

**RISKS AND PROSPECTS OF
KAZAKHSTAN'S PARTICIPATION
IN INTEGRATIVE INTERACTIONS
WITHIN THE EAEU**

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ABSTRACT

The Eurasian Economic Union (EAEU) is currently one of the most important integrative structures in the post-Soviet territory. The expansion of the organization, military and political conflicts in the post-Soviet territory, world crises and other factors directly influence the integrative union's member countries and cause numerous questions regarding the future of the EAEU. Kazakhstan is one of the most important members of the Union, and the aforementioned processes also have a direct impact on it. The prospect of integrating new

states, as well as an expansion of the Union's powers and role and its transition to a political level bring new challenges, require reconsideration and an establishment of new national politics in regard to both member countries and the EAEU as a whole. The current study analyzes the relevance and the peculiarities of the existence of a structure such as EAEU in the contemporary geopolitical realities, its influence on member countries (Kazakhstan in particular), and evaluates the risks and prospects for Kazakhstan as a member country.

KEYWORDS: *Eurasian Economic Union, integration, modernization of economy, foreign investments, competitiveness, economic development, national security.*

Introduction

The beginning of the 21st century is characterized by the international political tendency of countries towards the formation of a new architecture of world economic order. Integrative inter-bloc unions are becoming the key entities of this order. The active dynamics of such processes is determined by the most powerful countries and their unions (i.e., EU, U.S., China) engaging in competitive relations in regard to integrative unions in various macroregions of the world.¹

These global processes are most certainly reflected in Eurasia, where at this stage, the EAEU is currently of the most interest as an institution of this sort.

The initial founding of the EAEU presumed the establishment of terms for member countries that promote the development of national economies and the strengthening of positions on the international arena.² Leaders of Belarus and Kazakhstan have emphasized numerous times that the EAEU was created for the purpose of promoting the economic, scientific and technological cooperation. Its goal is economic integration, which does not postulate political integration, as is the case in the European Union.

Despite the existing problems and contradictions that emerge today among the EAEU countries, their leaders are committed in preserving the EAEU, since the membership provides certain economic advantages.

For instance, Belarus obtains the most significant results in the framework of this cooperation, receiving \$3-4 billion annually in the form of subsidies, incentives and grants. Russia is currently supplying Belarus with up to 25 million tons of oil, which serves as the basis for the continuously growing oil product export from Belarus to EU countries; meanwhile, since 2016, the customs tariffs

¹ See: S. Khapilin, "Obespechenie ekonomicheskoi bezopasnosti gosudarstv Evraziiskogo ekonomicheskogo soiuz a v usloviakh konkurentsii modelei integratsii," *Natsionalnye interesy: priority i bezopasnost*, No. 33, 2015, pp. 22-30.

² See: E. Alekseenkova, "EAES k 2025 g.: priority i ozhidaniia gosudarstv-chlenov," available at [<https://mgimo.ru/upload/iblock/679/alekseenkova.pdf>].

from this export have been remaining in the Republic of Belarus in their entirety. The average annual oil financing grant of the Russian Federation to the Republic of Belarus in 2010-2015 is estimated by experts to equal up to 15% of the GDP of the Republic of Belarus.³

Kyrgyzstan has managed to increase the export of goods by 39% in a short period of time.⁴ The establishment of the Russian-Kyrgyz Development Foundation allowed the country to obtain \$118 million in preferential credits.⁵ The opportunity for work migrants to move around freely is another powerful advantage for the country.

As of 2017, Armenia also increased its export of goods to Russia by 25.8%.⁶ It was also noted that the level of inflation in the country has lowered by 3.1%.⁷

We would like to place special emphasis on Kazakhstan as one of the Union's driving forces. In 2017, the country's foreign trade indicator grew by 25%. As part of the launch of a Free Trade Zone with Vietnam, Kazakhstan received the maximum benefits, since the goods turnover between the countries increased by 48%. Also, there was growth in the non-resource-based economy spheres: the pharmaceutical industry (41.8%), production of vehicles and equipment (38.4%), production of electrical equipment, electronic and optic equipment (17.6%), production of leather goods and shoes (8.4%), textile and sewing industries (7.2%), chemical industry (7.2%), as well as the metallurgical sphere (5.9%).⁸

In addition, participation in the EAEU provides countries with free access of their goods to local markets, where the prices for union members are lower than for other countries. EAEU member countries are particularly attracted with the fact that there is already an integrated labor market in the EAEU, as a result of which work migrants of the EAEU member countries, unlike migrants from other CIS countries, can migrate and remain in EAEU member countries with no migration-related restrictions, taking advantage of the social benefits of their country of temporary residence.

EAEU membership allows its members to obtain low-interest loans from the Anticrisis Foundation, participate in the work of the Center for High Technologies, which approved and coordinated innovative policy, as well as in the creation of an innovative program financing mechanism. Participation in the EAEU promotes the influx of foreign investments from non-member countries to its members, since the Union's entire duty-free area with its numerous population is the sales market for enterprises with foreign investments.

However, the attractiveness of the integrative union also carries certain risks for countries in the spheres where they fall short of their union partners.

