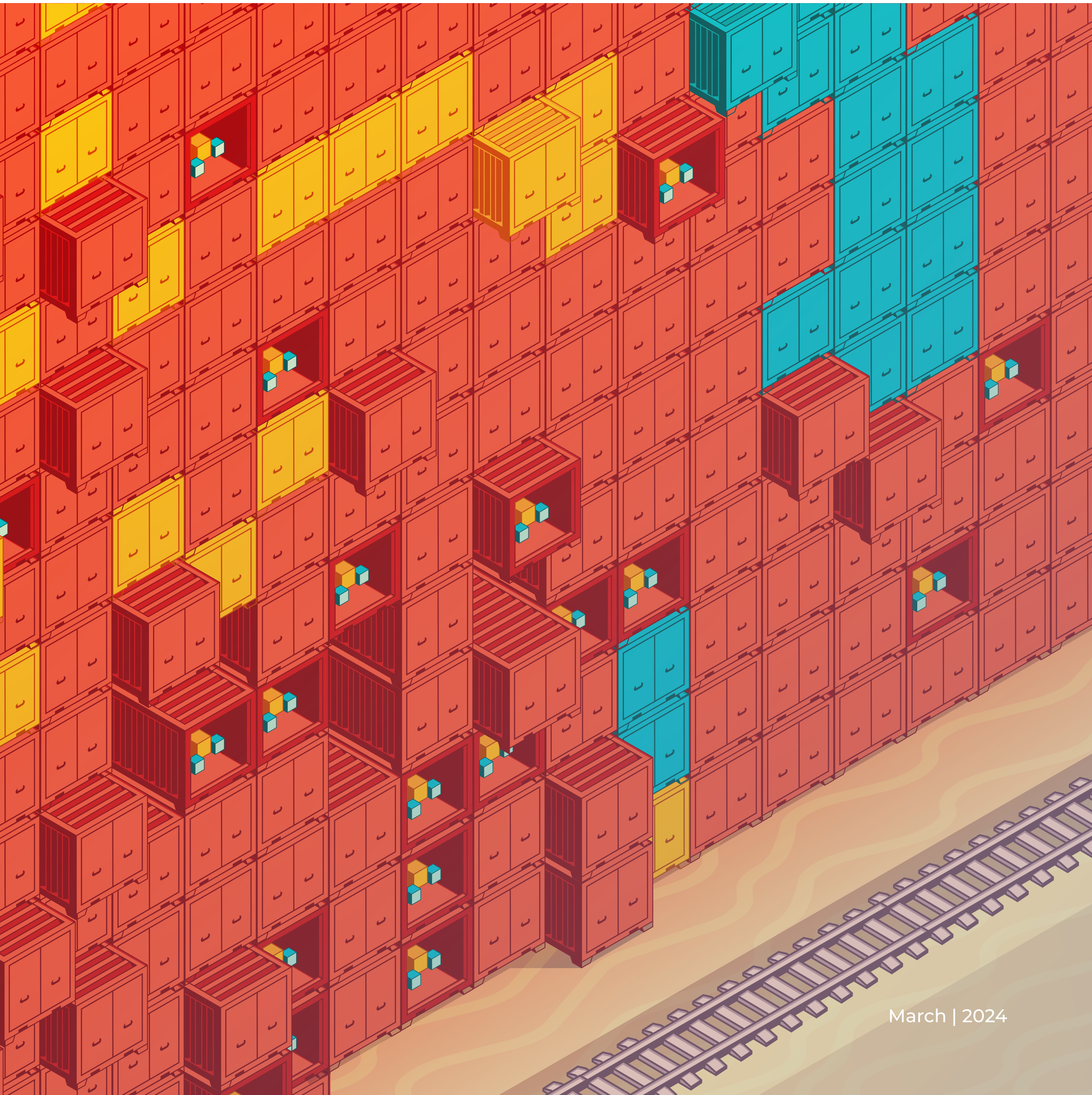
ERAI
Eurasian Rail Alliance Index

Report

DIVERSIFICATION OF CARGO FLOW FROM KYRGYZSTAN TO RUSSIA AND BELARUS



March | 2024

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SUMMARY

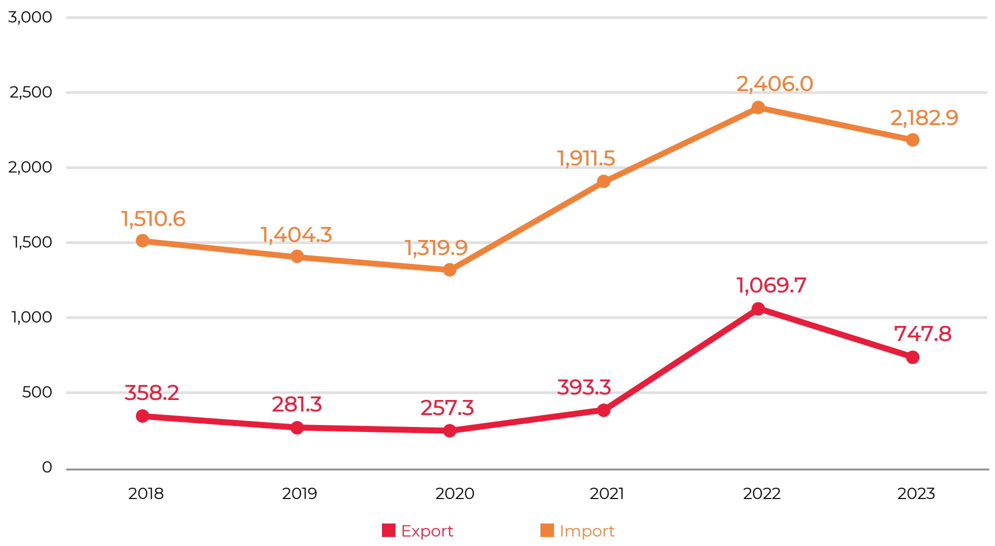
- The current political situation around the world has a bearing on the global economy and global and regional trade and economic relations. The Kyrgyz Republic (Kyrgyzstan) is Russia's and Belarus' strategic partner in Central Asia. Kyrgyzstan's EAEU membership since 2015 has created favourable environment for expanding economic ties and improving the investment climate in the republic within the common economic space. As of today, bilateral cooperation relies on 17 agreements. Russia — Kyrgyzstan relations are marked by high levels of bilateral and multilateral cooperation within the EAEU, the CIS, the SCO and the CSTO.
- Expanding transport and logistics links is crucial for expanding Kyrgyzstan's foreign trade with Russia and Belarus. Decisions have been made to build more transport corridors and logistics hubs to increase cargo turnover through expanded rail operation. Kyrgyzstan strives to carve out a niche of its own in ensuring transit links between China and Western countries expanding, in the process, its own transport infrastructure in the interest of its national economy.
- Russia exports to Kyrgyzstan metal products, refined fuels, and agricultural products. Kyrgyzstan supplies Russia with fruits, vegetables, textiles, clothing, and agricultural products. Timber products, as well as plastic and other chemical products, prevail in the cargo flow from Belarus to Kyrgyzstan. Kyrgyzstan supplies Belarus with livestock and horticultural products.
