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# Logistics Processes and Motorways of the Sea II

## Country Profile

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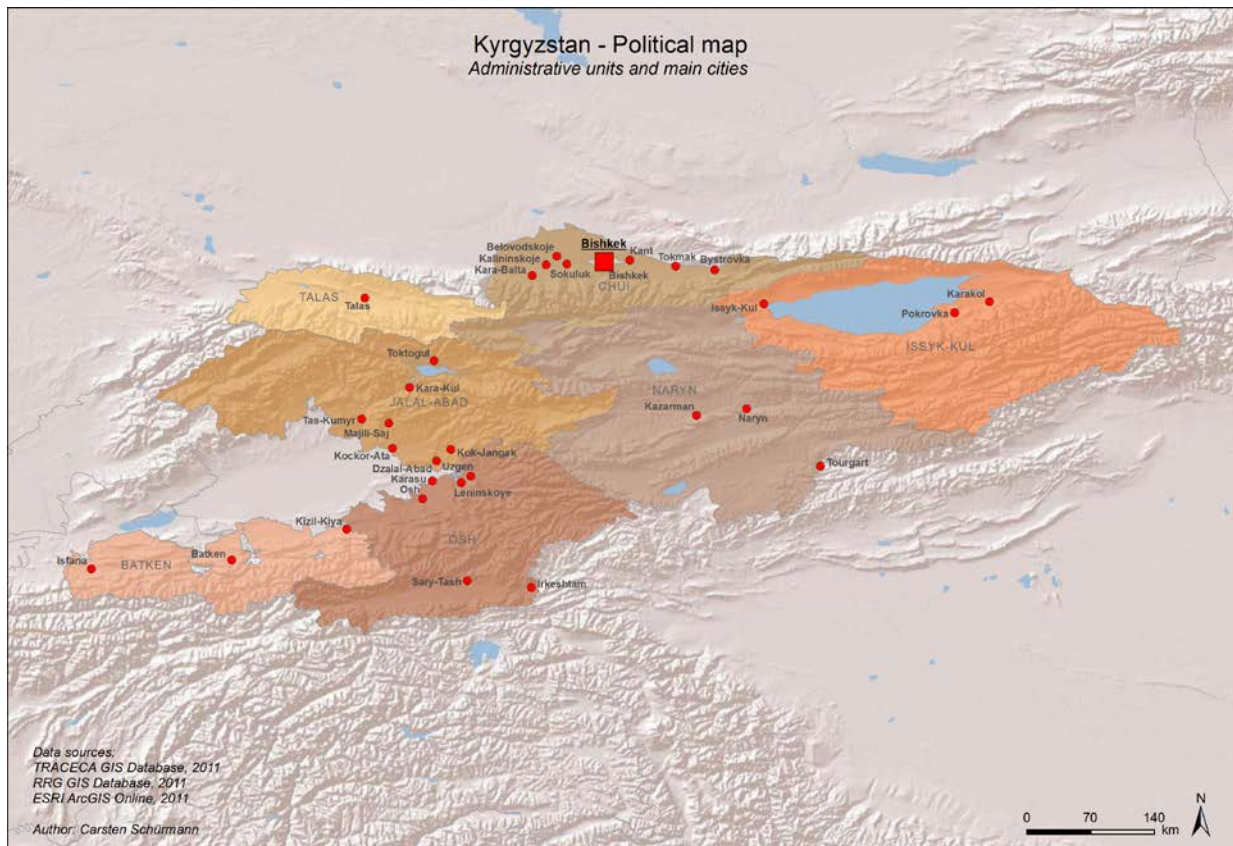
## LIST OF ABBREVIATIONS

ADB	Asian Development Bank
CAREC	Central Asia Regional Economic Cooperation
CIS	Commonwealth of Independent States
DCS	Department of Customs Service
DTS	Department of Tax Service
ECO	Economic Cooperation Organisation
EDI	Electronic Data Interchange
EurAsEC	Eurasian Economic Community
FTA	Free Trade Agreement
IFI	International Financing Institution
ILC	International Logistics Centre
LOGMOS	Logistic Processes and Motorways of the Sea
MOS	Motorways of the Sea
OSJD	Organisation for Cooperation of Railways
SCO	Shangai Cooperation Organisation
SWS	Single Window System
TRACECA	Transport Corridor Europe Caucasus Asia
UN	United Nations
UNECE	United Nations Economic Commission for Europe
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
USAID	United States Agency for International Development
USD	United States Dollar
WB	World Bank
WTO	World Trade Organisation





Figure 1: General Map of Kyrgyzstan



Source: TRACECA (2011)



## 1 INTRODUCTION

The Republic of Kyrgyzstan is situated on the Eastern part of Central Asia, bordering Kazakhstan to the North, Uzbekistan to the West, Tajikistan to the South and the People's Republic of China to the East. As a landlocked country, Kyrgyzstan relies on international roads and railways to ensure access to major economical markets and routes. As its southern neighbour Tajikistan, Kyrgyzstan is a mountainous country; therefore a special attention is given to road infrastructures and its development by the State.

### TRACECA Framework

Kyrgyzstan has been an active member of TRACECA since the Brussels Conference in May 1993 which gave birth to the TRACECA program

The ten direct beneficiary countries under review by LOGMOS Project share a globally common legal and regulatory background for the transport sector, but also have different laws and rules resulting from different contexts and policies.

International Conventions and regional or bilateral agreements are completing the framework, and there are expected moves at both national and regional (TRACECA and other groups) levels.

The approach of legal issues related to the LOGMOS Project is focusing on the transport laws and regulations as well as on the afore-mentioned national, international, regional and bilateral conventions and agreements which have a direct or indirect impact on surface transport modes with a priority for maritime and intermodal transport<sup>1</sup>.

The TRACECA program started in 1993 as one of the components of the intergovernmental TACIS program. The active participation of Kyrgyzstan started in September 1998, when it signed without any restriction the Multilateral Agreement (MLA) on the development of the transport corridor Europe – Caucasus – Asia which was also signed by Azerbaijan, Armenia, Bulgaria, Georgia, Kazakhstan, Moldova, Romania, Tajikistan, Turkey, Ukraine and Uzbekistan.

After the Intergovernmental Committee and Permanent Secretariat of TRACECA were established in 2000, Kyrgyzstan set up a TRACECA National Commission headed by a National Secretary.

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<sup>1</sup> The Annex 3, Introduction to Legal Case Study of the Progress Report 2, analyzed by the LOGMOS project, can be downloaded here: [Progress Report 2, Annex 3 - Introduction to Legal Case Study](#).



## 2 NATIONAL TRANSPORT POLICY

The national transport policy of Kyrgyzstan is at an inception phase. A paper for Road transport development strategy 2011 – 2015 has been drafted but not validated yet.

Up to 2011, several national programs were relevant for the transport sector:

- Development Strategy of the country (2009-2011)
- Development program for road and water transport for 2009-2011.
- Transport and Communication sector development program (2009-2011)
- Strategy of the road subsector development for 2007-2010.

The two major objectives in the road sector development in Development Strategy of the country (2009-2011) were:

- Strengthening of the transit potential of the country;
- Expansion of access to local markets, employment opportunities and social services.

For achievement of the set objectives, a need to perform the following tasks was felt:

- Rehabilitation of six roads and construction of the railway making the international transport corridors:
  - Osh -Sarytash – Irkeshtam (road stretch of 258 km);
  - Suusamyр – Talas – Taraz (road stretch of 199 km);
  - Bishkek – Naryn – Torugart (road stretch of 539 km);
  - Sarytash – Karamyk (road stretch of 136 km);
  - Osh – Batken – Isfana (road stretch of 385 km);
  - Karakol – Tyup – Kegen (road stretch of 76 km);
  - China – Kyrgyzstan – Uzbekistan railway.
- Maintenance and improvement of the internal hard-surface road network;
- Provision of transport independence of the country;
- Replacement of the outdated aeronavigation equipment.

Measures regarding transport policy aspects were also considered. Carrying out the contemplated tasks calls for the introduction of new public-private partnership arrangements, a legislation on toll roads highways and a new concept of the Road Funding operations.

The new road network management system should provide for and application of an uniform approach based on delineation of the policymaking role of the Ministry of Transport and Communications from road facilities management functions through institutional changes and corporatization of road enterprises.

At the regional and international level, the territory of the Republic of Kyrgyzstan defines its transport policy in accordance with the programs it takes part in such as TRACECA or CAREC within which regional activities of passenger and freight transport are coordinated. Kyrgyzstan is crossed by CAREC international corridors I, II, III, V. The countries involved in CAREC, worked out an action plan to remove obstacles for the development of trade and transport links between



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them. The Kyrgyz Republic is an active participant in this program, and intends to implement the CAREC initiating regulatory reform, in parallel to the preservation and improvement of the areas of regional road infrastructure in the country.





### 3 LEGAL ENVIRONMENT IN THE FIELD OF TRANSPORT

The legal environment in the field of transport is being developed and constantly improved since the Republic of Kyrgyzstan gained independence. Today the main legal act which regulates transport is the law on transport adopted on August 8<sup>th</sup> 1998 and amended several times ever since (August, 1<sup>st</sup> 2003, February 7<sup>th</sup> 2005, February 6<sup>th</sup> 2006, July 15<sup>th</sup> 2006 and July 15<sup>th</sup> 2006).

