

# Kyrgyz Republic: Trade Brief\*

## Trade Policy

The Kyrgyz Republic was the first member of the Commonwealth of Independent States (CIS) to be accepted into the World Trade Organization (WTO). Since then it has made impressive progress implementing a framework supportive of a market economy. Since the mid-2000s, its most-favored-nation (MFN) applied simple (4.8 percent) and trade-weighted (3.9 percent) tariff averages have been lower than the most recently available Europe and Central Asia (ECA) and low-income country group means. The country also scores well (3.5 percent) and is ranked high (16<sup>th</sup> out of 125 countries) according to the latest Trade (MFN) Tariff Restrictiveness Index (TTRI). Tariff lines with applied rates exceeding 15 percent were comparable (2.8 percent of all lines) regionally, but fewer than the average of low-income countries. The maximum applied rate of 249.6 percent applies to alcohol products. MFN duty-free imports rose to 47.4 percent of total imports in 2007. The country's latest (1998) nontariff barriers frequency ratio was also a low 1 percent. Privatization has recently taken place in line with its WTO accession commitments in most service industries (including telecommunications, transport and financial services), earning the country the highest score for competition in telecom by the International Telecommunication Union (in 2005) and a very good score on the GATS commitment index.

## Market Access

The Kyrgyz Republic faces comparatively higher tariff barriers from the rest of the world, in terms of both the weighted average applied tariff (2.3 percent overall, and 8.2 percent on its agricultural exports) and the Market Access TTRI (scoring 4.9 percent and ranking 101<sup>st</sup> out of 125 countries). MFN duty-free exports constituted a high share (57.5 percent) of the country's total exports in 2006. In contrast, exports to FTA partners comprised only 5.1 percent of total exports. A Generalized System of Preferences (GSP) beneficiary with a number of industrialized countries, the Kyrgyz Republic is also a signatory to a Trade and Investment Framework Agreement (TIFA) with the United States. The Kyrgyz Republic is also a member of the CIS; the Eurasian Economic Community (EAEC), which aims to become a full-scale customs union and common economic space; and the Central Asian countries' Economic Cooperation Organization (ECO), which aims to lower trade barriers between its members. Although these groupings are yet to implement their free trade area plans, the Kyrgyz Republic does have bilateral trade agreements with some countries in the region, including Russia, Kazakhstan, Moldova, Ukraine, and Uzbekistan.

## Behind the Border Constraints

The country's Doing Business overall rank is 94<sup>th</sup> (out of 178), ranking well on the subcategories of Starting a Business and Enforcing Contracts (49<sup>th</sup> and 32<sup>st</sup>, respectively). Its scores on various governance indicators, especially on Rule of Law and Control of Corruption, however, are much lower than both their region and income groups. Also lagging behind the ECA regional averages on all seven aspects measured, the Kyrgyz Republic ranked 103<sup>rd</sup> (out of 150) on the latest Logistics Performance Index. Here, its weakest indicators were quality of transport and information technology (IT) infrastructures and efficiency of customs and other border procedures. Based on its high per container import costs, lengthy processing times, and fairly

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\* As of April 2008. See the World Trade Indicators 2008 database at <http://www.worldbank.org/wti2008>.

extensive document requirements, the country also ranked next to last (177<sup>th</sup>) on the Doing Business—Trading Across Borders subcategory. Its per capita rates for telephones and mobile phones (33.0 percent) and Internet usage (5.7 percent) are low by the regional standards but comparable or higher than in an average low-income country. Its secondary school enrollment rates (86.4) are comparable to the ECA means and surpass the low-income group averages.

## Trade Outcomes

The estimated real trade growth for 2007 is 4.8 percent (28.8 percent according to national sources), evenly balanced between exports and imports and only slightly higher than in the preceding two years when exports declined by –5.7 percent (–1.4% according to national sources). Imports increased by 8.4 percent (36.5 percent in 2006 according to national data), thus causing real trade growth in this same period of 4.1 percent (21 percent).<sup>1</sup> The country's 2007 trade share in GDP (116.1 percent, 135 percent according to national sources) is above both the ECA average openness (101.9 percent) and the average low-income country (80.1 percent). The country's main goods exports in 2006 were gold (26 percent of total merchandise exports), cotton (4.5 percent), electricity (3.2 percent), glass (3.1 percent), and cement (2.7 percent); services share in total exports (2006) was 32 percent. Switzerland is the Kyrgyz Republic's principal destination market (over 26 percent of exports in 2006), followed by Kazakhstan (20 percent), Russia (19 percent), and China (5 percent); imports include oil and gas, machinery, equipment, chemicals, and food products, and are predominantly obtained from Russia (38 percent), China (14 percent), and Kazakhstan (12 percent).

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<sup>1</sup> The WTI source for aggregate trade flows is the World Bank Development Prospects Group (DECPG) database (alternative figures based on national sources are reported in brackets).