

nations. However, it may take many years for the full impact of the new technology to work itself out. For example, forty years had passed from the invention of dynamo until electrification substantially raised total factor productivity in US manufacturing sector (Helpman, 1997). The message that the detailed historical studies give to us is that over the last two-three hundred years, inventions and innovations played a crucial role in raising our welfare. Not every country can invent or innovate. Some countries have to import technology from other countries.

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REVIEW OF EURASIA FOUNDATION GRANTS IN MICRO FINANCE

Dr. V.M. Auken

The Eurasia Foundation (the Foundation), its Almaty Regional Office (ARO) supported the following micro finance projects in the Republic of Kazakhstan:

- Kazakhstan Community Loan Fund in Taldykorgan;
- Public Fund for Assistance to Farmers in Almaty oblast;
- Public Fund Akmola Rural Advisory Center in Akmola oblast;
- Public Fund for Assistance to Farmers of West Kazakhstan oblast; and going to support
- Mercy Corps International. Development and Growth of Women's Micro Enterprises in Talas oblast, the Kyrgyz Republic.

Both, the Republic of Kazakhstan and the Kyrgyz Republic, had the primary

problem facing populations. It was a lack of access to financial resources. Other problems, such as inadequate access to basic services from electricity and gas to health care and education, were invariably linked to lack of cash incomes.

Given the absence of other income generating opportunities, large number of the population recognize that self-employment was their only option for earning a living. Most recognize that waiting for assistance from the government was an unrealistic option. From this point of view, the projects, particular the Kazakhstan Community Loan Fund (KCLF) and the Public Fund Akmola Rural Advisory Center (PFARAC), supported by ARO therefore looked more preferable in order to develop further micro finance initiatives in the Central Asia region. Those two projects clearly identified significant and realistic demand for micro credit among citizens in the urban and rural areas, and provided general training in marketing, managerial finance and accounting developed on market surveys of client needs and demands basis, as well as advisory support and start-up capital to populations.

KCLF started its activities in November 1997 in Taldykorgan, Kazakhstan, based on a license from the National Bank of Kazakhstan, and disbursed over USD 2 million through almost 10,000 loans. Its clients were micro borrowers who worked in small business activities of trade, service and manufacturing.

In contrast, PFARAC did not have a banking license and did not lend funds directly to micro borrowers. The table in an Attachment 1 gives an overview of micro credit participants in Akmola oblast. Funds were loaned by Temirbank, its branch office in Astana, with which PFARAC worked in close partnership. Temirbank, like any bank, required the use of mechanisms for reducing the risk of non-repayment of loans. In fact, the bank recognized that cooperation in this kind of micro finance initiative was not only 'low risk' but also potentially advantageous to the bank. The bank would be able to identify future clients of the bank. It would be able to identify reliable borrowers on the basis of the credit histories. This would decrease the bank's need to demand collateral in the form of urban real estate, a costly undertaking that was recognized to be untenable in the long term. It was identified that Temirbank was ready to work with micro borrowers further by using its financial sources to increase existed credit portfolio whether the loan size would achieve an amount of USD 1,000 per micro borrower.

In general, all reviewed grants from ARO were characterized by initial loans that were small and for a short period of time starting even from USD 1 per micro borrower for two weeks. Access to further micro credit depended on repayment of this small initial loan as per agreement. The potential for increasing loan size and duration enabled the funds to stimulate good rates of repayment. The small size and short period of initial loans further gave first time borrowers practical experience of managing credit, which enables them to make better use of future finance. The small size of initial loans further reduced the overall risk of reducing the credit portfolio.

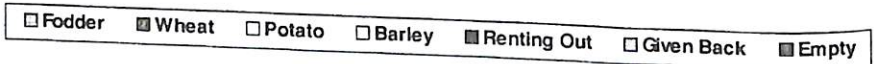
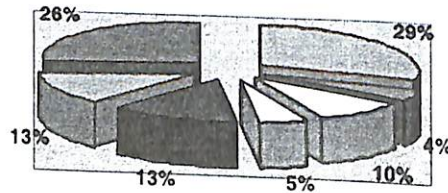
In Kazakhstan borrowers were charged at 10% per annum interest in average on their initial loans. Second loans were charged at 13% per annum in average. The interest rate would gradually increase for larger loans up to normal commercial rates of interest, 25%-30% per annum in average. Comparatively, in Kyrgyzstan the

interest rate of micro credit was high, 32% per annum in average.

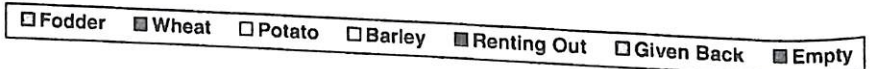
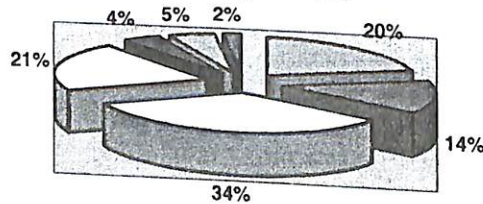
All of the Foundation's grantees lend money to people in-groups (except KCLF who has started individual lending in addition to the group) of three to seven people, who had collective responsibility for loan repayment. Groups were self-selecting and group responsibility ensures that people made excellent use of their local knowledge to identify reliable and trustworthy fellow borrowers. This reduced the risk on non-repayment.

