

# **Participation in WTO and Regional Trade Agreements: Kyrgyzstan's Experience**

**Roman Mogilevsky**



This project is funded by  
the European Union



A project Implemented by the European  
Profiles SA

# **“Participation in WTO and Regional Trade Agreements: Kyrgyzstan's Experience”**

**Roman Mogilevsky**

**EU Project “Support for the implementation of the Partnership and  
Cooperation Agreement between the European Union and  
the Kyrgyz Republic – Phase II”**

This publication has been produced with the assistance of the European Union. The contents of this publication can in no way be taken to reflect the views of the European Union

**Bishkek – 2004**

## CONTENTS

1.	Introduction .....	6
2.	Initial conditions and the context for the development of a foreign economic relations strategy in Kyrgyzstan .....	6
2.1.	Geography and history .....	7
2.2.	Structure of the economy .....	8
2.3.	Strategic choices .....	9
3.	The process and conditions of Kyrgyzstan's WTO accession .....	11
3.1.	Pre-accession trade regime .....	11
3.2.	The course of negotiations and role of stakeholders in the process of WTO accession.....	12
3.3.	Kyrgyzstan's WTO commitments .....	13
4.	The participation of Kyrgyzstan in regional trade and economic cooperation agreements.....	17
4.1.	Regional cooperation structures .....	17
4.2.	Implications of the country's simultaneous membership of the WTO and regional trade agreements.....	19
5.	The impact of membership of multilateral organizations on Kyrgyz foreign trade and investment flows.....	20
5.1.	General trends in exports and imports and other developments in the balance of payments.....	21
5.2.	Macroeconomic and exogenous factors affecting Kyrgyz foreign trade .....	22
5.3.	Changes in trade with WTO countries .....	24
5.4.	Changes in trade with the EU countries .....	26
5.5.	Changes in trade with countries of the region .....	26
5.6.	FDI flows.....	28
5.7.	Changes in government budget revenues.....	28
5.8.	Informal commodity, labor and capital flows .....	29
6.	Conclusion.....	31

## TABLES

Table 1.	GDP dynamics and structure in Kyrgyzstan.....	33
Table 2.	Macroeconomic indicators.....	33
Table 3.	Chronology of Kyrgyzstan's Accession to WTO.....	34

Table 4.	Comparison of WTO accession conditions for different countries .....	35
Table 5.	Balance of Payments of the Kyrgyz Republic, mil. USD.....	36
Table 6.	Trade in goods by country, mil. USD.....	36
Table 7.	Trade in goods by commodity groups, mil. USD.....	37
Table 8.	Trade with WTO member countries, mil. USD .....	38
Table 9.	Trade with EU15 countries, mil. USD.....	38
Table 10.	Trade with new EU member countries, mil. USD.....	39
Table 11.	Trade with CIS countries, mil. USD.....	40
Table 12.	Trade with CACO countries, mil. USD .....	41
Table 13.	Trade with EurasEC countries, mil. USD.....	41
Table 14.	Trade with Russia, mil. USD .....	42
Table 15.	Trade with Kazakhstan, mil. USD.....	43
Table 16.	Trade with Uzbekistan, mil. USD .....	43
Table 17.	Trade with China, mil. USD .....	44
Table 18.	Humanitarian aid imports, mil. USD.....	45
Table 19.	Trade in services, mil. USD .....	45
Table 20.	Exports of tourism services, mil. USD .....	46
Table 21.	FDI by sector and country of origin, mil. USD.....	46
Table 22.	Trade-related tax collections .....	47

## FIGURES

Figure 1.	Commodity and geographical concentration of Kyrgyz exports .....	48
Figure 2.	Effect of foreign aid flows and real effective exchange rate on imports	48
Figure 3.	Effect of exogenous factors on exports.....	48
Figure 4.	Effect of exogenous factors and WTO membership expansion on exports to WTO countries .....	49

## ABBREVIATIONS

CACO	Central Asian Cooperation Organization
CIS	Commonwealth of Independent States
EurasEC	Eurasian Economic Community
FDI	Foreign Direct Investment
FSU	Former Soviet Union
GDP	Gross Domestic Product
NBKR	National Bank of the Kyrgyz Republic
NSC	National Statistical Committee of the Kyrgyz Republic
PPP	Purchasing Power Parity
REER	Real effective exchange rate
TA	Technical assistance
USAID	United States Agency for International Development
VAT	Value Added Tax
WTO	World Trade Organization

## **1. Introduction**

The Kyrgyz Republic was the first CIS country to join the WTO. At the same time it was and continues to be a member of several regional trade and economic cooperation organizations where the other countries are not WTO members. The necessity to comply with both global and regional trade rules makes the environment for Kyrgyz foreign trade policy and practice rather complicated. Today, after more than five years of operating in such an environment, it is worth looking at the experience accumulated by Kyrgyzstan to identify what has and hasn't been achieved via a policy of openness and reliance on the use of multilateral trade mechanisms and the promotion of economic cooperation. This paper focuses on the commitments taken by the country within the WTO and in regional organizations, the extent to which these commitments have been mutually compatible and their impact on actual trade and investment flows into and /out of the country.

The structure of the paper is as follows. Chapter 2 discusses the factors affecting the Kyrgyz economy in the early years of independence, which largely determined the choice of government foreign trade strategy. Chapter 3 describes the process and conditions of the accession of the Kyrgyz Republic to the WTO. Chapter 4 provides a brief overview of the country's participation in different regional economic organizations and considers in practice what it means to simultaneously be a member of the WTO and regional organizations. Chapter 5 provides a detailed analysis of the impact of WTO/regional organization membership on foreign trade and investments in Kyrgyzstan. Chapter 6 offers conclusions and recommendations.

## **2. Initial conditions and the context for the development of a foreign economic relations strategy in Kyrgyzstan**

In considering the process of Kyrgyz accession to the WTO it is necessary to take into account broad-based country conditions and the specific circumstances the country found itself in during the negotiations period (1996-1998). The key issues are rooted in geography and history, in addition to the degree to which the state has developed institutionally and the structure of the economy, in particular its exports and imports.

## **2.1. Geography and history**

The major geographic factors affecting the country's economic development and foreign trade are its size, location, relief and climate. The area of Kyrgyzstan is 199,900 km<sup>2</sup>, located in Central Asia. Its population is 5 million, 65% of whom live in rural areas and 35% in urban areas. Kyrgyzstan is a landlocked country and all its neighbors<sup>1</sup> are also landlocked. In the east and south transport infrastructure is poorly developed; in addition, the potential southern transport corridor through Afghanistan remains insecure. Mountains cover more than 90% of the country's territory and arable land make up only about 7% of the total area. The majority of the population and most economic activity are concentrated in the valleys, the most important being the Chui and Fergana. There are two economic regions in the country – the North and the South. The mountains make communications between different parts of the country difficult. For example, a rail line between North and South must cross Uzbek and Kazakh territories. The climate is continental, hot and dry and highly productive agriculture is only possible on irrigated land. For this reason, water resources and irrigation have a strategic importance for the Kyrgyz economy. The Naryn (Syr-Daria) river flows through Kyrgyzstan. There is a series of hydroelectric stations on the river, which supply most of Kyrgyzstan and some neighboring countries with electricity and water. Kyrgyzstan has small and largely inaccessible deposits of mineral energy resources (oil, coal, natural gas), which means that the country has to rely on supply of these products from Kazakhstan, Uzbekistan and to a lesser extent from Russia.

These geographic features mean that the costs of accessing world markets for Kyrgyz producers are high. The economy is heavily dependent as such on regional cooperation, especially with Kazakhstan and Uzbekistan, in terms of transportation, water and energy issues. Another key reason for enhancing regional cooperation is that the Central Asian economies are not large and represent only limited interest for investments (apart from Kazakh oil and very few other sectors), while these countries taken together represent a relatively sizable market.

---

<sup>1</sup> Apart from China, which has seaports. However, the part of China adjacent to Kyrgyzstan is very remote from the sea.

From the middle of the 19<sup>th</sup> century Kyrgyzstan was a part of the Russian empire. In 1924, under Soviet rule, the first form of national autonomy was established. In 1936 Kyrgyzstan was turned into one of the Soviet Union's republics, a significant step towards the emergence of modern statehood. In 1991, Kyrgyzstan became independent, after which the country quickly set about establishing regular governmental institutions that had been either non-existent or had had a very limited role in the pre-independence period: a ministry of finance, central bank, border guard, customs services, etc. In their infancy these institutions of course did not always function perfectly. For example, the customs service was unable to stop the flood of smuggled consumer goods from China, the United Arab Emirates and other countries or contraband gasoline from Kazakhstan and Uzbekistan.

## **2.2. Structure of the economy**

At the end of Soviet period the Kyrgyz Republic was a mixed industrial-agrarian country. In 1990, industry produced 34% of GDP, against agriculture at 33% (see table 1). The larger part of industry consisted of big (national scale) enterprises, which were elements of larger complex production chains involving producers from different and often distant parts of the USSR. A significant portion of the economy was concentrated on military production. After the collapse of the USSR and the beginning of the transition from plan to market the economy went through a deep recession, with GDP in 1995 almost half its 1990 level. The main reasons for the recession were the cutting off of subsidies from the Soviet central budget<sup>2</sup>, the rapid growth of prices for resources supplied from former republics of the USSR, accompanied by unfavorable changes in relative prices and the loss of markets in these republics due to similar economic decline there. This recession was especially deep in industrial production and, in particular, in manufacturing: industrial production in 1995 was a mere 28% of its 1990 level.

Industrial decline was accompanied by a radical change in agriculture. The old large farms (kolkhozes and sovkhozes) became unviable after the government halted

---

<sup>2</sup> By conservative estimates, in 1990 the transfers from the central budget to Kyrgyzstan exceeded 10% of GDP. See *Kyrgyzstan. The Transition to a Market Economy*. A World Bank Country Study, 1993.



subsidies to support them, as had been the case in Soviet times. Such farms most often broke up into small and medium-sized farms less oriented towards the market and more towards subsistence. Services as a ratio of GDP increased, mainly with a rise in the numbers of small traders. Such sectoral changes meant the economy and exports in particular became mainly concentrated on primary production.

The Kyrgyz economy has never been large. With a population of about 5 million and an annual GDP per capita of about \$300-400 at the market exchange rate and \$2,700 at PPP, the domestic market is small and much of the population poor (see table 2). Widespread poverty, the decision to continue to support well-developed social services after the break up of the USSR and end of subsidies from Moscow, combined with the government's market-oriented reforms, led to a situation in which the country required and started to receive large foreign aid from the World Bank, IMF, Asian Development Bank and other donors. Various estimates suggest that Kyrgyzstan has received more than 10% of its GDP in foreign aid in some years since 1990.

This small and aid-dependent economy has also had to be open to the world. Its ratio of foreign trade turnover to GDP ratio has been estimated at about 80%. Taking into account unofficial trade flows (see also paragraph 5.8), its real degree of openness is even higher. Foreign trade, therefore, is absolutely essential for the country and government policy in this area is an integral part of the national development strategy.