Others main instruments in the sector of Transport are:

- The law on Roads of 01.06.1998
- The law on Road Traffic in the Kyrgyz Republic, of 20.04.1998
- The law on Railway transport of 09.08.1998
- The law on Public-Private Partnership of 12.01.2012 (ratified with modifications but did not entered into force yet)
- The Customs Code of 12.07.2004
- The Development Strategy of the Customs Service for 2011-2013 of 03.01.2011
- The law on Automobile Transport (new draft law brought to examination to the Parliament in June 2012)

At the international level, Kyrgyzstan is participating in the following organisations:

- Transport Ministers meeting of CIS countries. The objective of the Transport Co-ordination Meeting (KTS) is to eliminate all barriers in the field of transportation (including those for Kyrgyz carriers) within the CIS.
- TRACECA
- Organization for cooperation of railways (OSJD)
- Organization of economic cooperation (ECO)
- Shanghai Cooperation Organization (SCO)
- Transport policy council of the Eurasian Economic Community (EurAsEC)
- Intergovernmental road council
- CAREC Programme of the Asian Development Bank (ADB)
- Intergovernmental Road Developers Council (MSD).

The Republic of Kyrgyzstan signed the following UNECE Conventions:

- Customs Convention on Containers
- Convention on Road Traffic
- Convention on Road Signs and Signals
- Convention for the international carriage of passengers and luggage by road
- IRU Convention

The Republic of Kyrgyzstan has also established bilateral (see Table 1 below) and multilateral (see Table 2) with LOGMOS beneficiary countries in road, rail and maritime transport, and has also developed a strong cooperation in the Customs field.





**Table 1: Bilateral Agreements with LOGMOS Beneficiary Countries**

Countries	Transport issues				Customs
	Maritime	Road	Railway	General	
<b>Armenia</b>		On international road transport 21.04.1997			On cooperation and custom documentation and custom guarantees mutual acceptance 14.02.1996
<b>Azerbaijan</b>				On general principles cooperation in the field of transport 23.02.1993	On cooperation and mutual assistance in customs issues 03.02.2004
<b>Bulgaria</b>					
<b>Georgia</b>		On international road transport 04.1997			
<b>Kazakhstan</b>		On international road transport 26.10.1993 On transit carriage of goods by road via the territory of Kazakhstan 26.03.2004	On peculiarities of legal regulations of activities of enterprises, institutions and organizations in the railway sector 08.04.1997 On tariffs policy regulation in the sector of railway transport 07.08.1997		On cooperation and mutual assistance in customs issues 04.04.2000
<b>Moldova</b>		On international road transport 10.06.1996			On cooperation on customs issues 10.06.1996
<b>Romania</b>					
<b>Tajikistan</b>		On international road transport			





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		12.07.1996 On transit of goods by road 22.07.2005			
<b>Turkey</b>		On international road transport 28.04.1992			
<b>Turkmenistan</b>		On international road transport 29.11.1995			
<b>Ukraine</b>		On international road transport 21.02.1993	--	On cooperation in the field of transport 23.02.1993	
<b>Uzbekistan</b>		On international road transport 04.09.1996			

**Table 2: Multilateral Agreements with LOGMOS Beneficiary Countries**

Signatory countries	Title of the agreement	Place and date of signature
Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan	On Principles of Cooperation and Terms of Relations in Transport Area	Bishkek, 23.04.1992
Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan	On Coordination of the Activity of Railway Transport	Bishkek, 23.04.1992



#### 4 NATIONAL POLICY AND LEGISLATION IN TRADE AND TRANSIT

The main regulatory body in trade and transit is the Customs Service under the Government of the Republic of Kyrgyzstan. The Customs Code of the Republic of Kyrgyzstan dates back from the 13<sup>th</sup> of April 2004. The revision of the previous code began in 2000 when the Parliament approved the Customs Reform and Modernisation Plan (2000-2004) and the creation of a special commission dedicated to this task. The birth of the new code was also possible thanks to the help of USAID and the consultation of the ADB.

The main objective pursued by the commission in the framework of the Customs Reform and Modernization Plan was to modify the organisational structure of the customs administration in order to improve the efficiency of operations and management and bring the legislation up to date. The Ministry of Finances was therefore reorganized and a Committee for Revenue was created. Its role comprised the supervision and the coordination of activities of the Department of Customs Service (DCS) and the Department of Tax Service (DTS), which respectively used to be the State Customs Incorporate and the State Tax Inspectorate.

In 2005, the Customs Service Department was transformed into the State Customs Inspectorate under the Government of the Kyrgyz Republic. In 2007, the State Customs Inspectorate under the Government of the Kyrgyz Republic was transformed into the State Customs Committee of the Kyrgyz Republic. Similarly, the State Tax Inspectorate was placed in 2005 under the direct subordination to the Government of the Kyrgyz Republic; in 2009, it was transformed into the State Tax Service under the Government of the Kyrgyz Republic.

The new Customs Code of the Kyrgyz Republic is mainly based upon economic methods of management. It is free from provisions of administrative and criminal law, and relies on modern international practices, such as:

- the audit-based control;
- the selective inspection methods;
- the customs clearance at facilities of the persons that move goods;
- the introduction of simplified customs clearance procedures;
- the performance of customs operations using information systems and information technologies.

The adoption of the new Customs Code has become an important argument in terms of meeting the recommendations of the World Customs Organization, because it relies in many aspects on the provisions of the updated wording of the Kyoto Convention (the International Convention on the Simplification and Harmonization of Customs Procedures).

In January 2011, the Government of the Kyrgyz Republic approved the Kyrgyz Republic Customs Service Development Strategy for Years 2011 to 2013, and the related Strategy Implementation Action Plan. The Strategy provides for supporting foreign trade and encouraging export-oriented sectors of the economy, including the reform and modernisation of the customs service.

The Action Plan provides for:

- the optimisation of customs procedures (the optimisation of functions and the identification of the responsibilities on the border);
- the optimisation of the customs infrastructure (the optimisation of the placement and equipment of checkpoints);
- the improvement of the structure of the customs service;



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- the prompt customs tariff regulation;
- the provision of high-quality human resources (setting up the succession pool matching the needs of the customs service).

At the international level, several legal frameworks in the field of trade and transit were developed:

- Kyrgyzstan is a member of the World Trade Organisation since 20.09.1998.
- It is included in the Common Action Plan led by the CAREC regional trade facilitation program which aims at harmonizing and simplifying customs procedures and documentation (data, information sharing, ICT development for customs operations), developing border posts and facilities, a regional intelligence system and capacity building for regional customs organisations.
- Kyrgyzstan is part of the Transit Framework Agreement under the Economic Cooperation Organisation (ECO). Its main purposes are:
  - to facilitate the movement of goods, luggage and passengers through the respective territories of the Contracting Parties and provide all necessary facilities for transit under the provisions of this Agreement.
  - to ensure the safety of goods, luggage and passengers and avoidance of unnecessary delays during the transit traffic through territories of Contracting Parties;
  - to cooperate and coordinate the efforts of the Contracting Parties to avoid the incidence of customs frauds and tax evasion and harmonizing necessary administrative affairs dealing with transit traffic.
- A Free Trade Agreement was also established on April 1999 together with Tajikistan and Uzbekistan. Trade between the three signatories was supposed to be realized without customs duties, taxes and quantitative restrictions. However, due to political reasons, the principles of this FTA are not respected with Uzbekistan.

The Asian Development Bank keeps supporting the reform and modernisation of the customs services of the Kyrgyz Republic and Tajikistan after having initiated the 2002 Regional Trade Promotion and Customs Co-ordination Programme (based on the ADB USD 25,000,000 grant). The project is focused on elaborating a single automated information system and developing the infrastructure of the customs checkpoints. In addition, the project participants implemented the regional customs service infrastructure upgrade and development programme on the basis of the additional support provided by the ADB (USD 18,200,000).

Kyrgyzstan applies the following trade regimes toward its trade partners:

- the free trade regime with the CIS member countries;
- the most-favoured nation regime with the WTO member states;
- the preferential regime with the least developed nations.

The basic package of legal and institutional documents that govern the trade regime of the country was adopted in 1998 on the WTO accession. Since 1998, Kyrgyzstan has been supporting the liberalisation of its foreign trade regime in line with its WTO commitments.

Before 1999, the import customs duties of 10% were applied to all the imported goods in the country. The customs tariff was differentiated after the WTO accession. It is applied in accordance with the assumed commitments. The average rate of the Kyrgyz Republic Customs Tariff for all the imported goods amounts to 4.84% of the customs value; the zero rates of



customs duties cover 42% of the entire customs tariff. This customs tariff applies to imports from non-CIS countries only.

It deserves a mention that the applicable customs tariff for the imported goods is much lower than those prescribed by the country's WTO commitments. For instance, the average rate of the duty on agricultural products under the WTO commitments should have been 12.2%, but the actual rate is 8.1%. The commitment rate for industrial goods is 6.5%, but the actual rate applied is 4.1%. The reason for this is that the manufacture of export products in Kyrgyzstan is heavily dependent on the imports of required raw materials and other materials not produced within the country, such as oil products, electrical machinery and equipment, plastics and products therefrom, rubber and products therefrom, ferrous metals, ground-based vehicles, pigments, paints, fertilisers, etc. These materials and raw materials account for about 68 to 70% of total imports. For this reason, the provisions are made every year for the duty-free importation of the industrial equipment and components, and raw materials required for the production within the country<sup>2</sup>, when developing the Customs Tariff for the purposes of the development of the domestic production.

Kyrgyzstan is preparing its accession to the Customs Union gathering the Russian Federation, the Republic of Kazakhstan and the Republic of Belarus, which will become the Eurasian Economic Union in the territory of which will be applied a free movement of good, capitals and labour.

