

KYRGYZSTAN: COMPANY PERSPECTIVES

AN ITC SERIES ON
NON-TARIFF MEASURES



Kyrgyzstan: Company Perspectives

An ITC Series on Non-Tariff Measures

About the paper

Inadequate export quality infrastructure in Kyrgyzstan is a key obstacle for Kyrgyz exporters.

A survey of over 300 companies on non-tariff measures (NTMs) found 58% of Kyrgyz exporters to be facing challenges with various regulatory and procedural obstacles to trade. Inadequate testing and certification facilities in the country is a major challenge making compliance with technical requirements difficult – especially those of the Eurasian Economic Union and the European Union.

The report recommends upgrading domestic infrastructure, enforcing quality compliance, streamlining procedures and diversifying export portfolio.

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Acronyms

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

ASEAN	Association of Southeast Asian Nations
CIS	Commonwealth of Independent States
CU	Customs Union
EAEU	Eurasian Economic Union
EEA	European Economic Area
EU	European Union
GAP	Good Agricultural Practices
GHP	Good Handling Practices
GMP	Good Management Practice
GDP	Gross domestic product
GSP	Generalized System of Preferences
HACCP	Hazard Analysis & Critical Control Points
HS	Harmonized System
ILAC	International Laboratory Accreditation Cooperation
ITC	International Trade Centre
ISO	International Organization for Standardization
KCA	Kyrgyz Center for Accreditation
KGS	Kyrgyz soms
LDCs	Least Developed Countries
MAST	Multi-Agency Support Team
MENA	Middle East and North Africa
MFN	Most-favoured-nation
MRA	Mutual Recognition Arrangement
NAMA	Non-agricultural market access
NTB	Non-tariff barrier
NTM	Non-tariff measure
OECD	Organisation for Economic Co-operation and Development
PO	Procedural obstacle
SPS	Sanitary and phytosanitary measures
SME	Small and medium-sized enterprise
SWIS	Single Window Information System
TRACECA	Transport Corridor Europe Caucasus Asia
TBE	Trade-related business environment
TBT	Technical barriers to trade
UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nations Economic Commission for Europe
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
VAT	Value-added tax
WTO	World Trade Organization
WDI	World Development Indicator

Executive summary

Over half of exporters face obstacles

In Kyrgyzstan, 57% of the companies are facing difficulties in complying with trade related regulations or procedural in Kyrgyzstan or abroad when exporting or importing.

The NTM Business Survey in Kyrgyzstan finds 54% of micro and small enterprises and 59% of medium-size enterprises reported having difficulties with NTMs. In contrast, 75% of large companies are affected, which reflects their larger volume of business. However, the consequences can be more severe for smaller firms than for larger firms. For a small firm the burden of facing an NTM or PO in one or more of its few markets can be huge.

NTMs, which have gained increasing importance in trade with the general global decline of duties, can be a significant hurdle for Kyrgyz exporters. NTMs have legitimate aims, such as consumer and environmental protection, and have long been part of international agreements. They cover a myriad of export and import policies that are not traditional tariffs. They can be onerous for exporters and importers in developing countries, who can struggle with often complex NTM requirements. Firms in these countries may have inadequate domestic trade-related infrastructure, lack needed information and face administrative obstacles, all of which hamper their international competitiveness.

EAEU is the most important market but NTMs are of concern

The Eurasian Economic Union (EAEU) is major market for Kyrgyz exporters. Around 74% of exporters of manufactured goods and 70% of exporters of agricultural goods see the EAEU as the main export market. It is also in this market that Kyrgyz exporters encounter the greatest number of NTM obstacles. The European Union also poses problems, but the volume of trade is lower.

Most of exporters difficulties relate to SPS and TBT regulations

Overall, 81% of the burdensome NTM cases reported by Kyrgyz exporters are technical measures. Technical measures are both the specific technical requirements, such as quality standards, safety, production processes and sanitary requirements, and the proof or certification that these requirements have been met, the conformity assessment.

NTMs are official regulations implemented by authorities in the exporting or importing country. Procedural obstacles (POs) on the other hand are hindrances that companies face due to the manner in which the regulations are applied or implemented.

Very often exporters face difficulties with a given NTM regulation not only because the rules are strict and complex to comply with, but also – and at times only – because of related procedural obstacles, particularly conformity assessment.

In Kyrgyzstan, 72% of the examples of NTMs exporters considered burdensome are difficult solely because of procedural obstacles, such as time delays, insufficient facilities and administrative hurdles or high fees. Most of these POs occur inside Kyrgyzstan. In contrast, in only 12% of the examples were the NTM regulations themselves the problem.

Farm goods exporters affected most

A larger proportion of agri-food exporters (79%) are affected by NTMs they perceive as burdensome compared to exporters of manufactured products (47%). In general, fresh food and agricultural products are highly regulated for reasons of human health and safety, and environmental protection.

Most of the difficulties faced by agricultural exporters are technical measures applied by importing partner countries. EAEU technical requirements tend to be more stringent than Kyrgyz ones. These include requirements related to food safety issues, such as limits for residues or contamination by certain substances, hygiene practices, transportation and storage conditions.

Lack of accredited laboratories to perform the necessary testing and certification for Kyrgyzstan's key markets is a major concern. Similarly, obtaining the necessary product certification from foreign laboratories is perceived as both expensive and time consuming.

Most companies are not able to meet major international quality standards, such as HACCP and ISO 22000. Complying with these standards requires significant upgrades to companies' production infrastructure and changes in quality management systems. The small scale of most Kyrgyz exporters and their limited resources makes this difficult to do.

The way forward

The survey results and recommendations aim to assist the Government and the private sector in creating an enabling environment for private-sector development and improve export competitiveness for Kyrgyzstan. There is potential for improvements in the Kyrgyz trade environment, particularly at the procedural level.

Among recommendations, the survey calls for the upgrading of domestic quality infrastructure and the enforcing of quality compliance. Kyrgyzstan should, for example, strengthen the capacity of local laboratories to perform required testing and certification. It should also streamline the process for export licences, permits and certificates of origin and strengthen the capacity of SMEs to comply with international market access requirements and to proactively respond to customer demands.

Kyrgyzstan is urged to diversify its export portfolio and trading partners, and encourage value addition. Access to trade and market intelligence is critical to export success. However, Kyrgyz exporters are lacking the resources and the skills to acquire and process trade-related information – placing them at a disadvantage compared with competitors in other economies.

The results of the ITC NTM survey should contribute to optimizing existing policies and processes, in particular with a view to supporting deeper regional integration within the EAEU. The survey – including its policy recommendations – was presented to a national stakeholder meeting of representatives from various government agencies, the business sector, research institutes and international organizations.

Survey implementation

The results presented in this report are based on a business survey implemented by the International Trade Centre (ITC) in collaboration with the Ministry of Economy (MoE) of Kyrgyzstan. The NTM Business Survey in Kyrgyzstan, implemented between September 2015 and August 2016, aims to provide a better understanding of obstacles to trade exporters and importers face and to identify potential bottlenecks related to trade procedures and cross-border operations.

ITC interviewed 310 trading enterprises in Kyrgyzstan, targeting active exporters. Some 70% of the companies interviewed are involved only in export business, another 26% are involved in both export and import business and just 4% only import.

INTRODUCTION TO NON-TARIFF MEASURES

Defining non-tariff measures

Non-tariff measures (NTMs) are defined as ‘policy measures, other than customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both’.¹ The concept of NTMs is neutral and does not imply a direction of impact.²

Being ‘defined by what they are not’,³ NTMs comprise a myriad of policies other than tariff duties. NTMs are complex legal texts specific to the product and applying country. They are more difficult to quantify or compare than tariffs.

Given that legitimate reasons, including the protection of human, animal and plant health may lead to NTMs, this report avoids making judgements on intentions and the term NTM is used. By design, the survey only captures NTMs that cause major difficulties for trading companies. NTMs analysed in this report refer to ‘burdensome NTMs’. Because obstacles to trade are complex, understanding their terminology and classification are important.

The diversity of NTMs requires a classification system. ITC’s NTM Surveys are based on the international classification developed by the Multi-Agency Support Team, incorporating minor adaptations to the ITC NTM Survey approach.⁴

Procedural obstacles and trade-related business environment

Procedural obstacles (POs) refer to practical challenges directly related to the implementation of NTMs. For instance, problems caused by the lack of adequate testing facilities to comply with technical measures or excessive paperwork in the administration of licences. Inefficiencies in the trade-related business environment may have similar effects, but occur unrelated to specific NTMs. Examples include delays and costs due to poor infrastructure or inconsistent behaviour of officials at customs or ports.

A business perspective is imperative

The ITC NTM Programme, launched in 2010, incorporates large-scale company surveys on NTMs, POs and trade-related business environment inefficiencies. The ITC NTM Surveys evaluate all major export sectors and all major importing partners.

The ITC NTM Survey allows companies to report their most burdensome NTMs and how they impact their businesses. Exporters and importers face NTMs and other obstacles every day. Because they know the challenges they face, a business perspective on NTMs is indispensable. At government level, understanding companies’ key concerns regarding NTMs, POs and trade-related business environments can help define national strategies to overcome obstacles to trade.

The full survey methodology is documented in ITC’s technical paper, *The Invisible Barriers to Trade – How Businesses Experience Non-Tariff Measures (2015)*.⁵

¹ Multi-Agency Support Team (2009).

² The term ‘non-tariff barrier’ implies a negative impact on trade. The Multi-Agency Support Team and the Group of Eminent Persons on Non-Tariff Barriers proposed that non-tariff barriers (NTBs) to trade be a subset of NTMs with a ‘protectionist or discriminatory intent’.

³ Deardorff and Stern (1998).

⁴ For further details on the Multi-Agency Support Team NTM classification, see Appendix II.

⁵ www.ntmsurvey.org/publications/itc-series-on-ntms/

CHAPTER 1 TRADE OVERVIEW



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Kyrgyzstan: Economic overview

Growth strong, but economy vulnerable

Kyrgyzstan is a landlocked, middle-income country in the heart of Central Asia. It is endowed with large reserves of water and mineral resources, such as gold, its leading export, uranium, coal and antimony. The country experienced strong economic growth in the decade 2004-2014 until an economic slowdown in Kazakhstan and the Russian Federation, its principle trade partners, triggered a 10% slump in the Kyrgyz GDP in 2015.⁶

Economic growth has helped reduce poverty, with rates dropping from 40% in 2006 to 32% in 2015.⁷ With its rich resources of raw materials, the country has strong potential to grow as an exporter. However, its current reliance on remittance earnings and on income from a single commodity – gold – makes it highly vulnerable to external shocks.

The service sector accounts for roughly half of the country's GDP, with industry making up less than 30%. Agriculture is the smallest sector of the economy, accounting for just over 15% of GDP, but it employs some 30% of the workforce.

Big economic changes

Following independence in 1991, Kyrgyzstan has undergone big changes to its economic system. In 1998, it became the first member of the Commonwealth of Independent States (CIS) to join the World Trade Organization (WTO).

With a GDP per capita of \$1,102, it is categorized by the World Bank as a low middle-income country.⁸ Kyrgyzstan has a population of roughly 6 million people, with the majority (64%) living in rural areas. By

⁶ World Bank WDI (2015).

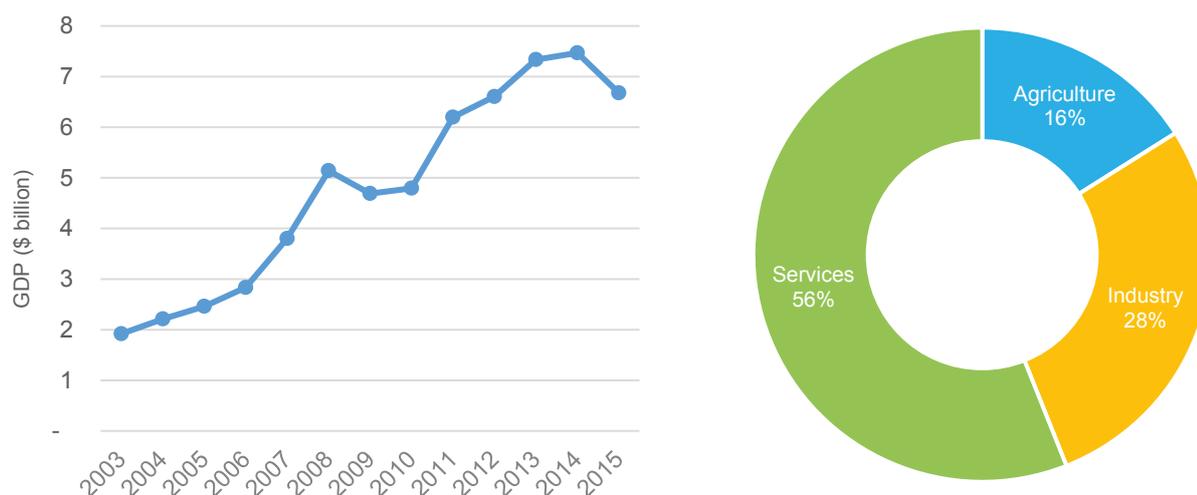
⁷ Poverty headcount ratio at national poverty lines (% of population). World Bank WDI (2015).

⁸ GDP per capita PPP adjusted. World Bank WDI (2015).

2015, GDP had more than tripled to \$6.7 billion⁹ from \$2.2 billion in 2004. But it was down on the \$7.5 billion reached in 2014 (Figure 1).

The industrial sector contributes 28% of GDP (Figure 1). Manufacturing and mining are important components and they have been growing steadily. The manufacturing sector consists primarily of processing, industries, gold production and non-ferrous metallurgy. Processed gold from Kumtor mine alone contributes more than a tenth of national GDP and almost half of export earnings. The country is resource rich and has the potential to exploit more mineral and water resources. It is bordered by Kazakhstan, Uzbekistan, Tajikistan and the People's Republic of China (PRC).

Figure 1 Kyrgyzstan's GDP (2003–2015) and its sectoral composition (2015)



Source: World Bank, 2015, World Development Indicators.

The agriculture sector is the smallest part of GDP (16%) and its share has been shrinking. However, the sector remains important, providing livelihoods to roughly 30% of the active workforce. Major components of the agricultural industry are livestock breeding (meat, dairy and wool production), tobacco, cotton and industrial crops, gardening, beekeeping and olericulture.

The economy of Kyrgyzstan competes primarily on the use of unskilled labour and natural resources, meaning that it is factor driven.¹⁰ Remittance income accounts for 30% of GDP and gold exports for 10%.

An economic slowdown in the Russian Federation and Kazakhstan, coupled with low prices for gold, cut economic growth from 10.9% in 2013 to 3.5% in 2015.¹¹ Excluding mining, total output grew at only 1.6% in 2016. The industries that saw the largest drop were textile production (-29.0%), apparel (-26.6%), and electricity generation (-10.6%). Other sectors showed positive trends; agricultural sector output expanded by 2.1% and construction by 4.7%.¹²

Trade patterns: import surge brings widening trade deficit

Over the last decade, the trade deficit has widened sharply, with the value of imports running at roughly three times that of exports. As a result, Kyrgyzstan has had a persistent current account deficit. In 2014, the deficit reached 18% of GDP, its widest ever, under pressure from a decline in remittances and low export revenue from the gold.

⁹ World Bank WDI (2015).

¹⁰ World Bank WDI (2015).

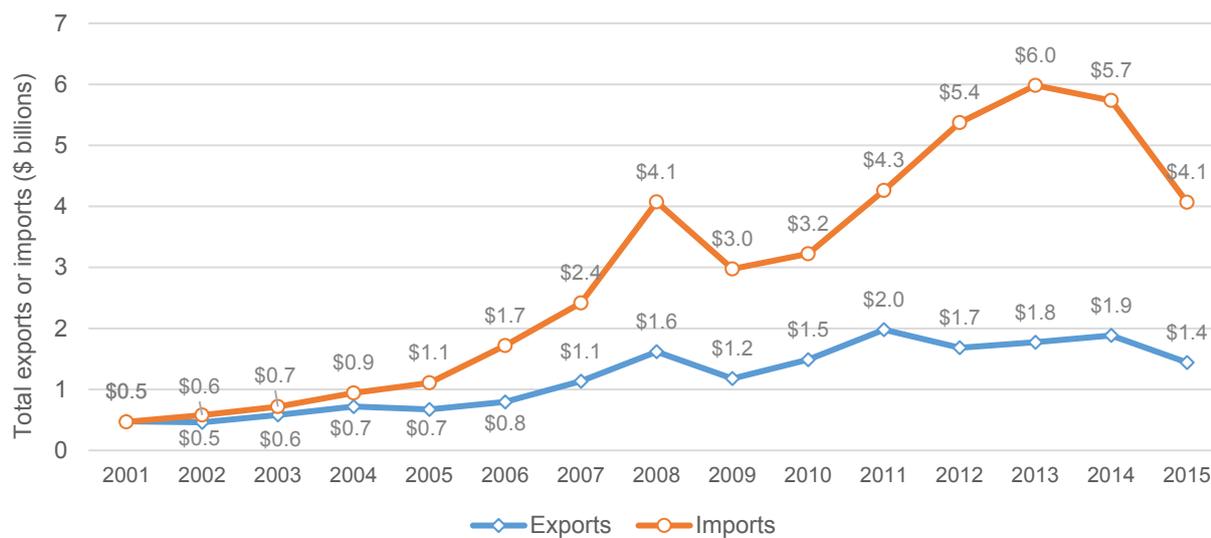
¹¹ World Bank WDI (2015).

¹² National Statistical Committee of the Kyrgyz Republic, 2016.

Between 2001 and 2008, imports grew from \$467 million to \$4 billion – an average annual growth of 37% (Figure 2). The global financial crisis in 2009 contributed to a sharp fall in imports. But they grew sharply again from 2010 to 2013 when they reached a high of \$6 billion. Since then, however, imports have again declined sharply. In contrast, export growth has been relatively small. Kyrgyz exports reached close to \$2 billion in 2011. But over the past five years, exports have fallen to \$1.4 billion.

The Kyrgyzstan has a fairly liberal trade regime, with low tariffs.¹³ Due to its relatively small size, the country relies heavily on imported intermediate goods for production and final goods for consumption. Kyrgyzstan's total international merchandise trade (\$5.5 billion) amounted to 82% of the country's GDP in 2015.¹⁴

Figure 2 Kyrgyzstan's export and import figures, 2001–2015



Source: ITC Trade Map (2016)

Switzerland is top export destination; products and markets little diversified

Kyrgyzstan's export product portfolio and markets are highly concentrated. Gold-buying Switzerland is the biggest market, importing \$562 million in merchandise or 39% of Kyrgyzstan's total exports (Figure 3). The former Soviet bloc remains another major market. Exports to the other four EAEU countries make up 28% (\$399 million) of the total, with Kazakhstan (16%) and the Russian Federation (11%) being the main buyers. Exports to Kazakhstan in 2015 fell drastically by 55% (\$509 million exported in 2014) due to the economic slowdown. Exports to the other EAEU countries, Belarus and Armenia, are very limited – with a combined value of \$13.6 million.

Following the Kyrgyz accession to the EAEU, the overall share of exports to the EAEU countries dropped to 41% from 60% in 2013. This drop can be explained by reduced import demand in Kazakhstan and the Russian Federation, whose economies have been suffering a slowdown since 2014. CIS countries not forming part of the EAEU import another 10% (\$137 million) of Kyrgyz exports. Uzbekistan (7%) and Tajikistan (2%) are the main buyers.

Kyrgyz exporters have not yet achieved large export success in the European Union (EU). Only \$50 million of goods were exported to the EU in 2015, which is 3% of the total. Exports to the United Arab Emirates, Turkey and China make up 7%, 6% and 2% of total exports, respectively.

Gold is by far Kyrgyzstan's most valuable export commodity. In 2015, it exported \$669 million worth of precious metals (HS-71), mostly gold, accounting for 46% of the country's total exports (Figure 3). Almost

¹³ WTO (2013): Trade Policy Review: Kyrgyz Republic.

¹⁴ ITC Trade Map (2016) and World Bank WDI (2016).

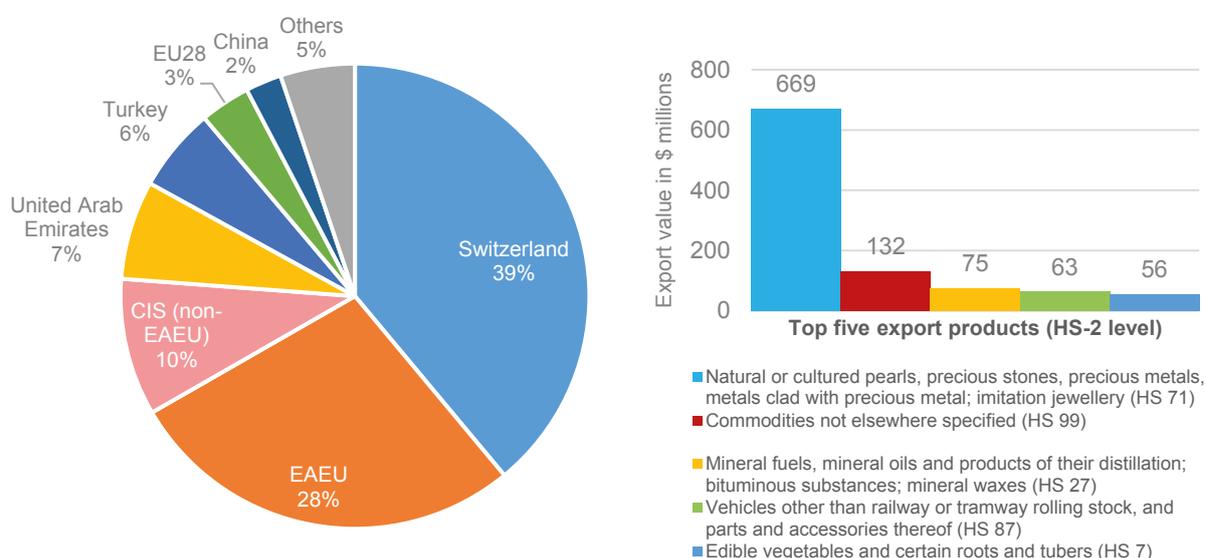
all of the country's gold is mined from Kumtor mine. Switzerland (\$562 million), UAE (\$86 million) and the British Virgin Islands (\$20 million) are the three major markets for Kyrgyz gold exports.

The Kyrgyzstan exported \$75 million of petroleum and coal (HS-27) in 2015. Most of the exports went to the Russian Federation (\$22 million), Turkey (\$19 million) and Tajikistan (\$9 million). Export of vehicles and parts (HS-87) was the fourth-largest export category, valued at \$63 million. Uzbekistan was the largest market (\$28 million), followed by Belarus, Belgium and the Russian Federation.

Edible vegetables (HS-07) are the only agricultural commodity among the country's top five exports, with \$56 million exported in 2015. Kidney beans (\$44 million) are the main agri-food export commodity. Turkey, Kazakhstan, Serbia and the Russian Federation are the main markets for vegetable exports.

Kyrgyzstan re-exports primarily consumer goods, such as clothes and shoes, fabric, plastic products and consumer electronics. These products are imported mainly from China, but also from South Korea, India and Turkey.

Figure 3 Markets for Kyrgyzstan's exports and top five export products, 2015



Source: ITC Trade Map (2016)

Duty-free access to most important markets

Kyrgyzstan enjoys duty-free access to its two most important markets, Kazakhstan and the Russian Federation, under the Eurasian Economic Union (EAEU) agreement. Besides the EAEU and EU (2.8% preference margin for agriculture products), Kyrgyzstan does not enjoy substantial preferential treatment from other major markets.

