

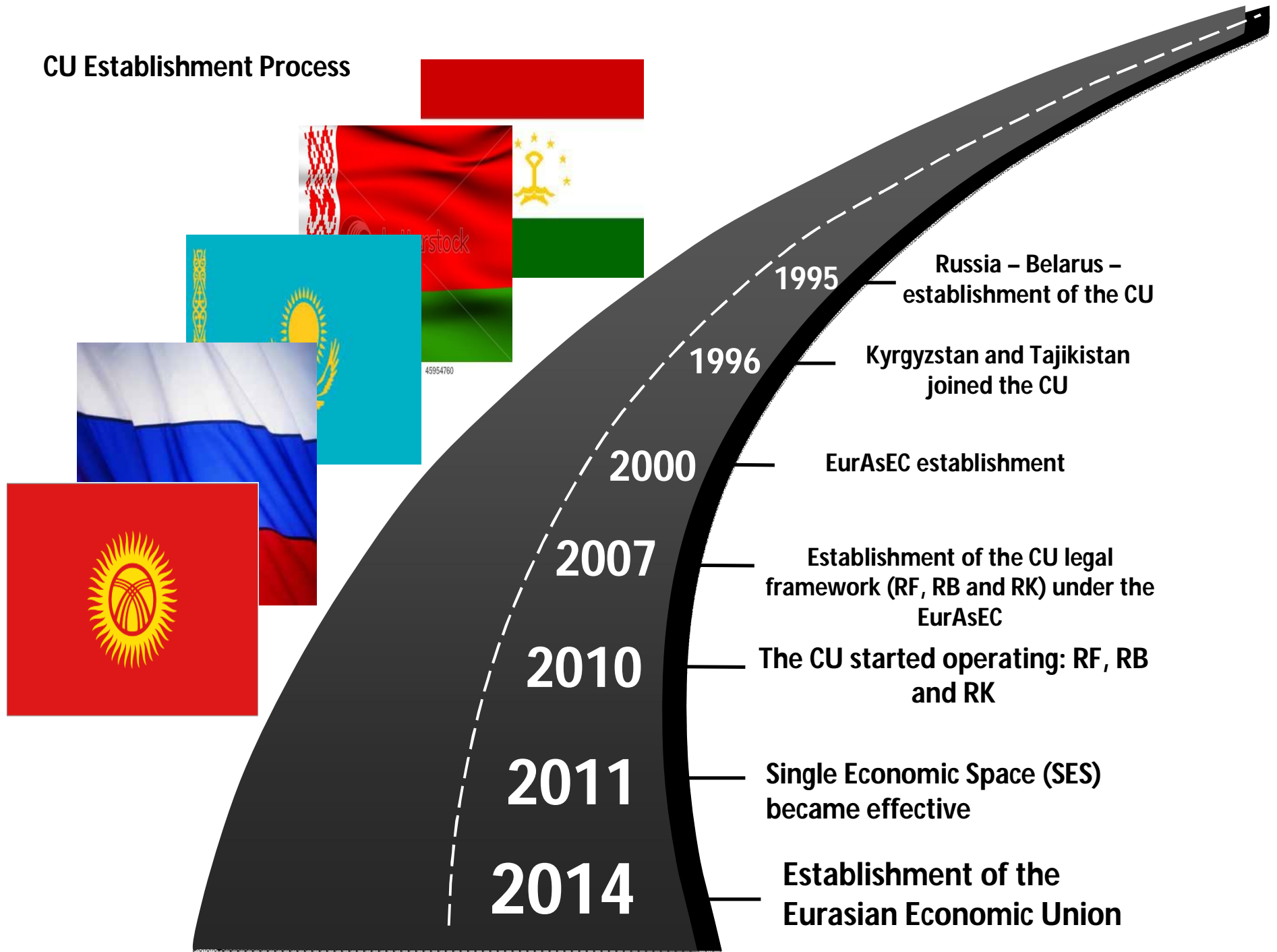


The Customs Union and Its Impact on Economic Development of Kyrgyzstan

Map of the Customs Union



CU Establishment Process



Концепция развития интеграции ЕврАзЭС



Белоруссия



Казахстан



Киргизия



Россия



