

FICCI
Federation of Indian Chambers of Commerce and Industry

India-Kyrgyz Republic Envisioning Transformative economic relations

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Foreword



India today is part of the economies which are crafting the "Next Phase" of global economic order. The country's entrepreneurial zeal is actively reaching out to new technological, economic and business partners in its onward march for realising its true economic potential.

India and Kyrgyzstan share close cultural and economic bonds dating back to the ancient silk route. Our multi-layered links since then have evolved beyond exchanges of goods and include comingling of history, culture, beliefs and philosophy. India was among the first to establish diplomatic relations with Kyrgyzstan in 1992; the resident Mission of India was up and running in 1994.

The very fact that Sh. Narendra Modi, Hon'ble Prime Minister of India, in his very first year in office, decided to visit Kyrgyz Republic in 2015, thereby becoming the first Indian Prime Minister to do so after a gap of 20 years, was significant in underlining the importance attached by GoI in effectively articulating its "Connect Central Asia Policy".

It is not surprising that after re-assuming Prime Minister's office, the Kyrgyz Republic has again figured amongst the first few in PM Modi's list of foreign visits.

The recent years have seen a qualitative deepening of trade and economic relations between the two countries. Sectors like defence, homeland security, mining, IT, agriculture and energy and of course healthcare and pharmaceutical sectors are re-drawing the future course of economic engagements between the industries of two countries.

The FICCI report titled 'India-Kyrgyz Republic: Envisioning Transformative Economic Relations" being released at "India-Kyrgyz Business Forum" on June 14, 2019 in Bishkek, agglomerates the current status of India-Kyrgyz relations and provides a window to the growth opportunities going forward.

We hope that the report will provide a platform for the deliberations at the Forum to take ties between the two countries to the next level through thought leadership and concrete business proposals.

I wish all the delegates a very constructive and rewarding participation in the India-Kyrgyz Business Forum.

Sandip Somany
President
FICCI

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Introduction

India and Kyrgyz Republic are united by bonds of ancient trade links and investment, history and culture, beliefs and philosophy, and its democratic values. As part of Central Asia, Kyrgyz Republic holds significant importance considering its trade links dating back to the Ancient Silk Route. It is strategically located in the north east of Central Asia sharing its borders with Kazakhstan in the North, Uzbekistan in the West, Tajikistan in the Southwest and China to the East.

Since the establishment of diplomatic relations in 1992 between the two countries, enhanced cooperation in economic, political, cultural and humanitarian spheres transcended to new scopes of engagement. India and Kyrgyz Republic have exchanged several bilateral visits attended by the Leaders, senior Ministers and sectoral engagements with business partners and institutional bodies.

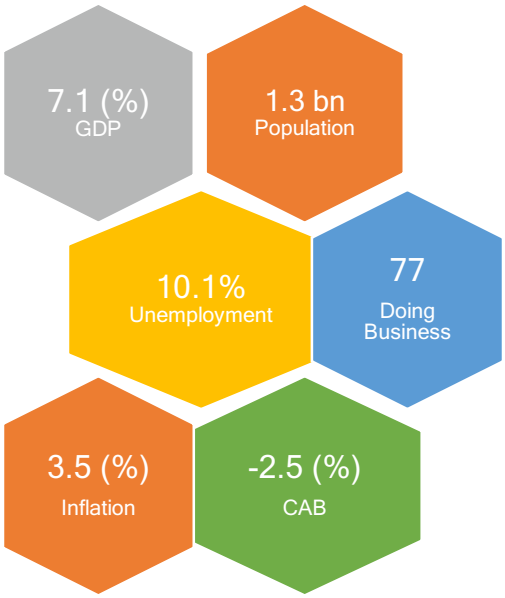
In modern times, both democracies are committed to elevate their close relationship by jointly bridging their vision towards inclusive growth and sustainable development. This being said, both countries have witnessed transformative change in the form of various joint initiatives in the last five years.

Sector specific programmes in the field of energy, infrastructure, science and technology, health care and pharmaceuticals, mining etc. have been considered as key sectors of cooperation to further enhance economic and commercial ties between India and Kyrgyz Republic.