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<sup>2</sup> Source: Ministry of Economy and Antimonopoly Policy of the Kyrgyz Republic ([www.mert.kg](http://www.mert.kg))



## 5 INVESTMENTS IN TRANSPORT AND LOGISTICS SECTOR IN KYRGYZSTAN

Investments in the transport sector in Kyrgyzstan come mainly from Asian IFIs such as the Asian Development Bank (ADB), the Islamic Development Bank or the Japan International Cooperation Agency (JICA).

**Table 3: IFI Supported Projects in Kyrgyzstan**

Title of project	Year of approval	Sub-sector	Total project cost	IFI funding
CAREC transport corridor I (Bishkek – Torugart). Project I, II, III	2011	Road	162.8 M \$	125 M \$ (ADB)
Project for improvement of the equipment for road maintenance in Issy-Kul and Chui Oblasts	2010	Road	974 M ¥	974 M ¥ (JICA)
National Road Rehabilitation (Osh – Batken – Isfana)	2009	Road	130 M \$	51 M \$ (WB), 35 M \$ (EBRD)
CAREC Regional Road Improvement Project (Kyrgyzstan component)	2007	Road	71.5 M \$	48.6 M \$ (ADB)
Southern Transport Corridor Road project (Osh – Sary Tash – Irkeshtam)	2004	Road	43.4 M \$	32.8 M \$ (ADB)
Third Road Rehabilitation Project (Bishkek-Osh)	2002	Road	57.1 M \$	45.9 M \$ (ADB), IsDB
Almaty – Bishkek Regional Road Rehabilitation Project	2000	Road	6.7 M \$	5 M \$ (ADB), 0.4 M \$ (TRACECA)



## 6 STRATEGIC CHALLENGES

### 6.1 Market Challenges

#### 6.1.1 National Trade: Exports and Imports

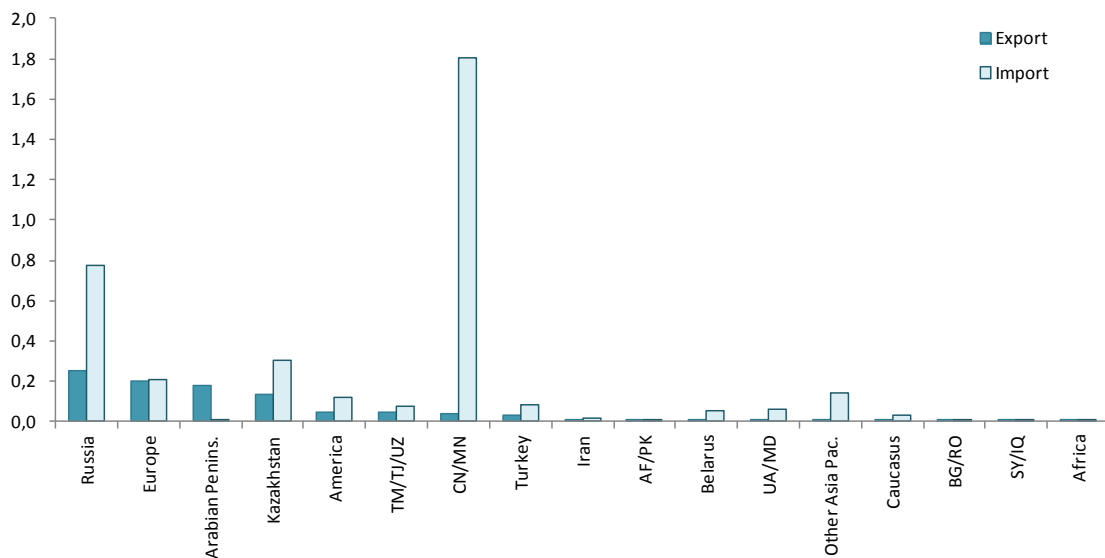
##### World Trade Partners

Kyrgyzstan is a landlocked country; therefore, its trade, quite naturally, is dominated by neighbouring (close neighbour) countries. Figures show that in 2010 Kyrgyzstan greatest trade share was occupied by China (especially, as far as imports concerned), Russia and Kazakhstan (above 70% of total trade). Trade with Europe, for instance, constituted up to 9% of total trade exchange; and trade with Caucasus, Turkey, West (Bulgaria and Romania) and North-West (Moldova, Ukraine) TRACECA did not exceed 6%.

According to UN Comtrade data, in 2010 the trade of Kyrgyzstan balanced negative at an equivalent of 2.7 bn euro, thereby making it a net importer country. As can be seen from Figure 2 and 3 below, the most considerable influx of goods to Kyrgyzstan originates from China (1.8 bn euro). These are mostly non-bulk commodities, which contribute to more than one third of total Kyrgyz trade. A second important partner for Kyrgyzstan is Russia (22% in total trade exchange) : in 2010 the total amount of goods imported from Russia equalled 0.77 bn euro more than 60% of imports being bulk commodities.

Kazakhstan is the third, in terms of trade value, partner for Kyrgyzstan (slightly above 9%); 40% of trade are non-bulk goods. The trade with Europe is of equal importance for Kyrgyzstan' non-bulk commodities representing 90% of this trade-flow.

Figure 2: Kyrgyzstan Trade Partners, 2010, bn euros



Source: Computation based on Eurostat and UN Comtrade databases

To sum up it must be stressed that:

- Kyrgyzstan is one of key trade attractors in TRACECA region, however, most of these goods are coming to Kyrgyzstan from non-TRACECA countries;

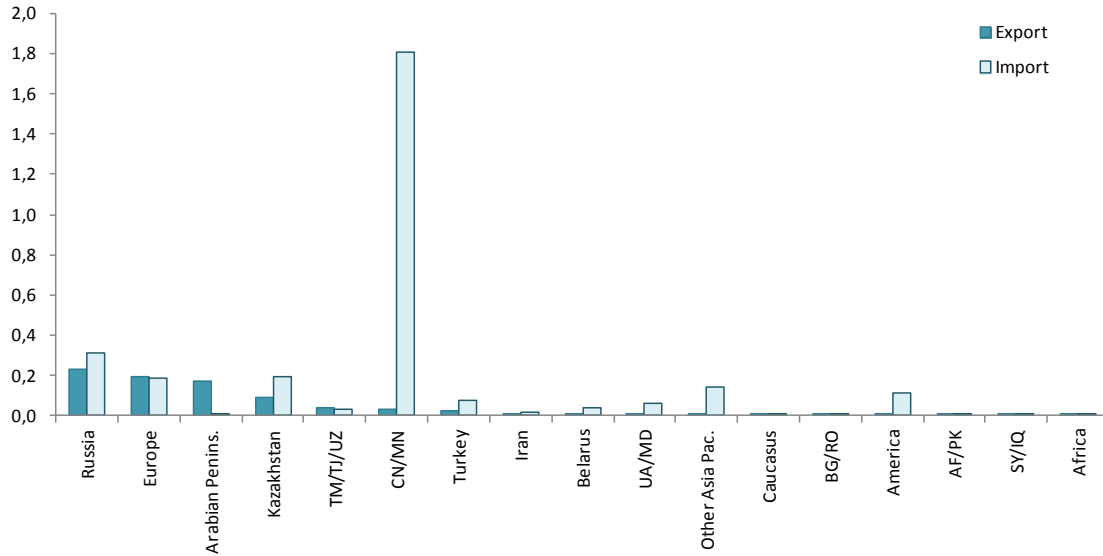




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- the main direct trade partners of Kyrgyzstan are China/Mongolia, Russia and Kazakhstan. This implies that most of the direct trade happens outside of the TRACECA corridor (e.g., along North-South corridor);
- a core direction for developing the potential trade of Kyrgyzstan along TRACECA could be its trade with Europe, Caucasus, Turkey, West and North-West TRACECA region. In 2010 this trade constituted 16% of the total trade exchange of Kyrgyzstan in non-bulk commodities.

**Figure 3: Kyrgyzstan Trade Partners, Potential Trade, 2010, bn euros**



Source: Computation based on Eurostat and UN Comtrade databases

To concentrate on potential trade of Kyrgyzstan with other TRACECA countries, it is necessary to mention that it is unbalanced (see Table 4 below). According to the estimates, the tonnage of imported goods to Kyrgyzstan exceeded that of exported goods more than 3 times. In 2010 the most considerable inflow of (completely and partially) containerizable goods to Kyrgyzstan was due to Kazakhstan (see Figure 4). This trade is, obviously, circulating along the North-South corridor. Therefore, keeping Kazakhstan aside of this analysis, one could easily notice that the trade of Kyrgyzstan in potentially containerizable goods with Europe, West TRACECA, Turkey, Caucasus and Central Asia (Turkmenistan, Uzbekistan and Tajikistan) could be balanced: in 2010, e.g., Kyrgyzstan imported from these countries 216.0 and exported 170.9 th tones.