Таджикистан

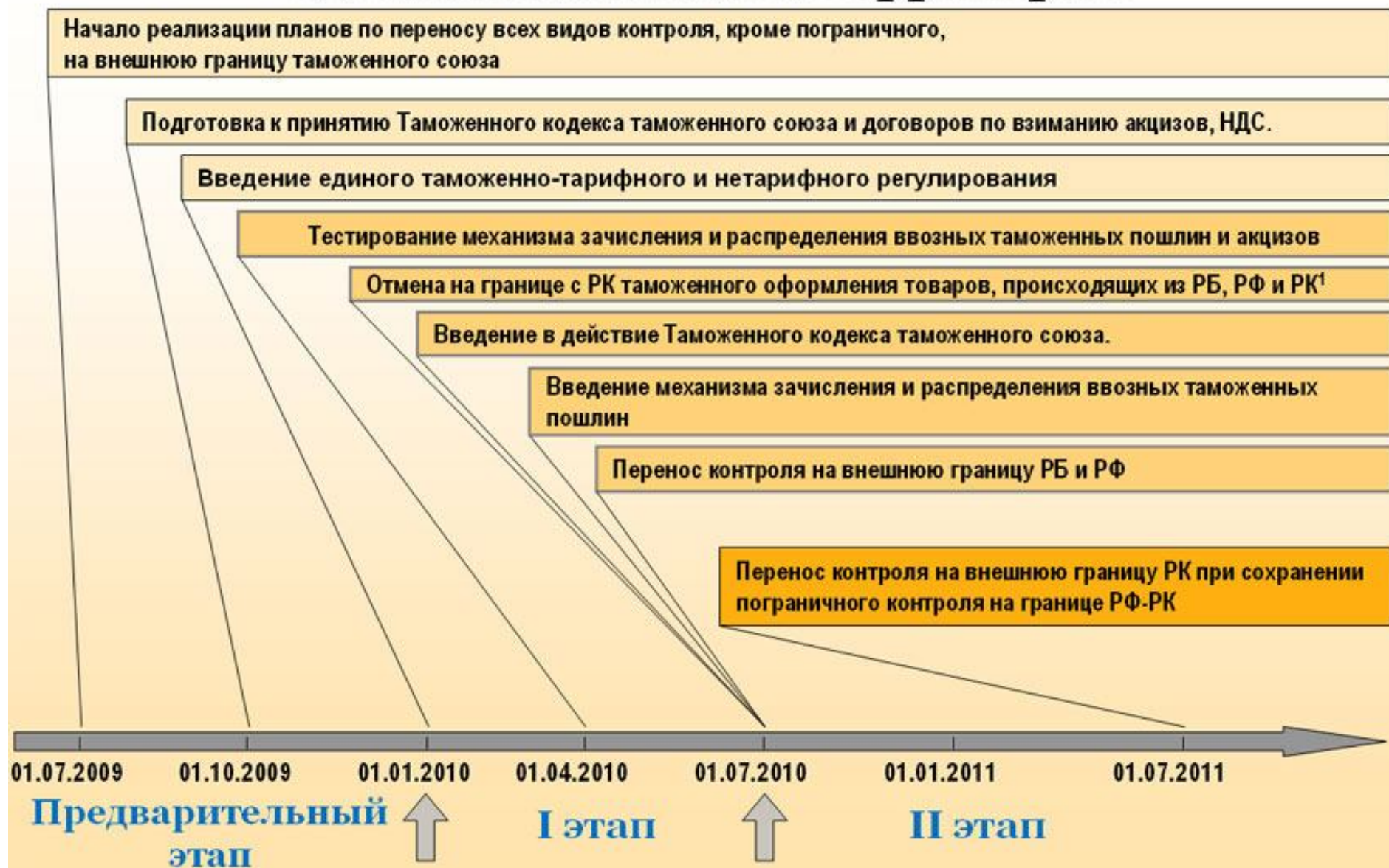
**Режим
свободной торговли**

Таможенный Союз

**Единое
экономическое пространство**

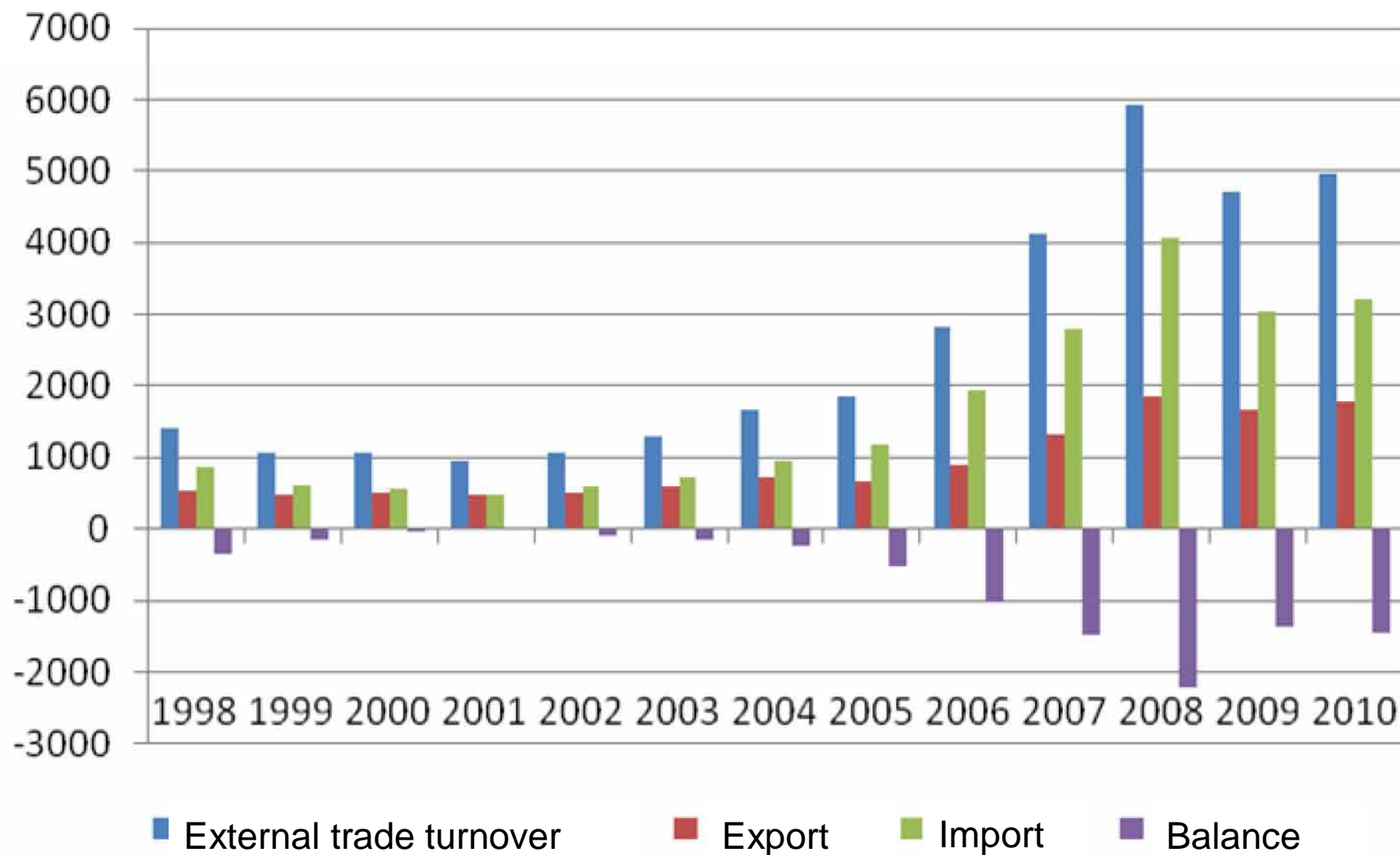


Этапы формирования единой таможенной территории



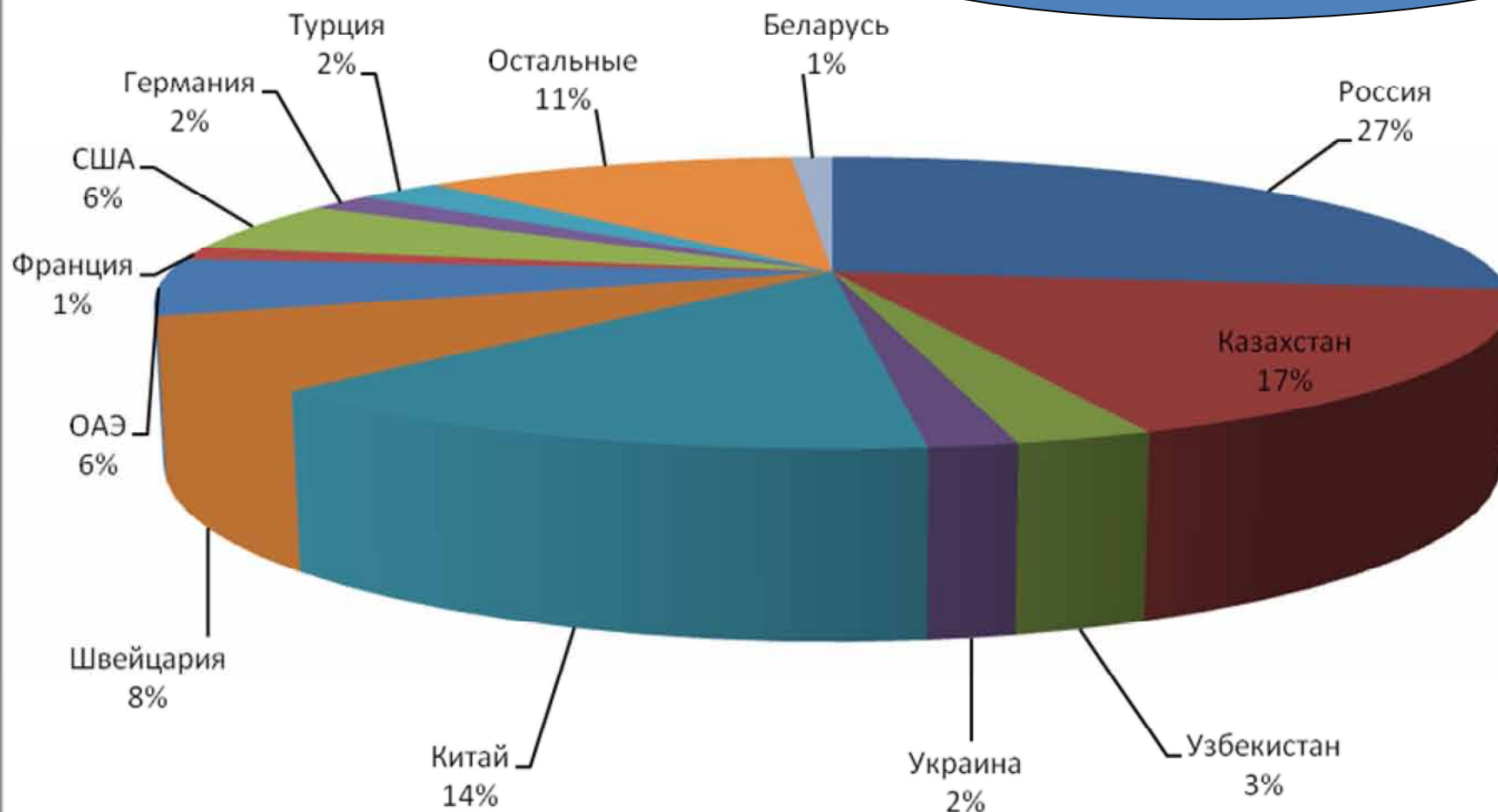
¹В случае если необходимые механизмы обмена информацией между налоговыми службами будут введены в более поздние сроки, исполнение данного пункта может быть отложено по решению Комиссии таможенного союза на более поздний срок, но не позднее 1 июля 2011 года.

