

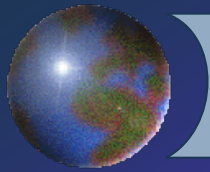


WORLD TRADE  
ORGANIZATION



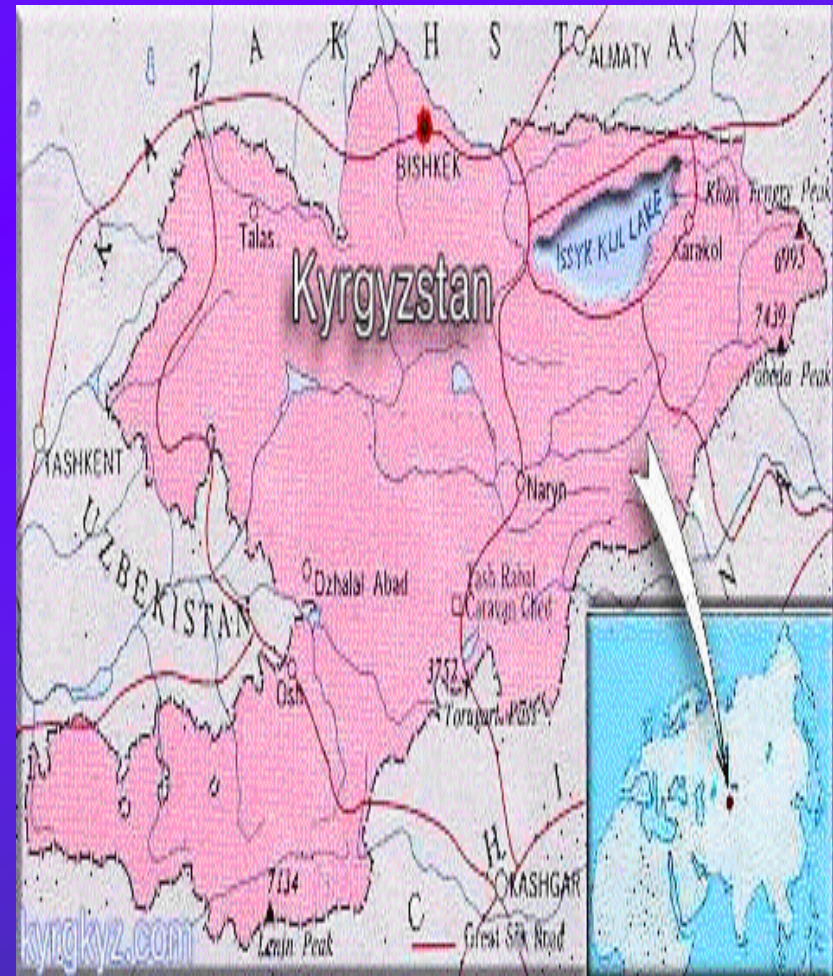
# *Kyrgyzstan and WTO: experience and perspectives*

**A. Rahmanova**



# *The Kyrgyz Republic*

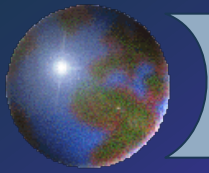
- ❁ **The Kyrgyz Republic** is a country of huge mountains located in the heart of Asian continent. The range of mighty peaks of Tien Shan and Pamir go through the whole Kyrgyzstan with one of the highest peaks of the world – Pobeda Peak 7739m and Lenin Peak 7134m above the sea level.



