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# Kyrgyz Republic Trade, Trade Policy and Export opportunities: A comprehensive analysis of the trade with the European Union

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## Index of Acronyms

| | |
|---|---|
| AHS | Effectively Applied Tariff |
| BKRCU | Belarus-Kazakhstan-Russian Federation Customs Union |
| CET | Common External Tariff |
| CIS | Commonwealth of Independent States |
| CN | Common Nomenclature |
| CU | Customs Union |
| EAEC | Eurasian Economic Community |
| EBA | Everything But Arms |
| EPA | Economic Partnership Agreement |
| EU | European Union |
| F-K | Finger-Kreinin |
| FTA | Free Trade Agreement |
| GDP | Gross Domestic Product |
| GSP | Generalised System of Preferences |
| HS | Harmonised System |
| LDC | Least Developed Country |
| MFN | Most Favourable Nation |
| NES | National Export Strategy |
| RCA | Revealed Comparative Advantage |
| RMA | Revealed Market Access |
| RTA | Regional Trade Agreement |
| SITC | Standard International Trade Classification |
| TCI | Trade Concentration Index |
| UN | United Nations |
| USA | United States of America |
| USD | United State's Dollars |
| USSR | Union of Soviet Socialist Republics |
| WTO | World Trade Organisation |

## Executive Summary

During the last 20 years, the Kyrgyz Republic has witnessed important political, social and economic changes. Moving from a planned to a market oriented economy has not been free of costs yet the Kyrgyz Republic has managed to restore its economic growth prospects. This, in a backdrop of i) important fluctuations in international commodity prices affecting, in particular, the price of gold; and ii) a big trade liberalisation push.

This report aims to paint a portrait of the evolving trade patterns of the Kyrgyz Republic in an effort to provide policy guidance for the promotion of exports and in support for future trade related negotiations. The main findings are summarised below:

- There has been a strong growth in imports during the last decade: partly motivated by more liberal policies towards imports and a higher rate of economic growth (demand effect).
- An increase in exports has also taken place following a positive terms of trade shock arising from increases in the price of gold. However the growth of exports has not kept pace with that of imports leading to a widening of the trade deficit. As it stands, income generated through export sales can only finance half the expenditure on imports which implies that other sources of foreign currency (such as remittances or foreign direct investments) are financing the imbalance, the future availability of which is uncertain.
- Whilst imports have become more diversified, exports have increasingly concentrated in gold driven by the high prices of this commodity. This has led this product to occupy nearly 52% of total exports in 2011 with more traditional products seeing a relative decline in participation.
- Concurrent to this is an important fall in the importance of the EU as a destination for Kyrgyz Republic exports. Whilst the fall is mainly explained by the change in the destination of the main exported product – gold; less dynamic export growth to the EU is also observed in other sectors when compared to performance in the rest of the world.
- Whilst in general main exported products seem to be in line with comparative advantages; differences in the composition of exports across destinations suggests that the Kyrgyz Republic may be benefiting from trade diversion with respect to its FTA partners (i.e. the preference that are afforded to the Kyrgyz republic may be giving Kyrgyz Republic exports an edge over more efficient non-FTA suppliers).
- However, Changes in the origin of imports, in particular the increased participation of Russian Federation, suggests that the Kyrgyz Republic may also be potentially suffering from trade diversion (i.e. it may be replacing cheaper third country imports by imports from Russia solely because of the preference is affords to this partner).

This is welfare reducing since the Kyrgyz Republic may be paying more for its imports than it should and also foregoing tariff revenue.

- On average, tariffs applied by the Kyrgyz Republic tend to be low. This suggests that even if there is indeed scope for trade diversion, as mentioned above, the size of this effect is likely to be limited. Having said this, if the Kyrgyz Republic is to raise its tariffs in order to comply with the higher common external tariff of the Belarus-Kazakhstan-Russian Federation Customs Union (BKRCU) it is likely to increase the scope for more sizeable trade diversion effects.
- Slower growth and high concentration of exports have been noted as potentially problematic by the National Export Strategy (NES) which aims to strengthen export performance across broad sectors.
- Using the sectoral guidelines of the NES, we provide a list of products which have observed i) important growth in exports; and ii) growth in comparative advantage so as to further fine-tune the export promotion strategy.
- The weaker performance of exports to the European Union can be partly explained by factors other than the change in the destination of gold exports. In general, exports to the EU are substantially lower than what would be expected given the size of the EU market; this may reflect the existence of barriers faced by Kyrgyz Republic exporters in their exports to the EU.
- Since trade policy in the EU has not changed much since 2002, some other elements, such as higher transportation costs (Kyrgyz Republic exporters may be favouring nearby destinations) or a change in the Kyrgyz republic export structure may explain the lower trade flows with respect to the EU.
- The tariff analysis reveals a widening in the difference between the average MFN tariff and the average effectively applied tariff in the European Union which may come as a result of the EU's increased participation in FTAs. This implies that potential Kyrgyz Republic competitors may have seen their EU market access enhanced, which in turn could also be affecting the Kyrgyz Republic's exports.
- Whilst the announced changes in the EU's GSP regime might be beneficial for the Kyrgyz Republic; it is expected that these effects be limited given that the Kyrgyz Republic exports different goods to the EU to those exported by countries that are likely to graduate (hence the preference consolidation effects are likely to be small).
- Additionally, the Kyrgyz Republic's export structure is moving towards products with low or inexistent GSP preferences in the European Union such as garments or fresh and dried fruits. Obtaining GSP+ status might assist in recovering from the aforementioned erosion in the preference margins as well as boosting exports to the EU as duty free access is granted on those products where Kyrgyz Republic is currently specialising.

- However, the current use of GSP preferences is low and this suggests that there may be compliance related problems in utilising the preferences on offer (be these informational or related to factors such as rules of origin). As the EU has lost importance as a destination for exports, so too has the low utilisation of the EU's GSP. However, the causality might also run the other way. The obstacles associated to complying with the GSP regime may have caused exports to this destination to fall in relative terms.
- This suggests that there may still be benefits to reap from a more efficient use of the current GSP preferences on offer. Similarly, if additional preferences are obtained through a more generous preferential access, such as the GSP+, these might not be all that useful if the Kyrgyz Republic does not address the causes for low utilisation rates..

## Introduction[1]

The Kyrgyz Republic has undergone important transformations during the last two decades. On top of being afflicted, as many other economies, by global economical events, it has also been influenced by important and unique changes. During this period, it has passed from being a component of a much bigger entity (the USSR) to an independent state. These changes have brought opportunities, challenges and also new responsibilities and have led to important social, political and economic reforms.

During the last decade, the Kyrgyz Republic has witnessed and important increase in imports, however export growth has been more modest. This presents problems in terms of the sustainability of the current account when other sources of foreign currency are not available. Flows of foreign direct investment or ex-pats' remittances tend to be very volatile and subject to the economic cycle of the origin countries. At the same time, the export structure has remained highly concentrated in few natural-resource based products. These tend to be heavily influenced by the evolution of world prices which, given their volatility, add an extra risk to the management of the current account and therefore economic activity.

A National Export Strategy (NES) aiming to addresses both of these problems has been designed. It proposes a wider promotion of diversification of international sales in order to boost economic activity and find alternative sources of foreign income. However, important gains from trade accrue to the development of economies of scale which arise from finer specialisation. This requires a more targeted identification of products where expansion is feasible.

The possibility of joining the Belarus-Kazakhstan-Russian Federation customs union (BKRCU) and the request for GSP+ preferences for more favourable access into the European Union are two complementary strategies seeking to pursue the above stated goals and are defined in the NES. But there are two important drawbacks to this strategy. First, there is a possibility that the CU lead to welfare reducing trade diversion as current customs union MFN tariffs are higher than those currently applied by Kyrgyz Republic. Second, current GSP preference utilisation is very low, suggesting potential lower effects than expected. The analysis of the current use of preferences points towards weaknesses which may need to be addressed in order to make an efficient use of current and potential future preferences.

The analysis in this report aims at providing a detailed and thorough investigation into the current and past trading structures at a very disaggregated level. Here we focus on the product rather than the sector level to identify products that may warrant further promotion.

[1] Special thanks to Helen Bailey for her excellent research assistance.
[2] UNCTAD's Trade Analysis and Information System. http://www.unctad.info/en/Trade-Analysis-Branch/Data-And-Statistics/TRAINSWITS/
[3] United Nations Comtrade http://comtrade.un.org

We complement the analysis through the calculation of indicators that further elucidate the current performance of these products.

In the first part of this report, we present a portrait of the Kyrgyz Republic's trade. We focus on the evolution of trade and how it distributes by partner and by product. We also focus on imports and the tariffs that these face in order to identify the scope for trade diversion arising from the free trade agreements (FTAs) that the Kyrgyz Republic has engaged in.

In the second part, we focus more readily on trade with the European Union. We look at changes in the composition of the exports of the Kyrgyz Republic and the level of protection that these exports are facing in the European market. We pay particular attention to the utilisation of current available GSP preferences using very disaggregated information about the eligibility and use of preferences. The idea behind this analysis is to try to identify products, with particular low use of preferences that, through the identification of the constraint, could, with targeted efforts, see an increase in the level of exports.

Following the lines of the National Export Strategy (NES) and the sectors identified as key in this strategy, the report delves deeper into the analysis of these sectors by identifying, at a very detailed level of aggregation, the products that may potentially generate the highest returns and benefits from a more targeted promotion. A list of key products is then identified and the distribution of international demand for these is studied. With respect to the trade with the EU in these products, we identify the tariffs currently faced by these products in these markets.

This report is the fruit of the work of trade economists with vast experience in the analysis of the effects of changes in trade policy; in particular FTAs and unilateral preferential schemes. In the preparation of this report, various international trade and tariff databases such as TRAINS[2] and Comtrade[3] were used to collect Kyrgyz Republic and partner country data.[4] For some pieces of analysis, trade data from the European Union's Easy Comext[5] database was used. Trade and tariff data information was obtained between May and June 2013. Additionally, some contextual and specific information was obtained from different Kyrgyz Republic Government bodies and international organisations and donors' publications. Calculations of indicators, tables and charts were facilitated through the use of TradeSift[6]. Whilst some additional information that has enriched the report was collected with the invaluable help of Kyrgyz Republic Government officials during a training and workshop

[2] UNCTAD's Trade Analysis and Information System. http://www.unctad.info/en/Trade-Analysis-Branch/Data-And-Statistics/TRAINSWITS/

[3] United Nations Comtrade http://comtrade.un.org

[4] Note that it is important to use internationally available data sources in view of ensuring the comparability of results and in the calculation of some of the key indicators used in the study.

[5] http://epp.eurostat.ec.europa.eu/newxtweb/

[6] http://www.tradesift.com

session held in Cholpon-Ata, Kyrgyz Republic in June 2013. This report is mostly a desk based study.

## Trade and trade policy portrait

The independence from the USSR in 1991 let to important economic reforms due to the transition from a planned to a market oriented economy. Adjusting to the new economic circumstances led to remarkable changes in economic activity during the earlier transition years. There was, initially, a fall in economic activity of around 45% in the period 1991-1995. However, after this traumatic transitional phase, economic activity bounced back during the period 1995-2010 which saw an increase of 95%[7]. Whilst total GDP has recovered its pre-independence level, GDP per capita has actually fallen due to a growth in the population. However, since the growth rate of GDP is now higher than the growth in population we can expect GDP per capita to rise in the future.

The dramatic reforms undertaken have not only affected the level of the economic activity (and their consequent effects on the level of employment and income), they have also affected the composition of this activity. From an economy mostly based in the production of goods, before the independence, the Kyrgyz Republic is now replicating the pattern of other countries where services are growing in importance[8].

During the last 10 years, the Kyrgyz Republic economy has been affected by the increase in the international price of commodities. As we will see, the importance of gold in the export basket has grown in tandem with the price hike. This has important consequences; the high reliance of the Kyrgyz Republic in this product implies that the economy is vulnerable to price volatility. It may also pose particular challenges to other products produced and exported through Dutch-disease type phenomena[9].

The Kyrgyz Republic's internationalisation has also been changing. In fact, these changes have been consequences as well as factors for other transformations. Not only is the Kyrgyz economy more open now that it was before its independence, but it is also compositionally very different in terms of the products it trades with the World. Figure 1 shows the trade openness index (the sum of total exports and imports divided by the Kyrgyz Republic's GDP). Whilst the high levels of openness are consistent with the economic size of the Kyrgyz Republic (smaller countries tend to have higher openness), its evolution suggests that the economy has continued opening during the last decade. Yet this positive trend might be the

[7] National Statistical Committee of the Kyrgyz Republic (2011), *20 years of independence of the Kyrgyz Republic*

[8] Although, it is probable that services may have been underestimated during the Soviet period, indicating a less dramatic change.

[9] The Dutch Disease typically refers to a mechanism whereby an increase in revenues from natural resources (or inflows of foreign aid) results in the appreciation of a nation's currency. This in turn leads to an increase in the cost of the nations' exports and is often associated with a decrease in competitiveness. It can lead to a reduction and also a concentration of exports.

result of growth in commodity prices and in particular that of gold, hence not reflecting further liberalisation. Nevertheless, as we will see, this is not only explained by exogenous factors, the Kyrgyz Republic's own trade policy may also have played a role.

**Figure 1. Kyrgyz Republic Trade Openness Index.**

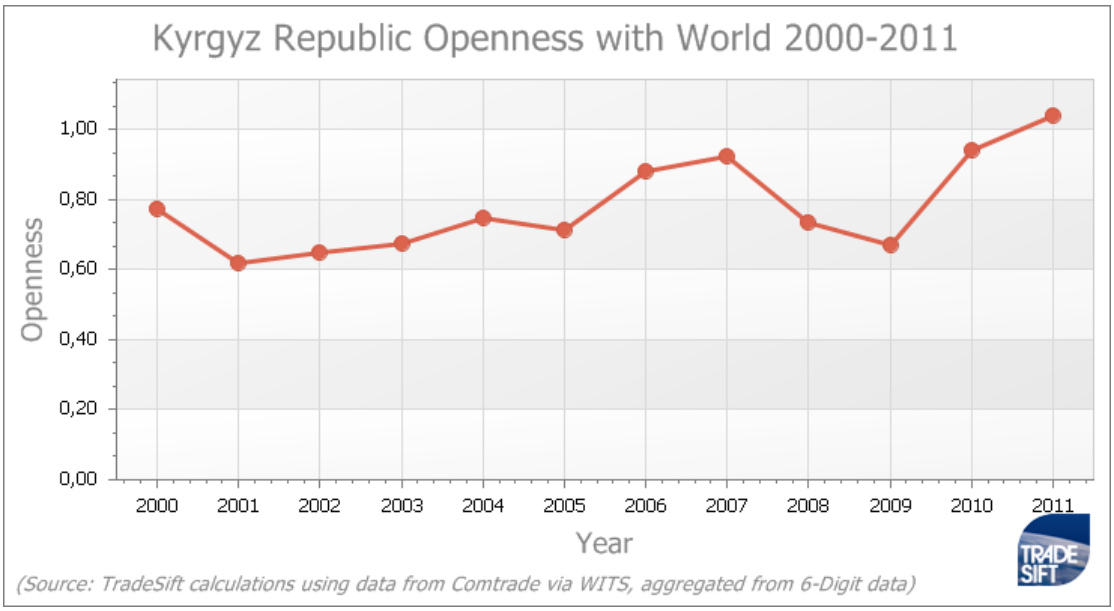



Figure 2 then looks at the evolution of exports and imports between 2000 and 2011. Here we see that during the last decade, imports have grown fast (increasing by nearly 500%). However, although growing fast, exports have shown less impetus with a growth of nearly 300%. The differential rate of growth may be explained by different factors. Typically, an appreciation of the real exchange rate comes about with a high influx of hard currency which may be driving the growth in imports, the standard Dutch Disease phenomenon. But this may also be a result of liberalisation policies, in the form of tariff reductions.

Whatever the reason, this has led to an important trade deficit in the balance of payments that the country has managed to finance through issuing debt (UNDP 2010)[10]. It is important to note that, in principle, there is nothing intrinsically wrong about this phenomenon. If cheaper imports are replacing inefficient local products, local consumers will be better off. However, the different rates of growth in exports and imports may suggest a structural rather than a punctual or isolated problem. Exports have not grown enough to match the growth in imports and whilst finance has been secured to cover the gap, such structural problems may pose future challenges. In particular, international financial markets may not exhibit the same level of willingness to finance deficits in the current account in the future. Or, as we have highlighted, the price of the commodity that is allowing this inter-temporal wealth transfer might fall, affecting the foundations of the strategy.

[10] UNDP Regional Bureau for Europe and the Commonwealth of Independent States, "Kyrgyzstan: Aid for Trade Needs Assessment", Bishkek, 2010

**Figure 2. Kyrgyz Republic evolution of trade 2000-2011.**

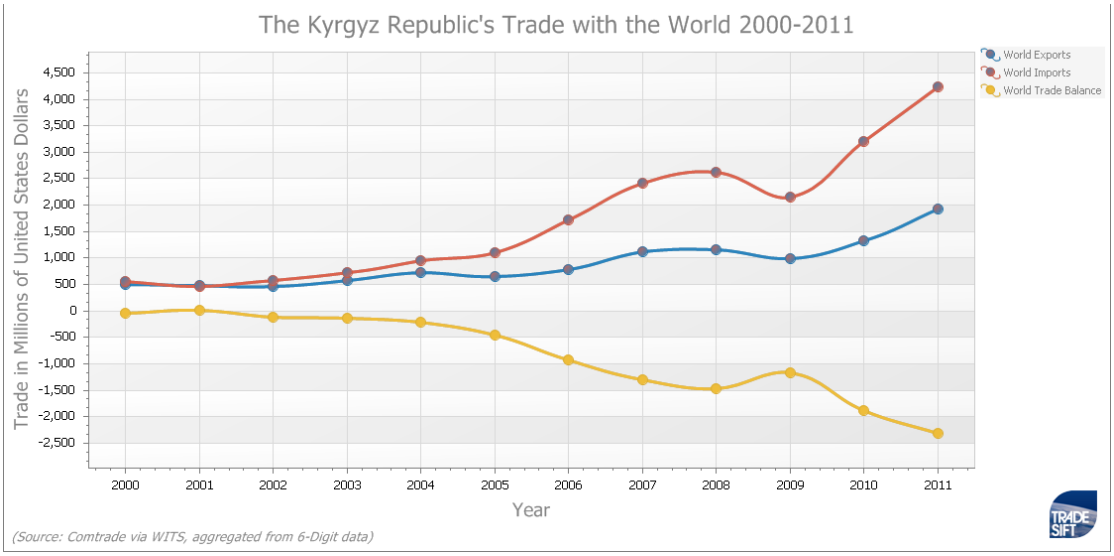
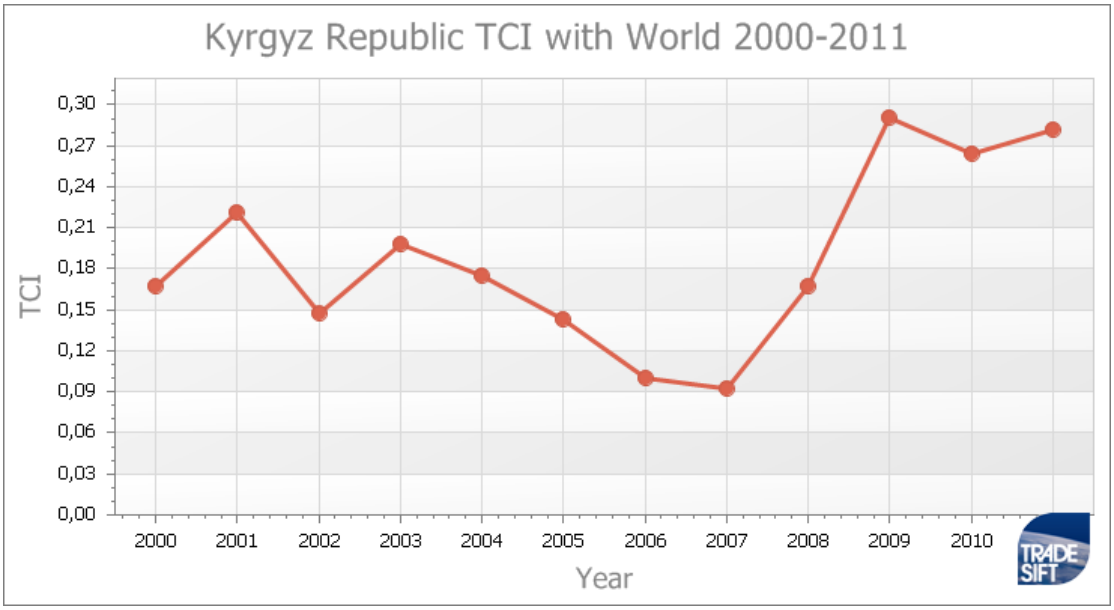



**Figure 3. Kyrgyz Republic Trade Concentration Index (2000-2011)**

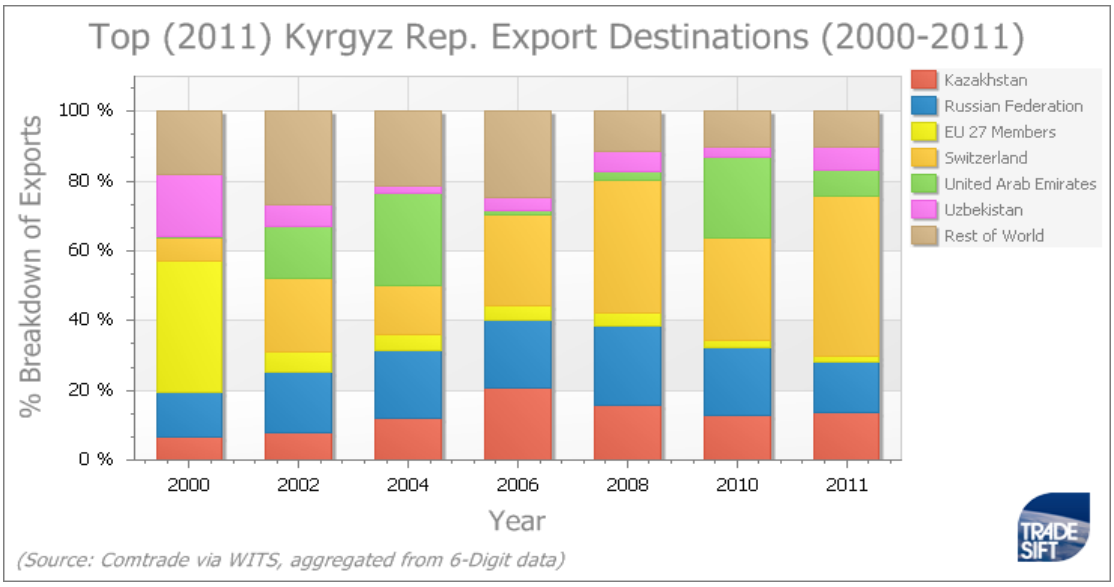



These above exposed changes have been accompanied by changes in the concentration of trade. Figure 3 presents the evolution of the export Trade Concentration Index (TCI) between 2000-2011. The TCI is an amenable index that can be easily interpreted. Its reciprocal identifies the amount of similar sized industries that exports can be partitioned in. For example, in 2011 the index reaches 0.28; suggesting that exports could be clustered into 3.5 similarly sized industries (1/0.28).[11] Although the evolution of the Kyrgyz Republic's export TCI is somewhat erratic, it suggests high and increasing degrees of export concentration implying an increasingly reliance on fewer product categories in exports to the world.

[11] This means that 3.5 products with exports for the same value will generate the same value of the TCI.

Figure 4 then presents the evolution of Kyrgyz Republic exports across different top destinations. It is important to preface any conjecture made on the basis of these figures by noting that landlocked countries tend to appear to trade disproportionately with neighbouring countries. Exports are often recorded as being destined to neighbouring countries when in fact the final destination of these is a third country. However, it is also true that neighbouring countries (Russian Federation, Kazakhstan and Uzbekistan) were also part of the USSR. Besides having a common lingua franca (Russian), their trade structures might present additional compatibilities and complementarities that increase their bilateral trade. There is also an existing FTA with the Russian Federation and Kazakhstan further explaining this tendency. This suggests that there might be evidence to qualify these exports as 'real exports' and not the result of improperly recorded trade.

**Figure 4. Composition of exports by destination**




The former USSR countries (Russian Federation, Kazakhstan and Uzbekistan) represented nearly 40% of total Kyrgyz Republic exports in 2011. Whilst there have been some changes in the composition within this group, this share has remained relatively constant over time. Switzerland has become the top export destination but this is almost exclusively explained by the exports of gold. This product-destination occupies nearly a third of total Kyrgyz Republic exports in 2011.

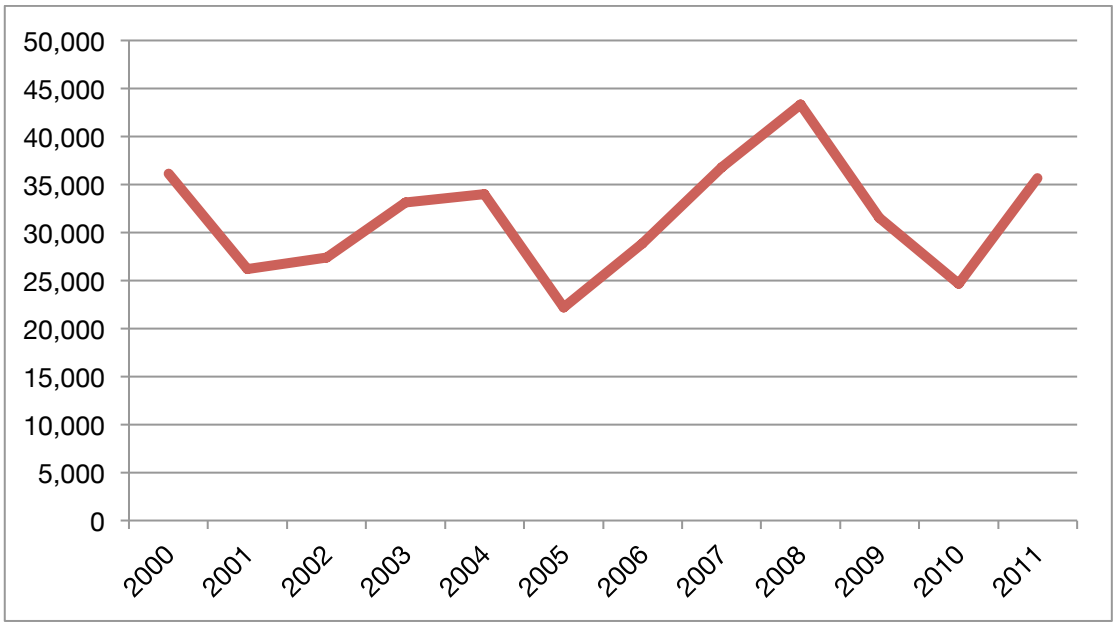
The European Union[12] has observed a dramatic fall as an export destination. It has fallen from nearly 35% in 2000 to almost 2% in 2011. This fall in share is the result of a reduction in the value of exports to the European Union, which we will analyse later, and not through important increases to other destinations.

