

EURASIAN ECONOMIC UNION: PRECONDITIONS AND FIRST STEPS OF FIVE COUNTRIES TOWARDS INTEGRATION

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Abstract

The article analyzes the preconditions that paved the way to creation of the EAEU and the indicators characterizing the current situation and the degree of integration, which made it possible to identify the features of this regional economic integration and identify problems. As a result of the analysis, it was concluded that at the time of the union of the five countries (Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan) not all necessary preconditions for successful functioning of economic integration were present. The assumption that the EAEU is a political and economic union with a predominance of the political component was confirmed by the analysis of the indicators of integration and economic benefits of each country in the framework of this integration. Most EAEU countries have not received any benefits from participating in this integration. The analysis of changes in the trade within the EAEU countries from 2013 to 2018 allows us to conclude that the EAEU's members are more interested in trade with third countries than with their partners within this integration union. Certain recommendations aimed at the further development of this integration are given. The authors point out the importance of marketing of the territories within the geographic boundaries of the EAEU in order to create conditions for a rational division of labor and mutually profitable trade relations.

Keywords: *economic integration, integration processes, preconditions for integration, GDP, economic development, domestic trade, export, import, marketing of territories.*

JEL Codes: *F4, F15, F5, Z32*

1. Introduction

The period of active global integration processes historically matched, in time, with the collapse of the USSR which led to the dismantling of the Council for Mutual Economic Assistance (CMEA), the economic organization on international economic and political integration of all socialist countries existing from 1949 to 1991. In these difficult for Russia

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and the rest of the post-Soviet countries conditions, the CIS has emerged as rather a political union than economic one, whereas EAEU (Eurasian Economic Union) emerges as an economic integration, as its formal goal defines it.

The EAEU, occupying 15% of the world's landmass, represents the largest economic integration across the world. The population of the Union is more than 182 million and is distributed as follows: Russia - 80.4%, Kazakhstan - 9.6%, Belarus - 5.2%, Kyrgyzstan - 3.2%, Armenia - 1.6%. The EAEU is a leader in the extraction of oil and natural gas, as well as in the aggregate production of potash fertilizers and the cultivation of sunflower and sugar beets. This integration occupies the 3rd place in the world in the total amount of generated energy (5.4%) and the 4th in total coal production (4.8%). The EAEU is the 5th largest producer of steel in the world, and the 3rd largest cast iron producer.

As we can see, the economic potential of the EAEU is quite good. If the economic component is brought to the forefront, then the union of the five countries may become one of the most durable and promising integrations. To accomplish this promise, it is necessary to solve a number of very complex issues related to the relative equalization of the economic development of the countries included in this integration, as well as compliance with a number of fundamental principles of the functioning of international economic unions. The purposes of the EAEU are the creation of conditions for the stable development of the economies of each member state in the interests of living standards improvement of its population, the desire to create a single market for goods, services, capital and labor within this Union, including the creation of comprehensive modernization, cooperation, and increased competitiveness of national economies in the global economy.

The EAEU's goal statement defines its economic integration. However, there is no consensus on this issue: some argue that the EAEU is an economic union of five countries of the post-Soviet space, while others tend to see it as a political union dominated by Russian interests. When the EAEU was initiated, there were many supporters of the opinion that "for Russia, this integration is a strategic lever for maintaining geopolitical influence in the CIS".

Local experts such as Attokurova N.S. and Makeeva M.T. point out that "for the former Soviet Union republics, the integration process itself is quite painful, because the economic power and superiority of one state, the Russian Federation, is undeniable." However, they believe that "integration allows us [Kyrgyzstan] to combine efforts to strengthen joint positions in the global market" (Attokurova&Makeeva, 2016). According to the Kyrgyz scientist, Pirimbaev (2015) "The EAEU for Kyrgyzstan is a platform where it can carry out equal economic relations with all its members and demonstrate their voice in the international arena, relying on the capabilities and potential of the entire union".

Practices in other parts of the world demonstrate that "for economically more developed countries, the integration provides a stable, sustainable sources of raw materials and markets for finished products, whereas, for developing countries, such integration allows to combine efforts to strengthen joint positions in the global market". (Attokurova&Makeeva, 2016). Kazakh scientist described the Eurasian integration of the

three countries (Russia, Kazakhstan and Belarus) more as a political union than an economic one. He expressed the opinion that “Kazakhstan and Russia should agree on the ideological principles, political ideals and economic values of the initiated union. Otherwise, the foundation of the initiated union will not be strong, and its life will not be long” (Mominkulov Zh. B., 2014). If the EAEU is truly an economic integration, then the participating countries should receive economic benefits within the framework of such unification, only then this integration will have a good development prospects. If it is a political union, then the prospects of the EAEU are in doubt. In this regard, the question of whether the EAEU is an economic or still a political union remains as a fundamental matter.