Considerable efforts were being made to ensure that these loans were returned to the funds. According to the UNDP/Kyrgyzstan data, a credit culture has been inculcated in Talas oblast, unofficial 'competition' between groups has arisen as each group strives for a 100% rate of return, in order to be seen as reliable. As a result the land usage there has increased dramatically for three years. The charts in an Attachment 2 provide information of land usage in the oblast from 1998 to 2000. The fact that only 1% was left empty in 2000 calls for measures to consider further income generating activities for more micro borrowers. An average rate of return for both countries was 95%.

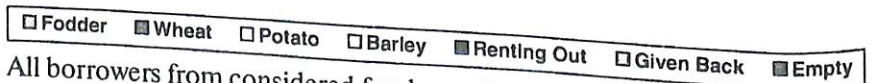
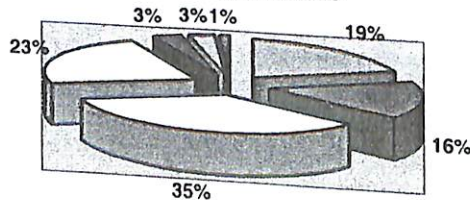
Land Usage in 1998



Land Usage in 1999



Land Usage in 2000



All borrowers from considered funds received training in marketing, managerial

finance and accounting, micro credit management and management of small enterprises. This enabled them to identify profitable activities and to avoid unprofitable use of micro credit.

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Attachment 1

An Overview of Micro-credit Participants in Akmola Oblast

| | | | | |
|--|--|--|--|--|
| Numbers of bonowers | | | | |
| Number of borrower groups | | | | |
| Number of individual borrowers | | | | |
| Numbers who have received first loan. ⁹ | | | | |
| Numbers who have already received second loan. ¹⁰ | | | | |
| Numbers of women borrowers. ¹¹ | | | | |
| Use of micro-credit | | | | |
| Trading | | | | |
| Catering | | | | |
| Services. ¹² | | | | |
| Agricultural production. ¹³ | | | | |

Source: Dr. Louise Perrotta, Lapeco Ltd., UK.

Case with Land Usage in Talas Oblast (Kyrgyzstan)

Source: UNDP Kyrgyzstan, Annual Report, 2000

Resume

The Eurasia Foundation (the Foundation), its Almaty Regional Office (ARO) supported micro finance projects in the Republic of Kazakhstan and Kyrgyz Republic. Both, the Republic of Kazakhstan and the Kyrgyz Republic, had the primary problem facing populations. It was a lack of access to financial resources. Other problems, such as inadequate access to basic services from electricity and gas to health care and education, were invariably linked to lack of cash incomes.

⁹ Uniformly \$200 at 10% interest p/a for three months

¹⁰ More variable depending on needs, rate of re-payment in the raion, available funds and remaining length of official agreement with bank – from \$200 for three months to \$300 for four months.

¹¹ Some borrowers use the micro-credit for more than one type of activity.

¹² Services include: veterinary services, household services, dentist services, clothing manufacture, a bakery, construction materials, leisure services and fuel delivery.

¹³ Production includes: rearing rabbits, cattle, sheep, pigs and milk processing

Фонд Евразия, финансируемый Американским агентством США по международному развитию (USAID) и другими спонсорами, инициировал первые проекты по микрокредитованию в Республике Казахстан и Кыргызской Республике. Две страны имели проблемы экономического характера, включая нестабильное энерго-и газо-обеспечение, а также нелучшие условия предоставления банковско-финансовых услуг. Невзирая на это, институт микрокредитования заработал в Центральной Азии, в особенности в Казахстане.

THE RISE OF INTERNATIONAL MARKETING

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This morning, I woke up cheerfully when my alarm clock (made in China) rang at 7:30 AM. Couple minutes later, my wife left for work driving her Toyota car (made in Japan). I looked at the feta cheese (made in Kazakhstan) and the local bread which my wife kindly left on the breakfast table, and decided to make some tea using a Lipton teabag (packed in the United Arab Emirates). My kettle (made in China) did an outstanding job giving me hot water for my tea. Today, I decided not to have any of the tomatoes (produce of Uzbekistan) I saw in the fridge (German Bosch branded, made in Turkey). Having finished my breakfast, I went to the bathroom. I shaved using my Gillette Mach 3 razor (made in USA) and Gillette Series Gel (made in UK). I brushed my teeth using my Colgate toothpaste (made in Brazil, distributed by a company in neighbouring Uzbekistan). Before leaving the apartment, I decided to wear my wool jacket (Made in Turkey) because I thought it would keep me warm on a freezing Almaty morning. I locked the door with my highly secure keys (made in Israel). Then I, a Turkish/Canadian instructor, took a short walk from home to Suleyman Demirel University (a university founded in Kazakhstan by Turkish academicians where the language of instruction is English) in order to teach my classes.¹⁴

I would assume, a lot of people go through a similar preparation every morning, without even noticing the variety of *Made in Country X* labels on the products they routinely use. Consciously or unconsciously, each and every one of us is increasingly becoming more dependent on foreign products and services. You may call it globalization, international marketing or even imperialism; but the truth is you can't keep yourself away from it.

What is International Marketing?

International marketing is defined as marketing across national boundaries. It consists of identifying, understanding, and satisfying global customer needs better than the competition. (Terpstra, Sarathy, Russow, 2006). As this definition suggests, we are still talking about marketing here. The only difference is, companies

¹⁴ Anonymous story, adapted to the personal situation of the author. Original source unknown.