In the framework of this paper, we would like to resolve a number of tasks, i.e.:

- Examine the peculiarities of the EAEU as an integrative union in Eurasia, formulate its main phases and development forecasts.
- Determine the place and role of Kazakhstan as one of the leading countries in the integrative union;
- Characterize the development prospects and potential risks for Kazakhstan in the framework of subsequent membership in the EAEU.

³ See: V.N. Viunov, M.G. Filippova, R.M. Mamedov, V.V. Korotovskii, E.A. Rzaeva, V.A. Kofanov, "Nekotorye perspektivy i protivorechiia razvitiia EAES," *Molodoi uchenyi*, No. 8, 2016, pp. 520-523.

⁴ See: D. Berdakov, "Kyrgyzstan v EAES: chto izmenilos v strane za god?", available at [<http://eurasia.expert/kyrgyzstan-v-eaes-chto-izmenilos-v-strane-za-god/>].

⁵ See: *Ibidem*.

⁶ See: "Lider integratsii: Armeniia operezhaet partnerov po EAES," available at [<https://ru.armeniasputnik.am/review/20170901/8493013/armeniya-operezhaet-partnerov-po-integratsii-v-eaehs.html>].

⁷ See: "Dva goda v EAES: ob'em torgovli promproduksiei Armenii i gosudarstv Soiuzu po itogam 2017 goda vyros na 57.4%," available at [<http://www.yerkramas.org/article/137112/dva-goda-v-eaes-obem-torgovli-promprodukcij-armenii-i-gosudarstv-soyuzu-po-itogam-2017-goda-vyros-na-57-4>].

⁸ See: "Chetyre goda v EAES: kakuiu vygodu poluchil Kazakhstan," available at [<https://ru.sputniknews.kz/economy/20181026/7790163/eaes-4-goda-kazakhstan-vygoda.html>].

EAEU as an Integrative Alternative on the Eurasian Continent. The Potential of the Integrative Union on the International Arena. Forecasts and Prospects

The project of a customs union has launched a process of limited integration of a number of countries of the post-Soviet space. On 6 January, 1995, there was a framework Agreement on a Customs Union signed between the Russian Federation and the Republic of Belarus. On 20 January of the same year the Agreement on the Customs Union among Russia, Belarus and Kazakhstan was signed. In 1996, Kyrgyzstan had joined the Customs Union; in 1999, Tajikistan had become a member. In 2000, the integration attempts of these five countries resulted in the signing of the documents related to the creation of the Eurasian Economic Community (EurAsEC), the goal of which was the creation of an integrated goods and services market among member countries.

At the time of the Union's establishment, the level of development of member countries was rather non-uniform in regard to economic, social and political perspectives. The uniqueness of this union is in the fact that the EAEU was positioned as an alternative to the European Union in Eurasia, and its equivalent that is adapted to the post-Soviet realities.⁹ At that, the emphasis was placed on regional economic integration, which was intended to promote comprehensive modernization of member countries.¹⁰

The framework agreement on the Customs Union between Russia, Belarus and Kazakhstan was signed as early as in 1995, but it was, in fact, created, according to the Agreement dated 6 October, 2007. Since 1 January, 2010, the integrated customs zone that comprises Russia, Belarus and Kazakhstan with common customs tariffs and a unified system of regulatory measures, is in place. Since 6 July, 2010, these countries' Unified Customs Code is in effect. On 9 December, 2010, in Moscow presidents of Belarus, Kazakhstan and Russia have signed the last three documents required to establish the Common Economic Space (CES), in particular, the agreement on conducting a coordinated macroeconomic policy, an agreement on creating the financial market conditions for free movement of capital, and an agreement on the coordination of monetary policy. Fourteen agreements were signed previously, on the prime minister and vice prime minister level. This includes, in particular, the agreements on the regulation of natural monopolies, interaction in the sphere of power industry, public procurement, competition, services, investments; provision of state subsidies, migration policy; technical regulations; conducting a coordinated policy on oil transportation along the main pipeline system, on the rules of access to natural monopoly services in the sphere of gas transport along the gas transmission networks, in the sphere of railroad transportation and in the power energy sphere, including the issues of price formation and tariff policy. As a result of these agreements, on 1 January, 2012 the Common Economic Space of Belarus, Kazakhstan and Russia began functioning on the basis of the Customs Union.¹¹

The next step on the path to Eurasian integration was the creation of the Eurasian Economic Union. The agreement on the establishment of the EAEU was signed on 29 May, 2014 in Astana, the

⁹ See: V.T. Sakaev, "Evraziiskii ekonomicheskii soiuz: politiko-demograficheskie aspekty," *Izvestiia Uralskogo federalnogo universiteta*, Series 3, *Obshchestvennye nauki*, No. 2 (164), 2017, pp. 141-153.

¹⁰ See: *Ibidem*.

¹¹ See: S. Blank, "The Intellectual Origins of the Eurasian Union Project," in: *Putin's Grand Strategy: The Eurasian Union and Its Discontents*, ed. by S.F. Starr, S.E. Cornell, Johns Hopkins University-SAIS, Washington, D.C., 2016.

capital of Kazakhstan. The new integrative union, which includes the Customs Union and the Common Economic Space began functioning on 1 January, 2015. The EAEU's highest administrative organs are the Supreme Eurasian Economic Council and the Eurasian Intergovernmental Council, which incorporates the heads of member countries. The councils' decisions are made by consensus.

