Prospects for the Development of Integration Associations in the Global Transformation Process

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Abstract: The research aims to examine the prospects for the development of integration associations in the process of global change. The authors use the methods of systemic and comparative approaches that allow for a comprehensive analysis of the specifics of changes in phenomena and processes in the development of regional integration unions. The research objects are countries of the Eurasian Economic Union (EAEU). Existing studies of the regional integration issues do not pay enough attention to its negative aspects, thus creating a threat for emerging economies to have a negative impact on the development of national economies. The study of the features of international regional integration revealed positive and negative consequences for the development of the participating countries' economies and determined that their uneven development leads to the formation of asymmetries and reduced returns on regional integration for countries like Kyrgyzstan. For the development of integration processes in the Eurasian space within the EAEU framework, one should, first of all, consider the directions for the development of regional integration to overcome the asymmetry of economic processes. In this direction, the further development of regional economic relations will make it possible to avoid a large share of disagreements between the interests of countries and ensure the high efficiency of integration processes.

1 INTRODUCTION

In the world practice over the last decade of development of economic cooperative relations, international regional integration is increasingly taking the form of a complex process of association and cooperation of states "with the aim of more efficient use of their resources by creating favorable conditions for effective business activities simultaneously in the markets of several states" (Yakovleva, Bezrukova, Shibaev, 2010).

The level of economic relations between countries within a separate region of the world, which involves "the convergence, joining, and interpenetration of national economies in the process of forming an integral regional economic complex with the creation of institutions of coordination and regulation of regional economic relations of national entities of all levels" (Fadeeva, 2020) and determines the institutional prerequisites for creating the format of regional integration in the global economic space.

On this basis, we can give an example of the definition of this category. "Regional integration is the process of strengthening regional cohesion and interdependence through institutionalization of cooperation at the interstate or supranational level in various areas and in the interests of state and non-state actors, taking place within the regional subsystem of international relations" (Kovtun, 2020).

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2 MATERIALS AND METHOD

The theoretical foundations of integration are considered in the works of M. Alle (Alle, 1995), A. J. Lipsey (Lipsey, Lancaster, 1956), A. Marshall (Marshall, 1993), G. Myrdal (Myrdal, 1980), J. Tinbergen (Tinbergen, 1980), and other economists.

In foreign literature, the issues of international integration are considered deeply and diversified. The most significant include the works of B. Balassa (Balassa, 1961), Z. Brzezinski (Brzezinski, 1998), J. Viner (Viner, 2006), and I. Wallerstein (Wallerstein, 2001).

Among the Russian and Kyrgyz economists who studied problems of integration processes in the post-Soviet space, it is necessary to highlight the works of O. T. Bogomolov (Bogomolov, 2003), A. Bykov (Bykov, 2009), S. Yu. Glazyev (Glazyev, Chushkin, Tkachuk, 2013), T. Kamchybekov, A. O. Kozhoshev, A. Dzhailova, and L. Mardalieva (Kamchybekov, Kozhoshev, Jailova, Mardalieva, 2021), R. I. Khasbulatov (Khasbulatova, Ivanova, 2016), Yu. Kvashnin (Kvashnin, 2019), A. Libman (Libman, 2012), V. B. Mantusov (Mantusov, 2011), A. V. Torkunov (Torkunov, Wohlforth, Martynov, 2020), Vinokurov (Vinokurov, 2010), and others.

This research is based on a systemic, institutional, and synergistic approach, a combination of methods of analysis and synthesis, and a combination of historical and logical analysis.

3 RESULTS

The current development of economic integration processes relies on economic, technological, and socio-political factors. It is particularly important at the present time when geopolitical relations between the leading powers of the world (USA, China, and Russia) are aggravated. The tools of sanctions against Russia, by March 2023, the 10th package developed, are indirectly reflected in the development of regional integration of the EAEU, of which Kyrgyzstan is one of the member countries. Simultaneously, from the macroeconomic point of view, the main prerequisite for integration is that the productive forces of high-tech social production of the developed world need further expansion in the search for new markets of resources and sales of their goods and services.

