

# The Customs Union and Its Impact on Economic Development of Kyrgyzstan



Ministry of Economic Regulation  
of the Kyrgyz Republic

# Customs Union Map

## Customs Union ТАМОЖЕННЫЙ СОЮЗ

Republic of Belarus

Республика  
Беларусь

Russian Federation

Российская Федерация

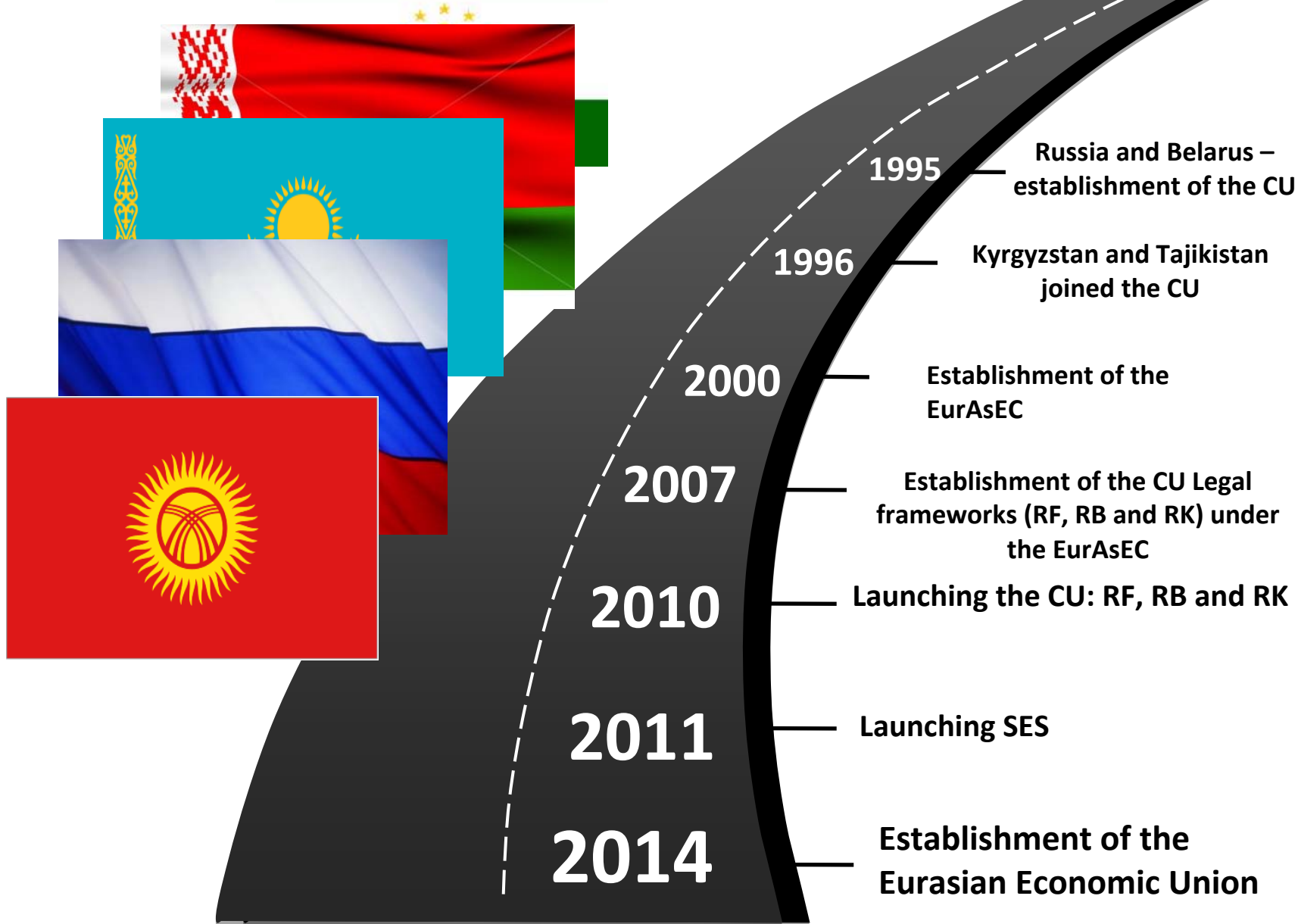
Republic of Kazakhstan

Республика  
Казахстан

Kyrgyz Republic

Кыргызская Республика

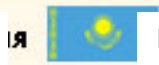
# CU Formation Process



# Concept for the EurAsEC Integration Development



Belarus



Kazakhstan



Kyrgyzstan



Russia



Tajikistan

Free Trade  
Regime

Customs Union

Single Economic  
Space

Abolishment of customs duties and other restrictive measures for trading in goods produced in the territories of participant countries