A panel meeting of the Council of the Heads of CIS Countries, as well as a meeting of the Interstate Committee of the Eurasian Economic Community and a Supreme Eurasian Economic Council on the level of the heads of member countries took place in Minsk on 10 October, 2014. The presidents of EurAsEC member countries have signed an agreement on termination of the functioning of this organization starting on 1 January, 2015 and transferring its economic functions to the Eurasian Economic Union. The agreement on its establishment was ratified by the parliaments of all three member countries shortly prior to the Minsk meeting. There was also an agreement signed regarding Armenia's entry into the EAEU, and it had become a member of the organization in January 2015. Kyrgyzstan acquired membership in the organization in May of the same year.¹²

The Concept of Formation of Common Oil and Oil Product Markets and the Concept of Formation of a Common Gas Market were approved at the panel meeting of the Supreme Eurasian Economic Council on 21 May, 2016 in Astana. These documents stipulate for a phased implementation of measures that should lead to the signing by the EAEU member countries of an agreement on common oil and oil product markets and an agreement on a common gas market in 2024. According to the former, EAEU member countries will obtain free access to partners' oil infrastructure, will be able to buy oil at market prices with no quantitative restrictions or export duties; according to the latter, EAEU member countries will attain the functioning of a common gas market with free gas supplies at market prices.

There was also a project developed in relation to the formation of a common electrical power market up to 2019, issues of establishment of an integrated transport space, creation of an integrated pharmaceutical market, etc. In August 2016, the heads of the governments of EAEU countries have agreed on the new version of the Customs Code, which stipulates for the unification of the customs processing procedures at the external EAEU borders and the simplification of the conditions of the flow of goods.¹³

The EAEU is conducting an active macroeconomic policy. On 5 October, 2016, the agreement on free trade between the EAEU and Vietnam had entered into force. Agreements on the establishment of free trade zones with Israel, Iran, Cambodia, and Singapore are under way. There is an ongoing negotiation process on unifying the trade regime with Serbia. In September 2016, there was a memorandum signed by the Eurasian Economic Commission and Hungary's Ministry of Agriculture on cooperation in the agricultural sphere. There are negotiations on concluding a trade and economic cooperation agreement between EAEU and China. In particular, there are discussions on potential participation of the EAEU in the implementation of the New Silk Road Economic Belt initiative, proposed by China in 2013. It stipulates for market integration and free flow of capital between member countries.¹⁴

Countries like Ukraine and Turkey are not considered as potential Union members in the near future. Despite the rumors of Turkey considering joining the EAEU as an alternative to EU membership, its participation in this organization is hardly viable. Neither Turkey itself, nor the EAEU have

¹² See: D. Cadier, M. Light, *Russia's Foreign Policy. Ideas, Domestic Politics and External Relations*, Palgrave Macmillan, 2015.

¹³ See: D. Cadier, "Eastern Partnership vs Eurasian Union? The EU-Russia Competition in the Shared Neighbourhood and the Ukraine Crisis," *Global Policy*, Vol. 5, No. S1, 2014, pp. 76-85, available at [<https://doi.org/10.1111/1758-5899.12152>].

¹⁴ See: L. Delcour, "Between the Eastern Partnership and Eurasian Integration: Explaining Post-Soviet Countries' Engagement in (Competing) Region-Building Projects," *Problems of Post-Communism*, No. 6, 2015, pp. 316-327, available at [<https://doi.org/10.1080/10758216.2015.1057075>].

officially acknowledged the prospects of membership. In addition, yet another reason that impedes its membership are the strained Turkish-Armenian relations (there are currently no diplomatic relations between the two countries). And while certain experts claim¹⁵ that Turkey's entry into the EAEU may reconcile the two countries and smooth things over in the long-standing conflict, there is, on the contrary, also a risk of its intensification. The most recent statements from Armenia's diplomatic circles regarding such prospects sound rather unambiguous¹⁶—Turkey would not be welcome in the EAEU.

As for Ukraine, the vector of its foreign policy has shifted towards membership in the EU since 2014, and the issue of membership in the EAEU had lost its relevance. The conflict between Ukraine and Russia deserves a special note.¹⁷ The countries are currently unable to negotiate, accordingly, their simultaneous membership and peaceful cooperation in the framework of the Union seems unlikely.

As for Georgia, the standpoint of its elite and the majority of its population presumes integration into the Euro-Atlantic structures, rather than a Eurasian project.¹⁸

The key and the most important prospect of Eurasian integration is the switch from economic to political integration. In order to launch the process of switching from economic to political integration, union members must have a generally comparable economy weight. Meanwhile, an exchange of various goods and services should be established between the countries in question. Furthermore, the participants' goals and aspirations should coincide and should be aimed at integration within the framework of the economic union. The establishment of integrative institutions (i.e. supranational organs, supranational legal system, integration development strategy) is required. The integrative bloc itself should be founded as a union, an organization, etc. The probability of a switch to the next integrative step is particularly high when loyalty to integrative decisions and processes is expressed in various groups of interests in an integrative community.¹⁹

As far as the evaluation of potential Union prospects, according to certain estimates, a scenario is possible in the near future wherein EAEU countries will conduct uncoordinated policy and conclude separate treaties with foreign partners. Over time, the contradictions within EAEU will increase, and the project will no longer be efficient as a result.