**Table 4: Distribution of Kyrgyzstan Potential Trade Partners, 2010, % in trade value**

Zones	All products		Total all products	No min. fuel & ores		Total no min. fuel & ores
	Import	Export		Import	Export	
Afghanistan-Pakistan	1%	0%	0%	0%	0%	0%
Africa	0%	0%	0%	0%	0%	0%
America	5%	3%	4%	0%	4%	3%
Arabian Peninsula	19%	0%	4%	21%	0%	5%
Area Nes						
Belarus	1%	1%	1%	1%	1%	1%
Bulgaria-Romania	0%	0%	0%	0%	0%	0%
Caucasus	0%	1%	1%	0%	0%	0%
China-Mongolia	4%	49%	39%	4%	60%	48%





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Europe	21%	6%	9%	24%	6%	10%
Iran	1%	0%	1%	1%	1%	1%
Kazakhstan	14%	8%	9%	11%	6%	7%
Other Asia Pacific	0%	4%	3%	0%	5%	4%
Russia	26%	21%	22%	28%	10%	14%
Syria-Iraq	0%	0%	0%	0%	0%	0%
TJ-TM-UZ	5%	2%	3%	5%	1%	2%
Turkey	3%	2%	2%	3%	3%	3%
Ukraine-Moldova	1%	2%	1%	1%	2%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Computation based on Eurostat and UN Comtrade databases

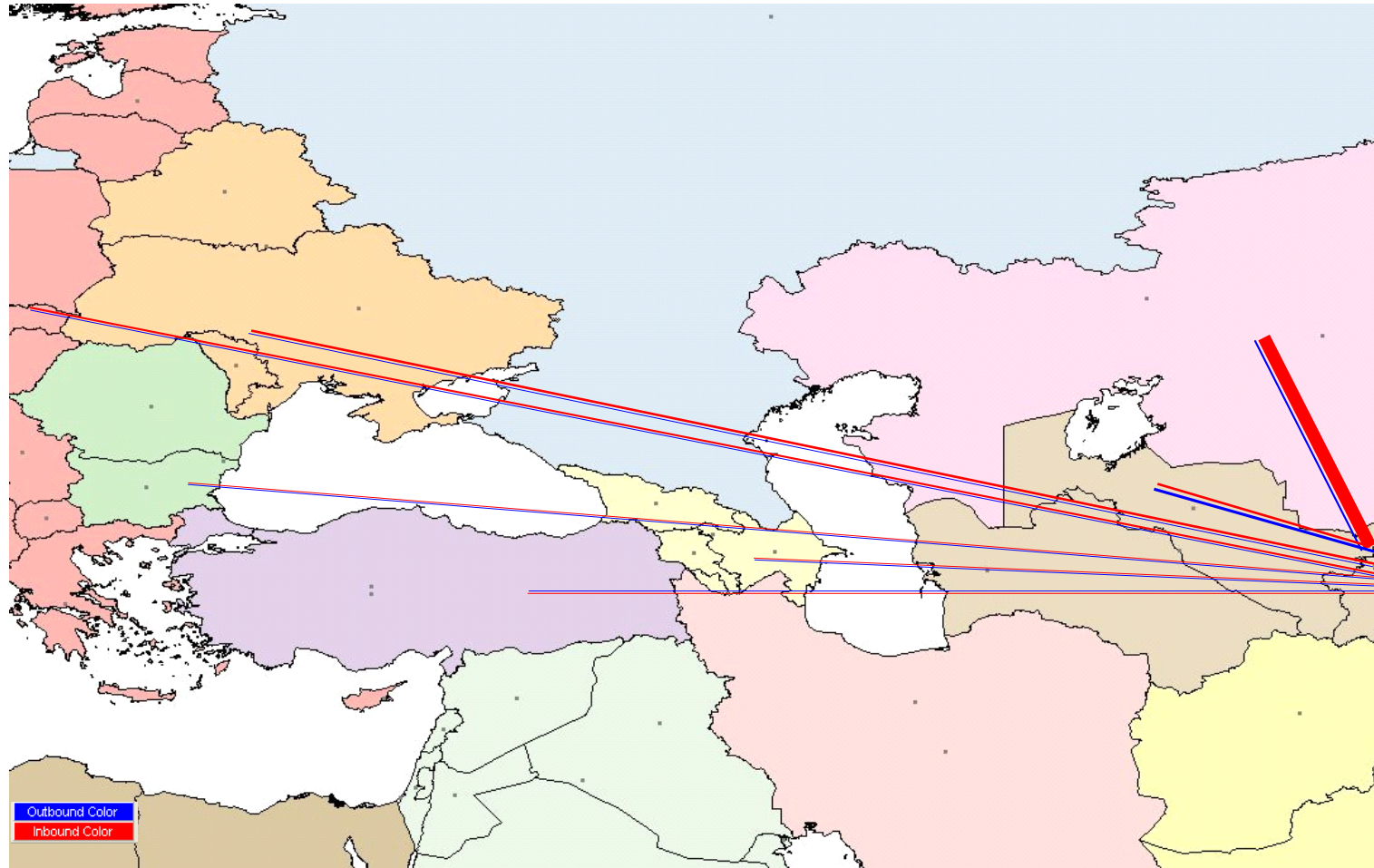
**Table 5: Kyrgyzstan Potential Trade with TRACECA Countries and Europe, 2010, in tons and %**

Zones	Tonnage		Share in trade with TRACECA countries and Europe	
	Export	Import	Export	Import
Bulgaria-Romania	6 012.1	901.8	2%	0%
Caucasus	2 930.5	5 939.7	1%	1%
Europe	12 142.8	76 713.3	5%	9%
Kazakhstan	87 611.9	528 820.6	33%	62%
TJ-TM-UZ	124 021.3	101 587.0	47%	12%
Turkey	25 745.8	30 934.0	10%	4%
Ukraine-Moldova	1 316.1	48 751.9	1%	6%
<b>Total</b>	<b>262 074.6</b>	<b>846 681.5</b>	<b>100%</b>	<b>100%</b>

Source: Computation based on Eurostat and UN Comtrade databases



Figure 4: Kyrgyzstan Potential Trade with TRACECA Countries and Europe, 2010, in tons



Source: Computation based on Eurostat and UN Comtrade databases



### 6.1.2 Regional TRACECA Trade

As already noticed, the external trade of Kyrgyzstan with TRACECA countries is considerably unbalanced. The same remark applies to the trade of Kyrgyzstan in (completely and partially) containerizable goods. For instance, in 2010 potential imports of Kyrgyzstan equalled 793.6 th tons (see Figure 5 and Table 6 below), including the following commodities:

- vegetable products (34%), namely cereals from Kazakhstan;
- mineral products (17%), from Kazakhstan and Central Asia;
- foodstuff, beverages, tobacco (13.5%), including beverages and spirits imported from Caucasus and sugar/confectionary products – from West and North-West TRACECA;
- chemical products (13.7%), mainly fertilizers from Central Asia.

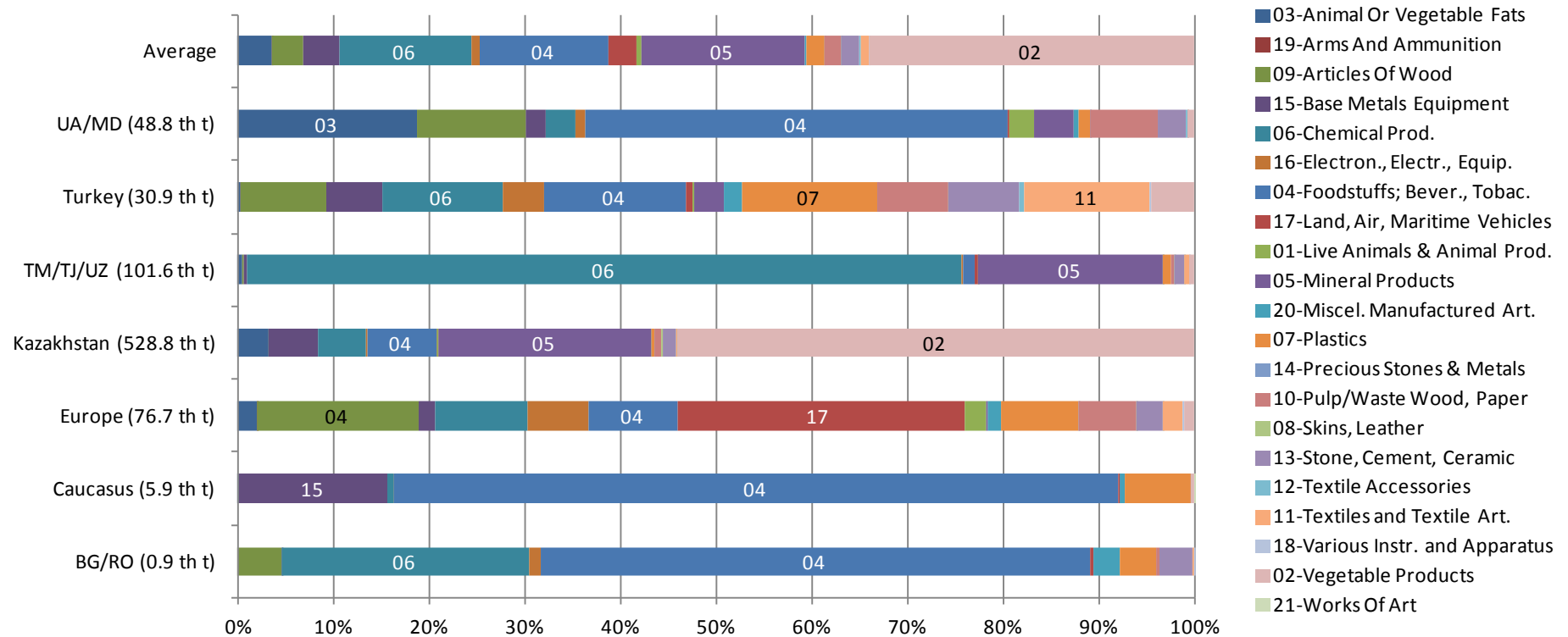
In 2010 total potential exports of Kyrgyzstan were estimated at 259.8 th tons (see Figure 5 and Table 7 below) and covered two principal categories of goods:

- mineral products (39%), including salt, sulphur, etc., which are mainly exported to Central Asia;
- vegetable products (28%), namely, roots and tubers, exported to a number of destinations across the Caspian (Caucasus, Turkey, Europe, Bulgaria and Romania, Moldova and Ukraine).



