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SUSTAINABLE ECONOMIC DEVELOPMENT OF KAZAKHSTAN IN EAEU STRUCTURE

Abstract: The study of the problems of integration cooperation of Kazakhstan with other international actors in the Eurasian space is becoming particularly acute. Political and international problems and shifts arising at the top table of world affairs do not bypass the Eurasian region, which affects the interests of international actors of the Eurasian space. The factors that have influenced the growth of interest in integration issues in the present period are primarily related to the reconstruction of world policy: the ongoing global changes, global crises, geopolitical disagreements and conflicts negatively affect the integration structures and their further development. The political-economic situation of the Eurasian Economic Union (hereinafter – EAEU) against the background of recent geopolitical changes requires special attention.

Kazakhstan is one of the main participants of the Union. The current state of geopolitical changes brings new challenges and risks, requires rethinking and possibly transformation of the national foreign policy towards the EAEU and its participants. This paper is aimed at studying the potential of Kazakhstan and the political-economic aspect of Kazakhstan's stay in the Union. Moreover, further development of Kazakhstan in EAEU in the realities of geopolitical changes, especially against the background of anti-Russian sanctions, and the conflict between Russia and Ukraine.

Our findings indicate that the economic potential of Kazakhstan within the EAEU is better defined and regulated through freedom of movement, services, and labor.

Key words: EAEU, Kazakhstan, political integration, economic integration, economic potential, trade policy.

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ЕАЭО құрылымындағы Қазақстанның тұрақты экономикалық дамуы

Аннотация: Қазақстанның еуразиялық кеңістіктегі басқа халықаралық субъектілермен интеграциялық ынтымақтастығы мәселелерін зерттеу ерекше өткір сипат алуда. Саяси және халықаралық мәселелер мен әлемдік істердің жоғарғы үстелінде туындайтын өзгерістер еуразиялық аймақты айналып өтпейді, бұл еуразиялық кеңістіктің халықаралық субъектілерінің мүдделерін қозғайды. Қазіргі кезеңде интеграциялық мәселелерге қызығушылықтың өсуіне әсер еткен факторлар, ең алдымен, әлемдік саясатты қайта құрумен байланысты болып жатқан жаһандық өзгерістер, жаһандық дағдарыстар, геосаяси келіспеушіліктер мен қақтығыстар интеграциялық құрылымдарға және олардың одан әрі дамуына теріс әсер етеді. Соңғы геосаяси өзгерістер аясында Еуразиялық экономикалық одақтың (бұдан әрі – ЕАЭО) саяси-экономикалық жағдайы ерекше назар аударуды қажет етеді.

Қазақстан Одақтың негізгі қатысушыларының бірі болып табылады. Геосаяси өзгерістердің қазіргі жағдайы жаңа сын-қатерлер мен тәуекелдер туындатады, ЕАЭО және оның қатысушыларына қатысты ұлттық сыртқы саясатты қайта қарауды және мүмкін трансформациялауды талап етеді. Бұл жұмыс Қазақстанның әлеуетін және Қазақстанның Одақта болуының саяси-экономикалық аспектісін зерттеуге бағытталған. Оның үстіне геосаяси өзгерістердің нақты жағдайында, әсіресе Ресейге қарсы санкциялар, Ресей мен Украина арасындағы қақтығыстар аясында Қазақстанның ЕАЭО-дағы одан әрі экономикалық даму мәселесі.

Біздің қорытындыларымыз Қазақстанның ЕАЭО шеңберіндегі экономикалық әлеуеті қозғалыс, қызмет көрсету және жұмыс күшінің еркіндігі арқылы жақсырақ анықталғанын және реттелетінін көрсетеді.

Түйін сөздер: ЕАЭО, Қазақстан, саяси интеграция, экономикалық интеграция, экономикалық әлеует, сауда саясаты.

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Устойчивое экономическое развитие Казахстана в структуре ЕАЭС

В настоящее время особую остроту приобретает изучение проблем интеграционного сотрудничества Казахстана с другими международными игроками на евразийском пространстве. Политические и международные проблемы и сдвиги, возникающие на мировой арене, не обходят стороной Евразийский регион, что затрагивает интересы международных акторов евразийского пространства. Факторы, повлиявшие на рост интереса к проблемам интеграции в современный период, связаны, прежде всего, с перестройкой мировой политики, а именно, происходящие глобальные изменения, глобальные кризисы, геополитические разногласия и конфликты негативно влияют на интеграционные структуры и их дальнейшее развитие. Политико-экономическая ситуация в Евразийском экономическом союзе (далее – ЕАЭС) на фоне последних геополитических изменений требует особого внимания.

