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**Eurasian Economic Union
as a regional security and
sovereignty strengthening factor**

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**Еуразиялық экономикалық
одақ аймақтық қауіпсіздік пен
егемендікті нығайту
факторы ретінде**

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**Евразийский экономический
союз как фактор укрепления
региональной безопасности
и суверенитета**

Eurasian Economic Union is a factor in the formation of the final stage of economic integration and strengthening of global and regional security. EAEU does not only generate an interest for cooperation experience from the neighboring countries, but it also encourages the integration processes within the framework of the Common Economic Space, which brings national economies together into a single market and ensures the sovereignty and regional security of the Eurasian continent.

Key words: globalization, regionalization, Eurasian integration, transnational capital, national sovereignty, Customs Union, Eurasian Union, common economic space.

Еуразиялық экономикалық одақ экономикалық интеграцияның қорытынды кезеңіне жетелейтін үдемелі қозғалыс факторы болып табылады. Соның арқасында ол жаһандық және аймақтық қауіпсіздікті нығайтады. ЕУЭО көрші елдерден осы тәжірибеге қызығушылықты ғана көрсетпей, сонымен қатар ұлттық экономикаларды бірыңғай нарыққа біріктіретін және мемлекеттердің егемендігі мен аймақтық қауіпсіздігін қамтамасыз ететін, Бірыңғай экономикалық кеңістік шеңберінде интеграциялық процестерді ынталандырады.

Түйін сөздер: жаһандану, аймақтандыру, Еуразиялық интеграция, трансұлттық капитал, ұлттық егемендігі, Кеден одағы, Еуразиялық одақ, Бірыңғай экономикалық кеңістік.

Евразийский экономический союз является фактором поступательного движения к формированию завершающей степени экономической интеграции, а также укреплению глобальной и региональной безопасности. ЕАЭС вызывает не только заинтересованность к данному опыту со стороны сопредельных государств, но и стимулирует интеграционные процессы в рамках Единого экономического пространства, объединяющего национальные экономики в единый рынок и обеспечивающего суверенитет и региональную безопасность государств на евразийском континенте.

Ключевые слова: глобализация, регионализация, евразийская интеграция, транснациональный капитал, национальный суверенитет, Таможенный союз, Евразийский союз, Единое экономическое пространство.

**EURASIAN ECONOMIC
UNION AS
A REGIONAL SECURITY
AND SOVEREIGNTY
STRENGTHENING
FACTOR**

Eurasian Economic Union (EAEU), as the legal successor of the Eurasian Economic Community, came into force on January 1, 2015. In 2015 Armenia and Kyrgyzstan joined the EAEU. The economic potential of the Union can be described by the following indicators: the total area of the EAEU is 20 million sq. km, total gross domestic product (GDP) of EAEU - 2411.2 billion US dollars, industrial production - 1.5 trillion US dollars, the foreign trade turnover - 932, 9 billion US dollars.

It is worth mentioning that creation of such unions is a common process, reasoned by national interests of each country. In the strategy «Kazakhstan-2050» N. Nazarbayev emphasizes that the international situation and geopolitical environment dynamically changes, and not always for the better. There are major changes of the balance of power on a global level, as well as in some regions of the planet. In this situation, the foreign policy and domestic policy of Kazakhstan should be improved and modified. Our priorities remain unchanged - we will strengthen the Customs Union and the Common Economic Space [1].

The global financial and economic crisis has become a catalyst for the Eurasian integration. The simultaneous fall in markets and in production «triggered» an intensive search for new and effective forms of cooperation that would ensure the sustainability of economic growth as well as production models that would minimize the economic risks and convergence of national economic policies. The world is entering the era of «explosive» development of integration associations. Eurasian alliance was formed taking into account the best integration experiences. And now it is on track with this global movement, responding to challenges and achieving success [2].

Unexpected effects of the global economic and financial crisis have distinct transnational nature, which can be resolved only through joint coordinated efforts of the international community. Proceeding military operations in the Ukraine, in the countries of the Middle East is a serious destabilizing factor and threat to the national security of the region. This once again confirms the idea that the nature of the crisis lies in the transnational model of globalization.

European Neighborhood Policy pursued by the EU in respect of the CIS countries, in conjunction with the US-European policy of NATO expansion to the East, sponsored by the United States, weak-

ens the already seriously shaken position of Russia in the region of its traditional influence.

Based on the foregoing, it is concluded that the oligopolistic position of TNCs in the global economy is the main cause of global imbalances and disparities of income between developed and developing countries.

