

THE FUNDAMENTAL CONCEPTIONAL PRINCIPLES OF ECONOMIC INTEGRATION IN THE CENTRAL ASIAN COUNTRIES

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The Central Asian countries are actively participating in many development processes known today as globalization: as international trade expands, the number and volume of financial transactions increase, and investment flows intensify, states are integrating at a faster rate into the global economy.

Developed countries have been elaborating their strategy for integrating into the global economy for decades now, constantly reassessing their vision of where they belong in this process. In contrast to them, the Central Asian republics are at the initial stage of entry into the global processes.

Globalization challenges national economies, on the one hand, in particular their sustainability, while providing states with new opportunities, on the other. All of these challenges must be responded to, for globalization, which is based on intensification of the division of labor and the development of high technology, is an objective process not one of the world's nations can afford to ignore (or become artificially isolated from).

It is another matter that most of the world community, particularly the developing countries, are not ready for it either economically, or technologically, or psychologically. Membership in the WTO, which the countries of our region are striving for, is a case in point. Ignoring the regulations set by the World Trade Organization and being unable to join mean dooming a state to discrimination in many spheres of foreign economic relations.

The advantages of globalization are obvious and, without a doubt, related to the results of participating in the international division of labor and in the continuous introduction of innovations, as well as to the possibility of linking up with contemporary communication systems and other service lines, making efficient use of know-how, integrating into the structures of transnational corporations and through them gaining surefire access to foreign markets, and so on.

It is extremely important, in our view, to find ways to neutralize the possible negative phenomena. First, developing countries “with a weak financial sector and indeterminate macroeconomic policy” must insure themselves against the potential problems associated with the free movement of transnational capital, particularly that of a speculative nature. Second, there is a sharp distinction between the leading states and the peripheral countries, the gap between rich and poor countries, between technologically developed and backward countries, and between countries with a sophisticated and efficient social safety net and those with a low standard of living is growing increasingly wider. Third, the role of the state is declining and the significance of transnational companies and international organizations is growing, which often dictate their own “rules of the game.” At the same time, it can be said that the activity of global international structures and financial economic institutions, for example, the WTO and IMF, is becoming less effective. World practice shows that the decisions of these institutions often depend on the geopolitical preferences of the main shareholders (in particular the U.S.) and are conditioned by serious political concessions.

In this way, trends are seen toward incorporating only the “golden billion” states into the system of agreements, while developing countries are excluded from the global decision-making process. In this respect, despite certain achievements in reform policy, the Central Asian republics (with their low level of integration into the world economic and political system) find it very difficult to meet the challenge posed by vital world trends. Under these conditions, for every national economy, which applies in particular to the developing countries, it is important to define optimal (in terms of rate and scale) parameters and forms for entering the globalized systems by assessing real possibilities, making maximum use of the advantages available, and keeping any possible negative aspects of participating in these systems to the minimum.

Today it is becoming obvious that the only correct response to the challenges of globalization for the Central Asian states is regional economic and political integration. Based on this, the Central Asian Cooperation Organization (CACO) could become that viable integration structure capable of raising the region to the rank of a main world player in the future.

It is vitally important that the Central Asian countries choose an integration model suited to them, as well as create the main mechanisms of cooperation in power engineering, transportation, and water resources.

The main economic prerequisites of integration can be singled out. Of course, for the republics of the region, integration is a response to the challenges of globalization, and the first questions these countries need to deal with are how to position themselves in the world system of coordinates, and whether they have the potential to produce and advance onto the foreign markets competitive, including science-intensive, commodities.

The Central Asian countries must also deal with other questions: successful integration requires that each of the states has approximately the same level of economic development and a stable economy for ensuring its further progressive growth. What is more, an extremely important aspect is the political will of the leadership of the integrating countries, as well as coordination and harmonization of the foundations of their economic activity. Successful integration also depends on forming corresponding institutions and harmonizing the legislative base.

