kyrgyz Republic for 2019-2023" dated 18 July 2019, No. 354.

4.74. During the period under review, in the structure of investments in fixed assets by type of investment, the main share (from 72% to 81%) was represented by investments aimed at the construction of non-residential buildings and structures, as well as the purchase and installation of machinery, equipment, and inventory. The growth of economic activity in the Republic largely depends on the inflow of foreign investment, which in 2019 amounted to more than USD 7 billion (excluding outflow), which is 1.3 times more than in 2013.

4.75. During the period under review, the largest share in the volume of foreign investments received was represented by other investments, the share of which ranged from 63% to 87%.

4.76. The volume of inflows of foreign direct investment (excluding outflows) in 2019 amounted to slightly more than USD 1 billion, an increase of only 11.7%, compared to 2013.

4.77. The highest priority economic activities for investment are manufacturing; professional, scientific, and technical activities; mining; construction; financial intermediation and insurance; and information and communication.

4.78. The main investing countries in recent years were China, Canada, the Russian Federation, Kazakhstan, Switzerland, Turkey, the United Kingdom, the Netherlands, and Uzbekistan.

4.79. The Kyrgyz Republic signed the Agreement on the Avoidance of Double Taxation with 21 countries and the Agreement on the Protection of Foreign Investments with 27 countries.

4.80. The Kyrgyz Republic created fairly liberal investment legislation based on the principles of the most-favoured nation treatment. Investment policy in the Kyrgyz Republic is aimed at improving the investment climate and stimulating the attraction of domestic and foreign investments by providing a fair, equal legal regime to investors and guaranteeing the protection of their investments in the economy of the Kyrgyz Republic.

4.81. Amendments were made to the Law of the Kyrgyz Republic "On Investments in the Kyrgyz Republic" in 2016-2018, by which investors granted with the right for free conversion of the national currency of the Kyrgyz Republic to any other currency for any payment related to investment in the country.

4.82. Investment-related money transfers in foreign currency to and from the Kyrgyz Republic are carried out freely and without restriction on the procedure established by the legislation of the Kyrgyz Republic. Rules introduced into the legislation of the Kyrgyz Republic that limit money transfers in foreign currency to the Kyrgyz Republic and beyond will not apply to foreign investors.³⁸ A stabilization regime was also introduced in the country – an investor or an investing enterprise, within 10 years from the date of signing a stabilization agreement, has the right to choose the most favourable conditions on tax payments, including value added tax (but excluding other indirect taxes), and non-tax payments (except for payments for services rendered by government agencies).

4.83. The existing investment incentives and preferences are reflected in the Guide for Investors on Existing Investment Preferences in the Kyrgyz Republic and the Register of Investment Incentives. The mechanism of public-private partnership was legally approved, and the Program for the Development of Public-Private Partnership defines its application in five areas: (i) transport (roads, bridges, railways, and airports); (ii) ecology and water supply (waste management, water supply, and sewerage); (iii) energy (central heating system, street lighting, and power distribution); (iv) social sector (health care, education, sports and tourism, and culture); and (v) informatization and public administration (e-government, Internet distribution).

4.6 Public Procurement Policy

4.84. The legal and regulatory framework for regulating the country's procurement is the Law of the Kyrgyz Republic "On Public Procurements" dated 3 April 2015, No. 72, and a number of RLAs.

³⁸ The Law of the Kyrgyz Republic "On Investments in the Kyrgyz Republic", as amended by Law of the Kyrgyz Republic No. 207 of 16 December 2016, and Law of the Kyrgyz Republic No. 39 of 13 April 2018.

4.85. The public procurement system of the Kyrgyz Republic is based on the principles of publicity, openness, legality, and impartiality in relation to suppliers (contractors). The legislation in the field of public procurement regulates the procedure for conducting procurement in the Kyrgyz Republic, clearly distinguishes the powers and functions of stakeholders, and provides for an appeal mechanism during procurement procedures.

4.86. According to the current legislation in the field of public procurement, purchasing organizations are all budgetary organizations, state and municipal enterprises, and joint stock companies with a state share of 50% or more. At the same time, the suppliers (contractors) can be individual entrepreneurs, representatives of small and medium-sized businesses, representatives of large enterprises and companies, limited liability companies, joint stock companies, and enterprises of any form of ownership, both domestic and foreign, that have the necessary experience, paying taxes and social security contributions in a timely manner, and comply with other criteria applied by a customer.