China may expand its influence in the Central Asian region, and Russia's role will shift to being a transport corridor between China and its partners. In addition, Russia's engagement in transport corridors will be minimized, due to the laying out of these corridors through Central Asian countries and other CIS countries.²⁰

If such factors emerge in the future, the disintegration in the Eurasian region will escalate, and the EAEU will fail as an integrative project.²¹

¹⁵ See: "Armenii i Turtsiiu možno pomirit s pomoshchiiu EAES: vostokoved," available at [<https://eadaaily.com/ru/news/2017/03/17/armeniya-i-turtsiyu-mozhno-pomirit-s-pomoshchyu-eaes-vostokoved>].

¹⁶ See: "V MID Armenii nazvali absurdnym pozhelanie Turtsii vstupit v tamozhennuiu zonu EvrAzES," TASS, available at [<https://tass.ru/mezhdunarodnaya-panorama/4494063>]; A. Vaneskegian, *Armenia VS Turtsia: dve storony odnoi medali dlia EAES*, Sputnik, 2017, available at [<https://ru.armeniasputnik.am/analytics/20170822/8358326/armeniya-vs-turciya-dve-storony-odnoj-medali-dlya-eaehs.html>].

¹⁷ See: S. Martynova, Modern Russian Society in the Context of Antroposocietal Approach // *Annals of Anthropological Practice*, No. 1, 2018, pp. 19-28, available at [<https://doi.org/10.1111/napa.12115>].

¹⁸ See: S. Biriukov, A. Barsukov, D. Bereznikov, S. Kozlov, "Problemy i perspektivy rasshireniia EAES," available at [<http://svom.info/entry/676-problemy-i-perspektivy-rasshireniya-eaes/>].

¹⁹ See: R. Dragneva, "The Eurasian Economic Union: Balancing Sovereignty and Integration," *Working Paper*, University of Birmingham, 2016.

²⁰ See: R. Dragneva, K. Wolczuk, *Eurasian Economic Integration: Law, Policy, and Politics*, Edward Elgar, Cheltenham, 2013.

²¹ See: A.M. Libman, B.A. Kheifets, "Modeli ekonomicheskoi dezintegratsii. Integratsiia i dezintegratsiia," *Evraziiskaia ekonomicheskaiia integratsiia*, No. 2 (11), 2011, pp. 4-18.

Such a scenario may be implemented if the conditions of Russia's economic isolation, a downward trend in oil prices, absence of meaningful steps in EAEU countries on diversification of high-revenue spheres, failure of diplomacy on the Ukrainian issue, and absence of meaningful EAEU infrastructural projects in the East, are fulfilled. All in all, the number of premises for the realization of a pessimistic scenario is rather large in the current situation.²²

Nonetheless, the optimistic scenario also has a number of premises in the current economic and political world view.

Despite the complicated political and economic situation, the EAEU may develop faster than the EU did. Integrative bloc experience demonstrates that every new integrative organization develops faster than its predecessors. EAEU initially assumed a rather quick development speed, which, however, slowed down in 2016-2017.²³ Currency devaluation and the lowered national currency rates against the dollar had weakened the economic positions of Kazakhstan and Russia. This period was not the most appropriate for the Union expansion processes.²⁴ However, if the prices of oil and other mined resources stabilize, which is currently the case, EAEU may catch up with the tempo assumed at the outset.

Kazakhstan's Position in Regard to EAEU Membership

Prior to Kazakhstan's joining the EAEU, experts have given cardinally different evaluations to this event.

Main prospects of Kazakhstan's participation in the Union must have positively impacted the country's economic success through:

- Its focus on the EAEU market through the creation of high-technology competitive manufacturing through engaging foreign investments in this sphere;
- Expansion of non-energy exports to EAEU partner countries, thus, lowering the dependence of domestic economy on the international market dynamics;
- Lowering the dependence on international volatile fluctuations and crises with the help of consolidation of supranational EAEU institutions;
- Kazakhstan's free access to the labor, capital and services market within EAEU countries;
- Raising the level of competitiveness of Kazakhstani goods and services on both the foreign and domestic consumer markets by lowering the prices for certain categories;
- Growth of economy due to activation of participation in international trade.²⁵

Aside from obvious prospects, there are certain risks for Kazakhstan in actively participating in EAEU, typical specifically of the national economy:

²² See: S.Iu. Glazev, "O tseliakh, problemakh i merakh gosudarstvennoi politiki razvitiia i integratsii," *Evraziiskaia integratsiia: ekonomika, pravo, politika*, No. 13, 2013, pp. 268-278.

²³ See: D. Cadier, op. cit.

²⁴ See: *Evraziiskaia ekonomicheskaiia integratsiia*, 2017: doklad No. 43, Evraziiskii bank razvitiia, Tsentr integratsionnykh issledovaniy EABR, TCII EABR, St. Petersburg, 2017, 88 pp.