Given this background, an overview of both the economies have been undertaken in this FICCI report titled 'India-Kyrgyz Republic: Envisioning Transformative Economic Relations" being released at "India-Kyrgyz Business Forum" on June 14, 2019 in Bishkek, Kyrgyz Republic. The Report aims to establish the economic and commercial aspects of India Kyrgyzstan relations, study of key priority sectors, and evaluate potential areas of cooperation.

INDIA – COUNTRY SNAPSHOT

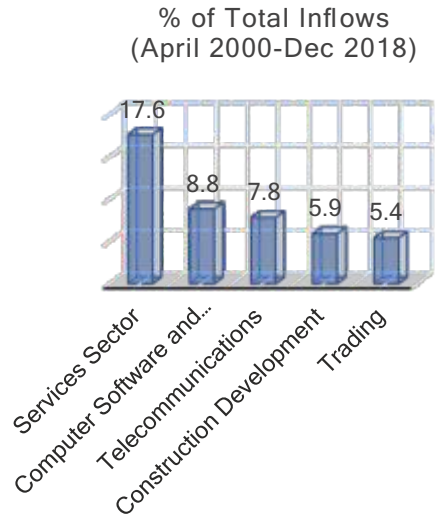
Macroeconomic data



Forecasts and Trends

- 7.5% GDP in 2020 - continues to be one of the fastest growing economy in the world *(Source: IMF)*
- By 2050, India's economy is projected to be the world's second-largest, behind only China. *(Source: World Economic Forum)*
- India ranks 58th in Global Competitiveness Index 4.0
- Rank 63rd by Forbes - Best countries for Business

Top 5 sectors to invest *(Source -DIPP Statistics)*





MAJOR INITIATIVES BY THE GOVERNMENT OF INDIA

Make In India

- Make India a Global Manufacturing Hub
- Focuses on 25 sectors
- Share of manufacturing : 25% of GDP by 2025

Clean India Mission

- Sanitation facilities for every family
- Village cleanliness
- Safe & adequate drinking water supply

Start Up India

- Nurture iinovation & start-ups
- Simplification & Handholding
- Industry academia partnership
- Funding support & incentives

JAM Trinity

- Linking JAN Dhan accounts, Aadhaar cards & Mobile numbers
- Facilitate better distribution of subsidies

Skill India

- Scale up skill development efforts in India
- Create outcome focused implementation framework
- Train a minimum of 300 million people by 2022

Green Energy

- Government implementing mega plans in renewable energy sector
- India to achieve 40% cumulative electric power capacity from non fossil fuel based energy sources by 2030

Smart Cities

- Improve quality of life by enabling local area development through harnessing technology

Digital India

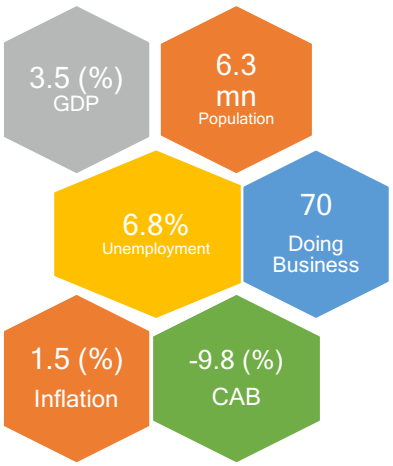
- Creating a knowledge based economy
- Digitally empower citizens
- E-Governance

Power for All

- Government of India and its state governments initiatives to provide 24 hour power supply across the country by March 2019

KYRGYZ REPUBLIC – COUNTRY SNAPSHOT

Macroeconomic data (2018)



**IMF WEO, April 2019*

Doing Business 2019



* *Doing Business Report, 2019*

Top 5 sectors to invest

- Hydropower
- Infrastructure - Railways & Roads
- Minerals and metals
- Health care and Pharma
- Information Technology

Forecasts and Trends

- Kyrgyz Republic ranks 94th in WHO - Global Innovation Index (2018)
- Rank 97th out of 140 - Global Competitiveness Index 4.0 (2018)
- Asian Development Bank (ADB) provided $78 mn to rehabilitate two major transport corridors that link Kyrgyz Republic to international markets.