The creation of an integration union at any level is obviously based on the objective prerequisites for unification (common goals, mutual interest, geopolitical factors of unification, etc.). The world history of economic development has a huge number of examples of such associations, the effectiveness and longevity of which are associated with the development strategy of all participating countries, understanding their role and place in these unions.

The following statistics can be cited with regard to the current situation in Kyrgyzstan. According to the National Statistical Committee, the volume of foreign and mutual trade in 2022 increased by 41.8% compared to 2021 and amounted to $11 billion 815.8 million. During the pandemic in 2020, there was a decrease in the volume of foreign trade in the Kyrgyz Republic by 18.4% to $5692 million.

A significant share of foreign trade is occupied by import deliveries of goods to the Kyrgyz Republic, which amounted to 81.5% in 2021 (67.0% in 2021). The share of exports in foreign trade turnover amounted to 18.5% (in 2021 – 33%). In 2022, the trade balance remained negative; in absolute terms, it increased to $7442.4 million ($2828 million in 2020).

The main trading partners for imports from the EAEU countries are Russia (32.1% of the total volume of imports of Kyrgyzstan), Kazakhstan (7.8%), and Belarus (0.7%). The main trading partners for imports from third countries are China (42.3%), Turkey (5.1%), Uzbekistan (3.8%), the USA (2.5%), Germany (1.7%), the Republic of Korea (1.6%), India (1.1%), Japan (1.0%), Lithuania (0.7%), and others. Attention should be paid to the fact that Kyrgyzstan has a larger volume of imports from China, which is due to the geographical location of Kyrgyzstan and its liberal foreign policy. In a certain sense, Kyrgyzstan acts as a logistics hub for Chinese goods to further pass to the EAEU market.

In 2022, export deliveries of goods decreased by 20.5% and amounted to $2186.7 million. However, this decrease was due to a decrease in gold exports. Therefore, in the context of this research, the authors will pay attention to the volume of exports excluding exports, which, according to the results of 2022, increased by 63.6%, which is quite comparable with the growth rate of product imports. That is, we can assume that the events taking place in Ukraine provoked a sharp increase in foreign trade indicators.

Empirical and theoretical analysis shows that regional integration objectively results in saving all production factors due to the effect of the economies of scale for all participating countries. Apparently, not all countries participating in regional integration get adequate production efficiency results from increased competition, given that the level of economic and technological development is different in all countries. The leading countries receive relatively more advantages than the countries-

outsiders in promoting their national interests in the foreign market. Nevertheless, regional cooperation has more advantages in achieving the four freedoms (free movement of goods and services, capital, technology, and labor) than disadvantages (remaining imbalance between the countries, where Russia is the main trade center and the political center of the EAEU, the difference of macroeconomic indicators of GDP, national income, economic growth rates, etc.).

Simultaneously, against the background of the general spread of trade integration processes, it is worth considering the latest scientific works of famous economists. Thus, A. Torkunov considers regionalism as a dimension of multipolarity (Torkunov, Malgin, 2019).

In recent years, we have observed a tendency for the quantitative growth of regional groupings to be followed by a change in their qualitative characteristics. Simultaneously, it cannot be overlooked that the largest economic unions, as an example of the highest form of state cooperation, show a tendency to grow and increase the number of members. However, economic unions are significantly losing their credibility, which forces the most developed economies to leave these associations because they see no prospects for economic development within them.

Kyrgyzstan's accession to the EAEU continues to be of great interest to researchers in terms of the development strategies of participating countries in all areas of interaction, the influence of spatial factors on regional development, the achievement of national interests, and the struggle for leadership in the union.

Some authors believe that the current situation in the EAEU has deep historical roots associated with the traditional dominance of Russia as the core of the former Soviet Union, which left it a huge national economy and established economic ties as a legacy (Vardomskiy, 2021). The activities of the bodies of the Eurasian Economic Commission (EEC) aim to ensure freedom of mutual trade and labor migration. As a result, the greatest effect of such development of regional integration was gained by large metropolitan areas as centers of attraction of mutual trade and labor migrants. Russia's dominant role is clearly reflected in Table 1.

Table 1: Selected macroeconomic indicators of the EAEU countries, 2022.

