

## Interviewing With a Shadow: Agricultural Trade Chain in Kyrgyzstan

Nilay ÖKTEN-KEMALOGLU <sup>1</sup> & Elifcan ÇORUK <sup>2</sup>

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### Abstract

Kyrgyzstan is considered as one of the territorially smallest but politically highly challenging countries in the Central Asia. In the first section of the article readers can find the main concerns and the method that is used in the study before it comes to the point of having political economic background of the country in the next part. As the aim of this work is to understand and analyse the agricultural trade chain and how the shadow economy is taking place in the market, within the scope of this study, in-depth interviews as part of a field study were conducted in Bishkek and its findings were examined after giving the theoretical and historical background. In the fourth and the last section, Kyrgyzstan's international status is studied and with a conclusion part where an overall assessment was gathered, the study will come to an end.

### Keywords

Kyrgyzstan, political instability, illegal trade, shadow economy, agriculture

### Introduction: What the article aims to find out and the methodology adopted

Located in the mountains of Central Asia, Kyrgyzstan has been one of the lowest-income republics of the former Soviet Union, despite having a relatively diversified economy and well-educated workforce. One of the main reasons why Kyrgyzstan was chosen as a case study is that, following independence, Kyrgyzstan played a progressive role in realizing market reforms such as an improved regulatory system and land reform, and was the first country in Commonwealth of Independent States to be admitted to the World Trade Organization in 1998.

The primary aim of this article is to understand and analyze the Kyrgyz agricultural political economy and whether it is a shadow economy in the sense of agricultural political and legal regulations in the country. Research question, therefore, can be put forward as which legal basis the country has for the agricultural sector and how the illegal or shadow economic structure of Kyrgyz agricultural economy is taking place in the market. For this purpose, in order to be able to answer the first question the way to find out legal regulations and the law which is operating in the agricultural trade relations in the country is adopted in this article. In the aim of reaching an answer to the second question we carry out a field work in the agricultural trade chain in Bishkek market. With the data we collected from the field, it is our main concern to get the point to give an approved answer to the question of how the agricultural trade chain is processed by different actors in the market.

In our fieldwork we thought ourselves as a co-producer of the data while keeping in mind that the main information should be provided by the people we interviewed with. We organized our interviews as semi-structured in order to get the participants' points more clearly and in a pure way. It is also very important to establish a trust-based conversation with the participants in interviews since they would

<sup>1</sup> Research Assistant, Marmara University Faculty of Political Science, nilayokten@hotmail.com

<sup>2</sup> Research Assistant, Istanbul University Faculty of Economics, elifcan.coruk@hotmail.com



share sensitive issues and they would like to feel understood and in safe zone.. While we were gathering the data from the field, we aimed to connect with the people on the basis of trust and interviews were made in places that participants would feel safe and in time that participants would like to share and of course in a way that they would feel that we wish to understand their points. However, as in many methods, in-depth interviewing process has also its own problems. Making generalization based on the data collected from the field is not possible since the number of participants are not enough and the nature of the method is based on uniqueness. In the interviews we made in Bishkek we also faced with the same obstacle that we could not make any bold generalization. On the other hand it is not necessarily a goal for the research to make bold generalizations if the interview process reached its saturation point. After interviewing with six people we started to get answers not the same but very close to each other and it was a saturation point for our study to go on with further interviews since it would not provide anything new. Deciding and finding participants part is also a challenging point for the research, therefore it was quite an easy call to reach people through snow-ball method with the advantage to establish trust-based dialogue as well. As it is mentioned above, preparing questions is a very important point that researcher should take into consideration the most. Our interview structure was consisting of three major sections which can be listed as followings; participants' working and personal info as the first section, production info and legality of the trade as the second section and comments and concerns as the third section and the questions were asked to the participants based on the nature of dialogue while sticking into the sections' aims with it. The interview process, as it needs to be done so, started with a smooth entrance through introducing the researcher and the research itself. Since the participants would not agree to be audio-recorded<sup>3</sup>, the research was conducted via taking notes on every words that participants said and gestures, tone of their voices, some kind of body movements they made. All participants gave their permission to be recorded in this way and their words to be used in the article. In the next chapter of the article the political economic understanding of the country from independence will be examined in order to make linkages between the procedural developments in the political economy with the field work analysis we make.