MAJOR INITIATIVES BY THE GOVERNMENT OF KYRGYZ REPUBLIC

National Development Strategy for 2018-2040

- The National Council for Sustainable Development of Kyrgyz Republic adopted the National Development Strategy for 2018-2040 with priority sectors for development in agriculture, light industry, agro-processing and tourism.

Protection of minority investors

- The Kyrgyz Republic strengthened minority investor protections by increasing shareholders' rights and role in major corporate decisions, strengthening the independence of board of directors and barring subsidiaries from acquiring shares issues by their parent companies.

Trading across borders

- The country made trading across borders easier by streamlining exports within the Eurasian Economic Union.

Enforcing Contracts

- The Government has made enforcing contracts easier by introducing a pre trial conference as part of the case management techniques in court and adopting a consolidated law on voluntary mediation.

Resolving insolvency

- The Kyrgyz Republic made insolvency easier by facilitating the continuation of the debtor's business during insolvency proceedings and granting creditors greater access to information on the debtor's financial situation during the proceedings.

**Doing Business Report, 2019*

REASONS TO INVEST IN KYRGYZ REPUBLIC

Strategic Location



Low cost Labour workforce



Regional Connectivity



Favourable Investment Climate



Untapped natural and cultural resources

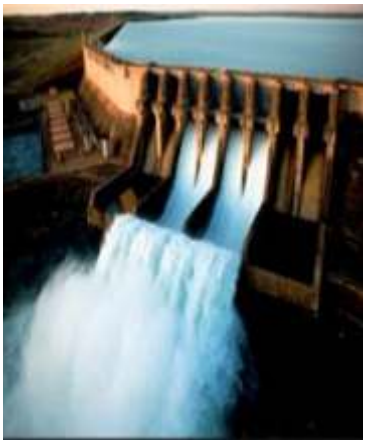


Business friendly policy frameworks



STRATEGIC SECTORS OF COOPERATION

HYDROPOWER



INFRASTRUCTURE (RAILWAYS)



TOURISM, FILMS & CULTURE



HEALTHCARE & PHARMA



MINING AND MINERALS



INFORMATION TECHNOLOGY



TEXTILES





HYDROPOWER

Kyrgyzstan - major producer in Hydropower

Abundant resources in hydropower has helped Kyrgyz economy in its rapid development of the hydropower sector making Kyrgyz Republic as a major producer of electricity.

Among the members of the Commonwealth of Independent States, the Kyrgyz Republic stands behind only the Russian Federation and Tajikistan in hydroelectricity generation potential. It also has good prospects for developing other renewable energy resources such as solar, wind, and biomass.

Some of the existing plants include - cascade of Toktogul hydropower plants (Toktogul hydropower plant (1,200 MW) and Kurpsai hydropower plant (800 MW)), Atbashy hydropower plant (40 MW), etc.

India's Hydropower

As the world's second populous country, India is making progress to face its energy demands in the next few decades. According to FICCI-PWC Report, India is projected to require around 7% annual growth in electricity supply to sustain a GDP growth of around 8.5% p.a over the next few years.

The Government of India has increased financial allocation, along with other non-financial support, liberalized government led policies to prioritize hydropower development and increase capacity addition.

To accelerate growth in the hydropower sector and to bridge the gap between the actual and planned capacity addition, the private sector is being seen as an important stakeholder.

Possible Areas of Joint Cooperation

- Indian companies could seek opportunities in investing in hydroelectric power stations and construction of dams in Kyrgyz Republic
- To utilize Kyrgyz's untapped potential in the hydropower sector, B2B interactions between the indian and Kyrgyz companies could be conducted to evaluate the investment opportunities of mutual benefit
- Modernisation of existing Hydropower facilities and identifying possible locations for new hydropower projects in could be jointly collaborated on.