Establishment of the single customs territory with a free movement of goods, both produced in this territory and imported from the third countries



Free movement of:  
- goods  
- capitals  
- labor



When ready

ГТ



# Stages for Single Customs Territory Formation

Implementation of plans to transfer all types of control, except the immigration control, to external border of the Customs Union

Preparation for adoption of the CU Customs Code and agreements on collection of excise, VAT

Introduction of the uniform customs tariff and non-tariff regulation

Testing the mechanism for accrual and allocation of import customs duties and excise tax

Abolishment of customs clearance at the RK border for goods originating from the RB, RF and RK <sup>1</sup>

The Customs Code of the Customs Union is put in force

Introducing a mechanism for accrual and allocation of import customs duties

Transfer of control to the external border of the RB and the RF

Transfer of control to the external border of the RK while preserving the immigration control at the RF-RK border

01.07.2009    01.10.2009    01.01.2010    01.04.2010    01.07.2010    01.01.2011    01.07.2011

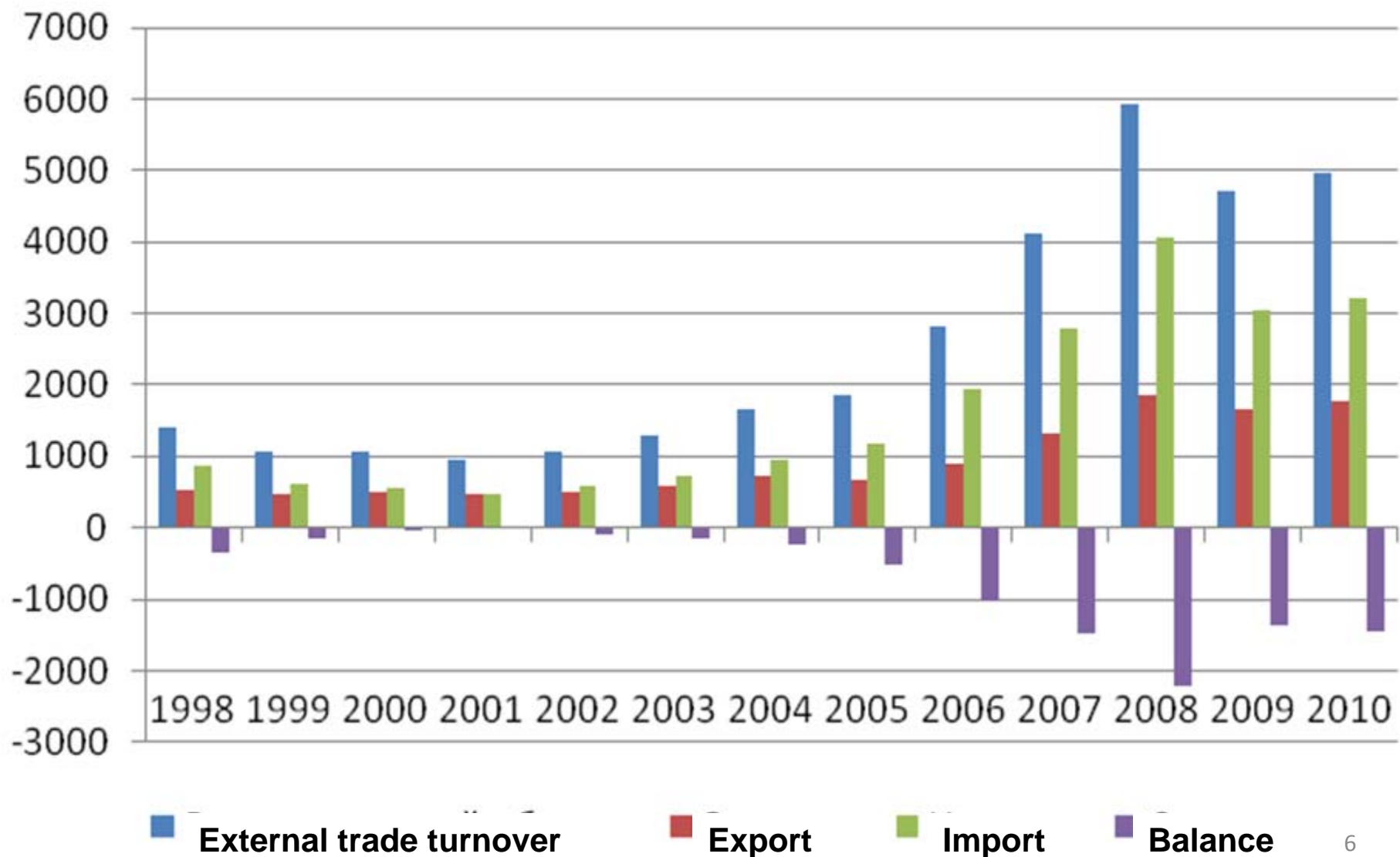
**Preparatory stage**

**Stage I**

**Stage II**

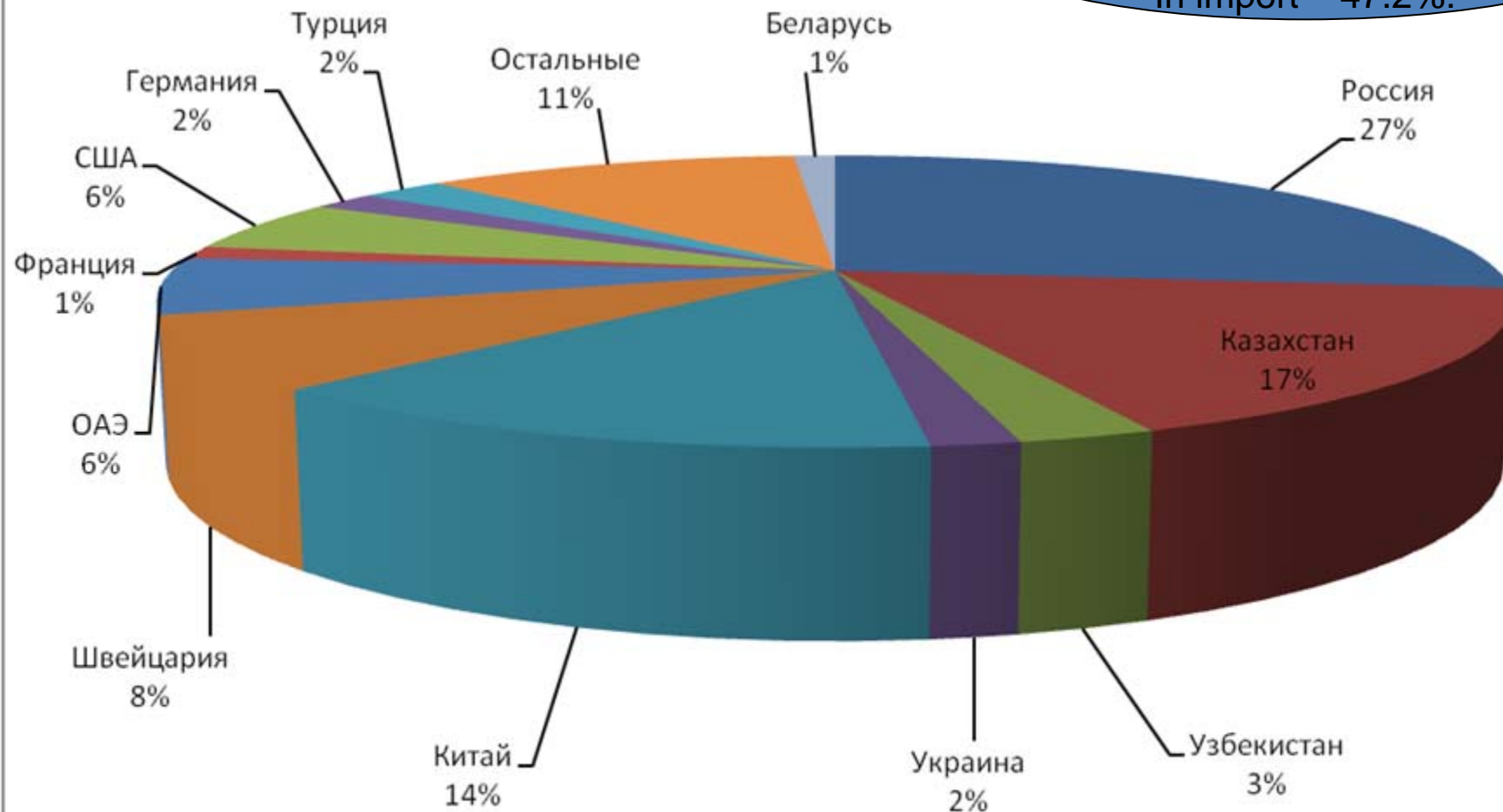
<sup>1</sup> Should the necessary information exchange arrangements be introduced at a later stage, the implementation of this item may be postponed by the decision of the CU Commission to a later date, but not later than July 1, 2011