Kyrgyzstan's agriculture export basket is very narrow. In Kazakhstan, its largest market, just eight products at the HS-2 level and 38 at the HS-6 level make up 95% of exports (Table 1). While the average MFN duties for trade products in Kazakhstan is 12.2%, all Kyrgyz exports qualify for duty-free access. The same is true for the Russian market, where the average MFN is 10.3%.

Agriculture exports to the EU are even more concentrated. Only four products at HS-2 level and eight at HS-6 level account for 95% of total exports. The average MFN tariff (simple) in the EU is relatively low (5.9%), nevertheless 83.6% of Kyrgyz exports benefit from duty-free access.

Most non-agricultural exports to its major markets enjoy duty free access. Kyrgyz non-agricultural exports to the EAEU are relatively more diverse. Twenty-four products and sixteen products (at HS-2 level) in Kazakhstan and the Russian Federation make up 95% of total exports.

In contrast, exports to non-EAEU countries are very concentrated. Gold exports to Switzerland make up all non-agricultural exports there. Similarly, one product in United Arab Emirates and three in Turkey (at HS-2 level) make up 95% of exports in the respective markets.

Table 1 Tariffs applied and preferences granted by major importing partners, agricultural and manufacturing goods

Kyrgyzstan's major export markets (2015)	Diversification 95% trade in number of		Average MFN of traded tariff lines		Preference margin	Duty-free imports	
	HS-2 digit	HS-6 Digit	Simple	Weighted	Weighted	Tariff lines (% of total)	Value (% of total)
Agricultural products							
Kazakhstan	8	38	12.2%	13.4%	13.4%	100	100
Turkey	4	6	14.6%	16.2%	0.0%	37.5	22.4
Russian Federation	6	9	10.3%	4.4%	4.4%	100	100
European Union	4	8	5.9%	3.6%	2.8%	43.2	83.6
China	7	14	14.2%	9.9%	0.0%	1.8	3.8
Non-agricultural products							
Switzerland	1	1	2.4%	0.0%	0.0%	65.8	100
Kazakhstan	24	103	8.5%	7.2%	7.2%	100	100
United Arab Emirates	1	1	4.1%	0.0%	0.0%	18.2	100
Russian Federation	16	25	9.1%	4.4%	4.4%	100	100
Turkey	3	5	3.0%	0.3%	0.0%	77.5	96.2

Source: WTO (2016).

Half of imports come from the EAEU: fuel the main import

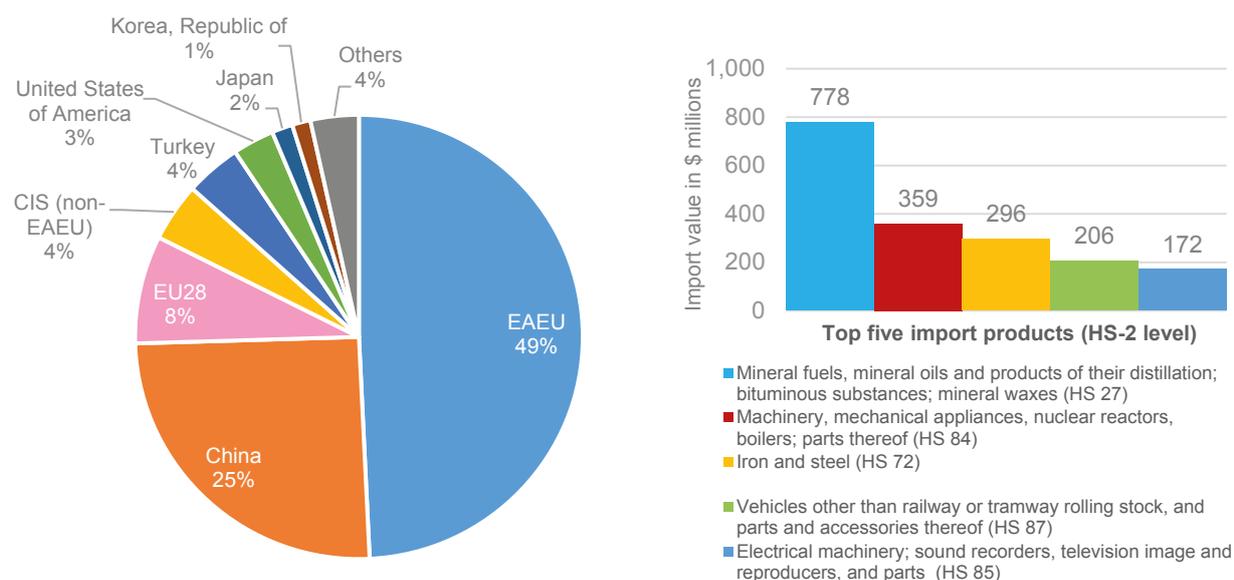
Kyrgyzstan is highly dependent on EAEU countries for its imports. Almost half of its imports originate from EAEU countries (Figure 4) – mostly the Russian Federation (31%) and Kazakhstan (17%). One-quarter of its imports come from China, followed by the EU (8%).

Fuel, including petroleum, gas and coal (HS-27), is Kyrgyzstan's main import commodity. Imports are valued at \$778 million or 19% of the country's total. These products are imported primarily from the Russian Federation and Kazakhstan.

Machinery and mechanical appliances (HS-84) are the second most important category, with imports valued at \$359 million. Almost half of these imports originate from China, followed by the United States and Germany. Kyrgyzstan also imported iron and steel products (HS-72) worth \$296 million, mainly from the Russian Federation, Kazakhstan and China (Figure 4).

Kyrgyzstan makes little use of quantitative restrictions on imports. It maintains annual import quotas on alcoholic beverages, including beer, for non-WTO member countries. Licensing is used mainly for non-economic reasons, such as national security, protection of the environment and of human life and health, as well as to comply with international obligations and other public objectives.

Figure 4 Markets for Kyrgyzstan's imports and top five import products, 2015



Source: ITC Trade Map (2016)

Multi-faceted approach to trade

Kyrgyzstan has a multi-faceted stance on trade, focusing on the promotion of liberal, market-oriented and private sector driven growth.¹⁵ It pursues this through multilateral trade agreements, under the auspices of WTO, as well as with regional and bilateral trade pacts.

By joining the EAEU, the country aimed at reinforcing economic and trade ties with Kazakhstan and the Russian Federation and to improve cooperation with its regional partners on such issues as international transport corridors, the creation of a common energy market, energy transportation, mutual investments and labour migration issues.

The Ministry of Economy has responsibility for state policy on tariffs, licensing, investment and foreign trade. It is also the principal ministry involved in trade policy matters and takes the lead in WTO multilateral trade policy. Its functions include development and implementation of public policy in the areas of anti-monopoly, tariffs, licensing, investment and foreign economic and fiscal policy, with the aim of creating a favourable environment for business and entrepreneurship.¹⁶

Multilateral trade agreements

Since acceding to the WTO, Kyrgyzstan has bound all tariffs and liberalized many sectors. It has participated in the Uruguay sectoral initiatives, the Information Technology Agreement (ITA) and it envisages signing the Government Procurement Agreement (GPA). It has also taken an active part in the discussion of development and aid-for-trade issues under the WTO's Doha negotiations. It has made several proposals to negotiating bodies, on agricultural and NAMA issues.

Regional and bilateral trade agreements

Joining the EAEU had a significant impact on the country's trade policy as membership means full alignment with the legal framework of the bloc's customs union, which requires specific amendments to bilateral and multilateral agreements related to foreign trade, economic and customs activities.

¹⁵ WTO (2013): Trade Policy Review: Kyrgyz Republic.

¹⁶ WTO (2013): Trade Policy Review: Kyrgyz Republic.

Russia, Kazakhstan and Belarus set up the Customs Union (CU) in 2009. It took effect in 2012, removing customs barriers between member states. The EAEU, which entered into force on 1 January 2015, embracing the Russian Federation, Belarus, Kazakhstan, Kyrgyzstan and Armenia, subsequently absorbed the CU. The EAEU creates a common markets for goods, services, capital and labour, with a provision for the introduction of a single currency and a common electricity market in the future.

With a population of over 183 million and combined GDP of \$2.2 trillion USD,¹⁷ the EAEU became an important regional player. In 2015, EAEU exports totalled \$374 billion and imports \$205 billion. In 2016, the EAEU concluded a free trade agreement with Viet Nam. It also has initiated an FTA negotiation process with the Association of Southeast Asian Nations (ASEAN).

In addition, within the framework of a CIS Free Trade Zone Agreement, Kyrgyzstan has free trade agreements with Ukraine, Uzbekistan, Azerbaijan, Turkmenistan and Moldova.

Non-reciprocal preferential trade agreements

In addition to regional and bilateral trade arrangements, Kyrgyzstan benefits from international non-reciprocal and preferential trade agreements, such as GSP and GSP+ schemes.

The GSP+ is a part of the EU Generalised Scheme of Preferences (GSP) for developing countries. Under GSP+, a country is granted reduced duties on some 6,000 tariff lines (66% of the EU common customs tariff), which was worth approximately EUR 4.9 billion in 2012.¹⁸ To be eligible for a GSP+ scheme a country must meet certain vulnerability criteria, such as lack of export competitiveness in the EU market and insufficient export diversification. Moreover, a country must ratify 27 core international conventions and subscribe to binding commitments to implement them effectively.

While the current utilization rate of this scheme is very low, the Kyrgyz Government understands that participation in the GSP+ schemes could bring tangible benefits to the economy by boosting and diversifying exports to the EU and Turkey and attracting foreign direct investment to the country.

Kyrgyzstan has granted preferential tariff treatment to 46 least developed countries (LDC). However, imports from these countries are insignificant. In 2012, they constituted 0.02% of total imports.¹⁹

National trade policy: Streamlining procedures

The Kyrgyz Government has undertaken a number of steps to facilitate and streamline trade procedures. Notably, it has initiated the "single window", the project of "paperless trade" and the Single Trade Information System (SWIS).²⁰ These projects are ongoing and financed through the state budget and international donors. Although Kyrgyzstan does not subsidize exports, it has a number of export promoting and facilitating schemes, including free economic zones.

Free economic zones provide special customs privileges to exporting and importing companies. Companies operating in these zones may import, store, produce or sell goods in the territory of the zone without paying taxes or customs duties. Moreover, the entities may sell goods from the free economic zone to the domestic Kyrgyz market, providing that their products have undergone significant processing in the zone. In total, five such zones have been created in the border regions; trade to and from the zones accounted for 14% of total exports in 2012.

No direct subsidies are known to be granted to industry or agriculture by the Kyrgyz Government. However, privileges or special treatment are accorded to certain industry sectors, often with the aim of promoting or further developing that industry.

¹⁷ EAEU (2014). <http://www.eaeunion.org/?lang=en#about>

¹⁸ <http://ec.europa.eu/trade/import-and-export-rules/import-into-eu/gsp-rules/gsp+/>

¹⁹ WTO (2013): Trade Policy Review: Kyrgyz Republic.

²⁰ WTO (2013): Trade Policy Review: Kyrgyz Republic.

The National Sustainable Development Strategy

The persistent trade deficit and weakening export growth prompted the government to adopt a new export development plan included in the National Sustainable Development Strategy for 2013-2017. The government seeks to diversify and boost the country's exports by promoting growth in six sectors – clothing, tourism, raw and processed fruits and vegetables, raw and processed meat, bottled water and dairy products. These sectors were selected based on their overall export potential and long-term socio-economic impact.

Several sectors have been selected for further trade development objectives. For instance, the National Sustainable Development Strategy envisages the construction of a textile and garments industry technopolis to support the growth of textile and clothing industries, with a total budget of about US\$33.4 million for production and logistics infrastructure.

Raw agricultural exports are subject to similar initiatives. The Government plans to create modern logistic infrastructure to support exports of fresh vegetables and fruits. Other initiatives include modernization and extension of the country's irrigation network, development of cattle breeding infrastructure and expansion of credit facilities for farmers.

Development of these industries will be further promoted by investment in transport infrastructure, marketing and information support for exporting companies and implementation of "single window" facilities.

CHAPTER 2 PROFILES OF TRADING COMPANIES



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Survey adapted to needs of Kyrgyzstan

The International Trade Centre (ITC), in collaboration with the Ministry of Economy (MoE) of Kyrgyzstan, implemented the NTM business survey in Kyrgyzstan between September 2015 and August 2016. The aim of the survey is to provide a better understanding of trade obstacles experienced by Kyrgyz companies and to identify potential bottlenecks related to trade procedures and cross-border operations. This information will assist both the private sector and government in creating an enabling environment for private sector development and improve export competitiveness of Kyrgyzstan.

The general methodology of the survey was adapted to meet the needs and requirements of Kyrgyzstan in close collaboration with national stakeholders.²¹ ITC compiled a registry of Kyrgyz businesses, containing information on the type of products exported or imported by companies, together with contact details.²² This registry was used to calculate the sample size and to contact the companies for interviews. A stratified random sampling method was used to calculate the sample size for the NTM survey's telephone interview phase. This approach ensures that the samples required for each sector correspond to the size of the sector.

After conclusion of the survey, ITC presented preliminary results to stakeholders at a meeting in Bishkek, Kyrgyzstan in December 2016. The meeting aimed to validate the results, stimulate a public and private sector dialogue, and develop proposals and policy options to address the problems identified during the NTM Survey

²¹ M-Vector Research & Consulting implemented the survey on behalf of and under the guidance of ITC.

²² The Statistical Committee of Kyrgyz Republic provided information on over 1,000 exporters. Additional business contact details were also obtained from various other sources.

Two-stage survey process

First stage: telephone interviews (phone screening)

The first step involves screening of exporting and importing companies through a basic telephone interview (phone screening). The aim of this interview is to confirm the main sector of activity, direction of trade and whether the company has experienced difficulties with NTMs. Companies interviewed in the phone screening phase are selected based on stratified random sampling. As per NTM survey sampling methodology, phone screen interviews are designed to cover a representative share of Kyrgyz export sectors (excluding arms and minerals).

Out of a registry of approximately 1,200 companies, 310 were interviewed in the first-stage telephone screening phase. The majority of these companies (298) were exporters (Figure 5). Ninety-four companies engaged in imports of goods either for resale or for use as raw materials. Among them, 82 companies were involved in both export and import, while 12 companies were engaged only in imports.

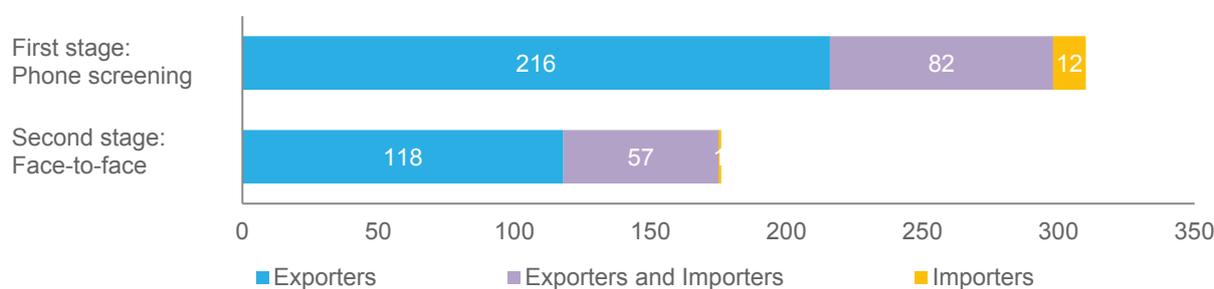
The survey was geared toward five main export sectors – textile and clothing, agro products (vegetables and fruits) basic manufactures and construction materials.

Second stage: face-to-face (FTF) interviews

Companies facing obstacles due to NTMs are invited to participate in detailed face-to-face interviews. During these interviews they are asked to provide details of the types and causes of the NTM-related problems they face. Overall, 176 companies affected by NTMs they consider burdensome participated in these interviews (Figure 5).

Typically, survey respondents are general managers or a company employee responsible for the export and import process. All responses from companies are treated with utmost confidentiality.

Figure 5 Number of companies interviewed by telephone and face-to-face



Source: ITC NTM Business Survey in Kyrgyz Republic, 2016.

Profiles of interviewed companies

The survey focused on exporting companies

The NTM business survey targeted active exporters for interview and the survey results are representative of the export sector. While the survey focused on uncovering bottlenecks related to companies' exporting activities, many producers that rely on imports of intermediate inputs may also face regulations and procedures that affect their productivity and competitiveness.

For this reason, exporters were also asked about their importing activities (if any), but there were few interviews with companies engaged only in importing.

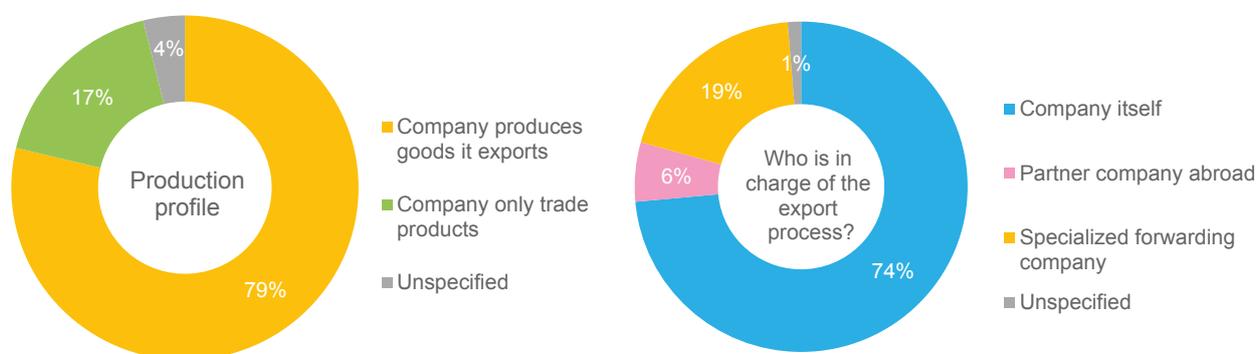
Overall, ITC interviewed 310 trading enterprises in Kyrgyzstan among which 70% were involved only in exporting, while another 26% were involved in both export and import business (Figure 5). Only 4% of companies surveyed were involved solely in import business.

Most exporters produce the goods they export

The majority of the surveyed companies defined themselves as producers (79%); they either produce the goods exported or at least contribute some value addition (Figure 6). Some 17% of the exporters are traders, sourcing goods from other Kyrgyz producers and exporting them to foreign buyers without any value addition. The latter facilitate the trade activities of small and micro enterprises, which are prevalent in the Kyrgyz economy.

Roughly 74% of the companies interviewed are able to manage the export process by themselves, 19% rely on specialized forwarding companies and 6% entrust the exporting activities to their partners abroad (Figure 6).

Figure 6 Production profile and export processing of exporting companies



Source: ITC NTM Business Survey in Kyrgyzstan, 2016.

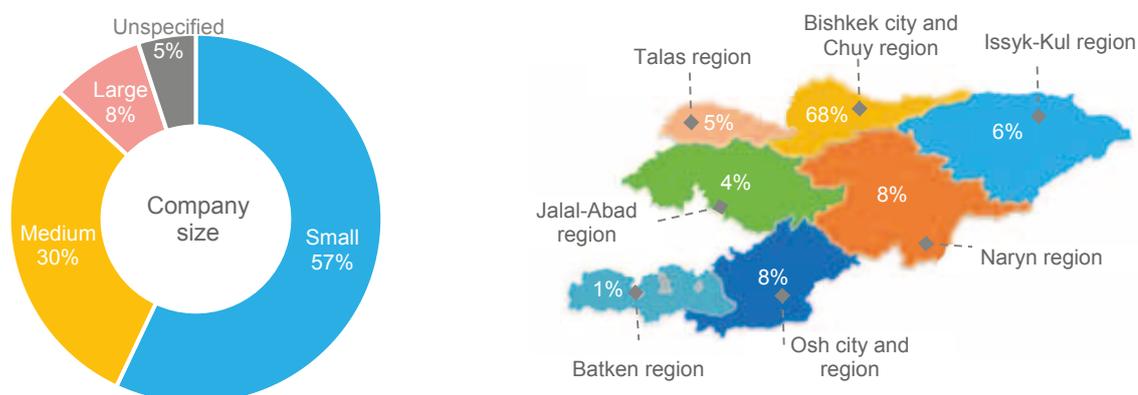
Small enterprises dominate

The survey sample is dominated by small enterprises (57%), followed by medium-sized companies (30%) and large companies (8%). The classification of companies according to size is based only on their number of employees. Companies with fewer than 20 employees are classified as small, companies with 20–100 employees are classified as medium size and companies with more than 100 employees are classified as large.

Survey covers all regions in Kyrgyzstan

The survey covered all administrative regions of Kyrgyzstan. Bishkek and the surrounding Chuy region host the largest portion of the surveyed companies (68%). Economically, Bishkek region is the most important in the country; it is the administrative centre and the majority of trade-related agencies and institutions are based there. Around 8% of the surveyed companies were located in Naryn and Osh regions (each), followed by Issyk-Kul region (6%), Talas region (5%), Jalal-Abad region (4%) and Batken region (1%) (Figure 7).

Figure 7 Size and location of interviewed companies



Source: ITC NTM Business Survey in Kyrgyzstan, 2016.

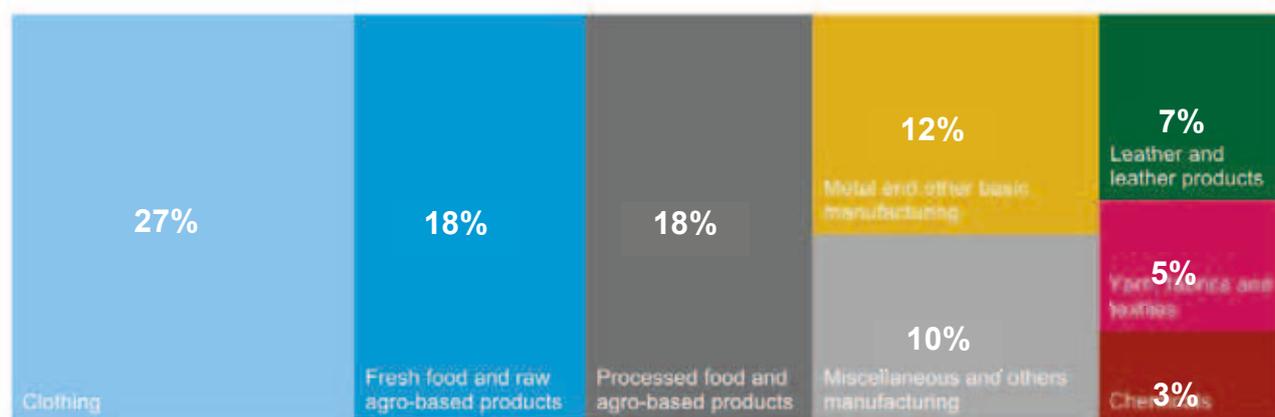
Manufacturing is largest export sector²³

Some two-thirds of the surveyed companies were exporters of manufactured products. The largest groups were exporters of clothing (27%), metal and basic manufacturing (12%), leather and leather products (7%), yarn, fabrics and textiles (5%), chemicals (3%), miscellaneous and other manufacturing' products (10%).

More than a third of the surveyed exporters (36%) are from the agricultural sector (Figure 8). Exporters from the agricultural sector include exporters of fresh food and raw agro-based products (18%), such as fresh vegetables and fruits, nuts, honey, dairy and meat, as well as exporters of processed food and agro-based products (18%).

While gold, radioactive chemicals, scrap copper and precious metal ore constitute half of total exports of Kyrgyzstan in terms of export value, these products are beyond the scope of the survey.

Figure 8 Companies interviewed in Kyrgyzstan, by main export sector



Source: ITC NTM Business Survey in Kyrgyzstan, 2016.