However, the importance of gold might be obscuring the analysis. An important part of the explanation of the fall of the EU as a destination of exports is the change in the destination of

[12] The definition of the European Union has considered its enlargement in 2007 and 2009.

gold exports from the EU to Switzerland. This explains the important rise of Switzerland as a destination country. Therefore, it may be convenient to analyse the evolution of exports to the EU without gold as shown in Figure 5. The evolution of this set of exports has been erratic during the last decade. However, excluding the peak in 2008, all the export values have been lower than the origin of the series, suggesting a particularly weak performance during the decade under study. This implies that the weak performance of exports to the EU, is not explained exclusively by the change in the destination of the exports of gold. Other elements are also affecting the exports in the rest of the product mix.

**Figure 5. Non-gold exports to the EU (in thousands of USD)**

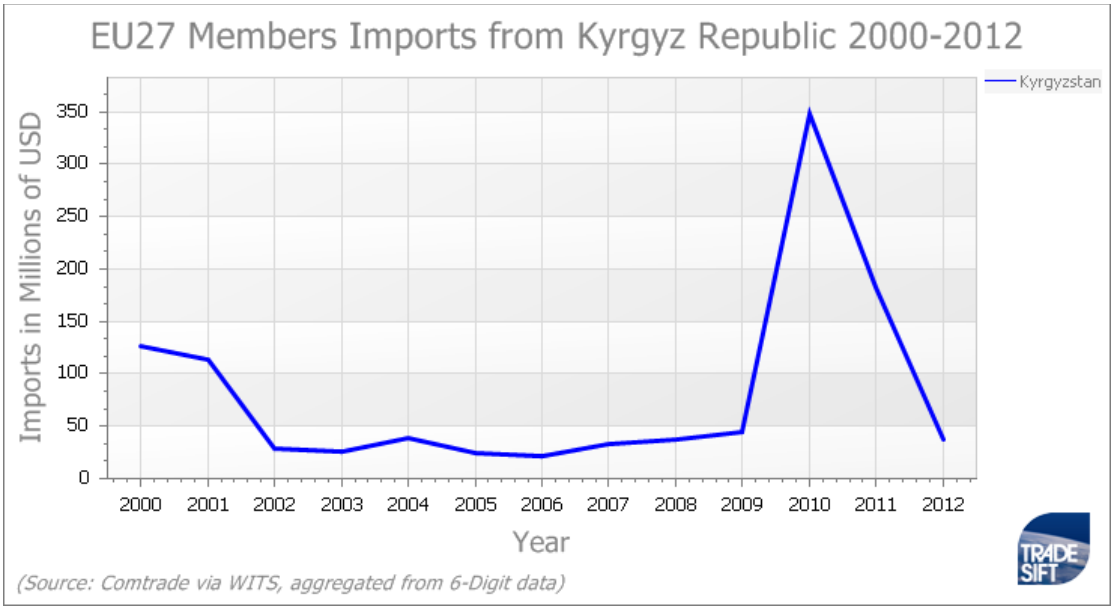



Source: UN Comtrade

There exists the possibility that, given the Kyrgyz Republic's landlocked nature, trade destined to the EU is recorded as being exported to a neighbouring country rather than directly to the EU. In order to verify this, we present the value that the European Union has declared it imports from the Kyrgyz Republic in Figure 6. The fall observed in the imports from 2002 is consistent with the claim that effectively the Kyrgyz Republic is exporting less to the European Union, mainly explained by the change in the destination of the exports of gold. These low values have been stable until 2010 when a dramatic jump on the series is observed followed by a sharp return to the previous values. Whilst this jump requires further investigation, the long run picture tends to back the hypothesis that exports to the EU have effectively fallen[13] and more research may be needed to explain what is driving this.

[13] UN Comtrade database reveals unusually high EU imports of natural uranium (284410) of nearly USD 240 millions and USD 41 millions in 2010 and 2011 respectively. In 2012 the figure is zero.

**Figure 6. EU27 imports from Kyrgyz Republic (2000-2012)**




It could be the result of increasing competitiveness from other countries in the EU market; changes in the trade barriers into the EU (either in terms of transport costs or trade policy) or changes in the export structure of the Kyrgyz Republic moving towards products that have lower demand in the EU. The next section aims to clarify these points by delving deeper into the Kyrgyz Republic's export structure and the demand in the EU.

## Export performance by product

As technologies or factor endowments evolve, comparative advantages change and this can lead to changes in export structures. New exports may not be in line with the demand structure of some particular partners resulting in a fall in the export share towards such destinations. In the following pages we explore how the export structure of the Kyrgyz Republic has evolved over time.

Table 1 presents the evolution of Kyrgyzstan's top 20 exported products in the year 2000 and how these behaved in the year 2011. In the year 2000, these top 20 products represented almost 82% of total exports; whilst the same products represented nearly 66% of total exports in 2011. This implies that this group of products, as a whole, is very important over the years, although its importance has decreased over time.

Non-monetary gold (710812) was the top exported product in 2000 and it is still the top exported product in 2011. In fact, in 2011 it accounts for more than 50% of total Kyrgyz Republic exports. Other important products such as electric energy, cotton and tobacco have lost participation in total exports with some seeing an absolute decline during the

period under analysis. With the exception of gold and petroleum oils (271000), all the products in this list have lost participation in total exports between 2000 and 2011.[14]

**Table 1. Top 20 exported products in 2000. Value of exports in 2000 and 2011 and share in total exports (Value in millions of USD)**

| | | Exports 2000 | | Exports 2011 | |
|---|---|---|---|---|---|
| Product | Product Name | Value | Share | Value | Share |
| 710812 | Gold in unwrought forms non-monetary | 182.73 | 36.22% | 1,005.46 | 52.40% |
| 271600 | Electrical energy | 79.78 | 15.81% | 80.41 | 4.19% |
| 520100 | Cotton, not carded or combed | 32.03 | 6.35% | 31.01 | 1.62% |
| 240110 | Tobacco, unmanufactured, not stemmed or stripped | 29.61 | 5.87% | 13.10 | 0.68% |
| 760200 | Waste or scrap, aluminium | 19.34 | 3.83% | 1.89 | 0.10% |
| 710813 | Gold, semi-manufactured forms, non-monetary | 12.62 | 2.50% | 0.73 | 0.04% |
| 853922 | Filament lamps, of a power <= 200 Watt, > 100 volt... | 10.31 | 2.04% | 17.85 | 0.93% |
| 284410 | Natural uranium, its compounds, mixtures | 7.86 | 1.56% | | |
| 392330 | Plastic carboys, bottles and flasks, etc | 5.42 | 1.07% | 5.48 | 0.29% |
| 740400 | Copper/copper alloy waste or scrap | 5.30 | 1.05% | 6.59 | 0.34% |
| 870290 | Buses except diesel powered | 3.77 | 0.75% | 0.04 | 0.00% |
| 110100 | Wheat or meslin flour | 3.23 | 0.64% | 0.19 | 0.01% |
| 850239 | Electric generating sets | 3.06 | 0.61% | 0.00 | 0.00% |
| 681110 | Corrugated sheets of asbestos, cellulose fibre cem... | 2.98 | 0.59% | | |
| 930630 | Cartridges nes, parts thereof | 2.95 | 0.58% | | |
| 870120 | Road tractors for semi-trailers (truck tractors) | 2.73 | 0.54% | 0.52 | 0.03% |
| 410121 | Bovine hides, whole, fresh or wet-salted | 2.42 | 0.48% | 1.53 | 0.08% |
| 271000 | Petroleum oils&oils obta | 2.40 | 0.47% | 100.95 | 5.26% |
| 280540 | Mercury | 2.06 | 0.41% | | |
| 252329 | Portland cement, other than white cement | 1.98 | 0.39% | 8.28 | 0.43% |
| | | 412.56 | 81.78% | 1,274.04 | 66.40% |

Source: UN Comtrade

In order to evaluate changes in the export structure and to facilitate the understanding of such changes, we present, in Table 2, the top 20 exported products in 2011 with their evolution since the year 2000. To facilitate the comparison between Table 1 and Table 2, those products that appear in both tables are marked with an asterisk(*). The top exported products in 2011 represent nearly 77% total exports. Non-monetary gold, dominates exports, but also we see that petroleum oils has climbed to the second most exported product.

These two products plus electric energy account for around 61% of total exports showing the large concentration of exports in natural (particularly mineral) resources. Trade in such products tends not to be explained by the traditional factor endowment or technology differences of the standard theoretical trade models but rather by natural resource endowments. It depends more on the capacity to secure investments to extract the resources. Moreover, their value is heavily influenced by the evolution of international prices with all the known, and aforementioned, consequences for the balance of payments.

[14] Exports of petroleum oils are likely to be re-exports of imported oil, as Kyrgyz Republic is currently not operating any oil fields.

The rest of the products in the table are new. We highlight kidney beans and white peas (071333) accounting for 2.7% of total exports and garments (in the chapter 62) that together account for almost 4% of total exports. These products would be of importance when we present an analysis on the most dynamic products.

Products such as diesel powered trucks, radiators for motor vehicles and automobiles also make an appearance. These products were not exported in the year 2000, and further delving into how exports have evolved in the intervening years, between 2000 and 2011 (not presented here for expositional purposes), reveals a relatively erratic behaviour without a clear positive trend that might allow us to conjecture about their importance to Kyrgyz Republic's export structures.

Also we see products such as fresh milk (040120) and fresh potatoes (070190). These products have some limitations in terms of their exports as they are limited to very short transport distances (generally between neighbouring countries) given the high transportations cost involved[15].

The continued importance of gold as a top export leads to very little changes in the overall export structure. Nevertheless, what matters most in this instance are the other products; and these products are different between the two years analysed. However, whilst it is clear that Kyrgyz Republic is an efficient supplier of gold, it is not clear if this holds for the current most exported products. Therefore, we look at comparative advantages to identify products which may have cost advantages with respect to other competitors.

Identifying comparative advantages is complicated. In the purest sense, it would imply knowing production costs in order to ascertain which has a relative advantage in the production of products. However, it is possible to obtain an approximation of the true comparative advantage by analysing the country's and the world's export structure. In those products where the country's share of exports is higher than the world's share, a "revealed" comparative advantage (RCA) appears. If a country exports more of a product, in relative terms, than what is exported by the average country in the world, then it is likely that it has a cost advantage over other producers. This is according to the Balassa RCA index based on trade flows. However it must be noted that since trade flows themselves are affected by trade policy barriers the index, that assumes undistorted trade, is but an indication on where real comparative advantages may lie.

[15] Given the high content of water in these products and given its marginal value, trade in these products tend to be very limited.

**Table 2. Top 20 exported products in 2011. Value of exports in 2000 and 2011 and share in total exports (Value in millions of USD)**

| | | Exports 2000 | | Exports 2011 | |
|---|---|---|---|---|---|
| Product | Product Name | Value | Share | Value | Share |
| 710812 | Gold in unwrought forms non-monetary* | 182.73 | 36.22% | 1,005.46 | 52.40% |
| 271000 | Petroleum oils&oils obta* | 2.40 | 0.47% | 100.95 | 5.26% |
| 271600 | Electrical energy* | 79.78 | 15.81% | 80.41 | 4.19% |
| 071333 | Kidney beans and white pea beans dried shelled | 1.51 | 0.30% | 51.81 | 2.70% |
| 520100 | Cotton, not carded or combed* | 32.03 | 6.35% | 31.01 | 1.62% |
| 870423 | Diesel powered trucks weighing > 20 tonnes | 0.00 | 0.00% | 20.84 | 1.09% |
| 620640 | Womens, girls blouses, shirts, manmade fibre, not ... | - | 0.00% | 20.73 | 1.08% |
| 620443 | Womens, girls dresses, synthetic fibres, not knit | 0.00 | 0.00% | 18.95 | 0.99% |
| 070190 | Potatoes, fresh or chilled except seed | 0.44 | 0.09% | 18.52 | 0.97% |
| 853922 | Filament lamps, of a power <= 200 Watt, > 100 volt... | 10.31 | 2.04% | 17.85 | 0.93% |
| 261690 | Precious metal ores and concentrates except silver | 0.00 | 0.00% | 17.17 | 0.89% |
| 620463 | Womens, girls trousers, shorts, synth fibres, not ... | - | 0.00% | 16.17 | 0.84% |
| 240110 | Tobacco, unmanufactured, not stemmed or stripped* | 29.61 | 5.87% | 13.10 | 0.68% |
| 870891 | Radiators for motor vehicles | 1.30 | 0.26% | 12.30 | 0.64% |
| 040120 | Milk not concentrated nor sweetened 1-6% fat | 0.50 | 0.10% | 10.49 | 0.55% |
| 620343 | Mens, boys trousers shorts, synthetic fibre, not k... | 0.06 | 0.01% | 10.27 | 0.54% |
| 870323 | Automobiles, spark ignition engine of 1500-3000 cc | 1.46 | 0.29% | 10.26 | 0.53% |
| 070310 | Onions and shallots, fresh or chilled | 0.76 | 0.15% | 9.58 | 0.50% |
| 820719 | Rock drillg nes & parts | 0.09 | 0.02% | 9.29 | 0.48% |
| 620453 | Womens, girls skirts, synthetic fibres, not knit | 0.00 | 0.00% | 9.13 | 0.48% |
| | | 342.97 | 67.98% | 1,484.29 | 77.35% |

Source: UN Comtrade

Table 3 presents, for the top 20 exported products in 2011, the normalised RCA[16] in the year 2000 and 2011. With the exception of two products, the Kyrgyz Republic appears to have a comparative advantage in all identified products. In some of the products, whilst exports have been falling (tobacco, for example) comparative advantages remain suggesting that world exports have evolved in the same direction or that world export shares in these products have decreased.

The case of garments is worth noting as, in all five products identified, the Kyrgyz Republic seems to have gained a comparative advantage since the year 2000. This suggests that effectively, some trade and productive changes may have altered the production structure in favour of these products. However, it may be the case that these changes are more readily explained by trade policy distortions introduced for example by the presence of different FTAs.

[16] Definition of normalized RCA

**Table 3. Kyrgyz Republic Revealed Comparative Advantage in top 20 exported products in 2011.**

| Product | Product Name | 2000 | 2011 |
|---|---|---|---|
| 040120 | Milk not concentrated nor sweetened 1-6% fat | 0.54 | 0.89 |
| 070190 | Potatoes, fresh or chilled except seed | 0.69 | 0.96 |
| 070310 | Onions and shallots, fresh or chilled | 0.83 | 0.93 |
| 071333 | Kidney beans and white pea beans dried shelled | 0.95 | 0.99 |
| 240110 | Tobacco, unmanufactured, not stemmed or stripped | 0.99 | 0.96 |
| 261690 | Precious metal ores and concentrates except silver | -0.98 | 0.96 |
| 271000 | Petroleum oils&oils obta | -0.63 | -0.01 |
| 271600 | Electrical energy | 0.98 | 0.90 |
| 520100 | Cotton, not carded or combed | 0.97 | 0.86 |
| 620343 | Mens, boys trousers shorts, synthetic fibre, not k... | -0.64 | 0.89 |
| 620443 | Womens, girls dresses, synthetic fibres, not knit | -1.00 | 0.95 |
| 620453 | Womens, girls skirts, synthetic fibres, not knit | -0.98 | 0.97 |
| 620463 | Womens, girls trousers, shorts, synth fibres, not ... | -1.00 | 0.95 |
| 620640 | Womens, girls blouses, shirts, manmade fibre, not ... | -1.00 | 0.96 |
| 710812 | Gold in unwrought forms non-monetary | 0.99 | 0.97 |
| 820719 | Rock drillg nes & parts | 0.06 | 0.92 |
| 853922 | Filament lamps, of a power <= 200 Watt, > 100 volt... | 0.98 | 0.99 |
| 870323 | Automobiles, spark ignition engine of 1500-3000 cc | -0.79 | -0.46 |
| 870423 | Diesel powered trucks weighing > 20 tonnes | -0.98 | 0.82 |
| 870891 | Radiators for motor vehicles | 0.74 | 0.88 |

Source: TradeSift Calculations based on UN Comtrade

The previous analysis suggests that, whilst natural resource based products such as precious metals continue to be the main and dominant exported product; the Kyrgyz Republic's total export structure has indeed evolved to incorporate other products. Exports of vegetables, particularly kidney beans; and exports of garments are growing where the Kyrgyz Republic appears to be an efficient supplier of these products.

## Export structures comparisons between partners

Before discussing changes to the exporting structures of the Kyrgyz Republic to the EU, we analyse differences between the exporting structures across different export destinations. If the Kyrgyz Republic presents completely different export structures, there exists the possibility that a part of its exports may not be aligned with its comparative advantage. Whilst in principle some differences in trading structures across partners is expected; coming from differences in demand structures; completely different export structures may reveal the presence of trade diversion in favour of the exports of the Kyrgyz Republic in some particular markets; since it increases the likelihood that exports in some particular market may not be in line with the comparative advantage. Whilst this is not immediately problematic for the Kyrgyz Republic, it may put those inefficient sectors at risk if the other trade partner introduces changes to their trade policy with the objective of removing trade

diversion. The similarity of export structures is calculated using the Finger-Kreinin (FK) index of export similarity. The index shows the degree of overlap in products with respect to two different export destinations. Table 4 presents the figures.

**Table 4. Finger Kreinin Index of similarity of Kyrgyz Republic exports (2000/2011)**

| Year | Partner1 | Kazakhstan | Russian Federation | Switzerland | United Arab Emirates | Uzbekistan | EU27 Members |
|---|---|---|---|---|---|---|---|
| 2000 | Kazakhstan | | 0.10 | 0.00 | 0.02 | 0.41 | 0.01 |
| | Russian Federation | | | 0.02 | 0.00 | 0.03 | 0.12 |
| | Switzerland | | | | 0.00 | 0.00 | 0.76 |
| | United Arab Emirates | | | | | 0.01 | 0.01 |
| | Uzbekistan | | | | | | 0.00 |
| | World | 0.29 | 0.23 | 0.38 | 0.02 | 0.25 | 0.51 |
| 2011 | Kazakhstan | | 0.11 | 0.00 | 0.01 | 0.14 | 0.02 |
| | Russian Federation | | | 0.00 | 0.05 | 0.07 | 0.23 |
| | Switzerland | | | | 0.92 | 0.00 | 0.02 |
| | United Arab Emirates | | | | | 0.04 | 0.06 |
| | Uzbekistan | | | | | | 0.09 |
| | World | 0.21 | 0.26 | 0.53 | 0.58 | 0.17 | 0.15 |

Source: TradeSift calculations based on UN Comtrade

The higher is the index, the more similar are the export structures. Therefore, the degree of similarity of the Kyrgyz Republic's exports, in 2011, between exports to the Russian Federation and the European Union is 0.23, which is higher than the similarity of the exports towards Kazakhstan and the European Union (0.02). This suggests that exports to the Russian Federation and the EU are more similar to exports to the Russian federation and Kazakhstan. This may be expected given that Kazakhstan is a neighbouring country which implies that exports may occupy products where transportation costs may be important. Perishable products or products with high transportation costs tend to be traded more readily with neighbouring countries than with countries that are further away.

The high value of the FK index between the exports to Switzerland and United Arab Emirates is driven by exports of gold. In fact, this single product is responsible for more than 95% of the exports to both countries. With respect to exports to the European Union and the exports to the World, there is an overlap of 0.15 indicating relatively different export structures.

The evolution of the index over the years reveals that in 2000 the exports to Switzerland and the EU were very similar; and that the exports to the EU and those to the world were more similar in 2011. This suggests that, over the last decade, the structure of exports to the EU and to the World has diverged.

However, since exports to neighbouring countries only represent 20% of total Kyrgyz Republic exports; it is unlikely that the overrepresentation of some particular products in the exports to the neighbours (not particularly profitable to transport in long distances) might be a reasonable explanation for the differences in export structures; in particular with the EU. This suggests that other elements might be taken as a source for these differences. We will return to this later but in the meantime we will devote some time to understanding the behaviour of the Kyrgyz Republic as importer.

## Import structure

As we saw earlier, imports have observed an important growth during the last decade that, together with a relatively slower performance of exports, might eventually affect the sustainability of the current account in the balance of payments if other sources of hard currency (such as remittances or foreign direct investment) cannot keep the pace in the evolution of imports. Therefore, a description of the composition of imports by source and product might shed some light on the implications as well as trigger future analysis with respect to the effects of a potential adjustment.

The analysis on the import behaviour is also relevant in terms of the economic welfare and competitiveness of the Kyrgyz Republic. On one side, maximising welfare gains requires the identification and elimination of trade diversion currently in place by reorienting trade policy with the objective of importing from the most efficient sources (hence benefiting consumers which face lower prices). But at the same time, sourcing from efficient sources implies that local producers and exports have access to the lower priced sources of inputs which in turn can help expand production and hence exporting capabilities. Therefore importing from inefficient sources will not only increase the trade deficit, but also harm consumers and possibly production and exporting perspectives.

Figure 7 shows the composition of imports by source country over the period 2000 to 2011. Knowing the origin of imports is important since it can help inform future negotiating efforts. One relatively useful rule-of-thumb is that it is countries from which we import most that make our better preferential partners. The growth in the participation of China over the decade is consistent with the increase in the participation of this country in world trade and it is observed across many other countries, both developed and developing. Also the fall in the participation of developed countries (USA and the European Union) has been observed before as South-South trade flows expand. It is consistent with the increase of Developing Countries' participation in World trade. Therefore, in general, the Kyrgyz Republic's import origins are not too different to what is perceived in many other countries.

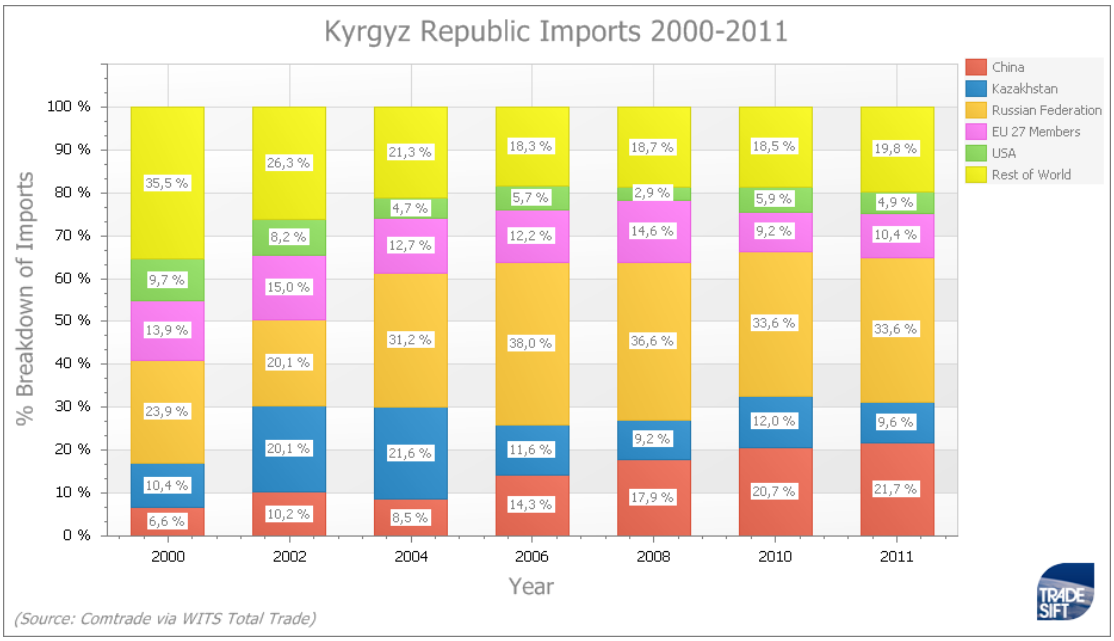
Focusing on the particularities, in the case of the Kyrgyz Republic, we observe an important increase in the participation of the Russian Federation as a supplier of imports, accounting now for nearly one third of total Kyrgyz Republic imports. Kazakhstan, on the other hand,

maintains its participation and its importance, not unexpected given the common border. These two sources together account, in 2011, for nearly 45% of total imports (increasing from 35% in 2000). Given that both partners are members of the FTA with the Kyrgyz Republic, there is a possibility that this large share arises from trade diversion, however the potential for this will depend on the size of the preference margin that is on offer as well as the comparative advantages held by these countries.

Whilst some of the changes in the composition of the exports by destination such as the increase of south-south trade and the fall of the Developed Countries are in line with the evolution of world economic activity others are explained by various other factors. In particular, changes in demand. It is therefore important to identify if it is changes in the composition of demand which have favoured one source over another. If tastes and technologies have changed, introducing changes in the products demanded, it is expected that imports will re-direct.

But at the same time, changes in import sources might arise from changes in the trade policy of the Kyrgyz Republic. This is not suggesting that the changes in the trade policy have been discriminatory, but if protection has been removed from sectors that were heavily protected; countries efficient in the production of those products will tend to see their exports to the Kyrgyz Republic increase.

**Figure 7. Kyrgyz Republic import composition by source**




The composition of imports is substantially different from that of exports. As is expected of smaller countries, imports tend to be more diversified than exports (Table 5). The top 20 most imported products in 2011, for example, represent nearly 44% of total imports; substantially below the figure for the top 20 exported products. In terms of the evolution of

particular products; Petroleum oils is the product that has exhibited the most important increase; in 2011 it represents nearly 19.6% of total imports. Automobiles (870323 and 870324) have also observed marked increases in their participation in total imports.