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Figure 5: Potential Trade with TRACECA Region – Commodity Structure of Imports to Kyrgyzstan, 2010, in tons and %



Source: Computation based on Eurostat and UN Comtrade databases



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**Table 6: Potential Trade with TRACECA Region – Commodity Structure of Imports to Kyrgyzstan, 2010, in tons**

Commodity Groups	Bulgaria-Romania	Caucasus	Europe	Kazakhstan	TJ-TM-UZ	Turkey	Ukraine-Moldova
Animal Or Vegetable Fats	n/a	6.5	1 551.0	16 636.2	423.5	99.6	9 142.4
Arms And Ammunition	n/a	n/a	0.2	n/a	n/a	6.7	n/a
Articles Of Wood	40.8	n/a	12 922.8	668.2	145.6	2 744.2	5 544.8
Base Metals Equipment	0.6	925.9	1 306.0	27 318.8	422.3	1 836.9	1 012.0
Chemical Prod.	232.9	34.6	7 452.6	26 370.2	75 919.8	3 856.3	1 506.8
Electron., Electr., Equip.	11.4	6.8	4 923.0	352.5	117.9	1 354.5	524.3
Foodstuffs; Bever., Tobac.	517.6	4 489.7	7 115.5	38 458.7	1 279.6	4 604.9	21 540.5
Land, Air, Maritime Vehicles	2.7	8.8	23 000.3	378.1	361.1	185.0	54.7
Live Animals & Animal Prod.	n/a	n/a	1 789.1	782.0	12.1	66.3	1 219.8
Mineral Products	n/a	2.1	143.7	117 642.6	19 541.8	974.4	2 012.4
Miscel. Manufactured Art.	26.1	33.9	1 005.3	35.0	26.1	565.8	307.0
Plastics	34.2	410.0	6 188.1	1 339.3	930.1	4 387.5	582.7
Precious Stones & Metals	n/a	n/a	0.2	0.1	n/a	8.0	0.0
Pulp/Waste Wood, Paper	3.3	0.1	4 631.1	4 472.0	212.2	2 268.2	3 431.5
Skins, Leather	n/a	n/a	6.5	103.1	7.7	22.4	n/a
Stone, Cement, Ceramic	30.9	0.0	2 108.7	8 059.8	1 072.1	2 306.8	1 469.2
Textile Accessories	n/a	0.0	90.2	13.1	45.2	128.9	10.5
Textiles and Textile Art.	1.2	0.1	1 465.7	161.8	441.0	4 088.3	72.7
Various Instr. and Apparatus	0.1	0.6	137.0	13.9	0.2	12.0	2.6
Vegetable Products	0.0	20.5	876.3	286 015.0	628.5	1 417.3	317.9
Works Of Art	n/a	0.0	n/a	n/a	n/a	n/a	n/a
<b>Total imports</b>	<b>901.8</b>	<b>5 939.7</b>	<b>76 713.3</b>	<b>528 820.6</b>	<b>101 587.0</b>	<b>30 934.0</b>	<b>48 751.9</b>

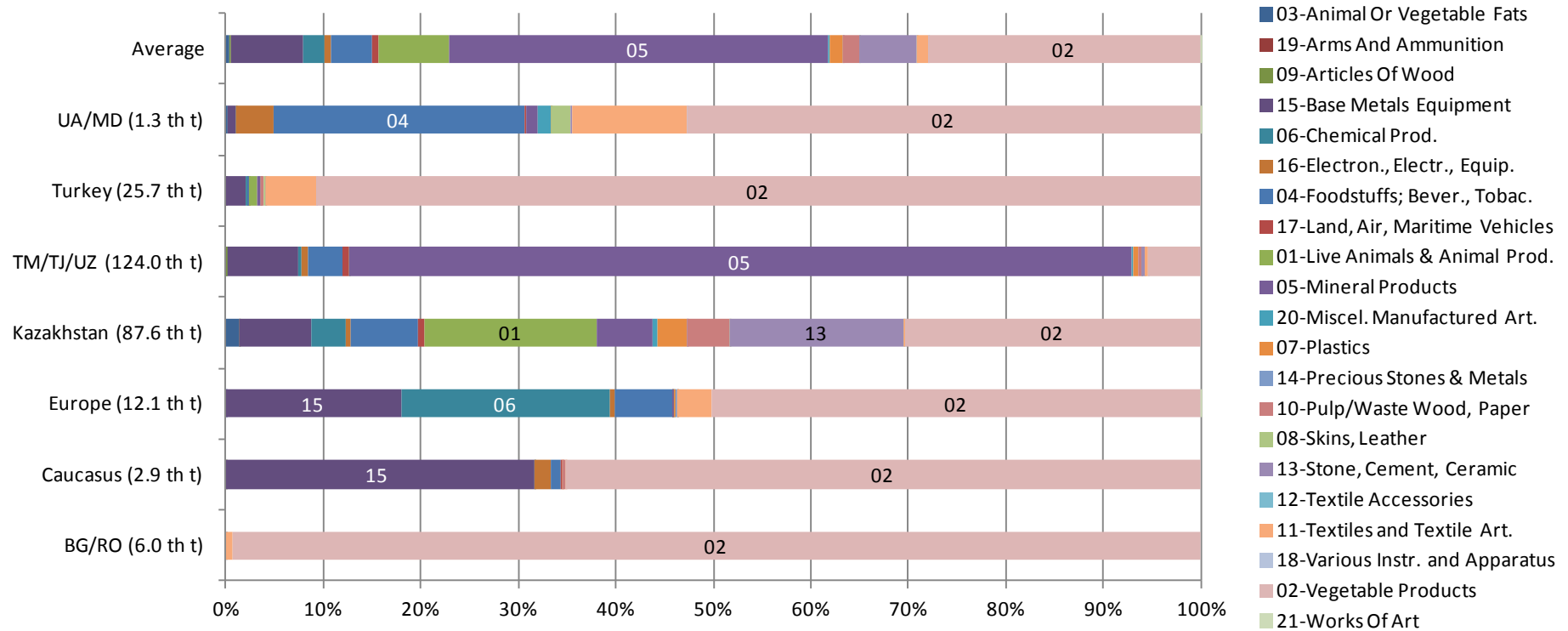
Source: Computation based on Eurostat and UN Comtrade databases





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Figure 6: Potential Trade with TRACECA Region – Commodity Structure of Exports from Kyrgyzstan, 2010, in tons and %



Source: Computation based on Eurostat and UN Comtrade databases



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**Table 7: Potential Trade with TRACECA Region – Commodity Structure of Exports from Kyrgyzstan, 2010, in tons**

Commodity Groups	Bulgaria-Romania	Caucasus	Europe	Kazakhstan	TJ-TM-UZ	Turkey	Ukraine-Moldova
Animal Or Vegetable Fats	n/a	n/a	0.3	1 175.7	0.2	n/a	3.1
Arms And Ammunition	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Articles Of Wood	n/a	0.9	n/a	90.5	170.9	19.3	n/a
Base Metals Equipment	n/a	925.3	2 192.1	6 508.5	9 149.3	518.2	11.4
Chemical Prod.	n/a	3.4	2 599.1	3 022.7	391.2	19.2	0.4
Electron., Electr., Equip.	0.0	47.8	60.7	482.4	757.3	17.8	50.1
Foodstuffs; Bever., Tobac.	0.1	27.8	708.1	6 000.5	4 303.7	29.3	338.4
Land, Air, Maritime Vehicles	n/a	6.4	2.7	630.5	865.9	10.0	3.0
Live Animals & Animal Prod.	n/a	n/a	0.4	15 485.5	51.3	207.5	n/a
Mineral Products	n/a	n/a	18.3	4 966.1	99 570.9	95.0	14.6
Miscel. Manufactured Art.	n/a	n/a	0.1	439.8	61.3	2.3	17.1
Plastics	n/a	0.9	19.2	2 575.0	789.2	12.0	0.2
Precious Stones & Metals	n/a	n/a	26.5	0.1	n/a	0.0	n/a
Pulp/Waste Wood, Paper	n/a	7.9	0.0	3 939.9	360.7	60.9	0.1
Skins, Leather	n/a	n/a	0.0	12.1	4.7	59.3	28.0
Stone, Cement, Ceramic	n/a	n/a	n/a	15 577.5	280.0	0.0	0.4
Textile Accessories	n/a	n/a	3.1	3.2	12.0	1.2	n/a
Textiles and Textile Art.	39.8	0.8	427.3	107.3	419.1	1 340.4	155.0
Various Instr. and Apparatus	0.0	n/a	0.0	1.1	5.3	0.0	0.4
Vegetable Products	5 972.2	1 909.4	6 084.5	26 593.6	6 828.1	23 353.3	693.8
Works Of Art	n/a	n/a	0.3	n/a	n/a	n/a	0.0
<b>Total exports</b>	<b>6 012.1</b>	<b>2 930.5</b>	<b>12 142.8</b>	<b>87 611.9</b>	<b>124 021.3</b>	<b>25 745.8</b>	<b>1 316.1</b>

Source: Computation based on Eurostat and UN Comtrade databases





On the basis of the above observations, it can be assumed that:

- the trade of Kyrgyzstan is closely linked to the neighbouring countries, e.g. China, Kazakhstan and Russia;
- Kyrgyzstan is a net importer – the majority of imported goods cover minerals and other bulk goods, which dominate mainly in trade with Kazakhstan, Russia and Central Asia;
- the trade with TRACECA countries, although yet modest (16% in trade value and 29% in tonnage), includes a considerable share of non-bulk goods, e.g. vegetables, beverages and food stuff;
- in addition to it, the TRACECA trade is quite well balanced in terms of eastbound and westbound flows in potentially containerizable goods, which is important for developing sustainable container transport services.