### **2.3. Strategic choices**

From the first days of independence the government began formulating a national development strategy. The course adopted was towards a market economy, which meant coming up with consistent answers to specific challenges in each of the following policy areas: fiscal, monetary, social and others. The key strategic questions faced by every transitional economy in terms of foreign trade and economic cooperation policy were the following:

- ◆ A liberal versus a protectionist trade policy?
- ◆ An accent on export promotion or import substitution?
- ◆ The attraction of domestic or foreign savings for investments?
- ◆ A bilateral or multilateral approach to economic relations with other countries?

These problems are typical for all small, developing countries and the solutions for them are also more or less standard. Given the country's economic situation, its proximity to neighboring countries with much larger economies (with the exception of Tajikistan) and the economic and political presence of powers such as the US and Russia in the region and very well established relationships with international development organizations, many of these choices were no more than theoretical and in practice many of the decisions taken were the only ones possible to take.

The government chose a liberal foreign policy first and foremost because there was no strong domestic demand for protectionism. Manufacturing industry, which is usually the most sensitive to competition from imported goods, had shrunk in size dramatically. The structure of the economy was changing very quickly and it was not totally clear which sectors of the economy most required protection. Furthermore, even if the government had wanted to protect some sectors of economy<sup>3</sup>, it would have had very limited resources to provide effective support to these sectors and follow an import substitution strategy. An additional argument for choosing openness and export orientation was the necessity to earn foreign exchange to serve the foreign debt, which accumulated quickly as a result of the massive foreign aid flowing into the country.

Economic openness was also deemed necessary given the country's reliance on FDI rather than on domestic investments. Domestic savings were clearly insufficient to finance investments on a scale that would have ensured a reasonable rate of economic growth (see table 2). As the narrow domestic market is not attractive for foreign investors, economic policy has to be directed towards export promotion. In addition, because many commodities exported by Kyrgyzstan have a low value-to-weight ratio regional markets are their primary destination. Large FDI could come to Kyrgyzstan only if goods produced here could then be sold not only in Kyrgyzstan, but also on the bigger regional market. This illustrates the importance of regional cooperation for Kyrgyzstan. Other issues requiring close regional economic cooperation are mentioned above – the interdependence of Central Asian countries on water and

---

<sup>3</sup> In fact it did make several attempts of this kind in the mid-1990s.

energy supplies and the transshipment of goods through the territories of neighboring countries.

As the smaller player for all its main trade partners Kyrgyzstan relies as much as possible on multilateral regulations that provide common ground for resolving trade issues regardless of the size of an economy. This explains why the country has joined all the regional and all the relevant global organizations. These of course do not imply any downgrading of bilateral relationships with neighboring countries.

It is worth noting that the formulation of a foreign trade policy took some time, starting well before the opening of negotiations on WTO accession in 1996 and their completion in 1998. The current policy is summarized in the following national strategy documents: *Comprehensive Development Framework to 2010*, adopted in 2001, and *The National Strategy for Poverty Reduction for 2003-2005* (2002).

### **3. The process and conditions of Kyrgyzstan's WTO accession**

#### **3.1. Pre-accession trade regime**

For a better understanding of the commitments undertaken by the government on acceding to the WTO and assessing whether or not these commitments mean, in effect, forced trade liberalization it is necessary to consider the trade regime that existed in the country before accession.

Before 1999 import tariffs were at a flat rate of 10% regardless of commodity with concessions for goods originating from the following countries:

- ◆ A 5% tariff rate for developing countries;
- ◆ A 0% tariff rate for CIS countries and the least developed countries.

Aside from these, few special regimes existed. By law, the government had (and frequently used) the right to impose a zero import duty on production inputs imported in accordance with intergovernmental agreements. Physical persons importing goods (so-called "shuttles") had a generous allowance for duty-free imports and simplified rules of custom valuation based on cargo weight only. Finally, if a commodity was

subject to excise duty only the largest import or excise duties were used; excise rates were usually higher and this meant that import tariffs on excisable goods had no practical meaning. Because of the large share of CIS countries in Kyrgyz imports and the large number of duty-exempt import contracts the effective import tariff was far below the nominal 10% tariff rate; at just 1.8% in 1996, 2.0% in 1997 and 2.2% in 1998<sup>4</sup>.

Before WTO accession the government maintained higher excise rates for imported goods than for the same domestically produced goods. There was also a mixed VAT regime for commodities imported from CIS and non-CIS countries. While the same VAT rate was used (20%), the 'destination principle' was applied in trade with non-CIS countries and the 'origin principle' in trade with CIS countries.

The government did not use any non-tariff import restrictions apart from import licenses on a very limited number of specific commodities (armaments, narcotics, etc.).

Another feature of the pre-accession regime was the almost complete lack of budgetary support of agriculture<sup>5</sup> and the absence of any export subsidies, which the government simply could not afford.

On the basis of the above outlined features one can conclude that the Kyrgyz Republic's pre-accession trade regime was very liberal.

### **3.2. The course of negotiations and role of stakeholders in the process of WTO accession**

The government started preparations towards WTO accession at the end of 1995, when the early transition shock had passed, primary macroeconomic stabilization had been achieved and economic growth resumed. The chronology of events related to the process of WTO accession is presented in table 3.

---

<sup>4</sup> See the last row in table 20.

<sup>5</sup> The Ministry of Finance of the KR estimated the level of budgetary support to agriculture in the period before accession as being far below 1% of gross agricultural output.

To handle the complexity of WTO-related problems the government set up an Interministerial Commission, which included representatives from all the key agencies involved in economic policy making: the President's Administration, the Prime Minister's Office, the Ministry of Foreign Trade and Industry, the Ministry of Finance, the Ministry of Agriculture and others. The government had little experience of operations in multilateral organizations and few, if any, experts familiar with WTO procedures. The necessary expertise and support was provided by the USAID TA project on Trade, Investment, Customs and WTO issues. International development organizations also contributed to the WTO accession process by providing structural adjustment loans conditioned on the government's adherence to WTO rules<sup>6</sup>. The weakness of the private sector and industrial lobby in that period resulted in their very marginal role in the process of negotiations and the formulation of accession commitments undertaken by the Kyrgyz Republic.

The Kyrgyz delegation had negotiations with the following countries/country groups in the bilateral phase of the accession process:

- ◆ on market access for goods – Australia, Cuba, Czech Republic, European Union, Japan, Mexico, Slovak Republic, Switzerland, Turkey, United States;
- ◆ on market access for services – Australia, European Union, Switzerland, United States.

Some of these countries were Kyrgyzstan's major trade partners, while trade with others had always been negligible. Obviously, the latter group did not seek specific concessions from Kyrgyzstan, but sought to impose general disciplinary rules applicable to all WTO entrants.

### **3.3. Kyrgyzstan's WTO commitments**

Commitments made by the Kyrgyz Republic at the moment of accession to the WTO can be grouped as follows: (i) commitments on tariff concessions for agricultural

---

<sup>6</sup> For example, this was one of the monitorable conditions of the Asian Development Bank's loan No. 1546-KGZ "Corporate Governance and Enterprise Reform Program."

goods; (ii) commitments on tariff concessions for non-agricultural goods; (iii) specific commitments in services; and (iv) specific commitments on rules.

Tariff concessions for agricultural goods. These commitments affected 912 tariff lines. Bound rates vary from 0 to 30%, with the simple tariff average of 11.6%. Zero rates apply to exotic fruits; a 30% rate applies to white sugar, which is produced domestically in large quantities. For 7 lines (related to wool, which is also an important domestic product) an implementation period of 5 years was taken with a base rate of 10% and bound rate of 5%.

Tariff concessions for non-agricultural goods. These commitments affected 6068 tariff lines. Bound rates vary from 0 to 20%, with the simple tariff average of 6.7%. Zero rates apply to agricultural, construction, computing and scientific equipment, chemical products, steel and non-precious metals, wooden articles, paper, medicine; 15-20% rates apply, basically, to armament and luxury goods. For 3906 lines an implementation period of 1-7 years was taken, with a base rate of 5-50% and bound rate of 0-15%; the highest base rates, of 30% and 50%, were taken for armaments, explosives, silk and fur. The longest implementation periods apply to cotton products and some mechanical equipment. All transitional commitments relate to commodities that are produced domestically.

Specific commitments in services. The Kyrgyz Republic has granted unlimited access to its market for almost all specific services, with the only exemptions being electric energy distribution, state-funded education, domestic air transportation, legal and patent agent services. For several sensitive sectors a transition period has been set: telecommunications – demonopolization before 2003; maintenance and repair of aircraft – a lifting of the 49% limitation on foreign ownership of Kyrgyz legal entities before 2005; insurance – a lifting of the 49% limitation on foreign ownership of Kyrgyz legal entities before 2002; banking – the elimination of the distinction in minimum capital requirements for banks with more/less 20% foreign participation before 2003.

Specific commitments on rules. In total the country undertook 29 commitments on different aspects of economic, trade, tax and investment regimes. The following were

among the most sensitive commitments affecting the economic rules existing at that time:

- ◆ Application of the VAT destination principle to trade with all counties;
- ◆ Unification of import and domestic excise rates;
- ◆ Elimination of special tax privileges for enterprises registered in Free Economic Zones and for foreign investors;
- ◆ Non-subsidization of agricultural exports and non-restriction of budgetary support to the agricultural sector to 5% of gross agricultural output;
- ◆ Joining the Government Procurement Agreement (without specifying date of membership negotiation completion).

Overall, Kyrgyzstan's WTO commitments confirmed and strengthened its liberal trade and investment regime. The Kyrgyz Republic in effect almost fully abolished all protection from external penetration those sectors that are important for every country and which are often subject to extensive protection in many countries of the world – agriculture, manufacturing, the financial sector, telecommunications, etc. This has led some to level the criticism that the Kyrgyz accession has been too fast and provided too many concessions. It is worth considering this criticism in more detail.

The conditions accepted by the Kyrgyz Republic in acceding to the WTO can be compared with commitments made by other countries which went through similar accession processes (see table 4). Although highly formalized, this comparison shows that Kyrgyz's accession conditions were not worse than those for other countries and that the speed of accession does not necessarily negatively correlate with the number of commitments undertaken. This implies that lengthier negotiations do not result in better accession conditions.

Another issue is whether or not more tools for the domestic market and protecting business should have been built into the accession process (assuming this to have been possible)? As mentioned above, at that time it was impossible to identify which sectors would benefit in the long run from tariff or non-tariff protection<sup>7</sup>. Business surveys, furthermore, show that local businessmen do not list competition from

imported goods among the major impediments to their activities<sup>8</sup>. The country's real problem is not how to close off the domestic market from competition from foreign companies, but how to attract foreign investment into banking, telecommunications, tourism, etc. Recent developments in these sectors (the acquisition of several domestic banks by their larger Kazakh counterparts, the ongoing privatization of Kyrgyz Telecom to a foreign investor, the increased activity of foreign investors in the Issyk-Kul resort area) are perceived by the government and analysts as positive and long-expected.

