



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

KYRGYZ REPUBLIC

This report, prepared for the third Trade Policy Review of Kyrgyz Republic, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Kyrgyz Republic on its trade policies and practices.

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SUMMARY

1. The Kyrgyz Republic is a land-locked country in Central Asia. Internal transport is hampered by rugged topography and the need for better infrastructure. Current GDP per capita is about USD 1,400. A significant gap in earnings compared with certain neighbouring countries encourages many Kyrgyz citizens, about one third of the workforce, to make their living abroad. Although agriculture still accounted for 18% of GDP in 2019, down from 32% in 2014, the Kyrgyz Republic is increasingly becoming a services economy. Moreover, the Kyrgyz Republic has a sizable informal economy, particularly in activities related to trade, hospitality, transportation, and agriculture, estimated to equal between 24% and 40% of the official GDP.
2. The Kyrgyz economy recorded several years of steady growth before the emergence of the COVID-19 pandemic in 2020. GDP in constant prices expanded at an annual rate of between 4% and 5% from 2014 to 2019. The entry of the Kyrgyz Republic into the Eurasian Economic Union (EAEU) in 2015 facilitated the regularization of visa and work permits for migrating Kyrgyz labourers, and affected bilateral trade and investment flows positively. Remittances amounted to approximately USD 2.5 billion (31% of GDP) in 2017.
3. Central government budget deficits have been on a declining trend in recent years, and the authorities seek to contain public debt below 60% of GDP. Most of the debt is external and denominated in foreign currency. In addition, the budget balance excludes energy subsidies that remain substantial. The authorities have few monetary and exchange rate options. The international capital account is open, and remittances contribute to widespread dollarization of the local economy. The National Bank of the Kyrgyz Republic has been targeting inflation at 5% to 7% per year, and has unofficially been pegging the Kyrgyz som to the US dollar to help achieve this objective.
4. A very large domestic savings-investment gap has its counterpart in a large current account deficit. A substantial merchandise trade deficit, about USD 2 billion per year, is accompanied by much smaller, but persistent, deficits in trade in services. The Kyrgyz Republic imports most manufactured articles, and it is a net importer of fuels, mineral products, and agricultural goods, particularly processed foods, despite its significant agricultural potential. The principal sources of merchandise imports are China, the Russian Federation, and Kazakhstan. One single commodity (gold) accounts for a major share of merchandise exports. Re-exports are significant, as open trade policies have encouraged the expansion of bazaars that serve larger markets in Central Asia. The main destinations for merchandise exports are the United Kingdom, Kazakhstan, and the Russian Federation.
5. The Kyrgyz economy may have contracted by as much as 10% in 2020 due to the COVID-19 pandemic. Prolonged border closures and lockdowns had a severe negative impact on sectors such as commerce, tourism, and travel. In addition, remittances declined sharply with ripple effects on domestic consumption and construction activity. The currency peg was relaxed in March 2020, resulting in a marked depreciation of the Kyrgyz som. Multilateral and bilateral donors provided support to mitigate the expected external financing gap.
6. Poor governance seems to be a major impediment to the development of a sound business and investment climate in the Kyrgyz Republic. Recent reforms to improve the quality of governance include measures directed at combating corruption, enhancing the integrity of the judicial and law enforcement system, and improving the efficiency and transparency of public administration more generally.
7. The Kyrgyz Republic accepted the 2005 Protocol Amending the TRIPS Agreement on 6 February 2016 and the 2014 Protocol concerning the Trade Facilitation Agreement on 6 December 2016. The Kyrgyz Republic is a member of several groups in the WTO, including the group of Article XII Members and the group of low-income economies in transition. It participates in discussions under the Joint Ministerial Statement Initiatives launched in December 2017 on investment facilitation for development and on micro, small, and medium-sized enterprises. There are several unfulfilled notification obligations, notably with respect to import licensing and subsidies.
8. The Kyrgyz Republic became a member of the EAEU on 12 August 2015. Several free trade agreements (FTAs) predating the accession to the EAEU, notably with members of the Commonwealth of Independent States, remain in force. The implementation of the EAEU Treaty by

the Kyrgyz Republic is subject to certain transitional measures and temporary exceptions to the EAEU's Unified Customs Tariff (UCT). By virtue of its membership in the EAEU, the Kyrgyz Republic is a party to the FTA with Viet Nam that entered into force in 2016 and the interim agreement leading to the establishment of a free trade area with the Islamic Republic of Iran that entered into force in October 2019. In July 2019, the Kyrgyz Republic concluded an Enhanced Partnership and Cooperation Agreement with the European Union.

9. The Kyrgyz Republic maintains an open investment regime, with very few formal entry or ownership restrictions and no formal screening mechanism. Although institutional weaknesses and implementation challenges have negatively affected the country's attractiveness to foreign investment, FDI inflows recently increased and the country improved its ranking on the World Bank Doing Business index. The promotion of export-oriented manufacturing is one of the key objectives of investment policy in recent national economic development programmes. FDI has been shifting from mining to non-mining activities. During 2012-19, nearly three quarters of the total FDI (USD 7.2 billion) was channelled towards manufacturing; professional, scientific, and technical activities; and financial services. The origin of the foreign investment was principally China, the Russian Federation, and Canada.

10. The customs legal framework and practice underwent significant revisions during the review period as a result of joining the EAEU customs union; processes and procedures are now harmonized at the level of the customs union. In particular, the EAEU Customs Code is now the main legal instrument for customs matters, customs revenues are shared among the parties and the Kyrgyz Republic receives a fixed percentage, and there is free movement of goods between the territories of the EAEU without the need for a customs declaration.

11. Since 2013, the Kyrgyz Republic has embarked on its single window application, known as the Single Window for Foreign Trade Information System (SWIS) or the Tulpar System. As at 2020, the SWIS differed from the single window applications of other EAEU member States, but work was underway to ensure interoperability and the SWIS was being modernized. The Kyrgyz Republic has been a strong supporter of the Trade Facilitation Agreement (TFA) and is actively working on implementation of the provisions through its Council for Trade Facilitation. Most of its TFA commitments were expected to be implemented by the end of 2020.

12. Since joining the EAEU, the tariff regime has undergone significant change as the Kyrgyz Republic now applies the UCT. Thus, the average applied most-favoured nation (MFN) rate increased from 5% in 2012 to 8.4% in 2020, the number of duty-free lines decreased significantly, and tariff-rate quotas are now applied on four categories of products (various meat products and raw cane sugar). The Kyrgyz Republic submitted changes to its bound rates to align them with the EAEU UCT in 2015, pursuant to Article XXVIII of the GATT 1994; these have not yet been finalized, thus 3,880 tariff lines exceed their respective WTO bound rate of duty. As a result of the COVID-19 pandemic, the EAEU provided temporary import tariff relief for certain critically imported goods, e.g. food, medical, and baby products.

13. The Kyrgyz Republic continues to apply certain indirect taxes, i.e. VAT, excise tax, and sales tax, on imported goods. In addition, an environmental pollution fee on foreign freight carriers was applied at the border during the period 2015-19. Since the previous Review, excise duty rates have increased on most products, particularly on tobacco products. A standard 12% rate of VAT is charged on the sale of goods, works, and services supplied in the Kyrgyz Republic, including on most imports. There is a movement within the EAEU to harmonize indirect taxes.

14. The Kyrgyz Republic's import and export restrictions and/or prohibitions were amended during the review period, as the country adopted the EAEU's Single List of measures. As such, there are 7 categories of goods subject to import prohibition and 6 subject to export prohibition; 15 categories of goods were required to have an import licence and 17 were subject to export licensing requirements; and certain steel products had surveillance measures (automatic licensing). Two of the product categories of export prohibitions on the Single List were temporary measures invoked due to the COVID-19 pandemic; in addition, the Kyrgyz Republic also put in place at least two national measures to prohibit export of goods critical to combat the pandemic. EAEU rules allow unilateral introduction of non-tariff barriers by a member State, thus the Kyrgyz Republic has had a temporary import prohibition on oil and petroleum products by motor transport since 2019 and measures to prohibit the export of marble, travertine, and limestone.

15. The national rules on trade remedies were phased out and replaced by EAEU rules as at 2015. Thus, as at November 2020, there were 21 measures (18 anti-dumping duties and 3 safeguard measures) in force that were applicable to imports into the customs union; most were concentrated on iron and steel products.

16. As is the case with imports, the export process is facilitated by the Tulpar System single window web service, which allows for the submission of electronic declarations and accompanying documents. During the review period, three resolutions were issued that imposed export duties on scrap and waste of certain ferrous and non-ferrous metals, raw hides of cattle and horses, and unprocessed or coarsely crushed cut blocks or slabs of limestone.

17. Diversification of export products and export markets would contribute to the Kyrgyz economy becoming more productive and private-sector oriented. Since 2013, national economic development programmes have prioritized the creation of favourable external conditions for the promotion of exports of goods and services. Implementing an export-oriented trade strategy in the circumstances of the Kyrgyz Republic poses serious challenges, including high transport and logistic costs.

18. The Export Development Program of the Kyrgyz Republic for 2019-22 aims to, *inter alia*, strengthen exports by improving access to finance and providing export promotion activities. One initiative has been the establishment of the export trade portal. Improving access to export financing has been identified as needing improvement, and thus was identified as a priority area for future initiatives.

19. The Kyrgyz Republic applies various types of fiscal incentives. These include: (i) special tax allowances in respect of research and development expenditures; (ii) exemptions from corporate income tax, VAT, and sales tax, reduction in property tax liabilities, and a simplified computation of payroll taxes for agricultural and processing businesses; (iii) preferential tax treatment in designated regions based on investment agreements with local authorities; (iv) an exemption from corporate income tax for large investments using new equipment; (v) exemptions from corporate income tax and VAT for the production of energy from renewable sources; and (vi) fiscal advantages granted in the context of Free Economic Zones and the High-Technology Park. Several of these measures contain eligibility conditions related to export performance. The Government is considering steps to reduce the number and complexity of these incentive schemes.

20. During the review period, most developments regarding standards, technical regulations, and conformity assessments resulted from the Kyrgyz Republic's accession to the EAEU. The 2004 Law on the Basics of Technical Regulation, which remains the key law for standards and technical regulations, was amended in June 2019 to update it and bring it in line with the EAEU regulatory framework. EAEU technical regulations gradually became applicable in the Kyrgyz Republic during the period 2017-19. There are 43 EAEU technical regulations currently in force in the Kyrgyz Republic, and a further 5 are planned to be put into effect by 2022.

21. Since its previous Review, the Kyrgyz Republic has introduced legislation, including revisions and amendments to existing legislation, to implement a common sanitary and phytosanitary (SPS) framework for EAEU member States. EAEU rules comprise a unified regime for sanitary, veterinary, and SPS quarantine measures. Major efforts were undertaken to upgrade Kyrgyz facilities that certify exported products. The Kyrgyz Republic also established its WTO national enquiry point (three institutions) and national notification authority for SPS issues.

22. State ownership remains an important factor in the Kyrgyz economy. As at 1 June 2020, there were 104 state-owned enterprises (SOEs) and 52 joint stock enterprises in which the State was a shareholder. There are currently no new plans to undertake large-scale privatizations; the focus of policy regarding SOEs is on the rationalization of state ownership. For example, measures were taken to reorganize, transform, or liquidate SOEs and guidelines adopted for the use of key performance indicators to assess the efficiency and financial stability of SOEs.

23. There have been significant developments in competition policy with the adherence to EAEU competition rules. The Kyrgyz Republic has been active in updating and amending its main competitions laws, mainly to align them with the EAEU Model Law on Competition. Some of the main changes included clarification for determining the "dominant position", introduction of the new concept of "economic and statistical surveillance", and revision to the concepts of monopolistically

high and low prices. The Kyrgyz Republic maintains a number of measures to impose price controls on certain products; as a result of the COVID-19 pandemic, additional products were added to the list of socially significant goods, whereby temporary price control measures can be put in place.

24. A number of developments occurred in the area of government procurement during the review period, including the addition of a provision on national treatment to the Public Procurement Law and a number of other amendments aimed mainly at reducing corruption and increasing transparency. Other developments included implementing a new process to address complaints, recording underperforming suppliers on the Register of Unfair Suppliers, revising the procurement thresholds, introducing a 20% preference allowance for domestic suppliers, and fully implementing e-procurement. Foreign suppliers accounted for about 9% of the value of all government procurement in 2018. The Kyrgyz Republic's accession to the WTO Government Procurement Agreement was ongoing during the period and membership remained a priority.

25. In 2017, the Kyrgyz Republic adopted a comprehensive strategy to improve the protection of intellectual property rights, together with a strategy to promote innovation. The intellectual property rights regime was amended in several respects during the review period. First, amendments were made to laws on copyrights and related rights, legal protection of integrated circuit topologies, protection of traditional knowledge, and legal protection of programmes for electronic computers. Second, amendments were made to legislation on patents; legal protection of selection achievements; and trademarks, service marks, and appellations of origin. Third, there were changes to relevant related laws, including the Civil Code and the Criminal Code, and the Law on Customs Regulations. Certain changes to the intellectual property rights regime resulted from the accession to the EAEU. Concern has been expressed regarding the enforcement of intellectual property rights.

26. The most valuable commodities produced by the agricultural sector are livestock and poultry, raw milk, vegetables, grains and legumes, and potatoes. The Kyrgyz Republic imports a wide range of processed goods. The current five-year policy focuses on irrigation and the provision of clean drinking water, and further strategies to develop agri-business and collective systems. Membership in the EAEU generally reduced the access to the Kyrgyz market for MFN suppliers, who now face higher tariffs, tariff quotas, and seasonal or temporary duties as part of the UCT. Government support to agriculture, as notified to the WTO, primarily consists of credit provided at concessional rates and contributions to leasing arrangements ("amber box" support), and expenditures on infrastructure-related services ("green box" measures).

27. Mining is an important sector of the economy. One large gold mine, Kumtor, located in the east of the country, accounts for nearly 10% of GDP, and exports of gold, of which almost 98% originate from Kumtor, averaged about 35% of Kyrgyz merchandise exports in recent years. The Government's heavy reliance on Kumtor as a source of revenue is regarded as a significant risk. Amendments to the Law on Subsoil Resources, adopted on 19 May 2018, introduced important changes regarding the criteria and procedures for the award of mining licences. They also introduced a social package to improve relationships between the local population and subsoil users.

28. The Kyrgyz Republic is rich in energy resources, particularly hydropower and coal, and is potentially self-sufficient. It has small reserves of oil and gas, and is heavily reliant on imports for these forms of energy. The electricity system is relatively small and heavily dependent on a few hydropower-generation facilities, and its performance is undermined by financial difficulties, primarily because electricity tariffs are set well below costs. The large operating losses of the electricity companies are financed by the Government. The Kyrgyz Republic may have to turn to its international development partners for the financing of necessary investments in the creation of new generation capacity. The State Agency for Regulation of the Fuel and Energy Complex developed a Medium-Term Tariff Policy for Electric and Thermal Energy for 2020-2022. The new tariff policy maintains the separation of electricity tariffs for energy-intensive consumers and residential customers. The EAEU Treaty foresees the establishment of unified energy markets, including a common electricity market and common markets for natural gas, crude oil, and petroleum products.

29. The manufacturing sector remains an important, albeit modest, contributor to the economy, as it accounted for between 16% and 18% of GDP during the review period, but it has a greater importance in terms of trade and FDI. The sector is characterized as highly concentrated in a few subsectors, i.e. production and fabrication of base metals and metal products, and food processing, account for 60% of the output of the sector. Despite continued growth in economic output over the period, the sector suffers from low productivity, has a high rate of obsolescence, and is in need of

investment. The manufacturing sector is gradually moving towards further integration with the EAEU, as work is underway to build cooperative ties between member States and to involve small and medium-sized enterprises in production chains.

30. The Kyrgyz Republic's financial sector generally improved its overall soundness and stability during the review period, but there were still some concerns such as bank insolvency, exposure due to loans in US dollars, low diversification, and the need to improve new product and financing possibilities. Total assets of the financial sector increased steadily over the period and have more than doubled since 2013. One of the main developments, as a result of joining the EAEU, was the gradual integration to a common financial market, which is expected to be achieved by 2025. The Kyrgyz Republic is currently in a transition phase, whereby it is implementing the first two phases of greater financial market integration of the EAEU, working towards implementing the Basel III regulations, and revising legal acts and regulations to improve remote banking services, counter money laundering, and improve resilience.

31. The telecommunications market shows an increasing level of competition in nearly all segments. The Kyrgyz Republic's recent policies reflect the importance of information and communication technology (ICT) to the country's development prospects. The National Development Strategy 2018-2040 aims to achieve national digital transformation. The primary law regulating telecommunications services, the Law on Electric and Postal Communication, was amended several times during the review period. Public telecommunications services are treated as natural monopolies in the Kyrgyz Republic's legislation and have been subject to EAEU Treaty rules on natural monopolies since February 2017. During the review period, the Regulation on Licensing Activities for Use of Radio Frequency Spectrum and the Regulation on Licensing Activities in the Field of Electric and Postal Communication entered into force. The national radio frequency allocation table was also approved, and the national system and numbering plan for telecommunications networks adopted. An important change in the institutional framework for policy development and regulation in the areas of telecommunications and ICT was the creation, in 2016, of a new body, the State Committee of Information Technologies and Communications of the Kyrgyz Republic (SCITC). The SCITC was created to provide a more coordinated and focused approach to ICT policies and regulation by combining several authorities previously located in other agencies. While the SCITC is responsible for the implementation of the overall state policy in this area, the State Agency for Communications under the SCITC is the telecommunications regulatory authority.

32. The Kyrgyz Republic faces high transport costs, and enhancing its transit and trade potential requires improvements to both domestic and international connectivity. Transport has been designated as a strategic sector in the country's recent national economic development programmes, which aim to transform the country into a transit country for goods, passengers, and cargo. Transport infrastructure projects provided for in these programmes include the rehabilitation of five motorways that are used as international transport corridors and the preservation and improvement of the country's network of domestic hard-surface roads. An important factor in the development of the transport policy during the review period was the Kyrgyz Republic's accession to the EAEU. The EAEU Treaty aims to create a common EAEU transport area by 2025. To this end, two Action Plans were adopted in 2017, which cover the period 2018-2020, and their implementation will create a basis for the removal of all existing restrictions on transport services by 2025. The Kyrgyz Republic eliminated the requirements that carriers from EAEU member States obtain a permit before undertaking a journey and is in the process of adopting legislation to relax cabotage restrictions in relation to carriers from EAEU member States.

33. The Kyrgyz Republic has unique potential for travel and leisure activities. Measures undertaken by the Government during the review period to facilitate tourism included liberalization of visa requirements and amendments to the Air Code that entered into force on 25 January 2019, reflecting the adoption of an "open skies" policy. Statistics indicate a growing number of travellers to the Kyrgyz Republic. Although the tourism sector is expanding, it continues to face several challenges. Infrastructure is slowly improving, but significant capital investment is needed to reverse two decades of degradation. A government programme was established for the development of the tourism sector during 2019-23. Sustainable tourism is also identified as a priority area of development in the National Development Strategy for 2018-2040.

1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1. The Kyrgyz Republic is located in Central Asia and has a population of 6.4 million. It is "double-landlocked" in the sense that, among its four neighbours, three of them (Kazakhstan, Tajikistan, and Uzbekistan) are themselves landlocked. About 90% of the territory is situated more than 1,500 metres above sea level. Internal road and rail transport is hampered by rugged topography and basic infrastructure largely built to serve the needs of a larger, but different economy (the former Soviet Union), which the Kyrgyz Republic belonged to on the periphery. Its border with China was closed from the 1960s until 1991. Although the Kyrgyz economy has grown steadily since 2012, a current GDP per capita around USD 1,400 (Table 1.1) is well below that of peers such as the Russian Federation (USD 11,600 in 2019) and Kazakhstan (USD 9,800 in 2019).¹

1.2. Although the poverty incidence declined over the last 20 years, a large share of the population continues to live close to the poverty line. Past and present links and the significant gap in earnings may explain why many Kyrgyz citizens, almost one sixth of the population, work in foreign countries, principally in the Russian Federation and, to a lesser extent, in Kazakhstan. While estimates vary, it is believed that about one third of the Kyrgyz workforce is employed abroad, and remittances have become the country's single most important source of foreign exchange. For 2017, the inflows of such payments were estimated at USD 2.5 billion, equivalent to 31% of GDP. Regularized visa and work permit requirements stemming from the accession of the Kyrgyz Republic to the Eurasian Economic Union (EAEU) in 2015 provided more economic security to migrating Kyrgyz labourers, particularly in the Russian Federation, and facilitated their search for better paid work.

Table 1.1 Selected economic indicators, 2012-19

	2012	2013	2014	2015	2016	2017	2018	2019 ^a
GDP (current KGS million)	310,471	355,295	400,694	430,489	476,331	530,476	569,386	590,042
GDP (current USD million)	6,605	7,335	7,468	6,678	6,813	7,703	8,271	8,455
Real GDP growth (% change)	9.9	10.5	4.0	3.9	4.3	4.7	3.8	4.5
GDP per capita (USD)	1,233	1,340	1,331	1,163	1,179	1,296	1,364	1,349
GDP by economic activity (% of current GDP)								
Agriculture, forestry and fishing	16.7	14.6	14.7	14.1	12.8	12.5	11.7	12.1
Mining	0.9	0.7	0.7	0.8	0.6	1.0	1.0	1.0
Manufacturing	12.1	15.8	13.7	14.1	15.4	15.0	14.3	14.3
Electricity, gas and steam production, distribution and supply	2.6	1.8	1.9	1.7	1.9	2.5	2.8	2.2
Water supply, waste treatment and disposal	0.2	0.3	0.3	0.2	0.2	0.3	0.4	0.3
Construction	6.5	6.3	7.4	8.4	8.4	8.6	9.0	9.7
Trade: repair of transport means	15.9	16.5	17.8	18.8	17.9	17.8	17.9	18.3
Transportation and storage	4.7	3.9	3.7	3.9	3.8	3.9	3.8	3.8
Accommodation and food service activities	1.4	1.6	1.8	1.9	1.8	1.7	1.7	1.7
Accommodation	0.3	0.4	0.5	0.5	0.5	0.4	0.4	0.4
Food service activities	1.0	1.2	1.3	1.3	1.3	1.3	1.3	1.3
Information and communication	4.8	4.4	4.3	4.3	3.5	3.1	2.6	2.6
Financial and insurance activities	3.7	3.8	3.9	3.6	3.2	3.4	3.8	4.1
Real estate activities	2.3	2.3	2.5	2.6	2.5	2.6	2.5	2.4
Professional, scientific and technical activities	1.7	1.5	1.7	1.6	1.4	1.6	1.9	1.8
Administrative and support service activities	0.4	0.4	0.5	0.4	0.4	0.5	0.4	0.4
Public administration and defence; social security	5.1	5.0	5.3	5.4	5.4	5.7	5.8	5.7

¹ World Bank, *GDP per capita (current US\$)*. Viewed at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD>.

	2012	2013	2014	2015	2016	2017	2018	2019 ^a
Education	6.0	5.3	4.9	5.3	5.9	5.7	5.5	5.5
Human health and social work activities	3.4	3.1	2.8	2.8	2.7	2.6	2.5	2.6
Arts, entertainment and recreation	0.6	0.6	0.5	0.5	0.5	0.4	0.5	0.4
Other service activities	1.1	1.1	1.0	1.2	1.1	1.1	1.1	1.0
Indirectly measured services of financial intermediation (FISIM)	-3.1	-3.0	-3.2	-3.1	-2.7	-2.8	-3.1	-3.3
Net taxes on products	13.1	13.9	14.0	11.8	13.1	13.1	14.1	13.4
GDP by expenditure (% of current GDP)^b								
Final consumption	115.9	115.6	113.5	108.3	100.2	99.2	99.7	98.9
Individual consumption	115.9	115.6	113.5	108.3	100.2	99.2	91.2	90.6
Households	94.6	96.0	95.0	89.2	81.7	81.0	81.4	81.0
Non-profit organizations servicing households	1.2	1.1	1.0	1.3	1.1	1.0	1.1	1.0
Public agencies	20.1	18.4	17.5	17.8	17.4	17.1	8.8	8.5
Collective consumption	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8.4	8.3
Gross accumulation, total	35.0	33.9	36.8	34.7	33.9	32.9	36.0	32.9
Gross accumulation of fixed assets	31.4	29.6	32.5	32.6	31.8	31.5	31.7	31.5
Change of working capital reserves	3.2	4.0	3.9	1.7	1.7	1.0	4.0	1.0
Net acquisition of valuables	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Net export of goods and services	-50.9	-49.5	-50.2	-40.6	-34.2	-32.1	-35.7	-28.3
Export	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	31.6	37.4
Import	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-67.3	-65.7
Statistical discrepancy	n.a.	n.a.	n.a.	-2.4	n.a.	n.a.	0.0	-3.5
Employment								
Economically active population ('000 persons)	2,497	2,469	2,504	2,544	2,547	2,525	2,539	2,584
Employment to population ratio (%)	58.8	57.2	57.3	57.7	57.1	55.9	56.2	57.0
Unemployment rate (%)	8.4	8.3	8.0	7.6	7.2	6.9	6.2	5.5
Official unemployment rate (%)	2.4	2.3	2.3	2.2	2.2	2.3	2.8	3.0
Employment by activity (% of employed persons)								
Agriculture, forestry and fishing	30.1	31.7	31.6	29.3	26.8	23.0	20.3	18.1
Mining and quarrying	0.6	0.4	0.4	0.4	0.4	0.5	1.1	1.3
Manufacturing	7.6	6.9	6.9	7.4	7.6	10.1	12.0	11.8
Electricity, gas, steam and air conditioning supply	1.5	1.3	1.3	1.2	1.2	1.1	1.1	1.3
Water supply; sewerage, waste management and remediation activities	0.7	0.7	0.7	0.6	0.8	0.5	0.3	0.5
Construction	11.3	10.8	11.0	11.3	12.0	10.9	10.4	11.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	15.1	15.9	15.1	15.5	15.6	16.5	15.7	16.2
Transportation and storage	6.0	6.3	6.3	6.9	7.1	8.1	8.2	8.2
Accommodation and food service activities	3.7	3.5	3.7	4.2	4.6	4.9	6.0	6.7
Information and communication	1.2	1.1	1.2	1.3	1.3	1.2	1.2	1.1
Financial and insurance activities	1.0	1.0	1.1	1.1	1.1	1.3	1.5	1.4
Real estate activities	0.2	0.3	0.4	0.4	0.3	0.4	0.4	0.2
Professional, scientific and technical activities	0.8	0.7	0.7	0.6	0.7	0.8	1.1	1.0
Administrative and support service activities	0.9	0.7	0.8	0.5	0.6	0.9	1.0	0.8
Public administration	4.8	4.2	4.1	4.1	4.3	4.0	4.1	4.0
Education	7.9	7.7	7.7	8.2	8.7	8.8	9.0	9.0

	2012	2013	2014	2015	2016	2017	2018	2019 ^a
Human health and social work activities	3.7	3.5	3.5	3.5	3.5	3.9	4.1	3.9
Arts, entertainment and recreation	0.8	0.6	0.6	0.7	0.7	0.6	0.7	0.6
Other service activities	1.6	1.4	1.9	1.9	2.0	1.9	1.7	1.8
Activities of households as employers	0.4	0.9	0.8	0.9	0.7	0.5	0.2	0.2
Activities of extraterritorial organizations and bodies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prices and interest rates								
Inflation (CPI end of period index, 2005=100)	210.1	218.4	241.3	249.4	248.2	257.2	258.5	266.4
Inflation (CPI end of period, % change)	7.5	4.0	10.5	3.4	-0.5	3.7	0.5	3.1
Inflation (CPI period average index, 2005=100)	200.3	213.6	229.7	244.6	245.5	253.3	257.2	260.2
Inflation (CPI period average, % change)	2.8	6.6	7.5	6.5	0.4	3.2	1.5	1.1
<1 month deposits weighted average interest rate (% , period average)	7.2	7.3	7.1	8.3	8.6	8.7	7.6	7.4
<1 month deposits weighted average interest rate (% , end of period)	7.5	7.1	6.7	7.1	7.4	9.4	8.0	7.8
1-3 years deposits weighted average interest rate (% , period average)	11.7	10.5	10.0	10.4	10.7	10.3	9.5	9.5
1-3 years deposits weighted average interest rate (% , end of period)	10.7	10.0	10.2	10.7	10.7	9.8	9.5	9.5
Policy rate	..	4.2	10.5	10.0	5.0	5.0	4.8	4.5
<i>Memorandum:</i>								
Population (millions)	5.6	5.7	5.8	5.9	6.0	6.1	6.3	6.4
Exports of goods and services/GDP (%) (at current market prices) ^b	..	..	45.9	37.8	35.7	34.3	33.2	36.7
Imports of goods and services/GDP (%) (at current market prices) ^b	..	..	88.5	75.3	69.8	66.4	71.6	66.3
Exchange rate (domestic currency per USD)	47.00	48.44	53.65	64.46	69.91	68.87	68.84	69.79
Real effective exchange rate (index) ^b	106.2	106.6	110.2	115.7	113.7	111.4	114.6	115.7
Real effective exchange rate (% change)	-0.1	0.4	3.4	5.0	-1.7	-2.1	2.9	0.9
Total external debt (USD million, end of period) ^{b,c}	5,229	5,930	6,371	6,670	6,830	6,998	6,828	7,008
Total external debt (% of GDP) ^{b,e}	81	83.4	94.4	119.5	99.3	90.8	83.8	82.7
Public external debt (USD million, end of period) ^{b,d}	3,032	3,159	3,437	3,601	3,743	4,090	3,826	3,851
Public external debt (% of GDP) ^{b,e}	47	44.4	50.9	64.5	54.4	53.1	46.9	45.5

n.a. Not applicable.

.. Not available.

a Preliminary data.

b Data up to 3rd quarter of 2019.

c Total external debt is the outstanding amount of actual current liabilities on loans and borrowings (including liabilities of all sectors of economy).

d Public external debt is the outstanding amount of actual liabilities on loans and borrowings by general government and monetary authorities.

e Indicators are calculated on the base of sliding annual GDP data, including the last four quarters. GDP equivalent in US dollars was converted at the end-of-quarter exchange rate.

Source: National Statistical Committee; National Bank of the Kyrgyz Republic; and IMF, IFS database.

1.2 Recent Economic Developments

1.3. Since independence, social and political tensions have at times led to severe economic disruption. The Kyrgyz Republic benefited from relative political stability, compared with the situation during the previous review period. Following a particularly brisk rebound in economic activity in 2012 and 2013, when the economy expanded at an annual rate of 10% in real terms, growth appears to have settled to an annual rhythm of a 4% to 5% increase in real GDP. However, although the economy is growing steadily, some observers point out that the expansion was not strong enough to provide attractive work opportunities domestically. Rather, the extensive Kyrgyz labour migration may signal a failure to develop broad-based employment, particularly in the tradable goods sector.²

1.4. The general government deficit fluctuated but has been on a declining trend in recent years (Table 1.2). Expenditures are influenced by significant commitments, particularly for pensions, education, and health, while the "compensation of employees" has declined sharply, especially since 2016. According to the IMF, value added tax (VAT) collection improved markedly, and VAT is the single most important source of government revenue, followed by profit and income tax on businesses. The tax base was somewhat eroded by concessions offered to businesses, particularly in the free economic zones. In the past, the Government ran large deficits, typically 7% to 9% of GDP, that were considered manageable as they were financed by grant aid and loans on concessional terms. Successive Kyrgyz administrations adopted the Maastricht guidelines for public debt, i.e. that it should not exceed 60% of GDP. Almost all such debt is external and denominated in foreign currencies, for the most part in US dollars. As the Kyrgyz Republic is expected to graduate from the low-income group of countries, access to highly concessional finance will decline. At present, it is thus important to maintain a prudent fiscal policy and ensure, if deficits occur, that they may be financed domestically to the extent possible.

Table 1.2 State revenue and expenditure, 2012-19

(% of GDP)

	2012	2013	2014	2015	2016	2017	2018	2019
Revenues	28.0	28.7	29.8	29.8	27.4	28.2	26.6	28.4
Revenues from operational activity	27.9	28.7	29.8	29.8	27.4	28.2	26.6	28.4
Tax revenues	20.6	20.5	20.6	19.7	19.7	19.5	20.5	20.6
Profit and income tax	6.0	4.8	4.9	5.1	4.7	4.6	4.7	5.1
Individual income tax on resident individuals	1.9	1.8	1.8	1.8	1.8	1.7	1.8	1.8
Revenue tax on non-resident individuals	0.4	0.3	0.4	0.4	0.4	0.4	0.3	0.4
Income tax	1.3	1.2	1.1	1.0	0.8	0.8	1.0	1.1
Single tax receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenues from mandatory patenting	0.4	0.5	0.5	0.5	0.5	0.4	0.4	0.5
Non-graded taxes	1.5	1.0	1.2	1.4	1.2	1.2	1.2	1.3
Tax for special funds of budgetary organizations	0.4	-	-	-	-	-	-	-
Property taxes	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5
Tax on assets	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Land tax	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Tax on goods and services	11.0	11.7	11.7	11.8	11.6	11.3	12.1	11.3
Value added tax	8.3	8.5	8.2	7.7	8.2	8.5	9.3	8.6
VAT on goods and services produced in the Kyrgyz Republic	2.3	2.3	2.2	2.1	2.5	2.4	2.1	2.0
VAT on imported goods	6.0	6.2	6.0	5.6	5.7	6.1	7.2	6.6
Sales tax	1.6	1.8	1.8	1.7	1.3	0.8	0.8	0.7
Road use tax	0.0	0.0	0.0	0.0	-	-	-	-
Receipts for preventing and liquidating emergency situations	0.0	0.0	0.0	0.0	-	-	-	-
Excise tax	0.9	1.2	1.6	1.8	1.9	1.8	1.8	1.7
Excise on goods produced in the Kyrgyz Republic	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.2

² Asian Development Bank (ADB), *Kyrgyz Republic: Improving Growth Potential*, September 2019. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>.

	2012	2013	2014	2015	2016	2017	2018	2019
Excise on imported goods	0.6	0.9	1.2	1.5	1.5	1.5	1.5	1.5
Tax for use of mineral resources	0.2	0.2	0.2	0.6	0.2	0.2	0.2	0.3
International trade and transactions taxes	3.0	3.3	3.4	2.2	2.9	3.1	3.2	3.7
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contributions/receipts for social needs	-	-	-	-	0.0	0.5	-	-
Official transfers received	1.8	2.6	2.5	2.2	2.1	2.5	1.6	2.3
Non-tax revenues	5.6	5.6	6.7	8.0	5.6	5.7	4.5	5.5
Property revenue and interest	2.9	2.3	1.7	3.5	2.2	1.6	1.5	1.3
Revenue from sale of goods and services	2.3	2.7	2.8	2.9	2.7	2.3	2.4	2.6
Administrative collections and receipts	0.4	0.5	0.5	0.4	0.4	0.5	0.5	0.6
Receipts from providing paid services	2.0	2.2	2.4	2.5	2.3	1.8	1.7	1.8
Fines and sanctions, forfeitures	0.1	0.1	0.1	0.2	0.1	0.1	0.2	0.2
Voluntary transfers other than grants	0.1	0.1	0.9	0.7	0.2	0.2	0.1	0.9
Other non-tax revenues	0.1	0.3	1.1	0.8	0.4	1.4	0.3	0.4
Revenues from sales of non-financial assets	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure	34.5	29.3	30.3	31.3	31.8	31.3	27.7	28.4
Expenditure for realization of current activity	32.2	24.4	23.9	24.4	24.3	23.5	22.7	23.1
Compensation of employees	11.3	10.4	10.1	10.4	10.7	10.1	8.6	8.8
Social contributions	1.6	1.4	1.4	1.4	1.4	1.4	1.1	1.2
Business trips	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.3
Utilities	1.0	0.9	0.8	1.0	0.9	0.9	0.7	0.6
Rent payments	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Transportation services	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Acquisition of other services	2.3	2.3	2.0	2.3	2.0	1.9	1.6	1.6
Acquisition of medical supplies	0.3	0.3	0.3	0.3	0.3	0.5	0.2	0.1
Acquisition of food supplies	1.0	1.0	1.0	1.0	0.9	0.9	0.8	0.7
Interest	0.9	0.8	0.9	1.0	1.1	1.1	1.3	1.3
Subsidies	0.8	0.7	0.8	0.8	1.1	1.0	0.8	0.7
Grants	0.1	0.0	0.1	0.1	0.1	0.1	1.9	1.9
Social benefits	5.4	5.6	5.7	5.6	5.1	4.9	5.1	5.3
Other expenditures	7.0	0.3	0.2	0.2	0.2	0.2	0.1	0.1
Expenditures for acquisition of non-financial assets	2.3	5.0	6.4	6.8	7.5	7.8	5.0	5.4
State budget balance	-6.5	-0.7	-0.5	-1.4	-4.4	-3.1	-1.1	-0.1
General financing	7.2	2.2	3.0	4.5	5.6	4.3	2.3	1.9
Domestic financing	2.1	-2.8	-2.5	0.7	1.6	1.0	2.0	1.4
External financing	5.0	5.0	5.5	3.8	4.0	3.3	0.3	0.5

- Nil or rounded to zero.

Source: National Statistical Committee.

1.5. The budget balance reported in Table 1.2 excludes the effect of energy subsidies, which are substantial. Maintained for social reasons, these subsidies are politically difficult to eliminate. However, low prices for electricity set administratively result in operational losses for state-owned companies in the energy sector. The authorities record the public loans required to sustain operations in these enterprises as "acquisition of assets", effectively leaving these debts to be resolved at a later date. The negative effects on needed investments, the operational efficiency of the energy sector, and the reliability of the electricity supply are discussed further in Section 4.2.2.

1.6. In its latest Country Report on the Kyrgyz Republic, the IMF also notes certain recent problems in the banking sector.³ The National Bank of the Kyrgyz Republic (NBKR) became the majority owner of a mid-sized troubled bank in October 2018, as it took possession of shares previously held as collateral for emergency assistance loans. The NBKR subsequently increased its stake in the bank (to 96.3%). The NBKR ownership is temporary, as the bank will either be sold to private investors or transferred to the Government. Meanwhile, the liquidation of four insolvent banks is also moving slowly. The winding-up processes are administered by the Agency for Banks Liquidation, an independent state body.

1.7. Regarding monetary policy, the Government has few monetary and exchange rate options. The NBKR maintains an inflation target within a band of 5% to 7% per year, and unofficially appears to be aiming at an exchange rate of the Kyrgyz som that is stable *vis-à-vis* the US dollar.⁴ Although the unofficial peg to the US dollar assisted in achieving the inflation target, it also led to an appreciation of the real effective exchange rate, particularly due to periods in which the Russian rouble and the Kazakh tenge depreciated.

1.8. The Kyrgyz Republic opted for an open international capital account from the early days of independence. The Government has limited monetary policy space, as official estimates of the dollarization of the local economy indicate that it may amount to 35%-40% of broad money (i.e. the equivalent of M2).⁵ Despite periodic attempts to reduce dollarization, high levels of remittances largely nullify such efforts.

1.9. Most of the remittances appear to bypass the formal banking system and are directed towards real estate and imported goods.⁶ In some of the major Kyrgyz cities, residential construction financed by remittances gave a significant boost to local contractors. The authorities nonetheless face a major challenge in promoting remittance flows to be channelled into productive economic and social investments.⁷

1.10. A very large domestic savings-investment gap has its counterpart in a large current account deficit, mainly financed by overseas development assistance, foreign direct investment (FDI), and other long-term capital flows. A major part of the large merchandise trade deficit is financed by remittances. The current account deficit widened from nearly USD 500 million 2017 to more than USD 1 billion 2019 (Table 1.3), or 12.7% of GDP. However, the IMF argues that the rise in imports observed in 2018 reflects an improved ability of the customs administration to record imports as well as an actual increase in the value of goods brought into the country.⁸

Table 1.3 Balance of payments, 2012-19

(USD million)

	2012	2013	2014	2015	2016	2017	2018	2019
Current account	-1,020	-979	-1,267	-1,078	-788	-482	-997	-1,073
Goods and services	-2,913	-2,794	-3,134	-2,445	-2,340	-2,475	-3,167	-2,564
Trade balance ^a	-2,577	-2,780	-2,808	-2,241	-2,137	-2,383	-3,034	-2,626
Exports (f.o.b.)	2,588	2,833	2,483	1,619	1,608	1,814	1,916	2,043
EAEU countries	863	789	726	410	447	541	641	642
Non-EAEU countries	1,726	2,044	1,757	1,209	1,161	1,272	1,275	1,401
Imports (f.o.b.)	5,165	5,614	5,290	3,860	3,744	4,197	4,950	4,669
EAEU countries	2,481	2,527	2,335	1,920	1,520	1,733	2,011	1,961

³ IMF (2019), *Kyrgyz Republic: 2019 Article IV Consultation—Press Release and Staff Report*, IMF Country Report No. 19/208. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2019/07/02/Kyrgyz-Republic-2019-Article-IV-Consultation-Press-Release-and-Staff-Report-47085>.

⁴ On average, the value of USD 1 has remained just under KGS 70 since 2016.

⁵ However, taking into account large real estate and consumer durables transactions, the share may actually be much higher.

⁶ Unlike Asian "contract migrants", who normally return home permanently after working overseas, Kyrgyz migrant workers tend to visit their home country intermittently while working in their destination country. The frequent visits facilitate cash remittances. Alternatively, money transfer intermediaries are used to remit funds directly to family members in the Kyrgyz Republic.

⁷ Other than financing consumption, some remittances appear to enter the Kyrgyz microfinance system.

⁸ IMF (2019), *Kyrgyz Republic: 2019 Article IV Consultation—Press Release and Staff Report*, IMF Country Report No. 19/208. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2019/07/02/Kyrgyz-Republic-2019-Article-IV-Consultation-Press-Release-and-Staff-Report-47085>.

	2012	2013	2014	2015	2016	2017	2018	2019
Non-EAEU countries	2,684	3,087	2,956	1,940	2,225	2,464	2,939	2,707
Balance of services	-336	-13	-326	-205	-204	-92	-133	62
Rendered services	987	1,089	897	849	841	824	830	1,083
Received services	-1,323	-1,103	-1,223	-1,054	-1,045	-916	-963	-1,021
Income ^a	-169	-423	-309	-261	-351	-372	-251	-779
Direct investment income	-111	-348	-223	-191	-270	-296	-192	-707
Portfolio investment income	-	-	-	1	-	-	-	-
Other investment income	-30	-53	-62	-52	-65	-57	-46	-58
Interest in loans (schedule)	-47	-70	-80	-69	-70	-76	-77	-82
Other investment income	17	17	18	17	5	19	32	24
Compensation of employees	-29	-22	-23	-19	-16	-19	-14	-15
Current transfers	2,061	2,238	2,176	1,628	1,903	2,365	2,421	2,270
Capital and financial account	843	986	603	778	708	609	536	554
Capital account	166	280	66	79	113	131	335	88
Capital transfers ^a	166	280	66	79	113	131	335	88
Financial account	677	706	537	699	596	478	201	466
Direct investment in the Kyrgyz Republic ^a	293	626	233	1,009	579	-78	44	337
Portfolio investment	6	5	0	-129	-7	-25	-9	25
Financial derivatives	0	0	0	5	6	3	0	-
Other investment	379	75	305	-186	17	578	167	104
Assets (- accretion)	99	-224	-473	-410	-98	424	23	-107
Banks	-8	-82	-22	-157	92	-5	-4	-20
Other assets	107	-142	-451	-253	-190	430	27	-87
Liabilities (+ accretion)	280	299	777	224	116	154	144	211
Banks	9	25	22	17	-34	-13	48	19
Loans	324	165	684	206	92	176	-61	135
General government	256	151	428	234	237	215	-191	66
Disbursement	348	384	483	306	344	326	150	188
Amortization (schedule)	-92	-233	-55	-71	-106	-111	-341	-122
Private sector	68	14	257	-28	-145	-39	130	69
Disbursement	336	441	612	522	342	345	461	577
Amortization (schedule)	-267	-427	-356	-550	-488	-383	-331	-509
Other liabilities	-53	110	71	1	57	-9	157	57
Net errors and omissions	309	43	398	221	386	-112	297	566
Overall balance	131	51	-266	-79	306	15	-164	47
Financing	-131	-51	266	79	-306	-15	164	-47
NBKR reserves ^b	-142	-66	270	67	-312	-44	188	-16
IMF loans	9	12	-5	12	6	1	-29	-26
Exceptional financing	3	3	1	-	-	27	5	-5
Other financing	-1	-	-	-	-	-	-	-

- Nil or rounded to zero.

a According to National Statistical Committee data including National Bank of the Kyrgyz Republic estimates.

b According to IMF methodology, operations with gold bullion to be included in the structure of asset reserves accomplished with residents are excluded from reserve assets.

Source: National Bank of the Kyrgyz Republic.

1.11. The Kyrgyz Republic is increasingly becoming a services economy. The share of the workforce employed in agriculture declined from 30% in 2012 to 18% in 2019 (Table 1.1). Although there was a simultaneous increase in labour input in manufacturing, this nevertheless means that about two thirds of the domestic Kyrgyz workforce is engaged in some form of service activity. Wholesale and retail trade are the leading subsectors. The Asian Development Bank (ADB) notes that higher productivity, together with a more diversified and broad-based economic model, is required to create more jobs and sustained high economic growth. Information about the quality of jobs and the positive impact on poverty reduction is still missing in the services sector. Policy reforms to make

services sectors more competitive will need to focus on the elimination of internal and external market distortions. In addition, complementary investments in physical infrastructure and human capital will be needed to support an expanding services economy.

1.12. The Kyrgyz Republic also has a significant informal economy that may equal between 24% and 40% of the official GDP.⁹ Informal activity appears to be most prevalent in trade, hospitality, transport, and agriculture. It has also been observed that compliance with administrative procedures appears to generate high costs for many firms, driving informality and acting as a disincentive to organic growth.

1.13. Although the Executive Board of the IMF gives credit to the Kyrgyz Republic for improved macroeconomic and financial conditions, its outlook is cautious as the Kyrgyz economy remains vulnerable to external shocks.¹⁰ This is due to the high level of remittances, the dominance of a single commodity (gold) in exports, a significant current account deficit, and the level and composition of public debt.

1.14. Preliminary data confirm that the Kyrgyz economy has been severely affected by the COVID-19 pandemic. Prolonged border closures and lockdowns have had a major negative impact on sectors such as commerce, tourism, and travel. In addition, the inflow of remittances declined sharply, falling approximately 25% year-on-year over the first five months of 2020.¹¹ This, in turn, has had ripple effects on domestic consumption and the construction of residential homes. Among the few bright spots, the mining industry has been doing relatively well as the price of gold has remained high. The peg of the Kyrgyz som to the US dollar was relaxed in March 2020, resulting in a marked depreciation of the national currency.

1.15. With rising levels of unemployment and poverty, and a healthcare sector operating under considerable stress, the international community has been stepping up its efforts to help stabilize the economy and fill an expected external financing gap of some USD 500 million. The IMF approved budget support amounting to nearly USD 250 million, and further aid is being made available or expected from the ADB, the World Bank, the United Nations system, and bilateral donors. The Kyrgyz economy may nevertheless shrink by as much as 10% in 2020.

1.3 Developments in Trade and Investment

1.3.1 Trends and patterns in merchandise and services trade

1.16. In 2019, the Kyrgyz Republic recorded a deficit in its foreign trade in goods of USD 3 billion, as merchandise imports of nearly USD 5 billion outstripped exports worth just under USD 2 billion (Chart 1.1). Measured in US dollars, the deficit narrowed somewhat compared with that in 2012, as exports grew by 18% while imports contracted by 7%. Gold from one single mine is the principal commodity shipped abroad (Table A1.1). Annual export values vary due to fluctuations both in the price of gold and in production levels at the Kumtor mine.¹² In 2016, gold accounted for 50% of merchandise exports. Although projections may change, a significant decline is expected in the production at Kumtor from 2023 onwards.

1.17. According to the authorities, exports of textiles and garments declined from USD 205 million in 2012 to USD 92.4 million in 2015. Since then, foreign sales have rebounded, reaching USD 211 million in 2018. An increasingly vibrant garments industry has been quite successful in finding a market for relatively inexpensive women's clothing in the Russian Federation. In general, the relative proximity to China makes most manufacturing activities unprofitable, and only niche production is likely to prevail.

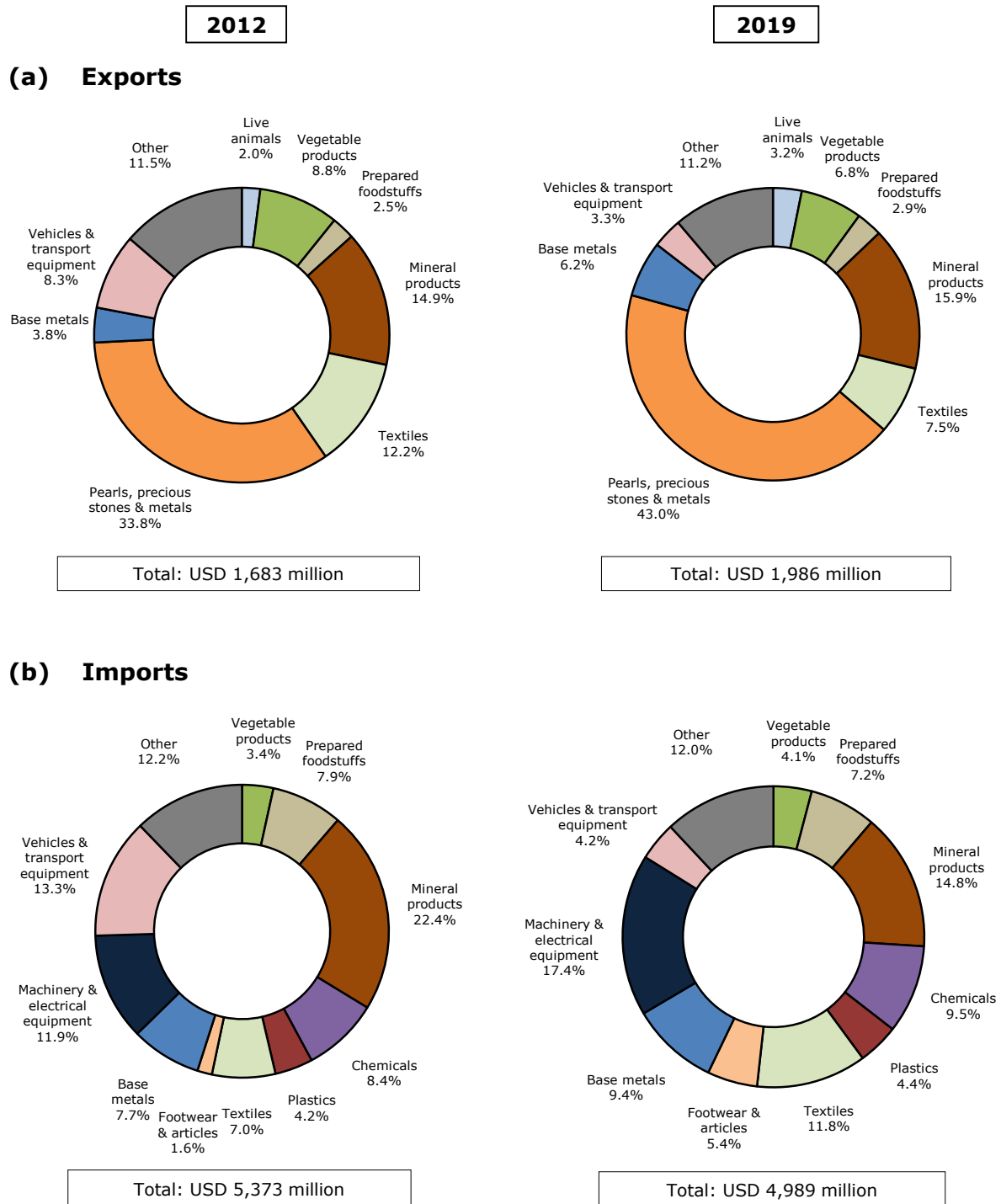
⁹ Asian Development Bank (ADB), *Kyrgyz Republic: Improving Growth Potential*, September 2019. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>.

¹⁰ IMF (2019), *Kyrgyz Republic: 2019 Article IV Consultation—Press Release and Staff Report*, IMF Country Report No. 19/208. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2019/07/02/Kyrgyz-Republic-2019-Article-IV-Consultation-Press-Release-and-Staff-Report-47085>.

¹¹ ADB/UNDP, *COVID-19 in the Kyrgyz Republic: Socioeconomic and Vulnerability Impact Assessment and Policy Response*, August 2020.

¹² For example, an accident caused a two-month suspension of mining operations in 2019-20.

Chart 1.1 Merchandise trade by main HS section, 2012 and 2019



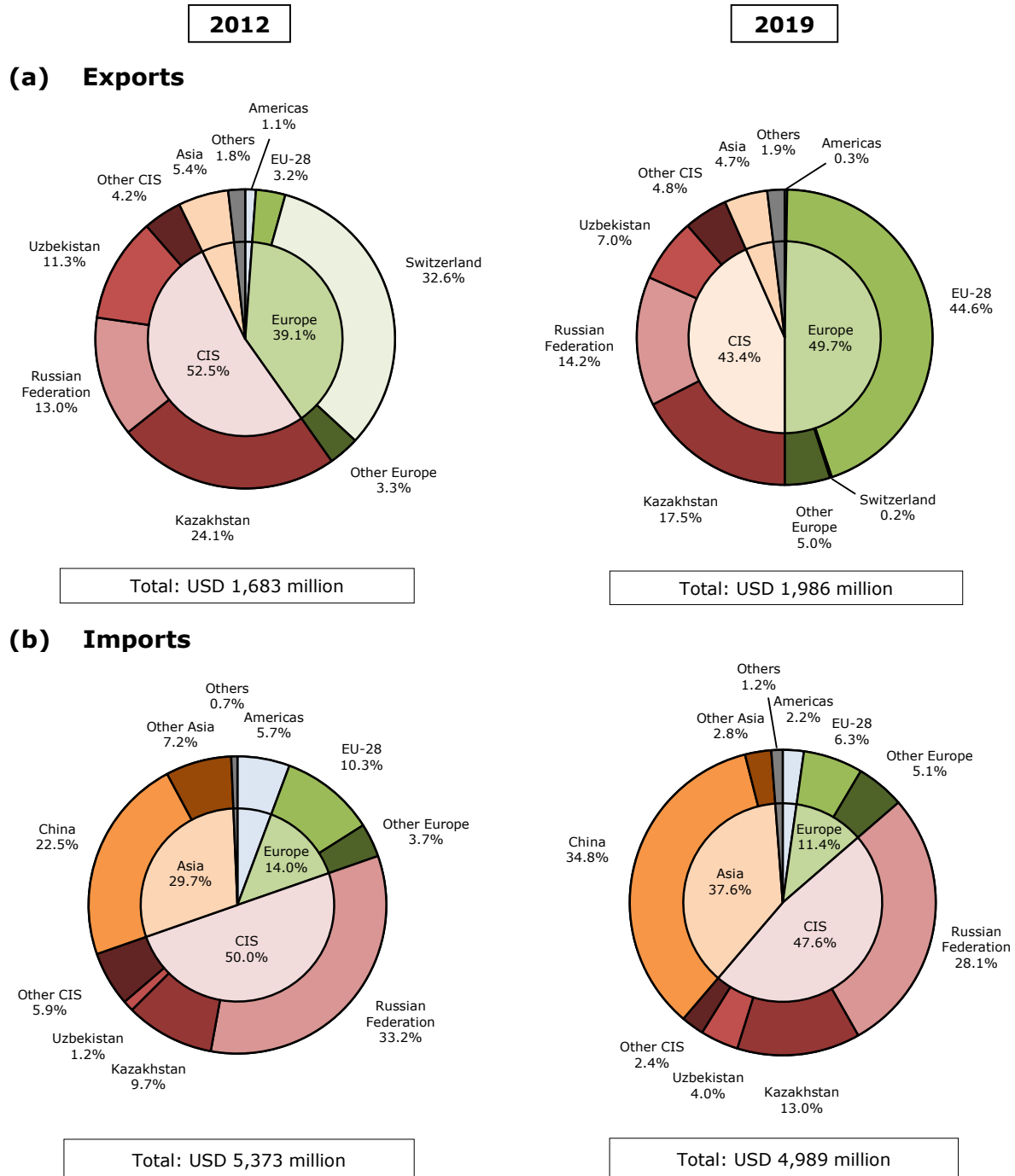
Source: WTO Secretariat calculations, based on data from the UN Comtrade database.

1.18. Although the Kyrgyz Republic has considerable agricultural potential, it is a net importer of agricultural products, particularly processed foods (Table A1.2). It has deposits of oil and gas, but nevertheless remains a net importer of fuels and mineral products. Most manufactured articles, including machinery and motor vehicles, are imported.

1.19. Due to the contractual arrangements relating to sales of gold, Switzerland was the main market for Kyrgyz exports until 2017 (Table A1.3). As the contract was switched to a UK-based enterprise in November 2017, the United Kingdom is currently the trading partner for gold and silver, and hence the top destination for Kyrgyz merchandise exports. The Kyrgyz Republic has a large

trade deficit with China, as it is the main source of imports, while exports to China are insignificant (Chart 1.2). Imports from China expanded from USD 1.2 billion in 2012 to more than USD 1.7 billion in 2019 (Table A1.4).

Chart 1.2 Merchandise trade by main origin and destination, 2012 and 2019



Source: WTO Secretariat calculations, based on data from the UN Comtrade database.

1.20. Trade with partners in the Commonwealth of Independent States (CIS) represented 52.5% of Kyrgyz merchandise exports, and half of its imports, in 2012. Although the shares were somewhat lower in 2019, the entry of the Kyrgyz Republic into the EAEU in 2015 had a positive effect on bilateral trade with the Russian Federation in particular, and, to a lesser extent, with Kazakhstan (Table A1.4). Bilateral trade with the other EAEU partners (Belarus and Armenia) remains modest.

1.21. Although the Kyrgyz Republic recorded persistent deficits in trade in services (until 2019), these deficits are considerably smaller than those for trade in goods (Table 1.4). Transportation and travel are the two main items, for both imports and exports (roughly 80% of all trade in services). The Kyrgyz Republic achieved a surplus in travel-related services, whereas its landlocked situation requires payments for railroad transport that significantly exceed the income from such services. Almost all gold exports are shipped by air.

Table 1.4 Trade in services, 2012-19

(USD million)

	2012	2013	2014 ^a	2015	2016	2017	2018	2019
Exports	987	1,089	887	849	841	824	830	1,083
Transport services	181	184	159	189	166	206	213	270
Railroad transport	33	35	32	46	29	38	43	44
Air transport	129	131	99	100	108	103	121	146
Road transport	13	10	6	37	23	47	36	63
Other types of transport	7	8	22	6	6	19	13	17
Travel	434	561	408	421	432	429	460	644
Business	187	228	167	181	186	184	198	277
Personal	248	333	241	240	247	244	262	367
Communication services	11	21	21	39	63	37	19	10
Construction services	33	57	81	66	61	19	11	15
Insurance services	1	0	1	0	0	0	0	1
Excursion office services	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Financial services	4	7	3	15	5	26	14	7
Computer and information services	2	2	1	3	3	3	3	5
Government services	16	15	7	8	8	8	17	2
Business services	185	148	110	83	70	39	45	50
Other services	120	95	97	25	32	56	48	80
Imports	1,323	1,103	1,223	1,053	1,045	916	963	1,021
Transport services	643	542	601	454	405	432	493	453
Railroad transport	397	353	386	319	264	290	320	316
Air transport	109	86	111	73	78	78	68	46
Road transport	96	69	65	43	50	55	92	61
Other types of transport	41	34	38	19	13	10	14	30
Travel	350	350	390	403	461	292	314	391
Business	186	186	207	214	244	155	167	207
Personal	165	165	183	190	217	137	148	184
Communication services	5	12	16	13	20	13	12	9
Construction services	9	15	29	29	15	11	8	8
Insurance services	17	16	13	8	9	8	6	6
Excursion office services	0	n.a.	0	n.a.	n.a.	n.a.	n.a.	n.a.
Financial services	8	12	12	19	16	29	13	17
Computer and information services	15	9	13	13	10	13	12	16
Government services	9	11	13	12	12	15	17	15
Business services	215	101	85	57	58	69	64	75
Of which technical assistance	21	21	20	20	20	20	20	20
Other services	53	34	52	45	38	34	24	31
Services balance	-336	-14	-336	-205	-204	-92	-133	62
Transport services	-462	-358	-442	-265	-239	-226	-280	-184
Railroad transport	-364	-318	-355	-273	-235	-252	-276	-273
Air transport	19	45	-12	26	30	25	53	99
Road transport	-83	-59	-59	-6	-27	-8	-56	3
Other types of transport	-34	-26	-17	-13	-7	9	-1	-13
Travel	85	210	18	18	-29	136	145	252
Business	1	42	-40	-33	-58	29	31	69
Personal	83	168	58	51	30	107	114	183
Communication services	7	8	5	26	43	24	7	1

	2012	2013	2014 ^a	2015	2016	2017	2018	2019
Construction services	25	42	52	37	46	8	4	7
Insurance services	-16	-15	-12	-8	-8	-8	-6	-5
Excursion office services	0	n.a.	0	n.a.	n.a.	n.a.	n.a.	n.a.
Financial services	-5	-5	-10	-5	-11	-2	1	-10
Computer and information services	-13	-8	-12	-10	-6	-10	-10	-11
Government services	7	5	-6	-4	-4	-6	0	-13
Business services	-30	47	25	26	12	-30	-18	-25
Other services	67	61	45	-20	-6	23	24	49

n.a. Not applicable.

a Available data for 2014 do not allow reconciling the total exports and balance of services with the figures of the Balance of Payments table.

Source: National Bank of the Kyrgyz Republic, *Balance of Payments of the Kyrgyz Republic* reports, several issues.

1.22. Because of its liberal trade policies, especially compared with those of its neighbours in Central Asia, the Kyrgyz Republic has important re-exports of goods. Established in 1992, the Dordoi Bazaar in the capital, Bishkek, is one of the largest public markets in Asia. The Kara-Suu Bazaar, located in the southern Osh region, also serves a large community in the multi-ethnic Fergana valley. Together, these bazaars constitute platforms not only for exports of locally made goods, but also for re-exports made in the Russian Federation and China (e.g. fabrics and footwear) to other countries in the region.

1.3.2 Trends and patterns in FDI

1.23. Although the Kyrgyz Republic maintains an open investment regime with few formal restrictions and no screening mechanism (Section 2.4), FDI inflows are not substantial. In the first decade after independence, only the mining sector, where the Kyrgyz Republic has considerable untapped resources, attracted outside funds of any significance.

1.24. The accumulated FDI amounted to USD 7.2 billion over the period 2012-19. FDI has fluctuated, peaking in 2015 at almost USD 1.6 billion, then fell, only to exceed USD 1 billion once again in 2019 (Table 1.5). According to the data aggregated over those eight years, nearly three quarters of the FDI was channelled into three broad sectors: manufacturing (35%); professional, scientific, and technical activities (25%); and financial services (13%). About USD 400 million was invested in the production of petroleum products. According to the authorities, a further USD 500-USD 600 million is expected to be provided to this sector in 2021, mainly from Chinese investors. Foreign investment in mining and quarrying has generally been on a rising trend since 2015, when it amounted to less than USD 15 million. Nevertheless, non-mining activities accounted for nearly 90% of the FDI in the Kyrgyz Republic during 2017-19. Foreign investment in the tourism sector has so far been negligible. Most of the capital appears to be invested in the northern regions, particularly in and around Bishkek.

Table 1.5 FDI by economic activity, 2012-19

(USD '000)

	2012	2013	2014	2015	2016	2017	2018	2019
Total	590,733	964,507	727,091	1,573,244	813,961	616,793	851,744	1,076,919
Agriculture, forestry and fishing	2,046	345	-	316	211	22	2,328	149
Mining and quarrying	25,678	23,152	74,973	14,728	54,302	80,995	91,846	99,481
Manufacturing	257,259	317,743	271,250	564,715	251,234	186,334	376,442	340,805
Electricity, gas, steam and air conditioning supply	15	16,201	43,581	136,705	122,247	79,829	15,831	10,596
Water supply; sewerage, waste management and remediation activities	30	159	32	-	-	-	4	10
Construction	27,833	15,505	20,046	107,008	25,386	3,071	71,860	56,016

	2012	2013	2014	2015	2016	2017	2018	2019
Wholesale and retail trade; repair of motor vehicles and motorcycles	32,626	66,575	37,620	64,832	13,231	30,551	34,533	36,144
Transportation and storage	6,449	10,062	6,043	2,552	18	105	8,727	18,536
Accommodation and food service activities	1,760	474	219	38	2,103	2,625	638	833
Information and communication	2,642	3,235	13,169	5,699	1,251	14,422	52,604	138,480
Financial and insurance activities	42,234	99,847	28,495	411,884	178,725	81,476	53,940	62,670
Real estate activities	3,961	2,568	3,071	2,846	217	1	730	1,030
Professional, scientific and technical activities	186,850	403,375	228,570	261,903	164,966	132,449	142,129	309,563
Administrative and support service activities	1,083	17	11	1	65	123	76	2,247
Public administration and defence, compulsory social security	-	-	-	-	-	-	-	-
Education	-	5,010	12	17	5	6	-	1
Human health and social work activities	127	-	-	-	-	73	8	122
Arts, entertainment and recreation	142	240	-	-	-	4,712	-	181
Other service activities	-	0	-	-	-	-	50	58

- Nil or rounded to zero.

Source: National Statistical Committee.

1.25. China is the principal origin of the foreign investment, representing 35.8% of the accumulated FDI during 2012-19. Other major investors were based in the Russian Federation (17%) and Canada (14.3%). Although a substantial share of the Canadian investment is channelled into mining, Canadian investors are also engaged in other activities. EU countries, including the United Kingdom, accounted for nearly 15% of the FDI during 2012-19.¹³ The entry of the Kyrgyz Republic into the EAEU does not appear to have changed the provenance of investment flows in any major way thus far, although it may have prompted the surge in investment from the Russian Federation, China, and the United Kingdom in 2015 (Table 1.6). However, the authorities are optimistic that new export opportunities provided by the EAEU membership will stimulate investment flows with the creation of new joint ventures and other forms of cooperation.

Table 1.6 FDI by partner country, 2012-19

(USD '000)

	2012	2013	2014	2015	2016	2017	2018	2019
Total	590,733	964,507	727,091	1,573,244	813,961	616,793	851,744	1,076,919
Non-CIS	530,809	839,853	636,025	996,175	499,171	467,727	695,862	999,212
China	141,172	468,337	221,646	474,412	301,303	303,025	338,093	338,053
Canada	132,978	104,822	183,510	130,251	118,893	4,591	98,439	259,241
Switzerland	21,243	17,596	3,707	5,281	3,561	5,476	19,351	103,264
Turkey	22,347	23,764	29,211	111,112	33,236	17,175	93,461	94,566
United Kingdom	70,653	81,708	53,387	189,509	723	28,866	27,439	73,202
Netherlands	1,146	9,500	6,504	13,211	9,372	25,416	57,319	61,430
Cyprus	1,298	34,544	31,652	27,989	15,767	10,960	6,908	34,055
United States	5,527	8,244	14,899	12,034	3,190	7,366	5,740	6,595

¹³ UK-based investors represented slightly more than 50% of the investment of EU origin.

	2012	2013	2014	2015	2016	2017	2018	2019
Japan	-	0	-	-	-	15,927	399	5,873
Germany	32,643	6,542	18,222	6,958	716	33,599	9,740	3,314
British Virgin Islands	11,041	4,355	16,558	340	287	58	6,385	1,979
Pakistan	4,405	5,902	4,574	3,814	3,009	3,821	8,890	1,551
Afghanistan	99	295	509	335	691	-	7	1,318
Korea, Republic of	27,829	9,505	3,195	3,152	970	722	3,909	1,307
CIS	59,925	124,654	91,066	577,069	314,790	149,066	155,882	77,707
Russian Federation	25,445	69,817	60,400	515,488	291,538	98,621	124,361	38,225
Kazakhstan	34,083	52,314	30,534	20,796	23,109	46,965	29,447	38,145
Azerbaijan	125	17	-	-	-	123	153	778
Belarus	168	1,796	91	40,678	56	35	25	397
Uzbekistan	25	90	27	75	17	2,759	1,823	140
Ukraine	69	282	3	14	66	563	37	17
Tajikistan	-	-	12	17	5	0	36	6

- Nil or rounded to zero.

Source: National Statistical Committee.

2 TRADE AND INVESTMENT REGIMES

2.1 General Framework

2.1. The Kyrgyz Republic became an independent state in 1991. The Constitution was originally adopted in 1993 and has since been amended several times. In 2010, the system of government changed significantly, from a presidential to a mixed presidential-parliamentary system.¹ Following a referendum in December 2016, amendments to 26 articles of the Constitution took effect in 2017. According to the authorities, these amendments were designed to strengthen the independence and sovereignty of the Kyrgyz Republic, strengthen parliamentarism by clarifying the principles of interaction between the legislative and executive levels of authority, and improve the constitutional framework for the continuation of judicial and law enforcement reform.

2.2. The President is the Head of State and is elected directly for a non-renewable term of six years. The President calls for elections to the national Parliament and local parliaments; signs and promulgates laws and returns laws to the Parliament with objections; submits to the Parliament candidates for election as judges of the Supreme Court or judges to be dismissed from the Court; appoints or dismisses the Prosecutor General, with the consent of the Parliament; appoints or dismisses from office members of the Government in charge of state agencies dealing with defence and national security; and submits to the Parliament candidates to be elected to the position of chairperson of the National Bank of the Kyrgyz Republic (NBKR). The President represents the Kyrgyz Republic at home and abroad and conducts negotiations and signs international treaties with the consent of the Prime Minister. The President is also the Commander in Chief of the Armed Forces. The President's powers are exercised through decrees and orders, which are legally binding throughout the entire territory.² The Presidential elections held in October 2017 were the first time in Central Asia that an elected president was replaced in a peaceful election.

2.3. The Jogorku Kenesh (Parliament) is the highest representative body, and it exercises legislative power and oversight functions within the limits of its powers. The Jogorku Kenesh consists of one chamber of 120 deputies who are elected for a five-year term through a system of proportional representation. Its main powers are to: (i) adopt laws on the scheduling of referenda; (ii) call for presidential elections; (iii) introduce changes to the Constitution; (iv) adopt laws, and ratify or withdraw from international treaties; (v) resolve issues relating to the alteration of state borders; (vi) approve the country's budget; (vii) decide on matters regarding administrative and territorial structure³; (viii) issue amnesty acts; (ix) approve the programme of the activity of the Government and define its structure and composition (except for the members heading state agencies in charge of defence and national security); (x) approve nationwide development programmes submitted by the Government; (xi) adopt decisions of confidence or no confidence in the Government; (xii) elect judges of the Supreme Court, the chairperson of the NBKR, members of the Central Commission on elections and referenda, and members of the Chambers of Account Ombudsman; and (xiii) approve the appointment or dismissal of the Prosecutor General.⁴

2.4. The Government is the highest executive body and is accountable to the Jogorku Kenesh. The Government consists of the Prime Minister, the First Vice-Prime Minister, Vice-Prime Ministers, the Head of the Government Office-Minister, Ministers, and Chairpersons of State Committees. There are currently 12 Ministries – Agriculture, Food Industry and Land Reclamation; Culture, Information and Tourism; Economy; Education and Science; Emergency Situations; Finance; Foreign Affairs; Health; Internal Affairs; Justice; Labour and Social Development; and Transport and Roads – and four State Committees – Defense Affairs; Industry, Energy, and Mineral Resources; Information Technologies and Communications; and National Security.⁵

¹ Toktogazieva, S. (2019), "Constitution Without Constitutionalism? Challenges to Constitutionalism in the Kyrgyz Republic", *Constitutional Review*, Vol. 5, No. 2, December, pp. 276-293, 285. Viewed at: <https://consrev.mkri.id/index.php/const-rev/article/view/524>.

² Constitution, Articles 60-64.

³ The territory of the Kyrgyz Republic is divided into 531 administrative territorial units: 7 provinces, 2 cities of national importance (Osh and Bishkek), 40 districts, 29 cities, and 453 *ayil aymaqs*.

⁴ Constitution, Article 74(1)-(4). The Parliament also has the powers to declare a state of emergency, decide on matters of war and peace, impose martial law and declare a state of war, and decide on matters concerning the use of the armed forces outside its territory pursuant to international obligations. Constitution, Article 74(5).

⁵ Jogorku Kenesh Resolution No. 2378-VI of 20 April 2018.

2.5. The parliamentary faction or coalition of factions accounting for more than half of the total number of deputies nominates a candidate for the office of Prime Minister, who submits to the Parliament the programme, structure, and composition of the Government. In the event that no party obtains more than half of the number of deputies or that Parliament fails to approve the programme structure and composition of the Government within a certain period of time, the President must propose to one of the factions to create a parliamentary majority and nominate the candidate for the office of Prime Minister.⁶ The President is obligated to dismiss the Government if during a three-month period the Parliament repeatedly adopts a vote of no confidence in the Government. If the Prime Minister requests the Parliament to consider a vote of confidence and the Parliament refuses to do so, the President must either dismiss the Government or call early elections for a new Parliament.⁷

2.6. The main powers of the Government are to: (i) ensure the implementation of the Constitution and laws; (ii) implement the domestic and foreign policy of the State; (iii) adopt measures to ensure law and order, and the rights and freedom of citizens, and to protect public order and combat crime; (iv) ensure the implementation of measures aimed at protecting the sovereignty of the State, territorial integrity, and the constitutional order, and those to strengthen defence capacity, national security, and law and order; (v) ensure the implementation of financial, pricing, tariff, investment, and tax policy; (vi) draft and submit to the Parliament the national budget and take measures for its execution, take measures to secure equal conditions for the development of all forms of property and their protection, and manage public property; (vii) ensure the implementation of a unified state policy in socio-economic and cultural areas; (viii) develop and implement nationwide programmes of economic, social, scientific, technical, and cultural development; (ix) ensure the implementation of foreign economic activity; and (x) ensure interaction with civil society.⁸

2.7. According to Law No. 241 of 20 July 2009 on Regulatory Legal Acts⁹, the hierarchy of normative legal acts is as follows: Constitution and laws amending or supplementing the Constitution, Constitutional Law, Code, Law, Presidential Decree, Jogorku Kenesh Resolution, Government Resolution, Acts of the NBKR and the Central Commission on Election and Referenda, normative legal acts of public authorities entitled to issue normative legal acts, and normative legal acts of local representative bodies. The Law on Regulatory Legal Acts also outlines provisions with respect to substantive and procedural aspects of the adoption, implementation, and interpretation of regulatory legal acts. The procedural provisions include requirements regarding regulatory impact assessment, public discussion¹⁰, and transparency through the inclusion of adopted legal acts in a state registry of normative legal acts and their official publication.¹¹ Regulatory legal acts shall in principle enter into force 10 days after their official publication, in the case of laws, and 15 days after their date of publication, in the case of other regulatory legal acts.

2.8. International treaties in force for the Kyrgyz Republic and universally recognized principles and norms of international law are integral parts of the legal system. The procedures and modalities of application of such treaties and principles and norms of international law are to be defined by law.¹²

2.9. Judicial power is exercised only by courts. The Supreme Court is the highest body of judicial power in respect of civil, criminal, and administrative cases, and it supervises local courts. A Constitutional Chamber exists as part of the Supreme Court to perform constitutional oversight.

⁶ Constitution, Article 84.

⁷ Constitution, Articles 85-86.

⁸ Constitution, Article 88.

⁹ Law No. 241 of 20 July 2009, as amended by Laws No. 23 of 13 May 2011, No. 195 of 7 December 2012, No. 17 of 14 February 2013, No. 22 of 19 February 2013, No. 30 of 22 February 2013, No. 131 of 11 July 2013, No. 35 of 18 February 2014, No. 47 of 14 March 2014, No. 112 of 7 July 2014, No. 224 of 29 December 2016, No. 137 of 20 July 2017, No. 115 of 8 August 2019, and No. 33 of 3 April 2020.

¹⁰ Draft regulatory acts directly affecting the interests of citizens and legal entities and draft regulatory acts regulating entrepreneurial activity must be made available for public discussion on the official website of the rule-making body or, in the absence of such a website, must be published in the media. One of the commitments made by the Government in its National Action Plan 2018-20 to build an open government is to improve the procedures for public discussion provided for in the Law on Regulatory Legal Acts. In this respect, the creation of a unified portal for public discussion of draft normative acts is envisaged.

¹¹ Law No. 241 of 20 July 2009, Articles 6, 22-23, and 28-30.

¹² Constitution, Article 6.

Although the Constitution provides for the possibility of establishing specialized courts, to date no such courts have been created.

