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**AN ASSESSMENT OF INTEGRATION EFFECTS
IN THE EURASIAN ECONOMIC UNION
IN THE CONDITIONS OF GLOBAL CHALLENGES**

Abstract

This article considers the strategic directions of the Eurasian Economic Union member states' economic development, based on available resources and objective opportunities for their joint effective use. With all the turbulence and uncertainty that exist today in the world economy, the definition of the main directions for the coordination of economic policies looks extremely important and timely. In general, by 2030, the results of the economic development of the EAEU have to show the world competitiveness of the integration association. The Eurasian trend of economic integration is developing in the context of strengthening global challenges. The first stage of creation of the EAEU was accompanied by a certain growth of mutual trade in goods and services, an increase in mutual investments, which was associated with the immediate effects of liberalization and unification of customs legislation. However, in the future these positive trends in mutual trade did not continue due to a number of reasons. First, in the most important economy of the EAEU, the Russian economy, a period of steady decline in economic growth rates began, which negatively affected the overall demand parameters in the EAEU countries. Secondly, the development of industrial cooperation did not receive the necessary impetus; on the contrary, there was a contraction in the volume of trade in intermediate products. Currency fluctuations unfavorable for mutual trade were noted. There were no financial institutions set up to implement complex projects throughout the EAEU and the process of accumulating mutual direct investments has slowed down.

Key words: integration, modernization, innovative development, foreign trade potential, competitiveness, economic growth, cooperation, infrastructure.

In the conditions of the modern economic reality which is characterized by tendencies of globalization and regionalization, member states of EAEU have taken the path of uniting the potentials of national economies for their sustainable development.

The presence of a serious resource base, industrial, scientific and technical potential creates opportunities for the extensive integration agenda, which allows expanding the list of economic areas and market niches in the long term, in which the EAEU is an important player in the world arena.

The main directions of economic development of the Eurasian Economic Union (EAEU) till 2030, accepted by the decision of the Higher Eurasian Economic Council on October 16, 2015, are presented below [1].

1. Ensuring macroeconomic stability: improvement of measures, tools and mechanisms of ensuring macroeconomic stability; increase in technological level; diversification of production and export; maintenance of a steady condition of balances of payments; decrease in external debt of the states of the Union.

2. Creation of conditions for growth of business activity and investment attractiveness: reduction of exemptions, restrictions and barriers to the free movement of goods, services, capital and labor; development of the competition in the cross-border markets of the Union; creation of legal, institutional and financial conditions; maintenance of a steady condition of balances of payments; saving external debt at a consistently low level.

3. Innovative development and modernization of economy: increase in level of scientific and technical potential; development of the knowledge-intensive branches; increase in a share of hi-tech export.

4. Ensuring availability of financial resources and formation of the effective financial market of the Union: harmonization of the national legislation and practice of its application; creation by 2025 of supranational regulator in the financial markets; carrying out the coordinated currency policy; improvement of regulation of securities market; formation of the integrated exchange space; solution of problems of crediting of the enterprises of the real sector of economy; decrease in level of the state participation.

5. Infrastructure development and realization of transit potential: harmonization of the legislation in the sphere of transport; stimulation of creation of uniform transport space and common market of transport services; integration into the world transport system; expansion of participation in large international transport projects; improvement of quality of transport and logistics services; improvement of customs, boundary procedures and procedures of transport control.

6. Development of personnel potential in the conditions of transition to innovative economy: creation of legal, institutional and financial conditions; development of hi-tech sectors of economy; decrease in deficiency of a highly skilled manpower; development of the system of monitoring of the movement of a manpower; cooperation on ensuring effective functioning of labor market.

7. Cooperation in resource-saving and increase in energy efficiency: development of uniform requirements and standards to the imported and released production in territories of the states; formation of the uniform scientific platform for development and commercialization of energy efficient technologies; construction of facilities of power infrastructure with the minimum negative consequences for the environment; production (import from the third countries) energy saving production technologies and stimulation of their application; development of low-power-intensive sectors of economy, renewable and alternative energy sources; expansion of participation of the states in implementation of projects in the sphere of nuclear power.

