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**THE ROLE OF MULTILATERAL AND REGIONAL TRADE DISCIPLINES: EXPERIENCE OF THE
KYRGYZ REPUBLIC**

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ABBREVIATIONS

CACO	Central Asian Co-operation Organisation
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 Organisation

THE ROLE OF MULTILATERAL AND REGIONAL TRADE DISCIPLINES: EXPERIENCE OF THE KYRGYZ REPUBLIC

Introduction and Executive Summary

1. This paper examines the compatibility of the Kyrgyz Republic's WTO and regional trade commitments and the impact of those commitments on trade and investment flows. In 1998, the Kyrgyz Republic became the first CIS country to join the WTO. It has also signed several regional trade and economic co-operation agreements with a number of countries, most of which are not WTO members. The need to comply with both multilateral and regional trade rules has at times complicated trade policymaking in the Kyrgyz Republic. After more than five years of this trade policy environment, it is interesting to analyse and try to identify what has and has not been achieved through the policy of openness and simultaneous reliance on multilateral trade disciplines and regional economic co-operation.

2. Section 1 discusses the factors that have affected the Kyrgyz economy in the early years of independence and their influence on the orientation of the government's foreign trade strategy. Section 2 describes the process and conditions of the accession of the Kyrgyz Republic to the WTO. Section 3 provides a brief overview of its participation in regional economic groupings and discusses the interaction of regional and multilateral trade rules. Section 4 analyses in more detail the impact of WTO membership and regional groupings on foreign trade and investments in the Kyrgyz Republic.

3. The paper shows that, given its geography and economic conditions after the disintegration of the former Soviet Union, Kyrgyzstan had limited options for economic and development strategies. The adoption of a liberal foreign economic policy has been facilitated by the absence of strong protectionist pressures, the difficulty of identifying sectors that would benefit from protection, and the lack of financial resources to support selected sectors and pursue an import substitution strategy. In addition, export oriented policies were necessary to earn foreign exchange to service the country's foreign debt, which accumulated quickly despite massive flows of foreign aid.

4. Before its WTO accession, the trade regime of the Kyrgyz Republic was quite liberal, characterised by the absence of non-tariff import restrictions (except for a limited number of import licenses on specific commodities, such as armament and narcotics), an almost complete lack of budgetary support to agriculture and the absence of export subsidies, which were simply not affordable. Like other candidate countries for the WTO accession, the Kyrgyz Republic made commitments on agricultural and non-agricultural tariffs, services, and other matters, such as changes in VAT and excise duties. These commitments consolidated the liberal orientation of its trade system.

5. In parallel with the WTO accession process, the Kyrgyz Republic has taken part in several regional agreements, most of them involving the former Soviet republics. Some of these agreements were limited to the Central Asian region or included other neighbouring countries. The mere existence of many, often overlapping regional co-operation initiatives indicates that despite various declarations and good intentions, their practical economic and trade impact has been very limited. The absence of effective preferential treatment in these agreements has minimized the potential for conflicts with the WTO's basic principles on regional integration. Trade and economic co-operation in the region has been pursued mainly on the basis of bilateral agreements.

6. In examining the impact of WTO accession on trade and FDI flows of the Kyrgyz Republic, this paper clearly shows that the country's trade developments have not been primarily influenced by the changes in its trade regime, but rather by other economic factors. For example, before 1998 imports were strongly influenced by exchange rate developments and the level of foreign aid and debt: these factors

largely explain the high level of Kyrgyz imports during that period. Similarly, the effects of the Russian financial crisis of 1998 were largely responsible for a major decline in Kyrgyz imports of goods and services. On the export side, Kyrgyz sales have been subject to external shocks, in particular fluctuations in gold production and prices and electricity sales to neighbouring countries.

7. WTO accession is generally expected to expand trade and make the acceding country more attractive to foreign investors. However, in the case of Kyrgyzstan this hope has not materialised, mainly because the most important attraction for foreign investors — using Kyrgyzstan as an export basis for regional markets, including China — has proved to be unrealistic given serious trade and transport barriers within the region. Thus, regional co-operation may have a greater potential for encouraging FDI inflows than WTO membership.

8. Another important effect of WTO accession is its possible impact on government revenues. In this respect, the case of Kyrgyzstan is interesting because the country's commitments had a positive impact on governmental revenues. Both the shift to the VAT-destination principle and equalisation of excise rates have had positive effects on budget revenues. Although exchange rate devaluation had a negative effect on government revenues, overall revenues from foreign trade have considerably increased and now provide more than half of all tax collections in the country.

9. Analysis of the Kyrgyz WTO experience shows that factors other than the trade regime have been the most important determinants of foreign trade flows. Recent trade and FDI developments in the Kyrgyz Republic reflect mainly the initial conditions of the country, the weight of external factors and its vulnerability to external shocks. This analysis confirms that benefits from WTO accession are maximised only when trade reforms are accompanied by other reforms and structural policies. To some extent, the failure of regional co-operation initiatives to create more favourable trade and investment climate within the region has made it more difficult for Kyrgyzstan, which strongly depends on the regional market, to maximise the benefits of integration into the international trading system.

1. Initial Conditions and the General Context for Development of the Foreign Economic Strategy in Kyrgyzstan

10. In considering the process of the Kyrgyz accession to WTO, it is necessary to take into account the initial conditions and situation of the country during the negotiations period, *i.e.* between 1996 and 1998. In this context, the most important aspects are the geographical and historical factors, the degree of institutional development of the state, economic structure and its export and import capacities.

1.1. Geography and History

11. 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 199.9 thousand km²; its population is five million inhabitants, of which 65% live in rural areas and 35% in towns. Located in Central Asia, it is a landlocked country, and all its neighbours¹ are landlocked (except China, though its border with Kyrgyzstan is remote from the sea). To the east and south, transport infrastructure is poorly developed, and a potential southern transport corridor going through Afghanistan is still insecure. Mountains cover more than 90% of the country's territory; arable lands represent only about 7% of the total area. A majority of the population and the larger part of economic activity are concentrated in valleys, with the most important being Chui and Fergana valleys. Due to mountains, communications between the two main economic regions, the North and the South, are difficult. For example, railway communication between North and South cross Uzbek and

¹ With the exception of China that has seaports. However, the part of China adjacent to Kyrgyzstan is very remote from the sea.

Kazakh territories. The climate is continental — hot and dry in summer. Highly productive agriculture is only possible on irrigated land and for this reason water resources and irrigation are of strategic importance for the Kyrgyz economy. The Naryn (Syr-Daria) River, which crosses the territory of Kyrgyzstan, has a series of hydroelectric stations supplying large parts of Kyrgyzstan and some neighbouring countries with electricity and water. Kyrgyzstan has small, hardly accessible deposits of mineral energy products, such as oil, coal and natural gas, and it has to rely on supply of these products from Kazakhstan, Uzbekistan and, to a lesser extent, from Russia.

12. These geographic features imply that costs of accessing world markets for the Kyrgyz producers are relatively high. The economy is strongly dependent on regional co-operation, especially with Kazakhstan and Uzbekistan, in particular for transportation, water and energy supplies. Another important factor necessitating regional co-operation is the relatively small size of the Central Asian economies: separately they are of limited interest to foreign investors, except for Kazakh oil and a limited number of other sectors. However, taken together, Central Asian countries represent a significant market.