Казахстан является одним из основных участников Союза. Современное состояние геополитических изменений несет с собой новые вызовы и риски, требует переосмысления и, возможно, трансформации национальной внешней политики в отношении ЕАЭС и его участников. Данная статья направлена на изучение потенциала Казахстана и политико-экономического аспекта пребывания Казахстана в Союзе. Более того, дальнейшее развитие Казахстана в ЕАЭС в реалиях геополитических изменений, особенно на фоне антироссийских санкций, конфликта между Россией и Украиной.

Наши результаты показывают, что экономический потенциал Казахстана в ЕАЭС лучше определяется и регулируется посредством свободы передвижения, услуг и труда.

Ключевые слова: ЕАЭС, Казахстан, политическая интеграция, экономическая интеграция, экономический потенциал, торговая политика.

Introduction

The characteristic feature of the twenty-first century is the development of the trend towards the formation of international integration blocs. Global trends of this kind are reflected in the Eurasian area as in the other parts of the planet. Among many integration formations, the Eurasian Economic Union occupies a special place in the development of the economic potential of the region. The creation of EAEU meant strengthening of trade and economic ties, the improvement of national economies of participating countries and the stability of international positions in the world order.

In modern geopolitical structure, EAEU is one of the most important and relevant integration systems in post-Soviet area. Organizational expansion, military-political conflicts in post-Soviet area, global crises and other factors directly affect the member countries of integration association and raise many questions about the future of the EAEU. The EAEU is currently in the process of establishing a common economic space which envisages a single, coordinated and coherent policy in multiple areas of economic management as well as the regulation of various sectors through the establishment of single and common markets. One of the key tasks of the EAEU

is to form common markets in sectors defining the structure of economies and to lay the foundation for the common market of the Union in the future (Kheyfets, 2019).

However the facts which prevent the sustainable development of EAEU member countries such as political economic pressure against Russia, the conflicts of the participating countries with other international actors, financial crises have a tremendous bearing on the international policy and raise many questions about the prospects for the development of this association.

Russia, being one of the driving forces of Eurasian integration, is interested in preserving and expanding its influence over the Eurasian area. The EAEU is an association of states that differ according to their power and influence, and the contribution of each member is proportionate to its level of economic development. The Union is mostly dependent on Russia's economy and sanctions are to exert political influence over Russia's allies in the EAEU. At the same time, however, sanctions imposed against Russia were gaining momentum in the context of the escalating Ukraine crisis. Having emerged in 2014, sanctions have established themselves firmly as an element of negotiation between Russia and the West. Against the backdrop of the de-

velopment of a new international integration grouping in which Russia played an active role, the EU, the U.S. have paid increased attention to affecting Russia's economy via the use of restrictive measures (Makhmutova, 2019).

This raises a question about the integrity and the future of the Union, the functioning of which is mostly linked to the viability of Russia's economy as well as to innovative approaches to the strengthening of the EAEU's international image.

Concerning Kazakhstan there was a case which took place in January 2022, which raised questions about the rationality of Kazakhstan's membership in EAEU among the citizens.

January events led to mass riots, a threat to national security and the integrity of the state, was a vivid example of citizens' distrust of the decisions of the authorities. One of the elements of the protest, along with the main ones, was the demand to withdraw from the EAEU. At the beginning of its creation, the Union had tremendous support from the citizens of the participating countries, but now there is a decline and even criticism in the direction of unification (Chernyshevskaya, 2023).

This issue should not be left unnoticed since issues of international integration should take into account the opinion of the people. The lack of coverage of this topic by the people leads to ignorance and misinterpretation of a particular decision of the state. It is safe to say that in the sphere of foreign integration policy, the coverage of the people about the processes of Eurasian integration is negligible, therefore, the people have a reasonable question: "Why do we need integration?", "What is the benefit to us from integration?".

To answer these questions in this paper we tried to evaluate the political and economic potential of Kazakhstan's participation in the Union and what risks and threats await the country.

Materials and methods

The methodological base consists of an aggregate of general scientific and special methods. A group of methods were used with the purpose of studying and analyzing the political-economic potential of Kazakhstan in the structure of the EAEU.

The historical method contributed to the study of evolution and formation of Kazakhstan's integration processes within the Eurasian zone as well as it helped to identify cause-and-effect relations. Logical method significantly helped to place the presented matter in accordance with historical facts

and realities of studied area as well as to unite different aspects of the subject being investigated into a structured knowledge. System-based analysis allowed authors to study integration processes of the Eurasian zone comprehensively and by multiple aspects, in the structure of global integration processes as well as to identify interconnection and interdependence of phenomena being studied.

Our study is based on trade flows that are estimated using statistical trade data of the Eurasian Economic Commission and World Bank across 2015-2022. To address research questions, we analyzed statistical data from open sources (World Bank Open Data, n.d.).

The applied methodological base gives the opportunity of solving the raised issues and of drawing relevant conclusions.