2.10. Compared with other countries in Central Asia, the Kyrgyz Republic is widely regarded to have a significantly more open political and economic system, but the Asian Development Bank (ADB) observes that this "has not translated into better government effectiveness and political stability".¹³ Recent analysis of the Kyrgyz Republic's economic performance emphasizes the critical role of poor governance as a major impediment to the development of a sound business and investment climate. It has been argued that "governance is the main bottleneck for private sector growth", and "[r]elative to other low- and middle-income countries (LMICs) and even to low-income countries in the Worldwide Governance Indicators, the Kyrgyz Republic falls well behind average performance in key dimensions, including rule of law, control of corruption, and political stability".¹⁴ The Government acknowledges the need to improve the quality of governance, as illustrated by various recent reform efforts directed at combating corruption, enhancing the integrity of the judicial and law enforcement system, and improving the efficiency and transparency of public administration more generally.

2.11. The Kyrgyz Republic became a party to the United Nations Convention Against Corruption in 2005. Transparency International ranks the Kyrgyz Republic 126th of 180 countries on its Corruption Perceptions Index 2019. The Kyrgyz Republic is one of three post-Soviet States that have significantly improved on this index since 2012 but that "continue to experience state capture and a failure to preserve checks and balances".¹⁵ A 2018 Organisation for Economic Co-operation and Development (OECD) study provides a comprehensive assessment of the Kyrgyz Republic's implementation of the Istanbul Anti-Corruption Action Plan.¹⁶ While anti-corruption activities have intensified in recent years, significant challenges remain with respect to the institutional framework for the development and implementation of anti-corruption policy¹⁷, the prevention of corruption¹⁸, the criminalization of corruption, and the prevention and prosecution of corruption in the customs sector. In the latter regard, the OECD report specifically recommends, among other things, that the Kyrgyz Republic complete its accession to the Revised Kyoto Convention of the World Customs Organization, adopt rules to prevent and resolve conflicts of interest, improve the recruitment and promotion process for customs service employees, consider increasing the remuneration of customs officials, implement measures aimed at decreasing the use of indicative prices for customs clearance purposes, implement measures aimed at combating unreliable declarations, put in place procedures for the electronic declaration and for the automatic distribution of declarations between employees, and review the functions and powers of the internal security and anti-corruption control department.

2.12. Regarding the judicial system, a perception exists that courts are not independent, especially in light of the role that political authorities play in the appointment, oversight, and dismissal of

¹³ ADB, *Kyrgyz Republic: Improving Growth Potential*, September 2019, p. 36. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>.

¹⁴ World Bank, *Kyrgyz Republic – From Vulnerability to Prosperity: A Systematic Country Diagnostic*, 2018, p. 18. Viewed at: <http://documents.worldbank.org/curated/en/516141537548690118/pdf/Kyrgyz-Republic-SCD-English-Final-August-31-2018-09182018.pdf>. The report also observes that the Kyrgyz Republic "is doing reasonably well on the formal quality of the regulatory environment", but that there are "significant gaps between de jure design of regulation and de facto implementation" on account of capacity constraints within the Government and corruption (Ibid., pp. 20-21). The importance of governance and rule of law reforms is also highlighted in recent reports of other international bodies, e.g. European Bank for Reconstruction and Development (EBRD), *Kyrgyz Republic Country Strategy 2019-2014*, 2019, p. 9. Viewed at: <https://www.ebrd.com/where-we-are/kyrgyz-republic/overview.html>; and IMF (2019), *Kyrgyz Republic: Article IV Consultation–Press Release and Staff Report*, IMF Country Report No. 19/208, pp. 18-19. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2019/07/02/Kyrgyz-Republic-2019-Article-IV-Consultation-Press-Release-and-Staff-Report-47085>.

¹⁵ Transparency International, *Corruption Perceptions Index 2019*, p. 16. Viewed at: <https://www.transparency.org/cpi2019>.

¹⁶ OECD, *Anti-corruption Reforms in Kyrgyzstan. 4th Round of Monitoring of the Istanbul Anti-Corruption Action Plan*, 2018. Viewed at: <https://www.oecd.org/corruption/acn/OECD-ACN-Kyrgyzstan-4th-Round-Monitoring-Report-2018-ENG.pdf>.

¹⁷ The OECD report argues that the anti-corruption policies are fragmented among too many bodies and recommends the creation of a single body tasked with the development, coordination, and monitoring of the implementation of the anti-corruption policy and the coordination of a public education programme.

¹⁸ In this respect, the OECD report discusses developments regarding legislation on conflict of interests and reforms of asset declarations of public officials, protection of whistle-blowers, integrity of the judiciary and public prosecution authorities, administrative procedures (use of e-government tools and transparency and access to information), public procurement, and business integrity.

judges.¹⁹ As a result of the lack of trust in the courts, market participants often have recourse to alternative means of dispute settlement, which may explain the fact that the Kyrgyz Republic is involved in a relatively large number of international arbitration cases.²⁰

2.13. A programme of judicial reform initiated in 2012 and coordinated by the Council for Judicial Reform in the Office of the President resulted in the adoption, in 2017, of several new codes and laws. These include the Criminal Code, the Criminal Procedure Code, the Code of Offences, the Code Concerning Violations of the Criminal Executive Code, the Law About Grounds of Amnesty and its Application, and the Law on Probation. The new codes and laws entered into force in January 2019.²¹ The basic objective of the reform process has been to abandon the traditional, repressive approach to the judicial process through enhanced protection of human rights, decriminalization and depenalization, and prohibition of the abusive and arbitrary exercise of judicial and police powers. The main responsibility for implementation of these codes and laws rests with the Ministry of Internal Affairs. Reform of the judicial and law enforcement system was also identified as a priority in the Development Program of the Kyrgyz Republic for the Period 2018-2022 and in the National Development Strategy of the Kyrgyz Republic 2018-40.²²

2.14. A Decree establishing a Business Ombudsman was signed in December 2018 and entered into force on 15 January 2019.²³ The main role of the Business Ombudsman is to investigate complaints by businesses about the abuse of power by the State. New legislation to combat money laundering and the financing of terrorism came into force in September 2018.

2.15. Another set of policy initiatives aimed at strengthening the rule of law and improving the quality of public administration was launched in 2019 when the Government adopted the National Action Plan 2018-20 to build an open government.²⁴ It contains 22 commitments in 9 areas: (i) access to information and open data; (ii) judicial and legislative openness; (iii) citizen engagement with government; (iv) elections and political financing; (v) fiscal openness; (vi) natural resources and development; (vii) public integrity measures; (viii) public procurement; and (ix) citizen involvement.

2.2 Trade Policy Formulation and Objectives

2.16. The Ministry of Economy is the central executive authority responsible for state policy in the fields of macroeconomics, antimonopoly, tariffs, licensing, investment, foreign economic relations, fiscal policy, public-private partnerships (PPPs), state material reserves, economic and regional development, state property management, technical regulation and metrology, the Halal industry, trade, entrepreneurship and optimization of the regulatory framework for business activities, and free economic zones.

2.17. The WTO Interdepartmental Commission was created in 1999 to coordinate WTO multilateral trade issues. It sets out the distribution and responsibilities of the ministries and other government

¹⁹ It has been observed, in this regard, that the constitutional amendments that took effect in 2017 weakened the independence of the judiciary. Joint Opinion of the European Commission for Democracy through Law (Venice Commission) and OSCE Office for Democratic Institutions and Human Rights (OSCE/ODIHR), *Kyrgyz Republic, Endorsed Joint Opinion on the Draft Law on Introduction of Amendments and Changes to the Constitution*, 2016. Viewed at: [https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD\(2016\)025-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD(2016)025-e); and OECD, *Anti-corruption Reforms in Kyrgyzstan. 4th Round of Monitoring of the Istanbul Anti-Corruption Action Plan*, 2018. <https://www.oecd.org/corruption/acn/OECD-ACN-Kyrgyzstan-4th-Round-Monitoring-Report-2018-ENG.pdf>.

²⁰ IMF (2019), *Kyrgyz Republic: Article IV Consultation—Press Release and Staff Report*, IMF Country Report No. 19/208, p. 19. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2019/07/02/Kyrgyz-Republic-2019-Article-IV-Consultation-Press-Release-and-Staff-Report-47085>.

²¹ An action plan for the implementation of the new codes and laws was adopted in April 2017 and amended in April 2018. Decree No. 120-R of 14 April 2017, as amended by Decree No. 155-R of 28 April 2018.

²² *Development Program of the Kyrgyz Republic for the Period 2018-2022*, Section 5.7. Viewed at: https://www.un-page.org/files/public/the_development_program_of_the_kyrgyz_republic_for_the_period_2018-2022.pdf; and *National Development Strategy of the Kyrgyz Republic 2018-40*, Sections IV.3 and V, adopted by Decree No. 221 of 31 October 2018. Viewed at: <http://donors.kg/en/strategy/5174-national-development-strategy-of-the-kyrgyz-republic-for-2018-2040>.

²³ Decree No. 647 of 31 December 2018.

²⁴ This Plan was adopted pursuant to the Kyrgyz Republic's accession in 2017 to the Open Government Partnership.

bodies with respect to the WTO Agreements.²⁵ The Ministry of Economy is given the primary role in coordinating the Commission and has the most responsibilities for ensuring compliance with WTO obligations under the GATT and GATS. Several other ministries are given direct responsibilities over certain agreements or provisions. For example, the Ministry of Agriculture, Food Industry and Land Reclamation has responsibility for the provisions of the WTO Agreement on Agriculture. The Interdepartmental Commission meets as needed, typically about five times per year. The government bodies are represented at the level of minister, deputy minister, or head of department. Certain representatives from the private sector or civil society, e.g. a chamber of commerce, may also be invited to attend sessions of the Commission.²⁶ Public councils for the State Customs Service and for the Ministry of Economy enable private sector involvement in trade policy.²⁷

2.18. Law No. 41 of 2 July 1997 on State Regulation of Foreign Trade Activity provides the overall framework for the regulation of foreign trade activity in the Kyrgyz Republic.²⁸ Its purpose is to protect the economic sovereignty of the Kyrgyz Republic, promote foreign trade activities, and ensure the effective integration of the Kyrgyz economy. The Law defines certain basic principles of trade policy and identifies, in general terms, powers and responsibilities of the Government with respect to particular aspects of foreign trade, including the customs tariff, measures to protect the domestic market, quantitative restrictions and bans on imports and exports, negotiation and conclusion of international agreements, licensing, export control, technical regulations, sanitary and phytosanitary measures, environmental standards and requirements, and free economic zones. It also contains provisions on the promotion and monitoring of foreign trade activities. Following the accession of the Kyrgyz Republic to the Eurasian Economic Union (EAEU), the Law on State Regulation of Foreign Trade Activity was amended in June 2015 in the areas of trade remedies and licensing of imports and exports of goods.

2.19. Since the Law on State Regulation of Foreign Trade Activity sets out only a general framework, its provisions were implemented through more specialized trade laws, including the Customs Code (2004), the Customs Tariff Law (2006), the Anti-Dumping Act (1998), the Law on Subsidies and Countervailing Measures (1998), the Act on Export Controls (2003), and the Law on Technical Regulations (2004). Other laws relevant to trade are the Law on Licensing, the Law on Investments, the Tax Code, and the Civil Code.

2.20. The accession to the EAEU, in August 2015, entailed significant changes to many aspects of the Kyrgyz Republic's trade regime. In some cases, domestic law was substantially amended or repealed to align it with EAEU law. For example, the Customs Code (2004) is no longer in force and was superseded by legislation enacted to implement the EAEU Customs Code (Section 3.1.1). In the case of trade remedies, domestic law was not harmonized with EAEU law but became inapplicable because the EAEU provides for the application of trade remedies at the EAEU level (Section 3.1.6).

2.21. The transformation of the Kyrgyz Republic's economy towards a more productive, private-sector-oriented economy requires diversification of export products and export markets (Section 1.3). Trade and trade policy have an important contribution to make in this regard. Specific products that appear to offer significant scope for expansion of exports include cotton, processed food, garments, and various primary material inputs, while there is also potential for exports of electricity and in services sectors, such as tourism.²⁹ To realize the potential for expansion of exports in these sectors, it will be necessary to overcome various constraints, such as the lack of institutional capacity to meet international sanitary and phytosanitary standards. More generally, the lack of

²⁵ Decree No. 374 of 23 June 2003.

²⁶ Decree No. 374 of 23 June 2003.

²⁷ Public councils, previously known as public-sector advisory councils, allow private citizens to participate in the control of the activities of executive authorities and in discussions on the formation and implementation of policy. Such public councils currently exist for 35 ministries, departments, state committees, agencies, and services.

²⁸ Foreign trade activity is defined as the international exchange of goods, services, information, and intellectual property rights.

²⁹ ADB, *Kyrgyz Republic: Improving Growth Potential*, September 2019. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>; and World Bank, *Kyrgyz Republic – From Vulnerability to Prosperity: A Systematic Country Diagnosis*, 2018. Viewed at: <http://documents.worldbank.org/curated/en/516141537548690118/pdf/Kyrgyz-Republic-SCD-English-Final-August-31-2018-09182018.pdf>.

connectivity with global markets due to the geographical situation of the Kyrgyz Republic³⁰ and the state of its infrastructure mean that implementing an export-oriented trade strategy poses serious challenges in terms of high transport and logistical costs (Section 4.4.3).

2.22. An important objective of the National Sustainable Development Strategy for the Period 2013-17 was to improve the country's export performance through an export development strategy aimed at enhancing the competitiveness of domestic products on external markets and promote exports of services. Growth in exports was to be supported by the development of transport infrastructure, marketing and information support for domestic export-oriented enterprises, and implementation of the one-stop-shop principle for obtaining necessary clearance documents.³¹

2.23. Similarly, the Development Program of the Kyrgyz Republic for the Period 2018-2022 indicates that one of the priorities of the Government's foreign economic policy will be to create favourable external conditions for the promotion of exports of goods and services to foreign markets. In this regard, the Government is pursuing the following objectives: (i) strengthen and develop trade and economic cooperation with key trading partners, such as the Russian Federation, China, the countries of Central Asia, Turkey, the European Union, and countries in the Middle East; (ii) take an active part in expanding the framework of cooperation of the Eurasian Economic Community, including in the negotiation process for concluding free trade agreements (FTAs) and non-preferential trade agreements with third countries; (iii) continue to work to improve quality standards to meet international standards; (iv) adopt measures to effectively use the European Union's Generalized System of Preferences Plus (GSP+) scheme; (v) complete the work on the modernization and updating of checkpoints at on the border, and create a unified database for participants in foreign economic activities with a view to facilitating the promotion of their goods and services; (vi) assist small and medium-sized businesses in preparing business plans and promoting products to foreign markets by establishing a Project Preparation Fund; (vii) develop a set of measures for medium- and long-term financing of export-oriented enterprises and priority sectors with high export potential; (viii) expand the markets for attracting capital, and intensify its work with international organizations to implement infrastructure projects in key export-oriented sectors of the economy, such as agriculture, light industry, and tourism.³²

2.24. Pursuant to the Development Program, the Government adopted in December 2018 an export development programme that sets out specific measures to increase exports in certain priority sectors³³ (Section 3.2.4).

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.25. The Kyrgyz Republic was the first Soviet successor State to accede to the WTO, in December 1998, with a very open trade regime. It is an observer to the Committee on Government Procurement and is currently in the process of acceding to the Agreement on Government Procurement (Section 3.1.6). The Kyrgyz Republic accepted the 2005 Protocol Amending the TRIPs

³⁰ Eurasian Development Bank, *Economic Geography of Eurasian Countries*, 2017, p. 47. ("Kyrgyzstan and Tajikistan share the third and fourth places among the world's land-locked countries located at the highest average elevations above sea level".) The ADB observes that "[t]he Kyrgyz Republic is one of the most isolated and geographically challenged countries in the world. It is distant from the world's major commercial centres. It is 'double landlocked' as it shares a land boundary with three countries that are also landlocked. Apart from its international isolation, subnational economic integration is impeded by extremely rugged mountainous terrain". ADB, *Kyrgyz Republic: Improving Growth Potential*, September 2019, p. 5. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>.

³¹ National Council for Sustainable Development of the Kyrgyz Republic, *National Sustainable Development Strategy for the Kyrgyz Republic for the Period of 2013-2017*, pp. 62-63. Viewed at: https://www.un-page.org/files/public/kyrgyz_national_sustainable_development_strategy.pdf.

³² *Development Program of the Kyrgyz Republic for the Period 2018-2022*, pp. 13-14. Viewed at: https://www.un-page.org/files/public/the_development_program_of_the_kyrgyz_republic_for_the_period_2018-2022.pdf; and *National Development Strategy of the Kyrgyz Republic for 2018-2040*, pp. 32-33. Viewed at: <http://donors.kg/en/strategy/5174-national-development-strategy-of-the-kyrgyz-republic-for-2018-2040>.

³³ Government Resolution No. 596 of 20 December 2018 about Approval of the Program of the Kyrgyz Republic for Development of Export of the Kyrgyz Republic for 2019-2022.

Agreement on 6 February 2016 and the 2014 Protocol concerning the Trade Facilitation Agreement on 6 December 2016.

2.26. Since the previous Review, the Kyrgyz Republic has submitted notifications to the WTO in the areas of anti-dumping, countervailing measures, safeguard measures, intellectual property rights, trade-related investment measures, preferential rules of origin, trade in services, trade facilitation, import licensing, sanitary and phytosanitary measures, regional trade agreements, state trading enterprises, technical barriers to trade, agriculture, and customs valuation (Table A2.1). As at 30 April 2020, there were a number of unfulfilled notification obligations, notably with respect to import licensing and subsidies.

2.27. The Kyrgyz Republic is a member of several groups in the WTO, including the group of Article XII Members and the group of low-income economies in transition. It participates in discussions under the Joint Ministerial Statement Initiatives launched in December 2017 on investment facilitation for development and on micro, small, and medium enterprises.

2.28. The Kyrgyz Republic was involved in one WTO dispute settlement proceeding. In 2018, Ukraine requested consultations with respect to anti-dumping duties on imports of steel pipes into the Kyrgyz Republic applied pursuant to a decision of the Eurasian Economic Commission (EEC).³⁴

2.3.2 Regional and preferential agreements

2.3.2.1 FTAs predating accession to the Eurasian Economic Union

2.29. The Kyrgyz Republic is a party to the Treaty on a Free Trade Area between Members of the Commonwealth of Independent States.³⁵ The Treaty was signed on 18 October 2011 and entered into force on 20 September 2012.³⁶ The other parties to the Treaty are Armenia, Belarus, Kazakhstan, the Republic of Moldova, the Russian Federation, Tajikistan, Ukraine, and Uzbekistan. According to the WTO database on regional trade agreements, the Kyrgyz Republic currently has bilateral FTAs in force with Armenia³⁷, Kazakhstan³⁸, the Republic of Moldova³⁹, Ukraine⁴⁰, and Uzbekistan.⁴¹ It also has FTAs in force with Azerbaijan, Belarus, Tajikistan, and Turkmenistan. Regarding the FTA between the Russian Federation and the Kyrgyz Republic, the Russian Federation notified in 2017 that this and several other FTAs were terminated pursuant to Article 23.2 of the Treaty on a Free Trade Area between Members of the Commonwealth of Independent States.

2.3.2.2 Accession to the Eurasian Economic Union

2.30. The Kyrgyz Republic became a member of the EAEU⁴² on 12 August 2015 when the Treaty on the Accession of the Kyrgyz Republic to the Treaty on the Eurasian Economic Union (Accession Treaty) entered into force.⁴³ The main legal instruments defining the terms of this accession are the Accession Treaty signed in December 2014, two Protocols dated 8 May 2015, and one dated 11 April 2017.⁴⁴

2.31. The most important terms of the Kyrgyz Republic's accession to the EAEU can be briefly summarized as follows. First, in acceding to the EAEU, the Kyrgyz Republic also acceded to other international treaties concluded in the context of the Customs Union and the Single Economic Space

³⁴ WTO document WT/DS570/1, 22 October 2018.

³⁵ WTO document WT/REG/GEN/N/9, 28 February 2017.

³⁶ The Treaty entered into force for the Kyrgyz Republic on 13 December 2013. WTO document WT/REG/N/2, 18 March 2015.

³⁷ Entry into force: 27 October 1995. WTO document WT/REG114/1, 16 January 2001.

³⁸ Entry into force: 11 November 1995. WTO document WT/REG81/1, 29 September 1999.

³⁹ Entry into force: 21 November 1996. WTO document WT/REG76/1, 15 June 1999.

⁴⁰ Entry into force: 19 January 1998. WTO document WT/REG74/1, 15 June 1999.

⁴¹ Entry into force: 20 March 1998. WTO document WT/REG75/1, 15 June 1999.

⁴² The EAEU Treaty entered into force on 1 January 2015. The Russian Federation notified the Treaty to the WTO in December 2014. WTO documents WT/REG358/N/1 and S/C/N/785, 15 December 2014. The Factual Presentation on the EAEU Treaty was circulated in WTO document WT/REG358/1, 13 July 2018.

⁴³ The Accession Treaty was notified in WTO documents WT/REG366/N/1 and S/C/N/823, 2 September 2015. The Factual Presentation was circulated in WTO document WT/REG366/1, 29 August 2018.

⁴⁴ WTO document WT/REG366/1, 29 August 2018, Box 2.1 – *Structure of Legal Instruments on the Kyrgyz Republic's Accession to the EAEU*.

and that form an integral part of the EAEU legal framework.⁴⁵ Second, the application of the EAEU Treaty by the Kyrgyz Republic is subject to certain transitional measures and temporary exceptions to the EAEU Common External Tariff, as defined in one of the Protocols.⁴⁶ The Accession Treaty required that, subject to the Protocol on Transitional Provisions, the Kyrgyz Republic apply the EAEU Common Customs Tariff from the date of adoption by the Supreme Eurasian Economic Council of a decision abolishing customs controls on goods and vehicles across the border between the Kyrgyz Republic and Kazakhstan. That decision was adopted on 8 May 2015. On that date, the Council also adopted a decision provided for in the Accession Treaty to abolish sanitary and phytosanitary control measures at that border. Third, as at the date of accession, the Kyrgyz Republic will apply all acts of the bodies of the EAEU and decisions of the Supreme Eurasian Economic Council and the EEC in effect on that date, subject to the Protocol on Transitional Provisions. Finally, the Accession Treaty requires the Kyrgyz Republic to apply in trade relations with third countries a regime that complies with the regime applied by all EAEU member States in accordance with the international treaties concluded by them with such countries.

2.32. As discussed in the previous Review and elsewhere in this Report (Section 3.1.3), a significant issue that arose in the context of the Kyrgyz Republic's accession to the EAEU is the relationship between its obligation to apply the EAEU Common External Tariff and the commitments it made in its WTO accession process regarding its customs tariff bindings.

2.3.2.3 Participation in agreements concluded by the EAEU

2.33. By virtue of its membership in the EAEU, the Kyrgyz Republic is a party to the FTA with Viet Nam that entered into force in 2016, an interim agreement leading to the establishment of a free trade area with the Islamic Republic of Iran that entered into force in October 2019⁴⁷, and an agreement on economic and trade cooperation with China. The EAEU and its member States concluded negotiations on FTAs with Singapore and Serbia in October 2019, and currently are in the process of negotiating FTAs with Egypt, India, and Israel.

2.3.2.4 Enhanced Partnership and Cooperation Agreement with the European Union

2.34. In July 2019, the European Union and the Kyrgyz Republic concluded an Enhanced Partnership and Cooperation Agreement (EPCA). This agreement will replace the Partnership and Cooperation Agreement that entered into force in 1999. Its objective is "to reflect the developments in Kyrgyzstan and in the region, build on achievements of bilateral cooperation to date and provide a new, modern and ambitious legal framework for the future bilateral partnership".⁴⁸ The main areas of cooperation covered by the EPCA are: (i) political cooperation and reforms; (ii) enhanced cooperation in foreign and security policy; (iii) justice, freedom, and security; (iv) trade; and (v) enhanced cooperation in some 24 other key sectors. The European Union also committed to supporting the Kyrgyz Republic through the provision of financial and technical assistance.

2.35. The Kyrgyz Republic was accorded the status of beneficiary of the European Union's GSP+ scheme in January 2016.

⁴⁵ These other international treaties are listed in an Annex to the Accession Treaty. One of the Protocols of 8 May 2015 contains amendments to the EAEU Treaty and international treaties incorporated into EAEU law as a consequence of the Kyrgyz Republic's accession. Protocol on Amendments to the Treaty on the Eurasian Economic Union of 29 May 2014, and Separate International Agreements Incorporated into the Law of the Eurasian Economic Union, in View of the Accession of the Kyrgyz Republic to the Treaty on the Eurasian Economic Union of 29 May 2014.

⁴⁶ Protocol on the Conditions and Transitional Provisions on the Application by the Kyrgyz Republic of the Treaty on the Eurasian Economic Union of 29 May 2014, Separate International Treaties Incorporated into the Law of the Eurasian Economic Union, and the Acts of the Bodies of the Eurasian Economic Union due to the Accession of the Kyrgyz Republic to the Treaty on the Eurasian Economic Union of 29 May 2014 (Protocol on Transitional Provisions).

⁴⁷ WTO document WT/REG/401/N/1, 3 February 2020.

⁴⁸ European Union-External Action, *Fact Sheet EU-Kyrgyz Republic Enhanced Partnership and Cooperation Agreement*, 2019. Viewed at: https://eeas.europa.eu/sites/default/files/epca_factsheet.pdf.

2.3.3 Other agreements and arrangements

2.36. Apart from its membership in the EAEU, the Kyrgyz Republic participates in several other regional arrangements, some of which are relevant to trade. For example, the Central Asian Regional Cooperation (CAREC), established in 1997, provides for project-based regional cooperation in the areas of trade, energy, and transport. It has 11 members⁴⁹ and is supported by 6 multilateral institutions.⁵⁰ CAREC's Integrated Trade Agenda 2030 aims to assist CAREC members with integrating further into the global economy and comprises three pillars: trade expansion from increased market access; greater diversification; and stronger institutions for trade.⁵¹ CAREC plays an important role in the development of regional and inter-regional transport networks. The Kyrgyz Republic also participates in the United Nations Special Programme for the Economies of Central Asia (SPECA), launched in 1998, which aims to facilitate economic cooperation in the SPECA region and integration of the SPECA participating countries⁵² into the world economy, and to provide a platform for cross-border cooperation for the achievement of the Sustainable Development Goals.⁵³

2.4 Investment Regime and Policy

2.37. The Kyrgyz Republic maintains an open investment regime, with very few formal entry or ownership restrictions and no formal screening mechanism.⁵⁴ It has been observed that "[o]pening the country to FDI was an integral part of the liberalization reforms in the Kyrgyz Republic, and since the mid-1990s it has remained one of the most open countries to FDI in Central Asia and Eastern Europe".⁵⁵

2.38. The principal law of the Kyrgyz Republic relevant to foreign investment is the Law on Investments.⁵⁶ It aims to develop a favourable investment climate and attract and stimulate domestic and foreign investment by providing a fair legal regime and guarantees of protection of investments. First, the Law sets out legal guarantees for foreign investors, including: national treatment and non-discrimination; the right of export or repatriation of investments, profits, property, and information; guarantees of protection with respect to expropriation of investments and compensation of losses; freedom of currency transactions; free access to open information; investors' economic independence and recognition of their rights⁵⁷; and rights under concession contracts. Second, the Law provides for the establishment of a state body to facilitate and attract investment.⁵⁸ Third, it contains provisions on labour legislation, particularly employment of foreign

⁴⁹ Afghanistan, Azerbaijan, China, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.

⁵⁰ ADB, EBRD, IMF, World Bank, Islamic Development Bank, and United Nations Development Programme.

⁵¹ ADB, *CAREC Integrated Trade Agenda 2030 and Rolling Strategic Action Plan 2018-2020*, February 2019. Viewed at: <https://www.adb.org/documents/carec-trade-agenda-2030-action-plan-2018-2020>. In addition to trade, tourism, and economic corridors, CAREC's current mandate covers economic and financial stability, infrastructure and economic connectivity, agriculture and water, and human development.

⁵² Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. SPECA is supported by the United Nations Economic Commission for Europe (UNECE) and the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).

⁵³ UNECE and ESCAP, *SPECA Terms of Reference*, 2019. Viewed at: https://www.unece.org/fileadmin/DAM/SPECA/documents/gc/session14/V_SPECA_ToR_ENG_Final.pdf.

⁵⁴ Restrictions on FDI exist in domestic and international transport and ownership of land. UNCTAD, *Investment Policy Review: Kyrgyzstan*, 2016, p. 6. Viewed at: https://unctad.org/en/PublicationsLibrary/diaepcb2015d3_en.pdf.

⁵⁵ ADB, *Kyrgyz Republic: Improving Growth Potential*, September 2019, p. 56. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>.

⁵⁶ Law No. 66 of 27 March 2003 on Investments, as amended. The Law on Investments was amended in 2015 to define certain concepts, such as invested enterprise, and to provide more detailed rules on so-called stabilization agreements under which foreign investors are entitled to choose the most favourable regime with respect to tax and non-tax conditions. Other laws, such as the Tax Code, various business laws, and the Free Economic Zones Law, may have elements that provide security or other provisions to investors, but in and of themselves are not investment legislation.

⁵⁷ These rights include, for example, the right to choose freely the amount, composition, and structure of the capital of a newly created legal entity; create subsidiaries, branches, and representative offices; participate in privatization operations; and protect intellectual property rights.

⁵⁸ A State Agency on Promotion of Investments and Export was created in 2016 and renamed the Investment Promotion and Protection Agency in 2017.

workers by foreign investors. Finally, the Law contains provisions on the settlement of investment disputes, including the possibility of recourse to international arbitration.

2.39. The Council on Business and Investments was established in 2010 to provide a unified state policy on attracting investments and improving the business and investment climate.⁵⁹ The Council is a consultative-deliberative body that provides a forum for dialogue between the State and the business sector. It is responsible for developing and preparing recommendations to the President, the Government, and other state agencies. The Council is chaired by the Prime Minister, and its members include the Minister of Economy, two representatives from international development partners, and representatives from business associations.

2.40. An UNCTAD report on the investment regime of the Kyrgyz Republic finds that "[a]lthough the regulatory framework for business is generally modern, institutional weaknesses and implementation challenges in a number of areas have a negative impact on investment attractiveness and are detrimental to the protection of public interests".⁶⁰ While the report makes several recommendations relating to regulation specific to foreign investment, most of its recommendations pertain to the general investment climate. The report makes specific proposals for changes in company operations and access to land and real property, taxation, labour legislation, employment of non-residents, environment, trade facilitation, access to justice, and governance.⁶¹ The UNCTAD report also identifies strategic priorities to diversify FDI attraction and promote sustainable development: (i) foster investments in public infrastructure through small FDI projects and PPPs; (ii) diversify economic activity by attracting FDI into selected industries such as garments and textiles, agro-industries, and tourism; and (iii) enact policies for sustainable mining and linkage development.⁶²

2.41. The Development Program of the Kyrgyz Republic for the Period 2018-2022 defines the promotion of export-oriented manufacturing as one of the key principles of investment policy. Specific initiatives to be pursued as part of this policy include, *inter alia*: (i) the improvement of the legal framework for the protection and promotion of investments; (ii) the identification of priority sectors of state support; (iii) directing investments to particular regions in accordance with their competitive advantages; (iv) measures to improve the ranking of the Kyrgyz Republic on the World Bank's Doing Business Index, especially regarding the connection to the electricity grid, taxation, and enforcement of contracts; (v) introduction of new fiscal and administrative incentives and simplification of inspection procedures and reporting requirements; (vi) review and simplification of the procedures for PPP projects; (vii) introduction of a single window mechanism for investors; (viii) establishment of mechanisms for the creation of new investment funds; (ix) measures to optimize the effective management of state assets; and (x) review of the system for managing free economic zones.⁶³

2.42. Improvement of the investment climate is also a key objective of the National Development Strategy of the Kyrgyz Republic 2018-2040. The Government aims to considerably improve the investment climate to make the country an attractive investment destination that has a competitive advantage in comparison with other countries of the region and the EAEU. It will actively use the GSP+ to increase exports to EU member States. The Government will make efforts to provide high-quality public administration and governance and create an efficient institutional mechanism to support investors at the national and regional levels. A separate policy will be developed regarding investment in the extractive sector and the energy sector. Government agencies will identify key areas for investment in their respective sectors of the economy, taking into account country priorities and opportunities provided by the Kyrgyz Republic's participation in the EAEU, the Shanghai Cooperation Organization, the Belt and Road initiative, and bilateral cooperation with countries in Central Asia and elsewhere. The Government will support investment activity with the objective of creating new export-oriented and innovative sectors of the economy, which will ensure rapid growth

⁵⁹ Resolution No. 149 of 5 August 2010.

⁶⁰ UNCTAD, *Investment Policy Review: Kyrgyzstan*, 2016, p. 60. Viewed at: https://unctad.org/en/PublicationsLibrary/diaepcb2015d3_en.pdf.

⁶¹ UNCTAD, *Investment Policy Review: Kyrgyzstan*, 2016, pp. 9-25. https://unctad.org/en/PublicationsLibrary/diaepcb2015d3_en.pdf.

⁶² UNCTAD, *Investment Policy Review: Kyrgyzstan*, 2016, pp. 28-49. https://unctad.org/en/PublicationsLibrary/diaepcb2015d3_en.pdf.

⁶³ *Development Program of the Kyrgyz Republic for the Period 2018-2022*, pp. 14-15. Viewed at: https://www.un-page.org/files/public/the_development_program_of_the_kyrgyz_republic_for_the_period_2018-2022.pdf.

of value added and exports. The most promising areas include subsectors of light and processing industries, which use local raw materials and labour resources for the most part.⁶⁴

2.43. The authorities point to data showing an increase in inflows of FDI from 2018 to 2019 and the improvement of its ranking in the World Bank's Doing Business Report as evidence that the investment climate in the Kyrgyz Republic has become more attractive.⁶⁵

2.44. Since the previous Review, the Kyrgyz Republic concluded bilateral investment agreements with Austria (2016), Kuwait (2015), Qatar (2014), and the United Arab Emirates (2014). The bilateral investment agreement with Indonesia from July 1995 was terminated on 18 February 2018, and a bilateral investment agreement was concluded with India in June 2019, replacing an agreement concluded in 1997.

2.45. Table 2.1 lists all bilateral investment agreements concluded by the Kyrgyz Republic with third countries as at 30 June 2020.

Table 2.1 Bilateral investment agreements

Agreement	Date of signature	Date of entry into force
Armenia	4 July 1994	26 November 1995
Austria	22 April 2016	Not yet in force
Azerbaijan	23 April 1997	27 August 1997
Belarus	30 March 1999	11 November 2001
China	14 May 1992	9 September 1995
Finland	3 April 2003	8 December 2004
France	2 June 1994	10 August 1997
Georgia	22 April 1997	28 October 1997
Germany	28 August 1997	16 April 2006
India	14 June 2019	Not yet in force
India	16 May 1997	12 May 2000
Indonesia	18 July 1995	23 April 1997 (terminated on 18 February 2018)
Iran, Islamic Republic of	31 July 1996	27 July 2005
Kazakhstan	8 April 1997	..
Korea, Republic of	19 November 2007	23 June 2008
Kuwait	12 December 2015	Not yet in force
Latvia	22 May 2008	Not yet in force
Lithuania	15 May 2008	Not yet in force
Malaysia	20 July 1995	Not yet in force
Moldova, Republic of	7 November 2002	16 November 2004
Mongolia	4 December 1999	Not yet in force
Pakistan	26 August 1995	Not yet in force
Qatar	8 December 2014	Not yet in force
Sweden	8 March 2002	1 April 2003
Switzerland	29 January 1999	17 April 2003
Tajikistan	19 January 2000	7 December 2001
Turkey	9 April 2018	Not yet in force
Turkey	28 April 1992	31 October 1996
Ukraine	23 February 1993	Not yet in force
United Arab Emirates	7 December 2014	5 January 2016

⁶⁴ *National Development Strategy of the Kyrgyz Republic 2018-2040*, pp. 32-33. Viewed at: <http://donors.kg/en/strategy/5174-national-development-strategy-of-the-kyrgyz-republic-for-2018-2040>.

⁶⁵ The Kyrgyz Republic ranks 80th out of 190 countries in the World Bank's Doing Business 2020 Report and is one of the 20 countries whose ranking has improved significantly. This reflects progress made regarding the reliability of the supply of electricity, access to credit information, and ease of payment of taxes. World Bank, *Doing Business 2020: Kyrgyz Republic*. Viewed at: <https://www.doingbusiness.org/content/dam/doingBusiness/country/k/kyrgyz-republic/KGZ.pdf>.

Agreement	Date of signature	Date of entry into force
United Kingdom	8 December 1994	18 June 1998
United States	19 January 1993	12 December 1994
Uzbekistan	24 December 1996	6 February 1997

.. Not available.

Source: Information provided by the authorities; and UNCTAD international investment agreements navigator.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures, valuation, and requirements

3.1. Pursuant to the Kyrgyz Republic joining the Treaty on the Eurasian Economic Union (EAEU Treaty) of 29 May 2014, most of its customs legal framework changed, and many more processes and procedures were harmonized at the level of the customs union.¹ For example, most of its domestic legislation on customs became obsolete, except for Law No. 52 of 24 April 2019 on Customs Regulation, and was overtaken by the EAEU Customs Code. Various other decisions, treaties, and regulations of the EAEU and a number of national laws and regulations form the rest of the legal framework (Table 3.1 and Box 3.1). EAEU member States are allowed to have national legislation on customs as long as it does not conflict with the rules of the EAEU.

3.2. One of the principal developments was the entry into force of the new EAEU Customs Code on 1 January 2018. It was designed to take into account the latest agreements and developments in the WTO, principally the Trade Facilitation Agreement, improve the quality of customs administration, and also enable the move from paper to electronic platforms and processes. According to the authorities, it does not create any significant new conditions of customs regulation but rather helps innovate and modernize customs.

3.3. Article 28 of the EAEU Treaty provides for the free movement of goods among the members of the EAEU, and thus there are no customs duties, other duties or charges, non-tariff measures, special safeguards, or anti-dumping and countervailing measures, except as may otherwise be provided in the EAEU Treaty. However, indirect taxes, i.e. excise tax and value added tax (VAT), are still to be paid on imports and are regulated by national legislation (Tax Code of the Kyrgyz Republic) (Section 3.1.4).

3.4. The Treaty on the Accession of the Kyrgyz Republic to the Treaty on the Eurasian Economic Union (Accession Treaty) of 29 May 2014 also contains other provisions on customs matters. In particular, Article 6 addresses internal customs control measures and paragraph 1 of Article 25 of the EAEU Treaty addresses the free movement of goods between the territories of member States without the need for a customs declaration. As the Kyrgyz Republic has a land border with only one other EAEU member State, Kazakhstan, Article 6 is specific to the Kyrgyz-Kazakh state border. In essence, Article 6 prescribes that customs control between the two States will be abolished after Eurasian Economic Commission (ECC) Council Decision No. 5 of 8 May 2015, which was contingent upon a number of measures being undertaken, such as equipping airports with certain equipment, organizing an exchange of information between tax authorities, organizing an exchange of information in electronic form among customs authorities, controlling and confirming the export of goods, controlling the temporary importation of transport vehicles, controlling goods in transit, and organizing an exchange of information for the implementation of analytical and control functions. According to the authorities, per the Decision, customs control on the Kyrgyz-Kazakh section of the state border was cancelled.

3.5. Article 8 of the Accession Treaty provides for the sharing of import customs duties collected among the members of the EAEU.² As one of the smallest trading economies in the EAEU, the Kyrgyz Republic also receives one of the lowest percentages, 1.9%, while the others are allocated as follows: Russian Federation (85.265%), Kazakhstan (7.055%), Belarus (4.560%), and Armenia (1.220%).³

¹ EEC, EAEU Treaty. Viewed at: <https://docs.eaeunion.org/Pages/DisplayDocument.aspx?s=bef9c798-3978-42f3-9ef2-d0fb3d53b75f&w=632c7868-4ee2-4b21-bc64-1995328e6ef3&l=540294ae-c3c9-4511-9bf8-aaf5d6e0d169&EntityID=3610>. For a detailed analysis of the provisions of the EAEU Treaty and the Accession Treaty, see also WTO documents WT/REG358/1, 13 July 2018, and WT/REG366/1, 29 August 2018.

² Including other duties, taxes, and charges having equivalent effect, i.e. import, export, anti-dumping, and countervailing duties.

³ Protocol on the Application of Separate Provisions of the Agreement on Accession of the Kyrgyz Republic to the Treaty on the Eurasian Economic Union of 29 May 2014, signed on 23 December 2014.

Table 3.1 Main national legislation related to customs, 2020

Reference	Date	Overview
Law No. 41 on State Regulation of Foreign Trade Activity	2 July 1997	Main law on foreign trade
Law No. 52 on Customs Regulation	24 April 2019	Main law on customs implementing the EAEU Customs Code
Law No. 177 on Amendments and Additions to the Law on Free Economic Zones of the Kyrgyz Republic	30 December 2014	Law on free economic zones
Law No. 87 on Amendments and Additions to the Law on Combating the Financing of Terrorism and Legalization (Laundering) of Proceeds from Crime	6 August 2018	To counteract terrorism and money laundering
Law No. 170 on Amendments and Additions to Some Legislative Acts of the Kyrgyz Republic	29 December 2014	Amendments and additions to various other legal acts
Government Resolution No. 564 on Measures to Implement the Requirements of Articles 95, 101, 102, 105, 128, 135, 153, 157, 158, 163, 176, 180, 213, 229, and 232 of the Law on Customs Regulation	10 August 2015	Amending certain articles of the Customs Act
Government Resolution No. 79 on Certain Issues in the Field of Customs Regulation	13 February 2020	Implementing the provisions of Law No. 52 on Customs Regulation
Government Resolution No. 563 on Measures to Implement the Requirements of the Law on Customs Regulation	6 August 2015	
Government Resolution No. 536 on Certain Issues of Activity of Authorized Economic Operators in the Field of Customs	27 July 2015	Rules for AEOs

Source: Information provided by the authorities; and Ministry of Justice, *Central Database of Legal Acts of the Kyrgyz Republic*. Viewed at: <http://cbd.minjust.gov.kg>.

Box 3.1 Customs-related treaties adhered to as a result of accession to the EAEU

Treaty on the Requirements for the Exchange of Information between the Customs Authorities and other State Authorities of the Customs Union Member States from 21 May 2010

Treaty on the Bases, Conditions, and Procedure of Changing the Terms of Payment of Customs Duties from 21 May 2010

Treaty on the Specifics of Customs Transit of Goods transferred by Railway Transport in the Customs Territory of the Customs Union from 21 May 2010

Treaty on the Procedure of Transfer of Goods for Personal Use across the Customs Border of the Customs Union by Individuals and on Performance of the Customs Operations related to the Release thereof from 18 June 2010

Treaty on Free Customs Area Warehouses and Customs Procedure of Free Customs Area Warehouses from 18 June 2010

Treaty on Relief from Application of Certain Forms of Customs Control by the Customs Authorities of the Customs Union Member States from 18 June 2010

Treaty on the Specifics of Use of International Carriage Transport Vehicles, Transporting Passengers as well as Trucks, Semitrailers, Containers and Railway Rolling Stocks transferring Cargo and/or Luggage for Internal Carriage within the Customs Territory of the Customs Union from 18 June 2010

Treaty on the Specifics of Customs Operations with respect to the Goods sent via International Postal Delivery from 18 June 2010

Treaty on the Issues of Free Economic Zones in the Customs Territory of the Customs Union and Customs Procedure of a Free Customs Zone from 18 June 2010

Treaty on the Procedure of Transfer of Cash and/or Cash Instruments by Individuals across the Customs Border of the Customs Union from 5 July 2010

Treaty on the Specifics of Criminal and Administrative Liability for Violations (Infringement) of the Customs Laws of the Customs Union and Customs Laws of the Customs Union Member States from 5 July 2010

Treaty on Legal Support and Co-operation of the Customs Authorities of the Customs Union Member States on Criminal Proceedings and Proceedings on Administrative Offences from 5 July 2010

Treaty on Cooperation and Mutual Assistance within the Eurasian Economic Community Framework in Customs Issues Involving the Activities of the Customs Union Member States Customs Services Representative Offices from 22 June 2011

Treaty on the Organization of Exchange of Information for the Implementation of Analytical and Control Functions of the Customs Authorities of the Member States of the Custom Union from 19 October 2011

Treaty on Counteraction to Legalization (Laundering) of the Income Received by Criminals, and Financing of Terrorism when Moving Cash and/or Cash Tools through the Customs Border of the Customs Union from 19 December 2011

Source: Accession Treaty.

3.6. The Customs Service is guided by its most recent Strategy for the Development of the Customs Service of the Kyrgyz Republic 2019-2023, and its associated Action Plan, as approved by Government Resolution No. 363 of 22 July 2019.⁴ The Strategy highlights the important developments and challenges of joining the customs union. As part of the "road map" for the Kyrgyz accession to the EAEU, there have been different phases of technical assistance activity by the Russian Federation to equip and modernize the border posts with the technical requirements necessary for the EAEU. At the same time, there was acknowledgement of certain challenges, such as incorrect declarations, slow movement in clearing customs, and concerns over corruption. One of the key objectives was to provide for the automation of all customs processes. In order to achieve its goal, the Strategy identifies seven main areas for improvement: (i) automate and apply modern digital technologies; (ii) improve the efficiency of the customs process, including transit capacity development; (iii) develop customs infrastructure; (iv) improve effectiveness of enforcement; (v) fight against corruption; (vi) improve the management system; and (vii) increase motivation and incentives.

3.7. The EAEU Customs Code, EEC Board Decisions, and national digitalization programmes also expedite the move to electronic systems for customs. The Government developed a plan to modernize the common information system of the state customs committee for 2019-21, which includes: integration of information systems of state authorities through the electronic interoperability system (EIS) Tunduk system with the customs authorities of the EAEU member States, electronic declaration and automatic release of goods, conformity of customs documents (structure, format, classifiers), and finalization of the portal for preliminary information on goods and vehicles.

3.8. Since 2013, the Kyrgyz Republic has embarked on its single window application, known as the Single Window for Foreign Trade Information System (SWIS) or the Tulpar System.⁵ The features of the SWIS allow the importer to submit an application for obtaining permits and other documents in electronic format, as well as to provide the customs authorities with access to already issued documents necessary for customs clearance in electronic format. The SWIS then generates electronic permits and creates a folder for customs clearance. In 2019, more than 40,000 permits were issued through the SWIS. Currently, the SWIS is being modernized, taking into account national and international requirements, as well as the requirements of the EAEU. At this time, the EAEU member States have different single window applications, but work is underway to ensure interoperability among them. In July 2019, the process of a complete modernization of the website began in accordance with the recommendations of the World Wide Web Consortium.

3.9. The import procedure begins with the sending of preliminary information, pursuant to Article 12 of Law No. 52 of 24 April 2019 on Customs Regulation. The purpose of providing preliminary information is for customs authorities to obtain information on goods planned to be moved across the customs border, and to assess risks and make preliminary decisions on the selection of transactions, and types of measures to ensure customs control before the goods arrive in the customs territory. Preliminary information is used by authorities to speed up operations and optimize customs control. Thereafter, goods and vehicles may cross the border, and a customs declaration must be made. This puts the process under customs control, where the respective rules are applied and calculation of duties is imposed. Upon completion of the process, goods may be

⁴ Ministry of Justice, *Strategy for the Development of the Customs Service of the Kyrgyz Republic for 2019-2023*, Government Resolution No. 363 of 22 July 2019, Annex 1. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kg/157006?cl=ky-kg>.

⁵ Single Window for Foreign Trade Information System, Tulpar System. Viewed at: <http://swis.trade.kg/>.

released. In February 2020, the Kyrgyz Republic passed a resolution that changed the rules for imports of goods from the EAEU.⁶ A series of instructions, rules, and regulations followed for implementing the requirements of the EAEU Customs Code, in which, according to the EAEU Treaty, the movement of goods between the territories of EAEU member States is carried out without the use of a customs declaration.

3.10. Trade, and the customs revenue it generates, continues to be an important source of income. Since 2013, there has been a steady increase in tax revenues generated from trade (Table 3.2). VAT collections on imports remained relatively stable, while excise duties on imports declined during the review period due to a decrease in the volume of imports of excisable goods and also due to the impact of joining the EAEU. Since the entry into force of the EAEU Treaty, the administration of indirect taxes paid when goods are imported from EAEU member States to the Kyrgyz Republic is now exercised by the tax authorities. However, the Customs Service remains one of the most important sources of tax for revenue collection, accounting for about 25%-30% of total government revenues.

Table 3.2 Revenues collected at the border, 2013-19

(KGS million)

	2013	2014	2015	2016	2017	2018	2019
Total tax revenue at the border	36,958.4	42,586.1	32,031.4	29,338.2	34,179.7	41,671.8	43,296.2
Total net fees of the EAEU	..	..	28,509.4	16,243.5	18,821.2	25,502.1	26,189.3
1. VAT on imports	22,048.9	23,879.6	4,735.2	12,060.6	15,142.5	17,933.4	17,957.4
2. Excise duty on imports	..	..	3,492.9	7,078.9	7,485.6	8,144.1	8,204.5
3. Taxes on international trade and foreign transactions	11,886.2	13,771.1	9,684.3	13,809.3	16,492.9	18,319.2	21,967.7
of which:							
Customs payment at the uniform rate of customs duties	8,403.8	9,549.0	1,929.3	242.4	567.0	1,483.6	4,237.2
Import customs duty	2,636.4	3,070.1	3,553.8	-6.2	6.5	11.8	7.9
Entry fees from foreign road carriers	11.2	7.0	6.4	7.5	7.8	7.1	5.1
Export customs duty	..	..	1.9	6.7	18.8	19.1	3.0
Special duty	0.1	248.2	43.9	..	..	0.0	0.0
Total customs payment	..	0.1	1.1	3.5	-3.1	0.1	0.0
Charges for customs clearance	834.8	896.7	626.0	460.8	537.5	627.8	607.7
Import duty from the EAEU	..	..	3,522.0	13,094.7	15,358.5	16,169.7	17,106.9

.. Not available.

Source: Information provided by the authorities.

3.11. Pursuant to an initiative of the customs union, the EAEU laid the legal basis for the implementation of projects on marking and physical tracking of goods. Since 2016, the EAEU has conducted a test for marking fur products with RFID tags, i.e. the Agreement on the Implementation in 2015-2016 of a Pilot Project on the Introduction of Marking Goods with Control (Identification) Marks for Fur Products. On 2 February 2018, an agreement on the marking of goods with identification means in the EAEU was agreed, which entered into force on 29 March 2019. Since the Agreement's entry into force, the marking of fur products has become mandatory in the territory of the EAEU member States.⁷ The main objectives of the Agreement are to ensure the legitimacy of the trade turnover, protect consumers, reduce the shadow economy, increase tax revenues, and equalize competitive conditions for doing business within the EAEU. Its provisions regulate the terms and procedures for introducing marking, establish uniform requirements for identification means and their application to goods, and establish the format, composition, and structure of information transmitted on marked goods among the EAEU member States.

⁶ State Tax Service, Law No. 79 of 13 February 2020.

⁷ HS 4303109010, 4303109020, 4303109030, 4303109040, 4303109050, 4303109060, and 4303109090. EEC Customs Union, *List of Products Subject to Mandatory Marking*. Viewed at: https://portal.eaeunion.org/sites/odata/_layouts/15/Portal.EEC.Process73/DirectoryForm.aspx?ListId=0e3ead06-5475-466a-a340-6f69c01b5687&ItemId=244#.

3.12. Work remains ongoing at the level of the EAEU, and recent decisions by the EEC Council created new marking requirements that also apply to other products, whose circulation is prohibited after a certain date if unmarked, as follows:

- footwear – 1 March 2020;
- cameras – 1 October 2020;
- perfume and eau de toilette – 1 October 2020;
- tyres – 1 December 2020; and
- certain items of light industry – 1 January 2021.

As at November 2020, the EEC was discussing a proposal for the introduction of marking of dairy products and considering the proposal of the Kyrgyz Republic for marking alcohol and tobacco products.

3.13. Thus, the Kyrgyz Republic is required to impose marking rules on certain products pursuant to the EAEU rules. Government Resolution No. 554 of 17 October 2019 on the Procedure for Marking Certain Goods with Digital Identification in the Kyrgyz Republic introduces the marking of goods in the Kyrgyz Republic and specifies the procedures for doing so. The Annex to the Resolution provides the list of goods subject to marking, which includes alcohol products and cigarettes from 1 July 2020.⁸

3.14. The EAEU Customs Code also has provisions for advance rulings, principally in Article 359. It establishes that the customs authorities of the EAEU member States make preliminary decisions on the basis of their legislation. It specifically provides for advance rulings on the classification of goods, the origin of goods, and for customs valuation (see also Sections 3.1.1.3 and 3.1.2). The national legislation of the Kyrgyz Republic on advance rulings is contained in Government Resolution No. 79 of 13 February 2020 on Certain Issues in the Field of Customs Regulation (Annex 17) and pertains to the classification of goods. The Customs Code also provides for the sharing of information on advance rulings among the customs authorities of the EAEU member States (Annex 2). Additionally, it has specific rules for customs brokers, authorized economic operators, and customs warehouses; these were further expanded upon by the Kyrgyz Republic in the same Resolution.⁹

3.15. Provisions also exist for the submission of pre-arrival import documentation. In accordance with Article 11 of the EAEU Customs Code, the purpose of providing preliminary information is to ensure that the customs authorities receive information on the goods planned to be moved across the customs border of the EAEU in order to assess the risks and make preliminary decisions with regard to the choice of customs control before the goods enter the customs territory. The content, structure, and format of preliminary information to be presented to the customs authorities are determined by the EAEU Commission, depending on the means of transport used and the purpose for which such preliminary information is used by the customs authority.

3.16. As at 1 July 2019, several EEC Board Decisions came into force that determine the procedures for submitting preliminary information for goods imported into the EAEU customs territory by road, air, and rail.¹⁰ Preliminary information on the import of goods into the customs territory of the EAEU

⁸ Ministry of Justice, Government Resolution No. 554 of 17 October 2019 on the Procedure for Marking Certain Goods with Digital Identification in the Kyrgyz Republic. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/157198> and <http://cbd.minjust.gov.kg/act/view/ky-kq/157199>. List of products subject to marking: alcohol products of HS 2204, 2205, 2206, 2207, and 2208; and cigarettes of HS 2402.

⁹ Ministry of Justice, Government Resolution No. 79 of 13 February 2020 on Certain Issues in the Field of Customs Regulation. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/157558>.

¹⁰ EEC Board Decisions No. 51 of 10 April 2018 on Approval of the Procedure for Submitting Preliminary Information on Goods Intended for Import into the Customs Territory of the Eurasian Economic Union by Water Transport; No. 56 of 17 April 2018 on Approval of the Procedure for Submitting Preliminary Information on Goods Intended to Be Imported into the Customs Territory of the Eurasian Economic Union by Road Transport; No. 57 of 17 April 2018 on Approval of the Procedure for Submitting Preliminary Information on Goods Intended for Import into the Customs Territory of the Eurasian Economic Union by Rail Transport; and No. 62

through the checkpoints of the Kyrgyz Republic can be submitted through the State Customs Service.¹¹ Upon the arrival of goods at the checkpoint, the person moving the goods must notify the customs authority of their arrival by submitting documents and information provided for in Article 89 of the EAEU Customs Code. Based on the results of the pre-arrival information, the carrier or other persons specified are required to perform a customs operation, i.e. place the goods in temporary storage, declare them, transport them to temporary storage, place them under a free customs zone procedure, or export them, within three hours of the time of notification of arrival. Considering that there are no places at the automobile checkpoints of the Kyrgyz Republic intended for temporary storage and customs declaration, vehicles with goods are sent to the place of customs clearance by placing them under the customs transit procedure. Another development was the Custom Code's introduction of expedited shipment provisions for goods transported by any type of high-speed transport using an electronic information system for organizing and tracking goods to deliver them in the minimum possible period of time. In addition to Article 81 of the Code, the EAEU took three decisions simplifying the import declaration and providing for express treatment of expedited shipments.¹²

3.17. As concerns intellectual property rights and enforcement at the border, the Kyrgyz Republic changed parts of its customs code in April 2019 in order to modify its rules on intellectual property for customs.¹³ The modified provisions allow for the suspension of the release of goods for those containing intellectual property not included in the unified customs register or the national customs register for objects of intellectual property. Goods included in the registers are protected for two years. Intellectual property rights holders pay a fee of KGS 1,330 to have their product included in the registers and KGS 410 for an extension of its validity.¹⁴ As at April 2020, the national customs registrar contained about 300-400 protected entities.¹⁵

3.18. The "simplified import procedures" continue to be applied pursuant to paragraphs 1 and 2 of Article 266 of the EAEU Customs Code on goods for personal use. Customs duties and taxes are chargeable at unified rates based on the category of goods, cost, weight, qualitative standards, and mode of importation. In cases where the value, weight, or quantity exceeds the duty-free amount, and also for vehicles, customs duties and taxes are subject to payment at flat rates or in the form of an aggregate customs payment as designated in Annex 2 to EEC Council Decision No. 107 of 20 December 2017.

3.1.1.1 Free (special) economic zones

3.19. The Kyrgyz Republic continues to have five free economic zones (FEZs): FEZ Bishkek, FEZ Maimak, FEZ Naryn, FEZ Leilek, and FEZ Karakol. Business activities such as production of light industrial goods, food products, consumer goods, construction materials, services (e.g. legal, transportation and air cargo services, and insurance) may be carried out on the territory of a FEZ. The advantages offered by establishing in an FEZ are special customs and tax privileges for exporting and importing companies. More specifically, companies may import, store, produce, or sell goods in the FEZ without paying taxes or customs duties.¹⁶ However, in the case of exportation of goods to the territory of the Kyrgyz Republic, the goods shall be subject to taxation in accordance with the

of 24 April 2018 on Approval of the Procedure for Submitting Preliminary Information on Goods Intended for Import into the Customs Territory of the Eurasian Economic Union by Air Transport.

¹¹ State Customs Service. Viewed at: www.customs.kg.

¹² EEC Board Decisions No. 142 of 28 August 2018; No. 158 of 16 October 2018; and No. 185 of 20 November 2018.

¹³ State Customs Service, Law No. 52 of 24 April 2019 on Customs Regulation. Viewed at: <http://www.customs.kg/%D0%97%D0%90%D0%9A%D0%9E%D0%9D%20%D0%9A%D0%A0%20%D0%9E%20%D1%82%D0%B0%D0%BC%D0%BE%D0%B6%D0%B5%D0%BD%D0%BD%D0%BE%D0%BC%20%D1%80%D0%B5%D0%B3%D1%83%D0%BB%D0%B8%D1%80%D0%BE%D0%B2%D0%B0%D0%BD%D0%B8%D0%B8.pdf>.

¹⁴ Government Decree No. 254 of 23 April 2015. As at July 2020, it was undergoing revision.

¹⁵ State Customs Service, *Customs Registrar of Objects of Intellectual Property*. Viewed at: <http://www.customs.kg/%D0%A2%D0%B0%D0%BC%D0%BE%D0%B6%D0%B5%D0%BD%D0%BD%D1%8B%D0%B9%20%D1%80%D0%B5%D0%B5%D1%81%D1%82%D1%80%20%D0%BE%D0%B1%D1%8A%D0%B5%D0%BA%D1%82%D0%BE%D0%B2%20%D0%B8%D0%BD%D1%82%D0%B5%D0%BB%D0%BB%D0%B5%D0%BA%D1%82%D1%83%D0%B0%D0%BB%D1%8C%D0%BD%D0%BE%D0%B9%20%D1%81%D0%BE%D0%B1%D1%81%D1%82%D0%B2%D0%B5%D0%BD%D0%BD%D0%BE%D1%81%D1%82%D0%B8%20%D0%93%D0%A2%D0%A1.pdf>.

¹⁶ Regulation on the Requirements for Arrangement of Territory of the FEZ was approved by Government Order No. 332 of 16 June 2014.

common tax regime. Customs authorities of the Kyrgyz Republic and the general directorate of the FEZ carry out, within their competence, the control and recording of operations of goods produced in FEZs.

3.20. In the territory of the FEZ, the customs procedure of the free customs zone is in accordance with Article 201 of the EAEU Customs Code. Thus, it is the customs procedure applied to the foreign goods and Union goods, under which the said goods are placed or used in the territory of the FEZ, without paying customs duties; taxes; and safeguard, anti-dumping, and countervailing duties, provided that the terms and conditions of placement of the goods under this customs procedure are complied with and that the goods are used in accordance with this procedure.

3.21. According to the general register of companies of FEZs of the EAEU member States, 398 entities were registered in the Kyrgyz Republic's FEZs, the vast majority operating from FEZ Bishkek. The registered entities included all types of enterprises, e.g. wholesale and trade, manufacturing, construction, consulting, sales, and services.¹⁷

3.1.1.2 Trade facilitation

3.22. The Kyrgyz Republic was supportive of the WTO Trade Facilitation negotiations and showed particular interest in technical assistance and transit issues as demonstrated by its proposals or joint submissions during the negotiating phase.¹⁸ It ratified the Protocol and notified its acceptance of ratification to the WTO on 6 December 2016.¹⁹ In 2014, Category A commitments were notified (11 provisions); and in September 2018, Category B and C commitments (10 and 30 provisions, respectively) (Table 3.3).²⁰ According to the notifications, most commitments were expected to be implemented by the end of 2020.

3.23. According to the authorities, the Kyrgyz Republic is actively working on implementation of the provisions of the Trade Facilitation Agreement (TFA). In 2017, the Government established the Council for Trade Facilitation, which includes representatives of government agencies and the business community, on a parity basis.²¹ The Council is an interdepartmental consultative and advisory body whose activities are aimed at coordinating the activities of state bodies to simplify foreign trade procedures, and is also a platform for dialogue between participants in foreign economic activity. The initial plan for the implementation of the TFA (for 2018-22) was approved by the Council in December 2017, and then priorities were determined during the implementation process and the Plan was revised accordingly. The implementation period of the revised plan is now 2020-23. Six working groups were established, each of which is currently implementing certain parts of the Plan.²² As part of the process of implementing the Plan, a time release study was conducted, providing the average time of import, export, and transit of goods; the study was published on the website of the State Customs Service.

3.24. According to a survey on trade facilitation as presented by the Central Asia Regional Economic Cooperation (CAREC) Program in 2017 on the overall implementation rate of trade facilitation and paperless trade measures, the Kyrgyz Republic ranked low compared with other CAREC states, with

¹⁷ EAEU, *General Register of Residents (Participants, Entities) of Free (Special) Economic Zones of the EAEU Member States*. Viewed at: https://portal.eaeunion.org/sites/odata/_layouts/15/Portal.EEC.Registry.Ui/DirectoryForm.aspx?ViewId=76b62f0b-9d1b-4554-a5d8-64b98ce84820&ListId=0e3ead06-5475-466a-a340-6f69c01b5687&ItemId=224#mixed=1&paginginfo=Paged%3DTRUE%26PagedPrev%3DTRUE%26p_ID%3D13337&pagenumber=6.

¹⁸ WTO documents TN/TF/W/74, 10 November 2005; TN/TF/W/79, 15 February 2006; TN/TF/W/113, 6 June 2006; TN/TF/W/133, 10 July 2006; and TN/TF/W/137, 21 July 2006, including revisions and addenda.

¹⁹ WTO Trade Facilitation Agreement Facility, *Ratifications List*. Viewed at: <https://www.tfafacility.org/ratifications>; and Ministry of Justice, Law No. 183 of 22 November 2016. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kg/111462>.

²⁰ WTO documents WT/PCTF/N/KGZ/1, 11 August 2014; and G/TFA/N/KGZ/2/Add.1, 30 August 2019.

²¹ Government Order No. 639 of 25 September 2017.

²² Ministry of Economy, *Implementation Plan of the Kyrgyz Republic*. Viewed at: <http://mineconom.gov.kg/ru/direct/242/248>; and information provided by the authorities. The Plan was put in place by State Customs Service Order No. 35-4/278 on the Implementation of the WTO Agreement on Trade Facilitation and Other Measures to Simplify Trade and Transport Procedures for 2018-2022.

about a 38% implementation rate.²³ More recently, the Kyrgyz Republic has been working with EAEU partners on a draft agreement for a unified transit system of the EAEU and met with the Transport Security Association on simplifying transit procedures for cargo carriers.

3.25. At the meeting of the EEC Council on 21 July 2020, the EEC Board, together with the member States, was instructed to develop a draft international agreement on the use of navigation seals for the transportation of goods across the territories of two or more EAEU member States. Currently, work is underway on a draft framework international agreement on the unified system of transit of goods of the EAEU, developed by the United Board of the Customs Services of the EAEU, which will use navigation seals for goods moved through the territory of the EAEU.

Table 3.3 Implementation of the TFA

Category A		Category B			Category C		
Article	Description	Article	Description	Date	Article	Description	Date
1.4	Notification	1.1	Publication	31 December 2020	1.2	Information available through Internet	31 December 2022
					1.3	Enquiry points	31 December 2020
2.1	Opportunity to comment on information before entry into force						
2.2	Consultations						
					3	Advance rulings	31 December 2021
4	Procedures for appeal or review						
5.1	Notification for enhanced controls or inspections				5.3	Test procedures	31 December 2023
5.2	Detention						
6.2	Specific disciplines on fees and charges for customs processing imposed on or in connection with importation and exportation				6.1	General disciplines on fees and charges imposed on or in connection with importation and exportation	31 December 2020
6.3	Penalty disciplines						
		7.2	Electronic payment	31 December 2020	7.1	Pre-arrival processing	31 December 2020
		7.9	Perishable goods	31 December 2020	7.3	Separation of release from final determination of customs duties, taxes, fees, and charges	31 December 2020
					7.4	Risk management	31 December 2023
					7.5	Post-clearance audit	31 December 2023
					7.6	Establishment and publication of average release times	31 December 2021

²³ CAREC Program, *Trade Facilitation and Paperless Trade Implementation in CAREC Countries, Results of the UN Global Survey 2017*. Viewed at: <https://www.carecprogram.org/uploads/2018-ESCAP-paperless-trade.pdf>.

Category A		Category B			Category C		
Article	Description	Article	Description	Date	Article	Description	Date
					7.7	Trade facilitation measures for authorized operators	31 December 2021
					7.8	Expedited shipments	31 December 2020
					8.1	Border agency cooperation	31 December 2023
					8.2	Border agency cooperation	31 December 2022
9	Movement of goods intended for import under customs control						
10.5	Pre-shipment inspection	10.6	Use of customs brokers	31 December 2023	10.1	Formalities and documentation requirements	31 December 2022
		10.8	Rejected goods	31 December 2020	10.2	Acceptance of copies	31 December 2022
					10.3	Use of international standards	31 December 2022
					10.4	Single window	31 December 2022
					10.7	Common border procedures and uniform documentation requirements	31 December 2023
					10.9	Temporary admission of goods and inward and outward processing	31 December 2021
11.1 - 11.4	Freedom of transit	11.15	Freedom of transit	31 December 2020	11.5-11.14	Freedom of transit	31 December 2020
					11.16-11.17	Freedom of transit	31 December 2020
		12.1	Measures promoting compliance and cooperation	31 December 2020			
					12.2	Exchange of information	31 December 2020
					12.3	Verification	31 December 2023
					12.4	Request	31 December 2020
					12.5	Protection and confidentiality	31 December 2020
					12.6	Provision of information	31 December 2020
					12.7	Postponement or refusal of a request	31 December 2020
		12.8	Reciprocity	31 December 2020			
		12.9	Administrative burden	31 December 2020			
		12.10	Limitations	31 December 2020			
					12.11	Unauthorized use or disclosure	31 December 2022
					12.12	Bilateral and regional agreements	31 December 2020

Source: WTO documents WT/PCTF/N/KGZ/1 and G/TFA/N/KGZ/2/Add.1, 30 August 2019.

3.26. As part of CAREC, the Kyrgyz Republic participates with 10 other countries²⁴ and development partners on a range of economic and development programmes, including the Corridor Performance Measurement and Monitoring (CPMM) mechanism and its evaluation of a set of trade facilitation indicators (TFIs). The TFIs provide an overall annual performance and efficiency measurement of CAREC corridor borders, both rail and road, that allow comparison and assessment of trade facilitation and transport initiatives in the region. According to the CAREC CPMM 2019 Annual Report, the Kyrgyz Republic's accession to the EAEU is credited for improving the border-crossing procedures, but concerns remain over new procedures instituted at the Kyrgyz-Kazakh border and the closure of a Tajikistan border crossing at Karamyk to third-country transit traffic.²⁵

3.27. According to the five TFIs, the Kyrgyz Republic gradually made progress in reducing time and costs at the borders during the review period (Table 3.4). For example, the time taken to clear the border, by road, was halved, from 3.4 hours in 2016 to 1.6 hours in 2019, and the costs significantly decreased from USD 142 in 2016 to USD 23 in 2019. For 2019, the time taken to clear a border crossing (inbound) declined to two hours, and the same trend occurred regarding the costs incurred to cross the border (inbound), which declined significantly, from USD 191 to USD 25 over the period. In general, outbound traffic costs and time are better compared with inbound. As compared with overall CAREC averages, the Kyrgyz Republic has generally lower times and costs, although travel speed is comparatively worse. The Irkshetam border was cited for having relatively high costs compared with other border crossings, although costs dropped considerably in 2018.

Table 3.4 TFIs and comparison to CAREC members, 2016-19

TFI		Kyrgyz Republic							CAREC average					
		Road transport				Rail transport			Road transport			Rail transport		
		2016	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
1	Time taken to clear a border-crossing point (hours)	3.4	3.5	1.6	1.6	..	1.2	1.2	16.9	12.0	12.2	26.2	23.2	20.6
	Outbound	3.4	2.9	1.1	0.9	..	..	..	..	..	..	..	..	..
	Inbound	3.5	4.0	2.0	2.0	..	1.2	1.2	..	..	..	..	..	..
2	Cost incurred at border-crossing clearance (USD)	142	121	24	23	..	..	..	159	155	162	202	196	198
	Outbound	72	36	23	21	..	..	..	..	..	..	..	..	..
	Inbound	191	175	25	25	..	..	..	..	..	..	..	..	..
3	Cost incurred to travel a corridor section (USD, per 500 km, per 20-tonne cargo)	1,530	781	1,219	1,122	456	434	338	947	953	901	976	970	820
4	Speed to travel on CAREC corridors (km/h)	26.2	28.1	29.8	30.8	35.9	21.6	23.5	22.2	23.4	22.6	14.8	15.9	19.0
SWOD	Speed without delay (km/h)	39.0	49.1	50.9	50.6	50.7	28.7	33.2	45.0	46.3	43.6	37.6	35.4	45.0

.. Not available.

Source: CAREC, *CAREC Corridor Performance Measurement and Monitoring Annual Report 2018*. Viewed at: <https://www.carecprogram.org/uploads/CAREC-Corridor-Performance-Measurement-Monitoring-Annual-Report-2018.pdf>; and CAREC, *CAREC Corridor Performance Measurement and Monitoring Annual Report 2019*. Viewed at: <https://www.carecprogram.org/uploads/carec-cpmm-annual-report-2019.pdf>.

3.28. In January 2020, the Kyrgyz Republic notified the WTO Committee on Trade Facilitation, as well as the Council for Trade in Goods, of the difficulties it was having with respect to delays with transit of goods with neighbouring Kazakhstan.²⁶ A similar complaint was raised in the Council for Trade in Goods in 2017, but transit traffic was later normalized as at 11 December 2017 pursuant to the signing of a bilateral "Road Map" to address bilateral economic cooperation, including on border measures, transport/transit, phytosanitary and veterinary control, customs, and tax administration matters.²⁷ Furthermore, according to an agreement between the Kyrgyz Republic and

²⁴ Other CAREC members include Afghanistan, Azerbaijan, China, Georgia, Kazakhstan, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.

²⁵ CAREC, *CAREC Corridor Performance Measurement and Monitoring Annual Report 2019*. Viewed at: <https://www.carecprogram.org/uploads/carec-cpmm-annual-report-2019.pdf>.

²⁶ WTO documents G/TFA/W/20 and G/C/W/774, 31 January 2020.

²⁷ WTO documents G/C/W/745, 18 October 2017; and G/C/W/745/Add.1, 20 December 2017.

the Russian Federation on the provision of technical assistance to the Kyrgyz Republic per its accession to the EAEU, arrangements are underway for the provision of technical equipment at the checkpoints on the Kyrgyz section of the external border of the EAEU in order to modernize the checkpoints. Also, within the framework of an Asian Development Bank (ADB) programme, modernization of the Karamyk checkpoint at the Tajik border is also being carried out.

3.29. Pursuant to Article 11 of the TFA, the Kyrgyz Republic set up a National Transit Coordinator and notified this to the WTO.²⁸ Government Resolution No. 445 of 2 September 2019 and its appendix designate the State Customs Service as the National Transit Coordinator.²⁹ Furthermore, the legislation gives certain powers to the coordinator, creates a Coordination Council among government bodies, and sets out the basic rights of the coordinator.

3.1.1.3 Customs valuation

3.30. Due to the changes in the customs regime during the review period, several different laws or regulations were relevant for the determination of customs valuation. Initially, the Kyrgyz Republic's Customs Code and its related resolution on customs valuation had applied since 2004, but became invalid following the Kyrgyz Republic's EAEU membership in 2015, whereby customs valuation was determined pursuant to Chapter 8 of the 2009 Customs Code of the customs union along with Law No. 52 of 24 April 2019 on Customs Regulation.³⁰ In January 2018, the Treaty on the Customs Code of the EAEU entered into force with the main provisions on customs valuation contained in Chapter 5; corresponding Kyrgyz legislation, e.g. the Law on Customs Regulation, complements the information in the EAEU Customs Code.³¹ Thus, this overview covers the rules in place as at 2018-19.

3.31. The EAEU Customs Code provides the main framework, definitions, and uniform application for customs valuation upon importation into the customs territory of the Union. There are also 18 decisions of the EAEU or its predecessor organizations that clarify various points on customs valuation (Table 3.5). When goods are placed under the "export" customs procedure, the customs authority accepts the customs value declared by the declarant, which in accordance with paragraph 10 of Article 38 of the EAEU Customs Code must be based on reliable quantifiable information supported by documentation. The relevant sections of the code on customs valuation (noted below) also do not apply to the special import procedures for goods of personal use moved across the customs border (Section 3.1.1), as a unified or flat rate is applied as regulated by Article 267 of the EAEU Customs Code.

3.32. The Code sets out six methods of valuation in Articles 39-45, modelled after the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994, including interpretative notes. They include: the Method Involving the Transaction Value of Imported Goods (Method 1); the Method Involving the Transaction Value of Identical Goods (Method 2); the Method Involving the Transaction Value of Similar Goods (Method 3); Deduction Method (Method 4); Computed Method (Method 5); and the Residual Method (Method 6). The Code also sets out adjustments to the price actually paid or payable for goods in Article 40. The customs value of imported goods is to be calculated in the currency of the member State in which the customs duties are payable.

²⁸ WTO document G/TFA/W/16, 2 October 2019.

²⁹ Ministry of Justice, Government Resolution No. 445 of 2 September 2019 about the National Transit Coordinator and its appendix. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/157053?cl=ky-kq> and <http://cbd.minjust.gov.kg/act/view/ky-kq/157054>.

³⁰ Law No. 88 of 12 July 2004 on the Customs Code; Decree No. 961 of 28 December 2004 on the Instruction on the Methodology for Determining Customs Value of Imported Goods to the Kyrgyz Republic; 2009 Customs Code of the Customs Union. Viewed at: <http://www.eurasiancommission.org/ru/docs/Pages/default.aspx?ddb=%D0%95%D0%AD%D0%9A;&db=%D0%A2%D0%B0%D0%BC%D0%BE%D0%B6%D0%B5%D0%BD%D0%BD%D1%8B%D0%B9+%D0%BA%D0%BE%D0%B4%D0%B5%D0%BA%D1%81%7Cfb8ec47d-50f0-406e-8366-4ef8a1ba70ec&dpsd=2009-01-01&dped=2013-12-31&qt=Morphology&pt=tree&search=1&page=1&ismain=0&hd=1>; Law No. 184 of 31 December 2014 on Customs Regulation; and Government Resolution No. 564 of 10 August 2015 on Measures to Implement the Requirements of Articles 95, 101, 102, 105, 128, 135, 148, 153, 157, 158, 163, 176, 180, 213, 229, and 232 of the Law on Customs Regulation.

³¹ EEC, *EAEU Customs Code*. Viewed at: http://www.eurasiancommission.org/ru/act/tam_sotr/dep_tamoj_zak/Pages/tk_eaes.aspx.