- Most of the commodity items are containerable, which makes railway operations between Kyrgyzstan, Russia and Belarus a promising area of business. Better transport connectivity can generate cumulative effects for the three countries, as it will boost trade and economic activity. The lack of a single rail link connecting the northern and southern Kyrgyzstan that is also integrated into the crossborder rail network holds back the development of the container rail transport between the EAEU partners.

BILATERAL TRADE

The EAEU countries, the EU and China are among Kyrgyzstan's priority foreign economic partners. As of 2023, Kyrgyzstan's bilateral trade within the EAEU space amounted to $4,357.3 million in monetary terms, of which Russia accounted for 67 percent and Belarus 2.4 percent. Russia remains one of Kyrgyzstan's leading trade and economic partners and accounts for about 19 percent of the republic's foreign trade in 2023.

According to Kyrgyzstan's National Statistical Committee, bilateral trade between Kyrgyzstan and Russia amounted to $2,930.7 million in 2023, down 15.7 percent compared to 2022. After an all-time high of $2,406.0 million in 2022, Russian exports to Kyrgyzstan were down by 9 percent to $2,182.9 million. Also in 2023, Russian imports from Kyrgyzstan fell significantly to $747.8 million, down 30 percent compared to the peak value in 2022.

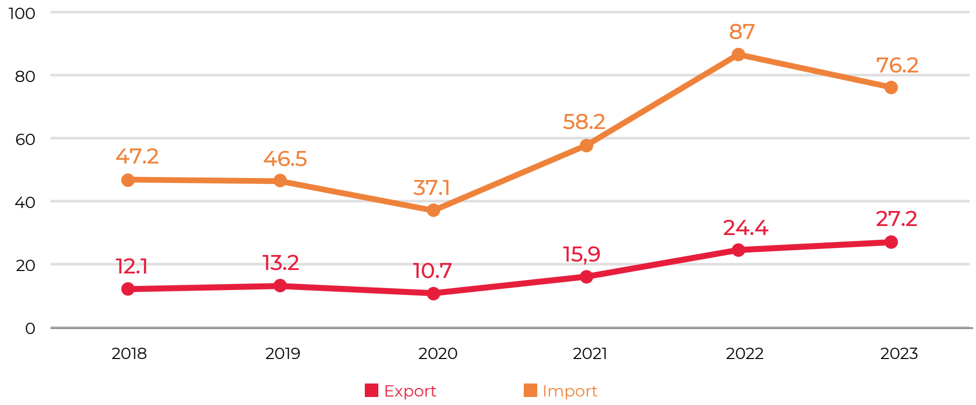
DYNAMICS OF BILATERAL TRADE BETWEEN KYRGYZSTAN AND RUSSIA, MILLIONS OF US DOLLARS



Source: National Statistical Committee of the Kyrgyz Republic

Bilateral trade between Kyrgyzstan and Belarus has been mixed over the past six years, with particularly significant growth observed in 2022. In 2023, bilateral trade amounted to $103.4 million, down 18.3 percent compared to 2022. Meanwhile, Belarus' exports grew by 12 percent to $27.2 million, while Kyrgyzstan's exports, on the contrary, fell by 12 percent to $76.2 million.