The smaller representation of these products in the year 2000 is not sufficient evidence about changes of the import structure. Whilst these products continue to be important in the import structure, we cannot know if there were not changes in the pattern of imports of the part not considered in the analysis. This suggests that there might have been changes in the composition of the products beyond the 20 first considered. A more detailed analysis would be required to shed light on this issue. It would look into a longer list of imported products which is beyond the scope of the current analysis and would complicate the analysis. Nevertheless we can present a more aggregate picture of the evolution of the composition of the imported products that might help us to obtain some degree of confidence in our conclusions.

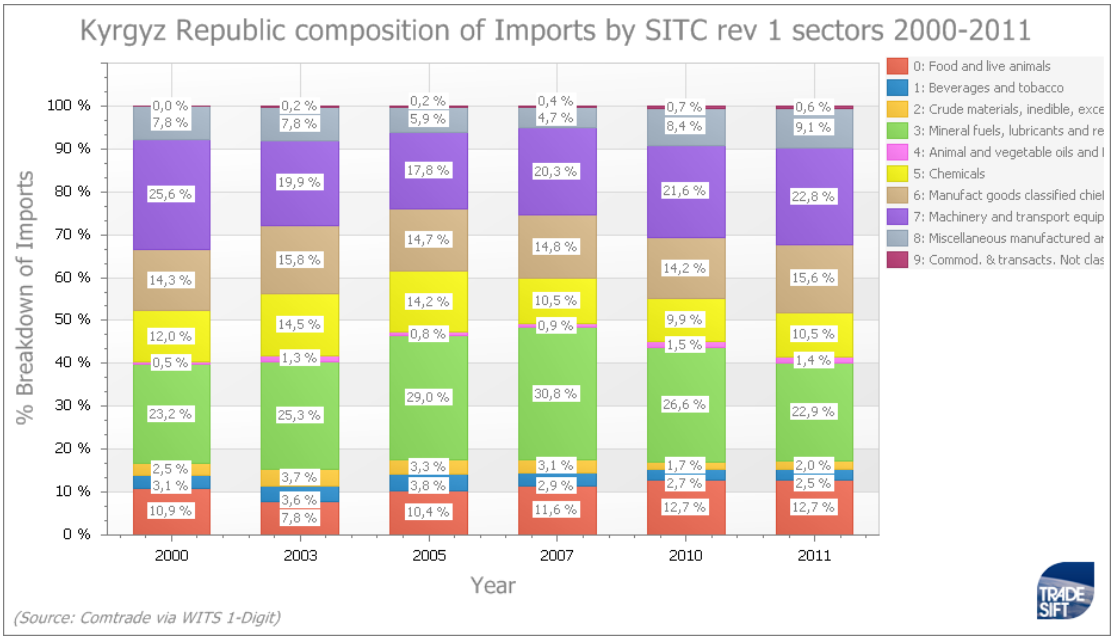
**Table 5. Top 20 imported products in 2011. Value of exports in 2000 and 2011 and share in total exports (Value in millions of USD)**

| | | Imports 2000 | | Imports 2011 | |
|---|---|---|---|---|---|
| Product | Product Name | Value | Share | Value | Share |
| 020714 | Fowls, cuts & offal, fro | 576.25 | 0.10% | 49,815.72 | 1.18% |
| 100190 | Wheat except durum wheat, and meslin | 27,997.48 | 5.05% | 66,659.00 | 1.57% |
| 110100 | Wheat or meslin flour | 414.32 | 0.07% | 45,457.60 | 1.07% |
| 151219 | Sunflower or safflower oil,fractions simply refine... | 783.36 | 0.14% | 37,806.51 | 0.89% |
| 170199 | Refined sugar, in solid form, nes, pure sucrose | 2,897.46 | 0.52% | 77,223.78 | 1.82% |
| 180690 | Chocolate/cocoa food preparations nes | 1,208.55 | 0.22% | 36,839.83 | 0.87% |
| 240220 | Cigarettes containing tobacco | 10,337.55 | 1.87% | 38,680.76 | 0.91% |
| 270119 | Coal except anthracite or bituminous, not agglomer... | 10,517.75 | 1.90% | 31,373.38 | 0.74% |
| 271000 | Petroleum oils&oils obta | 70,062.00 | 12.64% | 833,637.30 | 19.68% |
| 271121 | Natural gas in gaseous state | 33,233.82 | 6.00% | 69,126.83 | 1.63% |
| 271320 | Petroleum bitumen | 2,763.60 | 0.50% | 30,190.41 | 0.71% |
| 300490 | Medicaments nes, in dosage | 14,338.96 | 2.59% | 125,012.44 | 2.95% |
| 310230 | Ammonium nitrate, including solution, in pack >10 ... | 2,111.46 | 0.38% | 35,580.03 | 0.84% |
| 440710 | Lumber, coniferous (softwood) thickness < 6 mm | 2,232.93 | 0.40% | 43,898.54 | 1.04% |
| 851780 | Elect apparatus for line | 71.21 | 0.01% | 50,573.30 | 1.19% |
| 852520 | Transmit-receive apparatus for radio, TV, etc. | 4,003.74 | 0.72% | 41,961.99 | 0.99% |
| 870323 | Automobiles, spark ignition engine of 1500-3000 cc | 5,650.58 | 1.02% | 140,287.10 | 3.31% |
| 870324 | Automobiles, spark ignition engine of >3000 cc | 1,457.06 | 0.26% | 63,697.02 | 1.50% |
| 870410 | Dump trucks designed for off-highway use | 675.38 | 0.12% | 39,755.04 | 0.94% |
| 870423 | Diesel powered trucks weighing > 20 tonnes | 380.25 | 0.07% | 30,535.81 | 0.72% |
| | | 191,713.71 | 34.60% | 1,888,112.39 | 44.57% |

Source: UN Comtrade

Figure 8 presents the composition of imports by product using the SITC rev 1 classification at the 1 digit aggregation. The advantage of this classification lies in the useful level of aggregation, into 10 sectors, which, although not very detailed, gives a broad overview of the composition of the total demand for imports. This contrasts with the standard Harmonised System (HS) where its chapters are more numerous (98). It can be seen that, in general, no important changes in the composition of imports has taken place. Mineral fuels and Machinery and Equipment represent the two largest imported categories of products. Whilst there might be important changes within these sectors that, of course, we are missing in this aggregate analysis, it can be argued that the composition in the demand for imported products has been relatively stable during the last decade. This suggests, in principle, that it is not changes in demand structures which are driving the earlier noted variation in the sources of imports for the Kyrgyz Republic. Kyrgyz consumers and firms are, on average, demanding the same products in both years investigated implying that changes have arisen from changing sources of imports rather than imported products.

**Figure 8. Composition of Kyrgyz Republic Imports by SITC rev 1 sectors (2000-11)**




A second line of analysis deals with changes in the level of protection in the Kyrgyz Republic. Preferential tariffs may also alter the composition (and the level) of the sources of imports. Signing an FTA can lead to trade diversion or trade-reorientation phenomena which in turn lead to switches in sources of imports favouring the signing parties at the expense of excluded countries.

## Trade Policy: FTAs and Customs Union proposals

According to the WTO Regional Trade Agreement Database[17], the Kyrgyz Republic is member of different trade agreements mostly with the former members of the USSR. In particular, it is member of the Commonwealth of Independent States (CIS) and the Eurasian Economic Community (EAEC) in addition to various other bilateral agreements[18]. Whilst these agreements have been signed before the period under study, the implementation period might have been extended and reached the period that is being analysed herein. Therefore, it is possible that changes in source of imports reflect changes in the preferences that the Kyrgyz Republic offers to its partner countries as a result of these agreements, and in particular to the Russian Federation and Kazakhstan, the two important trading partners.

However, concurrent with this process of preferential liberalisation has been a greater push toward MFN liberalisation. In Figure 9 we can see that there was an important reduction in the applied tariffs during the first years of the period under study. Average MFN and effectively applied tariffs in 2006 where about half the value seen in the year 2000. At the same time, we start seeing the implementation of the regional agreements. The effectively applied tariff begins to diverge from the MFN and reaches a lower average level. Both tariffs stabilise by the end of the sample period.

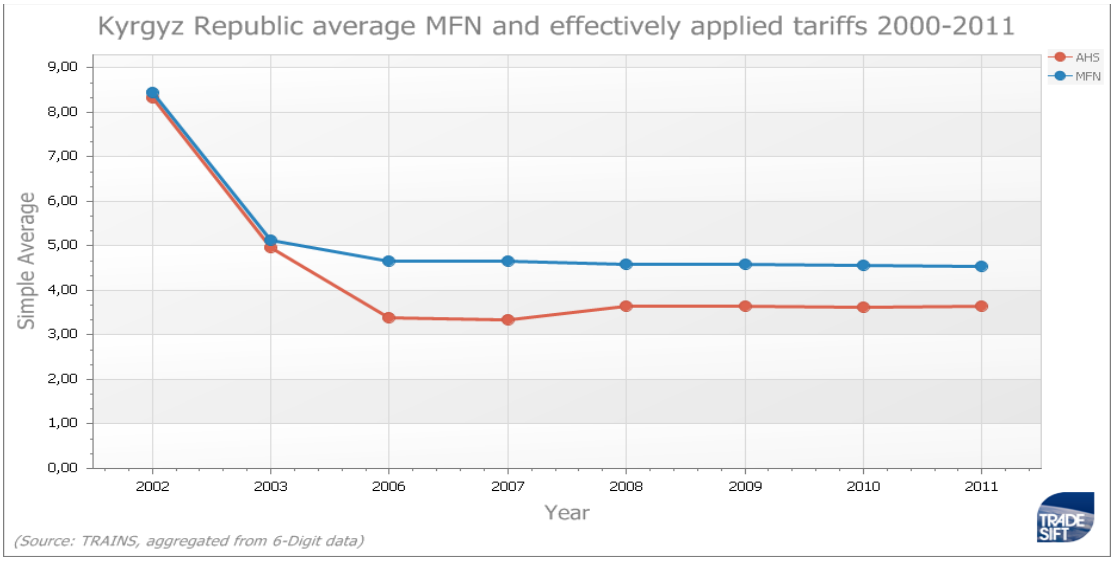
This suggests that changes in the applied tariffs might be behind changes in the source of imports. Tariff reform has reduced protection in previously protected sectors or products, increasing total imports and increasing imports of those particular products where the tariff reduction has been greatest. Additionally, the implementation of the FTAs may also have contributed to a switch in the origin of imports, favouring those members that are included in the agreements.

Of course, the explanations cannot be limited to the tariff reform, as similar effects have already been seen in other countries; in particular with respect to the increase in participation of China and the fall in the participation of developed countries. However, the increase in the participation of the countries that the Kyrgyz Republic has signed trade agreements with (especially Russian Federation) might be explained by the changes introduced by the FTA. This suggests that whilst a general reduction in the MFN tariff might be an important element in the explanation of rises in total imports; the FTA with former USSR countries may explain the changes in the origin of the imports. This general tariff reduction has been positive in terms of welfare in Kyrgyzstan as consumers have access to less expensive products through imports. However, it is possible that part of this positive effect might have arisen by a trade diversion effect if the FTAs signed effectively divert trade from efficient external suppliers to less efficient preferential ones.

[17] WTO Region Trade Agreements database

[18] Additionally to the agreements mentioned, the Kyrgyz Republic has different bilateral agreements with each of its members.

**Figure 9. Evolution of MFN and AHS tariffs 2000-2011**




With the idea of obtaining further insights into Kyrgyzstan's trade policy, we present the composition of tariffs by SITC rev 1 sector in Figure 10. This will help us identify any peaks in the MFN tariffs as well as differences between MFN and preferential tariffs which may allow us to identify the sectors where trade diversion is most likely. Sectors where the preference margins are highest are those where trade diversion is most likely.

Food, Beverages and Tobacco, Animal and Vegetable Oils and Miscellaneous Manufactures present the highest MFN tariffs. These sectors also (with the exception of Miscellaneous Manufactures) show the highest preference margin (differences between MFN and preferences given by the Kyrgyz Republic). In the case of Beverages and tobacco, average preference margins are particularly high, reaching almost 50% of the average MFN. This suggests that it is in these sectors where imports from the FTA partners are expected to have increased most. On the other hand, whilst the MFN tariff tends to be low, there is also an important preference margin given in products in the Mineral fuels and lubricants sector; suggesting another sector where imports from preferential partners may have increased.

In those products where MFN tariffs and preferences margins are particularly high trade and welfare effects are likely to concentrate. Whilst the trade component has received particular attention, we would like to devote a little space to the welfare effects of the agreements. In general, the existence of preferences can lead to trade diversion; countries receiving preferences may be inefficient suppliers of products and hence buying from them leads to i) paying a higher price for said products than if the product had been sourced from an efficient partner; and ii) losing tariff revenue. Since these instances are welfare reducing, trade diversion is associated with negative impacts.

**Figure 10. Kyrgyz Republic average MFN and effectively applied tariffs by SITC rev 1 sectors in 2011.**

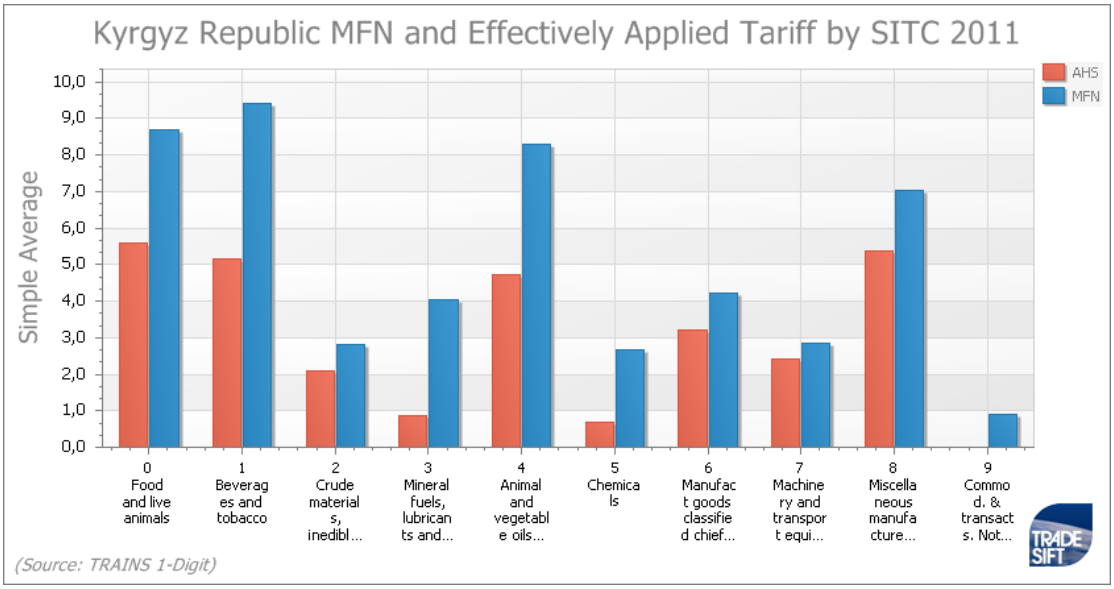
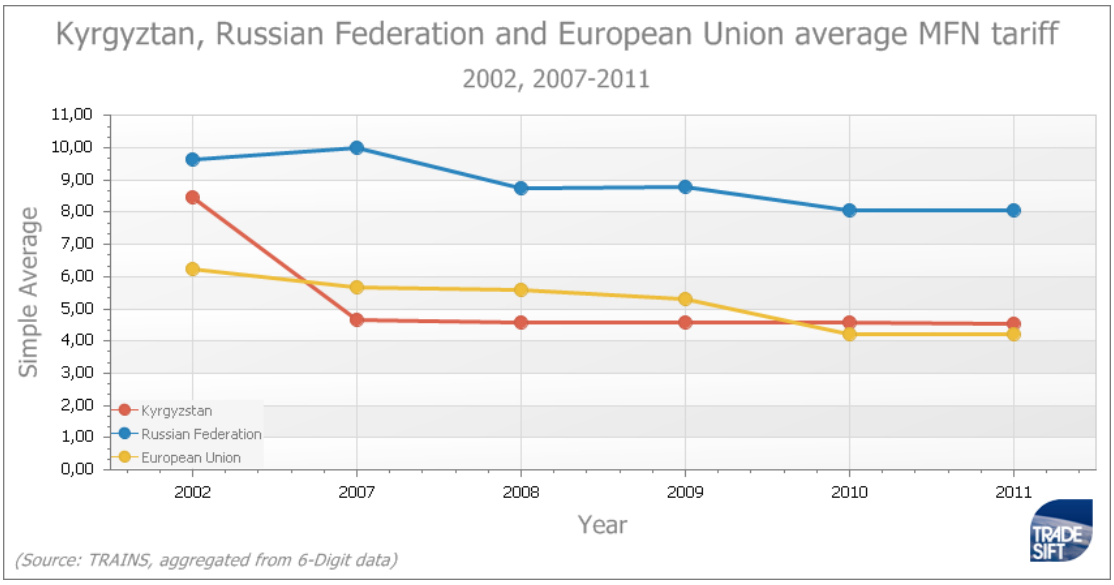



**Figure 11. Kyrgyzstan, Russian Federation and European Union average MFN tariff**



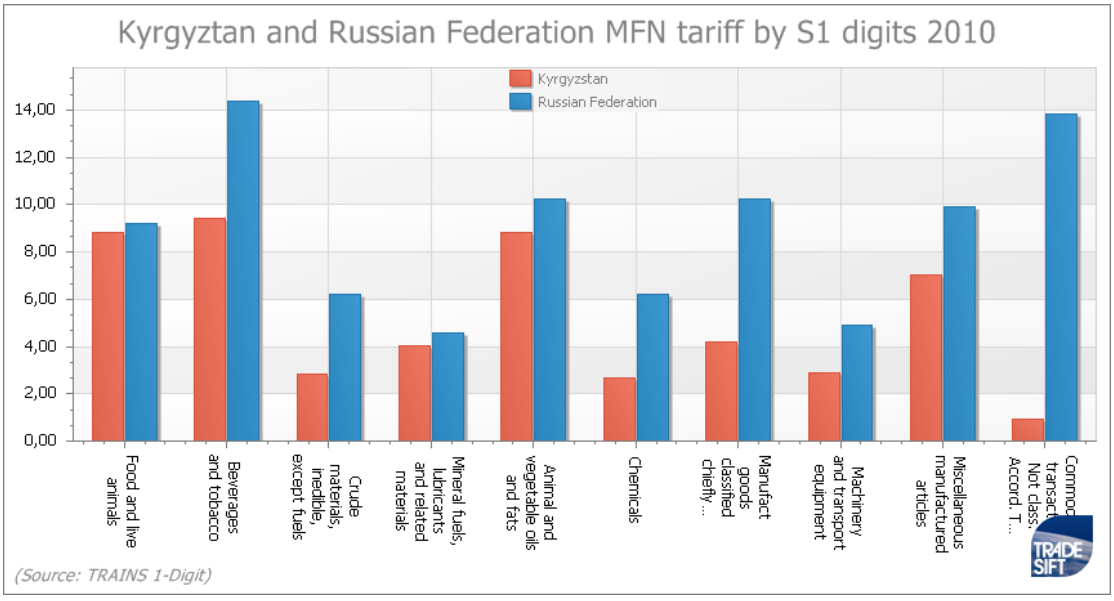

It is important to note that, on average, the tariffs applied by the Kyrgyz Republic tend to be particularly low. Figure 11 presents the evolution of the average MFN tariffs in Kyrgyzstan and the comparison with the EU and the Russian Federation MFN tariffs. The MFN tariffs of the Russian Federation apply also for Kazakhstan and Belarus, members of the BKRCU that Kyrgyzstan has the intention of joining. On average, tariffs applied by Kyrgyzstan tend to be half of those applied by the BKRCU and similar to those applied by the EU. Based on the average height of the tariffs, the scope for trade diversion is thus limited as the difference between the MFN tariffs and the FTA tariffs tend to be, on average, very low; although this average may hide important variation between products. As a consequence, whilst trade diversion may be present in the trade with the BKRCU, this is expected to be modest.

In order to gain more insight on the dispersion of tariffs, we present Figure 12 where we compare the average MFN tariff of Kyrgyzstan and the Russian Federation by SITC 1 digit sectors. This is important as this would help to identify the sectors which are most likely to endure trade diversion should Kyrgyzstan join the BKRCU.

Since Kyrgyzstan would be the newest, and the smallest member of the BKRCU, it is likely that the Kyrgyz MFN tariff would adjust to converge to the BKRCU's common external tariff[19]. Since Kyrgyzstan tariffs are in general lower, this would imply a generalised increased in the MFN tariff which in turn would raise the incidence of trade diversion; possibly favouring local inefficient producers and also favouring inefficient suppliers in the customs union partners. Therefore, if there existed trade diversion in favour of the members of the FTA, this is likely to increase as a result of the adoption of the customs union MFN tariffs with the negative consequences on consumers and on the more expensive inputs for local producers.

The sectors where trade diversion is likely to be largest are those where the difference between the BKRCU and the Kyrgyzstan MFN tariff is highest. This is in sectors such as Manufactures and chemicals; where the Kyrgyzstan MFN tariff is likely to more than double to converge to the common tariff of the BKRCU. Whilst in the other product groups, the difference is smaller on average, there could be more products where the difference between the current and the future MFN tariff is particularly high.

**Figure 12. Kyrgyztan and Russian Federation MFN tariff by SITC 1 digit products.**




[19] It is possible as well that Kyrgyzstan will need to make compensations to some WTO members in those products where the new higher MFN tariff result higher than the bound tariff negotiated at the time of acceding the WTO. These compensations are not generalized and only those countries with substantial interest can request them.

However, the possibility of trade diversion is not only explained by the height of the tariffs before and/or after an FTA. The proposed preferential partner's efficiency in producing and supplying products plays a central role. If the proposed partner is an inefficient supplier then implementing an FTA agreement or adopting a higher MFN tariff (such in the BKRCU) will tend to increased trade with this costly supplier, reducing welfare through the increase of trade diversion.

In contrast, if a country is already importing from another before preferences are awarded, and particularly under an MFN regime, then the FTA can be welfare enhancing through trade creation. This is because the partner country revealed itself, prior to receiving the preferences, as an efficient supplier of the product in question. Therefore analysing how Revealed Comparative Advantages on exports of the signing parties have evolved might shed some light on the welfare effects of the current FTAs.

As we mentioned, the Kyrgyz Republic is part of ECEA with the former Soviet Union members. In particular, Belarus, Kazakhstan and the Russian Federation are also part of a customs union. Therefore, we will focus our analysis of current trade diversion effects on the trade with these three countries. But at the same time, we will make a look into the potential variations in the current trade diversion effects. Table 6 presents the MFN tariff for Kyrgyzstan and the customs union, the share of imports from Belarus, Kazakhstan and the Russian Federation and their Normalised Revealed Comparative Advantage indicator in the top 20 most imported products. Trade Diversion may exist only if the current MFN tariff applied is positive (therefore the preference margin is positive), and there are positive imports. It is also more likely when the partner country does not exhibit a positive normalised RCA. Where MFN tariffs are zero (no preference given) and/or no imports are observed, no welfare effects are to be expected.

From the table it can be seen that that the Kyrgyz Republic might be suffering from trade diversion in some of its trade with these countries. In particular, in its imports of chocolate and cigarettes (180690 and 240220), neither Kazakhstan nor the Russian Federation seem to be efficient suppliers of these products. This suggests that the Kyrgyz Republic is not importing these products from the cheapest sources. Whilst these countries do not have a comparative advantage in other products (particularly vehicles), Kyrgyz imports from these countries in these products tend to be smaller.

As a consequence, at least on this sample of products (that represents around 44% of total imports as was earlier shown), trade diversion could be problematic. A finer analysis would help ascertain the extent of this but given the relatively low MFN tariffs applied by Kyrgyz Republic, it is expected that the effect is relatively low.

The situation may change should there be a new MFN tariff after Kyrgyzstan joins the BKRCU. If MFN tariffs go up in products where the current members of the customs union

do not seem to be efficient suppliers, then it is expected that so too will trade with respect to these partners. Chocolate is a problematic case, here MFN tariffs are likely to increase and neither Kazakhstan nor the Russian Federation appear to be efficient suppliers of these products. Medicaments also could be problematic as the previous zero MFN tariff would be replaced by a 10% tariff and none of the customs union members have a comparative advantage in this product. On the other hand, current trade diversion present in cigarettes may be removed completely as the BKRCU MFN tariff is zero.

These are the effects on the trade diversion generated via the increase of imports from inefficient import sources. However, to these effects, one should add the trade diversion effects which arise from increasing purchases from inefficient domestic suppliers. A higher MFN will bring about higher levels of domestic protection which will give domestic supplier an edge over external suppliers. If these producers are inefficient then prices are likely to rise and consumers will be hurt. Unfortunately, the lack of data on domestic supply and demand does not allow us to pursue this issue in more depth. However, it is possible make an approximation by looking at the comparative advantage of Kyrgyzstan. In all those case where the MFN tariff is raised and the domestic producers are not efficient, trade diversion should transpire. But it is important to note that welfare effects will exist even in those products where Kyrgyzstan is an efficient supplier since welfare will be transferred between consumers (paying a higher consumer price as a consequence of the increase in the MFN tariff); and producers (receiving higher domestic prices as a consequence of the increased protection).

A deeper insight into the present scope for trade diversion in the FTA with the BKRCU members and its potential evolution can looked at by focusing on the main imported products from each of the CU members. This analysis is presented in Table 7, Table 8 and Table 9 where we repeat this approach on the top imported products from each of the FTA partners. Trade diversion might be particularly problematic in the trade with Kazakhstan as in many products where the Kyrgyz Republic's MFN tariff is positive; Kazakhstan does not exhibit a comparative advantage. This implies that the Kyrgyz Republic is not importing these products from the most efficient supplier. Moreover, we can also see that in many of these products, the MFN tariff will need to be raised if Kyrgyzstan joins the customs union; implying that the trade diversion effects might be more important.

