INTRODUCTION TO THE KYRGYZ REPUBLIC

GENERAL INFORMATION

- **Official name:** Kyrgyz Republic
- **Form of government:** Parliamentary republic
- **Language:** Kyrgyz (state), Russian (official)
- **Currency:** KGS
  1 USD = 68.86 KGS
  1 EUR = 77.78 KGS
- **Financial and cultural centers:** Bishkek city and Osh city

**Capital:** Bishkek
**Total territory:** 199.9 thous. sq.km
**Population:** 6.2 million
**Average age:** 27 years
**Time zone:** UTC+6
**Climate:** moderate continental
GROSS DOMESTIC PRODUCT (USD BILLION)

In 2015, GDP decreased, due to the strengthening of the US Dollar in the world market. However, the annual GDP growth in absolute terms is 104%.

GDP PER CAPITA (USD)

Stable growth of living standard, as the index of dynamically developing economics.

STRUCTURE OF THE GDP

- Services: 18%
- Agricultural industry: 12%
- Industry: 48%
- Construction: 8%
- Others: 14%
The Kyrgyz Republic makes efforts towards creation of favourable business climate. Owing to these efforts, the volume of the foreign investments for the last 10 years has increased more than 4 times.

According to official statistics, the unemployment level for the last 5 years averaged at 7.9%. In 2016, it fell by 0.4% to the level of 7.2%, which is the lowest indicator in the last 10 years.
**The Kyrgyz Republic** is in the center of Eurasian continent and has advantageous geographical location that makes it possible to access large markets of the neighboring countries. The Republic takes strategic position between the CIS and Asia-Pacific Economic Cooperation Society, being the one of the main transit routes through Central Asian corridor. The Republic builds mutual trust relations not only with the countries of the region, but also with the far abroad countries.

- Goods from the Kyrgyz Republic have the access to the **markets of the countries with population of more than 2 billion people**.
- The **Kyrgyz Republic has receives preferential trade regime GSP+**, which means more than 6,000 items of Kyrgyz origin will be exported to European Union countries at zero customs duty.
- The **Kyrgyz Republic has entered into Eurasian Economic Union of Russia, Kazakhstan, Belarus and Armenia**, which provides a freedom of movement of goods, services, financial and human capital across the borders of member states.
STRATEGIC LOCATION AND BENEFICIAL CO-OPERATION

THE KYRGYZ REPUBLIC IS THE PARTICIPANT OF THE FOLLOWING INTERNATIONAL ASSOCIATIONS:

Multilateral Investment Guarantee Agency (MIGA)
International Development Association (IDA)
Shanghai Cooperation Organization (SCO)
United Nations
World Trade Organization (WTO)

IN RELATION TO ITS TRADE PARTNERS THE KYRGYZ REPUBLIC APPLIES THE FOLLOWING TRADE REGIMES:

CIS countries
Free Trade Regime

EAEU countries
Common Economic Space

WTO countries
Most Favoured Nation Treatment

EU countries
Generalised Scheme of Preferences (GSP+)
FAVOURABLE INVESTMENT CLIMATE

LIBERAL LEGISLATION

- Most favored nation treatment regime
- Equal conditions for activity of foreign and local companies
- Right of access of the investors to international arbitration
- Guarantees of export or repatriation of investments, property and information outside the Kyrgyz Republic
- Guarantees of protection from expropriation of investments and compensation of losses to the investors
- Freedom of monetary operations, etc.
- Wide protection of foreign investors rights by law on investments of the Kyrgyz Republic
- Access to all sectors of economics
- Participation in privatization, purchase of shares and securities of Kyrgyz companies
- Opportunities of wide cooperation with the state under the law on state and private partnership in the Kyrgyz Republic, guarantees of profit and fiscal preferences under the creation and operation of the state objects
- Freedom of choice for form and objects of investments
FREE ECONOMIC ZONES

“Bishkek” is in the capital of the Republic, an economic and political center of the country in Chui Region

“Maimak” is conveniently located at the intersection of routes of international transport communication in Talas region

“Lelek” is in the capital of the Republic, an economic and political center of the country in Chui Region

“Naryn” has significant potential for development of tourism and mining industry in Naryn region. Area is of 47 thous. sq.km that is about 1/4 of all territory of the country.