3.33. Article 313 of the Code provides for customs control of the customs value of goods declared during the importation process. The national customs authority conducts checks of the information for correctness and determines the value per the application of the relevant method. The authority has the right to request explanations and information about the factors influencing the price of the goods as well as the circumstance; this is performed pursuant to Article 325 of the Code. Preliminary decisions on the application of the methods for determining the customs value are made by the national authorities according to their legislation. If the declared value and information are satisfactory, the customs authority will release the goods; otherwise, the authority may decide to amend the declaration pursuant to the provisions of Article 112 of the Code. The EAEU Commission also has a role, especially when there are signs of incorrect valuation of goods. EEC Board Decision No. 42 of 27 March 2018 on the Features of Customs Control of Customs Value Goods Imported into the Customs Territory of the Eurasian Economic Union specifies the rules for customs control of the customs valuation of goods imported into the customs territory of the EAEU; it is applicable both before and after the release of the imported goods.

3.34. The Code further notes that advance rulings on the customs value of goods are not to be undertaken unless provisions are contained in the legislation of the particular member State. For the Kyrgyz Republic, there are no provisions; therefore, the Kyrgyz Republic does not perform advance rulings for customs valuation.

3.35. On 21 April 2020, the EAEU Board amended the structure and format of the customs value declaration following EEC Board Decision No. 52 of 21 April 2020 on Amendments to the Structure and Format of the Customs Value Declaration.³² The changes provided for by this decision are related to the release of a new version of the structure of the goods declaration and the transit declaration. In addition, in the updated structure of the declaration of customs value (version 1.1.0), EEC Board Decision No. 34 of 10 March 2020 on the Reference Book of Methods for Identifying Business Entities during their State Registration in the Member States of the Eurasian Economic Union was implemented, as well as related targeted improvements.³³

Table 3.5 Main legislation, regulations, and decisions on customs valuation, 2020

Reference	Date	EAEU ^a or national legislation
Treaty on the Customs Code of the EAEU, Chapter 5	11 April 2017	EAEU
Law No. 52 on Customs Regulation, Chapter 5	24 April 2019	National
EEC Board Decision No. 202 on the Application of Methods for Determining the Customs Value of Goods by Transaction Value with Identical Goods (Method 2) and Transaction Value with Homogeneous Goods (Method 3)	30 October 2012	EAEU
EEC Board Decision No. 283 on the Application of the Method for Determining the Customs Value of Goods by the Value of the Transaction with Imported Goods (Method 1)	20 December 2012	EAEU
EEC Board Decision No. 214 on the Application of the Subtraction Method (Method 4) in Determining the Customs Value of Goods	13 November 2012	EAEU
EEC Board Decision No. 273 on the Application of the Addition Method (Method 5) in Determining the Customs Value of Goods	12 December 2012	EAEU
EEC Board Decision No. 53 on Amendments to the Rules for the Application of the Method for Determining the Customs Value of Goods at the Cost of Transactions with Imported Goods (Method 1)	26 March 2013	EAEU
EEC Board Decision No. 145 on Approval of the Regulation on the Specifics of Application Methods for Determining the Customs Value of Goods Imported into a Single Customs Territory of the Customs Union, which Have Fallen into Disrepair, Damaged or Damaged due to an Accident or Force Majeure	25 June 2013	EAEU
EEC Board Decision No. 180 on Approval of the Regulation on the Features of the Application of Methods Determining the Customs Value of Goods Transported through the Customs Border of the Customs Union with Non-declaration	27 August 2013	EAEU
EEC Board Decision No. 279 on Amending the Rules for the Application of the Method for Determining the Customs Value of Goods at the Cost of Transactions with Imported Goods (Method 1)	2 December 2013	EAEU

³² EEC, EEC Board Decision No. 52 of 21 April 2020. Viewed at: https://docs.eaeunion.org/docs/en-us/01428082/err_24042020_52.

³³ EEC, EEC Board Decision No. 34 of 10 March 2020. Viewed at: https://docs.eaeunion.org/docs/en-us/01428064/err_17032020.

Reference	Date	EAEU ^a or national legislation
EEC Board Decision No. 112 on Approval of the Addition of Intermediary Remuneration (Brokers) and Remuneration to the Price Actually Paid or Payable for the Imported Goods	15 July 2014	EAEU
EEC Board Decision No. 113 on the Regulation on the Use in the Application of Determination Methods for Customs Value of Goods of Documents Corresponding to Generally Accepted Accounting Principles	15 July 2014	EAEU
EEC Board Decision No. 118 on Approval of the Rules for Accounting for Interest Payments when Determining the Customs Value of the Goods	22 September 2015	EAEU
EEC Board Decision No. 130 on Approval of the Regulation on the Specifics of Determining the Customs Value of Goods at the End of the Customs Procedure of Free Customs Areas and Customs Procedures of Free Warehouses	1 January 2016	EAEU
EEC Board Recommendation No. 20 on the Regulation on the Addition of License and Other Similar Payments for the Use of Intellectual Property to the Price Actually Paid or Payable for Imported Goods, as Amended by EEC Board Recommendation No. 15 on Amendments to the Regulation on Adding License and Other Similar Payments for the Use of Intellectual Property to the Price Actually Paid or Payable for Imported Goods	15 November 2016 28 August 2018	EAEU
EEC Board Decision No. 4 on the Structure and Format of the Declaration	16 January 2018	EAEU
EEC Board Decision No. 42 on the Features of Customs Control of Customs Value Goods Imported into the Customs Territory of the Eurasian Economic Union	27 March 2018	EAEU
EEC Board Decision No. 82 on Approval of the Regulation on the Specifics of Determining the Customs Value of Waste	22 May 2018	EAEU
EEC Board Decision No. 83 on Calculating Additional Charges when Determining the Customs Value of Goods	22 May 2018	EAEU
EEC Board Decision No. 103 on Approval of the Procedure for Deferred Determination of Customs Value of Goods	19 June 2018	EAEU
EEC Board Decision No. 160 on Cases of Filling Out a Customs Value Declaration, Approval Forms of Declaration of Customs Value and the Procedure for Filling Out the Declaration of Customs Value	16 October 2018	EAEU
EEC Collegium Decision No. 138 on the Rules of Application of Methods on Determination of Customs Value of Goods According to the Reserve Value Method (Method 6)	6 August 2019	EAEU

a EAEU refers to the EAEU or its predecessor organizations.

Source: Compiled by the WTO Secretariat from the EEC. Viewed at:

http://www.eurasiancommission.org/ru/act/tam_sotr/dep_tamoj_zak/SiteAssets/%D0%9C%D0%B5%D0%B6%D0%B4%D1%83%D0%BD%D0%B0%D1%80%D0%BE%D0%B4%D0%BD%D1%8B%D0%B5%20%D0%B4%D0%BE%D0%B3%D0%BE%D0%B2%D0%BE%D1%80%D1%8B%20%D0%B8%20%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B2%20%D1%81%D1%84%D0%B5%D1%80%D0%B5%20%D1%82%D0%B0%D0%BC%D0%BE%D0%B6%D0%B5%D0%BD%D0%BD%D0%BE%D0%B3%D0%BE%20%D1%80%D0%B5%D0%B3%D1%83%D0%BB%D0%B8%D1%80%D0%BE%D0%B2%D0%B0%D0%BD%D0%B8%D1%8F/%D0%9F%D0%B5%D1%80%D0%B5%D1%87%D0%B5%D0%BD%D1%8C%20%D1%80%D0%B5%D1%88%D0%B5%D0%BD%D0%B8%D0%B9.pdf and <http://www.eurasiancommission.org/ru/act/trade/catr/value/Pages/default.aspx>; and Ministry of Justice, Law No. 52 of 24 April 2019 on Customs Regulation. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/111908>.

3.36. Article 39 of the Law on Customs Regulation confirms that to determine the valuation of carrier media, the value of the carrier media is used and not the value of software or data contained therein.

3.37. In September 2019, the Kyrgyz Republic notified the Customs Valuation Committee of relevant legislation of the EAEU on the Rules of Application of Methods on Determination of Customs Value of Goods According to the Reserve Value Method (Method 6), approved by EEC Collegium Decision No. 138 of 6 August 2019.³⁴ This essentially clarifies the rules used in applying the "reserve method" of customs valuation. No other notification of customs valuation legislation has been received since 2000.

3.1.1.3.1 Minimum import control prices

3.38. Pursuant to Article 72 of and Annex 18 to the EAEU Treaty, the Kyrgyz Republic passed Resolution No. 537 on 12 October 2016, as modified by Resolution No. 609 of 25 September 2017,

³⁴ WTO document G/VAL/N/1/KGZ/2, 24 September 2019.

on the minimum level of control prices for goods imported into the Kyrgyz Republic from EAEU member States.³⁵ This Resolution was reportedly introduced to be able to determine the taxable base when there is underestimation of the value of goods or the absence of the actual value of the imported goods. As at 2020, there were minimum prices applied to 36 categories of products, mostly agricultural products (Table 3.6).

3.39. The Kyrgyz Republic also issued relevant legislation to operationalize these provisions domestically. In 2016 and 2017, the Government approved a resolution and issued a corresponding order under the State Agency for Antimonopoly Regulation.³⁶ These rules determine the inclusion of goods on the list; the minimum level of the control price, which is essentially a 20% reduction of the average retail price; and the forms and process for businesses to request a product's inclusion. The authorized state body in the field of antimonopoly regulation maintains the list of goods for minimum control prices. If the importer is importing goods included in the list and indicates in the contract and in the shipping documents that the price of the goods is less than the established minimum control price, the tax liability is calculated using the established minimum price level and is reflected as such in the reporting.

3.40. Changes were made in 2020 with minimum prices modified or imposed on a number of other products. Government Resolution No. 279 of 29 May 2020 revised the list of products subject to minimum import prices and also amended the Resolution from 2016. Furthermore, Law No. 3657-VI on Amending Certain Legislative Acts on the Stabilization of the Social and Economic Situation in Connection with Force Majeure, which was adopted on 1 April 2020, provides for the application of the minimum level of control prices both for imports of goods from the EAEU and goods produced in the Kyrgyz Republic.

Table 3.6 List of products subject to minimum import prices from the EAEU, 2020

Name	Tariff code	Minimum price	Legal reference – State Agency for Antimonopoly Regulation
Portland cement	2523 21000 0	3,947 KGS/tonne 4,072 KGS/tonne	Regulation No. 1 of 5 January 2017 Regulation No. 35 of 25 September 2017
Wheat flour from soft wheat and spelt	1101 00150 0	20.3 KGS/kg 18.0 KGS/kg 16.0 KGS/kg 28 KGS/kg 22 KGS/kg	Regulation No. 8 of 24 September 2017 Regulation No. 21 of 2 June 2017 Regulation No. 21 of 14 June 2018 Regulation No. 18 of 8 May 2020 Regulation No. 22 of 26 June 2020
White sugar	1701 99100 9	24 KGS/kg	Regulation No. 22 of 26 June 2020
Coal	2701 19000 0	2,083 KGS/tonne 2,514 KGS/tonne	Regulation No. 8 of 24 February 2017 Regulation No. 14 of 31 March 2020
Wheat flour from durum wheat	1101 00110 0	22 KGS/kg	Regulation No. 8 of 24 February 2017
Wheat flour from soft wheat and spelt	1101 00 150 0	22 KGS/kg	Regulation No. 8 of 26 June 2020
Wood materials	4407 11930 0	6,582 KGS/cm ³	Regulation No. 12 of 14 March 2017
Wood materials	4407 10930 0	7,275 KGS/cm ³	Regulation No. 12 of 14 March 2017
Rice, broken	1006 40000 0	14.4 KGS/kg	Regulation No. 12 of 14 March 2017
Rice	1006 30940 0	28 KGS/kg	Regulation No. 12 of 14 March 2017

³⁵ State Tax Service, Resolutions No. 537 of 12 October 2016 and No. 609 of 25 September 2017.

Viewed at: <http://www.sti.gov.kg/ky/%D0%B1%D0%B0%D0%B0%D0%BD%D1%8B%D0%BD-%D0%BC%D0%B8%D0%BD%D0%B8%D0%BC%D0%B0%D0%BB%D0%B4%D1%8B%D0%BA-%D0%B4%D0%B5%D2%A3%D0%B3%D1%8D%D1%8D%D0%BB%D0%B8-%D0%B6%D3%A9%D0%BD%D2%AF%D0%BD%D0%B4%D3%A9/30-%D0%BD%D0%BE%D1%8F%D0%B1%D1%80%D0%B4%D1%8B%D0%BD-2017-%D0%B6%D1%8B%D0%BB-537> and <http://www.sti.gov.kg/docs/default-source/ppkr/ppkr20172509n609kg.pdf?sfvrsn=2>.

³⁶ Ministry of Justice, Resolution No. 537 of 12 October 2016 on Approval of the Procedure for Determination, Application and Control of the Minimum Level of Control Prices for the Goods Imported into the Territory of the Kyrgyz Republic from the Member States of the Eurasian Economic Union, as amended by Resolution No. 609 of 25 September 2017 and Regulation No. 537 of 12 October 2016 about Implementation of Government Order No. 1 of 30 November 2017 about Approval of the Procedure for Determination, Application and Control of the Minimum Level of Control Prices for the Goods Imported into the Territory of the Kyrgyz Republic from the Member States of the Eurasian Economic Union. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kg/99473> and <http://cbd.minjust.gov.kg/act/view/ky-kg/200205>.

Name	Tariff code	Minimum price	Legal reference – State Agency for Antimonopoly Regulation
Eggs	0407 21000 0	4.9 KGS/piece	Regulation No. 12 of 14 March 2017
Beer	2203 00 010 0	48.0 KGS/bottle 0.5 l	Regulation No. 21 of 9 August 2019
Sanitary napkins classic for women without wings, pack, 10 pcs.	9619 00 710 1	45 KGS	Regulation No. 28 of 28 August 2020
Sanitary napkins classic for women with wings, pack, 10 pcs.	9619 00 710 1	48 KGS	Regulation No. 28 of 27 August 2020
Sanitary pads for women ultra-thin, pack, 10 pcs.	9619 00 710 1	47 KGS	Regulation No. 128 of 27 August 2020
Sanitary pads for women daily classic, pack, 20 pcs.	9619 00 710 1	37 KGS	Regulation No. 28 of 27 August 2020
Sanitary pads for women daily ultra-thin, pack, 20 pcs.	9619 00 710 1	38 KGS	Regulation No. 28 of 27 August 2020
Cotton pads cosmetic, pack, 100 pcs.	5601 21 100 0	42 KGS	Regulation No. 10 of 19 March 2020
Cotton buds, pack, 100 pcs.	5601 21 100 0	19 KGS	Regulation No. 10 of 19 March 2020
Urological pads, 20 pcs.	9619 00 710 1	155 KGS/package	Regulation No. 10 of 19 March 2020
Adult diapers hygiene, 30 pcs.	9619 00 890 1	1,011 KGS/package	Regulation No. 10 of 19 March 2020
Adult diapers hygiene, 60x60, 30 pcs.	9619 00 890 1	705 KGS/package	Regulation No. 10 of 19 March 2020
Adult diapers hygiene, 60, 90, 30 pcs.	9619 00 890 1	954 KGS/package	Regulation No. 10 of 19 March 2020
Butter	0405 10 190 0	241 KGS/kg	Regulation No. 22 of 26 June 2020
Margarine	1517 10 100 0	94 KGS/kg	Regulation No. 15 of 11 April 2020
Pasta	1902 30 100 0	93 KGS/kg	Regulation No. 15 of 11 April 2020
Bananas	0803 90 100 0	81 KGS/kg	Regulation No. 16 of 21 April 2020
Soft wheat and meslin	1001 99 000 0	15 KGS/kg	Regulation No. 19 of 27 May 2020
Soft wheat	1104 29 510 0	17 KGS/kg	Regulation No. 21 of 11 June 2020
Buckwheat	1008 10 000 9	52 KGS/kg	Regulation No. 24 of 15 July 2020
Sunflower oil refined in primary packaging with a net volume of 10 litres or less	1512 11 910 1	65 KGS/kg	Regulation No. 24 of 15 July 2020
Cheese with fat content exceeding 40%	0406 90 990 9	316 KGS/kg	Regulation No. 22 of 26 June 2020
Buckwheat	1008 10 0009	52 KGS/kg	Regulation No. 24 of 15 July 2020
Sunflower-seed oil in net primary packs of 10 litres or less	1512 11 9101	65 KGS/litre	Regulation No. 24 of 15 July 2020
Adult diapers hygiene, 30 pcs.	9619 00 890 1	745 KGS	Regulation No. 28 of 27 August 2020
Adult diapers hygiene, 60x60, 30 pcs.	9619 00 890 1	503 KGS	Regulation No. 28 of 27 August 2020
Adult diapers hygiene, 60x90, 30 pcs.	9619 00 890 1	653 KGS	Regulation No. 28 of 27 August 2020
Fresh pineapple	0804 30 000 1	85 KGS/kg	Regulation No. 29 of 28 August 2020

Source: Information provided by the authorities; and State Tax Service, *Minimum Level of Control Prices on a Set List of Goods*. Viewed at: <http://www.sti.gov.kg/ky/%D0%B1%D0%B0%D0%B0%D0%BD%D1%8B%D0%BD-%D0%BC%D0%B8%D0%BD%D0%B8%D0%BC%D0%B0%D0%BB%D0%B4%D1%8B%D0%BA-%D0%B4%D0%B5%D2%A3%D0%B3%D1%8D%D1%8D%D0%BB%D0%B8-%D0%B6%D3%A9%D0%BD%D2%AF%D0%BD%D0%B4%D3%A9>.

3.1.2 Rules of origin

3.41. The Kyrgyz Republic's basic legal framework for rules of origin has also undergone significant change since the previous Review as a result of joining the EAEU. Similar to other customs provisions, Article 37 of the EAEU Treaty provides a uniform basic framework for rules of origin for all EAEU member States. The EAEU Customs Code further expands on the provisions in Articles 28-36, and there are two main EEC Council Decisions that provide the details of origin

determination for non-preferential and preferential trade.³⁷ The 2019 Customs Regulation of the Kyrgyz Republic also gives details on certain aspects of origin determination. The last five articles of Chapter 4 of the EAEU Customs Code are concerned with the issue of advance rulings on the origin of goods. Issues not covered by these Articles may be further defined in accordance with the Law on Customs Regulation.

3.1.2.1 Non-preferential

3.42. The EAEU non-preferential rules of origin apply to third-country imports into the customs territory of the EAEU for all non-preferential policy instruments, including application of non-tariff measures, trade remedies, origin marking requirements, trade statistics, and government (municipal) procurement.³⁸ EEC Council Decision No. 49 of 13 July 2018 on Rules of Origin of Goods Imported into the Customs Territory of the Eurasian Economic Union (Non-preferential Rules of Origin), which entered into force on 12 January 2019, gives the details of how origin should be determined.³⁹ It establishes two main methods:

- wholly obtained or produced, according to a list of products⁴⁰; and
- sufficiently processed according to two possibilities:
 - a change of HS classification at the 4-digit level; or
 - the value of non-originating materials does not exceed 50% of the value⁴¹ of the goods.

3.43. If origin cannot be determined by these two methods, two residual rules may be used.⁴² But these provisions may be used only for determining the origin of goods similar to those for which trade remedies are applied in accordance with the EAEU Treaty. A list of operations that do not confer origin is also provided; these processes include cleaning, freezing, simple assembly, and colouring. Furthermore, the Decision allows for the EEC Council to establish product-specific rules based on change of HS classification, fulfilment of specific work processes, a specific percentage of value-added content, or a combination of any of these. While the EEC may establish product-specific

³⁷ EEC, EEC Council Decisions No. 49 of 13 July 2018 and No. 60 of 14 June 2020.

³⁸ They are also used to determine origin for non-tariff measures and measures to protect the domestic market, i.e. trade remedies; implement state (municipal) procurement; maintain statistics on external trade; and establish requirements for marking the origin of goods.

³⁹ EEC, EEC Council Decision No. 49 of 13 July 2018 on Rules of Origin of Goods Imported into the Customs Territory of the Eurasian Economic Union (Non-preferential Rules of Origin), as amended by Decision No. 57 of 10 July 2020. Viewed at: http://www.eurasiancommission.org/en/act/trade/dotp/prav_proish/Documents/Non-preferential%20rules%20of%20origin_.pdf.

⁴⁰ The products include: (i) minerals, mineral goods, and other naturally occurring substances extracted from a country's soil, its territorial waters (other internal waters), or its seabed or taken from the air in the territory of that country; (ii) vegetable goods harvested and/or gathered in that country; (iii) live animals born and raised (grown) in that country; (iv) goods obtained from live animals in that country; (v) goods obtained from hunting and fishing in that country; (vi) goods of sea fishing and other marine goods taken (caught) from the sea outside the territorial waters of that country by a vessel registered in the country and flying its flag; (vii) goods produced exclusively from goods referred to in subparagraph (vi) on board a factory ship registered in that country and flying its flag; (viii) goods extracted from marine soil or subsoil outside that country's territorial waters, provided the country has sole rights to work that soil or subsoil; (ix) waste and scrap (secondary raw materials) resulting from production or consumption conducted in that country provided that such goods fit only for utilization and/or recovery of raw materials; (x) used goods collected in that country provided that such goods can no longer fulfil their original function and fit only for utilization and/or recovery of raw materials; (xi) high-tech goods produced in outer space on board a spacecraft registered in that country (including those leased by such country); and (xii) goods produced in that country solely from the goods referred to in subparagraphs (i) through (xi) above.

⁴¹ The value is defined as the price paid for the goods to the producer in whose undertaking the last working or processing is carried out, in accordance with the International Commercial Terms (Incoterms 2010), provided the value does not include internal taxes that are, or may be, repaid when the goods are exported.

⁴² These are: (i) if the good is produced from materials originating in a single country other than the country in which the production takes place, such good shall be considered as originating in the country in which those materials originated; or (ii) if the good is produced from materials originating in more than one country, such good shall be considered as originating in the country in which the major portion of those materials originated, as determined on the basis of the value of materials in the value of goods.

rules, currently there are no product-specific rules developed for non-preferential origin purposes. The Decision also specifies documentary proof of origin and requirements for certificates of origin.

3.1.2.2 Preferential

3.44. The preferential rules of origin are dependent upon the underlying agreement, and thus there are three main types: (i) preferences for developing countries and least developed countries (LDCs); (ii) Commonwealth of Independent States (CIS) rules of origin for the current CIS members plus one former member (Georgia); and (iii) rules of origin for the EAEU preferential trade agreements (Viet Nam and the Islamic Republic of Iran).

3.45. Rules of origin for developing countries and LDCs under the EAEU's Common System of Tariff Preferences (CSTP) underwent modification during the review period. Prior to joining the customs union, the Kyrgyz Republic had its own preference regime based on GSP, and its rules of origin were specified in its Customs Code. Thereafter, the rules of origin for the EAEU's CSTP were applied from its accession.⁴³ The EAEU rules were later withdrawn and replaced with new rules of origin applicable from 16 January 2019.⁴⁴

3.46. The new rules of origin from 2019 specify two main criteria for the origin determination: (i) "wholly obtained", in which a listing of certain goods is provided; and (ii) "sufficiently processed", whereby non-originating materials shall not exceed a certain percentage of the value of the exported goods. In the case of developing countries, the limit is 50%. For LDCs, a percentage is applied for the use of non-originating materials in the exported product that increases gradually during 2019-25, as follows:

- 50% from January 2019 to 31 December 2019;
- 55% from 1 January 2020 to 31 December 2024; and
- 60% from 1 January 2025.

Furthermore, certain minimal processing pursuant to a list, as above for non-preferential rules of origin, have been designated as non-origin conferring.

3.47. These rules of origin were modified temporarily on 3 April 2020 in response to the COVID-19 pandemic in order to simplify the requirements for certificates of origin for these countries until 30 September 2020.⁴⁵ In particular, paper or electronic copies of the Certificate of Origin, Form A, could be used for a period of six months, and there was no obligation to submit the original during the customs process. After the six-month grace period, the original certificate needed to be submitted, otherwise full customs fees or fines would be applied. This measure has since expired, and thus it is required to submit the original certificate of origin for the granting of tariff preferences.

3.48. Rules of origin for the two recently concluded FTAs with Viet Nam and the Interim Agreement with the Islamic Republic of Iran (Iran FTA) follow a similar approach, but with three main elements designated for determining origin:

- wholly obtained, per a list of eligible products;
- produced entirely by one or both parties from originating materials from one or both; and

⁴³ EEC, *Agreement on Rules of Origin for Developing and Least Developed Countries*, 12 December 2008. Viewed at: <http://www.eurasiancommission.org/en/act/trade/dotp/commonSystem/Documents/Rules%20of%20Origin%20for%20developing%20and%20least%20developed%20countries.pdf>.

⁴⁴ EEC, EEC Council Decision No. 60 of 14 June 2018, as amended by EEC Council Decision No. 36 of 3 April 2020. Viewed at: <http://www.eurasiancommission.org/en/act/trade/dotp/commonSystem/Documents/Rules%20of%20origin%20for%20DC%20and%20LDC%20%28new%29+COVID%20%28GPS%29.pdf>.

⁴⁵ EEC, EEC Council Decision No. 36 of 3 April 2020 on Amending the Rules of Identifying Goods Originating from Developing and the Least Developed Countries and on the Particularities of Supplying Certificates of Origin of Goods amid the Spread of COVID-19. Viewed at: <http://www.eurasiancommission.org/en/nae/news/Pages/03-04-2020-2.aspx>.

- sufficiently processed (for goods produced using non-originating materials).

3.49. The FTA with Viet Nam contains the requirements for sufficient processing for all goods in product-specific rules (Annex 3 to the FTA). The mentioned annex uses a variety of methods to confer origin, such as a change of HS classification, percentage of value added content, processing operations, or their combination. The Iran FTA provides as a general origin rule the minimum percentage of the value added content (50% of the value of goods) and, for certain goods (HS 7303-7307 and 8702-8704), stipulates specific origin criterion (Annex 2 to the Interim Agreement).

3.50. The preferential rules of origin that are applicable to the CIS countries remain determined by the Agreement on the Rules for Determining Country of Origin for Goods in the CIS from 20 November 2009 (CIS Rules), and there have been several protocols amending these rules.⁴⁶ The main rules of origin are wholly obtained and sufficient processing. As with the other similar rules, a list of wholly obtained goods is provided. For "sufficient processing", the main element is a change in HS classification at the 4-digit level but with the exception of goods listed in the annex where specific conditions or technologies are applied that determine origin. However, for Uzbekistan and Turkmenistan, in accordance with the Protocol on the Application of the Agreement for a Free Trade Zone of 18 October 2011, the parties to the Protocol apply the rules of determining country of origin of goods of 24 September 1993.

3.51. The Kyrgyz Republic made several notifications of its rules of origin during the review period. In 2018, it notified the EAEU non-preferential rules of origin and those that apply to the CSTP⁴⁷, and progressively notified rules of origin that apply to the CIS, Viet Nam, and the Islamic Republic of Iran.⁴⁸

3.1.2.3 Free (special) economic zones

3.52. As part of the transitional arrangements contained in the Protocol on Subsidies of the EAEU upon joining the customs union, the Kyrgyz Republic was granted an exemption from customs duties and taxes until 1 January 2017 for goods recognized by the Kyrgyz Republic's criteria of sufficient processing when exported from the territories of FEZs Bishkek, Naryn, and Karakol or from the free warehouses to the rest of the customs territory of the EAEU.⁴⁹ With respect to these measures, the provisions of the Protocol are not applied, provided that the Kyrgyz Republic introduces an amendment to its legislation that establishes criteria for sufficient processing as follows, for certain goods⁵⁰:

- textile and footwear products of HS 51-64 (origin criteria as per the CIS Rules);
- equipment and mechanical devices of HS 8415, 8418, 8421, and 8422; and electrical machines and equipment of HS 8508, 8509, 8510, 8512, 8513, 8516, and 8528 (origin criteria as per the CIS Rules or in which the percentage of value added cannot be less than 40%);
- plastics of HS 3901-3921 (origin criteria as per the CIS Rules or in which the percentage of value added cannot be less than 50%); and

⁴⁶ EEC, *Agreement on the Rules for Determining the Country of Origin of Goods in the Commonwealth of Independent States*, 20 November 2009. Viewed at: http://www.eurasiancommission.org/hy/act/trade/dotp/commonSystem/Documents/CIS_Agreement_on_ROO.pdf.

⁴⁷ WTO documents G/RO/N/177 and G/RO/LDC/N/KGZ/1, 28 November 2018.

⁴⁸ WTO documents G/RO/N/106, 19 September 2013; G/RO/N/106/Corr.1, 2 July 2015; G/RO/N/162, 21 July 2017; and G/RO/N/194, 18 February 2020.

⁴⁹ According to paragraph 1 of Section V of the Protocol on Unified Rules for the Provision of Industrial Subsidies, i.e. EAEU Treaty of 29 May 2014, Annex 28.

⁵⁰ Law No. 6 of 11 January 2014 on Free Economic Zones, Government Resolution No. 715 of 3 November 1998 on the Procedure for Determining Country of Origin of Goods Manufactured in Free Economic Zones of the Kyrgyz Republic, the Agreement on the Issues of Free (Special) Economic Zones in the Customs Territory of the Customs Union and the Customs Procedure of the Free Customs Zones of 18 June 2010, Law No. 184 of 31 December 2014 on Customs Regulation, and the Agreement on Free Warehouses and Customs Procedures of Free Warehouses of 18 June 2010.

- wood and wood products of HS 44, 9401, and 9403 (origin criteria as per the CIS Rules).

3.53. As at 1 January 2017, the criteria for sufficient processing in the EAEU, in all EAEU member States including the Kyrgyz Republic, were not applied. Thus, goods that are imported into the territory of the EAEU from the territory of free warehouses or FEZs are subject to customs duties and taxes.

3.1.3 Tariffs

3.54. The tariff regime of the Kyrgyz Republic has undergone one of the most significant changes since it joined the EAEU, as Article 42 of the EAEU Treaty put in place the EAEU Common External Tariff (CET) as one of its most significant trade policy instruments. Upon the Kyrgyz Republic's accession, a small number of deviations from the common tariff were allowed for a transition period up to end-2019, but the vast majority of changes were immediately implemented in 2015. As a result, the Kyrgyz Republic had an overall increase in tariffs during this review period, with many tariff rates exceeding WTO commitments, and thus it began the process for renegotiation of its WTO schedule.

3.1.3.1 Applied rates

3.55. The EAEU requires a common regulation for foreign trade with third countries as well as a uniform customs tariff for its members; thus the Unified Customs Tariff (UCT) is the common customs tariff that emanated from the Agreement on Creation of the Common Customs Territory and Establishment of the Customs Union of 6 October 2007 and, currently, the EAEU Treaty. EEC Board Decision No. 54 of 16 July 2012 sets out the common nomenclature, known as the Foreign Economic Activity Commodity Nomenclature (FEACN)⁵¹, and the rates of customs duty on imports. The UCT is under regular modification and has been amended approximately 75 times since 2016.

3.56. The EAEU's UCT has three basic types of duty rates – *ad valorem*, specific, and combined, i.e. combining *ad valorem* and specific components. With the move to the EAEU UCT, the structure and rates of customs duties for the Kyrgyz Republic have changed significantly since the previous Review (Table 3.7 and Chart 3.1). Although the total number of tariff lines is largely comparable, the situation otherwise points to a significant deterioration in market access for most-favoured nation (MFN) partners as illustrated by a number of parameters. The number of duty-free tariff lines declined significantly, from 46.4% in 2012 to 15.5% in 2020. The number of non-*ad valorem* tariff lines increased significantly, from 1.4% of tariff lines to 13.3% during the same period, and they increased in complexity as well. Most take the form of an *ad valorem* rate with a "but not less than" specific component, which offers less transparency and predictability to traders. Most of these non-*ad valorem* rates are in the agriculture, textiles, and vehicle sectors. The simple average tariff rate increased from 5% to 8.4%, with more significant increases in agricultural tariffs compared with non-agricultural tariffs. Other barriers were added as well, as the Kyrgyz Republic now applies tariff-rate quotas (TRQs) on 1.2% of tariff lines, whereas previously there were none. The percentage of lines with tariff peaks increased as well, approximately doubling.

3.57. Supreme Eurasian Economic Council Decision No. 16 of 8 May 2015 designates a list of sensitive goods of approximately 5,000 tariff lines in which the EEC has noted competition on the EAEU domestic market is the strongest, and therefore support measures have an important impact.⁵² The designation of a product on the sensitive list allows the EAEU to change the rates of import customs by the EEC Council by consensus; it also allows member States to inform others in order to carry out consultations to mutually consider the various positions.

Table 3.7 Structure of the tariff schedule, 2012 and 2020

(%)

	2012 ^a	2020 ^b
Total number of tariff lines	10,990	12,135
Non- <i>ad valorem</i> tariffs (% of all tariff lines)	1.4	13.3

⁵¹ The FEACN is a 10-digit code at the tariff-line level based on the World Customs Organization's (WCO) Harmonized Commodity Description and Coding System (HS) 6-digit code. Throughout the report, "HS" is used when referring to tariff lines.

⁵² Supreme Eurasian Economic Council Decision No. 16 of 8 May 2015 in accordance with EAEU Treaty of 29 May 2014, Article 45, para. 2.

Lines subject to tariff quotas (% of all tariff lines)	0.0	1.2
Duty-free tariff lines (% of all tariff lines)	46.4	15.5
Dutiable lines tariff average rate (%)	9.4	9.9
Simple average tariff (%)	5.0	8.4
WTO agriculture	8.4	14.1
WTO non-agriculture (incl. petroleum)	4.1	6.9
Domestic tariff "peaks" (% of all tariff lines) ^c	1.3	2.4
International tariff "peaks" (% of all tariff lines) ^d	1.3	4.5
Overall standard deviation	..	11.2
Nuisance applied rates (% of tariff lines) ^e	0.0	0.4
Bound tariff lines (% of all tariff lines)	99.9	99.9

.. Not available.

a Calculations are based on national tariff-line level, excluding specific duties and including the *ad valorem* component of the mixed or compound duties.

b *Ad valorem* equivalents (AVEs) were estimated based on 2018 and 2017 import data at the 10-digit tariff level from the authorities, and on 2018 import data at the 6-digit level from UN Comtrade. AVEs were calculated for 731 tariff lines; however, the calculation of three AVEs (pig meat, steel, and aluminium cans) resulted in extremely high rates due to the low volumes of trade and thus were excluded from the analysis. Where AVEs could not be estimated, the *ad valorem* component of the mixed or compound duty was taken for the calculations. Two hundred seventy lines with specific duties were excluded from the calculations, as no AVEs could be calculated.

c Domestic tariff peaks are defined as those exceeding three times the overall average applied rate.

d International tariff peaks are defined as those exceeding 15%.

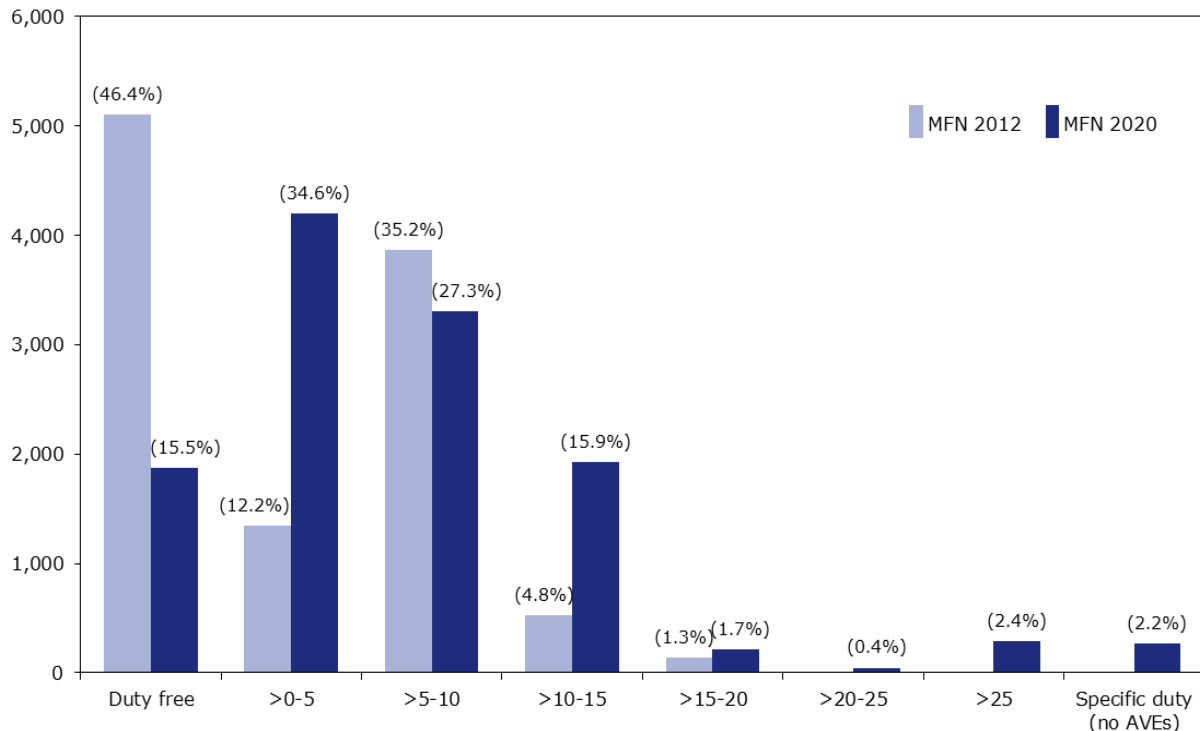
e Nuisance rates are greater than 0% but less than or equal to 2%.

Note: All tariff calculations exclude in-quota lines.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Chart 3.1 Frequency distribution of MFN tariff, 2012 and 2020

(Number of tariff lines)



Note: The total number of tariff lines is 10,990 in 2012 and 12,135 in 2020. AVEs are excluded in the 2012 tariff, while they are included (as available) in the 2020 tariff. The tariffs exclude in-quota rates. The 2012 tariff is composed of six tiers: duty free, 5%, 10%, 12%, 15%, and 20%. Numbers in parentheses represent the share in the total number of tariff lines.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.58. Furthermore, there are significant variations in tariff rates and averages among the sectors (Table 3.8). The highest tariff protection, according to WTO category, is for animals and products thereof (35%), sugars and confectionery (22%), and clothing (19%). On the other hand, non-electric machinery (2.8%) and cotton (0%) have the lowest protection. Nearly all product categories and HS sections faced increases in tariff averages in 2020 compared with 2012, some more than doubling (Table 3.8 and WTO document WT/TPR/S/288/Rev.1, Tables 3.7 and A3.1). The sectors, by HS section, with the largest increases were wood and articles from 0 to 8.5%, pulp and paper from 0 to 7%, footwear and headgear from 9% to 20.2%, and arms and ammunition from 0 to 14.6%. One category, works of art, declined from 3% to 0. The overall applied average tariff and many product-category averages exceed the bound rate averages (Section 3.1.3.2-3.1.3.3).

3.59. In terms of WTO notifications, the Kyrgyz Republic has not made any recent submissions to the WTO Integrated Database of its applied tariffs.

Table 3.8 Summary analysis of the Kyrgyz Republic MFN tariff, 2020

Description	MFN			Bound average ^a (%)
	No. of lines	Average (%)	Range (%)	
Total	12,135	8.4	0-254.8	7.8
HS 01-24	3,008	13.2	0-254.8	11.6
HS 25-97	9,127	6.8	0-221.7	6.5
By WTO category				
WTO agriculture	2,553	14.1	0-228.2	11.8
- Animals and products thereof	412	35.5	0-149.8	10.7
- Dairy products	161	15.1	5-36.6	11.5
- Fruit, vegetables and plants	565	8.7	0-29.9	15.6
- Coffee and tea	74	9.9	0-119.3	9.5
- Cereals and preparations	243	11.1	0-228.2	12.4
- Oil seeds, fats and oils and their products	200	7.5	0-30	11.5
- Sugars and confectionery	130	22.2	3.7-119.6	5.2
- Beverages, spirits and tobacco	458	11.4	0-115.9	11.6
- Cotton	6	0.0	0	10.0
- Other agricultural products, n.e.s.	304	4.8	0-10.9	10.1
WTO non-agriculture (incl. petroleum)	9,582	6.9	0-254.8	6.7
- WTO non-agriculture (excluding petroleum)	9,504	6.9	0-254.8	6.6
- - Fish and fishery products	605	7.3	0-254.8	10.1
- - Minerals and metals	1,770	7.5	0-123.6	4.8
- - Chemicals and photographic supplies	1,459	4.6	0-10	5.4
- - Wood, pulp, paper and furniture	630	8.2	0-50.6	0.7
- - Textiles	887	8.7	0-130.8	8.8
- - Clothing	361	19.5	1.6-134.4	11.9
- - Leather, rubber, footwear and travel goods	339	9.7	0-221.7	9.3
- - Non-electric machinery	1,284	2.8	0-15	6.6
- - Electric machinery	609	4.4	0-31.6	6.4
- - Transport equipment	786	9.5	0-20	9.2
- - Non-agriculture articles, n.e.s.	774	6.9	0-20	6.9
- Petroleum	78	4.6	0-5	9.6
By ISIC sector^b				
Agriculture and fisheries	779	6.1	0-30	10.0
Mining	130	4.5	0-15	9.4
Manufacturing	11,225	8.6	0-254.8	7.6
By HS section				
01 Live animals & products	1,109	17.7	0-149.8	10.8
02 Vegetable products	616	7.5	0-30	13.5
03 Fats & oils	151	9.1	0-30	12.6
04 Prepared food, etc.	1,132	12.3	0-254.8	11.3
05 Minerals	281	4.4	0-10	9.4
06 Chemical & products	1,333	4.5	0-10	5.4
07 Plastics & rubber	365	5.7	0-16.8	7.6
08 Hides & skins	218	5.6	0-15	8.5
09 Wood & articles	352	8.5	0-14	1.0
10 Pulp, paper etc.	223	7.0	0-14	0.0
11 Textile & articles	1,211	10.9	0-134.4	9.7
12 Footwear, headgear	115	20.2	0-221.7	10.0
13 Articles of stone	299	11.0	0-15	9.7
14 Precious stones, etc.	83	16.4	0-123.6	10.0
15 Base metals & products	1,176	6.6	0-15	2.4
16 Machinery	1,975	3.4	0-31.6	6.5
17 Transport equipment	805	9.5	0-20	9.2

Description	MFN			Bound average ^a (%)
	No. of lines	Average (%)	Range (%)	
18 Precision equipment	359	4.9	0-15	5.3
19 Arms and ammunition	24	14.6	12-15	15.0
20 Miscellaneous manufacturing	301	9.7	0-50.6	7.1
21 Works of art, etc.	7	0.0	0	14.3

a Nine unbound lines are excluded from the calculations.

b SIC (Rev.2) classification, excluding electricity (1 line).

Note: All tariff calculations exclude in-quota lines.

Ad valorem equivalents (AVEs) were estimated based on 2018 and 2017 import data at the 10-digit tariff level from the authorities, and on 2018 import data at the 6-digit level from UN Comtrade.

AVEs were calculated for 731 tariff lines; however, the calculation of three AVEs (pig meat, steel, and aluminium cans) resulted in extremely high rates due to the low volumes of trade and thus were excluded from the analysis. Where AVEs could not be estimated, the *ad valorem* component of the mixed or compound duty was taken for the calculations. Two hundred seventy lines with specific duties were excluded from the calculations, as no AVEs could be calculated.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.1.3.2 Bound rates

3.60. The bound rates of the Kyrgyz Republic still largely reflect its commitments in its Protocol of Accession when it acceded to the WTO in 1998.⁵³ Since that time, there have been minor modifications to implement changes to tariff nomenclature, as a result of the changes to the HS introduced by the WCO at periodic intervals, i.e. for the HS02 and HS07 changes for the Kyrgyz Republic.⁵⁴ The HS12 and HS17 changes were incorporated in the UCT, but the Kyrgyz bound schedule was not modified accordingly, and thus these remain in disaccord and the Kyrgyz Republic is not covered by the WTO HS12 nor HS17 waivers.⁵⁵ The average level of bound tariffs remains unchanged compared with that in the previous Review (7.8%), and the Kyrgyz Republic's bound tariff average remains low compared with those of most other WTO Members. According to the tariff summary tables of the WTO's World Trade Report 2019, the Kyrgyz Republic had the 15th lowest average of bound tariffs among WTO Members. Although the overall average of bound tariffs is 7.8%, there is significant variation between sectors.⁵⁶ The pulp and paper sector has bound rates at zero, i.e. the lowest average, while arms and ammunition has the highest bound average at 15% (Table 3.8). The agricultural sector also has relatively high bound rates compared with other sectors, i.e. above 10% on average. All other duties and charges in the Kyrgyz Republic's schedule are bound at zero.

3.61. It was recognized at the time of joining the customs union that adjustments would need to be undertaken at the WTO to modify the Kyrgyz Republic's tariff commitments. Thus, the Protocol on the Conditions and Transitional Provisions on the Application by the Kyrgyz Republic of the EAEU Treaty of 29 May 2014, Separate International Treaties Incorporated into the Law of the EAEU, and the Acts of the Bodies of the EAEU due to the Accession of the Kyrgyz Republic to the EAEU Treaty of 29 May 2014 (Protocol on Transitional Provisions) sets certain principles in this respect.⁵⁷ First, the commitments contained in the Protocol of Accession of the Kyrgyz Republic do not become the commitments of other EAEU member States; second, negotiations for amending its WTO commitments would be carried out by an authorized delegation set out in directives of the EEC Council; third, agreements reached on renegotiation would be approved by the EEC Council before their final adoption at the WTO; and last, in terms of trade of goods and services, and treatment of investment, the Kyrgyz Republic will apply a regime with EAEU member States no less favourable than it does with WTO Members through its commitments in its Protocol of Accession.

3.62. On 1 April 2015, the Kyrgyz Republic notified the WTO pursuant to Article XXIV:6 of the GATT 1994 of its intent to modify concessions contained in Schedule CXLII – Kyrgyz Republic within the

⁵³ WTO document WT/ACC/KGZ/26/Add.1 and Corr.1, 29 September 1998.

⁵⁴ WTO documents WT/Let/604, 7 December 2007; and WT/Let/1008, 28 November 2014.

⁵⁵ WTO documents WT/L/1084, 2 October 2015; and WT/L/1085, 7 October 2015.

⁵⁶ The 7.8% is calculated using the methodology for TPR reports, which varies slightly compared with the methodology used in the *World Trade Report*, resulting in a slightly different figure (7.5%).

⁵⁷ EEC, *Protocol on Transitional Provisions*. Viewed at: https://docs.eaeunion.org/docs/ru-ru/0147703/itia_12052015.

framework of the procedures in Article XXVIII of the GATT 1994.⁵⁸ The notification contained the necessary list of products and related statistics; 3,714 tariff lines were submitted for renegotiation, i.e. about 31% of all tariff lines. As at April 2020, the negotiations had not been finalized, and the schedule of the Kyrgyz Republic remains unchanged. According to a status report of Article XXVIII renegotiations by the Secretariat in March 2020, there were six claims of interest on record by other WTO Members, no conclusion of bilaterals or final reports, and the status of the negotiations was "ongoing".⁵⁹

3.1.3.3 Applied rates that exceed the bound rates

3.63. A comparison of the bound and applied rates was undertaken, as there were many applied rates that were raised as a result of acceding to the customs union, and the data indicate they are above the WTO bindings. As shown (Table 3.9), a significant number, 3,880 tariff lines, exceed their respective WTO bound rate of duty, i.e. about one third of all tariff lines. Their distribution is not uniform throughout the tariff schedule, as certain sectors are more or less impacted. Prepared foodstuffs, base metals, and vehicles are the ones most affected. On the other hand, mineral products, plastics, and raw hides and skins are minimally affected, with arms and ammunition and works of art not impacted at all (Table 3.9). Also, the Kyrgyz Republic now imposes quantitative measures through TRQs, which are not part of its bound commitments.⁶⁰

Table 3.9 Tariff lines where the UCT is greater than the bound tariff, by HS section and product group (WTO definition), 2020

(Number of tariff lines and %)

	No. of lines exceeding the bound rates	Share of tariff lines
Total tariff	3,880	32.0
HS sections		
1 - Live animals; animal products	363	32.7
2 - Vegetable products	39	6.3
3 - Animal or vegetable fats and oils; prepared edible fats	44	29.1
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco	513	45.3
5 - Mineral products	6	2.1
6 - Products of the chemical or allied industries	137	10.3
7 - Plastics and articles thereof; rubber and articles thereof	8	2.2
8 - Raw hides and skins, leather, fur skins and articles thereof; travel goods, handbags; articles of animal gut	25	11.5
9 - Wood and articles of wood; wood charcoal; cork and articles of cork	314	89.2
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	207	92.8
11 - Textiles and textile articles	222	18.3
12 - Footwear, headgear, umbrellas; prepared feathers and articles; artificial flowers	67	58.3
13 - Articles of stone, plaster, cement, etc.; ceramic products; glass and glassware	174	58.2
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	66	79.5
15 - Base metals and articles of base metal	874	74.3
16 - Machinery and mechanical appliances; electrical equipment; television image and sound recorders	224	11.3
17 - Vehicles, aircraft, vessels and associated transport equipment	329	40.9
18 - Optical, photographic, precision, medical or surgical instruments; clocks and watches; musical instruments	103	28.7
19 - Arms and ammunition	0	0.0
20 - Miscellaneous manufactured articles	165	54.8
21 - Works of art, collectors' pieces and antiques	0	0.0
Product groups		
WTO agriculture	903	35.4
- Animals and products thereof	282	68.4
- Dairy products	111	68.9
- Fruit, vegetables and plants	69	12.2
- Coffee and tea	36	48.6

⁵⁸ WTO document G/SECRET/38, 16 April 2015.

⁵⁹ WTO document G/MA/W/123/Rev.6, 6 March 2020.

⁶⁰ These have not been included in the Kyrgyz Republic's Article XXVIII submission.

	No. of lines exceeding the bound rates	Share of tariff lines
- Cereals and preparations	62	25.5
- Oil seeds, fats and oils and their products	44	22.0
- Sugars and confectionery	34	26.2
- Beverages, spirits and tobacco	264	57.6
- Cotton	0	0.0
- Other agricultural products, n.e.s.	1	0.3
WTO non-agriculture (incl. petroleum)	2,977	31.1
- Fish and fishery products	56	9.3
- Minerals and metals	1,104	62.4
- Chemicals and photographic supplies	124	8.5
- Wood, pulp, paper and furniture	574	91.1
- Textiles	134	15.1
- Clothing	123	34.1
- Leather, rubber, footwear and travel goods	67	19.8
- Non-electric machinery	143	11.1
- Electric machinery	79	13.0
- Transport equipment	323	41.1
- Non-agriculture articles, n.e.s.	248	32.0
- Petroleum	2	2.6

Source: WTO Secretariat calculations, based on data provided by the authorities and the WTO Consolidated Tariff Schedules (CTS) database.

3.1.3.4 Temporary measures

3.64. As part of the transition measures agreed to upon joining the customs union, the Kyrgyz Republic was allowed to deviate from the UCT rates for a limited number of tariff lines for a set period of time.⁶¹ This was known as the list of exemptions for the Kyrgyz Republic (Table A3.1). Total deviations were initially authorized on 166 tariff lines from 12 August 2015 until 31 December 2019 at the latest, at which time all tariffs reverted to the UCT rates. In accordance with the Protocol of 14 April 2020 on Amending the Protocol on Accession of the Kyrgyz Republic, these deviations from the UCT were extended from 1 January 2020 to 31 December 2020 with some modifications to the list of exemptions, after which (i.e. from 1 January 2021) the Kyrgyz Republic is expected to apply the rates of import customs duties of the EAEU in full.⁶² In the vast majority of cases, the temporary rates were lower than the UCT, mostly at zero, and lasted for the initial transition period 2015-19. The temporary rates were mainly in the pharmaceutical, machinery, and vehicle sectors (Table 3.10).

3.65. The list of exemptions was not applicable to all importers; rather, the reduced rates of customs duties were applicable, provided that the declarant of these goods was included in the corresponding list of organizations and persons submitted annually by the Kyrgyz Republic to the Commission, and also subject to confirmation of the designated purpose of the imported goods by the authorized body of the Kyrgyz Republic.⁶³ The Kyrgyz Republic enacted Government Resolution No. 162 of 15 May 2017 to enable it to provide information to the Commission on the list of persons and organizations entitled to import goods according to the list of exemptions.⁶⁴

⁶¹ EEC, EEC Board Decision No. 68 of 30 June 2015 on Goods and Rates for which During the Transition Period the Kyrgyz Republic Applies Import Customs Duty Rates Different from the Duty Rates Established in the Common Customs Tariff of the Eurasian Economic Union, as amended. Viewed at: <http://eec.eaeunion.org/ru/act/trade/catr/ttr/Documents/%D0%98%D0%97%D0%AA%D0%AF%D0%A2%D0%98%D0%AF%20%D0%9A%D0%A0%20%D0%BD%D0%B0%2001.09.2019.pdf>; EAEU Treaty and the Protocol on the Conditions and Transitional Provisions, Article 42, para. 6; and Protocol on the Accession of the Kyrgyz Republic to the EAEU Treaty of 29 May 2014.

⁶² EEC, EEC Board Decision No. 61 of 28 April 2020 makes certain modifications to the original list of exemptions.

⁶³ EEC, EEC Board Decision No. 68 of 30 June 2015, Annex, Note 2.

⁶⁴ State Tax Service, Government Resolution No. 162 of 15 May 2017, para. 2. Viewed at: <http://www.sti.gov.kg/docs/default-source/ppkr/job020171702n109kg.pdf?sfvrsn=2>.

3.66. Another set of transitional measures provides, or provided, for the exemption of customs duties on certain products under the conditions outlined below. All of these special exemptions are, or were, subject to special import procedures:

- Military goods for the Armed Forces for the period 2015-22 on the condition that they are not produced in the territory of the EAEU and are imported pursuant to a request from the Ministry of Defense;
- Certain aviation goods⁶⁵ used for domestic or international transport for transport in the Kyrgyz Republic and/or between EAEU member States until 31 December 2022; and
- A measure that expired at the end of 2016 on certain plastic articles in Chapter 39 of the HS⁶⁶, pursuant to quantitative limits, i.e. quotas.⁶⁷

Table 3.10 Summary of temporary deviations from the UCT, 2015-19^a

HS chapter	No. of tariff lines	Applicable rates ^b	Applicable end date
05	2	0	2020
06	1	0	2020
07	2	0	2020
10	2	0	2020
21	1	0	2020
23	2	0	2020
28	1	0 ^c	2017
29	2	0 ^c	2020
30	36	0	2020
32	1	0 ^c	2020
33	1	0 ^c	2020
36	3	0	2020
38	10	0	2020
39	12	0	2017 and 2020
40	1	0	2020
72	4	0 ^c	2020
73	4	0 ^c	2020
74	2	0	2020
75	1	0	2020
76	11	0 ^c	2020
81	2	0 ^c	2018
84	21	0 or 10 ^c	2017 and 2020
85	3	0	2016 and 2020
87	35	0 or 10	2018 and 2020
90	5	0	2020
94	1	0	2020

- a Many of the temporary deviations were extended and remained in place in 2020 but, due to the change in coverage, a second analysis was not performed.
- b Import customs duty rate (as a percentage of customs value, either in euros or US dollars). The rates of import customs duties are applied from January 1 of the specified calendar year; in 2015, the rate was applied from the date of adoption by the Supreme Eurasian Economic Council of the decision on cancellation of customs control of goods and vehicles transported through the Kyrgyz-Kazakh section of the state border.
- c The rate of import customs duty is applied, provided that the declarant of the goods is included in the relevant list of organizations and persons submitted annually to the EEC by the Kyrgyz Republic, and also subject to submission to the customs body of the EAEU member State confirmation of the intended purpose of the imported goods.

Source: Compiled by the Secretariat from the Protocol on Transitional Provisions.

3.67. Another set of temporary measures is identified in the UCT, whereby approximately 200 tariff lines were given lower or duty-free status (Table 3.11). Most of these temporary rates are for raw

⁶⁵ HS ex8802 11 000 1, ex8802 12 000 1, ex8802 20 000 1, ex8802 40 003 9, ex8802 40 009 7, ex8802 40 003 5, and ex8802 40 003 6, as defined in the Protocol on Transitional Provisions, Annex 1, Section V, para. 46.

⁶⁶ HS 3920 10 250 0 in an amount of not more than 820 tonnes per year, 3920 20 210 0 in an amount not more than 75 tonnes per year, and 3923 30 101 0 CNFEA in an amount not more than 200 tonnes per year.

⁶⁷ Protocol on Transitional Provisions, Annex 1, Section V, Articles 44-46.

hides and skins, although they are present throughout the tariff schedule on a variety of products. These measures emanate from Articles 42, 43, and 45 of the EAEU Treaty and its Annex 6, whereby, following consideration of proposals from EAEU member States, exemptions from import customs duties can be put in place. Prior to the entry into force of the EAEU Treaty, these or similar tariff exemptions were in place pursuant to the Protocol on the Terms and Conditions of Application in Exclusive Cases of Rates of Import Customs Rates Different from Rates of the CCT of 12 December 2008.

Table 3.11 Temporary duty rates, 2018-20

	2018	2019	2020
Number of temporary rates	178	196	168
Distribution by HS section (number of lines):			
1 - Live animals; animal products	8	10	3
2 - Vegetable products	2	2	1
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco	1	5	6
5 - Mineral products	4	4	3
6 - Products of the chemical or allied industries	21	22	13
7 - Plastics and articles thereof; rubber and articles thereof	7	6	5
8 - Raw hides and skins, leather, fur skins and articles thereof; travel goods, handbags; articles of animal gut	88	88	88
9 - Wood and articles of wood; wood charcoal; cork and articles of cork	1	1	-
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	-	1	1
11 - Textiles and textile articles	2	5	4
13 - Articles of stone, plaster, cement, etc.; ceramic products; glass and glassware	1	1	-
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	5	8	12
15 - Base metals and articles of base metal	1	1	2
16 - Machinery and mechanical appliances; electrical equipment; television image and sound recorders	12	19	14
17 - Vehicles, aircraft, vessels and associated transport equipment	14	12	7
18 - Optical, photographic, precision, medical or surgical instruments; clocks and watches; musical instruments	11	11	9
Number of lines with temporary rate of 0%	168	184	160
MFN average of lines with 0% temporary rate (%)	5.40	5.75	5.83
Number of lines with a temporary rate of 5%	7	9	8
MFN average of lines with 5% temporary rate (%)	9.43	8.72	9.81
Number of lines with a temporary rate of 12.1%	3	3	-
MFN average of lines with 12.1% temporary rate (%)	10.00	10.00	-

- None.

Note: Three lines have a temporary rate of "17% or 12.1%, but not less than 1.14 euro per 1 cm³". The rate of 12.1% was considered for the calculations. Recording of a temporary rate in a year is not based on its duration, but on whether it is in effect at some point during the year or over several years. For example, a temporary rate from 1-30 September is recorded in 2018, and a temporary rate from 1 September 2018 to 30 June 2020 is recorded in 2018, 2019, and 2020.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.68. As a result of the COVID-19 pandemic, the EAEU took a decision on 24 March 2020 to add paragraph 7.1.33 to the Unified Customs and Tariff Regulation on temporary import relief for certain critically imported goods, e.g. mainly food, medical, and baby products.⁶⁸ This removed all customs duties on these products until 30 June 2020.⁶⁹

3.69. The EAEU Treaty provides, in paragraph 5 of Article 42, for the possibility of establishing seasonal customs duties, if necessary, for the operational regulation of the import of goods into the customs territory of the EAEU. The validity period of seasonal customs duties cannot exceed

⁶⁸ These goods include potatoes, onions, garlic, cabbage, carrots, pepper, certain juices, baby food, sugar, certain protein concentrates, certain chemical and pharmaceutical products, endoscopes, and baby diapers.

⁶⁹ EEC, EEC Board Regulation No. 47 of 24 March 2020 on EEC Council Decision on Amendments to Some Decisions of the Commission of the Customs Union and on the Approval of the List of Critical Import Goods. Viewed at: https://docs.eaunion.org/docs/en-us/01025269/err_27032020_47.

six months, and they are subject to a special payment instead of the normal customs duties of the Common Customs Tariff (CCT) of the EAEU. At present, seasonal duties are applied only as established in the CCT of the EAEU (depending on the time of year, different rates of duty may be charged, e.g. on tomatoes).

3.1.3.5 Tariff-rate quotas (TRQs)

3.70. The Kyrgyz Republic historically has not had any TRQs since its accession to the WTO in 1998. In its Protocol of Accession to the WTO, the Kyrgyz Republic stated that it "maintained no tariff quotas and did not intend to introduce tariff rate quotas in the future. Any tariff rate quotas introduced in the future would be operated in conformity with the relevant WTO provisions, including Article XIII:5 of the GATT 1994".⁷⁰ The EAEU CET regime allows for TRQs in the member States; the volumes are adjusted on an annual basis with differing volumes attributed to each EAEU member State.⁷¹ As at 2020, three MFN TRQs were in place. There is also a transitional measure allowing for a preferential tariff on a specific volume of sugar imported into the Kyrgyz Republic.⁷² TRQs can also be established pursuant to FTAs; at present, there is a TRQ on long-grain rice from Viet Nam at the level of the customs union.⁷³

3.71. The Kyrgyz Republic's TRQs pertain to meat products (beef, pork, and poultry) and offer varying reductions from the out-of-quota rates (Table 3.12) (see also Section 4.1.1.1.1 on TRQs and administration). The preferential tariff on 100,000 tonnes annually of raw cane sugar for industrial processing was a transitional measure from 8 May 2015 until 8 May 2020, pursuant to the Protocol on Transitional Provisions. The quota had other conditions such as it needed to be confirmed by an authorized body of the Kyrgyz Republic that the sugar is for industrial processing and that no exports of the raw or processed sugar would enter other EAEU member States. The FTA with Viet Nam establishes an overall quota of 10,000 tonnes annually on long-grain rice for the customs union. Similar to the MFN quotas, the quota is assigned to EAEU member States. In accordance with EEC Board Decision No. 163 of 17 September 2019, the specified volume is distributed for 2020 between Armenia, Belarus, and the Russian Federation; thus, no quota was assigned to the Kyrgyz Republic during this period.

3.72. Article 44 and Annex 6 to the EAEU Treaty provide the basic framework for TRQs for the customs union. The EAEU allows TRQs to be established in respect of third countries if like goods are produced in the territory of the EAEU. The Annex further specifies that TRQs cannot be established if the production volume of the like product in the EAEU is equal to or exceeds the consumption in the EAEU. TRQs are to be established for a specific period of time, and all interested third countries should be informed of the quota volumes if distributed among them. For the EAEU member States, quota volumes are distributed according to the difference between production and consumption or, in the case of WTO membership, in respect of their WTO commitments.

Table 3.12 Products subject to TRQs, 2020

Description	HS 4-digit level	HS at the tariff-line level	Duty		Quota volume ('000 tonnes)
			In quota	Out-of-quota	
Cattle meat, fresh, chilled or frozen	0201, 0202	0201100001; 0201202001; 0201203001; 0201205001; 0201209001; 0201300004; 0202100001; 0202201001; 0202203001; 0202205001; 0202209001; 0202301004; 0202305004; 0202309004	15%	50%, but at least 1 euro per 1 kg	5.0

⁷⁰ WTO document WT/ACC/KGZ/26, 31 July 1998.

⁷¹ EAEU Treaty, Article 44; and EEC Board Decision No. 127 of 31 July 2019.

⁷² A quota category for whey and modified whey is established by the EAEU, but in 2020 there were no volumes established. EEC Board Decision No. 127 of 31 July 2019.

⁷³ Free Trade Agreement between the Eurasian Economic Union and its Member States, of the One Part, and the Socialist Republic of Viet Nam, of the Other Part, 29 May 2015; and EEC, EEC Board Decision No. 163 of 17 September 2019. Viewed at: https://docs.eaunion.org/docs/en-us/01425813/clcd_19092019_163.

Description	HS 4-digit level	HS at the tariff-line level	Duty		Quota volume ('000 tonnes)
			In quota	Out-of-quota	
Fresh, chilled or frozen pork, including pork trimming	0203	0203111001; 0203119001; 0203121101; 0203121901; 0203129001; 0203191101; 0203191301; 0203191501; 0203195501; 0203195901; 0203199001; 0203211001; 0203219001; 0203221101; 0203221901; 0203229001; 0203291101; 0203291301; 0203291501; 0203295501; 0203295502; 0203295901; 0203299001; 0203299002	0%	65%/25%	3.5
Meat and food by-products of poultry listed in product position 0105, fresh, chilled or frozen	0207	0207141001	25%	80%	58.0
		0207144001; 0207149901; 0207271001	25%, but at least 0.2 euros per 1 kg	80%	

Description	HS 4-digit level	HS at the tariff-line level	Duty		Quota volume ('000 tonnes)
			In quota	Out-of-quota	
		0207111001; 0207113001; 0207119001; 0207121001; 0207129001; 0207131001; 0207543101; 0207544101; 0207132001; 0207133001; 0207134001; 0207135001; 0207136001; 0207137001; 0207139101; 0207139901; 0207142001; 0207143001; 0207145001; 0207146001; 0207147001; 0207149101; 0207241001; 0207249001; 0207251001; 0207259001; 0207261001; 0207262001; 0207263001; 0207264001; 0207265001; 0207266001; 0207267001; 0207268001; 0207269101; 0207269901; 0207272001; 0207273001; 0207274001; 0207275001; 0207276001; 0207277001; 0207278001; 0207279101; 0207279901; 0207412001; 0207413001; 0207418001; 0207423001; 0207428001; 0207430001; 0207441001; 0207442101; 0207443101; 0207444101; 0207445101; 0207446101; 0207447101; 0207448101; 0207449101; 0207449901; 0207451001; 0207452101; 0207453101; 0207454101; 0207455101; 0207456101; 0207457101; 0207458101; 0207459301; 0207459501; 0207459901; 0207511001; 0207519001; 0207521001; 0207529001; 0207530001; 0207541001; 0207542101; 0207543101; 0207544101; 0207545101; 0207546101; 0207547101; 0207548101; 0207549101; 0207549901; 0207551001; 0207552101; 0207553101; 0207554101; 0207555101; 0207556101; 0207557101; 0207558101; 0207559301; 0207559501; 0207559901; 0207600501; 0207601001; 0207602101; 0207603101; 0207604101; 0207605101; 0207606101; 0207608101; 0207609101; 0207609901	25%, but at least 0.2 euros per 1 kg	80%, but at least 0.7 euros per 1 kg	
Raw cane sugar for industrial processing ^a	1701	170113; 170114	0%	USD 140-USD 250 per 1,000 kg	100

a Transitional measure applicable until 8 May 2020.

Source: Information provided by the authorities; Protocol on Transitional Provisions, Annex 1, Section V, Article 44; and EEC, EEC Board Decision No. 127 of 31 July 2019. Viewed at: https://docs.eaeunion.org/docs/en-us/01222607/clcd_02082019_127.

3.1.3.6 Preferential tariffs

3.73. As a member of the EAEU, the Kyrgyz Republic has a preferential tariff regime that is also largely determined by the customs union and its agreements with third countries. The Kyrgyz Republic's preferential trade with Armenia, Belarus, Kazakhstan, the Republic of Moldova, the Russian Federation, Tajikistan, Ukraine, and Uzbekistan pre-date the customs union,

i.e. from 2011 pursuant to the CIS Free Trade Area Agreement.⁷⁴ A 1994 agreement among the CIS (amended in 1999) resulted in preferential trade with Georgia and Turkmenistan.⁷⁵ The preferential tariffs among these parties are therefore the same and remain unchanged. There are few restrictions, as 98% of tariff lines are duty-free (Table 3.13). The few remaining tariffs, approximately 200 tariff lines, are mainly on certain agricultural products, fish, chemicals, fur skins, pearls, and nuclear reactors.

3.74. The free trade agreements with Viet Nam and the Islamic Republic of Iran are more recent and were negotiated by the customs union. As such, the number of duty-free lines is fewer, and average tariffs applied are higher compared with those in the earlier FTAs (Table 3.13). The Iran FTA has only slightly lower average rates than the MFN rates, as only 502 tariff lines have preferences due to it being an interim agreement leading to formation of a free trade area. Approximately 42% of the tariff lines covered a zero rate of duty, and the remaining 58% have reduced duties ranging from 2% to 18%.⁷⁶

3.75. Pursuant to Article 36 of the EAEU Treaty and EEC Council Decision No. 47 of 6 April 2016, a unified system of tariff preferences is applied by all EAEU member States.⁷⁷ The EAEU has a preferential tariff programme, the CSTP, with two levels of preferences, one for developing countries, based on the GSP principles established by UNCTAD, and another for LDCs.⁷⁸ The EAEU Treaty specifies duty rates of 75% of the import customs duties of the UCT for preferential goods from developing countries and duty-free treatment for LDCs. The list of goods eligible for tariff preferences was approved by EEC Council Decision No. 8 of 13 January 2017. The EAEU provides preferential GSP tariff treatment to 103 countries or territories.⁷⁹ Viet Nam and the Islamic Republic of Iran continue to be included in list of developing beneficiary countries. About 20% of tariff lines have GSP preferences, and the vast majority are agricultural and fisheries products. A Decision of the Customs Union from 2009, as amended, designates 50 LDC beneficiaries for preferential tariff treatment.⁸⁰ They benefit from duty-free and quota-free preferential access on about 62% of total tariff lines.⁸¹ The preferential access is concentrated in the chemicals, fish, and agriculture sectors.

⁷⁴ Ministry of Economy, Law No. 212 of 9 December 2013 Implementing the Free Trade Area Agreement. Viewed at:

<http://mineconom.gov.kg/froala/uploads/file/cec9fcab37fb45c5551b08d83293822f4071217c.rtf>.

⁷⁵ Ministry of Economy, Agreement of 15 April 1994 on Creating a Free Trade Area. Viewed at: <http://mineconom.gov.kg/froala/uploads/file/aa4a9cedfcb384dcec7555f04f6cf779c7990177.rtf>.

⁷⁶ This only takes into consideration *ad valorem* rates of duty. Commission Board Decision No. 10 of 22 January 2019 on Preferential Rates of Import Customs Duties in Respect of Goods Originating from the Islamic Republic of Iran and Imported to the Territory of the Eurasian Economic Union, which entered into force on 27 October 2019.

⁷⁷ EEC, EAEU Treaty. Viewed at: <https://docs.eaeunion.org/Pages/DisplayDocument.aspx?s=bef9c798-3978-42f3-9ef2-d0fb3d53b75f&w=632c7868-4ee2-4b21-bc64-1995328e6ef3&l=540294ae-c3c9-4511-9bf8-aaf5d6e0d169&EntityID=3610>; and EEC Council Decision No. 47 of 6 April 2016. Viewed at: http://www.eurasiancommission.org/en/act/trade/dotp/commonSytem/Documents/%d0%9f%d0%be%d0%bb%d0%be%d0%b6%d0%b5%d0%bd%d0%b8%d0%b5%20%d0%95%d0%a1%d0%a2%d0%9f_eng.pdf.

⁷⁸ EEC Council Decision No. 8 of 13 January 2017, as amended, provides the list of eligible goods. Viewed at:

<http://www.eurasiancommission.org/en/act/trade/dotp/commonSytem/Documents/%d0%9f%d0%b5%d1%80%d0%b5%d1%87%d0%b5%d0%bd%d1%8c%20%d0%bf%d1%80%d0%b5%d1%84%d0%b5%d1%80%d0%b5%d0%bd%d1%86%d0%b8%d0%b0%d0%bb%d1%8c%d0%bd%d1%8b%d1%85%20%d1%82%d0%be%d0%b2%d0%b0%d1%80%d0%be%d0%b2%20%28%d0%bf%d0%be%20%d1%81%d0%be%d1%81%d1%82%d0%be%d1%8f%d0%bd%d0%b8%d1%8e%20%d0%bd%d0%b0%2005.06.20%29%20-%20eng.pdf>.

The Decision was amended by EEC Council Decisions No. 44 of 23 June 2017; No. 47 and No. 53 of 22 August 2017; No. 103 of 20 December 2017; No. 52, No. 53, and No. 54 of 14 June 2018; No. 65 of 13 July 2018; No. 77 of 8 August 2019; No. 86 of 30 September 2019; No. 30 of 16 March 2020; and No. 42 of 29 April 2020.

⁷⁹ EEC Council Decision No. 130 of 27 November 2009. Viewed at: http://www.eurasiancommission.org/en/act/trade/dotp/commonSytem/Documents/%d0%9f%d0%b5%d1%80%d0%b5%d1%87%d0%b5%d0%bd%d1%8c%20%d1%81%d1%82%d1%80%d0%b0%d0%bd-%d0%bf%d0%be%d0%bb%d1%8c%d0%b7%d0%be%d0%b2%d0%b0%d1%82%d0%b5%d0%bb%d0%b5%d0%b9%2029.07.20_eng.pdf.

⁸⁰ EEC Council Decision No. 130 of 27 November 2009. As amended by EEC Council Decisions No. 46 of 16 May 2012, No. 35 of 23 April 2015, No. 48 of 6 March 2016, No. 122 of 19 December 2019, and No. 50 of 27 May 2020.

⁸¹ According to EEC Council Decision No. 8 of 13 January 2017.

Table 3.13 Analysis of preferential tariffs, 2020

Partners ^a	Total		WTO categories			
			Agricultural products		Non-agricultural products (excluding petroleum)	
	Average (%)	Duty-free lines (%)	Average (%)	Duty-free lines (%)	Average (%)	Duty-free lines (%)
MFN	8.4	15.5	14.1	5.7	6.9	18.1
CIS members FTA ^d	0.1	98.4	0.1	98.6	0.1	98.4
Iran, Islamic Rep. of	6.3	16.9	8.6	7.1	5.9	19.6
Viet Nam	2.7	77.1	6.8	65.1	1.6	80.1
GSP	7.9	15.5	12.6	5.7	6.7	18.1
GSP, preferential lines only ^b	7.1	0.0	8.0	0.0	5.8	0.0
LDCs	5.2	60.1	7.1	71.7	4.7	56.7
LDCs, preferential lines only ^c	0.0	44.6	0.0	13.9	0.0	30.7

a Free trade agreements are also in place with respect to the Republic of Moldova, Tajikistan, and Ukraine, but no preferential tariff data were available for analysis.

b Those calculations are based on 2,532 tariff lines with a preferential duty and exclude the lines where MFN applies.

c Those calculations are based on 5,415 tariff lines with a preferential duty and exclude the lines where MFN applies.

d The average duties and duty-free lines on agriculture products for Georgia slightly differ compared to other CIS countries; they are 0.2% and 98.2%, respectively.

Note: In cases where the preferential tariff is higher than the MFN tariff, the MFN tariff is used to calculate the averages. Averages include AVEs when available; when not available, the *ad valorem* part of compound or mixed duties is taken.

Source: WTO Secretariat calculations, based on the WTO IDB database.

3.1.4 Other charges affecting imports

3.76. Since joining the customs union, the Kyrgyz Republic has also faced new developments in the area of indirect taxes, in particular on how they are collected within the EAEU. Indirect taxes, i.e. excise taxes and VAT, are levied by the tax authorities of the member State into whose territory the goods are imported, unless otherwise provided by the legislation of that member State (i.e. certain goods subject to excise stamp).⁸² Article 71 of the EAEU Treaty sets out that member States in mutual trade shall collect taxes, other charges, and payments so that taxation in the member State in which territory the goods of other member States are sold is no less favourable than the taxation applied by this member State under similar circumstances. There was increasing coordination on the collection of indirect taxes within the customs union, so that indirect taxes on imports into the Kyrgyz Republic from another EAEU member State are levied and collected by the Kyrgyz tax authorities, at the place of registration of the taxpayer, pursuant to the rules outlined in Annex 18 to the EAEU Treaty, rather than by the customs authorities as was done previously.⁸³ The level of taxation remains subject to national rules, and indirect taxes on imports from countries outside the EAEU are still collected by customs authorities when crossing the border.

3.77. The Kyrgyz Republic continues to apply certain indirect taxes, i.e. VAT, excise tax, and sales tax, on imported goods.⁸⁴ Another tax was put in place in 2013 that charged an environmental pollution fee on foreign freight carriers when they crossed the border.⁸⁵ The level of the tax varied by the type of vehicle, e.g. from 500 KGS for motorcycles to 2,500 KGS for buses, trucks, and

⁸² EAEU Treaty, Article 71 and Article 72, para. 4.

⁸³ Protocol on the Procedure of Levying Indirect Taxes and the Mechanism of Control Over their Payment while Exporting and Importing Goods, Performing Works, Rendering Services (EAEU Treaty, Annex 18).

⁸⁴ EAEU Customs Code, Article 46, paras. 1-2.

