



Economic Integration Projects in the Kyrgyz Republic

December 16, 2016



Economic Integration Projects in Eurasia Region

1. Free Trade Agreement (FTA) – free trade between the members of the agreement

2. Custom Union (CU) – FTA + common external tariffs on trade with non-member countries

3. Common Market (CM) – CU + free mobility of factors of production

4. Economic Union (EU) – CM + common economic policy

In October 2000 – Eurasian Economic Union (EAEU) FTA between Belarus, Kazakhstan, Russia Federation, Tajikistan and Kyrgyz Republic was founded

In January 2010 – EAEU have been modified by creating inside FTA Custom Union of Russia, Kazakhstan and Belarus

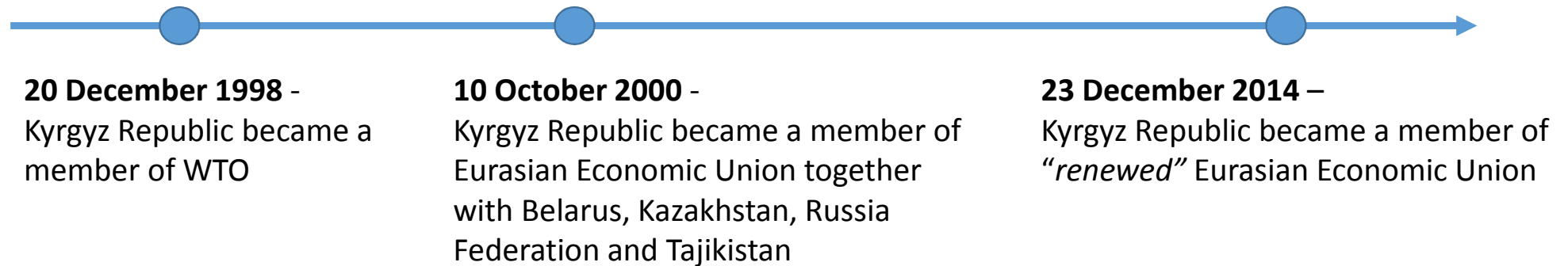
In January 2012 – Belarus, Kazakhstan and Russia Federation enter into agreement about common market

In December 2014 – Kyrgyz Republic and Armenia accepted into CU and CM agreement

In 2014 – Strategic development of the EAEU towards deeper economic integration was announced