### **Political Economic Understanding: Socio-economic situation from independence to the present**

Kyrgyzstan has been one of the lowest-income republics of the former Soviet Union, despite having a relatively diversified economy and well-educated workforce. Under the command economy, Kyrgyzstan has historically become a country of industrial agriculture. Kyrgyzstan gained the greatest economic importance thanks to the gold mine, of which Kyrgyzstan was the third largest supplier to the Soviet Union (DEiK, 2012:16). In addition, while agriculture employs one third of the workforce in the country's economy, comparatively, the average employment in agriculture in other Soviet Republics was 19% (Rumer & Zhukov, 1998:68). Agricultural specialization enabled Kyrgyzstan to meet its food needs through its own production. However, due to the shortcomings of industrial facilities and the underdevelopment of the industry, it has been heavily dependent on the delivery of non-food products from other regions. On the other hand, the country had a great potential, especially in the energy sector, but it was insufficient to put this potential into practice. While the food industry products that stand out in the country in terms of export are listed as tobacco, meat products and canned vegetables, on the other hand, it is seen that Kyrgyzstan is insufficient in the production of some consumer goods (vegetable oil, dairy products, confectionery products), albeit for its own needs (Plyshevskii, 1995:30). However, with the collapse of the traditional supply chains as a result of the collapse of the Soviet economy and the termination of important transfers from the

Soviet Union, the newly developing Kyrgyz economy has been hit hard, especially in the defense and machinery industries, as well as in the refined sugar industry (D^browski & Antczak, 1994:1-2).

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<sup>3</sup> Concerns of the participants were mainly about the any possible political fluctuation in the country and the illegality of the trade that are being done. Since the agricultural trade chain is proceeding illegal and without any paper work or written procedure, participants would not agree to be showed up and audio recorded; because of the concerns on the possibility of being found openly guilty for illegal trade. Therefore, having respect to their privacy and appreciation for contributing the field work, their answers were transcribed in hand-writing. Ethical committees which gave the approval for our study are informed about the concerns of the participants and agreed to our method to make the field work.





This process means not only loss of potential market but also rising inflation, high transaction costs and high commercial risks.

Shortly after independence on August 31, 1991, the newly formed Kyrgyz government decided to establish the legal and regulatory basis for a market economy. President Akayev, as an important political actor of the period, followed the path of market economy. By targeting a clear economic strategy, the Kyrgyz government aimed to liberalize trade as much as possible with the support of international organizations, especially the World Trade Organization (WTO). However, this process of change has brought both crisis and opportunities. In this context, radical reforms were implemented in the free trade process. Because the geographical location of Kyrgyzstan has been a necessary factor in the formation of foreign trade policy. In other words, the lack of direct access to commercial ports has played an important role in removing barriers to international trade and has been the reason for many agreements. In this way, the existing natural borders were transcended through economic agreements with other countries.

With these goals, the Kyrgyz government started a neoliberal reform program shortly after independence. This program is based on a comprehensive economic transformation framework. The main elements of the structural reform program included the introduction of a new pro-foreign and convertible currency, trade liberalization, financial sector reform, and land reform and privatization of small-scale enterprises (Manasov, 2019:76). Under this programme, the country carried out the privatization of small businesses, liberalization of trade, and restructuring of the country's banking and financial systems.

