Draft statement by Deputy Minister of Economy of the Kyrgyz Republic E. Alisherov at the Eighth China Round Table on WTO Accessions

Dear participants and guests of the Round Table,

Ladies and Gentlemen!

Let me welcome you and express my sincere gratitude to the representatives of the Government of the Russian Federation, the Government of People Republic of China and WTO Secretariat for excellent organization of such an important event "Eighth China Round Table on WTO Accessions". I have a big honor to speak in the given Forum in the names of the Kyrgyz Republic.

The World Trade Organization today plays an increasingly important role in the sustainable development of countries, and **still remains the most authoritative platform** created to liberalize international trade and regulate trade and political relations of member states. For more than 70 years since the creation of the GATT and almost quarter decade since the creation of the WTO, the global trading system, thanks to the efforts of the organization, has achieved significant results in the field of tariff reduction, improving international trade legislation, simplifying trade procedures and a number of other benefits

From the very early years of independence since 1991, the Kyrgyz Republic was among transition economies which has demonstrated very high level of economic, trade and investment liberalization, and became the first country among the CIS countries to join WTO in 1998.

Moreover, the Kyrgyz Republic have accomplished its negotiation process within the record-breaking **2 years and 8 months(!)**, while the average length of negotiations for all WTO acceded countries makes around 10.5 years. This does not mean that the negotiation process of the Kyrgyz Republic's accession went easily and in a smooth manner. The given fast track was a result of effective interaction with the WTO members and the most important, with strong political support at the country's highest level of decision makers. Serious commitments for liberal reforms at these times and strong desire to transit from planned to market economy by our policymakers were among the main drivers of the Kyrgyz Republic's accession process. And today after 20 years we see that this strong political commitments and reforms to bring the national legislation in conformity with the WTO norms paid off.

One of major benefits was that the Kyrgyz Republic has possessed MFN treatment for its exported goods. We could dramatically increase our trade with

other nations. Over the 21 years after joining the WTO, the Kyrgyz trade turnover **grew 4.5 times** - from $ 1.404 billion to $ 6.672 billion (including $ 6.242 billion with WTO countries). Today, the Kyrgyz Republic maintains trade and economic relations with more than 130 countries of the world trade community. In the total volume of foreign trade turnover of Kyrgyzstan, the WTO member countries occupy 93.6%, including 89.1% in export and 95.2% in import.

Beyond the direct impact of the WTO membership in increased in trade, there were also very important legislative changes. Because of domestic trade and tax laws harmonized with WTO rules and regulations and since the newly adopted normative legal acts were developed in accordance with international requirements, we could gain a **predictable regime for domestic producers and investors**, both in the field of trade and in the service sector.

Dear participants,

Today's session is dedicated for a very important appearance in the global trade system –**regional integration**.

Over the past few decades, the world has witnessed an intensification of the process of concluding agreements on regional integration. More than half of world trade is currently carried out within the framework of existing or in the process of formation of trade blocks, and **almost every country in the world** is a member of any one or more agreements on regional integration, and the Kyrgyz Republic is no exception.

According to the data of the World Trade Organization, as of the end of September 2019, **302 existing trade agreements** have been registered. It means that on average, each WTO Member-state has 2 regional agreements, what reflects the level of integration.

Today's global value chain and interrelated trade links caused by technological development mean that no country can afford global and regional **isolation from the rest of the world**. On this regard, as countries are struggling to maintain their own place in the global value chain, the willingness to go to regional integration is also explained by the sense of self-preservation from being isolated.

This tendency has recently taken another higher pace in the midst of the growing negative scenes taking place in the global trade such **as trade wars and tendencies for protectionism.** Here we cannot ignore emerging complex of difficulties in trade relations between global players, who, by mutual accusation

at the WTO platform, systematically apply trade restrictions which cause negative effects also for third countries which are involved in the value chains affected by the trade restrictive measures, and may affect trade flows and economy of **almost every single country**.

For Kyrgyzstan today **regional trade integration became crucial**. We are landlocked and at the same time we have strategical geographical location in Eurasian continent. Being in the center of the continent, our country connects overland the **dynamically developing Chinese market with the markets of Russia**, Kazakhstan and Uzbekistan. In order to leverage the given advantage, the Kyrgyz Republic has opened another page of its economic history by joining to the regional trade and economic union with its major regional trade partners.