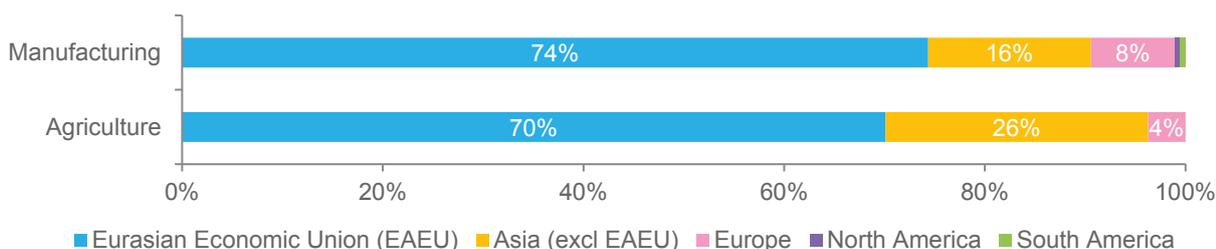
²³ ITC categorizes the surveyed companies into two broad sectors (agriculture and manufacturing) and a further 13 sub-sectors – based on the main export product of each company.

Main export destinations ²⁴

For Kyrgyz exporters, from both the agricultural and manufacturing sectors, the EAEU market is the most important for their businesses. Around 74% of exporters of manufactured goods and 70% of exporters of agricultural goods identify the EAEU as the main export market (Figure 9).

Asia is the main export market for 26% of exporters from the agriculture sector and 16% from the manufacturing sector. Only 4% of agriculture exporters view Europe as their main export market, compared to 8% for the manufacturing sector.

Figure 9 Main destination markets of exporters, by sector



Source: ITC NTM Business Survey in Kyrgyzstan, 2016.

Women employment and leadership

The survey captures various demographic characteristics of Kyrgyz exporters. Notably, the survey collects information about female employment and entrepreneurship in surveyed companies.

On average, 43% of the workers employed by the companies are female (Figure 10). In around 22% of companies surveyed, female workers made up less than 5% of the workforce; 44% employ more women than men. There are some variations across companies of different sizes. Medium and large companies tend to employ a larger proportion of women – 30% and 47%, respectively, compared to small companies (39%). Among the 178 small companies surveyed, 19 employed no women and 44 companies had fewer than 5% female employees.

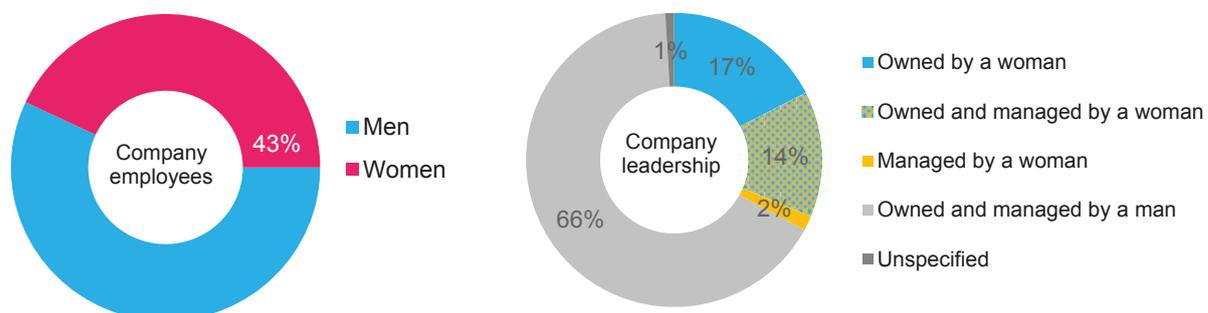
Likewise, female employment was higher in the manufacturing sector than in the agricultural sector. On average, women constituted 31% of the workforce in companies exporting agricultural products, compared to 54% in companies exporting manufactured products.

Most companies (66%) are owned or managed by men. Only one-third have women in a leading role (ownership or management). Roughly, 31% of the companies are owned by women and 16% of the companies are under the leadership of a women.

The proportion of companies with women in leading roles is higher among small and medium-sized companies (37% and 33%, respectively), compared to large companies (12%). The clothing industry employs the most women; it is also the sector with the most women managers and business owners (71% of the companies).

²⁴ During the initial phone interviews, companies are asked to identify their main export market (region) based on the value of their sales. In the subsequent face-to-face interviews (where companies report having faced difficulties with non-tariff measures), companies are asked to identify the destination markets (country level) for each of their export products (at HS-6 digit level). In addition, they are also asked if they have faced any regulatory or procedural obstacles to trade when exporting each of their products to their corresponding market(s).

Figure 10 Share of female employees in exporting companies and companies managed or owned by women



Source: ITC calculation based on NTM Business Survey in Kyrgyzstan, 2016.

CHAPTER 3 THE COMPANY PERSPECTIVE



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Key results and cross-cutting issues

More than half of exporters say affected by NTMs

More than half of the companies interviewed for the survey reported facing, or having faced over the previous year, regulatory or procedural obstacles (POs) to trade in Kyrgyzstan or abroad when exporting or importing.²⁵

Companies may find compliance with any given NTM difficult for a variety of reasons. It could be that the conditions of a given regulation are simply too complex and strict or are intended to restrict trade. For example, companies may not be able to export due to authorities imposing export prohibitions or because of their inability to meet high quality requirements.

Any given regulation may be difficult for exporters because of the related procedural obstacles. These POs can occur in Kyrgyzstan, transit countries or destination countries, irrespective of which country applies the NTM. While NTMs are official regulations implemented by authorities in the exporting or importing country, POs are problems that companies face due to the manner in which the regulations are applied or implemented.

There are variations in the rates at which different sectors in Kyrgyzstan are affected. More agri-food exporters say they are affected (79%) compared to exporters of manufactured products (47%) (Table 2). In general, fresh food and agricultural products are highly regulated for reasons of human health and safety, and environmental protection.

²⁵ Among other countries ITC surveyed in the Asian region, Bangladesh reports the highest rate of exporters (91%) affected by regulations they find burdensome. The share of exporters experiencing such regulations in other Asian countries, such as Sri Lanka, Thailand and Indonesia, is much lower at around 34%, 38% and 30%, respectively. The affectedness rate in LDCs, such as Guinea (93%), Cambodia (82%), Malawi (80%), Rwanda (71%) and Madagascar (67%), is much higher. In neighbouring Kazakhstan, which is also a member of the EAEU, only 32% of exporters reported facing burdensome regulations and trade-related procedures.

Importers are less affected.²⁶ Out of 94 companies engaged in import of goods, roughly 14% have reported facing regulatory or procedural obstacles when importing (Table 2). It is important to remember the small sample size of importing companies in the Kyrgyz survey when interpreting the results. The main focus of the survey are the concerns of exporting companies therefore these companies represent a larger share of interviewed firms.

Table 2 Share of companies affected by burdensome non-tariff measures or related obstacles to trade, based on phone screening results

Company type	Sector	Total value in 2015 (\$ '000)	Sector's share in total exports or imports	Number of surveyed companies ^{1/}	Share of companies facing restrictive regulations or related obstacles to trade
Export	Agri-food	401,379	49%	107	79%
	Manufacturing	420,141	51%	191	47%
	Subtotal	821,520	100%	298	58%
Import	Agri-food	580,058	17%	17	18%
	Manufacturing	2,925,207	83%	77	14%
	Subtotal	3,505,265	100%	94	15%
Total				310	57%

Source: ITC, Trade Map, 2015 and ITC NTM Survey in the Kyrgyzstan, 2016.

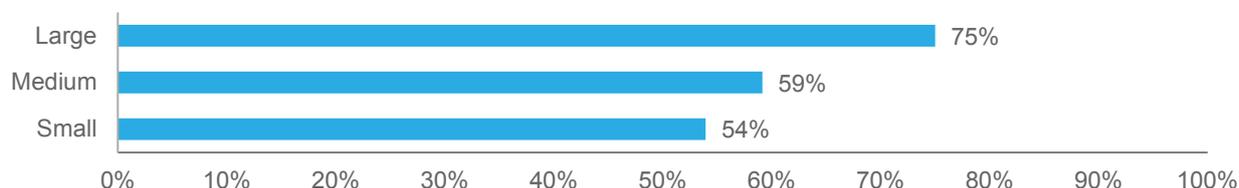
Note: ^{1/} In the Kyrgyzstan, 57 surveyed companies were involved in both exporting and importing. These companies were interviewed separately about each activity and are included in the count for exporting and importing companies separately. The total of exporting and importing companies (310) represents the number of individual companies interviewed instead of the sum of the subtotals in the table (392).

More large companies affected, but impact for smaller may be greater

In Kyrgyzstan, 54% of micro and small enterprises and 59% of medium-size enterprises reported difficulties with NTMs. In contrast, 75% of large companies said they are affected (Figure 11). Given that larger companies tend to have bigger portfolios of goods and a larger number of trading partners, they are more likely to face impediments in at least one area. Smaller companies tend to focus on few products and fewer partners and may be less likely to experience NTMs or procedural obstacles.

But the consequences of being affected are likely to be more severe for smaller firms than for larger firms. For a small firm, the burden of facing an NTM or PO in one or more of its few markets can be huge. In contrast, a more diversified, large company can compensate for difficulties in some markets by doing more business in others. Smaller companies will also find it more difficult to bear the costs of complying with regulations compared to larger companies.

Figure 11 Share of Kyrgyz companies affected by NTMs, by size



Source: ITC NTM Survey in the Kyrgyzstan, 2016.

²⁶ Note the small sample size of the importing companies when interpreting the results. The survey is more focused on the concerns of exporting companies.

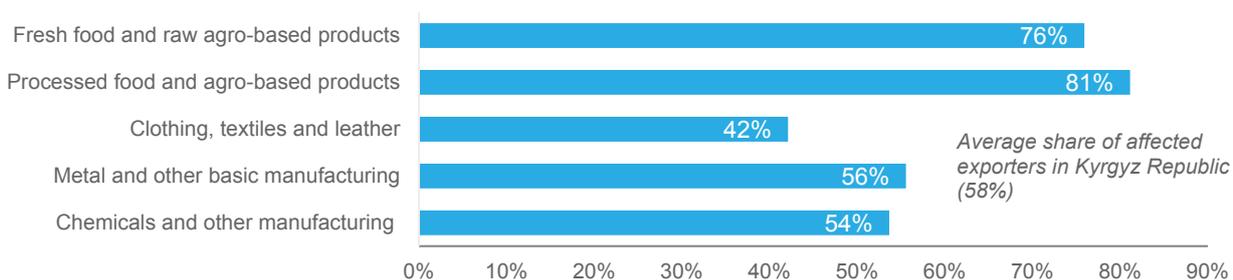
Agriculture sector exporters are most troubled by NTMs

Telephone interviews with 298 exporters revealed that 58% face regulatory obstacles to trade when exporting. As noted, exporters from the agriculture sector are more affected than manufacturing exporters.

Companies exporting fresh food and processed food are among the most affected with 76% and 81% of the companies reporting problems. Agri-food products are particularly affected by sanitary and phytosanitary (SPS) measures and related certification or control procedures as they are generally highly perishable and fragile. Most countries are very vigilant about consumer safety and put special emphasis on the control of food products.

Among manufacturing companies, 56% of exporters of metal and basic manufacturing are affected followed by chemicals and other manufacturing (54%) and clothing, textiles and leather products (42%) (Figure 12).

Figure 12 Share of exporting companies affected by NTMs, by sector



Source: ITC NTM Survey in the Kyrgyzstan, 2016.

Foreign regulations cause most difficulties

Subsequently, 175 exporters who had faced difficulties with NTMs in the previous year participated in detailed face-to-face interviews. They reported 914 cases²⁷ of NTMs they found burdensome, 89% of which are foreign regulations (Figure 13). There were a small number of incidents of difficulties relating to export regulations imposed by Kyrgyzstan (8%) and a few cases concerning private standards.

Technical regulations and conformity assessment are key concerns

Overall, 81% of NTM cases reported by Kyrgyz exporters are technical measures. Technical measures include:

- **Technical requirements:** product specifications related to quality standards, safety, production processes and sanitary requirements. They are usually implemented to protect the consumer, animal health or the environmental, or for national security.
- **Conformity assessment:** procedures such as certification, which provide proof of compliance with underlying technical requirements.

Difficulties with technical requirements make up 18% of the cases reported by Kyrgyz exporters while 63% relate to conformity assessment. This is consistent with survey results from other developing countries. It is more challenging to prove that products meet a given criteria than to satisfy the criteria itself. This is usually due to high costs and administrative or procedural hurdles related to the conformity assessment.

Exporters also face difficulties complying with rules of origin or obtaining a certificate of origin (4%) due to complex rules, high compliance cost and administrative delays. Exporters also report a few cases of difficulties with other NTMs, such as pre-shipment inspection and entry formalities, quantity control measures, finance and price control measures, etc.

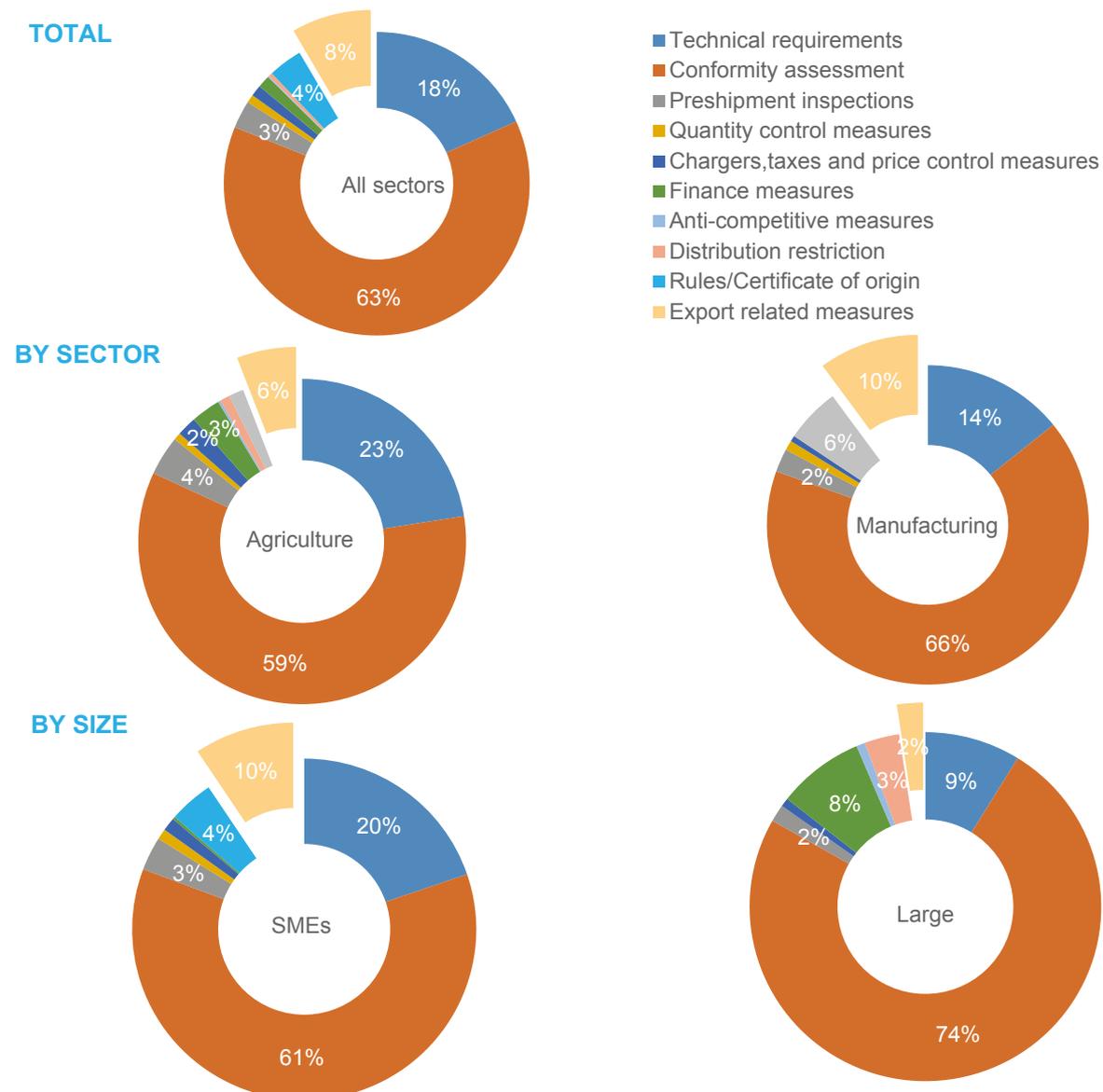
²⁷ See Appendix I for the definition of NTM cases.

For both agriculture and manufacturing sector, more than 80% of the difficulties relate to technical regulations. However, companies from the agriculture sector face proportionally more difficulties related to technical requirements (23%) compared to the manufacturing sector (15%).

Difficulties related to rules of origin are more specific to the manufacturing sector (5%) compared to the agriculture sector (1%). Exporters from the manufacturing sector also report more difficulties with 'export related measures' (10%), i.e. Kyrgyz regulations on exports, compared with the agriculture sector (6%).

Similarly, SMEs are relatively more affected by technical requirements (20%) compared to large companies (9%). Large companies express more difficulties with conformity assessment (74%) compared to SMEs (61%). Difficulties with domestic regulations are more prominent among SMEs (10%) compared to large companies.

Figure 13 Types of regulations experienced as burdensome by Kyrgyz exporters



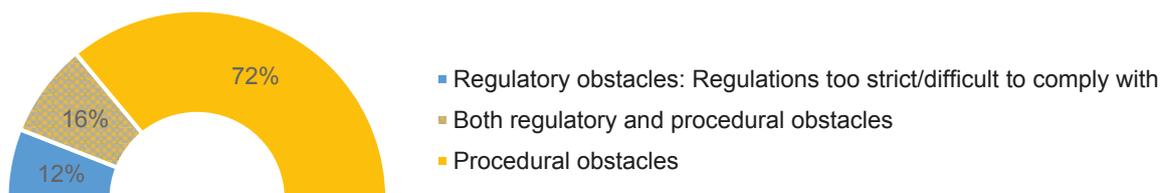
Source: ITC NTM Survey in Kyrgyzstan, 2016.

Procedural obstacles are a major hindrance

As noted above, exporters often face difficulties with a given regulation not just because it seems too strict and is complex to comply with, but also (and at times solely) because of the related procedural obstacles.

In Kyrgyzstan, 72% of the NTM cases reported by exporters are difficult solely due to POs, such as delays, insufficient facilities and administrative hurdles, either in home or destination markets. Only 12% of the NTM cases are considered burdensome for being too strict or difficult to comply with. Another 16% are deemed burdensome due to both strict regulations and POs (Figure 14).

Figure 14 Why exporters face difficulties with NTMs



Source: ITC NTM Survey in Kyrgyzstan, 2016.

NTMs mostly foreign, procedural difficulties mostly local

EAEU regulations pose most NTM challenges

EAEU countries are the biggest buyers of Kyrgyz exports, purchasing almost \$390 million worth of goods (47% of Kyrgyz exports)²⁸. Perhaps it is not surprising then that a large number of the NTMs reported as burdensome by exporters also originate in these countries (71%). A large number of NTM cases does not necessarily indicate more restrictive import policies. It is necessary to compare the share of NTM cases with the share of exports.

In the case of Kazakhstan – the biggest importer of Kyrgyz goods – the two indicators are proportional. While 37% of exports go to Kazakhstan, 38% of the NTMs reported as burdensome by exporters can be attributed to Kazakhstan. In contrast, the Russian Federation imports only 9% of Kyrgyz exports but over 30% of NTM cases reported by exporters are Russian regulations – suggesting that the Russian Federation is a more difficult market for Kyrgyz exporters to access. Less than 3% of the NTM cases are regulations applied by Belarus and 1% by Armenia.

The vast majority of EAEU regulations regarded as burdensome relate to conformity assessment. This suggests that despite regional economic integration among EAEU countries more effort is required to facilitate trade. A large number of difficulties with technical requirements in the region is a sign of limited competitiveness of Kyrgyz producers vis-a-vis their EAEU competitors.

The Kyrgyzstan joined the EAEU in 2015 and the enforcement of EAEU regulation is fairly recent. The large number of NTMs reported as burdensome by exporters may stem from issues of adjustment to a common regulatory environment.

Measures applied by other CIS members account for 7% of those considered burdensome while other Asian countries make up 4%. The EU has a disproportionate share of such cases. While it imports only 1.2% of Kyrgyz exports over 9% of the declared difficulties relate to EU regulations.

²⁸ Excluding trade in minerals, petroleum and arms.

Table 3 Partner countries applying NTMs seen as burdensome for Kyrgyz exports

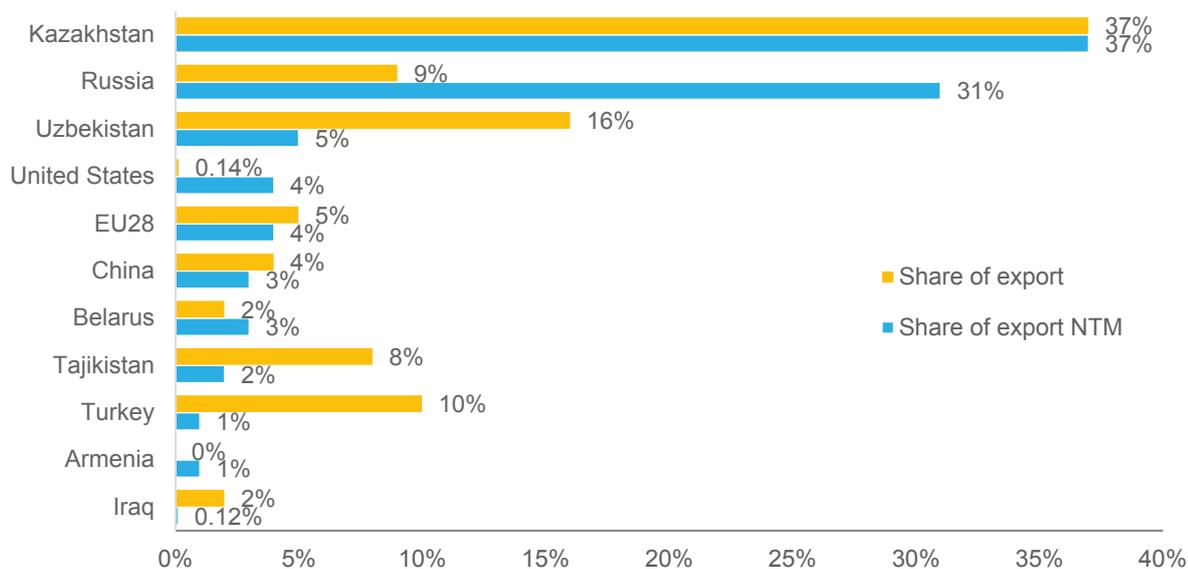
	Partner country or territory (export destination for Kyrgyz products)	Kyrgyz export value in 2015, \$ '000**	Share in total Kyrgyz export value	Number of companies that export to this country*	Share of affected companies among those exporting to this country	Number of NTM cases reported to be applied by this country	Share in total NTM cases
EAEU	Kazakhstan	301,037	36.6%	116	84.5%	309	37.8%
	Russian Federation	75,078	9.1%	87	79.3%	245	30.0%
	Belarus	13,016	1.6%	7	85.7%	23	2.8%
	Armenia	170	0.0%	2	100.0%	9	1.1%
	EAEU subtotal	389,301	47.4%	212	82.5%	586	71.7%
CIS	Uzbekistan	130,834	15.9%	29	69.0%	41	5.0%
	Ukraine	7,940	1.0%	3	33.3%	2	0.2%
	Tajikistan	63,611	7.7%	7	71.4%	16	2.0%
	CIS subtotal	202,385	24.6%	39	66.7%	59	7.2%
Asia	China	34,755	4.2%	26	57.7%	21	2.6%
	Japan	1,664	0.2%	5	60.0%	5	0.6%
	India	972	0.1%	2	50.0%	2	0.2%
	Mongolia	2,785	0.3%	2	50.0%	2	0.2%
	Republic of Korea	785	0.1%	3	33.3%	1	0.1%
	Democratic People's Republic of Korea	-	0.0%	1	100.0%	2	0.2%
	Asia subtotal	40,961	5.0%	39	56.6%	33	4.0%
MENA	Iran (Islamic Republic of)	3,566	0.4%	1	100.0%	3	0.4%
	Saudi Arabia	964	0.1%	2	100.0%	2	0.2%
	United Arab Emirates	12,135	1.5%	2	100.0%	2	0.2%
	Iraq	16,084	2.0%	1	100.0%	1	0.1%
	Qatar	28	0.0%	1	100.0%	1	0.1%
	MENA subtotal	32,777	4.0%	7	100.0%	9	1.1%
Other Europe	Turkey	83,430	10.2%	12	41.7%	8	1.0%
	Serbia	6,557	0.8%	2	50.0%	2	0.2%
	Croatia	21	0.0%	1	100.0%	2	0.2%
	Switzerland	2,849	0.4%	1	100.0%	4	0.5%
	Subtotal	92,857	11.3%	16	50.0%	16	2.0%
EU28	Germany	4,962	0.6%	15	93.3%	32	3.9%
	United Kingdom	1,798	0.2%	5	100.0%	18	2.2%
	Romania	1,586	0.2%	1	100.0%	1	0.1%
	France	319	0.0%	5	80.0%	13	1.6%
	Italy	229	0.0%	2	100.0%	5	0.6%
	Netherlands	676	0.1%	2	100.0%	3	0.4%
	Austria	92	0.0%	2	50.0%	2	0.2%
	Hungary	108	0.0%	1	100.0%	2	0.2%
	Czech Republic	77	0.0%	1	100.0%	1	0.1%
	Subtotal	9,847	1.2%	34	91.2%	77	9.4%
North America	United States of America	1,119	0.1%	11	81.8%	37	4.5%
	Subtotal North America	1,119	0.1%	11	81.8%	37	4.5%
Total		769,247	93.6%	358	77.7%	817	100.0%

Source: ITC NTM Survey in the Kyrgyzstan d, 2016; and ITC Trade Map, 2015.