## 6.2 Intermodal Maritime Based Transport Challenges

LOGMOS aiming at developing seamless door-to-door intermodal services, all components of the transport chain may be considered as possible segments of LOGMOS projects, depending on their relevance for potential LOGMOS trade flows.

Port interfaces for operations, services, procedures etc. between land and sea are among the most critical points.

### 6.2.1 Port System and Maritime Links

Kyrgyzstan is a landlocked country. The development of the multimodal and intermodal transportation in the country is weak. The transportation potential of Kyrgyzstan and adjacent countries, especially as transit markets, is among key factors that will determine the region's success in increasing its importance and prominence. The region is ideally located on the crossroads of the European and Asian trunk railways with the access to the Persian Gulf via Iran, to the Indian Ocean via Afghanistan and Pakistan, and the rest of the Asia and Pacific Region via China. Kyrgyzstan can expect real benefits from the international transit potential, but the utilisation of this potential would require joint co-ordinated and long-term effort on the part of all countries in terms of expanding the existing networks of motor and rail roads, the construction of new logistics and transportation centres in key locations, and, afterwards, the development of efficient and improved transportation corridors.

Currently, there are no multimodal logistics centres in Kyrgyzstan, but there are plans to establish them. For instance, Kyrgyzstan authorities place high hopes into the establishment of a large **logistics centre on the basis of Manas Airport** to support the civil cargo traffic. The authorities intend to involve foreign investors into the project implementation due to its large scale and cost. The businesspeople from Russia, Turkey and the USA are preferred as investors. The centre is expected to service transit cargoes underway from China to Russia and Europe. Currently, a U.S. military base is operating within the airport area.

There are plans of the establishment of a **trade and logistics centre on Kyrgyzstan/Kazakhstan boundary**. Kyrgyzstan businesspeople are currently unable to fully meet the demand of the Kazakh and Russian consumers. Currently, the consumers demand a large quality of similar goods. They wish to buy them during longer periods of time. Agrarian businesspeople are unable to create inventories of such products, and are forced to bring them without prior arrangements at their own risk; in this case, the expenses at the Kazakhstani and Russian customs offices go up considerably. The new trade and logistics centre would make it possible to reduce the customs-related component of the cost of commodities, because the





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supplies will be made within the framework of the applicable contracts. The goods arriving into the region by rail in large batches will also become cheaper.

The price for goods is affected not only by customs expenses, but also by services offered by customs brokers as intermediaries. It is not a cheap service for businesspeople. The relevant contracts will have to be concluded with Kazakhstani or Russian companies in order to avoid additional expenses.

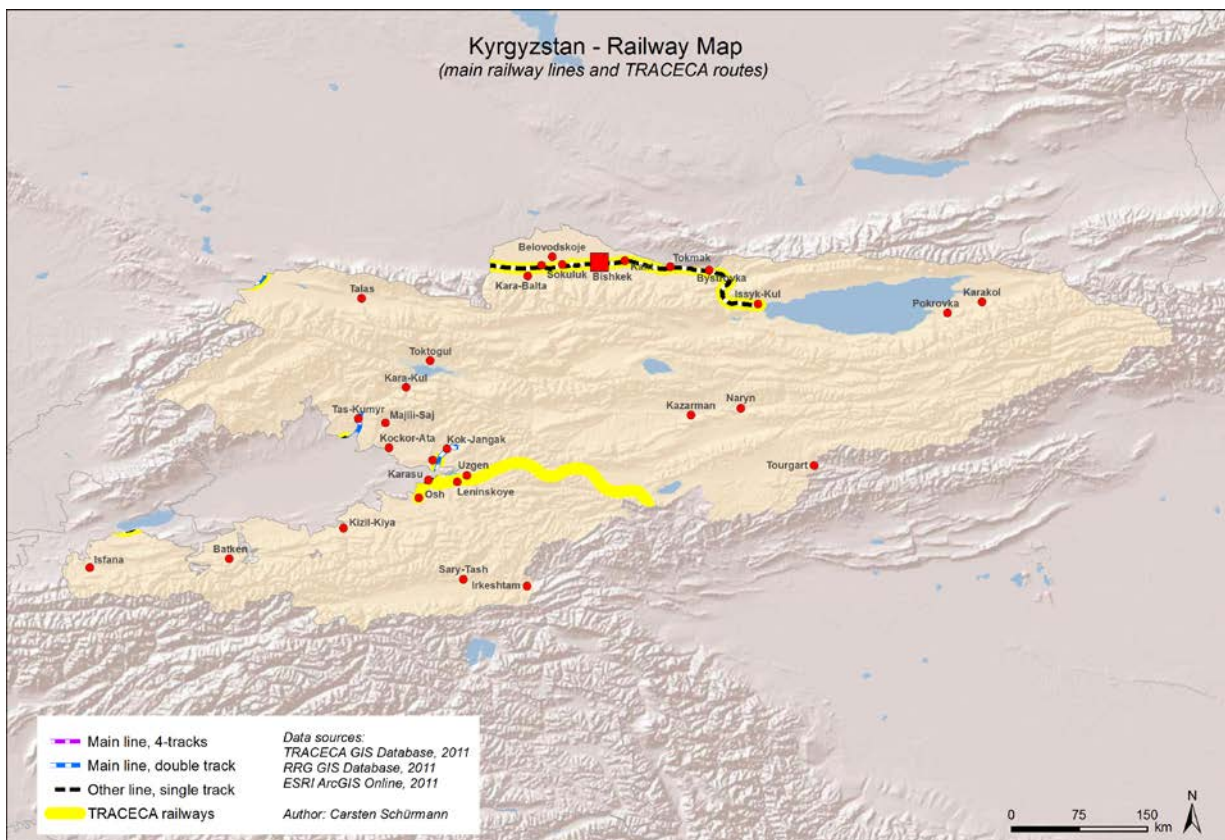
There is a large need to set up a **logistics centre in Osh**, the second-large city of Kyrgyzstan located in the fertile Fergana Valley near Uzbekistan and Tajikistan borders. According to the available information, the harvested vegetables and fruit are currently sold from hand to hand, so to say "from the wheels". As the produce ripens, its owners get in touch with owners of transportation companies and order the required number of lorries. About 30% of the harvested produce are wasted due to the lack of storage (refrigerated warehouses) of vegetables and fruit.

Subject to the sufficient political support, an LC (logistical centre) could support the agricultural exports in the entire Fergana Valley, including meat products, and influence changes in the trade structure in the region: the migration from the retail trade toward the wholesale operations. With a container terminal, the ILC could also service the Chinese and Turkish imports.

The objective of the project is to support international trade and foster the traffic of goods within the TRACECA corridor on the basis of the expansion of logistical opportunities, the interaction of networks and multimodal transportation facilities.

### 6.2.2 Inland Transport Mode: Railways

Figure 7: Kyrgyzstan Railway Map



Source: TRACECA (2011)





Kyrgyzstan does not possess a unified railway network but a series of dead-end lines inherited from the Soviet Union. The total length of the network is 425 km with Russian-style track gauge of 1 520 mm. Separate railway branches enable to connect regions of Kyrgyzstan with neighbouring countries Kazakhstan and Uzbekistan. The Northern line goes from Issyk-Kul to Kazakhstan passing through the Capital-city Bishkek whereas the two dead-end lines in the South-Western part of the country connect the large populated and industrial centres with the Fergana railway ring in Uzbekistan.

The unique railway operator is the National Company «Railways of Kyrgyzstan» (Kyrgyz Temir Zholy».

In 2009, 5% of the freight transport was ensured by train, which corresponds to 1.3 M tons of goods carried.

**Table 8: Features of Kyrgyzstan Railway Network**

<b>Total route length (km)</b>	<b>Gauge (mm)</b>
425	1,520
<b>Electrified lines (km)</b>	<b>Electrification system</b>
0	-

The structure of the Kyrgyzstan railway network and the absence of direct links with international market increases the costs of the country's exports. This is the reason why Kyrgyzstan is strongly determined to develop the railway infrastructure despite the fact that the country is, for its major part, a mountainous country.

The construction of the transcontinental railroad which would link China with Uzbekistan and further to Central Asia and the Persian Gulf, passes through Kyrgyzstan, crossing the cities of Torugart with exit to Balykchi, Kara-Suu and Andijan in Uzbekistan. This major project is part of the UNESCAP Asian Railway Network.

The diverse dead-end railways with the total length of 425 km that currently exist in Kyrgyzstan fail to meet the existing domestic transportation demand. Thus, developing the Southern Corridor of the Eurasian Transcontinental Trunk Railway that will pass Kyrgyzstan along its path from the Pacific ports to the Persian Gulf and the Mediterranean is the core issue of the further development of the country's railway network.

In addition, the successful implementation of this project will make it possible to connect the currently separated railways in the North and the South of the country along Balykchy - Kochkor - Kara Keche - Arpa - Kara Suu route. It will create an intra-state railway network offering reliable transportation links between all regions of the country.