Results and discussion

Kazakhstan and the trade partners.

To analyze the economic potential of Kazakhstan within the EAEU framework, it is necessary to describe the trade and economic relations of the Republic of Kazakhstan with participating countries and other geopolitical actors.

Trade and economic relations of Kazakhstan are currently regulated by bilateral agreements with third countries and the Eurasian Economic Union Treaty with participating countries.

The peculiarity of the EAEU was that the Union was positioned as an analogue of the EU in the Eurasian area, adapted to the realities of the post-Soviet area. At the same time, the emphasis has always been on regional economic integration, which would lead to the modernization of participating countries, without participation of political aspects.

One of the strategic partners of Kazakhstan is Russia. Kazakh-Russian relations have strong cooperative, economic ties. In trade relations between the two countries, Kazakhstan acts as a net importer, but at the same time trade positions are diversified. In the trade structure between Kazakhstan and EAEU members, about 90% is occupied by Russia.

Kazakhstan is also the main investment, trade and economic partner of the Kyrgyz Republic after Russia. Kyrgyzstan occupies 4% of the total trade of Kazakhstan with EAEU countries.

The next significant Kazakhstan partner is Belarus, whose percentage share is 3.6% of Kazakhstan's trade turnover. The structure of exports is non-primary products, while imports consist of equipment, machinery, light industry, etc. Trade

turnover between the countries in 2019 amounted to 756.3 million US dollars, which is 11.3% more than the year earlier.

With the accession of Armenia to the EAEU, trade relations between the two countries have noticeably deepened. However, mutual trade is complicated by the lack of direct logistics routes (railway communication). Therefore, mutual trade between Kazakhstan and Armenia is only 0,1%. However, before the global pandemic, trade turnover showed a positive trend. In 2019 supplies of livestock and electrical equipment increased, as did imports of alcoholic beverages, jewelry and leather goods, cigarettes and their substitutes.

Kazakhstan conducts active foreign trade with the Central Asian countries. The main trade partner of Kazakhstan in Central Asia is Uzbekistan. Kazakhstan is the second largest investment partner of Uzbekistan. Countries strengthen foreign trade relations every year, more than 900 Kazakh enterprises operate in Uzbekistan, negotiations were held on implementation of 13 projects in light industry, food industry, engineering, livestock, agriculture, etc. In the second half of 2020, both countries expanded the road map for cooperation.

It is impossible not to be noted the constant keen interest of China in Kazakhstan. This behaviour is due to China's desire to gain access to Kazakhstan's raw materials, primarily mineral resources, oil products, gas, etc. According to some authors, China seeks to expand the supply of domestic products to the Kazakhstan market, in addition, it aims to bind Astana with economic obligations through the provision of financial assistance and loans. Moreover, experts believe that true intentions of the PRC are deeper than just economic or security cooperation (EDB Mutual Investment Monitoring).

Given the relevance of foreign trade for Kazakhstan with third countries, the highest echelons of country continue to take an active position in expanding foreign trade. In 2019 country's ministries held about 50 events involving 300 Kazakhstani business entities.

However, despite the desire of countries to build environmentally friendly financial relations and comply with all EAEU legal norms, undesirable conflicts between EAEU countries periodically take place. This is manifested in constant accusations of each other by participating countries in non-compliance with certain measures. For example, Kyrgyzstan accuses Kazakhstan of creating artificial barriers to exports (Fergana News), and Belarus accuses Russia of protectionism and use of non-tariff

regulatory measures (Davydenko, 2000). Armenia's dissatisfaction with the cooperation of Kazakhstan and Kyrgyzstan with Azerbaijan was also noticed.

Despite the contradictions and conflicts that arise in the implementation of EAEU activities, their top officials are interested in the development and preservation of EAEU, since participation in this project gives them certain economic benefits.

The following benefits particularly attract the participating countries: 1) free access to the goods of neighbouring state; 2) migration privileges, where working capital can move and find employment without restrictions; 3) opportunity to enjoy social rights of the host country; 4) opportunity to participate in the work of Center for High Technologies and receive low-interest loans from Anti-Crisis Fund; 5) high probability of attracting foreign investment being a member of EAEU.

Thus, for example, over the past four years from 2016 to 2020 volume of mutual direct investments of EAEU countries increased from 20,5 billion to 25,4 billion US dollars, an increase of 24%. Among them, Kazakhstan is the leader in attracting mutual investments, which by the end of 2020 amounted to 11.2 billion. The sectoral structure of mutual direct investments consists of such industries as oil and gas production, chemical industry, electric power industry, financial services, and transport. Recently mechanical engineering and production of electrical equipment have become a trend (Dossymkhan, Dyussebekova, 2022).