*Companies exporting to several destinations are counted once for each destination. As a result, the total in this table is higher than the number of companies interviewed.

**Excluding services, minerals and arms.

Figure 15 Share of total exports and share of NTMs applied by selected partner countries, 2015

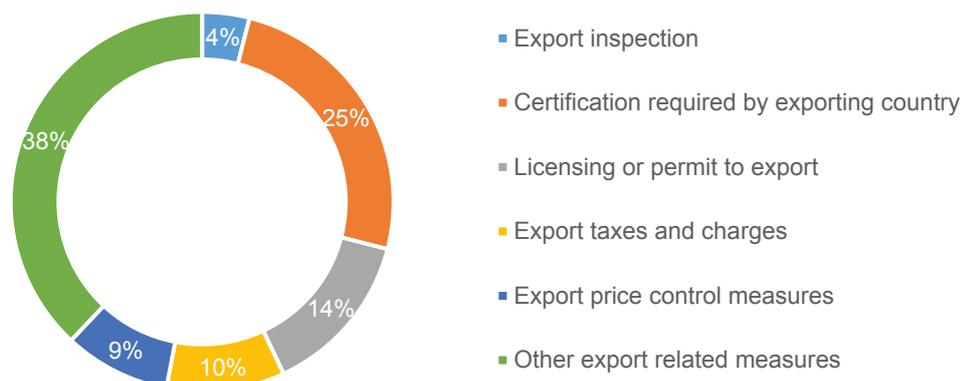


Source: ITC NTM Survey in the Kyrgyzstan 2016; and ITC Trade Map, 2015

Less than a tenth of the exporters' difficulties relate to Kyrgyz regulations

Very few exporters face difficulties with Kyrgyz regulations when exporting. Of the 71 cases of regulations reported as burdensome about one-fourth are related to certification, followed by licensing or export permits (14%), export taxes and charges (10%), export price-control measures (9%) and export inspection (Figure 16).

Figure 16 Kyrgyz NTMs considered burdensome for exports



Source: ITC NTM Survey in the Kyrgyzstan, 2016.

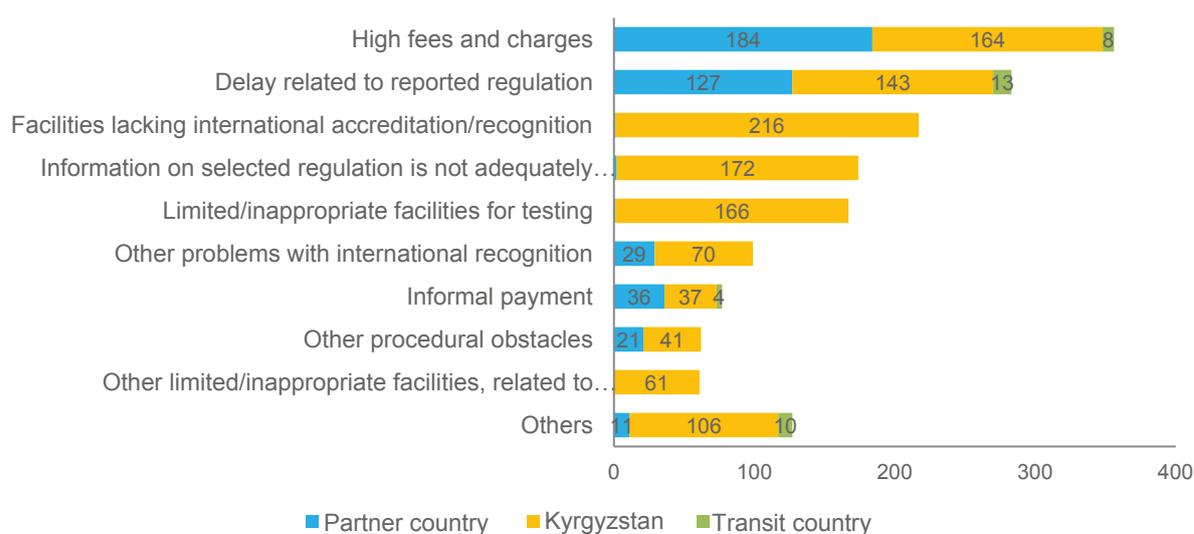
Inadequate Kyrgyz testing and certification facilities pose main procedural obstacles

The majority of the 1,622 incidents reported by exporters of procedures posing obstacles to compliance with export regulations occur in Kyrgyzstan (73%). These are mainly lack of international recognition/accreditation, limited and inappropriate facilities for testing, information and transparency issues, high payments and time constraints.

Lack of international accreditation and inadequate testing facilities (see trade-related business environment section below) account for 24% of the reported procedural obstacles. Facilities in Kyrgyzstan are not yet able to test on all the necessary parameters and to issue certificates to comply with EAEU and EU regulations, among others. Most of the reported POs relate to veterinary and SPS certificates and to declarations or certificates of conformity – which fall under the domain of the State Inspections for Veterinary and Phytosanitary Safety, Centre Certification and Metrology and related laboratories. Exporters are forced to send their products to other countries for testing. Kyrgyz companies deem such services in foreign countries to be expensive and time consuming.

High fees and charges, and delays account for 22% and 17% of POs, respectively (Figure 17). Around half of these POs occur in partner countries. Exporters also find it difficult to find adequate information on trade procedures and regulations and this problem accounts for 10% of the reported POs. Obstacles related to corruption make up around 5% of the reported POs, half of which occur in Kyrgyz agencies.

Figure 17 Cases of POs faced by exporters in the Kyrgyzstan and partner countries



Source: ITC NTM Survey in Kyrgyzstan, 2016.

National quality infrastructure of Kyrgyzstan

Certification bodies

There are 14 certification bodies in Kyrgyzstan, which are accredited and included in the unified register of the EAEU, that carry out conformity assessments procedures to demonstrate compliance with the technical regulations of the Eurasian Customs Union. These laboratories grant product certification to several products, including food and clothing. Six of these are state-owned. However, due to the lack of properly equipped laboratories, certification bodies have signed cooperation agreement with laboratories of the Republic of Kazakhstan.

There are currently no certification body for verification of management systems in the country.

Testing laboratories

There are 34 testing laboratories in Kyrgyzstan, which are included in the unified register of the EAEU, to carry out tests to demonstrate compliance with the technical regulations of the Customs Union. However, none of these laboratories can conduct all required tests. Therefore, by the end of 2018, it is planned to complete the renovation and equipment of laboratories of the Bishkek centre for testing and certification, under the Kyrgyzstandard (official centre for standardization), to include:

- food and agricultural products testing laboratory;
- machine-building complex and furniture testing laboratory;
- consumer goods and light industry laboratory;
- oil product testing laboratory.

These laboratories will be able to carry out all required tests by the EAEU. In addition, the food and agricultural products testing laboratory will also be able to carry out tests required by the EU.

Moreover, laboratories of the Osh testing and certification centre will be renovated. Its laboratory of tests of food and agricultural products will be able to conduct all tests required by the EAEU.

Veterinary laboratories

There are 28 veterinary laboratories in the country. However, these laboratories are not sufficiently equipped to meet international requirements in addition to the lack of trained staff.

In the cities of Bishkek and Osh, veterinary laboratories are working at full capacity, having all necessary equipment and tests. The department of chemical toxicology at the centre for veterinary diagnostics and examination in the northern region is accredited and included in the unified register of the EAEU. It conduct tests to determine the content of antibiotics and other chemotherapeutic substances in milk, meat of all kinds of slaughter animals, birds, by-products and other types of raw materials of animal origin.

On 7 June 2017, Kyrgyzstan Government approved the resolution No. 346 "On the optimization of the veterinary laboratories". In pursuance of this resolution, a commission was formed to work on the separation and reduction of veterinary laboratories. As a result of the commission's work, 9 laboratories out of 28 laboratories will be reduced. Thus, equipment and trained staff of reduced laboratories will be redistributed to the remaining 19 veterinary laboratories of the country.

Note: according to the legislation of the EAEU, accreditation of laboratories conducting tests for compliance with the requirements of veterinary measures is not mandatory. Such bodies are authorized by national governments.

Phytosanitary laboratories

There are four phytosanitary laboratories in Kyrgyzstan. Two of them are located in Bishkek and Osh: the Central plant quarantine laboratory and the Osh plant quarantine laboratory. Both laboratories are accredited to carry out necessary examinations including:

- entomological examination: identification of quarantine pests;
- mycological examination: identification of pathogens of fungal diseases of plants;
- bacteriological examination: identification of pathogens of bacterial diseases of plants;
- phytohelminthology examination: identification of nematodes in plant materials and soil;
- herbological examination: identification of weeds.

To comply with the requirements of the EAEU as regards phytosanitary measures and to reduce the time of laboratory examinations and costs related to the delivery of samples to Bishkek and Osh, the government allocated funds for major repairs of buildings, purchasing of equipment and other necessary inventory for laboratories of Issyk-Kul and Talas regions. Major buildings' repairs of Talas and Issyk-Kul laboratories have been completed and these laboratories are now fully equipped.

Thus, four phytosanitary laboratories are now fully operational in the country.

Note: according to the legislation of the EAEU, accreditation of laboratories conducting tests for compliance with the requirements of phytosanitary measures is not mandatory. Such bodies are authorized by national governments.

Accreditation

In 2017, the International Laboratory Accreditation Cooperation (ILAC) reassessed the Kyrgyz Accreditation Centre (KAC). ILAC suspended Kyrgyzstan's membership due to the lack of an adequate traceability system related to the shortage of accredited calibration laboratories. Currently, the German accreditation body, Deutsche Akkreditierungsstelle (DAkkS) – laboratory for calibration of mass, pressure, low volume and temperature measuring devices, accredits four laboratories. Meanwhile, KAC accredited two calibration laboratories: the devices of pH measurements and thermal measurements. The official decision of ILAC on renewal of Kyrgyzstan membership is expected soon.

Companies see EAEU membership as positive in the long run

Joining the EAEU greatly strengthened Kyrgyzstan's relations with the other four member countries in terms of trade and regional cooperation. To help the country adapt, the Russian Federation set up a Russian-Kyrgyz development fund, worth approximately \$1 billion, to promote economic cooperation and modernize the Kyrgyz economy.

However, membership means that Kyrgyzstan has to impose higher tariffs on non-members, such as China, now a major trading partner. Greater economic dependence on Kazakhstan and the Russian Federation, and the recent economic downturn in the two countries, has had a strong impact on the Kyrgyz economy.

The NTM survey sought companies' views on EAEU membership. One-third of the companies believe that they have benefited from joining the EAEU while 11% feel that the impact has been negative (Figure 18). One-quarter of businesses say they have seen no change and another third are unsure about the impact.

However, over the long run more than half of the companies (52%) believe that EAEU membership will have a positive impact on their business. While only 6% feel that their business will suffer, a big proportion of companies (42%) are not sure how the changes will impact them in the long run (Figure 18).

The Kyrgyz Government is implementing the National Sustainable Development Strategy 2013-2017 with the aim of diversifying and boosting exports. However, interviews with exporters show that two-thirds are not aware of the government's export development plan and its contents. Only 15% of the companies believe that the plan will have a positive impact on their export business while another 14% feel that it will not have any impact (Figure 18).

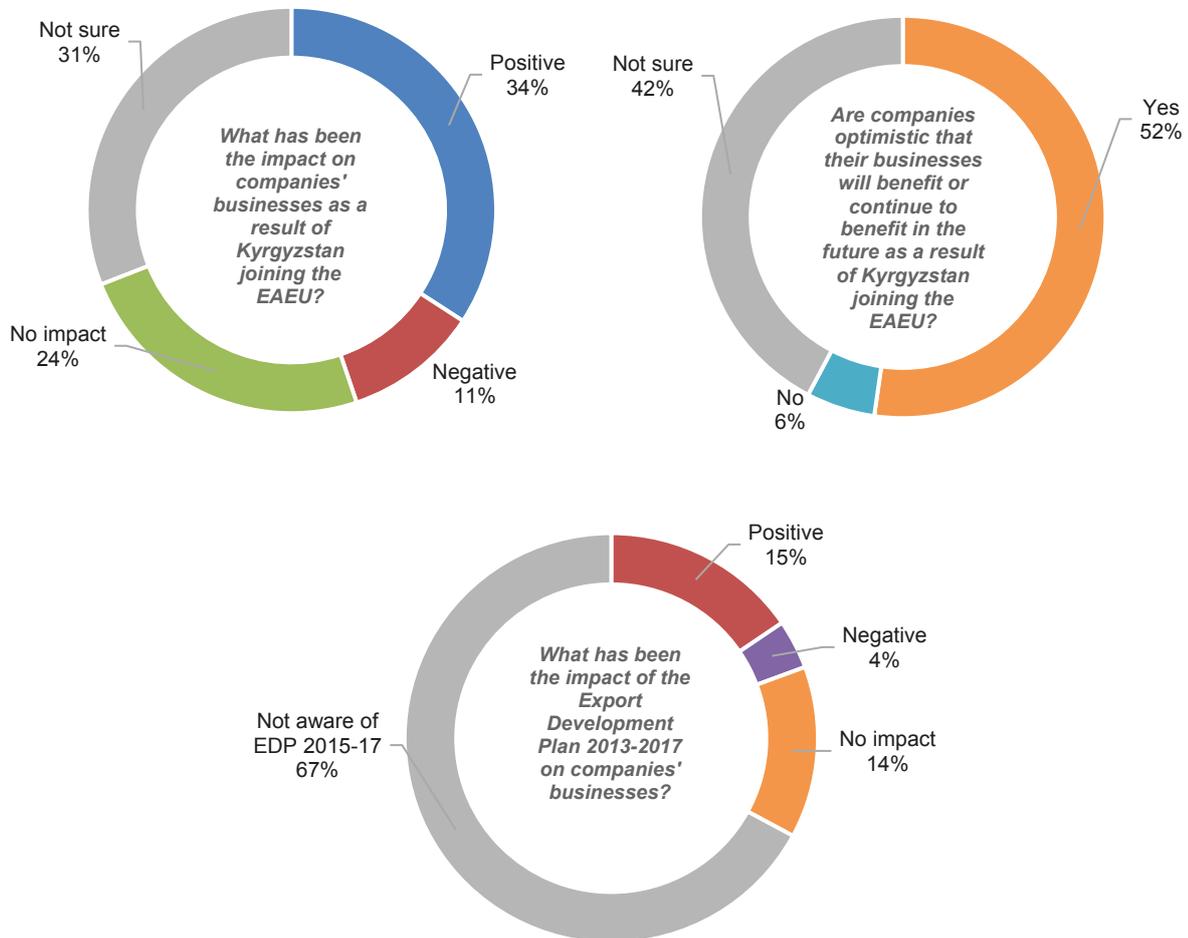
Perspectives on the trade-related business environment

In addition to NTMs and related POs, the surveyed companies identified challenges stemming from the country's trade-related business environment (TBE), which covers generic problems and inefficiencies unrelated to specific regulations but which affect companies' ability to export or import. During the face-to-face interviews, companies were asked to identify factors that have hindered their ability to conduct their business and how these conditions have changed in the last five years.

Lack of accredited testing laboratories in the country is the main business environment concern expressed, with 90% of companies interviewed agreeing that it has interfered with their ability to run their businesses. The second and third-ranked concerns are lack of access to information (86%) and corruption (82%), followed by time delays (73%) and lack of qualified specialists in the agencies concerned (55%). Roughly half of the companies interviewed also found limited access to inputs for production to be a hindrance (Figure 19).

Furthermore, a large majority of respondents believe that the trade-related business environment has not generally improved in the past five years. Improvement was reported in five areas: the quality of personnel in the agencies concerned (28% of respondents), air transport (21%), legal enforcement (19%), customs clearance procedures (18%) and the overall transport system (17%). Deterioration was reported in three trade-related areas – electricity supply (26%), technological constraints (22%) and corruption (19%).

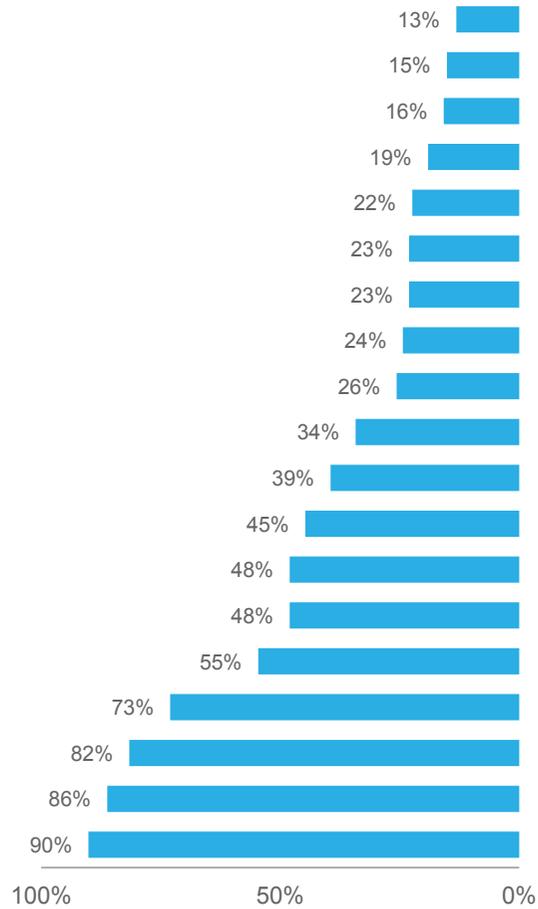
Figure 18 Company perception of the Kyrgyzstan joining the EAEU and the implementation of the National Sustainable Development Strategy 2013-2017



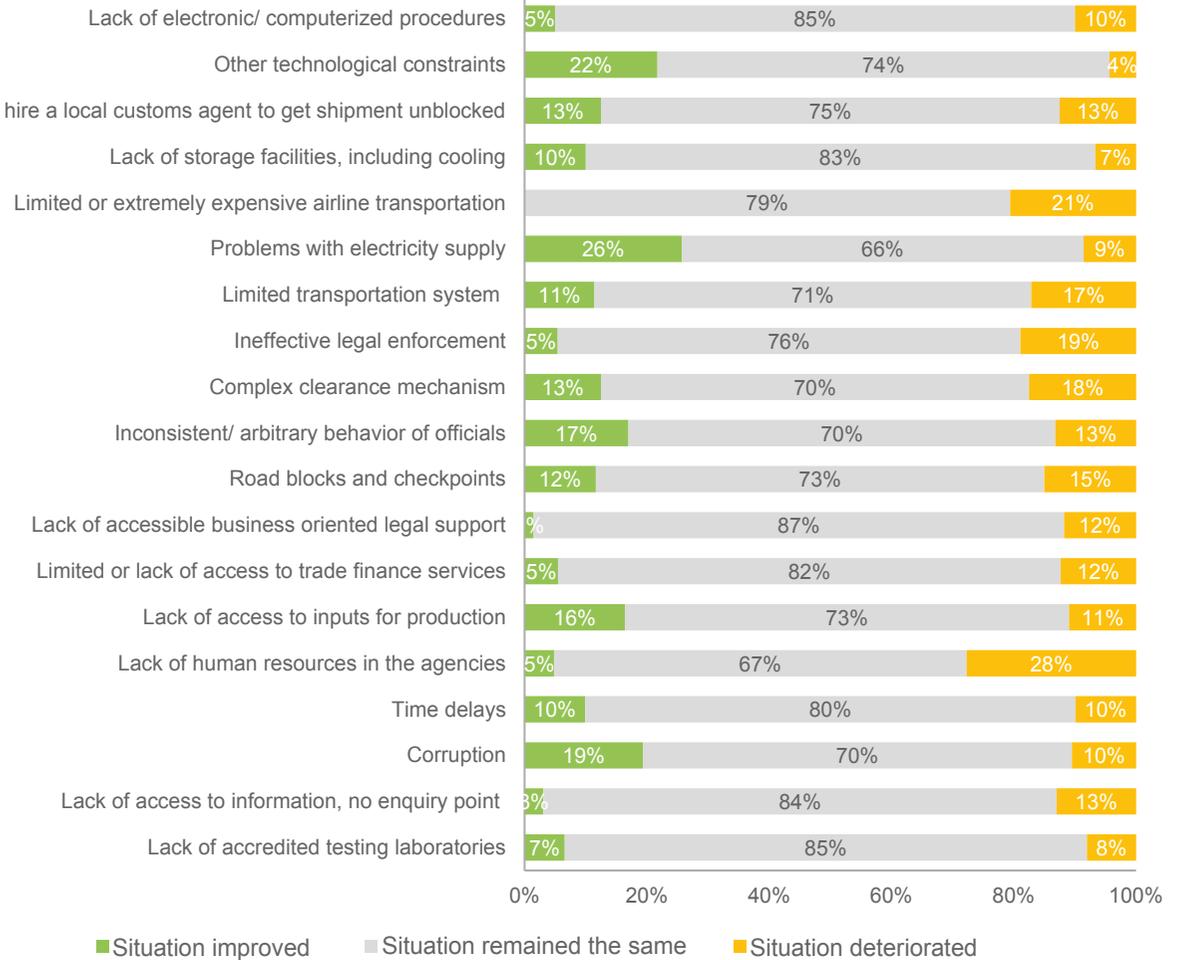
Source: ITC NTM Survey in Kyrgyzstan, 2016..