In fact, the situation that is shown as the main target of the reforms is the process of Kyrgyzstan's membership to the WTO, whose assistance was mentioned above. The membership process and development of the country whose membership was accepted in 1998 was different from other countries in the region. Membership was considered very important for purposes such as making strong economic gains and having foreign partners. Due to both the country's request and the preference for a free market in the current economy, the visible change in the country's membership process has been on the proportional equalization of the consumption tax applied to imported and exported goods (Manasov, 2019:88). On the other hand, the reforms did not meet the expected positive results in the near future. The accompanying worsening of the economic situation and the emergence of social problems led to the revision of the reform program, especially for the liberalization of prices. For this reason, it has been considered to implement regulatory economic measures in order to regulate inflation and control prices. International organizations have argued that these disruptions are the result of the Kyrgyz administration's failure to properly understand the reforms, but not the ineffectiveness of shock therapy, the inadequacy of the market, or the mismatch between fiscal policy and economic policy (Plyshevskii, 1995:30). During the 1990s, these problems did not disappear completely and the country's economy constantly faced this situation. In addition to the freedom in the economy, in this period in Kyrgyzstan, there is a family and kin-based relationship network in the economic field, just as seen in political relations. The role of President Akayev's family and close circle in the economic field was strengthened by the fact that people gained influence in strategic sectors during Akayev's rule. In this framework, the Akayev family acquired ownership in sectors such as oil supply and processing, sugar industry, cement production and newsprint, from which they took over the mass media market, without paying taxes to the state (Ismailbekova, 2018:9). Thus, the current power has become an administration in which the control over the business world strengthens the political influence. Therefore, in this period, economic facilities such as tax exemption provided for influential people from the business world in order to secure their commercial activities, also formed the economic basis of the mutual relationship network that returned to Akayev as political support. A similar situation experienced in the economic field was also seen during the Bakiyev government, which came to power in 2005 after the Akayev administration. With the appointment of Maxim Bakiyev, the son of the President, to the management of the Development, Investment and Innovation Center Agency established in the country, the entire economic course of the country was transferred to him, and in this way, the son Bakiyev was appointed to the agency responsible for evaluating the domestic economy and international trade of Kyrgyzstan. and has been responsible for all tender, domestic and foreign investment networks (Osmonov, 2009:16).





In general, the economic growth in Kyrgyzstan gained momentum with the processing of gold deposits in the country's territory. After the Makmal gold mine, which was the first gold mine site, started to work, the country became an important gold supplier to the Soviet economy as a result of the economy that was opened with other mining fields (DEIK, 2012:16). After independence, gold extraction has been extensively developed as the main focus of foreign direct investment. Gold mining, which became the cornerstone of the Kyrgyz economy in the years following independence, played a driving role in the development of not only the economy but also the social infrastructure. The growth of the national economy is planned together with the growth of the mining sector. The rate of economic growth or decline in the country directly depends on the development of mining and especially on the gold mining sector. Since the beginning of independence, gold has remained the country's main export commodity. According to the information provided on the website of the Ministry of Economy, Switzerland, the main buyer of gold, accounts for 42% of Kyrgyzstan's total gold exports (Podolskaya, 2017). The free market established in the gold mining sector has negative social and political effects on the local people. A long-term stability seems possible only with the equal participation of the people in local politics and decision-making processes on an equal basis, and the impartiality of the state.

From an economic point of view, it was aimed to start the process of free market and openness in the Kyrgyz economy by bringing liberalization practices to the country's economy after independence. Kyrgyzstan, which cannot reach liberal economies with natural borders or ports due to its geographical location, has tried to integrate into the economies of capitalist countries with the liberalization of the economy. In addition, it is possible to say that the country's economy is dependent on foreign sources due to lack of resources. Due to this foreign dependency, Kyrgyzstan has joined certain economic and international treaties and unions. On the other hand, the gold mine formed the cornerstone of the country's economy. Foreign dependency in the economic field has also been a determinant in the country's international relations. General vulnerability and dependence on foreign support forced Kyrgyzstan to maintain close relations with the hegemonic states periodically. For this reason, Kyrgyzstan's relations with other Central Asian countries are complicated due to their mutual distrust. Kyrgyzstan strives to develop good relations with the European Union and the USA, especially in order to balance the dominance of Russia and China in the region. However, despite the low strategic interest of both the EU and the USA in the country, the Kyrgyz regime has a positive view that it will maintain its democratic authenticity and will attract investment and support from the West in the future. Shortly after independence on August 31, 1991, the newly formed Kyrgyz government decided to establish the legal and regulatory basis for a market economy.