13. From the middle of the 19th century, Kyrgyzstan was part of the Russian empire. In 1924, under the Soviet system, the first form of national autonomy was established. In 1936, Kyrgyzstan was transformed into one of the Soviet Union's republics, which meant a significant step towards the emergence of a modern-type statehood. In 1991, Kyrgyzstan became independent and started to create quickly all government institutions, such as the ministry of finance, central bank, border guard and customs service, which had either not existed previously or had played a very limited role. Given their inexperience, these institutions performed imperfectly. For example, the customs service was unable to stop a flood of smuggled consumer goods from China and the United Arab Emirates or contraband of gasoline from Kazakhstan and Uzbekistan.

1.2. Structure of Economy

14. At the end of Soviet period, the Kyrgyz Republic was an industrial-agrarian country: in 1990 industry produced 34% of GDP and the share of agriculture was 33% (see Table 1). An important share of industry consisted of large (in the context of the republic) enterprises, which belonged to the complex production chains involving producers from different and often distant parts of the USSR. A significant portion of the economy was concentrated in military production. After the collapse of the USSR and at the beginning of the transition from plan to market, the economy experienced a considerable recession: in 1995 GDP almost halved compared to its 1990 level. The main reasons for the recession were the cutting off of subsidies from the Soviet central budget², rapid growth in prices of resources supplied by former Soviet republics accompanied by unfavourable changes in relative prices, and loss of markets in other Soviet republics that also faced deep economic decline. The recession affected industrial production in particular; in 1995 it fell to 28% of its 1990 level.

15. The industrial decline was accompanied by radical changes in agriculture. Former large farms (kolkhozes and sovkhozes) became unviable in the new conditions, as the government did not have sufficient resources to support them as in Soviet times. These large farms disintegrated into a number of small and medium-sized farms of subsistence rather than market-oriented production. The share of services in GDP has increased, but most service providers have been small-scale traders. As a result of these sectoral changes, the economy and the country's exports have concentrated basically on primary products.

16. With GDP per capita of approximately USD 300 at the market exchange rate and USD 2 700 at PPP, the economic development level is low and a significant part of the population is poor (see Table 2). The

² 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.

widespread poverty, the necessity to maintain the social sector after the USSR break-up and the drying up subsidies from Moscow, combined with the willingness of the government to pursue market-oriented reforms, necessitated large-scale foreign aid from the World Bank, IMF, Asian Development Bank and other donors. In some years, foreign aid represented as much as 10% GDP. Such a small and aid-dependent economy has to be open: foreign trade turnover represents some 80% of GDP and, taking into account unofficial trade flows, the degree of openness has been even higher. Foreign trade has been therefore essential for the country's development and trade policy has been considered an integral part of governmental economic and development strategy.

1.3. Strategic Choices

17. In the early days of independence, the government sought to formulate a national development strategy, emphasising its market economy orientation. This overall policy option required developing coherent responses in other relevant areas such as fiscal, monetary and social policies. With respect to foreign trade and economic co-operation policy, several options were theoretically possible:

- Liberal or protectionism trade policy.
- Emphasis on export promotion and/or import substitution.
- Attraction of domestic or foreign savings for investments.
- A bilateral or multilateral approach to economic relations with other countries.

18. However, in practice, the strategic choices have been obviously restrained by the overall economic and political situation of the country — a small developing economy surrounded by much larger economies (with the exception of Tajikistan), the economic and political presence of such powers as the US and Russia in the region and well-established relationships with international development organisations. The government thus adopted a liberal foreign economic policy, mainly because there were no strong pressures for protectionism within the country. Manufacturing industry, which is usually the most sensitive to competition from imported goods, shrank dramatically. The structure of the economy changed extremely rapidly and it was not quite clear which sectors of the economy would require protection. Even if the government had wanted to protect some sectors³, it had no financial resources to provide effective support to selected sectors and follow an import substitution strategy. A policy of openness and export orientation was also dictated by the need to earn foreign exchange to service the foreign debt, which accumulated quickly despite the massive foreign aid received by the country.

19. Opening up the economy was also necessary because the country needed to rely on FDI to supplement domestic investments. Domestic savings have been insufficient to finance the investments needed to ensure a reasonable rate of economic growth (see Table 2). As the narrow domestic market has not been attractive for foreign investors, economic policy has been oriented toward export promotion. Due to the low value-to-weight ratio that characterises Kyrgyz exports, regional markets represented the only viable export outlet. Large FDI would target Kyrgyzstan only if goods produced there could be sold not only in the country but also on the bigger regional market. Thus, the need for FDI, the interdependence of Central Asian countries for water and energy supplies and the need for transportation corridors through the territories of neighbouring countries has made regional co-operation of utmost importance to Kyrgyzstan. At the same time, as a small economy, Kyrgyzstan has had to rely as much as possible on multilateral rules which provide common trade principles regardless of the country's size.

20. As a result, the Kyrgyz Republic decided to maintain good bilateral relations with the neighbouring

³ In fact, it did few attempts of this kind in mid 1990s.

countries, participate in regional agreements as well as to join relevant global organisations. It is nevertheless worth noting that designing foreign trade policy has taken some time and started well before the beginning of negotiations on WTO accession in 1996. The current orientation of Kyrgyz policy has been outlined in the following national strategy documents: Comprehensive Development Framework till 2010 (adopted in 2001) and National Strategy for Poverty Reduction for 2003-2005 (adopted in 2002).

2. Kyrgyzstan's Accession to the WTO

2.1. Pre-accession Trade Regime

21. Before its accession to the WTO, the Kyrgyz Republic applied a flat tariff rate of 10% on all goods, with the following exceptions:

- 5% tariff rate applied on imports from developing countries.
- 0% tariff rate applied on imports from CIS countries and the least developed countries.

22. In addition, a few special regimes existed. According to the law, the Government had (and frequently used) the right to impose zero import duty on production inputs imported in accordance with intergovernmental agreements. Physical persons importing goods (the so-called shuttles) had a generous allowance for duty-free imports and enjoyed simplified rules for the purpose of customs valuation based on cargo weight only. Finally, if a commodity was subject to excise duty, only the highest import or excise duty was used, but given that excise rates were usually higher, import tariffs for excisable goods had no practical meaning. Due to the large share of CIS countries in the Kyrgyz imports and a number of duty-exempt import contracts, the effective import tariff was much below the nominal 10% tariff rate, reaching just 1.8% in 1996, 2.0% in 1997, and 2.2% in 1998.

23. Before the WTO accession, excise rates for imported goods were higher than for the same domestically produced goods. There was also a mixed VAT regime for commodities imported from CIS and non-CIS countries. Although the same 20% VAT was used, trade with non-CIS countries was subject to the destination principle, while the origin principle applied in trade with CIS countries.

24. The government did not use any non-tariff import restrictions except import licenses on a very limited number of specific commodities (armament, narcotics, etc.). Another feature of the pre-accession regime was an almost complete lack of budgetary support to agriculture⁴ and the absence of any export subsidies, which were simply not affordable. In sum, before the WTO accession, the trade regime of Kyrgyzstan was very liberal.

