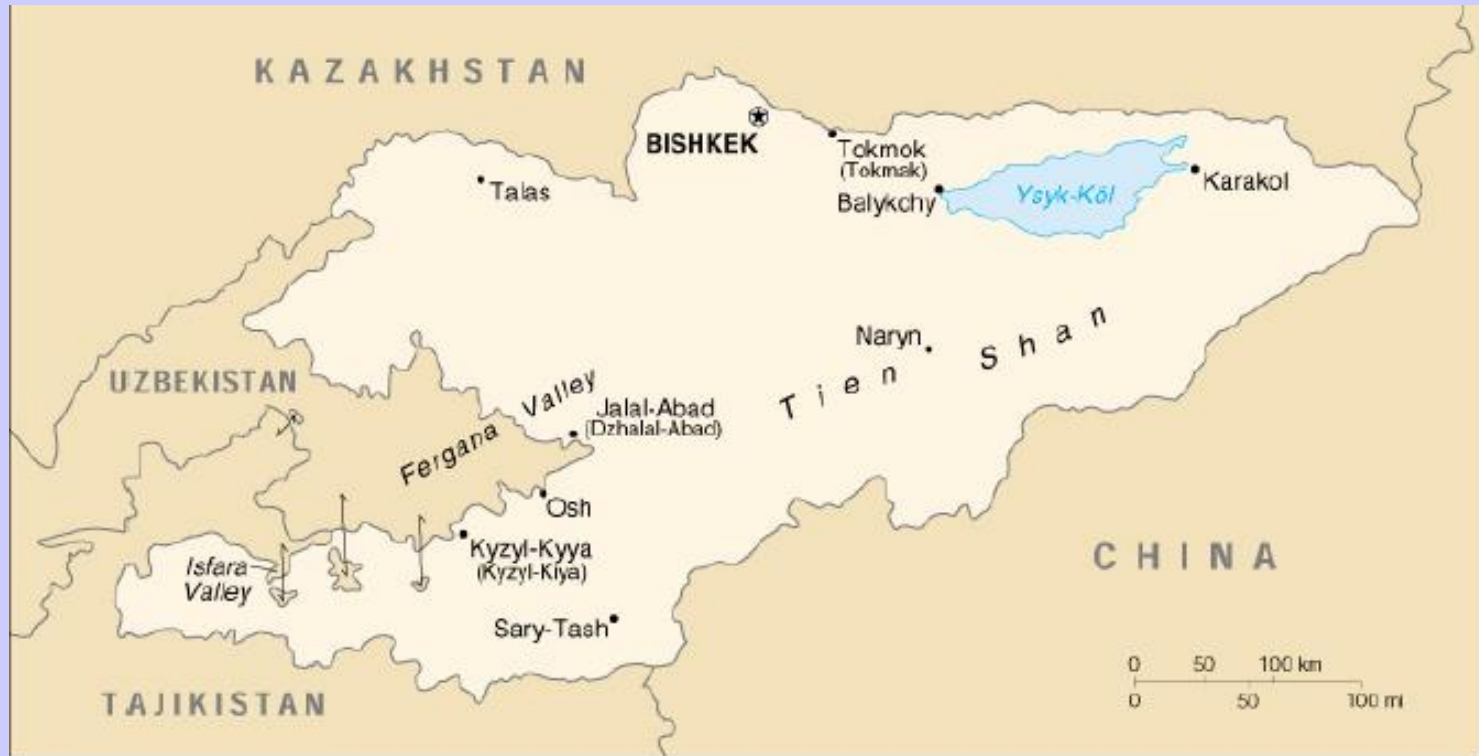


market briefing

***“Exploring Central Asia:
An Integrated Approach”***

**MONDAY, FEBRUARY 7, 2005
HYATT REGENCY ALMATY
BALLROOM**



Capital: Bishkek

Population: 5.03 million people

Territory: 199,900 sq. km (77,181 sq. mi);

94% mountainous area, slightly smaller than South Dakota

Natural resources: coal, antimony, natural gas, gold, tungsten, tin, mercury, uranium, zinc, lead, rare earth metals, copper, iron, bauxite, hydropower, water resources

Agriculture: Tobacco, cotton, wheat, vegetables and fruits, berries; sheep, goats, cattle, wool.

