



## STATE REGULATION OF AGRICULTURE IN KYRGYZSTAN

The state regulation of agriculture refers to the economic impact of the state on the production, processing and sale of agricultural products, raw materials and food. The main objective of such regulation is to ensure sustainability and development of the agricultural sector. Today, this sector is an integral part of the economy of Kyrgyzstan, therefore, the state regulation of agriculture is of great importance for the sustainable socio-economic development of this mountainous agrarian country. The agro-industrial complex is a key factor in ensuring food security, creating employment and increasing the export potential of Kyrgyzstan. Agriculture provides 1/6 of the country's GDP and employs more than half of the 2.5 million economically active Kyrgyz citizens. It is worth noting that the total population of Kyrgyzstan exceeds 6.2 million people, of whom about 65% live in rural areas.

Reforms in agriculture and the transition to market economy in Kyrgyzstan began in the early 1990s. Then, 576 collective farms and state farms were disbanded and replaced by farming enterprises. Today, the most developed type of agricultural production in the country is the small-scale production. According to the Ministry of Agriculture, Food Industry and Land Reclamation of Kyrgyzstan, there are 300 thousand peasant farms and farming enterprises in the country. The size of these farms varies enormously – on average, one farmer may own from one to 30 hectares of land. The share of crop production in agriculture is 50.26%, while the share of livestock breeding is 47.6%. The main agricultural crops include wheat, barley, potato, vegetables and fruits, cotton, tobacco and sugar beet. Livestock breeding focuses on dairy and beef cattle, horses, sheep and goats, as well as poultry.

It should be noted that the agricultural sector is subject to the heated debates worldwide regarding measures that are used by various countries in order to support domestic producers. This issue is also relevant for Kyrgyzstan. Today, the development of the agro-industrial sector of the country faces a number of interrelated problems such as the decline in agricultural production, and the lack of machinery and equipment that meet international standards. Land cultivation is unsatisfactory because of the unsuitability of agricultural machinery. From one year to another, the area under crops is reducing, and the livestock population is decreasing. There are unfavorable changes in the proportions between prices of materials and equipment and prices of agricultural products, as well

as between purchase prices of raw materials and final prices of food products.

In addition, despite the efforts of the Kyrgyz government to ensure affordable loans, agricultural enterprises continue to experience problems with financing, including insufficient credit volumes, complicated procedures for obtaining them, high interest rates, etc. Addressing the aforementioned problems is a key task of the state regulation of the agricultural sector.

Attracting foreign direct investment plays an important role in the state regulation and the further development of agriculture. However, investors are not interested in investing due to the current unsatisfactory state of agriculture in the country. The agricultural industry does not meet modern requirements and continues to be low-efficient and low-profitable. It should be noted that crop yields and livestock productivity in Kyrgyzstan are still to reach the 1990 level.

However, the state is not inactive and takes measures to stimulate the growth of agricultural production. On February 3, 2017, the Government of Kyrgyzstan adopted a resolution, according to which the project "Financing of Agriculture – 5" was approved. The objective of this project is to provide state support to business entities and individuals for the further development of livestock, crop production and agricultural cooperative farming by providing affordable and preferential loans. In the framework of the project, the implementation period of which is 36 months, farmers and peasant farms were given loans at preferential interest rates in the course of 2017. The country's budget for 2017-2019 and funds from commercial banks, financial and credit institutions were the sources of funding. As a result, in 2017, commercial banks issued loans to agricultural producers in the amount of 6,683.9 million soms (\$96 million), of which 3,039 loans worth 1,125.4 million soms (\$16 million) were issued for crop production, 11,842 loans worth 4,126.3 million soms (\$59 million) – for livestock, and 282 loans worth 1,432.3 million soms (\$20 million) – for agro-processing.

All these state regulation measures give their results. Despite the remaining difficulties, the economy of Kyrgyzstan has been experiencing a positive growth trend over the past two years, with agriculture making a certain contribution. In 2017, the country produced gross agricultural products in the amount of 207.4 billion soms (\$2.99 billion), which is 2.2% more than in 2016. The total area sown with crops was 1,206.6 thousand hectares, which is 14.2 thousand hectares, or 1.2%, more compared to 2016.