2.2. The Process of WTO Accession

25. The Government started preparation for the WTO accession process by the end of 1995, when the early transition shock was already over, primary macroeconomic stabilisation had been achieved and economic growth had resumed. The chronology of events related to the process of WTO accession is presented in Box 1.

⁴ The Kyrgyz Ministry of Finance estimated the level of budgetary support to agriculture in the period before accession as being much below of 1% of gross agricultural output.

Box 1: Chronology of Kyrgyzstan's Accession to the WTO

Date	Event
27 November 1995	The Government of the KR created an Interministerial Commission of the Kyrgyz Republic on Negotiations with the WTO.
13 February 1996	The Kyrgyz Republic officially applied to WTO for full-scale membership.
16 April 1996	The General Council of WTO created a Working Group to consider Kyrgyz application and granted an observer status to the Kyrgyz Republic.
24 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.
10-11 March 1997	First meeting of the Working Group on the Kyrgyz accession.
17 July 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.
14 October 1998	The General Council adopted a decision on accession of the Kyrgyz Republic to the WTO and the Protocol of Accession had been signed.
20 November 1998	Jogorku Kenesh (Parliament) of the Kyrgyz Republic ratified the Protocol of Accession.
20 December 1998	The Kyrgyz Republic officially became a WTO member.

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

26. Given the complexity of WTO-related issues, the government created an Inter-Ministerial Commission, which included representatives from all key agencies involved in economic policy making including the President's Administration, the Prime Minister's Office, Ministry of Foreign Trade and Industry, Ministry of Finance, Ministry of Agriculture and others. At that moment, the government had a limited experience with multilateral organisations 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 organisations also contributed to the WTO accession process by providing structural adjustment loans with conditionality on adherence to WTO rules⁵. The weakness of the private sector and the industrial lobby at that time meant that they played only a marginal role in the process of negotiations and formulation of accession commitments taken by the Kyrgyz Republic.

27. The Kyrgyz delegation negotiated with the following countries/country groups during the bilateral phase of the accession process:

- Market access for goods: Australia, Cuba, Czech Republic, European Union, Japan, Mexico, Slovak Republic, Switzerland, Turkey, United States.
- Market access for services: Australia, European Union, Switzerland, United States.

28. These countries were generally the major trading partners of Kyrgyzstan. Other countries represented a negligible part of its trade and therefore had not sought any specific concessions from Kyrgyzstan, though they were also interested in obtaining from Kyrgyzstan its acceptance of general WTO disciplines.

⁵ For example, this was one of the monitored conditions of the Asian Development Bank's loan No. 1546-KGZ "Corporate Governance and Enterprise Reform Program."

2.3. *WTO Commitments Accepted by Kyrgyzstan*

29. As with other WTO acceding countries, WTO accession commitments of the Kyrgyz Republic fall in the four following categories: (i) tariff concessions on agricultural goods; (ii) tariff concessions on non-agricultural goods; (iii) specific commitments in services; and (iv) specific commitments on rules.

30. *Tariff concessions on agricultural goods:* The commitments affected 912 tariff lines. Bound rates vary from 0 to 30%, with the simple tariff average of 11.6%. For example, zero rates apply to exotic fruits and 30% rate applies to white sugar, which is produced domestically in large quantities. For seven lines (related to wool, which is also an important domestic product) an implementation period of five years was applied with the base rate of 10% and the bound rate of 5%.

31. *Tariff concessions on non-agricultural goods:* The commitments affected 6 068 tariff lines. Bound rates vary from 0 to 20% and the simple tariff average is 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 3 906 lines an implementation period of one-seven years was agreed with the base rate of 5-50% and the bound rate of 0-15%. The highest base rates of 30% and 50% apply to armaments, explosives, silk and fur. The longest implementation periods concern products such as cotton and some mechanical equipment. All transitional commitments relate to the commodities, which are produced domestically.

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

33. *Specific commitments on rules:* In total the country took 29 commitments on different aspects of economic, trade, tax and investment regimes. The most sensitive commitments, which affected at that time existing economic rules, were the following:

- Application of VAT destination principle to trade with all countries.
- Unification of import and domestic excise rates.
- Elimination of special tax privileges granted to enterprises registered in Free Economic Zones and to foreign investors.
- Elimination of export subsidies for agriculture and limitation of budgetary support to the agricultural sector to 5% of gross agricultural output.
- Joining the Government Procurement Agreement (without specifying the completion date for negotiating membership).

34. In general, Kyrgyzstan's WTO commitments confirmed and strengthened its liberal trade and investment regime. The Kyrgyz Republic practically ceased protecting several strategic sectors, such as agriculture, manufacturing, the financial sector, and telecommunications, that are important for most countries and often subject to extensive protection. This lack of protection has been a source of criticism of the Kyrgyz accession: some observers have criticized the negotiations as too fast, resulting in too many concessions. It is therefore worth considering this criticism in more detail.

35. Kyrgyz conditions of WTO accession can be first compared with commitments of other countries, which went through a similar accession process (see Box 2). While being rather formal, this comparison shows that Kyrgyz commitments are not more far-reaching than those of other countries and that the speed of accession has not been necessarily negatively correlated with the number of commitments taken by different countries. This means that protracted negotiations do not necessarily result in better accession conditions.

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
Kyrgyz Republic	<3	912	6068	29	29
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

36. Another issue is whether it was desirable (even if possible) to maintain more tools for protecting domestic market in the course of the accession process. As mentioned earlier, at that time it was impossible to identify sectors, which would benefit in the long-run from tariff or non-tariff protection⁶. Business surveys showed that local businessmen had not listed import competition among the major impediments to their activities⁷. In trade in services, the main issue has not been foreign competition but rather how to attract foreign investments into banking, telecommunications, tourism, and other service industries. The recent developments in services (for example the acquisition of three Kyrgyz banks by larger Kazakh ones, ongoing privatisation of Kyrgyztelecom to a foreign investor, increased activity of foreign investors in Issyk-Kul resort area) are perceived by the government and analysts as positive developments.

37. 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 (including also VAT), strongly affect the volume of official imports, but not necessarily total imports, which consist largely in contraband. If this rate increases, smuggling of goods scales up and may surpass the reduction in official imports, inducing a reduction in collected government revenues. If the nominal rate decreases, it results in an increase of official imports at the expense of smuggled and not domestically produced goods. This is especially apparent for excisable goods, such as cigarettes, alcohol and oil. For example, in 2003 the government twice reduced the excise for gasoline, and, following an agreement concluded with Oil Traders Association, these measures resulted in a considerable increase of official imports of oil products, without any significant change in domestic demand for these products. From this perspective, the decision of the government not to implement high tariffs and other protection 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 removed a large hole in the legislation and one of the biggest sources of economic distortions in the Kyrgyz economy.

⁶ Until now there are no serious demand for protection from domestic businesses.

⁷ See *National Business Opinion Survey – June 2003*. <http://www.ibc.kg>.

38. The WTO accession process had another important institutional aspect. The negotiating process has significantly contributed to capacity building of the government in foreign trade and economic co-operation issues, as it exposed the government to problems that were hardly considered before. The necessity of tackling the requests from the Working Party members and partners in bilateral negotiations required modernisation of legislation and establishing more consistent and transparent government procedures.