INFRASTRUCTURE (RAILWAYS)

Kyrgyz Republic

The Kyrgyz Republic's railway network extends to just 417 kilometres, making it one of the shortest rail networks in the world.

During various bilateral meetings between the two countries, the Kyrgyz representatives sought assistance from India in Kyrgyz rail and development projects.

There is a huge scope of development and partnership framework towards building rail connectivity in Kyrgyz Republic.

With its growing popularity globally, the need for regional connectivity is essential. Kyrgyz Republic boasts of stunning landscapes and mountainous ranges which makes it key attractive destination for trade, investment, tourism and development opportunities

India

Indian railways, today is the largest rail network in Asia and the world's third largest network in the world, accounting for 10 percent of the global market.

With a view to transforming Indian Railways into **"Green Railways"** and to capture the economic benefits of electric traction in an accelerated manner, Indian Railways has planned to electrify balance BG routes by 2021-22.

To enhance energy efficiency, all railways stations (more than 8000) have been fitted with 100% LED luminaries. Railways are making extensive efforts in this direction to make more and more 100% green powered stations

An online portal for reporting of issues pending with State Governments pertaining to infrastructural developmental projects which are being undertaken by different Railway agencies has been developed.

Possible Areas of Joint Cooperation

- Jointly work towards development of rail projects with key focus on modernization of rail tracks, safety, high speed inter-city rail links, cargo hub connectivity, signaling, etc
- To create opportunities for small and medium enterprises in railway sector manufacturing.
- As a transformative path towards a digital future, joint efforts to help establish digital transactions for online ticket reservations, Wi-Fi connectivity at rail stations, installation of point of sale machines are a few initiatives to enhance the rail infrastructure in Kyrgyz Republic
- The use of hydropower in rail electrification could be possible avenues for investments by Indian companies.



TOURISM, FILMS & CULTURE

Kyrgyz's picturesque landscapes – Situated between the mountainous Tien – Shan and Pamir-Alay mountains, Kyrgyz is naturally blessed with a variety of beautiful landscapes and vibrant ecosystems. Its significant historical and cultural heritage rich in Asian nomadic traditions dates back to the Ancient Silk route and beyond.

Air Connectivity – With an increasing global awareness about the Kyrgyz Republic, the prospects for growth in the tourist sector has been increasing. For air connectivity, the government has established four international airports which include -Bishkek Manas, Osh, Issyk-Kul Tamchy, Karakol and seven national airports are Batken, Jalalabat, Isfana, Kazarman, Naryn, Talas, and Kerben.

Films Industry - In 2016 the Government of Kyrgyzstan introduced film industry incentive scheme "Film in Kyrgyzstan", which envisages 15-20% cash rebate on qualified expenses incurred in Kyrgyzstan for international and local production companies.

Indian tourism – To boost the tourism sector, India has taken several measures to enhance the geographically vast country as a premier holiday destination. Apart from measures by the government, industry key players in hospitality, travel, marketing, technology media and content industry have helped boost the tourism sector as an attractive sector to invest in.

Indian Media and Film Industry - Indian cinema is one of the most powerful mediums of entertainment and business. It plays a compelling role in traversing cultures, history, art and issues of change. It has evolved to be one of the biggest businesses in the industry enthralling its audience with captivating landscapes, stellar performances and cinematic experiences.

Possible Areas of Joint Cooperation

- Establish tourist destinations alongside the Ancient Silk route in Kyrgyzstan with local stakeholders and execute strategies to reconnect the historical trade links for better tourism experiences to visitors.
- Design tourism products digitally and marketing its historic importance could lead to a productive increase of revenues and jobs to boost the tourism sector.
- India, could explore the opportunities of Kyrgyz's mountainous peaks and picturesque landscapes for its production of films and theatre.
- FICCI Frames - an annual convention of business on entertainment is India's first market for media and entertainment connecting market players from across the world. It has been instrumental in bringing the best of international talent, cutting edge companies and global leaders under one umbrella.