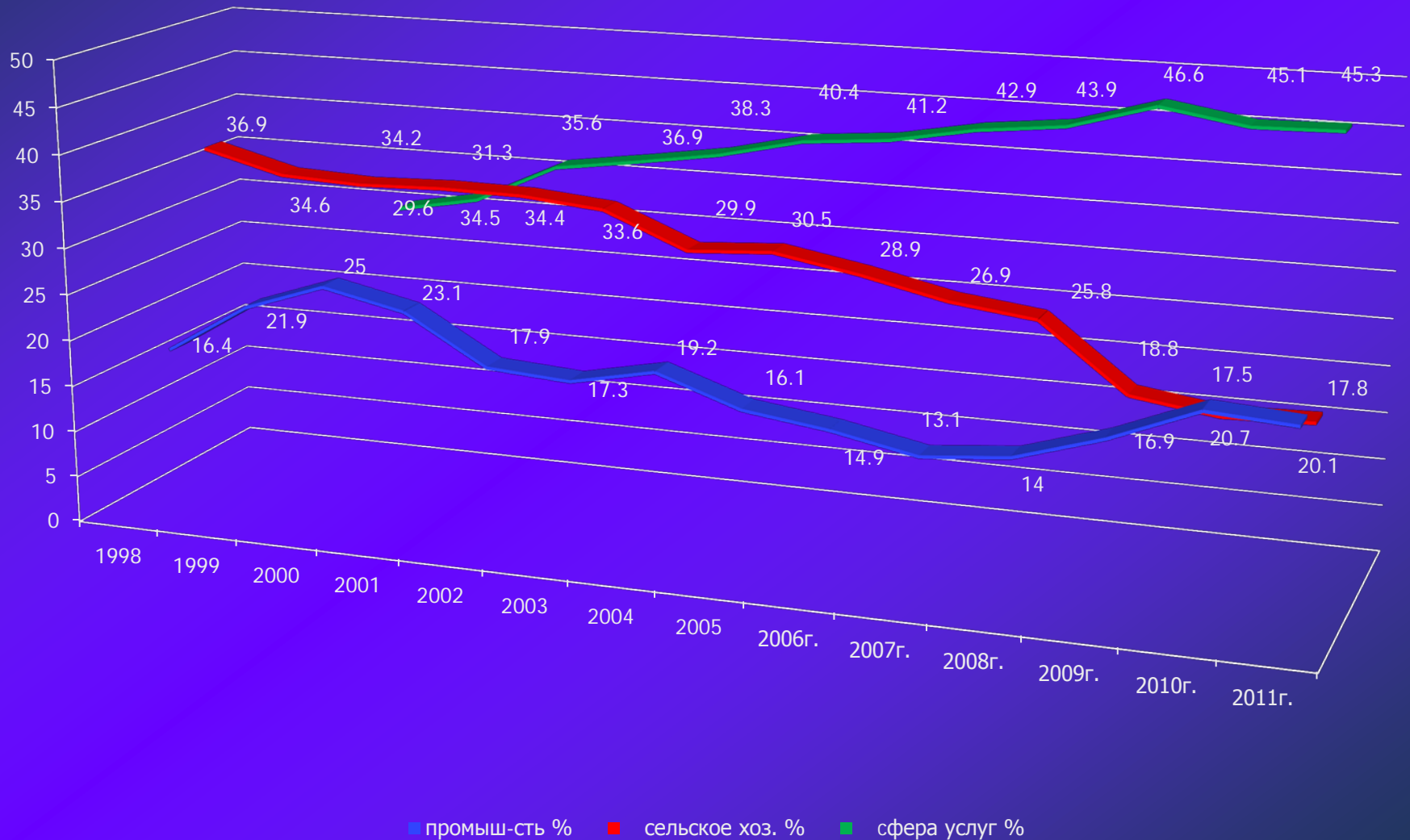


# *Economic development*

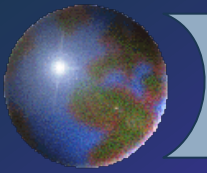
- ✿ Joining of the Kyrgyz Republic to the WTO had a great influence on conducting regulatory reforms;
- ✿ Reforms have significantly changed the structure of the economy;
- ✿ Economic development of Kyrgyzstan along with mining industry stipulated mainly by the development of its individual sectors such as services and agriculture, see figure 1.;



*Figure 1. Specific weight of the main sectors of economy*







# *Economic development*

- ❖ Before the reforms the main sectors of the economy were:
- ❖ Agriculture and industry. During the reforms, the services sector started to develop rapidly.
- ❖ For 1998-2011 the portion of agriculture in GDP was reduced 2 times, while the services sector has increased by 1,5 times.
- ❖ Owing to those sectors of the economy the real GDP has been observed (though not sustainable, fig. 2)