⁸⁵ Ministry of Justice, Government Resolution No. 675 of 17 December 2013 on Approval of the Temporary Regulation on the Procedure for Collecting Fees for Environmental Pollution when Vehicles of Foreign States Enter the Territory of the Kyrgyz Republic. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kg/94886>.

tractors. Also, 16 specific automobile checkpoints were designated for the payment and collection of the tax. This provision was abolished in 2019.⁸⁶

3.1.4.1 Excise

3.78. Excise duties are levied on a few products, i.e. alcohol, tobacco, and fuel products (Table 3.14), and the rates of duty are determined annually by the Government. During the review period, the excise duty charged on tobacco products rose gradually and is expected to continue rising until 2022 as a result of measures put in place to counteract the growing flow of illegal tobacco products. But starting in 2024, the EAEU member States will proceed from an indicative rate of EUR 35 per 1,000 cigarettes with a deviation of no more than 20% when calculating national rates of excise duty on cigarettes. These principles of harmonization are pursuant to the Agreement on the Principles of Tax Policy in the Field of Excise Taxes on Tobacco Products of the EAEU Member States, which was signed on 19 December 2019 by the Deputy Prime Ministers of the member States. Currently, member States are carrying out the relevant domestic procedures necessary for its entry into force. For imported goods, the rate of excise is levied based on the customs value, as per the customs legislation. Certain exemptions exist, e.g. goods imported by individuals are not subject to excise duty. Upon confirmation of export, excise duties are not applied. Excisable products, e.g. alcoholic beverages and tobacco products produced or imported into the Kyrgyz Republic, are required to have an excise stamp, with the exception of beer and grape must.⁸⁷

3.79. Since the previous Review, goods subject to excise have remained the same or similar, but the excise duty rates have increased on most products, particularly on tobacco products. This is due to the reasons stated above and is also attributable to principles of state policy in the field of protecting the health of citizens against harmful effects of tobacco, including the implementation of a tax policy that dissuades its use.⁸⁸ As a result, amendments to the Tax Code in 2017 instituted a phased increase in the base rate of excise tax on tobacco products.⁸⁹

Table 3.14 Goods subject to excise tax, 2020

Product	HS	Rate
Undenatured ethyl alcohol with an alcohol strength by volume of 80% or more; ethyl alcohol and other spirits, denatured, of any strength	2207	350 KGS/litre
Vodka	220860	300 KGS/litre
Liquor-vodka products	220830; 220870, 220890	300 KGS/litre
Fortified drinks, fortified juices and tonics	220840; 220850	300 KGS/litre
Wine	220410; 220430; 2205; 2206	100 KGS/litre
Cognac	2208201200-2208202900; 2208206200-2208208900	200 KGS/litre
Sparkling wine, including champagne	220410	140 KGS/litre
Beer	2203	30 KGS/litre
Wine products	220430	35 KGS/litre
Low alcohol drinks	220890	200 KGS/litre
Filtered and unfiltered cigarettes	2402	1,750 KGS/1,000 pieces
Cigarillos	2402	1,220 KGS/1,000 pieces
Cigars	2402	150 KGS/1 piece
Other articles containing tobacco	2403	610 KGS/kg
Petrol, light and medium distillates	2710121100-2710129009; 2710191100-2710191500; 2710192500-2710192900	5,000 KGS/tonne
Jet fuel	2710192100	2,000 KGS/tonne
Diesel fuel	2710193100-2710194800; 2710201100-2710201900	800 KGS/tonne
Fuel oil	2710195100-2710196809;	1,000 KGS/tonne

⁸⁶ Ministry of Justice, Government Resolution No. 19 of 28 January 2019 on the Recognition as Invalid Certain Decisions of the Government of the Kyrgyz Republic. Viewed at: <http://cbd.minjust.gov.kg/act/view/ru-ru/12877?cl=ru-ru>.

⁸⁷ HS 2203 and 220430.

⁸⁸ Ministry of Justice, Law No. 175 of 21 August 2006 about Protection of the Health of Citizens of the Kyrgyz Republic against Harmful Effects of Tobacco and Its Consumption. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kg/1967>.

⁸⁹ Ministry of Justice, Law No. 65 of 28 April 2017 on Amendments to the Tax Code of the Kyrgyz Republic. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kg/111572>.

Product	HS	Rate
Oil condensates	2710203101-2710203909 2709001001, 2709001009, 2710197100, 2710197100- 2710199800	2,000 KGS/tonne
Crude oil	2709009001-2709009009	0 KGS/tonne

Source: State Tax Service, 2008 Tax Code, as amended. Viewed at: http://www.sti.gov.kg/docs/default-source/law/nkr_44.pdf?sfvrsn=2.

3.1.4.2 VAT

3.80. The Kyrgyz Republic charges a standard 12% rate of VAT on the sale of goods, works, and services supplied in the Kyrgyz Republic, including most imports. A small category is zero rated, including exports (Table 3.15). There are about 30 categories of exemptions on imports, which have been slightly increased or expanded in scope since the previous Review (Table 3.16). Businesses registered for VAT charge it on their taxable supply and report VAT liabilities; the VAT threshold for reporting is KGS 8 million. VAT on imports is calculated on the customs value and includes customs duties and taxes payable upon importation but excludes VAT in the calculation.

3.81. Within the EAEU, there has been a movement to harmonize indirect taxes, including VAT, in particular with respect to establishing electronic methods to report and track VAT among member States. The tax authorities of the EAEU member States exchange information on paid VAT amounts in electronic form, pursuant to the Protocol on the Exchange of Information in Electronic Format between the Tax Authorities of the Member States of the EAEU. In the Kyrgyz Republic, the Ministry of Economy launched an electronic platform for VAT. In accordance with Government Resolution No. 580 of 12 December 2018 on Measures to Implement Articles 85, 86 and 89 of the Tax Code of the Kyrgyz Republic, VAT payers, as well as those making payments on imported and/or exported goods, submit tax reports in the form of electronic documents with a digital signature as from 1 July 2019.

3.82. Law No. 44 of 18 April 2020 on Amending Certain Legislative Acts of the Kyrgyz Republic (the Tax Code of the Kyrgyz Republic, the Code on Violations of the Kyrgyz Republic, the Budget Code of the Kyrgyz Republic) made several amendments to the Tax Code involving VAT, including:

- from 1 January 2021 the mechanism of imputed VAT accrual on imports is being introduced; i.e. the mechanism with the introduction of the accrued amount of VAT will be paid to a deposit account and this entity will pay a single tax of 3% of the value of the goods; and
- the supply of services for the issuance and generation of means of identification and for the marking of goods are VAT-exempt.⁹⁰

3.83. Further, in accordance with Law No. 122 of 12 August 2020 on Amending Certain Legislative Acts on Clean Air and Improvement of Tax Administration, the supply of vehicles powered only by an electric motor produced at enterprises in the Kyrgyz Republic is exempt from VAT as at September 2020.⁹¹ In May 2020, the Protocol on the Procedure of Levying Indirect Taxes and the Mechanism of Control Over their Payment while Exporting and Importing Goods, Performing Works, Rendering Services (EAEU Treaty, Annex 18) was amended to change how VAT is collected for FEZs. This amendment allows a grace period of approximately 200 calendar days for the payment of indirect taxes (except excise goods requiring a stamp) when goods are imported into the territory of EAEU member States from certain free zones.

⁹⁰ Ministry of Justice, Law No. 44 of 18 April 2020 on Amending Certain Legislative Acts of the Kyrgyz Republic (the Tax Code of the Kyrgyz Republic, the Code on Violations of the Kyrgyz Republic, the Budget Code of the Kyrgyz Republic). Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/112046>.

⁹¹ Ministry of Justice, Law No. 122 of 12 August 2020 on Amending Certain Legislative Acts on Clean Air and Improvement of Tax Administration. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/112068>.

Table 3.15 VAT exemptions and those with zero rate of duty, 2020

Tax code reference	Good, work, or service
Exemptions:	
237	Exempt deliveries
238	Supply of residential land, buildings, and facilities
239	Supply of agricultural produce and products of the food processing industry
240	Delivery of public services and delivery to correctional institutions
242	Goods and services in the medical and veterinary fields
243	Financial services
244	Insurance services
245	Pension fund services
246	Transport services
247	Roaming services, interconnection, and international communication services
248	Supply of textbooks, school supplies, and scientific publications in the state language
249	Processing of goods placed under customs regimes
250	Privatization
250-1	Supply of identification tools, as well as services for issuing and generating codes for product labelling
251	Delivery to charitable organizations
251-1	Delivery of services by preschool educational organizations (kindergartens created on the basis of private ownership)
251-2	Delivery of services by private cardiac surgery medical institutions
251-3	Delivery of services by educational institutions established on the basis of private ownership
251-4	Supply of services of the Main Directorate of the State Specialized Service Ministry of Internal Affairs of the Kyrgyz Republic
251-5	Private medical organizations supplying haemodialysis services to people with chronic renal failure in the terminal stage
252	Supplies by non-profit organizations
253	Delivery free of charge
254	Delivery by state or municipal organizations of ritual goods and funeral services
255	Supply of mineral fertilizers and chemical plant protection products
255-1	Delivery of agricultural machinery manufactured at enterprises in the Kyrgyz Republic
256	Importation and exportation of metal containing ores, including alloys, concentrates, and refined metals
256-1	Deliveries by a private partner and/or project company in accordance with the legislation of the Kyrgyz Republic on public-private partnership
256-2	Supply of jet fuel for refuelling aircraft for international air transportation
256-3	Supply of goods or work in accordance with an agreement on a socially significant objective
Zero rate of duty:	
260 and 261	Export of goods, works and services with the exception of exports of metal ores, concentrates, alloys and refined metals
262	International transport, except for rail transport
263	Services for servicing transit flights of aircraft and services related to international transport, except railway transport
263-1	Services related to power supply of pumping stations involved in irrigation of agricultural land, providing the population with drinking water
375	Supply of goods, works and services intended for use in production from the territory of the Kyrgyz Republic, subject of an FEZ

Source: State Tax Service, 2008 Tax Code, as amended. Viewed at: http://www.sti.gov.kg/docs/default-source/law/nkr_44.pdf?sfvrsn=2.

Table 3.16 VAT exemptions on imported goods, works, and services

Tax code reference	Good, work, or service
257	Securities, passports, and identity cards of Kyrgyz citizens
257	Specialized items for the disabled
257	Textbooks and school supplies, scientific publications
257	Goods provided VAT exemptions under customs legislation of the EAEU or Kyrgyz Republic

Tax code reference	Good, work, or service
257	Scientific equipment used for geological expeditions to measure and monitoring seismic activity
257	Excise duty stamps and currency, except that used for numismatic purposes
257	Materials used to assist after the consequences of natural disasters, armed conflicts
257	Under an agreement on a socially significant object, in the manner and on the conditions established by part 2, Article 256-3 of the Code
257	Humanitarian assistance, grants, as determined by the Government of the Kyrgyz Republic
257	For official use of diplomatic missions and consular offices of foreign States and international organizations, as well as for private use by diplomatic agents, including members of their families, in accordance with international treaties
257	Baby food
257	Natural gas
257	Medicines including vaccines and medicines for animals, as well as medical devices
257	Specialized items for the construction and renovation of glass melting or ferroalloy furnaces
257	Banking equipment (ATMs, POS terminals, payment terminals and bank kiosks)
257	Electricity
257	Jet fuel imported by refuelling organizations as airborne supplies for refuelling aircraft engaged in international air transport
257	Specialized goods and equipment intended for the construction of energy installations based on the use of renewable energy
258	Pedigree livestock and seed materials, mineral fertilizers, and chemical plant protection products
258-1	Imported weapons, military equipment, military property, and special equipment
259	Fixed assets

Source: State Tax Service, 2008 Tax Code, as amended. Viewed at: http://www.sti.gov.kg/docs/default-source/law/nkr_44.pdf?sfvrsn=2.

3.1.4.3 Sales tax

3.84. The Kyrgyz Republic continues to apply a sales tax, in addition to VAT, on domestic and foreign enterprises on goods, works, and services based on sales turnover. The tax rates are:

- banks: 2%;
- mobile communication activities: 5%;
- goods, works, and services paid via non-cash settlement: 0%;
- goods, works, and services paid in cash, trading activities: 1%; others: 2%; and
- goods, works, and services not outlined above, and trading activities: 2%; others: 3%.⁹²

3.1.5 Import prohibitions, restrictions, and licensing

3.85. The main import prohibitions and restrictions derive from the EAEU rules as contained in Articles 46 and 47 of and Annex 7 to the EAEU Treaty, which provide uniform application of non-tariff measures *vis-à-vis* third parties. Article 46 designates common non-tariff barriers, such as prohibitions, quantitative restrictions, exclusive rights, licensing, and authorization procedures, to be put in place. In addition, Article 47 allows unilateral introduction of non-tariff barriers by a member State. The rationales for introducing unilateral non-tariff measures are defined in Annex 7: (i) protect human life and health and the environment, animals, and plants; (ii) protect cultural artefacts and heritage; (iii) prevent the exhaustion of natural resources; (iv) ensure defence and security; and (v) fulfil international and other obligations.

⁹² State Tax Service, 2008 Tax Code, as amended. Viewed at: http://www.sti.gov.kg/docs/default-source/law/nkr_44.pdf?sfvrsn=2.

3.86. The EAEU prohibitions and restrictions are designated in a "Single List" of products for the customs union (Table A3.2).⁹³ The Single List entered into force on 1 January 2010 and has been amended a number of times.⁹⁴ As at April 2020, 7 items were prohibited for importation, 15 were restricted and required permission through licensing for import (non-automatic licensing), and 1 was under surveillance and subject to automatic licensing (Table A3.2). Many of the items were in place due to international conventions, such as CITES, the Stockholm Convention, and the Basel Convention, while others reflect national or regional interests. The majority of items were of a permanent nature. The Single List also contains a surveillance mechanism that was established on certain steel products that are subject to automatic licensing. It was put in place pursuant to EEC Board Decision No. 90 of 4 June 2019 and was valid from 1 January 2020 to 31 December 2020.

3.87. At the national level, the Kyrgyz Republic adopted a resolution in 2019 that is a temporary prohibition on the importation of oil and petroleum products by motor transport.⁹⁵ The measure became applicable in November 2019 and applies to such products as crude petroleum, light and medium distillates, gas oils, benzene, naphtha, furnace fuels, and other petroleum products.

3.88. Import prohibitions and restrictions are controlled upon entry in the territory of the Kyrgyz Republic, pursuant to the rules of the EAEU Customs Code (Article 12) and the Kyrgyz Republic's 2019 Law on Customs Regulation (Article 8). These provisions provide for compliance with the customs importation process and rules, which may include immediate exportation or detention by Customs in case of non-compliance.

3.89. In 2017, the Kyrgyz Republic launched a project to strengthen the capacity for national implementation of international agreements related to chemicals and waste, e.g. the Basel Convention, the Rotterdam Convention, and the Minamata Convention. The goal was to support institutional capacity to facilitate better implementation and strengthen the Kyrgyz Republic's legislative and regulatory framework. As a result, a number of recommendations, regulatory documents, and draft decrees were prepared to improve chemical safety.⁹⁶ Within this project, an analysis was carried out to identify ways to phase out the use of glyphosate.⁹⁷ According to the results of the analysis, it was recommended to allow reasonable use of glyphosate-based herbicides in agriculture until 2029, whereafter a subsequent ban on importation and use in the Kyrgyz Republic is envisaged.

3.90. As regards import licensing procedures, the Appendix to Annex 7 to the EAEU Treaty sets out the main framework for import and export licences of the customs union. It gives the possibility of three types of licences – one-time, general, and exclusive; most have a validity of one year. It defines automatic licences as temporary measures for monitoring or surveillance the import or export dynamics of the good. The Appendix also outlines the reasons for non-issuance of a licence and for its termination or suspension.

3.91. Import and export licensing and transit of certain types of specific goods are regulated by national legislation and EAEU law. By EEC Board Decision No. 30 of 21 April 2015 on Non-tariff Regulation Measures, the Unified List of Goods was approved, which includes goods where a permissive procedure for import into, or export from, the customs territory of the Union is necessary (Annex 2 to the Decision). The national legislation regulates the import, export, and transit of: (i) dual-use goods and products subject to export control and included in the National Control List

⁹³ EEC, Unified List of Goods that Are Subject to Non-tariff Regulation Measures in Trade with Third Countries and the Regulations on the Import and/or Export of These Goods. Viewed at: http://www.eurasiancommission.org/ru/act/trade/catr/nontariff/Pages/ep_new.aspx.

⁹⁴ EEC, EEC Board Decision No. 30 of 21 April 2015. Viewed at: https://docs.eaeunion.org/sites/storage1/Lists/Documents/2f2762e7-6ad2-4b76-8362-cec16f1a8ff7/95578e07-961c-458b-b86e-56063e83a603_%d0%a0%d0%b5%d1%88%d0%b5%d0%bd%d0%b8%d0%b5%20%d0%9a%d0%be%d0%bb%d0%bb%d0%b5%d0%b3%d0%b8%d0%b8%20%e2%84%96%2030%20%d0%be%d1%82%2021%20%d0%b0%d0%bf%d1%80%d0%b5%d0%bb%d1%8f%202015%20%d0%b3.pdf.

⁹⁵ Ministry of Justice, Government Resolution No. 566 of 22 October 2019 about the Temporary Prohibition on Imports of Certain Types of Oil and Petroleum Products in the Territory of the Kyrgyz Republic by Motor Transport. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/157207>.

⁹⁶ Ministry of Economy. Viewed at: <http://mineconom.gov.kg/froala/uploads/file/82fc1b353fd8250da1213ca61c252f645fd424ce.pdf>.

⁹⁷ Ministry of Economy. Viewed at: <http://ghs.eco-expertise.org/wp-content/uploads/2019/12/Analiz-po-glifosatu.pdf>.

of the Kyrgyz Republic of controlled products approved by Government Resolution No. 197 of 2 April 2014; and (ii) weapons and military products included in the designated list of weapons, military equipment, other military products and services subject to licensing for their export and import approved by Government Resolution No. 370 of 6 July 2011. Several laws and regulations provide detailed information on licensing procedures: (i) Law No. 41 of 2 July 1997 on State Regulation of Foreign Economic Activity; (ii) the Law on Export Control; (iii) the Law on the Licensing and Permit System in the Kyrgyz Republic; (iv) the Temporary Regulation on the Procedure for Licensing the Import and Export of Arms and Military Equipment, as well as Other Military Products, approved by Government Resolution No. 67 of 3 February 2017; (v) Regulation on the Procedure for Exercising Export Control over Controlled Products in the Kyrgyz Republic, approved by Government Resolution No. 257 of 27 October 2010; (vi) Government Resolution No. 708 of 26 December 2019 on the Procedure for Issuing an Electronic Permit Document (License/Conclusion/Permit) for the Export/Import/Transit of Goods included in the Unified List of Goods to Which Non-tariff Regulation Measures Are Applied in Trade with Third Countries on the Principle of a Single Window; and (vii) Government Resolution on Approval of the List of Expert Organizations and Licensors for Licensing the Export and Import of Specific Goods Included in the Unified List of Goods to Which Non-tariff Measures Are Applied in Trade with Third Countries, and Making Additions and Changes to Some Decisions of the Government of the Kyrgyz Republic.⁹⁸ The latter identifies the appropriate expert organization and licensor for each measure. In most cases, the Ministry of Economy is in charge of issuing licences; it operates through a licensing commission charged with reviewing and issuing licences. As part of the modernization of the SWIS, a number of measures or actions are envisaged to develop software modules for the departments concerned and to ensure interoperability of data exchange through EIS Tunduk and at the supranational level within the EAEU, including on the automation of internal business processes for issuing electronic licences.

3.92. Pursuant to the Law on the Circulation of Medicines, the importation of drugs or medicines is limited to certain entities: manufacturers of medicines, wholesale organizations, research organizations, healthcare organizations, and individuals for personal use.⁹⁹ The same law also prohibits the importation of low-quality counterfeit medicines and drugs that have less than one third of their shelf life before expiration. The wholesale and retail distribution of medicines is also controlled (e.g. sales to entities licensed for pharmaceutical activity or to physical persons having a licence for medical activity, and to healthcare, state, and research organizations), as are the prices of medicines (Section 3.3.4.2).

3.93. As at April 2020, none of the import prohibitions or restrictions had been notified as quantitative restrictions to the WTO, and the last notification regarding import licensing was from 2014, which predates the Kyrgyz Republic's membership in the EAEU.¹⁰⁰ According to the authorities, work is ongoing with respect to preparing the outstanding notifications for submission to the WTO.

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.94. The Kyrgyz Republic has maintained trade remedy legislation since the late 1990s but, like with other border measures, the regime has changed substantially since joining the customs union in 2015. The Kyrgyz laws on anti-dumping, countervailing measures, and safeguards ceased to apply as at the date of joining the customs union and, consequently, the respective legislation of the customs union became operational at the same time. Therefore, measures that had been in force in the Kyrgyz Republic as at this date ceased while, at the same time, the measures in force in the

⁹⁸ Ministry of Justice, Law No. 41 of 2 July 1997 on State Regulation of Foreign Trade Activities, Law No. 195 of 19 October 2013 about the Licensing and Permit System in the Kyrgyz Republic, and Government Resolution No. 142 of 24 March 2016 about the Approval of the List of the Organizations-Experts and Licensors on Licensing of Export and Import of the Specific Goods included in the Single List of the Goods to Which Measures of Non-tariff Regulation in the Field of Trade with the Third Countries Are Applied, and about Modification and Amendments in Some Decisions of the Government of the Kyrgyz Republic. Viewed at: <http://cbd.minjust.gov.kg/act/view/ru-ru/541>; <http://cbd.minjust.gov.kg/act/view/ru-ru/205058>; and <http://cbd.minjust.gov.kg/act/view/ky-kq/99102>.

⁹⁹ Ministry of Justice, Law No. 165 of 2 August 2017 on the Circulation of Medicines. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/111672>.

¹⁰⁰ WTO document G/LIC/N/1/KGZ/2, 26 September 2014.

EAEU were extended to cover the territory of the Kyrgyz Republic.¹⁰¹ This was notified to the WTO in January 2016.¹⁰²

3.95. Thus, the applicable rules for trade remedies for the Kyrgyz Republic comprise the EAEU Treaty and a number of related decisions or regulations (Box 3.2). These were notified to the WTO, and the respective WTO committees on trade remedies reviewed the legislation during 2016-17. The authorized body for investigations is the Department for Internal Market Defence of the EEC. Rules on procedure provide that the term for an anti-dumping or countervailing duty investigation is from 12 to 18 months, and for safeguards, from 9 to 12 months.

Box 3.2 Trade remedy legislation, 2020

EAEU Treaty of 29 May 2014 (Part 2, Section IX, subsection 3)
Protocol on the Application of Safeguard, Anti-dumping and Countervailing Measures with Regard to Third Countries (Annex 8 to the EAEU Treaty)
EEC Board Decision No. 1 of 7 March 2012 on Some Issues of Safeguard, Anti-dumping and Countervailing Measures in the Common Customs Territory of the Customs Union
EEC Board Decision No. 44 of 16 May 2012 on Some Issues of Protecting the Internal Market
Provision of 7 March 2012 for the Use and Protection of Confidential Information and Proprietary Information of Limited Distribution in the Body Responsible for Investigating
Regulation of 7 March 2012 Making and Drafting Decisions of the Eurasian Economic Commission for Safeguard, Anti-dumping and Countervailing Measures
Agreement of 19 November 2010 on the Procedure for the Application of Safeguard, Anti-dumping and Countervailing Measures with Regard to Third Countries during the Transition Period
Protocol on the Procedure for Provisions to the Body Making Investigations, the Data including Confidential Information for the Purpose of the Investigations Preceding
EEC Council Decision No. 99 of 14 September 2018 on the Date of Entry into Force of Some Decisions of the Board of the Eurasian Economic Commission on the Application of Measures to Protect the Internal Market
EEC Council Decision No. 30 of 22 February 2019 on the Date of Entry into Force of Some Decisions of the Board of the Eurasian Economic Commission on the Application of Measures to Protect the Internal Market

Source: WTO documents G/ADP/N/1/KGZ/3, G/SCM/N/1/KGZ/3, and G/SG/N/1/KGZ/3, 17 October 2016; information provided by the authorities; and EEC, *Department for Internal Market Defence*. Viewed at: <http://www.eurasiancommission.org/ru/act/trade/podm/Pages/default.aspx>.

3.96. The Kyrgyz Republic, by virtue of its membership in the EAEU, had 21 measures in force as at 1 November 2020 (Table 3.17). Most investigations and measures in force relate to China and Ukraine, and are concentrated on iron and steel products.

Table 3.17 Measures imposed, 12 August 2015-1 November 2020

Type ^a	Product	Affected trading partner(s)	Current status	Reviews	Date of original imposition	Length of application as at 01/11/2020
SG	Harvesters and modules thereof	All	Expired			
SG	Tableware	All	Expired			
AD	Enamelled baths of cast iron	China	Expired			
AD	Light commercial vehicles	Germany, Italy, Turkey	Expired			
AD	Citric acid	China	Expired			

¹⁰¹ At the time, one safeguard measure of the Kyrgyz Republic ceased to apply and two of the customs union commenced; for anti-dumping, 10 measures of the customs union were extended to the Kyrgyz Republic.

¹⁰² WTO documents G/ADP/N/1/KGZ/2, G/SCM/N/1/KGZ/2, and G/SG/N/1/KGZ/2, 27 January 2016.

Type ^a	Product	Affected trading partner(s)	Current status	Reviews	Date of original imposition	Length of application as at 01/11/2020
AD	Certain steel pipes and tubes	Ukraine	In force	Extended as a result of an expiry review in 2016; interim review in 2018	12 August 2015	5 years, 2 months
AD	Cold-rolled flat steel products with polymer coating	China	In force	Extended as a result of an expiry review in 2018	12 August 2015	5 years, 2 months
AD	Cold-worked seamless pipes and tubes of stainless steel	China, Malaysia (since January 2018)	In force	Anti-circumvention review in 2017: extended to Malaysia; extended as a result of an expiry review in 2018	12 August 2015	5 years, 2 months (China); 2 years, 10 months (Malaysia)
AD	Forged work-rolls	Ukraine	In force	Extended as a result of an expiry review in 2020	12 August 2015	5 years, 2 months
AD	Stainless steel flatware	China	In force	Expiry review ongoing	12 August 2015	5 years, 2 months
AD	Rolling-element bearings (excl. needle roller bearings)	China	In force	Extended as a result of an expiry review in 2018	12 August 2015	5 years, 2 months
AD	Graphite electrodes	India	In force	Extended as a result of an expiry review in 2018	12 August 2015	5 years, 2 months
AD	Seamless steel OCTG	China	In force	Expiry review ongoing	23 September 2015	5 years, 1 month
AD	Crawler dozers	China	In force	Extended as a result of an expiry review in 2020	12 December 2015	4 years, 10 months
AD	Commercial vehicle tyres	China	In force	Expiry review ongoing	18 December 2015	4 years, 10 months
AD	Steel railway wheels	Ukraine	In force	Interim reviews in 2018 and 2020	22 January 2016	4 years, 9 months
AD	Seamless pipes and tubes of stainless steel	Ukraine	In force	Expiry review ongoing	26 February 2016	4 years, 8 months
AD	Bars and rods	Ukraine	In force		30 April 2016	4 years, 6 months
AD	Ferrosilicon manganese	Ukraine	In force		28 October 2016	4 years
AD	Hot-rolled steel angles	Ukraine	In force		11 June 2017	3 years, 4 months
AD	Aluminium alloy wheels	China	In force		28 April 2019	1 year, 6 months
AD	Herbicides	European Union	In force		20 July 2019	1 year, 3 months
SG	Certain flat-rolled steel products	All	In force		1 December 2019	11 months

Type ^a	Product	Affected trading partner(s)	Current status	Reviews	Date of original imposition	Length of application as at 01/11/2020
AD	Zinc plated or coated flat-rolled steel products	China, Ukraine	In force		5 January 2020	10 months
AD	Hot-worked seamless pipes and tubes of stainless steel	China	In force		1 February 2020	9 months
AD	Aluminium alloy strips	China, Azerbaijan	In force		24 October 2020	1 week

a AD = anti-dumping; SG = safeguards.

Note: Anti-dumping measures were originally imposed for five years. Safeguard measures on certain flat-rolled steel products were imposed for one year.

Source: Data provided by the authorities.

3.1.7 Other measures affecting imports

3.97. The issue of trade sanctions has not been a significant issue for the Kyrgyz Republic's trade and trade policies. According to the authorities, the EAEU Treaty does not contain any provisions on trade sanctions, and thus they remain an issue under national remit. However, the EAEU examined the issue and in 2018 issued a report titled On the Application of Collective Measures to Protect Economic Interest in Response to the Action of a Third Party in International Practice and Possible Recommendations to the Member States of the EAEU, Taking into Account Their Current Legislation and the Legal Framework of the EAEU. The report was presented to the EAEU Intergovernmental Council in November 2018, and there was an understanding that there was no need to adopt any additions to the laws of the EAEU. As at April 2020, various international sanctions were in place on some member States of the EAEU but not the Kyrgyz Republic. Nevertheless, the Kyrgyz Republic may be indirectly impacted.

3.2 Measures Directly Affecting Exports

3.2.1 Customs procedures and requirement

3.98. The general customs rules for exports are contained in the same legislation and regulations as for imports (Section 3.1.1, Table 3.1, and Box 3.1). However, the content and application of the export customs procedures, as well as the conditions for placing goods under the export procedure are regulated by Chapter 21 of the EAEU Customs Code. In order to be placed under the customs procedure for export, the exporter must fulfil certain criteria such as payment of export duties and comply with conditions such as prohibitions and restrictions. Thereafter, a declaration needs to be submitted. As with imports, the Tulpar System single window web service is used to allow participants of foreign economic activity to submit applications and accompanying documents electronically to government agencies and other organizations that issue permits and other documents necessary for export operations.¹⁰³

3.2.2 Taxes, charges, and levies

3.99. Article 46 and other related articles of the EAEU Customs Code allow for the application of customs duties on exports. However, as at April 2020, there were no export duties applied at the level of the EAEU. The Code further notes that the rate of export customs duties would be established by the legislation of the respective member State.¹⁰⁴ Article 40 of the Law on Customs Regulation of the Kyrgyz Republic likewise provides for the provision of duties on exports, and Article 51 confirms that the rates of duty on exports are to be determined by the Government of

¹⁰³ Tulpar System. Viewed at: <http://swis.trade.kg/>.

¹⁰⁴ EAEU Customs Code, Article 53.

the Kyrgyz Republic. During the review period, three Government resolutions were issued that impose export duties on a number of products.

3.100. Export duties have been applied on scrap and waste of certain ferrous and non-ferrous metals since October 2019, pursuant to Government Resolution No. 479 of 16 September 2019.¹⁰⁵ Export duties of "15%, but not less than USD 150 per ton" are applied on 15 HS subheadings or tariff lines of various metal scrap¹⁰⁶ and a rate of "15%, but not less than USD 300 per ton" on copper scrap.¹⁰⁷ The duties are applied on exports outside the EAEU. Another similar measure for unprocessed or coarsely crushed cut blocks or slabs of limestone has been in place since 2016 for exports outside the EAEU and free trade zone states.¹⁰⁸ The rate of duty is "100%, but not less than 50 euros per 1000 kg" and was put in place to reduce smuggling.

3.101. Export duties on raw hides of cattle and horses were also instituted in 2016.¹⁰⁹ The export duty is "20%, but not less than 200 euros per 1000 kg" and was also reportedly established to reduce smuggling. It is also not applied to exports to the EAEU.¹¹⁰

3.102. During the review period, there was a significant rise in the revenues from export duties, i.e. from 1.9 million KGS in 2013 to 19.1 million KGS in 2018 (Table 3.2); this was due to the new export duties instituted during the period.

3.103. At the time of the previous Review, there were export duties in force on mineral fertilizers, coal, paper and paperboard, wool, certain wool products, and various agricultural products. These export duties have expired, except for those on paper and paperboard.

3.104. In terms of indirect taxes, i.e. excise taxes and VAT, the EAEU Treaty provides that upon exportation from the territory of one member State to another, there is generally an exemption from the payment of excise duties and a zero rate of VAT.¹¹¹ Paragraph 3 of Annex 18 to the EAEU Treaty (Protocol on the Procedure for Levying Indirect Taxes and the Mechanism of Control over their Payment while Exporting and Importing Goods, Performing Work, Rendering Services) specifies when exporting goods from the territory of one member State to the territory of another, that the taxpayer of the member State from whose territory the goods were exported has a zero VAT rate and/or exemption from the payment of excise tax when the documents stipulated by the Protocol are submitted to the tax authority.

3.2.3 Export prohibitions, restrictions, and licensing

3.105. As is the case with import prohibitions, restrictions, and licensing, the same framework on non-tariff measures also applies to export prohibitions, restrictions, and licensing (Section 3.1.5). Most importantly, the national provisions of the Kyrgyz Republic were replaced by the Single List of measures of the EAEU. The list, however, has a different composition of products impacted on the export side (Table A3.3). As at April 2020, 17 categories of products were subject to restrictions, essentially export licences, and 6 categories subject to prohibition although 2 are temporary measures due to the COVID-19 pandemic (see below).

3.106. The EAEU also maintains a list of products that are significantly important to the internal market in which temporary bans or export restrictions can be put in place.¹¹² The list has

¹⁰⁵ Ministry of Justice, Government Resolution No. 479 of 16 September 2019. Viewed at: <http://cbd.minjust.gov.kg/act/view/ru-ru/157112>.

¹⁰⁶ HS 7204, 750300, 760200, 780200, 790200, 800200, 810197, 810297, 810330, 810420, 810530, 81060010, 810730, 810830, and 810930.

¹⁰⁷ HS 740400.

¹⁰⁸ Ministry of Justice, Government Resolution No. 534 of 7 October 2016. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/99470>. HS 2515110000 and 2515120000.

¹⁰⁹ Ministry of Justice, Government Resolution No. 254 of 16 May 2016. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/98456>. HS 4101503000, 4101505000, and 4101509000.

¹¹⁰ Ministry of Justice, Government Resolution No. 254 of 16 May 2016 on Approval of Rates of Export of Customs Duties on Export (Raw) of Raw Hides of Cattle and Horses. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/98456>.

¹¹¹ EAEU Treaty, Annex 18 (Protocol on the Procedure of Levying Indirect Taxes and the Mechanism of Control over their Payment while Exporting and Importing Goods, Performing Works, Rendering Services).

¹¹² EEC, EEC Board Decision No. 83 of 26 July 2016. Viewed at: <http://www.eurasiancommission.org/ru/act/trade/catr/nontariff/Pages/shv.aspx>.

85 categories of goods listed by HS code. The products include meat, milk, grains, flour, beans, oilseeds, vegetable oil and oilcakes, animal feed, fuels, hides and skins, wood, waste paper, wool, and various metal waste and scrap.

3.107. The Kyrgyz Republic also put in place a number of temporary measures during the review period. In June 2019, the Government issued a decree prohibiting the export of marble and travertine, in crude, roughly trimmed, and cut forms.¹¹³ The measure entered into force on 20 July 2019 for six months. The Kyrgyz Republic notified this measure as a quantitative restriction with the justification as Article XX(g) of the GATT 1994.¹¹⁴ Another temporary measure was put in place in June 2020, banning the export of Kyrgyz limestone¹¹⁵ outside the customs territory of the EAEU for six months. According to the authorities, the Resolution was adopted in order to rationalize the use of an irreplaceable natural resource and to prevent a critical shortage of raw material natural limestone shell rock at the Sary-Tash deposit.¹¹⁶ This measure has not been notified to the WTO.

3.108. The EAEU took a decision on 24 March 2020 in response to the COVID-19 pandemic to impose temporary export prohibitions on a range of medical products, devices, and personal protective equipment to prevent critical shortages.¹¹⁷ They apply mainly to cotton wool, gauze, bandages, masks, half masks, respirator masks, respirators, filters for personal protective equipment for respiratory devices, goggles, disinfectants, shoe covers, certain types of clothing and accessories, and gloves; they were currently in force until 30 September 2020. A second similar decision was taken with respect to certain agricultural goods as at 21 April 2020. It prohibits the exportation of onions, garlic, turnips, rye, rice, buckwheat (including crushed and finished food products), millet, cereal grains, soybeans, and sunflower seeds.¹¹⁸

3.109. Furthermore, the Kyrgyz Republic also put in place a number of temporary measures relating to COVID-19, prohibiting the export of certain products. An export ban on certain medicines and medical devices was put in place as at 3 February 2020 for six months.¹¹⁹ The list of 27 products included such things as aspirin, paracetamol, ibuprofen, antibiotics, syringes, and medical masks.¹²⁰ A second similar measure was put in place on 22 March 2020, prohibiting the export of mainly foodstuffs and disinfectants, also for six months.¹²¹ This latter measure was notified to the WTO on

¹¹³ Ministry of Justice, Government Resolution No. 323 of 28 June 2019. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/14327>.

¹¹⁴ WTO document G/MA/QR/N/KGZ/1, 25 July 2019.

¹¹⁵ Raw limestone shell rock or roughly shattered, sawn or divided in a different way into blocks or plates of rectangular or square shape in HS codes 2515 11 000 0 and 2515 12 000 0.

¹¹⁶ Government Resolution No. 284 of 3 June 2020 about Introduction of a Temporary Ban on the Export of Raw Limestone Shell Rock or Roughly Shattered, Sawn or Divided in a Different Way into Blocks or Plates of Rectangular or Square Shape, from the Territory of the Kyrgyz Republic.

¹¹⁷ Amendments to EEC Board Decision No. 30 of 21 April 2015 on Measures of Non-tariff Regulation. EEC Board Decision No. 41 of 24 March 2020. Viewed at: https://docs.eaeunion.org/docs/ru-ru/01425254/err_26032020_41.

¹¹⁸ EEC, EEC Board Decision No. 43 of 30 March 2020, as amended by EEC Board Decision No. 57 of 21 April 2020. Viewed at: <http://www.eurasiancommission.org/ru/act/trade/catr/nontariff/Documents/EP.pdf/1.11.pdf>.

¹¹⁹ Ministry of Justice, Government Resolution No. 57 of 3 February 2020 on Temporary Ban on the Export of Medicines and Medical Supplies from the Kyrgyz Republic. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/157481>.

¹²⁰ Acetylsalicylic acid, HS 3004 90 000 2; Paracetamol, HS 3004 90 000 2; Ibuprofen, HS 3004 90 000 2; Azithromycin, HS 3004 20 000 2; Amoxicillin + Clavulanic acid, HS 3004 10 000 5; Moxifloxacin, HS 3004 90 000 2; Imipenem, HS 3004 90 000 2; Clindamycin, HS 3004 20 000 1; Roxithromycin, HS 3004 20 000 2; Cefazolin HS 3004 20 000 2; Cefepim, HS 3004 20 000 2; Cefotaxime, HS 3004 20 000 1; Ceftriaxone, HS 3004 20 000 2; Ceftriaxone + Sulbactam, HS 3004 90 000 2; Ceftriaxone + Tazobactam, HS 3004 90 000 9; Cefuroxime, HS 3004 20 000 2; Levofloxacin, HS 3004 90 000 2; Dopamine, HS 3004 90 000 2; Furosemide, HS 3004 90 000 2; Norepinephrine, HS 3004 39 000 1; Epinephrine, HS 3004 90 000 2; Sodium chloride, HS 3004 90 000 2; Famotidine or omeprazole by injection, HS 3004 90 000 2; Ringer's solution, HS 3004 90 000 9; Disposable injection syringes, HS 9018 31 100 9; Filling device, HS 9018 90 500 1; and Medical mask, HS 3005 90 500 0 and 6307 90 980 0.

¹²¹ Ministry of Justice, Government Resolution No. 178 of 22 March 2020 on Introduction of the Temporary Ban on Export (Export) of Separate Types of Goods from the Kyrgyz Republic. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/157473>. Wheat and meslin, HS 1001; wheat flour, HS 1101 00; oil-seed oil, HS ex1512; rice, HS ex1006; pasta, HS ex1902; granulated sugar, HS 1701 99; eggs, HS 0407 11 000 0 and 0407 21 000 0; edible salt, HS 2501 00 91; fodder, straw and feed, HS 1214 90 900 0, 2302, and ex2309; soap and other antibacterial agents, ex3401; and disinfectants, ex3808.

23 March 2020 as a quantitative restriction with justification pursuant to Articles XI:2(a) and XX(b) of the GATT 1994.¹²²

3.110. Thereafter, similar temporary measures were put in place in 2020 to address the ongoing situation as the original measures expired. A Government Resolution from July 2020 temporarily banned the export of certain medicines and medical devices from the Kyrgyz Republic for six months. Compared with the earlier similar measure, this Resolution is much more comprehensive and covers 118 products in total, including 56 medicines listed by international nonproprietary name and 62 categories of medical products and devices.¹²³ According to the authorities, this decree was adopted in order to protect the life and health of the population, prevent a critical shortage in the provision of medicines and medical products, and prevent a difficult epidemiological situation in the country.¹²⁴ Another Government Resolution from November 2020 temporarily bans the exportation of certain types of agricultural products, such as live animals, wheat, and rice, to places outside the EAEU customs territory for six months.¹²⁵ This Resolution was adopted in order to prevent a critical shortage of certain types of agricultural products and ensure the country's food security.

3.111. It is noted that as part of its commitments pursuant to its Protocol of Accession to the WTO, the Kyrgyz Republic undertook commitments to bind its existing policies of not requiring licences for the export of agricultural products and not imposing tariffs or quotas on the export of agricultural products, except in accordance with WTO Agreements.¹²⁶

3.2.3.1 Export control

3.112. Unlike other export measures, export control is an area where competency rests largely with individual member States, and thus the Kyrgyz Republic continues to have its own rules and legislation on the matter. Although the Kyrgyz Republic is not a member of the main export control arrangements¹²⁷, it applies measures to control exports of certain goods, through licensing, often pursuant to other international conventions.

3.113. The Kyrgyz Republic's main law on export control remains Law No. 30 of 23 January 2003 on Export Control that was developed to introduce and create a legal framework for the export control system; a number of related resolutions complement the legal framework (Table 3.18). The Law on Export Control underwent some amendments during the review period, but the main elements remain unchanged. In 2019, amendments were made to implement UN Security Council Resolution 1540. The Law prescribes that any foreign economic operation with controlled materials, equipment, technologies, scientific and technical information, work and services, and the results of intellectual activity can be carried out only after obtaining an appropriate permission of a state-authorized body for export control. The main element of control is the issuance of licences for the controlled movement in transit, importation, exportation, or re-export of the established list of products.¹²⁸ The Ministry of Economy is the authorized state body to issue licences of controlled products, but it works in conjunction with other Ministries or state agencies that have expertise in the relevant field of the controlled product, e.g. defence and health.

¹²² WTO document G/MA/QR/N/KGZ/1/Add.1, 24 March 2020.

¹²³ For a complete list, see Annex to Government Resolution No. 390 of 20 July 2020 on the Introduction of Temporary Ban on the Export of Medicines and Medical Devices from the Kyrgyz Republic. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/157731>.

¹²⁴ Ministry of Justice, Government Resolution No. 390 of 20 July 2020. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/157731>.

¹²⁵ Government Resolution No. 569 of 19 November 2020 on the Introduction of Temporary Ban on the Export (Export) of Certain Types of Agricultural Products from the Kyrgyz Republic Outside the Customs Territory of the Eurasian Economic Union. It includes 14 categories of agricultural products: live horses, donkeys, mules and hinnies, HS 0101; live cattle, HS 0102; live sheep and goats, HS 0104; live poultry, HS 0105; wheat and meslin, HS 1001; barley, HS 1003; maize, HS 1005; rice, HS 1006; wheat flour, HS 1101 00; vegetable oil, HS 1512, except for 1512 11 990 1 (safflower oil); granulated sugar, HS 1701 99; eggs, HS 0407 11 and 0407 21; iodized salt for cooking food, HS 2501 00 91; and fodder (hay, straw, compound feed, bran and grain forages), HS 1214 90 900 0 and 2302.

¹²⁶ WTO document WT/ACC/KGZ/26, 31 July 1998.

¹²⁷ The Kyrgyz Republic has not accepted, nor is it a member of, the Wassenaar Arrangement, the Australia Group, the Missile Technology Control Regime, or the Nuclear Suppliers Group.

¹²⁸ The Law on Export Control was initially designed to implement the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction.

3.114. In 2014, the Kyrgyz Republic established its National Control List, which lists controlled products and their HS codes.¹²⁹ It harmonizes the product coverage with international non-proliferation conventions.¹³⁰ The National Control List was developed on the basis of the EurAsEC Model Lists approved by the Decision of the Interstate Council of EurAsEC No. 190 of 21 September 2004. The Kyrgyz Republic joined, by Law No. 36 of 20 March 2019, the Geneva Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous or Other Gases, and of Bacteriological Methods of Warfare of 17 June 1925. The Regulation on the Implementation of the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and their Destruction from 13 January 1993 was also developed. Currently, this draft has been submitted to the Government Office of the Kyrgyz Republic for approval. In addition, amendments were made by Law No. 51 of 24 April 2019 to the Export Control Law in order to implement requirements of international treaties of the Kyrgyz Republic in the field of non-proliferation of weapons of mass destruction, their means of delivery, as well as in the field of export, import, re-export, and transit of controlled products that can be used to create weapons of mass destruction.

3.115. The Kyrgyz Republic passed temporary provisions in 2017, which were in place until 31 December 2020, on procedures for licensing the import and export of weapons and military goods.¹³¹ The Resolution sets out the Ministry of Economy as the relevant body for the issuance of both import and export licences and prescribes the relevant procedures and forms. For exports of these goods, an end-user certificate containing an obligation of the authorized body of a foreign state is also necessary; this is separate from the National Control List. These temporary provisions result from the accession of the Kyrgyz Republic to the EAEU. Previously, there was a general procedure for issuing permits for all types of goods approved by the Resolution, but a legal framework for export control was created within Article 2 of the Law on Export Control so that control of military goods is carried out in accordance with the legislation on military-technical cooperation. Currently, a draft law is being developed that includes military goods.

3.116. Also, in 2017, another Resolution was passed on the Action Plan to implement UN Security Council Resolution 1540 during the period 2017-19.¹³² According to the authorities, many of tasks outlined in the Plan were completed. In view of their scale, some measures of the Plan are long term; in this regard, the Plan is currently being updated and, after it is agreed upon with the respective state authorities, will be approved by the Government.

Table 3.18 Laws and regulations on export controls, 2020

Instrument	Reference	Summary
Law on Export Control	Law No. 30 of 23 January 2003	Main law on export controls
Measures for Implementing the National Export Control System in the Kyrgyz Republic	Government Resolution No. 330 of 4 May 2004	Procedures for control, uniform conditions, and filling out of export licences

¹²⁹ Ministry of Justice, *National Control List*. Viewed at: <http://cbd.minjust.gov.kg/act/view/ru-ru/96281?cl=ru-ru>.

¹³⁰ These conventions include: (i) the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) since 5 July 1994; (ii) the Comprehensive Test Ban Treaty (CTBT); (iii) the IAEA Statute (ratified by the Law No. 174 of 1 August 2003); (iv) the Agreement for the Application of Safeguards in Connection with the Treaty on the NPT; (v) the Treaty on the Nuclear-Weapon-Free Zone in Central Asia (ratified by Law No. 58 on 28 April 2007); (vi) the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction (ratified by the Law No. 89 on 29 April 2003); (vii) the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (ratified by the Law No. 144 on 17 August 2004); (viii) the Joint Convention on the Safety of Spent Fuel Management and on Safety of Radioactive Waste Management, signed on 5 September 1997 in Vienna (ratified by Law No. 195 on 5 December 2006); (ix) the Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous or Other Gases, and of Bacteriological Methods of Warfare signed on 17 June 1925 in Geneva; and (x) Law No. 36 of 20 March 2019 on Accession of the Kyrgyz Republic to the Protocol.

¹³¹ Ministry of Justice, Government Resolution No. 67 of 3 February 2017 on Approval of the Temporary Situation for the Procedure for Licensing of Import and Export of the Weapons and Military Equipment, and also Other Military Products, as Amended by Government Resolution No. 14 of 22 January 2019. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/98768> and <http://cbd.minjust.gov.kg/act/view/ky-kq/12886?cl=ky-kq>.

¹³² Ministry of Justice, Government Resolution No. 443 of 24 July 2017. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/100166>.

Instrument	Reference	Summary
About Modification of Some Legal Acts of the Kyrgyz Republic (Laws on Export Control and about the Licensing System in the Kyrgyz Republic)	Law No. 51 of 24 April 2019	To amend the main Law on Export Control
About Modification of Some Legal Acts of the Kyrgyz Republic in Connection with Signing of the Agreement on the Customs Code of the Eurasian Economic Union	Law No. 40 of 29 March 2019	To amend the main Law on Export Control
Regulation of the Implementation of Export Control	Order No. 257 of 27 October 2010	Revised regulations on the export control system in the Kyrgyz Republic
About Approval of the Action Plan of the Kyrgyz Republic for 2017-2019 on Implementation of the UN Security Council Resolution 1540	Government Resolution No. 443 of 24 July 2017	To implement the Action Plan to implement UN Resolution 1540
About Modification of Government Order No. 257 of 27 October 2010 about Further Measures for Enhancement of National System of Export Control in the Kyrgyz Republic	Government Resolution No. 748 of 17 November 2017	To make improvements in the law of 2010
On Amendments to Government Resolution No. 67 of 3 February 2017 on Approval of the Temporary Situation on the Procedure for Licensing the Import, Export of Weapons and Military Equipment, as well as Other Military Products	Government Resolution No. 14 of 22 January 2019	To make amendments to the provisional regulation
On Approving the National Control List of the Kyrgyz Republic of Controlled Products	Government Resolution No. 197 of 2 April 2014	To approve the National Control List
On Amending Government Resolution No. 197 of 2 April 2014 on Approving the National Control List of the Kyrgyz Republic of Controlled Products	Government Resolution No. 597 of 21 September 2017	To amend the National Control List
On Approval of the Temporary Situation for the Procedure for Licensing of Import and Export of the Weapons and Military Equipment, and also Other Military Products	Government Resolution No. 67 of 3 February 2017	To take appropriate measures to regulate and control the turnover of military goods
About Ratification of the Convention on the Prohibition of Development, Production, Storage and Use of Chemical Weapons and about Their Destruction	Law No. 89 of 9 April 2003	To ratify the Convention on the Prohibition of Development, Production, Storage and Use of Chemical Weapons and Their Destruction

Source: Ministry of Justice. Viewed at: <http://cbd.minjust.gov.kg/ky-kg/npakr/search>.

3.2.4 Export support and promotion

3.117. In December 2018, the Kyrgyz Republic passed a resolution on the Export Development Program of the Kyrgyz Republic for 2019-22. It contains a programme of activities and an action plan to help improve the situation of export growth.¹³³ Noting the general decline in imports and exports during the period 2013-17, with the exception of an increase in exports in 2017, the Program aimed to put in place measures to further strengthen exports, realizing there were certain shortfalls, such as lack of access to finance, export promotion, and foreign markets. It points out that certain measures, such as joining the EAEU and improving the technical standards infrastructure, were already put in place to help exports.

3.118. The Action Plan identifies 11 main goals grouped under several themes, such as access to finance or encouraging exports (Table 3.19). Certain goals are concentrated in particular sectors, such as textiles and dairy. It envisions that exporters in these sectors will be provided with preferential access to finance, including subsidies, and aid for marketing products in foreign markets.

¹³³ Ministry of Justice, Government Resolution No. 596 of 20 December 2018. Viewed at: <http://cbd.minjust.gov.kg/act/view/ru-ru/12807>.

Table 3.19 Main elements of the Action Plan in the Export Development Program, 2019-22

	Element	Summary
1	Institutional development of exporting enterprises	Implement transparent accounting systems, corporate governance systems, and preferential lending for innovation in export enterprises
2	Attracting financial resources and providing financing for exporters	Expand the government's subsidization of interest on loans; attract additional funds; improve climate for raising funds of commercial banks
3	Introduction of new financial instruments to provide financing for export-oriented enterprises	Expand the use of export financing instruments such as letters of credit, financing and leasing arrangements, guarantees, etc.; provide a legal framework for export insurance
4	Reducing collateral requirements	Take measures to reduce collateral requirements; increase funding to the Guarantee Fund
5	Improving the national standards infrastructure, including product testing	Create an information system for exporters; translate directives; establish product requirements
6	Ensuring product compliance with technical regulations in the export market	Introduce international standards; improve accreditation and training
7	Encourage exports	Improve staffing; develop transport and logistics infrastructure; improve efficiency; support exports to foreign markets
8	Dairy industry	Increase exports; increase volume and quality of production of milk and finished products
9	Textile industry	Increase the production capacity of companies in the industry; expand access to finance; improve access to sales markets
10	Fruit and vegetable processing	Increase the production capacity of companies in the industry; increase access to sales markets
11	Green and innovative devices	Change the school curricula for a greater emphasis on sciences

Source: Ministry of Justice, Government Resolution No. 596 of 20 December 2018. Viewed at: <http://cbd.minjust.gov.kg/act/view/ru-ru/12807>.

3.119. Guided by the Action Plan, the Kyrgyz Republic started to implement some of the measures. One such initiative is the establishment of an export trade portal (www.export.gov.kg) to provide information and create awareness for enterprises.¹³⁴ The portal is established under the Agency for the Promotion and Protection of Investments of the Kyrgyz Republic with the main goal of promoting investments and assisting existing and potential domestic exporters to export and promote their goods in foreign markets. The portal provides statistics, gives information on target markets and market opportunities, helps arrange participation in trade fairs or exhibitions, identifies and lists service providers that aid in exportation, and provides analytical materials for certain sectors or markets.¹³⁵

3.120. According to the Tax Code of the Kyrgyz Republic, the export of works and services is a VAT-exempt supply, and a zero VAT rate is applied for exportation to another EAEU member State.

3.2.5 Export finance, insurance, and guarantees

3.121. The Kyrgyz Republic does not provide direct government support measures for export finance, insurance, or guarantees. However, as indicated in the report Export Development Program of the Kyrgyz Republic for 2019-22 (Section 3.2.4), access to export financing is one element that was identified for improvement, as reportedly only 2.9% of the banks' loan portfolios in 2016 was for export financing.¹³⁶

3.122. However, there is certain funding available to promote or finance companies through the Russian-Kyrgyz Development Fund (RKDF) and the OJSC Guarantee Fund (GF). The RKDF operates in accordance with the Agreement between the Government of the Kyrgyz Republic and the Russian

¹³⁴ Ministry of Economy. Viewed at: <http://mineconom.gov.kg/ru/post/6073>.

¹³⁵ Agency for the Promotion and Protection of Investments of the Kyrgyz Republic. Viewed at: <https://www.export.gov.kg/ru>.

¹³⁶ Ministry of Justice, Government Resolution No. 596 of 20 December 2018. Viewed at: <http://cbd.minjust.gov.kg/act/view/ru-ru/12808?cl=ru-ru>.

Federation of 24 November 2014. As such, it offers certain financing products: lending to self-sustaining projects in priority sectors, participation in the capital of business entities in the Kyrgyz Republic, and providing assistance to business entities. Through Exim banks, e.g. Czech Export Bank and Turkish Eximbank, it offers short-term letters of credit.¹³⁷ The RKDF acts as guarantor for an amount up to USD 1 million per letter of credit.

3.123. The OJSC GF's main aim is to provide access to financing for SMEs in case of insufficient collateral.¹³⁸ In 2013, the Law on Guarantee Funds in the Kyrgyz Republic was adopted, which provided the legal framework for the GF. Thus, it was originally established in 2016 with KGS 72 million in government funding. Since that time, other funding has been provided by the ADB. The GF's main roles is in providing guarantees, mainly to SMEs, but also to exporters. According to the authorities, there is no separate guarantee category for exports, as the Fund provides universal products.

3.124. The Investment Promotion Agency runs an annual information campaign known as Export Caravan for the business community in the region. Experts from the RKDF and the GF are involved in this initiative in order to increase awareness and recognition of what these funding entities can offer manufacturers and exporters.

3.125. Article 41 of the EAEU Treaty also provides for measures for export development at the customs union level in line with WTO rules. For example, joint measures may include insurance, credits, leasing, promotion, and labelling activities. However, to date, no such measures have been implemented at the EAEU level.

3.3 Measures Affecting Production and Trade

3.3.1 Incentives

3.126. The Kyrgyz Republic has not made a notification of subsidies under Article 25 of the SCM Agreement since 2010. Available evidence suggests that various types of financial incentives exist, notably under the tax regime.¹³⁹

- a. Special tax allowances are provided in respect of research and development expenditures linked to the economic activity of a company.¹⁴⁰
- b. Agricultural and processing businesses enjoy exemptions from corporate income tax, VAT, and sales tax, and benefit from a reduction in property tax liabilities by 50% and a simplified computation of payroll taxes.¹⁴¹
- c. Amendments to the Tax Code adopted in July 2017 provide that the Government will once every five years identify industrial activities that will benefit from preferential tax treatment in designated regions based on investment agreements with local authorities.¹⁴² The preferential tax treatment consists of exemptions from corporate income tax and sales tax, and a reduction in land tax. The tax benefits are granted for 5 years with a possible extension to 10 years. The list of eligible activities currently includes textiles, sewing,

¹³⁷ RKDF, *Letters of Credit with Export Banks*. Viewed at: http://www.rkdf.org/ru/kreditovanie/kredity_dlya_msb/akkreditiv_s_eksportnymi_bankami.

¹³⁸ OJSC Guarantee Fund. Viewed at: <http://gf.kg/en/>.

¹³⁹ See also Section 3.1.4.2 on exemptions from VAT. The Kyrgyz Republic's tax regime has been characterized as "very liberal", with a corporate tax rate and a top personal income tax rate of 10% and a VAT of 12%, although it has also been observed that the regime is somewhat biased against SMEs. UNCTAD, *Investment Policy Review: Kyrgyzstan*, 2016, pp. 13-14. Viewed at: https://unctad.org/system/files/official-document/diaepcb2015d3_en.pdf. The Government has announced its intention to reform the taxation of SMEs. *The Development Program of the Kyrgyz Republic for the Period 2018-2022*, 2018, paras. 3.3.4.8-3.3.4.10.

¹⁴⁰ Tax Code of 2008, Article 197.

¹⁴¹ PwC, *Worldwide Tax Summaries: Kyrgyzstan*. Viewed at: <https://taxsummaries.pwc.com/kyrgyzstan>.

¹⁴² The amendments were implemented through Government Decree No. 193 of 24 April 2019 about Measures for Implementation of Articles 153, 159-1, 213, 315, 330 and 344 of the Tax Codes of the Kyrgyz Republic.

leather, food and agricultural processing, energy, assembly production, and any export-oriented production.

- d. An exemption from corporate income tax applies to profits related to large investments using new equipment.¹⁴³
- e. The production of electricity from renewable sources benefits from exemptions from corporate income tax and VAT.¹⁴⁴
- f. Free Economic Zones¹⁴⁵ (FEZs) provide three categories of fiscal incentives: (i) full exemptions from import and export duties and from other indirect taxes, including VAT, retail sales taxes, and levies on imported raw materials, intermediate inputs, machinery, and equipment when these are re-exported or used in the production in the FEZs of goods for export; (ii) exemption from corporate income tax; and (iii) exemption from land and property taxes.¹⁴⁶
- g. Pursuant to legislation adopted in 2011, a High-Technology Park was established in 2013 for a period of 15 years. The relevant legislation¹⁴⁷ stipulates that the main areas of the Park's activities are software development, the export of information technologies, and the provision of services from interactive service centres.¹⁴⁸ The tax incentives provided by the High-Technology Park are: (i) a full exemption from the VAT, retail sales taxes, and corporate income tax, provided that 80% of the firm's income is earned from exports or that 80% of its products are exported; (ii) a reduction of the personal income tax rate from 10 to 5%; and (iii) a reduction, from 17.25% to 12%, of the percentage of the employees' average monthly salaries that employers must pay in social security contributions.¹⁴⁹
- h. In addition to FEZs and the High-Technology Park, the Tax Code provides for five special taxation schemes: (i) a mandatory patent regime¹⁵⁰; (ii) a voluntary patent regime¹⁵¹; (iii) a simplified tax regime based on the single tax (for SMEs)¹⁵²; (iv) a contract-based tax regime¹⁵³; and (v) a simplified tax regime based on retail sales tax and mining tax.

3.127. In May 2019, the Government approved a new project aimed at providing support in the form of preferential credit funds to business entities engaged in manufacturing and industrial activities in the field of food processing and clothing, except for enterprises located in Bishkek and Osh.¹⁵⁴

3.128. Several studies and reports by international organizations questioned the effectiveness of the various tax incentives granted by the Kyrgyz Republic and recommended that steps be taken to

¹⁴³ Deloitte, *Tax and Investment Guide: Kyrgyz Republic*, 2019, p. 12. Viewed at:

<https://www2.deloitte.com/content/dam/Deloitte/kz/Documents/kyrgyzstan/Tax&Investment%20Guide.pdf>

¹⁴⁴ PwC, *Worldwide Tax Summaries: Kyrgyzstan*. Viewed at: <https://taxsummaries.pwc.com/kyrgyzstan>.

¹⁴⁵ The relevant domestic legislation relating to FEZs includes Law No. 6 of 11 January 2014, as amended, and Chapter 57 of the Tax Code of 2008. While attracting export-oriented activities and investment was one of the main original objectives of the FEZs, the available evidence suggests that this objective has not been achieved. To the extent that FEZs are operational, they tend to be oriented towards the domestic market. In 2016, goods exported from FEZs accounted for only 5.3% of the total merchandise exports from the Kyrgyz Republic. CAREC, *A Diagnostic Study of Kyrgyz Republic's Free Economic Zones and Industrial Parks*, April 2018, pp. 90-91. Viewed at: <https://www.carecprogram.org/uploads/2018-diagnostic-study-ecozones-kqz.pdf>.

¹⁴⁶ CAREC, *A Diagnostic Study of Kyrgyz Republic's Free Economic Zones and Industrial Parks*, April 2018, pp. 49 and 53. The exemptions from VAT, retail sales taxes, and corporate income tax are provided for in Chapter 57 of the Tax Code.

¹⁴⁷ Law No. 84 of 8 July 2011.

¹⁴⁸ Entities operating in the Park must derive 90% of their revenues from software development, software exports, or call-centre operations.

¹⁴⁹ CAREC, *A Diagnostic Study of Kyrgyz Republic's Free Economic Zones and Industrial Parks*, April 2018, p. 55. Viewed at: <https://www.carecprogram.org/uploads/2018-diagnostic-study-ecozones-kqz.pdf>.

¹⁵⁰ Tax Code of 2008, Chapter 53.

¹⁵¹ Tax Code of 2008, Chapter 54.

¹⁵² Tax Code of 2008, Chapter 55.

¹⁵³ Tax Code of 2008, Chapter 56.

¹⁵⁴ Information provided by the authorities.

reduce their number and complexity.¹⁵⁵ The authorities intend to "conduct a phased optimization of the existing system of tax preferences and benefits [and] introduce a ban on unfounded benefits and exemptions".¹⁵⁶ An interdepartmental working group was created in December 2019 to prepare proposals for the elimination of ineffective tax incentive schemes.

3.129. The RKDF was created in 2014. Its mission is to contribute to the modernization and development of the economy of the Kyrgyz Republic, the expansion and strengthening of the economic cooperation between the Kyrgyz Republic and the Russian Federation, and the promotion of the integration of the Kyrgyz Republic into the EAEU.¹⁵⁷ The RKDF lends to self-sustaining projects in priority sectors of the economy of the Kyrgyz Republic, participates in the capital of business entities registered and operating in the Kyrgyz Republic, and provides assistance to business entities registered and operating in the Kyrgyz Republic in obtaining medium and long-term loans on acceptable financial terms.¹⁵⁸ RKDF financing accounts for about 10% of the banking system's loan portfolio and is provided on concessional terms.¹⁵⁹

3.130. The EAEU Treaty contains disciplines on the granting of subsidies in relation to industrial products and on the provision of state support to agriculture.¹⁶⁰ EAEU rules on industrial subsidies are to a large extent based on the rules of the WTO Agreement on Subsidies and Countervailing Measures but differ in several important respects. They prohibit export subsidies, import substitution subsidies, specific subsidies that cause injury to any section of the national economy of another member State, specific subsidies contingent upon local content or trade-balancing requirements, and specific subsidies that may cause serious prejudice to the interest of other member States.¹⁶¹ Subsidies other than specific and prohibited subsidies are deemed permissible and certain types of subsidies are treated as non-actionable. In addition to rules on procedural and substantive aspects of countervailing duty investigations by national competent authorities of the member States, the EAEU also grants important powers to the EEC to enforce implementation of the common rules on industrial subsidies.¹⁶²

3.131. The application of the EAEU substantive disciplines on industrial subsidies is subject to country-specific temporary exceptions. When it acceded to the EAEU Treaty, the Kyrgyz Republic was granted a temporary exemption until 1 January 2017 from the rules on industrial subsidies in respect of certain customs duty and tax exemptions applied in FEZs and free warehouses.¹⁶³

3.3.2 Standards and other technical requirements

3.132. During the review period, most developments regarding standards, technical regulations, and conformity assessments resulted from the Kyrgyz Republic's accession to the EAEU. The 2004 Law on the Basics of Technical Regulation, which remains the key law for standards and technical regulations, was amended in June 2019 to update it and bring it in line with the EAEU regulatory framework. Although many former Kyrgyz standards and technical regulations have been replaced by common EAEU technical regulations, the underlying regulatory acts of the Kyrgyz Republic remain relevant.

¹⁵⁵ ADB, *Kyrgyz Republic: Improving Growth Potential*, September 2019, pp. 18-19. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>; CAREC, *A Diagnostic Study of Kyrgyz Republic's Free Economic Zones and Industrial Parks*, April 2018, p. 90. Viewed at: <https://www.carecprogram.org/uploads/2018-diagnostic-study-ecozones-kgz.pdf>; UNCTAD, *Investment Policy Review. Kyrgyzstan*, 2016, p. 16. Viewed at: https://unctad.org/system/files/official-document/diaepcb2015d3_en.pdf; and IMF (2013), *Kyrgyz Republic: Selected Issues*, IMF Country Report No. 13/176, pp. 10-12. Viewed at: <https://www.imf.org/external/pubs/ft/scr/2013/cr13176.pdf>.

¹⁵⁶ *The Development Program of the Kyrgyz Republic for the Period 2018-2022*, para. 3.3.4.11.

¹⁵⁷ RKDF, *Annual Report 2019*, p. 5.

¹⁵⁸ Information provided by the authorities.

¹⁵⁹ RKDF, *Annual Report 2019*, pp. 7-8.

¹⁶⁰ EAEU Treaty, Article 93, Annex 28 (industrial subsidies), Article 95, and Annex 29 (state support to agriculture). See the Secretariat Factual Presentation in WTO document WT/REG358/1, 13 July 2018, paras. 3.117-3.125.

¹⁶¹ EAEU Treaty, Annex 28, Section II.

¹⁶² One aspect of this is the EEC's power to make rulings on whether a subsidy granted by a member State is consistent with the Voluntary Harmonization Agreement concluded in May 2017 pursuant to paragraph 7 of Annex 28. If the EEC determines that a subsidy is in conformity with that Agreement, member States may not take action against such a subsidy under their domestic countervailing duty legislation.

¹⁶³ WTO document WT/REG366/1, 29 August 2018, para. 3.50.

3.133. The Centre for Standardization and Metrology (CSM) under the Ministry of Economy is the principal government body involved in the development and adoption of standards and technical regulations. The CSM is a correspondent member of the ISO and Codex Alimentarius and an affiliate member of the International Electrotechnical Commission (IEC). The CSM is the national enquiry point for standards, while the TBT Enquiry Point and Technical Regulation Information Service under the Ministry of Economy is the national enquiry point for technical regulations and conformity assessments.

3.3.2.1 Standards

3.134. In order to fulfil the requirements of EAEU technical regulations, the EAEU Commission approves the list of international and regional standards, or in their absence national standards. Voluntary application of relevant standards on this list is a sufficient condition of compliance with requirements of the relevant EAEU technical regulations. If standards on this list are not used, conformity assessment is carried out based on risk analysis.¹⁶⁴ In the absence of an applicable international standard, regional standards, or national standards of other countries, may be used as a basis for EAEU measures.

3.135. As at 1 July 2020, the CSM had adopted 6,911 standardization documents, 1,608 of which were harmonized with ISO standards, 691 of which were based on IEC standards, and 245 of which were based on Codex Alimentarius guidelines or recommendations.¹⁶⁵ The Kyrgyz Republic is currently developing national standards for certain types of food products.

3.3.2.2 Technical regulations

3.136. The EAEU Treaty states that "technical regulation of the EAEU members shall be used for the purpose of protecting life and (or) human health, property, the environment, protecting life and (or) health of animals and plants, prevention of actions misleading consumers as well as to ensure energy efficiency and resource conservation within the EAEU. Adoption of technical regulations of the EAEU for other purposes is not allowed".¹⁶⁶ The implementation of a common set of technical regulations is designed to establish a unified legal framework for ensuring product safety and protection against unsafe and falsified products within the customs territory, thus eliminating technical barriers in intra-EAEU trade.¹⁶⁷

3.137. International standards and recommendations form the basis for EAEU technical regulations, except in cases where they do not comply with the purposes of adoption of technical regulations of the EAEU, including due to climatic and geographical factors, technological reasons, or other particularities.¹⁶⁸ The EAEU Commission approves a Common List of products to which technical regulations of the EAEU or national mandatory requirements of its member States may be applied. A product subject to a technical regulation may be put into circulation within the EAEU only if it has complied with the necessary conformity assessment procedures.

3.138. Under the Protocol on Transitional Provisions (Section 2.3.2.2), the Kyrgyz Republic was granted a general six-month transition period, and longer extensions ranging from one to four years for the adaptation to 22 specific EAEU technical regulations: (i) one year for technical regulations pertaining to machinery, explosive equipment, and farm tractors; (ii) two years for technical regulations pertaining to railway rolling stock, railway infrastructure, packaging, pyrotechnic products, children's and teens' products, toys, elevators, light industry products, food products and their labelling, juices, fat-and-oil products, furniture, specialized nutrition, explosives, food additives, milk, and meat; and (iii) four years for technical regulations pertaining to petrol and jet fuel, diesel

¹⁶⁴ EAEU Treaty, Annex 9 (Protocol on Technical Regulation within the Eurasian Economic Union), para. 4.

¹⁶⁵ Information provided by the authorities.

¹⁶⁶ EAEU Treaty, Article 52(1).

¹⁶⁷ EEC, *The Kyrgyz Republic in the Eurasian Economic Union, First Results*, 2018.

¹⁶⁸ EAEU Treaty, Annex 9 (Protocol on Technical Regulation within the Eurasian Economic Union), para. 3.

and marine fuel, and heating oil.¹⁶⁹ Prior to the adoption of these EAEU technical regulations, such products made by domestic enterprises could only be circulated within the Kyrgyz Republic.¹⁷⁰

3.139. Pursuant to these transition arrangements, EAEU technical regulations gradually became applicable in the Kyrgyz Republic during the period 2017-19.¹⁷¹ The authorities indicate that there currently are 43 EAEU technical regulations in force in the Kyrgyz Republic, and a further 5 that are planned to be put into effect by 2022.¹⁷² Among the 44 national technical regulations adopted prior to the Kyrgyz Republic's accession to the EAEU, 19 remain in force, and 7 of them establish requirements for products not included in the EAEU Common List (Box 3.3).

Box 3.3 National technical regulations establishing product requirements not included in the EAEU Common List

Law No. 151 of 8 May 2009 on Environmental Safety
Law No. 224 of 29 November 2011 on Radiation Safety
Government Decree No. 444 of 5 August 2013 on the Safety of Veterinary Medicines
Government Decree No. 646 of 25 September 2012 on the Safe Storage of Medicines in Pharmaceutical Organizations and Healthcare Organizations and the Sanitary Regime of Pharmaceutical Organizations
Government Decree No. 137 of 6 April 2011 on the Safety of Medicines for Medical Use
Government Decree No. 113 of 5 March 2013 on the Safety of Medical Implants
Decree No. 320 of 26 May 2012, approved by Government, on Medicines Manufactured in Pharmacies

Source: Information provided by the authorities.

3.3.2.3 Conformity assessment

3.140. The EAEU Treaty calls for harmonization of rules and approaches towards accreditation in accordance with international standards while ensuring the objectivity, impartiality, and competence of the accreditation bodies of the member States. Accredited bodies for conformity assessment (certification bodies and testing laboratories) are listed in the Unified Register of Conformity Assessment Bodies of the EAEU. According to the EAEU Treaty, the accreditation bodies of the member States must be independent and not compete with each other. An application for accreditation as a conformity assessment certification body is addressed to the accreditation body of the member State where the applicant is registered as a legal entity.¹⁷³

3.141. The Kyrgyz Centre of Accreditation (KCA) under the Ministry of Economy performs accreditation of certificated bodies and testing laboratories. On 23 October 2013, the Kyrgyz Republic joined the multilateral Agreement on Mutual Recognition of International Cooperation on Laboratory Accreditation (ILAC) and became a full member of ILAC with respect to accreditation of testing laboratories according to international standard ISO/IEC 17025. ILAC suspended the status of the KAC in 2014, but following corrective actions and confirmation of its effectiveness, the KCA had its status as signatory body reinstated on 2 October 2018. The KCA more recently took steps to implement new versions of international standards on accreditation systems.

¹⁶⁹ Annex to the Accession Protocol of the Kyrgyz Republic to the EAEU, para. 50.

¹⁷⁰ Annex to the Accession Protocol of the Kyrgyz Republic to the EAEU, para. 56. See also WTO document WT/REG366/1, pp. 19-20.

¹⁷¹ Specifically, 16 EAEU technical regulations entered into full force in the Kyrgyz Republic on 1 January 2017; 18 entered into force in August 2017, but with transition periods; and 1 came into force on 12 August 2019. An Action Plan adopted in March 2017 terminated the validity of national technical regulations on subjects covered by EAEU technical regulations.

¹⁷² The provisions of EAEU Technical Regulation CU TR 002/2011 on the Safety of High-Speed Rail Transport do not apply due to the absence of such facilities in the Kyrgyz Republic. With regard to the domestic production of petroleum products, subject to EAEU Technical Regulation CU TR 013/2011 on Requirements for Automobile and Aviation Gasoline, Diesel and Marine Fuel, Jet Engine Fuel and Fuel Oil, as from 12 August 2019, the Board of the EAEU Commission decided that conformity assessment documents may be issued in accordance with national legislation for domestically produced oil products until 12 August 2023.

¹⁷³ EAEU Treaty, Article 54(3).

3.142. According to the authorities, the Kyrgyz Republic has made substantial efforts to ensure the necessary infrastructure to apply the standards and technical regulations of the EAEU. This includes the establishment, equipment, and modernization of a number of testing laboratories. Funds for this work were provided by the Russian Federation.

3.143. The Kyrgyz Republic has submitted 17 notifications related to TBT measures applicable within the EAEU (including one revision and one corrigendum) since it formally joined the EAEU in August 2015.

3.144. Up to end-March 2020, the Kyrgyz Republic, jointly with the Russian Federation and Kazakhstan, was a subject to two specific trade concerns raised at the TBT Committee. These were related to: (i) pharmaceutical products; and (ii) safety of toys. The Kyrgyz Republic has never used the TBT Committee to raise its own concerns regarding measures proposed or implemented by other Members.

3.3.3 Sanitary and phytosanitary requirements

3.145. As with technical regulations and standards, the membership of the Kyrgyz Republic in the EAEU involves a sanitary and phytosanitary (SPS) regime of shared and exclusive competencies between the EEC and the national regulatory authorities. During the review period, the Kyrgyz authorities introduced legislation that implements a common framework for EAEU member States, including revisions and amendments to national legislation to bring it line with EAEU requirements.

3.146. The EAEU rules include a unified regime for sanitary, veterinary, and SPS quarantine measures (Table 3.20). SPS legislation at the EAEU level comprises a set of decisions taken at Council, Board, and EEC levels, and includes rules governing the application of veterinary and sanitary measures; the interaction of authorized bodies of the member States in the application of temporary measures; joint inspections and sampling; laboratory testing, confirmation of conformity, and the issuance of veterinary certificates; and the establishment of maximum permissible levels of residues of veterinary drugs in non-processed food products of animal origin (Table A3.4). A certain number of technical regulations were also adopted, covering food safety in general, as well as specific regulations addressing the safety of milk and dairy products, meat and meat products, fish and fish products, grain, marking and packaging of food products, and feed and feed additives. The EEC established lists of high-risk and low-risk goods that may be subject to SPS quarantine at the border of the Customs Union.¹⁷⁴

Table 3.20 Customs Union unified sanitary, veterinary, and SPS quarantine measures

Treaty of the Customs Union on phytosanitary measures
Common list of products subject to sanitary and epidemiological surveillance (control)
Procedure of state sanitary and epidemiological surveillance (control) over persons crossing the Customs Union customs border, goods subject to control that are being moved through the customs border and customs territory of the Customs Union
Common sanitary and epidemiological and hygienic requirements for products subject to sanitary and epidemiological surveillance (control)
Common product (goods) safety documents
Customs Union Agreement on Sanitary Measures
Common list of goods subject to veterinary control
Common veterinary requirements for goods subject to veterinary control (surveillance)
Procedure of carrying out veterinary control at the customs border and on the customs territory of the Customs Union
Procedure of carrying out joint inspections and sampling of goods (products) subject to veterinary control (surveillance) on the territory of the Customs Union member States and third countries
Consolidated list of highly dangerous and quarantine diseases of animals
Common templates of veterinary certificates (movement, import)
Customs Union Agreement on Plant Quarantine
List of Quarantine Products subject to quarantine and phytosanitary control (surveillance) while being imported to the common customs territory of the Customs Union
Procedure of carrying out the quarantine and phytosanitary control (surveillance) at the external border of the Customs Union
Procedure of carrying out the quarantine and phytosanitary control in respect of quarantine products that are moved within the customs territory of the Customs Union

Source: UNECE, *Regulatory and Procedural Barriers to Trade in Kyrgyzstan* (ECE/TRADE/412), 2015.