Trends in external trade development in the Kyrgyz Republic (in mln. US\$)

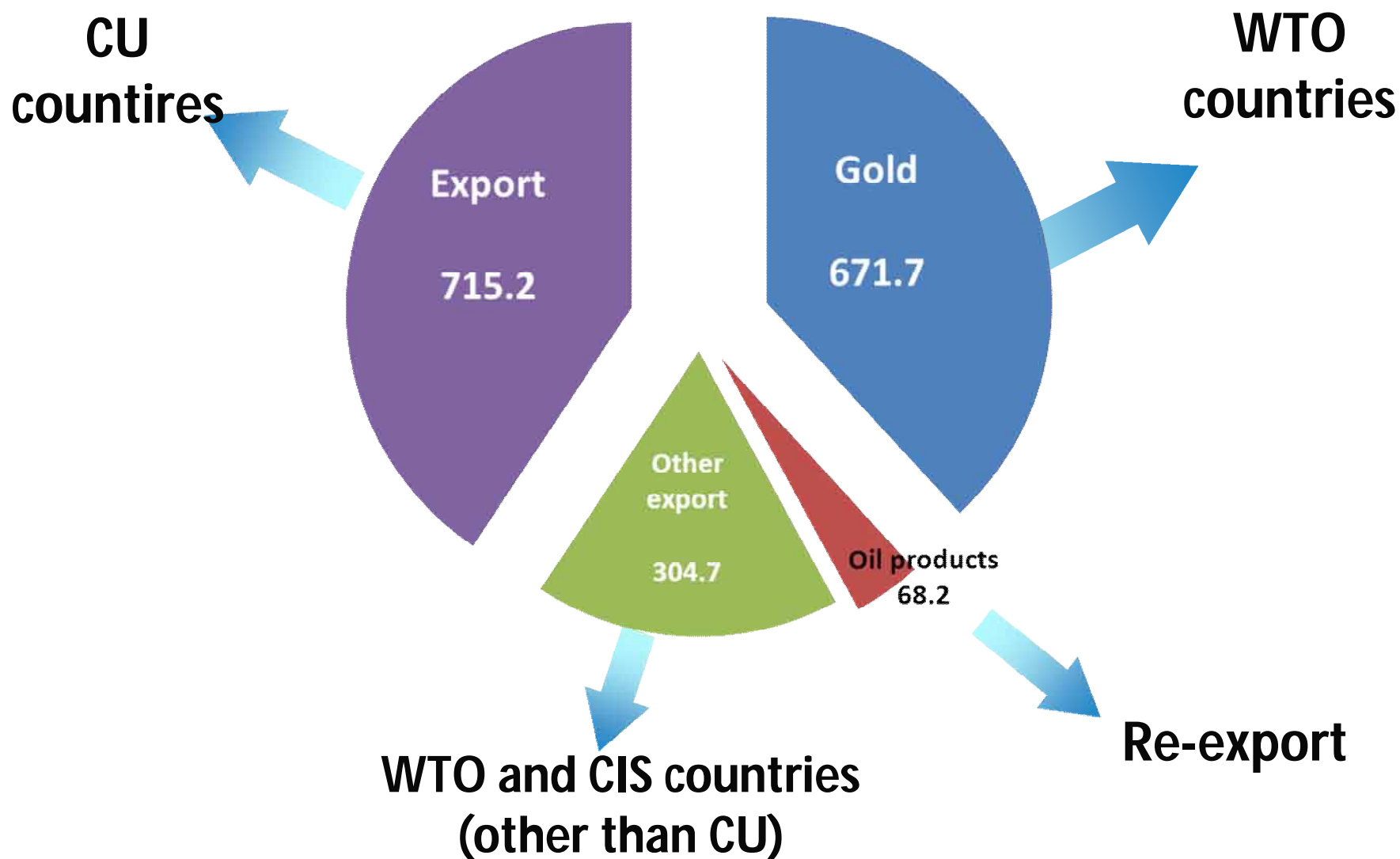


Shares of major trade partners of the Kyrgyz Republic in 2010

Share of CU countries in trade turnover- 44.9%,
In export – 40.6 %,
In import – 47.2 %.