2. Methods and approaches

The methodological basis of the study was a theoretical analysis of literary sources, a cause and effect analysis of the prerequisites for the formation of regional economic integration, as well as a statistical analysis of the main indicators characterizing the state of the EAEU. These methods allowed to identify the features of the regional economic integration of the five countries and to identify some problems of this integration. The research objective was facilitated by the use of the expert assessment method. The formation of the expert group was carried out using the “snowball” method, the essence of which is that each specialist involved as an expert recommended several scientists and specialists who can be an expert on the issue under research. As a result, an expert group of 15 people was formed, the scientists who published at least two scientific articles related to the problems of the formation and development of economic integrations. The collection and analysis of expert opinions was carried out using a questionnaire survey without expert contact among themselves, which eliminated the influence of the authoritative opinions of individual experts and ensured the independence of the assessment.

3. The level of research’s elaboration on the issue of international economic integration

Scientific studies of regional economic integration issues have a deep roots dating back to the first half of the last century. The basis of the theory of economic integration is the work of Jacob Viner (1950), in which the effects resulting from the creation of economic integrations are formulated.

As of today, the schools of theory of economic integration have already been formed. A significant role in the development of this theory was played by the market (liberal) school (V. Repke, J. Rueff, R. Aron, etc.) and the market-institutional (neoliberal) school (M. Alle, B. Balassa, J. Weiner). Market school representatives focused on the importance of the role of freedom and mutual benefit in trade within the framework of economic integration. They believed that in the economic integration it is necessary to use market instruments and government regulation should not be allowed. "The term 'European

economic integration, to be reasonable, can only mean a state of affairs which will permit trading relations among different national economies to be as free and mutually advantageous as those which exist within a national economy" (Wilhelm, 1959, p.234).

However, experience shows that economic integration is a managed process, since it has not only positive, but also negative consequences for the participating countries. In particular, it leads to increased competition, non-optimal distribution of production, and uneven development of regions. Therefore, along with a market-based integration management mechanism, it is necessary to have the focused efforts of national governments and supranational integration institutions of economic unions (Misko, 2015, p.8).

The forms (stages) of economic integration were formulated by Bela Balassa. The degree of economic integration can be categorized into seven stages: preferential trading area, free-trade area, customs union, single market, economic union, economic and monetary union, complete economic integration (Balassa, 2013, p.67). Russian scientist Maksimova M., made a significant contribution to the development of the theory of economic integration. She believes that international economic integration, on the one hand, is an objective process, on the other hand, it is a regulated process and can only happen between countries with one socio-economic system (Maksimova, 1971, p.53). The scientific interest of domestic scientists in the problems of economic integration has intensified since 2015 when Kyrgyzstan became a full member of the EAEU. The range of problems investigated in the works of Pirimbaev J. Zh., Dzhaïlov D.S., Makeeva M.T. and other scientists are diverse. At the same time, each of them, while analyzing one or another issue related to the EAEU, focused on what place is given to Kyrgyzstan in this integration process.

4. Analysis of preconditions to EAEU

The EAEU is a regional international economic integration that has gone through two stages of the integration process (free trade zone and customs union). The Eurasian Economic Union is a subject of international law and has its own system of management institutions.

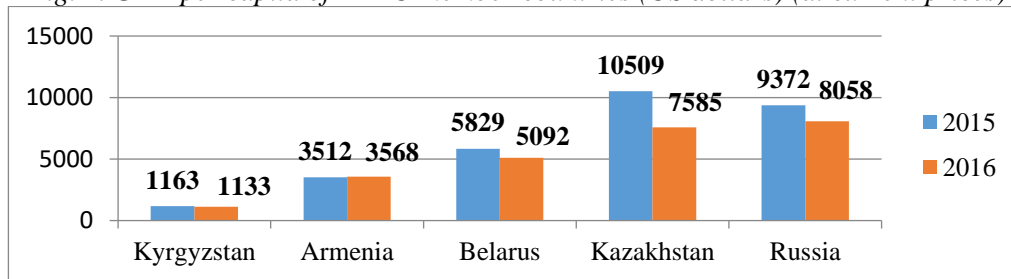
The integration processes within the EAEU were complex and contradictory due to differences in the interests of the participating countries, including the uneven level of economic growth and development. A distinctive feature of these processes is that they have pretty much a nature of formality. The formation of this integration was based, in our opinion, not only on economic motives, but on political motives as well. At the same time, the economic integration of the five countries (EAEU) was shaped in a timely manner, precisely when it was necessary to take urgent measures in response to increased competition on the global market. In other words, it emerged as a regional opposition to the challenges of politicized international economic relations.