Trade with the Russian Federation may exhibit some trade diversion in some products; most importantly imports of beer (220300) and of pneumatic tyres (401120). In the rest of the products, the Russian Federation either exhibits a comparative advantage or the MFN tariff is zero already. However, newer cases of trade diversion would appear where the Russian Federation is not an efficient supplier and where the Kyrgyz Republic MFN tariff is likely to increase. There could also be some instances where the MFN tariff will be reduced and hence previous trade diversion will be eliminated.

**Table 6. Share of imports from Belarus, Kazakhstan and Russian Federation in top imported products 2011.**

| | | MFN tariff (%) | | Share of Imports (%) | | | Normalised RCA | | |
|---|---|---|---|---|---|---|---|---|---|
| Product | Product Name | BKR | KG | BEL | KAZ | RUS | BEL | KAZ | RUS |
| 020714 | Fowls, cuts & offal, fro | 0 | 10.00 | 0.01 | - | 0.56 | -0.39 | -1.00 | -0.93 |
| 100190 | Wheat except durum wheat, and meslin | 5 | 0.00 | - | 99.99 | 0.01 | -1.00 | 0.42 | 0.49 |
| 110100 | Wheat or meslin flour | 10 | 0.00 | 0.01 | 73.16 | 25.26 | -0.38 | 0.90 | 0.16 |
| 151219 | Sunflower or safflower oil,fractions simply refine... | 15 | 3.33 | - | 6.88 | 67.77 | -0.91 | -0.66 | 0.36 |
| 170199 | Refined sugar, in solid form, nes, pure sucrose | 0 | 0.00 | 68.68 | 2.05 | 11.18 | 0.77 | -0.87 | -0.79 |
| 180690 | Chocolate/cocoa food preparations nes | 20 | 8.00 | - | 11.02 | 28.92 | -0.31 | -0.52 | -0.38 |
| 240220 | Cigarettes containing tobacco | 0 | 10.00 | - | 73.48 | 16.14 | -0.84 | -0.45 | -0.31 |
| 270119 | Coal except anthracite or bituminous, not agglomer... | 5 | 5.00 | - | 99.99 | - | -1.00 | 0.90 | -0.67 |
| 271000 | Petroleum oils&oils obta | 5 | 5.00 | 0.00 | 3.88 | 93.73 | 0.71 | -0.33 | 0.56 |
| 271121 | Natural gas in gaseous state | 0 | 5.00 | - | 29.66 | - | -1.00 | 0.43 | 0.85 |
| 271320 | Petroleum bitumen | 5 | 0.00 | - | 7.67 | 77.74 | 0.19 | -0.60 | -0.38 |
| 300490 | Medicaments nes, in dosage | 10 | 0.00 | 0.89 | 1.29 | 8.87 | -0.79 | -0.98 | -0.96 |
| 310230 | Ammonium nitrate, including solution, in pack >10 ... | 10 | 0.00 | - | 10.49 | 56.35 | -1.00 | 0.21 | 0.82 |
| 440710 | Lumber, coniferous (softwood) thickness < 6 mm | 15 | 0.00 | - | - | 99.69 | 0.18 | -1.00 | 0.65 |
| 851780 | Elect apparatus for line | 5 | 0.00 | - | 0.00 | 1.02 | -0.97 | -0.98 | -0.94 |
| 852520 | Transmit-receive apparatus for radio, TV, etc. | 10 | 0.00 | - | - | 0.00 | -0.97 | -0.98 | -0.99 |
| 870323 | Automobiles, spark ignition engine of 1500-3000 cc | 0 | 10.00 | - | 0.03 | 4.95 | -0.91 | -0.99 | -0.90 |
| 870324 | Automobiles, spark ignition engine of >3000 cc | 0 | 10.00 | - | - | - | -0.76 | -0.98 | -0.99 |
| 870410 | Dump trucks designed for off-highway use | 14.29 | 7.50 | 0.58 | - | 0.08 | -0.43 | -0.99 | -1.00 |
| 870423 | Diesel powered trucks weighing > 20 tonnes | 22.5 | 10.00 | 57.13 | - | 3.52 | 0.93 | -0.99 | -0.60 |

Source: UNCTAD Trains database

Finally, imports from Belarus do not seem to show many signs of there being much current trade diversion as in the products where Belarus is not an efficient supplier, the MFN tariff applied by Kyrgyzstan is zero. However, there is potential for additional trade diversion as in many products where Belarus is not an efficient supplier, MFN tariff are expected to go up after joining the customs union.

As a consequence, joining the BKRCU is expected to increase the present trade diversion that Kyrgyz Republic is currently suffering in the FTAs with the member countries. Whilst in some cases, some MFN tariffs will be reduced; in the majority of the products tariffs are expected to increase. Trade diversion is expected to increase in those products currently

present and will appear in those products where the partner does not have a comparative advantage and the current MFN tariff is zero. But also, it is important to highlight that regardless of the efficiency of the supplier, either domestic or imported, consumers are expected to be worse off given the increase in domestic prices that should arise from the higher MFN.

This calls to take some precautions at the time of joining the agreement in order to avoid, at least, part of the negative effects if they cannot be completely avoided. One possibility is to request some exceptions in the application of the common external tariff and exclude those products where trade diversion effects are expected to be largest i.e. keeping the MFN tariff in these products lower than the CET. Whilst Customs Unions are expected to be complete or total, there are many instances of derogations[20]. An additional possibility of avoiding trade diversion, or at least postponing it, is to have longer implementation periods for the sectors where the MFN is to rise. This may be reasonable if it is expected that once inside the customs union, it might be possible to negotiate a reduction of the CU common external tariff. However, it may only help to postpone trade diversion.

**Table 7. Top 20 Imported products from Kazakhstan 2011(Value in thousands of USD)**

| Product | Product Name | BKR MFN | Kyrgyz MFN | Imports Value | Imports Share | RCA |
|---|---|---|---|---|---|---|
| 100190 | Wheat except durum wheat, and meslin | 5 | 0 | 66,651.81 | 17.13% | 0.42 |
| 110100 | Wheat or meslin flour | 10 | 0 | 33,256.10 | 8.55% | 0.90 |
| 271000 | Petroleum oils&oils obta | 5 | 0 | 32,351.82 | 8.32% | -0.33 |
| 270119 | Coal except anthracite or bituminous, not agglomer... | 5 | 5 | 31,371.08 | 8.06% | 0.90 |
| 240220 | Cigarettes containing tobacco | 0 | 10 | 28,423.68 | 7.31% | -0.45 |
| 271121 | Natural gas in gaseous state | 0 | 5 | 20,504.00 | 5.27% | 0.43 |
| 220210 | Beverage waters, sweetened or flavoured | 15 | 15 | 8,910.74 | 2.29% | -0.28 |
| 721049 | Flat rolled i/nas, coated with zinc, width >600mm,... | 2.5 | 0 | 7,314.09 | 1.88% | 0.53 |
| 220290 | Non-alcoholic beverages nes, except fruit, veg jui... | 12 | 10 | 5,762.85 | 1.48% | -0.81 |
| 680911 | Plaster board etc not ornamental, paper reinforced | 15 | 10 | 5,752.67 | 1.48% | 0.33 |
| 151710 | Margarine, except liquid margarine | 10 | 10 | 5,086.00 | 1.31% | -0.11 |
| 730630 | Pipes etc nes, iron/steel welded nes,diameter <406... | 16.8 | 0 | 4,743.38 | 1.22% | -0.79 |
| 252400 | Asbestos | 5 | 5 | 4,402.77 | 1.13% | 0.91 |
| 252100 | Limestone materials for manufacture of lime or cem... | 5 | 10 | 4,186.31 | 1.08% | 0.63 |
| 180690 | Chocolate/cocoa food preparations nes | 20 | 8 | 4,060.67 | 1.04% | -0.52 |
| 170490 | Sugar confectionery not chewing gum, no cocoa cont... | 10 | 10 | 3,918.35 | 1.01% | -0.36 |
| 310230 | Ammonium nitrate, including solution, in pack >10 ... | 10 | 0 | 3,733.02 | 0.96% | 0.21 |
| 732611 | Balls, iron/steel, forged/stamped for grinding mil... | 15 | 0 | 3,684.59 | 0.95% | -0.10 |
| 262100 | Slag and ash nes, including seaweed ash (kelp) | 5 | 5 | 3,482.86 | 0.90% | 0.58 |
| 321410 | Mastics, painters' fillings | 5 | 0 | 3,262.19 | 0.84% | -0.73 |
| | | | | 280,858.96 | 72.19% | |

Source: UNCTAD Trains

[20] Automobiles and sugar are excluded from Mercosur and have received special treatments.

**Table 8. Top 20 Imported products from Belarus 2011 (Value in thousands of USD)**

| Product | Product Name | BKRCU MFN | Kyrgyz MFN | Imports Value | Imports Share | RCA |
|---|---|---|---|---|---|---|
| 170199 | Refined sugar, in solid form, nes, pure sucrose | 0 | 0 | 53,034.26 | 48.42% | 0.77 |
| 870423 | Diesel powered trucks weighing > 20 tonnes | 22.5 | 10 | 17,445.69 | 15.93% | 0.93 |
| 401199 | Pneumatic tyres new of rubber nes | 5 | 10 | 5,651.29 | 5.16% | 0.91 |
| 870190 | Wheeled tractors nes | 12.78 | 0 | 4,146.24 | 3.79% | 0.91 |
| 441019 | Particle board of wood | 16.6 | 0 | 2,448.44 | 2.24% | 0.24 |
| 401120 | Pneumatic tyres new of rubber for buses or lorries | 0 | 10 | 2,111.04 | 1.93% | 0.30 |
| 841810 | Combined refrigerator-freezers, two door | 20 | 10 | 1,916.86 | 1.75% | 0.75 |
| 570320 | Carpets nylon, polyamides, tufted | 0 | 10 | 1,345.18 | 1.23% | 0.50 |
| 110710 | Malt, not roasted | 0 | 10 | 1,214.12 | 1.11% | 0.68 |
| 870899 | Motor vehicle parts nes | 2 | 0 | 1,140.04 | 1.04% | -0.16 |
| 300490 | Medicaments nes, in dosage | 10 | 0 | 1,111.78 | 1.02% | -0.79 |
| 845011 | Automatic washing machines, of a dry capacity < 10... | 15 | 10 | 1,095.06 | 1.00% | 0.21 |
| 401110 | Pneumatic tyres new of rubber for motor cars | 0 | 10 | 1,089.40 | 0.99% | -0.11 |
| 550330 | Staple fibres of acrylic, modacrylic,not carded/co... | 5 | 0 | 1,021.98 | 0.93% | 0.94 |
| 621210 | Brassieres and parts thereof | 0 | 12 | 819.81 | 0.75% | 0.65 |
| 550961 | Yarn of acrylic staple fibre & wool or hair,not re... | 5 | 0 | 633.22 | 0.58% | 0.88 |
| 841821 | Refrigerators, household compression type | 0 | 10 | 626.29 | 0.57% | -0.04 |
| 870840 | Transmissions for motor vehicles | 1.88 | 0 | 572.24 | 0.52% | -0.72 |
| 690890 | Glazed ceramic flags, tiles wider than 7 cm | 0 | 10 | 470.22 | 0.43% | 0.50 |
| 550932 | Yarn >85% acrylic staple fibres, multiple not ret... | 5 | 0 | 465.65 | 0.43% | 0.82 |
| | | | | 98,358.81 | 89.80% | |

Source: UNCTAD Trains

## Export Opportunity Analysis

As we have already pointed out, the last decade has seen a widening of the Kyrgyz Republic's trade deficit. This has largely been due to an important increase in imports which has not been matched on the export side. Not only have total exports observed a slower growth but they have also increasingly concentrated across fewer products. This puts the external balance in a potentially precarious position if prices for the few exported products start to fall. Export may ultimately not be able to finance the surge in imports. Therefore, attention must be placed not only in increasing exports but also in securing sustainability by increasing diversification.

These elements have been highlighted in the recent National Export Strategy (NES) for the period 2013-2017 introduced by the Kyrgyz Republic's Government. This strategy has the objective of motivating and designing policy tools in view of increasing export volumes and products. The strategy starts with a deep and thorough diagnosis of the economy and the

trade relations of the Kyrgyz Republic to serve as the basis for the development of an export strategy. The diagnosis of the economy, mostly in line with the results of this report, suggests that the excessive reliance on traditional export sectors may be problematic, in particular, when wider development objectives are considered. The NES additionally identifies some economic constraints that need to be addressed in order to pursue other economic and development objectives. This means that the NES coverage is also wider in terms of the elements analysed.

**Table 9. Top 20 Imports from the Russian Federation 2011 (Value in thousand of USD)**

| Product | Product Name | BKRCU MFN | Kyrgyz MFN | Imports Value | Imports Share | RCA |
|---|---|---|---|---|---|---|
| 271000 | Petroleum oils&oils obta | 5 | 0.00 | 781,369.72 | 54.70% | 0.56 |
| 440710 | Lumber, coniferous (softwood) thickness < 6 mm | 15 | 0.00 | 43,763.94 | 3.06% | 0.65 |
| 151219 | Sunflower or safflower oil,fractions simply refine... | 15 | 3.33 | 25,622.27 | 1.79% | 0.36 |
| 271320 | Petroleum bitumen | 5 | 0.00 | 23,469.07 | 1.64% | -0.38 |
| 180631 | Chocolate, cocoa preps, block, slab, bar, filled, ... | 20 | 5.00 | 21,431.47 | 1.50% | 0.14 |
| 721420 | Bar/rod, i/nas, indented or twisted, nes | 5 | 0.00 | 20,949.99 | 1.47% | -0.45 |
| 310230 | Ammonium nitrate, including solution, in pack >10 ... | 10 | 0.00 | 20,048.03 | 1.40% | 0.82 |
| 220300 | Beer made from malt | 0 | 10.00 | 14,540.30 | 1.02% | -0.67 |
| 210690 | Food preparations nes | 14.7 | 7.50 | 14,210.58 | 0.99% | -0.71 |
| 340220 | Washing and cleaning preparations, retail | 15 | 0.00 | 12,446.02 | 0.87% | -0.55 |
| 441019 | Particle board of wood | 16.67 | 0.00 | 12,388.90 | 0.87% | -0.28 |
| 110100 | Wheat or meslin flour | 10 | 0.00 | 11,481.96 | 0.80% | 0.16 |
| 300490 | Medicaments nes, in dosage | 10 | 0.00 | 11,090.37 | 0.78% | -0.96 |
| 180690 | Chocolate/cocoa food preparations nes | 20 | 8.00 | 10,654.36 | 0.75% | -0.38 |
| 401120 | Pneumatic tyres new of rubber for buses or lorries | 0 | 10.00 | 9,520.96 | 0.67% | -0.60 |
| 730660 | Hollow profiles/tubes,iron/steel,non-circular, wel... | 17.5 | 0.00 | 9,178.55 | 0.64% | -0.59 |
| 170199 | Refined sugar, in solid form, nes, pure sucrose | 0 | 0.00 | 8,633.63 | 0.60% | -0.79 |
| 190110 | Infant foods of cereals, flour, starch or milk, re... | 5 | 0.00 | 8,564.56 | 0.60% | -0.68 |
| 701092 | Carboys/bot/flask<.33>1 | 13.82 | 10.00 | 8,529.37 | 0.60% | -0.57 |
| 870323 | Automobiles, spark ignition engine of 1500-3000 cc | 0 | 10.00 | 6,950.47 | 0.49% | -0.90 |
| | | | | 1,074,844.49 | 75.24% | |

Source: UNCTAD Trains

Many of the reported challenges are in line with those identified in this report, as was mentioned; for example the low level of export diversification and the concentration of export structures in products prone to being affected by price shocks which can lead to balance of payment imbalances. It also highlights that the evolution of trade and economic activity has very strong links with just a few sectors; most importantly gold mining. These

observations lead to the consequent conclusion that diversifying sources of income and hence reducing the reliance on a single source is seen as a desirable policy objective.

At the same time, the past performance of exports when compared to that of imports could be cause for concern. These stand at half the import flow value with a widening gap implying a growing trade deficit, which could be a manifestation of a structural challenge. This might call for additional action and policy as it may be necessary to alter some of the economic fundamentals in order to change this trend.

References to common supply side constraints (quality of infrastructure, availability of credit, etc.) are also made in the NES, which further provides policy responses in view of redressing some of these structural concerns. The NES also attempts to re-direct attention towards a greater development of non-traditional sectors, or sectors that are not natural resource based. Diversification of exporting structures is seen not only as a way of reducing the exposure to risk; but also as a way of addressing standard current account problems.

This diversification effort proposes a greater policy support to particular sectors during the coming years. It identifies the following five broad sectors[21]:

- Fruits and vegetables (Fresh and processed)
- Meat (Raw and processed)
- Milk and Dairy products
- Clothing
- Bottled Water

The NES presents a very deep analysis on each of these sectors. It identifies how the value chain in each of these sectors is integrated as well as other general elements such as the export destination markets and the identification of some constraints and other competitive issues. This analysis is crucial in order to understand and identify where supply bottlenecks might appear and how to address them; or where the main strength and weaknesses of the supply chain may be present.

However, whilst some products within each of these broad sectors are unambiguously identified, the sectors identified are very general. Within some of these broad sectors there is a wide degree of heterogeneity as these products differ in several dimensions such as technology, resources use and, very importantly, policy treatment in the export destinations. Foreign trade policy applied on these products not only varies across products within these broad sectors but also across countries. It is then important to identify the level of protection in these sectors in the different export markets which requires a deeper analysis at a more disaggregated level.

[21] Tourism is also identified as one of the sectors.

The study also assumes that the Kyrgyz Republic is an efficient supplier in these products without particular attention to the comparative advantage held in each individual product. Whilst it can be seen that the Kyrgyz Republic might be an efficient supplier at the sector level, the same does not necessarily hold for all the products that compose these broad sectors. This might be particularly problematic since promotion efforts might be made to promote products which have little scope for promotion. It may lead to an inefficient use of resources and efforts. Therefore, a more refined list of products, compatible with the standard classification systems, would help to direct the attention to those products where the benefits of promotions would be maximised.

With these elements in mind, we proceeded to identify products within these sectors that may help increase and possibly diversify the Kyrgyz Republic's exports. It is however important to note that economies of scale, through specialisation, are frequently seen as a source of gains from trade. This might be seen as contradictive to the objective of diversification, but in principle, diversified export sectors are a consequence of a development process rather than a cause. Diversification of exports can be achieved through the development of economies of scale. Therefore, it is likely that economies of scale would be more easily developed in a limited number of sectors. This reinforces the point with respect to narrowing the definition of target products.

The quantity of products within each sector is positively correlated with the heterogeneity of the products considered. In this sense, using HS 6 digits, bottled water only comprises a few products whilst raw and processed fruits and vegetables comprise hundreds. When the number of products is large, it is necessary to define a criterion to make an identification of the products most likely to succeed.

The identification of products within these sectors involves the use of different criteria or selection stages that act like filters with the objective of retaining those products whose immediate past evolution suggest prospects of growth. These stages, or filters, are considered in order to concentrate any promotion or negotiation efforts towards a limited number of products. The idea then is to identify products showing strength and stability in view of avoiding the diversion of valuable resources into the promotion of weaker products.

One of the advantages of this approach is that it is based entirely on the behaviour of the trade statistics.[22] The first filter applied relates to past export performance. Products that exhibit important growth during recent years reveal themselves as dynamic products which may have potential for further growth. In particular, focus should be placed on those products which have exhibited sustained growth so as to avoid the selection of products with erratic trends. Since products with intermittent trade are not obviously following a

[22] Bearing in mind that other considerations have been taken into account in the NES this is a complementary approach that aims to strengthen the results of the NES.

sustained growth path, rather than identifying high point-to-point growth rates, we focus on products that have had positive exports during several yearly periods.

In order to identify such products we apply a filter whereby we identify products whose exports, during the last two years, have been greater than the average of the last ten years. The use of averages with different length prevents us from selecting products that, during the last years, have witnessed unusually high or low export performance. It effectively smoothens the point-to-point changes. We have also excluded those products with no exports in one of the last two years to avoid that an unusual positive export effect, generally related to a unique trade operation, could affect our selection. We have also deliberately left in the selection products that have exhibited a fall in exports in the last year (2011) with respect to the previous year. This is in order to avoid excluding products, which may be experiencing unusual shocks taking place during one period.

The application of this procedure to the trade of the Kyrgyz Republic yielded a list of 118 products (within the broad sectors defined above) at HS 6 digits. These products accounted for 16.78% of total exports in 2011. Some of the products in this list have already been discussed in previous sections since they are among the top 20 exported products in 2011. This is reassuring since it suggests that the procedure is picking up important sectors all the while excluding other products with more erratic projections.

The first filter applied has also left products with very modest export values. Although these are unlikely to be competitive given that they may not benefit from economies of scale. To further remove products, which show little signs of being competitive, we apply a second filter, which identifies the revealed comparative advantage in the product as a proxy for competitiveness.

If an exported product has a higher share than that which the world demands; it is likely that product in question is being efficiently produced, or at a lower cost, by the Kyrgyz Republic than at least the average of the Rest of the World. If not, the demand from the Rest of the World would be directed to a more efficient source, implying that the comparative advantage in that product would be smaller. It is true, on the other hand, that this might be affected by several factors not necessarily related with efficiency or cost of production. In particular, own and other countries trade policy might also affect measures of comparative advantage. However, the effect of the individual countries policies would tend to be dilute it in the aggregate; implying that we can take this figure to indicate which sectors are performing particularly well with respect to the Rest of the World. Additionally, since comparative advantages can fluctuate we also look at how it has evolved.

For this filter we thus consider the evolution of the RCA indicator during the last four years. Effectively we eliminate all those products whose average RCA was bellow one, the threshold that defines the presence of a comparative advantage (since in this case, the share

of the product in total Kyrgyz Republic's exports will be smaller than the share in the world exports). The use of an average also helps reduce the possibility of eliminating products with potential but with unusually low RCAs.

We have also picked up those products whose RCA in the last year (2011) was higher than the average of the last 4 years to ensure that the comparative advantage on these products is growing over time. This may be seen as excessive, as it is possible that traditional products such as gold might be failing to meet this requisite. The problem is that, in general, in the traditional products, decreasing RCAs may be the result of good performance in competing countries; rather than a poor performance or lack of competitiveness in the Kyrgyz Republic. The application of this second filter has resulted in a list of 54 products that passed the succession of filters. The list, with their RCAs, is presented in the appendix in Table 24.

The list identifies the products, presents the value exported in thousands of USD, the share of these products in total exports, the value of the RCA in the last four years; the distribution of their exports by destination and the value of the tariffs applied by the EU (MFN and average effectively applied tariff). The length of the table makes it impractical to include in the body of the text and is hence left to the appendix. Here we focus on some observations arising from this table picking out some of the key results..

The final selection of 54 products represented nearly 11% of total exports in 2011. In Table 11 we present a summary of the products identified. For each group of products, the number of products at HS 6 digits identified is presented together with the value of exports and the share of these in total exports.

Only 4 out of these 54 sectors have observed declines in world demand between 2008-2011[23]. In principle, it would be convenient to eliminate these products from the list of products to promote, as they might not possess export potential as their demand is falling. However, there is still the possibility of replacing some of the current suppliers of these products with a more efficient product. This suggests that, unless there is evidence that the fall in demand is structural or explained by the replacement of the product, there might be still scope for the promotion of this product. Table 10 presents a brief summary describing the stages and filters applied in the identification of target products. These filters are applied sequentially with a discretion on the years of coverage The purpose of this exercise is to select a manageable list of products where benefits of promotion or negotiation efforts can be maximised.

[23] 510540, 620463, 620530 and 620620.

**Table 10. Summary of procedure for selection of target products**

| | Criterion | Description | Purpose | Quantity of products retained at HS 6 digits |
|---|---|---|---|---|
| Stage 1 | Evolution of exports | Average of export flows in the last two years is greater than the average export flows in the last 10 years. | To focus only on products which have witnessed export growth. The use of averages helps us eliminate potential outliers. | 118 |
| Stage 2 | Consolidation as a world supplier | RCA during the last year is higher than the average of the last 4 years. | To identify products with growing comparative advantage | 58 |
| Stage 3 | Strong world demand | World imports are increasing between 2008-2011 | To identify products where world demand is growing (or eliminate those were world demand is falling) | 54 |

The broad sector with the highest share, in this list of products, is fruits and vegetables where 12 products have generated almost 6% of total exports. However, some of the already identified top exported products, such us kidney beans, are present in this group. If the influence of this product were removed, the remaining products would represent only 3% of total exports. On the other hand, whilst all the products considered have a comparative advantage, it is likely that some of them are the result of cross border trade. This is the case of fresh potatoes where its high transport costs prevent this product from being exported to distant locations. This suggests that given unique relative advantages, exports of this type of products, promotion may be seen as unnecessary and it should be directed to other fruits and vegetables.

In terms of dairy products, there are only 3 products that have passed all filters. In particular two of them might exhibit some potential: milk powder and honey. The other product in the list, yogurt, is characterised by cross border trade with neighbouring countries and its export potential might be limited given the higher transportation costs involved.

Raw and processed meat has revealed only 2 products with limited exports and these two products accounted just for 0.12% of total exports. We could not identify other products that met our criteria. It might be the case that it is too early to see relevant figures for this sector. As a consequence, it might be convenient to wait before taking any action in this sector.

**Table 11. Summary of National Export Strategy products identified**

| Broad Sector | Number of products | Total exports in 2011 (in thousands of USD) | Share of total exports | BLR-KAZ-RUS | EU | ROW |
|---|---|---|---|---|---|---|
| Raw and processed meat | 2 | 2,083.12 | 0.12% | 14.81% | 0.01% | 85.17% |
| Dairy products | 3 | 7,136.40 | 0.40% | 92.16% | 0.03% | 7.82% |
| Raw and processed fruit and vegetables | 12 | 107,558.52 | 5.96% | 56.68% | 6.88% | 36.44% |
| Bottled water | 2 | 7,712.04 | 0.43% | 29.66% | 0.00% | 70.34% |
| Textiles and clothing | 35 | 78,021.06 | 4.32% | 90.87% | 0.00% | 9.13% |
| Total | 54 | 202,511.14 | 11.22% | 69.64% | 3.66% | 26.70% |

Source: Own calculations based on UN Comtrade

In the case of bottled water, there are only 2 products that were "rescued" by our criteria. Nevertheless, the number of available products was not very important and these two products almost represent them completely. These products accounted for around 0.43% of total exports.