Export of the KR to WTO and CU Countries in 2010 (in mln. US\$)



Export and Import of the KR in 2010

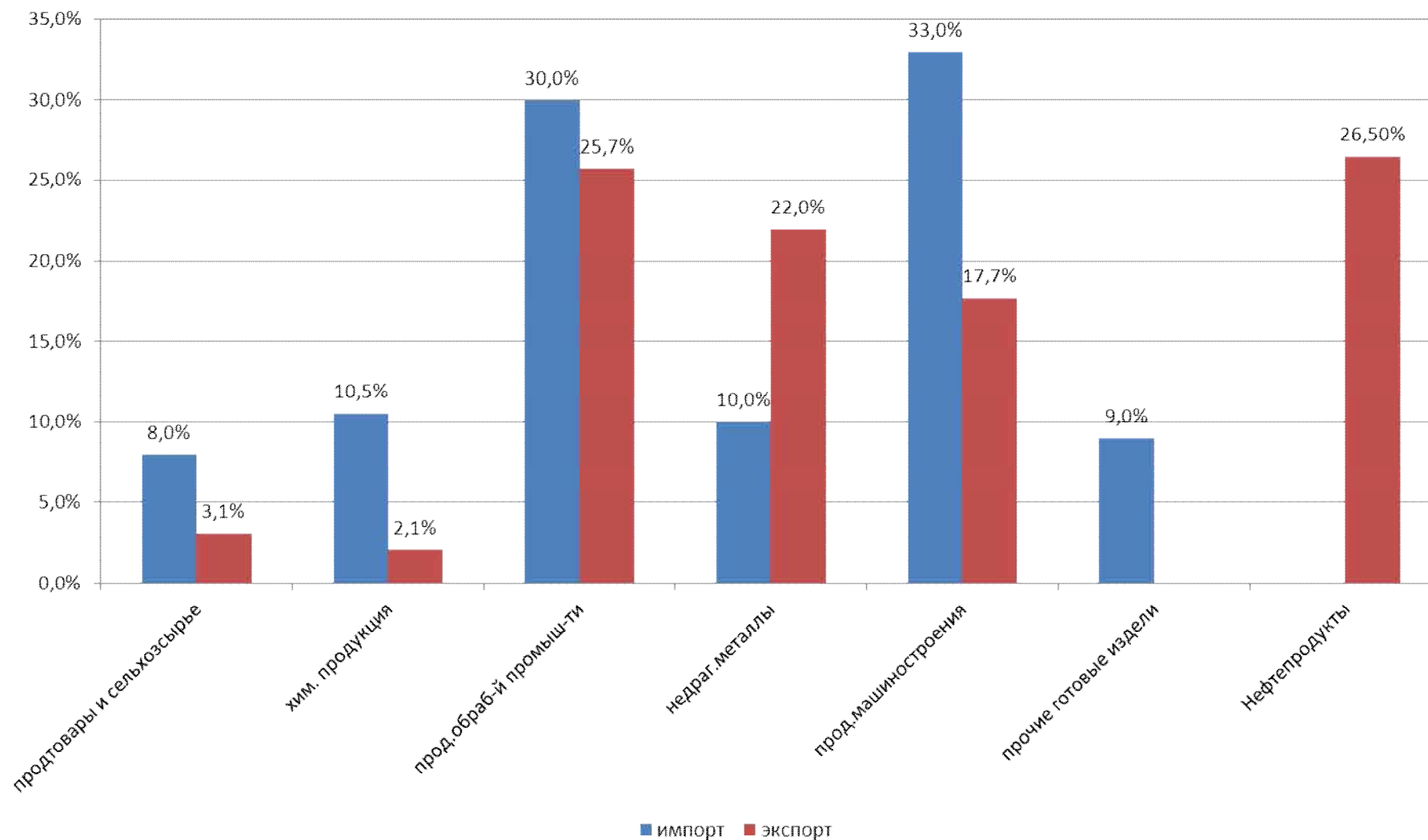
Экспорт



Импорт



Trade Turnover of the KR with China in 2010



Trade of Kyrgyzstan with CU Countries

RUSSIA

KGZ Export

Garments and textile – **98%**

Cotton fiber – **72%**

Vegetables and fruit – **28%**

KGZ Import

Oil products – **76%**

Timber – **70%**

Cast iron and steel – **42%**

BELARUS

KGZ Export

Radiators – **46%**

Beans – **1,5%**

Cotton – **3,3%**

KGZ Import

Sugar – **65%**

Rubber products – **5%**

Wood products – **4%**

KAZAKHSTAN

KGZ Export

Electricity – **100%**

Dairy products – **98%**

Meat products – **89%**

Animals – **93%**

KGZ Import

Wheat – **98%**

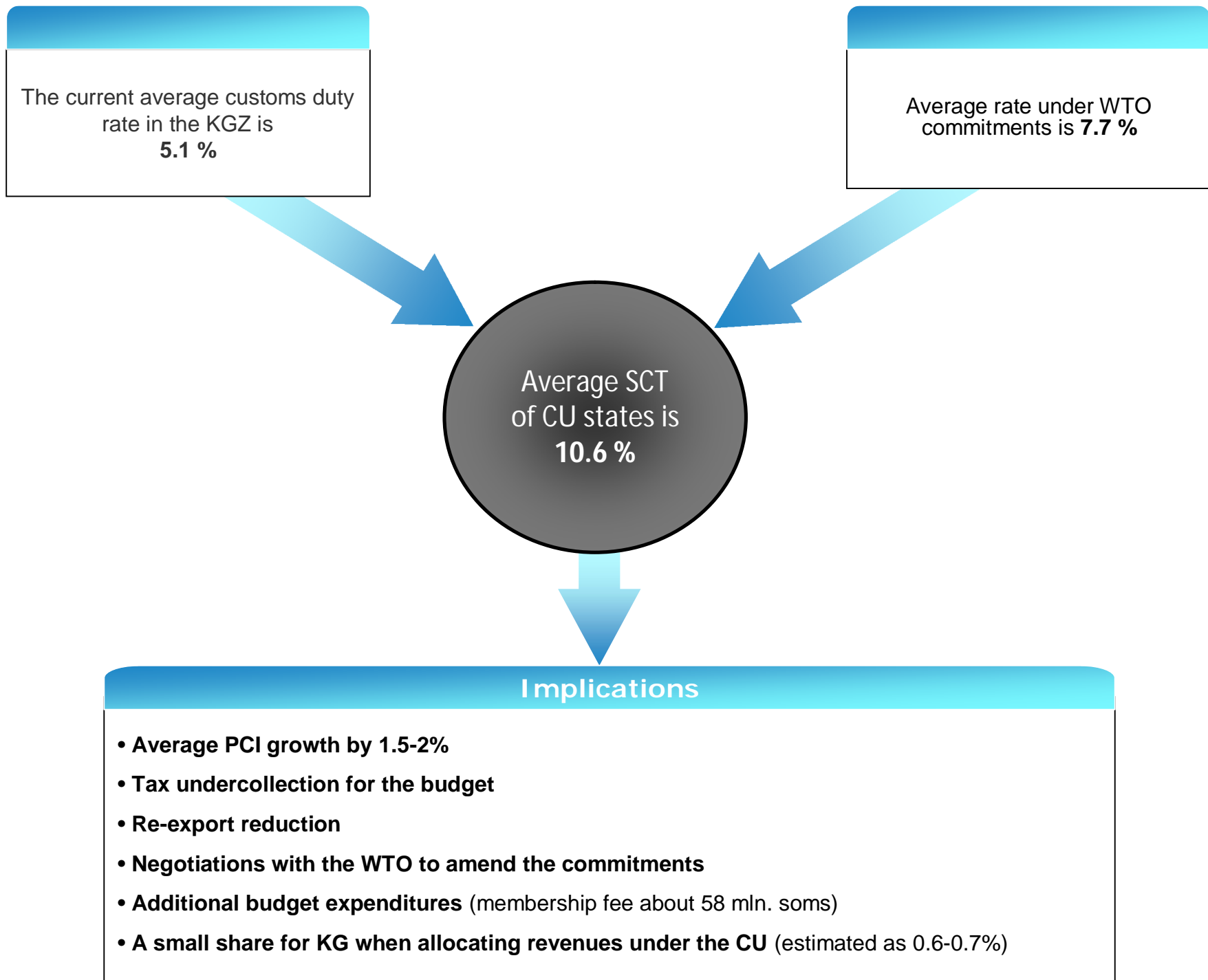
Wheat flour – **75%**

Coal – **100%**

Cast iron and steel – **20%**



Accession of the Kyrgyz Republic to the Customs Union



Solutions