3. Participation of Kyrgyzstan in Regional Trade and Economic Co-operation Agreements

3.1. Regional Co-operation Structures

39. The Kyrgyz Republic is a member of virtually all economic co-operation organisations in the region. These involve either exclusively FSU countries (Commonwealth of Independent States⁸, Eurasian Economic Community⁹, Central Asian Co-operation Organisation¹⁰), or include also other countries (Economic Co-operation Organisation¹¹, Shanghai Co-operation Organisation¹²).

40. The low effectiveness of these organisations in fostering much needed regional trade and economic co-operation is well-known. The mere number of these agreements and their similar mandates best illustrate their inefficiencies. The objective of this paper is not to discuss in details their co-operation potential, and their (non)implementation, but it is interesting to try to identify the impact of these agreements on the regional trade rules and patterns.

41. In early 1990s, CIS countries adopted the Free Trade Agreement assuming zero import tariffs for all goods originating from participating countries. While this Agreement never entered into force formally, the Kyrgyz Republic and all its trade partners followed this rule in practice. The free trade arrangements have been reinforced by bilateral agreements between Kyrgyzstan and almost all CIS countries. However, it should be noted that the bilateral free trade agreements allow parties to introduce import duties on a limited number of commodities, either for protecting sensitive domestic industries, or as anti-dumping measures¹³. In a few cases, application of these rules adversely affected Kyrgyz exports to Kazakhstan, Uzbekistan, Ukraine and some other countries.

42. Another important achievement of the CIS was providing the right of free cross-border movement for citizens of the member countries. This arrangement facilitates establishing business contacts, trade, co-operation, and expanding employment opportunities. This agreement was later considerably eroded by the introduction of a visa regime by Uzbekistan and Turkmenistan with respect to citizens of Kyrgyzstan and some other CIS countries, and also by increased regulation of domestic labour markets in Russia and Kazakhstan.

43. 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 could be further expanded) for the

⁸ Includes all FSU republics except the Baltic States.

⁹ Includes Belarus, Kazakhstan, the Kyrgyz Republic, Russia, and Tajikistan.

¹⁰ Includes Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan.

¹¹ Includes Turkey, Iran, Pakistan, Afghanistan, Azerbaijan and all five Central Asian countries.

¹² Includes China, Kazakhstan, the Kyrgyz Republic, Russia, Tajikistan, and Uzbekistan.

¹³ The failure to achieve a multilateral agreement on the list of exemptions from the free trade regime is an important reason for incompleteness of the Free Trade Agreement.

formation of the common custom tariff with special permission for Kyrgyzstan and Tajikistan to establish their own time schedule for adoption of the tariff.

44. The CACO (and its predecessor — Central Asian Economic Community) provides a forum for discussing and developing coordinated policy on water and energy issues requiring multilateral participation. However, relevant agreements have been achieved so far mainly on a bilateral basis.

45. Practical results of regional co-operation activities are limited and concern for example co-ordination in tax collection methodology, including indirect taxes, simplification and harmonisation of custom rules (within EurasEC), information exchange in different areas (CIS, EurasEC, CACO). Some initiatives, such as the attempt to establish Central Asian Co-operation and Development Bank (by CACO) have been unsuccessful and this institution is now in the process of liquidation. In fact, no regional trade regulation with some practical implications for the Kyrgyz Republic has ever fully entered into force. So far, different regional organisations only adopted various framework documents and declarations. However, trade and economic co-operation in the region has been pursued, but mainly on the basis of bilateral agreements.

3.2. Implications of the Country's Simultaneous Membership in WTO and Regional Trade Agreements

46. The Kyrgyz Republic's membership in the WTO, which establishes a non-discriminatory trade regime for all WTO member countries, and its participation in regional treaties, which aim at providing a preferential regime for regional partners, can potentially cause some problems. However, as the previous analysis indicated, in practice, there is no contradiction between the two sets of commitments given that no enforceable regional rules exist. The bilateral free trade agreements of the Kyrgyz Republic with neighbouring countries seem to be compatible with the WTO rules.

47. Even if there are no legal contradictions, the question of policy consistency between simultaneous membership in the WTO and regional organisations could be raised. Presumably, very low trade barriers in Kyrgyzstan for commodities originating from third countries could be risky to the neighbouring countries, which try to limit access of imported goods on their domestic markets. However, the risk is limited due to the geographical situation of Kyrgyzstan. Available statistics do not indicate massive Kyrgyz (re)exports of consumer goods to Kazakh, Russian or Uzbek markets. Moreover, current trade agreements provide sufficient means for these countries to protect their markets if they consider their sensitive industries to be affected. Nevertheless trade officials and leaders of neighbouring countries have criticized Kyrgyzstan's WTO entry in meetings of regional organisations. It can be argued that WTO membership has not had any significant impact on the pace of regional co-operation and Kyrgyzstan's attitude towards these initiatives. Kyrgyzstan's membership has not been a cause of the lack of co-ordination in the regional organisations. There has been a decline in regional trade, but it occurred well before the country's WTO accession in 1998 and has continued after the accession. The emergence of trade barriers reflected Kazakh attempts to protect domestic market during the 1998-1999 financial crisis, as illustrated by the fact that these restrictions also affected other countries, including Russia.

48. One suggested motivation for Kyrgyzstan's rapid WTO accession was the opportunity for Kyrgyzstan to participate in WTO negotiations and set accession conditions for its neighbouring countries. This was expected to increase Kyrgyzstan's "bargaining power" in bilateral relations with larger neighbours. However, it is rather difficult to imagine that Kyrgyzstan would extensively use this power in relations with its important neighbours; it would probably be used only a "weapon of last resort". This could be illustrated by the package of documents signed in Astana by the Presidents of Kazakhstan and Kyrgyzstan in December 2003. In addition to an important agreement on easing transit arrangements and a provision allowing Kyrgyz enterprises to use low domestic Kazakh prices for railroad trans-shipments through Kazakh territory, this package also includes a protocol of bilateral negotiations on conditions for Kazakhstan's WTO accession.

4. Impact of Membership in Multilateral Organisations on Kyrgyz Foreign Trade and Investment Flows

49. The purpose of this section is to assess the impact of the participation of the Kyrgyz Republic in the WTO and regional organisations. To take into account developments before and after WTO accession, the period under consideration is 1996-2002.¹⁴ Trade and investment flows to and from 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 broken down by partner country and eight commodity groups, which are most typical for the Kyrgyz trade, *i.e.*

- Agricultural produce (cotton, tobacco, vegetables for exports; wheat for imports, etc.).
- Electricity.
- Mineral energy resources (oil, gasoline, kerosene, mazut, 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.).