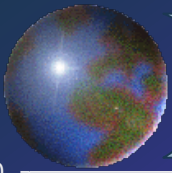
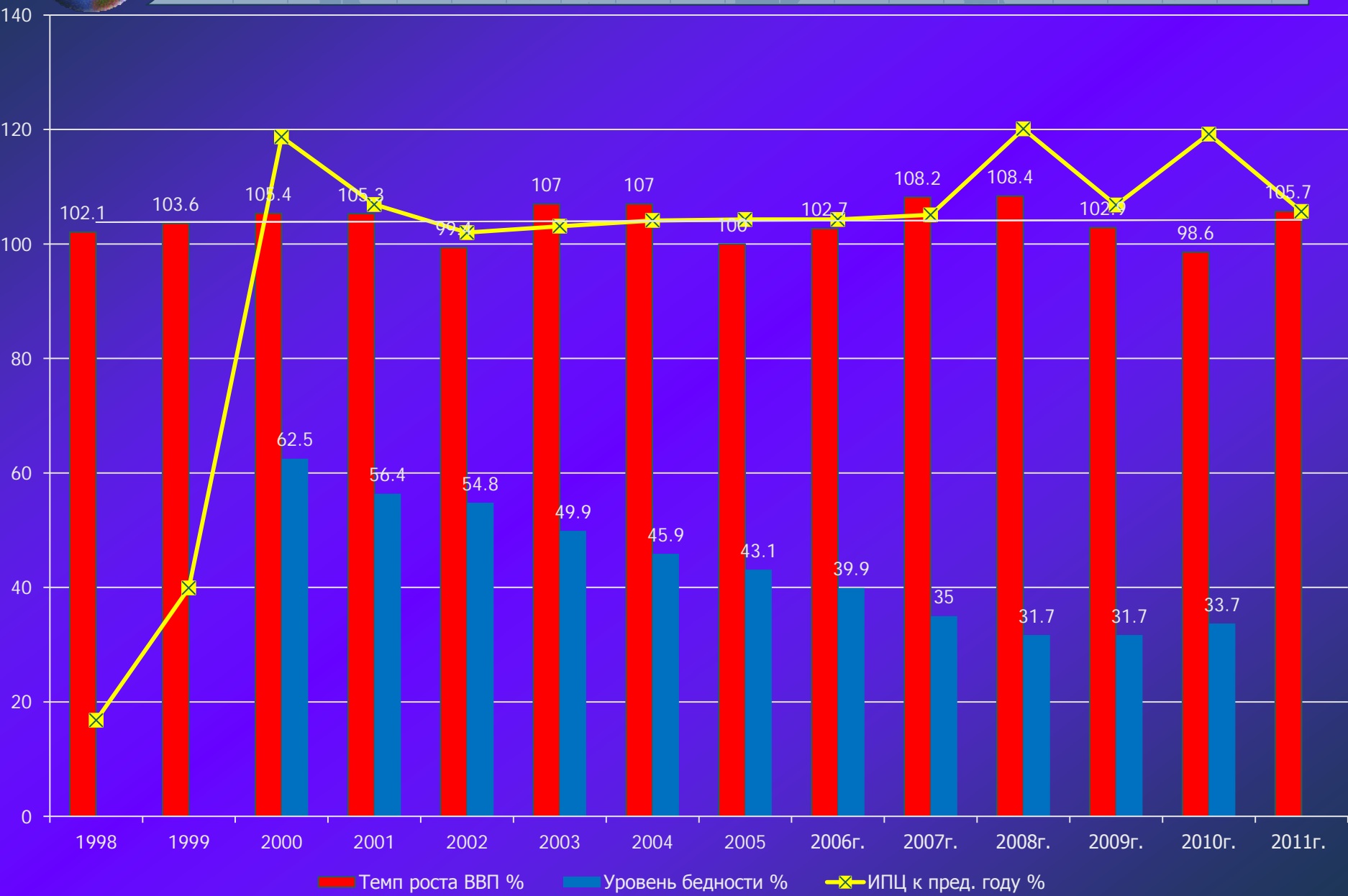
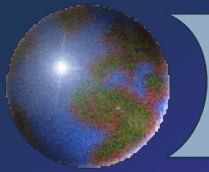


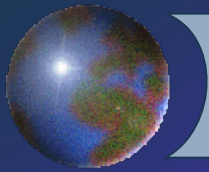
Figure 2. Dynamics of GDP growth rate, unemployment and inflation





## *Economic development*

- ❁ Inflation during 1998-2000 was at two level sign, in 2001-2007 at one level sign, 20,1% in 2007 and 24,5% in 2008, conditioned by increase in prices for food commodities (figure 2). Monetary-credit and fiscal policies of the state during that period were aimed at restraining inflation processes in the country, as a result of that decreased by 5,7% in 2011.
- ❁ GDP per capita after accession to the WTO has increased three times from 355,3 USD in 1998 to 1067,7 USD in 2011. As a result of that the poverty of population decreased almost two times.



