



UNIVERSITY OF CENTRAL ASIA  
GRADUATE SCHOOL OF DEVELOPMENT  
Institute of Public Policy and Administration

# **Kyrgyzstan and the BRI: Economic Implications**

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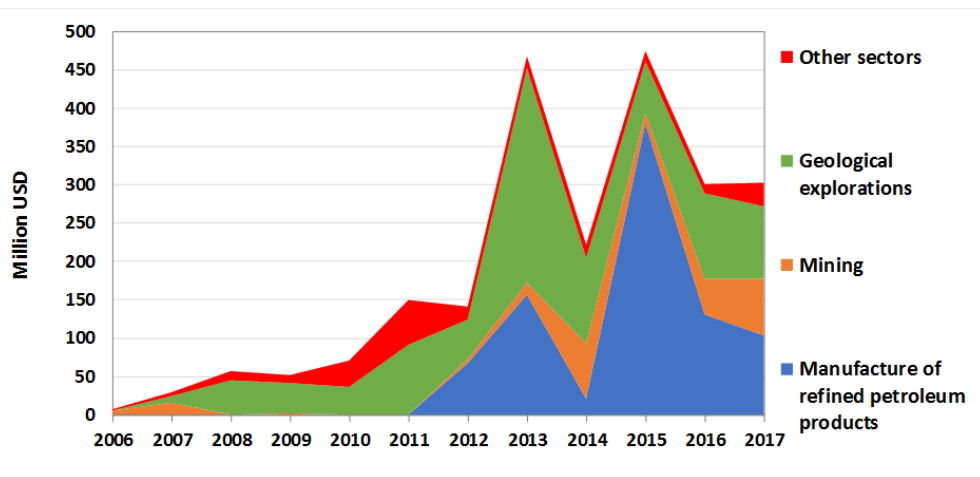
**Institute of Public Policy and Administration,  
University of Central Asia**

**Gerzensee, 2019 Eurasia Emerging Markets Forum, 28 Jan 2019**

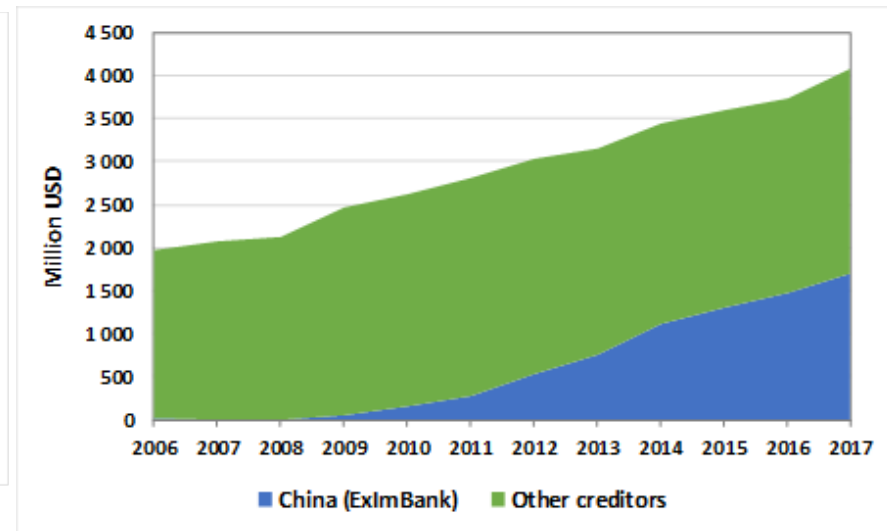
# BRI-Related Activities in Kyrgyzstan

- Automobile roads, energy projects, urban development
- 12 loan/grant agreements worth USD2.2 billion
- Concessional terms
- Cumulative gross Chinese FDI inflow of USD2.3 billion