A country's high welfare directly depends on the level of development of trade and economic relations. Initially, the purpose of creating the EAEU was to increase the level of national economies of participating countries. With the EAEU creation many economic issues were resolved, which gave impetus to rapid development of economies of the participating countries. Regulations were settled, barriers were removed, free trade zone was opened. Development dynamics of integration processes within the Eurasian area varies depending on external global factors, as well as on factors arising in regional area (Paniyaz, Zhanpeisova, 2020).

Eurasian Economic Commission compiles statistical data on foreign and mutual trade in EAEU goods annually by obtaining official information from EAEU member states.

Figure – 1 shows volume of foreign and mutual trade of EAEU countries over 7 years 2015-2021. Total amount of non-Union exports during the pandemic fell sharply from USD 460,749 million to USD 364,810 million. Before the pandemic, there

was an upward trend in foreign trade. Exports of Kazakhstan show a similar trend.

Dynamics of external and mutual exports show that the number of exports of participating countries fell sharply in 2020. Until 2020 there has been a steady growth in export turnover every year. It should be noted that the export of foreign trade far exceeds the export of mutual trade. Such indicators show that EAEU countries are more committed to trade with third countries. Record number of exports

of EAEU participants to other countries was recorded in 2018 with the amount of 490,722 million US dollars. Russia is the largest exporter to countries outside the union, which speaks of Russia's powerful trade relations on the world stage. In 2016 there was a decline in exports in all participating countries due to global economic and political factors. For such exporting countries as Russia, Kazakhstan, and Belarus, the rise or fall in energy prices directly affects the national economy (Dossymkhan, 2020).

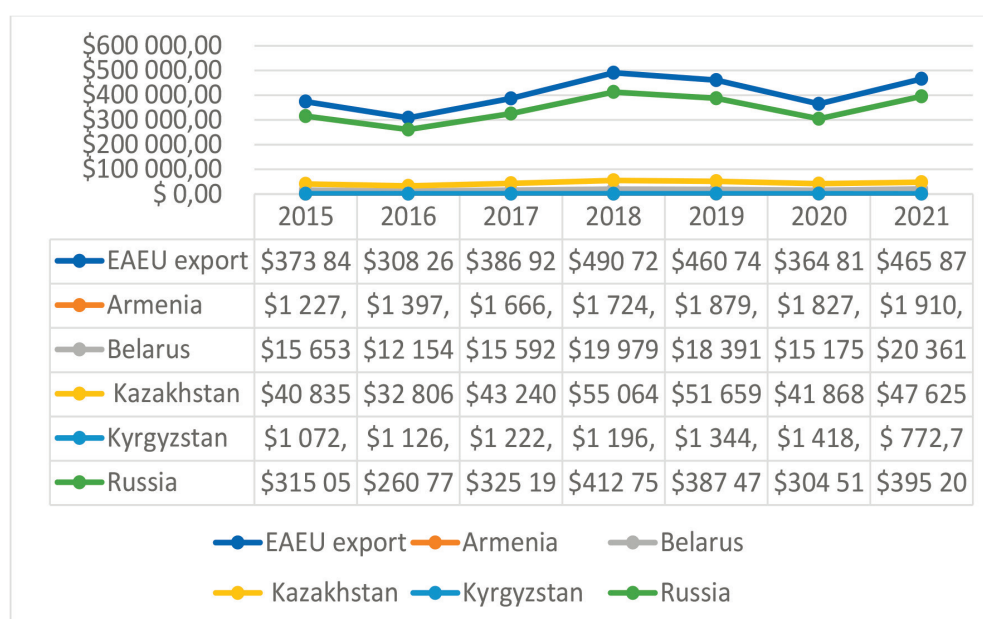


Figure 1. External export of goods of EAEU member countries over the past seven years (million US dollars)

According to statistical data, the volume of mutual exports is much inferior to external exports of EAEU countries. If in 2015 exports to other countries amounted to 373,845.1 million US dollars, the indicators of mutual exports are almost 8 times less, which is 45,615.7 million US dollars, in 2019, external exports reached 460,749 million US dollars, mutual export 61 634 million US dollars respectively. The main directions of EAEU external exports are China, the Netherlands, Germany, Turkey, Korea, etc. The main importer to EAEU countries

is China, as well as some EU countries (Germany, Italy, France), the Republic of Korea and the USA. Almost a quarter of all imported goods come from China.

Main EAEU exports to third countries are mineral products (more than half of all exports), agricultural and food products, equipment, transport resources, metals and their derivatives.

Cars, vehicles, various high-tech equipment, textiles, footwear, chemical products, etc. are imported into EAEU countries from third countries.