Figure 19 Share of companies whose business operation is negatively affected by business environment in the Kyrgyzstan (left) and their perception of changes in the last five years (right)

Share of companies whose business is negatively affected by the current business environment condition



How have business environment conditions changed in the last five years?



Source: ITC NTM business Survey in the Kyrgyz Republic, 2016.

The agri-food sector

The agricultural sector is an important part of the Kyrgyz economy, employing 30% of the working population and contributing 15% of GDP (KGS 51 million in 2015). This section looks at the problems raised regarding NTMs, procedural obstacles and the overall trade-related business environment and examines them in greater detail to see how they affect companies – particularly SMEs – operating in the agricultural sector.

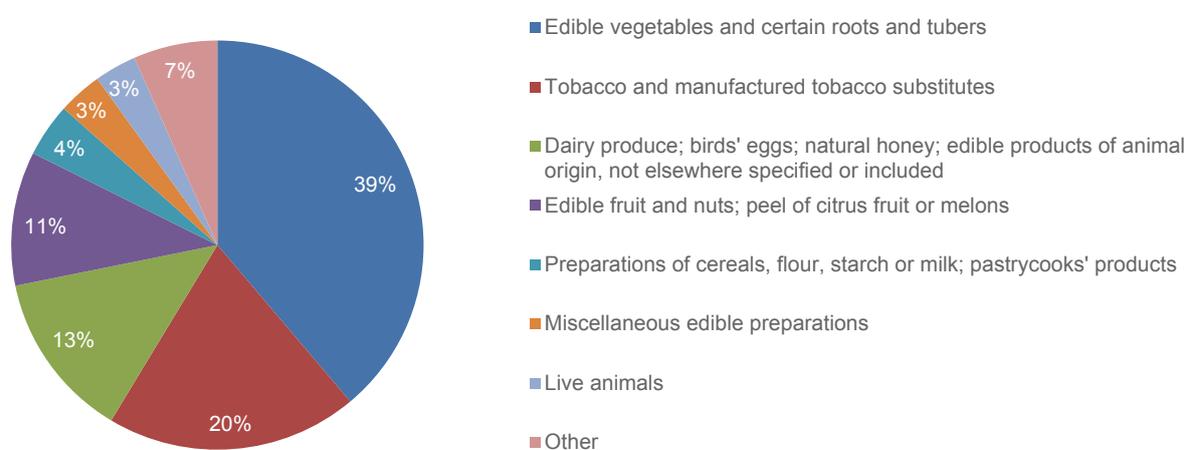
Predominately small farms, productivity low

Agricultural production is concentrated in small, individual farms. Productivity is poor because of low mechanization, falling seed production and the small and fragmented nature of the sector. The farm sector is vulnerable to the weather and to natural disasters, such as droughts, floods or plagues, as well as to fluctuations in commodity prices.

Following the collapse of the Soviet Union in 1991, Kyrgyzstan implemented a number of market-oriented reforms, such as land reform, trade liberalization and cuts in agricultural subsidies, with the aim of transforming the agricultural sector into an engine for economic growth. However, growth in the sector remains constrained by lack of private and public investment, among other factors.

Export of agri-food products from Kyrgyzstan were valued at \$466 million in 2015. The main markets were EAEU countries (39% of agricultural exports), Turkey (20%), Iraq (11%), other CIS countries (9%), and the EU (7%). Vegetables (39%), tobacco (20%), dairy and animal products (13%) and fruits (11%) are among the main export products.

Figure 20 Major Kyrgyz agricultural exports, 2015



Source: ITC Trade Map, 2016

Most agribusinesses face hurdles

ITC interviewed 107 exporters of agricultural products, most of whom were SMEs. The agriculture sector comprises two sub-sectors: raw agri-food products and processed food products. Exporters of both processed food products (81%) and raw agri-food products (78%) said they faced obstacles to trade.

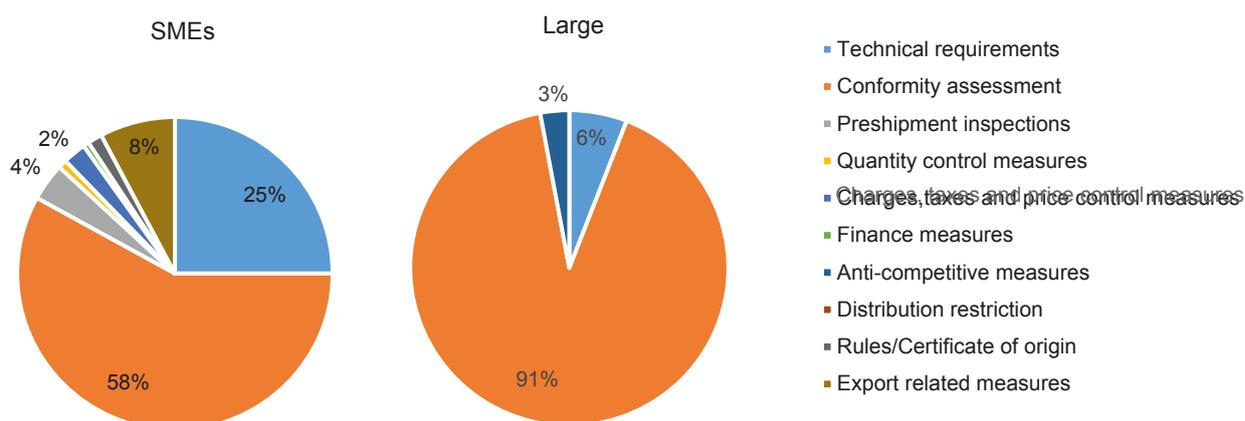
A total of 408 cases of NTMs perceived as burdensome were reported by exporters. SMEs and large companies faced similar types of NTMs (Figure 21). Difficulties with technical regulations (mostly SPS) make up over 80% of the reported cases. Exporters find more difficulties with conformity assessment (58%) than

with technical requirements (23%). SMEs experience relatively more difficulties with technical requirements compared to larger companies.

Large companies report more NTMs related to finance measures and distributional restrictions compared to SMEs. Difficulties with border clearance procedures make up roughly 4% of the reported cases. Rules of origin and related certificates are not a concern for exporters of agricultural products, with only a few reported cases.

Export-related measures applied by Kyrgyzstan on exports account for roughly 6% of total cases.

Figure 21 Types of NTMs faced by agricultural exporters, by company size



Source: ITC NTM Survey in the Kyrgyzstan, 2016.

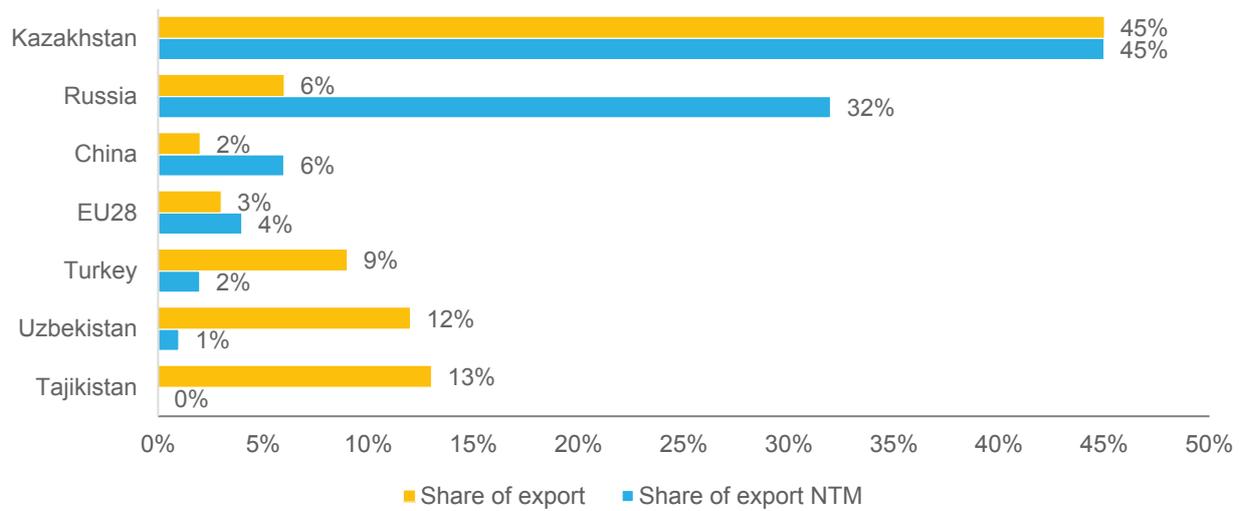
Note: Size of six agricultural companies could not be determined and hence their responses are not included in this figure.

Which foreign markets pose most problems

Exporters reported that the EAEU presented the highest number of NTMs perceived as burdensome – most of them applied by Kazakhstan (47%) and the Russian Federation (30%). In contrast, markets in Turkey and Iraq are less burdensome, accounting for less than 1% each of NTMs, even though these markets account for 20% and 11% of Kyrgyz agricultural exports, respectively.

EU countries import 2% of Kyrgyz agricultural exports and account for 4% of the reported NTM cases. Most of these regulations are related to strict rules on food safety and related conformity assessments. China imports 3% of the exports and applies 4% of the NTMs regarded as burdensome (Figure 22).

Figure 22 Share of agricultural exports and share of NTMs applied by partner countries, 2015



Source: ITC NTM Survey in the Kyrgyzstan, 2016; and ITC Trade Map, 2015.

Technical measures – requirements and conformity assessments – are the main concern of agricultural exporters. They face more difficulties with conformity assessment (63%) compared to the actual technical requirements (24%). Exporters of fruits, vegetables and animal products (dairy, meat, honey) report the most difficulties with the technical regulations.

Agricultural exporters also report difficulties with pre-shipment and border clearance measures (4%) and charges, taxes and other finance measures (5%).

Table 4 Export of agri-food products – NTMs applied by partner countries and reasons making them burdensome

Number of NTM cases for reported for each type of measure and the reason making the measure burdensome				POs making the measure difficult and the location where it occurs			
NTM (Chapter)	Measure too strict	Procedural Obstacles	Both	PO	Home	Partner country	Sub total
Technical requirements	30	45	17	High fees and charges for reported certificate/regulation	34	12	46
				Information on selected regulation is not adequately published and disseminated	21		21
				Delay related to reported regulation	5	5	10
				Other procedural obstacles	21	3	24
Conformity assessment	18	151	74	Facilities lacking international accreditation/recognition	88	19	107
				Delay related to reported regulation	59	37	96
				Limited/inappropriate facilities for testing or certification	93	1	94
				High fees and charges for reported certificate/regulation	52	40	92
				Information on selected regulation is not adequately published and disseminated	47	0	47
				Numerous administrative windows/organizations involved, redundant documents	18	1	19
				Informal payment	5	13	18
				Large number of different documents	10	3	13
				No due notice for changes in selected regulation and related procedures	11	1	12
Other procedural obstacles	14	2	16				
Pre-shipment inspection and other entry formalities		15	1	Delay related to reported regulation		10	10
				Informal payment		8	8
				Arbitrary behavior of officials regarding classification and valuation of the reported product		5	5
				Information on selected regulation is not adequately published and disseminated		4	4
				Arbitrary behavior of officials with regards to the reported regulation		2	2
Price control measures	2	1		Informal payment		5	5
				Other obstacles	1		1
Quantity control measures	1	5	2	Information on selected regulation is not adequately published and disseminated	1		1
Distribution restrictions	4						0
Finance measures	10	2	1	Arbitrary behavior of officials with regards to the reported regulation		4	4
Anticompetitive measures			1	High fees and charges for reported certificate/regulation		1	1
Rules of origin and related certificate of origin		6		Delay related to reported regulation	2	1	3
				High fees and charges for reported certificate/regulation	1		1
				Informal payment	1		1
Total NTM cases	65	225	96	Total PO Cases	485	148	633

Source: ITC NTM Survey in Kyrgyzstan, 2016

Table 5 Export of agri-food products – burdensome NTMs applied by partner countries

Subsector	Number of reported NTM cases								
	Technical requirements	Conformity assessment	Pre-shipment inspection	Quantity control measures	Charges, taxes and other measures	Finance measures	Distributional restrictions	Rules of origin	Subtotal
011. Meat of bovine animals, fresh, chilled or frozen	9	3							12
054. Vegetables, fresh, chilled, frozen or simply preserved; roots, tubers and other edible vegetable products, n.e.s	9	17	4		3			1	33
022. Milk and cream and milk products other than butter or cheese	15	31	2				3		51
057. Fruit and nuts (not including oil nuts), fresh or dried	10	41	7		4				62
098. Edible products and preparations, n.e.s.		4							4
001. Live animals other than animals of division 03	4	1							5
211. Hides and skins (except furskins), raw	5	4							9
024. Cheese and curd	5	28					1	2	34
023. Butter and other fats and oils derived from milk	1	9							10
061. Sugars, molasses and honey	2	30		2				2	34
048. Cereal preparations and preparations of flour or starch of fruits or vegetables	3	4							7
111. Non-alcoholic beverages, n.e.s.	2	10							12
292. Crude vegetable materials, n.e.s.	6	1							7
112. Alcoholic beverages	6	2				10			18
056. Vegetables, roots and tubers, prepared or preserved, n.e.s.		7							7
073. Chocolate and other food preparations containing cocoa, n.e.s.		2							2
222. Oil-seeds and oleaginous fruits of a kind used for the extraction of "soft" fixed vegetable oils (excluding flours and meals)		2							2
058. Fruit, preserved, and fruit preparations (excluding fruit juices)	6	12							18
059. Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter	7	15			1				23
012. Other meat and edible meat offal, fresh, chilled or frozen (except unfit or unsuitable for human consumption)	4								4
044. Maize (not including sweet corn), unmilled	1								1
421. Fixed vegetable fats and oils, "soft", crude, refined or fractionated		4							4
422. Fixed vegetable fats and oils, crude, refined or fractionated, other than "soft"		2							2
Total	95	229	13	2	8	10	4	5	361

Source: ITC NTM Survey in the Kyrgyzstan, 2016

Exporters struggle with technical requirements, conformity assessments

Most of the difficulties faced by agricultural exporters stem from technical measures applied by importing partner countries. Complying with EAEU technical requirements on agricultural products is a concern for Kyrgyz exporters as they are more stringent compared with national ones.²⁹ These include requirements related to food safety issues, such as limits for residues or contamination by certain substances, hygienic practices during production, transportation and storage conditions.

Testing and certification requirements are the most common type of reported conformity assessment. These measures can involve various POs, including lack of appropriate laboratories, time delays, lack of international recognition and high fees and charges.

Various countries, including India, Mongolia and Turkey, also require Kyrgyz exporters to present EAEU certificates and declarations of conformity. However, for Kyrgyz exporters the main concern relates to laboratories in Kyrgyzstan not being able to perform tests on all required parameters to obtain the EAEU certificate of conformity. As a result, exporters have to get their products tested in laboratories in Kazakhstan or the Russian Federation – leading to increased time and cost. According to some exporters, conducting tests on antibiotics takes up to two weeks and costs approximately \$350. This additional cost, together with the possibility of fresh food perishing because of delays, is a big financial risk to the exporter.

Similarly, exporters face difficulties proving compliance with EU food-safety requirements as laboratories in Kyrgyzstan are not accredited or do not have the capacity to conduct all the required tests. In addition, exporters find EU regulations on harmful substances more stringent than local ones.

The average Kyrgyz exporter of agri-food is a small-scale producer, with limited financial resources and lacking stable and long-term foreign buyers. Normally, exporters have to certify their products for every shipment. The cost and the additional administrative hurdles related to export requirements are a significant burden to Kyrgyz SMEs.

Lack of adequate information on the requirements of importing countries is also a cause of concern. Some exporters say they struggle to find all the necessary requirements on food safety and processing involved in exporting to the EU and the United States. In some instances, their shipments have been rejected entry into the market for failing to meet certain criteria that they were not aware of.

Dairy products

Exports of dairy products from Kyrgyzstan have been declining since 2010 due to outbreaks of livestock diseases, which have become more frequent because of under-investment in veterinary services.

Around the same time, the EAEU introduced stringent requirements on food safety, including new technical regulations on dairy products. Compliance with these requirements requires significant investment in upgrading public infrastructure and the production capacity of companies.

Overall, exporters of dairy products report 95 cases of NTMs they consider burdensome – almost all of which relate to SPS technical requirements and related conformity assessment procedures. Current production and processing capacity of producers, milk collection and distribution networks, availability of suitable storage and transportation conditions, and quality management and inspection systems in the country, must all be adequately addressed to improve the export performance of the Kyrgyz dairy sector.

The dairy industry in Kyrgyzstan is spread across many small-scale farms and is based on traditional methods of livestock raising. Most farmers lack sufficient knowledge of modern and internationally accepted sanitary standards of milking. As a result, it is difficult for farmers to increase yields and improve quality. Milking is usually conducted in the open or in sheds. Milk is then collected by local village-level collectors who only conduct a basic quality inspection. Distributors then sell the raw milk to larger processors. Poor infrastructure to transport and store milk contributes to degrading the quality.

²⁹ The Kyrgyz Republic is in the process of transition towards EAEU technical regulations; some national regulations, especially with respect to conformity assessment, are still applicable for domestic producers.

EAEU countries and Uzbekistan have restricted imports of Kyrgyz dairy products due to prevalence of brucellosis. Brucellosis a highly contagious zoonosis caused by ingestion of unpasteurized milk or undercooked meat from infected animals, or close contact with their secretions.³⁰ Only a few Kyrgyz companies are included in the common registry of dairy producers of the EAEU permitted to export to member countries.

Traceability requirements stipulated in EAEU regulations also pose a significant challenge for Kyrgyz dairy producers as very little has been done so far on identification and documentation of individual farms. Dairy producers source milk from many different small farmers and documenting the sources to meet full EAEU traceability requirements is a challenge. Meeting full compliance with the traceability requirements still requires significant investment and effort from both the public and private sector.

EAEU technical regulations stipulate introduction of HACCP and ISO 22000 management systems for all food-processing companies. The implementation of these standards poses a significant hurdle for small producers. Meeting these requirements will require producers to upgrade their production processes and infrastructure. The same standards will also be applicable to products sold in the domestic market from 2018 onwards.

Fresh fruits, vegetables and related processed products

Fresh fruits and vegetables are a major export commodity for Kyrgyzstan. Among the main exported products are kidney beans, walnuts, carrots, cabbages and onions. Kyrgyzstan also exports related processed products such as concentrates, juices and dried fruits. EAEU countries together with Turkey, Iran, Iraq and China are some of the major destination markets.

Exporters of these products report 152 regulations they see as burdensome, most of which relate to product testing and certification, packaging, storage and transportation requirements and labelling. These concerns mostly relate to EAEU regulations.

For most exporters of fresh fruits and vegetables the key issue is the time and cost associated with obtaining SPS certificates for the EAEU countries. Given the perishable nature of the products, small producers, especially those located away from the capital, are under time pressure to get the necessary certifications done in Bishkek.

In addition to the SPS certificates, some products, such as liquorice root, also require a permit from the State Agency on Forestry to export and exporters must pay fees based on the quantity exported.

Exporters of processed fruits and vegetable products also face the most difficulty with conformity assessment. Obtaining the EAEU certificates of conformity is a hurdle because of the limited variety of laboratory tests that can be performed by local laboratories. Exporters usually send their products to laboratories in Kazakhstan and the Russian Federation to obtain the necessary certifications. According to exporters' testimonies, these tests can cost up to \$300 and usually takes two weeks to obtain. Most of these exporters believe the costs would be lower and the export process simpler if these tests could be conducted in Kyrgyzstan.

Some producers of organic fruits and vegetables are facing difficulties certifying their products as organic due to lack of an accredited agency in the country. These exporters view the EU as a potentially large market for organic fruits and vegetables but are not yet able to fully capitalize on it.

Implementation of the HACCP and ISO 22000 standards as per the EAEU mandate is a challenge for exporters of processed fruits and vegetable products. For instance, producers of juice source their inputs from a large number of small farmers. Companies do not yet have proper identification and recordkeeping of their suppliers. There is no traceability system and small raw agri-food producers do not have significant incentive to ensure they meet the HACCP from their side. Processing companies do not have sufficient means to induce their suppliers to comply with HACCP requirements.

³⁰ World Organisation for Animal Health. http://www.oie.int/fileadmin/Home/eng/Media_Center/docs/pdf/Disease_cards/BCLS-EN.pdf

Complying with HACCP and ISO 22000 standards requires significant changes in production processes and upgrading of equipment and infrastructure. In addition to the high associated costs, Kyrgyz companies that wish to be HACCP and ISO 22000-certified have to bring in foreign agencies to do the necessary compliance inspection as no agency in Kyrgyzstan is accredited to do it.

Exporters also complain about packaging and marking. Meeting the EAEU technical regulations on packaging materials implies sizable investments, which is not profitable given the small export volumes of individual producers.

Honey

Honey currently makes up a small portion of Kyrgyzstan's exports and the industry faces various supply-side constraints. Honey production is spread among small-scale producers relying on traditional methods of apiculture. Most producers lack the capacity to scale up production.

The main export markets for Kyrgyz honey are China, MENA countries, Kazakhstan and the Russian Federation. However, exports to the more lucrative European market are very limited because of quality and safety restrictions.

Most honey exporters surveyed are facing difficulties with NTMs. They report 30 cases of NTMs – all of them related to conformity assessment requirements (testing or certification). These difficulties stem from two key issues: production methods used by the exporters and the situation of quality management in the country.

Kyrgyz honey producers use antibiotics mixed into feed to maintain the hives by protecting against various bee diseases. Streptomycin, Sulfonamides, Tetra- and Oxytetracyclines, Tylosin and Macrolides are some of the most commonly used antibiotics. While the EU has “zero tolerance” policies on use of antibiotics, many developing countries permit the use of selected antibiotics in honey production.

Use of antibiotics in honey production has led to antibiotic residues in the final product, which can be a potential health risk. Small-scale producers use antibiotics available in the local market. Some buyers have restrictions on the use of certain types of antibiotics, which is difficult for producers to comply with due to the lack of availability of permitted antibiotics in the local market and their higher costs.

In 2016, high antibiotic residues in Kyrgyz honey led the Chinese authorities to restrict the import of honey from Kyrgyzstan.

The other major concern expressed by surveyed companies is the state of laboratories in the country. According to the companies, Kyrgyz laboratories are either not able to perform tests on all the required parameters of various antibiotic residues or the tests are not reliable. As a result, most exporters send their samples abroad for necessary testing.

Live animals and meat products

Animal husbandry is a traditional and important part of the Kyrgyz economy. The animal and meat sector relies heavily on small-scale farmers. The export of live animals and meat products from Kyrgyzstan has remained low because animals continue to be raised in the traditional way and modern meat processing facilities are lacking, and because of poor SPS controls in the . Most Kyrgyz companies lack the capacity to supply good quality in large quantities. A significant part of the sector, including cattle rearers, traders and slaughterhouses remain informal and fragmented.

All NTM cases reported by exporters relate to technical requirements and import bans imposed by key markets.

Kazakhstan, Uzbekistan and the Russian Federation have banned the import of live animals and meat products from Kyrgyzstan. This is a major concern for most exporters and they are unsure when the ban will be lifted. The poor quality of meat products and unfavourable epizootic conditions in the country led to the ban. Despite it, informal trade exists, although in small quantities.

Kyrgyz products also face restrictions transiting through EAEU countries. Exporters report long delays at veterinary quarantine and phytosanitary control points in Kazakhstan and the Russian Federation. Kyrgyz

products have been allowed free transit through EAEU countries since the country joined the regional bloc. But restrictions have been reintroduced due to outbreaks of animal diseases in Kyrgyzstan.