²⁵ See: M.S. Eliseev, "Evraziiskoe prostranstvo: geoeconomicheskii aspekt razvitiia," *Evraziiskaia integratsiia: ekonomika, pravo, politika*, No. 14, 2013, pp. 49-57.

- Suppression of national manufacturers by external competitors of EAEU member countries;
- Outflow of highly qualified personnel to countries with better labor conditions and higher wages;
- Emergence of a dependence of Kazakhstani financial institutions on major Russian banks in the framework of establishing a joint financial market or on major foreign investments from outside the EAEU;
- The need to obey supranational economic regulation institutions in the framework of integrative process for EAEU member countries.²⁶

Certain risks and prospects were largely dependent on the level of Kazakhstan's integration into EAEU, as well as on the process of development of the integrative union itself. The first years of integration brought a positive effect, that is why we can say that the majority of concerns was exaggerated. However, while Kazakhstan's focus on resources is preserved, its economy cannot adequately compete with Russia.²⁷ The enumerated risks and prospects for Kazakhstan remain relevant still, but only the subsequent development of events will demonstrate tangible results of EAEU membership.

We must also briefly discuss the relationship between Kazakhstan with other member countries and other geopolitical players as part of cooperation within the EAEU.

As part of Armenia's entry into the EAEU, there was a significant deepening of economic relations with Kazakhstan. The reason for such a surge in the goods turnover volume was, first and foremost, the growth of Kazakhstani export to Armenia, as well as the establishment of Kazakhstani firms in the allied country. On the other hand, in 2016, the export from Armenia to Kazakhstan increased by 19.4% compared to the previous year. In particular, the export of products of the food processing industry and agriculture had increased, while the export of textile and shoe manufacturing industry grew twenty-five-fold.²⁸ In this context, we have to note the fact that over the course of the last two years, the range of products exported from Armenia to Kazakhstan have expanded, coming to include a number of new products, such as cigarettes and their substitutes, leather goods, clothing, etc. Unfortunately, the absence of common borders and, accordingly, complicated logistics, play an important role in development of export-import operations between Armenia and Kazakhstan. We may say that this is currently the most significant problem. The Belt and Road project will be able to ensure the development of economic cooperation among countries of a larger region, including between Armenia and Kazakhstan, particularly with consideration to the engagement of Kazakhstan in the above-mentioned project.

The full potential of cooperation between Armenia and Kazakhstan in various spheres, in particular in the trade and economic sphere, has not been realized. That is why the work on developing specific projects has to be conducted. Cooperation of companies in the framework of establishing free economic zones that function in both countries may become a promising direction. Establishing joint companies in order to come out onto other countries' markets in such spheres as food industry, textile and chemical industries, as well as information technologies seems especially promising.

Kazakhstan is also one of the leading trade and economic and investment partners of Kyrgyzstan, and holds the third place in the country's foreign trade turnover. Positive dynamics in the

²⁶ See: V.A. Koksharov, "Mnogourovnevaia integratsia v postsovetskom prostranstve," *Izvestia Uralskogo gosudarstvennogo universiteta*, No. 4, 2011, pp. 9-16.

²⁷ See: T.A. Mansurov, "Stanovlenie i razvitie Evrazijskoi integratsii," *Mezhdunarodnaia ekonomika*, No. 12, 2013, pp. 6-12.

²⁸ See: C. Hartwell, "Improving Competitiveness in the Member States of the Eurasian Economic Union: A Blueprint for the Next Decade," *Post-Communist Economies*, Vol. 28, Issue 1, 2016.

growth of bilateral goods turnover are also in place. The volume of mutual trade in the 9 months of 2018 amounted to \$625.7 million, namely 9.9% more than in the previous year.²⁹ Over 300 joint Kazakhstani-Kyrgyz enterprises and a number of companies with 100% Kazakhstani capital are functioning in Kyrgyzstan. However, the positive cooperation between the two countries was preceded by the resolution of conflicts with shadow imports. The problem of shadow imports from the neighboring country had emerged in connection with uncontrolled contraband of goods to Kazakhstan, the reason for which was the absence of desire on the part of the Kyrgyz side to comply with EAEU trade requirements.³⁰ The latest surge of the customs conflict occurred when Astana sharply reinforced control on the border with Kyrgyzstan. A difficult reconciliation took place after the leaders of the two countries at the meeting in Minsk approved the measures on the interception of shadow imports over the Kyrgyz border, which inflicted damage to Kazakhstani economy and complicated the multilateral cooperation within the EAEU. Negative consequences of the customs conflict between Kazakhstan and Kyrgyzstan have far surpassed the framework of the relations between the two countries, creating undesirable precedents of non-fulfillment of obligation not only by Kyrgyzstan, but also by other EAEU members.

As a member of the Union, Kazakhstan is particularly attractive to Russia and China, which are using various means to expand their presence in all of the country's economic spheres.

It is extremely significant for Kazakhstan, which is geographically removed from main sales markets and has no access to seaports, to have equal access to the infrastructure of Russia and Belarus. Kazakhstan intends to efficiently resolve these issues within the framework of the Eurasian Economic Union, which began to function in January 2015. Currently, the Concept of Foreign Policy of the Republic of Kazakhstan for 2014-2020 stipulates that Russia is Kazakhstan's main partner.³¹ We can state that Russian and Kazakhstani governments have rather close ties, which have strengthened the creation of the Eurasian Economic Union.