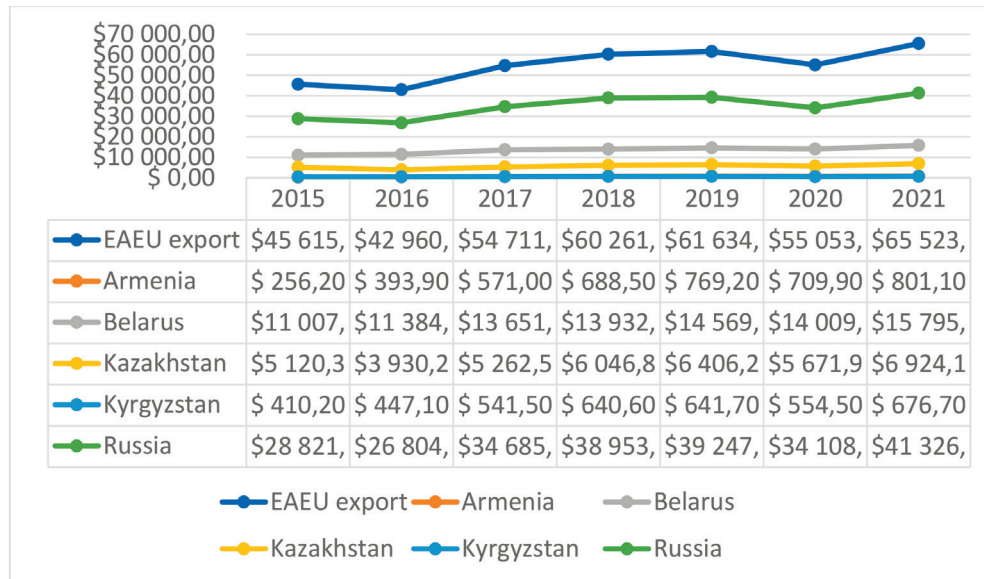


Figure 2. Mutual export of goods of EAEU member countries over the past seven years (million US dollars)

As for imports, a similar picture is observed (Figure 3, 4). If imports in mutual trade in 2015 amounted to 45 654,2 million dollars, in 2016 – 42 427,2; in 2017 – 53 812,5; in 2018 – 59 732,4; in 2019 – 61 861,1; then in 2020 we see a decline in trade to 54 163 million dollars, after rise in the previous year.

Imports in foreign trade show the same trend. Kazakhstan remains to be a net im-

porter in mutual trade with EAEU countries.

In terms of foreign trade, Russia is ahead of all countries, followed by Kazakhstan and Belarus. It should be noted that these indicators are justified due to the fact that Russia is the leader of the Eurasian Union both in terms of population and territorial and economic indicators.

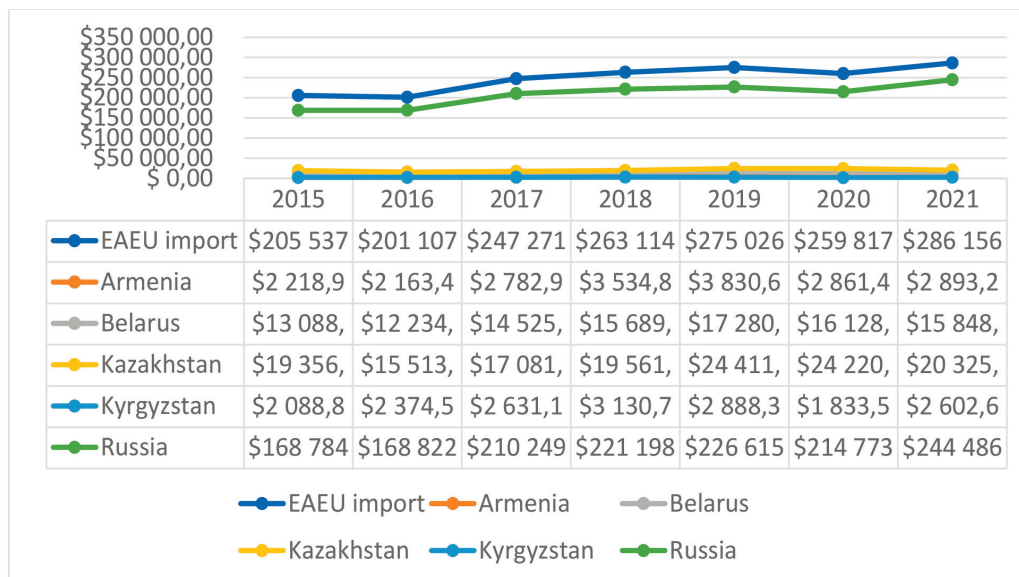


Figure 3. External imports of goods to EAEU countries over the past seven years (million US dollars).

According to the data, it can be argued that foreign trade dominates over domestic one. Despite strengthening of trade and economic relations, in order to remove tariff barriers, EAEU countries tend to enter into trade relations with countries that are not members of the EAEU.