## *Kyrgyzstan applies the following trade regimes:*

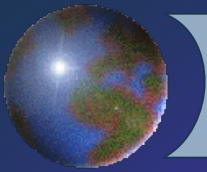
- ❖ CIS countries, including EurAEC – free trade regime (duty-free),
- ❖ WTO-countries – the most-favored treatment (as per the commitments to the WTO),
- ❖ The least-developed countries – preferential treatment (duty-free).





# *Tariff policy*

- ❖ Accession of Kyrgyzstan to the WTO and correspondent changing of tariff policy in first years has resulted in reduction of tax receipts to country's budget (figure 7). Before acceding to the WTO the average customs tariff rate was 5,7 %, after accession – 10,56 (the consolidated tariff) but from 2000-2011 - 5,2-5,0 % (used tariff) . However so far the decrease of income from reduction of tariffs and trade taxes has been compensated by the growth of trade turnover.



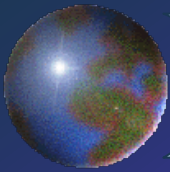
## *Development of foreign trade*

- ❁ Liberal trade policy gave rise to development of country's domestic trade which grew from 12,6 % to GDP (1998) to 16,1 % to GDP in 2011. As a result of that the employment has increased in that sector from 7,2 % (1998) to 15 % in 2011. That became a cushion for softening of consequences from reorientation of the country's economy from industrial-agrarian to service-agrarian.
- ❁ The Republic became a platform for carrying out trade transactions of subregional scale, large markets have emerged such as – Dordoi and Karasuu as the main platforms for their implementation.



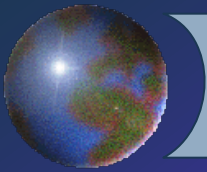
## *Advantages of membership in the WTO*

- ✦ The work of private sector started to activate, some associations: «Legprom», «Souztextile», Union of Entrepreneurs, Association of markets, trade and services sphere enterprises, Association of enterprises on processing of vegetable products, Association of craftsmen, Association of young entrepreneurs, Association of carriers and etc have been emerged. But the main one still remains the Chamber of Commerce and Industry which also provides public services on issuance of certificate of origin of goods.
- ✦ Information centers have been established under the different ministries and agencies.
- ✦ In 2000 the Information Centre was established in the Ministry of Foreign Trade and Industry (IC),
- ✦ Information-consultative Centre for standards was established in the Institute for Standards. No enquiry point on SPS issues has been established so far. It is expected that it will be established in the Ministry of Agriculture which is responsible for implementation of the WTO Agreement on Sanitary and Phytosanitary Measures. However due to the weak capacity of the Ministry, that Service does not function.



*Among the negative sides of membership in the WTO, the following should be noted:*

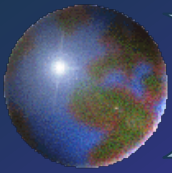
- Having acceded to the WTO, the Kyrgyz Republic created equal conditions of implementation of the national and import goods in the domestic market. It facilitates to competition of goods, on the one hand – makes domestic producer more vulnerable. As a result of that imported goods prevail on the domestic market, but not only of WTO member countries but mainly of the CIS countries.
- Kyrgyz Republic accepted commitments to join non-mandatory WTO Agreements: Agreement on Public Procurement, Agreement on Civil Aviation.
- The country when acceding to the WTO has accepted commitments on liberalization of services sector and opened access to its market for foreign suppliers of services mainly without limitations for national treatment, except for services in the area of energy distribution, lawyers, mail services, air transport inside the country, and services provided by physical entities.
- Accepted commitment on subsidizing of agriculture at the rate not less than 5 % of total value of production of main agricultural products, as accepted for developed countries.