As for China's interests in Kazakhstan, first and foremost, we have to mention PCR's endeavors to obtain access to mineral resources (oil, gas, uranium), and ensure reliable transit of Turkmen gas.³² China is committed to the development of Xinjiang-Uyghur Autonomous Region in the framework of inter-regional cooperation, constructing highway and railroad infrastructure. Beijing also aims to increase the volume of Chinese goods on Kazakhstani markets, and plans to bind Astana with economic obligations through financial aid and loans and deepen cultural ties, influencing the emergence of a new generation of Kazakhstani elite. China hopes to become a permanent player in the promising Caspian oil projects.³³

Due to the growth of PCR's influence in the Central Asian region, there's growing concern in Kazakhstan regarding the "Chinese threat." Kazakhstan is concerned about the potential dependence on Chinese import and the decrease of manufacturing in domestic industry sectors, such as textile and shoes. Tough competition between Chinese and Kazakhstani manufacturers impacts the local markets, where half of the turnover may soon come under the control of Chinese businessmen. The growing Chinese influence also causes apprehensions in Kyrgyzstan and Uzbekistan. With an understand-

²⁹ See: "Tovarooborot Kazakhstana s Kyrgyzstanom po itogam 9 mesiatsev tekushchego goda sostavil \$625.7 millionov," available at [<https://kursiv.kz/news/vlast-i-biznes/2018-12/tovarooborot-kazakhstana-s-kyrgyzstanom-po-itogam-9-mesyacev-tekuschego>].

³⁰ See: A. Konopelko, "Eurasian Economic Union: A Challenge for EU Policy towards Kazakhstan," *Asia Europe Journal*, Vol. 16, No. 1, 2018, pp. 1-17, available at [<https://doi.org/10.1007/s10308-017-0480-7>].

³¹ K. Kirkham, "The Formation of the Eurasian Economic Union: How Successful is the Russian Regional Hegemony?" *Journal of Eurasian Studies*, Vol. 7, No. 2, 2016, pp. 111-128, available at [<https://doi.org/10.1016/j.euras.2015.06.002>].

³² A. Dugin, "Eurasian Mission: An Introduction to Neo-Eurasianism," *Arktos Media Ltd.*, 2014.

³³ See: P. Dutkiewicz, R. Sakwa, *Eurasian Integration—The View from Within*, Routledge, Abingdon, 2015.

ing of this fact, Beijing introduced a strategy aimed at improving its image, using, in particular, cultural and educational programs.³⁴

The seriousness of Uzbekistan's intention to integrate into structures linked to the safeguarding of national and regional security, is beyond dispute. Its endeavor to join the economic component of the Eurasian integration processes is continuously facing a number of objective restrictions. First and foremost, these are complex processes within the Uzbekistan's political elite, where the competition among the regional clans is continuing in a concealed form. Aside from the traditional rivalry with Kazakhstan for leadership in the region, there is a concern among the Uzbekistan business elite in regard to the economic "takeover" by the more powerful Kazakhstan, whose business is integrated with an even more powerful Russian economy. However, Uzbekistan's intentions will be actively supported by the interest of Kazakhstan in a new market for its products, the competitiveness of which is significantly higher than that of a potential new member of the Union.³⁵

Further expansion of the EAEU presumes the adjustment of strategy with regard to the changing political and socioeconomic circumstances. The refusal to comprehend "multidirectional" strategy as permanent maneuvering between centers of power in order to obtain unilateral benefits is practically inevitable. Otherwise, the structural and institutional foundations of the EAEU are likely to be destabilized, which may lead to the Union becoming ineffective. While the principal directions of cooperation among Belarus, Russia and Kazakhstan have been agreed and stipulated, the situation remains somewhat uncertain in regard to new and potential members of the Union. This complicates the planning of the subsequent stages of the integrational process and their coordinated administration.³⁶

In order to intensify and improve the quality of integration, the Eurasian Economic Union needs political reinforcement, namely the bolstering of the structures that act side by side in ensuring systemic security in Eurasia. The establishment of independent regional policy, which would allow for better use of resources of the regions within the Union for general socioeconomic development, seems equally necessary.³⁷

The deepening of economic ties between Kazakhstan and Armenia and Kazakhstan's integration into the WTO may lead to Kazakhstan becoming a connecting link in expanding the integrative processes between the EAEU and the EU.³⁸ Under the conditions of the agreement in force between Armenia and EU on the comprehensive and expanded partnership for countries of the EAEU, of which Armenia is a member, new opportunities and prospects are opening up for cooperation with the European Union. Despite the tension in the relations with Europe, the EAEU is a big step towards forming a Greater Europe (from Lisbon to Vladivostok), the foundation for which was officially laid in 2003, when Russia and the EU have agreed to form a common economic space. Russia's and Kazakhstan's entry into the WTO also works towards the same purpose.

Greater Europe (or the Greater Eurasia) is a concept of a common space from Lisbon to Vladivostok in the economic, legal, cultural, scientific and, perhaps, military and political spheres. This idea was at the foundation of the Eurasian idea of equal-level cooperation of the European civilization and Russia/Eurasia.