## Chinese FDI by sector



## Government external debt



# Key Findings

## Domestic effects

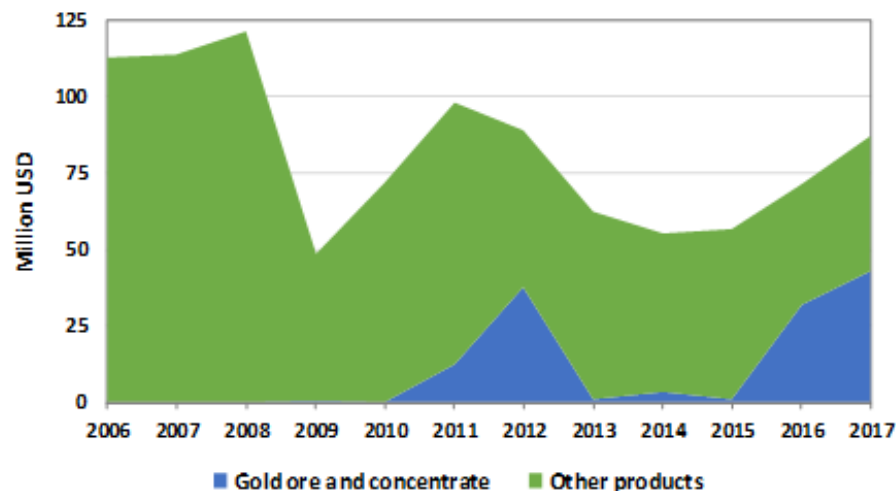
- BRI projects are unique in terms of scale, speed of implementation and composition of projects (nobody else would finance/implement many of them)
- Domestic effects of these projects are often minor (esp. on construction phase) – a very large role of imports
- The projects are capital intensive, so minor effect on employment
- Government revenue effects may differ depending on taxation regime (big in manufacturing, relatively small in mining)
- Social and environmental effects should be explicitly addressed

# Key Findings (2)

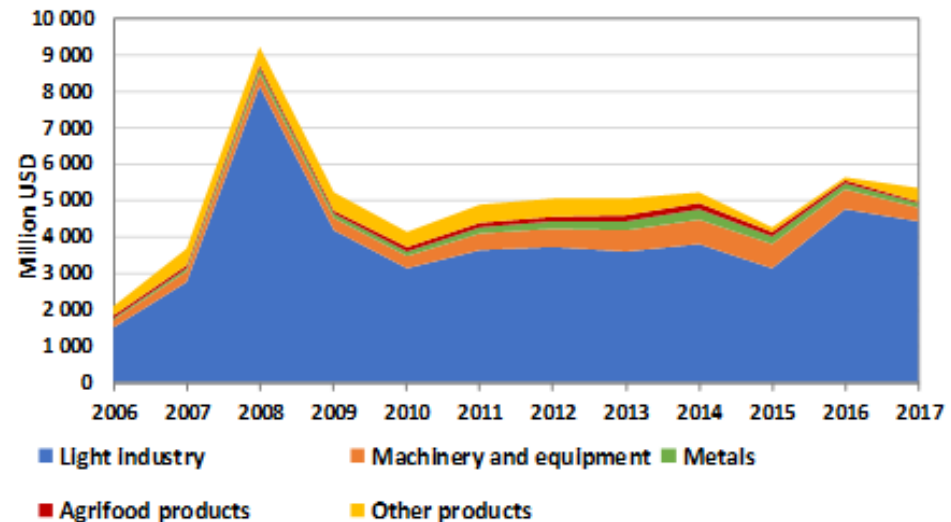
## The impact on Kyrgyzstan's trade with China and third countries

- Dramatic improvements in transport infrastructure for the last 10-12 years have not resulted in trade increase yet
- Arguably, transport infrastructure is not a binding constraint for trade development

### Exports to China



### Imports from China



# Key Findings (3)

## Transit trade between China and Europe/West Asia

- Many competing routes through Eurasia each to serve just a fraction of transit flows
- Automobile roads are not obvious channels for long-haul transit flows
- Implications of multi-country/multimodal transit routes
- Integration of transit and domestic infrastructure
- How the country is going to benefit from the transit (toll roads etc.); what would be the costs (including O&M)?
- The case of China-Kyrgyzstan-Uzbekistan railroad

# Recommendations

## To the government of the Kyrgyz Republic

- Provide effective support to foreign investors in their relationships with local population
- Maintain sustainability of the government external debt
- Modify/develop taxation regime for mining and railway/ automobile road transit

## For the government of the People's Republic of China

- In the framework of BRI, support projects aimed at environmental protection in partner countries
- Develop financing modalities suitable for fair risk sharing in the projects covering several countries