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## **How Kyrgyzstan has become a cog in the wheel of globalization**

The market in Dordoy has become a central element in ensuring Kyrgyz growth with the country's accession to the WTO in 1998. In the future, the development of gold mining and domestic consumption should take over.

"Let pass, make room!" The rustic cart made of boards and the wheels of a Lada makes its way through alleys in Dordoy, the largest market in Eurasia, near Bishkek in Kyrgyzstan. From morning to night, globalization orchestrates a crazy choreography: at night 35-ton Chinese semi-trailers are unloaded, the goods distributed in containers. Then Russian, Kazakh and Uzbek buyers swarm the aisles and recharge the merchandise onto their own transport.

After the dissolution of the Soviet Union, Kyrgyzstan threw itself into the global economy and joined the WTO in 1998. The conditions negotiated are unfavorable, but Kyrgyzstan has made its own space on the road to globalization and the juicy business of re-exporting: thanks to the WTO, tariffs for Chinese goods are lower than on other land-based routes. The pastoral Kyrgyzstan people have captured a significant portion of this East-West transit and recreated the abandoned Silk Road through fiscal dumping. Dordoy is booming. The colorful market has become an industry, doubling, tripling its size. A state within a state, Dordoy has its own private militia, its own banks and even its own flag. In 2005 and 2010, as the country experienced two revolutions and soldiers fired on the crowds in front of the parliament, Dordoy calmly continued to play its role of well-oiled cog in the global market. Despite these political upheavals, the country has tripled its GDP in the 2000s, with an average growth rate of 7%. Dordoy is playing a key role in this unexpected revival: in 2012, Dordoy, considered as a company, contributed 2.5 % to the country's GDP, and the economic activity generated throughout the country by the market accounted for 22% of GDP. One Kyrgyz family in three depends on Dordoy.

Narrowly avoiding the cart, a business woman enters a microfinance institution (MFI). As Dordoy and local entrepreneurial partnerships have developed, the credit market has exploded. MFIs that meet international standards for transparency and quality financial services appear, extending their activities from rural regions to cities. In 2012, more than 450,000 Kyrgyz took out a microloan, for a total of 415 million dollars, compared to 50,000 individual customers at traditional banks (and 1.2 billion dollars in loans). This same year, one of the main MFIs obtained a banking license and thus became the fifth largest bank in the country.

The porter advances, huffing, between containers transformed into elegant shops, each worth more than an apartment in the city center. But it could be that Dordoy's splendor has passed. Russia joined the WTO in 2012, and in exchange for facilities in the repayment of its foreign debt, Kyrgyzstan should join the Eurasian Economic Union with Belarus, Kazakhstan and Russia in 2015. This agreement will reduce Dordoy's commercial advantage in the region. Faced with this danger, the Kyrgyz political class

has tried to regain control of the other branch of the local economy: Kumtor, the highest gold mine in the world at 4,000 meters above sea level. In 2013, the government finally decided not to touch this multinational investment led by Canada's Centerra (holder of 66% of shares, while the Kyrgyz government holds 33%) so as not to harm its already mixed image. Entrepreneurs in Dordoy have readily come to terms with these changes and are relying on past experience to create new, more sustainable activities. Some are already opening processing and production plants (textiles, food), supported by MFIs that are proposing lines of credit dedicated to these SMEs.

The porter stops in front of a truck registered in Moscow, sliding a multicolored bundle into his pocket. Kyrgyzstan expects to see 6.5% GDP growth in 2014 (7% expected in 2013), then a levelling off at 5% from 2015 to 2018. If the high price of gold is the main reason for this optimism, the entrepreneurial capacity created by Dordoy and domestic consumption are the sustainable components of an economy that is finally finding its spot on the maps of globalization.

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