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graph TD; S[Solutions] --> A[During negotiations with CU countries on accession of KGZ, the country has to negotiate commodity items on which the CU countries will agree to reduce, and KGZ will not have to increase its customs duty rates]; S --> B[KGZ, when joining the CU, will negotiate the list of commodities, for which its current customs duties will be applied, which are advantageous for its domestic market. There is such an entitlement.]; S --> C[Negotiations to determine the basis year to estimate the revenue share of KGZ]; S --> D[Transformation of re-export operations into production operations];
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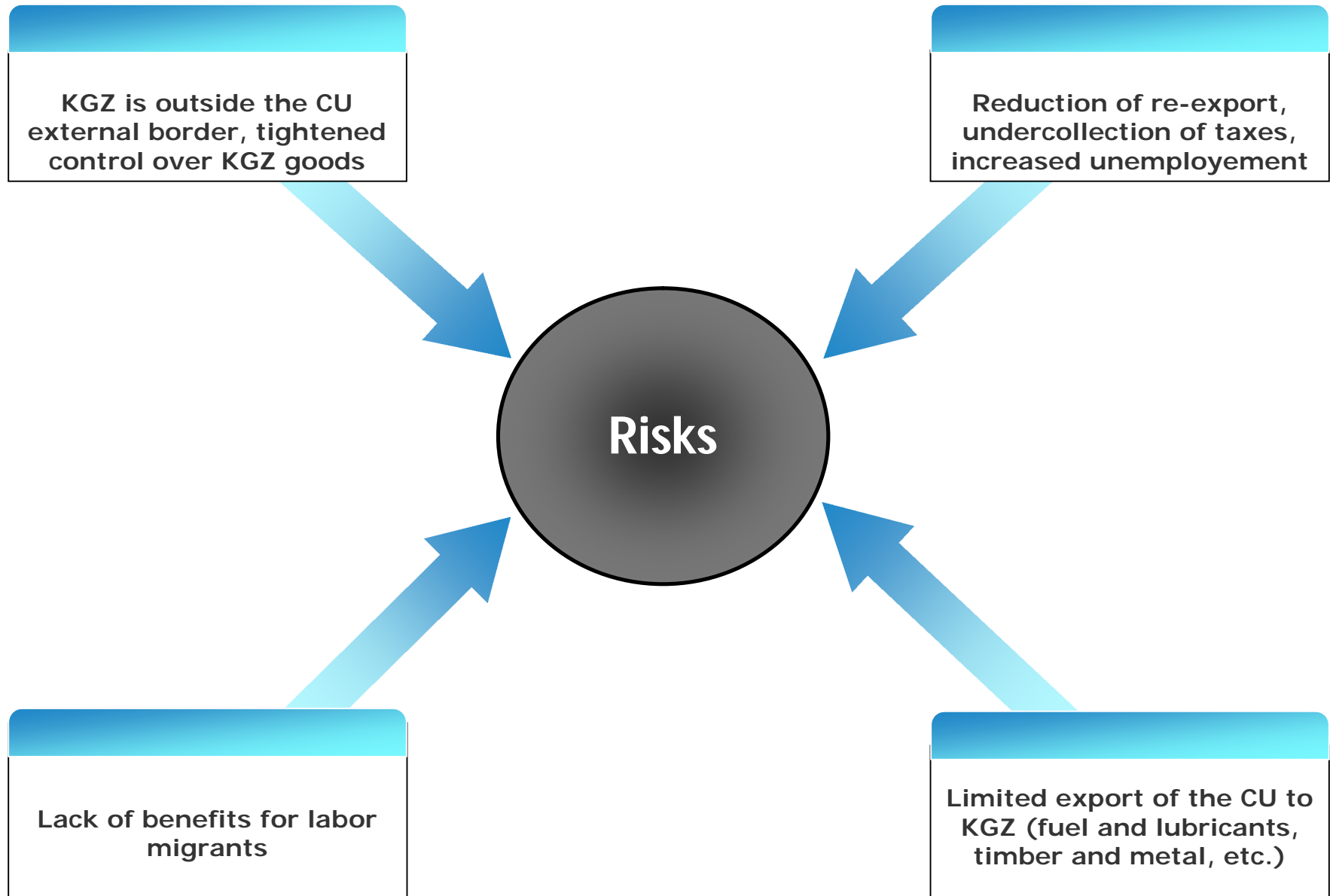
KGZ, when joining the CU, will negotiate the list of commodities, for which its current customs duties will be applied, which are advantageous for its domestic market. There is such an entitlement.