## *Existing problems in trade*

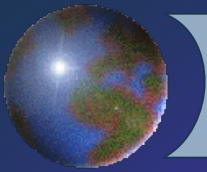
- ❖ In spite of that the legislation in the field of intellectual property complies with international conventions and TRIPS Agreement, the obligations for legal provision of compulsory measure on implementation of IP still need to be implemented by means of clear determination in legislation of civil, administrative and criminal responsibility measures for violation of IP rights in accordance with TRIPS Agreement, that also includes the provision by customs services of the measures for preventing of movement of counterfeit goods through the country's borders.
- ❖ Some concern caused by the processed related to tariff escalation in WTO member countries since any added value to natural resource in the country of its origin shall be effectively «punished» by increasing of tariff rate in the importing country. In view of that the economic restrictions will be imposed for capability of developing countries oriented toward high-level development.





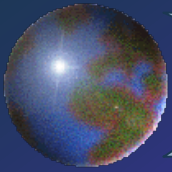
## *To be continued*

- ❖ In its turn, this means that for getting income from trade it is required to sell the large volume of natural resources without creating added value.
- ❖ Such practice is in place, for instance, in mining industry, this may cause significant additional damage for environment. In addition, such practice reduces the opportunity of fight with poverty, since it contributes to creating low-paid production units to the detriment of high-paid one.
- ❖ Tariff escalation contradicts sustainable development. Since it is easy to export raw material, its production is getting increased. It often leads to exhaustion of mineral reserves and other natural resources.
- ❖ Therefore negotiations under paragraph 16 of Doha Declaration on tariff rates and tariff escalation is quite constructive for the Kyrgyz Republic from the point of environmental protection and sustainable development.



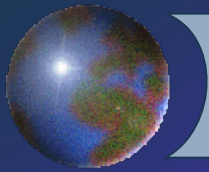
## *Part 2. Continuation of reforms and directions of trade development strategy*

- ❁ Currently reforms in the area of trade are still continued, since 2007 they are aimed at optimizing and simplification of trade procedures and improvement of conditions for business in trade area. As a result of that the number of documents required for registration of export/import was reduced from 13 to 7.
- ❁ A list of goods subject to licensing and mandatory certification was reduced by transposing them to less burdensome declaration of producer/importer itself.
- ❁ “single window” project is being implemented for registration of export-import at one place.
- ❁ In 2008 at basic passage points an introduction of system of electronic document was started to control delivery of the goods, for implementing «one-stop shop» principle.
- ❁ All of these allowed improving the country's rating on «Doing Business: according to the indicator «international trade», it rated from 183 in 2009 to 154 in 2010.
- ❁ As a result of participation of the Kyrgyz Republic in Doha Round of negotiations, we managed to promote position of our country. In respect to Kyrgyz Republic and other CIS countries, acceded to the WTO, the commitments on reduction of customs tariffs.



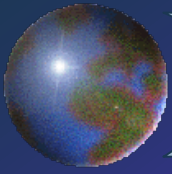
## *To be continued*

- ❖ Currently at the international level the Kyrgyz Republic having a low level of human and financial resources, take enough active participation in international processes related to the WTO.
- ❖ Challenges at the national level are low level of policy-management system which is consequence of lack of effective mechanism of interdepartmental and intersectional interaction at system, institutional and individual level.
- ❖ For preventing them and promoting interests of the country at external market, it is necessary:
- ❖ Better study the world multilateral trade system. Find out new tendencies in the field of investment and ecological world practice, opportunities of information technologies. Determine the ways of using ecology as a factor of enhancing the country's competitiveness.



## *To be continued*

- ❖ Conduct systematic analysis of results of participation of the Kyrgyz Republic in the WTO and other perspectives.
- ❖ Be more actively involve in elaborating the rules of international trade, i.e. expand the list of key questions of Trade negotiators, especially, for us to prepare our position on items 31-33 of Doha Declaration «Trade and Environment», on expanding the list of geographical indications under TRIPS, and elimination of tariff escalation under developing modalities for negotiations on agriculture and non-agricultural market access and other items of Doha Development Agenda.
- ❖ Completely use the WTO mechanism for protecting interests of national entities of economic activity.
- ❖ Use at a maximum WTO infrastructure and institutes in order to increase capacity of ministries, agencies and business community of Kyrgyzstan.



**Thank you for attention!**