8. Regional development (interregional and border cooperation): cooperation of border territories on a multilateral basis; exchange of experience; growth of the mutual importance of the markets of member states; establishing production communications; creation of new jobs in small and medium business.

9. Realization of the foreign trade potential: diversification of trade streams in the conditions of the accruing competition; reduction of transaction costs; conclusion of not preferential and preferential trade agreements; interaction in a dialogue format.

The purpose in the long term – creation of several common markets and spaces:

- ◆ the common market of energy resources (single market of gas and oil by 2025, the common electrical power market by 2019);
- ◆ single transport space and development of the Eurasian transport corridors;
- ◆ the coordinated agro-industrial policy;
- ◆ elimination of barriers in the movement of goods and labor;
- ◆ formation of the common financial market of EEU.

In Table 1 (p. 143) a consolidated list of economic spheres with the maximum integration potential of development for all EAEU member states was formed, based on the results of assessment of the sectorial priorities of cooperation of the EAEU member states up to 2030, conducted by Eurasian economic commission [2].

The list above shows in which spheres of the economy the maximum possible increase in economic results, an additional impulse to development through integration potential, expediency and priority of development of appropriate sectoral integration measures are expected by 2030.

Table 1 – The summary list of priority spheres of economy with the maximum integration potential of development for all member states of EAEU

Integration effect	Goods/services	Spheres of economy
Growth of mutual trade	Goods	Household chemicals; Black metals; Food; Pharmaceuticals; Cosmetics; Furniture; Vehicles; Caoutchouc, rubber and products from them; Light industry goods; Paints, varnishes
	Services	Transport services; trips
Growth of non-oil and gas export	Goods	Production of electrical machines and electric equipment; Production; Pharmaceutical production; Crop production
	Services	Transport services; trips
Import substitution	Goods	Metallurgical production from ferrous metals; Production of the basic chemical elements; Production of pharmaceutical products; Crop production
	Services	Construction services
Development of cooperation communications	Goods	Production of pharmaceutical products; Production of basic chemicals; Production of non-ferrous metals

Within the EAEU the largest potential of development has [3]:

1) in the sphere of goods – production of pharmaceutical production and goods of chemical industry;

2) in a services sector – trips (covering goods and services purchased in a country during its visit by non-residents of that country for own consumption or subsequent transfer to a third party) and transport services.

Integration of the EAEU countries will provide the effect of “economy of scale” and will facilitate additional inflow of foreign direct investments (mutual and from the third countries). Proceeding from the practice of integration associations of the world, having a significant domestic market, it is economically profitable to develop and implement innovations, and also to implement infrastructure projects jointly, thus saving national resources and using each other’s scientific and technological potential, or transferring technologies from developed countries for sharing. As for investments, they will be attractive primarily due to the bigger volume of the common domestic market and the opportunities for using the competitive advantages of member states. This will create a determined “safety margin” and strengthen the economic basis for the continuation of the integration dialogue, taking into account the possibility of expanding the membership of the EAEU member states in the long term.

The economic spheres that provide a multiplicative effect for the economy of the EAEU (transport, energy, financial market, etc.), as well as the national economies of the member states, for which the scale of the market matters, have a great integration potential. Perspective cooperation is seen in the spheres that are not represented in the structure of the economies of the member states and have the prospects for long-term growth in the share in the domestic and foreign markets (to integrate into what isn’t present, easier and more efficient than to compete for the division of established spheres of influence).

The current global instability is not only a crisis of the world economy, but also a crisis of international law and the entire political system of our time. This crisis is caused by the insecurity of the world payment unit - the US dollar. An exit for global capitalism will be either the bankruptcy of the emission center (which they do not want in the US, Britain, Switzerland and island off shores), or a new world war (to what the whole world is being pushed, especially to Russia and China) [4].

Any attempts to reanimate the “sick” world economy by traditional methods obviously do not contribute to its recovery, since transnational capital is not inclined to change the rules. For example, the fundamental problems that led to the global financial and economic crisis of 2007–2009 have not been resolved.

