

The industrial potential of Kyrgyzstan is related to its natural resource base, its location near large and growing markets, as well as regional integration processes, primarily within the framework of the Eurasian Economic Union (hereinafter - EAEU). Kyrgyzstan's geographical location on the route between China, Russia and Europe creates great potential for trade. The proximity to countries with rapidly growing populations and demands, such as India and Pakistan, offers new export opportunities. Competitive advantages for the development of industry in Kyrgyzstan include factors such as the existing education base, relatively low cost of production factors, as well as moderate inflation. Due to low income level of the population, Kyrgyzstan has comparative advantages for the development of labor-intensive industries.

Previously, the main problems for industrial development were the limited size of the domestic market, which did not allow enterprises to take full advantage of the positive effects of the production scale. However, in the light of Kyrgyzstan's entry into the EAEU integration union, which provides for the abolition of customs controls between member countries, the market of the Kyrgyz Republic has expanded significantly to the size of the Eurasian union.

The main volume of industrial production (up to 90%) is produced by six key industries in the economy, five of which are process manufacturing industries (chart). Thus, according to the results of 2019, the share of six industries shows as follows:

- production of basic metals and finished metal products, except machinery and equipment, with a share of 50.5%;
- production of food products (including beverages) and tobacco products - 11.0 %;
- production of coke and refined petroleum products – 2.0 % (in 2018, this figure was equal to 5.3%, a sharp drop was caused by the shutdown of one of the leading refineries in the country);
- production of rubber and plastic products, other non-metallic mineral products (construction materials) - within 7.2%;
- textile production, production of clothing and footwear, leather and other leather products with a share of 3.5 %;
- electricity production - 13.2%.

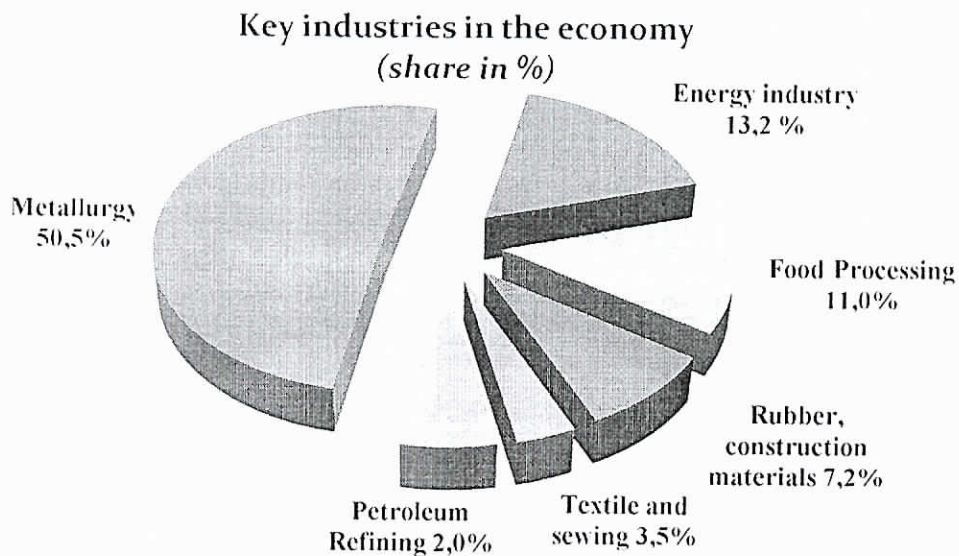


Chart: Key industries in the economy

In accordance with the industrial development strategy of Kyrgyzstan for 2019-2023, priority is given to the food and light industry, production of construction materials, and energy.

Main principles of selecting priority projects:

1. Focus on the local raw material base;
2. Implementation of modern production facilities, including environmentally friendly and energy-saving technologies;
3. Ensuring high added value;
4. Creation of a sufficient number of jobs;
5. Export-oriented goods.

It should be noted that the Kyrgyz Republic inherited many manufacturing enterprises with developed infrastructure, which are currently not used to the fullest extent.

The textile and sewing industry of the Kyrgyz Republic is attractive for investment. For this purpose, there are the following conditions: first of all, the availability of raw materials production: cotton and wool, which are the raw material base for the dynamically developing sewing industry of the country, which makes it possible to expand the use of natural fabrics from wool and cotton in the range of sewing products, sewing all kinds of competitive types of clothing.

In this regard, the State Committee proposes to consider the possibility of cooperation, as well as to attract investments in the organization of the following textile enterprises in the Kyrgyz Republic:

- ❖ for advanced processing of cotton fibers into cotton fabrics and yarns, including blended ones;
- ❖ for processing coarse and semi-coarse wool, with an extension of the technological chain of processing into semi-finished and finished products;

- **direction - wool processing.** (Wool production amounts to 11.1 thousand tons of unwashed wool, of which fine (merino) and semi-fine wool - to 4.5 thousand tons, is

partially processed and exported. There is an excess of semi-coarse and coarse wool in the amount of up to 6.5 thousand tons, which is proposed to be processed with the participation of investors by creating enterprises with foreign capital (or joint ventures, as an alternative).

- direction - processing of cotton fibers. *(On average, the country has the capacity for the gross harvesting of raw cotton - up to 100 thousand tons, which grows in three southern regions: Osh, Jalal-Abad and Batken. Raw cotton is processed in 18 ginning plants and up to 95 percent is exported.)*

In this regard, it is proposed to create joint ventures on the basis of the Technopolis project for textile and sewing production. In order to implement the Technopolis project for the textile and sewing production, the "Legprom" Association was provided with a land plot of 40.74 hectares on the territory of Voенno-Antonovka Aiyl Aimak of Sokuluk District (Resolution of the GoKR No. 403 dated June 23, 2017) for a period of 49 years for temporary use on a lease basis.

Production of construction materials includes the following independent sub-sectors: cement production, production of plate glass, asbestos-cement products (slate), concrete, mortar, lime, prefabricated and reinforced concrete structures and products, wall materials (bricks), products made of natural stone (facing slabs, etc.). There are sufficient raw material reserves for the development of the industry, such as lime for cement production, basalt and wollastonite for basalt production, granite and shell rock for the stone processing industry, etc.

The development of the oil refining industry is seen as promising. Currently, only 10% of the demand for POL is met by domestic producers, the rest is imported from other countries. It is considered reasonable to implement projects providing for deep processing of oil and petroleum products. According to available information, only about 15 % of oil goes directly to the production of POL, the rest is processed to obtain various materials used in almost all sectors of the economy.

In Kyrgyzstan, more than 90% of electrical products are imported, which makes it quite promising to invest in projects for the production of goods for the energy industry. It is quite relevant to organize the production of transformers, the need for which in the country is not less than 1000 units per year, the so-called "smart" Electricity Commercial Metering Automated System electric meters, the demand for which is not less than 1 million units in the strategic plan, cable products, etc.

The Kyrgyz Republic has a very underdeveloped mechanical engineering industry, although there is some technical and labor potential. It is considered reasonable to develop both agricultural mechanical engineering, bearing in mind that the Kyrgyz Republic is mainly an agricultural country, and new and promising types of vehicles, such as electric cars. There are already examples of first projects on production of components for foreign models of electric cars. But it should be noted that there is no appropriate infrastructure, which should be considered a separate area of activity. Therefore, this field of activity is also a promising one.

Only the basic sketches of possible cooperation with potential foreign investors are outlined above. The State Committee for Industry, Energy, and Subsoil Use is ready to provide comprehensive support to such projects and provide the necessary available information.