³⁴ See: A. Kroeber, *China's Economy. What Everyone Needs to Know*, Oxford University Press, New York, 2016; M. Titarenko, *Kitaikaia Narodnaia Respublika: politika, ekonomika, kultura. K 65-letiiu KNR*, ID «FORUM», Moscow, 2014.

³⁵ See: A. Obydenkova, A. Libman, *Autocratic and Democratic External Influences in Post-Soviet Eurasia*, Ashgate, Farnham, 2015.

³⁶ See: V. Iu. Dodonov, "Kazakhstanskaiia ekonomika v usloviakh Evraziiskoi integratsii: tendentsii i promezhutochnye itogi," *Arkhont journal*, Issue 1, 2017.

³⁷ See: E. Vinokurov, P. Balas, M. Emerson, P. Havlik, V. Pereboev, E. Rovenskaya, A. Stepanova, J. Kofner, P. Kabat, *Challenges and Opportunities of Economic Integration within a Wider European and Eurasian Space. Synthesis Report*, IIASA, Laxenburg, 2016.

³⁸ See: K. Haushofer, *Kontinentalnyi blok: Berlin — Moskva — Tokio. O geopolitike: Raboty raznykh let*, Mysl Publishers, Moscow, 2001.

Vladimir Putin and Nursultan Nazarbaev have offered their concept of creating a common space from Lisbon to Vladivostok through the empowerment of the Eurasian community and cooperation with the EU on equal footing (the Paris-Berlin and Moscow-Astana axis). Such a space may be created via the establishment of a common space that includes the EU and the EAEU.

The integration of the Belt and Road project will develop on a mutually beneficial basis. Russia and Kazakhstan may not only preserve the role of a key transport corridor, but may also become full-scale partners in infrastructural projects within the association. The integration of the Belt and Road project with the EAEU will not be limited by transportation issues and will include trade and investment cooperation. Collaboration with SCO and BRICS will be intensified.

With the condition of amplification of soft power within the EAEU, the EAEU project will be acquiring increasingly greater popularity among the population of the EAEU countries, neighboring countries and, possibly, European countries as well. This may lay a foundation for subsequent cooperation between the EU and the EAEU if the economic blockade of Russia is discontinued.³⁹

Scenarios of deeper cooperation between the EU and the EAEU on one side, and the EAEU and China on the other may possibly be worked out and begin to be implemented by 2050, with a prospect of full continental integration.⁴⁰

In summary, let us note that in the current phase of Kazakhstan's development, elimination of customs borders, creation of an integrated market of goods, services, investments and labor resources, a common trade policy and regulation of standards will allow to give a powerful impetus to the development of business within the republic, increase consumer demand and improve the quality of goods and services. Due to the advantageous conditions of access to Russian transport infrastructure, Kazakhstani exporters will be able to decrease their transport expenditures and promote the competitiveness of their products on third countries' markets.

However, the main problems that Kazakhstani firms will face within the EAEU are the insufficient readiness for changes of a qualitative nature and the lack of readiness of enterprises to switch to a new business management format.

Ensuring macroeconomic stability is a required condition for the establishment of stable competitive advantages of both the EAEU as a whole and its individual members. Great significance is attributed to the augmentation of added value produced in the EAEU and the development of efficient interaction between the economies of member countries. In order to establish sustainable competitive advantages of EAEU member countries, measures to strengthen their economic, financial and currency potential are required. Meanwhile, it is crucial to emphasize the implementation of programs that entail the modernization of these economies to diversify the structure of goods manufacturing and export.

Risks and Prospects of Subsequent Membership in the EAEU for Kazakhstan. New Challenges to the Security of the Country and the World

Kazakhstan's entry into the EAEU has brought a number of definitive advantages and apparent disadvantages to the country, which were discussed in the previous section.

³⁹ See: V. Movchan, R. Giucci, *Quantitative Assessment of Ukraine's Regional Integration Options: DCFTA with European Union vs. Customs Union with Russia, Belarus and Kazakhstan (Policy Paper No. PP/05/2001)*, Institute for Economic Research and Policy Consulting, Kiev, 2011.

⁴⁰ See: Zh.D. Kusmangalieva, *Kazakhstan i evraziiskaia integratsiia: kollektivnaia monografiia*, Delovoi mir, Astana, 2014.

Despite the fact that the EAEU was initially conceived as a structure for economic integration, at some point the Union began to go beyond the strictly economic sphere, involving political issues, as well as the actualized security issues, increasingly more.⁴¹ Meanwhile, the strategy of EAEU expansion must be of a more complex nature, when aimed at the creation of a consolidated subject of geo-economic and geopolitical relations, a working model of regional international cooperation, attractive for new member countries. The development of any international institution stipulates for the establishment of supranational organs, which does not mean the loss of sovereignty or own development possibilities by member countries, but does postulate their transformation. The switch to a discussion of social, cultural and political issues will also occur in the short-term perspective.⁴²

If the structure's powers are expanded, the country's subsequent membership in the EAEU may bring new security challenges to the Republic of Kazakhstan.⁴³

For instance, conflict situations may impact the international stance of a country, both individually and within the organization. Russia's conflict with Western countries on the issue of the conflict within Ukraine serves as a vivid example. Member countries, and Kazakhstan in particular, must be exceptionally diplomatic in the existing situation in order to act within the framework of national interests while establishing a balance in the relations with both the Russian Federation and the West.