4.1. General Trends in Exports and Imports and Other Developments in Balance of Payments

50. The analysis of recent developments in foreign trade and balance of payments reveals three distinct periods: 1996-1998, 1999-2001, and 2002-2003 (see Tables 3-5). The first period is characterised by large trade and current account deficits. In 1998 the current account deficit exceeded 22% of GDP and was mainly financed by the large surplus in capital and financial operations and large net credit to the government. The second period started after the 1998-1999 financial crisis, which brought a sharp reduction in imports and a certain decline in exports. The deficits shrank significantly, and net credit to the government also started to decrease. At the end of this period trade flows became much more balanced, than in the mid-nineties. The third period started in 2001, when macroeconomic stabilisation had been restored, and continues until now. It is characterised by more balance trade in goods and increased exports of services (see Table 15). Although the current account deficit increased again in 2002, it represents only a fraction of the pre-1998-crisis level. Net credit to the government has been steadily declining, and the balance of capital and financial operations account just slightly exceeds zero.

51. A relatively high commodity and geographical concentration of exports is typical for Kyrgyz economy. The share of three major partner countries and three main commodities¹⁵ in Kyrgyz exports almost always exceeds 50% (see Figure 2). While geographical concentration has diminished over time, commodity concentration has, in contrast, increased (except in 2002). Supposedly, these export and import trends resulted, to some extent, from trade policies and membership of the country in different multilateral and regional organisations. However, these trends also reflect changes in the macroeconomic environment in the country and various exogenous factors, which are numerous for the small and vulnerable foreign trade of Kyrgyzstan. To assess the net effect of trade policy on trade flows, it is necessary to consider the impact of macroeconomic developments and exogenous shocks on the trade and balance of payments.

¹⁴ 2002 is the last year for which all needed data are available.

¹⁵ Defined by 2-digit harmonised codes.

4.2. Macroeconomic and Exogenous Factors Affecting the Kyrgyz Foreign Trade

52. Among the important macroeconomic factors and developments influencing the country's exports and imports, the following can be identified as most significant:

- Starting in 1993-1994, the country has received massive foreign aid, which was partially used for financing its imports.
- For several years, the aid allowed maintaining a large government budget deficit (around 10% of GDP in 1996-2000) and current account deficit.
- Given such high deficits, the macroeconomic situation was fragile and deteriorated considerably in the aftermath of the Russian financial crisis.
- The crisis triggered inflation and instability of the national currency (a 2.5-times nominal exchange rate devaluation in 1998-1999 and a 50% depreciation of the real effective exchange rate vis-à-vis non-CIS countries). Given similar inflationary trends in other CIS countries, the effective exchange rate vis-à-vis CIS countries slightly appreciated.
- Strong real depreciation of the som against US dollar undermined competitiveness of imported consumer goods originating from non-CIS countries (especially China) on the domestic market. As a result, imports declined significantly and import-substituting industries demonstrated quite robust growth.¹⁶
- The currency devaluation resulted in an immediate increase in the value of the government foreign debt, which exceeded 100% of GDP and became unsustainable.
- The debt problem required a careful fiscal adjustment in 2000-2001 and considerable reduction in further foreign borrowings, even those granted on concessional terms such as from the World Bank, Asian Development Bank, and other international financial institutions.
- This adjustment allowed stabilising macroeconomic situation in 2001 and receiving debt restructuring by Paris Club.

53. Therefore, the foreign aid, the exchange rate and the foreign debt (of course all interdependent) became major macroeconomic factors, which strongly affected trade, first contributing to abnormally high imports and then causing a decline in imports of goods and services (see Figure 3). Regressing imports of goods (IMP) on real effective exchange rate (REER) and official foreign aid (AID) for the period 1996-2002 gives the following results¹⁷ :

$$\log(IMP_t) = 14.21 - 1.90^* \log(REER_t) + 0.20 \log(AID_t), \quad R^2 = 0.82.$$

54. This indicates a high elasticity of imports with regard to REER (-1.90) and a positive¹⁸ relationship between imports and aid.

55. The macroeconomic situation had much less impact on exports from Kyrgyzstan. This is easily understandable given that (i) the foreign aid goes mainly to public investment and current spending and does not affect exports or affects them only indirectly, and (ii) there were not large changes in real effective exchange rate with regard to trade with CIS countries, the main export destination (with the big exception of gold).

¹⁶ In 1998-2001 average annual growth rate of production for domestic market was 8.3%.

¹⁷ Asterisk means significance at 5% level.

¹⁸ While insignificant with few observations available.

56. Kyrgyz exports are, however, subject to considerable and frequent external shocks, which are usually not related to trade policy. The level of exports reflect the following exogenous factors:

- Fluctuations in production of gold and its prices, which depend on technological factors and world market situation.
- Fluctuations in electricity sales to neighbouring countries, which depend on climate conditions and in the demand of Uzbekistan and Kazakhstan for water for irrigation purposes.
- Establishment of a military air base of the anti-terrorist coalition in Kyrgyzstan. This base consumes considerable amounts of oil products (mainly kerosene), re-exported by Kyrgyz companies from Kazakhstan and also used extensively by different services of Kyrgyz airport, hotels, etc. (see Table 17).

57. Taking these factors into account reveals a much deeper decline in other (*i.e.* trade policy sensitive) exports than in total export (Figure 4). Consequently, macroeconomic and exogenous factors were responsible for a significant portion of changes in Kyrgyz foreign trade in 1996-2002.

4.3. Changes in Trade with WTO Countries

58. Trade data (see Table 6) show that the share of trade with WTO countries in total trade turnover increased considerably after WTO accession. In 1996-1998, this share was 36%, while in 1999-2002 it increased to 54%, with the share of WTO countries in Kyrgyz exports growing from 34% before accession to 55% after accession. This may indicate a certain shift in trade and re-orientation to new markets after entry to the WTO. However, several reservations should be made. First, the number of WTO members increased during this period leading to a larger share of WTO countries, especially following China's accession in 2001. Second, as mentioned earlier, it is necessary to control for exogenous factors, especially changes in gold and electricity exports. The impact of these two factors is shown in Figure 5. Third, the share of WTO countries also depends on developments in trade with non-WTO countries. Considering export flows without gold, electricity and kerosene for the airbase and excluding the commodities sold to new WTO member countries (*e.g.* China and some East European countries), average annual exports to WTO countries in fact decreased from USD 56 millions in 1996-1998 to USD 44 million in 1999-2002, while average annual exports to non-WTO countries decreased from USD 298 to USD 172 millions. However, despite the decline in absolute figures, the share of exports to WTO countries slightly increased from 16% to 19% because of even deeper fall of exports to non-WTO countries.

59. Exports to WTO countries consist of gold, agricultural products (mainly cotton fiber) and a small quantity of machinery and inorganic chemistry products (see Table 6). Unsurprisingly, with such a commodity structure, where manufactured products are almost absent, the WTO accession of Kyrgyzstan had no significant or 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 first two categories very much depend (with some time lag) on aid and FDI inflows to the country. Imports of consumer goods are sensitive to the exchange rate dynamics. These imports declined by almost twice after the sharp devaluation of the national currency in 1998-1999, despite WTO accession and the resulting lowering of many import tariff rates. Imports of consumer goods started to increase after the nominal and real appreciation of the sum in 2002-2003. It is also necessary to take into account that a considerable part of imports of consumer goods is humanitarian aid (medicines, wheat flour, etc.) coming from the US, Germany and some other developed countries (see Table 14).