The transformation of the existing world economic system has led to two opposite trends [4]:

The first one is single-pole model of globalization, which operates in the best interests of USA, TNCs, and TNB. As a result of this trend the socialist system as a whole collapsed, with the Soviet Union and many other countries. The process of fragmentation of the independent countries is still ongoing. It lies in the economic interests of the international monopolies. The official reason for the fragmentation of successful countries is dramatic, unexplainable aggravation of inter-cultural, inter-ethnic and inter-confessional relations. The real reasons behind strengthening of fragmentation process lies in the economic plane: in the economic interests of the international monopolies.

The second trend is the regionalization of the world economy, the creation of new regional blocs, which will be the main players of world community. In fact, maybe in a few years a new model of the international community will be formed, which will put an end to the hegemony of the United States.

In this regard, the establishment of the Eurasian Economic Union (EAEU) is vital, in the first place if we want to maintain our sovereignty. It is known that nowadays a network economy is operating, which is represented by transnational corporations (TNCs) and financial institutions. These institutions do not have any state borders, they make their policies around the world, and such small countries as Kazakhstan cannot resist them, because their economic power is much greater than the power of small and medium-sized countries. Such «benefits» of integration like growth in market capacity, the possibility of free movement of labor and capital are already well known. The main «advantage» - is the only real chance to preserve national sovereignty. In my opinion, it alone outweighs the real and perceived «risks» of post-Soviet integration [4].

The most important task for the upcoming period is to find a new form of cooperation within the Customs Union, the Common Economic Space based on the principles of equality and mutual benefit. Experts provide the following arguments in favor of further deepening of the economic integration of the CU:

The promotion of exports to foreign markets. This will contribute to the elimination of customs

duties and convergence in the field of sanitary and phytosanitary measures, technical regulations.

The liberalization of imports of goods from other countries, improved access to advanced production equipment and new technologies. This will create conditions for a competitive environment to stimulate domestic producers and will reduce the production costs of the Kazakhstan enterprises.

The creation of a favorable investment climate in the domestic and external markets of Kazakhstan. Full-fledged free trade zone is an incentive to increase investment attractiveness of the national economy, which is especially important for the development of non-oil sector of Kazakhstan.

The development of perspective and long-term cooperation between Kazakhstan and other countries.

Many business representatives positively assess the Eurasian Union (EU). The rapid growth in international traffic, cross-border trade and increase of cooperation networks among enterprises can be a proof. Altogether it contributes to the deepening of integration in mutual trade.

However, there are some concerns about existing problems. Experts emphasize the following: lack of active communication between government and business, recertification of Kazakhstani goods, import licensing for the products from manufacturing industries, as well as the registration of a certificate of origin for each consignment.

Exports from Kazakhstan to Russia are currently limited mainly to products from heavy and extractive industry. The main share of exports (70%) include iron ore to steel mills, rolled ferrous metals, coal, uranium fuel assemblies for nuclear power plants, raw materials for ferrous metallurgy. Demand for those products from Russian companies - consumers is stabilized, thus significant growth in consumption should not be expected. In addition, Russian competitors would limit the expansion of consumer goods to meet the demand in the Russian market (food products, flour and grain spirits, hides and skins, raw cotton). Macro-level approach to evaluate the solutions in CU initially shows the dominance of Russian Federation's interests. And in relation to Kazakhstan, it concentrates on the interests of Kazakhstani commodity companies - exporters of cargo products, which are looking for geostrategic decisions within the union, as well as, in Eurasian and the Asian continent [5].

Non-tariff regulation is among the other problems, in particular the conformity assessment and attestation of products. Notably, the Russian trade policy has always been protectionist, unlike the lib-

eral policy of Kazakhstan. Therefore, the food industry is more developed in Russia. Now, there is a situation when Russian companies import fish and dairy products at lower prices, and then export the finished products at considerably higher prices.

Due to different interpretations of the terms used in government agencies and departments, the development of the export of pharmaceutical products became a bigger problem. In comparison to Russian and Belarusian market, the development of Kazakhstan's pharmaceutical industry is in its growing stage [6].

Russian analysts fear that the main provisions of the Customs Union agreement may lead to transfer of Russian business and production abroad, especially Kazakhstan. The tax climate in Kazakhstan is much milder than in Russia. The VAT rate in Russia is 18 percent, while in Kazakhstan it is 12 percent. Income tax from individuals in Russia is 13 percent, while in Kazakhstan it is 10 percent. Income tax in Kazakhstan is 15 percent, but it is 20 percent in Russia [7].

It is obvious that the different structures of economies are the obstacle of further expansion of foreign trade and investment cooperation between the countries. Russia and Kazakhstan - mainly commodity exporters - are in the broader global economic processes than in regional. The liberalization of mutual trade in such conditions - does not lead to an increase in domestic demand and changes in the investment priorities of economic entities participating in the CU / EEA countries [8].

