



## **Executive Summary**

Government officials of the Kyrgyz Republic speak positively and with hope of factors they say indicate an improving investment climate. Government statistics show foreign direct investment increasing yearly, though this is due largely to growing Russian and Chinese infrastructure investment that is creating little employment. The government identified foreign direct investment as a key component to growing the economy in the coming years and has created a strategic roadmap for economic development to facilitate this growth. The government is taking steps to streamline the process of starting a business as well as streamlining its tax regime. The country, however, still struggles with major issues. Corruption is rampant and rule of law is weak. The judicial system is not independent and every sector of government struggles with capacity and resource shortages. For most areas of interest, a legal framework exists but enforcement is poor. Nowhere is this more true than in the area of intellectual property rights. Investors should also be aware that over 60% of the economic activity in the country occurs in the unregulated gray economy.

The investment climate in the Kyrgyz Republic is best for those who are intrepid and have a high risk tolerance. Investors in politically sensitive areas, such as resource extraction, spend much of their time renegotiating contracts, as is evident in the experience of the Canadian-owned Kumtor mine.

The Kyrgyz Republic is on the verge of several major economic transitions and decisions. The government is committed to joining the Eurasian Customs Union (current members: Russia, Kazakhstan, and Belarus). The accession process will alter, both immediately and long-term, economic conditions, particularly in relation to the gray economy, day trading and currency stability.

### **1. Openness To, and Restrictions Upon, Foreign Investment**

#### ***Attitude Toward FDI***

The Kyrgyz Republic is open to foreign direct investment and the government publicly recognizes that foreign direct investment is an important component to growing the economy. Laws exist that make the investment climate more favorable than in the past for foreign companies. Application of these laws, however, is inconsistent, which can cause problems for and deter foreign investors. In addition, government activities, including constant demands for renegotiation of operating contracts that were legally concluded, invasive and time consuming audits, levying large retroactive fines, and disputes over licenses are impediments to foreign investment.

#### ***Other Investment Policy Reviews***

The World Trade Organization (WTO) published a Trade Policy Review in January 2014. The report is available through the WTO website at this address:

[http://www.wto.org/english/tratop\\_e/tpr\\_e/tp\\_rep\\_e.htm#bycountry](http://www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm#bycountry)

***Laws/Regulations of FDI***

The Kyrgyz Republic's main legal framework for foreign direct investment remains the "2003 Law on Investments" which remains unchanged to date. The justice system in the Kyrgyz Republic is inefficient and not independent and cases can take years to be resolved.

***Industrial Strategy***

In its January 2013 Sustainable Development Strategy Roadmap, the government acknowledged that "attracting investment requires having transparent and well-functioning legislation that provides actual protection of rights of ownership and reduces interference from the state and eliminates corruption, and having a stable finance system with the ability to provide benefits to investors, and equal treatment for both foreign and domestic investors." The government is working to lay the foundations for these key components.

***Limits on Foreign Control***

While there are no official limits on foreign control, a large investor in a politically sensitive industry may find that the government imposes investor-specific requirements such as a high percentage of local workforce employment or a minimum number of local seats on a board of directors.

***Privatization Program***

There is an ongoing discussion to privatize certain government assets and enterprises such as the postal service, a telecom company and the capital's international airport. There is no set timeline for privatization nor is the bidding process clear. The entire process does not seem non-discriminatory or transparent.

***Investment Trends***

The largest investment projects are in the areas of infrastructure and energy made by the Kyrgyz Republic's largest neighbors, China and Russia. The monetary return on investment is unclear. The intangible return on investment (access and influence) appears to be high.

**TABLE 1:** The following chart summarizes several well-regarded indices and rankings.

<b>Measure</b>	<b>Year</b>	<b>Rank or value</b>	<b>Website Address</b>
TI Corruption Perceptions index	2013	(150 of 177)	<a href="http://cpi.transparency.org/cpi2013/results/">http://cpi.transparency.org/cpi2013/results/</a>
Heritage Foundation's Economic Freedom index	2013	(85 of 177)	<a href="http://www.heritage.org/index/ranking">http://www.heritage.org/index/ranking</a>
World Bank's Doing Business Report "Ease of Doing Business"	2013	(68 of 189)	<a href="http://doingbusiness.org/rankings">http://doingbusiness.org/rankings</a>