Industry: small machinery (electric motors, transformers); light industry (cotton and wool processing, textiles, food processing), construction materials (cement, glass, slate), shoes, furniture, mining, energy.

Trade: Imports exceed exports. The structure of foreign trade has been unchanged for many years. Foreign trade has shifted in the past few years from CIS markets to markets of WTO member countries.

Precious metals and products made from them are the main exports while mineral fuels are the main imports.

Gold, 33-50% of total exports. Other exports include: metals (mercury, antimony), agricultural & food products, tobacco, cotton, and fruits & vegetables. Imports: oil, gas, iron, chemicals, pharmaceuticals, and machine tools.

Trends: Mining industry developing. SME sector focuses on tourism service, agricultural markets, food processing. Kazakh and Russian banks intervene in local banking sector.

Scenes from the Kyrgyz Republic



Kyrgyz Republic: GDP Structure



Kyrgyz Republic: GDP structure						
	1999	2000	2001	2002	2003	
GDP (total,%)	100	100	100	100	100	
Industry	21.7	23.3	22.5	17.9	18.0	
Agriculture	34.9	34.2	34.5	34.4	35.2	
Construction	3	4.2	3.8	3.4	2.9	
Services	33.3	31.8	32.0	35.8	35.1	
Others	7.1	6.5	7.2	8.5	8.8	

Industry reports are available at BISNIS website:

- ü Agriculture and food processing (meat, dairy, canning and packaging, fruit and nuts)
- ü Manufacturing (auto parts, electro-technical parts)
- ü Mining (gold mining)
- ü Hydropower generation (electricity)
- ü Tourism (elite tourism, resort-recreational tourism, mountain-adventure tourism and mountain-climbing, historical sites along ancient Silk Route, business tourism, eco and adventure)
- ü Light industry (textiles)
- ü Construction
- ü IT sector (computerization, telecommunication)

Small Business:

- ü Services sector (public catering, hairdressing salons, car repair, etc.)

Kyrgyz Republic: Domestic Economy

	1998	1999	2000	2001	2002	2003
GDP in current prices (mln. som)	33,831	48,321	65,358	73,883	75,240	83,421
GDP growth rate (%)	2.1	3.6	5.4	5.3	-0.5	6.7
GDP per capita (USD)	N/a	N/a	N/a	312	321	381
Consumer Price Index (% increase)	16.8	39.9	9.6	3.7	2.3	5.6
Foreign Exchange Reserves (USD mln)	163.1	219.5	238.0	262.2	287.5	344
Average Exchange Rate per USD	20.9	39.0	47.7	48.4	46.9	43.7
Foreign Debt (USD mln)	1480.3	1647.4	1703.8	1677.7	1784.6	1965.7
U.S. Assistance (USD mln.) by Fiscal Year	70.8	81.4	66.1	50.9	115.0	56.6

Exports Partners:

Asia (49%): UAE (29%), China (19%), Kazakhstan (16%), Uzbekistan (16%), Turkey (7%); **Europe:** Switzerland, Russia, Latvia, France, Germany

Major Exports:

- precious metals, minerals, textiles

Kyrgyz Republic: Foreign Trade Turnover (in USD millions)						
	1998	1999	2000	2001	2002	2003
Exports (FOB)	535.1	462.6	510.9	480.3	498.1	590.3
Imports (CIF)	755.7	551.1	506.9	440.4	552.1	673.0
Trade Turnover	1290.8	1013.7	1,017.8	920.7	1,050.2	1,263.3
Exports to the USA	7.6	11.2	2.8	7.1	36.1	6.5
U.S. Imports	40.9	54.2	53.8	26.8	47.4	47.9

Imports Partners:

85% originate from USA, Kazakhstan, Russia, Italy, Germany, China, Uzbekistan, and Turkey.