Kyrgyzstan, which does not have large-scale industry, large energy resources and a large population compared to the countries in the region, has therefore received relatively less attention from Western enterprises and states. Therefore, the only viable option for President Akayev, as an important political actor of the period, was to follow the path of market economy and democratization by advocating an open economy, to liberalize wages and trade, and thus to try to adapt to the developing capitalist world. By targeting a clear economic strategy, the Kyrgyz government aimed to liberalize trade as much as possible with the support of international organizations, especially the World Trade Organization. However, this process of change has brought both crisis and opportunities. Agriculture has an important place in the economy of Kyrgyzstan. This situation appears as an important factor in the economic restructuring process of Kyrgyzstan, especially in the post-Soviet period. It has been experienced that international investors and multinational companies invest in these sectors in cooperation with the state. In other words, the lack of direct access to commercial ports has played an important role in removing barriers to international trade and has been the reason for many agreements. In this way, the existing natural borders were transcended through economic agreements with other countries.

Kyrgyzstan's economy is heavily dependent on the agricultural sector. Kyrgyzstan has historically become a country of industrial agriculture. In addition, while agriculture in the country's economy employs one third of the labor force, comparatively, the average employment in agriculture in other Soviet Republics was 19% (Rumer & Zhukov, 1998:68). Agricultural specialization enabled Kyrgyzstan to meet its food needs through its own production.





Kyrgyzstan is a member of the organization of Commonwealth of Independent States (CIS) and has close relations diplomatically with the other member countries. Coming to the trade relations it is even closer the way the member countries' relations among each other. CIS countries founded Free Trade Area in 1994. In the Kyrgyz Republic products, being imported from one of the CIS countries, except from excise goods (such as alcohol and tobacco); furniture; video, television and computer equipment and any accessories to such electronic equipment with certain certificates are not subjected to any customs, quotas or taxes according to the agreement (ARIC, n.d.). From the beginning of the 2000s Kyrgyzstan decided to make trade relations with the USA more effective and in 2004 Trade and Investment Framework Agreement between the Kyrgyz Republic and the United States, Kazakhstan, Tajikistan, Turkmenistan, and Uzbekistan was signed to make trade relations easier and more limitless. The Kyrgyz Republic, in 2015, joined also to the platform of the Eurasian Economic Union (EAEU) in which bilateral and multilateral negotiations about trade might be held (ARIC, n.d.).

Looking at the Kyrgyzstan's bilateral trade relations, it is obvious that Kazakhstan should be taken into consideration firstly. According to the data provided by EAEU, the mutual trade turnover between Kyrgyzstan and other member countries was dominated around more than %22 by the trade between Kazakhstan (Ruslanova & Raissova, 2020). There is a bilateral free trade agreement between Kyrgyzstan and Kazakhstan upon which two countries' producers sell their goods to each other legally. General Agreement on Tariffs and Trade (GATT) and WTO notified the Free Trade Agreement between the countries which was signed in 1995 and from then on domestic producers have been trading their products (ARIC, n.d.). It can be said that the economy of Kyrgyzstan continues to be vulnerable in 2019, with the economy being open to external shocks due to its dependence on a gold mine which constitutes approximately 8% of GDP and remittances equivalent to 28% (The World Bank, 2020). In addition, as of 2020, this fragile situation has become even more evident with the conditions of the COVID-19 pandemic. According to the European Bank for Reconstruction and Development, remittances to Kyrgyzstan fell by 7% in the January-August 2020 period (Bartlett, 2021).

### **Deeper looking in the market, a field work: Agricultural production and trade chain of goods in the Kyrgyz Republic**

As stated in Article 5 of Kyrgyzstan's Law on Peasant Farm;

a peasant farm shall have the right to independently organize economic activities, determine directions and types of such activities; own, purchase or otherwise acquire, sell, pledge, and exercise other real rights to property subject to procedures and conditions set forth in legislation of the Kyrgyz Republic and the charter of the farm; use for economic purposes, subject to the provisions of legislation of the Kyrgyz Republic, common minerals, water objects available on the land plot as well as exploit other useful qualities of land; independently dispose of the products manufactured and revenues from sale thereof; engage, subject to the established procedures, in supplementary/seasonal works and processing of agricultural products.