Economic Integration Projects in the Kyrgyz Republic



Potential (Expected) Benefits from Kyrgyz Republic Integration in EAEU

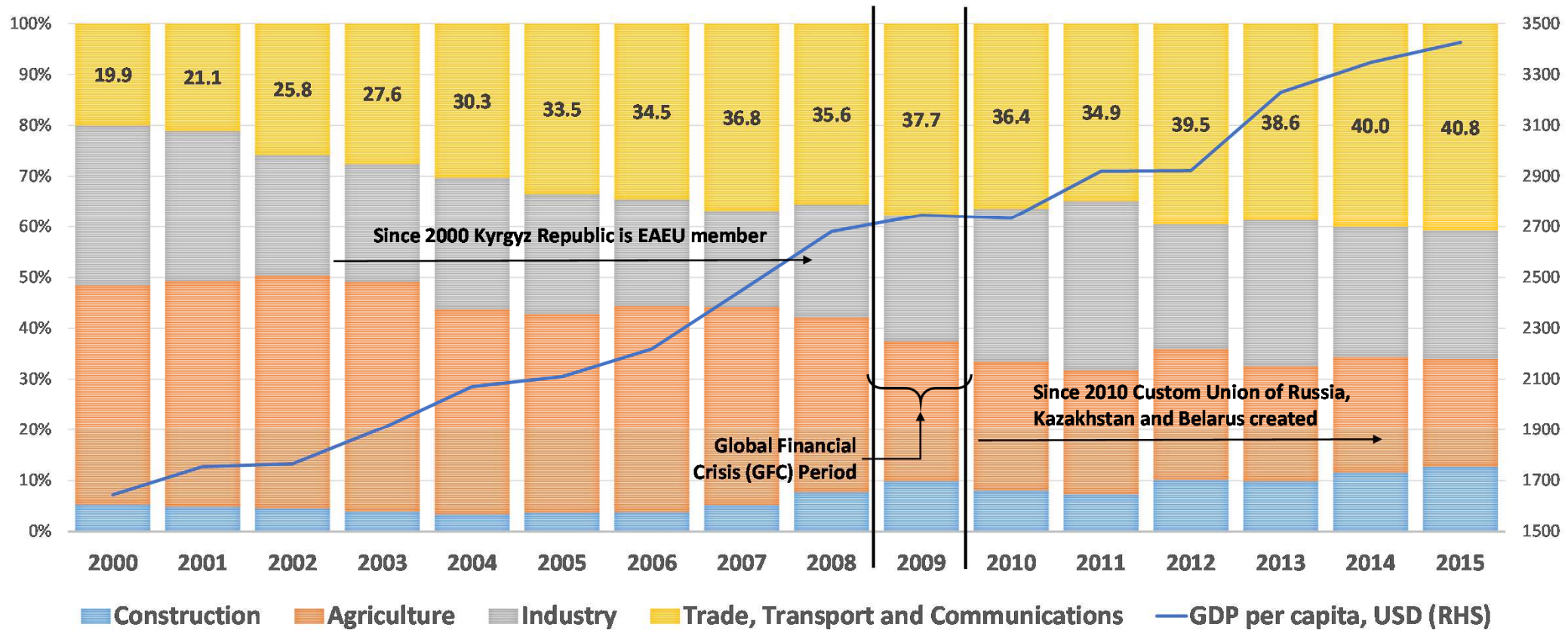


- Creating of new common and large market;
- Enlarging the market and creation of new opportunities for Kyrgyz Export;
- Pooling resources essential for stimulation and shifting economic growth on the new levels;
- Ensuring equal rules/opportunities for Kyrgyz worker abroad



Eurasian Economic Union: Kyrgyz Republic

Kyrgyz Republic Sectoral GDP Structure and GDP per capita dynamics

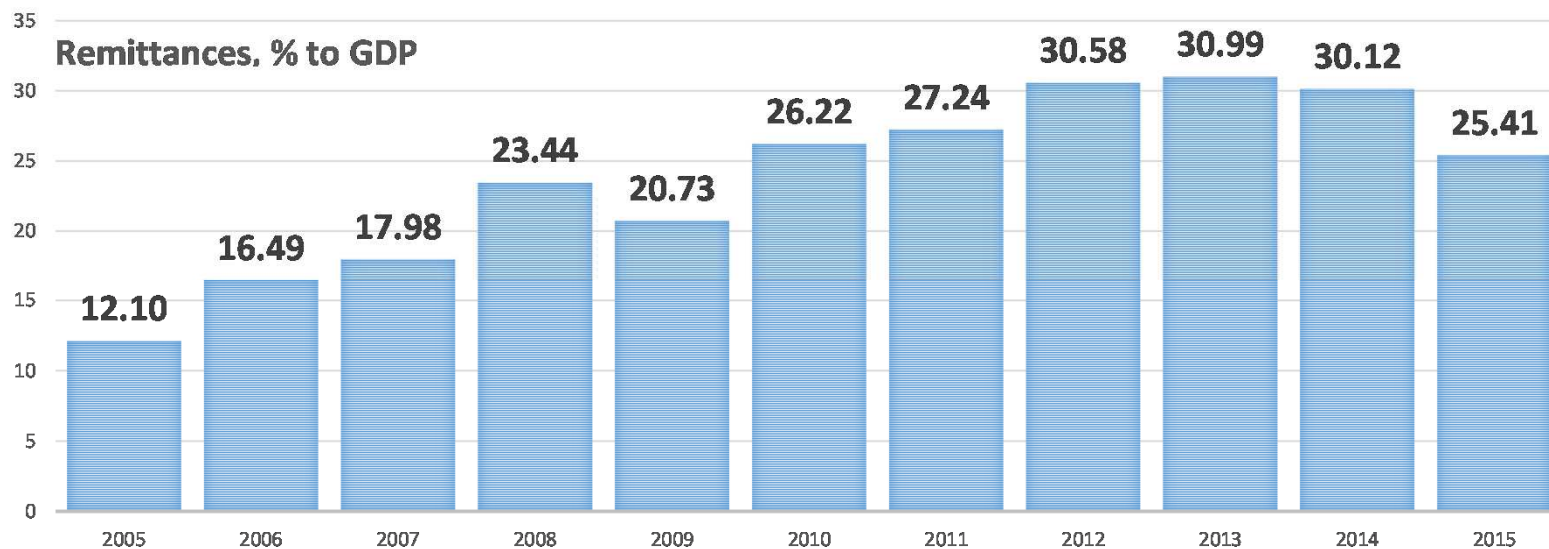


Eurasian Economic Union: Kyrgyz Republic



Free labor mobility in EAEU:

Kyrgyz Republic economy is remittances recipient – annual remittances inflow in Kyrgyz economy amounted 25-30 % of GDP since 2010

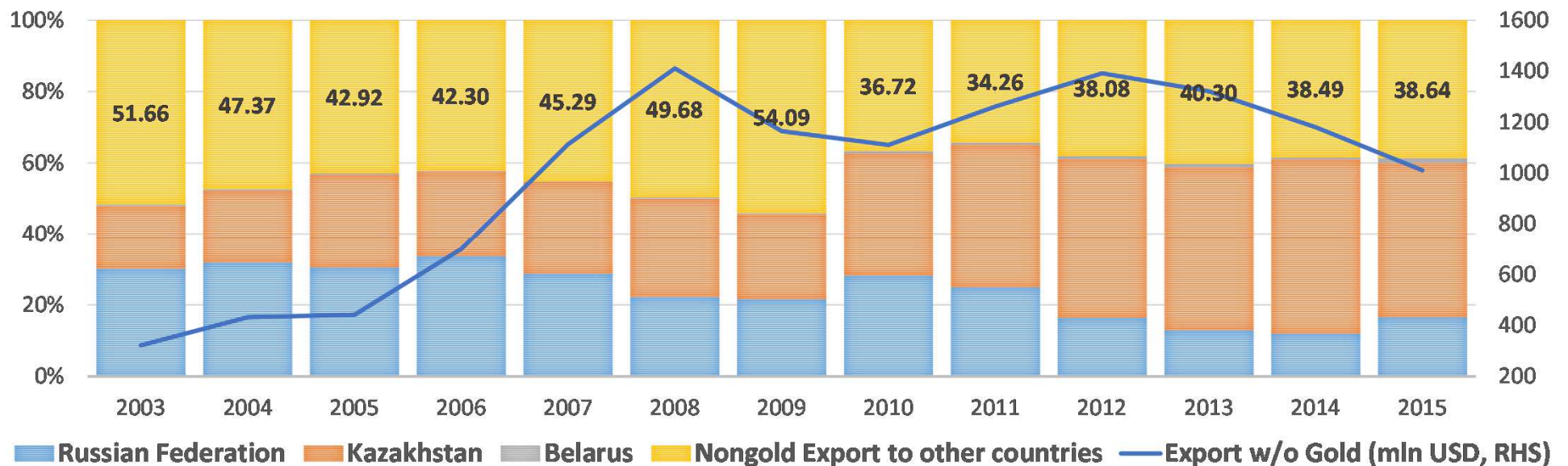


- 95% of remittances comes from Russia Federation
- Estimated share of Kyrgyz people working abroad is around 20-22% of total country's labor force (500-520 thsnd. people)