Lack of adequate investment in slaughterhouses and veterinary laboratories, which has stalled the overall development of veterinary services, is a key concern of exporters. Currently, there are only a few veterinary laboratories included in the register of accredited laboratories of the EAEU. However, old equipment and inadequately trained staff have adversely affected quality compliance in the sector. Kyrgyz laboratories only have limited capacity to conduct antibiotic and microbiological analysis for exports.

While the Kyrgyz authorities issue guidance on best practices for slaughterhouses few put them into practice. Most livestock are slaughtered in backyards and unofficial locations that do not meet basic food safety and hygiene conditions. Lack of proper monitoring and compliance with international standards, such as Codex Alimentarius, have led to Kyrgyz products being banned from key markets.

Lack of a traceability mechanism is also becoming an increasingly large problem. Many markets now require traceability of livestock and meat products to ensure their quality. The informal and fragmented nature of the sector together with insufficient monitoring and recordkeeping makes traceability very difficult in Kyrgyzstan.

Small quantities of meat products are exported to Middle-Eastern countries by air cargo. However, air-transport and cold storage are costly, hence the small quantities exported.

Farmers still rely on traditional methods of livestock raising and as a result have not been able to scale up production or improve quality. Lack of cold chains and freezing facilities at the slaughterhouses have also impacted the quality of the meat products.

Other issues

Companies find exporting to Middle-Eastern and North-African (MENA) countries, such as Egypt, Iran, Libya, Saudi Arabia and Jordan, difficult because additional documentation is required. For each shipment, exporters are required to have all documents reviewed and attested to by the embassies of the respective countries. This bureaucratic procedure adds to the cost and waiting time for Kyrgyz exporters.

Exporters report some difficulties with the VAT payment requirement when exporting to EAEU countries. Normally, exports to EAEU countries are not subject to VAT in Kyrgyzstan. Foreign importers have to pay the VAT to their respective countries. However, Kyrgyz exporters need documentary proof from the importers that the necessary VAT payments have been made. Failure to present these documents to the Kyrgyz authorities within 180 days of export will subject the exporters to paying VAT in Kyrgyzstan. The burden on obtaining the documents largely lies on Kyrgyz exporters and importers are not always pro-active in sending the necessary confirmation in time. Some exporters have missed the deadline and been required to pay VAT.

Additionally, exporters encountered problems with transportation of their products to their main markets. The Kyrgyz railway network is quite limited and fragmented, with a total length of only 467 kilometres. There are two separate railway lines to connect the north with Kazakhstan and the south with Uzbekistan, but there is no rail link between the two.

Because of this, most commercial freight is transported by road. Transportation costs are very high due to lack of adequate support for containerized shipments and the trade imbalance in container traffic between Kyrgyzstan and its trading partners. Most containers loaded abroad and shipped to Kyrgyzstan return empty to the exporting country. Until recently, Kyrgyz companies could use empty trucks returning to Turkey from Kazakhstan to take products to Turkey and other markets. However, Kazakhstan recently banned empty cargo trucks entering Kyrgyzstan from its territory, significantly increasing transport costs for Kyrgyz agri-food exporters.

Moreover, exporting companies report that often they have to unload trucks passing through Kazakhstan to prove that loads do not exceed 22 tons, a regulation imposed by Kazakhstan. Sometimes drivers even have to empty their fuel tanks to show the net weight of the freight. This regulation raises waiting times at border check points and the costs of transportation.

Exporters' experiences with regulations in Kyrgyzstan

Kyrgyzstan applies some quantitative restrictions on exports of agri-food products, such as export licenses, to protect natural resources and the country's cultural heritage. Exporters report facing few burdensome NTMs.

For instance, companies that cultivate and export liquorice root complain that to obtain a permit to produce and export they have to pay a high fee to the Agency on Environmental Protection. Liquorice is normally exported to South Korea and China as a flavouring and sweetening agent. Its extract also has some pharmaceutical properties and can be used in herbal medications. Exporters currently have to pay a fee of KGS 3.5 per kilogram and expect it to double in the future. Exporters fear that high fees will make production and export unprofitable. Exporters of oleoresins and raw medical plants also expressed similar concerns.

Procedural obstacles and the inefficient trade-related business environment

Procedural obstacles create the biggest hindrance to agricultural exports. Even with some of the most frequently reported NTMs, such as technical regulations and conformity assessment, the real problem lies with delays in administrative procedures and high fees, both at home and abroad.

More than 80% (344 out of 410) of the NTMs reported by agri-food exporters are deemed burdensome, in part due to procedural obstacles (POs). And the majority of POs experienced by agri-food exporters take place in Kyrgyzstan. Overall, exporters reported 704 incidents of POs that hindered export of agricultural goods. Roughly two-thirds of the incidents occurred in Kyrgyzstan and the rest in partner or transit countries.

Most of the POs reported related to high fees and charges made for essential export services, such as testing and certification. The current state of the export quality-management system in Kyrgyzstan is a major hindrance for agri-food exporters. Laboratories being not accredited or certificates issued by Kyrgyz laboratories not being recognized internationally are frequently reported POs. To overcome these hurdles samples of exports are usually sent to laboratories in Kazakhstan or the Russian Federation for necessary testing or certification. While this process works, exporters perceive it to be expensive and time-consuming. They feel that the process would be faster and cheaper if the necessary testing and certifications could be done in Kyrgyz labs.

In Kyrgyzstan, most of the POs occurred in various testing laboratories and certification companies (both private and public) under the Centre for Standardization and Metrology of the Ministry of Economy of Kyrgyzstan, veterinary and phytosanitary laboratories and inspection centres under the Ministry of Agriculture, the Kyrgyz Chamber of Commerce, Kyrgyz custom departments and the Central Office of the State Tax Service.

Companies also indicate problems with information transparency. Some companies are not able to find the information they need about the requirements of partner countries and the processes involved.

Table 6 Export of agri-food products – POs at domestic institutions and in partner or transit countries

Type of PO		PO occurring in		Sub-total
		Kyrgyzstan	Partner or transit country	
Administrative burdens related to regulations	Large number of different documents	11	3	14
	Numerous administrative windows/organizations involved, redundant documents	27	2	29
Information/ transparency issues	Information on selected regulation is not adequately published and disseminated	69	2	71
	No due notice for changes in selected regulation and related procedures	13	1	14
	Requirements and processes differ from information published	2	0	2
Discriminatory behaviour of officials	Arbitrary behaviour of officials regarding classification and valuation of the reported product	2	6	8
	Arbitrary behavior of officials with regards to the reported regulation	7	3	10
Time constraints	Delay related to reported regulation	86	52	138
Informal or high payments	High fees and charges for reported certificate/regulation	95	54	149
	Informal payment	12	25	37
Lack of sector- specific facilities	Limited/inappropriate facilities for testing	74	1	75
	Limited/inappropriate facilities for sector-specific transport and storage	1		1
	Other limited/inappropriate facilities, related to reported certificate/regulation	25		25
Lack of recognition/ accreditation	Facilities lacking international accreditation/recognition	68	1	69
	Other problems with international recognition	20	18	38
Other	Other POs	22	2	24
Total		534	170	704

Source: ITC NTM Survey in the Kyrgyzstan, 2015.

The manufacturing sector

Role of the sector

The Kyrgyz manufacturing sector has undergone significant changes since independence. Market-oriented reforms were implemented in the early 1990s, which included large-scale privatizations and restructuring of major industrial enterprises.

Today, manufacturing sector accounts approximately for 12% of the country's GDP, with output valued at close to KGS 51 billion in 2015. Major manufacturing products include basic metals (70.3% of total), rubber and plastic items (13.9%), production of refined petroleum products (5.6%) and clothing and footwear (5%). Kyrgyz exports of manufactured goods are worth close to \$420 million. EAEU countries, other CIS countries, Turkey, China and the European Union are some of the major markets for Kyrgyz manufactured goods.

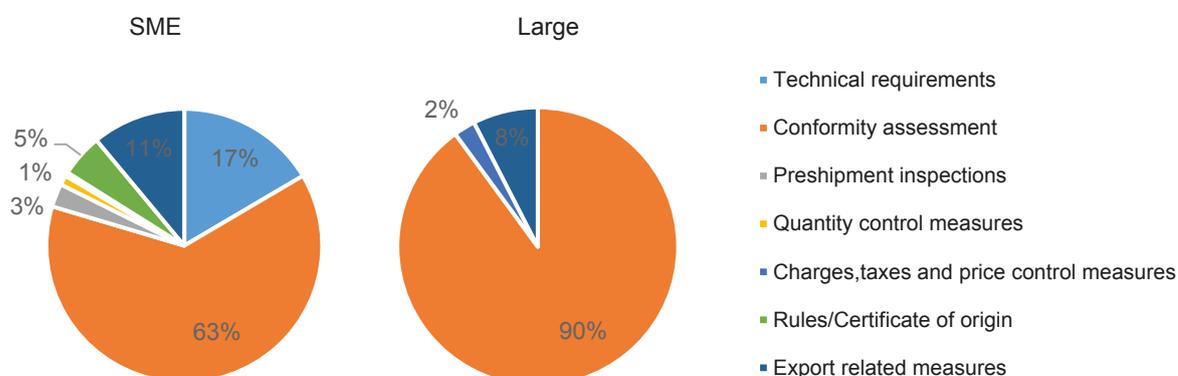
Almost 50% of exporters face difficulties with NTMs

Of the 191 exporters surveyed from the manufacturing sector, almost half are facing difficulties with NTMs and related obstacles to trade. Exporters of products such as chemicals (69%), leather products (60%) and metal and other basic manufacturing (67%) are among the most affected.

Exporters reported 506 cases of burdensome NTMs either in Kyrgyzstan or in partner countries. The vast majority (90%) of the obstacles stem from import regulations of partner countries.

As in agri-food, technical requirements and conformity assessment are key concerns of the manufacturing sector, accounting for 14% and 66% of reported NTMs, respectively. Other NTMs experienced by exporters – albeit on a small scale – include export-related measures (10%), rules of origin (5%), pre-shipment inspection (2%) and charges, taxes and price control measures (2%).

Figure 23 Types of NTMs face by manufacturing exporters, by company size



Source: ITC NTM Survey in the Kyrgyzstan, 2015.

Note: Size of five manufacturing companies could not be determined and hence their responses are not included in this figure.

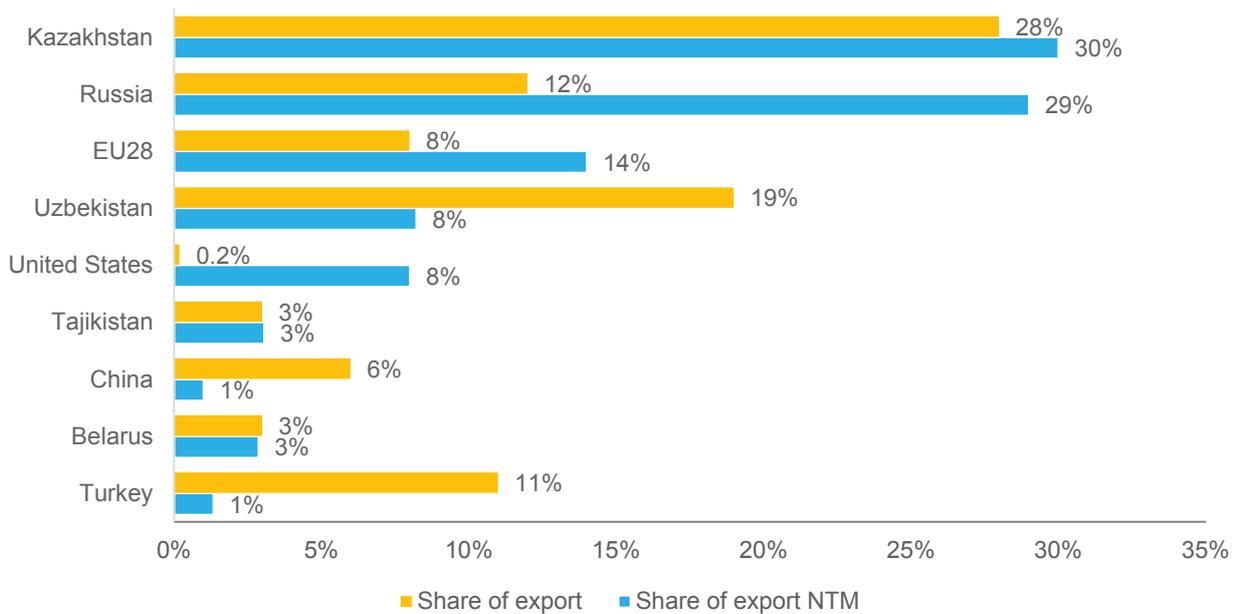
Exporters' difficulties with partner country regulations

EAEU countries are the largest importers of Kyrgyz manufactured goods (42% of exports). They also account for the largest share of NTMs experienced (64%) by Kyrgyz exporters (Figure 24). The majority of NTMs found burdensome by Kyrgyz exporters are Kazakh and Russian regulations. Despite significant efforts by EAEU countries to achieve economic integration, Kyrgyz exporters continue to face significant problems with conformity assessment and technical requirements, as is also the case with agri-food exporters. Accessing the Russian market seems particularly problematic. The Russian Federation imports just 9% of the Kyrgyz exports but accounts for 30% of cases of NTMs seen as burdensome.

Exporters also perceive the United States and EU as difficult markets to access. Together they import less than 9% of Kyrgyzstan's exports but account for 22% of burdensome NTMs. In contrast, Uzbekistan takes 20% of Kyrgyz exports and accounts for only 7% of NTM cases regarded as onerous.

Although technical measures constitute the bulk of company complaints over NTMs when exporting to developed markets, Kyrgyz manufacturing exporters also report having difficulties with rules of origin. For instance, problems related to rules of origin constitute 67% of NTMs considered burdensome in the case of Japan, 26% for the United States and 15% for EU countries.

Figure 24 Share of manufactured exports and share of NTMs applied by partner countries, 2015



Source: ITC NTM Survey in the Kyrgyzstan; and ITC Trade Map, 2015.

Table 7 Export of manufactured products – NTMs applied by partner countries and reasons making them burdensome

Number of NTM cases for reported for each type of measure and the reason making the measure burdensome				POs making the measure difficult and the location where it occurs			
NTM (Chapter)	Measure too strict or	Procedural Obstacles	Both	PO	Home	Partner country	Subtotal
Technical requirements	27	40	8	Information on selected regulation is not adequately published and disseminated	24	0	24
				High fees and charges for reported certificate/regulation	16	6	22
				Delay related to reported regulation	14	4	18
				Other procedural obstacles	16	2	18
Conformity assessment	2	299	30	High fees and charges for reported certificate/regulation	17	130	147
				Facilities lacking international accreditation/recognition	147	0	147
				Delay related to reported regulation	22	71	93
				Limited/inappropriate facilities for testing	86	0	86
				Other problems with international recognition	50	11	61
				Information on selected regulation is not adequately published and disseminated	53	0	53
				Other limited/inappropriate facilities, related to reported certificate/regulation	36	0	36
				Informal payment	15	1	16
Pre-shipment inspection and other entry formalities		11		Informal payment		12	12
				Delay related to reported regulation		11	11
Quantity-control measures	5					0	0
Price-control measures		3		Delay related to reported regulation		2	2
				Informal payment		2	2
				Numerous administrative windows/organizations involved, redundant documents	1	0	1
Rules of origin and related certificate of origin		27		High fees and charges for reported certificate/regulation	17	0	17
				Delay related to reported regulation	10	0	10
				Information on selected regulation is not adequately published and disseminated	3	0	3
				Other procedural obstacles	2	0	2
Total NTM cases	34	380	38	Total PO Cases	557	275	832

Source: ITC NTM survey in Kyrgyzstan, 2016.

Proof of compliance poses biggest challenge

The NTM survey suggests that exporters of manufactured products face many more difficulties to prove compliance with technical regulations, through inspection, testing and certification (73%), than they do with meeting the technical requirements themselves (17%). The largest number of NTMs with compliance difficulties are found in EAEU countries, followed by the EU and the United States.

Exporters find nearly half of the NTMs related to technical requirements burdensome due to regulations being too strict or the company lacking the capacity to produce goods to the required safety and quality standards. The remainder (53%) are deemed burdensome because of related procedural obstacles. Lack of

adequate information, high fees and charges and time delays are the three main types of POs that make compliance with technical requirements difficult for exporters.

With regard to conformity assessments, almost all exporters (90%) said the problem lies in the procedural obstacles. Facilities lacking international accreditation, certificates issued in the country not being recognized abroad and limited testing facilities are the common POs exporters face in relation to conformity assessment in Kyrgyzstan. High fees and long waiting times are the most common POs exporters face in other countries

Artisanal carpets, floor covering and footwear

Exporters of artisanal carpets and floor covering find access to the EU market difficult due to the type of dye they use on their products. Many Kyrgyz producers use azo dyes, which are synthetic and nitrogen based.

The EU Azo Colorants Directive 2002/61/EC specifies that azo dyes release aromatic amines in detectable concentrations: above 30 ppm in finished articles or in dyed components may not be used in textile and leather articles which may come into direct and prolonged contact with the human skin or oral cavity.³¹

Kyrgyz companies, however, are still reliant on azo dyes as other dyes able to meet EU safety and quality requirements are expensive and must be imported, which significantly increases the costs of production.

It is also difficult to obtain a certificate of conformity with EU requirements in Kyrgyzstan due to the lack of accredited laboratories. Some companies indicated that they are not able find all the required information on the technical requirements, the procedures involved and laboratories able to conduct the tests.

Additional requirements of some buyers to comply with various private standards are also deemed burdensome by carpet exporters. Some buyers require exporters to provide details on the production process to ensure it complies with social, ethical and environmental norms. A few exporters source the products from a large number of artisans – and they find it difficult to gather all the information and to ensure compliance with norms. Furthermore, there are no established agencies in the country that can certify compliance with social and ethical norms – for example, certifying that production is free of child labour.

EU customers require treating felt products with anti-moth agents, but companies experience difficulties finding information about agents that are accepted in the EU.

Companies exporting artisanal footwear echoed the concerns of carpet exporters. In addition, traceability requirements to identify the source of raw materials, such as wool, are a hurdle due to the lack of any traceability system in the country.

Clothing and footwear

The primary difficulty for exporters of apparel is obtaining certificates of conformity to export to the EAEU – its main market. Lack of specialist and accredited laboratories in Kyrgyzstan makes the task difficult. Usually, exporters get their products tested and certified in Russian and Kazakh laboratories, as per the EAEU technical regulation CU TR 017/2011 “Safety of Textiles”. Exporters say that a Russian certificate costs approximately \$250 and can take up to a month to get. Companies exporting different varieties of apparel are required to obtain a certificate of conformity for each type.

Some exporters feel that while they are making every effort to comply with necessary standards there are many companies in EAEU countries that are able to sell their products without meeting the necessary certifications. As a result, they feel that they are losing market share.

Similarly, when exporting to the EU, customers demand a certificate of compliance for the finished products, raw materials and dyes used for production. However, the lack of any laboratory in Kyrgyzstan to perform the required tests and the absence of internationally recognized certification centres is a concern for exporters. In addition, domestic suppliers of wool and dyes do not provide any certification of their products and hence it is difficult to confirm compliance to required standards. Using high-quality dyes that meet EU

³¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2002:243:0015:0018:en:PDF>

requirements significantly increases production costs and as a result exporters feel their products are not competitive enough.

Some exporters also find it difficult to get reliable information on international certification agencies operating in neighbouring countries and the necessary documents and procedures.

Certification on rules of origin pose a problem

Difficulties with rules of origin are more prominent among exporters of manufactured goods. They find the process of obtaining the relevant certificate of origin from the Kyrgyz Chamber of Commerce onerous. Exporters, in particular SMEs, find the certificates expensive, as they have to be obtained for each shipment; it also takes some days for them to be issued. In addition, some report that they have to present a lot of documentation to get the certificates issued and that it is not easy to obtain all the necessary documents.

Some exporters admit to not being familiar with the necessary requirements and processes. The Kyrgyz Chamber of Commerce has reduced the number of required documents and has made information available through its website.

Proving that sufficient processing and value addition is carried out in the country is also an issue for exporters. Many Kyrgyz SMEs source inputs intensively from foreign suppliers, mainly from China, as they are not able to source domestically the required raw materials in sufficient quantity. Hence, some exports do not meet the required rules of origin criteria.

Exporters' experiences with domestic regulations

Roughly 10% of the burdensome NTM cases reported by exporters of manufactured goods were applied by Kyrgyz authorities. These relate to export inspection and certification, export licences and quantitative restrictions, export price-control measures, as well as taxes and charges. High costs, delays and administrative procedures involved make these domestic regulations burdensome.

It can take up to 10 days for exporters of handicrafts, tapisserie and scarves to obtain export permits from the Ministry of Culture. Many exporters are small companies exporting in small volumes to multiple buyers. Hence, obtaining a permit for each shipment and waiting for the permits to be issued is perceived as a burden.

Exporters of raw wood complain that they have to obtain an export licence from the State Agency on Environment Protection and from the Republican Centre for Ecologic Surveillance and that the licence costs about \$200 (approximately 15% of the price they obtained for one truck of raw wood).

Exporters report difficulties with VAT payments similar to those faced by agri-food exporters. Foreign importers are supposed to pay the VAT to their respective countries, but if they do not, the burden can fall on the exporter.

Several exporters from free economic zones worry that their products will become less competitive in the EAEU region. Before joining the EAEU, their export prices did not include VAT. On joining, exports to EAEU countries are no longer going to be considered as exports and customers must pay VAT on the goods acquired from free economic zones, making them less competitive.

A few exporters of paints, varnishes and related materials complain that they have to provide the Ministry of Finance with three-month forecasts of their export revenues, which is difficult given the uncertainty surrounding their exporting activities. Moreover, the same producers report that they were asked to align their export prices to reference prices (baseline prices), which would make their products less attractive to their customers and reduce sales volume.

Table 8 Export of manufactured products – NTMs applied by the Kyrgyzstan and reasons making them burdensome

Number of NTM cases reported for each type of measure and the reason making the measure burdensome				POs occurring in Kyrgyzstan that make the measure difficult to comply with	
NTM (Chapter)	Measure too strict or difficult	Due to related POs	Both	PO	No. of POs
Export inspection		10		Numerous administrative windows/organizations involved, redundant documents	4
				Arbitrary behavior of officials regarding classification and valuation of the reported product	1
				Arbitrary behavior of officials with regards to the reported regulation	1
				High fees and charges for reported certificate/regulation	3
				Limited/inappropriate facilities for testing	2
Certification required by Kyrgyzstan	4	5		Large number of different documents	1
				Delay related to reported regulation	5
				High fees and charges for reported certificate/regulation	4
				Informal payment	1
Export taxes and charges			6	Large number of different documents	1
				Information on selected regulation is not adequately published and disseminated	7
				Arbitrary behavior of officials with regards to the reported regulation	8
Export price-control measures			6	Information on selected regulation is not adequately published and disseminated	6
				High fees and charges for reported certificate/regulation	6
Other export-related measures	1	21		Information on selected regulation is not adequately published and disseminated	8
				Arbitrary behavior of officials regarding classification and valuation of the reported product	1
				Arbitrary behavior of officials with regards to the reported regulation	3
				Delay related to reported regulation	6
				Deadlines set for completion of requirements are too short	1
				High fees and charges for reported certificate/regulation	7
				Informal payment	7
Total NTM cases	5	36	12	Total PO cases	83

Source: ITC NTM Survey in Kyrgyzstan, 2016

Procedural obstacles are the main burden

As in the case of agricultural exports, it is often not the regulation per se that is burdensome but the accompanying procedures. More than 90% of reported burdensome NTM cases were perceived to be so due to procedural obstacles (466 out of 505).