The EAEU is considered as an integration core of the future Eurasian civilization, as a field that is open not only to the countries of the Eurasian continent, but also to the whole world. The Eurasian

project, gradually realized as an international integration project, is aimed primarily at the formation of a fundamentally new integration model of cooperation between neighboring Eurasian countries.

In these conditions we observe various attempts to avoid a global crisis or, at least, to minimize its possible consequences.

The emerging transition from a unipolar to a multipolar system turns out to be much more dramatic and to some extent even tragic. A chapter of human history with unpredictable consequences and the many thousands victims is developed before our eyes. In particular, a year ago no one could have imagined that the bitter and bloody confrontation that covered Libya, Afghanistan, Iraq, Syria, can be transferred from the Islamic world to the post-Soviet space, namely, to Ukraine.

Functioning of the Eurasian Economic Union is carried out in difficult external and internal political conditions. In the West, as it was already noted, this integration project was opposed by a number of influential politicians and experts. And in China, the attitude towards the Customs Union and the EAEU has recently changed for the better. The possibility of combining the project of the economic corridor of the Great Silk Road with the EAEU is being studied there.

The current problems of the development of the EAEU in the first year of its existence under the influence of external factors (delay of growth of the world economy, the Ukrainian crisis, the sanctions policy towards Russia, the sharp decline in world prices for oil and gas) once again emphasize the need to strengthen the interaction of the participating countries at the solution of the arising problems.

The work of the EAEU should be carried out gradually, without undue haste, taking into account and critical thinking about the experience of the formation and current problems of the European Union, which was recently perceived as the most successful example of a regional integration association. The current problems of the EU demonstrate inexpediency of accelerating the formation of a unified policy in the monetary and financial sphere due to the heterogeneity of the levels of development and structure of the economies of Russia, Kazakhstan, Belarus, Kyrgyzstan and Armenia. At the same time, economic expediency should not be sacrificed to political preferences, and the organization itself should become attractive to other countries, not only in the post-Soviet space [5].

The main purpose of assessment of integration effects is to reduce the restrictions of long-term development of integration processes, including:

- ♦ improvement of trade relations;
- ♦ convergence of levels of technological development and restoration of cooperation communications;
- ♦ development of integration at the level of certain sectors of the economy.

The research of effects of economic integration is based on the theories which are marking out specific effects of trade integration for each participating country. Possible effects of trade integration of the countries of the Eurasian economic union are presented in Table 2 (p. 145).

The effectiveness of the integration of the EAEU countries depends, first of all, on the sustainable development of the participating countries, strengthening and deepening their economic relations. At the same time, not only the number, the territory, reserves of gas and oil, the total GDP of the countries, which is about 85% of GDP of all CIS countries, but also the geostrategic position and transit potential are the capacity of EAEU.

Factors, both internal, and external character exert impact on achievement of a main objective of integration association of the countries, in particular:

- ♦ long terms of final formation of the common markets of the electric power, gas, oil and oil products (in some cases not earlier than 2025);
- ♦ lack of the arrangement on introduction of single currency policy;
- ♦ imperfection of a legal framework of EAEU;
- ♦ ineffectiveness of work of judicial instances in the consideration of disputes and conflicts between participants of business transactions;
- ♦ preservation of various restrictions for mutual trade in goods and services (when new member countries enter);
- ♦ unfavorable external economic conditions, worsening of the conjuncture in the world markets of raw materials and energy carriers;
- ♦ problems related to the crisis in Ukraine with observance of the mode of the unified customs territory of the EAEU countries, on trade and economic relations of Kazakhstan and Belarus with Ukraine;

- ◆ imposition of economic sanctions against Russia;
- ◆ decrease in rates of economic growth in Kazakhstan and Belarus;
- ◆ devaluation of national currencies;
- ◆ decrease in the standard of living of the population;
- ◆ growth of political instability and sharpening of social tension in the EAEU countries, etc.