Negotiations to determine the basis year to estimate the revenue share of KGZ

Transformation of re-export operations into production operations



Risks in case the Kyrgyz Republic does not join the Customs Union





Summary of benefits and prospects for CU accession

Summarized benefits



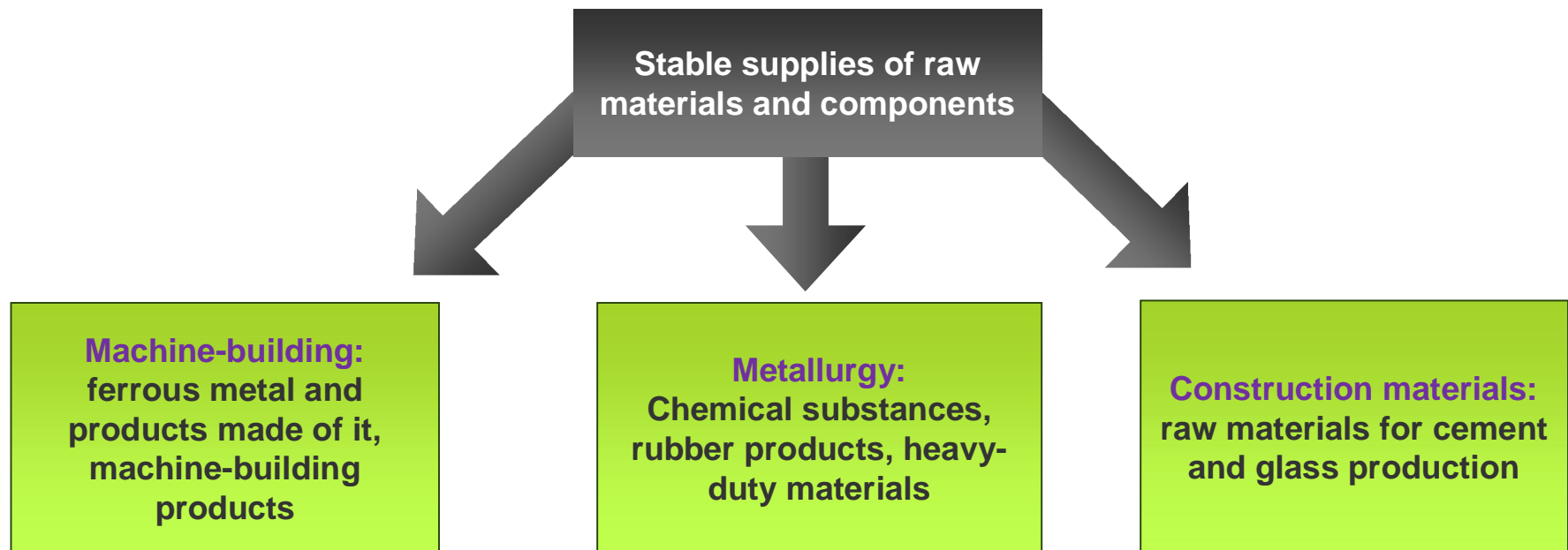
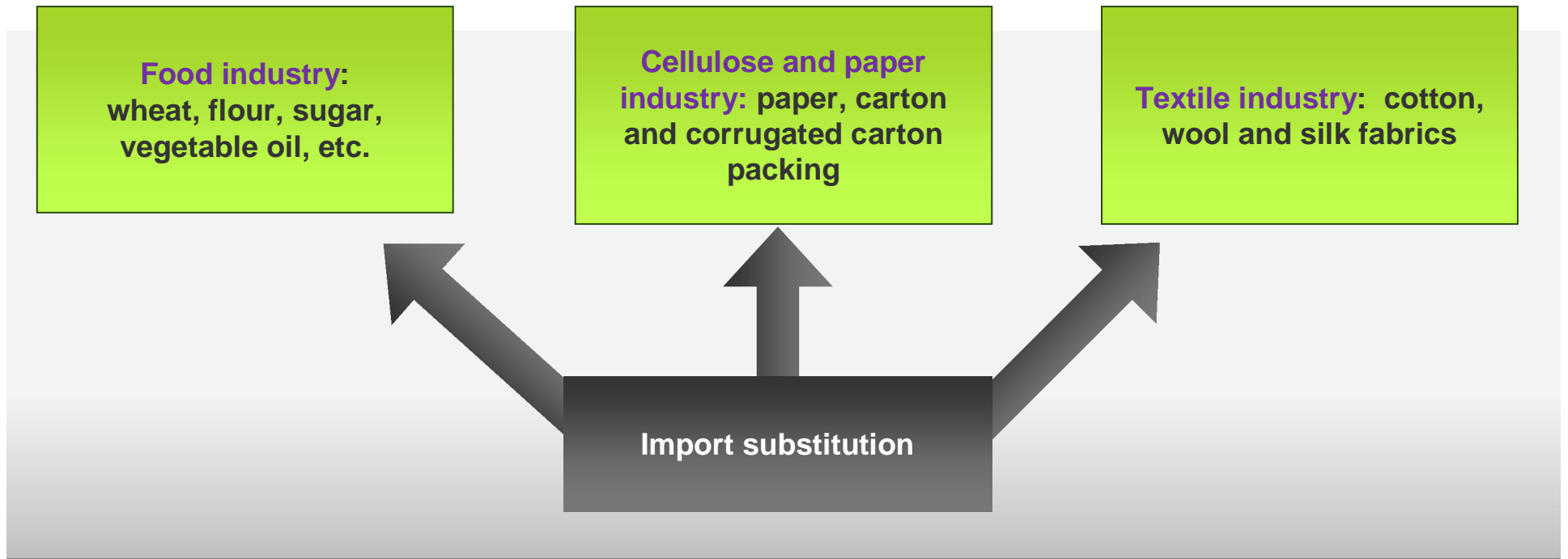
CU countries – strategic economic and trade partners