Global Innovation Index	2013	(117 of 142)	<a href="http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener">http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener</a>
World Bank GNI per capita	2012	\$6.4 Million	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

**TABLE 1B: Kyrgyzstan Scorecard:**

<b>MCC Scorecard Categories</b>		<b>Percentage Score</b>	<b>Raw Score</b>
MCC Gov't Effectiveness	2013	73%	0.26
MCC Rule of Law	2013	33%	-0.25
MCC Control of Corruption	2013	35%	-0.18
MCC Fiscal Policy	2013	19%	-5.4
MCC Trade Policy	2013	79%	75.2
MCC Regulatory Quality	2013	85%	0.40
MCC Business Start Up	2013	98%	0.978
MCC Land Rights Access	2013	91%	0.77
MCC Natural Resource Protection	2013	30%	20.2
MCC Access to Credit	2013	92%	50
MCC Inflation	2013	83%	2.8

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or \$4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: <http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf>.

## **2. Conversion and Transfer Policies**

Foreign exchange is widely available and rates are competitive. The local currency, the som, is freely convertible and stable, trading in a narrow range for all of 2013. As of February 26, 2014, the exchange rate was 51.93 som to the U.S. dollar. The National Bank of the Kyrgyz Republic conducts weekly inter-bank currency auctions, in which competitive bids determine market-based transaction prices. Banks usually clear payments within a single business day.

Complaints of currency conversion issues are rare. With occasional exceptions in the agricultural and energy sectors, barter transactions have largely been phased out. Payment disputes adjudicated through the court system can be extremely lengthy and inconsistent. The Kyrgyz Republic continues to work toward full Financial Action Task Force (FATF) compliance, but failed to pass the main anti-money laundering legislation before Parliament in 2013. The country remains on the FATF "gray list" and the Department of State's Bureau of International Narcotics and Law Enforcement lists the Kyrgyz Republic as a "monitored" country with regard to money laundering and financial crimes.

### **3. Expropriation and Compensation**

In 2013, the government of the Kyrgyz Republic did not expropriate or nationalize any foreign businesses. The government spent the better part of 2013 renegotiating the agreement underpinning foreign investment in the Kumtor gold mine and continues the effort into 2014. Meanwhile, both the executive and legislative bodies perpetually discuss how and when to allocate, reallocate, revoke, suspend, and otherwise handle mining licenses. Foreign investors have the right to compensation in the case of government seizure of assets. However, there is little understanding of the distinction between historical book value, replacement value and actual market value, which brings into question whether the government would provide fair compensation in the event of expropriation.

### **4. Dispute Settlement**

#### ***Bankruptcy***

The Kyrgyz Republic has a written law governing bankruptcy procedures of legal persons and insolvent physical persons (Law of the Kyrgyz Republic “On Bankruptcy” September 22, 1997 and amended December 30, 1998) which covers: industrial enterprises and banks, irrespective of the type of ownership; commercial companies; private entrepreneurs; foreign commercial entities. Bankruptcy proceedings are conducted by the court of arbitration competent for the district in which enterprise is located. The procedure of liquidation can be carried out without the involvement of the judicial bodies if all creditors agree on out-of-court proceedings. Chapter 10 of the law on bankruptcy provides for the possibility of an amicable settlement between the enterprise and its creditors which can be made at any stage of the liquidation process.

#### ***Investment Disputes***

The most well-known investment dispute of the last 10 years has been ongoing since the early days of the country’s independence and centers around the Kumtor gold mine. Since the mine opened after independence, the Canadian operating company, Centerra Gold, has renegotiated the terms of their investment with the government more than three times at the request of the government and is currently in the midst of another renegotiation. The pattern of possessive nationalism observed with the Kumtor mine is repeated at all foreign-owned/operated mining sites. Local populations near mine sites routinely protest, sometimes violently, and the government routinely revokes licenses at smaller sites and suspends work at various sites in response to these protests.

#### ***International Arbitration***

The Law on Commercial Arbitration allows for international and domestic arbitration of disputes. If feasible, the arbiter and the terms of arbitration should be identified in the initial contract. Establishing the terms for arbitration beforehand may prevent further complications in the event of a dispute. According to the Ministry of Justice, there are currently nine lawsuits against Kyrgyzstan in international courts. These cases seek a total of \$925 million. The outcome of these cases is uncertain, as is how the results of arbitration might be respected or enforced in practice.

