

## ECONOMY

Financial & Business  
**NEWS** from MOSCOW

# Kyrgyzstan grapples with the economy — and the market

*Situated on the Chinese border, Kyrgyzstan is one of the smaller and lesser known republics of the former Soviet Union. Since becoming President in October 1990, Askar Akayev has consistently argued that a market economy is the only way to solve Kyrgyzstan's economic problems and raise living standards, and Kyrgyzstan now has the most liberal legislation on foreign capital investment and the repatriation of profits anywhere in the CIS. However, the collapse of the Soviet Union has greatly exacerbated Kyrgyzstan's economic difficulties and the republic is suffering from the same ills which plague the CIS as a whole such as falling production, a mounting budget deficit, a shortage of cash, inflation and rising unemployment. **FBN's** Ian PRYDE reports on the current economic situation from Bishkek*



Tomato processing line of an Italian-Kyrgyz joint venture



hardly be expected to develop overnight in a country cut off from the outside world for 70 years. Kyrgyzstan is of course in the same boat as the other republics of the former Soviet Union and to a great extent subject to forces completely beyond its control. It is still in the ruble zone and is bound to be affected by changes in Russia such as increases in energy prices.

Some of the problems

thrown up by the economic situation are best illustrated by the problems caused by the shortage of cash. Wages are in arrears by two or three months and it is difficult and sometimes simply impossible to withdraw money from banks. Coins seem to have disappeared altogether and bus tickets are being used as a substitute for small change.

But there are encouraging signs. Since my last

visit here in October last year, street trading has sprung up everywhere and capitalist enterprise is developing. The young people are of course the main hope. They have little experience of the pre-perestroika period and their only interest seems to be going into business and making money. That is now just as true in Bishkek as it is in Moscow. ●

Given political and social stability, Kyrgyzstan would seem to have considerable economic potential. The republic has a rich farmland and should be able to feed itself and become a major food exporter if it receives outside advice and investment. Extractive industries based on a wide range of valuable natural resources such as gold, silver, antimony, tungsten, mercury, rare earth metals, coal, oil and gas are already developed to some extent. There is huge HEP potential in the south of Kyrgyzstan and German companies have expressed interest in developing HEP projects to increase the existing capacity. It is planned to export electricity to Xinjiang. Mechanical and electrical engineering, textiles, a construction industry based on granite and marble as well as several large defense plants also exist. Last but not least is the spectacular scenery of the Tian Shan mountain range and Issyk Kul, a lake 180km in length and in places up to 60 km wide, which have massive tourist potential.

In order to develop these resources and shake off Kyrgyzstan's colonial

legacy as a supplier of raw materials and importer of finished goods, the government has passed liberal laws to attract foreign capital.

This will not be easy. The infrastructure is well below western standards and requirements. The banks are not geared to western needs and it is impossible to use credit cards or cash a cheque. Telephoning Moscow is a headache and sometimes impossible. Kyrgyzstan is also somewhat cut off and inaccessible. The few American diplomats here depend on the BBC World Service for news about the outside world. Everything has to be brought in by plane, which is expensive and hardly suited to bulk transport.

The government is aware that Kyrgyzstan is still not sufficiently attractive for foreign investment capital and is therefore now looking to improve the infrastructure. President Akayev told *FBN* that he is hopeful that a satellite link-up will be in place by the end of the year enabling instant communication with the rest of the world. The airport is being upgraded to handle international traffic, and it is planned to extend railway lines to other

parts of Central Asia.

There have already been some modest successes in attracting foreign investment to Kyrgyzstan and about 20 joint ventures in the republic have been established. The South Korean concern Lucky-Goldstar has been producing televisions here since last year and is also involved in electronics. Volvo intends to assemble cars in Bishkek from early 1993 with components shipped in from Sweden. Businessmen from Turkey and other Islamic countries are also particularly active in Kyrgyzstan, as in the rest of Central Asia.

However, even major capital investment — if forthcoming — will take time to produce results and in the meantime the population will just have to grin and bear it. After Akayev's re-election in October 1991, expectations that things would improve dramatically were as high as they were unrealistic. The breakup of the Soviet Union and the consequent collapse of the former economic ties have led to a further deepening of Kyrgyzstan's economic crisis and, inevitably, to a feeling of embitterment and resignation, although a market economy can

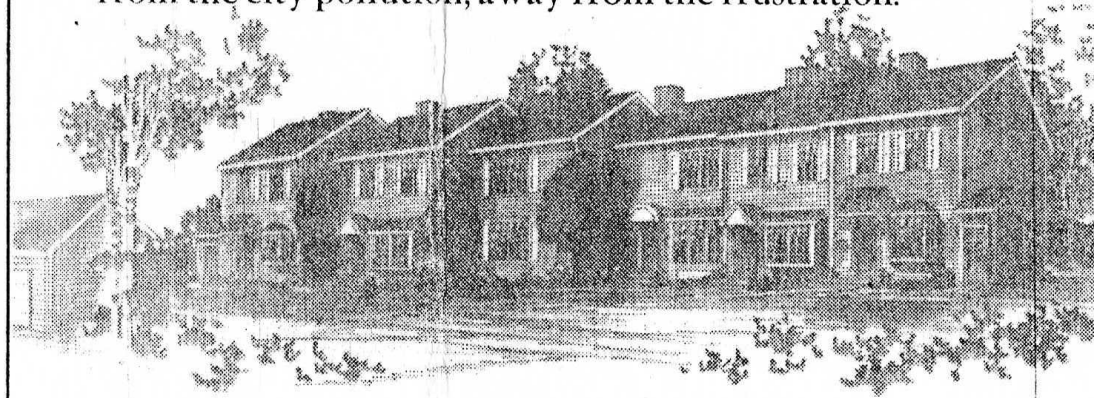
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