A detailed analysis of the region's countries shows that to a certain extent our economies are in competition with each other, that is, they produce the same commodities, but with different levels of productivity, but they are also complementary. On the whole, these republics have the strategic potential necessary for developing cooperation, and their governments are taking measures aimed at overcoming crises and at enhancing integration. As of today, the Central Asian countries are an essentially formed and self-sufficient socioeconomic and cultural-historical region with developed traditions of cooperation and interaction. The relations among them are largely multifaceted: contacts are being established for ensuring security, as well as in the economic, social, and cultural spheres.

The basic components of strategic potential for developing cooperation include the following: the stable legal and institutional base, that is, formulated market institutions (financial, fiscal, a pension system, and so on) and interstate institutions; the level of economic development; and resource potential (labor, energy resources), which could be realized while developing integration. When taking a look at the elements of integration potential separately, it should be kept in mind that the Central Asian countries are gradually forming a legal and institutional base of cooperation. In 1998, the Central Asian Economic Community was created, which over time was transformed into the abovementioned Central Asian Cooperation Organization. In 2004, this organization entered a new stage in its development when Russia joined, which, in our opinion, gives this structure another reason to develop individual aspects of integration.

This process will also be boosted if the countries of the region have a similar level of sustainable economic development. When comparing these countries in terms of GDP and industrial product volume, it became clear that they all have a certain growth potential: after several years of continuous slump, a definite upward trend began during the second half of the 1990s. For example, in 2003, the average annual increase in the GDP amounted to approximately 9% in Kazakhstan, to 6.7% in Kyrgyzstan, to 7% in Russia, to 7% in Tajikistan, and to 4.4% in Uzbekistan (data of the Statistics Agency). These indices show that the countries of the region have reached a vector of progressive economic growth. What is more, Kazakhstan surpasses the other Central Asian countries in terms of per capita GDP. For example, according to the CIS Interstate Statistics Committee, Kazakhstan's GDP is 22.2-fold higher than Tajikistan's, and 15.8-fold higher than Kyrgyzstan's. It amounts to almost \$2,000 per capita in Kazakhstan, to \$360 in Kyrgyzstan, and to \$200 in Tajikistan.

The third component, as we have already noted, is labor and energy resources. The total area of the CACO states amounts to 21.08 million sq. km, which is five-fold more than the territory of the EU states (4.066 million sq. km). These states have rich human resources, a vast, but still under-assimilated market whose consumer potential will grow as the market's natural resources are developed and the population's prosperity grows. This indicates the high capacity of the consumer market: the total size of the population in the region's countries (including Russia) is approximately 200 million people. The overall territory of the CACO has one of the highest concentrations of energy resources on the planet. The states belonging to this organization have the largest supplies of fuel and energy resources. There are large fields of oil and gas in Russia and Kazakhstan, which enjoy demand on the world market. In particular, Russia's share of the world oil supplies amounts to 10-12% and of gas supplies to 31.2%. In terms of hydrocarbon supplies, Kazakhstan is also one of the largest countries in the world: it occupies 12th place in terms of explored oil deposits (not counting the supplies on the Caspian Shelf, which have not been accurately assessed), 15th place in terms of gas and gas condensate, and 23rd place in terms of oil production. On the whole, our republic accounts for up to 2% (not counting the Caspian Shelf) of the explored and confirmed oil supplies. In this respect, the integration interaction policy among the region's countries is promising, which is aimed at increasing oil and gas production at the operating fields, taking into account domestic needs and foreign demand, joint development of new fields, refining of hydrocarbons using up-to-date technology, and building modern major pipelines for exporting oil and gas.

The CACO countries have great opportunities for forming a common electric power market and corresponding capacities. In this respect, Kyrgyzstan and Tajikistan have unique hydropower resources. Their rational use will make it possible to provide the southern regions of Kazakhstan with cheap electric power and water in exchange for deliveries of Ekibastuz coal. What is more, the electric power systems of individual CACO states (Russia, Kazakhstan, Kyrgyzstan, and Tajikistan) function under parallel con-

ditions (in compliance with the treaty on parallel operation of the energy systems of these countries), which is the main factor in raising the overall level of their reliability and economy. What is more, these states have a certain potential for developing nuclear power. Russia, Kazakhstan, Kyrgyzstan, and Tajikistan have large fields of uranium ore. In particular, Kazakhstan accounts for 25% of the world uranium supplies, and Russia for 14%. Restoring economic ties between production and refining enterprises of uranium ore and the uranium raw material will make it possible for our republic to modernize the industry's enterprises and management system, as well as increase the production indices, for Kyrgyzstan and Tajikistan to raise the profitability of integrated mining and ore-dressing works, for Russia to extend its raw material base, and for Belarus to deliver supplies, instruments, and equipment for the nuclear industry.