The Kyrgyz Republic is a member of the International Center for the Settlement of Investment Disputes (ICSID). It signed the ICSID agreement on June 9, 1995, and ratified it on July 5, 1997. The Kyrgyz Republic became a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards on March 18, 1997.

## **5. Performance Requirements and Investment Incentives**

A World Trade Organization (WTO) member, the Kyrgyz Republic is compliant with WTO Trade Related Investment Measures obligations. The Kyrgyz government also reduced the tax burden on repatriation of profits by foreign investors to conform to the tax rate for domestic investors. As a remote country that is loosely integrated with the world economy, the Kyrgyz Republic has little practical experience working under the guidelines of the WTO and the country's treaty obligations remain poorly understood by many within the government.

The Kyrgyz government adopted a tax code, which took force in January 2009, which aims to be more business and investment friendly. Under this tax code, a number of taxes were abolished and some new taxes were introduced, including a reduction of the VAT rate from 20% to 12%. Hotel, advertising and resort taxes were abolished. A unified sales tax replaced several previous taxes, and property taxes were also introduced. The tax code, at least on paper, also establishes a presumption of innocence for the taxpayer, improves collection provisions, and supports automation and e-filing.

Payroll taxes, such as social fund payments used for the National Pension System, are complex. Many recent tax inspections of companies, including foreign companies, focused on social fund payments. Potential foreign investors are encouraged to hire a local tax adviser before they start their operations in the Kyrgyz Republic. Due to the complexity of the tax code reforms, many tax inspection and collection employees are ignorant of the subtleties of the code and have been accused of using their positions for personal enrichment.

While there are no formal legal requirements for local employment, most major international investors feel tremendous public pressure to hire as many local employees as possible. New investors may find local employment quotas included in potential investment agreements, mandating numbers for boards of directors, senior management and/or other employees.

## **6. Right to Private Ownership and Establishment**

Foreign and domestic private entities may own business enterprises and engage in a broad range of commercial activities. Foreign entities are expressly forbidden from owning land, including farmland, although regulations allow for up to 99-year leases of property.

Foreign investors are theoretically given equal treatment under Kyrgyz law. In reality, the business operating environment is complex in the Kyrgyz Republic and many foreign investors are disadvantaged less by outright discrimination than by a simple lack of knowledge of how to "work the system."

There is no prohibition on foreign rental of land for residences or factory sites. A central land registry has helped potential lenders and others deal with the financing of real property (e.g. land,

buildings, and other improvements). Yet the banking system of the Kyrgyz Republic remains relatively undeveloped and uncompetitive by international norms. The introduction of property taxes made land ownership slightly more transparent.

## **7. Protection of Property Rights**

Property right protections are slowly emerging. The State Service for Intellectual Property and Innovation under the Government of the Kyrgyz Republic (Kyrgyzpatent) is an authorized body of the Executive Branch that issues documents to certify intellectual property. Kyrgyzpatent establishes the Appeal Council that is the primary body to hear intellectual property related disputes. While the Kyrgyz Republic has a robust body of laws, regulations, and rules governing protection of intellectual property and while the country is a signatory to several international treaties on the subject, enforcement remains problematic. The judicial system remains underdeveloped and lacks independence. Due to the structure of the system, the appeals process can be lengthy and prolonged. Court actions can force the sale of property to enforce payments and other contractual obligations.

The Kyrgyz Republic is obligated to protect intellectual property rights as a member of the WTO. The Kyrgyz Republic acceded to both the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty in 2002. Counterfeit goods made primarily in China, however, are widely available. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at: <http://www.wipo.int/directory/en/>.

### **Resources for Rights Holders:**

#### **Contact at Mission:**

**Aigerim Zholomanova**  
**Commercial Assistant**  
**+996 312 551 241 ext. 4411**  
**ZholomanovaAC@state.gov**

#### **Country/Economy Resources:**

American Chamber of Commerce  
**Address:** 191 Abdrakhmanov Street, Office #123  
**Phone:** +996 312 623 389, 623 395  
**Fax:** +996 312 623 406  
**E-mail:** [pa.amcham@gmail.com](mailto:pa.amcham@gmail.com), [memberservices@amcham.kg](mailto:memberservices@amcham.kg)

## **8. Transparency of the Regulatory System**

The legal and regulatory system of the Kyrgyz Republic continues to develop slowly. The process of implementing regulations and court orders relating to commercial transactions remains inconsistent. Some court decisions, which appear to contradict established procedures, can be implemented expeditiously in certain cases and are subject to outside influence. The

Kyrgyz system is heavily bureaucratic and investors must overcome a great deal of red tape in order to conduct business.