DYNAMICS OF BILATERAL TRADE BETWEEN KYRGYZSTAN AND BELARUS, MILLIONS OF US DOLLARS



Source: National Statistical Committee of the Kyrgyz Republic

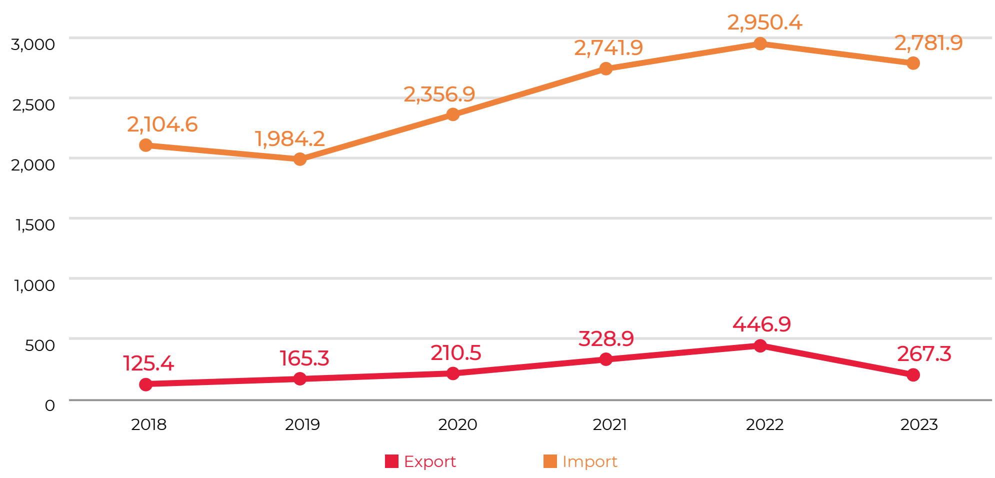
CARGO FLOW DYNAMICS IN KYRGYZSTAN

Physical export and import cargo flow from Kyrgyzstan to Russia and Kyrgyzstan to Belarus are mixed as well, but are headed upwards.

Cargo flow between Kyrgyzstan and Russia

In 2018-2023, Kyrgyzstan experienced deficit in its trade with Russia. Up until 2023, cargo flow from Russia to Kyrgyzstan significantly exceeded cargo flow from Kyrgyzstan to Russia. In addition, from 2019 to 2022, the volume of shipments to Kyrgyzstan was growing year in and year out. Over four years, the cargo flow to Kyrgyzstan increased by 47 percent to a record high of 2,950.4 thousand tonnes in 2022. However, in 2023, the exports fell to the 2021 level of 2,781.9 million tonnes.

DYNAMICS OF BILATERAL TRADE BETWEEN KYRGYZSTAN AND RUSSIA, THOUSANDS OF TONNES



Source: National Statistical Committee of the Kyrgyz Republic

Cargo flow from Russia to Kyrgyzstan in 2023 was slightly down by 6 percent, or 168.5 thousand tonnes. This minor decline was due to changes in the structure of cargo flow where some commodity items saw an increase in volume, while the volume of others went down. The main components of cargo flow from Russia to Kyrgyzstan were as follows:

1. **Ferrous metals:** the demand for Russian metal products, namely unalloyed hot-rolled rods, steel pipes and flat-rolled steel, has been high for quite a while, but physical imports of ferrous metals dropped by 255 thousand tonnes in 2023.
2. **Refined fuel:** imports from Russia decreased by 108 thousand tonnes. The refined fuel category includes petroleum products and petroleum coke and bitumen.
3. **Grain and milling products:** imports from Russia increased by 112 thousand tonnes. Increased import of wheat, grain legumes and wheat flour in 2023 helped Kyrgyzstan overcome the threat of higher prices for socially important products and to support related industries, such as flour milling companies whose operation largely depends on imported raw materials.
4. **Chemicals and fertiliser:** imports of nitrogen, mixed and potash fertiliser increased by 67 thousand tonnes and imports of chemicals (carbonates, chlorides, bromides, and antifreezes) by 12 thousand tonnes.
5. **Metal products:** in 2023, imports of metal products (aluminum tanks, railway products, fittings, and fasteners) increased by 34 thousand tonnes.

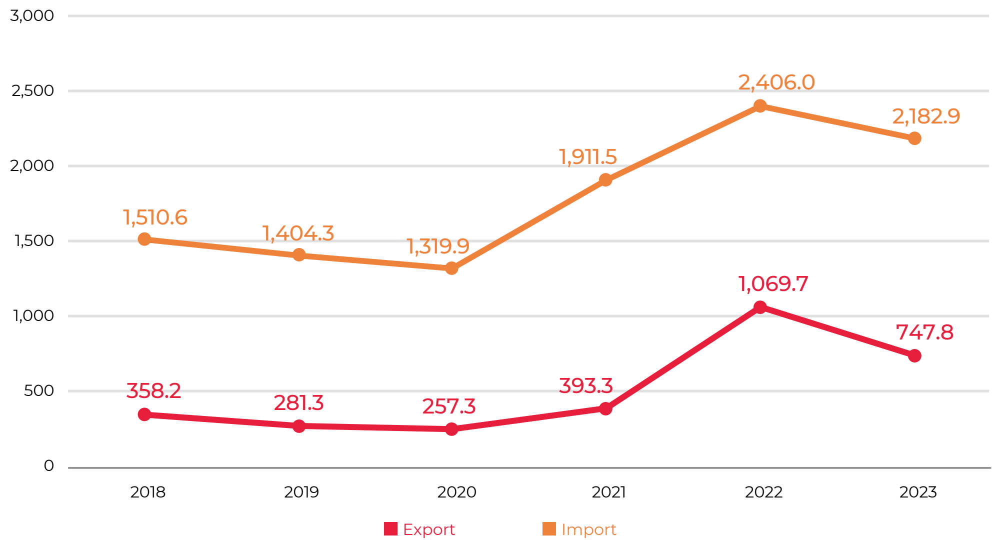
In 2023, cargo flow from Kyrgyzstan to Russia decreased by 40 percent, and physical outflow amounted to 180 thousand tonnes. Its main components are as follows:

1. **Textiles:** exports of cotton yarn, knitted fabrics, and fabrics from Kyrgyzstan to Russia fell by 98 thousand tonnes in 2023. The significant decrease in exports could be accounted for by the opening of the end-product facilities in Kyrgyzstan which sew the necessary textile products, which made purchasing raw materials unnecessary.
2. **Clothing:** physical increase in exports to Russia amounted to 25 thousand tonnes. The consumer goods industry, which includes the production of textiles and clothing, is one of the key sectors of the Kyrgyz economy. Russia remains the main market for women's outerwear produced in Kyrgyzstan. Russia alone accounts for 96 percent of Kyrgyzstan's exports. The exports quintupled compared to 2022.
3. **Ferrous scrap:** scrap exports were sharply down by 27 thousand tonnes in the wake of a ban on ferrous scrap and waste exports from Kyrgyzstan in order to avert a critical shortage of raw materials for domestic processors.

Cargo flow between Kyrgyzstan and Belarus

In 2018-2023, Kyrgyzstan and Belarus' physical cargo flow of exports and imports showed mixed dynamics. Throughout the period under review, Kyrgyzstan had a trade deficit with Belarus. Starting from 2019, the cargo flow from Belarus to Kyrgyzstan has been heading upward; by 2023, the exports to Kyrgyzstan had reached 92.1 thousand tonnes. The volume of Kyrgyzstan's exports to Belarus decreased to 1.3 thousand tonnes in 2023 as compared to the peak value in 2022.

DYNAMICS OF BILATERAL TRADE BETWEEN KYRGYZSTAN AND BELARUS, THOUSANDS OF TONNES



Source: National Statistical Committee of the Kyrgyz Republic

In 2023, cargo flow from Belarus to Kyrgyzstan was up by 14.8 thousand tonnes in absolute terms. Its key components are as follows:

1. **Timber products:** imports from Belarus increased by 4 thousand tonnes. In recent years, Belarusian timber products (chipboard and fiberboard) have been exported in moderate amounts to Kyrgyzstan, but sanctions had the Belarusian timber industry pivot to the East, which led to a multiple growth of timber supplies in 2022 and an increase in volume in 2023.

2. **Chemical materials:** with the evergrowing demand for chemical products in Kyrgyzstan, imports from Belarus increased by 7.4 thousand tonnes.

Cargo flow from Kyrgyzstan to Belarus in 2023 fell many times over with the absolute export outflow amounting to 26.6 thousand tonnes. The main items on the list are as follows:

1. **Fossil coal:** in 2022, Kyrgyzstan exported 23 thousand tonnes of fossil coal to Belarus, but exports came to a halt in late 2023, because, first, Kyrgyzstan produced less coal and, second, it reoriented its exports to Kazakhstan.

2. **Automotive equipment:** the export of auto parts to Belarus decreased by 2 thousand tonnes, because Belarus shifted its focus to the Chinese market of automotive equipment.

COMMODITY MARKETS OF KYRGYZSTAN

In 2023, the cargo flow from Russia to Kyrgyzstan was dominated by refined and primary fuel which accounted for 42 percent of the physical cargo flow. These categories include commodities such as refined petroleum products, peat, petroleum coke and bitumen, as well as aromatic petrochemicals. The other 23 percent of cargo flow include agricultural products, namely the grain and legume processing waste and sugar. Ferrous metal products, aluminum and unalloyed steel dominate the metallurgical industry exports (14.2 percent).