In order to assess the first steps towards the integration of the EAEU countries, it is necessary to analyze the preconditions that contribute to union's strength and determine the prospects for the development of economic integration process. Scientists in the field of international economic integration point out the importance of certain prerequisites which consists of; approximately the same level of economic development and the maturity of a market economy, the presence of a common border and historically established economic relations, the presence of complementary economic structures of countries that aim to create an integration and others (Misko, 2015. p.23).

The most important precondition for achieving the effective functioning of economic integration is the compatibility of economic mechanisms and approximately the same level of economic growth and development. Although there are well known examples such as NAFTA where Mexico's economic growth and development lags far behind of those of integration partners. In the European Union, countries also differ in these indicators, which is reflected in their participation in the formation and use of the budget. For example, in 2007 Germany, UK and France were – in that order – the biggest net contributors, whereas Greece, Poland and Spain were the biggest net recipients”(Björn Paape&Iwona Kiereta, 2009, pp. 2-8). However EU has quite developed form of integration where «non-budgetary advantages (peace-keeping, political stability, etc.) of EU membership» has been given an important meaning to (Ibid).

Precisely this precondition was absent when the union of five countries was created. Thus, when Kyrgyzstan joined this union, the levels of economic development of each member country varied greatly (Fig. 1).

Fig. 1. GDP per capita of EAEU member countries (US dollars) (at current prices)



Source: (<http://www.stat.kg/ru/news/vvp-i-vvp-na-dushu-naseleniya-po-stranam-eaes/>): Stat.kg

As it is shown in figure 1, Kyrgyzstan has the lowest GDP per capita in 2015, which is 9 times lower than the highest integration indicator (Kazakhstan). The above shown figure clearly demonstrates the incompatibility of the economic mechanisms of Kyrgyzstan and Armenia with the economies of other EAEU countries. We also see that there was no economic development in all EAEU countries (with the exception of Armenia) in 2016 and GDP per capita indicator has decreased in comparison to 2015. At the same time, we see

that the most significant decrease in this indicator is in Kazakhstan, which means a decrease in the level of well-being of the its population.

A comparative analysis of the indicator of economic growth, of the total volume of GDP showed a significant decrease in this indicator in the participating countries in 2016 (Table 1).

Table 1. Change in the volume of GDP of the EAEU countries (billion US dollars) (in current prices)

Country	GDP by year			2016 in % relation to 2014
	2014	2015	2016	
Kyrgyzstan	7,4	6,6	6,6	89,2
Armenia	11,6	10,5	10,8	93,1
Belarus	78,5	55,3	48,1	61,3
Kazakhstan	221	184	135	61,1
Russia	2085	1372	1284	61,6

Source: (<http://www.stat.kg/ru/news/vvp-i-vvp-na-dushu-naseleniya-po-stranam-eaes/>): Stat.kg

Data analysis of table. 1 allowed us to conclude that the EAEU has not yet met the expectations of any of the participating countries for a number of subjective and objective reasons. In all participating countries, in the analyzed period, GDP has decreased. Moreover, the largest decline of GDP is observed in countries that were at the forefront of the economic integration process. Russia has its indicator decreased by 38.6%, Kazakhstan and Belarus by 38.9% and 38.7% respectively. The National Statistics Committee of the Kyrgyz Republic explains this situation by the depreciation of the national currency against the US dollar. Indeed, in the analyzed period, there was a significant increase in the average nominal exchange rate of the US dollar to the Russian ruble and the Kazakhstan tenge. It is advisable to pay attention to the fact that “devaluation of tenge can serve as evidence of the negative impact of the monetary policy of the Russian Federation on the tenge exchange rate. Since one of the main reasons for the collapse of the tenge is precisely the fact that Kazakhstan has “more active engagement” into the world economic space through the Russian market with all the ensuing circumstances”(Mominkulov Zh.B, 2014).