There is an investment department at the Ministry of Economy, which assists investors with bureaucratic procedures. This department also consolidates information about potential investment projects in the Kyrgyz Republic. However, the efficacy of this office in assisting firms with setting up shop is limited since official bureaucratic procedures comprise only some of the hurdles to opening a business. An investment council, under the auspices of the president, exists to further regulatory improvements for the business climate. Contradictory government decrees often create bureaucratic paralysis or opportunities for bribe solicitation in order to complete normal bureaucratic functions. As with many aspects of life in the Kyrgyz Republic, the laws are sound but the implementation is weak.

## **9. Efficient Capital Markets and Portfolio Investment**

The National Bank of the Kyrgyz Republic is a nominally independent body and regularly intervenes in the market to stabilize the Kyrgyz som against the U.S. dollar. The currency is freely convertible and Kyrgyz bonds are available for foreign ownership. According to the Kyrgyz National Statistical Committee, the Kyrgyz Republic's Consumer Price Index increased by 4% in 2013, 5.76% in 2012, and 4.6% in 2011. The economy of the Kyrgyz Republic is primarily cash-based, although non-cash consumer transactions, such as debit cards and transaction machines, grew in the past few years.

There are two stock exchanges in the Kyrgyz Republic (Kyrgyz Stock Exchange and Stock Exchange Kyrgyzstan), but all transactions are conducted through Kyrgyz Stock Exchange. In 2013, the total value of transactions amounted to 1.65 billion soms (approximately \$33.3 million) compared to 1.04 billion soms (approximately \$22 million) in 2012.

There are currently 24 functioning commercial banks in the Kyrgyz Republic, with a total of 289 branches throughout the country.

There are nine foreign banks operating in the Kyrgyz Republic. Demir Bank, Bank of Asia, National Bank of Pakistan, Halyk Bank, Kazcommerce Bank - Kyrgyzstan, FinanceCredit Bank and UniCredit Bank are entirely foreign held. Other banks are partially foreign held, including Manas Bank and Kyrgyz Investment and Credit Bank (KICB). KICB has multinational organizations as shareholders including the European Bank for Reconstruction and Development, Economic Finance Corporation, the Aga Khan Fund for Economic Development and others. The National Bank of the Kyrgyz Republic took control of Asia Universal Bank (AUB) in April 2010 and reorganized it under the new name of Zalkar Bank, which in 2013 was sold to a Russian bank and renamed Rosinbank. Although no U.S. bank operates in the Kyrgyz Republic, many Kyrgyz banks maintain correspondent relations with U.S. and other foreign banks to facilitate short-term commercial lending, such as letters of credit.

Outside investors rarely sought financing from domestic banks. Bank lending is heavily biased towards short-term loans, although mid-term loans are also offered. The micro-finance sector in the Kyrgyz Republic is robust, representing nearly half the market size of the banking sector. As of October 2013, the micro-finance loan stock was valued around \$300 million. Agriculture



accounted for half of the loans, followed by trade and consumer loans. The average interest rate in the banking sector was 22.45%, as opposed to the micro-finance sector where the average interest rate is 35% (more than 50% higher) due to the vast majority of the micro-finance loans being handled in rural areas outside of Bishkek. Over the last year, Parliament and the National Bank have worked together to better regulate and stabilize the micro-finance sector.

Since March 2008, new banks must have a minimum charter capital requirement of 600 million soms (\$12.8 million). Banking laws also require that banks maintain a 10% reserve with the National Bank. A deposit insurance system exists for the benefit of individual investors. With the support of the government, accounting systems in banks and enterprises are being converted to international standards. In addition, international assistance programs contributed to rapid progress in reaching these standards via accounting training and certification.

## **10. Competition from State-Owned Enterprises**

There are no nationally-owned companies in the Kyrgyz Republic that compete unfairly with private companies. Most state-owned enterprises are uncompetitive, Soviet-legacy institutions.