It is also necessary to consider the institutional capacity of the government in implementing protection measures. Practice has shown that the import tariff rate and, more generally, the cumulative tax rate (also including VAT) strongly affect the volume of official imports into the country, but not necessarily total imports, a large portion of which is contraband. If this rate increases, goods smuggling may surpass official imports, which would in turn reduce government revenues. If the nominal rate decreases this results in an increase in official imports at the expense of smuggled and not domestically produced goods. This is especially visible with regards to excisable goods (cigarettes, alcohol, petrol). For example, in 2003 the government twice reduced excise duties on gasoline and this (alongside with reaching an agreement with the Oil Traders Association) resulted in a considerable increase in official imports of oil products with no significant change in domestic demand for them. From this perspective, the decision of the government not to adhere to high tariffs and other protectionist measures helped to avoid larger distortions, smuggling and corruption. Similarly, the accession provisions on elimination of tax privileges for companies operating in Free Economic Zones and foreign investors have helped to close a very large hole in the legislation and remove one of biggest sources of distortions in the Kyrgyz economy.

WTO accession had one more institutional aspect. The process of negotiation significantly contributed to enhancing the government's capacity in handling foreign trade and economic cooperation issues, because the government was exposed to

---

<sup>7</sup> There has to date been no evidence of any serious demand for protection from domestic businesses.

<sup>8</sup> See *National Business Opinion Survey – June 2003*. <http://www.ibt.kg>.



problems that had never previously been considered. Handling requests from WTO Working Party members and partners in bilateral negotiations in itself required the modernization of legislation and establishing more consistent and transparent government procedures.

#### **4. The participation of Kyrgyzstan in regional trade and economic cooperation agreements**

##### **4.1. Regional cooperation structures**

The Kyrgyz Republic is a member of virtually all regional economic cooperation organizations. These organizations consist of either exclusively FSU countries (Commonwealth of Independent States<sup>9</sup>, Eurasian Economic Community<sup>10</sup>, Central Asian Cooperation Organization<sup>11</sup>), or also include other countries (Economic Cooperation Organization<sup>12</sup>, Shanghai Cooperation Organization<sup>13</sup>).

The low effectiveness of all these organizations in terms of fostering trade and economic cooperation, which are urgently needed for every participating country, is well known; the very number of regional organizations with a similar mandate is an indication of this. This paper is not aimed at discussing cooperation potential, plans or their (non-)implementation. For our purposes it is necessary to attempt to identify the impact of these organizations on regional trade rules and patterns.

In the early 1990s CIS countries adopted a Free Trade Agreement with zero import tariffs for all goods originating from all the countries that signed up to it. While this agreement has never formally entered into force the Kyrgyz Republic and all its trade partners follow its rules in practice. This multilateral free trade arrangement has also been reinforced by bilateral agreements between Kyrgyzstan and almost all the other CIS countries. However, it is necessary to note that such bilateral free trade

---

<sup>9</sup> Includes all FSU republics except the Baltic States.

<sup>10</sup> Includes Belarussia, Kazakhstan, the Kyrgyz Republic, Russia and Tajikistan.

<sup>11</sup> Includes Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan.

<sup>12</sup> Includes Turkey, Iran, Pakistan, Afghanistan, Azerbaijan and all five Central Asian countries.

<sup>13</sup> Includes China, Kazakhstan, the Kyrgyz Republic, Russia, Tajikistan and Uzbekistan.

agreements allow parties to introduce import duties on a limited number of commodities, either to protect sensitive domestic industries or as anti-dumping measures<sup>14</sup>. In some cases the application of these rules has adversely affected Kyrgyz's exports to Kazakhstan, Uzbekistan, Ukraine and other countries.

Another important achievement of the CIS was citizens' right to free cross-border movement. This arrangement has facilitated greater business contacts, trade and cooperation and has also helped expand employment opportunities. The agreement was significantly weakened by the introduction of a visa regime in Uzbekistan and Turkmenistan for citizens from Kyrgyzstan and some other CIS countries and also by increased regulation of domestic labor markets in Russia and Kazakhstan.

In 2000, the countries of the Custom Union (EurasEC) concluded an agreement on a Common Customs Tariff. This agreement provides a five-year period (which can be further expanded) for the formation of a Common Customs Tariff with special permission for Kyrgyzstan and Tajikistan to establish their own time schedule for adoption of the tariff.

CACO (and its predecessor, the Central Asian Economic Community) provides a forum for discussing and developing coordinated policy with regards water and energy exchange issues that require multilateral participation. But, again, enforceable agreements have been achieved so far mainly on a bilateral basis.

Very few other practical results from regional organization activities have been achieved. Examples include the coordination of tax collection methodology, including indirect taxes and simplification and harmonization of customs rules (EurasEC), information exchange in different areas (CIS, EurasEC, CACO) and the rather unsuccessful attempt to establish the Central Asian Cooperation and Development Bank, which is now in the process of liquidation (CACO).

---

<sup>14</sup> The failure to achieve a multilateral agreement on the list of exemptions from the free trade regime is an important reason for the incompleteness of the Free Trade Agreement.

In fact, there is no any regional trade regulation with practical implications that has ever fully entered into force in relation to the Kyrgyz Republic; only framework documents and declarations have been adopted in all regional organizations. Of course, trade and economic cooperation in the region does take place, but it is regulated by bilateral agreements.

#### **4.2. Implications of the country's simultaneous membership of the WTO and regional trade agreements**

Commitments related to the simultaneous membership of the Kyrgyz Republic in the WTO, which establishes a non-discriminatory trade regime for all participating countries, and in regional treaties, which assume the provision of preferential regimes for countries of the region, seem to be in conflict. However, it follows from the above discussion that there is no formal contradiction between multilateral and regional trade rules as no enforceable regional rules exist. The country's bilateral free trade agreements with neighboring countries are all within the framework of WTO rules.

While there are no legal contradictions, however, one may question the consistency of a policy of simultaneous membership of the WTO and regional organizations. The very low trade barriers in Kyrgyzstan for commodities originating from third countries could well, presumably, pose a danger to neighboring countries, which in turn would try to limit access of imported goods on their domestic markets. However, geography does not allow Kyrgyzstan to become a chink through which cheap imports can flood Kazakh, Russian or Uzbek markets. The statistics do not provide data to suggest increased Kyrgyz (re)exports of consumer goods to these countries (see tables 12-14). Apart from this, existing trade agreements provide sufficient possibilities for these countries to protect their markets if they feel that their sensitive industries are being affected. Of course, leaders of neighboring countries have commented somewhat critically on the fact that Kyrgyzstan entered the WTO well before other members of regional organizations. However, one might argue that this did not have any significant impact on the pace of regional cooperation or on Kyrgyz's position in it. The regional organizations have coordination problems regardless of Kyrgyzstan's membership of the WTO. A reduction in regional trade did take place (see section 5.4 for details), but started well before the accession date in

1998 and continued at the same pace after that. The emergence of trade barriers was related to Kazakh attempts to protect the domestic market during the 1998-1999 financial crisis. Confirmation of this is the fact that Kazakhstan introduced restrictions on trade not only with Kyrgyzstan, but also with other neighboring countries including Russia.

One possible motivation for faster WTO accession discussed in the country during the accession period was the opportunity to participate in setting the conditions for neighboring countries when they underwent the accession negotiations process. This promised to increase Kyrgyzstan's "bargaining power" in bilateral relations with its larger neighbors. While it is very difficult to imagine Kyrgyzstan extensively using this power with regards its neighbors, which are very important for the country, the right to set conditions in the WTO accession process can be seen as something like a "weapon of last resort" for Kyrgyzstan. It was not only by chance that the package of documents signed by the presidents of Kazakhstan and Kyrgyzstan in December 2003 in Astana, which contains important agreements on easing transit arrangements and a temporary provision for Kyrgyz enterprises to have the right to use low domestic Kazakh prices for railroad transshipments through Kazakh territory, also includes a protocol of bilateral negotiations on conditions of WTO accession for Kazakhstan.

## **5. The impact of membership of multilateral organizations on Kyrgyz foreign trade and investment flows**

The purpose of this section is to identify the impact on the Kyrgyz economy of the Kyrgyz Republic's participation in the WTO and regional organizations. The period under consideration is 1996-2002,<sup>15</sup> which allows for consideration of developments both before and after WTO accession.

Trade and investment flows into and out of the country are considered both in aggregated and disaggregated form. Investment data are disaggregated by country of origin and sector of economy. Trade data are disaggregated by partner country and the eight commodity groups that are most typical for Kyrgyz trade. These groups are:

---

<sup>15</sup> 2002 is the last year for which all needed data are available.

- ◆ Agricultural produce (cotton, tobacco, vegetables for exports; wheat for imports, etc.);
- ◆ Electricity;
- ◆ Mineral energy resources (oil, gasoline, kerosene, fuel oil, natural gas, coal);
- ◆ Gold;
- ◆ Non-precious metals (ferrous and non-ferrous including metal scrap);
- ◆ Consumer goods (food, garments, shoes, etc.);
- ◆ Machinery and equipment;
- ◆ Intermediate goods (chemicals, construction materials, etc.).

### **5.1. General trends in exports and imports and other developments in the balance of payments**

A review of foreign trade dynamics and balance of payments components allows one to identify three separate periods: 1996-1998, 1999-2001 and 2002-2003 (see tables 5-7). Very large trade and current account deficits were characteristic of the first period; in 1998 the current account deficit exceeded 22% of GDP. This deficit had been financed by the large positive balance on the capital and financial operations account and large net credit to the government, in particular. The second period started after the financial crisis of 1998-1999. The crisis resulted in a sharp reduction in imports and some decline in exports. Deficits shrank significantly and net credit to the government also started to decrease. At the end of this period trade flows became far more balanced than in the mid-1990s. The third period started in 2001 when macroeconomic stabilization had been restored and continues to today. Resumption in import and export (especially exports of services, see table 17) growth is characteristic of this period. The current account deficit is increasing again, although accounts for only a fraction of its pre-1998 crisis level. Net credit to the government is steadily declining and the balance on the capital and financial operations account just slightly exceeds zero.

A relatively high commodity and geographical concentration of exports is typical for the Kyrgyz economy. The share of the three main partner countries and three main

commodities<sup>16</sup> in Kyrgyz exports almost always exceeds 50% (see Figure 1). While geographical concentration has been eroded over time, commodity concentration, in contrast, is increasing (with the only exception being 2002).

These export and import trends clearly resulted, at least to some extent, from the country's adherence to trade policies and membership of different multilateral and regional organizations. But these trends are also the result of changes in the domestic macroeconomic environment and various exogenous factors, of which there are many for Kyrgyzstan's small and vulnerable foreign trade. To reveal the net effect of trade policy on trade flows it is necessary to consider the impact of macroeconomic developments and exogenous shocks on trade and the balance of payments.

## **5.2. Macroeconomic and exogenous factors affecting Kyrgyz foreign trade**

The following macroeconomic factors and developments were among the most important for the country's exports and imports (see table 2 for the main macroeconomic indicators and table 5 for the balance of payments indicators):

- ◆ Since 1993-4 the country has received massive foreign aid, which is partially used for financing imports;
- ◆ For several years such aid meant very large government budget deficits and current account deficits could be sustained (in 1996-2000 it was around 10% of GDP);
- ◆ Such deficits meant the macroeconomic situation was very fragile and expectedly deteriorated strongly as a consequence of the Russian financial crisis;
- ◆ The crisis triggered inflation growth and a 2.5-fold nominal exchange rate devaluation in 1998-1999. This, in turn, led to a 50% depreciation of the real effective exchange rate of the national currency, the som, in trade with non-CIS countries;
- ◆ Because of similar inflationary and exchange rate developments in other CIS countries the som's real effective exchange rate with regards in trade with other CIS countries slightly appreciated;

---

<sup>16</sup> Defined by 2-digit harmonized codes.