For example, trade relations between EAEU and Iran grew by 60% in 2021 compared to 2020. According to the Minister for Trade of EEC Slepnev A., exports of member countries to Iran grew by 80%, and imports by 30%. Trade relations of EAEU countries nowadays are heterogeneous. The heterogeneity of trade and economic relations is influenced by certain factors: different levels of financial and economic indicators, the standard of living of the

population, political considerations, etc. According to the above data, it should be noted that member countries of the Union are more inclined to export goods to other countries than to allies. This can be explained by the fact that countries of the Union are mainly exporters of goods. Energy resources and minerals are more in demand outside of the EAEU. The state of import is the same as the export one. According to indicators of the 7-year period, EAEU members receive much more imports from other countries. Even though EAEU countries are more inclined to conduct trade relations with countries that are not members of the Union, exports and imports in mutual trade by EAEU member countries have a positive trend.

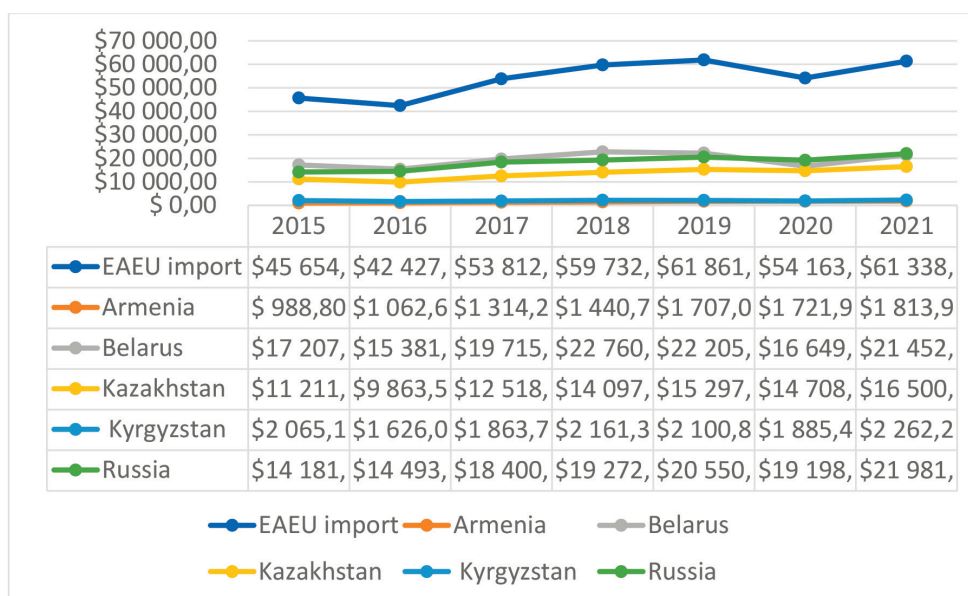


Figure 4. Mutual imports of goods to EAEU countries over the past seven years (million US dollars)

The global epidemic of “Covid-19” has greatly influenced the globalization processes, regional integration and trade and economic relations in the world. Closure of state borders and strengthening of nation-state institution have slowed down the pace of globalization and trade and economic processes throughout the world. Kazakhstan did not stand aside from new trends, overcoming difficulties after the pandemic period, by accumulating efforts to develop such areas as digital economy, pharmaceutical industry, online education, etc.

Kazakhstan’s economic potential when joining EAEU was much inferior to Russia and the Repub-

lic of Belarus. For example, the Republic of Belarus in 2009 produced finished products worth 41 billion, while Russia – 448 billion, the indicators of Kazakhstan amounted to 19 billion US dollars. Out of these, 17% of Belarus’s finished products belong to mechanical engineering, in Russia the percentage of finished products is 19%, in Kazakhstan it is only 7%.

This is explained by the fact that initially Kazakhstan’s economy was aimed mainly at extracting raw materials and producing incomplete cycle goods, i.e. industrial potential was not comparable with the Russian Federation and the Republic of Be-

larus. According to economic observer Askarov T., Kazakhstan joined the EAEU with an unprepared national economy, this was reflected in low export potential and lack of import substitution strategy (Satpayev, 2021).

Despite a number of complications – complex geopolitical conditions, political and economic pressure on one of the key members of the EAEU, and the complexities involved in the adjustment of business structures and enterprises with state participation, public authorities primarily from the economic sphere, and EAEU members to the new working conditions in the formats of emerging common and single markets in the Eurasian economic space – interest in mutual trade among the states of the EAEU is growing (Makhmutova, 2019).

The signing of the EAEU Treaty became the starting point for a further development of integration processes since the text of the Treaty provides a plan for moving towards those common markets that had not been created as of the beginning of 2015. These include common markets for medicines and medical devices, electricity, oil, gas and petroleum products, as well as financial markets.

At present days economic potential of Kazakhstan at the same time preserves traditional directions of development in supporting the processes of Eurasian integration, as well as in accordance with established trends and developing new markets and industries.