The wheat harvest amounted to 829.8 thousand tons, which is 16.5 thousand tons more than in 2016. Livestock farmers produced 395 thousand tons of meat in live weight, which is by 6.5 thousand tons, or 1.7%, more than in 2016.

As stated in the government policy documents, the strategic objectives of the agricultural policy of Kyrgyzstan are the creation of competitive agro-industrial production that integrates into world agricultural production, enhancing the quality of life of the rural population, producing ecologically clean food and preserving natural resources for agricultural production. The implementation of these tasks will lead to continuing state support for the agricultural sector at a qualitatively new and more efficient level. Apparently, the government will give priority to the creation of regional cooperative agro-industrial complexes, since the consolidation of rural producers will ensure the optimization of production processes through the integration of all stages of the value chain. In crop production, emphasis will be placed on the introduction of innovative technologies, such as drip irrigation, while in animal husbandry an information system for livestock accounting will be created. Moreover, phytosanitary and veterinary laboratories will be built to increase the export potential of the agricultural sector in Kyrgyzstan.

At this stage, the main purpose of the macroeconomic policy of the Kyrgyz government is to ensure conditions for the sustainable development of agriculture and the economy as a whole. As we can see, the state regulation of agriculture in Kyrgyzstan contributes to the gradual revival and increased capacity of the agro-industrial production. Target macroeconomic indicators will be achieved through the implementation of large national projects, effective management of state assets and reforms of the state regulation system. Kyrgyzstan's membership in the Eurasian Economic Union (EAEU) will be one of the main factors for ensuring additional sustainability and economic development. In addition to the EAEU, positive changes are also facilitated by Kyrgyzstan's receiving the GSP+ (Generalized Scheme of Preferences) status from the European Union, which creates opportunities for increasing the competitiveness of agricultural producers outside the country and promoting exports of Kyrgyz agricultural products to European countries. Based on the above, it can be argued that the more successfully the agriculture of Kyrgyzstan develops, the higher will be the living standards of the Kyrgyz people.

## Politics, Foreign Affairs, and Security

- During his official visit to Finland, President of Kazakhstan Nursultan Nazarbayev held negotiations with his Finnish counterpart Sauli Niinistö in Helsinki. Within the framework of the visit, companies of the two countries signed a number of contracts worth about \$600 million.
- During his visit to Brussels to take part in the 12th Asia-Europe Meeting Summit, President Nazarbayev met with King of Belgium Philippe, French President Emmanuel Macron, and President of the European Commission Jean-Claude Juncker. During the meeting with representatives of European business circles, the president described advantages of doing business in Kazakhstan and invited potential investors to make use of the country's investment opportunities.
- During the annual Valdai Discussion Club meeting in Sochi, Russian President Vladimir Putin presented his views on a wide range of issues, including the war in Syria and bilateral relations with major powers. Talking about Russia's defense policy, Putin mentioned that Moscow would not apply a preemptive nuclear strike, but is determined to respond to any first strike by a potential aggressor.
- During his state visit to Uzbekistan, President Putin negotiated with his Uzbek counterpart Shavkat Mirziyoyev. The leaders signed a number of documents concerning bilateral cooperation on economic, cultural and humanitarian issues. Putin and Mirziyoyev launched the project to construct Uzbekistan's first nuclear power plant. The two countries plan to increase their mutual trade turnover to \$6 billion in 2019 and to \$10 billion in the following years.
- During his televised address to the Armenian people, Armenia's Prime Minister Nikol Pashinyan announced his resignation. The move is necessary to prompt snap parliamentary elections in December. If the National Assembly of Armenia fails to elect a new prime minister, it will be dissolved to open a way for elections.
- The ministries of foreign affairs of Azerbaijan and Turkmenistan held political consultations in Baku, discussing current issues of mutual cooperation and reviewing prospects for further development of bilateral relations. The parties also signed a cooperation program for 2019-2020 at the ministerial level.