In 2002, the Government of the PRC provided the Government of the Kyrgyz Republic with a CNY 20,000,000 technical grant for the development of the Preliminary Feasibility Study of the China-Kyrgyzstan-Uzbekistan Trunk Railway within the country.

The study developed by the First Design Survey Institute of the PRC's Ministry of Railways contained conclusions about the feasibility of the construction of the new trunk railway, its advantages in comparison with the existing transportation corridors, and a conclusion on the viability of the project, its technical and economic feasibility and environmental safety.

It was on the basis of this study that the Kyrgyz/Chinese expert group has reached final agreement on the route option, which is competitive in terms of almost all the technical and economic indicators.



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The route starts in the Chinese city of Kashgar, crosses the Kyrgyzstan / China state border near Torugart Pass and then proceeds via Tuzbel Pass, goes down via Arpa River valley, crosses Fergana Ridge in a long tunnel, goes south of the city of Uzgen, and finally reaches the border city of Kara-Suu.

The railway is 268.4 km long. It will be necessary to build 48 tunnels with the total length of 48.9 km. In addition, 95 bridges with the total length of 20.9 km will have to be built with the largest bridges to be built across the Kara-Darya (214 m), Kurshab (157 m) and Yassy (157 m) rivers.

The preliminary cost of the project amounts to USD 2 billion. The more accurate calculations and indicators will be determined in the course of the development of the full FS.

According to the latest forecasts, the cargo traffic on the railway could go up to 15,000,000 tonnes per year, while the number of passengers could go up to 250,000 people per year. The payback period is about 10 years, which is good enough for the large infrastructural projects<sup>3</sup> of this kind.

The issue of the gauge width of the future railroad has not been solved yet. An option is the building of a 70 to 80 km-long narrow gauge track from the Chinese border into Kyrgyzstan with a transshipment station for the bogie exchange to the broad Russian gauge of 1520 mm.

Other railway projects included:

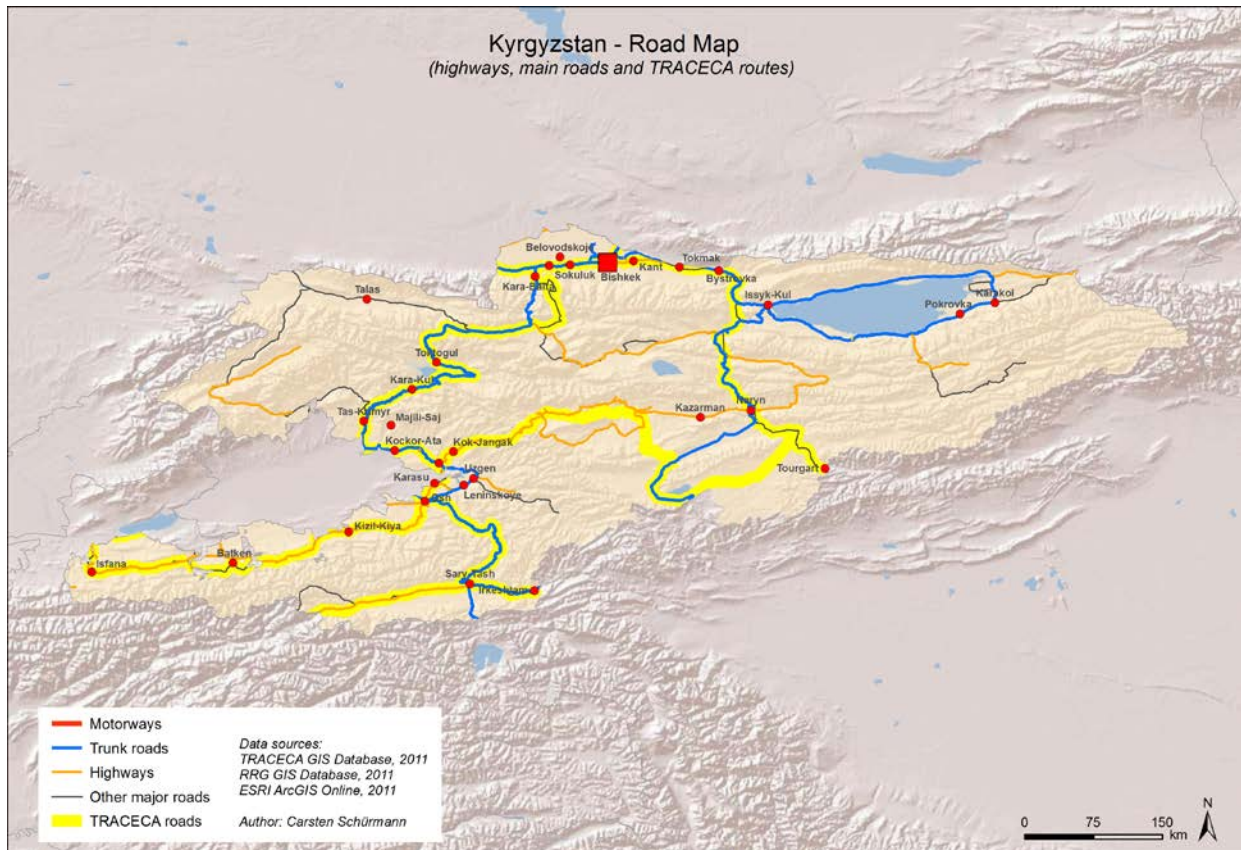
- Electrification of Bishkek - Balykchy railway (CAREC Programme, KYR IP 5 Project, programmed for 2015 - 2017).
- Electrification of Lugovaya - Bishkek railway section (programmed for 2011 – 2014). The country does not produce diesel fuel, but has a large hydraulic energy potential. For this reason, the issue of the conversion of railway sections to the electric traction is quite topical. The electrification of the above section will make it possible to not only tackle economic issues, but also substantially improve the environmental situation in the country.
- Railway rehabilitation project Balykchi - Chaldovar - Lugovaya), programmed for 2011 – 2014. (CAREC Programme, KYR IP 6 Project).

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<sup>3</sup> Source: Government of the Kyrgyz Republic ([www.gov.kg](http://www.gov.kg)).

### 6.2.3 Inland Transport Mode: Roads

Figure 8: Kyrgyzstan Road Map



Source: TRACECA (2011)

Road is the main transport mode in Kyrgyzstan. In 2009, out of 35.8 M tons transported, 34.5 M tons of freight were carried by road, representing thus a share of 95%. The total truck fleet comprised 52,000 trucks in 2011.

The road network of Kyrgyzstan is composed of 34,000 km of roads which include 18,810 km of public roads and 15,190 km of private-industrial - with restrictive access roads. Public roads are composed of:

- 4,163 km of international roads
- 5,678 km of republican roads
- 8969 km of local roads

38% of all roads are asphalt and black gravel pavement, 53% are gravel pavement and 9% are earth roads. The condition of roads is a major challenge for the development of the country. The maintenance of roads is the subject of the great majority of IFIs financed transport project in the country.

Two thirds of the 4,300 km of the country's roads surveyed in 2005 were in a poor condition. One fifth of the surveyed roads attained the stage of destruction, at which it is almost impossible to restore asphalt pavement.

There was stagnation in the country's road sector since it became independent and till year 2005. The road repairs were minor in terms of the scale due to the low financing; the quality of roads was deteriorating with every year. The manual labour started prevailing instead of the



mechanisms due to the complete wear and tear of the road construction equipment. The volume of the non-performed road repairs was going up every year. As a result, 200 km of solidly paved roads are lost every year.

Currently, 590 km out of 2,242 km (26.3%) of international transport corridors have been rehabilitated; the projects of the rehabilitation of Bishkek-Osh, Bishkek-Georgiyevka roads have been completed; the rehabilitation projects are ongoing on 382 km (17%) of roads, for which USD 120,700,000 were raised (including USD 85,400,000 as a loan and USD 35,300,000 as a grant).

Hardly any attention has been paid to the repair of the domestic network of motor roads providing access to the transport corridors and linking oblasts, cities and villages since the commencement of the rehabilitation in major international transport corridors. In 2006 - 2007, the midlife repairs were carried out on 1,300 km or 18% of the total length of the paved roads; the major repair was carried out at 45 km or 0.6%; 8 new bridges were built and 17 bridges underwent major repair; the major repair of Tiup - Kegen road was started<sup>4</sup>.

A number of restoration projects were completed and initiated over the several last years. The most important projects provide for the rehabilitation of Bishkek - Osh, Bishkek - Almaty, Osh - Sary-Tash - Irkeshtam (ongoing), Taraz - Talas - Suusamur (ongoing) roads. Furthermore, the following road sections were scheduled for the rehabilitation: Bishkek - Naryn - Torugart, Osh - Batken - Isfana. The issues with the development of the domestic transportation and communication in Kyrgyzstan exacerbated the trend toward the regionalisation into the North (with the domination of Bishkek) and the South (with the domination of Osh). The two regions are separated with sparsely populated mountainous terrain. The transportation issues are exacerbated by the country's dependence on the importation of 100% of its fuel and lubricants.

The priority for the Government of Kyrgyzstan is the integration of the national roads infrastructures into the regional and international network. Kyrgyzstan is crossed by

- CAREC corridors Ic, Ila, I Ib, IIIb and V
- 4 Asian Highways. (see Table 9)

More than 1,600 km out of 4,163 km of international roads are a part of the sub-regional transportation system of the Asian and European roads (ESCATO, TRACECA), and CIS interstate roads. While the international roads account for about 22% of the public roads, they handle more than 50% of the road traffic.