Currently, there are a number of inconsistencies in the national customs legislations of Belarus, Russia and Kazakhstan, which have seriously hampered the integration of customs services. For example, the Customs Code of the CU has more than 80 references to the national legislation. In particular, it concerns the collection of indirect taxes and fees. Principle of residence remains, which means that each business entity in each country is registered only in their respective customs. Meanwhile, customs legislation of the union should not have national peculiarities, and it should have a single enforcement practice and common law.

Thus, it is necessary to develop single interstate policy in the field of licensing, certification and accreditation under the EAEU / CU, aimed at eliminating existing business costs. Simplification of licensing procedures and bringing them to the international standards and practices will create common competitive environment for all business participants, without prejudice to the interests of member-countries.

In further work of EAEU / CU it is suggested to undertake a number of steps that should result in the

formation of the Common Economic Space (CES). Within the CES, as a more mature stage of integration, the conditions for a single market for services, investment, capital and labor are laid. In the period from 2012 to 2016 countries intend to ensure equal access to the market of financial, banking and insurance services under the terms of national treatment, to create equal legal conditions for investment, to remove restrictions on foreign currency transactions. For the first time in the post-Soviet space supranational structure - Eurasian Economic Commission (EEC) is created, which is aimed to regulate the integration processes within the framework of the Common Economic Space and the Customs Union. EEC plans to develop the modernized Customs Code of the Customs Union. This decision is based on objective grounds, and corresponds to the current stage of development of economic integration. The new version of the CC of CU will be based on such aspects as the reduction of national segments of customs regulations, improvement of electronic declaration, changing approaches to the use of information technology, making a priority of using electronic documents over paper documents [9].

Member - States of CU and Eurasian integration face a challenge to achieve the benefits of active participation in the international division of labor based on the rational use of natural resources - ferrous and non-ferrous metals, oil, gas, grain, cotton, fertilizers, etc.

In the process of formation of the common conditions and mechanisms, it is necessary to take into account the fundamental changes in the general conditions of economic activity. Policy and integration mechanisms should be created based on the simplification and promotion of inter-country cooperation in the framework of the Customs Union.

To create conditions for free movement of goods and services it is important to gradually eliminate barriers to mutual trade relations, to develop an efficient payment system, to harmonize and unify national foreign trade, tax and customs legislation, to match the basic principles and approaches for the coordination of foreign policy and domestic market protection.

There are several ways of economic convergence to ensure the effectiveness of integration policies. Various organizational and legal embodiments of economic consolidation are already established, which interact and complement each other. Their presence reflects a certain similarity of interests of the countries or groups of countries, the search options, which are the most effective in terms of the realization of these interests.

Now in the context of global economic instability, these are the important components of the common integration mechanism:

Joint structural policy in the sector and regional direction.

Joint science and technology policy, carried out in accordance with the complex scientific and technical programs aimed at maintaining and strengthening the competitiveness of the domestic industry in the field of high technology. In accordance with the message of the President of Kazakhstan, the main aim of this policy is to support the research in key areas of scientific and technological progress, that can't be achieved by the majority of medium-sized companies. This implies intensive co-operation between the countries to coordinate efforts in the field of science and industrial policy.

The scientific and technical cooperation. Creation of international research centers and implementation of joint research programs.

The issue of development of a mechanism of integration interaction between EAEU in the field of transport, energy sector, labor, agriculture remains important.

In the field of transport it is necessary to solve the problem of uniform tariffs, traffic increase, simplifications of customs procedures, completion of inter-country procedures of the signed agreements, the creation of transnational freight-forwarding companies.

In the energy sector, the problem of electricity supply and access to a single energy balance should be resolved. In the field of labor migration the following issues are important: the social protection

of migrant workers, the creation of an effective system of regulation and control of labor migration, the fight against crime related migration, the problems associated with the tax payment of migrant workers and their employers.

The following are the problems in the agro-industrial complex: coordination of the agricultural policy between union members, the formation of a single food market, reduction of transportation costs, storage and sale of agricultural products, the formation of new market institutions [10].

Further intensification of cooperation in the main areas of integration is needed. Recent trends of growth in industrial production (machinery, equipment, and vehicles) indicate the possibility of the creation of the industrial chains. As a part of economy diversification strategy in the EAEU countries, it will focus on the specifics of the local labor market and the location efficiency close to energy sources, suppliers of raw materials or markets.

Thus, we can say that in macro-economic terms, from international experience and the requirements for this kind of association, Eurasian Union is gaining power. It is certainly beneficial and appropriate for Kazakhstan. EAEU does not only generate an interest for cooperation experience from the neighboring countries, but it also encourages the integration processes within the framework of the Common Economic Space, which brings national economies together into a single market and ensures the sovereignty and regional security of the Eurasian continent.

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