# External Trade Development Trends in the Kyrgyz Republic (in USD million)

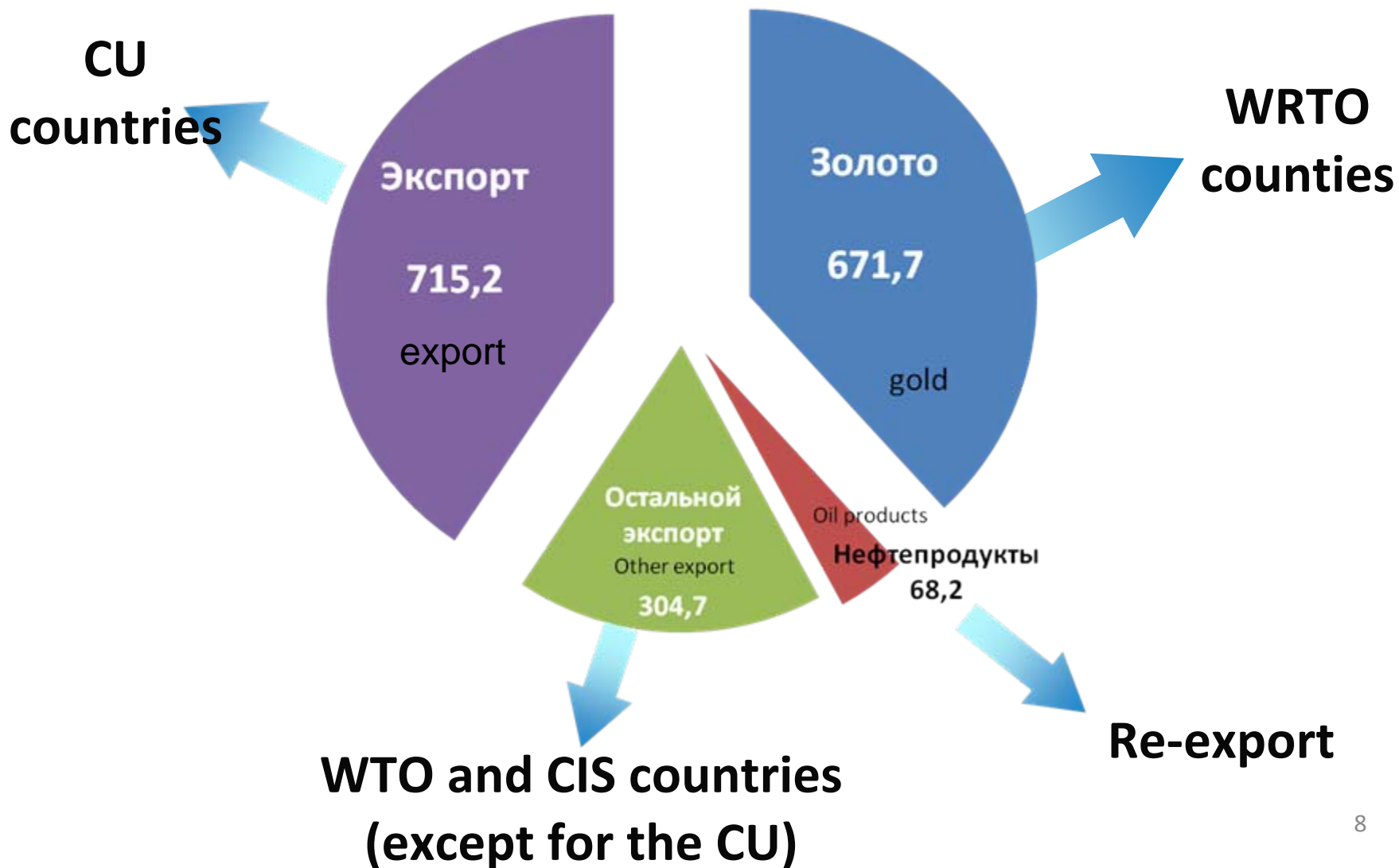


# Share of Major Trade Partners of the Kyrgyz Republic in 2010

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

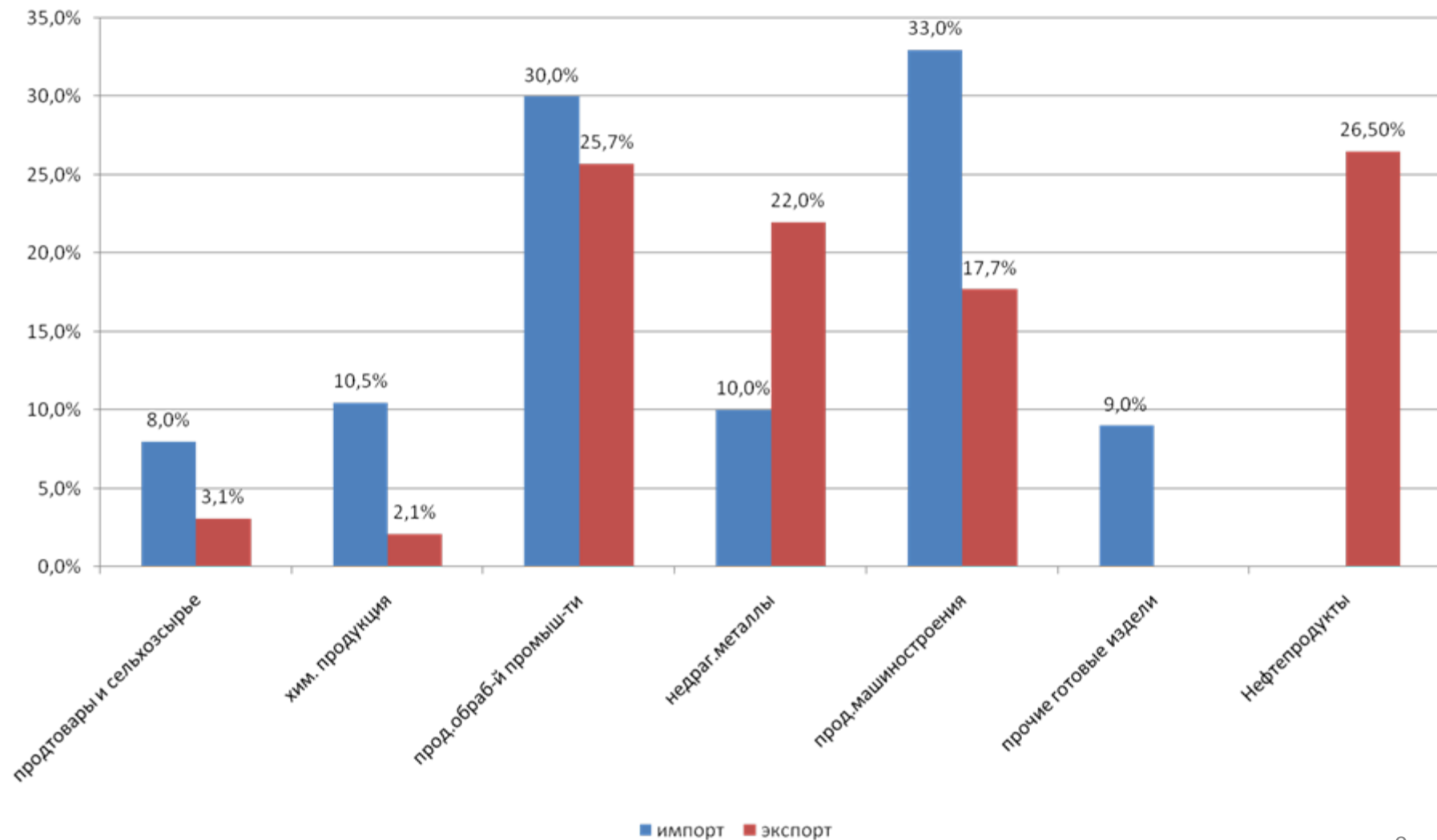


# KGZ Export to the WTO and CU Countries in 2010 (in USD million)





# Trade of Kyrgyzstan with China in 2010 (import/export)



# Trade of Kyrgyzstan with CU Countries

## RUSSIA

### KGZ EXPORT

Clothes and textile – **98%**

Cotton fiber – **72%**

Vegetables and fruit – **28%**

### IMPORT to KGZ

Oil products – **76%**

Timber – **70%**

Cast iron and steel – **42%**

## BELARUS

### KGZ EXPORT

Radiators – **46%**

Beans – **1.5%**

Cotton – **3.3%**

### IMPORT to KGZ

Sugar – **65%**

Rubber products – **5%**

Wood products – **4%**

## KAZAKHSTAN

### KGZ EXPORT

Electricity – **100%**

Dairy products – **98%**

Meat products – **89%**

Animals - **93%**