Table 2 – Effects of trade integration of the EAEU countries [6]

Conditions	Result	Effects of trade integration
Static effects		
- the impact of integration on welfare of the integrating countries		
- removal of barriers of mutual trade between participants of the agreement	- increase in volumes of foreign trade of the country	- formation of new trade flows (trade creation)
- reduction in cost of import from the countries, included into integration group	- reorientation of trade flows to less effective products of member countries of the trade agreement (in comparison with third countries); - a labor overflow from low-productive to high-performance sectors of economy	- deviation of trade flows (trade diversion); - effects in production, consumption, employment, labor productivity and incomes of the population
- high level of an external customs and tariff barrier	- stimulation of development of the industrial sector (theory of the training field)	- industrialization based on import substitution; - insignificant structural changes due to small regional markets
Dynamic effects		
- change of the basic conditions for the functioning of the economy		
	- cost reduction, development of production specialization; - increase of competitiveness; - stimulating the development of advanced technologies	- scale effect
- liberalization of cross-border capital movements	- reduction of costs; - removal of barriers to the movement of capital	The effect of creating investment flows

Despite the existing difficulties, obstacles and negative moments in the first year of the existence of the EAEU, integration tendencies on the Eurasian space are still preserved, though in a weakened form.

Thus, the mutual trade of the EAEU states is only 13,5% of their total external trade turnover. The volume of mutual trade in goods for January–June 2016 amounted to 19 billion US dollars, or 83% to the level of January–June 2015 [7].

The commodity structure of the mutual trade of the member states of the EAEU is characterized by the following indicators:

- ◆ the largest share is occupied by mineral products – 31,8% of the volume of mutual trade, of which 87,8% is supplied to the market of the EAEU by Russia;
- ◆ food products and agricultural raw materials – 16,5% of the volume of mutual trade, of which 55,2% accounted for Belarus and 34,5% – for Russia;
- ◆ cars, equipment and vehicles – 15,8% of the volume of mutual trade, 53,7% of which accounted for Russia and 43% – for Belarus;
- ◆ products of the chemical industry – 12,3% of the volume of mutual trade, 61,2% of them from Russia.

The analysis of trade and economic relations of the countries of EAEU has allowed drawing a conclusion on need of development of effective model of trade, financial and investment interaction.

Obviously, the stability of the integration association is directly dependent on the economic component, i.e. from the positive economic effect that each country receives. Thus, in the Treaty on the Eurasian Economic Union, it was noted [8] that to determine the degree of integration, the Eurasian Economic Commission should use such indicators as: a share of each state in the total amount of

export of the member state (in %); a share of each state in the total amount of import of the member state (in %); a share of each member state in the total foreign trade turnover of the member state (in %); the volume of the national investments directed to economy of each member state, including direct investments (in US dollar); the volume of investment, that has been received by the national economy from each member state, including direct investments (in US dollar).

On the basis of these indicators, it becomes possible to estimate the economic efficiency of integration processes in the EAEU.

Economic effect for the EAEU member countries is distributed between its participants unevenly. Due to the short duration of the union, it is very difficult to accurately calculate the effects of integration for each country. At the same time, we can note the following. The system of distribution of revenues from import customs duties on the territory of the EAEU brings some dividends, in particular:

- ♦ increase in receipts from transit and cargo traffic through the territory of Kazakhstan by 4 times (January–June, 2015), in view of simplification of procedures of passing the customs border through Kazakhstan, low cost of automobile transportation of goods;

- ♦ establishment of consortium between Kazakhstan, Turkey, China, Azerbaijan and Georgia on transportation of freights from China to Europe (November, 2015). In the long term the creation of a transport and logistics hub is planned. At the same time Kyrgyzstan becomes the major regional transit state (large volumes of re-export trade flows pass through the largest markets of Central Asia “Dordoi” and “Karasuu”);

An increase in long-term effects from a high-quality change in interaction between countries and the development of integration processes in the EAEU is possible only with significant changes in the structure of production interactions connected with development of cooperation communications, alignment of technological level of production, harmonization of investment and financial policies.

Meanwhile, the leading countries of the EAEU do not have the necessary resources for realization of the financial and institutional development model, based on expanding demand and outrunning the leveling of parameters of the standard of living in the integration association.

The countries of the EAEU need their own agreed reindustrialization program, as further reduction of the contribution of manufacturing to GDP creates risks for macroeconomic stability and an increase in the qualitative component of economic dynamics.