## **11. Corporate Social Responsibility**

Corporate social responsibility is not a fully developed concept or practice in the Kyrgyz Republic. Most Kyrgyzstani-owned companies have not yet developed the capacity to coordinate with civil society on this level. The companies that generally demonstrate CSR are large, foreign-owned companies that participate in or lead industry-strengthening training sessions, work with local universities to develop internship programs and donate to national development projects. Many new large investors, particularly in natural resource extraction, find that there is a requirement to establish a sizeable “social development fund” as a prerequisite for doing business in the Kyrgyz Republic. Charitable donations are not tax deductible.

## **12. Political Violence**

The Kyrgyz Republic enjoyed another year of relative stability in 2013. The first peaceful, democratic turnover of presidential power in the nation’s history occurred with the inauguration of President Almazbek Atambayev in December 2011. The governing coalition changed peacefully in September 2012 and again in the spring of 2014 with no impact on foreign business or investment interests. The government was politically stable, withstanding periodic protests organized by opposition politicians. Concerns about law enforcement abuses and human rights violations in the country remain. Interethnic tensions persisted in the southern part of the country, but did not have a destabilizing effect on the government. Supporters of extremist groups such as the Islamic Movement of Uzbekistan (IMU), Al-Qaeda, and the Eastern Turkistan Islamic Movement remain active in Central Asia. These groups have expressed anti-U.S. sentiments and could potentially target U.S.-affiliated concerns. With U.S. assistance, the Kyrgyz Government has improved border and internal security.

The biggest exception to this general state of stability is in the extractive resources industry. Over the last several years, various installations were the target of violent protests, some

resulting in severe vandalism. The trouble caused by repeated protests prompted one large, international mining firm to sell its share of an exploration project in the last year and leave Kyrgyzstan's market entirely.

The Department of State urges U.S. citizens to consider carefully travel to the Batken region along the Kyrgyzstan-Tajikistan border. U.S. citizens planning to travel to the Kyrgyz Republic should refer to the U.S. Department of State for updated security information. This information is available on the Internet at <http://travel.state.gov>.

### **13. Corruption**

Corruption remains a serious problem at all levels and in all sectors of Kyrgyz society and the economy. According to the Transparency International Corruption Perception Index, in 2013 the Kyrgyz Republic ranked 150th out of 177 countries surveyed. Kyrgyz politicians and citizens alike are aware of the systemic corruption, but the problem is deeply entrenched and difficult to fight. Moreover, many in the Kyrgyz Republic view paying of bribes as the most efficient way to receive government assistance and many, albeit indirectly, gain benefits from corrupt practices.

The Kyrgyz Republic is a signatory of the UN Anticorruption Convention but not party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The Kyrgyz Government announced a number of initiatives to fight corruption. Current President Almazbek Atambayev established an anticorruption service within the State Committee on National Security. The service has taken action against a limited number of ministers and parliamentarians. The Kyrgyz Government encourages all companies to establish internal codes of conduct that, among other things, prohibit bribery of public officials, but not all companies have effective internal controls. The Kyrgyz Republic has laws that criminalize giving and accepting a bribe, with penalties ranging from a small administrative fine to a prison sentence, but the government's active enforcement of these laws is uneven. While, at times, senior government officials take anticorruption efforts seriously, a truly serious, sustained effort would probably result in more consistent enforcement of the existing laws.

Businesses operating in the Kyrgyz Republic will encounter some or all of these experiences. The Government of the Kyrgyz Republic issues special license plates to foreign business owners, which the police target for regular stops. Foreign businesses may also find themselves the subject of frequent tax audits or a variety of inspectors consistently visiting their establishments. Each experience opens the door for bribery.

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines rule of law.

It is important for U.S. companies, regardless of their size, to assess the business climate in the relevant sector in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including bribery. U.S. individuals and

firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the Kyrgyz Republic and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel. The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by upholding their obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies.

### **Resources to report corruption:**

#### **Contact at government agency responsible for combating corruption.**

Mr. Tilek Sayakbaev  
Head of the Department  
Department for Corruption Prevention Policy  
Ministry of Economy,  
Bishkek, Prospekt Chui  
+996 312 620 535  
[mail@mineconom.kg](mailto:mail@mineconom.kg)

#### **Contact at "watchdog" organization**

**Mukanova N.A., General Secretary**  
**Anticorruption Business Council of the Kyrgyz Republic**  
**Ministry of Economy**  
**114 Chui Avenue, Bishkek**  
**+996 312 895 496**  
[secretariat.adc@gmail.com](mailto:secretariat.adc@gmail.com)  
[www.adc.kg](http://www.adc.kg)

## **14. Bilateral Investment Agreements**

The Kyrgyz Republic currently enjoys bilateral investment treaties with the United States, Armenia, Azerbaijan, Belarus, China, Finland, France, Georgia, Germany, India, Indonesia, Iran, Kazakhstan, the Republic of Korea, Lithuania, Malaysia, Moldova, Mongolia, Pakistan, Sweden, Switzerland, Tajikistan, Turkey, United Kingdom, Ukraine and Uzbekistan.