What is more, the CACO countries possess significant coal potential. Russia and Kazakhstan are among its main producers in the region. For example, Russian coal deposits exceed 200 billion tons (11% of the world supplies), and Kazakhstani deposits amount to 35.8 billion tons (3.6% of the world supplies). Kyrgyzstan and Tajikistan's coal demand is mainly covered by imports from these two countries. In this respect, a pertinent question arises concerning expanding mutually advantageous cooperation in coal production, the joint development of new fields, and the introduction of high coal-processing technology.

An analysis of the economic potential of integration development allows us to single out certain cooperation priorities: the implementation of energy projects, in which an integrated energy market is included, assimilation of the Caspian, alternative pipeline systems, the formation of a single metallurgy market, the development of a transportation infrastructure and telecommunications, the strengthening of ties between border regions, and the drawing up and implementation of joint investment programs, which could also include mutual investment.

If we take a closer look at each of these five priorities, we can see that in order to develop energy market, the Central Asian countries would do well to create a common network for energy resource transportation and an integrated energy market. Of course, this requires coordinating (in the short term) the main principles of tariff, tax, and customs policy in the energy sphere, as well as harmonizing corresponding legislation. Along the same lines, the states of the region should think about creating a Council on the Formation and Development of the Energy Market for initiating projects in this area. When reviewing oil and gas transportation alternatives, work should be coordinated in such a way that these projects do not compete with each other. This will make it possible to enter new markets in China, the EU countries, and the APR.

The second vector of integration is developing a single metallurgy market. In this respect, the countries of the region could join forces to introduce up-to-date technology into the production and refining of ore, in which Russia has accumulated invaluable experience. Joint ventures should be created for producing and refining ferrous and non-ferrous metal ores. This all requires a coordinated state investment policy in metallurgy. Such projects could very likely be implemented within the CACO.

As for developing a transportation infrastructure and telecommunications, many experts are reaching the conclusion that an integrated transportation consortium should be formed, as well as an integrated tariff policy drawn up, a customs policy coordinated, and joint investment programs carried out.

An important aspect of integration is developing cross-border cooperation. The countries of the region may have to create programs aimed at strengthening ties in this sphere. The most important thing here is improving conditions for the movement of goods, services, and people. What is more, the local administration bodies play an important role in border cooperation. In this respect, at the state level, it would be well to draw up and adopt a program, by which these bodies could promote the development of cross-border contacts not only in the economy, but also in cultural, social, and other spheres.

Another important vector of integration is investment cooperation. A corresponding analysis showed that there are certain focal points of growth, industries, and projects in the region's countries, in which the Central Asian republics could find mutual interest. In this respect, a joint program for developing investment cooperation must be adopted. The economic mainstays here are power engineering, the refining industries, joint space development, nuclear power, the metallurgical industry, and agriculture. In so doing, it should be noted that Kazakhstan and Russia already have the opportunity to become investors in some of the region's states. Whereas the Central Asian republics used to strive to attract exclusively western resources, today, they are able to spend domestic capital on developing joint regional projects.

On the whole, review of the main conceptual integration blocs allows us to conclude that integration of the Central Asian countries must be raised to a qualitatively new level and that it is expedient to transfer from agreements (at the level of document adoption) to the practical implementation of specific investment projects.

To keep abreast of the times, we must join efforts to promote integration and raise the region's economic, political, and cultural environment to a higher level. In order to achieve this, the Central Asian countries must strive to make collective decisions and formulate a joint response to the challenges of today's globalizing world.