As a negative consequence of Kazakhstan's membership in the EAEU, we can consider the deterioration of its foreign trade balance. The results of a study conducted using the econometric method showed that “during Kazakhstan’s membership in the Customs Union, import increased, but we cannot speak of increased export”(Aktaş, 2014).

As for the Belarusian ruble, it strengthened against the US dollar from 2014 to 2016. (table. 2).

Table 2. Nominal exchange rate of the US dollar to the Belarusian ruble (2014-2016)

Month	USD average nominal rate to Belarusian ruble	
	2014	2016
January	35,1878	38,3763
February	36,2614	35,6564
March	36,8180	34,1153
April	35,8584	33,5505
May	34,6812	33,7600
June	33,9017	32,7705
July	33,7537	32,2274
August	34,7608	33,1681
September	36,0123	33,1511
October	38,2056	32,7553
November	42,6817	33,2277
December	49,7610	31,6488
USD average annual rate	37,3236	33,7006

<https://ratestats.com/belarusian-ruble/2014/>: Ratestats

The data of table 2 shows that in 2014, 1 US dollar costs, on average, 37.3236 Belarusian rubles, and the value of US dollars decreased to 33.7006 Belarusian rubles in 2016. Consequently, 38.7% decrease in the republic's GDP (in US dollars) in 2016 compared to 2014 is not explained by the depreciation of the national currency against the US dollar. Then, what economic success has Belarus achieved as a country that stood at the origins of the formation of the EAEU?

We see that although the EAEU was created as an economic union, the participating countries did not receive the expected economic benefits at the beginning. It should be underlined that Kyrgyzstan, the last country joining this integration, did not achieve any tangible economic successes during its stay in the EAEU. It is appropriate to cite the statement of the Russian scientist Bondarev I. I., who said that “at this stage of economic development, there is no reason to talk about the great benefits of joining the EAEU for Kyrgyzstan and Armenia. It is possible that in the future, with the deepening of integration, the situation will change, but so far the integration has not affected the change in the foreign trade flows of these countries”(Bondarev, 2016, pp. 53-57).

The next important prerequisite or precondition is geographical proximity, the presence, in most cases, of a common border and historically established economic ties. This precondition is not fully present, since not all EAEU countries have common geographical boundaries. Armenia has no common borders with any of the EAEU countries. It borders with Georgia, Turkey, Iran and Azerbaijan. Although Armenia is located in western Asia, it is geographically close to Europe and, in this regard, considers its cooperation with the EU as great deal of importance.

The most important positive prerequisite is that all EAEU countries have a deep common history, 70 years of existence within the framework of one country (USSR) cannot

be erased overnight. This is an indisputable fact. The countries of this integration have close cultural and domestic ties. It is necessary to emphasize the importance of some family ties between citizens of these countries as well. For example, in Kyrgyzstan one can barely find a family that does not have relatives or friends with the citizens of Kazakhstan and/or Russia.

In addition, there is a commonality of economic problems faced by countries in the field of development, financing, regulation of the economy, and political cooperation. During the transition from a command economy to a mixed economic system, reforms were carried out in all EAEU countries aimed at introducing market mechanisms into the economy.

An important precondition for creating economic integration is the demonstration effect. If the countries that have created integration associations experience positive economic shifts, then this has a positive psychological impact on other countries.

As for EAEU, the accession of Armenia to this union expanding its geographical borders, increased confidence in integration. A positive demonstration effect from Armenia's accession to the EAEU was obtained thanks to the statement of the chairman of the International Public Organization for Humanitarian Development, Ghukasyan A., who was widely publicized on the Internet: "If Armenia had not joined the EAEU, it would have lost one billion dollars. Thanks to Eurasian integration, the republic is not only overcoming the economic crisis, but is increasing the level of economic development, mainly due to export growth" (Koenkozov, 2018).