When the Crimean Peninsula was transferred under Russian jurisdiction, Kazakhstani authorities stated that they perceive the referendum in Crimea as a free expression of will by the population of the Ukrainian autonomy and treats Russia's decision "with understanding." Despite the attempts of certain Kazakhstani experts to draw analogies between the situations around Crimea and the state of things in the north of Kazakhstan itself, such assessments did not gain acceptance with the majority of Kazakhstan's society and elite. Kazakhstan's authorities continued its course, which was aimed at the development of its relations with Russia, recognizing it as being in the best interests of the country. Meanwhile, Kazakhstan played an important intermediary role in establishing dialog between Russia and the U.S. in the east of the Ukraine, by stimulating the launch of the Minsk process. At the same time, Kyrgyzstan, which at that point was a potential member of the Customs Union and the EAEU, went even further, officially accepting the results of the referendum.⁴⁴

The following may also pose a threat to the country's development:

- proprietary modernization projects of EAEU candidate countries, which may not correlate with the general Eurasian integration strategy, which is developed and realized by the key participants in this process;
- incoherence of economic models used by various post-Soviet states (a strategy that stipulates for reliance on proprietary development resources);
- weakness or insufficient consolidation of political, and administrative authority institutions within certain potential member states, which limits the possibility of their participation in integrative and, on a greater scale, modernization processes in the post-Soviet space;
- absence of an appropriate level of political consensus among the elites of certain potential EAEU member countries, which complicates their decision in making a choice for the integrative strategy;
- incomplete formation of EAEU structures aimed at ensuring integration and providing its qualitative content.⁴⁵

⁴¹ See: S. Biriukov, A. Barsukov, D. Berezniakov, S. Kozlov, op. cit.

⁴² Ibidem.

⁴³ See: A. Zhansautova, Ye. Nechayeva, M. Kazbekova, "Political Risks in Ensuring Water Security. Central Asian States' Experience: Kazakhstan, Tajikistan, Uzbekistan," *Central Asia and the Caucasus*, Vol. 19, Issue 4, 2018, pp. 24-34.

⁴⁴ See: S. Biriukov, A. Barsukov, D. Berezniakov, S. Kozlov, op. cit.

⁴⁵ Ibidem.

An equally serious threat may be posed by the issue related to ensuring a real and effective equality of EAEU member countries. The responsible position of Russia, which did not allow a formal center and periphery to emerge within the joint economic space that is being formed, is especially significant from the point of view of expanding and deepening the integration within the EAEU. The relevance of this issue is related to the structural peculiarities of the EAEU, since the potential of the member states is hardly comparable. In order to avoid the apprehensions that EAEU member states may have about the possibility of a certain “neo-imperial course,” new initiatives related to the comprehensive development of socioeconomic potential of these states should be proposed, and the mutually beneficial nature of cooperative endeavors substantiated.⁴⁶ Such concerns may be overcome by an official EAEU-institution level acceptance of a possibility of integration at various levels and at different speeds, as well as a diversity of various ways to include new members and partners in the Union’s structure.

It is also crucial to mention such threats as the fight with drug trafficking, Islamic terrorism, illegal migration. These problems concern both Kazakhstan and other member countries, as well as candidates for membership in this union.⁴⁷

The formation of an EAEU-based geopolitical bloc and its action to counter structures like EU and NATO, is an issue that is just as serious and concerns national security.⁴⁸ An implementation of this scenario may very well turn into a serious international conflict.⁴⁹

Conclusions

The EAEU is a relatively young international economic union on the Eurasian continent. However, in the years of its existence, the Union had managed to bring positive results for the member countries’ economies. According to experts, despite a number of complications, the EAEU strives to expand its influence on the continent and obtain authority as a political organization, as well as an economic institution.

The Union is facing a number of strategic tasks, the execution of which will allow to switch to a new level in foreign policy, and will have a positive impact on the economic situation both within the member countries and the region as a whole.

Kazakhstan, as one of the most important Union member countries, experiences all the risks of participating in the Union. The complications in the initial phase of EAEU establishment were unable to offset the rise of the country’s economic indicators. An undisputable intermediation of Kazakhstan between the EAEU and Union’s potential partners define the country as one of the drivers of integrative processes. The expansion of ties with Armenia will assist in stimulating the development of cooperation and building a relationship with the EU, while the sanctions against Russia are still in place. Meanwhile, there is a danger for Kazakhstan in being engaged in the political conflicts of its Union partners. As long as Kazakhstan is capable of maneuvering between political battles and advocating its own interests, while remaining open to other directions of economic and political cooperation, participation in EAEU will bring exclusively economic benefits

⁴⁶ See: S. Biriukov, A. Barsukov, D. Berezniakov, S. Kozlov, op. cit.

⁴⁷ Ibidem.

⁴⁸ See: D. Lein, “Stanet li Evraziiskii ekonomicheskii soiuz «protivovesom» ES?”, available at [<http://ru.valdaiclub.com/a/highlights/protivoves-es>].

⁴⁹ Ibidem.