While the majority of NTMs are applied by partner countries, the burdensome procedures are applied mainly by Kyrgyzstan. Companies reported 915 incidents of POs hindering export of manufactured goods, of which

around 70% (640 cases) were experienced in Kyrgyzstan, with the remainder (275 cases) in partner or transit countries. (See Table 12.)

The major types of POs (both domestically and internationally) involve lack of international recognition and accreditation (208), lack of sector-specific facilities (128), informal and high payments for reported certificates (246) and problems related to information transparency (107) (See Table 12.).

In terms of POs experienced in foreign countries, the most frequent are high and informal payments for certificates (151) and time delays (88).

As with agricultural exporters, manufacturing producers are forced to do laboratory tests and certification abroad because of the insufficient number of laboratories and certification agencies that have international recognition within the country, which increases significantly their export costs.

The agencies which were frequently mentioned in relation to procedural difficulties include the Centre for Standardization and Metrology of the Ministry of Economy of the Kyrgyzstan, as well as numerous laboratories and certification agencies both public and private, the Ministry of Culture, Information and Tourism, the Kyrgyz Chamber of Commerce, Kyrgyz custom departments and the Central Office of the State Tax Service.

Table 9 Export of manufactured products – POs at domestic institutions and in partner or transit countries

Types of POs		PO occurring in		Sub-total
		Kyrgyzstan	Partner or transit countries	
Administrative burdens related to regulations	Large number of different documents	2	2	4
	Numerous administrative windows/organizations involved, redundant documents	6	2	8
Information/transparency issues	Information on selected regulation is not adequately published and disseminated	101	0	101
	Requirements and processes differ from information published	5	0	5
	No due notice for changes in selected regulation and related procedures	1	0	1
Discriminatory behaviour of officials	Arbitrary behaviour of officials regarding classification and valuation of the reported product	2		2
	Arbitrary behaviour of officials with regards to the reported regulation	18	2	20
Time constraints	Deadlines set for completion of requirements are too short	9	0	9
	Delay related to reported regulation	57	88	145
Informal or high payments	High fees and charges for reported certificate/regulation	70	136	206
	Informal payment	25	15	40
Lack of sector-specific facilities	Limited/inappropriate facilities for testing	92	0	92
	Other limited/inappropriate facilities, related to reported certificate/regulation	36	0	36
Lack of recognition/accreditation	Facilities lacking international accreditation/recognition	147	0	147
	Other problems with international recognition	50	11	61
Other		19	19	38
	Total	640	275	915

Source: ITC NTM Survey in the Kyrgyzstan, 2015.

CHAPTER 4 RECOMMENDATIONS



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Upgrade domestic quality infrastructure and enforce quality compliance

While many of the NTMs Kyrgyz companies face are EAEU or foreign regulations, a closer investigation shows much of the perceived burden is rooted in the processes of obtaining necessary paperwork, inspections, testing and certification in Kyrgyzstan. Lack of accredited laboratories is a key concern. To address these issues, the efficiency of relevant domestic institutions must be improved significantly.

Strengthening the capacity of local laboratories to perform required testing and certification is critical

Lack of capacity of local laboratories to carry out accredited testing and certification is hindering Kyrgyz exports. The government should formulate and implement standards, regulations and norms in compliance with international standards, especially for major and potential export sectors.

The capacity of laboratories in Kyrgyzstan needs to be significantly improved by:

- Increasing staffing levels, training and retention;
- Increasing investment in equipment and quality analysis to improve reliability;
- Introducing a single window depository and dissemination of required documents.

Multifunctional labs needs to be established or upgraded with technical underpinning for the calibration, testing and inspection as well as accreditation of conformity assessment. Financial and technical support from development partners may be required to upgrade labs, procure machines and train staff, especially in relation to mutual recognition arrangements (MRA).

Procuring equipment and hiring specialists alone are not sufficient. It is necessary to establish a reliability system and a business model to ensure results from Kyrgyz labs are accepted internationally and that the operations are sustainable. Kyrgyz laboratories should focus on being able to conduct the necessary analyses on key export products as required by its main trading partners. Being able to conduct all EAEU technical analysis reliably will ease most of the exporters' difficulties.

Ensuring reliability through regular controls, proper equipment maintenance, training, etc. is critical. A proper quality management system must be put in place for the laboratories to be ISO/IEC 17025 compliant. Laboratories accredited ISO/IEC standard demonstrate that they are technically competent and able to produce precise and accurate test and calibration data.

The Kyrgyz Centre for Accreditation (KCA) is able to accredit laboratories in Kyrgyzstan. However, its membership in the International Laboratory Accreditation Cooperation (ILAC) has been suspended since 2005 and it cannot accredit laboratories to the internationally accepted ISO 17025. KCA should be provided with technical and financial assistance to improve its practices in order to regain its ILAC membership. KCA staffs should be provided with training on the latest internationally accepted accreditation practices.

Current modernization of the laboratories is funded by the Kyrgyz Government and the Russian-Kyrgyz Development Fund. However, additional funding is necessary to ensure proper maintenance of public laboratories and make infrastructural upgrades. Under the coordination of KCA, a business model should be developed for laboratories to ensure their operations are sustainable and that they are able to provide quality services.

Coordination of national quality bodies and laboratories, which fall under different ministries, must also be streamlined to ensure efficiency, avoid duplication and provide a common overall goal.

High turnover of specialized staff in public laboratories and standards bodies, in addition to the insufficient number of qualified specialists, is impacting the quality of services provided. While Kyrgyzstan has invested in developing the technical capacity of specialists in its laboratories and agencies, many specialists choose to move to the private sector where salaries are higher. In addition to providing necessary training to staff to develop their skills and expertise, it is necessary to ensure the retention of highly skilled and specialized staff.

Streamline the process for export licences, permits and certificates of origin

The Government and business associations should simplify and expedite processes for issuing export licences, permits and certificates of origin. All institutions involved in exports should review their procedures together and eliminate redundant requirements and documentation. These agencies should ensure their requirements, fees and timeframes are transparent and free from costly delays.

Initiate a traceability system

Most Kyrgyz producers of agricultural commodities and livestock are small-scale and operate in an informal way. Monitoring and recordkeeping across the value chain is currently poor. The lack of a proper traceability mechanism is an obstacle, as most foreign buyers require that food products be traced back to their source.

Kyrgyzstan should initiate the development of a traceability system – in collaboration with regional and sectoral associations – by collecting and consolidating information about individual farmers and monitoring their compliance with domestic regulations, such as on use of pesticides, animal vaccination, etc.

Accelerate VAT refund procedures

A number of companies expressed concerns about the administration of VAT payments on trade transactions within the EAEU. Exporters and importers indicate that this process is onerous as many documents have to be provided to concerned authorities, including payment of VAT in the destination country, within six months of transaction or risk paying VAT in both destination and home country. The Kyrgyz Government should coordinate with authorities in other EAEU countries to develop a better streamlined VAT payment process for regional trade.

Enhance enterprises' competitiveness and sector development

Building of capacity of Kyrgyz enterprises is necessary to scale up production, improve value addition and meet necessary product and production standards that are recognized internationally. Kyrgyzstan can seek higher added value with the objective of reducing dependency on basic commodities and moving towards sustainable economic development.

Strengthen the capacity of SMEs to comply with international market access requirements and proactively respond to customer demands

It is important to strengthen institutions related to quality management and other relevant institutions in order to enhance their service offer.

It is also necessary to develop new and enhanced learning and advisory support services for SMEs aimed at building international quality requirements into products and services. Modern quality-related tools and techniques have to be introduced addressing key constraints and focusing on areas such as process improvement, quality assurance and control and building a quality culture in SMEs.

Specialized sector-specific courses, tools, coaching and support should be provided focusing on key quality and safety issues, such as food safety (GAP, GHP, GMP, HACCP and ISO 22000), social responsibility and sustainability, environmental management, health and safety, organic production and certification, and quality management systems (ISO 9001). A pool of national trainers and consultants attached to public agencies and sector-specific business associations must be built that can train and consult the SMEs on these issues.

An online quality platform should be developed that will provide Kyrgyz SMEs with:

- Quality-related self-assessments, helpdesks and access to talent
- Showcasing of best practices, success stories and lessons learned
- Connecting local quality and food safety experts
- Connecting local service providers
- Making beneficiaries aware of available services, initiatives and events
- Link to similar networks in other countries for experience sharing, access to innovative solutions and potential institutional mentoring arrangements.

Within the framework of the GSP+ Kyrgyzstan gets preferential access to EU markets for more than 6,000 products. However, export success depends on the ability of Kyrgyz companies to comply with private and public standards in the area of sustainable development, human rights, good governance and labour. Many Kyrgyz companies are unsure if their products are in compliance with these standards. Providing training and assisting companies with certification of their products will help local companies to capitalize on the preferential access to the EU market.

Strengthen the capacity of Kyrgyz companies to use packaging systems suitable for export markets

Using the right packaging throughout supply chains plays a major role in ensuring, for example, that food products are kept safe for consumption, that aromas are preserved, that import regulations and standards are complied with, that contamination (including from unsuitable packaging materials) is avoided, that products are attractive and user-friendly and that there is minimum impact on the environment.

Kyrgyzstan should develop a national packaging standard specifically for sectors and products aimed at export markets. This would involve a multi-disciplinary committee, with experts from the public and private sectors, including academia, distributors, suppliers of packaging materials and business associations.

SMEs should also be provided with training and support on packing and packaging materials to be used for storage, internal transport and exports to guarantee freshness, safety and compliance with other relevant requirements.

Capacity building to facilitate and expand trade

Many SMEs abstain from exporting to potentially large markets, such as the EU, due to lack of knowledge of the technical requirements, standards and certificates required. Kyrgyz enterprises must be made aware of trade regulations and procedures.

Workshops should include training sessions, such as identifying new markets, understanding market access conditions, marketing strategies, supply-chain management and advocacy. Equally important is the need for capacity building for government staff to ensure effective and efficient services, eliminate corruption and reduce high staff turnover.

Consolidation and dissemination of information related to main and potential destination markets is critical. A single reliable source of information about documentary requirements for exports and standards stipulated by destination markets would reduce the search and compliance costs for Kyrgyz firms, in particular those that are small and new.

Diversify export portfolio and trading partners, and encourage value addition

Diversifying the economy and broadening the export base towards high growth sectors is important. The Government should conduct an assessment of export potential to prioritize sectors and markets for trade development activities based on detailed trade and market access data.

Kyrgyzstan should diversify its export portfolio and export markets to better integrate with international markets and global value chains. This could reduce its vulnerability to external shocks. This will require addressing supply-side constraints, including access to finance, weak physical infrastructure, inefficient and high transport costs, shortage of skilled workers, technological bottlenecks, lack of entrepreneurship and management skills, information gaps and other factors that contribute to high costs of doing business.

Develop export strategies through e-commerce

Kyrgyz exporters face barriers to trading on e-commerce sites, as they have limited access to payments, logistics & technical solutions and limited awareness of the legal or fiscal implications of trading internationally through digital channels. The Government should review the public sector and legal environment for improved structures and policies to support the development of e-commerce in Kyrgyzstan.

It is necessary to develop strategies for the creation of e-commerce-related businesses to offer entrepreneurial opportunities to youth, women and under-privileged communities by building partnerships with local institutions and private-sector partners. Training and support to entrepreneurs on marketing promotions and developing business through e-commerce should be provided.

Completion of a trading platform to link buyers and sellers of agri-food products

Given the small scale of most Kyrgyz exporters, a sectoral trading platform could be created to consolidate supplies. A platform has been created for fresh fruits and vegetables exporters, but it is available only to a limited number of companies. This platform could be extended to include suppliers of other agri-food products, agricultural equipment, fertilizers and pesticides. Similar platforms would be useful additions in other sectors as well. They would reduce transaction costs and secure the competitiveness of Kyrgyzstan, especially in the EAEU market.

Building the “Made in Kyrgyzstan” brand

Kyrgyzstan faces challenges to achieve awareness in international markets. Most Kyrgyz enterprises do not have sufficient understanding and capacity to promote their produce and interact with international companies. Investments in improving quality and compliance with standards and packaging are only worthwhile if they are accompanied by a strategy of improved communication with international customers.

Kyrgyzstan should design and implement a branding and communications strategy to shape the reputation of the country and priority export sectors and ensure that the approach is embedded in Kyrgyz institutions.

SMEs should be coached on best practices in marketing communications and supported to implement better promotional materials and sales strategies.

Improve transparency in trade and trade facilitation

Access to trade and market intelligence is critical to export success. However, Kyrgyz exporters are lacking the resources and the skills to acquire and process trade-related information, placing them at a disadvantage compared with competitors in other economies. At the same time, policy makers rarely obtain the information they need to make their decisions, including about the relevant WTO processes, notably the SPS and TBT

Committees. Kyrgyzstan needs reliable data for economic operators, institutions and policy makers to make better-informed trade decisions.

Develop trade information portal

Kyrgyzstan needs a reliable source and proper dissemination of information for exporters and importers. Traders routinely encounter obstacles during export and import procedures, such as errors, delays and misunderstandings, due to companies not having a reliable source of information about the trade requirements of partner countries. Information is scattered and not updated, which often misinforms companies.

Traders need a trade portal that can provide export and import-related information. The portal should store information related to current trade regulations and procedures, including laws, administrative procedures and guidance notes. Information about relevant government agencies, private sectors, port authorities, standards institutions and customs would also be available in the portal.

The portal should also integrate information about destination countries, such as tariff rates, rules of origin, NTMs and trade statistics. This should help Kyrgyz entrepreneurs identify potential markets for their products and ensure they meet the necessary requirements.

Implement and train entrepreneurs on SPS/TBT notification alert mechanism

Kyrgyzstan should implement an alert mechanism whereby SMEs can subscribe to receive alerts (by email or SMS, for example) with information updates for markets and products of their interest, including WTO notifications on future changes in SPS and TBT measures. This involves building a customized local interface to a new global notifications alert system. In addition to notifying entrepreneurs on new SPS/TBT regulations, this mechanism also allows them to send their feedback on the proposed regulations to the WTO via the national focal point. Workshops should be organized to train SMEs, business associations and national institutions on how to best use this tool.

Establish an online reporting mechanism and NTM monitoring committee

Kyrgyz exporters find market regulations and trade procedures challenging when they export or import products. Some obstacles could be resolved in the country itself. Yet there is no simple channel to collect and monitor their concerns or to coordinate actions of relevant institutions to overcome these obstacles.

Kyrgyz authorities should develop an online platform to monitor and address difficulties faced by exporters and importers. SMEs should be able to share their concerns and directly question relevant agencies regarding obstacles they face, for example when trying to prove conformity with product quality and food safety requirements.

In addition to the online portal, it is necessary to establish an institutional mechanism to ensure the continuity of communication between the public and private sectors, and to facilitate the improvement of the business environment in the country. The mechanism can be linked with other agencies and committees related to trade facilitation to ensure the cooperation of the different actors (policymakers and TISIs) to address NTM-related obstacles to trade and interact with companies.

Establish an EAEU regional trade and investment facilitation mechanism

Inadequate transparency in regional trade was among the issues highlighted by Kyrgyz exporters. Better information on regional market access requirements and related procedures, especially if used to complement several other ongoing initiatives, would increase Kyrgyzstan's exports and smooth integration within the EAEU region. This initiative would require collaboration from all countries in the region and would go beyond quality and food safety-related information.

A regional EAEU online portal should be developed – interlinked with and sourcing from national portals – that would contain information on trade, customs tariffs and preferences, rules of origin, market requirements (NTMs, including trade procedures) and contact information on institutions and companies. The portal should be supported by creating a regional SME enquiry help desk online, coordinating and coaching a network of

focal points and institutions to manage such SME enquiries, and training a network of data collection and processing experts to ensure sustainability of the system.

Develop business process guide and integrate it into the trade information portal

Document administrative procedures related to compliance with NTMs (e.g. certification of origin, export and import registration) for different products together with other necessary details such as cost, waiting time, etc. Based on this information develop an online business process guide integrated with the trade information portal. This tool should give necessary guidance to exporters that are not familiar with the process involved, especially newer companies.

The way forward

In conclusion, the results of the NTM Survey in Kyrgyzstan highlight the potential for further improvements in the domestic trade environment, particularly at the procedural level, as some important trade impediments persist.

The results of the ITC NTM survey will contribute to optimizing existing policies and processes, in particular with a view to supporting deeper regional integration within the EAEU.

APPENDICES

Appendix I Non-tariff measures surveys: global methodology

Non-tariff measure surveys

Since 2010,³² ITC has completed large-scale company-level surveys on burdensome non-tariff measures and related trade obstacles (NTM Surveys hereafter) in over 35 developing and least-developed countries on all continents.³³ The main objective of the NTM Surveys is to capture how businesses perceive burdensome NTMs and other obstacles to trade at a detailed level – by product and partner country.

All surveys are based on a global methodology consisting of a core part and a country-specific part. The core part of the NTM Survey methodology described in this appendix is identical in all survey countries, which enables cross-country analyses and comparison. The country-specific part of the survey allows flexibility in addressing the requirements and needs of each participating country. The country-specific aspects and the particularities of the survey implementation in Kyrgyzstan are covered in Chapter 2 of this report.

The growing role of non-tariff measures in trade

Over several decades, trade liberalization has been used as a development tool based on evidence that benefits accrue to countries actively engaged in world trade. Multilateral, regional and bilateral trade negotiations as well as non-reciprocal concessions have led to a remarkable reduction in global, average tariff protection. With favourable market access conditions, international trade has soared to previously unseen levels, raising overall welfare and standards of living.

The misuse of NTMs may undermine the impact of falling tariffs. The sound use of NTMs to ensure consumer health, protect the environment and safeguard national security is legitimate. However, evidence suggests that countries are resorting to NTMs as alternative mechanisms to protect domestic industries. NTMs have been negotiated within the General Agreement on Tariffs and Trade and at the World Trade Organization (WTO) since the Tokyo Round (1973–1979) and are increasingly dealt with in regional and bilateral trade agreements. Many practitioners consider they have surpassed tariffs in their trade-impeding effect.

NTMs particularly impact exporters and importers in developing and least developed countries (LDCs) that struggle with complex requirements. Firms in these countries often have inadequate domestic trade-related infrastructure and face administrative obstacles. NTMs that would not normally be considered very restrictive can represent major burdens in LDCs. In addition, the lack of export support services and insufficient access to information on NTMs impede the

international competitiveness of firms. As a result, both NTMs applied by partner countries as well as domestic burdens have an impact on market access and keep firms from seizing the trade opportunities created by globalization.

An overview of previous research and evaluation

In the literature, different methods have been used to evaluate the effects of NTMs. An early approach employed a concept of incidence with NTM coverage ratios. Such studies rely on extensive databases mapping NTMs per product and applying country. The largest database of official government-reported NTMs used to be the Trade Analysis and Information System published by the United Nations Conference on Trade and Development (UNCTAD), but data has been incomplete and updates irregularly.

In a multi-agency effort, ITC, UNCTAD and the World Bank are collecting data for a global NTM database with a focus on technical barriers to trade and sanitary and phytosanitary standards. The ITC Market Access Map features information on NTMs. However, as complete as the database may be, it reveals little about the impact of NTMs on the business sector nor does it provide information about related POs.

Scope and coverage of the non-tariff measure (NTM) surveys

The objective of the NTM surveys require a representative sample allowing for the extrapolation of the survey result to the country level. To achieve this objective, the NTM survey covers at least 90% of the total export value of each participating country (excluding minerals and arms). The economy is divided into 13 sectors, and all sectors with more than a 2% share in total exports are included in the survey.

The NTM Survey sectors are defined as follows:

1. Fresh food and raw agro-based products
2. Processed food and agro-based products
3. Wood, wood products and paper
4. Yarn, fabrics and textiles
5. Chemicals
6. Leather
7. Metal and other basic manufacturing
8. Non-electric machinery
9. Computers, telecommunications and consumer electronics
10. Electronic components
11. Transport equipment

catalogue official regulations on NTMs applied by importing markets (developed and developing). This provides a complete picture of NTMs as official regulations serve as a baseline for the analysis, and the surveys identify the impact of the measures on enterprises and consequently on international trade.

³³Pilot NTM Surveys were carried out in cooperation with UNCTAD in 2008–2009 in Brazil, Chile, India, the Philippines, Thailand, Tunisia and Uganda. The pilot surveys provided a wealth of materials allowing for the significant improvement to both the NTMs classification and the NTM survey methodology. Since then, ITC has implemented NTM Surveys based on the new methodology in 25 developing and least developed countries.

³²The work started in 2006, when the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) established the Group of Eminent Persons on Non-Tariff Barriers. The main purpose of the group was to discuss the definition, classification, collection and quantification of non-tariff barriers – to identify data requirements, and consequently advance understanding of NTMs and their impact on trade. To carry out the technical work of the group, a Multi-Agency Support Team (MAST) was set up. Since then, ITC is advancing the work on NTMs in three directions. First, ITC has contributed to the international classification of non-tariff measures (NTM classification) that was finalized in November 2009 and updated in 2012. Second, ITC undertakes NTM Surveys in developing countries using the NTM classification. Third, ITC, UNCTAD and the World Bank jointly collect and

12. Clothing
13. Miscellaneous manufacturing

Companies trading arms and minerals are excluded. The export of minerals is generally not subject to trade barriers due to a high demand and the specificities of trade undertaken by large multinational companies. The export of arms is outside of the scope of ITC activities.

The NTM Surveys cover companies exporting and importing goods. Companies trading services are excluded, as a survey on NTMs in services would require a different approach and methodology. The NTM Survey includes companies specialized in the export-import process and services, such as agents, brokers, and forwarding companies (referred to collectively as 'trading agents'). These companies can be viewed as service companies because they provide trade logistics services. The answers provided by trading agents are in most cases analysed separately from the answers of the companies that export their own products.

The NTM Surveys cover legally registered companies of all sizes and types of ownership. Depending on country size and geography, one to four geographic regions with high concentrations of economic activities (high number of firms) are included in the sample.

Two-step approach

The representatives of the surveyed companies, generally export/import specialists or senior-level managers, are asked to report trade-related problems experienced by their companies in the preceding year that represent a serious impediment for their operations. To identify companies that experience burdensome NTMs, the survey process consists of telephone interviews with all companies in the sample (Step 1) and face-to-face interviews undertaken with the companies that reported difficulties with NTMs during the telephone interviews (Step 2).

Step 1: Telephone interviews

The first step includes short telephone interviews. Interviewers asked respondents to identify the main sector of activity of their companies and the direction of trade (export or import). The respondents are then asked whether their companies have experienced burdensome NTMs. If a company does not report any issues with NTMs, the interview is terminated. Companies that report difficulties with NTMs are invited to participate in an in-depth face-to-face interview.

Step 2: Face-to-face interviews

The second-step interviews are required to obtain all the details of burdensome NTMs and other obstacles at the product and partner country level. These interviews are conducted face-to-face due to the complexity of the issues related to NTMs. Face-to-face interactions with experienced interviewers helps to ensure that respondents from companies correctly understand the purpose and the coverage of the survey, and accurately classify their responses in accordance with predefined categories.

The questionnaire used to structure face-to-face interviews consists of three main parts. The first part covers the characteristics of the companies: number of employees, turnover and share of exports in total sales, whether the company exports its own products or represents a trading agent providing export services to domestic producers.

The second part is dedicated to exporting and importing activities of the company, with all trade products and partner countries recorded. During this process, the interviewer also identifies all products affected by burdensome regulations and countries applying these regulations.