60. The entry of China into the WTO represents in principle a considerable potential for expanding trade with this largest neighbouring economy, but in 2002-2003 (*i.e.* a period that is too short to make any definite judgment) had not shown a significant increase in mutual trade. In 2002, the growth of Kyrgyz exports to

China was mainly due to only one commodity — animal skins, which are subject to large volume and price fluctuations. In fact, animal skin exports fell in 2003¹⁹ to almost zero, when total Kyrgyz exports to China declined to the 2001 level.

61. In sum, despite theoretical expectations assuming an increase in both exports and imports after WTO accession, Kyrgyz trade with WTO countries has not demonstrated any sensitivity to this new situation; instead it has reacted essentially to factors other than the changes in trade regime.

4.4. Changes in Trade with Countries of the Region

62. Trade data showing trade flows between Kyrgyzstan and other members of regional arrangements (CIS, EurasEC, CACO in Tables 7-9) mainly reflect developments in trade with three major neighbouring countries — Russia, Kazakhstan and Uzbekistan (Tables 10-12), which together account for 90-95% of trade turnover with the member countries of these arrangements.

63. In 1996-2001, the common trend in trade with all these countries was a permanent and rather rapid fall of exports and imports: in 2001 turnover of trade with each of them more than halved compared to 1996. This situation is due to a number of factors, in particular disruption of former co-operation ties and the decline in production or closures of former Soviet enterprises, some trade reorientation to other markets, frequent and unfavourable exchange rate movements, especially in the context of the Russian 1998 crisis. In addition, new trade barriers have considerably hindered trade with Kazakhstan, Uzbekistan and Russia. These barriers (described in more detail elsewhere²⁰) consist of quantitative and tariff restrictions on various commodities exported by Kyrgyzstan, exchange rate controls, impediments for inter-country payments, cross-border trade and movement of people, in particular in trade relations with Uzbekistan. The most serious impediments are, however, prohibitively costly procedures of transit through territories of Kazakhstan and Uzbekistan. Obviously, joint membership of Kazakhstan, Kyrgyzstan and Uzbekistan in many regional organizations has not helped to alleviate these trade problems. The regional agreements either do not regulate these problematic areas, or contain special reservations allowing countries effectively to control trade with other signatory countries.

64. Russia and Kazakhstan are the first and second largest non-gold and non-electricity export markets for Kyrgyzstan and the main outlets for Kyrgyz agricultural products (*i.e.* cotton, tobacco, vegetables, fruits) as well as consumer goods, construction materials, and machinery. All these commodities are very sensitive to transportation costs and have become the primary victims of trade barriers in Kazakhstan. Trade with Uzbekistan suffers from remaining barter arrangements, under which Uzbek natural gas is exchanged for Kyrgyz electricity/water and some other commodities. The share of non-energy commodities trade turnover has been shrinking from 50% in 1996 to only 29% in 2002.

65. In 2002-2003, the situation in trade with Kazakhstan and especially with Russia started to improve. The economic growth and large oil revenues of these countries allowed the emergence of large companies, which started to expand their activities in neighbouring countries including Kyrgyzstan²¹. FDI from Russia and Kazakhstan to Kyrgyz industrial, tourism and banking sectors have increased in recent years (see Table 17) and contributed to growth of mutual exports and imports. The export increase in services, such as tourism in the Issyk-Kul area (see Table 16) is also visible. The establishment of closer economic ties with

¹⁹ Preliminary data of NSC.

²⁰ 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.

²¹ One of examples is the takeover of the largest Kyrgyz dairy producer “Bishkeksut” by Russian company “Wimm-Bill-Dan”.

Russian and Kazakh companies also helped to resolve one of the most acute problems of Kyrgyz foreign trade: in December 2003, Presidents of Kazakhstan and Kyrgyzstan signed a package of documents, which lifted restrictions on Kyrgyz transit through Kazakh territory. Immediately after, Kyrgyz businessmen started to report a dramatic improvement in competitiveness on markets in Siberia and other Russian regions.

4.5. FDI flows

66. One of the most serious disappointments of WTO accession has been the developments in FDI inflows after 1998 (see Table 17). The authorities hoped that joining WTO would provide investors with better prospects of exports to WTO member countries and attract them into the Kyrgyz industrial sector. The expectations have intensified after China's entry into the WTO: some observers hoped that Kyrgyzstan would be the only window into Chinese market among all CIS countries. However, this did not happen and, in 2000-2001, FDI even fell by one-third in comparison to its 1998 level.

67. Analysis of the structure of FDI by sector and country shows their small size and instability. (In fact, any major new FDI can be easily traced to a major operation by a single large enterprise.) The investments went into traditional industries or the service sector, which could export their output almost exclusively to the regional markets. Access to Chinese market is limited, not because of trade regime, but by very poor transportation infrastructure in the direction of China. Therefore, regional co-operation seems to be more decisive for FDI inflow than WTO membership. The FDI increase in 2002 and 2003²² is attributed to macroeconomic stabilisation, some expansion of domestic market, and, especially to Russian and Kazakh FDI in Kyrgyzstan. For example, in 2002 Russia and Kazakhstan provided 74% of the increase in FDI in Kyrgyzstan.

4.6. Changes in Government Budget Revenues

68. The WTO commitments contained several elements directly affecting government budget revenues, in particular:

- Transition to VAT destination principle in trade with all countries;
- Equalisation of import and domestic excise rates;
- Lowering of many import tariff rates with simultaneous increase of tariffs for a limited number of commodities.

69. Implementation of these commitments has influenced government revenues in different ways (see Table 18). Transition to the VAT destination principle was completed only in 2001, as it took time to coordinate this process with Russia and some other CIS countries. It had a very positive impact on budget revenues, because having origin – rather than destination-based VAT in conditions of negative balance in trade with all important CIS partners led to losses in the government budget. Now the situation has considerably improved, and VAT on imports represents the largest tax item among all taxes in Kyrgyzstan.

70. Equalisation of excise rates also had positive effects for budget revenues: the average annual collections in real terms increased in 1999-2002 by 43% in comparison to the 1996-1998 annual average, and the share of this tax in GDP has also increased. This means that better reporting and administration of this tax more than compensated for some reduction in import excise rates. However, changes in import tariffs had caused a certain decline in tax collection: those rates that were increased play a protective rather

²² Preliminary data for nine months of 2003 indicate 25% growth compared to the corresponding period of 2002.

than fiscal role, while lowering of other rates was not offset by proportional increases in import volumes, largely because of general contraction in imports due to exchange rate devaluation.

71. However, a key conclusion in this area is that, altogether, government budget revenues from foreign trade have considerably increased and now provide more than half of all tax collections in the country.

4.7. Informal Commodity, Labour and Capital Flows

72. The present analysis has been based on official statistics on trade and financial flows. However, in Kyrgyzstan the informal economy is quite significant²³, affecting cross-border commodity, labour and capital flows. Shadow commodity flows include imports of consumer goods from China, United Arab Emirates, and Turkey, and gasoline, tobacco and alcohols from Kazakhstan and Uzbekistan. Kyrgyz shadow exports consists of 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 to China, etc.