## Economy, Finance, and Energy

- Over 1,000 delegates from 27 countries, including representatives of the public and private sectors of Central Asia, Europe and the United States, participated in the 8th Central Asian Trade Forum held in Tashkent. The theme of the forum organized by USAID was "New horizons in development of trade and investment". The forum serves as a platform to promote regional trade and assist entrepreneurs in finding potential partners.
- According to the Ministry of Investment and Development of Kazakhstan, about 1.3 million tons of cargo were transhipped through the ports of Kazakhstan to Azerbaijan during the eight months of 2018. This includes 202,000 tons from the Aktau port, or just 32% of cargo transhipped in the same period of 2017, and 1.141 million tons from the Kuryk port, which is 66% more than in the same period of 2017.
- Russia improved its position in the annual index of the world's most competitive economies published by the World Economic Forum from the 45th to the 43rd position. Russia topped the ranking among Eurasian economies and stands second behind China among the BRICS nations.
- During the first half of 2018, the growth of exports of ready-made clothing from the Eurasian Economic Union (EEU) reached 18.9%. During January-August 2018, production in the textile and sewing sector rose by 6% compared to the same period of 2017. There are about 32,000 textile enterprises in the EEU member states that employ more than 400,000 people.
- According to the annual report on world welfare of the Credit Suisse Research Institute, over the past year, the number of millionaires in Russia has grown by 40,000 people. From July 2017 to July 2018, the number of Russian dollar millionaires increased by 30% and reached 172,000 people. 10% of the country's wealthiest people own 82% of all private fortunes.
- According to the Ministry of Economy of Belarus, the implementation of the recently adopted strategy for the promotion of small and medium-sized enterprises (SME) for the period until 2030 will allow to increase the number of people employed by the country's SMEs to 2 million. Currently, SMEs employ 1.3 million people accounting for 34% of fiscal revenues, as well as for 36% of commodity exports and 39% of service exports.

## Society and Culture

- The 8th meeting of Ministers of Economy of the Cooperation Council of Turkic-speaking States was held in Bishkek. The parties discussed ways to strengthen mutual economic cooperation. Representatives of Azerbaijan, Kazakhstan, Turkey, Hungary and the Secretariat of the Turkic Council took part in the meeting.
- The Ministry of Innovation Development of Uzbekistan and the International Center for Biosaline Agriculture signed a memorandum on establishing the International Innovation Center of the Aral Region under the President of Uzbekistan in Karakalpakstan. The Aral Sea Basin Support Fund to be created under the new center is expected to attract funds from the World Bank, the Asian Development Bank and the Islamic Development Bank.
- According to Ukraine's State Statistics Service, as of September 1, 2018, the country's population was 42.2 million. In January-August 2018, the population decreased by 152,400 people. The number of deaths has significantly exceeded the number of births in Ukraine: 100 deaths per 58 births. The reported data cover the whole territory of Ukraine except for the temporarily occupied territories of the Autonomous Republic of Crimea and the city of Sevastopol.
- A new Center for Kazakhstan Economic Studies was opened at the Zhejiang University of Finance and Economics with the assistance from the Embassy of Kazakhstan in China and the Consulate General of Kazakhstan in Shanghai. The center is intended to familiarize Chinese students and the expert community with the socio-economic development, history, culture and traditions of Kazakhstan.
- According to the State of the World Population 2018 report published by the United Nations Population Fund, Moldova is now included in the category of countries with low birth rates, where, on average, families have less than two children, that is, below the required replacement level of fertility. In 2017, more than 30,000 children were born in Moldova, which is 4,000 less than in the previous year.
- The Belarusian capital city Minsk was named the third cleanest city in the world in a ranking of 30 cities compiled by The Street digital financial media company. Kazakhstan's city of Almaty received the "Future of Cities Award 2018" awarded by the Ljubljana Forum of Smart Cities for the best innovation in the field of developing the future of cities, specifically, for implementing the urban mobility reform – "From a car-oriented to people-oriented city" project.