4.87. The RLAs do not regulate the procurement directly associated with national security, defence, protection of state secrets, or natural disasters. The law does not apply to procurement of goods from societies of disabled people or to procurement of works and services from individual entrepreneurs with physical disabilities.³⁹

4.88. The Law "On Public Procurement" provides for a preferential regime for participation in public procurement for domestic suppliers. Starting from 2015, all public procurement has been carried out electronically on a public procurement portal.⁴⁰ Currently, 27,590 suppliers (contractors) and 4,072 procuring entities are registered on the public procurement portal.

4.7 Protection of Intellectual Property Rights

4.89. For 2013-2019, the legislation of the Kyrgyz Republic in the field of intellectual property was harmonized in accordance with the requirements of international standards that also have determined the obligations of the Kyrgyz Republic during its accession to the EAEU. During that period, the grounds were provided for the development of innovative activities as a result of implementation of the State Program for Development of Intellectual Property and Innovation in the Kyrgyz Republic for 2012-2016.⁴¹

4.90. Conditions were created for an international exchange of information in the field of intellectual property and innovation through participation in various forums, including the use of global networks. A national network of the Technology and Innovation Support Center was established, and the conditions were created for raising the qualifications and development of methodological support in the field of intellectual property to law enforcement officers and other interested government agencies.

4.91. During 2013-2016, a number of changes and supplements were introduced into the legislative and institutional framework related to the protection of intellectual property rights, which eliminated contradictions between the Laws of the Kyrgyz Republic in the field of intellectual property and the Civil Code of the Kyrgyz Republic. In particular, these changes provided for an increase in the amount of an administrative fine imposed on citizens for the production, acquisition, storage, sale, rental, or other illegal use of copies of works or phonograms for commercial purposes. It was also envisaged to refer criminal cases initiated in accordance with the Criminal Code of the Kyrgyz Republic "Violation of copyright, related rights and rights of patent holders" to cases of private-public prosecution, and the consequences of such cases should be attributed to the competence of bodies for combating economic crimes.

4.92. In 2017, the Kyrgyz Republic joined the Marrakesh Treaty to facilitate access to published works adopted for persons who are blind, visually impaired, or otherwise print disabled, adopted on 27 June 2013 in Marrakesh.

³⁹ Decree of the Government of the Kyrgyz Republic "On the Implementation of the Law of the Kyrgyz Republic 'On Public Procurement of Goods from Societies of Disabled People of the Kyrgyz Republic'" dated 25 March 2016, No. 150.

⁴⁰ Viewed at: <http://zakupki.gov.kg>.

⁴¹ Decree of the Government of the Kyrgyz Republic of 23 September 2011, No. 593.

4.93. In 2017, the Kyrgyz Republic ratified the Protocol amending the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement).⁴² The adopted Protocol will enable the Kyrgyz Republic to address the issues associated with access to medicines, as it has insufficient production capacity in the pharmaceutical sector and is forced to import medicines from other countries.

4.94. In July 2017, the Government approved the State Program for the Development of Intellectual Property in the Kyrgyz Republic for 2017-2021. A particular feature of the new approach is capacity building for creating intellectual property through the formation of government orders, expanding the use of IT technologies, and transferring technologies and technological platforms through the EAEU and the Russian-Kyrgyz Development Fund.

4.95. The Kyrgyz Republic has bilateral agreements on cooperation in the field of intellectual property with the following countries: the Russian Federation, Uzbekistan, Kazakhstan, Azerbaijan, Armenia, Turkey, China, and Belarus.

4.96. Foreign legal entities or individuals permanently residing outside the Kyrgyz Republic or their patent attorneys conduct business related to the registration of a trademark through patent attorneys registered in Kyrgyzpatent.⁴³

4.97. Today, there are 29 certified patent attorneys in the Kyrgyz Republic.⁴⁴

4.98. As of 31 December 2019, there are actually 312 trademarks in the Customs Register of Intellectual Property Objects. The Customs Register contains alcoholic and tobacco products, confectionery, soap, detergents, cosmetics and hygiene products, medicines, and spare parts for vehicles.

4.99. To protect intellectual property objects at the border, the customs authorities of the Kyrgyz Republic strengthened control when placing the goods containing intellectual property objects under customs procedures, which are included in the Customs Register of Intellectual Property Objects.