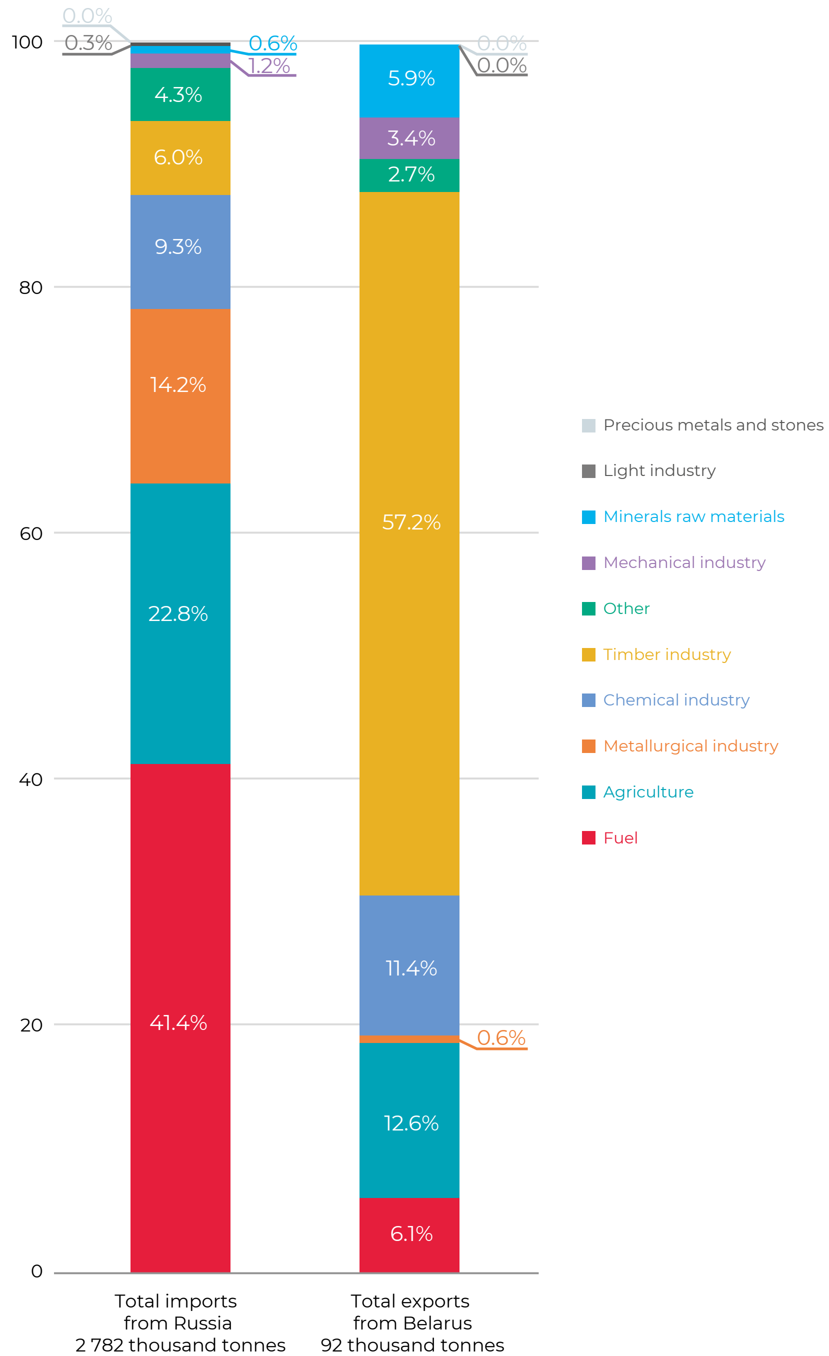
Russia is a major fuel supplier to Kyrgyzstan. The petroleum products are exported to Kyrgyzstan duty-free under the Agreement between the Government of the Russian Federation and the Government of the Kyrgyz Republic on Cooperation in Supplies of Petroleum and Petroleum Products. In addition, plans are in place to launch a common market of petroleum and petroleum products of the EAEU in 2025, which will boost the volume of petroleum products supplies and streamline the supply chains.

Kyrgyzstan is not in a position to fully provide itself with grain, and prior to 2021, that country received the bulk of its wheat from Kazakhstan. However, higher wheat prices in 2022 had Kyrgyzstan reorient towards Russian grain imports which are 20 to 25 percent cheaper than grain from Kazakhstan; this trend continued into 2023.

Timber products (chipboard, fiberboard, and plywood) account for 57 percent of the physical cargo flow from Belarus to Kyrgyzstan. The other two categories of imports from Belarus — agriculture and chemical industry — account for 13 percent and 11 percent, respectively.

Forest resources are fairly limited in Kyrgyzstan, which is why protective forestry is used to manage forest resources in that country meaning an almost complete ban on lumber harvesting. The law On Banning Cutting, Hauling, Purchasing and Selling, Harvesting and Using, and Exporting Particularly Valuable Tree Species is in force in the republic. Under law, only imported timber, including that from Belarus, is used in manufacturing wood products. In addition, the EU sanctions on Belarusian timber have led to a revision of the timber industry's export strategy and the need to reverse commodity flows from the West to the East, which have led to an increase in exports to Kyrgyzstan.

KYRGYZSTAN'S IMPORT STRUCTURE BY SECTOR, 2023, TONNES



Source: Trade Map

High level of diversification was the hallmark of Kyrgyzstan's exports to Russia in 2023. Just like Kyrgyzstan's imports, the three major export categories include agriculture (fruits and vegetables), the consumer goods industry (textiles) and mechanical engineering (household appliances, motor vehicles and auto parts), which account for 40 percent, 17 percent and 16 percent, respectively.

With the European brands leaving the Russian market, certain opportunities have arisen for Kyrgyz textile producers. The successful integration of Kyrgyzstan into the Russian segment of the consumer goods industry ensures synergy between the two countries. Textile production in Kyrgyzstan is relatively evenly distributed. A significant portion of textile production (29 percent) is concentrated in Bishkek, followed by Jalal-Abad Region (28.5 percent), Chui Region (23 percent), and the Osh Region (17 percent.) Cooperation between Kyrgyzstan and Russia is gaining momentum. With the support of the Russian-Kyrgyz Development Fund, the Kyrgyz Textile Ltd. textile factory opened in Osh, and the Technopolis project, which involves a complex of 40 garment factories, went live in the Chui Region.

ADMINISTRATIVE MAP OF KYRGYZSTAN

Source: National Statistical Committee of the Kyrgyz Republic

Speaking of cargo flow from Kyrgyzstan to Belarus, the trade pattern is heavily marked by agricultural exports, including livestock products (poultry and beef) and ready-to-eat food (60 percent). Textile materials and products account for 13 percent of the cargo flow. Metal products are mostly represented by fasteners and wire and account for 11 percent of exports.

KYRGYZSTAN'S EXPORTS BY SECTOR, 2023, TONNES

Source: Trade Map

POTENTIAL FOR MODAL SHIFTS AND CONTAINERIZED CARGO FLOW

Kyrgyzstan is a landlocked country. It mostly relies on motor roads and air transport for its cargo flow needs, because major investment is needed to expand the country's railway infrastructure. The use of these modes of transport increases the cost of crossborder cargo flow. Rail transport appears to be the most cost-effective option for hauling cargo between Kyrgyzstan, on the one hand, and Russia and Belarus, on the other hand.