- ◆ The strong real depreciation of the som against the US dollar undermined the competitiveness of imported consumer goods originating from non-CIS countries (especially China) on the domestic market; imports fell significantly and import-substituting industries demonstrated quite robust growth<sup>17</sup>;
- ◆ Currency devaluation resulted in an immediate hike in the value of government-held foreign debt, which exceeded 100% of GDP and became unsustainable;
- ◆ The debt problem required a sensitive fiscal adjustment in 2000-2001 and considerable reduction in further foreign borrowings, even those taken under the extremely concessional conditions from the World Bank, Asian Development Bank and other international financial institutions;
- ◆ This adjustment made possible a stabilization of the macroeconomic situation in 2001 and subsequent debt restructuring by Paris Club.

Thus, foreign aid, the exchange rate and foreign debt (of course, all interdependent) have become major macroeconomic factors strongly affected the country's trade, first contributing to abnormally high imports and then causing a decline in imports of goods and services (see Figure 2). Regressing imports of goods (IMP) on real effective exchange rate (REER) and official foreign aid (AID) for the period 1996-2002 gives the following results<sup>18</sup>:

$$\log(\text{IMP}_t) = 14.21 - 1.90^* \log(\text{REER}_t) + 0.20 \log(\text{AID}_t), \quad R^2 = 0.82.$$

This indicates large elasticity of imports with regards to REER (-1.90) and a positive<sup>19</sup> relationship between imports and aid.

The macroeconomic situation had much less impact on the country's exports. This is easily understandable: (i) foreign aid goes mainly to public investment and current spending and does not affect exports or affects them very indirectly; (ii) there were not large changes in real effective exchange rate in trade with CIS countries, where

---

<sup>17</sup> In 1998-2001, the average annual growth rate of production for the domestic market was 8.3%.

<sup>18</sup> The asterisk indicates significance at a level of 5%.

<sup>19</sup> While insignificant with few observations available.

most exports (with the one, big, exception of gold) go to. However, Kyrgyz exports are subject to large and frequent exogenous shocks.

The major exogenous factors, which are not related to trade policies, are:

- ◆ fluctuations in production of gold and prices for it, which depend on technological factors and the world market situation;
- ◆ fluctuations in electricity sales to neighboring countries, which strongly depend on climate conditions and demand from Uzbekistan and Kazakhstan for water for irrigation purposes;
- ◆ the establishment in Kyrgyzstan of a military air base for the anti-terrorist coalition; this base consumes considerable amounts of oil products (mainly kerosene) re-exported by Kyrgyz companies from Kazakhstan. It also extensively uses different services such as Kyrgyz airport, hotels, etc. (see table 17).

Taking these factors into account reveals a much deeper decline in other (i.e., trade policy sensitive) exports than in export totals (Figure 3).

Thus, combined macroeconomic and exogenous factors account for a significant portion of the changes in Kyrgyz foreign trade in 1996-2002.

### **5.3. Changes in trade with WTO countries**

Analysis of the trade data (see tables 6-8) shows that the share of trade with the WTO in total trade has increased considerably since WTO accession: in 1996-1998 this share was 36%, while in 1999-2002<sup>20</sup> it rose to 54%. Similarly, the share of WTO countries in Kyrgyz exports increased from 34% in the pre-accession period to 55% post-accession. This may serve as an indication of a certain shift in trade directions and re-orientation to new markets after entry to the WTO. However, several reservations should be made. Firstly, the number of WTO countries increased during this period. As such, any increase in trade with WTO countries can be explained partially by the transition some partner countries from the non-WTO to the WTO group (for example, in 1996-2001 China was a non-WTO country and from 2002 was

---

<sup>20</sup> 1996-1998 is the pre-accession period and 1999-2002 is the post-accession period.



added to the WTO group). Secondly, as was mentioned above, one should also take into consideration exogenous factors and, most importantly, changes in exports of gold and electricity. The impact of these two factors is shown in Figure 4. Thirdly, the share of WTO countries in total trade depends not only on trade with the WTO but also with non-WTO countries. If one considers export flows excluding gold, electricity, kerosene for the airbase and commodities sold to new WTO member countries (China and also some Eastern European countries), it appears that average annual exports to WTO countries decreased (!) from \$56 million in 1996-1998 to \$44 million in 1999-2002, and average annual exports to non-WTO countries decreased from \$298 million to \$172 million. Therefore, despite the decline in absolute figures, the share of exports to WTO countries slightly increased, from 16% to 19%, because of the even deeper fall in exports to non-WTO countries.

Exports to WTO countries consist of gold, agricultural products (mainly cotton fiber) and small amounts of machinery and inorganic chemistry products (see table 8). No surprise that with such a commodity structure, where manufacturing products are almost totally absent, Kyrgyzstan's WTO accession did not have any significant positive impact on Kyrgyz exports. Imports from WTO countries are mainly equipment and machinery, intermediate goods (raw materials and production inputs), and consumer goods. The two first categories strongly depend (with some time lag) on aid and FDI inflows into the country. Imports of consumer goods are sensitive to exchange rate dynamics. This component of imports almost halved after the sharp devaluation of the som in 1998-1999 (despite WTO accession and the lowering of many import tariff rates that took place at the time) and started to increase with the nominal and real appreciation of the som in 2002-2003. It is also necessary to take into account the fact that a considerable proportion of imports of consumer goods comes in the form of humanitarian aid (medicines, wheat flour, etc.), from the USA, Germany and other developed countries (see table 16).

The entry of China into the WTO offers huge potential for an expansion of trade with Kyrgyzstan's largest neighboring economy, as well as with other WTO member countries. However, the experience of 2002-2003 (which is, of course, too short a period to make any definite judgment) showed no signs of any sustainable increase in trade with China. Some increase in exports to China in 2002 were noted, mainly due

to one commodity – animal skins, which are subject to big fluctuations in quantity and price. In fact, exports of this commodity fell in 2003, almost bringing total exports to China for 2002 back to the 2001 level.

Thus, in contrast to the standard expectations of an increase in both exports and imports after WTO accession, Kyrgyz trade with WTO countries did not demonstrate any sensitivity to the fact of accession, responding to factors other than changes in trade regime (which were not particularly big, as discussed in section 3.3).

#### **5.4. Changes in trade with the EU countries**

Similarly to WTO member countries, trade with the EU did not undergo any great progress after WTO accession. In fact, average annual total exports (net of gold) from Kyrgyzstan to the EU15 countries in 1999-2002 decreased 9% in comparison to the period 1996-1998 (see table 9). Imports reduced even more – by 27%. The factors underlying these figures are the same as those described in the previous paragraph.

While trade with the new EU member countries has also not grown in recent years (table 10), it constitutes a much larger share in both Kyrgyz trade and the trade of these countries than could have been expected on the basis simply of the distance to these countries and their GDP<sup>21</sup>. Obviously, these trade shares reflect the historical linkages of Kyrgyzstan to the economies of Central and Eastern Europe.

#### **5.5. Changes in trade with countries of the region**

Trade data for different regional organizations (CIS, EurasEC, CACO, tables 11-13) mainly reflect developments in trade with three neighboring countries – Russia, Kazakhstan and Uzbekistan (tables 14-16), Kyrgyzstan's largest trade partners, accounting for 90-95% of trade with member countries of these organizations.

---

<sup>21</sup> More details on this are provided in R.Mogilevsky (2004) *CIS-7 perspective on trade with the EU in the context of EU enlargement*. The World Bank's ABCDE-Europe Conference, Brussels, Belgium. [http://wbln0018.worldbank.org/eurvp/web.nsf/Pages/paper+by+mogilevsky/\\$File/MOGILEVSKY.PDF](http://wbln0018.worldbank.org/eurvp/web.nsf/Pages/paper+by+mogilevsky/$File/MOGILEVSKY.PDF)

In 1996-2001, the trend in trade with all these countries was a permanent and rapid fall in exports and imports. In 2001, trade with each of them more than halved in comparison to 1996. This should be attributed to a number of factors: the continuing disruption of old ties and production decline in or closures of the ex-Soviet enterprises, some reorientation of trade to other markets and frequent and unfavorable exchange rate movements, especially in the context of the 1998 Russian crisis. However, the trade barriers set up by Kazakhstan and Uzbekistan have become the most harmful for Kyrgyz trade with these two countries, as well as with Russia. The barriers and their consequences for trade have been well described in the literature<sup>22</sup>. They include quantitative and tariff restrictions on exports of different commodities from Kyrgyzstan, exchange rate controls, impediments for inter-country payments, cross-border trade and movement of people (with regards to trade with Uzbekistan), and, above all, prohibitively costly procedures for transit through the territories of Kazakhstan and Uzbekistan. Obviously, the joint membership of Kazakhstan, Kyrgyzstan and Uzbekistan in many regional organizations does not help to remedy these trade problems. Regional agreements usually do not regulate problematic areas; sometimes these agreements contain special reservations that in effect allow countries to impede trade with other agreement signatories.

Russia and Kazakhstan are Kyrgyzstan's largest and second largest non-gold and non-electricity export markets and the main absorbers of Kyrgyz agricultural produce (cotton, tobacco, vegetables, fruits), consumer goods, construction materials and machinery. All these commodities are very sensitive to transportation costs and have become the primary victims of the trade barriers on Kazakh side. Trade with Uzbekistan suffers from various remaining barter arrangements where Uzbek natural gas is exchanged for Kyrgyz electricity/water and other commodities; the share of non-energy commodity trade is shrinking – from 50% in 1996 to 29% in 2002.

In 2002-2003 the situation in trade with Kazakhstan and, especially, with Russia started to improve. Economic growth and large inflow of oil dollars to these countries resulted in the emergence of large companies that started to expand their activities in

---

<sup>22</sup> See, for example, *Kyrgyz Republic – Selected Issues and Statistical Appendix. IMF Country Report No. 03/53, February 2003*. Therefore, these issues are not considered here in much detail.

neighboring countries, including Kyrgyzstan<sup>23</sup>. FDI from Russia and Kazakhstan to Kyrgyz industrial, tourism and banking sectors have increased in recent years (see table 21). This increase contributes both to growth of exports to and imports from these countries. A growth in exports of services (tourism in Issyk-Kul area, in particular, see table 20) is also visible.

## **5.6. FDI flows**

One of the largest disappointments related to WTO accession are FDI dynamics after 1998 (see table 21). It was hoped that joining the WTO would provide investors with better prospects for exporting to WTO member countries and attracting them into the Kyrgyz industrial sector. Such hopes were reinforced when China entered the WTO and Kyrgyzstan had the chance to become the only window onto the Chinese market of all the CIS countries. However, none of this happened. In 2000-2001, FDI fell by one-third in comparison to its 1998 level.