¹⁷⁴ On the website of the EEC, these lists are available only in Russian.

3.147. At the national level, Parliament adopted two SPS-related laws – one on veterinary medicine, and another on the identification of animals and products of animal origin – during the review period. The Government passed a number of resolutions covering veterinary and SPS issues (Table A3.5). In addition, the State Inspectorate for Veterinary and Phytosanitary Safety (SIVPS) developed strategic plans for the prevention and control of murrains, small animal plague, rabies, and sheep pox; the fight against brucellosis, anthrax, and echinococcosis; and the control of bovine leukaemia. It also established rules for epizootic monitoring; the taking and selection of pathological material, blood, and feed to be submitted for laboratory examination, analysis, and research; and the fight against especially dangerous and socially significant diseases of farm animals. In addition, it issued instructions containing recommendations for ensuring the biological safety of animal owners when handling animals, and for the active surveillance of animals to diagnose diseases, as well as standard operating procedures for: (i) personal protective equipment; (ii) procedure sampling in the field; (iii) areas of control (supervision); (iv) sending samples to a national or regional laboratory; (v) the delivery of samples to international laboratories; (vi) the disposal of small animal carcasses and materials; and (vii) the decontamination of an infected farm. Moreover, on 2 May 2019 the SIVPS issued an order approving the methods of sampling for laboratory studies carried out in the framework of active epizootic monitoring.

3.148. Prior to the accession of the Kyrgyz Republic to the EAEU, road maps were developed for the harmonization of Kyrgyz legislation and the alignment of its customs infrastructure, including facilities for SPS controls and quarantine, with EAEU requirements. With no detailed assessment of the outcome of work undertaken, it was decided at the level of Heads of State to abolish customs controls on the Kyrgyz-Kazakh border as from 12 August 2015. The Council removed the quarantine control system effective from 18 November 2015. However, this did not resolve all issues. Due to objections from Kazakhstan, phytosanitary controls were maintained until 26 October 2016, and veterinary-sanitary controls are still performed at the Kyrgyz-Kazakh border because the Kazakh authorities question whether the veterinary inspection system in the Kyrgyz Republic is equivalent to the systems of other EAEU member States.¹⁷⁵ Some progress has been made. Low-risk goods, e.g. processed meat and dairy products that underwent heat treatment, have been exported to the Russian Federation since February 2016. Dairy products from certain Kyrgyz enterprises are also admitted into Kazakhstan, but subject to enhanced laboratory control.

3.149. Responding to Kazakh claims that Kyrgyz milk- and dairy-processing firms lack proper laboratories to certify export products, major efforts were undertaken (with donor funding) in 2017 to enhance the capacity of Kyrgyz facilities. The laboratories at the State Sanitary and Epidemiological Service (Bishkek) and at Osh were re-equipped and modernized. These are national centres of veterinary diagnostics and expertise. In addition, 12 zonal and inter-district veterinary laboratories were repaired, and the construction of zonal centres of veterinary diagnostics and expertise was initiated in Balykchi, Batken, Karakol, and Talas. Funds to equip the veterinary laboratories were made available through Government Decision No. 224-r of 27 July 2018. According to the authorities, the national centres in Bishkek and Osh are now fully equipped and have received accreditation according to ISO/IEC standards 17025:2017 and 2019.

3.150. The SIVPS, as by the authorized body, examines exports of goods subject to veterinary control are examined and then issues certificates. According to the authorities, a Food Safety Law presented in 2017, that, *inter alia*, would have reduced the number of inspection agencies from 22 to 11, has not been adopted.

3.151. At the time of its previous Review in 2013, the Kyrgyz Republic did not have a national enquiry point or national notification authority for SPS issues. These were subsequently established. The Kyrgyz Republic notified the WTO Secretariat that three institutions serve as its national SPS Enquiry Points: (i) the Department of Disease Prevention and State Sanitary Epidemiological Supervision (Ministry of Health); (ii) the Ministry of Agriculture and Melioration; and (iii) the SIVPS. The Department of Technical Regulation and Metrology (Ministry of Economy) is the national notification authority. Since 2015, the Kyrgyz Republic has notified three laws (the Laws on Quarantine of Plants, about Veterinary, and about Animal Identification), two Government

¹⁷⁵ EEC, *The Kyrgyz Republic in the Eurasian Economic Union, First Results*, 2018.

Decrees¹⁷⁶, one Government Resolution¹⁷⁷, and two EAEU Technical Regulations on Safety of Grain (CU TR 015/2011 and CU TR 015/2012).

3.152. No specific trade concerns were raised in the WTO Committee on Sanitary and Phytosanitary Measures relating to measures maintained by the Kyrgyz Republic during the review period. Likewise, the Kyrgyz Republic has not raised any specific trade concerns regarding measures imposed by other Members.

3.3.4 Competition policy and price controls

3.3.4.1 Competition

3.153. Competition is another area that has undergone significant developments since the Kyrgyz Republic joined the EAEU, as the EAEU Treaty imposes a number of disciplines and rules at the level of the customs union on its members. This, in turn, required the Kyrgyz Republic to amend and update its competition framework in order to be compliant with EAEU rules. So as to have enough time to make these adjustments, the Protocol on Transitional Provisions granted the Kyrgyz Republic 18 months for the EAEU Treaty provisions on competition and natural monopolies to become applicable. This period expired on 12 February 2017, after which the Kyrgyz Republic has adhered to EAEU rules on these issues.

3.154. The main disciplines of the EAEU Treaty on competition are contained in Section XVIII (Articles 74-77) and Annex 19, which set out the common principles and rules of competition; Section XIX and Annexes 20, 21, and 22 are concerned with the rules on natural monopolies, including access to services of natural monopolies in certain sectors. Thus, the main disciplines include prohibitions of competition-restricting economic agreements among market entities, the abuse of dominant business position, the coordination of economic activity, and unfair competition. The member States are therefore required to provide for this minimum set of prohibitions in their national laws. Furthermore, EAEU member States, may, within their national competences, establish additional requirements or restrictions as long as these do not conflict with the EAEU rules.

3.155. The EEC also has an important role in competition; it is tasked with monitoring the observance of common competition rules in transboundary markets. It specifically examines applications on existence of signs of violations, initiates and examines cases of violation of common competition rules, renders determinations, adopts binding decisions, requests and receives information from the authorized competition bodies in member States, and reports and disseminates information. At the national level, the State Agency for Antimonopoly Regulation was created by a Government Resolution in 2013, as the authorized state body executing antimonopoly policy and regulation in all sectors of the economy except the fuel, banking, and energy sectors.¹⁷⁸ The main tasks of the Agency are the development and defence of competition for the effective functioning of the markets; implementation of measures to prevent monopolistic activity and unfair competition; ensuring a balance of interest between consumers and monopolies; implementation of consumer rights protections; and implementation of protections regarding advertising. The Agency has key oversight and regulation in five key areas – natural monopolies, state and municipal paid services, antitrust laws, consumer protection, and advertising (Table 3.21). The main work of the Agency is aimed at protecting and developing competition in the commodity markets; preventing, limiting, and suppressing monopolistic activities and unfair competition; and providing conditions for the creation and effective functioning of the markets of the Kyrgyz Republic.

¹⁷⁶ These were Government Decrees No. 580 of 7 October 2014 on Approval of Regulation on Procedure of Conducting Sanitary Epidemiological Supervision (Control) of Persons, Vehicles, Goods and Cargo Transported Through Border Point of the Kyrgyz Republic, and No. 568 of 2 October 2014 on the Authorized Body in the Field of Sanitary Epidemiological Welfare of the Population of the Kyrgyz Republic.

¹⁷⁷ Government Resolution No. 175 of 1 April 2015 on Introduction of Changes and Amendments in Some Decisions of the Government of the Kyrgyz Republic was notified as a trade facilitation measure, exempting certain food products coming from Afghanistan, Azerbaijan, Belarus, China, Kazakhstan, the Russian Federation, Tajikistan, and Uzbekistan from additional supporting documentation requirements (WTO document G/SPS/N/KGZ/5, 14 December 2015).

¹⁷⁸ Ministry of Justice, Government Resolution No. 271 of 17 May 2013. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kg/94359>. Antitrust regulation in the banking services market is carried out by the NBKR in accordance with regulatory legal acts binding on commercial banks and other financial and credit institutions licensed and regulated by the NBKR.

3.156. The Kyrgyz Republic was active during the review period in updating its main competition laws to align with the EAEU rules; thus, several laws underwent revision in 2015, and some additional amendments have also been undertaken since that time (Table 3.22). The 2011 Law on Competition was amended several times during 2015-19 to harmonize it with the EAEU Model Law on Competition, although its main framework remains intact.¹⁷⁹ A number of changes were incorporated on: clarification to determine the "dominant position"; introduction of a new concept of "economic and statistical surveillance"; revision of the concepts of monopolistically high and low prices; clarification of the concept of "vertical agreements"; introduction of conditions on concerted actions of economic entities; and introduction of state and municipal preferences. One of the other developments during the review period was the amendment of Law No. 149 of 8 August 2011 on Natural Monopolies to eliminate direct state regulation of so-called "permitted" monopolies, and such rules now only apply to "natural" monopolies.¹⁸⁰ As a consequence, the State Agency for Antimonopoly Regulation's regulatory and monitoring aspect has ceased and intervention would be only in cases of violation of the antimonopoly legislation.

Table 3.21 Statistics on the State Agency for Antimonopoly Regulation's activities, 2015-19

	2015	2016	2017	2018	2019
Number of natural monopolies	83	84	75	77	77
of which regional	74	74	70	71	71
of which federal	9	10	5	6	6
Regulation of natural monopolies					
Settlements considered	150	62	110	34	26
Price and tariff issues	973	133	275	49	103
Contractual issues	19	13	8	6	2
Orders (Art. 12)	45	23	12	10	0
State services					
Price/tariffs agreed for state services	10,869	11,808	2,871	3,515	1,284
Fines and economic sanctions for state services (KGS 1,000)	6,268	8,011	22,643	7,618	102,961
Monitoring compliance of provisions of the Law on Competition					
Number of complaints/statements received	36	75	55	70	45
Total decisions on violations:	63	56	65	94	97
Signs of violation of Art. 8	6	19	15	30	20
Signs of violation of Art. 9	23	167	36	33	20
Consideration of application of business entities in Arts. 11 and 12	0	0	11	..	27
Orders issued	36	82	90	83	69
Penalties and economic sanctions (KGS million)	119	124	226	317	7,993
Economic and statistical observation for the activities of business entities that occupy a dominant position in the commodity markets of the Kyrgyz Republic					
Total number of dominant business entities:	..	..	112	114	113
Regional	..	..	93	96	95
Federal	..	..	19	18	18
Analyses and reviews	50	115	57	89	77

¹⁷⁹ Ministry of Justice, Law No. 22 of 21 January 2015 about Modification and Amendments in Some Legal Acts of the Kyrgyz Republic. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/205450>. The Law retains provisions on abuse of dominant position, unfair competition, acts aimed at preventing or restricting competition, antitrust requirements for procurement, forced divestiture, obligation to submit information, etc. Ministry of Justice, Law No. 96 of 22 July 2019 on Amendments to the Law of the Kyrgyz Republic on Competition. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/111943>.

¹⁸⁰ The Law on Natural Monopolies provides that natural monopolies include electric and thermal energy, natural gas, oil and oil products, rail transportation services, air navigation services, airport services, public telecommunication and postal services, and centralized water supply and sewage.

	2015	2016	2017	2018	2019
Compliance with legislation in the field of consumer protection and advertising					
Appeals from consumers examined	228	410	339	358	329
Violations identified	266	495	223	204	193
Orders identified	181	269	286	305	217
Administrative fines (KGS 1,000)	365.1	97.0	295.2	318.4	..
Compliance with the Law on Advertising					
Inspections	325	318	309	34	190
Violations identified	438	457	571	32	334
Orders issued	324	331	423	511	175
Administrative fines (KGS 1,000)	302.3	287.0	445.0	1,030.0	280.0

.. Not available.

Source: State Agency for Antimonopoly Regulation, *Annual Activity Reports*. Viewed at: <http://antimonopolia.gov.kg/index.php?act=category&id=14>; and information provided by the authorities.

Table 3.22 Main rules, legislation, and regulations on competition, 2020

Reference	Date	EAEU or national legislation
EAEU Treaty, Section XVIII (General Principles and Rules of Competition), Section XXIX (Natural Monopolies), and Annex 19 (Protocol on Common Principles and Rules of Competition)	29 May 2014	EAEU
Supreme Eurasian Economic Council Decision No. 50 on Model Law on Competition	24 October 2013	EAEU
Law No. 116 on Competition, as amended	22 July 2011	National
Government Resolution No. 183 on Amending Government Resolution No. 304 of 20 May 2015 on Approving the Procedure for Forming and Maintaining the State Register of Economic Entities Occupying a Dominant Position in the Commodity Markets of the Kyrgyz Republic	18 April 2019	National
Law No. 22 on Amendments and Additions to Some Legislative Acts of the Kyrgyz Republic	21 January 2015	National
Law No. 40 on Internal Trade in Kyrgyz Republic	20 March 2002	National
Law No. 23 on Amendments and Additions to the Law on Advertising	21 January 2015	National
Law No. 9 on Amendments and Additions to the Law on Natural and Permitted Monopolies in the Kyrgyz Republic	13 January 2015	National
Law No. 225 on Amendments and Additions to Some Legislative Acts of the Kyrgyz Republic	13 August 2015	National
Law No. 96 on Amending the Law on Competition	22 July 2019	National
Law No. 90 on Consumer Protection, as amended	10 December 1997	National
Law No. 149 on Natural Monopolies	8 August 2011	National
Resolution No. 431 on Approval of the Rules for Monitoring Compliance with the Antimonopoly Legislation of the Kyrgyz Republic in the Process of Economic Concentration	21 June 2012	National
Resolution No. 365 on Approval of the Rules for the Consideration of Cases of Violations of the Antimonopoly Legislation of the Kyrgyz Republic	2 June 2012	National
Government Resolution No. 461 on Approval of the Procedure for Conducting Analysis of the State of Competition in the Kyrgyz Republic Commodity Market	7 July 2015	National
Government Resolution No. 364 on Approval of the Rules on Identifying and Preventing Agreements and Concerted Actions Restricting Competition	2 June 2012	National
Government Resolution No. 365 on Approval of the Rules of Consideration of Cases of Violations of the Antimonopoly Legislation of the Kyrgyz Republic	2 June 2012	National
Government Resolution No. 404 on Approval of the Procedure of Conducting Economic and Statistical Monitoring of Economic Entities Included in the State Register of Economic Entities that Dominates the Commodity Markets of the Kyrgyz Republic	7 August 2019	National

Reference	Date	EAEU or national legislation
Supreme Eurasian Economic Council Decision No. 29 on Approval of the Criteria for Classifying the Market as Cross-Border	19 December 2012	EAEU
EEC Council Decision No. 117 on the Methodology for Determining Monopolistically High (Low) Prices	17 December 2012	EAEU
EEC Council Decision No. 118 on the Methodology for Calculation and the Procedure for Fines for Violating the General Rules of Competition in Cross-Border Markets	17 December 2012	EAEU
EEC Council Decision No. 97 on the Procedure for Considering Applications (Materials) on Violation of the General Rules of Competition in Cross-Border Markets	23 November 2012	EAEU
EEC Council Decision No. 98 on the Procedure for Investigating Violations of the General Rules of Competition in Cross-Border Markets	23 November 2012	EAEU
EEC Council Decision No. 99 on the Procedure for the Consideration of Cases of Violation of the General Rules of Competition in Cross-Border Markets	23 November 2012	EAEU
EEC Council Decision No. 7 on the Methodology for Assessing the State of Competition	30 January 2013	EAEU

Source: EEC. Viewed at: <http://eec.eaeunion.org/comission/department/cpol/>; and information provided by the authorities.

3.157. The State Agency for Antimonopoly Regulation is also guided by its Strategic Program for the Development of Antimonopoly Regulation for 2018-2025 that provides direction for the development of competition policy; it contains seven strategic goals.¹⁸¹ In 2018, there were 17 specific objectives or tasks identified pursuant to the Strategic Program, including such issues as formation and maintenance of the list of goods for which a minimum level of control prices is established, providing industry and the population with coal at affordable prices, maintaining a balance of interests between consumers and suppliers providing drinking water to consumers, and improving the country's antimonopoly legislation.¹⁸² Similarly, in 2020, a number of objectives were set out, *inter alia*: (i) Stage 2 of amending the Law on Competition as part of aligning it with the EAEU legal framework; it has now been completed and sent to the EAEU; (ii) participation in investigations indicating violations of the general rules of competition in the framework of the EEC's work in cross-border markets; and (iii) a plan to form a Single Market to advertise the services of the EAEU.¹⁸³

3.158. Law No. 40 of 20 March 2002 on Domestic Trade, as amended, regulates trading activity in the territory of the Kyrgyz Republic. In particular, it sets out the legal relationship among entities as a result of trading activities and ensures equality and competition among entities in the trading process. It furthermore provides for the support and protection of certain socially significant trade activities in which the local governments have a role in determining these activities and related benefits.

3.159. Other amendments to laws related to competition include the Laws on Consumer Protection from 1998, on Advertising from 1998, and on Natural and Permitted Monopolies from 2011. These were updated in 2015 to also align with EAEU competition rules.¹⁸⁴

3.3.4.2 Price controls

3.160. The Kyrgyz Republic has two main regimes for price controls: one that sets minimum import prices on certain goods from other EAEU member States (Section 3.1.1.3.1), and another that

¹⁸¹ State Agency for Antimonopoly Regulation, *Strategic Program for the Development of Antimonopoly Regulation for 2018-2025*. Viewed at: <http://antimonopolia.gov.kg/index.php?act=material&id=3705>.

¹⁸² State Agency for Antimonopoly Regulation, *Action Plan-Obligations of the Director of the State Agency for Antimonopoly Regulation under the Government of the Kyrgyz Republic for 2018*. Viewed at: <http://antimonopolia.gov.kg/index.php?act=material&id=2820>.

¹⁸³ State Agency for Antimonopoly Regulation, *Action Plan of the State Agency for Antimonopoly Regulation under the Government of the Kyrgyz Republic for the Implementation of the Strategic Program for the Development of Antimonopoly Regulation for 2020*. Viewed at: <http://antimonopolia.gov.kg/index.php?act=material&id=3500>.

¹⁸⁴ Ministry of Justice, Law No. 38 of 21 February 2015 on Modification and Amendments in the Law of the Kyrgyz Republic about Protection of the Rights of Consumers. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/205459>.

determines prices on goods, works, and services of natural monopolies in the domestic market. Domestic market prices are controlled pursuant to the Law on Natural Monopolies that designates natural monopoly entities.¹⁸⁵ The State Agency for Antimonopoly Regulation determines the set price for goods and services of these natural monopolies, pursuant to Resolution No. 85 of 10 February 2012 on Approval of the Single Register (List) of Public Services Provided by State Bodies, Their Structural Divisions and Subordinate Institutions and Resolution No. 6 of 14 January 2015 on Approval of the Basic Register of Municipal Services Provided by Local Authorities of the Kyrgyz Republic. In addition, the EAEU Treaty, through Article 77 and Annex 19, Section VII, also provides disciplines on state price regulation for goods not from natural monopolies or designated in a list of exempt products.¹⁸⁶ These price regulations may be introduced in exceptional circumstances, e.g. natural disasters and emergencies, provided they cannot be solved by other methods having less impact on the state of competition. Further, they can be applied only on certain socially important goods as an interim measure, generally not to exceed 90 calendar days.

3.161. The Kyrgyz Republic also has provisions for temporary price control measures, pursuant to the Law on Domestic Trade, for socially significant goods. The Kyrgyz Republic's Resolution listing socially significant goods from 2009 was modified several times during the review period.¹⁸⁷ As at 1 January 2020, there were 14 categories of products, basically foodstuffs and fuel, on which the Government can invoke price control measures on a temporary basis, i.e. not more than 90 calendar days, in order to ensure their economic accessibility when their price increases 20% or more during the month.¹⁸⁸ On 13 March 2020, in response to the COVID-19 pandemic, the Government issued Resolution No. 155 to impose these temporary measures on 11 categories of products for a period not exceeding 90 calendar days.¹⁸⁹ These temporary measures expired on 13 June 2020. In April 2020, another Resolution was passed, increasing the number of categories of socially significant goods to 25 with the inclusion of products such as salt, tea, baby food, fish, and millet.¹⁹⁰

3.162. Other products were also subject to price controls, pursuant to various government legislation, including coal, cigarettes, medicines, and certain services (Table 3.23). Due to a sharp increase in coal prices, a Resolution was passed in 2017 to restrain the growth rate of prices and to ensure timely supply of coal to the population during autumn/winter 2017-18; the measure was in place for 90 days. Price regulations were put in force on medicines in 2019 with the approval of Interim Rules for the regulation of prices of medicinal products following a move to compulsory medical insurance. The authorized body in the healthcare sector sets the prices, while the State Agency for Antimonopoly Regulation and its territorial divisions carry out state control through inspections for compliance. The Interim Rules are the first step towards a permanent measure expected to be put in place in 2021. Minimum retail prices for filtered and unfiltered cigarettes were established by a Resolution in 2016; the State Tax Service is responsible for monitoring compliance. Prices are scheduled to rise each year from KGS 50 to KGS 90 over the period 2018-21. The price increase was instituted in order to improve the health of the population and reduce the harmful effects of tobacco.¹⁹¹

¹⁸⁵ See list above.

¹⁸⁶ These exempt products include: (i) natural gas; (ii) liquefied gas for household needs; (iii) electric and heat energy; (iv) vodka, liquor, and other alcoholic beverages with strength exceeding 28% (minimum price); (v) ethyl alcohol from food raw material (minimum price); (vi) solid fuel and heating fuel; (vii) production of nuclear energy cycle; (viii) kerosene for household needs; (ix) petroleum products; (x) medications; and (xi) tobacco products.

¹⁸⁷ Ministry of Justice, Government Resolution No. 242 of 22 April 2009 on State Regulation of Prices for Different Types of Socially Important Goods. Viewed at: <http://cbd.minijust.gov.kg/act/view/ky-kq/59697?cl=ky-kq#p1>.

¹⁸⁸ Wheat, rye flour; bread; pasteurized milk with a fat content of 2.5-3.2%; vegetable oil (sunflower and cotton); cream; meat (beef, mutton, pork); sugar; rice; pasta; chicken eggs; potatoes; coal; gasoline AI-80 and AI-92, diesel fuel; and liquified gas.

¹⁸⁹ Ministry of Justice, Government Resolution No. 155 of 13 March 2020 on State Regulation of Prices for Different Types of Socially Important Goods. Viewed at: <http://cbd.minijust.gov.kg/act/view/ky-kq/157469>. The products include wheat flour, bread, milk, vegetable oil, cream, meat, sugar, rice, pasta, eggs, and potatoes.

¹⁹⁰ Information provided by the authorities.

¹⁹¹ Ministry of Justice. Viewed at: <http://cbd.minijust.gov.kg/act/view/ky-kq/98717>.

Table 3.23 Products and services subject to price control

Product	Legal reference	Overview
Medicines	Resolution No. 579 of 29 October 2019	Interim price regulation mechanism per an electronic price catalogue, pending final provisions expected in 2021
Coal	Resolution No. 745 of 16 November 2017	State regulation of the price of coal due to the high pace of growth in order to ensure sustainability
Cigarettes	Order No. 668 of 13 December 2016	Minimum retail price of cigarettes that rises each year
List of socially important goods (basic foodstuffs and fuels)	Resolution No. 155 of 13 March 2020	Temporary measures in response to the COVID-19 pandemic
Construction, design works, construction material, operation of construction machines	Order No. 2 of 28 March 2016	Approval of uniform prices for these goods and services upon agreement with the authorized body

Source: Compiled by the Secretariat from Ministry of Justice website. Viewed at: <http://cbd.minjust.gov.kg/>.

3.3.5 State trading, state-owned enterprises, and privatization

3.163. In notifications submitted in June 2015 and May 2020 under Article XVII:4(a) of the GATT 1994 and paragraph 1 of the Understanding on the Interpretation of Article XVII, the Kyrgyz Republic stated that since its accession through 2019 it had not maintained any state trading enterprises within the meaning of the working definition set forth in the Understanding.¹⁹²

3.164. While the Secretariat Report prepared for the previous Review identified "a number of entities that appeared to have state-trading privileges pursuant to the provisions of Article XVII"¹⁹³, the authorities indicated that the list of state trading entities in that Report¹⁹⁴ is outdated and that currently foreign trade operations are carried out by OJSC TNC Dastan and by the state-owned enterprise Bishkek Stamping Plant.

3.165. State ownership remains an important factor in the Kyrgyz economy. As at 1 June 2020, there were 104 state-owned enterprises (SOEs) and 52 joint stock enterprises in which the State was a shareholder.¹⁹⁵

3.166. The Kyrgyz Republic initiated a comprehensive and rapid privatization process in the early 1990s.¹⁹⁶ As described in the previous Review, the process comprised three stages: a first stage involving small-scale privatization of entities in services, trade, and housing and construction; a second stage that comprised sales of shares of large and medium-sized state enterprises in manufacturing, transport, and construction; and a third stage that focused on the large strategic entities of monopolized sectors, privatization of insolvent or bankrupt enterprises, and completion of coupon privatization.¹⁹⁷ According to a recent European Bank for Reconstruction and Development (EBRD) report, "[p]rivatisation allowed the private sector to grow rapidly since independence but

¹⁹² WTO documents G/STR/N/5/KGZ, G/STR/N/6/KGZ, G/STR/N/8/KGZ, and G/STR/N/9/KGZ, 29 June 2015; G/STR/N/7/KGZ, G/STR/N/10/KGZ, G/STR/N/11/KGZ, G/STR/N/12/KGZ, G/STR/N/13/KGZ, G/STR/N/14/KGZ, and G/STR/N/15/KGZ, 29 June 2015; and G/STR/N/16/KGZ, G/STR/N/17/KGZ, and G/STR/N/18/KGZ, 28 May 2020.

¹⁹³ WTO document WT/TPR/S/288/Rev.1, 21 January 2014, para. 3.74.

¹⁹⁴ The Report identified four state trading enterprises: Kyrgyz Pechat (import and export of postal stamps); Kyrgyz Gaz (natural gas); Temir SE (scrap and wastes of ferrous and non-ferrous metals); and Kyrgyzzalko (spirit production).

¹⁹⁵ Information provided by the authorities. Of the 52 joint stock companies with State ownership, 32 are operating. At the time of the previous Review, there were 159 state-owned enterprises and 59 joint stock enterprises in which the State, represented by the Fund for State Property Management, was a shareholder. WTO document WT/TPR/S/288/Rev.1, 21 January 2014, para. 3.149.

¹⁹⁶ Pomfret, R. (2019), *The Central Asian Economies in the Twenty-First Century: Paving a New Silk Road*, Princeton University Press, pp. 157-158.

¹⁹⁷ WTO document WT/TPR/S/288/Rev.1, 21 January 2014, para. 3.148.

privatisation efforts have slowed in the past decade".¹⁹⁸ The Program for State Property Privatization in the Kyrgyz Republic for 2015-2017 listed companies offered for both full and partial privatization, including strategic companies such as Kyrgyzstan Airways and Alfa Telecom. The Concept of Reforming the State Owned Property, approved in June 2015, aimed to reduce state participation in non-strategic sectors. Nine privatizations have since been completed in non-strategic sectors.¹⁹⁹

3.167. Rationalization of state ownership in the economy has been an important policy objective in recent years, as most SOEs in the Kyrgyz Republic operate at a loss or do not operate at all.²⁰⁰ In order to create an effective system for management of public assets and property, the 2013-2017 Development Program calls for measures to improve the quality of management of state property and to increase revenue through: (i) the replacement of the existing control of SOEs' costs and prices by the State Agency for Antimonopoly Regulation antimonopoly authority with a mechanism focused more on the need to generate operating profits; (ii) a full-scale inventory count of all state assets and the creation of a Registry of State Property; (iii) introduction of economic performance indicators for SOEs, creation of mechanisms for independent auditing of SOEs, and of a new body for the control of compliance with performance indicators; (iv) selection of executive personnel of SOEs on a competitive basis; and (v) introduction of public-private partnership principles for the management of SOEs.²⁰¹

3.168. Similarly, the Development Program 2018-2022 provides that the Government will introduce systematic and effective management of state assets by ensuring the full functioning of the interagency automated information system to complete a full inventory of all state assets. Electronic trading platforms will be introduced to increase the transparency and openness of privatization processes and the provision of state property for rent. The Programme also provides that non-strategic SOEs will be liquidated and privatized, that a review will be undertaken of the management system of SOEs, and that SOEs will implement the best practices of corporate governance.²⁰²

3.169. According to information provided by the authorities, many of the measures envisaged in the 2013-2017 and 2018-2022 Development Programs regarding the improvement of the corporate governance of SOEs have recently been implemented. These include the reorganization, transformation, or liquidation of SOEs²⁰³; a clearer delineation of the respective responsibilities of sectoral state bodies and the State Property Management Fund; the introduction of centralized monitoring of the financial and economic activities of SOEs; the creation of a unified state property registry and an electronic trading platform for bidding for the right to conclude lease agreements for state property; the adoption of methodological guidelines for the use of key performance indicators to assess the efficiency and financial stability of SOEs; the appointment of managers through transparent and competitive processes; and the introduction of a model charter for SOEs.²⁰⁴

3.170. It would appear that there are currently no new plans to undertake large-scale privatizations and that the focus of policy is on measures to improve the performance of SOEs.²⁰⁵ As an alternative

¹⁹⁸ EBRD, *Kyrgyz Republic Diagnostic*, May 2019, p. 6. The report notes that a total of 7,357 state assets have been privatized since independence.

¹⁹⁹ Information provided by the authorities. Law No. 94 of 23 May 2008 on Strategic Objects of the Kyrgyz Republic lists the sectors that are considered strategic.

²⁰⁰ According to the EBRD, less than 10% of the SOEs generate most of the profits realized by SOEs. EBRD, *Kyrgyz Republic Diagnostic*, May 2019, p. 6. In July 2019, then Prime Minister Abylgazyev was reported to have observed that 51 out of 106 state enterprises and 22 out of 52 joint stock companies with state shareholding were not profitable and that half of the SOEs were not operating. *Times of Central Asia*, "Does Kyrgyzstan Need Another State Management Company?" 17 July 2019. Viewed at: <https://www.timesca.com/index.php/news/26-opinion-head/21394-does-kyrgyzstan-need-another-state-management-company>.

²⁰¹ *National Sustainable Development Strategy for the Kyrgyz Republic for the Period 2013-2017*, pp. 69-70. Viewed at: https://www.un-page.org/files/public/kyrgyz_national_sustainable_development_strategy.pdf.

²⁰² *The Development Program of the Kyrgyz Republic for the Period 2018-2022*, paras. 3.5.1-3.5.2.

²⁰³ The authorities indicate that 45 SOEs have recently been reorganized, 94 transformed, and 10 liquidated.

²⁰⁴ Many of these measures were implemented by Government Resolution No. 468 on the Streamlining of the Activities of SOEs, which was adopted in September 2019.

²⁰⁵ EBRD, *Kyrgyz Republic Diagnostic*, May 2019, p. 6.

to privatization, the Government is considering mechanisms such as public-private partnerships, investment lease, and trust management of property.

3.171. While the Kyrgyz Republic made a commitment in its WTO Protocol of Accession to provide annual information for as long as its programme of privatization existed and on other issues related to its economic reform as relevant to its WTO obligations²⁰⁶, it has not made such annual notifications. According to the authorities, all relevant information is provided through the periodic trade policy reviews.

3.172. Until 2015, SOEs and joint stock companies in which the State was a shareholder were also covered by the Law on Natural and Permitted Monopolies.²⁰⁷ As a consequence of the Kyrgyz Republic's accession to the EAEU, this law was amended in January 2015 to abolish the category of "permitted monopolies". The State Registry of Natural Monopolies of the Kyrgyz Republic currently lists 78 entities.²⁰⁸ These include 6 SOEs and 16 joint stock companies in which the State is a shareholder.

3.173. The EAEU Protocol on Trade in Services and Investment contains provisions on "state participation", which require member States to accord national treatment to persons of other member States regarding their participation in privatization. They also require member States to ensure that: (i) juridical persons in their territory that the member States control, or in the capital in which they participate, conduct their activities in accordance with commercial considerations and in a non-discriminatory manner; and (ii) such persons do not enjoy special rights or privileges by virtue of the State's control or participation in their equity.

3.3.6 Government procurement

3.174. As is the case with several trade subjects, the Kyrgyz Republic is gradually phasing in the provisions of the EAEU Treaty in the area of government procurement. Pursuant to Section XV of Annex 1 to the Protocol on Transitional Provisions, there was a two-year transitional period established after the entry into force of the agreement:

- For the Kyrgyz Republic to introduce national treatment in the field of government (municipal) procurement for EAEU member States;
- For the Kyrgyz Republic to introduce electronic government procurement using an electronic digital signature; and
- For EAEU member States to provide the Kyrgyz Republic with national treatment in the field of government (municipal) procurement.

3.175. Thus, these transitional provisions have expired, and the measures have been put in place or are underway. As regards the national treatment regime, Law No. 72 of 3 April 2015 on Public Procurement was amended in 2019 to include a new Article 4-1 with the following provision: "when procuring organizations are purchasing goods from a foreign state or a group of foreign states, works, goods, or services performed by suppliers (contractors), the national regime is applied on equal terms with goods of Kyrgyz origin, works, services, respectively performed by suppliers (contractors) from the Kyrgyz Republic, pursuant to the conditions provided for by this Law and international treaties that have entered into force in the manner prescribed by law, to which the Kyrgyz Republic is a party".²⁰⁹

3.176. In order to improve and digitalize the public procurement system in terms of embedding crypto algorithms by introducing cryptographic protection means, as well as implementing subparagraph 7 of paragraph 1 of Article 88 of the EAEU Treaty, where the member States provide unhindered access to potential suppliers of the member States to participate in procurement carried out in electronic format, a project was implemented to introduce electronic signatures on the web

²⁰⁶ WTO document WT/ACC/KGZ/26, 31 July 1998, para. 14.

²⁰⁷ WTO document WT/TPR/S/288/Rev.1, 21 January 2014, para. 3.155.

²⁰⁸ State Agency for Antimonopoly Regulation, *State Register of Natural Monopolies of the Kyrgyz Republic*. Viewed at: http://antimonopolia.gov.kg/documents/reestr/reestr_es.docx.

²⁰⁹ Ministry of Justice, Law No. 4 of 11 January 2019 on Public Procurement. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kg/111831>.

portal and for their mutual recognition by EAEU member States. Software was developed and is being tested. From September to December 2020, an information campaign was planned and a transitional period was provided for the acquisition of an electronic digital signature by users of the Public Procurement portal. Full transition to digital signature was expected from 1 January 2021.

3.177. EAEU rules are contained in Section XXII of the EAEU Treaty (Article 88: Government (Municipal) Procurement) and Annex 25 (Protocol on Regulation of Procurement). The main elements of Article 88 include: (i) granting national treatment to EAEU member States; (ii) ensuring openness of information and transparency of procurement; (iii) excluding third countries from receiving a more favourable treatment than EAEU member States; (iv) granting unhindered access to suppliers of member States so they can participate in procurement conducted electronically through the mutual recognition of electronic signatures; (v) ensuring the existence of authorized regulatory and supervisory authorities; (vi) developing competition and opposition to corruption in procurement; and (vii) establishing liabilities for violations. Coverage includes all municipal procurement of goods, works, and services, and other purchases financed by the budget as stipulated in the procurement legislation of the member State; it excludes procurement by the national central banks and procurement of state secrets.

3.178. Annex 25 expands on these basic principles by specifying tendering methods (Box 3.4), requiring the formation and maintenance of a Register of Unfair Suppliers, providing rules on fees and participation, and conditions for the procurement contract; ensuring openness of information and transparency of procurement; providing national treatment to other member States; and safeguarding rights of those participating in procurement. The type of procurement method aligns in certain cases with those in the national legislation of the Kyrgyz Republic, but in other cases do not (Box 3.4). Article 16 of the Law on Public Procurement sets out the five procurement methods, and Articles 17-21 further expand and explain the methods.

Box 3.4 Types of procurement methods prescribed in Annex 25 to the EAEU Treaty and in the procurement law of the Kyrgyz Republic

EAEU Treaty, Annex 25		Kyrgyz Law on Public Procurement, Article 16	
Open tender	Where two-stage procedures and preliminary qualifying selection could be applied; price proposals request; per paras. 1 and 5 of Appendix 1	One-step	The main method of procurement; the number of suppliers is not limited; when the planned amount exceeds twice the maximum threshold amount, a two-envelope method is to be used (Art. 28-1)
Open electronic auction	Per para. 7 of Appendix 1; Appendix 4 lists goods, works, and services required to be procured through auction	Two-step	Held by a two-stage method if certain conditions are met
		Simplified	Finished products that do not require special manufacturing, as well as works and services with a specific description when the amount is below the maximum threshold amount
		Price reduction	This method can be used in specified cases as outlined in Art. 20. In particular there needs to be established quality standards and a competitive market of at least three suppliers.
Procurement from a single source or a single supplier		Direct conclusion of the contract	Procuring Entity signs a procurement contract after monitoring the prices, subject to certain conditions
Request for proposals	If it is provided by the procurement legislation of a member State; per para. 6 of Appendix 1, Appendix 2, and		

EAEU Treaty, Annex 25		Kyrgyz Law on Public Procurement, Article 16
	paras. 10, 42, 44, 47, 59 and 63 of Appendix 3	
Exchange trades	If it is provided by the procurement legislation of a member State	
Commodity exchange	Procurement of commodity exchange goods covered by Appendix 4	

Source: EAEU Treaty, Annex 25; and Ministry of Justice, Law No. 72 of 3 April 2015 on Public Procurement. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/111125>.

3.179. In order to improve procedures, reduce corruption in the procurement system, and align its domestic legislation with the new rules of the EAEU, the Kyrgyz Republic enacted a new law on government procurement in 2015, replacing the old law from 2004.²¹⁰ Since its entry into force, it has been amended seven times. The main emphasis is on eliminating corruption schemes, increasing transparency, and increasing responsibility for the use of budgetary funds through the introduction of electronic information technologies.²¹¹ Overall, the revised Law covers almost the entire process of government procurement, from planning to conclusion of contracts, as well as the redistribution of some functions of the authorized procurement body, procuring organizations, and tender commissions. Decision-making, as it was done previously by the Tender Commission, was transferred to the procuring organizations that may independently take decisions where authorized when the procurement method does not require tendering. The new Law also incorporates the goals and principles for procurement as elaborated in Article 88 of the EAEU Treaty, such as ensuring optimal and efficient expenditure of funds used for procurement, openness of information, and transparency of procurement.²¹²

3.180. New concepts or innovations were introduced in a number of areas, including:

- a requirement of a full reimbursement of expenses to the State if purchases were made without complying with the Law, i.e. without a tender;
- the implementation and terms of procedures for using Framework Agreements as a procurement method;
- an obligation to record underperforming suppliers on the Register of Unfair Suppliers (the so-called Black List of Suppliers); and
- the introduction of the concept of anti-dumping measures in public procurement.

3.181. The process of addressing complaints was also overhauled in the new legislation. The previous three-phase process was replaced with a two-phase process, with the main entity being an independent Interagency Commission for the Review of Complaints and Protests. This Commission was originally composed of 15 people divided into 3 subgroups of 5 people (5 procurement specialists, 5 NGOs, and 5 members of the public), but in 2018 it was amended. As at 11 October 2017, consideration of complaints and appeals is carried out in accordance with the Regulations on the Procedure for the Operation of the Independent Interdepartmental Commission for the Consideration of Complaints and Protests, as well as for the inclusion in the database of unreliable and unscrupulous suppliers (contractors), which is published on the public procurement web portal.

3.182. There has been a steady rise in complaints since 2015, which has been attributed in part to the move to electronic submission of complaints. In 2017, there were 781 complaints and 102 appeals sent to the Interagency Commission.²¹³ By comparison, there were no more than

²¹⁰ Ministry of Justice, Law No. 72 of 3 April 2015 on Public Procurement. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/111125>.

²¹¹ This is also in line with its commitments on transparency in its National Action Plan (Section 2).

²¹² See Article 88 of the EAEU Treaty for the full list of objectives and principles.

²¹³ Department of Public Procurement at the Ministry of Finance Kyrgyz Republic, *Detailed Analysis of Complaints and Appeals for 2017*. Viewed at: <http://zakupki.gov.kg/popp/home.xhtml?cid=1>; and

10 complaints a year prior to 2015. A majority, about half, of the complaints received were deemed justified by the Commission. The complaints were most numerous in respect of the one-step method, followed by the simplified method.

3.183. By Government Resolution No. 10 of 16 January 2016, the Kyrgyz Republic introduced new thresholds that replaced those in the old resolution from 2005. These thresholds aligned the thresholds for works to those of goods and services, and adjusted the levels by raising both the minimums and maximums (Box 3.5). A further amendment in 2017 raised the minimum threshold for the first category of enterprises from KGS 800,000 to KGS 1,000,000.²¹⁴

Box 3.5 Thresholds

For state (municipal) institutions, enterprises, joint stock companies in which the State and/or local governments, together or separately, own 50% or more of shares, and other business entities created at the expense of state funds, where the authorized capital is up to KGS 100 million, the following threshold amounts are allocated for the purchase of goods, works and services:	- minimum: KGS 1 million - maximum: KGS 3 million
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For state (municipal) enterprises and joint stock companies in which the State owns 50% or more of shares, where the authorized capital is more than KGS 100 million, the following threshold amounts are allocated for the purchase of goods, works and services:	- minimum: KGS 3 million - maximum: KGS 15 million
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Source: Ministry of Justice, Government Resolution No. 10 of 16 January 2016 about Approval of Threshold Amounts in Purchases of the Goods, Works and Services, as amended. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/98303>.

3.184. The Kyrgyz Republic recognizes the important role small and medium-sized businesses play in its domestic economy and is actively working to reform its public procurement system in order to provide support to them and the domestic economy. In January 2019, several amendments to the Law on Public Procurement were made to favour domestic suppliers. Article 4 was amended to include the principle of national treatment with two main exceptions: (i) a 20% preference allowance on the bid price of goods produced by domestic suppliers; and (ii) for works, a preference of 20% is given to domestic contractors provided that they use at least 70% local labour resources and at least 30% local raw materials.²¹⁵ Furthermore, Article 2 was amended to remove production and/or personification of documents of national importance and special state forms from the scope of the Law²¹⁶, and Article 21 (Part 4, para. 20) was amended to allow procurement through direct contracting for the protection of the domestic market and the development of the national economy. An instruction from the Ministry of Finance from 2015, as amended, gives guidance on applying benefits to domestic suppliers.²¹⁷ It reaffirms the obligation to provide discounts on the proposed price of up to 20% for goods produced in the territory of the Kyrgyz Republic, including the similar provisions on works, in comparison with tenders for goods of foreign manufacture, and that suppliers from the EAEU are to be granted the same preferences.

3.185. At the time of the previous Review, the Kyrgyz Republic was working towards e-procurement, which was gradually implemented and became operational in 2014 with the first five pilot procuring organizations. In 2015, the migration of over 600 procuring organizations and the creation of an electronic catalogue of government procurement was launched, and thus all tenders began to be held in electronic format with full uptake after June 2015 with the creation of

<http://zakupki.gov.kg/popp/download?key=kHniv3woQPogYaMafwKvneyMZbrtQdRCqmQwbJaYwRFGITVvFdwJyEv4XzmTWSN8Q991SEiB5Aw%3D>.

²¹⁴ Ministry of Justice, Resolutions No. 10 of 16 January 2016 about Modification of the Order of the Government of the Kyrgyz Republic and No. 225 of 19 April 2017 about Approval of Threshold Amounts in Purchases of the Goods, Works and Services. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/99937?cl=ky-kq>.

²¹⁵ According to Article 3 of the Law, domestic suppliers or contractors are individual entrepreneurs or legal entities registered as such in the territory of the Kyrgyz Republic.

²¹⁶ The Law also excludes procurement of national banks, state secrets, haemodialysis services, and goods, works, services within the implementation of investment projects financed by international organizations.

²¹⁷ Ministry of Justice, Methodical Instruction No. 175-P of 14 October 2015 on the Application of Benefits to Domestic Suppliers (Contractors). Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/200016>.

the new platform and the entry into force of the new Law on Public Procurement.²¹⁸ All procurement is now therefore conducted electronically through the Government's procurement portal (<http://zakupki.gov.kg>). The portal continues to be improved in stages, e.g. it is now integrated with the Treasury's automated information system for control of cost estimates and with the state tax service for the exchange of information. In 2018, the portal was amended to allow the procurement of projects funded by international organizations. Work is currently underway to develop and implement the consulting services' module, which provides for a point assessment system. Ministry of Finance Order No. 175-P of 14 October 2015 on the Rules of Electronic Public Procurement provides the main rules for electronic procurement.²¹⁹

3.186. The total number of tenders published including their amount generally increased gradually over the review period, although it slightly declined in 2019 compared with 2018, which had the highest figures to date. Goods, as opposed to works or services, remained the main type of entity procured. Government agencies funded from the federal and local budgets were the main procuring entities, accounting for approximately two thirds of the value of all tenders, although joint stock companies, in which the State had more than 50% stake also remained significant, accounting for about one quarter of the value of all tenders. In terms of procurement methods, the direct conclusion of the contract method was the dominant method (about one half of all tenders), followed by the simplified method (Table 3.24).

Table 3.24 Overview of government procurement, 2017-19

	2017	2018	2019
Total tenders published (number)	105,770	132,906	118,580
Successfully completed tenders (number)	68,217	87,159	77 477
Total tenders published (KGS billion)	72.8	94.3	100.5
Successfully completed tenders (KGS billion)	61.8	69.9	63.2
By type of entity procured (KGS billion)			
Goods	36.6	43.5	33.8
Works	19.7	16.9	18.1
Services	5.5	9.5	11.3
By type of enterprise (KGS billion)			
State institutions of the federal budget	26.2	29.6	31.1
Government agencies on local budgets	9.7	11.2	10.1
Joint stock companies with a state share of more than 50%	16.3	18.2	14.9
State-owned enterprises	9.6	10.9	7.1
By tendering methods (% of total tenders)			
Simplified	16.1	44.4	34.9
Direct conclusion of contract	14.1	42.2	48.1
One-step	69.8	13.2	16.6
Price reduction	0	0.18	0.3
One-step (to conclude a framework agreement)	0	0.002	0.097
Two-step	0	0.002	0.003

Source: Data provided by the authorities and Ministry of Finance. Viewed at: <http://www.minfin.gov.kg/ru/novosti/novosti/departament-goszakupok-v-proshlom-godu-uspeshno-so>.

3.187. As at September 2018, there were 4,010 purchasing organizations registered for conducting procurement. The largest purchasing entities, as measured by the value of announced tenders, were the OAO Electric Stations, the State Information Technology and Communications Committee, and the Chek-Abad Rural Council.²²⁰ Together, these three entities accounted for one quarter of the total value tendered in 2018. The category of works for building repair was the largest single category of procurement in terms of value, followed by building materials.

3.188. Foreign participation in the Kyrgyz Republic's government procurement amounted to about 9% of the total value of procurements in 2018, i.e. KGS 6.48 billion out of KGS 69.9 billion. The major foreign suppliers were the Russian Federation, Lithuania, and Kazakhstan (Table 3.25).²²¹

²¹⁸ Initially, the platform accommodated only the one-stage, simplified, and direct conclusion of contract methods of procurement in electronic format.

²¹⁹ Ministry of Justice. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/200015>.

²²⁰ Official Public Procurement Portal, *Report for the Period 01.01.2018-31.12.2018*. Viewed at: <http://zakupki.gov.kg/popp/home.xhtml?cid=1>.

²²¹ Official Public Procurement Portal, *Report for the Period 01.01.2018-31.12.2018*.

Table 3.25 Data on contracts concluded with non-residents of the Kyrgyz Republic, 2018

Non-resident	No. of contracts	Amount (KGS)
Total	319	6,482,681,823
Russian Federation	194	3,311,141,848
Lithuania	4	998,238,408
Kazakhstan	57	748,769,273
China	18	392,024,528
Uzbekistan	4	390,023,391
Estonia	1	270,653,243
Romania	1	114,010,772
Czech Republic	3	62,587,986
United Kingdom	4	58,429,366
Germany	8	46,641,324
Ukraine	6	40,192,935
Israel	1	17,497,844
Hong Kong, China	3	9,920,331
Belgium	1	7,959,947
Belarus	2	7,613,924
Turkey	9	4,336,792
India	1	2,368,913
Italy	2	271,000

Source: Information provided by the authorities.

3.189. The Kyrgyz Republic agreed to pursue membership in the WTO Agreement on Government Procurement when it acceded to the WTO in 1998. An application for Observer status was submitted in 1999, and a formal offer was submitted in 2002. At the time of the previous Review, it was noted that questions and answers were exchanged during 2002-03, updated responses to the checklist of issues were received in 2009, after which the accession process stagnated for a number of years. In December 2015, the Kyrgyz Republic submitted its Law on Public Procurement to the Committee on Government Procurement, followed shortly by its revised initial offer in January 2016, and thus its accession process recommenced.²²² During 2016-19, negotiations were ongoing with a number of questions and answers on revised offers and draft laws. A communication was received in June 2019 with the notification of the 2015 Law on Public Procurement, as amended.²²³ At a meeting of the Committee in October 2019, the Kyrgyz Republic expressed its continued interest in pursuing membership as it remained a priority, and informed members about its current status of accession. Further, the Kyrgyz delegation informed the Committee that all comments and suggestions received were carefully studied and taken into account and work was underway to improve its legal framework on procurement. There were plans to revise the offer, and the Kyrgyz Republic was working on its third offer.²²⁴

3.3.7 Intellectual property rights

3.3.7.1 Overview of legal and institutional framework

3.190. The principal dedicated laws on the protection of intellectual property rights in the Kyrgyz Republic are²²⁵:

- Law No. 6 of 14 January 1998 on Copyright and Related Rights, as amended;
- Law No. 7 of 14 January 1998 on Trademarks, Service Marks and Appellations of Origin, as amended;
- Law No. 8 of 14 January 1998 on Patents, as amended;
- Law No. 27 of 30 March 1998 on Commercial Secrets, as amended;

²²² WTO documents GPA/ACC/KGZ/2, 7 January 2016; and GPA/ACC/KGZ/3, 26 May 2016.

²²³ WTO document GPA/S/1, 21 February 2020.

²²⁴ Information provided by the authorities.

²²⁵ WIPO, *Country Information: Kyrgyzstan-WIPO Lex*. Viewed at: <https://wipolex.wipo.int/en/legislation/profile/KG>; and information provided by the authorities.

- Law No. 28 of 30 March 1998 on the Legal Protection of Computer Programs and Databases, as amended;
- Law No. 29 of 31 March 1998 on the Legal Protection of Integrated Circuit Topologies, as amended;
- Law No. 79 of 13 June 1998 on the Legal Protection of Breeding Achievements, as amended;
- Law No. 74 of 16 July 1999 on Service Inventions, Utility Models and Industrial Designs, as amended;
- Law No. 24 of 19 February 2001 on Patent Attorneys, as amended;
- Law No. 79 of 17 March 2006 on Secret Inventions, as amended;
- Law No. 116 of 31 July 2007 on the Protection of Traditional Knowledge, as amended; and
- Law No. 116 of 22 July 2011 on Competition, as amended.

3.191. The legal framework for the protection of intellectual property rights also comprises: (i) relevant provisions of the Constitution and the Civil Code (Part II, Section 5), the Civil Procedure Code, the Criminal Code (Articles 199 and 218), the Code on Violations (Article 104), and the Customs Code (Section IX); (ii) a large number of implementing decrees, regulations, decisions, and orders; and (iii) international treaties.²²⁶

3.192. Regarding copyright and related rights, the Kyrgyz Republic is a party to the WIPO Copyright Treaty; the WIPO Performances and Phonograms Treaty; the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of their Phonograms; the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations; the Berne Convention for the Protection of Literary and Artistic Works; the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled; the Agreement on Cooperation in the Field of the Protection of Copyright and Neighbouring Rights; and the Agreement on Cooperation in the Area of Legal Protection of Intellectual Property and on Establishment of Interstate Council on Legal Protection of Intellectual Property.

3.193. Regarding industrial property rights, the Kyrgyz Republic is a party to the Paris Convention for the Protection of Industrial Property; the Patent Cooperation Treaty; the Patent Law Treaty; the Eurasian Patent Convention; the Protocol Amending the Agreement on Trade-Related Aspects of Intellectual Property Rights; the Strasbourg Agreement Concerning the International Patent Classification; the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure; the Hague Agreement Concerning the International Registration of Industrial Designs; the Locarno Agreement Establishing an International Classification for Industrial Designs; the Singapore Treaty on the Law of Trademarks; the Trademark Law Treaty; the Madrid Agreement Concerning the International Registration of Marks; the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks; the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks; the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of Registration of Marks; the Nairobi Treaty on the Protection of the Olympic Symbol; the Agreement on Mutual Preservation of Inter-State Secrets in the Area of Legal Protection of Inventions; and the Agreement on Cooperation in the Repression of Offenses in the Field of Intellectual Property.

3.194. The main government body in the field of intellectual property is the State Service for Intellectual Property and Innovation under the Government of the Kyrgyz Republic (Kyrgyzpatent). Its mandate is to provide legal protection in respect of all categories of intellectual property and to develop mechanisms to encourage innovative activity.²²⁷ It is responsible for the development of the

²²⁶ WIPO, *Country Information: Kyrgyzstan-WIPO Lex*. Viewed at: <https://wipo.int/en/legislation/profile/KG>; and information provided by the authorities.

²²⁷ Decree No. 131 of 20 February 2012, as amended.

legislative framework for the protection of intellectual property rights, and it grants titles of protection to intellectual property objects. Within Kyrgyzpatent, a special Appeal Board exists that has jurisdiction to consider disputes arising out of decisions on the registration of intellectual property. Enforcement of intellectual property rights is under the competence of other state entities, such as law enforcement, customs, and judicial bodies.

3.3.7.2 Main policy and legal developments during the review period

3.195. During the period 2012-16, the Kyrgyz Republic's policy on intellectual property rights was based on the National Strategy for the Development of Intellectual Property and Innovations adopted in 2011.²²⁸ The adoption of the Strategy was motivated to an important extent by a recognition of the need to address the problem of production and trade in counterfeit goods. The strategy identified the following priority areas: creating favourable conditions for the development of innovative activity and use of intellectual property objects; promoting modernization of the economy by intensifying the transfer of advanced technologies; raising awareness of the general public to the role and value of intellectual property; and creating an efficient system of intellectual property protection.²²⁹ The authorities consider that the main positive results achieved under this strategy are the establishment of an environment to create and use the outcome of intellectual activities, an increase in the number of students and youths engaged in scientific and technical creativity, and increased public awareness of the role and significance of intellectual property.

3.196. In 2017, the Government adopted the State Program for the Development of Intellectual Property for the Period 2017-2021.²³⁰ Its main purpose is to create the conditions for the functioning of the intellectual property market by 2021. The main priorities are: capacity building for the creation of objects of intellectual property; the improvement of mechanisms to obtain the right and protection for objects of intellectual property; and the creation of conditions for the use of objects of intellectual property.²³¹ The Government also adopted a Concept for Innovative Development of the Kyrgyz Republic.

3.197. The intellectual property rights regime was amended in several respects during the review period.

3.198. First, with respect to copyrights and related rights, there were amendments to Law No. 14 of 21 January 2014 on Copyright and Related Rights²³², Law No. 149 of 7 July 2015 on the Legal Protection of Integrated Circuit Topologies²³³, Law No. 178 of 20 July 2015 on the Protection of Traditional Knowledge²³⁴, and Law No. 45 of 3 May 2018 on the Legal Protection of Programs for Electronic Computers and Databases.²³⁵ The Government also adopted several Decrees on fees for registration of copyright, related rights, and topologies of integrated circuits; minimum rates of royalty fee for use of objects of copyright and related rights; administration of copyright and related rights on a collective basis; and minimum requirements specified for entities administering property rights on a collective basis and control of their activities by the authorized government authority.

3.199. Second, with respect to industrial property, amendments were made to Law No. 76 of 10 April 2015 on Patents²³⁶, Law No. 4 of 12 January 2015 on the Legal Protection of Selection Achievements²³⁷, and Law No. 28 of 6 February 2014 on Trademarks, Service Marks and Appellations of Origin.²³⁸ The Government adopted Decrees in this area including on fees for patenting inventions, utility models, industrial designs, selection achievements, registration of trademarks, service marks, geographical indications, the right to use geographical indications and patent attorneys; conditions and procedures for the provision of mandatory licences for objects of industrial property, traditional knowledge; approval of the rules for the submission of objections, applications, and their consideration in the Appellate Board under the State Service of Intellectual Property and Innovation;

²²⁸ Decree No. 593 of 23 September 2011.

²²⁹ WTO document WT/TPR/S/288/Rev.1, 21 January 2014, para. 3.140.

²³⁰ Decree No. 424 of 6 July 2017.

²³¹ Information provided by the authorities.

²³² WTO document IP/N/1/KGZ/14, 15 November 2018.

²³³ WTO document IP/N/1/KGZ/18, 28 November 2018.

²³⁴ WTO document IP/N/1/KGZ/11, 12 November 2018.

²³⁵ WTO document IP/N/1/KGZ/23, 17 December 2019.

²³⁶ WTO document IP/N/1/KGZ/13, 15 November 2018.

²³⁷ WTO document IP/N/1/KGZ/15, 15 November 2018.

²³⁸ WTO document IP/N/1/KGZ/6, 12 November 2018.

approval of the rules for registration of assignment contract for object of industrial property, selection achievement, licence contract on providing the right for their use, contract for the pledge of an exclusive right for object of industrial property, and contract of technology transfer.

3.200. Third, aside from the amendments to laws directly governing the protection of specific categories of intellectual property rights, there were changes to relevant related laws, notably the Civil Code²³⁹, the Criminal Code²⁴⁰, the Criminal Procedure Code²⁴¹, the Code on Offenses, and the Law on Customs Regulations.²⁴²

3.201. Finally, certain changes to the intellectual property rights regime resulted from the accession of the Kyrgyz Republic to the EAEU.

3.202. Section XXIII of and Annex 26 to the EAEU Treaty contain provisions on standards of protection of all categories of intellectual property rights found in the TRIPS Agreement and their enforcement.²⁴³ It requires member States "to cooperate in the sphere of protection and enforcement of intellectual property rights and ensure in their territories the protection and safeguarding of these rights in accordance with international law, international treaties and acts constituting the law of the Union and the legislation of the Member States" (Article 89). Cooperation between the EAEU member States shall aim at harmonizing their legislation regarding the protection and enforcement of intellectual property rights and protecting interests of owners of intellectual property rights of member States. Such cooperation shall cover the following areas: support of scientific and innovative development; improvement of mechanisms for the commercialization and use of intellectual property objects; creation of favourable conditions for copyright and related rights owners; introduction of a system of registration of EAEU trademarks and service marks and of EAEU appellation of origin of goods; enforcement of intellectual property rights on the Internet; effective customs enforcement, including the introduction of a common customs registry of intellectual property rights objects; and application of coordination measures to prevent the circulation of counterfeit goods (Article 89).

3.203. EAEU member States are required to accord national treatment regarding the protection of intellectual property to persons of other member States and to comply with a list of relevant international treaties and with requirements set out in Annex 26 to the EAEU Treaty regarding specific categories of intellectual property (Article 90). Annex 26 contains provisions on substantive standards of protection regarding: copyright and related rights; trademarks and service marks; EAEU trademarks and service marks; exhaustion of trademark and trademark of the EAEU²⁴⁴; geographical indications; appellation of origin of goods; appellation of origin of goods of the EAEU; patent rights; selection achievements; topologies of integrated circuits; and trade secrets. It also requires the conclusion of an international treaty within the EAEU on the enforcement of intellectual property rights. Finally, the EAEU Treaty obligates member States to take enforcement measures for the effective protection of intellectual property rights, including measures provided for in the EAEU Customs Code and international treaties and acts of the EAEU on customs regulations (Article 91).²⁴⁵

3.204. Pursuant to Section IV of Annex 26, a treaty providing for the creation of an EAEU trademark and service mark and an EAEU appellation of origin of goods was signed in December 2018 and was

²³⁹ Law No. 133 of 23 July 2016; and WTO document IP/N/1/KGZ/17, 28 November 2018.

²⁴⁰ Law No. 10 of 24 January 2017.

²⁴¹ Law No. 4 of 11 January 2014; WTO document IP/N/1/KGZ/8, 12 November 2018; Law No. 10 of 24 January 2017; and Law No. 62 of 15 May 2019.

²⁴² Law No. 52 of 24 April 2019.

²⁴³ The EAEU rules on intellectual property rights were analysed in the Secretariat's Factual Presentation on the EAEU, WTO document WT/REG358/1, 13 July 2018, Section 5.9. See also the Secretariat Report prepared for the most recent Trade Policy Review of Armenia, WTO document WT/TPR/S/379/Rev.1, 30 January 2019, Section 3.3.8.3.

²⁴⁴ In accordance with the Protocol on Transitional Provisions, the provisions of Section IV of Annex 26 on the regional exhaustion of EAEU trademarks became directly applicable in the Kyrgyz Republic in August 2017.

²⁴⁵ Two legal instruments related to the enforcement of intellectual property rights have been adopted since the entry into force of the EAEU Treaty. The Treaty on Coordination of Enforcement of Intellectual Property Rights, concluded on 8 September 2015, entered into force on 19 July 2016. The Regulation on Information Interaction of the Authorized Bodies of the Member States of the EAEU and the Eurasian Economic Commission in the Field of Enforcement of Intellectual Property Rights, adopted on 30 August 2016, entered into force on 1 October 2016. WTO document WT/REG358/1, 13 July 2018, para. 5.68.

expected to become operational by the end of 2020. An agreement on collective management of copyright and related rights within the EAEU was signed in 2017 and entered into force on 27 May 2019.

3.205. In 2017, the Kyrgyz Republic acceded to the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled and accepted the Protocol of Amendments of the TRIPS Agreement of 6 December 2005.

3.206. Table 3.26 provides the number of applications for intellectual property rights and the number of intellectual property rights registered in the State Registers of Intellectual Property Objects of the Kyrgyz Republic during the period 2013-19.

Table 3.26 Trends in intellectual property, 2013-19

	2013	2014	2015	2016	2017	2018	2019
Applications							
Patents	114	139	126	89	146	114	93
Utility models	9	10	17	24	22	32	19
Industrial designs	14	53	23	18	17	17	6
Trade marks	706	714	748	640	795	954	847
Copyright	180	273	228	331	170	250	292
Registrations							
Patents	88	100	111	120	78	110	67
Utility models	19	11	13	26	11	22	28
Industrial designs	35	26	31	28	5	17	15
Trade marks	684	600	612	671	534	726	805
Copyright	181	262	225	329	167	250	292

Source: Information provided by the authorities.

3.3.7.3 Enforcement of intellectual property rights

3.207. Enforcement of intellectual property rights by customs authorities is currently provided for in the EAEU Customs Code, which entered into force in January 2018, and in Article 107 of the Kyrgyz Law on Customs Regulations, which entered into force in April 2019. Under Article 124 and Chapter 52 of the EAEU Customs Code, customs authorities of EAEU member States are required to suspend the release of goods for 10 business days if they discover signs of violations of intellectual property rights of copyright holders violations in respect of goods containing intellectual property included in the EAEU Common Customs Registry²⁴⁶ or in their national customs registries.²⁴⁷ This period can be extended for another 10 business days if the copyright holder initiates legal proceedings. Article 107 of the Kyrgyz Law on Customs Regulations lays down detailed rules for the implementation of this provision of the EAEU Customs Code.

3.208. Although the Law on Customs Regulations provides for the possibility of a suspension by the customs authorities *ex officio* of the release of goods containing objects of intellectual property not included in the EAEU Common Customs Registry or in the National Customs Registry of Intellectual Property Rights, to date this authority has not been used.²⁴⁸ The State Customs Service takes measures regarding the border enforcement of intellectual property rights exclusively with respect to intellectual property rights included in the customs registry of intellectual property rights, and only in respect of trademarks.

²⁴⁶ The EAEU Common Customs Registry of intellectual property of the member States is maintained by the EEC. It includes intellectual property items protected in each EAEU member State. The items that can be included in the Registry are copyright and related rights, trademarks, service marks, and geographical indications of goods. Items can be included in the register based on applications of the rights holders or persons representing their interests. EAEU Customs Code, Article 385.

²⁴⁷ National customs registries are maintained by the customs authorities of the individual member States and contain intellectual property items protected in the member State whose customs authorities maintain the registry. The terms and procedure for the inclusion of intellectual property in the national registries are provided for in the customs legislation of the individual member States. EAEU Customs Code, Article 386.

²⁴⁸ The State Customs Service is currently developing a draft regulation to implement this provision.

3.209. In October 2019, the State Customs Service issued an order to reinforce control of goods included in the National Customs Registry of Intellectual Property Rights. Between 1 January 2017 and 16 October 2019, the service suspended the release for internal consumption of hygienic products, spare parts for transport vehicles, alcoholic drinks, palm oil, confectionery, assorted drinks and nectars, and electric appliances.

3.210. In addition to actions taken by the customs authorities, enforcement of intellectual property rights protection in the Kyrgyz Republic typically occurs through civil action before the courts; there were no administrative or criminal enforcement proceedings during the review period. The largest number of cases (87) considered by the courts related to Kyrgyzpatent's role in the collective management of copyrights, followed by 31 disputes concerning alleged infringement of trademarks, 21 disputes concerning alleged infringement of copyright and related rights, and 10 disputes concerning decisions of the Appeal Board on the registration of intellectual property rights.

3.211. It has been observed in a recent study that "IPR enforcement remains problematic due to inefficient judicial processes that result in lengthy appeals processes and problematic recovery of penalties. IPR infringement, including production and trade of counterfeit goods, remains a problem for both the authorities and general public".²⁴⁹

²⁴⁹ UNECE, *Innovation for Sustainable Development Review of Kyrgyzstan*, 2019, p. 32. Viewed at: https://unece.org/DAM/ceci/publications/I4SD_Kyrgyzstan/ECI_CECI_25_ENG.pdf.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, Forestry, and Fisheries

4.1.1 Agriculture

4.1. The territory of the Kyrgyz Republic classified as agricultural land has been relatively stable at approximately 10.6 to 10.8 million hectares (ha) in recent years. Most of this area is pastures (9 million ha) or arable land (1.2 million ha), of which nearly two thirds is irrigated and one third is rainfed arable land. About 55% of the agricultural output is derived from livestock and 45% from crop production. Measured in production volume, the principal crops are potatoes, vegetables, sugar beet, maize, wheat, and barley (Table 4.1). The increase in sugar beet production was particularly strong. During 2016 to 2018, output of sugar beet was almost four times higher than in the preceding three-year period. Measured in production value, the most valuable commodities in 2019 were livestock and poultry (USD 894 million), raw milk (USD 488 million), vegetables (USD 451 million), grains and legumes (USD 417 million), and potatoes (USD 243 million).

Table 4.1 Gross output value and production volumes of agriculture, hunting, and forestry, 2012-19

(USD million and '000 tonnes)

	2012	2013	2014	2015	2016	2017	2018	2019 ^a
Values (USD million)								
Crops	1,709	1,780	1,830	1,513	1,399	1,571	1,460	1,583
Grains and legumes	531	577	491	456	363	386	405	418
Potatoes	281	358	428	229	235	357	254	243
Vegetables	338	310	387	408	408	406	334	451
Raw cotton	80	68	57	34	35	47	54	46
Tobacco	9	6	4	2	0	2	2	1
Sugar beet (fabric)	6	12	9	9	35	33	36	34
Melons	45	29	36	38	28	31	29	39
Fruit	162	154	160	130	117	132	140	129
Grapes	8	8	13	7	8	6	6	7
Other	250	256	244	202	170	171	201	216
Livestock	1,769	1,686	1,734	1,469	1,356	1,380	1,438	1,489
Growing livestock and poultry	1,157	1,040	1,055	933	857	860	892	894
Raw milk	519	548	587	460	426	446	469	488
Eggs	50	57	53	48	48	48	48	50
Wool (physical weight)	10	9	8	2	3	3	3	9
Other	34	32	30	26	23	24	26	48
Hunting and forestry	5	5	5	5	5	5	5	5
Volumes ('000 tonnes)								
Grains (weight after reprocessing)	1,334	1,701	1,328	1,723	1,728	1,682	1,742	1,781
<i>of which:</i>								
Wheat (weight after reprocessing)	541	819	573	705	662	601	616	601
Barley (weight after reprocessing)	213	310	197	370	415	424	429	466
Maize	578	568	556	642	649	653	693	712
Leguminous (weight after reprocessing)	81	85	90	97	98	103	107	109
Sugar beet (fabric)	102	195	174	183	705	712	773	741
Cotton (at recorded weight)	85	69	69	44	52	65	75	80
Tobacco (at recorded weight)	7	7	4	1	1	2	2	1
Oil-producing crops	59	56	46	49	41	40	35	31
Potatoes	1,313	1,332	1,321	1,416	1,388	1,416	1,447	1,374
Vegetables	866	882	920	1,052	1,069	1,087	1,095	1,134

	2012	2013	2014	2015	2016	2017	2018	2019 ^a
Melons	193	196	200	249	237	259	249	246
Fruits and berries	223	234	237	209	239	241	251	270
Grapes	8	8	9	6	9	9	9	9
Meat (at slaughter weight)	192	193	203	208	212	217	221	223
Beef and veal	..	..	102	99	103	104	109	..
Pork	..	..	16	15	16	16	17	..
Lamb and goat meat	..	..	59	61	62	64	63	..
Horse meat	..	..	20	25	23	25	24	..
Poultry meat	..	..	6	8	8	8	9	..
Rabbit meat	..	..	0	0	0	0	0	..
Milk	1,382	1,408	1,446	1,481	1,525	1,556	1,590	1,628
Eggs (million pieces)	418	422	446	433	470	511	533	561
Wool (physical weight)	11	12	12	12	12	13	13	13

.. Not available.

a Preliminary data.

Source: WTO Secretariat, based on data from the National Statistical Committee and provided by the authorities.

4.2. The agro-industrial sector was included among the priorities for development in the National Sustainable Development Strategy for 2013-17. Specific targets included enhanced food security, improved efficiency and competitiveness in Kyrgyz agriculture and agro-processing, more efficient use of government budget resources, and addressing various social issues of peasants. Although the actual outcomes appear to have fallen short of the ambitions expressed, certain improvements were made, notably in the availability of veterinary services, provision of seeds, rehabilitation of infrastructure (with donor funding), better market opportunities through accession to the EAEU, higher volumes of credit to farmers and agribusinesses on improved terms, and implementation of various tax concessions favouring the sector.¹ The new five-year policy announced in 2017, *Forty Steps to New Era: 2018-23*, focuses on irrigation and the provision of clean drinking water, particularly in rural and remote areas, as well as further strategies to develop agri-business and collective systems.

4.3. The national programme for the development of the food and processing industry (2017-21) targets a 25% increase in agricultural production by 2021, and the creation of new logistics centres for storage and distribution, as well as a minimum of 10 new processing enterprises. Specific programmes or "concepts" were elaborated for subjects such as fine-fleeced sheep (2015-20), the preservation and enhancement of soil fertility (2017-20), cotton (2017-21), organic farming (2017-22), food security and nutrition (2019-23), and trade and logistics centres (2019-23). In addition to a review of the funding mechanisms in agriculture, i.e. approval procedures, interest rates, and the duration of loans, the authorities intend to examine the feasibility of an insurance scheme, the establishment of industry associations, and support to potential exporters for their participation at international fairs and exhibitions. A certification scheme for organic products, involving the labelling of honey, fruit (fresh or dried), nuts, and vegetables, is also contemplated.

4.4. The agricultural sector has significant potential for further growth. Relative to its neighbours, the Kyrgyz Republic has abundant water resources, but it faces challenges regarding land availability and degradation. Most farms are small, and peasants lack knowledge of modern farming techniques. Land productivity is low. The support services and infrastructure that would allow smallholder farmers to increase productivity are largely missing. Although improved access to the entire EAEU market offers new opportunities, capturing them requires better regulatory services, improved transportation, and modern processing facilities.²

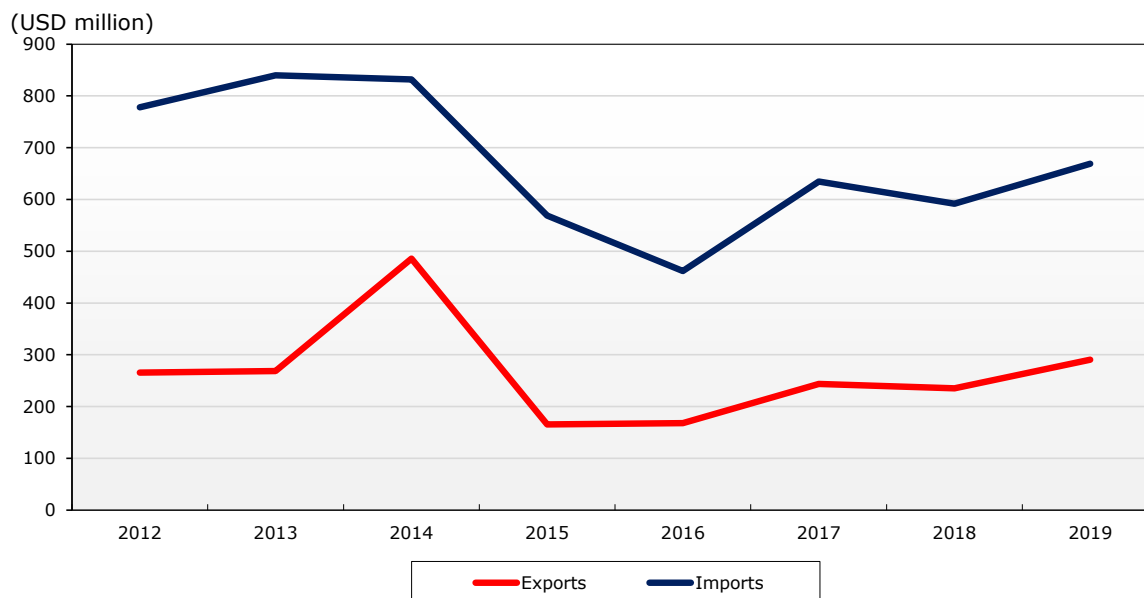
4.5. The Kyrgyz Republic is a net importer of agricultural goods (Chart 4.1). Imports cover a wide range of products, notably chocolate, sugar and confectionery, sunflower oil, wheat, fruit and berries,

¹ Asian Development Bank (ADB), *Kyrgyz Republic: Improving Growth Potential*, September 2019. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>.

² International Food Policy Research Institute, *Agriculture Development in the Central Asia Regional Economic Cooperation Program Member Countries: Review of Trends, Challenges, and Opportunities*, December 2019. Viewed at: <https://www.adb.org/sites/default/files/publication/549916/agriculture-development-carec-countries.pdf>.

bread, bakery products, and other processed foods, including baby food. Most imports are either sourced in Kazakhstan or transported by road from the Russian Federation to the Kyrgyz-Kazakh border. According to the authorities, the self-sufficiency ratio in food was approximately 72% in 2017 and 2018, up from 65% in 2015. However, in their view, the consumption of meat and meat products, eggs, sugar, fruit, and berries is insufficient.

Chart 4.1 Exports and imports of agricultural products, 2012-19



Note: WTO agricultural definition.

Source: WTO Secretariat calculations, based on UN Comtrade database.

4.6. Turkey, the Russian Federation, Kazakhstan, and China are the principal foreign markets for Kyrgyz agricultural output. Dried kidney beans, which are not a traditional staple food in the Kyrgyz Republic, are the single most important export commodity. The main market for Kyrgyz kidney beans is Turkey, but shipments have gradually been increasing to the Russian Federation and Eastern Europe, i.e. Bulgaria, Montenegro, and Serbia.³ Other significant items are cotton lint, dried fruit, and dairy products (butter, cheese, and cow milk).