HEALTHCARE AND PHARMA

Kyrgyz Health Strategy 2019-2030 –'Healthy person-prosperous country'

The new health strategy aims to protect health, ensure access to essential quality services, strengthen primary health care and decrease financial hardships for all people and communities, in pursuit of universal health coverage by 2030.

Pharma Sector

The pharmaceutical market in Kyrgyz Republic is entirely private and represented by retail distributors and network of retail pharmacies.

National Drug Policy

"Program on development of the area of drugs procurement in Kyrgyz Republic for 2014-2020" highlights the provision of economic availability of medicines through implementation of specific strategic activities.

India's Ayushman Bharat Healthcare scheme

This national health protection scheme launched by the Government of India seeks to extend health insurance to 500 million people from financially vulnerable households to provide access to modern medicine, critical care and tertiary care through state and private facilities - financed through a Rs 5 lakh per family insurance cap.

Pharma Sector

The Government of India has unveiled **'Pharma Vision 2020'** aimed at making India a global leader in end-to-end drug manufacture. It has reduced approval time for new facilities to boost investments.

Ayush – India is accelerating its efforts to promote traditional medicines (Ayurveda, Yoga, Naturopathy, Unani, Siddha, Sowa Rigpa, Homoeopathy) collectively covered under the Ministry of Ayush, Govt. of India

Possible Areas of Joint Cooperation

- To create opportunities and build equitable, resilient and sustainable health systems, hospitals and clinics
- To explore the possibilities of Indian pharmaceutical and biopharmaceutical companies to establish and invest in production facilities in Kygryz Republic for manufacturing of pharmaceutical products.
- To consider making sustainable use of herbal and traditional medicinal plants at the Lake Issyk-Kul.
- Technology, research and innovation to stimulate growth in healthcare delivery could jointly be collaborated towards safer, advanced and accessible health care facilities.



METALS AND MINERALS

The Kyrgyz Republic possesses abundant reserve of minerals which include, gold, copper, iron, coal, aluminum, etc. There are small scale and large scale mines throughout the country.

Kumtor, is the largest gold producer in the Kyrgyz Republic In 2018, Kumtor alone accounted for around 8.5 percent of Kyrgyzstan's entire economy.

The total reserves of coal in Kyrgyz Republic is 32.0 bn tons (approx.). In addition to coal, the country also possesses resources such as oil and natural gas.

The State Committee on Industry, Energy and Subsoil Use maintains a website to update prospective investors about sites and bids

The country also enjoys significant rare earth minerals such as wolfram, titanium, tungsten, stibium, vanadium, molybdenum, beryllium, tantalum, niobates, cobalt, zirconium, and lithium.

India is the 2nd largest coal producer in the world. It is home to 1,531 operating mines and produces 95 minerals. The mining industry accounted for about 2.9% of the total gross value added (GVA) in 2017-18.

The total value of mineral production (excluding atomic & fuel minerals) during 2017-18 has been estimated at $ 16.6 bn, which shows an increase of about 13% over that of the previous year.

India is forecast to become the 2nd largest steel consumer by end - 2019; per capita steel consumption is expected to rise from 69 kg to 160 kg by 2030.

The Metals and Mining sector in India is expected to witness a major reform in the next few years, owing to reforms such as Make in India Campaign, Smart Cities, Rural Electrification and a focus on building renewable energy projects under the National Electricity Policy.

Possible Areas of Joint Cooperation

- To provide exploration in existing and new mineral deposits to indian investors in Kyrgyz Republic
- To deliver assistance to invest in clean coal technologies by indian investors in Kyrgyz Republic towards sustainable use of natural resources
- To boost investments from exploration companies with emerging technologies, innovation and development specializing in the mining sector



INFORMATION TECHNOLOGY

In June 2017, the government of Kyrgyz Republic announced the program titled **'Taza Koom 2040'** as an initiative to transform the country into a digital economy incorporating new and emerging technologies. Some of the features/goals include – building world-class digital infrastructure based on green technologies and clean energy, digital opportunities for all, digital skills for digital economy, etc.

The government of Kyrgyz Republic is also stepping up to a regional hub of digital Silk Road for digital business and digital innovations (favourable digital environment).