The negative demonstration effect was facilitated by the World Bank's conclusion that "Russia received more benefits from the Customs Union than Belarus and Kazakhstan, because higher Russian import tariffs were accepted as common one for the two other republics." (Mominkulov Zh.B , 2014) This negatively affected the social situation in Kazakhstan. There was a wave of distrust towards EAEU among Kazakh citizens. The discontent began to alarm the citizens of Kyrgyzstan on the eve of its accession to integration. The movement of people between Kyrgyzstan and Kazakhstan is quite solid. Therefore, information about the dissatisfaction of many citizens of Kazakhstan with being within the EAEU has transmitted to Kyrgyzstan, as they say, "by word of mouth". Meanwhile, according to official studies, 80% of the Kazakh population supported the EAEU in 2015. However, in 2016, the approval rate from Kazakh population of the EAEU was 74%, having decreased by 6% over the year, which is close to the 2013 indicator (73%) (Vinokurov, Korshunov, Pereboev, & Tsukarev, 2017). Hence the negative public opinion may cause much larger consequence leading to secession like in the case of UK. It can be a case where countries may have many problems, such as «chronic deficits of foreign trade and financial balance sheet, high growth of external debt, high unemployment, low purchasing power of the population, high level of businessmen, political and economic instability, crime, corruption, Bar Nations abuse, and a devaluation of the currency." (Abuselidze & Katamadze, 2018, pp 44-53). In our opinion, this should be regarded as an alarming signal in public opinion. Therefore, urgent measures should be

taken to make adjustments to the policy and the course of development of the EAEU. Only then the demonstration effect will be positive, and the borders of the EAEU will expand.

It is necessary to pay attention to the fact that the strength of economic integration is ensured with equal rights and opportunities of the participating countries, or when the interests of each member country are equally taken into account. In the EAEU, the most of decisions are made by taking into account, primarily, the interests of Russia. When three countries were members of the integration, decisions were made by a majority of votes based on the following quotas: 57% for Russia, and 21.5% for Kazakhstan and Belarus respectively. Here, we can observe a negative demonstration effect, since the growing concern of other ex-soviet countries alarmed that if they are to join the EAEU, they would not be able to protect their interests and defend their independence as sovereign state. As the local scientist Pirimbaev Zh. (2015), points out: "The main reason for the resistance to the membership in the EAEU was the opinion about the fear of losing the sovereignty of the republic, hence, its independence".

As for other parts of the world, a similar picture was observed in NAFTA, where the interests of the United States have similarly dominated over interests of the other two countries, particularly over Mexico. This integration has not gone further than the free trade zone, and its geographical borders have not expanded since its creation in 1994. Meanwhile, the presence of a leading country is one of the prerequisites for international economic integration. In the union of five countries, such a country is Russia, which has almost a century of leadership experience. In the period of the USSR, Russia was the undisputed leader, uniting not only the socialist republics, but also the CMEA countries. At the same time, it used to take the interests of all republics and socialist countries into account. The principles of economic cooperation between the republics of the USSR have largely become a model of economic relations within the CMEA. There was equal representation, equal rights and obligations of each country included in the CMEA regardless of the economic potential of the country and its population. However, unfortunately, this condition is not being observed within the EAEU. The EAEU member countries are not in the same position, which leads to the formation of "cracks" in the union, which Russia, as the leader of the group, is trying to "stick together".

It should, particularly, be reminded of the "domino effect." After Russia, Belarus and Kazakhstan formed the EAEU, Kyrgyzstan began to experience difficulties associated with reorienting the economic ties of the countries included in this integration union. Kyrgyzstan faced the necessity of joining this union, since the period of free re-export of Chinese and Turkish goods to Kazakhstan and Russia has ended. Since 2010, Kyrgyzstan's neighbors began to take tough measures aimed at ending the inflow of goods from Kyrgyzstan. Customs control was strengthened, wire fences were extended on mountain parts of the common borders with Kazakhstan, etc. Such actions of Kazakhstan contributed to the deterioration of the welfare of Kyrgyz population, as the reduction in re-export to Kazakhstan and Russia negatively affected the employment of its population. Today, Kyrgyzstan, as a full member of the EAEU experiences the deteriorating of trade in large

domestic markets like Dordoi, Madina, and Kara-Suy, which have lost wholesale buyers from Kazakhstan and Russia. Meanwhile, "large wholesale markets" such as "Dordoi", "Kara-Su", and "Madina", including the service spots such as transport, logistics terminals, public caterings, exchange points, security agencies, manual loaders and others, traditionally provided the significant employment to the local population. For example, only in the Dordoi market the number of employees reaches some 55 thousand people" (Attokurova, 2016).