Analysis of FDI structure by sector and country shows the low level and instability of FDI flows. Investments went into traditional industries or the services sector, which could export their produce almost exclusively to regional markets. Access to the Chinese market is limited not so much by the trade regime but the very poor transportation infrastructure in that area. Therefore, regional cooperation is much more important for FDI inflows than WTO membership. The FDI increases in 2002 and 2003<sup>24</sup> can be attributed to macroeconomic stabilization, some expansion of the domestic market and, importantly, to Russian and Kazakh money coming into Kyrgyzstan (for example, in 2002 Russia and Kazakhstan provided 74% of the year's increase in FDI).

## **5.7. Changes in government budget revenues**

The commitments made on WTO accession included several items directly affecting government budget revenues: (i) a transition to the VAT 'destination principle' in

---

<sup>23</sup> One of examples is the takeover of the largest Kyrgyz dairy producer "Bishkeksut" by Russian company "Wimm-Bill-Dan".

<sup>24</sup> FDI grew 28% in 2002 and 27% in 2003.

trade with all countries, (ii) an equalization of import and domestic excise rates, (iii) a lowering of many import tariff rates, with a simultaneous increase in tariffs for a limited number of commodities. Implementation of these commitments affected government revenues in various ways (see table 22). Transition to the VAT destination principle was only completed in 2001 as it took time to coordinate the process with Russia and various other CIS countries. It had a very positive impact on budget revenues, as origin- rather than destination-based VAT in conditions of a negative balance in trade with all the key CIS partners had led to losses for the government budget. The situation has been considerably improved and VAT on imports provide the largest tax collections of all taxes in Kyrgyzstan.

Equalization of excise rates also had a positive effect on budget revenues. Average annual collections in real terms in 1999-2002 increased 43% in comparison to the 1996-1998 annual average. Their share of revenues in GDP also increased. This means that better reporting and administration of this tax more than compensated for the reduction in import excise rates. However, the change in import tariffs did contribute to some decline in tax collection rates as those rates that were raised played more of a protective than a fiscal role and the lowering of other rates was not compensated by a proportional increase in import volumes. This to a large extent was because of a general contraction in imports due to exchange rate devaluation.

Overall, government budget revenues from foreign trade have increased considerably, providing now more than half of all tax collections in the country.

### **5.8. Informal commodity, labor and capital flows**

The above analysis is based on official statistics on trade and financial flows. However, in Kyrgyzstan the informal economy is significant in size<sup>25</sup> and gray cross-border commodity, labor and capital flows are also significant.

---

<sup>25</sup> It makes up, according to various estimates, 25% to 50% of the official economy. The notion of the “informal economy” used in this paper assumes activities associated with tax evasion and does not include criminal activities (drug trafficking, etc.).

Gray market commodity flows include imports of consumer goods from China, the United Arab Emirates and Turkey and gasoline, tobacco and alcohols from Kazakhstan and Uzbekistan and so on. Kyrgyz gray exports include Kyrgyzstan-produced garments and re-exports of Chinese consumer goods to Russia and other CIS countries, re-exports of Uzbek and Kazakh non-ferrous metal scrap going to China, etc.

Informal financial flows are mainly in the form of a very high labor migration to Russia and, to a lesser extent, Kazakhstan. By official estimates, 300,000 Kyrgyz citizens (6% of the population) today live and work in Russia (unofficial estimates go as high as 700,000). They send very significant sums of money home, which are an important source of trade deficit financing. In the last couple of years similar labor flows from Uzbekistan to Kyrgyzstan have also become visible. They generate remittances (though much smaller in size) going in the opposite direction, that is out of Kyrgyzstan.

The scale of these informal flows is very difficult to estimate. An indication of the value of these flows is the item "Errors and Omissions" on the balance of payments, which can be considered as a balance of unofficial flows. In some years it has reached a level of \$60-70 million, either in surplus or deficit. This implies that the real size of both inflows and outflows of money are much higher. For example, Chinese statistics for the first 11 months of 2003 show \$280 million of trade with Kyrgyzstan<sup>26</sup>, while Kyrgyz statistics estimate just one-third of this figure, thus leaving almost \$200 million as unofficial imports/exports. The size of informal flows may therefore be in the range of \$150-300 million, i.e., comparable to 25-50% of the country's exports.

There is no any evidence that WTO accession or regional cooperation agreements have affected these informal flows in any way. This underlines the limited significance of all these trade arrangements for real trade flows. At the same time, regional non-cooperation (for example, the introduction of a visa regime by Uzbekistan and transit problems) adversely affects both official and unofficial trade.

---

<sup>26</sup> According to the embassy of the People's Republic of China in the Kyrgyz Republic.

## **6. Conclusion**

Common wisdom assumes that liberal WTO accession conditions should result in an increase in Kyrgyz imports and exports, more FDI into the country, have an adverse effect on government revenues because of an easing of market access both domestically and abroad and the lowering of import tariff and excise rates. This paper shows that allows stating that none of these assumptions has become a reality. Both imports and exports have fallen quite considerably in the post-accession period and same is true for FDI, while government budget revenues have gone up. It is clear, furthermore, that WTO accession was of secondary importance in all these developments.

Similarly, regional organizations have had hardly any significant positive influence on the Kyrgyz economy and trade. These organizations have failed to remove trade barriers, which are a big impediment for regional economic cooperation. Recent improvements in transit arrangement through Kazakh territory or the progress in Kyrgyz-Russian trade is connected to bilateral relations and not to multiparty coordination mechanisms.

It does not follow from the above that membership of the WTO and regional organizations is pointless. These organizations still provide Kyrgyzstan with an opportunity to maintain a dialogue on sensitive issues on a multilateral basis and afford it a somewhat stronger position in negotiations. WTO accession was useful in strengthening the liberal stance of Kyrgyz foreign economic policy. It made impossible any serious attempts to promote selected industries at the expense of the rest of the economy, thus contributing to businesses being obliged to focus on their most urgent tasks – to increase productivity and efficiency. The importance of the WTO may increase in the future, when all (or, at least, some) neighboring countries join the organization and when WTO rules start to apply to trade with the country's most important partners.

One of key reason for the very limited impact of WTO accession is the difficulty of exporting Kyrgyz production to the markets of most WTO members. High transportation costs, the prevalence of primary products, the small production capacity

of many enterprises and small export supply capacity, sensitivity to technical barriers to trade (certification, standardization, etc.) are very important problems for Kyrgyz exports. It is worth noting that even if all the trade and transit problems facing the Kyrgyz economy were fully resolved at a stroke this would not necessarily lead to fast growth in exports and FDI inflows. To make Kyrgyz produce (apart from gold and other mining products, whose share is expected to fall in the future) really competitive on international markets it is necessary to implement very deep structural reforms directed at increasing productivity, quality of production and a reduction in transaction costs. For the success of these reforms a favorable trade regime, an accessible regional market as well as sound macroeconomic policy are necessary, but not sufficient conditions.

Thus, Kyrgyzstan's WTO membership is only one of many elements of economic policy and does not pretend to be a "panacea" for all problems. It has played more of a long-term, environment-creating, role rather than a short- or medium-term influence on trade and the wider economy in Kyrgyzstan.



TABLES

Table 1. GDP dynamics and structure in Kyrgyzstan

	1990		1995		2002	
	In % to 1990 level	In % to GDP	In % to 1990 level	In % to GDP	In % to 1990 level	In % to GDP
Industry and construction	100.0	34.1	28.1	18.1	51.2	21.3
Agriculture	100.0	32.9	65.6	40.7	85.3	34.4
Services	100.0	33.0	66.2	41.2	83.3	44.3
GDP	100.0	100.0	53.0	100.0	73.1	100.0

Source: NSC

Table 2. Macroeconomic indicators

	1996	1997	1998	1999	2000	2001	2002
GDP, current prices, mil. soms	23399.3	30685.7	34181.4	48744.0	65357.9	73883.3	75366.7
Real GDP growth rate, %	7.1	9.9	2.1	3.7	5.4	5.3	0.0
GDP per capita at market exchange rate, USD	394	377	345	258	280	310	323
GDP per capita PPP, current international USD	2210	2403	2405	2543	2711	2807	n/a
Inflation, % (change in CPI year average)	32.0	23.4	10.5	35.9	18.7	6.9	2.0
Nominal exchange rate, soms/USD	12.84	17.37	20.77	39.02	47.72	48.44	46.92
Real effective exchange rate, CIS countries, (1997 = 100)	88.6	99.8	94.2	96.9	94.8	95.3	91.0

	1996	1997	1998	1999	2000	2001	2002
Real effective exchange rate, non-CIS countries, (1997 = 100)	90.6	99.4	111.5	153.8	150.1	137.6	139.5
Government budget deficit, % of GDP	9.5	9.2	9.5	11.9	10.4	5.0	5.4
Foreign debt of the Government (end of period)							
mil. USD	780.8	951.5	1093.5	1314.5	1399.2	1441.5	1576.4
% of GDP	42.8	53.9	66.4	105.2	102.2	94.5	98.1
Openness of economy, %	87.3	84.5	94.5	99.2	89.4	73.7	82.9
Gross domestic savings, % of GDP	-0.6	13.8	-6.1	3.2	14.3	17.7	13.8
Population, mil. persons	4.625	4.690	4.769	4.837	4.888	4.927	4.965
Poverty level, % of the population	51.9	51.0	54.9	55.3	52.0	47.6	44.4

Sources: NSC, NBKR, IMF, World Development Indicators

Table 3. Chronology of Kyrgyzstan's Accession to WTO

Date	Event
November 27, 1995	The Government of the KR created an Interministerial Commission of the Kyrgyz Republic on Negotiations with the WTO
February 13, 1996	The Kyrgyz Republic officially applied to WTO for full-scale membership
April 16, 1996	The General Council of WTO created a Working Group to consider Kyrgyz application and granted an observer status to the Kyrgyz Republic
July 24, 1996	The Memorandum on the Foreign Trade Regime of the Kyrgyz Republic had been prepared by the Interministerial Commission and handed over to the WTO Secretariat
March 10-11, 1997	First meeting of the Working Group on the Kyrgyz accession

Date	Event
July 17, 1998	Last, six meeting of the Working Group had taken place, which tentatively approved the report of the Working Group, the Protocol of Accession and the draft decision of the General Council
October 14, 1998	The General Council adopted a decision on accession of the Kyrgyz Republic to the WTO and the Protocol of Accession had been signed
November 20, 1998	Jogorku Kenesh (Parliament) of the Kyrgyz Republic ratified the Protocol of Accession
December 20, 1998	The Kyrgyz Republic officially became a WTO member

Source: Web-site of the Ministry of Economic Development, Industry and Trade of the KR <http://www.mvtp.kg/>

Table 4. Comparison of WTO accession conditions for different countries

Country	Accession negotiations period, years	Number of tariff bindings for agricultural goods	Number of tariff bindings for non-agricultural goods	Number of specific commitments in services	Number of specific commitments on rules
<b>Kyrgyz Republic</b>	<b>&lt;3</b>	<b>912</b>	<b>6068</b>	<b>29</b>	<b>29</b>
Albania	8	2125	8459	25	29
Bulgaria	10	725	2491	21	27
China	15	977	6181	25	82
Chinese Taipei	9	1349	7284	25	63
Ecuador	3	1019	5758	20	21