The largest group is textiles and clothing. It was possible to identify 35 products accounting for 4.32% of total exports. It is a strong heterogeneity in these products, it is possible to identify products that share design and production features that may help to develop economies of scale. For example, there are different men underwear and hosiery within the list; as well as women and men anoraks. Therefore, it is possible to look for specialisation within those grounds.

It can also be seen that Belarus, Kazakhstan and the Russian Federation are the most important destinations of these products. This is not surprising given the presence of a FTA with these countries. Nevertheless, the Rest of the World is the most important destination in the case of bottled water.

Data shows that the EU is not an important destination in any of these products, as we can see from Table 24. Only in the case of raw and processed vegetables and fruits can we perceive higher trade values. In this instance, this is largely explained by exports of kidney beans. In the table in the annex, we also show the MFN tariff and the effectively applied tariffs of the EU in these products so as to further gauge the level of protection in these products.

In general, the level of tariffs in these products tends to be particular high and higher than the aggregate average tariff applied by the EU[24]. Tariffs on food products (dairy products in particular) as well as fruits and vegetables are generally higher than those applied to manufactured goods, with the exception of textile and clothing products who also enjoy relatively high levels of protection in the EU. In addition, since the average effectively applied

[24] CARIS 2010

tariff, that considers the incidences of preferences, is also particularly high and close to the MFN tariff, there are relatively low margins of preference in these products. Since the Kyrgyz Republic is a beneficiary of the standard GSP regime, the tariff it faces in the EU lies between the MFN and the AHS (that considers preferences given by the EU to other partners) in Table 24; and as can be seen the preference margin that is afforded is relatively low.

Given that competitors in these products tend to receive better preferences either through the existence of FTAs (such as the EPAs) or through better GSP preferences (EBA or GSP+ which have more favourable duty free access); it will be hard for the Kyrgyz Republic to increase its exports in these products unless better preferences are obtained.

### Identifying markets

Once products with export potential have been identified following the procedure outlined, the next step involves the identification of export markets. This entails the identification of those most promising export destinations based on some criterion that allows identifying one or more export markets where the promotion or negotiation efforts should be intensified. In principle, every country is a potential destination, no matter how far or unknown it may result. This implies that it is necessary to make a very wide analysis considering how the demand (imports) for the products identified has evolved in each of the potential candidates. Those countries whose demand for a given product has observed important growth during some recent period should be considered.

The problem with this approach is that, in general, small countries such as Belarus or Kazakhstan[25] tend to observe important percentage variations that may hide very small magnitudes. This is explained by the fact that small countries tend to observe important elasticities (income and price) of import demand, generating important relative changes. As a consequence, it is important to consider the size of the countries under study. This is because it may result more convenient to promote exports towards countries with relatively low import variation but with sizable markets than in countries where there is evidence of important import variations with low market sizes.

In Table 25 in the appendix, we present figures for each of the 54 products identified and in Table 12 we present a summary of these findings with the broad sectors defined in the NES indicating how total imports of some of the partners considered have evolved during the last four years in each broad sector. We also present the share of their imports in total World imports as an indicator of the size of the markets for these products.

As we can see, Belarus and Kazakhstan present important import variations (top panel) in almost all the sectors considered but the size of those markets is particularly low (bottom

[25] Size of countries is defined by the size of their markets or demand

panel). This suggests that whilst their imports might be growing fast, the magnitude of their imports is still very low. These contrast with the EU[26] or the US where the import demand tends to evolve more slowly but the magnitudes involved are significant. A small percentage increase in demand in these markets implies important increases in the value of imports.

On the other hand, given the common history and the existence of an FTA, promotion in the countries of the BKRCU may not be as costly as in other markets. Promotion in these markets might generate very little benefits in the short run either because Kyrgyz products might be already known or because the markets are very small to generate sizable effects in demand; but at the same time, promotion might help to displace competitors in these markets. Therefore, the benefits of promotion in these markets would come from a substitution of sources in the destination countries rather than an increase in the total demand of these partners.

In the case of the EU, as we have seen, high MFN tariff or low preferential tariffs may be the main impediment to export to this market; suggesting that getting additional or enhanced preferences such as GSP+ might be sufficient to increase exports to this market. However, as GSP+ grants duty free access in the majority of the products, but still some sensitive products remain with positive tariffs in the EU; it may result very difficult to export to the EU even after GSP+. Nevertheless, in the majority of the products identified (particularly textiles and clothing), Kyrgyzstan may benefit substantially from GSP+. Needless to say that receiving GSP+ preferences does not guarantee the success in these sectors. It may still be necessary to promote exports to attract consumers and investments in these sectors.

It may also be interesting to investigate the preferences offered in other countries through their GSP regimes, since with minimum promotion and assistance efforts, it may be possible to start exporting to these markets (for example the US) as a preference margin will help to make the operation convenient. There are, of course, transports and logistics costs which might affect the viability of operations; particularly in a country such as Kyrgyzstan[27]. This suggests that promotion in these markets need to be more focalised and precise. It will be extremely complicated and inconvenient to promote the whole list. However, the negotiation efforts to open those markets should not stop[28].

It is important to note that, as Turkey is part of the EU Customs Union, if the EU grants GSP+ treatment to Kyrgyzstan; Turkey will also extend these preferences. As a consequence, Kyrgyzstan is also likely to export to Turkey duty free in the products that

[26] Intra-EU trade included. The share of the EU in world imports is, consequently, smaller.
[27] Transportation and logistics costs tend to depend heavily on the investments made in infrastructure by the countries on the route of the exports.
[28] Whilst investments in some type of infrastructure such as airports tends to constitute a requirement for some type of trade (particularly perishable products such as flowers, etc.); a priori, this is not the case for the products herein identified since the cost to price ratios might make this sort of transportation unprofitable.

receive GSP+ treatment[29]. This is important, as Turkey is a destination with a relative strong growth in demand for these products and with a relatively important market size.

The negotiation of FTAs or similar agreements with other trade partners, such as China may also be of extreme importance to secure markets for these products (and newer products that may appear) as well as remove trade diversion from current FTA in place. This suggests that the negotiating exercise should be continuous as should be the efforts of finding new export markets whether this be through negotiating new agreements of engaging more broadly in the multilateral system.

**Table 12. Import evolution of identified products in top export destinations**

| Broad Sector | Belarus | Kazakhstan | Russian Federation | EU | China | Turkey | USA | World |
|---|---|---|---|---|---|---|---|---|
| **Import Variation (2008-2011) (in percentage)** | | | | | | | | |
| Raw and processed meat | -86.6 | 111.0 | 24.6 | 10.4 | -14.6 | 0.2 | 0.2 | 5.9 |
| Dairy products | -20.3 | 49.4 | 160.1 | 2.3 | 113.7 | -85.2 | 59.7 | 17.5 |
| Raw and processed fruit and vegetables | 63.1 | 323.1 | 66.1 | -0.5 | 189.5 | -28.1 | 20.1 | 12.7 |
| Bottled water | -22.2 | 15.6 | -45.6 | 1.8 | -19.5 | 17.4 | 9.7 | 6.8 |
| Textiles and clothing | 51.8 | 151.4 | 56.9 | 14.0 | 155.3 | 58.2 | 13.6 | 21.2 |
| Total | 43.2 | 155.6 | 59.9 | 7.3 | 146.9 | 48.8 | 15.0 | 17.3 |
| **Shares of World imports (in percentage)** | | | | | | | | |
| Raw and processed meat | 0.01 | 1.06 | 3.37 | 58.20 | 0.08 | 0.00 | 4.70 | 0.01 |
| Dairy products | 0.08 | 0.62 | 1.07 | 41.78 | 4.11 | 0.06 | 3.69 | 0.08 |
| Raw and processed fruit and vegetables | 0.38 | 0.70 | 10.07 | 48.18 | 0.64 | 0.17 | 8.78 | 0.38 |
| Bottled water | 0.12 | 0.27 | 0.77 | 51.09 | 0.11 | 0.41 | 19.80 | 0.12 |
| Textiles and clothing | 0.08 | 0.11 | 2.92 | 41.57 | 3.28 | 0.89 | 19.59 | 0.08 |
| Total | 0.16 | 0.33 | 4.41 | 44.02 | 2.46 | 0.58 | 15.08 | 0.16 |

Source: Own calculations based UN Comtrade

Note: EU data includes intra-EU trade

But it is important to note that even in the case that tariffs do not constitute a major impediment; there are still quality and safety standards that need to be met in the exports to the EU (or in any other market). In the case of food and agricultural products, sanitary and phytosanitary measures (SPS) to ensure food safety and animal welfare tend to be particularly rigorous. Similarly, in the case of textiles and clothing, the EU standards on labelling and product quality are also onerous. This implies that export promotion may

[29] Azerbaijan and Georgia are since 2009 exporting to Turkey (and the rest of the EU) under GSP+.

involve, in this case, the development of local facilities for the compliance and certification of these standards.

Finally, it is important to also note that some standards also arise from private companies. For example, supermarkets and stores in some countries impose private quality and safety standards on the products they acquire. Traceability of the production chain, for example, is not only a requirement of regulations but it is also a request of the consumer. Frequently, private standards such as Eurogap/Globalgap[30] include compliance with different forms of labour rights, child labour and environment. These requirements may be onerous to comply with and are often updated hence demanding constant informational updates to track their evolution. This suggests that part of the promotion activities might involve providing producers with the information, training and facilities to comply these requirements.

### Structure of exports to the EU

The importance of the EU as a destination market for Kyrgyz Republic exports has waned. Whilst the absolute fall in exports is explained by the behaviour of the exports of gold, exports to the EU (excluding gold) have observed a very modest growth. In order to further investigate the drivers of this decline, we delve deeper into the evolving trade structures with respect to the EU.

As we saw earlier, not only did non-monetary gold increase its share in total exports but there have also been changes in the general export structures of the Kyrgyz Republic. If this export structure has moved towards products which are not in demand in the EU or where some competitors may exhibit stronger competitiveness, a relative fall in the exports to the EU might be expected. This is on top of changes in tariffs which will be analysed later. A first dig at analysing changing structures is made in Table 13 which shows the top 20 exported products to the EU in the year 2000 and how these have evolved till 2011. This will help us capture changes in the structure of exports in time.

As can be seen, there seems to be a significant change in the composition of exports. Whilst in 2000, the top 20 exported products to the EU represented nearly 98.6% of total exports to the EU; these same products represented only 19.7% in 2011. The first element to highlight is that non-monetary gold, the most important exported product in 2000, is no longer exported to the EU. In fact, there seems to have been a change in the destination for this product. In the year 2000 non-monetary gold exports to the EU represented nearly 75% of total exports of this product; whilst in 2011 Switzerland and the UAE imported even higher values of this product. Further analysis would be required to ascertain what caused this switch in destinations[31]. Other products such as cotton have also lost participation in total

[30] Globalgap.org

[31] A possibility is that mining companies operating in Kyrgyz Republic may be sending the ore to different processing units.

exports to the EU and the erratic behaviour in the exports of motor vehicles does not allow us to extract conclusions about trends[32].

**Table 13. Top 20 exported products to the EU in 2000. Value of exports in 2000 and 2011 and share of total exports (Value in thousands of USD)**

| | | Exports 2000 | | Exports 2011 | |
|---|---|---|---|---|---|
| Product | Product Name | Value | Share | Value | Share |
| 710812 | Gold in unwrought forms non-monetary | 140,466.07 | 74.22% | 548.99 | 1.49% |
| 520100 | Cotton, not carded or combed | 17,206.12 | 9.09% | 1,356.26 | 3.69% |
| 710813 | Gold, semi-manufactured forms, non-monetary | 12,618.42 | 6.67% | 0.00 | 0.00% |
| 284410 | Natural uranium, its compounds, mixtures | 7,859.27 | 4.15% | | |
| 240110 | Tobacco, unmanufactured, not stemmed or stripped | 1,838.54 | 0.97% | 1,661.96 | 4.52% |
| 811000 | Antimony, articles thereof, waste or scrap | 1,282.55 | 0.68% | | |
| 720421 | Waste or scrap, of stainless steel | 982.92 | 0.52% | 922.60 | 2.51% |
| 710691 | Silver in unwrought forms | 701.58 | 0.37% | 9.49 | 0.03% |
| 720429 | Waste or scrap, of alloy steel, other than stainle... | 600.18 | 0.32% | 0.00 | 0.00% |
| 410110 | Bovine skins, whole, raw | 532.84 | 0.28% | | |
| 282580 | Antimony oxides | 530.91 | 0.28% | | |
| 440799 | Lumber, non-coniferous nes | 373.14 | 0.20% | | |
| 510210 | Fine animal hair, not carded or combed | 347.02 | 0.18% | 0.59 | 0.00% |
| 520300 | Cotton, carded or combed | 232.22 | 0.12% | | |
| 930690 | Munitions of war, ammunition/projectiles and parts | 214.50 | 0.11% | | |
| 870290 | Buses except diesel powered | 195.91 | 0.10% | 0.00 | 0.00% |
| 721899 | Semi-finished prod steel | 173.90 | 0.09% | | |
| 071220 | Onions, dried, not further prepared | 172.00 | 0.09% | | |
| 870899 | Motor vehicle parts nes | 158.67 | 0.08% | 2,742.65 | 7.46% |
| 152190 | Beeswax, other insect waxes and spermaceti | 135.14 | 0.07% | | |
| | | 186,621.90 | 98.61% | 7,242.53 | 19.70% |

Source: UN Comtrade

**Table 14** then presents the export structures as delimited by the top 20 products exported to the EU in 2011. As we saw in the export similarity analysis using the FKs, the structure of Kyrgyz Republic exports to the EU is quite different from the overall export structure (to the world). Only a couple of products appear in both tables (see Table 2 where we presented to structure of total exports).

Kidney beans and white peas, top exported product in 2011, is one of the "newer" products in the lists as well as petroleum, tobacco and cotton. Interestingly, none of the garments that were picked up in Table 2 appear to be in the list of top exported products to the EU which

[32] Whilst there have been exports of motor vehicles to the EU in every year between 2000 and 2011, the evolution has not presented a particularly defined trend. Within this interval, exports of motor vehicles parts have represented from 3% to 20% depending on the year.

in turn may reveal the presence of market access problems in this market. We will return to this later.

There are also several vehicles, parts as well as scraps of metal in the list. As we mentioned, there is some erratic behaviour in these exports. Given the existence of foreign companies operating in the local gold mines, it is likely that these are equipment that have been brought and then sent back, hence not qualifying as temporary export or import.

In Table 15 we present the Revealed Market Access (RMA) indicator[33] which compares exports to the EU against those to other partners. The idea that drives this indicator is that countries exports should be proportional to the size of demand in a particular location. What the RMA indicator does is compare the degree of exports to two destinations normalising by the demand, measured by either GDP or total imports, in these countries. If the indicator is above one then there is a perceived greater export bias towards the country in question. In contrast, a value below one indicates that the exports to the EU are comparatively smaller than the exports to the comparator destinations (after controlling for market size). It is important to bear in mind that the RMA indicator only controls for differences in demand; there are various other factors which also influence the magnitude of trade between countries such as larger relative distances between destinations or indeed the presence of trade barriers.

However since distance effects (and other trade determinants such as common border or language) are relatively stable (time invariant), we can look at the evolution of this indicator to tell a story about changes in market access with respect to a particular destination. One thing that does change more readily is the level of protection in the importing country; as well as reductions in the tariffs faced by other competitors, and it is this which may be driving changes in the RMA indicator.

We can see that the RMA calculated comparing exports to the EU with respect to the exports to other main partners and the world has observed a sustained fall during the last decade. This suggests that the Kyrgyz republic may face some barriers in this market. Changes in tariffs may be behind this since they lead to changes in relative barriers between destinations. The analysis of tariffs applied by the EU to the Kyrgyz Republic exports and to other countries would help us to understand the phenomenon.

[33] The Revealed Market Access (RMA) indicator is calculated using the following equation:

$$RMA^{k}_{i,j_1,j_2} = \left(\frac{x^{k}_{i,j_1}}{x^{k}_{i,j_2}}\right)\left(\frac{GDP_{j_2}}{GDP_{j_1}}\right)$$

Where k is the industry, i is the origin country and j1 and j2 are the destination countries.

**Table 14. Top 20 exported products to the EU in 2011. Value of exports in 2000 and 2011 and share of total exports (Value in thousands of USD)**

| | | Exports 2000 | | Exports 2011 | |
|---|---|---|---|---|---|
| Product | Product Name | Value | Share | Value | Share |
| 071333 | Kidney beans and white pea beans dr... | | | 7,400.59 | 20.13% |
| 271000 | Petroleum oils&oils obta | 59.29 | 0.03% | 5,213.66 | 14.18% |
| 740400 | Copper/copper alloy waste or scrap | 42.00 | 0.02% | 3,686.59 | 10.03% |
| 870899 | Motor vehicle parts nes | 158.67 | 0.08% | 2,742.65 | 7.46% |
| 840890 | Engines, diesel except motor vehicl... | 0.00 | 0.00% | 1,826.48 | 4.97% |
| 240110 | Tobacco, unmanufactured, not stemme... | 1,838.54 | 0.97% | 1,661.96 | 4.52% |
| 520100 | Cotton, not carded or combed | 17,206.12 | 9.09% | 1,356.26 | 3.69% |
| 870840 | Transmissions for motor vehicles | | | 1,112.41 | 3.03% |
| 720421 | Waste or scrap, of stainless steel | 982.92 | 0.52% | 922.60 | 2.51% |
| 381590 | Reaction initiators, accelerators, ... | 0.00 | 0.00% | 781.54 | 2.13% |
| 711290 | Waste/scrap, precious metals except... | 12.01 | 0.01% | 623.50 | 1.70% |
| 843149 | Parts of cranes, work-trucks, shove... | 0.00 | 0.00% | 614.34 | 1.67% |
| 780110 | Lead refined unwrought | | | 560.20 | 1.52% |
| 710812 | Gold in unwrought forms non-monetar... | 140,466.07 | 74.22% | 548.99 | 1.49% |
| 780199 | Lead unwrought nes | | | 450.20 | 1.22% |
| 280461 | Silicon, >99.99% pure | | | 398.82 | 1.08% |
| 520812 | Plain weave cotton, >85% 100-200g/m... | | | 320.38 | 0.87% |
| 841381 | Pumps nes | 0.00 | 0.00% | 302.01 | 0.82% |
| 640520 | Footwear, nes, upper textile materi... | 2.62 | 0.00% | 294.91 | 0.80% |
| 760120 | Aluminium unwrought, alloyed | | | 288.80 | 0.79% |
| | | 160,768.22 | 84.95% | 31,106.87 | 84.59% |

Source: UN Comtrade

**Table 15. Revealed Market Access with the EU respect to main partners.**

| Third partner | **2001** | **2003** | **2005** | **2007** | **2009** | **2011** |
|---|---|---|---|---|---|---|
| Kazakhstan | 0.016 | 0.003 | 0.001 | 0.002 | 0.001 | 0.001 |
| Russian Federation | 0.062 | 0.011 | 0.006 | 0.008 | 0.006 | 0.004 |
| Switzerland | 0.033 | 0.009 | 0.012 | 0.009 | 0.002 | 0.001 |
| United Arab Emirates | 3.994 | 0.004 | 0.002 | 0.075 | 0.006 | 0.004 |
| World | 0.698 | 0.150 | 0.098 | 0.148 | 0.084 | 0.050 |

Source: TradeSift based on UN Comtrade

## EU tariffs on Kyrygz Republic's products

The EU applies an MFN tariff on all WTO members, however it has a complex structure of bilateral and unilateral preferences. This implies that only a handful of countries actually pay the MFN tariff. For the others, unilateral preferences are available contingent on the level of

development of receiving countries. The Kyrgyz republic is entitled to the GSP (Generalised System of Preferences).

These preferences are available to almost every developing country and give duty free access in EU non-sensitive products and 3.5-percentage points preference on sensitive products. On some extremely sensitive products, no preference are awarded.[34] Whilst a country and product might be eligible to receive preferential treatment, the granting of the preference is not automatic as additional requirements are to be met such as compliance with rules of origin or other regulatory standards. We will analyse later how the Kyrgyz Republic has utilised its GSP preferences. But before this we provide a more general description detailing the level of protection faced by the Kyrgyz Republic's exports in the EU market. This has the objective of trying to investigate why the EU has fallen as a destination for Kyrgyz Republic exports.

In general, EU MFN tariffs have remained relatively stable during the period of study. No general adjustments have been made in the MFN tariffs after those required since the completion of the WTOs Uruguay Round. There were, however, important changes in the number of Free Trade Agreements that the EU has negotiated since then as well as some relevant changes in some of its unilateral preferences schemes. These have reduced the effectively applied tariffs of the EU on many countries. These bouts of liberalisation imply that; those that receive preferences or that are part of an FTA, will have improved their access to the EU relative to those countries that pay the MFN tariffs. But also, countries that have received better preferences (GSP+ or EBA) or which have signed an FTA will have improved their access with respect to those that only receive GSP preferences (which have remained almost unchanged).

Therefore, a first factor which may help explain the poor performance of Kyrgyz Republic exports to the EU might be that there has been a relative erosion of the preferences granted through the proliferation of the EUs FTAs or the award of more generous preferences, such as the GSP+ regime.

In order to gain more insight on the evolution of the EU level of protection, we present, in Table 16, the evolution of the average tariff applied by the EU to the World and to the Kyrgyz Republic. It is important to note that these averages are compositional, implying that those products for which no imports are recorded fall from the calculation of the average tariffs. As a consequence, the average tariffs move not only by variations on the tariffs but also by changes in the compositions of total imports from all partners as well as from the Kyrgyz Republic. In this fashion, the average MFN tariff will differ between countries as their composition of trade differs.

[34] CARIS (2010)

The effectively applied tariff takes into account the existence of preferences and assumes that if preferences are on offer, these are effectively used (we will relax this assumption when we turn to the analysis of preference utilisation in subsequent sections). In the case of Kyrgyzstan, this tariff accounts for the presence of GSP preferences whilst for the World, this represent an average of the effectively applied tariff (including preferences offered through FTAs and other GSP schemes). The difference between both tariffs would be the average preference margin, compositional to trade.

We can see that the effectively applied tariff paid by the Kyrgyz Republic is between the effectively applied tariffs paid in average by the world (reflecting the better preferential treatment received by other countries) and the MFN tariff paid by Kyrgyzstan. In particular, we can see as well that the effectively applied tariff is moving closer to the MFN; reflecting a possible worsening in preferences or a change in the composition of the trade with the EU in favour of products with little or no GSP preferences.

Nevertheless, this effect does not seem to be explained by reductions in the MFN (we have seen that there was no significant changes during the last decade) and by changes in the average effectively applied tariff paid by the World that have remained relatively constant (implementation of FTA signed by the EU has not yet been reflected in the data).

The average effectively applied tariff has gone from 2.47 in 2000 to 3.29 in 2011, an increase of 33%. At the same time, the average MFN tariff paid by the Kyrgyz Republic has also observed an increase. Given that MFN tariff as well as the GSP preferences that Kyrgyz Republic receives has remained relatively unaltered during the period, the change in the average tariff can only be explained by changes in the composition of the Kyrgyz Republic's exports to the EU. This suggests that the change in the export composition of the Kyrgyz Republic in their trade with the EU has increased in products with either higher MFN tariffs or without GSP preferences.

**Table 16. EU's average tariffs.**

| | MFN (%) | | Effectively Applied Tariff (%) | |
|---|---|---|---|---|
| Year | Kyrgyz Rep. | World | Kyrgyz Rep. | World |
| 2000 | 3.93 | 4.40 | 2.47 | 1.98 |
| 2002 | 4.26 | 4.61 | 2.47 | 1.74 |
| 2004 | 4.92 | 4.21 | 3.20 | 1.79 |
| 2006 | 4.37 | 4.18 | 2.70 | 1.93 |
| 2008 | 4.07 | 4.04 | 2.56 | 1.70 |
| 2010 | 5.16 | 4.21 | 3.26 | 2.07 |
| 2011 | 5.07 | 4.22 | 3.29 | 1.66 |

Source: UNCTAD Trains Database

We present in Table 17 the EU tariff structure that the Kyrgyz Republic's top 20 exported products face in 2011. We also include the share that these products occupy in total exports

to the EU to help us capture the importance of the tariffs faced. From the table, we can see that, through the GSP regime, the Kyrgyz Republic exports would receive a preferential treatment in the EU market. However, it is important to note that here we are identifying eligibility rather than the effective use of preferences (which we will turn to later). In the majority of the products selected, which represent 84% of the exports to the EU, the GSP tariff is zero; but also, in many of them the MFN tariffs is also zero and hence there are no preference margins on offer.

**Table 17. MFN and GSP tariffs on top export products to the EU 2011**

| Product | Product Name | Share in exports | MFN | GSP |
|---|---|---|---|---|
| 071333 | Kidney beans and white pea beans dr... | 20.1% | 0 | 0 |
| 271000 | Petroleum oils&oils obta | 14.2% | 0 | 0 |
| 740400 | Copper/copper alloy waste or scrap | 10.0% | 0 | 0 |
| 870899 | Motor vehicle parts nes | 7.5% | 3.63 | 0 |
| 840890 | Engines, diesel except motor vehicl... | 5.0% | 0.9 | 0 |
| 240110 | Tobacco, unmanufactured, not stemme... | 4.5% | 0 | 0 |
| 520100 | Cotton, not carded or combed | 3.7% | 0 | 0 |
| 870840 | Transmissions for motor vehicles | 3.0% | 3.63 | 0 |
| 720421 | Waste or scrap, of stainless steel | 2.5% | 0 | 0 |
| 381590 | Reaction initiators, accelerators, ... | 2.1% | 6.5 | 0 |
| 711290 | Waste/scrap, precious metals except... | 1.7% | 0 | 0 |
| 843149 | Parts of cranes, work-trucks, shove... | 1.7% | 0 | 0 |
| 780110 | Lead refined unwrought | 1.5% | 2.5 | 2.5 |
| 710812 | Gold in unwrought forms non-monetar... | 1.5% | 0 | 0 |
| 780199 | Lead unwrought nes | 1.2% | 1.25 | 1.25 |
| 280461 | Silicon, >99.99% pure | 1.1% | 5.5 | 5.5 |
| 520812 | Plain weave cotton, >85% 100-200g/m... | 0.9% | 8 | 6.4 |
| 841381 | Pumps nes | 0.8% | 0.85 | 0 |
| 640520 | Footwear, nes, upper textile materi... | 0.8% | 10.5 | 5.95 |
| 760120 | Aluminium unwrought, alloyed | 0.8% | 6 | 0 |

Source: UN Comtrade and UNCTAD Trains Database

It is however possible that some products that the Kyrgyz Republic exports to other destinations are not exported, or exported in lower quantities, to the EU due to the presence of high tariffs. To further investigate this issue, we present, in Table 18, a similar analysis but where we look at the top exports of Kyrgyzstan to the world and see how these have fared in the EU all the while showing the tariffs faced in these products.

