

29/10/1998

No mean feat for Kyrgyzstan to rebuild its market economy

Rozi Ali

KYRGYZSTAN is lauded as a beacon of economic reform and political openness in Central Asia. Recently, International Monetary Fund chief Michel Camdessus said its economic transition was an inspiration for emerging markets.

The landlocked, mountainous republic has tamed a hyper inflation of 1,366 per cent in 1993 to 10.9 per cent in the first half of 1998, increased industrial output and established a liberal regime for foreign investors. Its gross domestic product leapt by 10.4 per cent in 1997, up from 5.6 per cent the previous year and well ahead of the growth rate of most former Soviet republics.

Building a market economy on the ashes of the old socialist system is no mean feat. But it is favoured by political stability, and underscored by a state policy of "Kyrgyzstan - Our Common House".

Since its independence seven years ago, the multi-ethnic republic of 4.5 million has successfully avoided the path commonly trod by former communist regimes: political uncertainty and ethnic conflict. Led by popular and liberal-minded President Askar Akayev, it has built a political, constitutional and legal framework committed to the ideals of parliamentary democracy.

If others have tottered under the burden of market reforms, Kyrgyzstan is beginning to see the results now. But not without the initial pains.

However, with committed leadership and international support, the pains are history. Today, its currency (the som) is very stable. It aims at a 3.6 per cent GDP growth next year and a further decline in inflation rate.

Kyrgyzstan's ambassador to Malaysia, Mambetjunus Abylov, said, "Macroeconomic stability is being achieved and we are confident that Kyrgyzstan is on the way to economic growth."

To maintain its newly-found economic stability, Kyrgyzstan is promoting more privatisation in priority sectors such as mining, aviation, telecommunications and energy. Its five-year privatisation plan has been successfully implemented: 80.2 per cent in industry, 56.6 per cent in construction, 47.8 per cent in transportation and 97.2 per cent in the trade and food services.

It is developing its finance and capital market infrastructure further which includes the promotion of private banking sector and non-banking financial instruments like pension funds.

Blessed with soaring peaks, primeval forests and limpid lakes, it has yet to fully exploit its tourism potential. Malaysia's Business Focus Sdn Bhd has made the bold move of owning a hotel in one of its cities. Unlike its counterparts in Central Asia's parched deserts, Kyrgyzstan has immense hydro-power potential since 90 per cent of its land is 1,000 metres above sea level and most of it has mountainous rivers.

Investors will appreciate the availability of a well-educated workforce since Kyrgyzstan has the largest number of Internet users in the region per capita.

Many investments opportunities abound in Kyrgyzstan. Its gold deposits have attracted foreign investments. The Kumtar gold deposit, which is among the world's 10 largest with 514 tonnes of geological reserves, is developed with the help of Canadian mining giant, Cameco Corp (the world's largest uranium producer).

The Kumtar gold project is expected to have an output of 18 tonnes of

gold this year. Incidentally, Malaysian Mining Corporation Bhd has put up a feasibility study in the Taldybulak Leftbank gold project.

Distinguishing the republic from some fledgling republics is its refusal to blindly adopt free market. From the very start, its leadership proclaimed a socially-oriented market economy which experts in international institutions refer to as the "Kyrgyz model of development".

Kyrgyzstan is keen to develop closer bilateral relations with Malaysia. Malaysia not only shares the same independence day with the republic but is also among the few countries helping it to formulate an industrialisation programme.

In a letter on the republic's economic policy, Akayev has referred to Malaysia's input as "Prime Minister Datuk Seri Dr Mahathir Mohamad's programme on stable development of Kyrgyzstan's economy".

Said Abylov: "Malaysia is one of the first to recognise the republic's independence and it has been supporting as well as assisting us in economic development."

"The Embassy of the Krygyz Republic is making all efforts to achieve positive results of the economic programme as soon as possible and speed up joint-governmental activities."

(END)