4.1.1.1 Trade measures

4.1.1.1.1 Imports

4.7. With the accession of the Kyrgyz Republic to the EAEU, imports from its preferential partners are now generally free from customs duties and other trade restrictions. However, for certain goods, including wheat flour, rice, eggs, sugar, and beer, the Kyrgyz Republic established minimum prices for imports from other EAEU members.⁴ This measure has been applied since late 2016 (Section 3.1.1.3).

4.8. For other trading partners, the move to the Common External Tariff (CET) of the EAEU largely implies higher tariffs and more complex market access. During a transitional period that lasted until the end of 2019, the Kyrgyz Republic was authorized to apply rates that were different from the CET

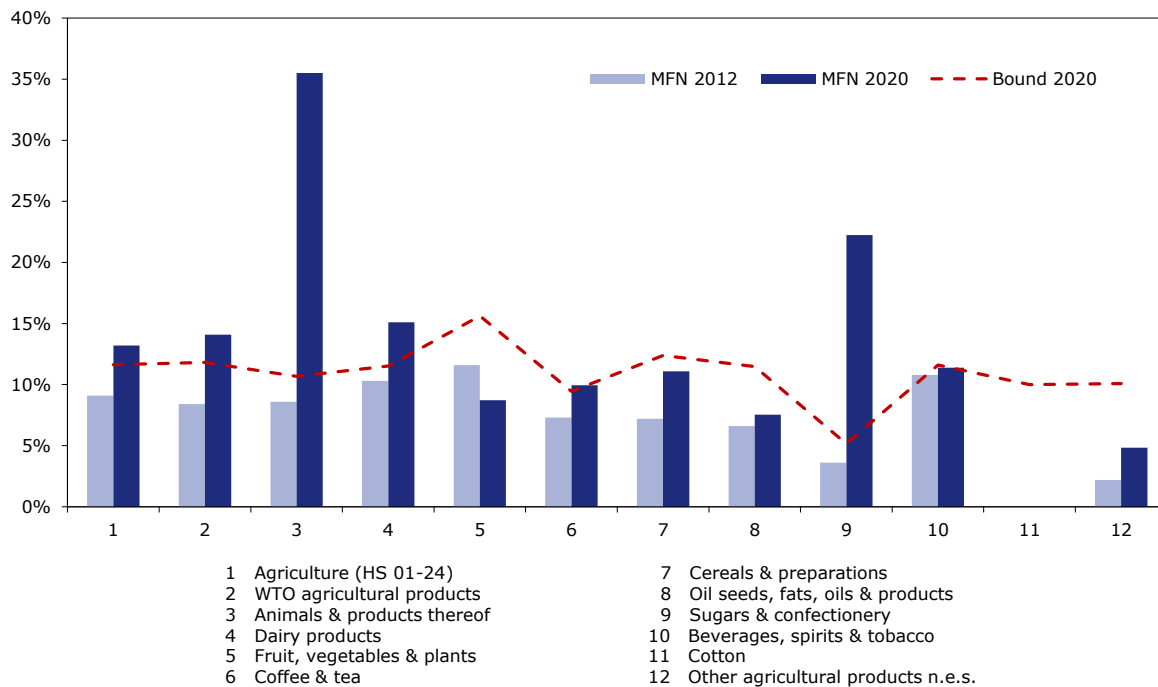
³ The beans are predominantly grown in the Talas valley, among farming families originating from the Caucasus region but removed from there in the 1930s. The cultivation of kidney beans, subsequently dried for export, was developed with investments from Turkey in the late 1990s.

⁴ State Agency for Antimonopoly Regulation Decision No. 197 of 16 December 2016, implementing Government Resolution No. 537 of 12 October 2016 on Approval of the Procedure for Determining, Applying and Controlling the Minimum Level of Control Prices for Goods Imported into the Territory of the Kyrgyz Republic from the Member States of the Eurasian Economic Union, as amended by Government Resolutions No. 609 of 25 September 2017, No. 21 of 9 August 2019, and No. 29 of 12 December 2019.

for 166 items.⁵ The list included plant protection products, agricultural machinery, and veterinary drugs (Table A3.1).

4.9. As at 1 January 2020, application of the CET results in a simple average most-favoured nation (MFN) rate of 14.1% for agricultural products (WTO definition), compared with 8.4% in 2012. Whereas the national tariff applied previously consisted exclusively of *ad valorem* tariffs with a maximum rate of 20%, the current CET includes specific and/or compound rates with estimated *ad valorem* equivalents (AVEs) running as high as 228.2%. The tariff increases are particularly marked for animals and animal products, sugar and confectionery, and to some extent also for dairy products (Chart 4.2). In these product categories, the average CET is also well above rates at which the Kyrgyz Republic bound its import duties at the time of accession to the WTO. For animals and animal products, where the maximum tariff was 10% in the past, *ad valorem* rates currently reach up to 80% and compound rates affect 247 tariff lines. For sugar and confectionery, where the national tariff stipulated a maximum *ad valorem* rate of 7%, the majority of the tariff lines (93 of 130) now face specific duties, with estimated AVEs ranging from 3.7% to 119.6%. The higher rates are to some extent mitigated by tariff-rate quotas (TRQs), which were not utilized in the earlier national regime, for beef, pork, and poultry meat. However, the annual TRQs for beef and pork are quite small (5,000 tonnes and 3,500 tonnes, respectively), and the in-quota tariff rates are 15% for beef and 25% for poultry meat. The quotas are allocated administratively, and fixed percentages of the beef, pork, and poultry quotas are reserved for new entrants.⁶ Suppliers that fail to utilize their quota for the year may not participate in the quota allocation the following year.

Chart 4.2 Applied and bound rates by agricultural broad products, 2012 and 2020



Note: Averages for 2012 exclude AVEs, while averages for 2020 include AVEs when available.

Source: WTO Secretariat calculations, based on data provided by the authorities.

4.10. Seasonal or temporary duties are also applied on certain items. Whereas in the past, seasonal duties were approved by Parliament and could replace the normal rate of customs duty for up to six months, they are now an integral part of the CET. Seasonal tariffs were established for potatoes, tomatoes, cucumbers, sweet peppers, apples, pears, and raw sugar (sugar cane and beet).

⁵ The list of such goods and the corresponding tariff rates was stipulated in EEC Board Decision No. 68 of 30 June 2015.

⁶ Detailed rules are laid down in Government Resolution No. 889 of 29 December 2015, as amended by Government Resolution No. 252 of 23 May 2018.

Temporary duty arrangements, including temporary reductions to mitigate the effects of the COVID-19 pandemic, are covered in Section 3.1.3.4.

4.11. According to the Treaty of Accession of the Kyrgyz Republic to the Eurasian Economic Union, up to 100,000 tonnes of raw cane sugar could be imported free of MFN duty for industrial processing for five years from the date of accession, i.e. until May 2020.⁷ The Government of the Kyrgyz Republic provided guarantees that the white sugar produced from these imports was not to be redirected to the other EAEU member States.

4.1.1.1.2 Exports

4.12. Export duties on agricultural products were applied for a six-month period in 2010-11 in response to critical shortages of certain cereals and animal feed. The export duties ranged from 5% to 30% on the products concerned. The measure was notified to the WTO.⁸ Export duties on raw hides and skins of cattle and horses (HS 41.01) have been in place since 2016 (Section 3.2).

4.13. Following the declaration of a state of emergency in response to the COVID-19 pandemic, the Kyrgyz Republic imposed a temporary ban on exports of certain food products and essential goods through Government Resolution No. 178 of 22 March 2020. The temporary ban affected exports of wheat, flour, vegetable oils, rice, pasta, sugar, eggs, salt, hay, straw, animal feed, bran, and grain feed (Section 3.2).

4.1.1.2 Domestic support

4.14. Access to credit is one of the main constraints for the development of the agricultural sector. The National Bank of the Kyrgyz Republic (NBKR) has conducted credit auctions for the refinancing of commercial banks to facilitate their lending to priority sectors, including agriculture, since 2012. Preferential loans to agricultural producers have been administered under governmental programmes since 2011.⁹ According to the authorities, approximately 12,000 loans per year on average, constituting a gross lending volume of KGS 35 billion for the commercial banks, were granted to rural producers on preferential terms between 2013 and 2019. The subsidy element of these loans totalled KGS 4.338 billion. About 68% of the credits were allocated to livestock, 17% to processing enterprises, and 15% to crop cultivation. The concessional loans are currently channelled through six banks.

4.15. The budgeted subsidy element for 2020 amounts to KGS 1.25 billion.¹⁰ Although the two state banks channelling the loans receive compensation (KGS 250 million) for the concessional rates of interest, the programme also foresees that the banks should provide KGS 300 million on their own account. "Financing of agriculture – 8" is divided in two parts: one with a social orientation to support small farming collectives with loans that do not require collateral, and the other addressing the financing of agricultural clusters.

4.16. A programme dedicated to the financing of business start-ups, in particular the processing of local agricultural production, was introduced in 2018.¹¹ The programme is supported by the NBKR, the Russian-Kyrgyz Development Fund (RKDF), and the open joint stock company (OJSC) Guarantee Fund. Loans are provided at concessional rates (as low as 4% p.a.) on terms up to seven years with a 24-month grace period for reimbursements. Moreover, the facility sets standards regarding the acceptance of collateral and may allow new businesses to operate for up to three years before breaking even.

⁷ Protocol on the Conditions and Transitional Provisions on the Application by the Kyrgyz Republic of the EAEU Treaty of 29 May 2014, Separate International Treaties Incorporated into the Law of the EAEU, and the Acts of the Bodies of the EAEU due to the Accession of the Kyrgyz Republic to the EAEU Treaty of 29 May 2014 (Protocol on Transitional Provisions), Annex 1, Section V, as summarized in WTO document WT/REG366/1, 29 August 2018.

⁸ WTO document G/AG/N/KGZ/3, 7 January 2011.

⁹ The scheme was entitled "Affordable loans to farmers" in 2011-12. Subsequently, the name was changed to "Financing of agriculture – 1" in 2013, "Financing of agriculture – 2" covering 2014, and so on. Measures applicable in 2020 were funded under "Financing of agriculture – 8".

¹⁰ Government Resolution No. 81 of 14 February 2020 on Financing of Agriculture – 8.

¹¹ The new mechanism is part of the implementation of the Presidential Decree on Declaring 2019 the Year of Regional Development and Digitalization of the Country.

4.17. According to the authorities, the Kyrgyz Republic provided limited support to the agricultural sector between 2000 and 2019. With reference to the definitions established in the WTO Agreement on Agriculture, about 63% of the outlays were on "amber box"-type measures, while the remainder were spent on assistance in the "green box" category. As the entire amber box support is reported as non-product-specific, it has on average amounted to 0.55% of the total value of the agricultural production, which is well below the established *de minimis* ceiling (5%) for the Kyrgyz Republic. The support primarily relates to financing measures (92%), i.e. either to provide loans at concessional rates, or to cover the costs of leasing agricultural machinery, equipment, or animals. Limited support was also made available to repair or maintain on-farm reclamation networks (5%), and to assist the production of seeds (3%). "Green box" assistance mainly took the form of infrastructure-related services (85%), such as expenditures for the provision of electricity, roads, other communications, irrigation, dams, or drainage systems. Some funds were also spent on pest and disease control (13%) or on inspection services (2%).

4.18. The Kyrgyz Republic resumed notifications of its domestic support programmes to the WTO Committee on Agriculture in 2017, providing information for calendar year 2012.¹² Since then, notifications were also received for 2015, 2016, and 2017.¹³ According to the most recent notification, assistance under the "green box" totalled KGS 2.9 billion, of which nearly KGS 2 billion concerned expenses on infrastructure-related services. The non-product-specific support amounted to KGS 1.363 billion, or 0.65% of the aggregate production value, and related to expenditures under the "Credits available to farmers" programme (KGS 950 million), and agricultural leasing arrangements (KGS 413 million), a support measure in place since 2016.

4.19. According to the authorities, the budgetary outlays in 2018 towards the agricultural sector amounted to KGS 2.5 billion, of which KGS 1.3 billion was spent on the operation, maintenance, and overhaul of irrigation and land-reclamation facilities owned by the State. The budgetary appropriation in 2019 reached KGS 3.7 billion, of which KGS 1.4 billion was envisaged to be funded through the development budget, i.e. the State Investment Program.

4.2 Mining and Energy

4.2.1 Mining

4.20. Mining, principally of gold, antimony, mercury, tin, coal, oil, gas, and materials used in construction, is an important sector of the economy. The Kyrgyz Republic has a complicated geological structure. Many types of sedimentary, igneous, and metamorphic rocks were formed under different geodynamic conditions. More than 10,000 deposits of ore, non-ore, energy, and non-metallic minerals have been discovered. As at 1 January 2019, the reserves recorded in the State Balance of Mineral Reserves included 654.2 tonnes of indigenous and placer gold in 107 deposits, 257.2 tonnes of silver reserves in 23 deposits, and 1.5 billion tonnes of coal reserves in 45 deposits.¹⁴ While mining and quarrying activities account for less than 1% of GDP, ore processing, statistically recorded as manufacturing, is a significant component of value added.

4.21. One large gold mine, Kumtor, located in the east of the country, accounts for nearly 10% of GDP.¹⁵ The 534,563 ounces of gold produced by the mine in 2018 represented 18.4% of the entire industrial output. The Kumtor Gold Company CJSC (KGC) is the largest taxpayer and largest private-sector employer. It holds the concession for the Kumtor deposit and is responsible for the entire production cycle. KGC is wholly owned by Centerra Gold Inc. (Centerra), whose shares are held by Kyrgyz state-owned enterprises and private Canadian shareholders. Centerra is a publicly listed company in Canada.

4.22. Gold mined at Kumtor is sold to the wholly state-owned Kyrgyzaltyn OJSC. Kyrgyzaltyn owns 27% of Centerra and has stakes in Altynken LLC, Makmal Gold Company LLC, and Eti Bakir Terreksai LLC. The gold production of these three companies totalled 4,070.3 kgs in 2019, 10 times more than the production reported by Kyrgyzaltyn in 2015 (364.5 kgs). Kyrgyzaltyn's profits increased

¹² WTO document G/AG/N/KGZ/4, 12 September 2017.

¹³ WTO documents G/AG/N/KGZ/5, 25 May 2018; and G/AG/N/KGZ/6 and 7, 5 August 2019.

¹⁴ Information provided by the authorities.

¹⁵ ADB, *Kyrgyz Republic: Improving Growth Potential*, 2019, p. 65. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>.

significantly in recent years due to an expansion in production at its joint ventures with foreign investors.

4.23. Exports of gold, of which almost 98% originate from Kumtor¹⁶, averaged about 35% of Kyrgyz merchandise exports in recent years (Chart 4.3). The observed volatility in export value reflects changes in the world market price of gold and domestic supply disruptions. Switzerland was the main destination for Kyrgyz gold until 2017, when sales appear to have been redirected towards the United Kingdom (Table 4.2).

Table 4.2 Exports of non-monetary gold and silver by destination, 2014-19

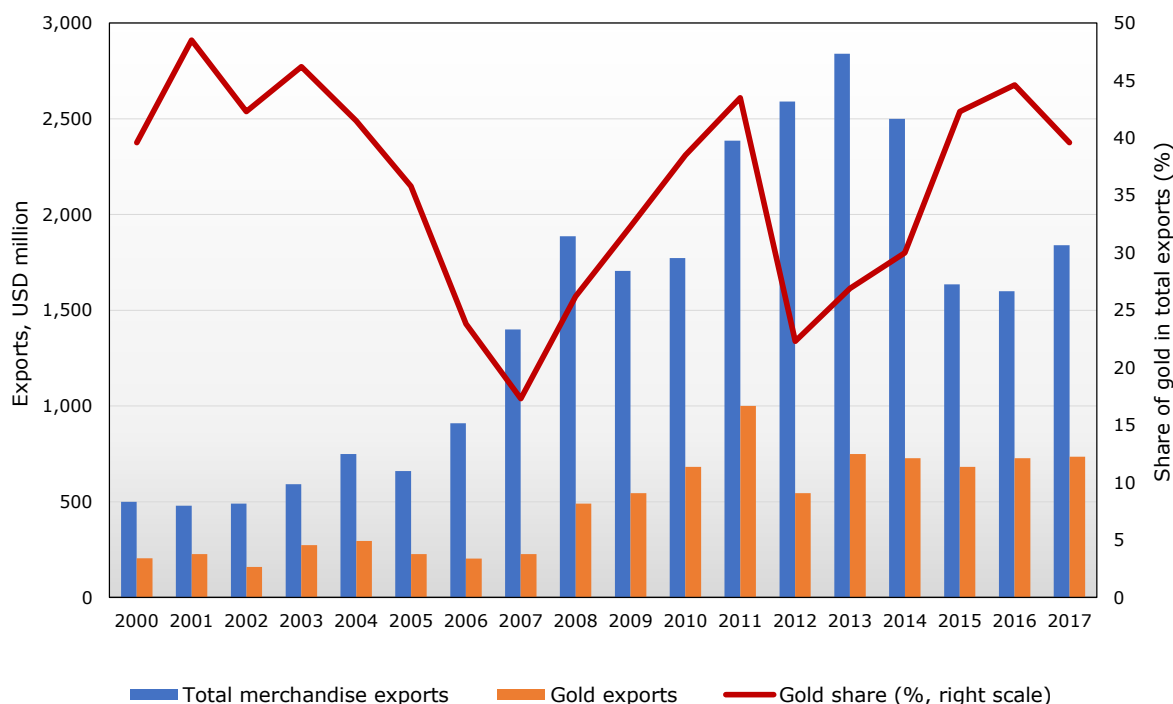
(USD million)

	2014	2015	2016	2017	2018	2019
Gold (incl. gold plated with platinum) unwrought	716.9	665.4	701.6	700.4	664.2	832.9
United Kingdom	-	-	31.3	186.8	663.9	832.0
Turkey	0.1	0.4	0.6	0.2	0.1	0.8
Poland	-	-	-	-	-	0.0
China	-	-	-	-	0.1	-
Italy	-	-	-	0.1	0.1	-
Switzerland	573.0	559.3	644.0	484.7	-	-
United Arab Emirates	130.8	85.6	25.7	28.6	-	-
British Virgin Islands	11.8	20.0	-	-	-	-
Belgium	1.2	-	-	-	-	-

- No export.

Source: WTO Secretariat calculations, based on data from UN Comtrade database.

Chart 4.3 Gold in total merchandise exports, 2000-17



Source: WTO Secretariat, based on data compiled from the NBKR, various years.

4.24. The State Committee for Industry, Energy and Subsoil Use (SCIESU) is the central executive body responsible for the development and implementation of state policy in the field of subsoil use. The SCIESU issues, extends, suspends, and revokes licences for the right to use subsoil, in

¹⁶ ADB, *Kyrgyz Republic: Improving Growth Potential*, 2019, p. 65. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>.

accordance with legislation on subsoil use, and monitors compliance with the terms of licence agreements.

4.25. Several general laws, notably the Tax, Labour, Civil, and Land Codes, include sections dedicated to exploration and mining. In addition, the sector is governed by specific laws such as the Laws on Subsoil Resources, on Coal, on Mineral Oil and Gas, and on Concessions. A new version of the Law on Subsoil Resources, adopted on 19 May 2018¹⁷, introduced several important changes, including: (i) licences granted on a first-come, first-served basis (First Filed Application), instead of through direct negotiation; (ii) enhanced transparency, including the disclosure and publication of information regarding the beneficial owners of mining companies, and the publication of licence agreements; (iii) shortenings the terms of licences while expanding the rights of licence holders; and (iv) the transfer of rights to grant and register licences for exploration and development of construction materials, such as clay and gravel from the SCIESU to local government authorities.

4.26. The Law on Subsoil Resources defines several types of licences, including those for prospecting, exploration, and development. Licences for the development of mineral deposits may be granted for up to 20 years, with the possibility to extend until the mineral resource is depleted.

4.27. The right to use subsoil resources may be granted through tenders, auctions, or application of the First Filed Application Rule. A tender process is required when the Government has identified a project to be of national importance. To conduct a tender, the Government establishes a tender commission.¹⁸ Auctions are held for the subsoil plots included in the relevant register.¹⁹ The register of auction subsoil fields is formed and approved by the authorized state body for subsoil use in accordance with the criteria established by the Government. The First Filed Application Rule applies to: (i) subsoil plots, with the exception of subsoil use rights provided through a tender or auction; and (ii) subsoil plots not related to the geological study of the subsoil and the development of mineral deposits.²⁰

4.28. Foreign and local entities may participate on equal terms in the procedures to obtain licences, and no foreign ownership restrictions apply to applicants or licence holders. A foreign legal entity recognized as the winner of an auction or tender or in whose favour a decision was made to grant the right to use subsoil according to the First Filed Application Rule is obliged to establish a subsidiary legal entity with 100% equity participation in the Kyrgyz Republic to which the licence is issued.

4.29. Small-scale mining of raw materials and artisanal gold mining based on special regulatory acts²¹ do not require subsoil use licensing. Instead, operators may easily acquire affordable individual permits. Although artisanal mining is encouraged, it remains a small and stagnant subsector, employing an estimated 5,500 people.

4.30. Extractive industries are a significant source of government revenue. Taxes received from companies in extractive industries constituted 9.7% of the state budget in 2017, and increased from KGS 9.9 billion in 2017 to KGS 11.4 billion in 2018 and to KGS 12.9 billion in 2019. KGC is subject to a special tax regime, stipulated in its investment and concession agreements with the Government and approved by Parliament. According to a recent Asian Development Bank (ADB) report, the Government derives about 20% of its revenues from the Kumtor mine.²²

4.31. The rest of the mining industry operates under the general tax regime laid down by the Tax Code. The income tax paid by mining companies is similar to the general (10%) corporate income tax. However, starting from November 2020, the income tax for gold mining companies will vary

¹⁷ Law No. 49 of 19 May 2018 on Subsoil Resources.

¹⁸ The tender commission may include in the terms of the tender a provision on the gratuitous transfer to the Kyrgyz Republic of a share in the authorized capital of the future licensee.

¹⁹ The auction organizer may include in the conditions of the auction a provision on the gratuitous transfer to the Kyrgyz Republic of a share in the authorized capital of a future licence, as well as other additional conditions with respect to investment, attraction of qualified personnel, terms of commencement of operations, construction of a factory, and work experience.

²⁰ The SCIESU held 10 auctions in 2019, although it planned to hold 20 auctions and 5 tenders.

²¹ For example, the Regulation on the Implementation of Individual Artisanal Mining of Placer Gold in the Territory of the Kyrgyz Republic, approved by Government Resolution No. 524 of 23 July 2015 and amended by Government Resolution No. 108 of 16 February 2017.

²² ADB, *Kyrgyz Republic: Improving Growth Potential*, 2019, p. 65. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>.

from 8% to 30%, depending upon the price of gold per troy ounce, on gold-containing concentrate (ore) or in gold alloy (refined gold).

4.32. In addition to general corporate taxes, bonus and licence fees can be set for mining companies. The tax base for a one-time bonus tax is calculated according to the total geological reserves or the size of the licence area. The tax rate determined by the Government also depends on the type of minerals, the estimated ore reserves (in the case of development), and the size of the licence area (in the case of exploration and research). Royalties are charged on the proceeds from the sale of mineral raw materials and mineral processing products. Royalty rates range from 1% for coal to 12% for natural facing stones. Mining activities are also subject to VAT (total rate of 12%; zero for exports of non-metallic goods), excise tax, and sales tax (from 0% to 3%). The Tax Code also defines local taxes, such as land and property taxes.

4.33. Although the Kumtor mine shows good profitability under current conditions, the Government's heavy reliance on Kumtor as a source of revenue is regarded as a significant risk. Production may be disrupted by accidents and social unrest and was also affected by disputes between the Government and the mine's owners. According to a compromise struck in 2017 and subsequently fine-tuned in a Strategic Agreement, Centerra is committed to support environmental protection and investment promotion policies through various environmental and social funds established by the Government. Notwithstanding joint efforts by Centerra and the Government to extend the life of the Kumtor mine, it is expected to close in 2026. The Government is therefore developing other medium- and long-term projects as alternatives.

4.34. The National Development Strategy 2018-2040, the Government's programme, and the concept of regional policy development all point to the need for increased mining efficiency and the introduction of modern technologies with minimal environmental impact. The creation of a favourable investment climate and the elimination of certain legal, tax, and regulatory issues are also mentioned as priorities. Law 49 of 19 May 2018 on Subsoil Resources introduced a social package to improve relationships between the local population and subsoil users.²³

4.2.2 Energy

4.2.2.1 General features

4.35. The Kyrgyz Republic is rich in energy resources, particularly hydropower and coal, and is potentially self-sufficient. It has small reserves of oil and natural gas, and for these forms of energy is heavily reliant upon imports. Table 4.3 provides data on the recent evolution of trade in natural gas, crude petroleum, and coal.

Table 4.3 Trade balance of selected energy products, 2012-19

(USD million)

Product type	2012	2013	2014	2015	2016	2017	2018	2019
Natural gas								
Imports	78.3	64.2	50.5	40.4	40.3	41.8	46.2	45.5
Exports	-	-	-	-	-	0.0	-	-
Balance	-78.3	-64.2	-50.5	-40.4	-40.3	-41.8	-46.2	-45.5
Crude petroleum								
Imports	4.7	0.6	2.8	0.7	4.0	0.5	0.7	0.5
Exports	-	1.0	2.8	-	2.6	4.7	17.3	16.2
Balance	-4.7	0.4	0.1	-0.7	-1.4	4.3	16.6	15.7
Coal								
Imports	38.1	50.6	45.3	39.9	15.4	20.9	21.0	17.5
Exports	3.7	4.8	7.1	5.7	5.4	5.1	11.0	14.9
Balance	-34.4	-45.8	-38.2	-34.2	-10.0	-15.7	-9.9	-2.6

- No exports.

Source: WTO Secretariat calculations, based on data from UN Comtrade database.

4.36. While the Kyrgyz Republic has significant potential for the development of renewable energy, the authorities estimate that less than 1% of that potential is currently used. An Action Plan for

²³ The obligation to draw up a social package applies only to subsoil projects of national importance that are at the stage of exploration and development of minerals.

Reforming the Energy Sector was implemented in 2013-14, leading to the Electricity Law being amended (at the end of 2014), the approval of a Medium-Term Tariff Policy (2014-2017), and the establishment of a regulator for tariff setting and licensing. Steps were also taken that aim to improve energy security. In this regard, the Council of Defence recommended in 2015 that the Government work towards a new system, including unified corporate governance and the elimination of administrative inefficiencies, e.g. by transferring the stakes in energy companies to the Ministry of Energy and Industry. However, Parliament abolished the Ministry of Energy and Industry in November 2015, as part of a general reorganization of the Government, and transferred the responsibilities for fuel and energy to the Ministry of Economy. Parliament also approved a government programme titled "Stability, trust and new opportunities", calling for further reform of the energy sector by creating a National Energy Holding entity. In the initial stage of the planned reforms, the Government established the National Energy Holding Company JSC with 100% state ownership, which was registered as a legal entity by the Ministry of Justice on 2 February 2016. Parliament subsequently added energy assets to the privatization programme for 2015-17 by passing certain laws – the Law on the Special Status of the Cascade of Toktogul Hydroelectric Power Plants and the National High-Voltage Power Line, the Law on Strategic Objects of the Kyrgyz Republic, and the Law on Privatization of State Property – thereby allowing the state stakes in these energy companies to be allocated to the authorized capital of the National Energy Holding Company JSC.

4.37. The licensing of operators and the regulation of tariffs for electricity, thermal energy, and natural gas is entrusted to the State Agency for Regulation of the Fuel and Energy Complex. The agency has developed a Medium-Term Tariff Policy for Electric and Thermal Energy for 2020-2022.²⁴ The new tariff policy maintains the separation of electricity tariffs for energy-intensive consumers and residential customers.

4.2.2.2 Electricity

4.38. Electricity generation and transmission account for more than 3% of GDP, about 15% of industrial output, and more than 5% of government revenue. More than 90% of the domestic demand for electricity is covered by hydropower.²⁵ The development of hydropower is hampered by aging infrastructure, most of which is at the end of its life span.²⁶ The developed electric power grid provides access to electricity for the majority of the population. Worn-out infrastructure and years of insufficient maintenance resulted in frequent outages and transmission losses. However, as a result of ongoing work on the reconstruction and modernization of energy equipment, electricity losses declined by more than 5% from 2011 to 2018 (Table 4.4).

Table 4.4 Electricity balance, 2012-19

(Million kWh)

	2012	2013	2014	2015	2016	2017	2018	2019
Electricity produced	15,168	14,011	14,572	13,017	13,118	15,430	15,728	15,115
Electricity imported	-	30	286	746	385	15	15	269
Electricity consumed in:	13,580	13,666	14,785	13,580	13,306	14,232	14,990	15,115
Manufacturing	5,599	5,905	7,293	5,706	5,461	5,874	6,484	6,635
Agriculture	2,468	2,552	2,517	3,164	3,116	3,398	3,237	3,165
Transport	56	51	59	59	63	65	92	91
Construction	77	81	98	108	110	124	181	162
Social services	2,137	2,236	2,187	2,112	2,248	2,399	2,562	2,725
Transmission losses	3,242	2,841	2,632	2,432	2,308	2,373	2,435	2,338
Electricity exported	1,589	375	72	182	198	1,213	753	269

- Nil or rounded to zero.

Source: National Statistical Committee.

²⁴ Approved by Decree No. 188 of 27 March 2020.

²⁵ According to the authorities, hydropower resources are estimated at 142.5 tWh, of which 42% is economically exploitable, but only about 10% of these economically exploitable resources are currently used.

²⁶ The average productive age of the electricity infrastructure is estimated at 34 years.

4.39. The electricity sector is organized according to the type of activity. Electricity is mainly produced by the Electric Power Plants OJSC, while the high-voltage grids used to transmit electricity are operated by the National Electrical Grid of Kyrgyzstan OJSC. The distribution of electricity to final consumers through grids of 35 kW (or less) is undertaken by four regional distribution companies, i.e. Severelektro OJSC, Jalalabadelektro OJSC, Oshelektro OJSC, and Vostokelektro OJSC. All electricity companies are currently daughter companies of the National Energy Holding Company OJSC, the majority shareholder of which (80%) is the State. The Kyrgyz Electricity Settlement Center carries out technical and commercial metering of electricity between energy companies.

4.40. The electricity system is relatively small and heavily dependent on a few hydropower-generation facilities. Two combined heat and power plants (CHPPs) – Bishkek CHPP and Osh CHPP – are added during winter. The system is very vulnerable, affected both by the water level in the Toktogul Reservoir and by breakdowns or disruptions in key plants. The possibility of exporting electricity depends upon several factors, including the flow of the Naryn river and the volume of the water in the Toktogul Reservoir. During the high-water period, the Kyrgyz power system produces electricity in enough volume to cover internal needs and to export electricity to neighbouring power systems.

4.41. The performance of the electricity sector is undermined by financial difficulties. Overall, the industry makes a large loss, primarily because electricity tariffs are set well below costs. The large operating losses of the electricity companies are financed by the Government, primarily through soft loans from the State Fund for Economic Development. At the end of 2016, the debt accumulated over 25 years reached about USD 1.2 billion or 18% of GDP.²⁷ Apart from the coverage of operational losses, some capital injections are at present allocated to repairs and maintenance of existing equipment, and the rehabilitation of large hydropower stations. It is a priority to eliminate the shortage of electricity in the winter.

4.42. According to the authorities, with forecasts of growing demand for electricity, measures are currently being undertaken to increase generating capacity through the construction of new facilities (stations, substations, power lines, and other assets) and the modernization and rehabilitation of existing facilities. The industry itself, constrained by debt and recurrent losses, does not have the financial resources to undertake such investments. The government budget, so far the only source for large investments, is highly constrained. The Kyrgyz Republic may thus have to turn to its international development partners for financing.

4.2.2.3 Hydrocarbons

4.43. Prospective oil and gas lands cover 22,500 km², of which more than 7,500 km² is located in the Fergana valley. The recoverable reserves from 10 deposits are estimated to comprise 14 million tonnes of crude oil and 6 billion cubic metres of natural gas. These modest reserves are insufficient to meet local demand. The Kyrgyz Republic mainly imports oil from Kazakhstan and the Russian Federation.

4.44. Gas is imported by the Russian company Gazprom, which also undertakes transportation, distribution, and sales of gas within the Kyrgyz Republic. Gazprom bought the sole national distributor, Kyrgyzgas, in 2014.²⁸ Although the purchase price was symbolic (USD 1), Gazprom also took over all debt obligations of Kyrgyzgas (USD 40 million), and is committed to invest at least RUB 20 billion over five years to modernize the gas distribution networks and to resume gas exploration.

4.45. Kyrgyzneftegaz OJSC is a major player in petroleum and natural gas exploration, extraction, and processing, as well as in the transport, storage, and sale of petroleum products. It owns most prospecting drilling holes and active wells for crude oil and natural gas in the Kyrgyz Republic. Its shares are owned by the State (85%) and 2,000 individual shareholders. The annual production of Kyrgyzneftegaz amounts to approximately 80,000 tonnes of crude oil and 30 million cubic metres of natural gas. More than 50% of the crude oil is refined and sold locally as petrol, diesel, and other fuels. However, the quality of the refined products does not always meet contemporary standards.

²⁷ ADB, *Kyrgyz Republic: Improving Growth Potential*, 2019, pp. 211-212. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>.

²⁸ Kyrgyzgas owns the infrastructure for transmission and distribution of natural gas. It was previously majority state-owned.

Modernization is thus required for the output of the Kyrgyz Petroleum Company CJSC, a subsidiary of Kyrgyzneftegaz, to be in conformity with EAEU requirements for petrol and diesel. In March 2019, Gazprom and the Kyrgyz Government signed a Roadmap on Gazprom's participation in the acquisition of the property and assets of Kyrgyzneftegaz.²⁹

4.2.2.4 Coal

4.46. Coal mining is an important part of the energy sector in the Kyrgyz Republic. Coal production amounted to 431,000 tonnes in 2018, up by 23% from 2017. According to the authorities, the increase was due to a larger number of stripping operations and further deployment of specialized equipment. At present, the domestic industry comprises 23 OJSCs united under the management of Komur, a state-owned enterprise, and seven smaller companies engaged in seasonal coal mining (autumn/winter). Their activities are supervised by the SCIESU.

4.47. Coal is used as raw material in the production of electricity and thermal energy at thermal power plants and boiler stations, as inputs in the production of construction materials and for heating in households. Plans to develop the industry focus on structural reforms, market liberalization, and privatization of existing enterprises. Large-scale coal mining, such as the Kara-Kechinskoe, Besh-Burkhan, Sulukta, and Uzgen basins, should boost production further, and the construction of a railway line between the Kyrgyz Republic and China should facilitate internal transport as well as exports of coal.

4.2.2.5 Energy policy at the EAEU level

4.48. The EAEU Treaty foresees the establishment of unified energy markets, including a common electricity market and common markets for natural gas, crude oil, and petroleum products. The functioning of the Union's Common Energy Market (CEM) will require joint rules for trade in the products concerned as well as rules for exchange trading within the CEM.

4.49. Ongoing negotiations among the EAEU member States envisage the implementation of large-scale projects to create common markets for energy resources. The aim is to enhance the energy security of the national economies through enhanced reliability of supply, increased availability for consumers, and stable prices for electricity and hydrocarbons. The intention is to make the CEM fully operational by 1 January 2025.

4.3 Manufacturing

4.50. The Kyrgyz Republic's manufacturing sector remains an important, albeit modest, contributor to the economy; during the review period, it accounted for between 16% and 18% of GDP, 14% of employment, and 18% of tax revenues.³⁰ When looking at it as part of the EAEU market, it is very small, accounting for 0.3% of the industrial output.³¹ The sector was particularly impacted by the greater socio-political impact of the dissolution of the Soviet Union, followed by large-scale privatization, and subsequent reactivation of public investment whereby certain subsectors, such as the extractive sector, were revitalized, but the processing industries generally continued to decline. More recently, the downstream natural resource sectors, such as metallurgy, have generally thrived, but many others have fluctuated in their growth and output (Chart 4.4).

²⁹ The sale of Kyrgyzneftegas has been on the table for several years, motivated by inefficient management and operational difficulties such as volatile sales and insufficient stocks, overproduction of certain products, and declining fuel and lubricant processing at the Jalal-Abad refinery.

³⁰ These figures also include mining, electric, gas, water supply, and waste management activities. National Statistical Committee, *Kyrgyzstan, Brief Statistical Handbook*, 2019. Viewed at: <http://www.stat.kg/media/publicationarchive/40d3dbd4-2455-41b1-a2f2-aaecf5f887f0.pdf>; and information provided by the authorities.

³¹ EEC, *Industrial Policy in the Eurasian Economic Union: Three Years Integration*. Viewed at: <http://www.eurasiancommission.org/ru/Documents/%d0%9f%d1%80%d0%be%d0%bc%d1%8b%d1%88%d0%bb%d0%b5%d0%bd%d0%bd%d0%b0%d1%8f%20%d0%bf%d0%be%d0%bb%d0%b8%d1%82%d0%b8%d0%ba%d0%b0%20%d0%b2%20%d0%95%d0%90%d0%ad%d0%a1-3%20%d0%b3%d0%be%d0%b4%d0%b0%20%d0%b8%d0%bd%d1%82%d0%b5%d0%b3%d1%80%d0%b0%d1%86%d0%b8%d0%b8-%d1%80%d1%83%d1%81%d1%81.pdf>.

4.51. The sector continues to face a number of challenges. It was described as underperforming, suffering from low productivity, and lacking export competitiveness.³² It also has a high rate (84%), the highest among EAEU member States, of worn or obsolete machinery and equipment, which reflects the need for investment.³³ The manufacturing value added (MVA) as a proportion of GDP continually declined during the last 20 years, albeit flattening in recent years, and the proportion of medium and high-tech industry value added is very low at 2.7%.³⁴ Furthermore, it can be characterized as highly concentrated in a few subsectors, i.e. production and fabrication of base metals and metal products, and food processing, account for 60% of the economic output of the sector. Most other subsectors are small and are minor contributors.

4.52. However, on the positive side, the manufacturing sector contributes the largest share to exports and attracts the most FDI (46.7% of total FDI in 2018).³⁵ According to the authorities, the competitive advantages for the industrial sector include the existing education base, the relatively low cost of production (in particular for labour-intensive industries), and a moderate inflation rate. Several efforts are underway to help promote and develop certain sectors, such as textiles, jewellery, and food processing, in particular for export, as the Kyrgyz Republic has realized that, for sustainable economic growth and poverty reduction, it needs to continue to strengthen its industrial sector.

4.53. The main subsectors, in terms of economic activity, are production of base metals (metallurgy); processed food products; construction materials; textiles, clothing, and footwear; and refined petroleum products (Chart 4.4 and Table 4.5). Overall, there was a general growth in output of the manufacturing sector during the review period, from KGS 137 billion in 2014 to KGS 219 billion in 2019.³⁶ Positive trends were also seen with the general rise in employment, number of enterprises, and wages, despite some fluctuations (Chart 4.5 and Table 4.5). It is, however, noted that the financial situation of firms gradually deteriorated in recent years, perhaps reflecting the increased competition as a result of joining the EAEU market. While the base metals and metal products sector ranked first in economic output, but not in terms of employment. The textile, clothing, and footwear sector employed the most people, followed by the food processing sector (Chart 4.5).

4.54. In terms of trade, exports of manufactured goods are dominated by machinery and equipment (19.4%), coke and oil products (16.5%), automotive products (10%), and construction materials (9%). These products are predominantly exported to other EAEU member States, in particular, the Russian Federation and Kazakhstan. Thus, the export base is narrow in terms of both products and markets. The sector may also be adversely impacted by the move to the EAEU Common Customs Tariff, whereby certain manufacturing inputs that have traditionally been imported duty-free or with low tariffs, e.g. sugar, textiles, and metals, now face higher import duties (Section 3.1.3.3). Some had temporary, short-term relief through transitional measures, including TRQs, that recently came to an end (Table A3.1 and Section 3.1.3.5).

4.55. By Eurasian Intergovernmental Council Decision No. 9 of 8 September 2015, the main directions of industrial cooperation within the framework of the EAEU were approved. The EEC Council approved the Plan for developing acts and measures to implement the main directions of industrial cooperation within the framework of the EAEU; it provides for developing acts of various levels on the following issues:

- addressing import substitution, including by increasing the localization of production and deepening industrial cooperation;
- increasing exports of manufactured products; and
- creating new innovative sectors of industry and modernization of enterprises in traditional industries.

³² UNIDO, *Industrial Development of Kyrgyzstan: Background*, October 2018. Viewed at: https://www.unido.org/sites/default/files/files/2018-12/Industrial_Development_Kyrgyzstan-Background.pdf.

³³ EEC, *Industrial Policy in the Eurasian Economic Union: Three Years Integration*.

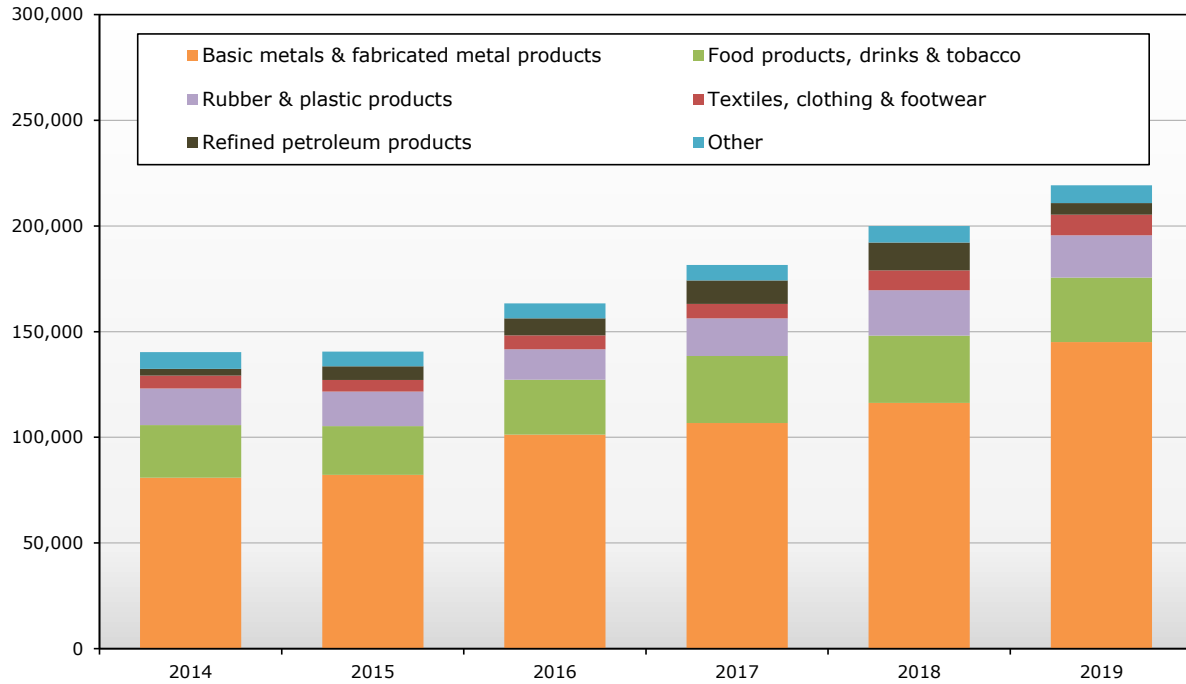
³⁴ UNIDO, *Manufacturing Value Added*. Viewed at: <https://stat.unido.org/SDG>.

³⁵ National Statistical Committee, *Kyrgyzstan, Brief Statistical Handbook*, 2019. Viewed at: <http://www.stat.kg/media/publicationarchive/40d3dbd4-2455-41b1-a2f2-aaecf5f887f0.pdf>.

³⁶ National Statistical Committee, *Manufacturing Industry of the Kyrgyz Republic*. Viewed at: <http://www.stat.kg/en/publications/sbornik-promyshlennost-kyrgyzskoj-respubliki-2008-2012g/>.

Chart 4.4 Manufacturing economic activity by type, 2014-19

(KGS million)

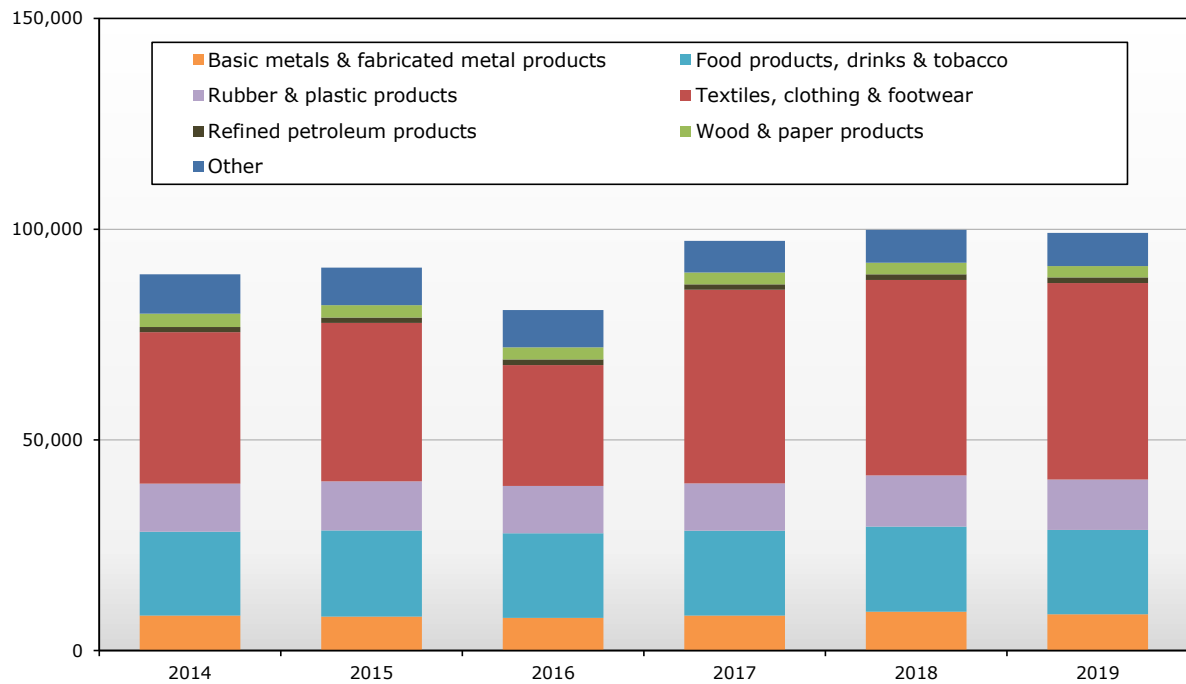


Note: Other includes wood and paper products, electrical equipment, vehicles, chemicals, pharmaceuticals, machinery and equipment, computers, and electronics and optical equipment.

Source: National Statistical Committee.

Chart 4.5 Average annual number of employees, by type of manufacturing, 2014-19

(Number of persons)



Note: Other includes electrical equipment, vehicles, chemicals, pharmaceuticals, machinery and equipment, computers, electronics and optical equipment.

Source: National Statistical Committee.

Table 4.5 Overview of industrial manufacturing sector, 2014-19

	2014	2015	2016	2017	2018	2019
Share in GDP, %	16.5	16.7	18.2	18.7	18.6	17.9
Employment ('000)	126	129	120	137.6	137.4	..
Average monthly wage (KGS)	19,335	20,896	23,299	25,289	24,935	..
Economic output (KGS billion)	140.3	140.6	163.3	181.6	199.9	219.2
Indices of industrial output (percentage compared with previous year)	98.4	95.6	104.9	111.5	105.4	78.7
Number of enterprises	1,745	1,622	1,707	1,728	1,725	..
Financial situation (profit - loss) (KGS billion)	..	..	25.4	11.1	8.1	..

.. Not available.

Source: National Statistical Committee, *Manufacturing Industry of the Kyrgyz Republic*. Viewed at: <http://www.stat.kg/en/publications/sbornik-promyshlennost-kyrgyzskoj-respubliki-2008-2012g/>; and *Kyrgyzstan, Brief Statistical Handbook*, 2019. Viewed at: <http://www.stat.kg/media/publicationarchive/40d3dbd4-2455-41b1-a2f2-aaecf5f887f0.pdf>.

4.56. At present, work is underway to build cooperative ties between the industrial enterprises of the EAEU member States and to involve small and medium-sized enterprises in production chains by creating a Eurasian network of industrial cooperation and subcontracting. Such a network will allow the optimization of production processes by building a more efficient organizational structure and ensuring optimal utilization capacities in the EAEU. Industrial cooperation between the EAEU and the Kyrgyz Republic includes activities such as the production of machinery and equipment for the mining industry, the energy sector, the production of construction materials, and light industry. Another coordinated effort at the EAEU level is a framework for joint export development measures.

4.57. The Kyrgyz Republic has also given direction and support to the manufacturing sector through several policy initiatives in recent years. The SCIESU is the government agency that oversees the industrial sector and provides policy direction. It has set out a direction for industrial policy that emphasizes a number of trade issues, such as promoting exports, investment, and quality standards, and improving supply chains (Box 4.1). The draft Law on Industry and Industrial Policy was under consideration by government authorities as at October 2020. A number of laws or resolutions have been passed in recent years, with an emphasis on promoting certain industrial subsectors or industry in general:

- Government Order No. 118-r of 3 May 2019 on Financing the Development of Processing and Conversion Enterprises, which is to provide state support to business entities engaged in manufacturing and industrial activities in the fields of food processing and clothing by providing subsidized credit and VAT reductions³⁷;
- The Zhana Diorgo Kyrk Kadam for 2018-2023 programme, approved by Resolution No. 1836-VI of 25 August 2017, which will create a technopolis or clusters of light industry, in particular the textile, leather, and footwear sectors³⁸;
- Government Resolution No. 403 of 23 June 2017 on Transfer of the Parcel of Land, which transfers a parcel of land for the purpose of building a technopolis of textile and garment

³⁷ Ministry of Justice. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kg/217009>.

³⁸ Ministry of Justice. Viewed at: <http://cbd.minjust.gov.kg/act/view/ru-ru/216052#unknown>.

production for the Association of Light Industry Enterprises of the Kyrgyz Republic (LEGPROM)³⁹;

- Government Resolution No. 350 of 17 July 2019 on Approval of the Concept of Development of Jewellery Industry of the Kyrgyz Republic for 2019-2022, which creates favourable conditions for the development of the jewellery industry, including establishing a special customs zone and making a request to the EEC for zero customs duties on jewellery inputs⁴⁰;
- Resolution No. 1509-VI of 13 April 2017 on Instruction to the Government of the Kyrgyz Republic Concerning Protection and Support of Domestic Producers, Exporters in the Conditions of Integration into the Eurasian Economic Union, which aims to improve macroeconomic indicators, investment, and the situation of domestic producers and exporters⁴¹; and
- Government Resolution No. 191 of 30 March 2017 on the Program of Development of the Food and Processing Industry of the Kyrgyz Republic for 2017-2021, which approves a programme and action plan for the development of the food processing industry.⁴²

Box 4.1 Main direction of industrial policy

Provide export orientation; the main objective is to promote the growth of industrial exports.

Provide support, opportunities, and protection of new industries, which should not contradict EAEU or WTO rules.

Promote know-how and innovation for the production of high-tech and innovative products for export.

Promote investment for industrial development.

Provide quality and international certification, in particular implementation of ISO and international standards.

Position the Kyrgyz Republic as a supplier country through adherence to logistics and communications systems standards to improve supply chains.

Modernize technology and equipment; support for affordable loans or leasing to do so.

Train specialists and managers.

Improve conditions on the labour market; improve qualifications of specialists.

Promote energy efficiency, environmental protection, conservation of biodiversity, and management of industrial effluents and wastes.

Promote a social partnership that takes into account the interests of employers and employees.

Create both vertical and horizontal clusters.

Source: State Committee for Industry, Energy and Subsoil Use, *Main Directions of Industrial Policy*. Viewed at: <http://www.gkpen.kg/index.php/2018-01-09-06-31-11>.

³⁹ Ministry of Justice. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/100112>.

⁴⁰ Ministry of Justice. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/14620>.

⁴¹ Ministry of Justice. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/78040>.

⁴² Ministry of Justice. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/99894>.

4.4 Services

4.4.1 Financial services

4.58. The Kyrgyz Republic's financial services sector continues to develop with gradual growth in total assets, increased access to financial products, and improved financial stability. The sector continues to be dominated by commercial banks, which comprised about 92% of total assets in 2018 (Table 4.6).⁴³ The percentage of bank loans and deposits in foreign currency declined over the period due to restrictions put in place to reduce dollarization. This was in response to the 2015 currency shock that exposed certain vulnerabilities, mainly the inability of borrowers to repay foreign currency loans after the significant depreciation (Section 4.4.1.1). For 2018, the IMF encouraged loans in dollars to be reduced to 38% and deposits in dollars to be reduced to 44% in favour of the local currency.⁴⁴ As at the end of 2019, the Kyrgyz Republic had reduced these to 35.1% and 38.2%, respectively, but as at mid-2020 these had increased slightly.⁴⁵ Furthermore, the IMF has noted that the overall soundness and stability of the banking sector has improved in recent years, but there were still some concerns such as the acquisition of a problem bank that created a conflict of interest and slow liquidation of insolvent banks (Section 1.2).⁴⁶

4.59. Despite the many positive developments and the move towards more stability and confidence as outlined in its banking strategy (Section 4.4.1.1), the Kyrgyz Republic still has a number of vulnerabilities or room for improvement. For example, according to the European Bank for Reconstruction and Development's (EBRD) Kyrgyz Republic Country Strategy, 2019-24, the banking sector was characterized as needing improvement in several areas as it had low penetration, sophistication, and diversification. It was suggested to continue to develop local currency lending, offer new products such as mobile banking, and provide intermediate financing to MSMEs.⁴⁷

4.60. Another significant development in the sector is the impact of the Kyrgyz Republic joining the EAEU, whereby the Kyrgyz Republic adheres to the provisions on financial markets that foresee a gradual deepening of economic integration to create a common financial market by 2025. Section XVI (Article 70) and Annex 17 with its Protocol of Financial Services provide the framework, including a list granting national treatment (Appendix I) and a list of limitations in respect of establishment and/or activity (Appendix II). Through the Protocol on Amendments to the Treaty on the Eurasian Economic Union of 29 May 2014 and Separate International Agreements Incorporated into the Law of the Eurasian Economic Union, in view of the Accession of the Kyrgyz Republic to the Treaty on the Eurasian Economic Union of 29 May 2014 (Amendments Protocol), the Kyrgyz Republic made additions to Appendix I and Appendix II. Appendix I has generally no restrictions except for services of insurance agents and insurance brokers, whereby certain intermediary insurance activities are restricted.⁴⁸ In Appendix II, the Kyrgyz Republic specified three restrictions (financial service establishments, deposit protection, and central depository) in respect of paragraphs 6 and/or 11 of Annex 17 on national treatment or establishment.

4.61. Furthermore, the EAEU plan for harmonization of the financial sector sets out three phases for harmonization of legislation: Stage I – revision of basic concepts and definitions (2019); Stage II – licensing and harmonization of professional activities (2019-2023); and Stage III – supervision and corporate governance (2022-2025). The Kyrgyz Republic, together with other EAEU member States, is currently working on implementation of Stages I and II.⁴⁹ Pursuant to the EAEU Advisory Committee on the Financial Markets, EAEU member States approved the Agreement on the Harmonization of the Legislation of the EAEU Member States in the Financial Sector⁵⁰, which was

⁴³ The assets of state banks increased considerably over the period, more than doubling.

⁴⁴ EBRD, *Kyrgyz Republic Country Strategy, 2019-2024*, 2019. Viewed at: <https://www.ebrd.com/cs/Satellite?c=Content&cid=1395238316086&d=&pagename=EBRD%2FContent%2FDownloadDocument>.

⁴⁵ Information provided by the authorities.

⁴⁶ IMF (2019), *Kyrgyz Republic: 2019 Article IV Consultation–Press Release and Staff Report*, IMF Country Report No. 19/208. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2019/07/02/Kyrgyz-Republic-2019-Article-IV-Consultation-Press-Release-and-Staff-Report-47085>.

⁴⁷ EBRD, *Kyrgyz Republic Country Strategy, 2019-2024*, 2019. Viewed at: <https://www.ebrd.com/cs/Satellite?c=Content&cid=1395238316086&d=&pagename=EBRD%2FContent%2FDownloadDocument>.

⁴⁸ See also WTO document WT/REG366/1, 29 August 2018.

⁴⁹ Information provided by the authorities.

⁵⁰ E.g. banking activities, securities market insurance, and currency regulations.

signed in 2018 and entered into force on 1 March 2020. The Concept for a common financial market formation was approved on 1 October 2019, but further work needs to be done for the formulation of agreements indicated in the Concept and for common financial market formation. The Agreement on the Exchange of Information for Credit Histories within the EAEU was at the approval stage as at October 2020.

Table 4.6 Financial services, 2013-19

(KGS million/%)

	2013	2014	2015	2016	2017	2018	2019
Total assets of the financial system, of which:	134,528	166,476	197,912	191,773	213,314	242,009	275,840
Banks	111,092	137,621	178,028	178,178	198,011	221,954	248,988
Assets of state banks	19,035	24,252	33,796	37,005	41,812	50,591	50,977
Non-bank financial and credit institutions (NBFCO)	23,436	28,855	19,884	13,594	15,303	20,055	26,852
Loans, including:	73,069	101,702	108,928	104,414	121,057	144,848	168,540
Banks (debt on loans of commercial banks)	53,962	78,756	93,954	93,499	108,325	127,882	146,439
State bank	9,090	13,661	17,714	21,275	25,229	31,851	34,900
NFCU	19,107	22,946	14,975	10,915	12,732	16,966	22,102
Non-performing loans / total loans	3.2	2.3	2.4	3.4	2.5	2.2	..
Non-performing loans / bank loans	4.3	3.0	2.8	3.8	2.8	2.5	..
Non-performing loans / NFCU loans	12.1	10.4	17.8	32.9	24.1	18.5	4.8
Bank loans in foreign currency / total loans	39.6	44.6	47.5	39.9	34.0	33.5	30.5
Loans / GDP	20.6	25.4	25.3	21.9	22.8	25.4	28.6
Deposits from which	67,415	82,549	102,886	107,079	121,597	133,118	151,346
Banks	67,334	82,535	102,878	107,079	121,597	133,118	150,953
NFCU	81.1	14.2	8.5	0.0	0.0	0.0	393.3
Bank deposits in foreign currency / total deposits	48.7	56.3	65.6	51.0	47.5	43.9	..
Deposits / GDP	19.0	20.6	23.9	22.5	22.9	23.9	..
For reference:							
Non-performing bank loans (overdue debt)	1,769	1,700	1,815	2,750	2,378	2,350	2,570
Bank loans in foreign currency	28,924	45,393	51,738	41,624	41,119	48,516	51,462
Bank deposits in foreign currency	32,848	46,501	67,494	54,652	57,758	58,484	57,668
GDP	355,295	400,694	430,489	476,331	530,476	569,386	590,042
Non-performing loans to NFKU	539	680	851	837	692	784	1,063
Deposit base of NFCU	..	..	..	..	..	..	19.5
Demand deposit	1,108,586	438,109	345,306	452	970	2,030	1,406
Time deposit	79,969,283	13,726,842	8,126,906	8,128	14,490	17,474	19,744
Total amount of deposits of NFCU	81,077,869	14,164,951	8,472,212	8,580	15,460	19,503	21,150

.. Not available.

Source: Information provided by the authorities.

4.4.1.1 Banking

4.62. The Kyrgyz Republic's banking sector is composed of 24 commercial banks, of which 16 have foreign participation in terms of capital; of these, 11 have a majority of foreign capital (Box 4.2).⁵¹ During the review period, there was a steady increase in the assets and credit portfolio of commercial banks, with assets reaching KGS 263 billion as at the first quarter 2020. The percentage of non-performing loans declined slightly from 4.3% to 2.5% (Table 4.6).⁵² As a result of measures taken after the 2014 Russian economic crisis, there was a continual and steady reduction in the dollarization of the credit portfolio, from 57.6% in 2014 to 35.1% at the end of 2019.⁵³ In terms of the structure of commercial bank loans in 2019, the majority (58%) were for the production (internal consumption) sector, while 15.8% were to finance imports, and about 4% were for the export-oriented production sector.⁵⁴ According to the IMF, the Kyrgyz banking sector has high

⁵¹ NBKR, *The Financial Sector Stability Report of the Kyrgyz Republic*, December 2019. Viewed at: <https://www.nbkr.kg/DOC/30012020/00000000053806.pdf>. These figures do not include insolvent banks.

⁵² However, the majority of non-performing loans were in the trade sector of the economy.

⁵³ The highest level of dollarization in the period was 65.6% in 2015.

⁵⁴ NBKR, *The Financial Sector Stability Report of the Kyrgyz Republic*, December 2019. Viewed at: <https://www.nbkr.kg/DOC/30012020/00000000053806.pdf>.

capitalization and ample liquidity, and is generally sound; however, it suffers from low profitability and there are concerns over bank insolvency (Section 4.4.1 and Section 1).⁵⁵

Box 4.2 Overview of banking sector, 31 December 2019

- 24 commercial banks, including:
 - a branch of the National Bank of Pakistan
 - 323 branches
- Aggregate assets: KGS 146.4 billion
- Total liabilities: KGS 206.9 billion
- Credit portfolio^a volume: KGS 3.86 billion
- Share of non-performing loans: 8% (KGS 11.7 billion)
- Aggregate deposit base: KGS 151.0 billion
- Net total capital: KGS 43.6 billion
 - share of foreign contribution in capital: 31.9 % or KGS 9.1 billion
- Total capital adequacy ratio of the banking system: 24.1%
- Liquidity ratio of the banking system: 64.0%
- Return of assets (ROA) of the banking sector: 1.3%

a Excluding loans extended to the banks and other financial-credit organizations.

Source: National Bank of the Kyrgyz Republic, *Development Trends of the Banking Sector*. Viewed at: <https://www.nbkr.kg/index1.jsp?item=80&lang=ENG>.

4.63. The NBKR is the regulatory and supervisory independent government body that oversees activities of banks and finance and credit institutions, including licensing them. The main standards and requirements established by the NBKR in order to strengthen the stability and reliability of the banking system are: (i) a maximum risk per borrower or group of related borrowers; (ii) maximum risk for interbank placements in a bank; (iii) minimum authorized capital of banks; (iv) capital sufficiency (adequacy) ratios; (v) additional stock of capital of the bank ("capital buffer"); (vi) leverage; (vii) liquidity ratio; (viii) standard maximum risk obligations for individuals; (ix) requirements for the formation of reserves; and (x) requirements to limit and manage currency, credit, operational, and other risks. Prudential standards and requirements are established for all commercial banks operating in the Kyrgyz Republic, regardless of foreign or domestic capital. One regulatory development during the review period was the transition to risk-based supervision of banks by the NBKR.

4.64. The main law regulating the NBKR, banks, and banking activities was new as at 2016 and replaces a number of previous laws on the same subject plus related rules or regulations.⁵⁶ Further, about 130 resolutions of the NBKR Board were adopted to regulate banks and non-bank financial intermediaries. Thus, the legal framework underwent significant revision (Table 4.7). As part of initiatives to develop regions and digitalize the economy, a Resolution on Amending Certain Normative Legal Acts of the National Bank of the Kyrgyz Republic was adopted in June 2019 regarding the use of electronic signatures.⁵⁷ The changes are aimed at expanding remote servicing of the population by financial and credit organizations. The users of remote service systems will also be able to open additional bank accounts, receive loans, and perform other operations that currently require a paper contract or signature.

4.65. In August 2018, the new Law on Countering the Financing of Terrorist Activities and the Legalization (Laundering) of Criminal Incomes was adopted, in accordance with which new versions of the Provision on Minimum Requirements for the Organization of Internal Control in Commercial Banks in Order to Combat the Financing of Terrorist Activities and Legalization (Laundering) of Criminal Proceeds and the Provision on the Procedure for Conducting Exchange Operations with Cash Foreign Currency in the Kyrgyz Republic were also adopted. At the same time, amendments and additions to a number of normative legal acts of the NBKR regulating the activities of banks and non-bank financial institutions (NBFIs) were also enacted. The changes establish requirements to implement an internal control programme in banks for the purpose of, *inter alia*, countering the

⁵⁵ IMF (2019), *Kyrgyz Republic: 2019 Article IV Consultation—Press Release and Staff Report*, IMF Country Report No. 19/208. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2019/07/02/Kyrgyz-Republic-2019-Article-IV-Consultation-Press-Release-and-Staff-Report-47085>.

⁵⁶ NBKR, Law No. 206 of 16 December 2016 on the National Bank of the Kyrgyz Republic, Banks and Banking Activity. Viewed at: <https://www.nbkr.kg/index1.jsp?item=42&lang=ENG>.

⁵⁷ Resolution No. 2019-P-12 / 32-3 of 19 June 2019 on Amending Certain Normative Legal Acts of the National Bank of the Kyrgyz Republic.

financing of terrorist activities through a risk-based approach when conducting due diligence, and reporting to the financial intelligence unit. The changes were enacted to allow the Kyrgyz Republic to comply with recommendations of the Eurasian Group on combating money laundering and financing of terrorism.

4.66. As part of improving its regulatory framework and building resilience in the financial sector, the Kyrgyz Republic is working on implementing the Basel III regulations. As part of this effort, work was ongoing with the ADB on a technical assistance project to implement Pillar 2 of Basel III, i.e. supervisory review practices and approaches. In particular, this project will help the NBKR by improving its capabilities in terms of stress-testing, econometric forecasting, micro- and macroprudential supervision, and capital adequacy assessments.⁵⁸ In order to improve the normative legal acts of the NBKR in terms of market risk management (interest rate risk) and bring them in line with the international standards of the Basel Committee on banking supervision in terms of disclosure of information by banks for users in 2019, separate regulatory acts were approved. As at May 2020, a number of other new legislative initiatives were enacted or were in the pipeline in order to implement Basel III: Resolution of the Board of the National Bank on the Minimum Requirements for Managing the Liquidity Risk of Commercial Banks of the Kyrgyz Republic; amendments and additions to the Instruction on the Determination of Standards of Sufficiency (Adequacy) of Capital of Commercial Banks; Resolution on Calculating Issue of Total Capital Adequacy Ratio Taking into Account Operational Risks, Leverage Ratio, and Liquidity Indicators in Foreign Currency; and Provisions on Requirements for Disclosing Information on the Activities of a Commercial Bank, and on the Calculation of the Liquidity Coverage Ratio of Commercial Banks of the Kyrgyz Republic.⁵⁹

Table 4.7 Main laws and regulations for the banking sector, 2020

Law/regulation	Date
Law No. 206 on the National Bank of the Kyrgyz Republic, Banks and Banking Activities	16 December 2016
Provision on Minimum Requirements for Risk Management in Banks of the Kyrgyz Republic, adopted by NBKR Board Resolution No. 2017-P-12 / 25-8 (Legal act)	15 June 2017
Provision on Corporate Governance in Commercial Banks of the Kyrgyz Republic, adopted by NBKR Board Resolution No. 19/12	17 May 2017
Instruction on Requirements for Bank Operations with Affiliates and Related Parties of the Bank, adopted by NBKR Board Resolution No. 21/5	31 May 2017
Rules for the Formation of an Internal Control and Internal Audit System in Banks and Non-banking Financial and Credit Organizations Licensed and Regulated by the National Bank of the Kyrgyz Republic, adopted by NBKR Board Resolution No. 2017-P-12/25-3-(Legal act)	15 June 2017
Provision on the Provisional Administration, adopted by NBKR Board Resolution No. 2017-P-12/23-8 (Legal act)	8 June 2017
Provision on the Liquidation of Banks, adopted by NBKR Board Resolution No. 2017-P-12/23-5 (Legal act)	8 June 2017
Provision on the Procedure for Conducting Certain Banking Operations by the Banks of the Kyrgyz Republic in the Case of Introducing the Temporary Administration Regime or the Beginning of the Liquidation Procedure, adopted by NBKR Board Resolution No. 2017-P-12/25-9 (Legal act)	15 June 2017
Provision on the Criteria for the Consistency of Commercial Banks and Non-banking Financial and Credit Organizations, adopted by NBKR Board Resolution No. 2017-P-12/23-9 (Legal act)	8 June 2017
Provision on Licensing the Activities of Banks, adopted by NBKR Board Resolution No. 2017-P-12/23/1 (Legal act)	8 June 2017
Provision on the Procedure for Endowing a Foreign Bank with Cash Funds of Its Branch as Capital, adopted by NBKR Board Resolution No. 2017-P-12/23-2 (Legal act)	8 June 2017
NBKR Board Resolution No. 2017-P-12 / 23-3 (Legal act) on the Minimum Amount of Authorized and Own (Regulatory) Capital of Commercial Banks	8 June 2017
NBKR Board Resolution No. 2018-P-12/24-2 (Legal act) on Approving the Instruction on Implementation Banking Supervision	20 June 2018
NBKR Board Resolution No. 2019-P-12/34-4 (Legal act) on Approving the Provision on Consolidated Supervision and on Periodic Regulatory Consolidated Reporting	28 June 2019
Recommendations on the Application of IFRS 9, NBKR Oversight Committee Resolution No. 51/2	28 December 2017

⁵⁸ ADB, *Kyrgyz Republic: Promoting Financial Sector Resilience, Project Data Sheet*. Viewed at: <https://www.adb.org/projects/53392-001/main#project-pds>.

⁵⁹ NBKR Board Resolutions No. 2019-P-12/17-3 of 29 March 2019 and No. 2019-P-12/20-2 of 15 April 2019.

Law/regulation	Date
Resolution on Amending Certain Normative Legal Acts of the National Bank of the Kyrgyz Republic	19 June 2019

Source: Information provided by the authorities. The full list of regulatory legal acts governing the activities of banks can be found at <https://www.nbkr.kg/index1.jsp?item=103&lang=RUS>.

4.67. In 2017, the Kyrgyz Republic established a policy for the banking sector titled *Banking Sector, Main Directions for 2018-2021* (Box 4.3).⁶⁰ It recalls achievements from the previous strategy 2014-17, such as opening of new banks, growth of the deposit base, and capitalization of banks with foreign capital that have led to positive outcomes including strengthening investor confidence in the banking system. Building on this, the new strategy aims to, *inter alia*, further strengthen the stability of the banking sector and increase its role in the economy. To implement the strategy, an Action Plan was also developed, which sets out 26 activities consisting of 31 tasks.⁶¹ Thus far, three activities were carried out during 2018-19, while the other 23 have a deadline of 2021.⁶²

Box 4.3 Banking sector, main directions for 2018-21

1. Creating prerequisites for increasing the level of financial intermediation, including through the introduction of innovations in banking
 - 1.1 Credit development
 - 1.2 Remote banking
 - 1.3 Precious metals savings and market development
2. Creating conditions and prerequisites to reduce interest rates on loans
3. Creating conditions for improving quality and expanding access to banking services
4. Promoting the expansion of Islamic finance principles
5. Improving and strengthening the stability of the banking system; conducting comprehensive measures for the implementation of the elements of Basel II and III and further improving the principles based on a risk-based approach
6. Harmonizing legislation in the framework of integration cooperation in the EAEU
7. Enhancing cybersecurity

Source: NBKR, *Banking Sector, Main Directions for 2018-2021*, NBKR Board Resolution No. 2017-P-11 / 54-1-(BS) of 27 December 2017. Viewed at: <https://www.nbkr.kg/contout.jsp?item=1436&lang=KGZ&material=90252>.

4.68. In August 2018, the NBKR Board took policy decisions to amend a number of regulatory legal acts in order to reduce risks in the activities of banks, reduce the level of dollarization of the economy and interest rates on loans, and encourage banks to participate in government programmes related to financing agriculture, and export-oriented, and import-substituting enterprises. To implement some of these measures, a Resolution prohibited lending in foreign currencies for mortgages and consumer credits, required higher reserve requirements for loans in USD, and offered lower exchange rates for conversion of USD mortgages into national currency.⁶³ In 2016, as a result of amendments and additions for establishing restrictions on the distribution of profits by banks and reducing the growth of classified loans, the Instruction on Determination of Capital Adequacy Standards of Commercial Banks of the Kyrgyz Republic (NBKR Board Resolution No. 18/2 of 21 July 2004) was supplemented with the sixth and seventh categories of balance sheet assets with a credit risk degree of 150% and 200%, respectively. For Category 6, commercial, consumer, mortgage, and other loans in foreign currencies should be taken into account, with the exception of loans in the currency of the EAEU member States, and also with the exception of balance sheet assets specified in Category 4. Category 7 should include loans to individuals and individual entrepreneurs in national currency with a nominal annual rate of 30% or more at the time of issuance of loans. In the area of bank correspondent accounts, the authorities note the issue of market access in other countries. In particular, commercial banks face obstacles to open correspondent accounts in foreign banks due to country risks, stricter compliance measures, requirements for deposits, bank asset

⁶⁰ NBKR, *Banking Sector, Main Directions for 2018-2021*, NBKR Board Resolution No. 2017-P-11 / 54-1-(BS) of 27 December 2017. Viewed at: <https://www.nbkr.kg/contout.jsp?item=1436&lang=KGZ&material=90252>.

⁶¹ Action Plan of the Main Directions for Development of the Banking Sector and the Microfinance Sector in the Kyrgyz Republic for 2018-2021. National Bank Order No. 2018-Pr-111/88-O of 8 May 2018.

⁶² The three so far are "Increasing an availability and reducing of cost of financial services in the regions of the Kyrgyz Republic", "Promoting efficiency improvements and reducing of cost of banking products and services", and "Revision of basic concepts and definitions within the framework of integration cooperation in the EAEU".

⁶³ NBKR, *Report on Stability of the Financial Sector of the Kyrgyz Republic*, 2017.

size, and minimum payment amounts.⁶⁴ This has an impact, as it leads to a reduction in financial services and concentration of these services by only a few providers, plus it can increase systemic risks for the financial sector.⁶⁵

4.4.1.2 Non-banking financial and credit organizations sector

4.69. The non-banking financial and credit organizations (NBFCO) sector consists of microfinance/microcredit organizations (MFOs), credit unions (CUs), specialized financial-credit organizations (SFCOs), and exchange/credit bureaus. As at 31 December 2019, there were 664 such organizations: 1 SFCO, 106 CUs, 142 MFOs, 413 exchange bureaus, and 2 credit bureaus.⁶⁶ Most of these entities operate pursuant to a licence of the NBKR and are regulated by it; only the microcredit companies operate on a certificate of registration and receive a licence for certain operations. Regulation is conducted via off-site supervision and inspections.

4.70. The microfinance sector has been long established in the Kyrgyz Republic; it was first established by foreign donor organizations about 20 years ago. It underwent rapid growth, and the first law on microfinance was enacted in 2002.⁶⁷ It still maintains its original focus of providing financial services to those mainly in rural areas who do not otherwise have access to financial services. One of the developments during the review period was the reduction in the number of MFOs and their lending as a result of some of them transforming into banks. This was reportedly due to the restrictions on hard-currency lending and the need to expand activities, provide banking services, gain access to financing in the form of deposits from the population, and increase the client base.⁶⁸ The sector continues to rely heavily on foreign credits or loans as opposed to domestic sources of financing, a situation that was amplified from 39% in 2017 to 52% in 2019.⁶⁹ In 2019, the main volume of credit funds of NBFCOs was issued in the city of Bishkek (26%) and in the Osh (23%) and Chui regions (14%).

4.71. Guided by the policy document Main Directions for Development of the Microfinance Sector in the Kyrgyz Republic for 2018-2021, the main goal of the microfinance sector is to "increase access to quality financial services and provision of the financial and social intermediation for low-income clients" as part of the Kyrgyz Republic's National Sustainable Development Strategy.⁷⁰ It aims to achieve this by improving the legislative and regulatory framework, strengthening the system of regulation and supervision, improving institutional development, developing market infrastructure, ensuring transparency, and protecting the rights of consumers.⁷¹ As at 2020, the main achievements have been to improve the regulatory legal framework by making amendments or additions to the terms of restructured loans, the Instruction on Conducting Inspections, the regulation activities of those with Islamic principles of finance, the Regulation on the Procedure for Issuing a License for the Right to Conduct Exchange Operations with Foreign Currency in Cash, and the Regulation about Licensing Activities of Microfinance Companies.⁷²

4.72. The main NBFCOs, in terms of assets, are microcredit organizations. As noted above, due to certain developments in the sector during the review period, the amount of microcredit issued declined substantially in 2015-16 before gradually increasing again and almost recovering to 2014

⁶⁴ Information provided by the authorities.

⁶⁵ World Bank, *The Decline in Access to Correspondent Banking Services in Emerging Markets: Trends, Impacts, and Solutions*, 2018. Viewed at: <http://documents.worldbank.org/curated/en/552411525105603327/The-decline-in-access-to-correspondent-banking-services-in-emerging-markets-trends-impacts-and-solutions-lessons-learned-from-eight-country-case-studies>.