Thus, the analysis allowed us to conclude that during the formation of the union of the five countries (EAEU) not all necessary preconditions for its further development were present. This result coincided with the opinion of the majority of experts included in the expert group that was established in order to identify the opinions of domestic scientists and specialists regarding the conditions in which the EAEU was created, and the benefits (disadvantages) of participation in this economic integration. Out of 15 experts, 13.3% (2 people) believed that there were no preconditions for the creation of EAEU; 66.7% (10 people) held the opinion that the preconditions were present, but partially; whereas 20% (3 people) answered affirmatively to the question: Were there all the necessary preconditions for the creation of economic integration of the five countries (EAEU)?

Despite the absence of important prerequisites, the EAEU is functioning and its borders, though very slow, are expanding. In 2015, Kyrgyzstan became a full member of this union. Here, it should be noted that theoretically the customs union, as a stage of the integration process, should contribute to the structural adjustment of the economy and support the development of national industries, which, ultimately, should contribute to the creation of jobs. However, this has not happened in Kyrgyzstan yet. It is likely that for this reason Tajikistan is in no hurry to make a decision on joining the EAEU. It the consequence of the demonstration effect.

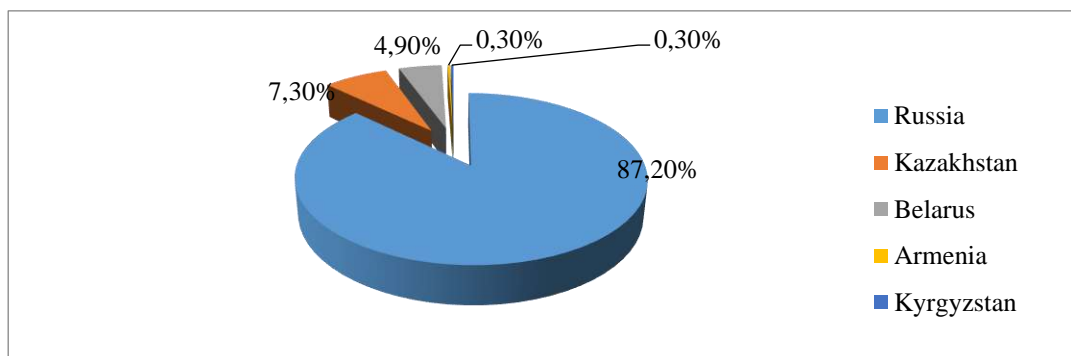
For fairness sake, it should be underlined that since the beginning of 2017, a turn towards positive changes has been noticed in the economic indicators of the EAEU. In addition, little time has passed since the succession of our country into this union. Perhaps, more positive changes are awaiting us in the future. However, for this purpose, it is necessary to form complementary economic structures within the framework of the EAEU, albeit difficult but quite feasible task.

5. Analysis of the first steps of the union of the five countries

Countries get united into economic integration, as noted above, in order to increase competitiveness and increase the level of economic growth that can be achieved by improving production conditions and increasing of its volume.

The volume of industrial production in the EAEU decreased by 3.4% in 2015 compared with 2014 and reached 907.1 billion US dollars. Moreover, the largest share of the production was in Russia (Fig. 2).

Fig. 2. The share of countries in the total industrial production of the EAEU in 2015



<http://eurasianmovement.ru/archives/25674>: eurasianmovement

Figure 2 shows that 87.2% of industrial production is produced by Russia, while the rest of the EAEU countries make just 12.8% of the total industrial production. Armenia and Kyrgyzstan make only 0.3% each in the total industrial production.

One of the important indicators of the integration of the countries of the economic union is the dynamics of internal trade in economic integration. To assess the integration of countries, in our opinion, it is necessary to compare the growth rates of mutual trade of the countries of integration with the growth rates of trade with countries outside of integration union over a number of years. In this regard, we analyzed the changes in the trade within the EAEU between the member countries for the period from 2013 to 2018.

From 2013 to 2017, the mutual trade of the EAEU countries decreased from year to year. Moreover, the largest decline was observed in 2015, when the volume of mutual trade in value terms decreased by 25.5% compared to the previous year. In 2016, the decline slowed to 6.7%.