Source: Reports of Working Parties on WTO accession of the countries, [http://www.wto.org/english/thewto\\_e/acc\\_e/completeacc\\_e.htm](http://www.wto.org/english/thewto_e/acc_e/completeacc_e.htm)

Table 5. Balance of Payments of the Kyrgyz Republic, mil. USD

	1996	1997	1998	1999	2000	2001	2002
Current account	-427.4	-138.4	-363.9	-184.0	-79.5	-18.9	-34.6
Goods <sup>27</sup>	-251.7	-15.2	-220.7	-88.6	4.0	39.9	-54.0
Exports	531.2	630.8	535.1	462.6	510.9	480.3	498.1
Imports	-782.9	-646.0	-755.7	-551.1	-506.9	-440.4	-552.1
Services	-217.5	-126.1	-112.8	-89.4	-86.9	-44.4	-7.1
Exports	31.5	45.0	62.8	64.9	61.8	80.3	138.4
Imports	-249.0	-171.1	-175.7	-154.3	-148.8	-124.7	-145.5
Income	-39.4	-64.6	-79.2	-74.0	-83.9	-65.5	-59.7
Current transfers	83.9	67.6	48.7	68.0	87.4	51.1	86.1
Capital and financial operations account	346.3	241.5	276.3	205.4	53.0	-0.4	43.0
Capital account	-15.9	-8.3	-8.1	-15.2	-11.3	-32.0	-27.9
Financial account	362.3	249.9	284.4	220.6	64.3	31.6	70.9
Net credit to the Government	105.2	137.5	129.6	176.8	92.9	67.2	37.1
Errors and omissions	57.9	-57.6	63.6	-3.4	10.3	18.6	20.8
Overall balance	-20.5	45.6	-24.0	18.1	-16.2	-0.7	29.2

Source: NBKR

Table 6. Trade in goods by country, mil. USD

	1996	1997	1998	1999	2000	2001	2002
<i>Exports</i>							
Total	505.4	603.8	513.6	453.8	504.5	476.2	485.5
Russia	134.6	98.8	83.7	70.7	65.1	64.5	80.0
Uzbekistan	115.8	101.5	38.5	46.6	89.4	48.0	27.8
Kazakhstan	112.5	87.1	85.5	45.0	33.4	39.0	36.8
Germany	2.9	18.1	192.2	148.2	144.6	94.4	1.8
Switzerland	0.9	162.3	1.1	18.1	34.1	124.2	96.4

<sup>27</sup> fob prices.

	1996	1997	1998	1999	2000	2001	2002
China	36.4	31.6	15.7	25.3	44.1	19.4	41.1
USA	17.6	17.9	7.6	11.2	2.8	7.1	36.1
Other countries	84.7	86.4	89.3	88.7	90.9	79.5	165.6
<i>Imports</i> <sup>28</sup>							
Total	837.7	709.3	841.5	599.7	554.1	467.2	586.8
Russia	174.5	190.8	204.1	109.4	132.6	85.1	116.7
Uzbekistan	131.5	128.6	122.2	50.0	74.6	66.7	60.1
Kazakhstan	139.5	69.6	75.3	72.7	57.4	81.8	123.9
USA	35.7	39.6	40.9	54.2	53.8	26.8	47.4
China	7.8	32.5	44.4	36.9	36.9	48.5	59.1
Germany	31.8	38.4	53.1	47.3	25.2	24.3	31.4
Turkey	47.6	43.7	37.4	23.1	26.8	15.8	17.0
Other countries	269.3	166.1	264.2	206.2	146.9	118.3	131.1

Source: NSC

Table 7. Trade in goods by commodity groups, mil. USD

	1996	1997	1998	1999	2000	2001	2002
<i>Exports</i>							
Total	505.4	603.8	513.6	453.8	504.5	476.2	485.5
Agricultural produce	127.0	112.8	108.6	87.5	89.1	77.8	114.9
Electricity	73.6	83.2	25.6	52.0	79.8	46.8	22.0
Mineral energy resources	4.2	4.1	3.4	1.6	2.7	7.7	36.1
Gold	0.0	185.1	195.8	183.1	195.3	224.6	162.8
Non-precious metals	39.3	31.2	20.8	26.5	33.8	14.7	22.0
Consumer goods	137.4	71.9	39.0	22.9	17.5	15.8	24.6
Machinery and equipment	54.0	60.1	65.0	45.7	52.6	56.9	51.2
Intermediate goods	69.9	55.3	55.5	34.5	33.6	31.9	51.9
<i>Imports</i>							
Total	837.7	709.3	841.5	599.7	554.1	467.2	586.8

<sup>28</sup> In tables 6-18 imports are in cif prices.

	1996	1997	1998	1999	2000	2001	2002
Agricultural produce	40.5	47.6	32.6	44.6	57.7	29.5	30.6
Electricity	26.7	23.8	7.9	2.8	7.6	9.8	9.7
Non-precious metals	41.8	32.7	42.8	29.3	24.9	25.5	27.4
Mineral energy resources	213.2	182.8	201.1	118.9	121.1	111.2	142.3
Consumer goods	189.9	146.8	188.9	102.2	95.3	93.8	123.4
Machinery and equipment	230.0	156.6	211.8	208.6	153.0	98.1	134.5
Intermediate goods	95.6	119.0	156.4	93.3	94.6	99.3	118.8

Source: NSC

Table 8. Trade with WTO member countries, mil. USD

	1996	1997	1998	1999	2000	2001	2002
<i>Exports</i>							
Total	59.4	238.7	249.9	229.1	240.5	278.2	307.3
Agricultural produce	23.8	29.6	25.4	16.9	26.7	19.5	51.4
Mineral energy resources	0.0	0.3	0.7	0.5	0.3	2.5	29.9
Gold	0.0	185.1	195.8	183.1	186.4	224.6	162.8
Non-precious metals	13.6	7.5	3.7	2.5	3.7	2.4	15.2
Consumer goods	1.7	1.6	1.3	2.6	4.4	4.5	4.2
Machinery and equipment	2.1	6.7	11.3	7.9	6.1	11.3	16.0
Intermediate goods	18.3	7.8	11.7	15.6	12.9	13.4	27.6
<i>Imports</i>							
Total	327.3	229.8	343.1	293.4	208.0	154.3	260.4
Agricultural produce	19.0	25.4	12.4	23.7	29.1	6.5	7.7
Mineral energy resources	2.8	2.7	3.5	2.1	2.0	1.6	3.7
Non-precious metals	12.3	8.9	12.1	11.9	4.7	5.1	6.6
Consumer goods	110.8	70.5	123.6	62.6	49.1	49.0	79.3
Machinery and equipment	165.5	96.8	151.9	162.5	93.3	60.3	106.0
Intermediate goods	16.9	25.5	39.6	30.6	29.8	31.7	57.0

Source: NSC

Table 9. Trade with EU15 countries, mil. USD

	1996	1997	1998	1999	2000	2001	2002
<i>Exports</i>							
Total	19.8	30.0	212.6	173.3	171.2	117.5	18.7
Agricultural produce	6.2	6.3	4.2	1.9	4.4	2.8	2.5
Mineral energy resources	0.0	0.0	0.0	0.1	0.1	1.4	1.4
Gold	0.0	14.1	189.5	155.3	153.1	101.0	0.0
Non-precious metals	4.0	1.4	2.5	1.3	2.3	2.1	2.8
Consumer goods	0.8	0.5	0.8	1.3	1.1	2.3	0.6
Machinery and equipment	1.1	5.4	7.4	4.4	1.0	2.0	2.7
Intermediate goods	7.8	2.3	8.2	8.9	9.2	5.8	8.6
<i>Imports</i>							
Total	93.2	92.9	130.9	109.9	66.3	54.8	76.1
Agricultural produce	2.0	3.2	2.0	2.5	2.9	2.2	1.1
Non-precious metals	8.0	4.3	5.6	4.8	1.6	2.1	1.1
Mineral energy resources	2.3	1.8	2.7	1.5	1.3	1.2	2.6
Consumer goods	32.2	24.7	25.2	16.1	8.1	8.8	8.1
Machinery and equipment	42.5	47.0	78.4	72.8	41.7	28.0	51.0
Intermediate goods	6.2	11.9	17.0	12.2	10.7	12.6	12.2

Source: NSC

Table 10. Trade with new EU member countries, mil. USD

	1996	1997	1998	1999	2000	2001	2002
<i>Exports</i>							
Total	12.1	16.8	20.8	17.1	16.7	8.2	13.1
Agricultural produce	11.1	15.9	16.9	15.5	15.0	7.0	12.5
Mineral energy resources	0.2	0.5	0.0	0.0	0.0	0.0	0.0
Non-precious metals	0.0	0.0	0.1	0.3	1.0	0.2	0.3
Consumer goods	0.1	0.2	1.0	0.2	0.0	0.0	0.0
Machinery and equipment	0.0	0.0	0.5	1.1	0.4	0.7	0.2
Intermediate goods	0.6	0.1	2.3	0.1	0.2	0.3	0.1
<i>Imports</i>							
Total	16.2	11.6	15.3	11.8	9.3	10.4	10.7

Agricultural produce	1.5	2.0	0.3	0.0	0.5	0.2	0.1
Non-precious metals	0.3	0.1	0.5	1.4	0.8	1.2	1.0
Mineral energy resources	0.2	0.3	1.7	0.2	0.0	0.0	0.0
Consumer goods	9.9	5.8	8.1	2.3	2.3	4.1	5.3
Machinery and equipment	2.5	2.3	2.5	6.5	3.4	2.5	1.7
Intermediate goods	1.8	1.1	2.2	1.4	2.1	2.3	2.5

Source: NSC

Table 11. Trade with CIS countries, mil. USD

	1996	1997	1998	1999	2000	2001	2002
<i>Exports</i>							
Total	393.4	319.3	230.6	183.3	207.4	168.5	168.8
Agricultural produce	74.9	63.0	68.9	59.5	52.5	49.0	58.2
Electricity	73.5	83.2	25.6	52.0	79.8	46.8	22.0
Mineral energy resources	7.0	7.5	6.0	3.5	4.7	6.4	7.7
Non-precious metals	15.6	12.5	10.8	4.2	2.6	4.4	6.4
Consumer goods	126.7	63.7	33.3	18.7	9.9	10.9	18.2
Machinery and equipment	43.4	44.4	45.5	29.2	38.5	33.6	27.7
Intermediate goods	52.3	45.0	40.5	16.3	19.4	17.4	28.5
<i>Imports</i>							
Total	486.9	435.8	440.7	259.3	298.6	257.0	322.5
Agricultural produce	21.0	21.0	19.9	21.5	27.2	20.9	23.1
Electricity	26.7	23.0	7.9	2.8	7.6	9.8	9.7
Non-precious metals	28.0	22.3	29.2	13.5	18.7	18.2	20.8
Mineral energy resources	196.0	168.1	185.8	109.1	99.2	100.1	135.1
Consumer goods	79.2	63.4	47.9	30.2	46.1	36.3	45.6
Machinery and equipment	60.3	55.9	49.5	35.1	50.5	25.7	27.6
Intermediate goods	75.7	82.1	100.6	47.0	49.3	46.0	60.6