It is worth mentioning that some products may not be exported to the EU due to large distances or differences in demand and not just because of high tariffs. In particular, as we mentioned, products such as limestone or milk are predominantly traded between neighbouring countries. However, if we focused on other products, we can see that there are preferences available in all the products with a positive MFN tariff. One also has to bear in mind that there is a problem with the aggregation. EU preferences are offered at the 8-10 digit levels whereas we are presenting more aggregate data at the 6 digit level which may hide some intra-product variation.

**Table 18. MFN and GSP tariffs on top most exported products to the World**

| Product | Product Name | Share exports to EU | MFN | GSP |
|---|---|---|---|---|
| 710812 | Gold in unwrought forms non-monetary | 1.5% | 0 | 0 |
| 271000 | Petroleum oils&oils obta | 14.2% | 0 | 0 |
| 271600 | Electrical energy | | 0 | 0 |
| 071333 | Kidney beans and white pea beans dried shelled | 20.1% | 0 | 0 |
| 520100 | Cotton, not carded or combed | 3.7% | 0 | 0 |
| 870423 | Diesel powered trucks weighing > 20 tonnes | | 17.38 | 5.78 |
| 620640 | Womens, girls blouses, shirts, manmade fibre, not ... | 0.05% | 12 | 4.45 |
| 620443 | Womens, girls dresses, synthetic fibres, not knit | 0.1% | 12 | 4.41 |
| 070190 | Potatoes, fresh or chilled except seed | | 9.6 | 5.34 |
| 853922 | Filament lamps, of a power <= 200 Watt, > 100 volt... | 0.0% | 2.7 | 0.68 |
| 261690 | Precious metal ores and concentrates except silver | 0.4% | 0 | 0 |
| 620463 | Womens, girls trousers, shorts, synth fibres, not ... | 0.0% | 12 | 4.25 |
| 240110 | Tobacco, unmanufactured, not stemmed or stripped | 4.5% | 0 | 0 |
| 870891 | Radiators for motor vehicles | 0.1% | 3.38 | 0.73 |
| 040120 | Milk not concentrated nor sweetened 1-6% fat | | 0 | 0 |
| 620343 | Mens, boys trousers shorts, synthetic fibre, not k... | 0.0% | 12 | 4.28 |
| 870323 | Automobiles, spark ignition engine of 1500-3000 cc | 0.1% | 10 | 3.31 |
| 070310 | Onions and shallots, fresh or chilled | 0.0% | 9.6 | 3.84 |
| 820719 | Rock drillg nes & parts | 0.0% | 2.7 | 0.44 |
| 620453 | Womens, girls skirts, synthetic fibres, not knit | 0.0% | 12 | 4.64 |

Source: UN Comtrade and UNCTAD Trains Database

We saw earlier that the Kyrgyz Republic possessed a comparative advantage in many of these products which in turn suggests that the Kyrgyz Republic could be exporting these to the EU. However, many competitors in these products (in particular in garments) have access to the EU with lower tariffs, either through better preferences such as GSP+ or EBA; or through an FTA with the EU. This implies that the Kyrgyz Republic may be at a competitive disadvantage with respect to these and hence might find it hard to compete with countries that receive these more generous preferences. Therefore, whilst tariffs in the EU have not increased during the period; some of the competitors of the Kyrgyz Republic may have better access to the EU which in turn gives them a competitive advantage in the EU market.

## Eligibility and use of GSP preferences

We have already analysed the structure of the Kyrgyz Republic's exports as well as the effect that the EU's tariff structure may be having on these. The results suggested that that

the Kyrgyz Republic's access problems may be due not to its preferences but rather to more favourable preferences granted to competitors.

However, the main assumption in this analysis was that the Kyrgyz Republic was making full use of the preferences it was being granted (as well as those of its competitors). In reality, preference utilisation varies widely across products as well as countries.

Some of the products of that the Kyrgyz Republic exports to the EU are eligible for GSP preferences. However, according to CARIS (2010), only 18% of Kyrgyz Republic exports to the EU eligible for GSP treatment actually utilise these preferences; implying that the remainder is entering the EU customs territory paying the full MFN tariff. This utilisation rate is particularly low when compared against other GSP beneficiaries. In fact, one of the conclusions of the CARIS (2010) study was that the utilisation rate of GSP preferences tended to be high for many of the countries benefiting from this scheme. In light of this, the low use of GSP preferences in Kyrgyz Republic requires more detailed analysis.

**GSP overview**

Since its inception in 1971, the European Community and its successor the European Union has intended to implement its GSP regime through ten-year long programmes. However, single multi-year regulations, currently lasting three years, were promulgated by the European Council, allowing the EU's GSP regime to change over time. Changes, sometimes substantial, in GSP provisions have occurred at interim reviews.

The current GSP regime is composed of three separate regimes. The three different preference programs under the current GSP are: (a) the basic or general GSP for which all 176 developing countries and territories are eligible; (b) GSP+ program which offers additional, more generous, tariff reductions on top of the general GSP to a selected group of developing countries that are vulnerable and are implementing specified core international human, labour, good governance and environmental standards; (c) the Everything-but-Arms program offering duty-free and quota-free market access to the 50 Least Developed Countries (LDCs).

***Basic GSP***

The European Union's basic GSP provides preferences to all developing countries. Of the 10,300 tariff lines in the EU's Common Customs Tariff35, roughly 3,100 products have an MFN duty rate of zero and hence no scope for further preferences. Of the 8,200 products that are dutiable, the GSP covers roughly 7,000, of which about 3,300 are classified as non-

[35] European Commission: "Generalized System of Preferences – user's guide to the European Union's scheme of Generalized Tariff Preferences". The EU Common Custom Tariff is based on the Harmonized System nomenclature and supplements it with its own subdivisions referred to as Combined Nomenclature (CN) subheadings. Each CN has eight-digit code number. The first six digits refer to the HS headings and subheadings. The seventh and eighth digits represent CN subheadings. The EU reported total number of approximate 10,300 tariff lines of the Common Custom Tariff.

sensitive and 3,700 as sensitive. Of the rest of tariff lines not covered by the GSP, a number of them fall into HS chapter 93, arms and ammunition. Non-sensitive products have duty free access and sensitive products benefit from a tariff reduction. The sensitivity of product is determined by whether or not it is produced in the EU and by how competitive European producers are. The non-sensitive category covers most manufactured products, but excludes some labour intensive and processed primary products -- such as textiles, clothing and footwear. In addition, agricultural products covered by the EU's Common Agriculture Policy are deemed to be sensitive and hence are not generally granted duty-free market access from potentially large and competitive suppliers (with the only exception of the EBA regime).

For the sensitive products, and in the case of the GSP scheme, the tariff preference is a flat 3.5 percentage point reduction from the corresponding ad valorem MFN tariff rates. The flat 3.5 percentage point reduction does not apply to the textile and clothing sectors. For these sectors, the reduction is 20% of the applicable MFN tariff rate.

As a summary, Table 19 presents the coverage of the different GSP regimes in terms of the number of tariff lines at the EU 10 digit level. Applying this to the Kyrgyz Republic suggests that it would have duty free access in around 55% of the tariff lines (either because the MFN is zero or because there is a duty free GSP preference). Of the remaining tariff lines, 36% have a preference (the flat 3.5 percentage or the textile reduction) but still face a positive tariff whilst in the rest there are no preference awarded and hence a positive MFN applied.

**Table 19. Coverage of EU preferential regimes 2008**

| | GSP | GSP+ | EBA | GSP | GSP+ | EBA |
|---|---|---|---|---|---|---|
| MFN = 0 | 3152 | 3152 | 3152 | 22.1% | 22.1% | 22.1% |
| MFN > 0 | 1187 | 1089 | 49 | 8.3% | 7.6% | 0.3% |
| Duty Free | 4781 | 9717 | 11053 | 33.5% | 68.1% | 77.5% |
| Positive pref. Tariff | 5139 | 301 | 5 | 36.0% | 2.1% | 0.0% |
| Total | 14259 | 14259 | 14259 | 100.0% | 100.0% | 100.0% |

Source: CARIS (2010)

***GSP+***

The European Union also adopted a "Special incentive arrangement for sustainable development and good governance" (GSP+ program), which provides additional preferences for those vulnerable non-LDCs that comply with a list of 16 international conventions on human and labour rights, and 11 conventions on good governance and the environment. The GSP+ tariff preferences are more generous than the regular GSP preferences.

The GSP+ program offers preferential access to the EU market for imports from eligible developing countries for the same 7,000 products as the EU's basic GSP scheme as well as

other products that are excluded from basic GSP preferences. Basically, GSP+ provides duty free access in all those products where the standard GSP regime only provided a reduced tariff. Therefore, countries eligible for this treatment have duty free access in around 90% of the tariff lines.

***Everything but Arms (EBA)***

The European Union provides special preferences to all LDCs under its Everything but Arms (EBA) program adopted in March 2001. Under its EBA program, the European Union has unilaterally granted to 50 least developed countries quota-free and tariff-free access to its market for all products except arms without the LDCs' having to give reciprocal preferential access to the former in return. The EBA program is the most generous of the European Union's Generalized System of Preferences, and is compatible with the WTO's enabling clause as it grants special preferences to a permissible grouping of developing countries, the LDCs.

## Changes in the GSP regime and their effects in Kyrgyzstan

Changes to the current GSP regime have been approved on October 2012 and entering into effect in 2014[36]. Whilst there are little changes in terms of product coverage or the degree of preferences offered, there are important changes in terms of the eligibility of beneficiaries. In particular, High and upper medium income economies will lose their GSP beneficiary status. These will face the MFN tariff and will affect countries such as, among others, Argentina, Brazil, Belarus, Russia and Kazakhstan[37].

A second group of countries affected by these changes are those that are of an FTA with the EU. In principle, the effect for these countries (and for those excluded) should be zero as it is expected that, in general, FTA tariffs are more generous and effectively used instead of the GSP preferences. Countries affected by these changes include those LDC's and Developing Countries that have signed Economic Partnership Agreements or other bilateral FTAs such as Mexico or South Africa.

Additionally some changes in the eligibility criteria for the GSP+ regime are to take place. There is a change in the graduation criteria, which is likely to expand the eligibility of some GSP beneficiaries into the more generous GSP+. Whilst there have been no official communication about the countries that will be granted GSP+ access from 2014, an official information notice[38] identifies the countries that are meeting the GSP+ vulnerability criteria include large countries such as Pakistan, Ukraine and Nigeria. These countries are not

[36] Regulation (EU) No. 978/2012

[37] European Commision (2012), "The EU's new Generalised System of Preferences" http://trade.ec.europa.eu/doclib/docs/2012/december/tradoc_150164.pdf

[38] European Comission (2012) Information Notice for countries which may request to be granted the special incentive arrangement for sustainable development and good governance under Regulation (EU) No 978/2012 of 31 October 2012 http://trade.ec.europa.eu/doclib/docs/2012/november/tradoc_150043.pdf

currently beneficiaries of the GSP+ regime and their inclusion may have important effects on both GSP+ current beneficiaries and other countries benefiting from preferences.

According to this official information notice, the Kyrgyz Republic would be eligible for GSP+ preferences (at least with respect to the vulnerability criteria) given that both its exports to the EU represent less than 2% of the total EU GSP imports; and the seven largest GSP sections account for more than 75% of total Kyrgyz Republic's exports to the EU. This note, however, does not establish if the Kyrgyz Republic (and the other countries in the list) will meet the other criteria related to the signature and application of the different conventions on Governance, Environment and Human Rights required to get this treatment.

It is suggested by CARIS (2011) that the Kyrgyz Republic would be one of the countries that would benefit the most by the preference consolidation that the changes in the GSP regime would bring. Nevertheless, given that the preference margins given by the standard GSP regime tend to be low and the fact that the GSP preferences are in products of reduced importance for the Kyrgyz Republic; it is expected that the effects from preference consolidation obtained as a result of some countries being excluded from the GSP regime, will tend to be small. The export structure of the countries excluded does not present similarities with the export structure of the Kyrgyz Republic as Table 20 suggests. The FK index of export similarity of each of the excluded countries with the Kyrgyz Republic in their trade with the EU is particularly low. The only exception seems to be Belarus where some degree of overlap exists.

**Table 20. Finger-Kreinin Index of export similarity into the European Union 2011**

| | Belarus | Brazil | Kazakhstan | Kyrgyz Republic | Russain Federation | Venezuela |
|---|---|---|---|---|---|---|
| Argentina | 0.01 | 0.19 | 0.01 | 0.03 | 0.02 | 0.02 |
| Belarus | | 0.10 | 0.12 | 0.15 | 0.36 | 0.00 |
| Brazil | | | 0.09 | 0.05 | 0.12 | 0.17 |
| Kazakhstan | | | | 0.03 | 0.59 | 0.00 |
| Kyrgyzstan | | | | | 0.15 | 0.01 |
| Russian Federation | | | | | | 0.04 |
| *(Source: TradeSift calculations using data from Comtrade via WITS 6-Digit)* | | | | | | |

But even if it were the case that export structures were similar, there would only be a beneficial effect for the Kyrgyz Republic if the products exported by excluded countries are covered by the GSP regime. This suggests that only in those products with trade overlap between the Kyrgyz Republic and the excluded countries where GSP preferences would be removed, there might be a positive effect for the Kyrgyz Republic.

On the other hand, differences in the size and market shares of excluded countries and the Kyrgyz Republic might also play a role. Only in those products where the Kyrgyz Republic share in the EU imports is important, is there likely to be a competitive pressure for excluded countries (Winters et al 2009). It is more likely that these countries have important market shares in the EU; suggesting that the room to adjust prices, as a consequence of the loss of preferences, is probably high. Therefore, whilst there might exist some products where the exclusion of some GSP countries may benefit the Kyrgyz Republic, these would be limited in number and with a very low impact.

This suggests that the element in the GSP reform that may generate some effects on the Kyrgyz Republic is the GSP+ as Kyrgyz Republic would obtain duty free access in products with sizeable exports or in products that wanted to be promoted such as textiles, raw and processed fruits and dairy products. Products covered by the GSP+ regime are also products with important applied tariffs by the EU, suggesting an important margin of preferences in favour of the Kyrgyz Republic.

It is also important to highlight that the award of GSP+ status to other countries can also harm the Kyrgyz Republic's exports through preference erosion which can displace current exports to the EU. Therefore receiving GSP+ preferences is not important only in the context of deepening preferences but also in the context of maintaining competitiveness with respect to new partners which may benefit from this regime.

Not applying for GSP+ preferences might affect the export promotion objectives of the NES. As other countries obtain GSP+ status, export opportunities for Kyrgyzstan could be eroded, in particular in the products with large preference margins. This may then lead to increases in the concentration of exports in products and in markets. GSP+ constitutes an opportunity to increase exports in products were currently Kyrgyzstan is only exporting to FTA partners such as Russia, Belarus and Kazakhstan or neighbouring countries.

Being granted GSP+ status may also have effects on production since it may create new investment opportunities for sectors receiving deeper preferences. To the extent that new investment can be local and/or foreign, it may then help appease macroeconomic problems arising from the trade imbalances.

A closer look into the experience of other countries that have obtained GSP+ preferences might help shed some light on these effects. From the opposite perspective, it was estimated that the loss of GSP+ preferences could have costed 2% of the Sri Lankan GDP and 4% of their total exports in 2008[39]. These figures highlight the extent of the benefits of being awarded GSP+ preferences.

[39] The Economist, Sri Lanka: Not many pluses, Aug 16 2008

More relevant to the Kyrgyz reality may be the experiences of other CIS countries that have obtained GSP+ preferences. Since 2009 Armenia, Azerbaijan and Georgia have been granted GSP+ status. Additionally, in virtue of the EU-Turkey CU, the preferences have been extended to exports to this neighbour, which is also an important trading partner for Kyrgyzstan. Whilst and investigation into the consequences of this treatment in these other countries is outside the scope of this study, it may be convenient to take a look at their experience in order to inform the Kyrgyzstan authorities of the possible cost of not obtaining GSP+ preferences.

## Kyrgyz Republic's GSP eligibility and utilisation

It is important to make a distinction between eligibility and utilisation of preferences. Being a beneficiary country of GSP preferences does not automatically imply that these are being utilised. It is possible that shipments of products eligible for GSP preferences are not able to comply with other requirements and hence end up paying the MFN tariff. For example, it might be the case that exporters were unable to certify the origin of the product or simply that the exporter was not aware of the preference and hence did not request the preferential treatment. As a result, there is often a distinction between the eligibility and the effective use of the preference. This needs to be quantified in order to assess the importance of the actual preferential treatment obtained (in terms of the depth of the preference).

Table 21 presents the cross distribution of the EU imports from the Kyrgyz Republic across regime eligibility and the effective regime of entry. This analysis is conducted using the EU's Comext database[40], which provides information on the EU's trade in terms of eligibility and actual entry, or use, of import regime. The information is provided (at least in the publicly available database) at the CN 8 digit level. This implies that the products presented here are not directly compatible with the analysis presented above.

By year, the rows show the regime eligibility and the columns indicate the effective use. The columns further show the magnitude of the tariff effectively paid across each regime. Therefore, in 2012, 0.4% of EU imports from the Kyrgyz Republic were eligible for GSP duty free access and effectively entered the EU customs territory using this regime. 0.9% was eligible but entered paying a positive GSP regime. In contrast, 4.6% of EU imports from the Kyrgyz Republic were eligible for GSP but failed to enter through that regime and ended paying MFN tariffs.

The sum of the percentages in each of the rows identifies the total eligibility in each regime. In 2012, only 5.9% of EU imports from Kyrgyz Republic were eligible for GSP; whilst the majority, 93.9%, were only eligible for MFN treatment.

[40] http://epp.eurostat.ec.europa.eu/newxtweb/

If we focus on the evolution of the eligibility and the use of preferences, we see a very unstable pattern. Whilst the eligibility and use of preference seems to have stabilised in the last two years; in the previous years there have been important changes, in particular, in terms of the share of trade eligible for GSP preferences that did not effectively receive preferential treatment. Note for example that whilst in 2000, only 0.5% of exports to the EU failed to obtain GSP preferences in 2004 41.4% failed to do so.

Given that the GSP regime (in terms of products coverage) has remained stable during that period, there may have been important changes in the Kyrgyz Republic's export structured driving these wide changes. However, the fact that in the latest's years of the analysis, the amount of trade under this characteristic returned to lower values; indicates that these may have been the result of unusual increases in the exports of particular products eligible for GSP but that did not constitute a sustainable trend.

If we focus again on 2012, it can be seen that nearly 91.5% of the EU imports from Kyrgyz Republic entered duty free; either because they received a preference whose tariff is zero (0.4%) or because the MFN tariff was indeed zero (91.1%) In contrast, 7.4% ended up paying a positive MFN tariff either because of the presence of a positive MFN tariff (2.8%) or because they failed to enter through the GSP regime (4.6%). This suggests that any improvement in the access to the EU market would only affect, at least in the short run, around 8.5% of the Kyrgyz Republic's exports to the EU as the rest of the trade is already entering duty free.

It is interesting to see how this figure can be decomposed in two elements that identify different policy strategies: a 3.7% is explained by the fact that either the product was eligible for positive MFN tariffs (2.8%) or for positive GSP tariffs (0.9%); and a 4.6% explained by shortfalls in the utilisation of current GSP preferences.

In the first case, duty free access in the EU would depend on the successful negotiations and/or application for deeper preferential regimes such as GSP+. This suggests more diplomatic and political efforts to obtain free access in these products. In the second case, the policy efforts should address the elements that might be preventing the Kyrgyz Republic from complying with the requirements to utilise preferences.

Table 22 drills down further on the use of GSP preferences. The second column presents the value of EU imports from the Kyrgyz Republic eligible for GSP and column three presents the value of imports that effectively used GSP. Column 4 then gives the effective rate of utilisation (i.e. the rate between column 3 and 2). As can be seen, the evolution of the eligibility and the use of GSP preferences has followed the same erratic evolution than was seen for total Kyrgyz Republic exports to the EU.

This behaviour has also been observed in the utilisation rate. Based on the most repetitive value, we can see that the utilisation rate of GSP preferences is around 20-25% and the

divergence in these values might be explained by unusual and/or sporadic trade that might be eligible and use GSP preferences. In general, the utilisation rate of GSP preferences is low. Following CARIS 2010, we can see that these values are in line with the values obtained in that study.

**Table 21. Kyrgyz Republic's GSP Eligibility and effective import regime in the EU (in % of EU imports from Kyrgyzstan).**

| | | Effective import regime | | | | | TOTAL ELEGIBILITY |
|---|---|---|---|---|---|---|---|
| | | GSP=0 | GSP>0 | MFN=0 | MFN>0 | UNKNOWN | |
| 2000 | GSP | 0.3 | 0.1 | - | 0.5 | 0.0 | 0.9 |
| | MFN | - | - | 98.3 | 0.0 | - | 98.3 |
| | UNKNOWN | - | - | - | - | 0.8 | 0.8 |
| 2002 | GSP | 6.8 | 3.7 | - | 1.9 | 0.1 | 12.5 |
| | MFN | - | - | 71.9 | 13.5 | - | 85.4 |
| | UNKNOWN | - | - | - | - | 2.1 | 2.1 |
| 2004 | GSP | 4.2 | 8.5 | 0.2 | 41.4 | 0.2 | 54.5 |
| | MFN | - | - | 43.9 | 0.3 | - | 44.3 |
| | UNKNOWN | - | - | - | - | 1.3 | 1.3 |
| 2006 | GSP | 5.7 | 18.4 | - | 6.3 | 2.1 | 32.5 |
| | MFN | - | - | 56.1 | 4.2 | - | 60.3 |
| | UNKNOWN | - | - | - | - | 7.2 | 7.2 |
| 2008 | GSP | 4.7 | 6.6 | - | 32.3 | - | 43.6 |
| | MFN | - | - | 52.7 | 1.7 | - | 54.4 |
| | UNKNOWN | - | - | - | - | 2.0 | 2.0 |
| 2011 | GSP | 0.4 | 3.2 | - | 3.5 | 0.2 | 7.3 |
| | MFN | - | - | 90.6 | 1.4 | - | 92.0 |
| | UNKNOWN | - | - | - | - | 0.7 | 0.7 |
| 2012 | GSP | 0.4 | 0.9 | - | 4.6 | 0.0 | 5.9 |
| | MFN | - | - | 91.1 | 2.8 | - | 93.9 |
| | UNKNOWN | - | - | - | - | 0.2 | 0.2 |

Source: EU Easy Comext Database

**Table 22. GSP Eligibility and effective use of GSP preferences (In thousands of Euros)**

| YEAR | Value of imports eligible for GSP | Imports using GSP | Utilisation rate (%) |
|---|---|---|---|
| 2000 | 1,163 | 481 | 41.4 |
| 2002 | 2,359 | 1,994 | 84.5 |
| 2004 | 11,716 | 2,728 | 23.3 |
| 2006 | 4,252 | 3,155 | 74.2 |
| 2008 | 9,012 | 2,345 | 26.0 |
| 2011 | 3,823 | 1,903 | 49.8 |
| 2012 | 3,177 | 690 | 21.7 |

Source: EU Easy Comext database

In Table 23 (in the annex), we present information about the eligibility and use of GSP preferences at a very disaggregated level were we have selected the top 10 GSP eligible products in terms of size. These 10 products represent almost 90% of the total GSP eligible products and more than 85% of the total products that effectively used GSP preferences.

Some interesting elements can be identified in the list. In the top 3 products of this list, we observe low or no utilisation of GSP preferences. These products, given their importance in the subset of eligible products, help explain the low utilisation numbers highlighted above.

In two products of the list (Mushrooms and truffles and footwear) full utilisation of GSP preferences was achieved. However, it is important to note that these results tend to be outliers and they tend to be explained by single and relatively large operations. Previous years data failed to show important exports on these products. It is interesting to see that "similar" products (dried and preserved mushrooms and truffles) have observed high and low GSP utilisation rates in different periods of time. One possibility is related with the frequency of the shipments of these products. Whilst single and relative large shipments may tend to receive the eligible preferential regime as the exporter will try to secure the required documentation; the probability that some shipments may miss to receive the preferential treatment increase with the number of shipments. Unfortunately, we do not have information on the number of shipments under each category to sustain more or less this hypothesis.

What is clear is that the effective use of the preferential regime depends on the capability of the exporter to certify that the product fulfils the EU requirements, notably local content in the product. If the exporter cannot certify that the product in question has been locally produced or that the share of local content is higher than the one established by the rules of origin; the product will enter the EU paying MFN tariffs.

In general, this certification tends to be performed by the beneficiary countries' Government[41]. This implies that a failure to be certified may lay on different bodies, both public and private. The Government body in charge of the certification may not have full representation across the country, impeding easy access for exporters to obtain certification or increasing the costs of becoming certified. Lack of government resources may also generate delays in the certification process which in turn can affect shipments which are time sensitive.

However, the low use of preferences may also be the attributable to the design of the GSP regime. In particular, exporters may find it unattractive, and in conjunction with the points outlined above, also unprofitable. This is reflected in the margin of preferences that the GSP

[41] Although, the Government may delegate the certification process (but not the control) to a Chamber or Business Association. In the Kyrgyz Republic, the Chamber of Commerce and Industry is the body that issues these certificates.

regime offers wich for some products may be particularly low and hence not cover the costs of obtaining certification.

