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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.