4.100. The customs authorities take measures to protect intellectual property rights provided for in Article 124 of the EAEU Customs Code and Article 107 of the Law "On Customs Regulation".⁴⁵

4.101. The legislation of the Kyrgyz Republic establishes civil, administrative, and criminal liability for violation of intellectual property rights. As part of the judicial and legal reform in 2019, amendments were made to the RLAs of the Kyrgyz Republic concerning the liability of violation of copyright, related rights, and the rights of patent holders⁴⁶; illegal use of someone else's trademark, service mark, geographical indication, or similar designations for homogeneous goods⁴⁷; and illegal production of counterfeit copies of works or phonograms, computer programs, or databases for the purpose of marketing.⁴⁸

4.102. According to the general rule, intellectual property rights are judicially protected. These disputes fall under the jurisdiction of state courts.

⁴² Law of the Kyrgyz Republic "On Ratification of the Protocol on Amendments to the Agreement on Trade-Related Aspects of Intellectual Property Rights" dated 15 April 1994, signed on 6 December 2005 in the city of Geneva" dated 22 November 2017, No. 192.

⁴³ Article 6, part 3, of the Law of the Kyrgyz Republic "On Trademarks, Service Marks and Appellations of Origin of Goods" dated 14 January 1998 (with the latest amendments dated 6 February 2014, No. 28).

⁴⁴ Viewed at: <http://patent.kg/index.php/ru/attorneys.html>.

⁴⁵ Law of the Kyrgyz Republic "On Customs Regulation" dated 29 April 2019, No. 52.

⁴⁶ Criminal Code of the Kyrgyz Republic, Article 199 ("Infringement of copyright, related rights and rights of patent holders") and Article 218 ("Illegal use of identifications of goods (works, services)").

⁴⁷ Criminal Procedure Code of the Kyrgyz Republic dated 15 May 2019, No. 62, Article 23 ("Types of criminal prosecution") and Article 153 ("Investigative jurisdiction").

⁴⁸ Code of the Kyrgyz Republic "On Offences", Article 104 ("Illegal manufacture of counterfeit products").

4.103. Further objectives in the field of intellectual property are capacity building in creating intellectual property objects, improvement of mechanisms to receive and protect the rights for intellectual property objects, and establishing conditions for the use of intellectual property objects.

4.8 Competition Policy and Business Environment

4.104. The main regulatory legal act governing competition law in the Kyrgyz Republic is the Law "On Competition"⁴⁹, which defines the organizational and legal framework for the protection and development of competition and is aimed at preventing, limiting, suppressing monopolistic activities and unfair competition, and providing conditions for the creation and effective functioning of the markets of the Kyrgyz Republic.

4.105. In 2013-2019, activities to improve antimonopoly legislation were carried out in the Kyrgyz Republic, in particular, the norm aimed at assessing the impact on competition of adopted and existing RLAs regulating entrepreneurial activity, which contributes to the prevention of the adoption of RLAs restricting competition, was introduced.

4.106. Following the accession of the Kyrgyz Republic to the EAEU, the Laws of the Kyrgyz Republic "On Competition", "On Natural and Permitted Monopolies in the Kyrgyz Republic"⁵⁰, and "On Advertising"⁵¹ were brought into accordance with the legal framework of the EAEU.

4.107. With the adoption of the Law of the Kyrgyz Republic "On Amendments and Additions to the Law of the Kyrgyz Republic 'On Natural and Permitted Monopolies in the Kyrgyz Republic'", the state regulation of permitted monopolies (dominating in the market) was cancelled, and interference in business activities by the State was limited.

4.108. Amendments were introduced into the Law of the Kyrgyz Republic "On Competition", providing for the introduction of the institution of caution, which is one of the mechanisms for supporting entrepreneurs.

4.109. The Law was also supplemented with an article providing for cases of state or municipal preferences. A number of norms aimed at improving antimonopoly regulation were also introduced.

4.110. Two state bodies regulating the activities of natural monopoly entities within the framework of the Law of the Kyrgyz Republic "On Natural Monopolies in the Kyrgyz Republic" operate in the Republic: the State Agency for Regulation of the Fuel and Energy Complex under the Government of the Kyrgyz Republic, regulating the activities of natural monopoly entities in the energy sector, and the State Agency for Anti-monopoly Regulation under the Government of the Kyrgyz Republic, working with natural monopoly entities in other areas of the economy.