Export to EAEU countries

Geo-structure of Export

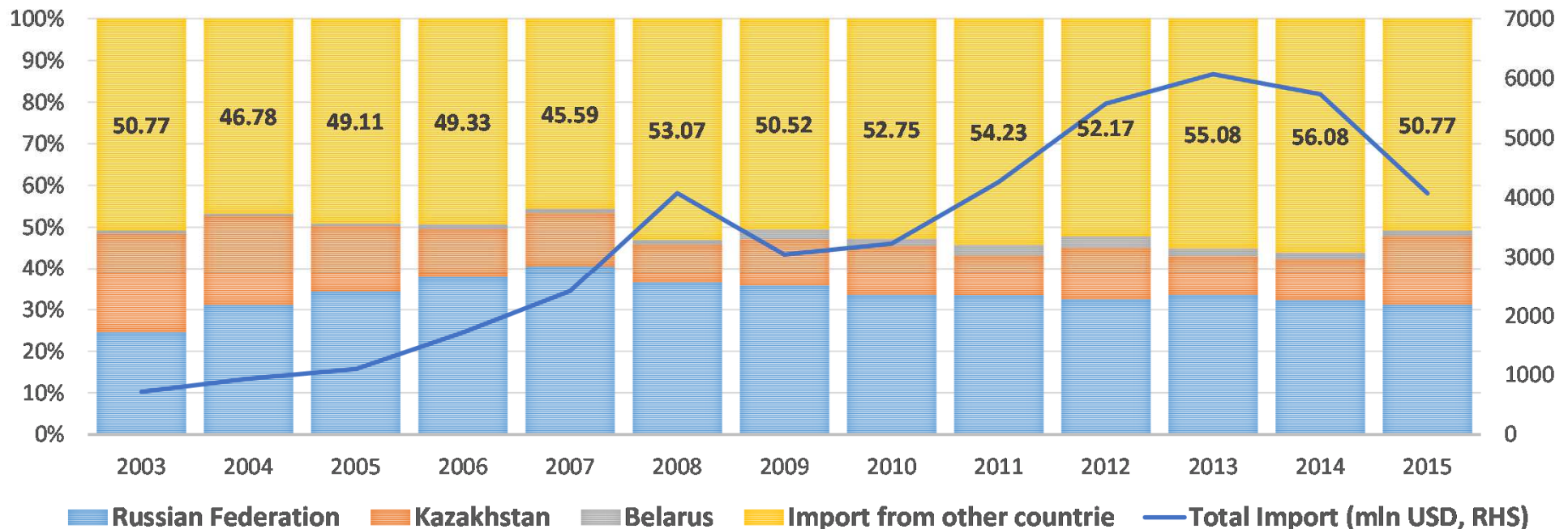


- Export to EAEU countries exceeds 60% of total nongold export from Kyrgyz Republic.
- On the background of decrease of oil price, correspondent economic recession in EAEU oil-exporter countries and sharp exchange rate corrections, demand for Kyrgyz Export has been decreasing.



Import from EAEU countries

Geo-structure of Import

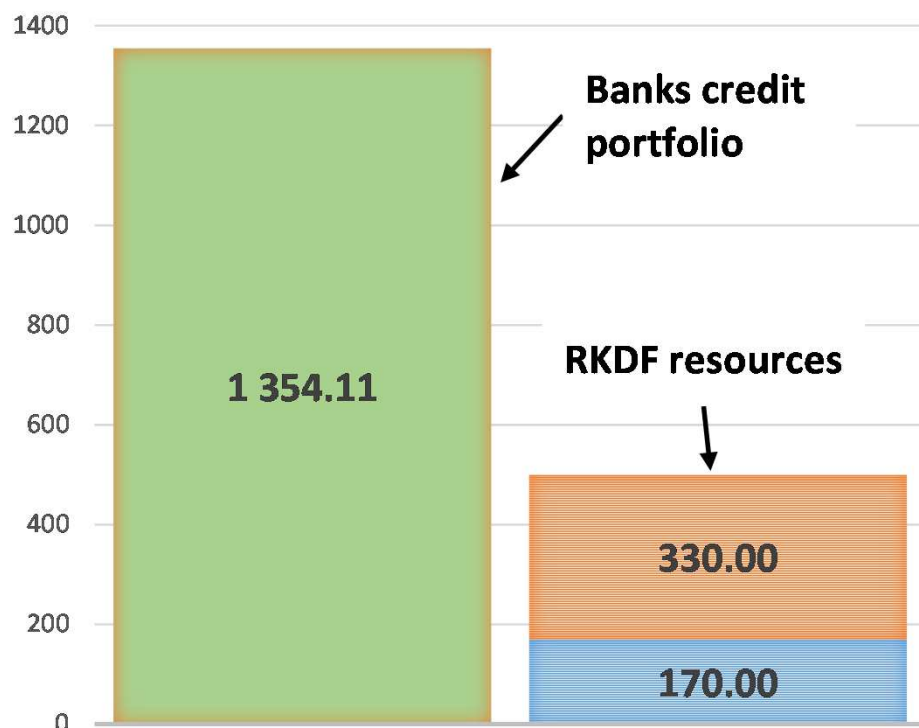


- Import from EAEU countries amounts for almost half of the total Import into the Kyrgyz Republic.
- Negative influence of recession in EAEU countries and associated decrease in remittances are the main reasons for import decrease in Kyrgyz Republic.
- Association between countries aims at the realization of cooperation and comparative advantage benefits, which is, in turn, takes time.

Russia-Kyrgyz Development Fund



Banks credit portfolio and RKDF resources (mln USD)



Russian-Kyrgyz Development Fund (RKDF) founded in November 2014

Main goal: support structural changes in the Kyrgyz economy.

RKDF provides access to long term loans both through the banking sector and directly to big investment projects.

Resources: RKDF manages 500 mln USD (~ equivalent of about 35% of Kyrgyz banking credit portfolio).

For today 170 mln USD has already been distributed as loan for in industry, transportation and agriculture.



Further development:

1. Of course, more work is needed
2. Agricultural goods certification system has to be created
3. Resolution on other nontariff barriers that are imposed on some goods
4. Still not perfect labor mobility inside EAEU member countries

Solving economic integration barriers will stimulate cooperation for all members of economic integration process.



Thank you for the attention!