In order to assess the potential volume of cargo flow that could be hauled by rail container transport rather than lorries, the commodity items that are part of Kyrgyzstan's physical exports and imports from Russia and Belarus in 2023 have been scrutinised to see if they could be transported in containers.

Of the 715 commodity items exported from Russia to Kyrgyzstan in 2023, at least 581 items can be transported by rail based on the rail cargo nomenclature provided in the ERAI website statistics meaning that of the 2,781,870 tonnes of cargo exported from Russia to Kyrgyzstan in 2023, 1,117,457 tonnes can be hauled by rail.

The total quantitative volume of the potential rail cargo flow from Russia to Kyrgyzstan amounts to 98,285 TEU per year[1], with the bulk of items represented by metallurgical products (unalloyed hot-rolled rods, steel pipes and flat-rolled steel), agricultural commodities (livestock products, feed and beverages) and forestry products (chipboard and fiberboard). The major commodities rankings by the potential TEU volume is shown in the table below.

[1] To estimate the TEU volume, data on the specific weights of different commodities (weight-to-volume ratio for individual commodity items) which were derived on the basis of ERAI freight statistics were used.

Table 1.

POTENTIAL VOLUME OF RAIL FREIGHT TRAFFIC FROM RUSSIA TO KYRGYZSTAN, IN TEU

No.	HS4	Industry	HS4 commodity	2023, tonnes	Average specific weight, tonnes/ TEU	TEU
			Containerable cargo, total	1,117,457		98,285
1	7214	Metallurgical industry	Unalloyed hot-rolled rods	160,485	11.2	14,353
2	3102	Chemical industry	Nitrogen fertiliser	130,580	11.7	11,132
3	4410	Timber industry	Chipboard	76,364	11.7	6,527
4	7208	Metallurgical industry	Flat steel	52,357	12.4	4,222
5	7306	Metallurgical industry	Steel pipes	52,846	13.7	3,857
6	0207	Agriculture	Poultry and organ meat	13,060	3.6	3,628
7	2202	Agriculture	Non-alcoholic beverages	29,058	10.4	2,794
8	2302	Agriculture	Feed	27,394	10.9	2,513
9	2009	Agriculture	Fruit juices	14,957	6.0	2,493
10	4410	Timber industry	Fiberboard	26,074	11.9	2,191
			Other	534,282		43,915

Source: authors' own calculations based on Trade Map and ERAI website data

The analysis showed that out of the 204,411 tonnes of Kyrgyz exports to Russia, almost all commodity items, 186,446 tonnes, are containerable. Based on the trade pattern, the quantitative volume of the potential rail cargo flow amounts to 17 thousand TEU per year, with agricultural products (nuts, root vegetables and stone fruits) and mechanical engineering (auto parts and household appliances) accounting for the bulk of it. The rankings of the major commodity items by the potential TEU numbers are shown in the table below.

Table 2.

POTENTIAL VOLUME OF RAIL FREIGHT TRAFFIC FROM KYRGYZSTAN TO RUSSIA, IN TEU

No.	HS4	Industry	HS4 commodity	2023, tonnes	Average specific weight, tonnes/TEU	TEU
			Containerable cargo, total	186,446		17,205
1	0802	Agriculture	Nuts other than coconut, Brazilian nuts, and cashew	19,085	11.1	1,715
2	8402	Mechanical engineering	Washing, filling and packaging equipment	12,956	12.3	1,052
3	7005	Other	Polished glass	11,645	11.5	1,016
4	0706	Agriculture	Edible root vegetables	7,505	7.8	962
5	7404	Metallurgical industry	Copper waste and scrap	10,420	12.3	847
6	6907	Other	Finish tile and similar products	9,648	12.5	773
7	0809	Agriculture	Stone fruits	5,918	8.0	740
8	8708	Mechanical engineering	Auto parts	11,284	18.4	613
9	6002	Light industry	Narrow knitted fabrics with elastomeric yarn or rubber thread	5,541	9.9	560
10	6406	Light industry	Footwear parts, accessories	5,020	10.8	465
			Other	83,127		7,926

Source: Authors' own calculations based on Trade Map and ERAI website data

With regard to the cargo flow from Belarus to Kyrgyzstan, 90,674 tonnes out of 92,111 tonnes of the commodity items are containerable cargo. The total potential rail cargo flow between Belarus and Kyrgyzstan amounts to 9 thousand TEU per year.

The TEU-based calculations of the potential volume of commodity shipments show that timber products are the most promising area of cargo flow. Transporting items such as chipboard or fiberboard will need more than half of the potential number of containers, 4 thousand TEU. The rankings of the largest commodity items by the potential TEU number are presented in the table below.

Table 3.

POTENTIAL VOLUME OF RAIL FREIGHT TRAFFIC FROM BELARUS TO KYRGYZSTAN, IN TEU

No.	HS4	Industry	HS4 commodity	2023, tonnes	Average specific weight, tonnes/ TEU	TEU
			Containerable cargo, total	90,674		9,117
1	4410	Timber industry	Chipboard	46,829	12.6	3,724
2	0207	Agriculture	Poultry and organ meat	4,181	3.6	1,161
3	1701	Agriculture	Sugar	3,908	3.9	1,002
4	2501	Minerals raw materials	Table salt	5,463	12.0	455
5	2710	Fuel	Refined petroleum products	5,615	12.4	453
6	4411	Timber industry	Chipboard	5,384	12.4	436
7	3402	Chemical industry	Detergents and surfactants	4,940	13.4	370
8	8701	Mechanical engineering	Tractors and traction vehicles	2,038	7.3	281
9	6907	Other	Finish tile and similar products	2,364	12.5	189
10	3907	Chemical industry	Plyacetals, polyethers, polycarbonates	2,728	21.9	124
			Other	9,952		1,045

Source: authors' own calculations based on Trade Map and ERAI website data

The Kyrgyzstan-Belarus cargo flow is distributed across a variety of commodity items, mostly in the agricultural sector. All Belarusian imports from Kyrgyzstan in the amount of 1,151 tonnes are containerised cargoes. Therefore, the total quantitative volume of the potential rail cargo flow from Kyrgyzstan to Belarus is about 187 TEU per year.