⁶⁶ NBKR, *Annual Report 2018*. Viewed at: <https://www.nbkr.kg/DOC/27062019/00000000052567.pdf>.

⁶⁷ AKDN, *Microfinance*. Viewed at: <https://www.akdn.org/where-we-work/central-asia/kyrgyz-republic/microfinance-kyrgyz-republic>; and Law No. 124 of 23 July 2002 on Microfinance Organizations in the Kyrgyz Republic.

⁶⁸ Euromoney, "Impact Banking: Microfinance Comes of Age in Kyrgyzstan", 19 September 2018. Viewed at: <https://www.euromoney.com/article/b1b0967c/mx3m/impact-banking-microfinance-comes-of-age-in-kyrgyzstan>; and information provided by the authorities.

⁶⁹ NBKR, *Annual Report 2018*. Viewed at: <https://www.nbkr.kg/DOC/27062019/00000000052567.pdf>; and information provided by the authorities.

⁷⁰ NBKR Board Resolution No. 2017-P-11/51-4 of 13 December 2017.

⁷¹ NBKR, *Main Directions for Development of the Microfinance Sector in the Kyrgyz Republic for 2018-2021*. Viewed at: <https://www.nbkr.kg/contout.jsp?item=3206&lang=ENG&material=84608>.

⁷² NBKR, *Annual Report 2018*. Viewed at: <https://www.nbkr.kg/DOC/27062019/00000000052567.pdf>; and Regulations No. 40/4 of 27 July 2011 and No. 78/26 of 23 December 2015.

levels in 2019 (Table 4.8). The main sector served, both in terms of amount of credit and number of recipients, was the agriculture sector, in large part due to the rural focus of the MFOs. A similar situation also exists for the CUs, where agriculture dominates. There have been significant increases in microcredits for the construction, industry, and consumer credit sectors during the review period, and decreases for trade and catering. This is due to changes in the economic orientation of the population and the development of the NBFCO sector.

Table 4.8 Overview of microcredit and credit union sectors, 2014-19

	2014	2015	2016	2017	2018	2019
Microcredit:						
Issued microcredit by sector ('000 KGS)	30,523,409	18,325,202	13,300,465	17,166,544	23,116,240	30,188,227
Industry	223,727	160,232	100,745	161,790	234,552	835,112
Agriculture	14,582,363	8,148,035	4,184,544	4,823,551	7,083,059	9,424,247
Construction	1,191,915	867,212	987,929	1,525,062	2,158,017	3,143,672
Trade and catering	6,487,950	3,126,509	2,152,495	2,774,268	3,160,722	3,799,296
Consumer credits	4,612,221	3,697,935	3,927,047	6,081,621	5,751,768	8,555,043
Other	3,425,233	2,325,279	1,947,706	1,800,252	4,728,121	4,430,857
Number of recipients by aims	456,587	333,658	239,413	307,997	481,895	624,460
Industry	2,897	2,385	1,562	2,492	4,266	20,265
Agriculture	237,716	161,531	80,812	87,961	161,372	210,291
Construction	13,728	11,707	13,787	21,831	36,033	45,133
Trade and catering	64,288	36,593	24,708	26,744	36,655	44,862
Consumer credits	85,916	75,372	82,216	139,021	126,563	181,447
Other	52,042	46,070	36,328	29,948	117,006	122,462
Average size loan	..	..	..	55.7	48.0	48.3
Repayment of microcredit (%)	..	..	..	97.2	91.1	93.4
Credit unions:						
Credits of CUs, by industry ('000 KGS)	1,152,563	933,532	940,554	999,124	1,000 332	963,741
Industry	11,078	8,460	9,220	8,890	8,243	5,496
Agriculture	540,920	475,406	446,926	402,803	356,685	296,780
Transport	5,550	6,499	5,027	7,398	10,548	13,442
Communication	0	0	0	334	0	0
Trade and commerce	385,918	232,635	215,629	228,947	249,040	228,599
Procurement and processing	2,541	2,226	8,358	9,402	8,904	8,126
Construction and mortgage	44,910	53,552	96,422	153,317	167,859	188,377
Services	12,783	15,279	9,183	9,750	9,873	8,532
Other	148,863	139,476	149,790	178,283	189,180	214,389

.. Not available.

Source: National Statistical Committee of the Kyrgyz Republic, *Microcrediting of Population by Aims*. Viewed at: <http://www.stat.kg/en/statistics/download/dynamic/478/>; *Number of Recipients of Microcrediting by Aims*. Viewed at: <http://www.stat.kg/en/statistics/download/dynamic/477/>; *Microcrediting of the Population for January-December 2017-2019*. Viewed at: <http://www.stat.kg/en/statistics/download/operational/1201/>; and NBKR, *Statistics of Microfinance Organizations and Credit Unions*. Viewed at: <https://www.nbkr.kg/index1.jsp?item=2265&lang=ENG>.

4.4.1.3 Insurance

4.73. The Kyrgyz Republic's insurance sector has exhibited steady growth in recent years, somewhat propelled by a movement requiring more types of insurance to be compulsory rather than voluntary, as was previously the case, and higher minimum capital requirements.⁷³ However, despite this growth, the sector has been described as still in its infancy, as it has one of the lowest penetration rates and densities⁷⁴, in particular compared with those in other Commonwealth of Independent States (CIS) countries.⁷⁵ This has been attributed to a low level of financial inclusion

⁷³ Compulsory third-party motor vehicle insurance was expected to enter into force on 1 January 2021 pursuant to the amendments to Law No. 27 of 13 March 2020 on Compulsory Insurance of Civil Liability of Motor Vehicle Owners and Law No. 209 on Compulsory Insurance of Residential Premises against Fire and Natural Disasters, which was adopted on 31 July 2015 and entered into force on 11 February 2016. According to the authorities, insurance of residential premises against fire and natural disasters is voluntary.

⁷⁴ As measured by the ratio of gross written premiums to GDP.

⁷⁵ RA Expert, *Central Asia, Industry Research – Insurance*, 1 November 2019. Viewed at: https://raexpert.eu/files/Industry_report_Insurance_CA_01.11.2019.pdf.

and government support. It is also noted that the sector is highly concentrated, with the top five companies accounting for over two thirds of the market.

4.74. As at January 2019, the insurance sector had 17 companies, mostly of domestic origin and one with state ownership⁷⁶, a number that remained nearly constant during the review period (Box 4.4). The total volume of insurance premiums was 1.33 billion in 2019, of which property insurance was the largest part, accounting for 62% of total premiums (Chart 4.6).

Box 4.4 Overview of insurance sector, as at 1 January 2019

- 17 insurance or reinsurance, including:
 - 12 organizations with 100% domestic capital
 - 4 organizations with foreign participation
 - 1 organization with mixed capital
- Total assets: KGS 3.99 billion
- Total equity: KGS 3.86 billion
- Total liabilities: KGS 907.1 million
- Volume of insurance reserves by insurance/reinsurance organizations to meet obligations of agreements: KGS 271.5 million

Source: Information provided by the authorities.

4.75. The main law on insurance remains the 1998 Law about the Organization of Insurance in the Kyrgyz Republic, although it was amended five times during the review period.⁷⁷ The basic structure remains the same, and the law provides disciplines on establishment, activities, financial stability, accounting and reporting, and insurance supervision. Per the Law, there are some restrictions on foreign participation in the sector. On the one hand, it specially allows Kyrgyz insurers to be re-insured with foreign reinsurers, but on the other it limits foreign intermediation, i.e. agents or brokers cannot conclude contracts on behalf of foreign insurance companies. The amendments were in two main areas:

- To add sections on insurance brokers and actuaries that define and regulate these activities. The amendments require persons performing these functions to be licensed. In the case of insurance brokers, the amendments allow foreign insurance brokers to work in the Kyrgyz Republic upon recognition of the foreign licence by the relevant authorities and legislation.⁷⁸
- To define types and sub-types of insurance, specify licensing requirements and state oversight of insurance activities, and improve the financial position of financial organizations.⁷⁹

⁷⁶ The Kyrgyz Republic – OJSC State Insurance Organization.

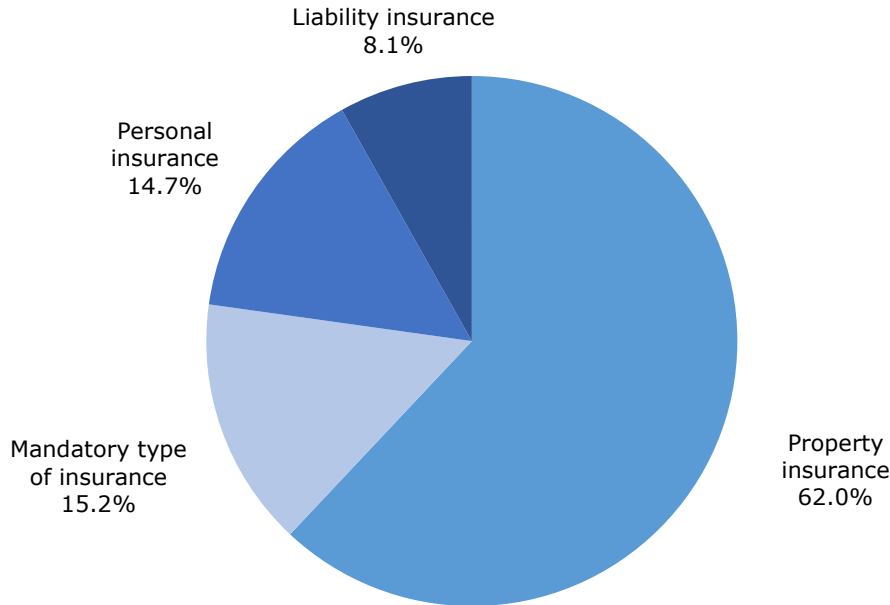
⁷⁷ Ministry of Justice, Law No. 96 of 23 July 1998 about the Organization of Insurance in the Kyrgyz Republic. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/105?cl=ky-kq>.

⁷⁸ Ministry of Justice, Law No. 122 of 28 May 2015 about Modification and Amendments in Some Legal Acts of the Kyrgyz Republic. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/111165?cl=ky-kq>.

⁷⁹ Ministry of Justice, Law No. 117 of 9 July 2014 about Modification and Amendments in the Law of the Kyrgyz Republic about the Organization of Insurance in the Kyrgyz Republic. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/205338?cl=ky-kq>.

Chart 4.6 Insurance premiums according to type of insurance, 2019

(premiums %)

**Total value of insurance premium: KGS 1,332 million**

Source: WTO Secretariat calculations, based on data provided by the authorities.

4.76. The other amendments were minor, making consequential changes due to other laws, e.g. law on combating money laundering. In addition to the main law, there are a number of other laws on the various types of insurance.⁸⁰ The other main laws about insurance adopted during the review period include Law No. 192 of 24 July 2015 on Compulsory Third Party Liability Insurance of Motor Vehicle Owners and Law No. 209 of 31 July 2015 on Compulsory Insurance of Residential Premises against Fire and Natural Disasters.⁸¹ The State Service for Regulation and Supervision of Financial Markets under the Government of the Kyrgyz Republic is the insurance sector's regulatory body. Its main role with respect to the insurance sector is to receive reports from insurers on their activities and financial situation; perform compliance inspections; issue licences; enforce violations; and participate in liquidation in case of insolvency.

4.77. In other developments, a Resolution was passed in 2016 regulating the activities of insurance brokers, in particular the process for obtaining a licence.⁸² Also, the State Insurance Organization OJSC was established in 2015 pursuant to a Government Resolution with the purpose of creating economic conditions for compensation of losses associated with damage or destruction of residential premises as a result of fire and natural disasters. It carries out activities on compulsory (i.e. insurance of premises against fire and natural disasters, insurance of civil liability of the employer for harm to the employee, for operating hazardous production facilities, carrier liability for passengers, and liability insurance of carriers of dangerous goods) and voluntary types of insurance (insurance against fire and other hazards, property insurance/leased property, insurance of land vehicles, civil liability against vehicle accidents, health insurance, and medical travel insurance).⁸³ The State Insurance Organization makes pay-outs in the event of an insured event, which is an event under an insurance contract concluded in accordance with the Law on Compulsory Insurance

⁸⁰ State Insurance Organization OJSC, *Rules and Laws on Voluntary and Compulsory Insurance*. Viewed at: <http://gso.kg/ru/%d0%bd%d0%bf%d0%b0/>.

⁸¹ Despite the title of the Law, the authorities confirm insurance of residential premises against fire and natural disasters is voluntary, not mandatory.

⁸² Ministry of Justice, Government Resolution No. 239 of 11 May 2016 on Issues of Activity of Insurance Brokers in the Kyrgyz Republic. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/98447>.

⁸³ Ministry of Justice, Government Resolution No. 883 of 28 December 2015 on the Establishment of the State Joint-Stock Insurance Organization Open Joint-Stock Company. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/98289>.

of Residential Premises against Fire and Natural Disasters and the Rules for Compulsory Insurance of Residential Premises against Fire and Natural Disasters, of 31 January 2020, No. 3, approved by the Protocol Board of the OJSC State Insurance Organization, that caused damage or destruction of residential premises during the validity period of the compulsory insurance contract (insurance policy) and confirmed by documents of the competent state bodies.

4.78. The insurance sector is also bound by certain financial solvency, i.e. minimum capital requirements. The government raised the minimums in recent years, propelling the total equity growth for the sector. As at 2020, the minimum capital requirements were as follows:

- for companies that have voluntary types of insurance or reinsurance, with the exception of life insurance: KGS 30 million;
- for companies that have both voluntary and compulsory insurance or reinsurance activities, including life insurance: KGS 150 million;
- for companies engaged only in reinsurance: KGS 300 million;
- for companies engaged only in reinsurance and operating in a free economic zone: KGS 100 million; and
- for insurance or reinsurance brokers: KGS 1 million.⁸⁴

4.4.1.4 Capital markets

4.79. The Kyrgyz Republic's first stock exchange was founded in 1994 and since that time other securities markets have been established that have subsequently either been dissolved or consolidated, and thus the Kyrgyz Stock Exchange (KSE) is the only stock exchange at this time. The exchange remains small, with 18 broker/dealer companies as at October 2020. Trading volumes and transactions fluctuated during the review period, with the most recent trading volume reaching KGS 6.98 billion in 2019 (Box 4.5).⁸⁵ Furthermore, the portfolios of securities of Kyrgyz banks remain small, and thus the capital markets sector remains underdeveloped. As part of its policy discussions with the IMF in the context of its Article IV consultation process in 2019, it was agreed that the Kyrgyz Republic should promote a deepening of the financial sector by, *inter alia*, developing its domestic securities market.⁸⁶ To develop the capital markets and create a mechanism for their inflow into the real sector of the economy, the Program for the Privatization of State Property in the Kyrgyz Republic for 2020-2022 was approved; this document provides for an initial public offering with the sale of up to 10% of the shares of an additional issue of five state-owned companies on the stock market.

Box 4.5 Overview of capital markets, 2019-20

- Securities market transactions: KGS 6.07 billion (2019)
- Trading volume: KGS 6.98 billion (30 September 2020)
- Corporate security transactions: 2,707
- Corporate bond volume: KGS 250.5 million

Source: Information provided by the authorities; and KSE, *Trade Archive*. Viewed at: <https://www.kse.kg/en/TradeArchive>.

4.80. The securities sector is still governed by the 2009 Law on the Securities Market, which was amended several times during the review period.⁸⁷ These changes involved the terms of issue that apply to bonds and securities, the state's registration of securities, the procedure for liquidation of

⁸⁴ Ministry of Justice, Government Resolution No. 292 of 1 June 2016 about Approval of the Minimum Size of the Authorized Capital for Insurance (Reinsurance) Organizations and Insurance (Reinsurance) Brokers. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/98475>.

⁸⁵ Information provided by the authorities.

⁸⁶ IMF (2019), *Kyrgyz Republic: 2019 Article IV Consultation-Press Release and Staff Report*. IMF Country Report No. 19/208. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2019/07/02/Kyrgyz-Republic-2019-Article-IV-Consultation-Press-Release-and-Staff-Report-47085>.

⁸⁷ Ministry of Justice, Law No. 251 of 24 July 2009 on the Securities Market. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/202677>.

seized securities, and consequential changes to implement the Law on Measures to Combat the Financing of Terrorism and Legalization (Laundering) and the Law on Investment Funds.

4.81. In 2017, a Government Resolution was issued that allows for the creation and circulation of Islamic securities.⁸⁸ It amends earlier legislation from 2009 on Islamic insurance products to include five specific types of Islamic financial products, such as equity shares and leasing instruments.

4.82. There are no restrictions on the purchase of securities by foreigners. As at 2017, purchases of securities by foreigners amounted to KGS 2.37 billion. The majority of foreign purchases was from CIS countries (92%).⁸⁹ In addition, foreign issuers of securities may participate in the Kyrgyz security market if they comply with a number of conditions, i.e. have a relationship with a broker/dealer and an entity with depository function, and meet the listing requirements.

4.83. The State Service for Regulation and Supervision of Financial Markets is also the regulator for the capital markets. It conducts inspections and administers administrative penalties in case of infraction. In 2017, there were 177 violations; the two major categories of violations were with respect to disclosure of information (29%) and audit (26%).⁹⁰ The Service also licenses security market activities. In 2018-19, it issued 108 licences for a variety of activities but mostly for dealers and brokers (Table 4.9).

Table 4.9 Entities engaged in the securities market, by activity, 2018-19

(Number)

Name	2018	2019
Organizers of trading on the securities market	2	2
Depository activity	3	1
Broker activity	35	39
Dealer activity	37	35
Maintaining a register of securities owners	16	19
Trust management of investment assets	11	9
Investment fund	4	3
Total	108	108

Source: Information provided by the authorities.

4.84. The KSE also has a commodity sector for the promotion of commodity circulation.⁹¹ Its structure and operation are set out in the 1992 Law on Commodity Exchange and Exchange Trade in the Kyrgyz Republic, which was amended in 2020 to change the types of transactions allowed on the exchange, the types of commodities permitted, and the organizational structure and legal form.⁹² The commodity sector is at a development stage, and companies are gradually being accredited. The exchange has a partnership with the Uzbek Republican Commodity and Raw Materials Exchange JSC and the St. Petersburg International Commodity and Raw Materials Exchange, in order to increase its offerings. The volume of this trade turnover with Uzbekistan was USD 325 million in 2018.⁹³

⁸⁸ Government Resolution No. 323 of 1 June 2017 on Approval of the Regulation on the Issue, Circulation and Redemption of Islamic Securities, Issued on Islamic Principles of Financing. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/100023>.

⁸⁹ State Service for Regulation and Supervision of Financial Markets, *Report about the Activities of the Public Service Regulation and Supervision of the Financial Market under the Government of the Kyrgyz Republic (Gosfinnadzor) for 2017*. Viewed at: https://fsa.gov.kg/docs/file/actreport/3763--_2017.pdf.

⁹⁰ State Service for Regulation and Supervision of Financial Markets, *Report about the Activities of the Public Service Regulation and Supervision of the Financial Market under the Government of the Kyrgyz Republic (Gosfinnadzor) for 2017*.

⁹¹ KSE, *Commodity-Raw Material Sector*. Viewed at: <http://ts.kse.kg/index>.

⁹² Ministry of Justice, Law No. 915-XII of 29 June 1992 on Commodity Exchange and Exchange Trade in the Kyrgyz Republic. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/809>; and Law No. 22 of 29 February 2020 about Modification of the Law of the Kyrgyz Republic about Commodity Exchanges and Exchange Trade in the Kyrgyz Republic. Viewed at: <http://cbd.minjust.gov.kg/act/view/ky-kq/112020?cl=ky-kq>.

⁹³ KSE, "Trade Turnover between Kyrgyzstan and Uzbekistan Rose to USD 325 Million", 8 December 2018. Viewed at: <http://ts.kse.kg/news/item/765>.

4.4.2 Telecommunication services

4.4.2.1 Recent market and policy developments

4.85. The telecommunications market shows an increasing level of competition in nearly all segments. According to the ITU, based on data for 2013, there was full competition in virtually all telecommunications services.⁹⁴ The authorities indicate that as at June 2020 there were 303 operators owning 492 licences.

4.86. In fixed line services, the two largest operators (Kyrgyz Telecom and JSC Saimatelecom) account for 96.6% of the market.⁹⁵ State-owned Kyrgyz Telecom OJSC owns about 70% of this market, serving around 95% of fixed telephone subscribers.⁹⁶ In the mobile communications market, the three largest operators are Nur Telecom LLC (O! TM), CJSC Alfa Telekom (Megacom TM), and SkyMobile LLC (Beeline TM), which together account for 99.9% of the market.⁹⁷ Revenue generated by the mobile communication services market fell in recent years as a result of price declines due to fierce competition.⁹⁸ Kyrgyz Telecom OJSC, Aknet LLC, and Mega Line LLC are the three largest Internet service providers, accounting for 86.6% of the market.

4.87. The fixed line telephone penetration rate (the number of fixed telephone lines per 100 inhabitants) is one of the lowest in the region, which reflects the difficulty posed by the country's geographic conditions for the deployment of fixed infrastructure.⁹⁹ The number of fixed telephone line subscriptions declined significantly during the review period, mainly due to the growing popularity of mobile phones (Table 4.10).¹⁰⁰ While the penetration rate for mobile communications is somewhat below the CIS average, it is higher than the corresponding rate in Azerbaijan, Tajikistan, Uzbekistan, and the world average.¹⁰¹ The level of Internet penetration remains rather low but increased in recent years (Table 4.10). The Internet is primarily accessed through mobile phones.

Table 4.10 Telecommunications indicators, 2012-18

	2012	2013	2014	2015	2016	2017	2018
Fixed telephone subscriptions	488,853	461,277	443,184	408,037	382,149	362,288	331,140
Fixed telephone subscriptions per 100 inhabitants	8.7	8.0	7.6	6.8	6.3	5.9	5.3
Mobile-cellular subscriptions	6,797,850	6,737,490	7,563,440	7,579,440	7,613,530	7,369,930	7,726,860
Mobile-cellular subscriptions per 100 inhabitants	120.9	117.6	129.4	127.2	125.3	119.1	122.6
Fixed-broadband subscriptions	54,614	136,200	170,706	211,521	240,873	258,013	240,192
Fixed-broadband subscriptions per 100 inhabitants	1.0	2.4	2.9	3.5	4.0	4.2	3.8

⁹⁴ ITU, *Kyrgyzstan Profile (2018)*. Viewed at: https://www.itu.int/itu-d/apis/clients/res/pdf/country_profile/report_KGZ.pdf.

⁹⁵ Information provided by the authorities.

⁹⁶ ITU, *Measuring the Information Society Report 2018*, Vol. 2, p. 95. Viewed at: <https://www.itu.int/en/ITU-D/Statistics/Pages/publications/misr2018.aspx>.

⁹⁷ Kyrgyztelecom does not provide mobile communication services.

⁹⁸ According to data provided by the authorities, the income from mobile communications services was 17,792 KGS in 2013 and 12,587 KGS in 2018.

⁹⁹ A significant disparity exists between urban and rural areas in the number of fixed telephone lines. ADB, *Kyrgyz Republic: Improving Growth Potential*, September 2019, p. 148. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>.

¹⁰⁰ A recent study observes that "[m]obile phone services have been important in Central Asia. The development of mobile phone technology, coinciding with the independent history of the Central Asian countries, provided the countries' citizens and businesspeople with a valuable means of leapfrogging one aspect of their low-quality inherited infrastructure, i.e. the poor fixed-line telephone system". Pomfret, R. (2019), *The Central Asian Economies in the Twenty-First Century: Paving a New Silk Road*, Princeton University Press, p. 257.

¹⁰¹ ADB, *Kyrgyz Republic: Improving Growth Potential*, September 2019, pp. 17-18. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>.

	2012	2013	2014	2015	2016	2017	2018
Mobile broadband subscriptions per 100 inhabitants	18.6	23.4	25.7	29.7	44.0	72.0	94.0
3G mobile coverage (% of the population)	n.a.	n.a.	57.0	59.0	60.0	75.0	88.0
Share of population using Internet (%)	19.8	23.0	28.3	30.2	37.0	38.0	38.0
Households with a computer (%)	14.0	16.0	17.6	19.5	21.4	23.3	23.3
Households with Internet access at home (%)	7.2	11.9	13.8	16.5	18.8	21.1	21.1

n.a. Not applicable.

Source: ITU Statistics.

4.88. According to a recent Economic and Social Commission for Asia and the Pacific (ESCAP) study, the main market trends include the growth of Internet services, a reduction of traditional television and broadcasting, a significant increase in demand for fixed international and long-distance services, growth in the volume of cellular services, widespread use of instant messengers gradually replacing traditional voice traffic, and fierce competition between telecoms operators, which resulted in a price war. The same study observes that major problems are the low coverage of the population, especially in rural areas, the lack of digital readiness and limited development of broadband access, high Internet access prices relative to the quality of the access and income of the population, and the lack of qualified personnel in the fields of telecommunications and cybersecurity.¹⁰²

4.89. The Kyrgyz Republic's recent policies recognize the importance of information and communication technology (ICT) to the country's development prospects.¹⁰³ The National Strategy for Sustainable Development 2013-2017 sets out ICT targets with respect to e-government, the transition to digital broadcasting, and universal Internet access. The National Development Strategy 2018-2040 defines national digital transformation as one of its objectives. In this regard, the Digital Transformation Concept "Digital Kyrgyzstan" 2019-2023 aims to: (i) create new opportunities for the population through the development of digital skills; (ii) provide high-quality digital services; increase the efficiency, effectiveness, openness, transparency, and accountability of public administration; and reduce corruption and increase the level of citizen involvement in state and municipal decision-making processes; and (iii) ensure economic growth through the digital transformation of priority sectors of the economy, the strengthening international partnerships, and the creation of new economic clusters. Three priority tasks for the medium term are: (i) the digital transformation of business processes and production chains, especially in priority sectors; (ii) the development of digital strategies in cooperation with partner countries, notably in the context of the EAEU 2025 Digital Agenda and the Digital Silk Road programme; and (iii) the development of digital technologies and the reduction of barriers to their development in order to create new economic clusters.¹⁰⁴

¹⁰² ESCAP, *In-depth National Study on ICT Infrastructure Co-deployment with Road Transport and Electricity Infrastructure in Kyrgyzstan*, 2019, p. 15. Viewed at: <https://www.unescap.org/sites/default/files/In%20depth%20national%20study%20on%20ICT%20infrastructure%20co-deployment%20with%20road%20transport%20and%20electricity%20infrastructure%20in%20Kyrgyzstan%20%20ESCAP.pdf>.

¹⁰³ It has been observed that ICT can address barriers posed by the Kyrgyz Republic's geographic remoteness and its high transport costs and that realizing its plans with respect to sectors such as hydropower and tourism will require more sophisticated communication and information processing. ADB, *Kyrgyz Republic: Improving Growth Potential*, September 2019, p. 145. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>. For a comprehensive assessment of the Kyrgyz Republic's digital development, see National Institute for Strategic Studies of the Kyrgyz Republic, State Committee on Information Technologies and Communications, and World Bank, *Digital Development Assessment – Kyrgyzstan*, 2017. Viewed at: http://www.ict.gov.kg/uploads/ckfinder/files/KG_Digital%20Development%20Assessment_Final.pdf.

¹⁰⁴ State Committee of Information Technologies and Communications of the Kyrgyz Republic (SCITC), *Digital Transformation Concept "Digital Kyrgyzstan" 2019-2023*, Ch. 3. The Government adopted a Roadmap for the implementation of the Digital Transformation Concept by Order No. 20 of 15 February 2019.

4.90. The World Bank's Digital CASA-Kyrgyz Republic Project, approved in March 2018, aims to increase access to more affordable Internet, crowd in private investment in the ICT sector, and improve the Government's capacity to deliver digital government services in the Kyrgyz Republic, by contributing to the development of a regionally integrated digital infrastructure and enabling environment. The Project has four components: Regional Digital Connectivity Infrastructure; Regional Data Centers, Digital Platforms, and Smart Solutions; Enabling Environment for Digital Economy; and Project Management.

4.4.2.2 Legal and institutional framework

4.91. The primary law regulating electronic communications is the Law on Electric and Postal Communication, originally adopted in 1998.¹⁰⁵ It establishes the legal basis for the operation of communication networks and the provision of electric and postal services and determines the competencies of state executive bodies authorized to regulate such services, the mode of obtaining the necessary permits for their provision, and the rights and obligations of legal entities and individuals operating electric and postal networks and providing such services. The Law was amended several times during the review period.¹⁰⁶

4.92. The Law on Electric and Postal Communication sets out a number of key principles, including the provision of services on the basis of competition, private enterprise, and commercial independence; the separation of the functions of the State in developing policies in the field of electric and postal communications and regulating the activities of postal enterprises and operators and providers of telecommunications services from the functions of operating networks and providing electric and postal communication services; comprehensive support for the provision of high-quality traditional and innovative electric and postal communication services; creating favourable conditions for attracting foreign investment; and equal access of all legal entities and individuals to public telecommunications networks and services and postal services (Article 1).

4.93. The Law on Electric and Postal Communication provides for the establishment of the authorized state body for transport and communications, the state commission on radio frequencies, and the state communication authority. The latter body is the regulatory authority.¹⁰⁷ It has the power, *inter alia*, to: (i) issue numbering resources to telecommunications operators; (ii) issue licences in accordance with the Law on the Licensing and Permit System; (iii) issue certificates of conformity for communication equipment and services; (iv) issue frequency assignments; (v) take measures to prevent anti-competitive practices in the communication industry (in cooperation with the state body responsible for competition policy); (vi) regulate prices and quality of services of electric and postal communication services; and (vii) with the consent of the state body in charge of competition policy, approve tariffs for electric and postal services of monopoly enterprises (Article 8).

4.94. The Kyrgyz Republic operates an individual licensing scheme rather than a general authorization regime. The activities of legal entities and individuals in the field of communications are carried out on the basis of licences issued in accordance with the Law on the Licensing and Permit System¹⁰⁸ and the Law on Electric and Postal Communications. The activities subject to licensing in the field of communications are telecommunications (except for operators and services of domestic or closed telecommunications networks), postal services, data transmission, and use of the radio frequency spectrum.

4.95. Specifically with respect to telecommunications, the following types of services are subject to licensing: telegraph communication; local telephone communication; international communication; long-distance communication; telematic services (i.e. telecommunications services intended for the

¹⁰⁵ Law No. 31 of 2 April 1998, as amended.

¹⁰⁶ Laws No. 75 of 22 May 2013, No. 129 of 11 July 2013, No. 20 of 15 January 2015, No. 51 of 6 March 2015, No. 30 of 20 February 2017, No. 68 of 28 April 2017, No. 75 of 4 May 2017, No. 68 of 17 May 2019, and No. 107 of 30 July 2019.

¹⁰⁷ As discussed below, the "state communication authority" provided for in the Law on Electric and Postal Communication is now the State Communication Agency under the State Committee on Information Technologies and Communications established in 2016.

¹⁰⁸ Law No. 195 of 19 October 2013, as amended by Laws No. 179 of 31 December 2014, No. 74 of 8 April 2015, No. 91 of 30 April 2015, No. 109 of 21 May 2015, No. 122 of 28 May 2015, No. 91 of 28 June 2016, No. 75 of 4 May 2017, No. 79 of 10 May 2017, No. 84 of 23 May 2017, No. 167 of 2 August 2017, No. 29 of 14 March 2018, No. 51 of 24 April 2019, No. 89 of 18 July 2019, No. 150 of 31 December 2019, and No. 29 of 23 March 2020.

transmission of information through telecommunications networks, except for telephone communications, telegraph communications, and data transmission); mobile radiotelephone communication (i.e. reception and transmission of messages carried out by means of mobile radiotelephone communication); and distribution of television and radio programmes (i.e. the distribution of an electrical broadcast signal in telecommunications networks). The Law on Electric and Postal Communication outlines the procedures and criteria for the issuance of licences for the use of the radio frequency spectrum¹⁰⁹ and for frequency assignments for the right to operate electronic equipment, and for the issuance of licences in the field of electric and postal communications (Articles 10 and 11).¹¹⁰ Licences for activities in the field of electric and postal communications must contain requirements regarding obligations of the licensee, e.g. with respect to the development or expansion of the network or the scope of the service and the provision of services to all users on a non-discriminatory basis. The requirement to invest at least KGS 20 million in telecommunications as a condition to obtain a licence to provide certain services¹¹¹ was eliminated.

4.96. Foreign legal entities and individuals can obtain licences for activities in the field of communication services, and participate in privatization processes in this sector, on the same conditions and in the same manner as legal entities and individuals of the Kyrgyz Republic. Under the GATS, the Kyrgyz Republic made commitments on market access and national treatment with respect to telecommunications services that contain no limitations, except as far as the movement of natural persons is concerned. It has also accepted the Reference Paper on the regulatory framework for basic telecommunications services.¹¹² The liberalization commitments made by the Kyrgyz Republic in telecommunications services under the EAEU Treaty are similar to its commitments under the GATS.¹¹³

4.97. The Law on Electric and Postal Communication designates Kyrgyz Telecom OJSC as a national telecommunications operator and provider of public telecommunications services and defines additional obligations and rights that Kyrgyz Telecom's licence must contain. Among these are the obligation to: (i) provide public telecommunications services to any person in any part of the Kyrgyz Republic where it is technically or economically possible and to justify the refusal or inability to provide services; (ii) develop a public telecommunications network; and (iii) manage national long-distance and international telecommunications services. The licence must also establish a procedure for regulating prices for the use of networks and services provided by Kyrgyz Telecom on an exclusive basis (Article 13). More generally, the Law provides that the authorized state body, with the consent of the authorized state body for antimonopoly policy, has the right to regulate prices of telecommunications and postal services in certain circumstances, such as when there is only one telecommunications or postal service operator that owns or exercises control over the telecommunications or postal network or one telecommunications service provider or one postal service company providing services (Article 17).

4.98. Public telecommunications services are treated as natural monopolies in the Kyrgyz Republic's legislation on natural monopolies¹¹⁴ and have been subject to EAEU Treaty rules on natural monopolies since February 2017.¹¹⁵

4.99. The EAEU Treaty provides for specific rules on telecommunications services in a supplement to its Protocol on Services and Investment. The rules deal with matters such as: (i) the obligation to ensure that information on the terms of access to public telecommunications networks is publicly available; (ii) non-discriminatory access to networks and services; (iii) universal service obligations; (iv) independence of regulatory authorities; (v) the right of member States to regulate tariffs; and (vi) the obligation to provide unimpeded traffic transmission.

¹⁰⁹ As amended in May 2017, the Law requires licences for the use of the frequency spectrum to be allocated through public auctions if certain conditions are met.

¹¹⁰ More detailed licensing rules are defined in the Regulation on Licensing Activities for Use of Radio Frequency Spectrum, approved by Government Resolution No. 754 of 17 November 2017 and in the Regulation on Licensing of Activities in the Field of Electric and Postal Communications, approved by Government Resolution No. 746 of 31 December 2019.

¹¹¹ WTO document WT/TPR/S/288/Rev.1, 21 January 2014, para. 4.67.

¹¹² WTO document GATS/SC/125, 22 April 1999.

¹¹³ WTO document WT/REG366/1, 29 August 2018, Table 4.1 and para. 4.26.

¹¹⁴ Law No. 149 of 8 August 2011, as amended.

¹¹⁵ WTO document WT/REG366/1, 29 August 2018, para. 4.12.

4.100. In addition to the Law on Electric and Postal Communication and EAEU Treaty rules, other laws relevant to telecommunications services are the Law on Electronic Governance¹¹⁶, the Law on Electronic Signature¹¹⁷, and the Law on Personal Information.¹¹⁸ There is also a body of secondary legislation. During the review period, the Regulation on Licensing Activities for Use of Radio Frequency Spectrum¹¹⁹ and the Regulation on Licensing Activities in the Field of Electric and Postal Communication¹²⁰ entered into force. The national radio frequency allocation table between the radio services of the Kyrgyz Republic was also approved¹²¹, and the national system and numbering plan for telecommunications networks of the Kyrgyz Republic was adopted.

4.101. An important change in the institutional framework for policy development and regulation in the areas of telecommunications and ICT was the creation, in 2016, of a new body, the State Committee of Information Technologies and Communications of the Kyrgyz Republic (SCITC).¹²² The SCITC was created to provide a more coordinated and focused approach to ICT policies and regulation by combining several authorities previously located in other agencies. Thus, it incorporates the State Communication Agency (SCA) and the Center for Electronic Governance. The SCITC is a state executive body that implements state policy and carries out intersectoral coordination in the field of informatization, electronic governance, electronic government, electronic services, and electric and postal communications, including radio and television broadcasting.¹²³ Its purpose is to create favourable conditions for (i) the construction of a modern, high-tech competitive data transmission network for the development of informatization; (ii) electronic governance; (iii) the market for services in the field of communications; and (iv) integration into the global information space. The SCITC's four main functions are industry development, regulation, coordination and control, and support. The SCITC is also the executive body of the Council on Electronic Governance and Development of ICT under the Government.

4.102. While the SCITC is responsible for the implementation of the overall state policy in this area, the SCA under the SCITC is the telecommunications regulatory authority.¹²⁴ Its regulatory functions are to¹²⁵:

- monitor the conditions and volume of use of networks and public services of telecommunications operators;
- create, develop, and operate a state system of radio monitoring;
- carry out the allocation of denominations and bands of radio frequencies in accordance with the National Table of the Distribution of Radio Frequencies;
- create, develop, and operate the state system of identification of mobile communication devices;
- change, modify, and redistribute channels, denominations, and radio frequency bands previously allocated to users;
- carry out licensing in accordance with legislation in the field of the licensing system, and maintain the appropriate registers of licences and permits issued;
- issue expert opinions on the import and export of goods;

¹¹⁶ Law No. 127 of 19 July 2017.

¹¹⁷ Law No. 128 of 19 July 2017.

¹¹⁸ Law No. 58 of 14 April 2008.

¹¹⁹ Resolution No. 754 of 17 November 2017.

¹²⁰ Resolution No. 746 of 31 December 2019.

¹²¹ Resolution No. 146 of 20 March 2018.

¹²² The SCITC was created by Resolution No. 373 of 4 July 2016, as part of the implementation of Jogorku Kenesh Resolution No. 439-VI of 13 April 2016 on the Structure of the Government of the Kyrgyz Republic.

¹²³ Appendix 1 to Decree No. 402 of 15 July 2016 contains the Regulations on the Objective, Functions, and Powers of the SCITC.

¹²⁴ The State Agency for Communications is one of eight organizations subordinate to the SCITC.

¹²⁵ Decree No. 402 of 15 July 2016, Appendix 3.

- create and maintain a database of frequency assignments;
- generate and maintain a register of certificates of conformity for equipment and technical means of communication;
- conduct analysis on the issue of preventing cross-subsidization between different categories and groups of consumers, and develop proposals for its termination in the communications industry; and
- support free competition between all electric and postal communication operators, telecommunications services, and postal service enterprises.¹²⁶

4.103. The SCA is responsible for the implementation of the Regulation on Licensing Activities in the Field of Electric and Postal Activities approved by Decree No. 746 of 31 December 2019 and the Regulation on Licensing Activities for Use of Radio Frequency Spectrum adopted by Resolution No. 754 of 17 November 2017.

4.4.3 Transport services

4.4.3.1 Transport infrastructure challenges and policy

4.104. The Kyrgyz Republic faces high transport costs. In 2014, it was among the 10 countries with the highest export delivery costs, in terms of USD per container¹²⁷, due to the country's unique geographic conditions as a double-landlocked, mountainous country¹²⁸, a transport infrastructure originally constructed mainly to provide long-distance connectivity within the former Soviet Union, and the inadequate development of its transport infrastructure in recent decades, mainly because of insufficient financial resources. Thus, enhancing the Kyrgyz Republic's transit and trade potential requires improvements to both domestic and international connectivity.¹²⁹

4.105. Road transport is the most important mode of transport for both passengers and freight (Table 4.11).

Table 4.11 Freight and passengers by types of transport, 2012-19

	2012	2013	2014	2015	2016	2017	2018	2019
Total freight (million tonnes) of which:	39.8	41.0	28.9	29.7	31.2	32.0	33.0	34.2
Rail	1.1	1.4	1.5	1.3	1.7	1.9	2.3	2.2
Motor	38.4	39.4	27.2	28.2	29.3	29.8	30.5	31.7
Pipeline	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Water	0.0	0.0	0.0	0.0	0.0	-	-	-
Air	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total passengers (million persons) of which:	603.2	619.0	638.7	653.1	682.2	710.0	731.6	756.6
Rail	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.4
Motor vehicles	601.8	617.6	637.1	651.6	680.9	708.2	729.9	755.1
Buses	563.8	579.5	596.1	604.1	627.3	649.7	664.4	682.4
Trolleybuses	19.5	19.0	20.1	23.3	25.9	29.3	33.1	36.3

¹²⁶ Other functions of the SCA relate to coordination, supervision, and control; service; and support.

¹²⁷ Eurasian Development Bank (EDB), *Microeconomics of the Eurasian Geography*, Special Report, August 2017, pp. 49-50. Viewed at: <https://eabr.org/en/analytics/special-reports/microeconomics-of-the-eurasian-geography/>. A UNECE report notes that "in Central Asia, including Kyrgyzstan, transport costs for export-import products amounts to 25%, while in countries situated close to maritime transport this share is about 10%". UNECE, *Logistics and Transport Competitiveness in Kyrgyzstan*, 2019, p. 6. Viewed at: https://unece.org/DAM/trans/main/wp24/Logistics_and_Transport_Competitiveness_in_Kyrgyzstan_2019.pdf.

¹²⁸ It has been observed that "Kyrgyzstan and Tajikistan share the third and fourth places among the world's land-locked countries located at the highest average elevations above sea level". EDB, *Economic Geography of Eurasian Countries*, Special Report, January 2017, p. 47. Viewed at: <https://eabr.org/en/analytics/special-reports/economic-geography-of-eurasian-countries/>.

¹²⁹ See generally, ADB, *Kyrgyz Republic: Improving Growth Potential*, 2019, pp. 171-195. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>.

	2012	2013	2014	2015	2016	2017	2018	2019
Cars (taxies)	18.5	19.1	20.9	24.2	27.7	29.2	32.4	36.4
Air	0.8	1.1	1.2	1.2	1.1	1.5	1.4	1.1

- Nil or rounded to zero.

Source: National Statistical Committee. Viewed at: <http://www.stat.kg/en/opendata/category/1975>; and <http://www.stat.kg/en/opendata/category/230>.

4.106. The National Sustainable Development Strategy for the Period 2013-2017 prioritized the development of several strategic industries, including transport. The Strategy notes that while the volume of cargo and passenger traffic was expected to increase at a rate of up to 10% per year, limited financial resources available for the maintenance, operation, and development of transport infrastructure resulted in a significant degradation of the quality of that infrastructure. To improve the transport and transit potential in order to enhance the population's access to markets for goods and services, the Strategy defined the following objectives: (i) the rehabilitation of five motorways that are used as international transport corridors; (ii) the preservation and improvement of the country's network of domestic hard-surface roads; (iii) the ensuring of transport independence; (iv) the completion of feasibility studies and commencement of the construction of the Sino-Kyrgyz-Uzbek Trunk Railroad and a railway branch connecting the north and the south of the country; and (v) the creation of an air transport hub.¹³⁰ Similar objectives appear in the Development Program of the Kyrgyz Republic for the Period 2018-2022¹³¹ and in the National Development Strategy of the Kyrgyz Republic for 2018-2040.¹³² The latter document provides that the objective to be achieved by 2040 is to transform the country into a transit country for goods, passengers, and cargo.¹³³

4.107. The development of transport infrastructure takes place in the context of broader regional developments related to Euro-Asian transport routes. Most of the Kyrgyz Republic's infrastructure projects are undertaken in the context of the six multimodal transport corridors of the Central Asia Regional Economic Cooperation (CAREC) Program.¹³⁴ These corridors aim to link the key economic hubs in Central Asia to each other and to connect the landlocked CAREC countries to other Eurasian and global markets.¹³⁵ The Kyrgyz Republic also participates in the Transport Corridor Europe-Caucasus-Asia (TRACECA) programme, which aims to develop transport relations in the regions of the Black Sea basin, the Caucasus, and Central Asia.

4.108. The Ministry of Transport and Roads (known as the Ministry of Transport and Communications until a name change in 2016) is responsible for transport policy. The State Road and Water Transport Agency was transformed in 2017 into the Road and Water Transport and Weight and Dimension Control Agency at the Ministry of Transport and Roads. The Civil Aviation Agency, also part of the Ministry of Transport and Roads, is responsible for the regulation of the civil aviation sector. The agency in charge of the rail sector is the state enterprise Kyrgyz Temir Zholu.

4.109. An important factor in the development of the transport policy during the review period was the Kyrgyz Republic's accession to the EAEU. The EAEU Treaty aims to create a common EAEU

¹³⁰ National Sustainable Development Strategy for the Kyrgyz Republic for the Period 2013-2017, pp. 98-99. Viewed at: https://www.un-page.org/files/public/kyrgyz_national_sustainable_development_strategy.pdf.

¹³¹ Development Program of the Kyrgyz Republic for the Period 2018-2022, p. 29. Viewed at: https://www.un-page.org/files/public/the_development_program_of_the_kyrgyz_republic_for_the_period_2018-2022.pdf.

¹³² National Development Strategy of the Kyrgyz Republic for 2018-2040, November 2018, pp. 38-40. Viewed at: <https://policy.thinkbluedata.com/sites/default/files/National%20Development%20Strategy%20of%20the%20Kyrgyz%20Republic%20for%202018-2040%20%28EN%29.pdf>.

¹³³ A Transport Master Plan was adopted in 2012, followed by several sector-specific plans: the Railway Development Programme 2014-2020; the Aviation Development Programme 2015-2020; and the Road Sector Development Strategy up to 2025.

¹³⁴ Ministry of Transport and Roads, *CAREC Corridors: Implementation Progress and Priority Actions 2020-2030*, 2019. Viewed at: https://www.carecprogram.org/uploads/8E_KGZ_EN_rev.pdf.

¹³⁵ The six corridors are: Corridor 1: Europe-East Asia; Corridor 2: Europe-Mediterranean-East Asia; Corridor 3: Russian Federation-Middle East and South Asia; Corridor 4: Russian Federation-East Asia; Corridor 5: East Asia-Middle East and South Asia; and Corridor 6: Europe-Middle East and South Asia. There are also designated Rail Corridors. CAREC, *CAREC Corridors*. Viewed at: https://www.carecprogram.org/?page_id=20.

transport area by 2025.¹³⁶ To this end, two Action Plans were adopted in 2017, which cover the period 2018-2020 and the implementation of which will create a basis for the removal of all existing restrictions on transport services by 2025.¹³⁷ For most transport services and services auxiliary to transport, the liberalization commitments undertaken by the Kyrgyz Republic as part of its accession to the EAEU went beyond its GATS liberalization commitments.¹³⁸

4.4.3.2 Road transport services

4.110. The road transport industry was privatized during the second half of the 1990s, and there are no state companies currently involved in the provision of cargo and non-urban passenger transport.¹³⁹ In major cities, municipal and private transport companies operate in parallel based on agreements concluded with the municipalities.

4.111. The main domestic legal acts regulating the provision of road transport services are: Law No. 89 of 8 July 1998 on Transport, as amended; Law No. 154 of 19 July 2013 on Road Transport, as amended; and Law No. 12 of 3 March 1997 on the Licensing and Permit System, as amended. Other relevant legislation includes Law No. 72 of 2 June 1998 on Roads, as amended; Law No. 52 of 20 April 1998 on Road Traffic, as amended; and the Law on Safety of Wheeled Vehicles, as well as several implementing decrees.¹⁴⁰ In addition, the Government approved an Action Plan for the application of EAEU technical regulations on the safety of wheeled vehicles.

4.112. The Law on Transport and the Law on Road Transport define the general conditions for the carriage of goods, passengers, and luggage by trucks, buses, cars, motor vehicles, trailers, and semi-trailers, as well as general conditions for providing services to passengers, charterers, consignors, consignees, and carriers. The laws apply to all individuals, legal entities, and commercial activities in the field of road transport, without discrimination based on nationality.¹⁴¹

4.113. The Law on the Licensing and Permit System distinguishes between licences and permits. Licences are required for international freight transport by road and for all passenger transport services. The criteria and procedures to obtain such licences have not changed since the previous Review.¹⁴² Licences are issued without a tender, in accordance with the licensing requirements provided for in the Law. Carriers wishing to obtain a licence must be incorporated and pay taxes in the Kyrgyz Republic. Licences are valid for three years for international freight transport and one year for passenger transport.¹⁴³ In addition to licensing, the provision of international road transport services is also subject to a requirement to obtain a permit before a journey is undertaken. Upon the Kyrgyz Republic's accession to the EAEU, carriers from EAEU member States were no longer required to obtain a permit.¹⁴⁴

4.114. In general, foreign trucks and buses are not allowed to transport cargo or passengers between two domestic destinations in the Kyrgyz Republic (cabotage). Legislative amendments are pending before the Parliament that would relax this prohibition in relation to EAEU member States,

¹³⁶ EAEU Treaty, Section XXI and Annex 24, Protocol on the Coordinated Transport Policy of the Member States.

¹³⁷ WTO document WT/REG358/1, 13 July 2018, paras. 4.120-4.123.

¹³⁸ WTO document WT/REG366/1, 29 August 2018, Table 4.1 and para. 4.35.

¹³⁹ WTO document WT/TPR/S/288/Rev.1, 21 January 2014, para. 4.73.

¹⁴⁰ For example, Decree No. 519 of 23 September 2013 on Rules for the Organization of Passenger Transport by Road and Decree No. 311 of 21 May 2015 on Rules for the Organization of Freight Transport by Road.

¹⁴¹ UNECE, *Logistics and Transport Competitiveness in Kyrgyzstan*, 2019, p. 104. Viewed at: https://unece.org/DAM/trans/main/wp24/Logistics_and_Transport_Competitiveness_in_Kyrgyzstan_2019.pdf.

¹⁴² Decree No. 430 of 31 May 2001.

¹⁴³ WTO document WT/TPR/S/288/Rev.1, 21 January 2014, para. 4.74.

¹⁴⁴ Annex 24 to the EAEU Treaty requires that international carriage of goods by road performed by carriers registered in the territory of a member State be carried out on a permit-free basis: (i) between the member State of registration of such carriers and another member State; (ii) in transit through the territory of other member States; and (iii) between other member States. At the time of the previous Review, transport from the Kyrgyz Republic to Kazakhstan, the Russian Federation, and Tajikistan was already exempted from this permit requirement. WTO document WT/TPR/S/288/Rev.1, 21 January 2014, para. 4.74.

in accordance with a programme of gradual liberalization of road cabotage adopted by the EAEU in 2015.¹⁴⁵

4.115. Except in respect of EAEU member States, the Road and Water Transport and Weight and Dimension Control Agency issues transit permits to foreign freight vehicles entering Kyrgyz territory, based on bilateral agreements. Entry without a permit results in a USD 250 fee. Foreign carriers are required to register with the Agency within three days of entry into the Kyrgyz Republic; there are no limits on transit time.

4.116. Tariffs, fees, and charges on public road transport services are regulated by Article 11 of the Law on Road Transport as follows: (i) tariffs, fees, and charges associated with the carriage of passengers, goods, and mail carried out by dominant market entities are established in accordance with the Law on Natural Monopolies; (ii) tariffs for passenger transportation on public road vehicles are set by local authorities in the framework of the tariff policy for road transportation; (iii) tariffs, fees, and charges for motor vehicles that are not regulated in accordance with Part 1 of Article 11 are established on a contractual basis; (iv) tariffs, fees, and charges for road transport in international traffic are set in accordance with international treaties and agreements to which the Kyrgyz Republic is a party.

4.117. In addition to domestic legislation and EAEU rules, the international transport of goods is covered by other international agreements to which the Kyrgyz Republic is a party.

4.118. Regarding international road transport, the Kyrgyz Republic currently has 19 bilateral agreements: (i) 17 intergovernmental agreements on international road traffic and road transport with Armenia, Belarus, China, Georgia, Germany, the Islamic Republic of Iran, Kazakhstan, Latvia, the Republic of Moldova, Mongolia, Pakistan, Poland, the Russian Federation, Turkey, Turkmenistan, Ukraine, and Uzbekistan; and (ii) 2 intergovernmental agreements with Azerbaijan on the basic principles of relations in the transport field and with Tajikistan on the development and improvement of international road traffic. Finally, two interdepartmental agreements were concluded with France and Austria.¹⁴⁶

4.119. Regional and multilateral road transport agreements to which the Kyrgyz Republic is a party include: (i) Economic Co-operation Organization Transit Transport Framework Agreement¹⁴⁷; (ii) Basic Multilateral Agreement on International Transport for Development of the Europe – the Caucasus-Asia Corridor¹⁴⁸; (iii) Agreement on Weights and Dimensions of Vehicles Undertaking International Transport on Roads of the CIS Member States¹⁴⁹; (iv) Agreement on Co-operation of the CIS Member States in the Field of International Road Freight Transport¹⁵⁰; (v) Agreement on Introduction of the International Vehicle Weight Certificate in the CIS Member States¹⁵¹; (vi) Agreement on Building a Common Transport Space and Co-operation on Transport Policy among the Members of the CIS¹⁵²; (vii) Agreement on Traffic in Transit¹⁵³; (viii) Agreement on International Road Transportation¹⁵⁴; (ix) Agreement on Establishing the System of International Road Transport Permit¹⁵⁵; and (x) Agreement on Principles of Co-operation and Conditions of Relations in the Area of Transport.¹⁵⁶

¹⁴⁵ The programme provided for in Annex 24 to the EAEU Treaty envisaged the gradual liberalization of cabotage in four stages from 2016-25. See WTO document WT/REG358/1, 13 July 2018, p. 76, Table 4.4 for a description of the different stages of this programme.

¹⁴⁶ Information provided by the authorities.

¹⁴⁷ Afghanistan, Azerbaijan, the Islamic Republic of Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, and Turkey.

¹⁴⁸ Armenia, Azerbaijan, Bulgaria, Georgia, the Islamic Republic of Iran, Kazakhstan, Kyrgyz Republic, the Republic of Moldova, Romania, Tajikistan, Turkey, and Uzbekistan.

¹⁴⁹ Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, and Uzbekistan.

¹⁵⁰ Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, and Uzbekistan.

¹⁵¹ Armenia, Georgia, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, and Uzbekistan.

¹⁵² Armenia, Azerbaijan, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, and Uzbekistan.

¹⁵³ China, Kazakhstan, Kyrgyz Republic, and Pakistan.

¹⁵⁴ China, Kyrgyz Republic, and Uzbekistan.

¹⁵⁵ China, Kyrgyz Republic, and Uzbekistan.

¹⁵⁶ Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

4.120. The Kyrgyz Republic is also a party to 11 UN Transport Conventions and Agreements: (i) Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be used for such Carriage of 1 September 1970; (ii) Customs Convention on Containers of 2 December 1972; (iii) Convention on Road Traffic of 8 November 1968; (iv) Convention on Road Signs and Signals of 8 November 1968; (v) Convention on the Contract for the International Carriage of Goods by Road of 19 May 1956; (vi) Protocol to the Convention on the Contract for the International Carriage of Goods by Road of 5 July 1978; (vii) Customs Convention on the International Transport of Goods under Cover of TIR Carnets of 14 November 1975; (viii) Customs Convention on the Temporary Importation of Commercial Road Vehicles of 18 May 1956; (ix) International Convention on the Harmonization of Frontier Controls of Goods of 21 October 1982; (x) Protocol on Road Signs and Signals of 19 September 1949; and (xi) Convention on Road Traffic of 19 September 1949 (1994).¹⁵⁷

4.121. A recent study argues that harmonization of legislation is one of the most important conditions for the development of the transport infrastructure of the Kyrgyz Republic and of the CIS more generally.¹⁵⁸ In this regard, the study points out that the Kyrgyz Republic is not a party to many UN Inland Transport Conventions and Legal Agreements, including all the infrastructure agreements, the vehicle regulation Conventions, and many of the road traffic and road safety Conventions. Another study observes that the road transport sector is "loosely regulated" and that entry is not subject to any consideration of professional qualifications.¹⁵⁹ The gap in regulation compared with most other countries gave unlicensed domestic operators an unfair competitive advantage over international operators and hindered the development of higher-quality services in the domestic market. The study recommends the progressive implementation of a licensing system for domestic trucks, increased enforcement, especially regarding weight regulations, and the development and implementation of training programmes.

4.4.3.3 Rail transport services

4.122. Kyrgyz railroads are essentially spokes of a Soviet-era rail network providing connections to hubs in neighbouring Kazakhstan and Uzbekistan, with limited and fragmented national coverage. Instead of an integrated network, there are two unconnected sets of lines, a northern line of 323.4 km and a southern line of 101.2 km. The northern line provides access to the railway network of Kazakhstan, while the southern line ensures access to the railway network of Uzbekistan.¹⁶⁰ Transit through the Kyrgyz Republic is impossible under the current railroad configuration; connections between certain Kyrgyz cities involve transit through neighbouring countries. Thus, the railway sector provides a stark illustration of the country's problem of inadequate domestic and international connectivity. As stated in a 2019 study, "[f]ragmented and dead-end railways do not support intracountry trade and limit international trade development".¹⁶¹ Upgrading the railway network and building a north-south railway corridor and a China-Kyrgyzstan-Uzbekistan railway are seen as priorities for the medium and long terms.¹⁶²

¹⁵⁷ UNECE, *Number of UN Transport Conventions and Agreements per Country*.

¹⁵⁸ UNECE, *Logistics and Transport Competitiveness in Kyrgyzstan*, 2019, pp. 107-108. Viewed at: https://unece.org/DAM/trans/main/wp24/Logistics_and_Transport_Competitiveness_in_Kyrgyzstan_2019.pdf. The Report prepared for the previous Review observes that the Kyrgyz Republic was not a party to the European Agreement concerning the Work of Crews of Vehicles Engaged in International Road Transport (AETR) and had not established AETR-compliant requirements for the use of digital tachographs in freight vehicles. Accordingly, some 95% of the 1,800-strong Kyrgyz cargo fleet involved in international transport were ill equipped to circulate in the 32 countries that had implemented the AETR digital tachograph system since July 2010. Tajikistan was the Kyrgyz Republic's only neighbour that had not adopted AETR-compliant requirements. WTO document WT/TPR/S/288/Rev.1, 21 January 2014, para. 4.76.

¹⁵⁹ International Transport Forum, *Enhancing Connectivity and Freight in Central Asia*, 2019, pp. 137-138. Viewed at: https://www.itf-oecd.org/sites/default/files/docs/connectivity-freight-central-asia_2.pdf.

¹⁶⁰ ADB, *Kyrgyz Republic: Improving Growth Potential*, 2019, p. 178. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>; and UNECE, *Logistics and Transport Competitiveness in Kyrgyzstan*, 2019, p. 56. Viewed at: https://unece.org/DAM/trans/main/wp24/Logistics_and_Transport_Competitiveness_in_Kyrgyzstan_2019.pdf.

¹⁶¹ ADB, *Kyrgyz Republic: Improving Growth Potential*, 2019, p. 178. Viewed at: <https://www.adb.org/sites/default/files/publication/648501/kyrgyz-republic-growth-potential.pdf>.

¹⁶² *National Development Strategy of the Kyrgyz Republic for 2018-2040*, November 2018, pp. 38-39. Viewed at: <https://policy.thinkbluedata.com/sites/default/files/National%20Development%20Strategy%20of%20the%20K>

4.123. Railways are mainly used for the transport of goods; passenger traffic by rail takes place only in the north of the country near Bishkek. The share of rail in the transport of goods remains small but has increased somewhat in recent years.¹⁶³

4.124. The Ministry of Transport and Roads is the authority responsible for policy and regulation in the field of rail transport, based on the Law No. 121 of 18 July 2016 on Railway Transport. The railways are operated by the state enterprise Kyrgyz Temir Zholu (KTHz), which retains a statutory monopoly over all rail services and infrastructure. KTHz performs both passenger and cargo transport. As a natural monopoly, KTHz is subject to price regulation by the State Agency for Antimonopoly Regulation. KTHz does not receive any allocations from the state budget.¹⁶⁴

4.125. The EAEU Treaty stipulates the following objectives in the field of rail transport¹⁶⁵: (i) establishing a common market; (ii) ensuring that consumers of member States have access to rail transport services in the territory of each member State on terms no less favourable than for consumers of that member State; (iii) maintaining the balance between the economic interests of consumers of rail services and the interests of rail transport organizations of the member States; (iv) enabling access of rail transport organizations of one member State to the domestic market of rail transport services of another member State; and (v) enabling access of carriers to infrastructure services of member States.^{166,167}

4.4.3.4 Air transport services

4.126. There are currently 22 airlines registered in the Kyrgyz Republic, 6 of which have a valid operator certificate and 3 of which (Aviatraffic, Tez Jet, and Air Manas) carry out regular passenger traffic. International and domestic passenger traffic is operated by Aviatraffic and Air Manas, while Tez Jet operates only domestic flights. All of these airlines are privately owned. The remaining airlines operate in the field of aviation special operations and transportation of official delegations of the Kyrgyz Republic. Regarding the national flag carrier, state-owned OJSC Air Kyrgyzstan, which suspended its activities, the Government in November 2019 approved an Order of the State Property Management Fund to increase the company's authorized capital. This increase in capital is intended to enable it to acquire modern aircraft and thus to contribute to the development of domestic and international air transportation. All domestic airline companies registered in the Kyrgyz Republic appear on the European Union's blacklist.¹⁶⁸ There are 32 international airlines operating in the Kyrgyz Republic.¹⁶⁹

4.127. The Kyrgyz Republic has 11 airports, all of which are operated by JSC International Airport of Manas (IAM), in which 80% of the equity is owned by the State. Development of airport infrastructure during the past decade took place only at a few airports and did not reflected the overall growth in passenger air travel.¹⁷⁰ IAM's recent change in business strategy is geared towards creating a major air transport hub in Central Asia, in accordance with the Government's civil aviation development programme.

[kyrgyz%20Republic%20for%202018-2040%20%28EN%29.pdf](#); EBRD, *Kyrgyz Republic Diagnostic*, 2019, p. 17; and UNECE, *Logistics and Transport Competitiveness in Kyrgyzstan*, 2019, p. 56. Viewed at: https://unece.org/DAM/trans/main/wp24/Logistics_and_Transport_Competitiveness_in_Kyrgyzstan_2019.pdf.

¹⁶³ From 2010 to 2017, the share of rail in the total volume of freight traffic increased from 2.7% to 6%.

¹⁶⁴ Regarding KTHz's financial position, the Report prepared for the previous Review points out that "[t]he passenger and domestic cargo segments remain loss-making and continue to rely on cross-subsidies from international freight services" and that "[t]he railway company's financial situation is further complicated by considerable external debt". WTO document WT/TPR/S/288/Rev.1, 21 January 2014, para. 4.80.

¹⁶⁵ EAEU Treaty, Annex 24, para. 18.

¹⁶⁶ Regarding this last item, the Treaty sets forth a procedure for Regulating Access to Rail Transport Services, including Tariff Policy Framework.

¹⁶⁷ The liberalization commitments of the Kyrgyz Republic in the field of rail transport services under its EAEU Accession Treaty go beyond its GATS commitments. WTO document WT/REG366/1, 29 August 2018, Table 4.1.

¹⁶⁸ In 2018, Air Manas became the first airline from the Kyrgyz Republic to receive an IATA Operational Safety Audit.

¹⁶⁹ UNECE, *Logistics and Transport Competitiveness in Kyrgyzstan*, 2019, p. 87. Viewed at: https://unece.org/DAM/trans/main/wp24/Logistics_and_Transport_Competitiveness_in_Kyrgyzstan_2019.pdf.

¹⁷⁰ UNECE, *Logistics and Transport Competitiveness in Kyrgyzstan*, 2019, p. 83. Viewed at: https://unece.org/DAM/trans/main/wp24/Logistics_and_Transport_Competitiveness_in_Kyrgyzstan_2019.pdf.

4.128. As at June 2020, the Kyrgyz Republic had 31 bilateral air service agreements (Table 4.12). Regular flights are carried out between the Kyrgyz Republic and the Russian Federation, Kazakhstan, Uzbekistan, Tajikistan, Turkey, China, Mongolia, India, Kuwait, and the United Arab Emirates.¹⁷¹ All international flights are handled by the international airports Manas, Osh, and Issyk-Kul.¹⁷²

Table 4.12 Air service agreements

	Date of conclusion	Date of ratification
Ukraine	23/02/1993	22/09/1999
Iran, Islamic Republic of	22/06/1993	22/09/1999
India	08/09/1993	22/09/1999
Pakistan	14/10/1993	22/09/1999
Mongolia	04/12/1993	12/07/2002
Turkmenistan	24/12/1993	22/09/1999
Kazakhstan	18/02/1994	22/09/1999
Turkey	14/10/1994	22/09/1999
Russian Federation	28/03/1996	22/09/1999
United Kingdom	08/12/1994	22/09/1999
Indonesia	18/07/1995	22/09/1999
China	04/07/1996	22/09/1999
Uzbekistan	04/09/1996	22/09/1999
Georgia	22/04/1997	22/09/1999
Germany	13/05/1997	22/09/1999
Austria	17/03/1998	22/09/1999
Hong Kong, China (transit)	15/07/1999	15/01/2003
Belarus	02/02/2000	28/07/2008
Thailand	02/07/2001	15/01/2003
Malaysia	17/11/2000	15/01/2003
Armenia	04/04/2002	25/07/2008
Switzerland	25/10/2002	01/08/2003
Greece	01/11/2004	13/02/2006
Czech Republic	29/04/2004	02/03/2006
Tajikistan	26/05/2004	05/04/2008
Korea, Republic of	11/07/2006	30/07/2007
European Union	01/07/2007	05/04/2008
Saudi Arabia, Kingdom of	02/12/2014	20/07/2015
United Arab Emirates	07/12/2014	20/07/2015
Kuwait	13/12/2015	26/07/2016
Qatar	21/01/2018	17/12/2018

Source: Information provided by the authorities.

4.129. The Civil Aviation Agency under the Ministry of Transport and Roads is responsible for the management of civil aviation. The relevant legislation regulating the civil aviation sector is the Air Code of the Kyrgyz Republic¹⁷³, which was amended in 2019 to provide for the unilateral adoption of an open skies policy and introduction of the fifth degree of freedom.¹⁷⁴ In February 2016, a large number of safety regulations were adopted that were designed to ensure consistency with the standards and recommended practices of the International Civil Aviation Organization (ICAO).

¹⁷¹ Information provided by the authorities.

¹⁷² During the summer tourist season, the Issyk-Kul international airport serves flights from the Russian Federation, Uzbekistan, and Kazakhstan.

¹⁷³ Law No. 218 of 6 August 2015.

¹⁷⁴ Law No. 3 of 11 January 2019.

4.130. Passenger and cargo air transport services and aircraft ground-handling services are subject to licensing under the Law on the Licensing and Permit System.

4.131. In accordance with Article 138, Part 3, of the Air Code of the Kyrgyz Republic, the creation in the Kyrgyz Republic of an airline with the participation of foreign individuals and legal entities is allowed, provided that the share of participation of foreign individuals or legal entities in the airline does not exceed 49% of the authorized capital of the airline. The GATS market access and national treatment commitments of the Kyrgyz Republic in respect of air transport services relate mainly to the maintenance and repair of aircraft. The market access commitment regarding the supply of such maintenance and repair services was subject to a foreign ownership restriction, to be removed by 2005. The authorities have confirmed in the context of this Review that this restriction was eliminated.

4.132. The EAEU Treaty provides for coordination by member States to ensure a common approach to the application of ICAO standards and recommended practices and lays down certain principles for the gradual establishment of a common market of air transport services including harmonization of legislation, fair and honest competition, non-discriminator access of aviation companies of the member States to the aviation infrastructure, and expansion of air services between the member States.^{175,176}

4.4.4 Tourism

4.133. The Kyrgyz Republic has unique potential for travel and leisure activities. More than 90% of its territory is situated at more than 1,000 metres above sea level, and it has some of the world's highest mountain peaks, interspersed with glaciers. The mountainous landscape offers a wide range of possibilities for hiking and skiing. Other popular attractions include Lake Issyk-Kul and ancient cities on the Silk Road. The successful organization of the World Nomad Games in 2014, 2016, and 2018 drew favourable reviews in international media, further highlighting the potential for an increase in foreign visitors.

4.134. Measures undertaken by the Government to facilitate tourism during the review period included liberalization of the regimes for visas and air transport. A visa-free regime for stays up to 60 days was introduced unilaterally for 52 countries in 2012. A simplified visa regime is available for residents of the Kingdom of Bahrain, Brunei Darussalam, Kuwait, Oman, Qatar, and the United Arab Emirates. For other countries, an online system to obtain business and tourist visas (up to 90 days) has been in place since 1 September 2017.¹⁷⁷ Amendments to the Air Code entered into force on 25 January 2019, reflecting the "open skies" policy of the Kyrgyz Republic. The revisions codify the acceptance of fifth freedom rights in respect of scheduled international air services.

4.135. Statistics indicate a growing number of travellers to the Kyrgyz Republic (Table 4.13). Most visitors originate from Kazakhstan (70%) or the Russian Federation (13%). The tourism sector employs approximately 40,000 people, which constitutes roughly 2% of formal employment. Gross value added in tourism amounted to more than KGS 27 billion, or 5% of GDP, in 2018.¹⁷⁸

Table 4.13 Selected tourism sector indicators, 2013-18

Measurement indicators	2013	2014	2015	2016	2017	2018
Foreign citizens arriving under the classification of the World Tourism Organization (UNWTO) ('000 persons)	4,133.6	3,790.8	4,000.5	3,853.4	4,567.4	6,946.5

¹⁷⁵ EAEU Treaty, Annex 24, paras. 10-14; and WTO document WT/REG358/1, 13 July 2018, para. 4.125.

¹⁷⁶ The liberalization commitments made by the Kyrgyz Republic with respect to air transport services as part of its accession to the EAEU are similar to its commitments under the GATS. WTO document WT/REG366/1, 29 August 2018, Table 4.1, pp. 30-31.

¹⁷⁷ The system can be viewed at: www.evisa.e-gov.kg.

¹⁷⁸ National Statistical Committee of the Kyrgyz Republic. Viewed at: <http://www.stat.kg/ru/news/turizm-v-2018-godu/>.

Measurement indicators	2013	2014	2015	2016	2017	2018
Citizens arriving in the Kyrgyz Republic covered by the Law on Visa-Free Travel (persons)	54,411	83,989	82,542	82,317	98,683	130,624

Source: State Border Service.

4.136. According to official data, the tourism infrastructure consists of 486 recreation facilities and tourism organizations, including 187 specialized accommodation facilities; 185 hotels; 64 travel agencies and tour operators, and travel and excursion agencies; 9 nature parks; and more than 40 other tourist sites¹⁷⁹ (Table 4.14). Growth in tourism also has positive spill-over effects for the production of handicrafts and local food.

Table 4.14 Tourism enterprises and organizations, recreation institutions by form of ownership, 2018

	Total	By ownership	
		Public	Private
Total	486	59	427
Hotels & similar accommodation facilities	194	5	189
Tourist centre	9	1	8
Sanatoria	13	4	9
Children's sanatorium	6	4	2
Sanatorium-dispensaries	10	2	8
Holiday home	7	2	5
Boarding houses with treatment	96	10	86
Holiday resorts	4	2	2
Recreation centre	9	0	9
Sports & recreation camps	8	4	4
Children's health centres	25	12	13
Travel agencies, tour operators, travel & sightseeing agencies	64	2	62
Natural parks & reserves	9	9	0
Other tourism businesses	32	2	30

Source: Data provided by the authorities.

4.137. Although the tourism sector is expanding, it continues to face several challenges. Customer service standards remain weak and inconsistent, and the marketing and promotion of the Kyrgyz Republic as a tourist destination is underdeveloped. The infrastructure is slowly improving, but significant capital investment is needed to reverse two decades of degradation. However, the sources of finance and credit are limited, and foreign investment is subject to restrictions.¹⁸⁰ The general infrastructure used for tourism, such as roads and roadside facilities, also needs to be improved. Evidence of ineffective nature conservation is widespread in some areas. The Kyrgyz Republic ranked 110th of 140 countries in the World Economic Forum's Tourism and Travel Competitiveness Rating 2019.

4.138. The Centre for Standardization and Metrology at the Ministry of Economy oversees the classification of accommodation facilities. However, as the classification is voluntary, statistics are incomplete. The Ministry of Culture, Information and Tourism and the National Statistical Committee thus took the initiative to establish a unified register of tourist attractions in 2019. Other recent initiatives to strengthen the sector included the creation of an Interdepartmental Commission for Coordination of Tourism Development Issues in 2016 and the establishment of the state-owned Kyrgyz Tourism under the Ministry of Culture, Information and Tourism in 2019.

¹⁷⁹ National Statistical Committee of the Kyrgyz Republic. Viewed at: <http://www.stat.kg/ru/news/turizm-v-2018-godu/>.

¹⁸⁰ For example, Article 20, paragraph 2, of the Law on Sustainable Development of the Issyk-Kul Ecological and Economic System prohibits the transfer of recreational facilities and tourism infrastructure to foreigners.

4.139. At a broader level, the Kyrgyz Republic signed a Mutual Cooperation Programme for 2018-19 with Kazakhstan, Tajikistan, Turkmenistan, and Uzbekistan outlining several joint initiatives, including in tourism. At the national level, a government programme has been established for the development of the tourism sector during 2019-23. Sustainable tourism is also identified as a priority area of development in the National Development Strategy for 2018-2040. Moreover, the 2018 Concept of a green economy emphasizes the promotion of sustainable forms of tourism as a way to protect biological diversity.

APPENDIX TABLES

Table A1.1 Merchandise exports by HS section and main chapter, 2012-19

(USD million and %)

Description	2012	2013	2014	2015	2016	2017	2018	2019
Total exports	1,683	1,773	1,819	1,441	1,423	1,757	1,835	1,986
	(% of total exports)							
1 - Live animals; animal products	2.0	1.7	12.4	1.7	1.9	2.8	2.5	3.2
04. Dairy produce; birds' eggs; natural honey; edible products of animal origin	1.5	1.0	2.7	1.3	1.7	2.1	1.8	2.4
02. Meat and edible meat offal	0.0	0.0	9.2	0.0	0.0	0.1	0.2	0.2
2 - Vegetable products	8.8	9.4	9.3	5.1	6.2	6.7	5.2	6.8
07. Edible vegetables and certain roots and tubers	5.3	6.2	7.1	3.9	4.4	4.3	3.4	4.5
08. Edible fruit and nuts; peel of citrus fruit or melons	3.3	3.0	2.2	1.1	1.6	1.9	1.6	2.2
3 - Animal or vegetable fats and oils; prepared edible fats	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco	2.5	2.5	3.2	3.2	2.2	2.8	3.0	2.9
24. Tobacco and manufactured tobacco substitutes	0.8	1.1	2.1	2.0	1.1	1.3	0.6	1.3
19. Preparations of cereals, flour, starch or milk	0.3	0.3	0.3	0.4	0.4	0.6	0.8	0.8
21. Miscellaneous edible preparations	0.5	0.3	0.4	0.3	0.3	0.4	0.3	0.3
5 - Mineral products	14.9	11.7	10.4	7.1	8.9	13.7	15.9	15.9
26. Ores, slag and ash	3.3	1.0	2.3	1.4	4.8	8.2	6.8	8.2
27. Mineral fuels, mineral oils and products of their distillation	10.5	9.4	7.1	5.2	3.4	5.0	7.6	6.0
25. Salt; sulphur; earths and stone; plastering materials, lime and cement	1.1	1.2	1.0	0.5	0.6	0.5	1.6	1.7
6 - Products of the chemical or allied industries	1.0	0.8	0.7	0.6	0.7	0.8	0.8	1.5
33. Essential oils and resinoids; perfumery, cosmetic or toilet preparations	0.0	0.0	0.0	0.1	0.1	0.2	0.0	0.6
31. Fertilisers	0.3	0.3	0.1	0.1	0.2	0.1	0.2	0.4
7 - Plastics and articles thereof; rubber and articles thereof	1.6	3.0	2.2	1.9	1.1	1.3	1.8	1.8
39. Plastics and articles thereof	0.9	1.5	1.1	1.2	0.9	0.9	1.7	1.7
8 - Raw hides and skins, leather, furskins and articles thereof; travel goods, handbags; articles of animal gut	0.6	0.6	0.5	0.8	0.6	0.7	0.9	0.6
42. Articles of leather; travel goods, handbags; articles of animal gut	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.3
9 - Wood and articles of wood; wood charcoal; cork and articles of cork	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	0.6	0.5	0.4	0.3	0.3	0.3	0.3	0.3
11 - Textiles and textile articles	12.2	7.7	7.5	4.8	6.6	8.5	10.5	7.5
61. Articles of apparel and clothing accessories, knitted or crocheted	2.4	1.3	1.5	0.7	2.4	5.6	7.7	3.8
52. Cotton	2.1	1.2	1.3	1.1	1.4	1.5	2.0	1.9

Description	2012	2013	2014	2015	2016	2017	2018	2019
62. Articles of apparel and clothing accessories, not knitted or crocheted	6.8	4.6	4.0	2.1	2.5	1.1	0.5	1.3
12 - Footwear, headgear, umbrellas; prepared feathers and articles; artificial flowers	0.2	0.3	0.4	1.6	0.6	1.8	1.3	0.8
64. Footwear, gaiters and the like; parts of such articles	0.2	0.2	0.4	1.6	0.6	1.7	1.2	0.8
13 - Articles of stone, plaster, cement, etc.; ceramic products; glass and glassware	1.7	2.6	2.1	1.4	1.8	2.3	2.8	2.6
70. Glass and glassware	1.1	1.8	1.5	1.0	1.2	1.7	1.7	1.5
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	33.8	41.9	39.9	46.4	49.7	41.3	37.2	43.0
7108. Non-monetary gold in inwrought form	33.4	41.5	39.4	46.2	49.3	39.9	36.2	41.9
7112. Waste and scrap of gold	0.0	0.0	0.0	0.0	0.0	1.1	0.7	0.8
7106. Unwrought silver	0.2	0.2	0.2	0.2	0.3	0.3	0.2	0.2
15 - Base metals and articles of base metal	3.8	3.5	2.4	2.2	2.5	4.1	9.3	6.2
74. Copper and articles thereof	0.6	0.5	0.5	0.6	0.7	1.5	6.1	3.2
72. Iron and steel	1.9	2.0	1.1	0.6	1.1	1.4	1.9	1.4
76. Aluminium and articles thereof	0.2	0.1	0.2	0.2	0.2	0.5	0.6	0.5
16 - Machinery and mechanical appliances; electrical equipment; television image and sound recorders	4.2	4.4	4.0	5.2	3.8	4.2	3.3	2.1
84. Nuclear reactors, boilers, machinery and mechanical appliances	2.5	2.5	2.1	2.8	2.2	2.9	2.0	1.3
85. Electrical machinery and equipment; sound recorders and reproducers	1.8	1.9	1.8	2.5	1.6	1.3	1.2	0.8
17 - Vehicles, aircraft, vessels and associated transport equipment	8.3	5.6	4.2	7.8	7.0	7.9	4.4	3.3
87. Vehicles other than railway or tramway rolling-stock, parts and accessories	7.3	4.8	3.5	4.4	3.9	3.4	2.6	2.5
88. Aircraft, spacecraft, and parts thereof	0.9	0.5	0.6	2.8	3.1	4.5	1.7	0.8
18 - Optical, photographic, precision, medical or surgical instruments; clocks and watches; musical instruments	0.3	0.8	0.2	0.4	1.0	0.3	0.2	0.3
19 - Arms and ammunitions	..	..	..	..	..	..	..	..
20 - Miscellaneous manufactured articles	0.3	0.4	0.3	0.2	0.2	0.3	0.2	0.5
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	3.1	2.6	0.0	9.1	4.8	0.1	0.4	0.4

.. Not available.