The results of empirical studies conducted by a group of Russian scientists showed that “Over the 2012-2016 period, the physical volumes of Russian oil and raw-material exports to Ukraine, Belarus, and Kazakhstan decreased significantly. During the same period, the quantity of oil products in physical units exported by Russia to the developed countries remained approximately the same, whereas those supplied to other countries increased significantly. Consequently, the reduction in trade between Russia and the EAEU members was the largest and amounted to 34.1%.” (Borisov,

Popova & Rasoulinezhad, 2014, pp.296-325). In 2017, the situation improved and there was a positive dynamics in internal trade between the EAEU countries (Table 3).

Table 3. EAEU Turnover Indicators for 2016 and January-September 2017

Trade indicators	2016 r.		January-September 2017 r.	
	USD millions	in % to 2015	USD millions	in % to January-September 2015
The volume of export operations in the mutual trade of the EAEU	42,960,3	94,2	38,871,7	126,9
Foreign trade with countries outside the EAEU, Turnover	509,372,7	87,9	450,762,7	124,7
Export	308,264,8	82,5	274,308,5	125,6
Import	201,107,9	97,9	176,454,2	123,3
Balance	107,156,9		97,854,3	

http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/analytics/Documents/report/Report_2015-2016.pdf: Eurasian Economic Commission

The data of table 3 demonstrate the improvement of the indicator of the EAEU development intensity as an economic integration in 2017. For 10 months of 2017, the volume of mutual exports within the EAEU increased by 26.9% compared to the same period in 2016. The growth rate of exports of goods to third countries is lower than to the country member of EAEU (+ 25.6%). We see a positive trade balance of integration.

Another important indicator of integration is the presence of the domestic export's share in total amount of exports within this union. In January-September 2017, third countries accounted for 87.6% of the total EAEU export volume. As you can see, the integration level of the union is still low, although there are insignificant positive changes. The situation in 2018 showed that "the growth in mutual trade decreased to 11.9%, while trade with third countries remained high (21.4% compared to January-September 2017)" (Eurasian Economic Commission, 2018). Hence, it is obvious that the EAEU members are more interested in trading with countries outside of its economic integration union. It is obvious that trade complementarity plays an important role. From this point of view, it is more profitable for the EAEU's main player, Russia, to trade with China, rather than with integration countries, from 2014 to 2016, trade with China was extremely complementary, because Russia exports to China mainly included raw materials (their share reached 87% in Russian exports to the country) in exchange for industrial imports, whose share in Russian imports from China exceeded 90% (Borisov, Popova & Rasoulinezhad, 2014, pp.296-325)

If we talk about the relative importance of UK trade with European and other countries in Asia, such as Japan, then according to experts, in 1988-1997, the additional information is supplied by a comparison of the scales of each trade box and provides a rough indication of the relative importance of UK trade with each region. UK-Asian and UK-Japanese trade, for example, are only a quarter and one tenth of UK-European trade respectively. (Azhar& Elliott, 2004, pp. 651-666). Consequently, the EAEU countries have not received significant economic benefits from the moment the union was established up till this day. According to neo-Keynesians, "in order to use the benefits of international economic integration and to preserve its national sovereignty in maximum way, it is necessary to coordinate the internal and foreign policies of integrating countries" (Misko, 2015, p.25). In reality, there is a divergence of economic interests in the EAEU, which leads to inconsistency of both internal and foreign policies among its members. Precisely this factor was indicated as the main condition, by 8 (53.3%) out of the 15 experts surveyed, that impedes the development of integration processes within the EAEU. At the same time, 73.4% (11 people) of the total number of experts see the EAEU as an economic and political union with a predominance of political component; 13.3% (2 people) believe that this is an economic and political union with a larger share of the economic component; another 13.3% (2 people) characterize this integration as a purely economic union. It should be pointed out that the insufficient volume of mutual foreign direct investment (FDI) inside the EAEU leads to the fact that some members of economic integration, particularly Kazakhstan, Kyrgyzstan and Belarus, are trying to cooperate with Chinese investors. Which, in its turn, contradicts with the interests of, not only the leading country of this union the Russian Federation, but it equally contradicts with the EAEU interests as whole.

6. Conclusions and recommendations

Analyzing the preconditions for regional economic integration and assessing the degree of EAEU's integration we may conclude that the union of the five countries is an integration association that has a number of features where the most noticeable or meaningful one is the dominant position of political motives. Although, officially the goal of creating this integration is proclaimed to be an economic union based on economic interests.

A comparative analysis of the main indicators of economic growth and economic development of the EAEU countries has demonstrated that there is too much of difference in the level of socio-economic development among its members. To compare, the reason for clash of interests among EU members, considered as the most successful regional economic union known today, was over the expansion of its borders by adding new members due to the relatively underdeveloped countries of Eastern Europe.

