

## **Kyrgyzstan Edges Towards Customs Union**

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Membership of former Soviet bloc is as much about political alliances as about economics.

Kyrgyzstan is moving towards sealing a common customs arrangement with three other former Soviet states, in a deal that would cement its relationship with Moscow. But its progress towards membership of the Customs Union has been halting, and the fault seems to lie with Bishkek.

The Kyrgyz government has said it wants to be part of the union, set up in 2010 by Russia, Kazakstan and Belarus to create a common market for some 170 million people. But under the surface, its resolve has been less firm, undermined by different forces competing for power. Some sections of the elite in Kyrgyzstan are less than enthusiastic about dropping trade restrictions in areas where they wield influence.

The last month has, however, seen a renewed commitment to Customs Union membership from top Kyrgyz officials. On April 11, President Almazbek Atambaev went to Kazakstan to negotiate terms that might soften the blow for domestic producers when the barriers to stronger Russian and Kazak competitors come down.

In remarks to journalists the next day, Atambaev said his country was firmly resolved to become part of the Customs Union, but that the final outcome would also depend on the grouping's current members. He made the point that his government was only asking for the same concessions that Belarus and Kazakstan got from Russia when they first joined.

At the end of March, Atambaev hosted a conference on accession which was attended by Russian deputy prime minister Igor Shuvalov, and a few days later the two countries' foreign ministers held talks at a meeting in Uzbekistan. Finally, Prime Minister Jantoro Satybaldiev met his Russian counterpart, Dmitry Medvedev this week during a forum where customs integration was once again on the agenda.

Kyrgyz membership is seen by many as a natural, if not inevitable, step for this small state, beset as it is by chronic economic woes. High tariffs set by the Customs Union have made it hard for Kyrgyz food producers to export to Kazakstan at a profit, while imports like fuel have become costly.

For the Customs Union's existing members, one benefit of bringing Kyrgyzstan into the fold will be to end its role as China's wholesale outlet for the region. Both Bishkek and Beijing are in the World Trade Organisation, WTO, whose low tariffs have encouraged a lively trade in imported Chinese goods, which then make their way legally or not-so-legally to the wider region.

The higher customs rates levied by the Customs Union could potentially clash with Kyrgyzstan's existing obligations as a WTO member. But Russia itself has recently joined the WTO, so presumably the discrepancies are not insurmountable.

But for all sides, getting Kyrgyzstan into the Customs Union is of broader importance. Expanding the group to include Kyrgyzstan and most probably Tajikistan later on is a step towards creating the much-discussed Eurasian Economic Union – an attempt to revive the free movement of goods, services and labour of Soviet times in a modern multilateral format.

Kyrgyzstan is already heavily dependent on its more prosperous neighbours Russia and Kazakstan for investment and loans, and those two countries also provide work for large numbers of its citizens, who send much-needed cash home.

There is also a big security element. Moscow recently signed agreements securing the future of an airbase and other defence assets in Kyrgyzstan. Regional leaders are also alive to the potential implications of next year's NATO troop withdrawal from Afghanistan, whose two main exports are seen as trafficked heroin and Islamic militancy.

Despite the acknowledged benefits of accession, Kyrgyzstan's leadership has taken little substantive action to make it happen, at least until this spring's show of renewed interest.

At an April 11 meeting in St Petersburg, the speaker of the Russia's parliament, Sergei Naryshkin, pointedly told his Kyrgyz counterpart Asylbek Jeenbekov that Moscow was keen to see a roadmap for accession being laid out in the near future.

The reasons for the sluggish progress come down to a combination of domestic political and economic factors. Kyrgyzstan's government is so preoccupied with the country's immediate economic travails that it

cannot see beyond the next year or two. The National Strategy for Sustainable Development which it approved recently covers only the next five years, a short space of time.

The authorities are undoubtedly under pressure from the latest round of protests that have become almost routine events every spring. Although this year's demonstrations have been small in scale, some took place in the north of the country, not just in the south where the opposition commands most support.

Internally, power is much more fragmented within the institutions of state is than it was in the past, and this is an obstacle to decision-making. President Atambaev has a lot of influence in the government, with a lot of allies in key posts. But these days, it is parliament that should be the stronger force – yet internal squabbling and unstable alliances hamper its effectiveness.

As a result, the various forces are forced to feel their way towards compromise, which makes it hard to arrive at final decisions.

In addition, there are some influential groupings – often senior officials with business interests on the side – who have no particular interest in seeing the current customs arrangements change any time soon. This is Kyrgyzstan, where government and big business are not wholly separate entities, but are melded together into powerful groupings that dominate both the political and economic spheres.

Some are involved in trade and feel they will lose out if tariffs change, while others skim off money from customs controls that will disappear once Kyrgyzstan joins the duty-free zone.

This leads to an odd situation where some of the members of a government ostensibly working hard to prepare for Customs Union membership have little desire to see it happen.

Ultimately, though, for Kyrgyzstan, accession goes way beyond the economic dividends. Instead, it is about the political benefits of staying close to Moscow, especially in troubled times.

Maybe the government has been able to afford to take a leisurely approach to membership until now. That might change, especially as fears of regional instability rise with the NATO withdrawal from Afghanistan.

Concerns about external threats, compounded by the ever-present risk of domestic political turmoil, could sharpen the minds of Kyrgyzstan's leaders, and force them to curb personal ambition and vested interest and accept a deal to which there is little alternative.

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