Modernization of the production potential of the EAEU countries requires the development of specialized institutes focused on financing the projects in the production sector and their saturation with appropriate resources. For these purposes, the potential of financial institutions of development and the separate large companies, whose activity can have interstate character, can be involved.

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Аңдатпа

Мақалада Еуразиялық экономикалық одаққа мүше мемлекеттердің экономикалық дамуының стратегиялық бағыттарын қарастырады. Олар қолда бар ресурстарға және оларды бірлескен тиімді пайдаланудың объективті мүмкіндіктеріне негізделген. Әлемдік экономикадағы бар кезде барлық турбуленттілік пен белгісіздікпен экономикалық саясатты үйлестірудің негізгі бағыттарын айқындау өте маңызды және уақытылы көрінеді. Жалпы, 2030 ж. қарай ЕАЭО-ның экономикалық дамуының нәтижелері интеграциялық бірлестіктің әлемдік бәсекеге қабілеттілігін көрсетуі керек. Экономикалық интеграцияның Еуразиялық тренді жаһандық сын-қатерлердің күшеюі жағдайында дамуда. ЕАЭО құрудың бірінші кезеңі тауарлар мен қызметтердің өзара саудасының белгілі бір өсуімен, өзара инвестициялардың ұлғаюымен сүйемелденді, бұл кеден заңнамасын ырықтандырудың және біріздендірудің жылдам әсерлерімен байланысты болды. Алайда, одан әрі бұл оң үрдістер өзара саудада себептердің тұтас кешенінің салдарынан жалғаса алмады. Ең алдымен, Ресей – ЕАЭО маңызды экономикасында экономикалық өсу қарқынының тұрақты төмендеу кезеңі басталды, бұл ЕАЭО елдеріндегі сұраныстың жалпы параметрлеріне кері әсерін тигізді. Бұдан басқа, өндірістік кооперацияның дамуына қажетті серпін алған жоқ, керісінше, аралық өнім саудасы көлемінің қысылуы байқалды. Өзара сауда үшін қолайсыз валюталардың ауытқуы байқалды; ЕАЭО-ның барлық кеңістігінде кешенді жобаларды іске асыруға бағытталған қаржы институттары қалыптаспаған; өзара тікелей инвестицияларды жинақтау процесі тежелді.

Тірек сөздер: интеграция, жаңғырту, инновациялық даму, сыртқы сауда әлеуеті, бәсекеге қабілеттілігі, экономикалық өсу, кооперация, инфрақұрылым.

Аннотация

В статье рассматриваются стратегические направления экономического развития государств-членов Евразийского экономического союза, основанные на имеющихся ресурсах и объективных возможностях их совместного эффективного использования. При всей турбулентности и неопределенности, которые существуют сегодня в мировой экономике, определение основных направлений координации экономических политик выглядит крайне важным и своевременным. В целом к 2030 г. результаты экономического развития ЕАЭС должны продемонстрировать мировую конкурентоспособность интеграционного объединения. Евразийский тренд экономической интеграции развивается в условиях усиления глобальных вызовов. На первом этапе создания ЕАЭС наблюдался активный рост взаимной торговли товарами и услугами, увеличение взаимных инвестиций. Это связывают с мгновенными эффектами от либерализации, а также унификации таможенного законодательства. Тем не менее существуют причины, по которым наблюдавшиеся положительные тенденции во взаимной торговле не получили продолжения. Прежде всего это связывают с началом периода устойчивого снижения темпов экономического роста в российской экономике, являющейся значительной в ЕАЭС, что не могло отрицательно сказаться на общих параметрах спроса в странах Союза. Кроме того, эффективное развитие производственной кооперации не получило необходимого импульса, напротив, отмечалось сокращение объемов торговли промежуточной продукцией. Отмечались колебания валют, оказавшиеся неблагоприятными для взаимной торговли; еще не полностью сформировалась финансовая инфраструктура, ориентированная на реализацию комплексных проектов на всем пространстве ЕАЭС; замедлился процесс накопления и приумножения взаимных прямых инвестиций.

Ключевые слова: интеграция, модернизация, инновационное развитие, внешнеторговый потенциал, конкурентоспособность, экономический рост, кооперация, инфраструктура.