During the third part of the interview, each problem is recorded in detail. A trained interviewer helps respondents identify the relevant government-imposed regulations, affected products, the partner country exporting or importing these products, and the country applying the regulation (partner, transit or home country).

Each burdensome measure (regulation) is classified according to the NTM classification, an international taxonomy of NTMs, consisting of over 200 specific measures grouped into 16 categories (see Appendix II). The NTM classification is the core of the survey, making it possible to apply a uniform and systematic approach to recording and analysing burdensome NTMs in countries with idiosyncratic trade policies and approaches to NTMs.

The face-to-face questionnaire captures the type of burdensome NTMs and the nature of the problem (so-called POs explaining why the measures represent an impediment), the place where each obstacle takes place, and the agencies involved, if any. For example, an importing country can require the fumigation of containers (NTM applied by the partner country), but fumigation facilities are expensive in the exporting country, resulting in a significant increase in export costs for the company (POs located in the home country). The companies can also report generic problems unrelated to any regulation, but affecting their exports or imports, such as corruption and lack of or inadequate export infrastructure. These issues are referred to as problems related to business environment (see Appendix III).

Partnering with a local survey company

A local partner selected through a competitive bidding procedure carries out the telephone interviews and face-to-face interviews. The partner is usually a company specializing in surveys. Generally, the NTM Surveys are undertaken in local languages. The telephone interviews are recorded either by a Computer Assisted Telephone Interview system, computer spread sheets or on paper. The face-to-face interviews are initially captured using paper-based interviewer-led questionnaires that are then digitalized by the partner company using a spread sheet-based system developed by ITC.

Open-ended discussions

During the surveys of companies and preparation of the report, open-ended discussions are held with national experts and stakeholders, for example trade support institutions and sector/export associations. These discussions provide further insights, quality checks and validation of the NTM Survey results. The participants review the main findings of the NTM Survey and help to explain the reasons for the prevalence of the issues and propose possible solutions.

Confidentiality

The NTM Survey is confidential. Confidentiality of the data is paramount to ensure the greatest degree of participation, integrity and confidence in the quality of the data. The paper-based and electronically captured data is transmitted to ITC at the end of the survey.

Sampling technique

The selection of companies for the phone screen interviews of the NTM Survey is based on the stratified random sampling. In a stratified random sample, all population units are first clustered into homogeneous groups ('strata'), according to predefined characteristics, chosen to be related to the major variables being studied. In the NTM Surveys, companies are stratified by sector, as the type and incidence of NTMs are often product-specific. Then simple random samples are selected within each sector.

The NTM Surveys aim to be representative at the country level. A sufficiently large number of enterprises should be interviewed within each export sector to ensure that the share of enterprises experiencing burdensome NTMs is estimated correctly and can be extrapolated to the entire sector. To achieve this objective, a sample size for the telephone interviews with exporting companies is determined independently for each *export sector*.³⁴

For importing companies, the sample size is defined at the country level. The sample size for importing companies can be smaller than the sample size for exporters, mainly for two reasons. First, the interviewed exporting companies are often import intermediaries and provide reports on their experiences with NTMs as both exporters and importers. Second, problems experienced by importing companies are generally linked to domestic regulations required by their home country. Even with a small sample size for importing companies, the effort is made to obtain a representative sample by import sectors and the size of the companies.

Exporting companies have difficulties with both domestic regulations and regulations applied by partner countries that import their products. Although the sample size is not stratified by company export destinations, a large sample size permits a good selection of reports related to various export markets (regulations applied by partner countries). By design, large trading partners are mentioned more often during the survey because it is more likely that the randomly selected company would be exporting to one of the major importing countries.

The sample size for face-to-face interviews depends on the results of the telephone interviews.

Average sample size

The number of successfully completed telephone interviews can range from 150 to 1,000, with subsequent 150 to 300 face-to-face interviews with exporting and importing companies. The number of telephone interviews is mainly driven by the size and the structure of the economy, availability and quality of the business register and the response rate. The sample size for the face-to-face interviews depends on the number of affected companies and their willingness to participate.

Survey data analysis

The analysis of the survey data consists of constructing frequency and coverage statistics along several dimensions, including product and sector, NTMs and their main NTM categories (for example, technical measures, quantity control measures), and various characteristics of the surveyed companies (for example, size and degree of foreign ownership).

The frequency and coverage statistics are based on 'cases'. A case is the most disaggregated data unit of the NTM Survey. By construction, each company participating in a face-to-face interview reports at least one case of burdensome NTMs, and, if relevant, related POs and problems with the trade-related business environment.

Each case of each company consists of one NTM (a government-mandated regulation, for example a sanitary and phytosanitary certificate), one product affected by this NTM, and partner country applying the reported NTM. For example, if there are three products affected by the same NTM applied by the same partner country and reported by one company, the results would include three cases. If two different companies report the same problem, it would be counted as two cases.

The scenario where several partner countries apply the same type of measure is recorded as several cases. The details of each case (e.g. the name of the government regulations and its strictness) can vary, as regulations mandated by different countries are likely to differ. However, if the home country of the interviewed companies applies an NTM to a product exported by a company to several countries, the scenario will be recorded as a single NTM case. When an interviewed company both exports and imports, and reports cases related to both activities, it is included in the analysis twice – once for the analysis of exports and once for the analysis of imports. The distinction is summarized in the Table below.

³⁴The sample size depends on the number of exporting companies per sector and on the assumptions regarding the share of exporting companies that are affected by NTMs in the actual population of this sector. The calculation of a sample size will be based on the equation below (developed by Cochran, 1963) to yield a representative sample for proportions in large populations (based on the assumption of normal distribution).

$$n_o = \frac{t^2 * p(1-p)}{d^2}$$

Where

n_o : Sample size for large populations

t : t-value for selected margin of error (d). In the case of the NTM Survey 95% confidence interval is accepted, so t-value is 1.96.

p : The estimated proportion of an attribute that is present in the population. In the case of the NTM Survey, it is a proportion of companies that experience burdensome NTMs. As this proportion is not known prior to the survey, the most conservative estimate leading to a large sample size is employed, that is $p=0.5$.

d : Acceptable margin of error for the proportion being estimated. In other words, a margin of error that the researcher is willing to accept. In the case of NTM Survey $d=0.1$.

Source: Cochran, W. G. 1963. *Sampling Techniques*, 2nd Ed., New York: John Wiley and Sons, Inc.

Dimensions of an NTM case

Dimensions	Country applying	
	Home country (where survey is conducted)	Partner countries (where goods are exported to or imported from) and transit countries
Reporting company	X	X
Affected product (HS 6-digit code or national tariff line)	X	X
Applied NTM (measure-level code from the NTM classification)	X	X
Trade flow (export or import)	X	X
Partner country applying the measure		X

Cases of POs and problems with the business environment are counted in the same way as NTM cases. The statistics are provided separately from NTMs, even though in certain instances they are closely related. For example, delays can be caused by the pre-shipment inspection requirements. As many of the POs and problems with the business environment are not product specific, the statistics are constructed along two dimensions: type of obstacles and country where they occur, as well as agencies involved.

Enhancing local capacities

The NTM Surveys enhance national capacities by transmitting skills and knowledge to a local partner company. ITC does not implement the NTM Surveys, but guides and supports the local survey company and experts.

Before the start of the NTM Survey, the local partner company, including project managers and interviewers are fully trained on the different aspects of the NTMs, the international NTM classification and the ITC NTM Survey methodology. ITC representatives stay in the country for the launch of the survey and initial interviews, and remain in contact with the local partner during the entire duration of the survey, usually around six months, to ensure a high quality of survey implementation. ITC experts closely follow the work of the partner company and provide regular feedback on the quality of the captured data (including classification of NTMs) and the general development of the survey, which helps the local partner to overcome any possible problems.

ITC also helps to construct a business register (list of exporting and importing companies with contact details), which remains at the disposal of the survey company and national stakeholders. The business register is a critical part of any company-level survey, but unfortunately it is often unavailable, even in the advanced developing countries.

ITC invests much time, effort and resources into constructing a national business register of exporting and importing companies. The initial information is obtained with the help of national authorities and other stakeholders (for example, sectoral associations). In cases where it is not available from government sources or a sectoral association, ITC purchases information from third companies, and in certain cases digitalizes it from paper sources. The information from various sources is then processed and merged into a comprehensive list of exporting and importing companies.

Upon completion of the NTM Survey, the local partner company is fully capable of independently implementing a follow-up survey or other company-level surveys as it is equipped with the business register and trained on the survey methodology as well as trade and NTM-related issues.

Caveats

The utmost effort is made to ensure the representativeness and the high quality of the NTM Survey results, yet several caveats must be kept in mind.

First, the NTM Surveys generate perception data, as the respondents are asked to report burdensome regulations representing a serious impediment to their exports or imports. The respondents may have different scales for judging what constitutes an impediment. The differences may further intensify when the results of the surveys are compared across countries, stemming from cultural, political, social, economic and linguistic differences. Some inconsistency may be possible among interviewers. For example, these are related to matching reported measures against the codes of the NTM classification due to the complex and idiosyncratic nature of NTMs.

Second, in many countries a systematic business register covering all sectors is not available or incomplete. As a result, it may be difficult to ensure random sampling within each sector and a sufficient rate of participation in smaller sectors. Whenever this is the case, the NTM Survey limitations are explicitly provided in the corresponding report.

Finally, certain NTM issues are not likely to be known by the exporting and importing companies. For example, exporters may not know the demand-side constraints behind the borders. An example is 'buy domestic' campaigns. The scope of the NTM Survey is limited to legally operating companies and does not include unrecorded trade, for example shuttle traders.

Following up on the ITC Non-Tariff Measure Survey

The findings of each ITC NTM Survey are presented and discussed at a stakeholder workshop. The workshop brings together government officials, experts, companies, donors, non-governmental organizations (NGOs) and academics. It fosters a dialogue on NTM issues and helps identify possible solutions to the problems experienced by exporting and importing companies.

The NTM Survey results serve as a diagnostic tool for identifying and solving predominant problems. These problems can be addressed at the national or international level. The NTM Survey findings can also serve as a basis for designing projects to address the challenges identified and for supporting fundraising activities.

Appendix II Non-tariff measures classification

Importing countries are very idiosyncratic in the ways they apply non-tariff measures (NTMs). This called for an international taxonomy of NTMs, which was prepared by the Multi-Agency Support Team (MAST), a group of technical experts from eight international organizations, including the Food and Agricultural Organization of the United Nations, the International Monetary Fund, ITC, the Organisation for Economic Co-operation and Development, the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization, the World Bank and WTO. It was finalized in November 2009 and updated in 2012. It is used to collect, classify, analyse and disseminate information on NTMs received from official sources such as government regulations. For the purpose of the large-scale company surveys on NTMs, ITC uses a simplified version of this international classification.

The NTM classification for surveys differentiates measures according to 16 chapters (denoted by alphabetical letters, see below), each comprising sub-chapters (denoted by two letters) and the individual measures (denoted by two letters and a number). The following sketches the content of each of the 16 chapters.

Chapter A, on technical regulations, refers to product-related requirements. They are legally binding and set by the importing country. They define the product characteristics, technical specifications of a product or the production process and post-production treatment and comprise the applicable administrative provisions, with which compliance is mandatory. Technical requirements include sanitary and phytosanitary measures, which are generally implemented to protect human, animal and plant life, and health.

Chapter B, on conformity assessment, refers to measures determining whether a product or a process complies with the technical requirements specified under Chapter A. Conformity assessments include control, inspection and approval procedures – such as testing, inspection, certification and traceability – which confirm and control that a product fulfils the technical requirements and mandatory standards imposed by the importing country, for example to safeguard the health and safety of consumers.

Chapter C, on pre-shipment inspection and other formalities, refers to the practice of checking, consigning, monitoring and controlling the shipment of goods before or at entry into the destination country.

Chapter D, on charges, taxes and other para-tariff measures, refers to measures other than tariffs that increase the cost of imports in a similar manner, i.e. by a fixed percentage or by a fixed amount. They are also known as para-tariff measures. Customs surcharges and general sales taxes are examples.

Chapter E, on licences, quotas, prohibitions and other quantity control measures, includes measures that restrain the quantity of goods that can be imported, regardless of whether they come from different sources or from one specific supplier. These measures can take the form of restrictive licensing, fixing of a predetermined quota or through prohibitions.

Chapter F, on finance measures, refers to measures that are intended to regulate the access to and cost of foreign exchange for imports and define the terms of payment. They may increase import costs in the same manner as tariff measures.

Chapter G, on price control measures, includes measures implemented to control the prices of imported articles in order to: support the domestic price of certain products when the import price of these goods is lower; establish the domestic price of certain products because of price fluctuation in domestic markets, or price instability in a foreign market; and counteract the damage resulting from the occurrence of 'unfair' foreign trade practices.

Chapter H, on anti-competitive measures, refers to measures that are intended to grant exclusive or special preferences or privileges to one or more limited groups of economic operators.

Chapter I, on trade-related investment measures, refers to measures that restrict investment by requesting local content, or requesting that investment be related to export to balance imports.

Chapter J, on distribution restrictions, refers to restrictive measures related to the internal distribution of imported products.

Chapter K, on restrictions on post-sales services, refers to measures restricting the provision of post-sales services in the importing country by producers of exported goods.

Chapter L, on subsidies, includes measures related to financial contributions by a government or government body to a production structure, be it a particular industry or company, such as direct or potential transfer of funds (e.g. grants, loans, equity infusions), payments to a funding mechanism and income or price support.

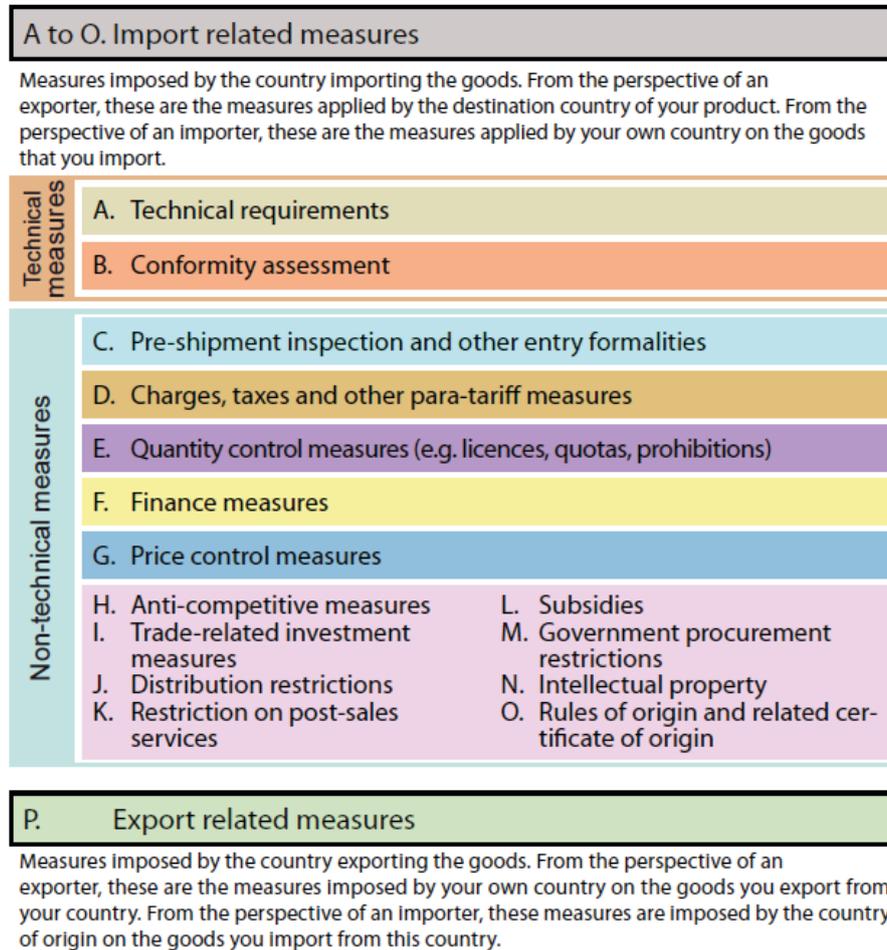
Chapter M, on government procurement restrictions, refers to measures controlling the purchase of goods by government agencies, generally by preferring national providers.

Chapter N, on intellectual property, refers to measures related to intellectual property rights in trade. Intellectual property legislation covers patents, trademarks, industrial designs, layout designs of integrated circuits, copyright, geographical indications and trade secrets.

Chapter O, on rules of origin, covers laws, regulations and administrative determinations of general application applied by the governments of importing countries to determine the country of origin of goods.

Chapter P, on export-related measures, encompasses all measures that countries apply to their exports. It includes export taxes, export quotas or export prohibitions, among others.

The structure of the NTM classification for ITC surveys



Source: International Trade Centre, NTM classification adapted for ITC surveys, January 2012 (unpublished document).

Appendix III Procedural obstacles

Following is a list of POs related to compliance with non-tariff measures and to an inefficient trade-related business environment and infrastructure.

A	Administrative burdens related to regulations	<p>A1. Large number of different documents</p> <p>A2. Documentation is difficult to fill out</p> <p>A3. Difficulties with translation of documents from or into other languages</p> <p>A4. Numerous administrative windows/organizations involved, redundant documents</p>
B	Information/transparency issues	<p>B1. Information on selected regulation is not adequately published and disseminated</p> <p>B2. No due notice for changes in selected regulation and related procedures</p> <p>B3. Selected regulation changes frequently</p> <p>B4. Requirements and processes differ from information published</p>
C	Discriminating behaviour of officials	<p>C1. Arbitrary behaviour of officials regarding classification and valuation of the reported product</p> <p>C2. Arbitrary behaviour of officials with regards to the reported regulation</p>
D	Time constraints	<p>D1. Delay related to reported regulation</p> <p>D2. Deadlines set for completion of requirements are too short</p>
E	Informal or unusually high payment	<p>E1. Unusually high fees and charges for reported certificate/regulation</p> <p>E2. Informal payment, e.g. bribes for reported certificate/regulation</p>
F	Lack of sector-specific facilities	<p>F1. Limited/inappropriate facilities for testing</p> <p>F2. Limited/inappropriate facilities for sector-specific transport and storage, e.g. cold storage, refrigerated trucks</p> <p>F3. Other limited/inappropriate facilities, related to reported certificate/regulation</p>
G	Lack of recognition/accreditations	<p>G1. Facilities lacking international accreditation/recognition</p> <p>G2. Other problems with international recognition, e.g. lack of recognition of national certificates</p>
H	Other	<p>H1. Other procedural obstacles, please specify</p>

Appendix IV Stakeholder meeting agenda

14.12.2016, BISHKEK, KYRGYZSTAN

NATIONAL STAKEHOLDERS MEETING / ROUNDTABLE ON NON-TARIFF MEASURES

- 09:00** **Registration and Tea / Coffee**
- 09:30** **Opening remarks**
- Mr. Bakkeldy Tyumenbaev , Deputy Minister, Ministry of Economy (MoE)
 - Ms Indira Kadyrkanova, Trade Promotion Manager in Kyrgyzstan , International Trade Centre (ITC)
- Session 1** **Background and overview of results**
- Session chairman: Mr Askat Bekov, Head of Customs Policy and Non Tariff Regulation, Ministry of Economy
- 09:45** **Overview on ITC Project on Non-Tariff Measures (NTMs) and implementation of survey in Kyrgyzstan**
- Mr Samidh Shrestha, Market Analyst, ITC
- 10:15** **General results of the survey: companies' perception of NTMs**
- Mr Samidh Shrestha, Market Analyst, ITC
- Floor Discussions**
- Moderated Mr Askat Bekov, Head of Customs Policy and Non-Tariff Regulation , Ministry of Economy
- 11:00** **Perception of Exporters from the Agricultural Sector**
- Ms Madina Kukenova, Consultant, ITC
- Discussants**
- Ms Dilara Alimzhanova, Association of fruits and vegetables producers
 - Mr Yrysbek Abdurasulov, Association of meat producing and meet processing enterprises
 - Mr Kalysbek Zhumakanov State Inspectorate on Sanitary, Veterinary and Phytosanitary Safety
- Floor Discussions**
- Summary by Mr Askat Bekov (Head of Customs Policy and Non Tariff Regulation , Ministry of Economy)
- 12:00** **Lunch**
- 13:00** **Perception of Exporters from the Manufacturing Sector**
- Ms Madina Kukenova, Consultant, ITC
- Discussants**
- Ms Fatima Sadamkulova, Head of light Industry dpt, State Agency of Industry, Energy and Subsoil Use
 - Mr Farhad Tologonov Association of Light Industry Enterprises of Kyrgyzstan
 - Mr Erkin Sooronoev, Bishkek Centre for Testing, Certification and Metrology or Centre for Standardization and Metrology (CSM)
- Floor Discussions**
- Mr Askat Bekov, Head of Customs Policy and Non Tariff Regulation , Ministry of Economy
- 14:00** **Overcoming challenges related to NTMs in Kyrgyzstan and final recommendations**
- Speakers:**
- Ministry of Economy
 - Mr Nurlan Musuraliev, Chamber of Commerce and Industry
 - Mr Kylychbek Djakypov, Representative: National Export strategy of Kyrgyzstan
- 15:00** **Concluding Remarks and Closing**
- Mr Samidh Shrestha, Market Analyst, ITC
 - Mr Askat Bekov, Head of Customs Policy and Non-Tariff Regulation , Ministry of Economy Ministry of Economy

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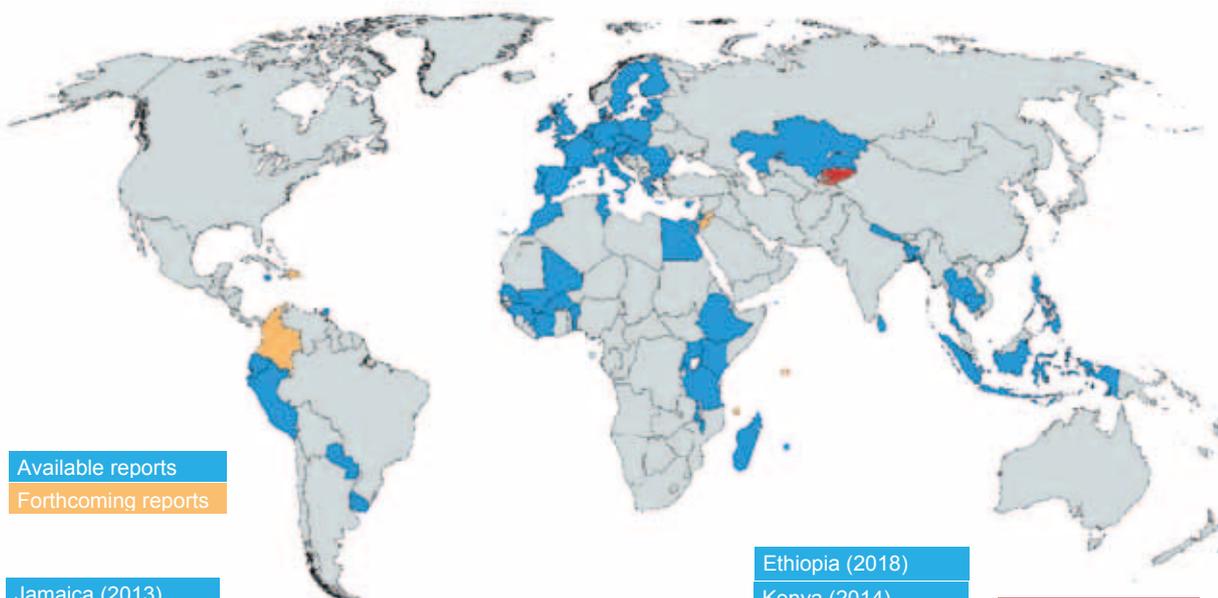
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