Indicator	Kyrgyzstan	Armenia	Kazakhstan	Belarus	Russia
GDP per capita (USD)	1276.7	4966.5	10373.8	7302.3	12194.8
Annual GDP growth (in %)	3.6	5.7	4.3	2.3	4.7
Central government debt (% of GDP)	72.2	63.4	26.6	33.2	23.0
FDI, net inflows (% of GDP)	2.9	2.6	2.3	1.8	2.3
Unemployment Rate (%)	4.8	12.7	5.2	3.9	4.7
Poverty Rate (at $2.15 a day, %)	1.3	0.4	0.0	0.0	0.0
Human Capital Index (HCI)	0.6	0.58	0.63	0.7	0.7
Salary, USD	247	380	488	523	740
Gini coefficient	0.364	0.381	0.290	0.272	0.411

Source Compiled by the authors based on Eurasian Economic Commission. (2023, February 21).

The data analysis in Table 1 clearly shows that Kyrgyzstan has the worst macroeconomic indicators, including such indicators as Central government debt (in % of GDP) equal to 72.2% and Poverty rate (at $2.15 per day, %) equal to 1.3%. This means that membership in the EAEU has not yet brought the desired economic results, and the strategy of catch-up development continues to exist.

The practice of the EAEU shows an example of the active development of trade relations between the member countries and, unfortunately, the sluggish development of industrial cooperation. For example, during the entire membership of Kyrgyzstan in this union, there was no example of the joint creation of a large joint business. Since 2014, the Russian-Kyrgyz Development Fund has been operating in the Kyrgyz Republic, which has provided great support to small and medium-sized enterprises. However, there have not been large investments so far. The situation is similar to other EAEU countries. Given the different starting positions and entry into this union, different paces of economic development, and uneven country development, we can conclude that the asymmetry in the union continues to exist. The above factor causes a certain amount of skepticism in the prospects for developing the EAEU in depth. Nowadays, the

process of expanding this union in breadth is underway, and the number of observer countries is increasing.

Simultaneously, the Eurasian Economic Commission (EEC) is making efforts to create an institutional framework for bringing countries closer. In December 2020, the Higher Eurasian Economic Council adopted the document "On the strategic directions for the development of Eurasian Economic Integration until 2025," revealing specific mechanisms and measures for implementing the Declaration on the further development of integration processes within the EAEU (Strategy), prepared jointly by the EEC and the governments of member countries. This document aimed to make a systemic decision to deepen integration, converge the levels of economic development of member countries and improve the legal framework and regulatory institutions of the EAEU. In our opinion, implementing this strategy will make it possible to mitigate the negative impact of the inland position, which is especially important for Kyrgyzstan, and more actively use the potential of the central position in Eurasia.

It is doubtful that the system of measures of joint economic policy for sustainable interaction of member countries, national communities, and businesses is not clearly spelled out. The presence of national institutional obstacles continues to hinder their effective use of the advantages of the Eurasian space.

The issue of uneven development of the EAEU countries is further complicated by the fact that all countries not only have regional areas of responsibility and concluded the agreements but also have other multilateral and bilateral economic ties, being members of certain regional unions and associations.

In particular, the improvement in relations between Kyrgyzstan and Uzbekistan, associated with the newly elected President Sh. Mirziyoyev, led to the expansion of trade and economic relations between the two countries. By the end of 2022, the trade turnover between Kyrgyzstan and Uzbekistan reached $599.3 million, which amounted to 120.6% compared to 2021. A huge flow of cheap consumer goods of Uzbek production poured into the Kyrgyz market, which led to problems for domestic producers and the illegal re-export of these goods to the common market of the EAEU member countries, primarily Russia and Kazakhstan. Additionally, official representatives of Kazakhstan often draw attention to the fact that Kyrgyz businessmen often re-export Chinese general goods under the "Made in Kyrgyzstan" label, which violates agreements within the Eurasian Union.

After the start of Russia's special military operation on the territory of Ukraine on February 24, 2022, a number of countries demanded its termination; some sanctions began to be imposed on Russia as a measure of influence. Currently, sanctions against Russia are one of the most acute and topical issues in the global economy. This fact is also of great importance for the countries of Central Asia because one of the parties involved in this crisis is Russia, which is an important trading partner of the region. Thus, all economic and social changes have been reflected in the state economies of the countries of the region, including Kyrgyzstan.