“Karakol” offers huge opportunities for tourism development in Issyk-Kul region

Favorable position for the development of cross-border trade

- Favorable position for the development of cross-border trade
- FEZ entities perform trade with 68 countries of the world
- Export supplies to 27 countries of the world
- FEZ goods turnover with the countries of the world has been grown in 3 times and amounts 347 mln. USD

Profits from FEZ activity:
- All types of taxes, dues, payments and fees reductions and exemptions
- Customs duties of commodities exemption
- Quota allocation and licencing exemption
- Simplified regime of entry and exit for foreign employees
- Simplified and accelerated registration of economic entity
- Simplified customs clearance procedures
- Direct access to infrastructure necessary for the activity performance

Trade structure of export and import operations of FEZ entities

- Import:
  - Food products and farm raw materials: 11%
  - Mineral products: 28%
  - Other: 6%

- Export:
  - Textile and textile products, leather, footwear: 5%
  - Metals and metal products: 3%
  - Other: 67%
  - Machines, equipments, transport vehicles: 5%
FAVOURABLE INVESTMENT CLIMATE

BILATERAL INTERNATIONAL AGREEMENTS

Double taxation risk protection:
Russia, Kazakhstan, Turkey, Korea, China, Canada, Switzerland, Belarus, Uzbekistan, Tajikistan, Ukraine, Malaise, Mongolia, Austria, Poland, Finland, Moldova, Latvia, Lithuania, Pakistan, India, Germany.

Foreign investment encouragement and protection:
China, Turkey, USA, Iran, Pakistan, Malaysia, Armenia, Azerbaijan, France, Ukraine, Indonesia, Uzbekistan, Great Britain, Kazakhstan, Georgia, India, Germany, Switzerland, Belarus, Mongolia, Tajikistan, Swiss, Moldova, Finland, Austria, the Czech Republic, Slovakia

TAXATION

The most profitable tax rate in the region:

<table>
<thead>
<tr>
<th>Tax</th>
<th>The Kyrgyz Republic</th>
<th>Tajikistan</th>
<th>Uzbekistan</th>
<th>Kazakhstan</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT</td>
<td>12%</td>
<td>20%</td>
<td>20%</td>
<td>12%</td>
<td>17%</td>
</tr>
<tr>
<td>Income Tax</td>
<td>10%</td>
<td>8-13%</td>
<td>10%</td>
<td>10%</td>
<td>5-45%</td>
</tr>
<tr>
<td>Profit Tax</td>
<td>10%</td>
<td>25-30%</td>
<td>9-35%</td>
<td>10-20%</td>
<td>15-25%</td>
</tr>
</tbody>
</table>

There only 8 types of taxes in the country:
- VAT
- Income tax
- Business tax
- Excise tax
- Tax on subsoil use
- Sales tax
- Land tax
- Wealth tax

LOW ELECTRICITY COST

<table>
<thead>
<tr>
<th>Country</th>
<th>Kyrgyz Republic</th>
<th>Kazakhstan</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>0.03</td>
<td>0.05</td>
<td>0.07</td>
</tr>
</tbody>
</table>

LOW WAGES

<table>
<thead>
<tr>
<th>Country</th>
<th>Kyrgyz Republic</th>
<th>Kazakhstan</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage</td>
<td>223</td>
<td>421</td>
<td>605</td>
</tr>
</tbody>
</table>

Average monthly wage (USD)
WAGES

Average monthly wage in 2017 was 223 USD

Average monthly wage on types of economic activity (USD)

- Financial activity: 431 USD
- Transport and communication: 376 USD
- Mining industry: 373 USD
- Electricity, gas and water supply: 357 USD
- Construction: 197 USD
- Manufacturing industries: 190 USD
- Real estate operations: 174 USD
- Hotels and restaurants: 169 USD
- Healthcare and education: 145 USD
- Agriculture: 133 USD

Average monthly wage of small businesses at the territory of the Kyrgyz Republic (USD)

Average monthly wage of small businesses through the Republic in 2017 made 116 USD. However wages in all regions besides Bishkek city is significantly lower than average in the Republic.
There are 52 higher education institutions and 231 elementary and secondary professional educational institutions functioning in the Kyrgyz Republic. 52,800 specialists of elementary and secondary educational levels and 41,700 specialists of high educational level have been graduated during the passed year only.