4.111. Regulation is aimed at achieving a balance of interests of consumers and natural monopoly entities, ensuring the availability of goods (works and services) sold by them to consumers, as well as the effective functioning of natural monopoly entities. To this purpose, government agencies consider settlement materials and set prices and tariffs for goods and services of natural monopoly entities, and agree on the contract formats for the supply (purchase) of goods (services) and rules for the provision of services.

4.112. Tariffs for electricity and heat are set within the framework of the medium-term tariff policy for electricity and heat, approved by the Government of the Kyrgyz Republic.

4.113. Further, work will continue in order to improve antimonopoly legislation; in particular, it is necessary to eliminate the problem of finding a comparable market, introduce a ban on other anti-competitive agreements, and introduce a rule enabling the antimonopoly body to control economic concentration in the process of establishing economic entities. In addition, in order to

⁴⁹ Law of the Kyrgyz Republic "On Competition" dated 22 July 2011, No. 116 (with amendments and additions of 22 July 2019, No. 96).

⁵⁰ Law of the Kyrgyz Republic "On Natural and Permitted Monopolies in the Kyrgyz Republic" dated 8 August 2011, No. 149 (with amendments and additions dated of 17 May 2019, No. 64).

⁵¹ Law of the Kyrgyz Republic "On Advertising" dated 24 December 1998, No. 155/116 (with amendments and additions of 21 January 2015, No. 23).

protect entrepreneurs from penalties that violated the rules of competition that did not entail harmful consequences, it is proposed to introduce the institution of prevention.

4.114. Also, work will be carried out to reduce the spheres of natural monopolies and transfer them to a competitive market.

4.8.1 Business environment

4.115. The business climate in the country is gradually improving, as evidenced by the positive dynamics of positions in international rankings, as well as the growth in retail trade and cross-border transfers.

4.116. In 2013 and 2019, the Kyrgyz Republic ranked 70th of 190 countries in the World Bank's Doing Business report.

4.117. In the rating of the World Economic Forum, reflecting the country's competitiveness, the Kyrgyz Republic in 2019 ranked 96th of 140 countries, but in 2013 it ranked 126th.

4.118. In 2019, more than 300 large enterprises (with approximately 96,000 people) and 17,000 small and medium-sized enterprises operated in the territory of the Kyrgyz Republic, of which 16,200 were small enterprises and 800 were medium-sized enterprises. The number of medium-sized enterprises has not changed since 2013, and the number of small enterprises increased by 38.5% (up from 11,700). Small and medium-sized businesses carry out their activities in wholesale and retail trade; repair of cars and motorcycles; industry; and professional, scientific, and technical activities.

4.119. The number of individual entrepreneurs who registered in the territory of the Kyrgyz Republic as of 1 January 2020 amounted to 411,400 people or 16.8% of the total number of people employed in the economy. As of 1 January 2014, the number amounted to 329,700 people, or 14.6% of the total number of people, employed in the economy.

4.120. On average, for 2013-2019, the share of gross value added produced by small and medium-sized business entities amounted to about 40% of GDP. The number of people employed in small and medium-sized businesses (excluding peasants and farmers) tended to grow. In 2019, there were 107,800 people, or 4.4% of the total number of people, employed in the economy; in 2013, there were 88,000 people, or 3.9%.

4.121. The improvement of the business climate in the country was facilitated through the implementation of the PTSD for the Period 2013-2017⁵², where the policy on regulating the business environment was focused on the following priority areas: (i) creating new approaches in the system of assessing regulatory impact in the development and adoption of management solutions, including those focused on ensuring environmental safety; and (ii) reducing the level of government interference in business, with an emphasis of regulatory policy on the rational use of limited resources and tightening the requirements of environmental protection legislation.

4.122. In order to increase investment attractiveness and improve the country's business environment, the Program for the Development of the Private Sector in the Kyrgyz Republic for 2015-2017⁵³ was implemented, which included a number of activities: simplifying regulation in the customs and trade spheres; optimizing tax administration; reforming labour legislation; reducing unnecessary government interference in business; streamlining the product safety control system; and implementing horizontal reforms.

4.123. Introducing new instruments of fiscal and administrative stimulation of the economy, the tax system is gradually shifting to performing a stimulating function, and unnecessary, interfering administrative barriers are systematically removed; introducing new financial instruments aimed at increasing access to financial sources of entrepreneurs, with the creation of a system of affordable

⁵² Decree of the Government of the Kyrgyz Republic "On Approval of the Program for the Transition of the Kyrgyz Republic to Sustainable Development for 2013-2017" dated 30 April 2013, No. 218.