Under the same program, the government is stimulating the creation of start-up ICT incubators, cluster hubs, venture financing, etc.

Lastly, as a step forward towards digitalization- the Government is working towards implementing biometric electronic passports.

India is paving its way to transform itself as an emerging hub for digital technologies. The revenue of Information Technology and Business Process Management industry in India is estimated to reach $350 bn by 2025.

The Government of India has also led flagship programmes towards digitalization of services in the country. Initiatives such as 'Digital India' and 'Smart Cities' Projects have accelerated the demand for Internet of Things (IoT) in the Indian markets.

Further, the banking sector has also taken the digital route by accepting wallet players and payment banks for online transfers and digital transactions.

India is at its forefront in emerging technologies in financial services and adoption of high end electronic products.

The Electronic Products industry in India was valued at $61.8 bn in 2015 further segmented into mobile services (27%), consumer electronics (18%), industrial electronics (15%) etc.

Possible Areas of Joint Cooperation

- In the last five years, Indian companies have innovated various low cost financial inclusion solutions for financially excluded segments. India and Kyrgyz companies could jointly work on capacity building exercises and knowledge sharing programmes towards a digital economic future.
- Indian companies - as a pioneering hub in emerging digital technologies could explore its opportunities to invest in manufacturing and setting up of Techno parks in Kyrgyz Republic.
- As a step towards enabling a digital economy, the need for cyber security investments is essential. The possibility to create diversified instruments to protect our digital space could jointly be collaborated on.



TEXTILES

Kyrgyz textiles industry has thrived over the years with high export potential contributing as a significant driver towards inclusive growth and social development.

Kyrgyz Republic as member to the World Trade Organisation in 1998 and an open trade regime contributed greatly to the textile industry.

Local businesses benefit from relatively low labour costs, preferential trade and its cultural familiarity with CIS countries.

The textiles feature from a range of materials that include felt and wool, reeds and embroidery thread. This production process of the Kyrgyz textile industry is dominated by the 'cutting, sewing and trim' garment manufacturers.

Shyrdaks and Ala-kiyiz are the most iconic pieces of art and integral part of traditional Kyrgyz culture.

Indian textiles are quite varied and rich in old traditions and culture, dated back to the Indus Civilization.

To boost exports, attract investments and create employment opportunities, a special package for apparel and made-ups sector was introduced in June and December 2016. The package offers labour law reforms, additional incentives under Amended Technology Upgradation Fund Scheme (ATUFS), enhanced duty drawback coverage and relaxation of Section 80JJAA of Income Tax Act.

Products such as fibre, yarn and fabric in the textile value chain are being strengthened and made competitive through various schemes like Powertex for fabric segment, ATUFS for all segments except spinning and Scheme for Integrated Textile Parks (SITP) for all segments. Government is also providing interest rate subvention for pre and post shipment credit for the textile sector and gives assistance to exporters under Market Access Initiative (MAI) Scheme

FICCI to develop an institutionalized platform for promoting sectoral cooperation with Kyrgyz Republic, is planning to organize " Namaskar Eurasia exhibition" in Bishkek by end of September 2019. Textiles and handicrafts would be a key component of the initiative. FICCI shall endeavour to invite participation from other Central Asian countries as well.

Possible Areas of Joint Cooperation

- To establish public private agenda with the Kyrgyz government for the development of textile manufacturing by increasing interactions with local producers, government officials and business organisations
- Indian companies could provide specific support to promote local companies seeking to operate at international markets by enhancing their quality, skill and efficiency.
- Joint efforts towards establishing a cluster of textile parks could be collaborated on in cities like Bishkek and Osh
- E-commerce as a marketing tool to promote local markets could be jointly worked on between indian companies and Kyrgyz companies

About FICCI

Established in 1927, FICCI is the largest and oldest apex business organization in India. Its history is closely interwoven with India's struggle for independence, its industrialization, and its emergence as one of the most rapidly growing global economies.

A non-government, not-for-profit organization, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 2,50,000 companies.

FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.

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