Territory of the CU countries is a comfortable space for business, trade, cultural, humanitarian and spiritual cooperation

Implementation of joint energy projects, and trade, transport, pipeline infrastructure projects

Expanding the market size to attract foreign direct investments

Development of agricultural production and ensuring stability of prices for agricultural products



Issues of technical regulation and application of sanitary, phyto-sanitary and veterinary measures

KGZ in the Customs Union

Unified documents:

- Technical regulations, including single sanitary, phyto-sanitary and veterinary requirements;
- Certificate of conformity, declaration of conformity and other sanitary, phyto-sanitary and veterinary documents to prove the safety of products;
- Inclusion of KGZ conformity assessment bodies into the Register of the Customs Union.

KGZ outside the Customs Union

When KGZ goods are exported to the CU:

- Different technical regulations, lack of recognition of documents confirming the safety of goods issued by KGZ conformity assessment bodies;
- All products will be subject to testing and certification for their compliance with the regulatory and legal acts adopted within the Customs Union;
- It would be impossible for KGZ conformity assessment bodies to be included into the Register of the Customs Union.

Issues of technical regulation and application of sanitary, phyto-sanitary and veterinary measures

KGZ in the Customs Union

For the State:

- No longer needed to develop 47 *(in future 62)* technical regulations – budget resources saving;
- Planned equipment and modernization of laboratory testing equipment in the republic.

For business:

- Lower costs when exporting products to the CU countries.

KGZ outside the Customs Union

For the State:

- The need to allocated budget resources for development of technical regulations *(for 1 technical regulation about 200 thousand soms)*;
- The needs for accelerated quipping and upgrading of laboratory testing equipment in the republic.

For business:

- A significant increase in expenditures to obtain the documents confirming the safety of products to be exported to the CU countries.

Таможенным союзом в 2011 году
запланировано принятие 47 технических
регламентов *(в будущем 62)*

- «Технический регламент о безопасности пищевой продукции»;
- «Технический регламент на соковую продукцию»;
- «Технический регламент на молоко и молочную продукцию»;
- «О безопасности мяса и мясопродуктов»;
- «О безопасности продукции легкой промышленности» и др.

Summary

Taking into account all advantages and disadvantages from accession to the CU and the SES, the following actions shall be undertaken:

- to approve the draft address to the EurAsEC Interstate Council;
- the Interagency Commission established under the Government of the Kyrgyz Republic on negotiations on accession of the Kyrgyz Republic to the Customs Union and the SES shall study and analyze the contractual and legal frameworks of the Customs Union;
- to develop negotiation positions to protect the national interests.