⁵³ Decree of the Government of the Kyrgyz Republic "Program for the Development of the Private Sector in the Kyrgyz Republic for 2015-2017" dated 18 March 2015, No. 129.

credit, guaranteeing, and insurance; protecting private property rights and the safety of investors' funds invested in the economy.

4.124. In order to simplify administrative formalities, the Government of the Kyrgyz Republic announced a three-year moratorium on inspection of the activities of business entities.⁵⁴ Simplification of the licensing system, as well as shifting to electronic format for receiving permits, is envisaged.

4.125. To create favourable conditions and further practical implementation of public-private partnership mechanisms in the Kyrgyz Republic, the Government adopted in 2016 the Public-Private Partnership Development Program in the Kyrgyz Republic for 2016-2021.⁵⁵ The Public-Private Partnership Council in the Kyrgyz Republic was established.

4.126. At present, the country's regulatory efforts are aimed at creating additional incentives for national investors and entrepreneurs, increasing their competitiveness through lower rates of taxes and tariffs, minimum sufficient government regulatory impact, and simplicity and transparency of setting up and running a business.

4.9 Regional Economic Integration

4.9.1 Eurasian Economic Union

4.127. On 12 August 2015, the Kyrgyz Republic joined the Treaty on the Eurasian Economic Union dated 29 May 2014, becoming the fifth full-fledged member of the EAEU.

4.128. Most of the export positions of the Kyrgyz Republic are focused on EAEU countries; the share of agricultural exports in 2019 and 2013 did not change and amounted to about 50%.

4.129. During the period under review, the export of electricity and finished garments, in the production of which most of the population, including those living in rural areas, is involved, was accounted for the EAEU countries.

4.130. The Kyrgyz Republic imports from EAEU countries investment and strategically important goods for the national economy, including various types of equipment. In 2019, from the EAEU countries were imported: fuels and lubricants, 96.2%; gas, 90.4%; grain, 93%; timber, 85%; and rolled metal, 79%. The volumes of supplies of these goods in 2013 were: fuels and lubricants, 99%; gas, 78%; grain, 100%; timber, 74%; and rolled metal, 50%.

4.131. In November 2018, in order to determine the compliance of the EAEU Treaty with WTO norms and rules, and to inform WTO Members of the substance of the Treaty regarding the foreign trade regime of the EAEU in trade with third countries and of the degree of integration of the EAEU member States, a Factual Presentation of the Treaty on the Eurasian Economic Union was presented at the meeting of the WTO Committee on regional trade agreements.

4.132. Since 2016, the Kyrgyz Republic has been granted the status of a user of the GSP+ scheme, which enabled it to export duty-free over 6,000 commodity items to the European Union's markets. So far, due to the preservation of requirements for safety, quality, packaging, and labelling of goods, it has not been possible to dramatically increase exports.

4.9.2 Agreement on the CIS Free Trade Area

4.133. In addition to the integration processes within the EAEU for the period 2012-2015, integration processes continued to develop in the CIS. The Agreement on the Free Trade Area signed on 18 October 2011 came into force, establishing a free trade regime between the Russian

⁵⁴ Decree of the Government of the Kyrgyz Republic "On Introduction of Temporary Ban (Moratorium) on Inspection of Business Entities" dated 17 December 2018, No. 586.

⁵⁵ Decree of the Government of the Kyrgyz Republic "Public-Private Partnership Development Program in the Kyrgyz Republic for 2016-2021" dated 16 March 2016, No. 327.

Federation, Armenia, Belarus, Kazakhstan, the Republic of Moldova, Tajikistan, and Ukraine. In 2014, Uzbekistan joined the Agreement.

4.134. The Agreement establishes duty-free access to the markets of its participants for goods across almost the entire product range, with the exception of certain particularly sensitive goods.

4.135. The Agreement provides for not only a free trade regime for goods, but also for common rules for the application of trade remedies, technical regulation, the application of SPS measures, and customs administration.

4.136. The Kyrgyz Republic provides a free trade regime to Azerbaijan⁵⁶, Georgia⁵⁷ (a member state of the CIS until 2009), and Turkmenistan, as a founding state of the CIS.

4.9.3 Free trade agreements

4.137. In accordance with the Treaty on the EAEU, a common trade regime is applied on the territory of the EAEU with respect to third countries.