According to this article, the rights of peasant farms seem to offer quite a wide range of property rights. However, there is no statement regarding reporting in this article. When it comes to article 6; the phrase *"any peasant farms shall on a timely basis pay the land tax or make payments for lease of the land, as well as other obligatory payments envisioned by legislation of the Kyrgyz Republic"* is noteworthy. Regarding land tax and the tax on income obtained from products grown on this land, it is necessary to look at the Tax Code of the Kyrgyz Republic. As stated in Article 8; *"a peasantfarm shall have an ownership right to the products it produces and to the revenues from sale of such products which the farm may use at its own discretion."* Accordingly, the farmer has the right to own property on the income of the product he produces, but this property-based taxation can be found only in the Tax Code of the Kyrgyz Republic, as stated in Article 10. Looking at the Tax Code of Kyrgyzstan, peasant (farm) economy is defined as individual entrepreneurship (Article 26). Therefore, it is taxed as individual entrepreneurship. As stated in Article 106, *"a unified tax declaration is a tax reporting, the purpose of which is to provide information on the economic activity of the subject, information on*





income, expenses and property necessary for calculating the tax liability, on the calculated and / or paid amount of taxes and applicable tax benefits. ” In addition, the transfer of information regarding taxation and recording of statistics must be carried out by peasant farms according to Article 143.

When all these details are considered, statistical information is recorded as the villages that make a living by farming are informed about the legislation, the necessary instructions are prepared for them to fulfill the obligations in this legislation and the villagers implement these directives, the processes are blocked due to ambiguity and ambiguous statements in the taxation processes, and the gain of the farmer enters the taxation processes. It requires a great deal of bureaucracy. We are talking about a very voluminous paperwork process for both the bureaucracy and the farmer. Therefore, it is inevitable for the state to increase its investments to monitor these processes. However, in the current ambiguity, it does not seem possible for the villagers who work the land to make a living to do what the legislation requires, even just for production. The legal obligations and taxation of selling products from villages to city markets and even cross-border markets go far beyond what the farmer can do. For this reason, a number of intermediary people and institutions emerge that fill these gaps in the ambiguous mechanism. Brokers and companies have also found ways to make money in this chain by inventing illegal ways to eliminate the legal impasse in the production process of Kyrgyzstan peasants. They have created an informal economy in order to overcome the legal barriers on the bridge between the producer and the consumer and to make a profit for themselves.

In this part of the study, the findings of our field study conducted in Bishkek, Kyrgyzstan are included. During the one-month fieldwork conducted in Bishkek, interviews were conducted with agricultural producers and brokers. In the article, the findings of our field study conducted in Bishkek, Kyrgyzstan are included. This field study aims to determine the chain of delivery of the products produced by local agricultural producers in Kyrgyz villages to the city market and abroad, and to interview all actors in this chain. In this way, it will be understood how and by which methods the product of the producer reaches the buyer in the trade chain and it will be seen how much of the economy operates illegally outside of registered trade. Interviews were held with local producers producing in the village, brokers making transportation, marketers selling their products in Bishkek city market, and sellers selling products going to Kazakhstan in Almaty market, and it was aimed to reveal how large the untaxed, illegal and shadow economy part of this chain is.

Çınara 48 years old, secondary school graduate, mother of four children, produces and sells fruits such as sour cherries, plums, apples, pears and various vegetables for nine months of the year. She is a citizen who produces with her husband in Issyk-Kul. She sells the products she has stored in the refrigerators in the summer during the three-month winter period when she cannot produce. She states that she provides most of her household income from her own labor. Working 10 hours a day, Çınara earns an average of 8,000 som, or about 100 dollars. She sells its products to the Kazakhstan and Bishkek markets, pays 13 soms per kilo to the driver who transports the products it sends to the Almaty market, and sends an average of 700 kg of product. For the products it sends to the Bishkek market, there is a difference of 2.5 soms per kilo, and its products are sold for 2.5 soms per kilo more in the Bishkek market. The best goods are sent to the Almaty market, these products account for about 30 percent of the production. No receipts, taxes or bills for any purchases, including 13 soms per kilo paid to the driver. The 13 soms given to the driver are considered as the fee paid for all paperwork and entry of products into the Almaty market. For the goods sold in Bishkek, only 2.5 soms are paid to the driver, as documents such as customs documents etc. are not required. Çınara and other producers earn 7 soms per kilo from the products they send to the Bishkek market. Of course, this is the money left after the shipping fee paid to the driver. Therefore, the products sent to the Bishkek market reach the buyer with a fee of 2.5 soms more than where they are produced. Meanwhile, the difference in fees goes to the broker, not the producer. For the products sent to Kazakhstan, she earns 40 soms per kilo, 13 soms he pays to the driver per kilo, finds a place in the price paid by the buyers shopping in the Almaty market, and the product becomes more and more expensive on the way from the producer to the buyer. All these, on the other hand, are tax-free and excluded from economic statistics, as they are done informally and without bills. Çınara states that she was able to provide education for her four children and own a house under these living conditions, but all of her children are currently working as workers in Russia.