The pattern and the volume of current bilateral trade in physical terms between Kyrgyzstan and Russia and Kyrgyzstan and Belarus clearly shows the trend towards greater use of the rail container transport between the three countries. However, the limited cargo flow between Kyrgyzstan and Belarus suggests a possibility of merging it with cargo flow to and from Russia. Considering this, with the cargo flow between the countries reoriented towards rail, the volume of export rail cargo flow to Kyrgyzstan will amount to about 107.4 thousand TEU, and import flow 17.4 thousand TEU.

TRANSPORT LINKS

Kyrgyzstan has untapped capabilities in logistics. The country is located in the heart of Central Asia and borders on Kazakhstan, China, Tajikistan and Uzbekistan, which makes it a potential transit hub on routes connecting these countries and neighbouring regions.

Motor transport is the most widely used mode of transport for logistics in Kyrgyzstan due to the country's mountainous terrain and poorly developed railway network. The country boasts an extensive road network that facilitates the movement of goods within its borders. In 2023, 41,291.9 thousand tonnes of cargo were transported by lorries, thus bringing the portion of cargo transported by motor transport to 80.9 percent.

Rail transport has an established niche in Kyrgyzstan's logistics. In 2023, 9,372.8 thousand tonnes of cargo, or 18.4 percent of all cargo flow, were transported by rail. Kyrgyzstan is working to improve its railway infrastructure, but expanding the domestic railway network and integrating it with railways in neighbouring countries remains a challenge.

The fact that railway in Kyrgyzstan is not an integrated network is its main challenge. To address it, two rail routes will be built which will intersect and give a boost to the country's economy. Kyrgyzstan has a dead-end railway divided into two geographical sections. The northern section goes to Kazakhstan via the Balykchy — Turksib route, while the southern section provides access to the railways of China and Uzbekistan. This is a historical configuration that is based on the existing economic and geographical position of the country and its regions.

The construction of a railway in northern Kyrgyzstan was the first project designed to improve the railway infrastructure. In December 2022, during the investment summit, Kyrgyzstan and Russia signed a Memorandum of Understanding on joint implementation of the project to build the Balykchy — Kochkor — Kara-Keche railway. The route starts from the city of Balykchy in Issyk-Kul Region, goes to the city of Kochkor, Naryn Region, and then to Kara-Keche which is a major coal deposit.

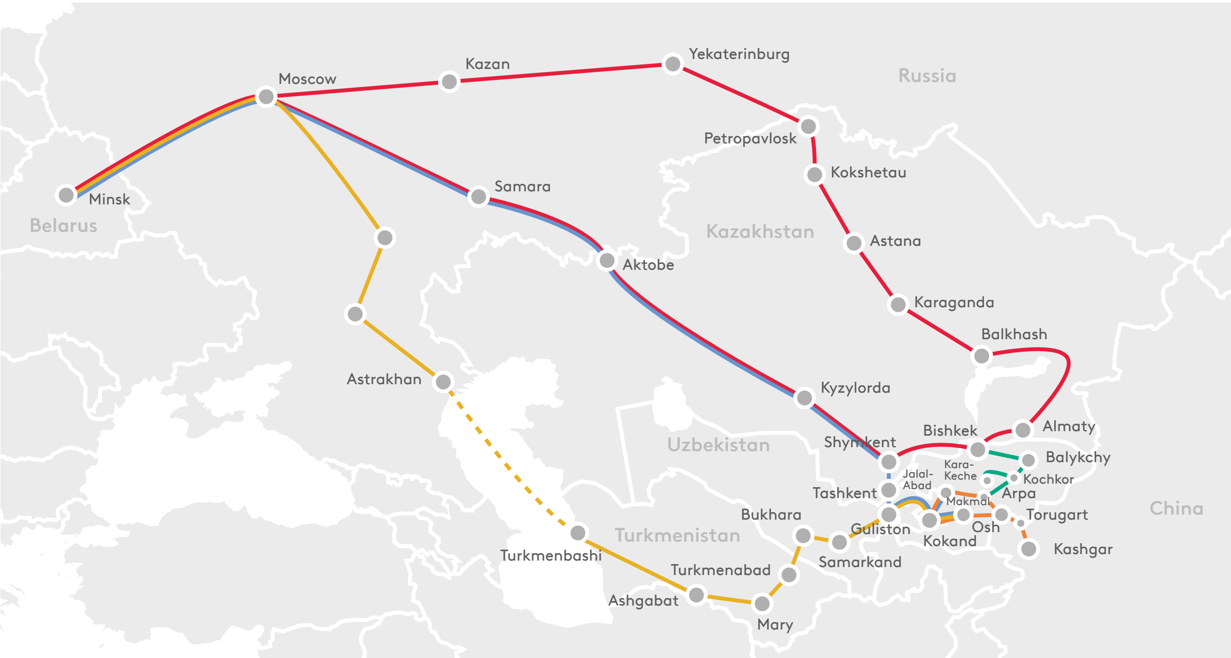
The construction of the Balykchy — Kochkor — Kara-Keche railway is a practicable solution to transport coal from the Kara-Keche deposit to the main consumer in Bishkek. As things stand now, coal is carried by lorries to Balykchy, where it gets transferred to railcars. The railway project is the first step in connecting the separate northern and southern railway routes in the country. Once implemented, it will create a single domestic rail network and make it possible to haul exports and imports across northern Kyrgyzstan towards Kazakhstan and Russia, and back.