In accordance with the Treaty on EAEU Establishment, its main task is to improve the well-being of citizens, for which “4 freedoms” must be provided: the movement of goods, services, capital and labor. Considering this attitude, we will analyze the potential of Kazakhstan from the point of view of “4 freedoms”.

Movement of goods. If we consider the movement of goods in addition to creating barrier-free trade, on January 1, 2018, the new Customs Code of EAEU came into force, which simplified the procedure for moving goods across the customs border of the Union, including through the introduction of electronic declaration system (Figures and facts).

Kazakhstan’s transit potential is undeniable in terms of the successful location of trade routes and territory. Due to the delivery of goods by land, the delivery time is halved compared to the sea route, which is about 35–40 days. Speeding up the delivery period is convenient for suppliers and consumers from Asia to Europe. The geographical potential of Kazakhstan is inferior to other countries only by the lack of access to the sea.

One of the main reasons for participation in Eurasian integration for Kazakhstan was the reduction of transport costs associated with remoteness from the world’s oceans and major markets.

The priority of transit through Kazakhstan is explained by stability of political situation and favourable investment climate in the country, as well as the need to pass the single customs border of EAEU between China and EU countries (Dossymkhan, 2018).

However, the global quarantine has reduced Kazakhstan’s transit potential, which is not being used to its full potential. Although the country’s logistics data can be considered as one of the main strategic resources that can further attract investors, for example, as part of the interface of the initiative: “One Belt – One Road”.

President of the Republic of Kazakhstan Tokayev K.Zh. on September 3, 2021 on sidelines of Eastern Economic Forum, defined the aspect of building effective transport infrastructure, especially considering the potential and opportunities of Kazakhstan in the development of transit hubs, including in the context of linking national plans with Union activities and global Chinese initiative “One Belt and One Road” (Vinokurov, Libman, 2016).

For example, the following infrastructure projects are planned in Kazakhstan:

1) construction of a new railway line “Dostyk – Moiynly” to expand transit from China, which will increase the flow of goods by five times.

2) creation of a container hub with the involvement of the world’s leading operators in Aktau.

3) launch of the railway line “Darbaza – Maktaral”.

Implementation of these transport and logistics projects will increase the inflow of foreign investment and replenish the budget through taxes. Kazakhstan has invested up to \$30 billion in logistics industry over the past ten years. By 2050 Kazakhstan intends to increase its transport potential tenfold.

Kazakhstan’s export potential, according to the Committee on Statistics of Kazakhstan at the time of accession to CU, the country was mainly self-sufficient in raw materials, i.e. metals, grains, hydrocarbons, and petroleum products. In practice country could not provide itself with finished products. As for food products, country fully provided itself with flour and wheat, the rest was sent for import. In other types, the level of self-sufficiency and export potential is low.

Recently, there has been a growing trend towards the development of a non-primary sector of economy

with state support. Questions on the development of non-primary production in Kazakhstan are distributed among several companies (“NC “KazakhExport” JSC, “KCIIE “QazIndustry” JSC, “QazTrade” JSC). However, the longer the resource orientation of Kazakhstan persists, the more difficult it will be for Kazakhstan’s economy to compete with the Russian and Belarusian ones.

Movement of services. In the modern world, it is services that become the main segment for most economies. For example, within EU services account for about 70% of GDP. As for EAEU, this figure was 59,1% in 2019. Moreover, Kazakhstan is the leader in the share of the service sector in GDP structure by country.

Table 1. Share of services in gross and domestic product of EAEU member states in 2019.

No	Country	Share, %
1	Kazakhstan	60,9
2	Russia	58,5
3	Armenia	58,5
4	Kyrgyzstan	56,7
5	Belarus	54,4

Note – compiled according to the source (Figures and facts).

In the first quarter of 2023, compared with the corresponding period of 2022, there was an increase in international trade in services in most member states of the Eurasian Economic Union.

In the structure of exports and imports of services in most countries, the largest shares accounted for transport services and travel. Among other types of services in Kazakhstan and Russia, other business services, telecommunications, computer and information services stood out (EAEU news).

The single market of services assumes:

- provision of national treatment, i.e. equal conditions both for citizens/companies of their country and for citizens/companies of other members of the union;

- granting the most favoured nation treatment, i.e. conditions for third countries should not be better than for members of the union;

- providing a regime of non-application of quantitative and investment restrictions to business (Gla-zyev, 2022).

Thus, at present days single market for services operates in 53 sectors. At the same time, the goal of member countries of the Union is to cover more sectors with a single market for services.

Union plans that by 2025 single market of services will cover at least 61 sectors. Another 8 service sectors will be transferred to a single market regime, including:

- general construction services for the construction of civil engineering facilities (tunnels, bridges, pipelines, communication lines);

- property valuation services;
- underground and ground mine surveying services;
- services for weather forecasting and meteorology, etc.