### IMPORT to KGZ

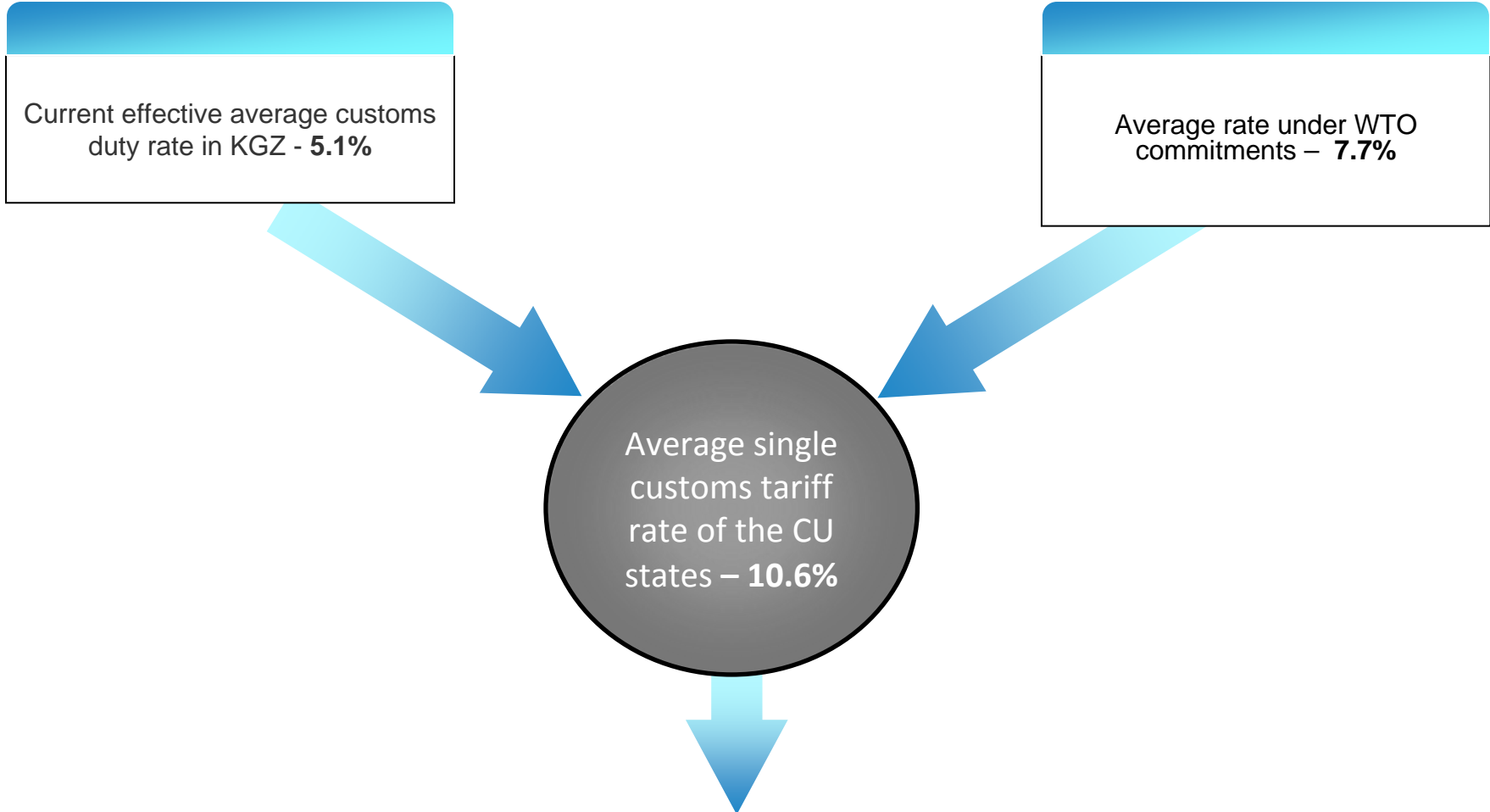
Wheat – **98%**

Wheat flour – **75%**

Coal – **100%**

Cast iron and steel – **20%**





Current effective average customs duty rate in KGZ - **5.1%**

Average rate under WTO commitments - **7.7%**

Average single customs tariff rate of the CU states - **10.6%**

### Consequences

- **CPI growth on the average by 1.5-2%**
- **Undercollection of taxes for the budget**
- **Reduction in re-export**
- **Negotiations with the WTO to change the commitments**
- **Additional budget expenditures** (membership fee about 58 million KGS)
- **A small share of KGZ in CU revenue distribution** (estimated at 0.6-0.7%)



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

## KGS in the Customs Union

- Unified documents:**
- Technical regulations, including uniform sanitary, phyto-sanitary and veterinary requirements;