73. Informal financial flows are basically related to a very high labour migration to Russia and, to a lesser extent, to Kazakhstan. By official estimates, 300 thousand Kyrgyz citizens (6% of the country population) now live and work in Russia, and unofficial estimates go as high as 700 thousand people. These workers send significant remittances back home, which represent an important source of trade deficit financing. In the last couple of years, labour flows from Uzbekistan to Kyrgyzstan have appeared, also generating remittances, though in an opposite direction (out of Kyrgyzstan) and in much smaller amounts. The scale of these informal flows is very difficult to estimate. An indication for value of these flows is the item "Errors and Omissions" of the balance of payments, which could be considered as a balance of unofficial flows. In some years, the amount reached USD 60-70 million, either with positive or negative sign. However, the magnitude of both inflows and outflows is likely to be much higher. For example, according to Chinese statistics trade turnover with Kyrgyzstan amounted in the first 11 months 2003 to USD 280 millions²⁴, while Kyrgyz statistics indicate just one-third of this figure, thus leaving almost USD 200 million for unofficial imports/exports. Therefore, informal flows may be estimated at USD 150 to 300 millions, *i.e.* corresponding to 25-50% of the country's exports.

74. There is no indication that WTO accession or regional co-operation agreements have affected these informal flows in any way. This fact underlines the limited significance of trade arrangements on real trade flows. At the same time, the lack of regional co-operation, for example, introduction of visa regime by Uzbekistan or transit problems, does affect adversely both official and unofficial trade.

5. Conclusion

75. The WTO accession is generally expected to lead to increases in imports and exports and FDI in the acceding country. It is also often assumed that WTO accession might have initially an adverse effect on government revenues, following the opening of the domestic market and lowering of import tariff and excise rates. This paper indicates that neither of these assumptions has been completely confirmed in the case of Kyrgyzstan. Both its imports and exports declined quite considerably in the post-accession period and FDI inflows have not picked up. At the same time, government budget revenues from foreign trade activities increased. This paper argues that initially disappointing trade results have not been directly linked to WTO accession, which has played in this context a secondary role.

²³ It comprises, by different estimates, from 25% to 50% of official economy. The notion "informal economy" used in this paper assumes activities associated with tax evasion and does not include criminal activities (drug traffic, etc.).

²⁴ According to the embassy of the People's Republic of China in the Kyrgyz Republic.

76. Similarly though for different reasons, the participation of Kyrgyzstan in regional organisations has had hardly any significant positive influence on its economy and trade. These agreements failed to remove trade barriers, which constitute major impediments to regional economic co-operation. The recent improvements in transit arrangements through Kazakh territory or the progress in Kyrgyz-Russian trade reflect the progress in bilateral relations and are not the result of regional plurilateral initiatives or implementation of a regional co-ordination mechanism.

77. These conclusions do not mean, however, that membership in the WTO is unimportant. WTO accession has been useful in strengthening the liberal stance of the Kyrgyz foreign economic policy and limiting the possibilities of authorities to protect or promote some selected industries at the expense of other sectors. This has allowed concentrating on the most urgent task, *i.e.* increasing the competitiveness, productivity and efficiency of the national economy. The participation of Kyrgyzstan in a multilateral setting has also provided an opportunity to maintain a dialog on sensitive multilateral issues and to maintain a stronger negotiating position, including with its regional partners. The importance of WTO for Kyrgyzstan is likely to increase in the future, when all (or, at least, some) neighbouring countries join the WTO and WTO rules start to apply to trade with the country's most important partners.

78. One of important reasons for the limited impact of WTO accession for the Kyrgyz Republic is the difficulty of exporting its products to the markets of the majority of the WTO members. The main problems are high transportation costs, prevalence of primary products, small production capacity of many enterprises and therefore a limited volume of export deliveries, as well as high sensitivity to technical barriers to trade (certification, standardisation, etc.). Even if all trade and transit problems of the Kyrgyz economy were successfully resolved, it would not necessarily result in an immediate, rapid growth in exports and FDI inflow. With the exception of sales of gold and other mining commodities (which are expected to diminish in the future), development of exports of other products and their competitiveness on international markets requires deep structural reforms aimed at increasing productivity, quality of production and reduction of transaction costs. Such far-reaching structural reforms require an open trade regime, accessible regional market and sound macroeconomic policy.

79. Kyrgyzstan's WTO membership has been an important element in its economic strategy, but it could not be a panacea for its economic and trade problems. The impact of WTO accession should not be judged in light of immediate and short-term trade and economic effects, but for its longer term, profound influence on the general economic and business environment.

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)	23 399	30 686	34 181	48 744	65 358	73 883	75 367
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
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: Balance of Payments of the Kyrgyz Republic, USD Million

	1996	1997	1998	1999	2000	2001	2002
Current account	-427.4	-138.4	-363.9	-184.0	-79.5	-18.9	-34.6
Goods ²⁵	-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 4: Trade in Goods by Country, USD Million

	1996	1997	1998	1999	2000	2001	2002
Exports							
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
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
Imports²⁶							
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

²⁵ fob prices.²⁶ In tables 4-13 imports are in cif prices.

Table 5: Trade in Goods by Commodity Groups, USD Million

	1996	1997	1998	1999	2000	2001	2002
Exports							
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
Imports							
Total	837.7	709.3	841.5	599.7	554.1	467.2	586.8
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
Gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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 6: Trade with WTO Member Countries, USD Million

	1996	1997	1998	1999	2000	2001	2002
Exports							
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
Electricity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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
Imports							
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
Electricity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mineral energy resources	2.8	2.7	3.5	2.1	2.0	1.6	3.7
Gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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 7: Trade with CIS Countries, USD Million

	1996	1997	1998	1999	2000	2001	2002
Exports							
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
Gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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
Imports							
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
Gold	196.0	168.1	185.8	109.1	99.2	100.1	135.1
Non-precious metals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mineral energy resources	28.0	22.3	29.2	13.5	18.7	18.2	20.8
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 8: Trade with CACO Countries, USD Million

	1996	1997	1998	1999	2000	2001	2002
Exports							
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
Gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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
Imports							
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
Gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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 9: Trade with EurasEC Countries, USD Millions

	1996	1997	1998	1999	2000	2001	2002
Exports							
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
Gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-precious metals	8.4	8.5	7.0	3.4	2.1	4.2	6.3
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
Imports							
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
Gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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 10: Trade with Russia, USD Million

	1996	1997	1998	1999	2000	2001	2002
Exports							
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
Electricity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mineral energy resources	0.0	0.8	0.7	0.5	0.4	2.5	4.3
Gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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
Imports							
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
Electricity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mineral energy resources	24.9	48.3	53.4	27.5	17.2	8.8	23.1
Gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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
Intermediate goods	43.7	51.0	59.4	28.2	39.7	28.8	38.7

Source: NSC

Table 11: Trade with Kazakhstan, USD Million

	1996	1997	1998	1999	2000	2001	2002
Exports							
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
Gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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
Imports							
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
Gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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 12: Trade with Uzbekistan, USD Million

	1996	1997	1998	1999	2000	2001	2002
Exports							
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
Gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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
Imports							
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
Gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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 13: Trade with China, USD Million

	1996	1997	1998	1999	2000	2001	2002
Exports							
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
Electricity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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
Imports							
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
Electricity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mineral energy resources	1.3	0.1	0.2	0.0	0.1	0.0	0.1
Gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-precious metals	1.0	1.1	1.3	3.6	1.3	2.0	2.8
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 14: Humanitarian Aid Imports, USD Million