The international road transport started developing in the country since 1993. The Kyrgyz Republic International Road Carrier Association (KyrgyzASMAP) was established in 1999 and became a member of the International Road Transport Union (IRTU) in order to integrate Kyrgyz road carriers into the European transportation market and use advanced technologies of the customs and transportation clearance of the routes. The permission for KyrgyzASMAP to join the TIR system in November 2000 was the most important result of the interaction with the IRTU. The international traffic growth can be illustrated by the number of the issued TIR permits: from 425 in 2002 to 18,000 in 2011.

The following roads are the major international road (transit) corridors used by the Kyrgyz carriers:

- Bishkek - Zhalal-Abad - Osh;
- Bishkek - Naryn - Torugart - Kashgar;

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<sup>4</sup> Source: 2009—2011 Country Development Strategy.



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- Osh - Sary-Tash - Irkeshtam - Kashgar;
- Osh - Kok-Tala - Pulgon - Batken - Isfana;
- Bishkek - Taraz (Kazakhstan) - Shymkent (Kazakhstan) - Tashkent (Uzbekistan);
- Osh - Zhalal-Abad - Andizhan (Uzbekistan);
- Bishkek - Almaty (Kazakhstan) - Ust-Kamenogorsk (Kazakhstan) - Russia;
- Bishkek - Almaty (Kazakhstan) - Karaganda (Kazakhstan) - Astana (Kazakhstan) - Kostanay (Kazakhstan) - Russia;
- Bishkek - Korday (Kazakhstan) - Karaganda (Kazakhstan) - Astana (Kazakhstan) - Petropavlovsk (Kazakhstan) - Russia;
- Bishkek - Chimkent (Kazakhstan) - Kzyl-Orda (Kazakhstan) - Aktobe (Kazakhstan) - Russia.

The logistics sector of Kyrgyzstan is represented by a number of cargo forwarders, such as the Kyrgyz Republic Forwarders Association based in Bishkek. The forwarding and transportation companies in Kyrgyzstan are mainly represented by small carriers that mainly use old Soviet or imported second-hand lorries. They break down often; they are also problematic from the standpoint of safety and environmental impact.

**Table 9: Asian Highway Routes in Kyrgyzstan**

AH No.	Route	Kilometer
AH 5	Chaldovar – Georgievkaube	126
AH 61	Tourougart – Bishkek	539
AH 65	Sary-Tash – Komsomopabad	142
	Osh – Sari-Tash – Irkeshtam	262
AH 7	Kara-Balta –Osh	626

Source: UNESCAP, 2003, Asian Highway Handbook

**6.3 Trade and Transit Facilitation**

**6.3.1 General Presentation**

- **Procedures and formalities** are among the **main barriers** that are hampering the development of Motorways of the Sea:
  - several **border points** must be crossed, mostly in ports but also on land routes e.g. along the central land corridors: minimum 2 points in a single / one sea service, up to 5 points in inter-seas services linking western Black Sea Countries and Eastern Caspian Sea Countries, and possibly more in the case of longer multicountry transit and transshipments trades;
  - several physical mode transfers, handling movements and intermediate storage are taking place along the sea based transport chains: commonly 3 transfers and minimum 6 handling plus 2 storage in the case of a single sea leg, and several more handling operations in the inter-seas services



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- previous and ongoing experiences of Motorways of the Sea in other regions as well as the global worldwide transport system of containers have demonstrated that the resolution of difficulties in this field is an essential success factor.
- The procedural process in ports and at other border crossing point are **dominantly related to Trade Laws and Regulations**, but actors of the transport and transit chain are responsible for their fulfilment. A significant part of their activities is to deal with these complex issues and they are drawing the corresponding revenues out of their capacities.  
Relationships between institutions on one side, - Customs first, but also other Ministries and inspection bodies - operators and users on the other side, are affected by these functions which are mixing with the physical transit and transport operations.
- The **impacts of administrative and regulatory barriers** are generally more important when there is a sea leg since:
  - maritime transport and port transits require more formalities than land transport modes, including specific exchange of information, paper documentation etc. which are rightly perceived as a factor of complexity
  - this adds to the weakness of intermodal sea based transport, particularly when compared to the most simple unimodal road transport
  - transit times are increased if and when formalities and operations are mismatching, e.g. when the transport means of one mode is not coordinated with those of the next mode, which is a frequent situation between the maritime and railways legs in the TRACECA Region
  - costs are not only direct but also indirect, and not only formal but also informal, and unofficial transit levies and other transaction costs are adding to the sum of official tariffs, taxes and dues.
- **Common Weaknesses / barriers** have been identified in all LOGMOS project Countries to various extents and at different degrees. This diagnosis has been shared under the key word "Facilitation" by Country stakeholders and at bilateral and regional levels. Barriers in this field are referred to in the "W" (Weaknesses) list of the various SWOT analyses summarized in the following project documents:
  - Country profiles, as synthesized hereafter
  - Presentations for workshops and meetings
- Among the **solutions** discussed in the diagnosis phase, the following is a series of common **recommendations and targets** that are partly implemented, planned, or contemplated for the future LOGMOS projects and more generally for the development of intermodal transport including port / border crossing points:
  - I.T. systems and solutions electronic solutions / EDI for:
    - information (for users and operators)
    - declarations
    - pre-alert (for Customs and other)
    - duties, taxes and fees
  - One stop shop scheme and extension to Single Window System (SWS)
  - Risk management system and methods
  - IT interchange solutions between MoS port / communities
  - Tracking and Tracing (in coordination with operators)



- Upgrading / redesigning border points layouts
- Training (management, IT organization...)

### 6.3.2 SWOT Analysis

The following table summarizes key-finding for national SWOT analysis in trade and transit facilitation procedures that have been adopted in Kyrgyzstan.

**Table 10: SWOT Analysis in Trade and Transit Facilitation Procedures**

<b>STRENGTHS</b>	<ul style="list-style-type: none"> <li>• WTO membership since 1998;</li> <li>• Membership of various regional and international organisations (CIS, OEC, OSJD, UNECE, UN ESCATO);</li> <li>• The implementation of the CAREC Transportation and Trade Promotion Strategy (Simplification and Harmonization of Customs Procedures in the CAREC Region);</li> <li>• The law "On Public/Private Partnership";</li> <li>• The availability of bilateral transportation and customs relations with LOGMOS beneficiary countries.</li> <li>• The implementation of the single-counter principle and the prior e-notification in international checkpoints. The implementation of the pilot project at Ak-Zhol checkpoint; the e-registration implemented in Dostuk and Chaldybar checkpoints.</li> <li>• The programme of the upgrade of ICT of customs services, the development of a single automated information system.</li> <li>• KyrgyzASMAP has been officially appointed as the organisation in charge of the Carnet TIR issue and guarantee organisation for Kyrgyzstan.</li> </ul>
<b>WEAKNESSES (BARRIERS)</b>	<ul style="list-style-type: none"> <li>• No law on transit.</li> <li>• Limited intra-regional and transit trade.</li> <li>• The imports/exports and transit via Kyrgyzstan are characterised by lots of red tape, a large number of documents, and widespread corruption.</li> <li>• There is no efficient control over imports and exports. This situation results in the lack of reliable and detailed data on imports/exports and the volumes of transit across the country.</li> <li>• The border checkpoints in Kyrgyzstan are not properly equipped with the required IT infrastructure and control equipment.</li> <li>• The insufficient interaction among various state authorities. It results in considerable time losses and high costs for importers and exporters in border checkpoints.</li> <li>• Non-constructive border trade policy pursued by</li> </ul>





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	<p>Uzbekistan;</p> <ul style="list-style-type: none"><li>• Lack of the opportunity for the preliminary submission of electronic import and export declarations.</li></ul>
<b>OPPORTUNITIES</b>	<ul style="list-style-type: none"><li>• Adoption of the law on transit.</li><li>• The planned construction of the China - Kyrgyzstan - Uzbekistan trunk railway and the rehabilitation of 6 roads representing international corridors.</li><li>• The implementation of IT solutions for the preliminary import and export declaration, and the electronic information exchange.</li><li>• The accession to the Customs Union and, later, the EurAsEC.</li><li>• The implementation of the Osh logistical centre pilot project capable of servicing the entire Fergana Valley subject to the political support.</li></ul>
<b>THREATS</b>	<ul style="list-style-type: none"><li>• The disintegrated road and railroad network; the deterioration of the transportation infrastructure.</li><li>• The political turbulence in Kyrgyzstan, the possible resignation of the government that has worked for less than a year; the lack of opportunities for the focused implementation of reforms.</li><li>• The lack of stability in relations with Uzbekistan</li></ul>





## 7 PILOT PROJECTS SELECTED FOR MOS I AND ILC PROJECTS

To answer the existing challenges for MOS and ILC promotion, two TRACECA projects made a pre-screening for potential pilot projects. The pre-screening was based on the multi criteria analysis of proposed pilot, which helped to narrow down the pilot projects list.

The list of retained pilot included the following projects:

**Table 11: Selected Pilot Projects in Kyrgyzstan**

Pilot project	Service proposed	Countries involved directly	Concerned TRACECA project
Osh ILC	Cargo Facilities, warehousing, Customs terminal and other logistics related investment	Kyrgyzstan	ILC project

As a result of the first phase of MOS I and ILC implementation, for the above mentioned pilot project, a feasibility study was elaborated. Short summary of this project can be found here: [LOGMOS pilot projects KYZ.doc](#)