  - Conformity certificates, declarations of conformity and other sanitary, phyto-sanitary and veterinary documents to confirm the safety of products;
  - Including KGZ conformity assessment bodies into the Register of the Customs Union.

## KGZ outside the Customs Union

- When exporting KGZ goods to the CU:**
- different technical regulations, no recognition of documents confirming the safety of products issued by KGZ conformity assessment bodies;
  - all products will be subject to testing and certification for compliance with the legal acts under the Customs Union;
  - The inclusion of KGZ conformity assessment bodies into the CU Register will be impossible.

# Issues of technical regulation and application of sanitary, phytosanitary and veterinary measures

## KGS in the Customs Union

For the state:

- No need to develop 47 (*in future 62*) technical regulations – budget savings;
- Planned equipping and upgrading of the laboratory and testing base of the republic.

For businesses:

- Lower cost when exporting products to the CU countries.

## KGZ outside the Customs Union

For the state:

- Need to allocate budget funds for development of technical regulations (*about 200 thous. Soms per 1 regulation*);
- Need to accelerate the equipping and upgrading of the laboratory and testing base of the republic.

For businesses:

- A significant increase in costs to obtain documents conforming the safety of products exported to the CU countries.

# Summary



**CU countries – strategic allies, political, economic and trade partners**

**Integration links within the CU are based on the WTO principles**

**Territory of the CU countries – a comfort space for business, trade, cultural, humanitarian and spiritual cooperation**

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

**Expanded size of markets to attract foreign direct investments**

**Development of agriculture and ensuring stability of prices for agricultural products**