	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 15: Trade in Services, USD Million

	1996	1997	1998	1999	2000	2001	2002
Exports							
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
Imports							
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
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 16: Exports of Tourism Services, USD million

	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 17: FDI by Sector and Country of Origin, USD million

	1996	1997	1998	1999	2000	2001	2002
Total	153.1	86.3	136.3	108.6	89.6	90.1	115.7
By sector							
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
By country							
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
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 18: Trade-related Tax Collections

	1996	1997	1998	1999	2000	2001	2002
Collections in real terms ²⁷ , USD million (2002 prices and exchange rate)							
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
In % to GDP							
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
In % to imports							
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

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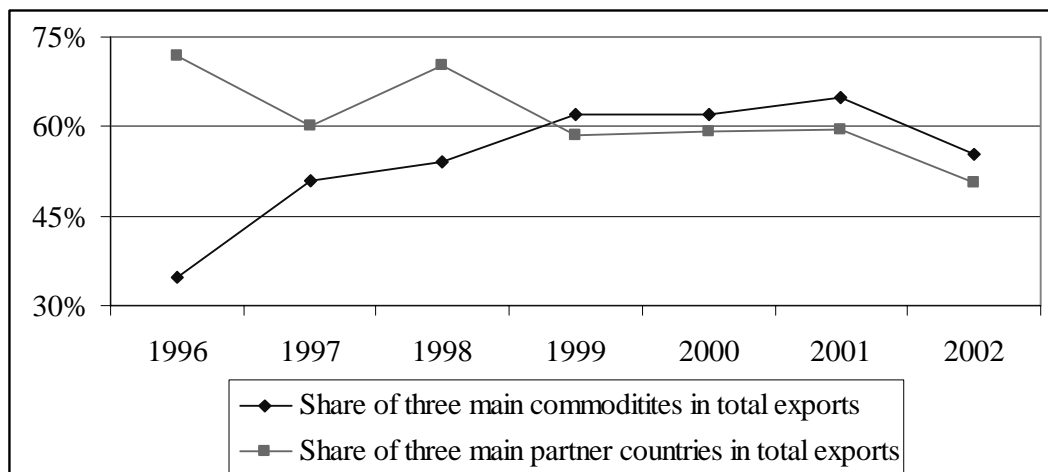
Deflated by GDP deflator.

FIGURES

Figure 1: Map of the Kyrgyz Republic

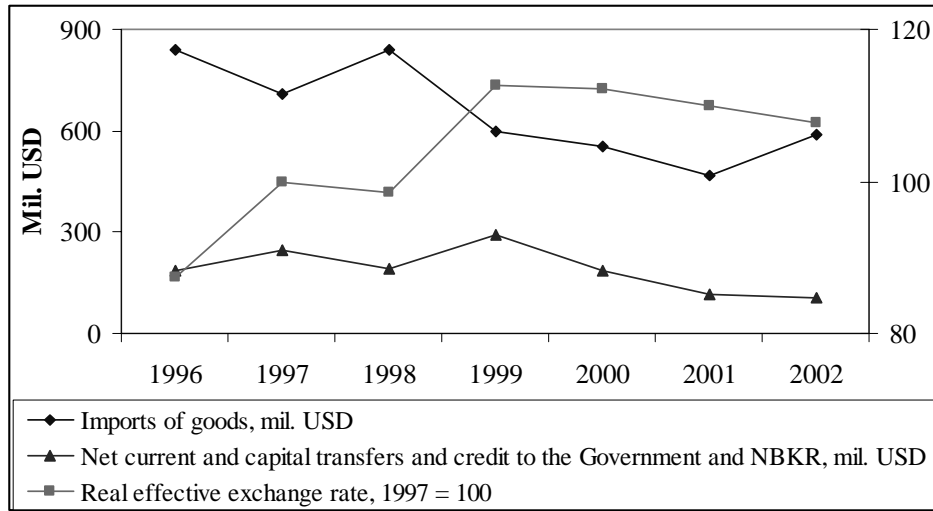


Figure 2: Commodity and Geographical Concentration of Kyrgyz Exports



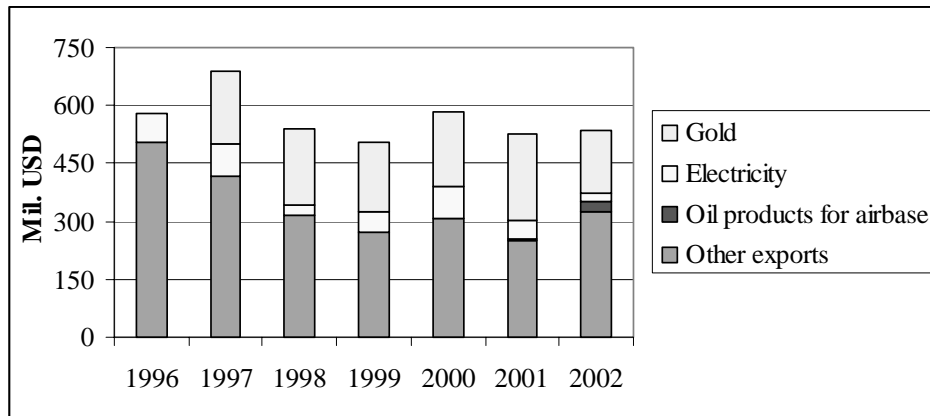
Source: NSC, Author's calculations

Figure 3: Effect of Foreign Aid flows and Real Effective Exchange Rate on Imports



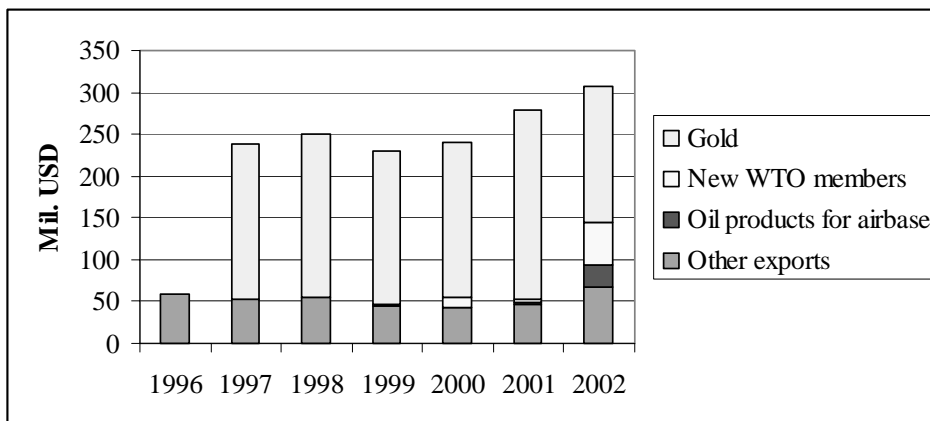
Source: NSC, NBKR, author's calculations

Figure 4: Effect of Exogenous Factors on Exports



Source: NSC, author's calculations

Figure 5: Effect of Exogenous Factors and WTO membership Expansion on Exports to WTO Countries



Source: NSC, author's calculations