Source: NSC



Table 12. Trade with CACO countries<sup>29</sup>, mil. USD

	1996	1997	1998	1999	2000	2001	2002
<i>Exports</i>							
Total	236.6	201.3	132.4	101.0	130.3	93.8	74.9
Agricultural produce	16.3	10.6	11.5	4.2	5.3	6.5	5.6
Electricity	73.5	83.2	25.6	52.0	79.8	46.8	22.0
Mineral energy resources	3.9	2.4	2.0	0.5	1.8	2.1	0.8
Non-precious metals	8.7	6.6	6.3	1.9	0.8	2.6	4.2
Consumer goods	90.9	45.9	25.1	13.2	5.9	6.9	9.4
Machinery and equipment	18.9	24.4	31.6	18.8	24.9	15.2	12.2
Intermediate goods	24.4	28.2	30.3	10.3	11.8	13.7	20.7
<i>Imports</i>							
Total	277.3	208.2	203.9	126.7	133.9	150.0	187.5
Agricultural produce	14.8	15.3	11.9	14.6	21.2	18.8	20.5
Electricity	26.7	23.0	7.9	2.8	7.6	9.8	9.7
Mineral energy resources	170.4	119.2	131.4	81.5	81.8	91.0	111.7
Non-precious metals	11.1	7.1	6.1	2.7	3.2	4.6	7.6
Consumer goods	16.2	10.9	6.7	4.7	5.1	8.3	14.4
Machinery and equipment	9.6	9.9	5.0	4.1	7.7	3.4	4.3
Intermediate goods	28.4	22.8	34.9	16.4	7.2	14.0	19.3

Source: NSC

Table 13. Trade with EurasEC countries, mil. USD

	1996	1997	1998	1999	2000	2001	2002
<i>Exports</i>							
Total	261.0	207.2	182.8	130.1	109.0	113.5	128.4
Agricultural produce	56.2	55.5	61.8	57.4	51.2	47.5	56.1
Electricity	37.0	18.9	9.5	20.4	15.5	12.1	4.5
Mineral energy resources	2.1	1.6	2.2	0.8	1.9	4.3	4.8
Non-precious metals	8.4	8.5	7.0	3.4	2.1	4.2	6.3

<sup>29</sup> Without Russia, which was not CACO member at the period of time under consideration.

	1996	1997	1998	1999	2000	2001	2002
Consumer goods	87.4	53.5	28.4	14.8	8.7	10.0	16.9
Machinery and equipment	31.5	32.8	40.0	22.2	19.4	24.7	21.9
Intermediate goods	38.6	36.5	33.9	11.1	10.3	10.6	17.9
<i>Imports</i>							
Total	326.4	280.7	295.4	191.4	195.8	174.3	249.2
Agricultural produce	17.3	16.3	15.9	16.7	20.8	19.7	22.3
Electricity	3.9	5.4	5.4	2.8	1.1	0.2	0.8
Mineral energy resources	109.4	79.0	88.8	66.8	45.0	48.2	89.4
Non-precious metals	20.9	19.9	25.9	12.7	18.0	16.8	19.5
Consumer goods	57.6	43.1	30.9	19.2	25.3	24.6	36.8
Machinery and equipment	56.2	49.0	45.7	30.2	40.4	22.7	24.2
Intermediate goods	61.1	68.1	82.8	42.9	45.1	42.1	56.2

Source: NSC

Table 14. Trade with Russia, mil. USD

	1996	1997	1998	1999	2000	2001	2002
<i>Exports</i>							
Total	134.6	98.8	83.7	70.7	65.1	64.5	80.0
Agricultural produce	45.9	43.8	50.4	51.0	44.2	38.5	50.0
Mineral energy resources	0.0	0.8	0.7	0.5	0.4	2.5	4.3
Non-precious metals	6.0	5.3	3.3	1.7	1.3	1.7	2.0
Consumer goods	34.9	17.5	7.6	4.8	3.9	3.7	8.4
Machinery and equipment	23.4	19.0	12.9	9.1	12.8	16.6	13.2
Intermediate goods	24.3	12.4	8.8	3.6	2.4	1.4	2.1
<i>Imports</i>							
Total	174.5	190.8	204.1	109.4	132.6	85.1	116.7
Agricultural produce	4.1	3.4	4.5	3.2	3.5	1.9	2.2
Mineral energy resources	24.9	48.3	53.4	27.5	17.2	8.8	23.1
Non-precious metals	12.0	14.8	21.9	10.6	14.9	13.1	12.2
Consumer goods	44.0	36.2	26.3	13.7	20.3	16.3	22.5
Machinery and equipment	45.7	37.0	38.6	26.2	36.9	16.2	18.1

	1996	1997	1998	1999	2000	2001	2002
Intermediate goods	43.7	51.0	59.4	28.2	39.7	28.8	38.7

Source: NSC

Table 15. Trade with Kazakhstan, mil. USD

	1996	1997	1998	1999	2000	2001	2002
<i>Exports</i>							
Total	112.5	87.1	85.5	45.0	33.4	39.0	36.8
Agricultural produce	6.6	7.3	7.5	2.9	4.5	5.7	4.9
Electricity	33.8	16.4	9.3	15.8	11.6	10.4	3.4
Mineral energy resources	1.8	0.2	1.1	0.1	0.7	0.8	0.1
Non-precious metals	1.4	2.4	2.3	1.0	0.2	2.2	4.0
Consumer goods	49.4	28.2	16.8	6.8	3.7	4.7	6.0
Machinery and equipment	7.0	12.7	25.7	12.0	5.5	7.1	6.6
Intermediate goods	12.5	20.0	22.7	6.3	7.2	8.1	11.9
<i>Imports</i>							
Total	139.5	69.6	75.3	72.7	57.4	81.8	123.9
Agricultural produce	12.4	12.2	11.1	13.3	17.2	17.7	20.1
Electricity	1.3	0.0	2.8	0.4	0.0	0.0	0.0
Mineral energy resources	84.3	30.6	35.1	38.9	27.5	39.4	65.4
Non-precious metals	7.5	2.5	2.4	2.0	2.7	3.4	6.8
Consumer goods	12.5	5.5	3.5	3.6	4.5	7.7	13.6
Machinery and equipment	7.2	5.2	2.4	1.6	1.1	2.2	2.9
Intermediate goods	14.4	13.7	17.8	12.9	4.5	11.4	15.1

Source: NSC

Table 16. Trade with Uzbekistan, mil. USD

	1996	1997	1998	1999	2000	2001	2002
<i>Exports</i>							
Total	115.8	101.5	38.5	46.6	89.4	48.0	27.8
Agricultural produce	9.0	3.0	2.4	0.8	0.6	0.2	0.5
Electricity	36.5	64.4	16.1	31.6	64.3	34.7	17.5

Mineral energy resources	1.8	1.6	0.5	0.2	0.3	0.3	0.4
Non-precious metals	7.1	4.0	3.8	0.7	0.5	0.2	0.1
Consumer goods	38.9	9.9	4.9	3.8	1.2	0.8	0.9
Machinery and equipment	11.4	11.3	5.2	6.4	18.5	7.2	3.5
Intermediate goods	11.1	7.3	5.7	3.0	4.0	4.5	4.9
<i>Imports</i>							
Total	131.5	128.6	122.2	50.0	74.6	66.7	60.1
Agricultural produce	1.8	2.4	0.5	1.1	3.9	1.0	0.3
Electricity	22.8	17.6	2.6	0.0	6.5	9.6	8.9
Mineral energy resources	86.0	88.6	95.9	42.1	54.1	51.6	45.4
Non-precious metals	2.4	2.1	2.2	0.6	0.2	1.0	0.5
Consumer goods	3.6	5.1	3.1	1.1	0.6	0.5	0.8
Machinery and equipment	2.0	4.4	2.6	2.4	6.6	1.2	1.3
Intermediate goods	12.8	8.3	15.3	2.8	2.6	1.8	2.9

Source: NSC

Table 17. Trade with China, mil. USD

	1996	1997	1998	1999	2000	2001	2002
<i>Exports</i>							
Total	36.4	31.6	15.7	25.3	44.1	19.4	41.1
Agricultural produce	24.1	15.7	7.1	3.1	5.0	7.2	22.0
Mineral energy resources	0.0	0.0	0.0	0.0	0.1	0.2	0.6
Gold	0.0	0.0	0.0	0.0	8.9	0.0	0.0
Non-precious metals	8.6	9.2	5.1	18.7	26.2	7.4	11.5
Consumer goods	2.4	3.8	1.7	0.7	0.4	0.2	0.3
Machinery and equipment	0.5	0.1	0.3	0.5	1.1	2.6	4.5
Intermediate goods	0.7	2.8	1.5	2.4	2.4	1.8	2.2
<i>Imports</i>							
Total	7.8	32.5	44.4	36.9	36.9	48.5	59.1
Agricultural produce	0.7	1.5	3.1	2.5	3.5	1.9	2.7
Mineral energy resources	1.3	0.1	0.2	0.0	0.1	0.0	0.1
Non-precious metals	1.0	1.1	1.3	3.6	1.3	2.0	2.8

	1996	1997	1998	1999	2000	2001	2002
Consumer goods	2.0	18.0	19.9	10.8	12.9	14.0	20.1
Machinery and equipment	1.9	2.4	5.3	5.4	5.1	10.1	12.1
Intermediate goods	1.0	9.3	14.5	14.5	14.1	20.4	21.4

Source: NSC

Table 18. Humanitarian aid imports, mil. USD

	1996	1997	1998	1999	2000	2001	2002
Total	39.4	35.2	24.2	51.9	58.2	30.2	50.7
USA	20.5	25.2	15.1	41.4	40.7	20.4	34.2
Germany	0.9	2.6	2.3	3.7	2.1	1.7	3.9
Other	18.0	7.4	6.7	6.8	15.4	8.1	12.5

Source: NSC

Table 19. Trade in services, mil. USD

	1996	1997	1998	1999	2000	2001	2002
<i>Exports</i>							
Total	31.5	45.0	62.8	64.9	61.8	80.3	138.4
Transport	7.2	8.8	19.1	19.9	16.6	20.4	37.5
Tourism	4.2	7.1	8.4	14.1	15.3	24.4	35.7
Communications	9.0	9.4	9.8	10.3	9.3	8.7	8.9
Construction	1.2	4.9	6.7	3.9	3.1	4.5	4.9
Insurance	0.0	0.0	0.9	0.7	0.5	0.2	0.3
Business services	0.0	0.5	3.4	3.7	4.5	7.1	18.4
Other	9.8	14.3	14.5	12.3	12.4	15.0	32.8
<i>Imports</i>							
Total	249.0	171.1	175.7	154.3	148.8	124.7	145.5
Transport	103.4	79.8	93.2	77.7	69.9	49.8	54.0
Tourism	5.7	3.7	3.5	10.7	15.6	11.9	9.9
Communications	8.2	8.5	8.3	8.2	7.0	7.9	7.0
Construction	50.7	7.0	9.7	3.2	6.0	6.7	8.5
Insurance	10.7	12.8	11.6	10.1	8.0	7.4	8.9

	1996	1997	1998	1999	2000	2001	2002
Business services	65.2	47.5	31.3	26.9	29.3	30.0	38.7
Technical assistance	44.8	23.3	19.8	18.5	20.4	21.3	21.0
Other	5.1	11.8	18.1	17.6	13.0	10.9	18.6