Major imports:

- minerals (28.4%), machinery (equipment, transport) (15.4%), chemicals (13.4%)

Kyrgyz Republic: Major Investments



Major foreign investors

- Hyatt Regency Bishkek Hotel (renovation, 4 years)
- Kumtor (gold mining, 10 years)
- Kyrgyz Petroleum Company (only oil refinery, 7 years)
- Reemtsma (tobacco industry, 6 years)
- Steinert Industries (glass production, 10 years)
- WimmBillDunn (dairy, 8 years)
- Coca-Cola Bishkek Bottlers (soft drinks production, 10 years)
- Demir Kyrgyz International Bank (banking, 5 years)
- ZUM Aichurek (store, 7 years)
- Tevyz (cotton spinning mill, 4 years)
- Katel (mobile operator, 10 years)

Reasons to invest

- Political and ethnic stability
- Trade regime is liberal
- On-going economic reforms
- Availability of substantial resources
- Educated and low-cost labor, low operation cost
- Available sources of financing

Foreign Investment: \$90 million (2001), USD \$116 million (2002), \$147 million (2003), \$102.4 (9 months of 2004)

Major investors: Russia, Kazakhstan, USA, Germany, Turkey, China, Korea, and Great Britain

Investment distribution by industries

- food industry – 59%
- construction – 6%
- textile – 4%
- transport & communication – 4%
- manufacturing (machinery) – 3%
- chemical industry – 1%

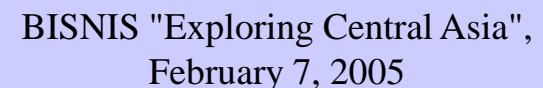
U.S. Companies:

- ✓ Hyatt Regency Bishkek (hotel)
- ✓ Procter & Gamble
- ✓ Louis Berger Group (road construction)
- ✓ American Resources, Intl. (Ari Cargo)
- ✓ Kyrgyz Petroleum Company (oil refinery)
- ✓ Phillip Morris Management Services
- ✓ Volare Apparel, Inc. (textile)
- ✓ Katel (mobile phone services)
- ✓ Los Angeles-Bishkek Invest (construction)
- ✓ American University in Kyrgyzstan (education)
- ✓ TFI International (construction)
- ✓ Leboeuf, Lamb, Greene & Macrae (legal services)

U.S. Dealers, Distributors & Franchises:

- ✓ Coca-Cola Bishkek Bottlers (franchisee)
- ✓ FedEx (licensee)
- ✓ Motorola, Xerox, Compaq, Hewlett-Packard, Global One (authorized dealers)

- ü First organizational meeting held on January 28, 2005
- ü Over 90 attendees
- ü 42 U.S.-related businesses operating in the Kyrgyz Republic
- ü 14 U.S.-related companies operating in Kazakhstan and willing to expand into Kyrgyz economy
- ü Bishkek Embassy hopes to
- ü Membership fee ranges from \$100 up to \$1,000



Kyrgyz Republic: U.S. Manas Airbase Contact Points



Captain Jason Decker
Public Affairs Officer
U.S. Manas Airbase in Bishkek
phone: +996 (517) 773920
jason.decker@maab.aorcentaf.af.mil



Captain Michael Tomm
Contracting Squadron Commander
U.S. Airbase Ganci in Bishkek
phone: +996 (517) 720268
michael.tomm@maab.aorcentaf.af.mil

Misconceptions...

- Substantial tax burden
- High level of bureaucracy and corruption
- High dependence on imports
- High level of “shadow economy”

Realities...

- Investment Council/Investments summit
- Only Central-Asian country gained the WTO membership in 1998
- IBC efforts
- Afghanistan relief
- Inexpensive labor
- Number of Multilateral Financial Institutions

<http://gateway.kg> - Kyrgyz Development Gateway

<http://www.kyrgyzexpo.elcat.kg/> - Kyrgyz Expo Exhibition Center

<http://www.times.kg> - Times of Central Asia (electronic newspaper)

<http://eurasianet.org/resources/kyrgyzstan/> - Central Eurasia Project of the Open Society Institute

<http://www.casme.net> - USAID Enterprise Development Project

<http://nsc.bishkek.su> - Kyrgyz National Statistical Committee

Ms. Asel Sulaimanova
BISNIS Representative/Commercial Assistant
U.S. Embassy in the Kyrgyz Republic
171, Prospect Mira,
Bishkek 720016 Kyrgyz Republic
phone: +996 (312) 551241 ext. 4564
fax: +996 (312) 551264
E-mail: SulaimanovaA@state.gov
Website: www.bisnis.doc.gov