Another interview that was done with Aruke who is 36 year-old agricultural producer, married with three children contained shadow economic features as well. Aruke graduated from secondary school, works in agriculture, grows and sells vegetables, does not work between October and February. She stocks some vegetables, sells them in winter, and her husband is also farming. She stated that she works 10 hours a day, earns an average of 6,000 soms, sells to the Kazakhstan and Bishkek markets and she is like the other producers paying the driver 13 soms per kilo to Almaty, sends an average of 400 kg, in Bishkek it makes a difference of 2.5 soms per kilogram. Aruke also said that there is nothing written during the trade with the broker. She claims that which makes this kind of trade preferable for them is avoiding papers and documents that Dordoy Food asks for, and it is somehow a trust-based relationship because after broker buys the products now every problem that can be occurred is his own business. The law does not give such a confidence to the producer and producer prefer to pay for it in trade with the broker. She has been working for 13 years. Their children are of school age, their house is their own property, they live in the village, they want to send their children to Russia or Kazakhstan when they grow enough to work abroad she said.

The interviews we conducted with the drivers who bought their products from Çınara and Aruke and took them to Bishkek and Almaty enabled us to reach some very interesting findings. Among the most important reasons for us to do this it can be said to make a comparison between the gain of the producer in the market and the gain of the brokers in the market, to determine the place of the brokers in the informal economy and to test the thesis that they are the most important link in the chain, apart from the position of the brokers connecting the producer and the buyer, discovering what functions they can have in the chain of shadow economy.

The 34-year-old broker driver Muhammad lives with his mother, father, a child and a brother in Issyk-Kul. Like Çınara and other producers, he works less in the three-month period in winter. The truck he transports is his own vehicle of \$26,000 worth, he spends 200 liters of fuel for each shipment he makes to Almaty, with an average of 60 soms per litre of fuel. He works with about 15 villagers, including Çınara, with charging 13 som per kilo and working with Dordoy Food company, which is authorized to prepare some legal documents to transfer the products to Kazakhstan. Dordoy Food is a market company authorized by the state and is in a monopoly position in Kyrgyzstan, and the documents it prepares are specified by the brokers as the CMR document transport contract, Phytosanitary document, filling document. Therefore, every agricultural producer and broker who wants to bring products to the Almaty market has to get the legal document by paying 30,000 soms per 5 tons and 50,000 soms per 10 tons to Dordoy Food company. This process is required for every product sent to the Altın Ordo market, so villagers are willing to let the brokers do this by not bothering with the preparation of these legal documents and paying taxes to sell their products. Since the brokers work with about 15 producers rather than a single producer, they carry a huge amount of product and the document fee they pay to Dordoy Food is less than the burden that would be incurred if a single villager paid. That's why the villagers consider the 13 soms they pay per kilo as a service fee for the brokers to do all this. For the brokers, the money he paid to Dordoy Food, together with the tons of products he collected from many villagers and the extra fee he received per kilo, is considered quite fair. This legal mechanism is one of the biggest reasons why the villagers work informally without dealing with receipts, bills and taxes for the goods they produce. Brokers earn an average of 50,000 soms a day by working nine months a year, 20 days a month, and this is the net income they have after subtracting all costs. Counting their expenses also reveals an important finding, with the common expression of all brokers, apart from fuel and travel expenses, there are three different bribes at customs. The bribe paid to get ahead while waiting at the border, to pass without waiting at some points and to pass the goods across the border at the x-ray points where the quality of the products is checked, costs a total of 3000 soms. Sometimes brokers take the products to Russia and sell them without even knowing the manufacturer, and the third and fourth brokers are included in this chain. We see that the product is at least six times more expensive on the way from the producer to the buyer, with the inclusion of the second and third brokers in the chain after the first broker who earned

20.0 som per ton for the goods going to Russia. If the producing villager earns one unit, the buyer pays six units to reach this product and the difference goes to more than one broker's pocket.