A final note should be made on the knowledge of the scope and requirements of these preferences by exporters and producers, particularly with respect to the local content. Information on the necessary requirements to be met in order to obtain the preferences may increase the use of preferences. A wider knowledge of the regime and its requirements would also increase the demand for government services on certification in order to assure and certify the compliance efforts made by exporters.

## Final comments

The Kyrgyz Republic has seen important structural changes in the last two decades, moving from a planned economy to a market oriented one. These changes have been accompanied with an important trade opening, particularly during the last 10 years.

Trade liberalisation has generated an important increase in imports which has not been matched with a consequent rise in exports. This is generating a growing trade deficit. Whilst other foreign currency sources such as remittances have so far financed this deficit, additional exported products and or destinations, together with other trade policy actions, may help to increase the sustainability of this situation.

Important changes in terms of export destinations have been observed during the last decade. Whilst traditional exporting partners such as the former USSR partners have managed to maintain their importance, the European Union has lost importance as a destination market.

At the same time, exports have increasingly concentrated in fewer products with gold exports representing more than half of total exports. However, there are also signs of new products in the export basket, such as textiles and clothing, which are gaining importance.

Tariffs applied by Kyrgyzstan are relatively low. This has helped consumers and local firms and has reduced the general scope for trade diversion, in particular in the trade with those countries that Kyrgyzstan has a FTA. The possibility of joining a customs union with Belarus, Kazakhstan and Russian Federation and the possible increase in the Kyrgyzstani MFN tariff, to converge to the common external tariff of the customs union, may generate some negative welfare effects. Existent trade diversion in favour of inefficient suppliers in the customs union members may increase. Even in products where Kyrgyzstan is an efficient supplier, a general transfer of welfare from consumers to producers could be expected. Benefits on exports from Kyrgyzstan are expected to be limited.

Identifying newer products and destination markets may help to increase exports and reduce the export concentration in products and destinations. A list of non-traditional products where exports have shown particular important dynamism in the last years and where

indicators suggest that Kyrgyzstan may have a comparative advantage has been identified with the objective of focusing promotion and negotiation efforts. At the same time, possible destinations for these exports have also been identified.

The poor performance in the exports of the Kyrgyz Republic to the EU may arise from the improved access that Kyrgyzstani competitors have as a result of their enhanced preferences under the more generous GSP regimes of the presence of bilateral preferences through FTAs. This may have gradually displaced Kyrgyzstani exporter from the EU markets.

Current GSP preferences available are not in line with the products that Kyrgyzstan seems to be specialising in (textiles, clothing, fruits and vegetables). Enhanced preferential access, through GSP+ for example, may help diversify exports as well as assist in securing the objectives of the National Export Strategy.

Nevertheless, it seems that current GSP preferences available, have observed low utilisation. Whilst the small preference margin might be behind this, it is possible that this low utilisation may be explained by costly compliance with the GSP requirements or problems in arising from certification. It is important to identify the precise reason behind such low utilisation rates to ensure better access in the future.

Diversifying export markets is as important as diversifying the type of products exported and increasing trade with the EU (as well with other partners) presents an opportunity of achieving both objectives. Applying for GSP+ status is a first step in the direction of increasing Kyrgyzstan's market penetration in the EU. The GSP+ scheme is in line with the products outlined in the NES and further analysed in this report. The duty free preferences offered in this regime occupy products such as textiles and garments and raw and processed vegetables and fruits which have been deemed as important products for Kyrgyzstan. In this sense, the GSP+ would be a good complement to the NES objectives. Moreover, obtaining GSP+ status may also open new opportunities in Turkey.

However, it is important to note that receiving GSP+ preferences does not guarantee the success of the export strategy outlined. It may also be necessary to address some other constraints in the form of supply bottle-necks, information requirements and compliance of standards. Exports may also require some promotion in the EU in order to attract consumers and investors;. GSP+ preferences (or any other preferential scheme) should be seen as a necessary rather than a sufficient condition for the success of the export strategy.

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## Annex

**Table 23. GSP eligible products (In thousands of Euros)**

| CN8 | Description | GSP eligible | | MFN eligible | Total imports | Utilisation Rate (%) |
|---|---|---|---|---|---|---|
| | | GSP effective | MFN effective | MFN effective | | |
| 07123900 | DRIED MUSHROOMS AND TRUFFLES, WHOLE, CUT, SLICED, BROKEN OR IN POWDER, BUT NOT FURTHER PREPARED (EXCL. MUSHROOMS OF THE GENUS "AGARICUS", WOOD EARS "AURICULARIA SPP." AND JELLY FUNGI "TREMELLA SPP.") | 44.7 | 725.8 | - | 770.5 | 5.8 |
| 08133000 | DRIED APPLES | - | 725.7 | - | 725.7 | - |
| 08023200 | FRESH OR DRIED WALNUTS, SHELLED | 101.0 | 441.2 | - | 542.2 | 18.6 |
| 07115900 | MUSHROOMS AND TRUFFLES, PROVISIONALLY PRESERVED, E.G., BY SULPHUR DIOXIDE GAS, IN BRINE, IN SULPHUR WATER OR IN OTHER PRESERVATIVE SOLUTIONS, BUT UNSUITABLE IN THAT STATE FOR IMMEDIATE CONSUMPTION (EXCL. MUSHROOMS OF THE GENUS "AGARICUS") | 255.0 | - | - | 255.0 | 100.0 |
| 24011060 | SUN-CURED ORIENTAL TYPE TOBACCO, UNSTEMMED OR UNSTRIPPED | 0.9 | 170.1 | 887.5 | 1,058.4 | 0.5 |
| 64052099 | FOOTWEAR WITH UPPERS OF TEXTILE MATERIALS (EXCL. WITH OUTER SOLES OF RUBBER, PLASTICS, LEATHER OR COMPOSITION LEATHER, WOOD OR CORK, INDOOR FOOTWEAR, ORTHOPAEDIC FOOTWEAR AND TOY FOOTWEAR) | 148.9 | - | - | 148.9 | 100.0 |
| 08132000 | DRIED PRUNES | - | 61.5 | - | 61.5 | - |
| 73102990 | TANKS, CASKS, DRUMS, CANS, BOXES AND SIMILAR CONTAINERS, OF IRON OR STEEL, FOR ANY MATERIAL, OF A CAPACITY OF < 50 L AND OF A WALL THICKNESS OF >= 0,5 MM, N.E.S. (EXCL. CONTAINERS FOR COMPRESSED OR LIQUEFIED GAS, OR CONTAINERS FITTED WITH MECHA | - | 60.7 | - | 60.7 | - |
| 82019000 | SCYTHES, SICKLES, HAY KNIVES, TIMBER WEDGES AND OTHER HAND TOOLS OF A KIND USED IN AGRICULTURE, HORTICULTURE OR FORESTRY, WITH WORKING PARTS OF BASE METAL (EXCL. SPADES, SHOVELS, MATTOCKS, PICKS, HOES, RAKES, AXES, BILLHOOKS AND SIMILAR HEWING | 36.4 | 2.8 | - | 39.2 | 92.8 |
| 57049000 | CARPETS AND OTHER FLOOR COVERINGS, OF FELT, NOT TUFTED OR FLOCKED, WHETHER OR NOT MADE UP (EXCL. FLOOR TILES WITH AN AREA OF <= 0,3 MÅ_) | 3.7 | 31.9 | - | 35.6 | 10.3 |
| Total Sample | | 590.6 | 2,219.6 | 887.5 | 3,697.6 | 21.0 |
| Total Imports | | 689.6 | 2,487.4 | 51,070.2 | 54,247.2 | 21.7 |
| % | | 85.64 | 89.23 | 1.74 | 6.82 | |

Source: EU Easy Comext Database

**Table 24. List of products identified in the Export Opportunities Analysis.**

| Product | Product Name | Broad Sector | Exports Value in 000's USD (2011) | Exports Share | RCA 2008 | RCA 2009 | RCA 2010 | RCA 2011 | Share BLR-KAZ-RUS | Share EU | Share Rest of the World | MFN (%) | AHS (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 020441 | Sheep carcasses and half carcasses, frozen | Raw and processed meat | 229.30 | 0.01% | 0.00 | 0.00 | 0.00 | 18.76 | 0% | 0% | 100% | 58.2 | 58.2 |
| 040210 | Milk powder < 1.5% fat | Dairy products | 5,062.18 | 0.28% | 2.68 | 2.85 | 10.47 | 5.89 | 91% | 0% | 9% | 45.19 | 40.51 |
| 040310 | Yogurt | Dairy products | 439.23 | 0.02% | 0.77 | 0.84 | 1.46 | 1.71 | 100% | 0% | 0% | 38.47 | 30.79 |
| 040900 | Honey, natural | Dairy products | 1,634.99 | 0.09% | 2.81 | 4.33 | 8.65 | 8.79 | 93% | 0% | 7% | 17.30 | 10.52 |
| 070190 | Potatoes, fresh or chilled except seed | Raw and processed fruits and vegetables | 18,522.26 | 1.03% | 0.98 | 0.72 | 38.53 | 46.85 | 100% | 0% | 0% | 9.60 | 5.34 |
| 070310 | Onions and shallots, fresh or chilled | Raw and processed fruits and vegetables | 9,576.79 | 0.53% | 8.07 | 7.27 | 22.69 | 27.25 | 88% | 0% | 12% | 9.60 | 3.84 |
| 070490 | Edible brassicas nes, fresh or chilled | Raw and processed fruits and vegetables | 2,935.21 | 0.16% | 29.28 | 5.53 | 25.84 | 22.88 | 100% | 0% | 0% | 12.00 | 4.55 |
| 070610 | Carrots and turnips, fresh or chilled | Raw and processed fruits and vegetables | 8,268.00 | 0.46% | 35.66 | 26.69 | 56.32 | 63.63 | 100% | 0% | 0% | 13.60 | 5.75 |
| 070960 | Peppers (Capsicum, Pimenta) fresh or chilled | Raw and processed fruits and vegetables | 1,536.77 | 0.09% | 2.14 | 2.11 | 1.98 | 3.28 | 100% | 0% | 0% | 4.53 | 1.00 |
| 071333 | Kidney beans and white pea beans dried shelled | Raw and processed fruits and vegetables | 51,812.58 | 2.87% | 153.66 | 236.43 | 261.46 | 279.38 | 13% | 14% | 73% | 0 | 0 |
| 080810 | Apples, fresh | Raw and processed fruits and vegetables | 8,265.02 | 0.46% | 4.67 | 2.57 | 5.39 | 10.32 | 98% | 0% | 2% | 11.10 | 8.86 |
| 080820 | Pears and quinces, fresh | Raw and processed fruits and vegetables | 2,842.40 | 0.16% | 5.45 | 3.79 | 7.00 | 9.85 | 99% | 0% | 1% | 2.40 | 0.95 |
| 080940 | Plums, sloes, fresh | Raw and processed fruits and vegetables | 2,056.96 | 0.11% | 32.41 | 16.99 | 25.97 | 25.32 | 100% | 0% | 0% | 12.00 | 6.16 |
| 081010 | Strawberries, fresh | Raw and processed fruits and vegetables | 1,425.90 | 0.08% | 0.05 | 0.04 | 3.21 | 6.14 | 100% | 0% | 0% | 12.80 | 7.78 |
| 081330 | Apples, dried | Raw and processed fruits and vegetables | 191.31 | 0.01% | 2.67 | 4.27 | 13.55 | 14.81 | 13% | 0% | 87% | 3.20 | 0.83 |
| 081350 | Mixtures of edible nuts, dried and preserved fruit... | Raw and processed fruits and vegetables | 125.31 | 0.01% | 0.79 | 2.42 | 3.50 | 3.89 | 99% | 0% | 1% | 7.29 | 3.03 |
| 160220 | Livers of any animal prepared or preserved | Raw and processed meat | 1,853.82 | 0.10% | 40.19 | 37.84 | 31.55 | 53.91 | 17% | 0% | 83% | 13.10 | 10.33 |
| 220190 | Ice, snow and potable water not sweetened or flavo... | Bottled water | 131.29 | 0.01% | 0.63 | 0.51 | 2.33 | 1.39 | 13% | 0% | 87% | 0 | 0 |

| Product | Product Name | Broad Sector | Exports Value in 000's USD (2011) | Exports Share | RCA 2008 | RCA 2009 | RCA 2010 | RCA 2011 | Share BLR-KAZ-RUS | Share EU | Share Rest of the World | MFN (%) | AHS (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 220210 | Beverage waters, sweetened or flavoured | Bottled water | 7,580.75 | 0.42% | 0.19 | 4.83 | 8.26 | 9.38 | 30% | 0% | 70% | 9.60 | 2.96 |
| 510540 | Coarse animal hair, carded or combed | Clothing | 60.76 | 0.00% | 0.00 | 0.00 | 0.00 | 25.91 | 0% | 0% | 100% | 2.00 | 0.86 |
| 520512 | Cotton yarn >85% single uncombed 714-232 dtex,not ... | Clothing | 540.53 | 0.03% | 2.24 | 0.48 | 0.71 | 1.60 | 79% | 0% | 21% | 4.00 | 1.96 |
| 520513 | Cotton yarn >85% single uncombed 232-192 dtex,not ... | Clothing | 491.49 | 0.03% | 1.16 | 3.75 | 1.96 | 6.18 | 11% | 0% | 89% | 4.00 | 1.32 |
| 530390 | Jute and other bast fibres, not spun, nes, tow, wa... | Clothing | 94.90 | 0.01% | 0.00 | 0.00 | 0.00 | 91.20 | 100% | 0% | 0% | 0 | 0 |
| 540773 | Woven fabric >85% synthetic filament, yarn dyed, n... | Clothing | 333.87 | 0.02% | 0.00 | 0.00 | 0.00 | 11.20 | 100% | 0% | 0% | 8.00 | 3.97 |
| 551219 | Woven fabric >85% polyester staple fibres, nes | Clothing | 6,396.16 | 0.35% | 14.79 | 6.95 | 2.18 | 39.61 | 0% | 0% | 100% | 8.00 | 4.00 |
| 551449 | Woven fabric >85% synthetic nes+cotton, >170g/m2 p... | Clothing | 257.65 | 0.01% | 0.38 | 1.03 | 0.00 | 72.83 | 100% | 0% | 0% | 8.00 | 4.03 |
| 580190 | Woven pile, chenille fabric of yarn nes, except te... | Clothing | 259.70 | 0.01% | 0.00 | 0.00 | 0.00 | 36.86 | 100% | 0% | 0% | 8.00 | 3.54 |
| 610413 | Womens, girls suits, synthetic fibres, knit | Clothing | 223.67 | 0.01% | 0.14 | 16.86 | 0.00 | 27.04 | 100% | 0% | 0% | 12.00 | 5.44 |
| 610443 | Womens, girls dresses, of synthetic fibres, knit | Clothing | 7,588.67 | 0.42% | 0.36 | 2.73 | 19.89 | 22.47 | 100% | 0% | 0% | 12.00 | 4.64 |
| 610620 | Womens, girls blouses & shirts, manmade fibre, kni... | Clothing | 8,728.09 | 0.48% | 0.06 | 6.38 | 37.16 | 40.63 | 100% | 0% | 0% | 12.00 | 4.67 |
| 610711 | Mens, boys underpants or briefs, of cotton, knit | Clothing | 1,062.24 | 0.06% | 0.01 | 0.52 | 2.13 | 3.24 | 100% | 0% | 0% | 12.00 | 4.70 |
| 610712 | Mens, boys underpants or briefs, manmade fibre, kn... | Clothing | 330.57 | 0.02% | 0.00 | 0.01 | 9.77 | 4.78 | 100% | 0% | 0% | 12.00 | 4.46 |
| 610719 | Mens, boys underpants or briefs, material nes, kni... | Clothing | 198.05 | 0.01% | 0.11 | 0.00 | 0.00 | 9.73 | 100% | 0% | 0% | 12.00 | 5.10 |
| 610821 | Womens, girls briefs or panties, of cotton, knit | Clothing | 662.31 | 0.04% | 0.06 | 0.08 | 3.26 | 2.71 | 99% | 0% | 1% | 12.00 | 4.80 |
| 610892 | Women/girl bathrobe, dressing gown, knit manmade f... | Clothing | 1,932.07 | 0.11% | 3.39 | 4.44 | 21.54 | 17.21 | 100% | 0% | 0% | 12.00 | 4.85 |
| 611591 | Hosiery nes, of wool or fine animal hair, knit | Clothing | 1,115.67 | 0.06% | 13.20 | 11.94 | 17.89 | 44.18 | 99% | 0% | 1% | 12.00 | 4.84 |
| 611592 | Hosiery nes, of cotton, knit | Clothing | 6,661.89 | 0.37% | 3.16 | 5.40 | 17.39 | 11.64 | 100% | 0% | 0% | 12.00 | 4.84 |

| Product | Product Name | Broad Sector | Exports Value in 000's USD (2011) | Exports Share | RCA 2008 | RCA 2009 | RCA 2010 | RCA 2011 | Share BLR-KAZ-RUS | Share EU | Share Rest of the World | MFN (%) | AHS (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 611599 | Hosiery nes, of materials nes, knit | Clothing | 1,569.23 | 0.09% | 54.93 | 11.73 | 3.35 | 38.88 | 100% | 0% | 0% | 12.00 | 4.84 |
| 611691 | Gloves, mittens or mitts, nes, of wool or hair, kn... | Clothing | 943.00 | 0.05% | 10.92 | 5.87 | 39.33 | 69.80 | 100% | 0% | 0% | 8.90 | 3.78 |
| 620193 | Mens, boys anoraks etc, of manmade fibres, not kni... | Clothing | 4,227.94 | 0.23% | 1.34 | 0.39 | 0.92 | 5.71 | 100% | 0% | 0% | 12.00 | 4.77 |
| 620199 | Mens, boys anoraks etc, of material nes, not knit | Clothing | 227.47 | 0.01% | 0.01 | 2.32 | 1.26 | 7.85 | 95% | 0% | 5% | 12.00 | 4.88 |
| 620213 | Womens, girls overcoats etc manmade fibre, not kni... | Clothing | 4,955.32 | 0.27% | 6.58 | 8.90 | 15.99 | 15.08 | 100% | 0% | 0% | 12.00 | 4.80 |
| 620293 | Womens, girls anoraks etc of manmade fibres, not k... | Clothing | 6,786.86 | 0.38% | 2.80 | 0.92 | 7.90 | 9.36 | 100% | 0% | 0% | 12.00 | 5.18 |
| 620323 | Mens, boys ensembles, synthetic fibres, not knit | Clothing | 214.81 | 0.01% | 0.03 | 4.05 | 8.70 | 8.70 | 100% | 0% | 0% | 12.00 | 4.93 |
| 620463 | Womens, girls trousers, shorts, synth fibres, not ... | Clothing | 16,172.40 | 0.90% | 40.93 | 32.62 | 58.60 | 45.60 | 100% | 0% | 0% | 12.00 | 4.25 |
| 620530 | Mens, boys shirts, of manmade fibres, not knit | Clothing | 1,250.21 | 0.07% | 0.03 | 1.95 | 9.34 | 7.80 | 100% | 0% | 0% | 12.00 | 4.36 |
| 620620 | Womens, girls blouses & shirts, wool or hair, not ... | Clothing | 240.64 | 0.01% | 0.00 | 0.14 | 4.24 | 34.32 | 100% | 0% | 0% | 12.00 | 4.98 |
| 620892 | Women/girl panties bathrobe etc manmade fibre not ... | Clothing | 1,867.81 | 0.10% | 0.58 | 0.41 | 5.91 | 38.81 | 100% | 0% | 0% | 12.00 | 4.71 |
| 621133 | Mens, boys garments nes, of manmade fibres, not kn... | Clothing | 383.12 | 0.02% | 0.02 | 0.66 | 2.14 | 1.46 | 100% | 0% | 0% | 12.00 | 4.45 |
| 621143 | Womens, girls garments nes, manmade fibres, not kn... | Clothing | 368.43 | 0.02% | 0.06 | 1.46 | 2.74 | 1.47 | 100% | 0% | 0% | 12.00 | 3.86 |
| 621320 | Handkerchiefs, of cotton, not knit | Clothing | 254.63 | 0.01% | 0.00 | 0.00 | 2.20 | 14.32 | 100% | 0% | 0% | 10.00 | 4.86 |
| 630231 | Bed linen, of cotton, nes | Clothing | 697.68 | 0.04% | 1.22 | 0.89 | 1.31 | 1.77 | 97% | 0% | 3% | 12.00 | 4.56 |
| 630392 | Curtains drapes blinds valances, synth fibre, not ... | Clothing | 688.91 | 0.04% | 0.00 | 0.40 | 1.99 | 2.22 | 100% | 0% | 0% | 10.30 | 5.07 |
| 630493 | Furnishing articles nes, synth fibre,not knit, cro... | Clothing | 234.34 | 0.01% | 3.14 | 1.21 | 2.03 | 2.14 | 100% | 0% | 0% | 12.00 | 4.80 |

**Table 25. Import Variation by main trading partners in identified products**

| | | World Imports (millions of USD) | Share 2011 | | | | | | | Import variation (2008-2011) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Product | Product Name | 2011 | Belarus | Kazakhstan | Russian Fed. | China | EU | Turkey | USA | World | Belarus | Kazakhstan | Russian Fed. | China | EU | Turkey | USA |
| 020441 | Sheep carcasses and half carcasses, frozen | 128.70 | 0.00% | 0.13% | 6.90% | 0.00% | 8.25% | 0.00% | 13.01% | 3% | 0% | 171900% | 25% | 0% | 304% | 0% | -4% |
| 040210 | Milk powder < 1.5% fat | 7,419.68 | 0.00% | 0.85% | 1.10% | 6.14% | 24.02% | 0.09% | 0.03% | 22% | -75% | 77% | 143% | 112% | -1% | -81% | 1% |
| 040310 | Yogurt | 2,439.01 | 0.33% | 0.28% | 1.04% | 0.21% | 87.82% | 0.00% | 0.86% | -1% | -17% | -37% | 133% | 171% | -2% | 1982% | -33% |
| 040900 | Honey, natural | 1,664.77 | 0.07% | 0.04% | 0.97% | 0.77% | 53.50% | 0.00% | 24.10% | 35% | -1% | 20% | 464% | 176% | 22% | -100% | 73% |
| 070190 | Potatoes, fresh or chilled except seed | 3,737.10 | 0.44% | 0.93% | 18.47% | 0.00% | 56.01% | 0.08% | 4.46% | 30% | 2585% | 224% | 236% | 2987% | 15% | 78% | -3% |
| 070310 | Onions and shallots, fresh or chilled | 2,824.01 | 0.19% | 0.48% | 7.39% | 0.00% | 36.26% | 0.04% | 10.42% | 24% | 46% | 587% | 38% | -95% | 18% | 2945% | 9% |
| 070490 | Edible brassicas nes, fresh or chilled | 1,351.15 | 0.71% | 1.12% | 10.55% | 0.00% | 34.99% | 0.08% | 15.50% | 24% | 18% | 418% | 64% | -20% | 3% | 24642% | 78% |
| 070610 | Carrots and turnips, fresh or chilled | 1,119.90 | 0.14% | 0.87% | 11.83% | 0.02% | 40.62% | 0.00% | 7.86% | 10% | -38% | 849% | 47% | 2156% | -5% | -74% | 93% |
| 070960 | Peppers (Capsicum, Pimenta) fresh or chilled | 4,448.55 | 0.13% | 0.27% | 4.18% | 0.00% | 58.62% | 0.00% | 22.83% | 13% | 45% | 475% | 27% | 5850% | 8% | 0% | 18% |
| 071333 | Kidney beans and white pea beans dried shelled | 1,557.28 | 0.04% | 0.15% | 1.40% | 0.20% | 34.47% | 2.31% | 3.00% | -3% | 16% | 1121% | 62% | -14% | -6% | -35% | -11% |
| 080810 | Apples, fresh | 6,393.26 | 0.82% | 0.82% | 11.84% | 1.81% | 44.18% | 0.08% | 2.58% | 5% | 45% | 135% | 45% | 156% | -15% | 92% | -5% |
| 080820 | Pears and quinces, fresh | 2,676.10 | 0.40% | 0.38% | 16.89% | 0.04% | 47.55% | 0.03% | 4.18% | 5% | 43% | 197% | 38% | 3753% | -10% | 33% | -3% |
| 080940 | Plums, sloes, fresh | 858.52 | 0.22% | 2.53% | 9.86% | 6.70% | 46.67% | 0.00% | 6.25% | 5% | 107% | 5950% | 63% | 410% | -24% | 77% | 3% |
| 081010 | Strawberries, fresh | 2,279.58 | 0.02% | 0.09% | 4.41% | 0.00% | 59.55% | 0.00% | 10.66% | 23% | 88% | 516% | 81% | -100% | 12% | 0% | 99% |
| 081330 | Apples, dried | 183.21 | 0.27% | 0.39% | 0.89% | 0.01% | 66.72% | 0.21% | 15.75% | -1% | 115% | 3938% | 38% | 94% | 4% | 168% | -10% |
| 081350 | Mixtures of edible nuts, dried and preserved fruit... | 252.06 | 0.45% | 7.37% | 3.62% | 0.14% | 67.07% | 0.00% | 2.64% | -1% | 17% | 8649% | -65% | 31% | -6% | 0% | 3% |
| 160220 | Livers of any animal prepared or preserved | 291.76 | 0.02% | 1.47% | 1.81% | 0.11% | 80.23% | 0.00% | 1.03% | 7% | -87% | 103% | 23% | -15% | 7% | 1458% | 29% |
| 220190 | Ice, snow and potable water not | 753.43 | 0.01% | 0.12% | 0.23% | 0.47% | 19.35% | 0.05% | 8.81% | 29% | -60% | -24% | 17% | 147% | -23% | 214% | 187% |