The U.S.-U.S.S.R. treaty on double taxation, which was signed in 1973, remains in effect between the U.S. and the Kyrgyz Republic. The Kyrgyz Republic has also signed double taxation treaties with Armenia, Austria, Belarus, Canada, China, Finland, Germany, India, Iran, Kazakhstan, Lithuania, Malaysia, Moldova, Mongolia, Pakistan, Poland, Russia, Switzerland, Tajikistan, Turkey, Ukraine and Uzbekistan.

## **15. OPIC and Other Investment Insurance Programs**

OPIC provided insurance in the Kyrgyz Republic in the past and currently welcomes applications for financing or insurance in the country.

## 16. Labor

There is significant competition for skilled individuals in the Kyrgyz labor market as many qualified Kyrgyz citizens found lucrative job opportunities abroad, and the nation's education system failed to keep pace with advancing educational needs within many sectors. International organizations are generally able to employ competent staff, often bilingual in English or other languages. Literacy in the Kyrgyz Republic is approximately 97 percent. According to the Kyrgyz Ministry of Labor, Migration and Youth, the unemployment rate was approximately 8.4 percent as of February 2014. However, approximately one million Kyrgyz work abroad because of limited opportunities in the Kyrgyz Republic.

## 17. Foreign Trade Zones/Free Ports

There are five Free Economic Zones (FEZs) in the Kyrgyz Republic: Bishkek (2), Naryn, Karakol and Maimak. Each is situated to make use of transportation infrastructure and/or customs posts along the Kyrgyz borders. Government incentives for investment in the zones include exemption from several taxes, duties and payments, simplified customs procedures and direct access to utility suppliers. The production and sale of petroleum, liquor, and tobacco products in FEZs are banned.

## 18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

**TABLE 2: Key Macroeconomic data**

	Host Country Statistical source*		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
<b>Economic Data</b>	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (Millions U.S. Dollars)	2012	\$6.475 billion	First Half 2013	GDP grew by 7.9%,	<a href="http://www.worldbank.org/en/country">http://www.worldbank.org/en/country</a>

According to the Kyrgyz National Statistical Committee, Foreign Direct Investment (FDI) for the first nine months of 2013 totaled \$685 million, higher than in 2012 when it totaled \$412 million for the same period\*. The table below shows historical FDI data.

<b>FDI</b>	<b>Year</b>
\$372.00 million**	2012
\$849.2 million	2011
\$446.0 million	2010
\$660.9 million	2009

\$866.2 million	2008
\$436.8 million	2007
\$335.6 million	2006
\$210.3 million	2005

\*Government's statistics, \*\*World Bank's statistics

(Note: Getting accurate figures is always a challenge in the Kyrgyz Republic)

**TABLE 3: Sources and Destination of FDI  
Kyrgyzstan, 2012**

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	2,357	100%	Total Outward	1	100%
Canada	788	33%	Tajikistan	1	86%
China, P.R.: Mainland	334	14%	Turkey	0	6%
United Kingdom	220	9%	Kazakhstan	0	4%
Kazakhstan	177	8%	Russian Federation	0	2%
Russian Federation	132	6%	Ukraine	0	%

"0" reflects amounts rounded to +/- USD 500,000.

Source: <http://cds.imf.org>

Host country data is often unreliable. The IMF numbers are probably the most reliable numbers available for a breakdown of inward and outward direct investment.

**TABLE 4: Sources of Portfolio Investment**

The International Monetary Fund (IMF) lists no sources of portfolio investment for Kyrgyzstan.

**19. Contact Point at Post for Public Inquiries**

**Aigerim Zholomanova**  
**Commercial Assistant**  
**+996 312 551 241 ext. 4411**  
[ZholomanovaAC@state.gov](mailto:ZholomanovaAC@state.gov)