Another interview with a broker was made with broker shipper, Mirbek, 40 years old, married with two children live also with his parents and is waiting for another baby. He is a truck transporter and a high school graduate. He works from May to January, the car he uses for transport is his own. Mirbek stated that going to Almaty costs 220 liters of gasoline, 60 soms per liter of gasoline. These are costs on the way. He works with 20 villagers, receives 13 soms for each kilo, works with Dordoy Food company to prepare legal documents, pays them

30.0 soms for 5 tons, 50,000 soms for 10 tons, He has been working for almost 20 years. Mostly he works 15 days a month, earns an average of 60,000 som a day for one shipping, works nine months a year. As Muhammed said, Mirbek also stated that he pays for bribes at customs, bribes customs, for not-so-well goods and he claims that it costs between 400-1000 soms; he gives bribes in three different places, he also gives bribes to pass without waiting in the queue.

Another interview with a marketer was made with both broker and marketer, Mirlan, 28 year-old single male, studying at university, works with brokers who bring vegetables and fruits from the villagers. Mirlan buys goods from them and sells them in the Bishkek market. He works 14 hours a day and earns an average of 12,000 som. It costs 2.5 soms per kilo in Bishkek, so it plays a role in creating a trade difference between the buyer and the producer by selling for more than the producer's earnings. He stated that the business is going in unregistered and unwritten ways between brokers and him. Since brokers do not have to prepare documents registered in the domestic market, he does not pay a lot to the broker extra Money for paper work. He has been trading for six years. After graduating from university, he wants to go to Russia and work there.

Kubanic, 40 years old, male, married with children, used to work as a broker. He brought and sold many production goods such as electronic/technological devices, cars, etc. to Kyrgyzstan as a broker or sent them abroad from Kyrgyzstan. He thinks that he can do all this without any registration and that 80 percent of the trade is running under the shadow economy and that the biggest reason is the loopholes in the laws. He states that there is no strong mechanism to follow the law and that political instability has allowed all this illegal unregistered trade. In this way, goods entering and leaving the customs through bribery and smuggling enter the market without being subject to taxation, and intermediary people called brokers become actors who guarantee the goods. The difference in fees for each commodity is that the brokers act as an actor who will offer a guarantee for the goods as a result of all this illegal transaction.

What do these interviews tell us? In order to answer the question of what we should deduce from the information gathered in these interviews, we must first remember the question we asked at the beginning. At what stage and to what extent does the shadow economy operate in the agricultural industry of Kyrgyzstan? As can be understood from the interviews, the shadow economy is actually spread over a large area where all kinds of actors are involved and at every stage of trade. It is possible to observe the shadow economy in this whole process, which includes agricultural producers, brokers who bring the products to the market, and second generation brokers who take the products from the market to larger markets. It is clear that the price of the product increases exponentially from the producer to the buyer, without a recorded transaction during this commercial process. The shadow economy has actually taken over every stage of the agribusiness, and the laws seem quite inadequate and far from institutionalized in this respect. In addition, considering the dimensions of the shadow economy, it is impossible to give precise information since there are no registered transactions, but we see that almost all of the country's agricultural economy is made with unregistered transactions. It is also a matter of a commercial network where bribery is also very large. Therefore, since Kyrgyzstan did not take it under control, it is possible to say that millions changed hands in the market and caused great damage to the country's economy. Since unregistered transactions are conducted in a tax evasion manner, the state lacks those sources as well, but it is clear from the interviews why people prefer this path. The most important thing for the country to do is to ensure that the agricultural economy is registered with a detailed agricultural trade law, to follow up and to establish a properly functioning commercial network away from the complex bureaucracy that will make it difficult for people.