| | | World Imports (millions of USD) | Share 2011 | | | | | | | Import variation (2008-2011) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Product | Product Name | 2011 | Belarus | Kazakhstan | Russian Fed. | China | EU | Turkey | USA | World | Belarus | Kazakhstan | Russian Fed. | China | EU | Turkey | USA |
| | sweetened or flavo... | | | | | | | | | | | | | | | | |
| 220210 | Beverage waters, sweetened or flavoured | 6,804.60 | 0.13% | 0.28% | 0.83% | 0.07% | 54.60% | 0.45% | 21.02% | 5% | -21% | 19% | -46% | -46% | 3% | 17% | 7% |
| 510540 | Coarse animal hair, carded or combed | 2.94 | 0.00% | 0.00% | 0.00% | 42.30% | 29.76% | 0.08% | 0.41% | 0% | 0% | 0% | 0% | -33% | 119% | 0% | -76% |
| 520512 | Cotton yarn >85% single uncombed 714-232 dtex,not ... | 2,659.27 | 0.46% | 0.03% | 5.15% | 40.69% | 11.47% | 6.62% | 1.71% | 76% | 71% | 33663% | 95% | 231% | 30% | 83% | 198% |
| 520513 | Cotton yarn >85% single uncombed 232-192 dtex,not ... | 507.74 | 0.64% | 0.04% | 2.57% | 22.11% | 16.45% | 7.30% | 1.27% | 56% | 66% | #DIV/0! | 82% | 894% | 12% | 115% | 7% |
| 530390 | Jute and other bast fibres, not spun, nes, tow, wa... | 34.62 | 0.17% | 0.02% | 0.97% | 0.05% | 27.57% | 0.19% | 5.13% | 52% | 474% | 115% | 632% | -90% | -9% | 59% | 45% |
| 540773 | Woven fabric >85% synthetic filament, yarn dyed, n... | 244.33 | 0.53% | 1.71% | 2.04% | 8.90% | 30.68% | 1.02% | 16.91% | 4% | -27% | 994% | -53% | 103% | -11% | 53% | 15% |
| 551219 | Woven fabric >85% polyester staple fibres, nes | 2,265.47 | 0.35% | 0.04% | 4.74% | 12.86% | 16.29% | 0.38% | 0.94% | 6% | 78% | 596% | 222% | -3% | -12% | 57% | -31% |
| 551449 | Woven fabric >85% synthetic nes+cotton, >170g/m2 p... | 84.48 | 0.10% | 0.31% | 1.24% | 0.13% | 10.44% | 0.04% | 0.35% | 58% | 66% | 3830% | 133% | 75% | -39% | -70% | -55% |
| 580190 | Woven pile, chenille fabric of yarn nes, except te... | 276.39 | 0.09% | 0.17% | 0.04% | 0.13% | 12.95% | 0.14% | 2.76% | 95% | 123% | 4333% | -70% | -89% | -14% | 39% | -29% |
| 610413 | Womens, girls suits, synthetic fibres, knit | 51.36 | 0.00% | 0.03% | 1.02% | 0.03% | 46.51% | 0.96% | 5.02% | -61% | -74% | 24% | -53% | 434% | -78% | 1173% | -55% |
| 610443 | Womens, girls dresses, of synthetic fibres, knit | 3,045.17 | 0.03% | 0.05% | 2.69% | 0.39% | 40.58% | 0.37% | 31.76% | 87% | 354% | 761% | 367% | 291% | 127% | 68% | 82% |
| 610620 | Womens, girls blouses & shirts, manmade fibre, kni... | 2,592.83 | 0.02% | 0.03% | 2.07% | 0.24% | 41.38% | 0.61% | 10.74% | 9% | 24% | 274% | 50% | 164% | -7% | 21% | 6% |
| 610711 | Mens, boys underpants or briefs, of cotton, knit | 3,371.23 | 0.04% | 0.05% | 2.03% | 0.47% | 47.56% | 0.17% | 24.92% | 11% | 107% | 81% | 41% | 111% | 14% | 92% | 5% |
| 610712 | Mens, boys underpants or briefs, manmade fibre, kn... | 713.52 | 0.05% | 0.09% | 2.14% | 0.53% | 37.00% | 0.19% | 14.81% | 54% | 147% | 145% | 131% | 294% | 21% | 404% | 33% |

| | | World Imports (millions of USD) | Share 2011 | | | | | | | Import variation (2008-2011) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Product | Product Name | 2011 | Belarus | Kazakhstan | Russian Fed. | China | EU | Turkey | USA | World | Belarus | Kazakhstan | Russian Fed. | China | EU | Turkey | USA |
| 610719 | Mens, boys underpants or briefs, material nes, kni... | 120.62 | 0.03% | 0.20% | 2.05% | 0.77% | 24.97% | 0.04% | 5.97% | 31% | 58% | 87% | 22% | 102% | 28% | -9% | 70% |
| 610821 | Womens, girls briefs or panties, of cotton, knit | 2,915.17 | 0.04% | 0.04% | 2.21% | 0.18% | 44.03% | 0.25% | 25.99% | -1% | 30% | 90% | 47% | 2% | -1% | 42% | -5% |
| 610892 | Women/girl bathrobe, dressing gown, knit manmade f... | 820.35 | 0.01% | 0.04% | 1.20% | 0.12% | 33.33% | 0.13% | 38.79% | 17% | 118% | 326% | 146% | 51% | 29% | 40% | 5% |
| 611591 | Hosiery nes, of wool or fine animal hair, knit | 246.07 | 0.03% | 0.07% | 4.37% | 0.43% | 56.19% | 0.22% | 8.33% | 26% | 574% | 4% | 453% | 169% | 14% | 43% | 29% |
| 611592 | Hosiery nes, of cotton, knit | 4,963.23 | 0.04% | 0.08% | 2.41% | 0.48% | 54.87% | 0.36% | 18.71% | 11% | 70% | 343% | 85% | 187% | 9% | 24% | 6% |
| 611599 | Hosiery nes, of materials nes, knit | 361.34 | 0.04% | 0.13% | 0.96% | 0.14% | 47.08% | 0.40% | 11.48% | 7% | -68% | -32% | 121% | 68% | 19% | 166% | 8% |
| 611691 | Gloves, mittens or mitts, nes, of wool or hair, kn... | 127.26 | 0.09% | 0.63% | 11.55% | 0.28% | 44.41% | 0.60% | 15.73% | 49% | 354% | 1017% | 272% | 76% | 57% | 30% | 20% |
| 620193 | Mens, boys anoraks etc, of manmade fibres, not kni... | 6,450.75 | 0.08% | 0.19% | 5.05% | 2.32% | 45.30% | 1.03% | 16.36% | 36% | 115% | 189% | 47% | 427% | 31% | 36% | 17% |
| 620199 | Mens, boys anoraks etc, of material nes, not knit | 156.15 | 0.18% | 2.80% | 2.99% | 1.13% | 50.23% | 0.68% | 5.14% | 12% | -37% | 65% | 51% | 182% | 1% | 102% | -8% |
| 620213 | Womens, girls overcoats etc manmade fibre, not kni... | 3,712.06 | 0.06% | 0.11% | 4.54% | 1.25% | 52.51% | 1.44% | 7.39% | 49% | 92% | 413% | 95% | 621% | 48% | 79% | 26% |
| 620293 | Womens, girls anoraks etc of manmade fibres, not k... | 6,079.93 | 0.06% | 0.18% | 4.57% | 1.40% | 49.92% | 0.63% | 16.48% | 33% | 90% | 310% | 23% | 383% | 30% | 28% | 14% |
| 620323 | Mens, boys ensembles, synthetic fibres, not knit | 189.80 | 0.16% | 1.82% | 12.31% | 2.65% | 56.27% | 0.13% | 0.07% | -3% | -25% | -7% | 87% | 372% | 2% | 112% | 60% |
| 620463 | Womens, girls trousers, shorts, synth fibres, not ... | 4,514.73 | 0.02% | 0.06% | 2.49% | 0.57% | 44.43% | 0.37% | 22.64% | -4% | -11% | 123% | 27% | 90% | -14% | -14% | -6% |
| 620530 | Mens, boys shirts, of manmade fibres, not | 1,645.88 | 0.01% | 0.06% | 0.75% | 0.29% | 27.18% | 0.22% | 28.42% | 8% | 19% | 270% | 99% | 52% | -4% | 31% | 7% |

| | | World Imports (millions of USD) | Share 2011 | | | | | | | Import variation (2008-2011) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Product | Product Name | 2011 | Belarus | Kazakhstan | Russian Fed. | China | EU | Turkey | USA | World | Belarus | Kazakhstan | Russian Fed. | China | EU | Turkey | USA |
| | knit | | | | | | | | | | | | | | | | |
| 620620 | Womens, girls blouses & shirts, wool or hair, not ... | 51.49 | 0.01% | 0.14% | 1.16% | 0.68% | 46.13% | 0.70% | 7.88% | -22% | -30% | 341% | 35% | -3% | -31% | 22% | 19% |
| 620892 | Women/girl panties bathrobe etc manmade fibre not ... | 356.89 | 0.01% | 0.07% | 2.22% | 0.86% | 45.14% | 0.26% | 12.76% | -2% | -17% | 218% | 4% | 130% | 9% | -35% | -4% |
| 621133 | Mens, boys garments nes, of manmade fibres, not kn... | 2,172.86 | 0.02% | 0.15% | 1.30% | 1.91% | 42.98% | 1.09% | 9.95% | 9% | -44% | 22% | -9% | 265% | -11% | 69% | 22% |
| 621143 | Womens, girls garments nes, manmade fibres, not kn... | 2,687.62 | 0.01% | 0.07% | 0.68% | 0.50% | 37.14% | 0.56% | 27.85% | 23% | -24% | 16% | 31% | 262% | -2% | 45% | 59% |
| 621320 | Handkerchiefs, of cotton, not knit | 174.47 | 0.03% | 0.02% | 1.72% | 0.37% | 14.99% | 0.08% | 12.89% | 5% | -12% | 26% | 4% | 101% | -22% | 86% | -1% |
| 630231 | Bed linen, of cotton, nes | 3,774.77 | 0.01% | 0.12% | 0.75% | 0.56% | 35.85% | 0.36% | 42.57% | 14% | -65% | 164% | -26% | 409% | 31% | 243% | 4% |
| 630392 | Curtains drapes blinds valances, synth fibre, not ... | 2,529.92 | 0.05% | 0.03% | 1.45% | 0.24% | 41.61% | 0.32% | 32.73% | 19% | 10% | 47% | 61% | 180% | 9% | 185% | 23% |
| 630493 | Furnishing articles nes, synth fibre,not knit, cro... | 835.42 | 0.01% | 0.01% | 1.64% | 0.82% | 46.83% | 1.23% | 22.27% | 18% | -81% | -31% | -10% | 920% | 6% | -10% | 17% |

**Table 26. Value and share of exports to the EU (2007-2011) by HS 6 digits (in thousands of USD).**
**Products with value of exports greater than USD 10,000 in 2011**

| | | 2007 | | 2008 | | 2009 | | 2010 | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Product** | **Product Name** | **Value** | **Share** | **Value** | **Share** | **Value** | **Share** | **Value** | **Share** | **Value** | **Share** |
| 071333 | Kidney beans and white pea beans dried shelled | 7,986.29 | 21.67% | 3,166.42 | 7.29% | 4,095.82 | 12.98% | 5,789.07 | 23.47% | 7,400.59 | 20.43% |
| 271000 | Petroleum oils&oils obta | 9,194.18 | 24.95% | 0 | 0.00% | | | 1,996.11 | 8.09% | 5,213.66 | 14.39% |
| 740400 | Copper/copper alloy waste or scrap | 268.37 | 0.73% | 12,846.49 | 29.56% | 696.36 | 2.21% | 1,269.56 | 5.15% | 3,612.59 | 9.97% |
| 870899 | Motor vehicle parts nes | 6,253.46 | 16.97% | 8,782.39 | 20.21% | 7,737.60 | 24.51% | 5,038.16 | 20.43% | 2,742.65 | 7.57% |
| 840890 | Engines, diesel except motor vehicle/marine | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 846.28 | 3.43% | 1,826.48 | 5.04% |
| 240110 | Tobacco, unmanufactured, not stemmed or stripped | 1,923.87 | 5.22% | 6,351.27 | 14.61% | 6,570.91 | 20.82% | 1,557.57 | 6.32% | 1,661.96 | 4.59% |
| 520100 | Cotton, not carded or combed | 2,220.79 | 6.03% | 987.53 | 2.27% | 655.9 | 2.08% | 770.62 | 3.12% | 1,356.26 | 3.74% |
| 870840 | Transmissions for motor vehicles | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 833.59 | 3.38% | 1,112.41 | 3.07% |
| 720421 | Waste or scrap, of stainless steel | 1,266.08 | 3.44% | 567.8 | 1.31% | 323.71 | 1.03% | 669.28 | 2.71% | 922.6 | 2.55% |
| 381590 | Reaction initiators, accelerators, catalysts, nes | 0 | 0.00% | 355 | 0.82% | 168 | 0.53% | 645.59 | 2.62% | 781.54 | 2.16% |
| 711290 | Waste/scrap, precious metals except pure gold/plat... | | | 40.94 | 0.09% | 0.97 | 0.00% | 359.98 | 1.46% | 623.5 | 1.72% |
| 843149 | Parts of cranes, work-trucks, shovels, constr mach... | 216.58 | 0.59% | 909.74 | 2.09% | 261.01 | 0.83% | 59.32 | 0.24% | 614.34 | 1.70% |
| 780110 | Lead refined unwrought | | | | | | | | | 560.2 | 1.55% |
| 710812 | Gold in unwrought forms non-monetary | | | | | | | | | 548.99 | 1.52% |
| 780199 | Lead unwrought nes | 97.3 | 0.26% | 24 | 0.06% | 180.4 | 0.57% | 492.36 | 2.00% | 450.2 | 1.24% |
| 280461 | Silicon, >99.99% pure | 44.23 | 0.12% | 996.9 | 2.29% | 90.86 | 0.29% | | | 398.82 | 1.10% |
| 841381 | Pumps nes | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 83.11 | 0.34% | 302.01 | 0.83% |
| 640520 | Footwear, nes, upper textile material | 8.04 | 0.02% | 11.64 | 0.03% | 26.4 | 0.08% | 50.65 | 0.21% | 294.91 | 0.81% |
| 760120 | Aluminium unwrought, alloyed | 544 | 1.48% | 140 | 0.32% | 25.94 | 0.08% | 193.79 | 0.79% | 288.8 | 0.80% |

| | | 2007 | | 2008 | | 2009 | | 2010 | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Product** | **Product Name** | **Value** | **Share** | **Value** | **Share** | **Value** | **Share** | **Value** | **Share** | **Value** | **Share** |
| 760200 | Waste or scrap, aluminium | 150.45 | 0.41% | 34 | 0.08% | 13.75 | 0.04% | 5 | 0.02% | 269.94 | 0.75% |
| 847141 | Dig auto data proc w/cpu | 0 | 0.00% | 78.52 | 0.18% | 0.31 | 0.00% | 0 | 0.00% | 269.85 | 0.75% |
| 280469 | Silicon, <99.99% pure | 1.92 | 0.01% | 844.4 | 1.94% | | | | | 263.44 | 0.73% |
| 901580 | Surveying, etc instruments nes | 0 | 0.00% | 61.61 | 0.14% | 18.36 | 0.06% | 93.39 | 0.38% | 241.38 | 0.67% |
| 520812 | Plain weave cotton, >85% 100-200g/m2, unbleached | 182.56 | 0.50% | 277.38 | 0.64% | 152.51 | 0.48% | 321.6 | 1.30% | 211.12 | 0.58% |
| 282570 | Molybdenum oxides and hydroxides | | | | | 165.57 | 0.52% | 0.02 | 0.00% | 200.02 | 0.55% |
| 510710 | Yarn of combed wool, >85% wool, not retail | 482.28 | 1.31% | 372.93 | 0.86% | | | 216.71 | 0.88% | 180.67 | 0.50% |
| 080232 | Walnuts, fresh or dried, shelled | 161.84 | 0.44% | 66.32 | 0.15% | 176.46 | 0.56% | 0.56 | 0.00% | 179.52 | 0.50% |
| 722410 | Ingots, primary forms of alloy steel, except stain... | | | | | 7 | 0.02% | 156.5 | 0.63% | 178.12 | 0.49% |
| 851790 | Parts of line telephone/telegraph equipment, nes | 0 | 0.00% | 221.81 | 0.51% | 32.36 | 0.10% | 75.02 | 0.30% | 152.33 | 0.42% |
| 841480 | Air or gas compressors, hoods | 30.12 | 0.08% | 97.34 | 0.22% | 6.2 | 0.02% | 105.87 | 0.43% | 145.92 | 0.40% |
| 261690 | Precious metal ores and concentrates except silver | | | | | | | | | 142.44 | 0.39% |
| 841290 | Parts of hydraulic/pneumatic/other power engines | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 51.76 | 0.21% | 140.22 | 0.39% |
| 842139 | Filtering or purifying machinery for gases nes | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 138.39 | 0.38% |
| 071190 | Vegetables nes and mixtures provisionally preserve... | 0.8 | 0.00% | 33.66 | 0.08% | 25.5 | 0.08% | 136 | 0.55% | 126.49 | 0.35% |
| 851780 | Elect apparatus for line | 0.13 | 0.00% | 0 | 0.00% | 10.9 | 0.03% | 15.06 | 0.06% | 114.97 | 0.32% |
| 848340 | Gearing, ball screws, speed changers, torque conve... | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 243.8 | 0.99% | 112.41 | 0.31% |
| 848140 | Valves, safety or relief | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 108.8 | 0.30% |
| 820190 | Scythes, sickles etc used in agriculture, etc | 266.95 | 0.72% | 315.25 | 0.73% | 60.57 | 0.19% | 135.79 | 0.55% | 108.31 | 0.30% |
| 841330 | Fuel, lubricating and cooling pumps for motor engi... | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 42.6 | 0.17% | 104.73 | 0.29% |

| | | 2007 | | 2008 | | 2009 | | 2010 | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Product** | **Product Name** | **Value** | **Share** | **Value** | **Share** | **Value** | **Share** | **Value** | **Share** | **Value** | **Share** |
| 860900 | Cargo containers designed for carriage | 23.84 | 0.06% | 32.69 | 0.08% | 120.33 | 0.38% | 90.38 | 0.37% | 103.97 | 0.29% |
| 210690 | Food preparations nes | 0 | 0.00% | 35.65 | 0.08% | 20.76 | 0.07% | 203.38 | 0.82% | 101.76 | 0.28% |
| 840999 | Parts for diesel and semi-diesel engines | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 85.33 | 0.35% | 101.73 | 0.28% |
| 841350 | Reciprocating positive displacement pumps nes | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 50.45 | 0.20% | 89.53 | 0.25% |
| 050790 | Whalebone, horns, etc unworked or simply prepared ... | 103.74 | 0.28% | 3.22 | 0.01% | 26.22 | 0.08% | 79.01 | 0.32% | 83.05 | 0.23% |
| 847330 | Parts and accessories of data processing equipment... | 21.93 | 0.06% | 120.21 | 0.28% | 47.61 | 0.15% | 62.34 | 0.25% | 68.29 | 0.19% |
| 841391 | Parts of pumps for liquids | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 1.27 | 0.01% | 64.09 | 0.18% |
| 381800 | Chemical element/compound wafers doped for electro... | 215.81 | 0.59% | 513.11 | 1.18% | 59.98 | 0.19% | | | 62.32 | 0.17% |
| 410519 | Sheep or lamb skin leather, tanned or retanned, ne... | | | 64.19 | 0.15% | | | | | 56.89 | 0.16% |
| 510529 | Wool tops & other combed wool, except combed fragm... | | | | | 68.61 | 0.22% | 85.41 | 0.35% | 50.21 | 0.14% |
| 848280 | Bearings, ball or roller, nes, including combinati... | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 50.18 | 0.14% |
| 851150 | Generators and alternators | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 23.82 | 0.10% | 48.73 | 0.13% |
| 901420 | Instruments nes for aeronautical/space navigation | | | | | | | | | 48.21 | 0.13% |
| 381519 | Supported catalysts, except nickel or precious met... | | | 0 | 0.00% | | | | | 44.08 | 0.12% |
| 630790 | Made up articles (textile) nes, textile dress patt... | 89.18 | 0.24% | 48.01 | 0.11% | 63.85 | 0.20% | 61.21 | 0.25% | 43.05 | 0.12% |
| 848310 | Transmission shafts and cranks, cam and crank shaf... | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 6.64 | 0.03% | 42.04 | 0.12% |
| 841221 | Hydraulic power engines/motors, linear acting | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 3.16 | 0.01% | 36.88 | 0.10% |
| 620443 | Womens, girls dresses, synthetic fibres, not knit | 0.54 | 0.00% | 3.72 | 0.01% | 5.32 | 0.02% | 15.9 | 0.06% | 33.56 | 0.09% |
| 847170 | Storage units | 2.01 | 0.01% | 2.65 | 0.01% | 6.98 | 0.02% | 210.87 | 0.86% | 31.46 | 0.09% |

| | | 2007 | | 2008 | | 2009 | | 2010 | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Product** | **Product Name** | **Value** | **Share** | **Value** | **Share** | **Value** | **Share** | **Value** | **Share** | **Value** | **Share** |
| 853180 | Electric sound or visual signalling apparatus, nes | 0 | 0.00% | 0.27 | 0.00% | 2.56 | 0.01% | 0.85 | 0.00% | 29.95 | 0.08% |
| 392690 | Plastic articles nes | 0.39 | 0.00% | 0 | 0.00% | 2.44 | 0.01% | 4.59 | 0.02% | 28.42 | 0.08% |
| 050690 | Bones and horn-cores unworked or simply worked nes | 39.28 | 0.11% | 31.42 | 0.07% | | | | | 28.38 | 0.08% |
| 847989 | Machines and mechanical appliances nes | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 25.71 | 0.07% |
| 870891 | Radiators for motor vehicles | 278.56 | 0.76% | 520.82 | 1.20% | 0 | 0.00% | 0.85 | 0.00% | 25.39 | 0.07% |
| 901600 | Balances of a sensitivity of 50 milligram or bette... | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 24.84 | 0.07% |
| 850440 | Static converters, nes | 28.86 | 0.08% | 41.71 | 0.10% | 92.58 | 0.29% | 2.45 | 0.01% | 24.2 | 0.07% |
| 510310 | Noils of wool or of fine animal hair | | | | | | | | | 22.5 | 0.06% |
| 848120 | Valves for oleohydraulic or pneumatic transmission... | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 21.34 | 0.06% |
| 732690 | Articles of iron or steel, nes | 0 | 0.00% | 0.18 | 0.00% | 2.53 | 0.01% | 20.01 | 0.08% | 20.73 | 0.06% |
| 940600 | Prefabricated buildings | 14.66 | 0.04% | 2.82 | 0.01% | 5.23 | 0.02% | 16.23 | 0.07% | 20.43 | 0.06% |
| 880390 | Parts of balloons, dirigibles, spacecraft | 16.38 | 0.04% | | | | | 0.41 | 0.00% | 19.2 | 0.05% |
| 620640 | Womens, girls blouses, shirts, manmade fibre, not ... | 2.53 | 0.01% | 8.97 | 0.02% | 12.03 | 0.04% | 5.99 | 0.02% | 18.6 | 0.05% |
| 847130 | Portable digital data pr | 0 | 0.00% | 0 | 0.00% | 74.51 | 0.24% | 3.1 | 0.01% | 18.15 | 0.05% |
| 901813 | Magnetic resonance imagi | 63 | 0.17% | 6.97 | 0.02% | 6.47 | 0.02% | | | 18.02 | 0.05% |
| 722090 | Rolled stainless steel sheet, width < 600mm, nes | | | | | | | 15.67 | 0.06% | 16.49 | 0.05% |
| 870893 | Clutches and parts thereof for motor vehicles | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 16.43 | 0.05% |
| 843143 | Parts of boring or sinking machinery | 0 | 0.00% | 63.33 | 0.15% | 25.93 | 0.08% | 32.55 | 0.13% | 16 | 0.04% |
| 870870 | Wheels including parts/accessories for motor vehic... | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 15.82 | 0.04% |
| 902290 | Parts and accessories for radiation apparatus | 0 | 0.00% | 4.67 | 0.01% | 0 | 0.00% | 0 | 0.00% | 15.24 | 0.04% |

| | | 2007 | | 2008 | | 2009 | | 2010 | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Product** | **Product Name** | **Value** | **Share** | **Value** | **Share** | **Value** | **Share** | **Value** | **Share** | **Value** | **Share** |
| 841280 | Engines and motors nes | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 14.82 | 0.04% |
| 621710 | Clothing accessories nes, textile material, not kn... | 0.14 | 0.00% | 0 | 0.00% | 0.01 | 0.00% | 0.04 | 0.00% | 13.39 | 0.04% |
| 630399 | Curtains drapes blinds valances, material nes, wov... | 0 | 0.00% | 0.55 | 0.00% | 0 | 0.00% | 0 | 0.00% | 13.07 | 0.04% |
| 880330 | Aircraft parts nes | 0 | 0.00% | 0 | 0.00% | 97.29 | 0.31% | 6.61 | 0.03% | 12.7 | 0.04% |
| 843490 | Parts of milking machines and dairy machinery | | | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 12.47 | 0.03% |
| 591190 | Textile products and articles for technical uses, ... | 0 | 0.00% | 0 | 0.00% | 6.41 | 0.02% | 0 | 0.00% | 12.35 | 0.03% |
| 130190 | Natural gum, resin, gum-resin, balsam, not gum ara... | 31.74 | 0.09% | 129.59 | 0.30% | | | 0 | 0.00% | 12.07 | 0.03% |
| 283329 | Sulphates of metals nes | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 56 | 0.23% | 12 | 0.03% |
| 570241 | Carpets of wool or hair, woven pile, made up, nes | | | 3.6 | 0.01% | 6.82 | 0.02% | 0.47 | 0.00% | 11.6 | 0.03% |
| 620413 | Womens, girls suits, synthetic fibres, not knit | 1.82 | 0.00% | 3.95 | 0.01% | 5.89 | 0.02% | 5.13 | 0.02% | 11.17 | 0.03% |
| 732090 | Springs, iron or steel, except helical/leaf | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0.13 | 0.00% | 11.07 | 0.03% |
| 121190 | Plants & parts, pharmacy, perfume, insecticide use... | 0.28 | 0.00% | 0.38 | 0.00% | | | | | 10.43 | 0.03% |
| | TOTALS | 32,234.91 | 87.47% | 39,226.00 | 90.26% | 22,263.68 | 70.54% | 23,404.94 | 94.90% | 35,834.51 | 98.93% |

Source: UN Comtrade
Note: Products based on 2011 exports. Products with exports less than 10000 USD in 2011 not presented.