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.2 Merchandise imports by HS section and main chapter, 2012-19

(USD million and %)

Description		2012	2013	2014	2015	2016	2017	2018	2019
Total		5,373	5,983	5,681	4,068	3,844	4,487	5,292	4,989
(% of total imports)									
1 - Live animals; animal products		1.9	1.9	2.2	1.6	0.8	2.3	0.9	1.2
	02. Meat and edible meat offal	1.4	1.4	1.6	1.2	0.5	0.8	0.6	0.8
	04. Dairy produce; birds' eggs; natural honey; edible products of animal origin	0.3	0.3	0.3	0.3	0.2	1.3	0.2	0.2
2 - Vegetable products		3.4	3.5	3.4	3.4	2.6	3.4	3.0	4.1
	08. Edible fruit and nuts; peel of citrus fruit or melons	0.4	0.6	0.6	0.6	0.8	1.0	1.3	1.7
	10. Cereals	1.9	1.7	2.0	1.8	0.9	1.1	0.5	0.9
	11. Products of the milling industry; malt; starches; inulin; wheat gluten	0.7	0.9	0.4	0.5	0.3	0.5	0.4	0.5
3 - Animal or vegetable fats and oils; prepared edible fats		1.4	1.4	1.4	1.6	1.3	1.3	1.0	1.1
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco		7.9	7.3	7.9	7.4	7.2	7.2	6.4	7.2
	24. Tobacco and manufactured tobacco substitutes	1.0	1.1	1.4	1.3	1.1	1.7	1.5	1.6
	19. Preparations of cereals, flour, starch or milk	1.1	1.1	1.2	1.1	1.3	1.2	1.0	1.2
	22. Beverages, spirits and vinegar	1.2	1.2	1.3	1.1	0.7	0.9	1.1	1.2
	21. Miscellaneous edible preparations	0.8	0.8	0.8	0.7	1.0	0.9	0.7	1.0
5 - Mineral products		22.4	22.2	21.2	19.9	11.0	14.9	17.8	14.8
	27. Mineral fuels, mineral oils and products of their distillation	21.7	21.4	20.5	19.1	10.4	14.2	17.0	14.0
6 - Products of the chemical or allied industries		8.4	8.3	8.9	8.9	8.9	9.0	8.4	9.5
	30. Pharmaceutical products	3.5	3.2	3.5	3.6	3.0	4.0	3.1	3.8
	38. Miscellaneous chemical products	0.6	0.6	0.7	0.6	0.7	0.7	0.8	1.2
	33. Essential oils and resinoids; perfumery, cosmetic or toilet preparations	0.9	0.9	1.0	1.0	2.2	1.2	1.1	1.1
	31. Fertilisers	1.1	1.0	1.2	1.0	0.5	0.7	0.7	1.0
7 - Plastics and articles thereof; rubber and articles thereof		4.2	4.5	4.3	4.1	4.6	4.3	4.5	4.4
	39. Plastics and articles thereof	2.6	3.0	3.0	3.0	3.5	3.0	3.3	3.2
	40. Rubber and articles thereof	1.6	1.6	1.3	1.1	1.2	1.3	1.2	1.2
8 - Raw hides and skins, leather, furskins and articles thereof; travel goods, handbags; articles of animal gut		0.3	0.2	0.2	0.4	1.0	1.0	1.2	0.7
	42. Articles of leather; travel goods, handbags; articles of animal gut	0.2	0.1	0.1	0.3	0.9	0.9	1.1	0.5
9 - Wood and articles of wood; wood charcoal; cork and articles of cork		2.5	2.5	2.6	1.7	2.7	1.1	1.2	1.9
	44. Wood and articles of wood; wood charcoal	2.5	2.5	2.6	1.7	2.7	1.1	1.2	1.9
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof		1.5	1.6	1.8	2.1	1.7	2.0	1.9	2.2
	48. Paper and paperboard; articles of paper pulp, of paper or of paperboard	1.3	1.4	1.6	1.8	1.5	1.7	1.6	2.0
11 - Textiles and textile articles		7.0	6.2	5.9	7.4	14.3	15.0	14.8	11.8
	55. Man-made staple fibres	1.2	1.0	1.1	2.0	4.0	4.3	3.4	3.1
	61. Articles of apparel and clothing accessories, knitted or crocheted	2.2	2.1	1.7	1.6	3.9	3.5	4.5	2.9

Description		2012	2013	2014	2015	2016	2017	2018	2019
	60. Knitted or crocheted fabrics	0.0	0.0	0.1	0.2	0.6	0.5	1.2	1.4
	62. Articles of apparel and clothing accessories, not knitted or crocheted	2.1	1.7	1.5	1.6	2.7	2.1	2.5	1.4
	54. Man-made filaments	0.4	0.3	0.3	0.6	1.4	2.6	1.6	1.1
	12 - Footwear, headgear, umbrellas; prepared feathers and articles; artificial flowers	1.6	1.3	1.0	2.2	6.8	6.8	7.3	5.4
	64. Footwear, gaiters and the like; parts of such articles	1.5	1.2	0.9	2.1	6.7	6.7	7.0	5.1
	13 - Articles of stone, plaster, cement, etc.; ceramic products; glass and glassware	1.7	1.8	2.0	1.9	2.1	2.6	1.5	1.9
	69. Ceramic products	0.9	1.0	1.1	0.9	1.1	1.7	0.8	0.9
	14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	0.4	0.5	0.6	0.6	0.1	0.1	0.2	0.2
	15 - Base metals and articles of base metal	7.7	9.2	8.2	11.7	7.4	7.4	8.2	9.4
	72. Iron and steel	3.2	3.7	4.0	7.3	3.5	3.3	3.6	3.8
	73. Articles of iron or steel	2.9	3.9	2.9	3.0	2.5	2.3	1.9	2.6
	83. Miscellaneous articles of base metal	0.3	0.2	0.3	0.4	0.5	1.0	1.9	1.6
	16 - Machinery and mechanical appliances; electrical equipment; television image and sound recorders	11.9	11.6	10.4	13.0	15.7	14.2	14.8	17.4
	84. Nuclear reactors, boilers, machinery and mechanical appliances	7.0	6.8	6.6	8.8	10.3	8.4	9.0	10.0
	85. Electrical machinery and equipment; sound recorders and reproducers	4.9	4.8	3.8	4.2	5.4	5.7	5.8	7.4
	17 - Vehicles, aircraft, vessels and associated transport equipment	13.3	13.4	15.9	6.3	5.6	4.4	4.2	4.2
	87. Vehicles other than railway or tramway rolling-stock, parts and accessories	12.6	12.3	14.2	5.1	3.2	3.4	3.2	3.4
	88. Aircraft, spacecraft, and parts thereof	0.6	0.7	1.0	1.0	2.2	0.8	0.8	0.5
	18 - Optical, photographic, precision, medical or surgical instruments; clocks and watches; musical instruments	0.8	0.9	1.0	1.4	1.6	1.1	1.0	1.1
	90. Optical, photographic, cinematographic, measuring, precision, medical or surgical instruments and apparatus	0.8	0.8	1.0	1.4	1.5	1.1	1.0	1.1
	19 - Arms and ammunitions	..	..	..	..	..	..	..	..
	20 - Miscellaneous manufactured articles	1.1	1.1	1.2	1.4	1.4	1.6	1.5	1.6
	96. Miscellaneous manufactured articles	0.1	0.2	0.2	0.2	0.3	0.4	0.5	0.7
	94. Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings	0.8	0.7	0.9	0.8	0.8	0.9	0.7	0.6
	21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Others	0.6	0.3	0.0	2.8	3.2	0.2	0.1	0.1

.. Not available.

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.3 Merchandise exports by trading partner, 2012-19

(USD million and %)

Description	2012	2013	2014	2015	2016	2017	2018	2019
Total exports	1,683	1,773	1,819	1,441	1,423	1,757	1,835	1,986
	(% of total exports)							
Americas	1.1	0.9	0.9	1.5	0.1	0.2	0.1	0.3
United States	0.2	0.3	0.1	0.1	0.0	0.1	0.1	0.1
Other America	1.0	0.7	0.7	1.4	0.0	0.1	0.0	0.1
Canada	0.1	0.0	0.1	0.0	0.0	0.1	0.0	0.1
Europe	39.1	37.9	39.9	48.9	57.5	49.8	47.6	49.7
EU-28	3.2	3.7	3.1	3.5	5.1	14.0	41.4	44.6
United Kingdom	0.1	0.0	0.0	0.1	2.2	10.9	36.5	42.0
Lithuania	0.1	0.2	0.3	0.3	0.5	0.9	2.5	0.9
Germany	1.0	0.6	0.5	0.5	0.4	0.2	0.3	0.4
Belgium	0.8	1.0	1.3	1.5	0.8	1.2	0.8	0.3
Bulgaria	0.5	0.5	0.3	0.4	0.3	0.2	0.4	0.3
EFTA	32.6	28.9	31.6	39.0	45.5	27.8	0.0	0.2
Switzerland	32.6	28.9	31.6	39.0	45.5	27.8	0.0	0.2
Other Europe	3.3	5.3	5.1	6.5	6.8	8.0	6.2	5.0
Turkey	3.0	4.8	4.7	5.8	6.3	7.5	5.7	4.5
Commonwealth of Independent States (CIS)	52.5	44.0	46.1	37.3	32.1	41.0	46.8	43.4
Kazakhstan	24.1	21.6	25.2	15.8	10.6	15.1	14.7	17.5
Russian Federation	13.0	8.6	6.3	10.9	10.2	15.1	19.4	14.2
Uzbekistan	11.3	9.0	9.0	6.6	8.8	8.3	8.6	7.0
Tajikistan	2.4	2.8	4.1	1.7	1.5	1.4	2.6	2.9
Ukraine	0.3	0.6	0.3	0.6	0.2	0.2	0.4	0.7
Belarus	0.7	0.7	0.4	0.9	0.1	0.4	0.7	0.7
Azerbaijan	0.3	0.2	0.2	0.3	0.0	0.1	0.1	0.2
Africa	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Middle East	1.8	13.3	9.4	8.4	3.5	2.8	1.3	1.8
Iran, Islamic Republic of	0.6	0.4	0.4	0.3	0.6	0.7	0.8	0.8
United Arab Emirates	1.0	12.5	7.8	6.9	2.6	1.7	0.4	0.5
Iraq	0.2	0.3	1.0	1.1	0.2	0.1	0.1	0.2
Asia	5.4	3.6	3.6	3.8	6.8	6.1	4.1	4.7
China	3.6	2.2	1.8	2.5	5.6	5.5	3.3	4.1
Japan	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Other Asia	1.7	1.3	1.7	1.2	1.1	0.5	0.8	0.6
India	0.0	0.0	0.0	0.1	0.2	0.1	0.3	0.2
Mongolia	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Afghanistan	1.5	0.7	1.3	0.6	0.6	0.1	0.1	0.1
Other	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.4 Merchandise imports by trading partner, 2012-19

(USD million and %)

Description	2012	2013	2014	2015	2016	2017	2018	2019
Total imports	5,373	5,983	5,681	4,068	3,844	4,487	5,292	4,989
	(% of total imports)							
Americas	5.7	4.4	4.7	3.5	4.8	3.8	2.9	2.2
United States	4.7	3.7	4.1	3.0	4.0	3.5	2.4	1.8
Other America	1.0	0.7	0.6	0.5	0.8	0.3	0.5	0.4
Ecuador	0.1	0.2	0.1	0.1	0.0	0.0	0.1	0.1
Canada	0.5	0.3	0.2	0.3	0.3	0.1	0.2	0.1
Mexico	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Europe	14.0	14.4	15.4	12.6	12.1	12.5	11.8	11.4
EU-28	10.3	10.6	10.9	7.9	6.4	6.6	5.9	6.3
Germany	3.7	3.9	4.1	2.3	1.6	1.5	1.4	1.4
France	0.6	0.6	0.7	0.6	0.6	0.6	0.5	0.8
Lithuania	0.2	0.3	0.4	0.4	0.2	0.6	0.7	0.6
Poland	0.7	0.6	0.6	0.6	0.4	0.5	0.4	0.5
Italy	0.4	0.4	0.6	0.6	0.7	0.6	0.5	0.5
EFTA	0.3	0.4	0.4	0.5	0.4	0.5	0.3	0.2
Switzerland	0.3	0.3	0.3	0.5	0.3	0.4	0.3	0.1
Other Europe	3.3	3.5	4.1	4.3	5.3	5.4	5.6	4.9
Turkey	3.3	3.4	4.0	4.0	5.0	5.0	5.5	4.5
Commonwealth of Independent States (CIS)	50.0	49.2	48.1	53.6	41.7	46.5	45.2	47.6
Russian Federation	33.2	33.2	32.4	31.3	20.8	27.5	28.5	28.1
Kazakhstan	9.7	9.3	9.4	16.7	16.5	11.6	11.4	13.0
Uzbekistan	1.2	1.6	1.9	1.5	1.8	3.6	3.4	4.0
Ukraine	2.6	2.6	2.0	2.2	1.0	0.9	0.6	1.0
Belarus	3.0	1.9	1.6	1.3	0.9	2.4	0.9	0.9
Tajikistan	0.1	0.1	0.1	0.2	0.2	0.3	0.2	0.2
Georgia	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Turkmenistan	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.1
Azerbaijan	0.1	0.2	0.4	0.1	0.2	0.0	0.1	0.0
Africa	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.4
South Africa	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3
Egypt	0.2	0.2	0.2	0.1	0.1	0.2	0.1	0.1
Middle East	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.8
Iran, Islamic Republic of	0.2	0.2	0.2	0.1	0.2	0.2	0.3	0.4
United Arab Emirates	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.3
Asia	29.7	31.3	31.2	29.7	40.9	36.5	39.5	37.6
China	22.5	23.9	21.1	25.3	38.1	33.3	36.7	34.8
Japan	4.0	4.3	6.4	1.5	0.5	0.8	0.9	0.5
Other Asia	3.1	3.1	3.7	2.9	2.3	2.5	1.9	2.3
India	0.6	0.4	0.4	0.6	0.6	0.6	0.6	0.8
Korea, Republic of	1.7	1.9	2.3	1.3	0.7	1.0	0.5	0.7
Viet Nam	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Pakistan	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Malaysia	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A2.1 Notifications to the WTO, 1 July 2013-29 April 2020

Legal provision	Measure(s) notified	WTO document and date
Agreement on Agriculture		
Art. 12.1(b)-Table ER:1	Export prohibitions or restrictions	G/AG/N/KGZ/8, 31/03/2020
Art. 18.2-Table DS:1	Domestic support	G/AG/N/KGZ/7, 05/08/2019 G/AG/N/KGZ/6, 05/08/2019 G/AG/N/KGZ/5, 25/05/2018 G/AG/N/KGZ/4, 12/09/2017
Agreement on Trade in Services, Art. V:7	Regional trade agreement	S/C/N/889, 05/05/2017 S/C/N/823, 02/09/2015
Agreement on Implementation of Article VI of the GATT 1994		
Art. 16.4	Anti-dumping actions – <i>ad hoc</i>	G/ADP/N/340, 24/04/2020 G/ADP/N/338, 27/02/2020 G/ADP/N/334, 15/11/2019 G/ADP/N/333, 31/10/2019 G/ADP/N/330, 05/08/2019 G/ADP/N/329, 28/06/2019 G/ADP/N/327, 29/05/2019 G/ADP/N/320, 29/11/2018 G/ADP/N/317, 21/08/2018 G/ADP/N/315, 29/06/2018 G/ADP/N/313, 30/05/2018 G/ADP/N/312, 12/04/2018 G/ADP/N/311, 26/03/2018 G/ADP/N/310, 22/02/2018 G/ADP/N/309, 24/01/2018 G/ADP/N/302, 18/07/2017 G/ADP/N/299, 31/05/2017 G/ADP/N/293, 13/12/2016 G/ADP/N/289, 24/08/2016 G/ADP/N/288, 28/07/2016 G/ADP/N/281, 21/01/2016
Art. 16.4	Anti-dumping actions – semi-annual reports	G/ADP/N/382/KGZ, 16/09/2019 G/ADP/N/322/KGZ, 12/04/2019 G/ADP/N/314/KGZ, 04/10/2018 G/ADP/N/308/KGZ, 28/03/2018 G/ADP/N/300/KGZ, 09/10/2017 G/ADP/N/294/KGZ, 13/03/2017 G/ADP/N/280/KGZ, 03/10/2016 G/ADP/N/286/KGZ, 03/10/2016
Art. 18.5	Anti-dumping legislation	G/ADP/N/1/KGZ/3, 17/10/2016 G/ADP/N/1/KGZ/2, 27/01/2016
Agreement on Implementation of Article VII of the GATT 1994, Art. 22	Customs valuation legislation	G/VAL/N/1/KGZ/2, 24/09/2019
Article XVII:4(a) of the GATT 1994 and Understanding	State trading enterprises	G/STR/N/5-15/KGZ, 29/06/2015
Article XXIV of the GATT 1994	Regional trade agreement	WT/REG385/N/1, 05/05/2017 WT/REG366/N/1, 02/09/2015 WT/REG343/N/2, 18/03/2015 WT/REG401/N/1, 03/02/2020
Art. XXVIII:5 of the GATT 1994	Reservation of right to modify schedule	G/MA/302, 27/10/2014
Agreement on Import Licensing Procedures	Publications	G/LIC/N/1/KGZ/2, 26/09/2014
Arts. 1.4(a) and/or 8.2(b)		
Agreement on Trade Facilitation		
Category commitments		G/TFA/N/KGZ/2, 14/09/2018
Arts. 1.4, 10.4.3, 10.6.2, and 12.2.2	Places where information is published on import, export, and transit procedures; operation of single window; measures on the use of customs brokers; contact point for exchange of information	G/TFA/N/KGZ/1/Add.1, 30/08/2019 G/TFA/N/KGZ/1, 04/04/2018
Decision on notification procedures for quantitative restrictions (G/L/59/Rev.1)	Quantitative restrictions in force	G/MA/QR/N/KGZ/1/Add. 1, 24/03/2020 G/MA/QR/N/KGZ/1, 25/07/2019
Rules of origin		
Annex II, para. 4	Preferential rules of origin	G/RO/N/194, 18/02/2020 G/RO/N/106, 19/09/2013 G/RO/N/162, 21/07/2017 G/RO/LDC/N/KGZ/1, 28/11/2018
Art. 5 and Annex II, para. 4	Non-preferential rule of origin	G/RO/N/177, 28/11/2018

Legal provision	Measure(s) notified	WTO document and date
Agreement on Subsidies and Countervailing Measures		
Art. 25.11 Art. 25 11	Countervailing duty actions – <i>ad hoc</i> Countervailing duty actions – semi-annual reports	G/SCM/N/311, 11/11/2016 G/SCM/N/349/KGZ, 14/06/2019 G/SCM/N/342/KGZ, 14/12/2018 G/SCM/N/334/KGZ, 15/06/2018 G/SCM/N/328/KGZ, 15/12/2017 G/SCM/N/321/KGZ, 15/06/2017 G/SCM/N/313/KGZ, 16/12/2016 G/SCM/N/298/KGZ, 12/10/2016 G/SCM/N/305/KGZ, 07/10/2016
Art. 32.6	Countervailing duty legislation	G/SCM/N/1/KGZ/3, 17/10/2016 G/SCM/N/1/KGZ/2, 27/01/2016
Agreement on Safeguards		
Art. 12.1(a)	Initiation of safeguard investigation	G/SG/N/6/KGZ/8-9, 04/04/2019 G/SG/N/6/KGZ/7, 20/09/2018 G/SG/N/6/KGZ/5-6, 07/01/2016 G/SG/N/6/KGZ/4, 15/08/2013
Art. 12.1(b)	Finding of serious injury or threat thereof	G/SG/N/8/KGZ/5, 24/06/2019 G/SG/N/8/KGZ/3-4, 07/01/2016
	Termination of investigation without application of a safeguard measure	G/SG/N/9/KGZ/2, 31/01/2020 G/SG/N/9/KGZ/1, 14/05/2019
Art. 12.1(c)	Decision to apply or extend a safeguard measure	G/SG/N/10/KGZ/5, 24/06/2019 G/SG/N/10/KGZ/4, 07/01/2016 G/SG/N/10/KGZ/2, 20/12/2013
Art. 12.6	Safeguards legislation	G/SG/N/1/KGZ/3, 17/10/2016 G/SG/N/1/KGZ/2, 27/01/2016
Art. 9.1, footnote 2	Application of <i>de minimis</i> import volume provision	G/SG/N/11/KGZ/1-2, 07/01/2016
Agreement on Sanitary and Phytosanitary Measures		
Art. 7, Annex B	Sanitary or phytosanitary measures	G/SPS/N/KGZ/12, 18/03/2020 G/SPS/N/KGZ/11, 04/03/2020 G/SPS/N/KGZ/10, 03/02/2020 G/SPS/N/KGZ/9, 29/03/2016 G/SPS/N/KGZ/8, 22/03/2016 G/SPS/N/KGZ/6-7, 08/01/2016 G/SPS/N/KGZ/5, 14/12/2015 G/SPS/N/KGZ/3-4, 28/07/2015 G/SPS/N/KGZ/1-2, 09/01/2015
Agreement on Technical Barriers to Trade		
Arts. 2.10 and 5.7	Technical regulations and conformity assessment procedures	G/TBT/N/KGZ/35-44, 25/02/2016 G/TBT/N/KGZ/34, 24/02/2016
Art. 2.9 Arts. 2.9 and 5.6		G/TBT/N/KGZ/48, 08/07/2016 G/TBT/N/45-47, 24/03/2016
Agreement on Trade-related Intellectual Property Rights		
Art. 63.2	IPR Legislation	IP/N/1/KGZ/28-30, 03/04/2020 IP/N/1/KGZ/26-27, 02/04/2020 IP/N/1/KGZ/23-25, 17/12/2019 IP/N/1/KGZ/22, 30/11/2018 IP/N/1/KGZ/16-22, 28/11/2018 IP/N/1/KGZ/12-15, 15/11/2018 IP/N/1/KGZ/10, 13/11/2018 IP/N/1/KGZ/5, 13/11/2018 IP/N/1/KGZ/11, 12/11/2018 IP/N/1/KGZ/4, 12/11/2018 IP/N/1/KGZ/6-9, 12/11/2018
Art. 69.2	Contact point	IP/N/3/KGZ/3, 29/10/2019 IP/N/3/KGZ/2, 25/01/2018

Source: WTO Secretariat.

Table A3.1 List of goods for which different tariff treatment applied to the Kyrgyz Republic compared with other EAEU members during the transition period

Tariff code	Name of item	Import customs duty rate (as a percentage of customs value, either in euros or in US dollars) ^a					
		2015	2016	2017	2018	2019	2020
0511 10 000 0	- bull sperm	0	0	0	0	0	UCT rate
0511 91 901 9	----- other	0	0	0	0	0	UCT rate
0602 90 450 0	----- rooted cuttings and young plants	0	0	0	0	0	UCT rate
0701 10 000 0	- seminal	0	0	0	0	0	UCT rate
0713 33 100 0	--- for sowing	0	0	0	0	0	UCT rate
1005 10 1100	--- double hybrids and top cross hybrids	0	0	0	0	0	UCT rate
1005 10 150 0	--- simple hybrids	0	0	0	0	0	UCT rate
2103 90 900 9	--- other	0	0	0	0	0	UCT rate
2309 90 100 0	-- soluble fish products or products from marine mammals	0	0	0	0	0	UCT rate
2309 90 990 0	----- other	0	0	0	0	0	UCT rate
2815 11 000 0	-- in solid form	0 ^b	0 ^b	UCT rate			
2922 41 000 0	-- lysine and its esters; salts of these compounds	0 ^b	0 ^b	0 ^b	0 ^b	0 ^b	UCT rate
2930 40 900 0	-- other	0 ^b	0 ^b	0 ^b	0 ^b	0 ^b	UCT rate ^b
3002 10 100 9	--- other	0	0	0	0	0	UCT rate
3002 10 910 0	--- haemoglobin, blood globulins and serum globulins	0	0	0	0	0	UCT rate
3002 10 950 1	----- factors of blood coagulability	0	0	0	0	0	UCT rate
3002 10 950 9	----- other	0	0	0	0	0	UCT rate
3002 10 990 0	----- other	0	0	0	0	0	UCT rate
3002 20 000 2	-- against hepatitis B	0	0	0	0	0	UCT rate
3002 20 000 9	-- other	0	0	0	0	0	UCT rate
3002 30 000 0	- vaccines for veterinary use	0	0	0	0	0	UCT rate
3002 90 500 0	-- crop microorganisms	0	0	0	0	0	UCT rate
3002 90 900 0	-- other	0	0	0	0	0	UCT rate
3004 10 000 1	--- containing as the main active ingredient only: ampicillin trihydrate or ampicillin sodium salt or benzylpenicillin salt and compounds or carbenicillin or oxacillin or sulacillin (sultamicillin) or phenoxymethylpenicillin	0	0	0	0	0	UCT rate
3004 10 000 5	---- other	0	0	0	0	0	UCT rate
3004 10 000 6	---- containing as the main active substance only streptomycin sulphate	0	0	0	0	0	UCT rate
3004 10 000 8	--- other	0	0	0	0	0	UCT rate
3004 20 000 1	--- containing as the main active substance only: amikacin or gentamicin or griseofulvin, or doxycycline, or doxorubicin, or kanamycin, or acid fusidic and its sodium salt, or levomycetin (chloramphenicol) and its salts, or lincomycin, or metacycline, or nystatin, or rifampicin, or cefazolin, or cephalixin, or cephalothin, or erythromycin base	0	0	0	0	0	UCT rate
3004 20 000 2	--- other	0	0	0	0	0	UCT rate
3004 20 000 3	--- containing as the main active substance only erythromycin base or kanamycin sulphate	0	0	0	0	0	UCT rate

Tariff code	Name of item	Import customs duty rate (as a percentage of customs value, either in euros or in US dollars) ^a					
		2015	2016	2017	2018	2019	2020
7606 12 930 9	----- other	0 ^b	0 ^b	0 ^b	0 ^b	0 ^b	UCT rate
7606 92 000 0	-- from aluminium alloys	0 ^b	0 ^b	0 ^b	0 ^b	0 ^b	UCT rate
7607 11 900 0	--- thickness not less than 0.021 mm, but not more than 0.2 mm	0 ^b	0 ^b	0 ^b	0 ^b	0 ^b	UCT rate
7607 19 900 1	---- self-adhesive	0 ^b	0 ^b	0 ^b	0 ^b	0 ^b	UCT rate
7607 20 900 0	-- thickness (except the base) is not less than 0.021 mm, but not more than 0.2 mm	0 ^b	0 ^b	0 ^b	0 ^b	0 ^b	UCT rate
7608 20 200 9	--- other	0 ^b	0 ^b	0 ^b	0 ^b	0 ^b	UCT rate
7608 20 810 8	----- other	0 ^b	0 ^b	0 ^b	0 ^b	0 ^b	UCT rate
8101 96 000 0	-- wire	0 ^b	0 ^b	0 ^b	UCT rate		
8102 96 000 0	-- wire	0 ^b	0 ^b	0 ^b	UCT rate		
8414 60 000 1	-- the smallest horizontal size not exceeding 100 cm, the vertical size not exceeding 130 cm, the rated voltage not exceeding 250 V, the capacity not exceeding 1500 m ³ /h, with a grease collecting element or a place for its installation, with a seat for connecting the air duct	0	0	0	0	0	UCT rate
8418 61 001 1	---- absorption heat pumps	0 ^b	0 ^b	0 ^b	0 ^b	0 ^b	UCT rate
8418 69 000 8	--- other	0 ^b	0 ^b	0 ^b	0 ^b	0 ^b	UCT rate
8418 99 100 9	---- other	0	0	0	0	0	UCT rate
8418 99 900 0	--- other	10	10	UCT rate			
8424 81 910 0	----- sprays and powder dispensers intended for installation on tractors or for towing these tractors	0	0	0	0	0	UCT rate
8424 81 990 0	----- other	0	0	0	0	0	UCT rate
8432 21 000 0	-- disc harrows	0	0	0	0	0	UCT rate
8432 30 190 0	--- other	0	0	0	0	0	UCT rate
8433 40 000 1	-- balers	0	0	0	0	0	UCT rate
8433 51 000 1	--- since the release of which more than 3 years have passed	0	0	0	0	0	UCT rate
8433 51 000 9	--- other	0	0	0	0	0	UCT rate
8433 53 300 0	--- beet slicers and beet harvesters	0	0	0	0	0	UCT rate
8436 10 000 0	- machines and mechanisms for the preparation of animal feeds	0	0	0	0	0	UCT rate
8437 10 000 0	- machines for cleaning, sorting or calibrating seeds, grains or dry legumes	0	0	0	0	0	UCT rate
8457 20 000 0	- single-stage machine tools	0	0	0	0	0	UCT rate
8462 10 100 1	--- forging and stamping hydraulic presses with a pressing force of 200 MN, with the possibility of simultaneous placement of three stumps on the working table, equipped with a gas heating system for stumps	0	0	0	0	0	UCT rate
8467 22 100 0	--- chain saws	0	0	0	0	0	UCT rate
8467 22 300 0	--- saws disk	0	0	0	0	0	UCT rate
8483 10 950 0	-- other	0	0	0	0	0	UCT rate
8483 40 900 0	-- other	0	0	0	0	0	UCT rate
8501 40 200 4	----- other	0	0	0	0	0	UCT rate
8507 20 800 8	--- other	0	0	0	0	0	UCT rate
8542 32 900 9	----- other	0	UCT rate				

Tariff code	Name of item	Import customs duty rate (as a percentage of customs value, either in euros or in US dollars) ^a					2020
		2015	2016	2017	2018	2019	
8701 20 101 3	---- environmental level 4 or higher than 7	0	0	0	0	0	UCT rate
8701 20 901 5	---- since the release of which more than 5 years have passed, but not more than 7 years	0	0	0	0	0	UCT rate
8701 20 901 7	---- other	0	0	0	0	0	UCT rate
8701 90 110 0	---- not more than 18 kW	0	0	0	0	0	UCT rate
8701 90 200 0	---- more than 18 kW, but not more than 37 kW	0	0	0	0	0	UCT rate
8701 90 250 0	---- more than 37 kW, but not more than 59 kW	0	0	0	0	0	UCT rate
8701 90 310 0	---- more than 59 kW, but not more than 75 kW	0	0	0	0	0	UCT rate
8701 90 350 0	---- more than 75 kW, but not more than 90 kW	0	0	0	0	0	UCT rate
8701 90 390 9	----- other	0	0	0	0	0	UCT rate
8701 90 900 0	-- other	0	0	0	0	0	UCT rate
8702 10 119 9	----- other	10	10	10	UCT rate		
8702 90 119 0	----- other	0	0	0	0	0	UCT rate
8702 90 909 0	--- other	0	0	0	0	0	UCT rate
8703 21 909 8	----- other	10	10	10	10	10	UCT rate
8703 22 909 8	----- other	10	10	10	10	10	UCT rate
8703 23 191 0	----- with an engine displacement of more than 1500 cm ³ , but not more than 1800 cm ³	10	10	10	10	10	UCT rate
8703 23 192 1	----- with an engine displacement of more than 1800 cm ³ , but not more than 2300 cm ³	10	10	10	10	10	UCT rate
8703 23 192 2	----- other	10	10	10	10	10	UCT rate
8703 24 109 9	---- other	10	10	10	10	10	UCT rate
8703 24 909 8	---- other	10	10	10	10	10	UCT rate
8703 32 909 8	---- other	10	10	10	10	10	UCT rate
8703 33 199 0	---- other	10	10	10	10	10	UCT rate
8704 22 910 8	---- other	0	0	0	0	0	UCT rate
8704 32 910 9	---- other	10	10	10	10	10	UCT rate
8704 90 000 0	- other	10	10	10	10	10	UCT rate
8705 10 009 1	--- new	0	0	0	0	0	UCT rate
8705 40 000 1	-- new	0	0	0	0	0	UCT rate
8708 21 900 9	---- other	0	0	0	0	0	UCT rate
8708 40 500 9	---- other	0	0	0	0	0	UCT rate
8716 20 000 0	- trailers and semitrailers self-loading or self-unloading for agriculture	0	0	0	0	0	UCT rate
8716 31 000 0	-- tank trailers and tank semitrailers	0	0	0	0	0	UCT rate
8716 39 300 1	----- automotive, with a gross mass of more than 15 tons and an overall length of at least 13.6 m	0	0	0	0	0	UCT rate
8716 39 300 2	----- automotive refrigerating, with an internal volume of a body not less than 76 m ³	0	0	0	0	0	UCT rate
8716 39 300 9	----- other	0	0	0	0	0	UCT rate
8716 80 000 0	- other vehicles	10	10	10	10	10	UCT rate
9018 31 100 1	---- for insulin of no more than 2 ml	0	0	0	0	0	UCT rate
9018 31 100 9	---- other	0	0	0	0	0	UCT rate

Tariff code	Name of item	Import customs duty rate (as a percentage of customs value, either in euros or in US dollars) ^a					
		2015	2016	2017	2018	2019	2020
9018 31 900 9	---- other	0	0	0	0	0	UCT rate
9018 32 100 0	--- tubular metal needles	0	0	0	0	0	UCT rate
9018 90 500 1	--- systems for blood collection and transfusion, blood substitutes and infusion solutions	0	0	0	0	0	UCT rate
9406 00 310 0	--- greenhouses	0	0	0	0	0	UCT rate

- a The rates of import customs duties are applied from 1 January of the specified calendar year; in 2015, the rates were applied from the date of adoption by the Supreme Eurasian Economic Council of the decision on cancellation of customs control of goods and vehicles transported through the Kyrgyz-Kazakh section of the state border.
- b The rate of import customs duty is applied, provided that the person who is the declarant of the goods is included in the relevant list of organizations and persons submitted annually to the EEC by the Kyrgyz Republic, and also subject to submission to the customs body of the EAEU member State confirmation of the intended purpose of the imported goods.

Source: Protocol on Transitional Provisions.

Table A3.2 Import prohibitions and restrictions on the EAEU Single List, 2020

Description	UCT code	Measure and scope
1. Prohibitions		
1.1 Ozone depleting substances	2903 77 100 0; 2903 77 200 0; 2903 77 300 0; 2903 77 400 0; 2903 77 500 0; 2903 76 100 0; 2903 76 200 0; 2903 76 900 0; 2903 77 900 0; 2903 14 000 0; 2903 19 100 0; ex2903 79 210 0; ex2903 79 900 0; ex2903 39 110 0; ex3824 71 000 0; ex3824 72 000 0; ex3824 74 000 0-ex3824 79 000 0; 8415 10; 8415 81 00; 8415 82 000; 8418 61 00; ex8418 69 000; 8418 10 200; 8418 10 800; ex8418 50; ex8418 69 000; ex8418; ex8419; 8418 10 200; 8418 10 800; 8418 30 200; 8418 30 800; 8418 40 200; 8418 40 800; ex8418 50; ex8418 69 000; ex8479 89 970 1; ex8479 89 970 2; ex3921 11 000 0-ex3921 19 000 0; ex3907 20 200 1; ex3907 20 200 9; ex8424 10 000 0	Import prohibition (except for goods in transit)
1.2 Hazardous waste	ex0511 99 100 0; ex2106 90 980 3; ex2524; ex2620; ex2620 91 000 0; ex2620 21 000 0; ex2620 29 000 0; ex2620 99 950 9; ex2621; ex2706 00 000 0; 2707 91 000 0; 2707 99; ex2710; 2710 91 000 0; 2713 20 000 0; ex2713 90; ex2714 90 000 0; ex28; ex29; ex2805 40; ex2818; ex2826 19 100 0; ex2826 90 800 0; 2833 25 000 0; ex2837; ex2842; ex2901-2942 00 000 0; ex2903; ex2908 99; ex2915; ex2916; ex2917 ex2918; ex3006 92 000 0; ex3101 00 000 0; ex3802; ex3808; ex3811 11; ex3824; ex3824 90 610 0; ex3825; ex3825 30 000 0; ex3825 41 000 0; ex3825 50 000 0; ex3825 61 000 0; ex3825 69 000 0; ex3915; ex3923; ex4013; ex4017 00 000 0; ex4101-4103; ex4115 20 000 0; ex4301; ex4401 39; ex4415; ex4707; ex4819; ex5701 90; ex5702 32; ex5702 42; ex5702 50 310 0; ex5702 50 390 0; ex5702 92 100 0; ex5702 92 900 0; ex5703 20; ex5703 30; ex5705 00 300 0; 6811 40 000; ex6812; ex7001 00 100 0; ex7010; ex7019; ex7204; ex7404 00; ex7503 00; ex7602 00; ex7802 00 000 0; ex7902 00 000 0; ex8002 00 000 0; ex8101 97 000 0; ex8102 97 000 0; ex8103 30 000 0; ex8104 20 000 0; ex8104 30 000 0; ex8104 90 000 0; ex8105 30 000 0; ex8106 00 100 0; ex8107 30 000 0; ex8108 30 000 0; ex8109 30 000 0; ex8110 20 000 0; ex8111 00 190 0; ex8112 13 000 0; ex8112 22 000 0; ex8112 52 000 0; ex8112 92 100 0; ex8112 92 210 1; ex8112 92 210 9; ex8113 00 400 0; ex8539; ex8540; ex8548 10	Import prohibition (including goods in transit)
1.3 Information printed, audio-visual and other media sources that may cause damage to political or economic interest, state security or the health and morality of citizens	ex3706; ex4901; ex4902; ex4908; ex4909 00 000 0; ex4910 00 000 0; ex4911; ex8523	Import prohibition (including goods in transit)
1.4 Plant protection chemicals prohibited to be imported to the customs territory of the EAEU subject to Annexes A and B to the Stockholm Convention on persistent polluting substances signed in Stockholm on 22 May 2001	2903 82 000 0; 2903 89 900 0; 2903 92 000 0; 2903 99; 2910 40 000 0; 2910 90 000 0; 3808 59 000 9; 3808 91 200 0; 3824 82 000 0	Import prohibition (except for goods in transit)
1.5 Weapons, including main parts and cartridges, for military and civilian	ex93; ex9303; ex9304 00 000 0; ex9306 21 000 0; ex9306 30; ex9306 90; ex9307 00 000 0	Import prohibition (including goods in transit)

Description	UCT code	Measure and scope
purposes		(except for goods, subject to the import control system)
1.6 Equipment for catching aquatic biological resources	ex5608 11 800 0; 8543 20 000 0	Import prohibition
1.7 Skins of harp seals and baby seals	ex4301 80 709 5; ex4301 80 709 7; ex4301 90 009 0; ex4302 19 410 0; ex4302 19 499 0; ex4302 20 009 0; ex4302 30 100 0; ex4303 10 101 0; ex4303 10 109 0; ex4303 10 908 0; ex4303 10 909 0; ex4302 30 510 0; ex4302 30 559 0; ex6506 99 908 0	Import prohibition
2. Restrictions (Non-automatic licensing)		
2.1 Ozone depleting substances and products containing such substances	ex2903 71 000 0; ex2903 73 000 0; ex2903 74 000 0; ex2903 75 000 0; ex2903 79 110 0	Import licensing (except for goods in transit) ^a
2.2 Plant protection chemicals	ex3808	Import licensing ^a
2.3 Hazardous waste	ex0511 99 100 0; 2307 00; ex2520 10 000 0; ex2530 90 000 9; 2618 00 000 0; ex2619 00; ex2619 00 900 0; ex2620 2620 11 000 0; ex2620 19 000 0; ex2620 21 000 0; ex2620 29 000 0; ex2620 29 000 0; ex2620 30 000 0; ex2620 40 000 0; 2620; ex2620 60 000 0; ex2620 91 000 0; ex2620 99 950 9; ex2621 ex28; ex2805 40; ex2806 10 000 0; ex2807 00; ex2808 00 000 0; ex2811 11 000 0; ex2811 19 100 0; ex2814 20 000 0; ex2815 12 000 0; ex2815 20 000 0; ex2837; ex2907; ex2908; ex2926; ex2929; ex3206; ex3208; ex3212; ex3504 00; ex3802; ex3824; ex3825; ex3825 41 000 0; ex3825 49 000 0; ex3825 61 000 0; ex3912 20; ex4004 00 000 0; ex4012 20 000 0; ex4101-4103; ex4115 10 000 0; ex4115 20 000 0; ex4301; ex5003 00 000 0; ex5103 20 000 0; ex5202 10 000 0; ex5505; ex5601 30 000 0; ex7112 30 000 0; ex7112 99 000 0; ex7204; ex7404 00; ex7503 00; ex7602 00; ex7802 00 000 0; ex7902 00 000 0; ex8002 00 000 0; ex8101 97 000 0; ex8102 97 000 0; ex8103 30 000 0; ex8104 20 000 0; ex8105 30 000 0; ex8106 00 100 0; ex8107 30 000 0; ex8108 30 000 0; ex8109 30 000 0; ex8110 20 000 0; ex8111 00 190 0; ex8112 13 000 0; ex8112 22 000 0; ex8112 52 000 0; ex8112 92 210 9; ex8113 00 400 0; ex85 ex8548 10 910 0; ex8548 10 100 0; ex8548 10 210 0; ex8548 10 290 0; ex2620	Import licensing ^a
2.4 Species of wild fauna and flora subject to the Convention on international trade in endangered species of wild fauna and flora	No UCT codes are provided. Only the names of species of wild fauna and flora are specified according to CITES appendix.	Import restriction
2.5 Precious metals and gems, including Kimberley Process diamonds, rubies, sapphires, emeralds, alexandrites, etc.	ex2530 90 900 1; 7101 10 000 0; ex7102 21 000 0; 7102 29 000 0; 7102 31 000 0; ex7102 39 000 0; 7103 10 000 2; 7103 10 000 3; 7103 10 000 4; 7103 10 000 5; 7103 91 000 1; 7103 91 000 2; 7103 91 000 3; 7103 99 000 2; 7105 10 000 0; ex7116 10 0000; 7116 20	Import licensing (except for precious metals imported by the Central (National) Banks of the EAEU member States)
2.6 Precious metals and commodities containing precious metals	2603 00 000 0; 2604 00 000 0; 2607 00 000 0; 2608 00 000 0; 2609 00 000 0; 2616; ex2617; 2620 19 000 0; 2620 21 000 0; 2620 29 000 0; 2620 30 000 0; 2620 91 000 0; 2620 99 100 0; 2620 99 400 0; 2620 99 950 1; 2620 99 950 2; 2620 99 950 3; 2620 99 950 9; ex2621; 7106 91 000; 7108 12 000 9; 7110 11 000 9; 7110 21 000 9; 7110 31 000 0; 7110 41 000 0; 7112; 7401 00 000 0; 7402 00 000 0; 7501; 7801 99 100 0	Import licensing

Description	UCT code	Measure and scope
2.7 Narcotic drugs with psychotropic substances and their precursors	1209 99 910 0; 1211 30 000 0; 1211 40 000 0; 1211 90 850 0; 1301 90 000 0; 1302 11 000 0; 1302 19 800 0; 2806 10 000 0; 2807 00 100 0; 2812 10 950 0; 2841 61 000 0; 2902 30 000 0; 2902 90 000 0; 2903 39 190 0; 2903 99 900 0; 2904 20 000 0; 2905 39 250 0; 2905 51 000 0; 2907 19 900 0; 2909 11 000 0; 2909 30 900 0; 2912 21 000 0; 2912 49 000 0; 2914 11 000 0; 2914 12 000 0; 2914 31 000 0; 2914 50 000 0; 2915 21 000 0; 2915 24 000 0; 2915 90 000 0; 2916 12 000 0; 2916 14 000 0; 2916 34 000 0; 2918 19 980 0; 2920 90 100 0; 2921 11 000 0; 2921 19 990 0; 2921 30 100 0; 2921 46 000 0; 2921 49 000 0; 2922 14 000 0; 2922 19 850 0; 2922 29 000 0; 2922 31 000 0; 2922 39 000 0; 2922 43 000 0; 2922 44 000 0; 2922 49 850 0; 2922 50 000 0; 2924 23 000 0; 2924 24 000 0; 2924 29 980 0; 2925 12 000 0; 2926 90 950 0; 2926 30 000 0; 2924 11 000 0; 2924 29 980 0; 2930 90 990 0; 2932 11 000 0; 2932 20 900 0; 2932 91 000 0; 2932 92 000 0; 2932 93 000 0; 2932 94 000 0; 2932 95 000 0; 2932 99 000 0; 2933 29 900 0; 2933 32 000 0; 2933 33 000 0; 2933 39 990 0; 2933 41 000 0; 2933 49 300 0; 2933 49 900 0; 2933 53 100 0; 2933 53 900 0; 2933 55 000 0; 2933 59 950 0; 2933 72 000 0; 2933 91 100 0; 2933 91 900 0; ex2933 99; 2933 99 800; 2933 99 800 9; 2934 91 000 0; 2934 99 900 0; 2939 11 000 0; 2939 19 000 0; 2939 41 000 0-2939 49 000 0; 2939 51 000 0; 2939 61 000 0; 2939 62 000 0; 2939 63 000 0; 2939 69 000 0; 2939 91 000 0; 2939 99 000 0; ex3003; 3003 40 000 0; 3003 90 000 0; ex3004; 3004 40 000; 3004 40 000 9; 3004 90 000 2; 3004 90 000 9; 3824 90 970	Import licensing
2.8 Toxic substances except for precursors of the drugs and substances with psychotropic effects	ex1211 90 850 0; ex1302 19 800 0; 2804 70 001 0; 2804 80 000 0; ex2805 40; ex2811 29 900 0; ex2837 11 000 0; ex2837 19 000 0; ex2842 90 800 0; ex2843 29 000 0; ex2848 00 000 0; ex2852 10 000 7; ex2852 90 000 8; 2905 11 000 0; ex2905 59; ex2907 11 000 0; ex2922 19 850 0; ex2924 19 000 0; ex2926 90 950 0; ex2930 90 990 0; ex2931 10 000 0; ex2931 90 900 9; ex2933 39 990 0; ex2939 20 000 0; ex2939 99 000 0; ex3001 90 980 0; ex8112 51 000 0	Import licensing ^a
2.9 Medicines and pharmaceutical products	ex2106 90 980 3; ex2106 90 980 9; ex2904-ex2909; ex2912-ex2942 00 000 0; ex2936; ex3001; ex3002; ex3003; ex3004; 3006 30 000 0; 3006 60; ex3913	Import restriction
2.10 Civil radio-electronic and/or high-frequency means including built-in or forming part of other goods	ex8419; ex8470; ex8471; ex8514; 8516 50 000 0; ex8517; ex8517 12 000 0; ex8517 62 000 9; ex8517 69 900 0; ex8518; ex8518 10; ex8519; ex8521; ex8525; ex8526; ex8527; ex8528; ex8531; ex8540; ex90; ex9018; ex9021; ex9027	Import licensing
2.11 Technical devices used for obtaining information in secret	ex8301 70 000 0; ex8471; ex8505 90 200 0; ex8517 61 000; ex8517 62 000; ex8517 69 390 0; ex8517 69 900 0; ex8517 70 900 1; ex8518 30 950 0; ex8518 40; ex8519 81 550; ex8519 81 510 0; ex8519 81 610; ex8519 81 650; ex8519 81 750; ex8519 81 850; ex8519 89 900; ex8521; ex8523 51; ex8523 29 310 1; ex8523 29 310 2; ex8523 49 250 0; ex8523 49 450 0; ex8523 49 910 1; ex8523 51 910 1; ex8523 59 910 1; ex8523 80 910 1; ex8525 50 000 0; ex8525 60 000 0; ex8525 80; ex8526 10 000 9; ex8526 91; ex8527; ex8529 10 390 0; ex9002; ex9006 51 000 0; ex9006 52 000 9; ex9006 53 100 0; ex9019 10 900 9; ex9022 19 000 0	Import licensing ^a
2.12 Encryption devices	ex8443 31; ex8443 32 100 9; ex8443 32 300 0; ex8443 99 100 9; ex8470 10 000 9; ex8470 50 000; ex8471 30 000 0; ex8471 41 000 0; ex8471 49 000 0; ex8471 50 000 0; ex8471 70 500 0; ex8471 70 980 0; ex8471 80 000 0; ex8471 90 000 0; ex8473 21 100 0; ex8473 21 900 0; ex8473 30 200 9; ex8473 30 800 9; ex8517 11 000 0; ex8517 12 000 0; ex8517 18 000 0;	Import licensing

Description	UCT code	Measure and scope
	ex8517 61 000 1; ex8517 61 000 2; ex8517 61 000 8; ex8517 62 000; ex8517 69 390 0; ex8517 69 900 0; ex8517 70 900; ex8523 29 310 1; ex8523 29 310 2; ex8523 29 330; ex8523 49 250 0; ex8523 49 450 0; ex8523 49 10 1; ex8523 49 930 0; ex8523 51 910 1; ex8523 51 930 0; ex8523 52; ex8523 59 910 1; ex8523 59 930 0; ex8523 80 910 1; ex8523 80 930 0; ex8525 50 000 0; ex8525 60 000 0; ex8528 71 130 0; ex8529 90 200 1; ex8529 90 650 0; ex8529 90 970 0; ex8526 91 200 0; ex8526 91 800 0; ex8526 92 000; ex8542 31 901 1; ex8542 31 909 9; ex8542 32 900 9; ex8543 70 900 0; ex8543 90 000 9	
2.13 Human organs and tissue, blood and its components	ex3001 90 200 0; ex3002 90 100 0; ex3002 12 000 3; ex3002 12 000 4; ex3002 12 000 5; ex3002 13 000 0; ex3002 14 000 0; ex3002 90 100 0; ex3001 90 200 0; ex0511 99 853 9; ex0511 99 859 9	Import licensing
2.14 Official and civil weapons, its main parts and cartridges	ex9302 00 000 0; ex9303 20; ex9303 30 000 0; ex9303 20 100 0; ex9303 20 950 0; ex9304 00 000 0; ex9305 10 000 0; ex9305 20 000 1; ex9305 20 000 9; ex9305 20 000; ex9306 21 000 0; ex9306 30 100 0; ex9306 30 900 0; ex9306 29 000 0; ex3603 00 900 2; ex9307 00 000 0; ex8211; ex9506 99 900 0; ex9304 00 000 0; ex9303; ex93; ex9705 00 000 0; ex9706 00 000 0	Import licensing
2.15 Plant protection products and other persistent organic pollutants to be used in laboratory-scale research, as well as the reference standard	2903 82 000 0; 3808 59 000 9; 2910 40 000 0; 2910 90 000 0; 2903 92 000 0; 2903 83 000 0; 3808 91 200 0; 2903 99 3824 82 000 0; 2903 92 000 0	Import licensing ^a
3. Surveillance (automatic licensing)		
3.1 Steel pipes	7304 22 000 1; 7304 22 000 2; 7304 22 000 9; 7304 23 000 1; 7304 23 000 2; 7304 23 000 9; 7304 24 000 1; 7304 24 000 2; 7304 24 000 3; 7304 24 000 4; 7304 24 000 5; 7304 24 000; 7304 24 000; 7304 29 100 1; 7304 29 100 2; 7304 29 100 3; 7304 29 100 9; 7304 29 300 1; 7304 29 300 2; 7304 29 300 3; 7304 29 300 4; 7304 29 300 9; 7304 29 900 1; 7304 29 900 9; 7305 20 000 0; 7306 21 000 0; 7306 29 000 0; 7304 24 000 1; 7304 24 000 2; 7304 24 000 5; 7304 24 000 9; 7304 29 100 1; 7304 29 100 2; 7304 29 100 9; 7304 29 300 1; 7304 29 300 2; 7304 29 300 9; 7306 21 000 0; 7306 29 000 0	Automatic import licensing

a It is forbidden to import this product by individuals as products for personal use.

Source: EEC, Unified List of Goods that Are Subject to Non-tariff Regulation Measures in Trade with Third Countries and the Regulations on the Import and/or Export of These Goods. Viewed at: <http://www.eurasiancommission.org/ru/act/trade/catr/nontariff/Pages/ep.new.aspx>.

Table A3.3 Export prohibitions and restrictions on the EAEU Single List, 2020

Description	UCT code	Measure and scope
1. Prohibitions		
1.1 Ozone depleting substances	2903 77 100 0; 2903 77 200 0; 2903 77 300 0; 2903 77 400 0; 2903 77 500 0; 2903 76 100 0; 2903 76 200 0; 2903 76 900 0; 2903 77 900 0; 2903 14 000 0; 2903 19 100 0; ex2903 79 210 0; ex2903 79 900 0; ex2903 39 110 0; ex3824 71 000 0; ex3824 72 000 0; ex3824 74 000 0-ex3824 79 000 0; 8415 10; 8415 81 00; 8415 82 000; 8418 61 00; ex8418 69 000; 8418 10 200; 8418 10 800; ex8418 50; ex8418 69 000; ex8418; ex8419; 8418 10 200; 8418 10 800; 8418 30 200; 8418 30 800; 8418 40 200; 8418 40 800; ex8418 50; ex8418 69 000; ex8479 89 970 1; ex8479 89 970 2; ex3921 11 000 0- ex3921 19 000 0; ex3907 20 200 1; ex3907 20 200 9; ex8424 10 000 0	Export prohibition (except for goods in transit)
1.2 Information printed, audio-visual and other media sources that may cause damage to political or economic interest, state security or the health and morality of citizens	ex3706; ex4901; ex4902; ex4908; ex4909 00 000 0; ex4910 00 000 0; ex4911; ex8523	Export prohibition (including goods in transit)
1.3 Weapons, including main parts and cartridges, for military and civilian purposes	ex93; ex9303; ex9304 00 000 0; ex9306 21 000 0; ex9306 30; ex9306 90; ex9307 00 000 0	Export prohibition (including goods in transit) (except for goods, subject to the export control system)
1.4 Sables, live	0106 19 009 3	Export prohibition
1.5 Personal protective equipment, safety and disinfectants, medical products	2905 12 000 0; 3005; 3808 94; 3926; 3926 20 000 0; 4015; 5603; 5603 11 900 0; 5603 12 100 0; 5603 12 900 0; 5603 13 100 0; 5603 13 900 0; 5603 14 100 0; 5603 14 900 0; 5603 93 900 0; 5603 94 900 0; 5903; 5903 10; 5903 20 900 0; 5903 90 990 0; 5906; 5906 91 000 0; 6210 10 920 0; 6210 10 980 0; 6210 40 000 0; 6210 50 000 0; 6307 90 980 0; 6307 90 920 0; 9020 00 000 0; 8421 39 200 9; 9020 00 000 0; 9004 90	Export prohibition
1.6 Certain types of food items	0703 10 110 0; 0703 10 190 0; 0703 20 000 0; 0706 10 000 9; 1002; 1006; 1008 10 000; 1008 21 000 0; 1008 29 000 0; 1103; 1103 19 500 0; 1103 20 500 0; 1104 29 300 0; 1201; 1206 00; 1904 90 800 0	Export prohibition
2. Restrictions (licensing)		
2.1 Ozone depleting substances and products containing such substances	ex2903 71 000 0; ex2903 73 000 0; ex2903 74 000 0; ex2903 75 000 0; ex2903 79 110 0	Export licensing (except for goods in transit) ^a
2.2 Hazardous waste	ex0511 99 100 0; 2307 00; ex2520 10 000 0; ex2530 90 000 9; 2618 00 000 0; ex2619 00; ex2619 00 900 0; ex2620 2620 11 000 0; ex2620 19 000 0; ex2620 21 000 0 - ex2620 29 000 0; ex2620 29 000 0; ex2620 30 000 0; ex2620 40 000 0; 2620; ex2620 60 000 0; ex2620 91 000 0; ex2620 99 950 9; ex2621 ex28; ex2805 40; ex2806 10 000 0; ex2807 00; ex2808 00 000 0; ex2811 11 000 0; ex2811 19 100 0; ex2814 20 000 0; ex2815 12 000 0; ex2815 20 000 0; ex2837; ex2907; ex2908; ex2926; ex2929; ex3206; ex3208; ex3212; ex3504 00; ex3802; ex3824; ex3825; ex3825 41 000 0; ex3825 49 000 0; ex3825 61 000 0; ex3912 20; ex4004 00 000 0; ex4012 20 000 0; ex4101 - 4103; ex4115 10 000 0; ex4115 20 000 0; ex4301; ex5003 00 000 0; ex5103 20 000 0; ex5202 10 000 0; ex5505; ex5601 30 000 0; ex7112 30 000 0; ex7112 99 000 0; ex7204; ex7404 00;	Export licensing ^a

Description	UCT code	Measure and scope
	ex7503 00; ex7602 00; ex7802 00 000 0; ex7902 00 000 0; ex8002 00 000 0; ex8101 97 000 0; ex8102 97 000 0; ex8103 30 000 0; ex8104 20 000 0; ex8105 30 000 0; ex8106 00 100 0; ex8107 30 000 0; ex8108 30 000 0; ex8109 30 000 0; ex8110 20 000 0; ex8111 00 190 0; ex8112 13 000 0; ex8112 22 000 0; ex8112 52 000 0; ex8112 92 210 9; ex8113 00 400 0; ex85 ex8548 10 910 0; ex8548 10 100 0; ex8548 10 210 0; ex8548 10 290 0; ex2620 ex9601; ex9705 00 000 0	
2.3 Collectible materials in mineralogy and palaeontology		Export licensing
2.4 Wild animals, live, certain wild plants, including those used for medicinal purposes	ex01; ex0301; ex0306; ex0307; ex0308; ex0407; 0802 90 500 0; 1211; 1212 21 000 0; 1212 29 000 0; ex1302	Export licensing
2.5 Species of wild fauna and flora subject to the Convention on international trade in endangered species of wild fauna and flora	No UCT codes are provided. Only the names of species of wild fauna and flora are specified according to CITES appendix.	Export restriction
2.6 Rare and endangered species of wild animals and wild growing plants and parts thereof and/or derivatives inscribed in the "Red book" of the EAEU	ex0101-0106; ex0301; 0306-0308; ex0601-0604; ex07; ex1211; ex1212; ex20; ex2102	Export licensing
2.7 Precious metals and gems, including Kimberley process diamonds, rubies, sapphires, emeralds, alexandrites, etc.	ex2530 90 900 1; 7101 10 000 0; ex7102 21 000 0; 7102 29 000 0; 7102 31 000 0; ex7102 39 000 0; 7103 10 000 2; 7103 10 000 3; 7103 10 000 4; 7103 10 000 5; 7103 91 000 1; 7103 91 000 2; 7103 91 000 3; 7103 99 000 2; 7105 10 000 0; ex7116 10 0000; 7116 20	Export licensing (except for precious metals exported by the Central (National) Banks of the EAEU member States)
2.8 Precious metals and commodities containing precious metals	2603 00 000 0; 2604 00 000 0; 2607 00 000 0; 2608 00 000 0; 2609 00 000 0; 2616; ex2617; 2620 19 000 0; 2620 21 000 0; 2620 29 000 0; 2620 30 000 0; 2620 91 000 0; 2620 99 100 0; 2620 99 400 0; 2620 99 950 1; 2620 99 950 2; 2620 99 950 3; 2620 99 950 9; ex2621; 7106 91 000; 7108 12 000 9; 7110 11 000 9; 7110 21 000 9; 7110 31 000 0; 7110 41 000 0; 7112; 7401 00 000 0; 7402 00 000 0; 7501; 7801 99 100 0	Export licensing
2.9 Raw mineral substances and untreated stones	ex7103 10 000 0; ex2530 90 000 1	Export licensing ^a
2.10 Narcotic drugs with psychotropic substances and their precursors	1209 99 910 0; 1211 30 000 0; 1211 40 000 0; 1211 90 850 0; 1301 90 000 0; 1302 11 000 0; 1302 19 800 0; 2806 10 000 0; 2807 00 100 0; 2812 10 950 0; 2841 61 000 0; 2902 30 000 0; 2902 90 000 0; 2903 39 190 0; 2903 99 900 0; 2904 20 000 0; 2905 39 250 0; 2905 51 000 0; 2907 19 900 0; 2909 11 000 0; 2909 30 900 0; 2912 21 000 0; 2912 49 000 0; 2914 11 000 0; 2914 12 000 0; 2914 31 000 0; 2914 50 000 0; 2915 21 000 0; 2915 24 000 0; 2915 90 000 0; 2916 12 000 0; 2916 14 000 0; 2916 34 000 0; 2918 19 980 0; 2920 90 100 0; 2921 11 000 0; 2921 19 990 0; 2921 30 100 0; 2921 46 000 0; 2921 49 000 0; 2922 14 000 0; 2922 19 850 0; 2922 29 000 0; 2922 31 000 0; 2922 39 000 0; 2922 43 000 0; 2922 44 000 0; 2922 49 850 0; 2922 50 000 0; 2924 23 000 0; 2924 24 000 0; 2924 29 980 0; 2925 12 000 0; 2926 90 950 0; 2926 30 000 0; 2924 11 000 0; 2924 29 980 0; 2930 90 990 0; 2932 11 000 0; 2932 20 900 0; 2932 91 000 0; 2932 92 000 0; 2932 93 000 0; 2932 94 000 0;	Export licensing

Description	UCT code	Measure and scope
	2932 95 000 0; 2932 99 000 0; 2933 29 900 0; 2933 32 000 0; 2933 33 000 0; 2933 39 990 0; 2933 41 000 0; 2933 49 300 0; 2933 49 900 0; 2933 53 100 0; 2933 53 900 0; 2933 55 000 0; 2933 59 950 0; 2933 72 000 0; 2933 91 100 0; 2933 91 900 0; ex2933 99; 2933 99 800; 2933 99 800 9; 2934 91 000 0; 2934 99 900 0; 2939 11 000 0; 2939 19 000 0; 2939 41 000 0; 2939 49 000 0; 2939 51 000 0; 2939 61 000 0; 2939 62 000 0; 2939 63 000 0; 2939 69 000 0; 2939 91 000 0; 2939 99 000 0; ex3003; 3003 40 000 0; 3003 90 000 0; ex3004; 3004 40 000; 3004 40 000 9; 3004 90 000 2; 3004 90 000 9; 3824 90 970	
2.11 Toxic substances except for precursors of the drugs and substances with psychotropic effects	ex1211 90 850 0; ex1302 19 800 0; 2804 70 001 0; 2804 80 000 0; ex2805 40; ex2811 29 900 0; ex2837 11 000 0; ex2837 19 000 0; ex2842 90 800 0; ex2843 29 000 0; ex2848 00 000 0; ex2852 10 000 7; ex2852 90 000 8; 2905 11 000 0; ex2905 59; ex2907 11 000 0; ex2922 19 850 0; ex2924 19 000 0; ex2926 90 950 0; ex2930 90 990 0; ex2931 10 000 0; ex2931 90 900 9; ex2933 39 990 0; ex2939 20 000 0; ex2939 99 000 0; ex3001 90 980 0; ex8112 51 000 0	Export licensing ^a
2.12 Technical devices used for obtaining information in secret	ex8301 70 000 0; ex8471; ex8505 90 200 0; ex8517 61 000; ex8517 62 000; ex8517 69 390 0; ex8517 69 900 0; ex8517 70 900 1; ex8518 30 950 0; ex8518 40; ex8519 81 550; ex8519 81 510 0; ex8519 81 610; ex8519 81 650; ex8519 81 750; ex8519 81 850; ex8519 89 900; ex8521; ex8523 51; ex8523 29 310 1; ex8523 29 310 2; ex8523 49 250 0; ex8523 49 450 0; ex8523 49 910 1; ex8523 51 910 1; ex8523 59 910 1; ex8523 80 910 1; ex8525 50 000 0; ex8525 60 000 0; ex8525 80; ex8526 10 000 9; ex8526 91; ex8527; ex8529 10 390 0; ex9002; ex9006 51 000 0; ex9006 52 000 9; ex9006 53 100 0; ex9019 10 900 9; ex9022 19 000 0	Export licensing ^a
2.13 Encryption devices	ex8443 31; ex8443 32 100 9; ex8443 32 300 0; ex8443 99 100 9; ex8470 10 000 9; ex8470 50 000; ex8471 30 000 0; ex8471 41 000 0; ex8471 49 000 0; ex8471 50 000 0; ex8471 70 500 0; ex8471 70 980 0; ex8471 80 000 0; ex8471 90 000 0; ex8473 21 100 0; ex8473 21 900 0; ex8473 30 200 9; ex8473 30 800 9; ex8517 11 000 0; ex8517 12 000 0; ex8517 18 000 0; ex8517 61 000 1; ex8517 61 000 2; ex8517 61 000 8; ex8517 62 000; ex8517 69 390 0; ex8517 69 900 0; ex8517 70 900; ex8523 29 310 1; ex8523 29 310 2; ex8523 29 330; ex8523 49 250 0; ex8523 49 450 0; ex8523 49 910 1; ex8523 49 930 0; ex8523 51 910 1; ex8523 51 930 0; ex8523 52; ex8523 59 910 1; ex8523 59 930 0; ex8523 80 910 1; ex8523 80 930 0; ex8525 50 000 0; ex8525 60 000 0; ex8528 71 130 0; ex8529 90 200 1; ex8529 90 650 0; ex8529 90 970 0; ex8526 91 200 0; ex8526 91 800 0; ex8526 92 000; ex8542 31 901 1; ex8542 31 909 9; ex8542 32 900 9; ex8543 70 900 0; ex8543 90 000 9	Export licensing
2.14 Goods having cultural value, documents of the national archives, and original archival documents	ex37; ex39; ex40; ex42; ex44; ex4420; ex46; ex49; ex4907 00; ex57; ex58; ex61; ex62; ex63; ex64; ex65; ex66; ex69; ex6913; ex70; ex7018; ex7113; ex7114; ex7117; ex7118; ex73; ex74; ex75; ex76; ex78; ex79; ex80; ex81; ex82; ex8306; ex84; ex85; ex87; ex88; ex89; ex90; ex91; ex92; ex93; ex94; ex95; ex96; ex9611 00 000 0; ex97; ex9702 00 000 0; ex9705 00 000 0	Export licensing
2.15 Human organs and tissue, blood and its components	ex3001 90 200 0; ex3002 90 100 0; ex3002 12 000 3; ex3002 12 000 4; ex3002 12 000 5; ex3002 13 000 0; ex3002 14 000 0; ex3002 90 100 0; ex3001 90 200 0; ex0511 99 853 9; ex0511 99 859 9	Export licensing

Description	UCT code	Measure and scope
2.16 Official and civil weapons, its main parts and cartridges	ex9302 00 000 0; ex9303 20; ex9303 30 000 0; ex9303 20 100 0; ex9303 20 950 0; ex9304 00 000 0; ex9305 10 000 0; ex9305 20 000 1; ex9305 20 000 9; ex9305 20 000; ex9306 21 000 0; ex9306 30 100 0; ex9306 30 900 0; ex9306 29 000 0; ex3603 00 900 2; ex9307 00 000 0; ex8211; ex9506 99 900 0; ex9304 00 000 0; ex9303; ex93; ex9705 00 000 0; ex9706 00 000 0	Export licensing
2.17 Information on subsoil deposits, such as fuel, energy and mineral raw materials	Description of the products only	Export licensing ^a

a It is forbidden to import this product by individuals as products for personal use.

Source: EEC, Unified List of Goods that Are Subject to Non-tariff Regulation Measures in Trade with Third Countries and the Regulations on the Import and/or Export of These Goods. Viewed at: <http://www.eurasiancommission.org/ru/act/trade/catr/nontariff/Pages/ep.new.aspx>.

Table A3.4 SPS legislation adopted at the EAEU level

EAEU body	Title	Instrument/date
Council	Procedure for the Interaction Between Authorized Persons of the Veterinary Authorities of the EAEU Member States During Implementation of Interim Sanitary, Veterinary-Sanitary and Quarantine Phytosanitary Measures	Decision No. 149 of 16 May 2016
College	On the Maximum Permissible Levels of Residues of Veterinary Medicinal Products (Pharmacologically Active Substances) that May Be Contained in Unprocessed Food Products of Animal Origin, Including Raw Materials, and Methods for their Determination	Decision No. 28 of 13 May 2018
College	On the Application of Veterinary and Sanitary Measures in the Eurasian Economic Union	Decision No. 317 of 18 June 2010 with amendments of 9 July 2019
Council	Regulations on the Single Procedure for Carrying Out Joint Checks of Objects and the Sampling of the Goods (Products) which Are Subject to Veterinary Control (Supervision)	Decision No. 94 of 9 October 2014
College	Templates of the Common Veterinary Certificates for Goods Subject to Veterinary Control, Imported to the Territory of the Eurasian Economic Union from Third Countries	Decision No. 607 of 7 April 2011 with amendments of 9 July 2019
College	Regarding the Adoption of the Technical Regulations of the Customs Union on the Safety of Packaging	Decision No. 769 of 16 August 2011 with amendments of 16 April 2019
College	About the Single List of Products, Confirmation of Conformity which Is in the Form of Issuing a Declaration of Conformity	Decision No. 620 of 7 April 2011 with amendments of 15 September 2017
College	About Issues in the Field of Veterinary Control (Supervision) in The Customs Union	Decision No. 342 of 17 August 2010
Council	About Approval of Rules of Organization of Laboratory Inspection (Tests) During Veterinary Control (Supervision)	Decision No. 80 of 10 November 2017
Council	About Approving the Uniform Veterinary (Veterinary and Sanitary) Requirements Imposed on Goods Subject to Veterinary Control (Supervision)	Decision No. 27 of 13 February 2018
Council	On Draft Documents in the Field of Application of Veterinary Measures of the Customs Union, Followed by Council Decision No. 880 of 9 December 2011 and Technical Regulation CU TR 021/2011 on Food Safety	Decision No. 455 of 18 November 2010
Council	On the Technical Regulations of the Customs Union on the Safety of Milk and Dairy Products (CU TR 033/2013), as amended on 20 December 2017, effective as from 15 July 2018	Decision No. 67 of 9 October 2013
Council	On the Technical Regulations of the Customs Union on the Safety of Meat and Meat Products	Decision No. 68 of 9 October 2013
Council	On the Technical Regulations of the Customs Union on the Safety of Fish and Fish Products	Decision No. 162 of 18 October 2016
College	On the Adoption of the Technical Regulations of the Customs Union on Food Products in Terms of Their Labelling	Decision No. 881 of 9 December 2011

Source: Information provided by the authorities.

Table A3.5 SPS legislation adopted at the national level, 2013-18 February 2020

Instrument	Title	Date
Law No. 175	On Veterinary	30 December 2014
Law No. 91	On Animal Identification of Animals and Animal Products	6 June 2013
Government Resolution No. 377	On Approval of Priority Veterinary and Sanitary Requirements for the Prevention of Animal Diseases	18 June 2015
Government Resolution No. 555	On Approval of the Rules for Veterinary Zoning of the Territory of the Kyrgyz Republic for Animal Infectious Diseases	3 August 2015
Government Resolution No. 235	On Approval of the Procedure for Exercising State Control (Supervision) of Goods Subject to Sanitary Epidemiological and Veterinary Control (Supervision), in Respect of Which the Republic of Kazakhstan Applies Requirements Different from the Requirements of the Eurasian Economic Union, and Products Made from Them	10 May 2016
Government Resolution No. 528	On Approval of Acts in the Field of Veterinary Medicine	24 August 2017
Government Resolution No. 583	On Approval of the List of Regulated Products (Goods, Materials and Commodities Under Quarantine) Subject to Quarantine and Phytosanitary Control (Surveillance) at the Customs Boundary of the Customs Union and in the Customs Territory of the Customs Union	7 October 2014
Government Resolution No. 376	On Approval of Quarantine Phytosanitary Laws of the Kyrgyz Republic and Regulations on the Procedure for Issue of Phytosanitary, Re-Export Phytosanitary and Quarantine Certificates	18 June 2015
Government Resolution No. 500	On Approval of the Regulation on Subordinate Units of the State Inspection on Veterinary and Phytosanitary Safety Under the Government of the Kyrgyz Republic	18 August 2017
Government Resolution No. 901	On Regulations on Conformity Assessment of Facilities and Safety Measures in the Field of Veterinary Medicine, Plant Quarantine, Epidemiology, Sanitation and Ecology in the Kyrgyz Republic	30 December 2006
Government Resolution No. 173	Regarding the Approval of the Technical Regulation on Safety of Medical and Veterinary Products Meant for Laboratory Diagnostics in Artificial Conditions (In-Vitro)	5 April 2013
Government Resolution No. 43	On Approval of the Rules on the Classification System of Hazardous Chemicals/Mixtures and Requirements for Elements of Hazard Information: Labelling and Safety Data Sheet	9 February 2015
Government Resolution No. 17	On the Regulation of Private Veterinary Practice in the Kyrgyz Republic	15 January 2018
Government Resolution No. 673	Program of the Government of the Kyrgyz Republic "Development of the Veterinary Service of the Kyrgyz Republic for 2018-2023"	17 October 2017
Government Resolution No. 556	About Measures to Streamline the Functioning of Checkpoints Through the Frontier of the Kyrgyz Republic, Intended for International Automobile, Air and Rail Service, and Internal Stationary Posts on the Roads of the Kyrgyz Republic	19 November 2007
Government Resolution No. 268	On Approval of the Technical Regulation on the Safety of Feed and Feed Additives (as amended by Government Decisions No. 15 of 20 January 2015 and No. 184 of 29 March 2017)	22 May 2014
Government Resolution No. 260	On the Authorized State Bodies for the Implementation of State Control (Supervision) over Compliance with the Technical Regulations of the Customs Union (as amended by Government Decree No. 780 of 18 November 2015)	27 April 2015
Government Resolution No. 184	About the Action Plan for the Application of Technical Regulations of the Customs Union in the Kyrgyz Republic	29 March 2017

Instrument	Title	Date
Government Resolution No. 694	On Approval of the Rules of Animal Identification (as amended by Government Decree No. 703 of 6 August 2018)	5 December 2014
Government Decree No. 444	On Approval of the Technical Regulation on the Safety of Veterinary Medicinal Products (as amended by Government Decree of the Russian Federation No. 15 of 20 January 2015)	5 August 2013
Government Resolution No. 93	On Ensuring Food Safety	18 February 2020

Source: Information provided by the authorities.