The economic sanctions imposed against Russia led to various changes in the economic processes of the entire region. For Kyrgyzstan, these sanctions were reflected in a reduction in imports of a certain group of goods, and an increase in the cost of transport services for imported goods, which had a greater impact on rising prices and a decrease in the population's income. However, for certain sectors of the economy, the consequences of these sanctions have led to an increase in demand for domestic goods and services from Russia.

In general, in 2022, which was influenced by sanctions, the country's economy showed good growth dynamics, the production of industrial goods increased, and the service sector showed very high growth rates. Due to the influx of Russian citizens, prices for domestic services increased. It is currently difficult to single out how much the benefits received exceed the losses incurred at the moment. To conduct a more detailed assessment, more time is needed so that the processes occurring in the economy acquire stability and a deeper analysis can be carried out.

Another fact that destabilizes Kyrgyzstan's position in the EAEU is the European partners' suspicions of violating the EU economic sanctions against Russia, which is conducting a military operation in Ukraine, which, in our opinion, is not confirmed.

It should be considered that the adoption of more new sanctions by the West does not stop, and their further impact on the development of the country's economy is not yet completely clear. Currently, measures are being taken to mitigate the negative impact of sanctions and establish new economic ties between enterprises in the region. Thus, the country's economy faces the issue of establishing new economic ties in the face of changing external economic factors.

The example of Kyrgyzstan clearly demonstrates the schemes and consequences of external interventions by countries to prevent its economy from getting out of the crisis by any means, for example, integration into some large-scale economic organization, passing through a series of reforms, traditionally accompanied by a drop in the level of life satisfaction among the population, a decline in incomes, and possible destabilization of economic relations with former trading partners. Such reform is not an exception for any country which took the path of regional integration to become a significant player in the international market. The question arises whether the state needs it and whether this association fully meets its integration potential.

As the goals set in the model of integration potential realization are achieved, the integration interaction in the association can expand, and new industries and sectors of the economy are included in the sphere of integration interaction. The main goal of developing a strategy for regional economic development is the formation of objective prerequisites, conditions, and factors that determine the intensification of trade and socially active activities in all enterprises and organizations of the regional economy in the country.

However, as the study of the experience of countries with developing economies (such as Kyrgyzstan) shows, compared to highly developed countries, the issues of elaborating a regional strategy for developing economic integration and creating effective forms of organizing the development and implementation of the achievements of scientific research progress are not sufficiently widespread in practice.

It can be noted that some loss of national sovereignty in the context of regional economic integration is considered by many as one of its shortcomings. Another disadvantage of regional integration is usually considered the possibility of breaking off trade relations between the countries of the bloc with non-members. This could lead to a more favorable business environment for firms that are less efficient than firms in this block. The latter may have a negative impact on the supply of goods, their price, and the ability to meet consumer needs (Akulich, 2006).

Finally, the lack of regional integration is often considered an acceleration of labor migration within a particular union. The main reason for this phenomenon is primarily the difference in wages and the cost of raw materials and other resources that are used in industrial production (Akulich, 2006). In particular, after the accession of Kyrgyzstan to the EAEU, the migration balance has not clearly changed in favor of the country. According to the latest official data, 1 million 118 thousand citizens of Kyrgyzstan work in foreign countries, of which 1 million 63 thousand work in Russia and about 30 thousand – in Kazakhstan. It should be noted that 76 thousand Kyrgyzstanis cannot enter Russia because they are on the blacklist.

4 CONCLUSION

Thus, against the background of forecasting the positive results of intensive development of integration at the regional level, there are many examples of the ineffectiveness of such forms of integration as integration associations in practice. Their main reasons are as follows:

- Inconsistency of domestic institutions with the principles of integration;
- The sharp decline in the growth rates of the economies of integration states.

Therefore, during the development of integration processes in this context in the Eurasian space, paying particular attention to the activities of the EAEU, these reasons should be considered, first of all, in decision-making on the directions of regional integration development. In the further development of global economic relations, the influence of the above-mentioned reasons will make it possible to avoid a large share of disagreements between the interests of countries and ensure the high efficiency of integration processes.

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