### Conclusion: What the article reached and how to go further

After independence, the free market and the process of opening up in the Kyrgyz economy were targeted. Kyrgyzstan, which cannot reach liberal economies due to its geographical location, has tried to integrate into the economies of capitalist countries with the liberalization of the economy. In addition, the country's economy is dependent on foreign sources due to the lack of resources. Due to this foreign dependency, Kyrgyzstan has participated in certain economic and international agreements and unions. On the other hand, the gold mine formed the cornerstone of the country's economy. Foreign dependency in the economic field has also been a determinant in the country's international relations. Vulnerability and dependence on foreign support have forced Kyrgyzstan to maintain close relations with hegemonic states periodically. For this reason, mutual distrust prevails in the relations of Kyrgyzstan with other Central Asian countries. Kyrgyzstan strives to develop good relations with the European Union and the USA, especially in order to balance the dominance of Russia and China in the region. Through the fieldwork which was carried out with the snowball model and by directly conducting in-dept interviews in order to reach the findings that the article needs from the field, we aimed to reveal the effect of the political stability and relationship between core-periphery countries on today's independent Kyrgyzstan through a micro-level agricultural trade network. Thus, the country in the political instability environment, which the article has revealed so far, has been pushed to the periphery status internationally and even after independence, it has kept its domestic producer in the domestic market in the shadow of the investments of core countries through foreign direct investments (FDI) and portfolio investments and the country also has pushed the domestic producers to a disadvantageous position.

As mentioned above, although Kyrgyzstan has international and national legal grounds such as WTO, CIS, EAEU, it is very much possible to talk about shadow economy in agricultural trade chain, as we have demonstrated with field work, and we should talk about political instability and the gap in enforcement of the law rather than legal deficiencies. It is possible to talk about gaps in executive and judicial powers in observing the apply of the laws and regulations. The state has a duty to monitor the laws and encourage their implementation, in addition to its duty of making laws. In addition to the legislative mechanism, there will be no point in making laws in cases where there are no mechanisms that ensure the implementation of these laws and that impose sanctions in cases where they are not implemented, or if they do not function. In the study we conducted on the agricultural products that are planted and produced in Issyk-Kul in Bishkek and sent from the Bishkek market to the Kazakhstan Almaty market, it is clearly revealed how easily and widely the informal economy works. For this reason, it is very important to have the functioning of political mechanisms, a stable separation of state powers and to make laws that protect its citizens against the disadvantaged position of the international system.

As we stated the research questions and the aims in the very first chapter in this article, understanding and analysing the trade chain of Kyrgyz agricultural sector is the main concern of the field study and the conclusion this work reached is even if the country is a part of international regulations and it has domestic legal basis the shadow economy is taking a remarkably great part in the market because of the lack of political stability and law enforcement, and this chain is practiced through different actors and for different reasons of these actors. Therefore, in order to study the agricultural trade further, it could be recommended for those who are interested in shadow economy in Kyrgyzstan to look deeper in the political instability in the country. With reference to the section in which the historicity of the political and economic structure of Kyrgyzstan is examined, Kyrgyzstan's effort to integrate into the capitalist world economy after independence and its economy, which was uncontrollably liberalized with the desire to attract foreign investors to the country, lead Kyrgyzstan to delay or even to underestimate the most important thing that every country which later included in the world economy, should do, namely institutionalization and eventually lead the today's informal economy reach gigantic scale. Like every non-institutionalized capitalist economy, Kyrgyzstan is trapped in the shadow economy. It is impossible to prevent a shadow economy without having a mechanism to make laws, regulate laws, establish a mechanism responsible for monitoring the implementation of laws, and impose sanctions in cases where laws are not enforced. Due to the lack of



this mechanism, the agricultural economy of Kyrgyzstan has turned into a huge shadow. This is the basic argument of this article.

### Ethical Declaration

Ethics approval was obtained from the European Commission (23.11.2020), Marmara University (14.12.2020) and Lund University (where the project center was located) (02.02.2022) for the implementation of the interviews in accordance with the principles of qualitative research, and the study was carried out in accordance with the principles of social sciences. The written informed consent of the people we interviewed was obtained to record the information given in writing and to publish the information in the article, and they took part in the study by stating their names without specifying their surnames.

### Statement of Contribution Rate of Researchers

The contribution rates of the authors in the study are equal.

### Declaration of Conflict

There is no potential conflict of interest in the study.

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