4.138. In this regard, the free trade regime for goods with a third party is established on the basis of the EAEU free trade agreement with such a party.

4.139. Currently, the Free Trade Agreement between the EAEU and the Socialist Republic of Viet Nam is in force, which entered into force on 5 October 2016.

4.140. Between 2016 and 2019, trade between the Kyrgyz Republic and Viet Nam increased by more than 2.5 times, from USD 3.3 million to USD 8.5 million.

4.141. The Agreement covers all areas of trade and economic cooperation. In addition to reducing the rates of import customs duties, obligations of the parties to protect intellectual property rights were provided for, areas of cooperation in the field of sustainable development, e-commerce, as well as in the field of public procurement, and common principles for protecting competition were established. Also, the Agreement significantly increases the predictability of trade regulation.

4.142. In 2018, the Agreement on Trade and Economic Cooperation between the EAEU and the People's Republic of China was signed, which entered into force on 25 October 2019, establishing the fundamental principles and rules for trade in goods between the EAEU and China.

4.143. The agreement is not preferential; duties on trade remain.

4.144. Since 27 October 2019, an Interim Agreement with the Islamic Republic of Iran has been in effect, leading to the formation of a free trade area, under which the import customs duties have been reduced or eliminated for a limited group of goods of high export interest for the parties to the Agreement.

4.145. Agreements with Singapore and Serbia, for which the procedures required for their entry into force are being finalized, relate to agreements on free trade areas that were signed but not entered into force.

4.146. Negotiations are underway to establish free trade areas with Egypt, India, and Israel, and conclude a bilateral agreement on trade in services and investments between the Kyrgyz Republic and Singapore.

⁵⁶ Agreement between the Government of the Kyrgyz Republic and the Government of the Republic of Azerbaijan on Free Trade, signed on 12 January 2004 in Moscow, entered into force on 28 March 2006.

⁵⁷ Decision on the Accession of the Republic of Georgia to the Commonwealth of Independent States (Moscow, 22 October 1993 – Minsk, 3 December 1993).

5 FURTHER DIRECTIONS OF TRADE POLICY OF THE KYRGYZ REPUBLIC

5.1. The trade policy of the Kyrgyz Republic in the medium- and long-term perspectives will be determined on the basis of the need to create a competitive economy, expand competitive advantages in traditional industries, and further diversify export markets.

5.2. The trade policy of the Kyrgyz Republic will be formed in accordance with the fundamental rules and regulations of the WTO.

6 LIST OF ABBREVIATIONS

Abbreviation	Definition
CCT	Common Customs Tariff
CIS	Commonwealth of Independent States
CN FEA	Commodity Nomenclature of Foreign Economic Activity
COOMET	Euro-Asian Cooperation of National Metrological Institutions
CSM	Center for Standardization and Metrology under the Ministry of Economy of the Kyrgyz Republic
Customs Service	State Customs Service under the Government of the Kyrgyz Republic
EAEU	Eurasian Economic Union
EASC CIS	Interstate Council for Standardization, Metrology and Certification of the CIS
EEC	Eurasian Economic Commission
EU	European Union
GDP	Gross domestic product
GOST	State standard of the USSR (also used as an abbreviation for standards adopted within the framework of the Interstate Council of the CIS Member States)
GOST R	State standard of the Russian Federation
GSP+	Generalized system of preferences
IEC	International Electrotechnical Commission
IHAf	International Halal Accreditation Forum
ILAC	International Laboratory Accreditation Cooperation
IPPC	International Plant Protection Convention
ISO	International Organization for Standardization
KCA	Kyrgyz Center for Accreditation
KR	Kyrgyz Republic
KSS	State standard of the Kyrgyz Republic
NBKR	National Bank of the Kyrgyz Republic
NSC	National Statistical Committee of the Kyrgyz Republic
OIML	International Organization of Legal Metrology
PTSD	Program for the Transition of the Kyrgyz Republic to Sustainable Development for the Period 2013-2017
REss	Renewable energy sources
RLAs	Regulatory legal acts
SFED	State Fund for Economic Development
SMIIC	Standards and Metrology Institute for Islamic Countries
SPS	Sanitary and phytosanitary
Tax office	State Tax Service under the Government of the Kyrgyz Republic
TRIPS Agreement	Agreement on Trade-Related Aspects of Intellectual Property Rights
UNWTO	United Nations World Tourism Organization
VAT	Value added tax
WTO	World Trade Organization