On the date of 12th of August 2015, customs controls on the Kyrgyz-Kazakhstan border were totally abolished, and this date is marked with joining of Kyrgyzstan as the fifth member to the **Eurasian Economic Union**. The joining process was held **in accordance with the WTO norms** especially the Article XIV of GATT. The same year, the Kyrgyz Republic has **resorted the norms of Article XVIII** and is currently holding compensation negotiations with interested WTO members.

The desire of the Kyrgyz Republic to join the EAEU was, first, induced by high expectations of further **strengthening of economic relations**, fostering mutual trade, making the countries more competitive and **increasing the well-being of the people**. Second, with a 183 million population, joining the EAEU opened new investment and scale economy opportunities for the 6 million population of Kyrgyzstan. Third, joining the Union promised better conditions for working over **million Kyrgyz citizens** working in Russia. Thus, the attractiveness of EAEU was based on **4 "bottom-rock" freedoms** of move of goods, services, human and finances provided by the EAEU rulings.

The Kyrgyz Republic joined the EAEU on favorable, in general, conditions:

1. Agreements were reached on providing assistance from Russia and Kazakhstan to equip customs posts and veterinary, phytosanitary, sanitary and other laboratories.

2. It was decided to establish the Kyrgyz-Russian Fund to support the Kyrgyz economy during the period of adaptation to the new EAEU conditions, which today successfully solves the problems of financing promising economic projects.

3. The share of Kyrgyzstan in the distribution of customs duties amounted to 1,9%, while for Armenia, which is close in size to the economy of Kyrgyzstan, this ratio is only 1,22%.

4. The conditions of Kyrgyzstan on transition periods for the implementation of a number of provisions of the Treaty on the EAEU, including technical regulation and others, were adopted.

5. Kyrgyzstan received exemption from duties on equipment for infrastructure and investment projects.

6. The list of temporary exemptions from the EAEU Unified Customs Tariff was approved in coordination with Kyrgyzstan on 166 commodity items required for production and consumption in the domestic market.

Dear all,

Important to mention is that, against the backdrop of extreme political tensions in the global world, sanction pressure and trade wars, the Eurasian Economic Union has **convincingly proved its viability** in 5 years. Since 2016, economic growth has recovered in all EAEU member countries. The average annual GDP growth of the Union was within 2%.

The expectations for the Kyrgyz Republic itself also **have proven positive outcomes.** Within the past 4 years of membership, statistics show positive impacts of joining to the regional integration volume of Kyrgyzstan's GDP, which in 2014 (before the country joined the EAEU) amounted to 400 billion soms, grew over 4 years and in 2018 amounted to 557 billion soms. Also, during the period of the Kyrgyz Republic's membership in the EAEU, not only the budget deficit decreased, but also the level of external debt in relation to the runway, there were no sharp jumps in the inflation rate and steady growth was observed in the average monthly wage. The level of tax deductions of business entities has significantly increased.

Over 4 years of integration into the EAEU, Kyrgyzstan has managed to maintain positive dynamics of economic growth - over 4% on average per year and, in general, maintain macroeconomic stability. The harmonization of supranational rules of the EAEU with the national legislation of our country is progressing successfully. After 4 years from the moment of integration of the Kyrgyz Republic into the EAEU, the state, business and society come to understand that Kyrgyzstan's entry into the EAEU is a transition to a new, integration model of the country's future development.

Dear colleagues,

Nowadays 164 states are the members of the WTO, what implies the dominance of the WTO rules during the concluding FTA's among them. EAEU is not an exception. The core treaties and regulations are within the spirit and aims of the WTO rules. Being committed to the WTO rules as an individual member from one side, and as a member of the EAEU from other side, obliges the Kyrgyz Republic **to adhere and fulfill the undertaken commitments** under the WTO system.

In conclusion, I would like to note that **regional integration allows us to achieve not only economic benefits,** such as new markets for domestic products, attracting foreign investment, improving production efficiency, increasing trade volumes, but also in other areas, such as the political and social sphere, areas of science, culture, ecology, security.