Source: NSC

Table 20. Exports of tourism services, mil. USD

	2001	2002
Total	24.4	35.7
Kazakhstan	8.9	9.6
USA	1.7	5.1
Russia	2.4	3.4
Uzbekistan	2.8	2.8
China	1.5	1.9
Other	7.1	12.9

Source: NSC

Table 21. FDI by sector and country of origin, mil. USD

	1996	1997	1998	1999	2000	2001	2002
Total	153.1	86.3	136.3	108.6	89.6	90.1	115.7
<i>By sector</i>							
Industry	120.9	43.2	29.8	61.4	48.6	59.5	60.2
Trade & catering	28.1	14.7	31.8	8.4	5.9	12.4	13.1
Procurement	0.0	9.7	27.4	4.3	9.2	6.3	4.2
Construction	0.5	4.1	21.2	12.8	4.7	0.4	2.5
Finance	0.0	6.0	5.4	1.7	1.6	0.5	6.0
Other	3.6	8.6	20.7	20.0	19.7	11.1	29.7
<i>By country</i>							
Canada	126.5	31.4	8.5	4.9	6.8	13.0	12.7
USA	4.3	10.0	32.5	19.2	23.6	17.5	20.1
Turkey	10.9	17.6	15.4	23.3	12.1	16.3	13.4
United Kingdom	0.6	13.4	20.9	26.1	6.1	1.6	2.5

	1996	1997	1998	1999	2000	2001	2002
Germany	0.7	1.3	1.9	15.6	9.5	22.4	9.0
Russia	0.8	0.7	1.3	1.5	5.4	3.0	17.1
Korea	0.0	0.3	13.9	0.8	0.1	3.9	7.7
Kazakhstan	0.3	1.2	4.4	1.3	0.2	1.5	6.3
Other	8.9	10.5	37.3	16.0	25.9	10.8	26.7

Source: NSC

Table 22. Trade-related tax collections

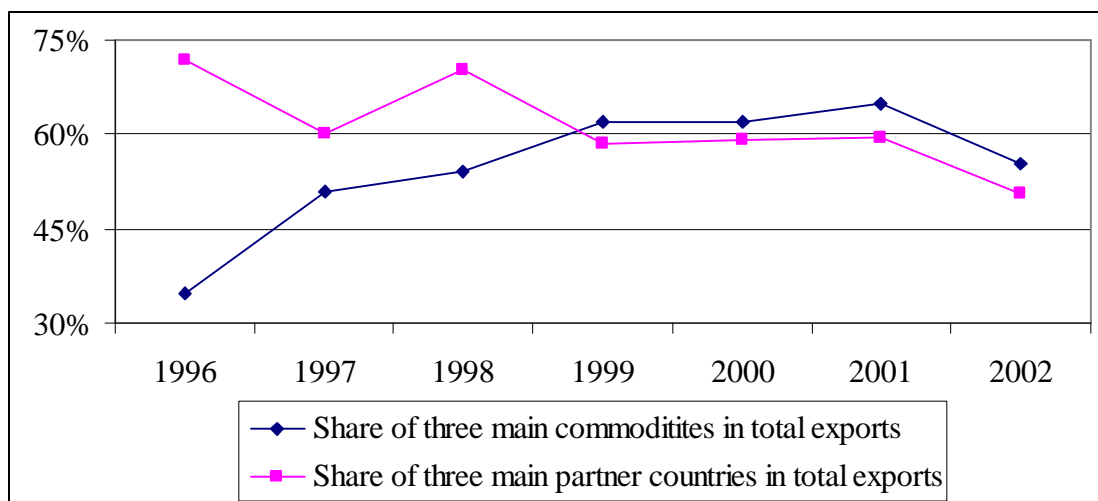
	1996	1997	1998	1999	2000	2001	2002
<i>Collections in real terms<sup>30</sup>, mil. USD (2002 prices and exchange rate)</i>							
Total of three types of taxes	23.7	44.5	69.6	60.6	57.9	79.6	89.7
VAT on imports	7.5	26.0	41.2	34.0	40.6	62.4	69.5
Import excises	5.7	7.6	12.9	17.5	10.9	10.6	11.3
Import duties	10.4	10.9	15.5	9.1	6.4	6.6	8.9
<i>In % to GDP</i>							
Total of three types of taxes	1.9	3.3	5.0	4.2	3.8	5.0	5.6
VAT on imports	0.6	1.9	2.9	2.4	2.7	3.9	4.3
Import excises	0.5	0.6	0.9	1.2	0.7	0.7	0.7
Import duties	0.8	0.8	1.1	0.6	0.4	0.4	0.6
<i>In % to imports</i>							
Total of three types of taxes	4.1	8.1	9.7	8.7	9.4	16.2	15.3
VAT on imports	1.3	4.7	5.8	4.9	6.6	12.7	11.9
Import excises	1.0	1.4	1.8	2.5	1.8	2.2	1.9
Import duties	1.8	2.0	2.2	1.3	1.0	1.3	1.5

Source: NSC

<sup>30</sup> Deflated by GDP deflator.

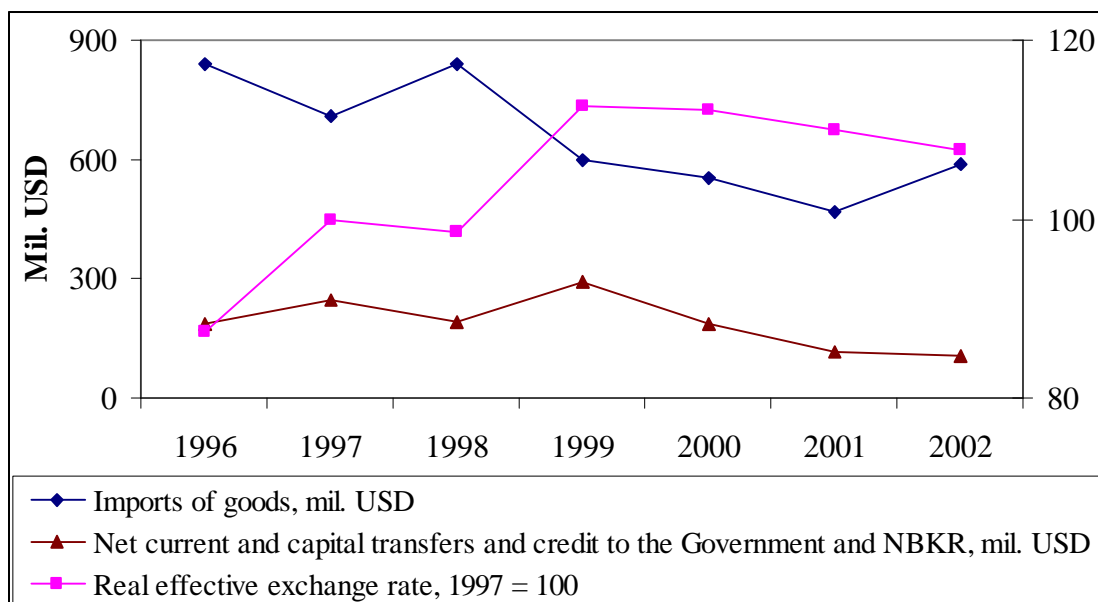
FIGURES

Figure 1. Commodity and geographical concentration of Kyrgyz exports



Source: NSC, Author's calculations

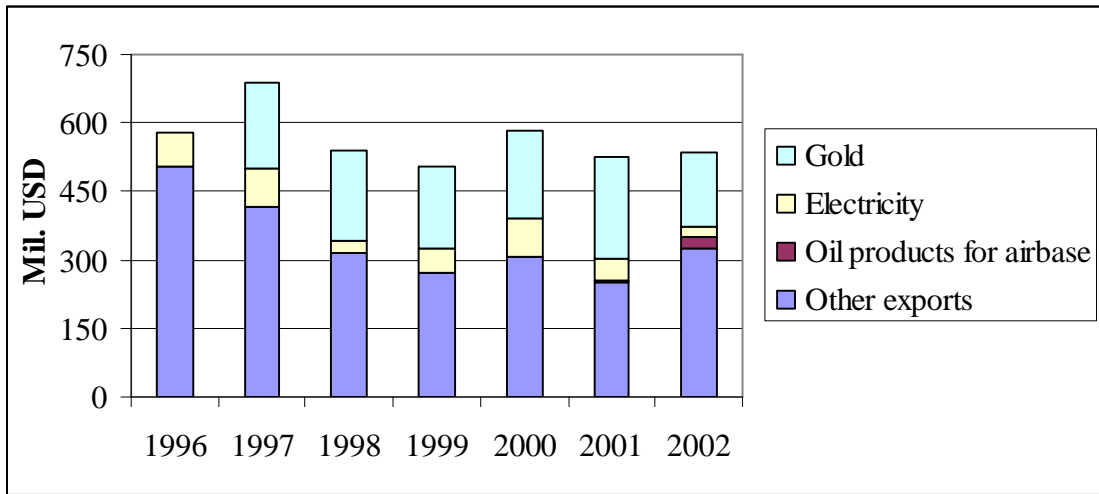
Figure 2. Effect of foreign aid flows and real effective exchange rate on imports



Source: NSC, NBKR, author's calculations

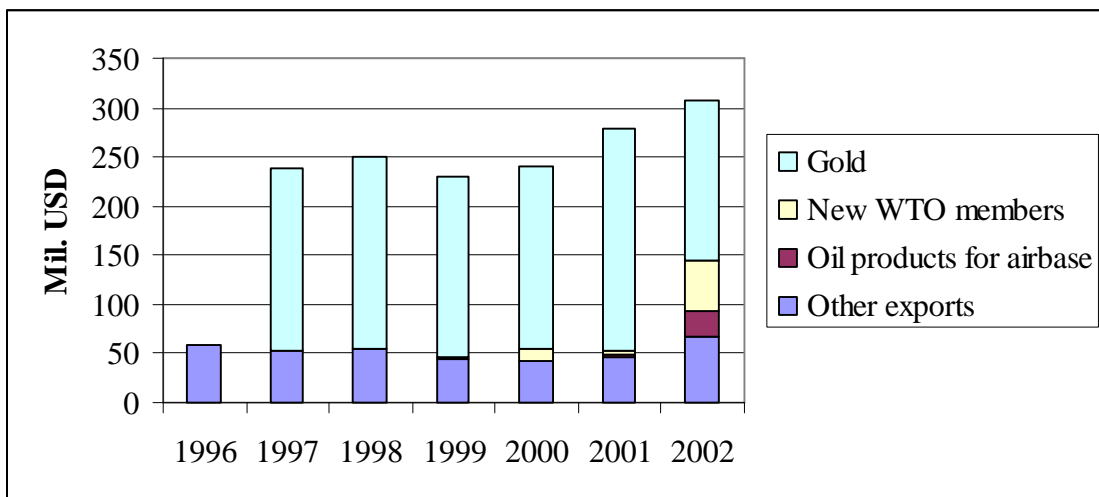
Figure 3. Effect of exogenous factors on exports





Source: NSC, author's calculations

Figure 4. Effect of exogenous factors and WTO membership expansion on exports to WTO countries



Source: NSC, author's calculations