<table>
<thead>
<tr>
<th>Educational institution</th>
<th>Number of institutions</th>
<th>Number of graduates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher education institutions</td>
<td>52</td>
<td>41,700</td>
</tr>
<tr>
<td>Elementary and secondary professional educational institutions</td>
<td>231</td>
<td>52,800</td>
</tr>
</tbody>
</table>
The Kyrgyz Republic was the first country among the CIS countries that joined the WTO in 1998. Currently, the Kyrgyz Republic has the most liberal trade conditions in Central Asia.

During the last 10 years the Kyrgyz Republic turnover with countries worldwide has been exceeding the GDP level indicating economy openness.

The Republic traded with 145 countries worldwide, exported goods to 82 countries in 2017. Export was oriented to both neighboring countries and far-abroad countries.
TRADE OASIS IN CENTRAL ASIA

MAJOR TRADE JUNCTIONS

Two large markets Dordoi and Kara Suu are the major trade centers in Central Asia. These markets are re-export centers of goods from China to Tajikistan, Uzbekistan, Kazakhstan, Russia and other countries.

Dordoi
Dordoi market is one of the major transit points, via this market, consumer goods from China come to Kazakhstan and Russia markets.

According to WTO data there are 800 thousand people acting at the market directly or indirectly (15% of population). Employment is 54,000 people. The market turnover is approximately 4 billion USD.

Kara-Suu
Kara-Suu market is the major trade center in the South of the Kyrgyz Republic. It is an important center of Chinese goods re-export to Uzbekistan and Tajikistan.

Employment is more than 16,000 people. Annual sales volume is more than 600 million USD most of it goes abroad.
**EFFECTIVE INVESTMENTS IN THE KYRGYZ REPUBLIC SINCE INDEPENDENCE**

1. **Coca-Cola bottlers** is the largest enterprise specializing on the production and distribution of alcohol-free drinks of The Coca-Cola Company, successfully operating at the country market for more than 15 years.

2. **Golden Tulip** - the first international four-star hotel in Kyrgyzstan.

3. **Centerra Gold Inc.** is one of the largest gold-mining company in the world operating at the territory of the Kyrgyz Republic since 1992.

4. **Demir Kyrgyz International Bank** was established in 1997. It is the first bank in the Kyrgyz Republic consisting of 100% foreign capital.

5. **Wimm Bill Dann** was established in 1998. The Company is a leader at the market of dairy production and child nutrition.

6. **Oil Company Gaspromneft Asia Ltd** is the largest operator at wholesale and retail markets of oil products and liquefied hydrocarbon gas operating since 2006.

7. **Beeline** is a large mobile operator of the Kyrgyz Republic with covered territory up to 90% of the country population.

8. **The Hotel Hyatt Regency Bishkek** is a five-star hotel, a leader of hotel business.

9. **Russia Investment Bank OJSC** is the first bank of Russia in the Kyrgyz Republic which is one of the largest banks in the bank sphere of the country.
WHY THE KYRGYZ REPUBLIC?

10 FACTORS OF SUCCESSFUL INVESTMENTS IN THE KYRGYZ REPUBLIC:

- Stable macroeconomic indicators and growth in the next 3 years
- Strategic location and potential of foreign markets
- Beneficial cooperation with international organizations
- Visa-free access to 61 countries
- The lowest tax rates in the region
- Free international trade
- Cheap and skilled labor force
- Free economic zones with tax and customs preferences
- The easiest place to do business within the region
- Cheap electricity