Particular attention should be paid to the fact that the export structure of the main EAEU members, Russia and Kazakhstan, is very similar. These two countries depend on raw materials exports, which means that they are absolute competitors in the world market, which greatly complicates the formation of a complementary economic structure of this

economic union. Here we should pay attention to the following statement about the EAEU by the scientist of the Republic of Kazakhstan, Mamynkulov Zh. B.: “this union is seen by us as temporary and transitory, since Russia and Kazakhstan, in practice, are competitors than partners in exporting structure (Mominkulov Zh.B , 2014). Therefore, the clash of economic interests within integration requires a search for compromising solutions.

Bilateral trade within the EAEU prevails of multilateral one. Union’s members trade mainly with Russia, with the exception of Kazakhstan and Kyrgyzstan. To strengthen this economic integration it is necessary to have an active mutual trade between all participants of this integration project. The geographical remoteness of Belarus from Kazakhstan and Kyrgyzstan, and the isolation Armenia, where goods flows can pass only through the territory of Georgia creates difficulties in intensifying internal trade. Finding ways to solve the problem of internal transportation of goods, as well as a rational division of labor within integration will, to a certain extent, solve this issue. It is necessary to intensify trade in services, for example tourism, using various tools to influence and stimulate touristic flows. It should be emphasized that 182 million people is a capacity for huge tourism market, which is quite enough for all member countries, given that the in-union tourism is developed with care of tourism production opportunities. In our opinion, it is necessary to use the active marketing of territories for these purposes, and to create territorial brands and a positive touristic image of a certain direction. For example, Issyk - Kul province in Kyrgyzstan can offer recreational, beach, health-improving, rural and other types of tourism to tourists from partner countries. Naryn province can be specialized in offering rural, mountain-adventure and jailoo¹ tourism. Jalal - Abad province has good opportunities for the development of cultural, educational, medical, and ecological tourism. There are opportunities for the development of rural tourism in almost all areas of the Kyrgyz Republic. At the same time, there is a needed to pay a closer attention to sustainable tourism development in all regions of the country.

The negative impact on the stability of EAEU as a regional economic integration comes from inconsistency of trade policies with third countries and internal trade conflicts.

It should be noted that in order to ensure the positive dynamics in the development of the EAEU, the leaders of all member countries should demonstrate their political will and a clear understanding of the fact that it is very difficult to survive alone in the face of global competition and the crisis caused by the coronavirus pandemic. From this point of view, each of the five countries should direct their efforts to increasing the viability of the EAEU. To be able to accomplish this task the following actions should be taken into consideration:

¹ Jailoo is the mountain pasture areas in Kyrgyzstan located on high altitude used traditionally for pasturing of cattle, horses, and sheep. It is famous, for tourists, for clean air, natural dairy drinks, horse riding and general outdoor recreation

- consolidation of efforts to create a positive image of the EAEU both inside and outside of the union, and jointly confront against the opponents of integration in the information war;

- strive to find common ground and form common economic interests in inter-member contradictions;

- Russia should abandon, as the leader of this economic integration, its coercive manner when common decisions are made, and make decisions by mutual agreement taking into account the interests of each member of the EAEU regardless of its size and economic power;

- identify ways of effective division of labor within integration, contributing to the creation of complementary, rather than competing economies;

- create a favorable conditions for enhancing trade in services (tourism, educational, medical, etc.) between the countries of the union, which is especially important in crisis conditions prevailing in all countries due to the coronavirus pandemic;

- it is necessary to study the potential production capabilities of the domestic regions within each EAEU country thoroughly using the territory marketing tool in order to actively involve remote areas into integration processes and solve the problem of disproportional development.

To conclude, we analyzed the first steps of the EAEU after expanding its borders in 2015. Studying and analyzing the experience of the past allows us to understand the present and see, to a certain extent, the future. Considering the preconditions for the formation of a union of five countries, and the first years after Kyrgyzstan became part of this integration, it should be emphasized that the most important is the preservation and expansion of its geographical borders for the EAEU. Especially, in the tough competitive conditions expected after the end of the COVID-19 pandemic, characterized by new risks and unforeseen problems. Possible ways of developing the EAEU, their effectiveness, the influence of geopolitical factors, and many other issues that require special scientific research.

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