The second tier of practicability lies in the fact that the new railway will connect northern Kyrgyzstan to its southern regions and to China via the second ambitious China — Kyrgyzstan — Uzbekistan (CKU) project. With China's help, Kyrgyzstan will significantly diversify its export destinations and modernise its transport infrastructure. The Kyrgyz section of the railway will start from the Torugart Pass, where it will connect to the terminal railway station Kashgar in China, from where the railway will go northwest through Arpa and Makmal to Jalal-Abad, where it will connect to the Uzbekistan railway network. Connecting the northern route with the CKU railway (Balykchy — Kochkor — Kara-Keche — Makmal — Jalal-Abad) would make it possible to connect to transit flows, which could also be connected in northern Kyrgyzstan. As a result, the railway station on the border between China and Kyrgyzstan under the CKU project could even become a competitor to the Altynkol and Dostyk railway stations on the border between Kazakhstan and China.

Kyrgyzstan continues to gradually upgrade its railways, primarily in the northern parts of that country. The electrification of the Balykchy — Turksib Railway line is among the projects that hold the most promise for the development of the country's transport potential. The existing line runs through the Issyk-Kul and Chui regions of Kyrgyzstan and connects them with a major railway hub in Kazakhstan. As of today, the Balykchy — Turksib railway remains the main artery connecting Kyrgyzstan with other countries. Once completed, this project will help increase the speed of trains and the capacity of the line. In addition, the project has an environmental aspect to it, since electrification will reduce emissions.

The multimodal Southern Transport Corridor may also be used to connect Russia and Belarus with Kyrgyzstan. A memorandum on forming and developing this corridor was signed at the SCO transport forum in Uzbekistan in November. The route will start in Kyrgyzstan, go through Uzbekistan and Turkmenistan to the Port of Turkmenbashi on the Caspian Sea, and then by sea to the port of Olya in Astrakhan, from where it will go to Belarus by rail. However, China may well become the starting point of this route. The China-Kyrgyzstan-Uzbekistan Motorway may be used to this end, but the CKU railway project opens up new opportunities, so the construction of this rail line is a strategic objective for Kyrgyzstan.

RAILWAY TRACKS CONNECTING KYRGYZSTAN WITH RUSSIA AND BELARUS



- Kyrgyzstan-Kazakhstan-Russia-Belarus transport corridor [operational
- Uzbekistan-Kyrgyzstan-China transport corridor [under development]
- Balykchy-Kochkor-Kara-Keche railway route [under construction]
- Southern Transport Corridor (Kyrgyzstan-Uzbekistan-Turkmenistan-Caspian Sea-Russia) [memorandum]
- Kyrgyzstan-Uzbekistan-Kazakhstan-Russia-Belarus transport corridor [operational]

Source: ERAI

The lack of link between the two railways (north and south) is limiting the railway connection between Kyrgyzstan and Russia and Belarus. A transport railway corridor in the north that passes through Kazakhstan, and a corridor in southern Kyrgyzstan that goes through Uzbekistan and Kazakhstan are the operational routes for hauling cargo from Kyrgyzstan. In this regard, shippers prefer lorries, and railway container cargo transport is still a thing of the future.

When analysing the Kyrgyzstan-Russia container rail cargo flow market, it should be noted that a limited number of companies operate in this segment and pricing is barely transparent. The distance from northern Kyrgyzstan (Bishkek) to Moscow is covered in 11 — 15 days and from the southern part (Osh/Jalal-Abad) in 13 — 17 days. The average market rate for container rail transport is about $5,500 per FEU. When choosing a route, one should be mindful of the fact that several customs and state borders will have to be crossed in the process. For example, the southern Kyrgyzstan route includes crossing two transit countries, whereas the northern route has only one transit country to cross. Cargo between Russia and Kyrgyzstan is predominantly hauled by lorries despite higher costs. Thus, the market cost of transporting containers by lorries between Moscow and Bishkek ranges from $5,900 to $6,100 per FEU.

So, the nonexistent rail connection between northern and southern Kyrgyzstan that would be integrated into crossborder transport links constrains the development of the transport infrastructure and transit capability. Overcoming the challenge of fragmented railway network will make it possible to direct the export and import transit through northern part of the country to Russia and Belarus and back. However, the connectivity of the two poles of Kyrgyzstan largely depends on the construction of a railway in the southern parts of the republic under the CKU project, which is expected to take off in 2024. Since this project is part of the 2018-2040 National Development Strategy of the Kyrgyz Republic, the construction of the railway may well last until 2030. If the project is implemented, the distribution of the logistics flows will certainly change. The CKU will serve as a shortcut for the China — Europe — China route, thus making Kyrgyzstan a new Central Asian transit hub. On the other hand, for Russia, the implementation of this project will not only help intensify export-import operations with Kyrgyzstan, but also open additional transport routes with China and, above all, the Xinjiang Uygur Autonomous Region, which is highly interested in developing trade cooperation with Russia.