According to the Concept of state program for development of trade of the Republic of Kazakhstan for 2021–2025 to improve trade in services, the following measures will be taken: increasing knowledge of English among service workers, attracting foreign labor under simplified requirements, expanding investment activities, promoting Kazakhstan brand “made in KZ”, creating service hubs in the regions of the country.

As part of the services market, Kazakhstan and Kyrgyzstan export travel services, Belarus exports construction, technical, and computer services, and Russia exports services in the field of construction, maintenance and travel. According to EEC, in 2020 mutual services of EAEU countries amounted to 7 billion US dollars.

Movement of capital. Freedom of movement of capital is the most restricted one of the four types of movements. In addition to ambiguous policies of countries, the difficulty for business in the legal field is also an obstacle. For example, individual entrepreneurs must re-register in the country in which they plan to operate. EAEU’s common financial market includes the creation of the Common Exchange Space.

Direct investments in % to GDP

Direct investments in % to GDP

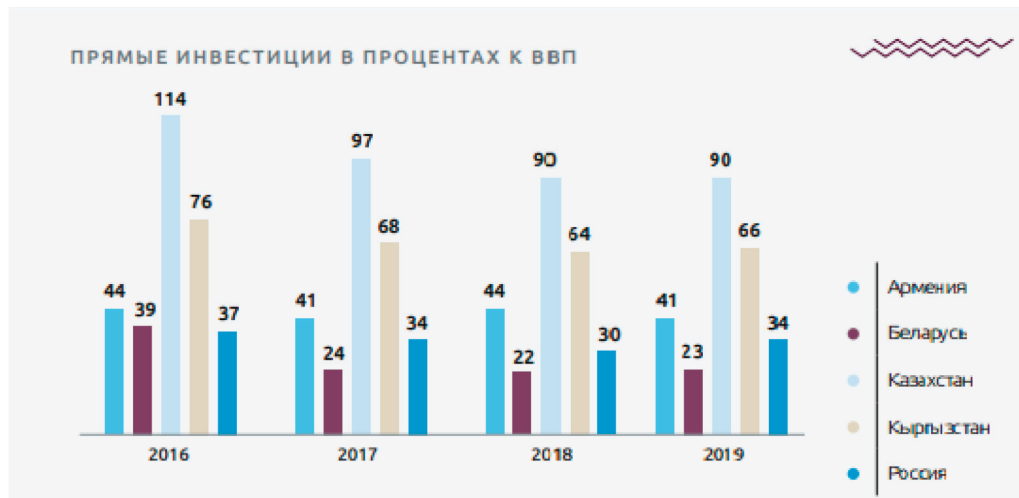


Figure 5. Direct investment in EAEU to the GDP of member countries of the union, %

Note – Compiled according to the source (Figures and facts).

Kazakhstan has the largest share of direct investment in gross domestic product.

The movement of capital and goods is complicated by a number of factors. A list of 14 obstacles that they intend to remove by the end of 2022 was approved at a recent meeting of the Eurasian Intergovernmental Council. It included, among others:

- an unresolved issue of collecting duties when exporting goods from one EAEU country to another;
- impossibility of using guarantees issued by resident banks of one Member State in public procurement of another Member State;
- imperfection of the procedure for establishing exemptions from a national regime in the field of public procurement by Member States;
- lack of uniform requirements for certain types of products;
- lack of conditions for information interaction within the Union using electronic documents certified by national EDS;
- lack of legal framework for the interaction of bodies in control and supervisory activities to comply with the requirements of technical regulations of the Union.

The Commission, together with the countries, is constantly working to remove obstacles in internal market of the Union. And by 2020, 12 barriers, 11 exceptions and 35 restrictions were recorded in the register of obstacles.

Labor movement.

Of particular interest in the study is the issues of migration, labor movement. Migration issues are in the field of consideration of economic and humanitarian cooperation. 77% of the population of EAEU member states support the possibility of free movement, employment, residence, business creation and education (Myrzahmetova, 2015).

Due to the Union Treaty, citizens of all countries have equal employment opportunities and better conditions than third-country nationals. Benefits include an absence of necessity for special permits or national recognition of education, with the exception of certain categories in the fields of science, pedagogy, law, medicine and pharmaceuticals.

In general, EAEU documents provide for the abolition of permanent migration registration for citizens.

In 2019 within Kazakhstan territory, the most worked citizens were Russian (30,158 people). Further – citizens of Kyrgyzstan (5808), Armenia (3120) and Belarus (1336).

Unemployment rates in EAEU decreased to 70% in 2021, which is 1,17% of people. Thus, the number of unemployed decreased from 4,1% in 2020 to 1,3% in 2021.

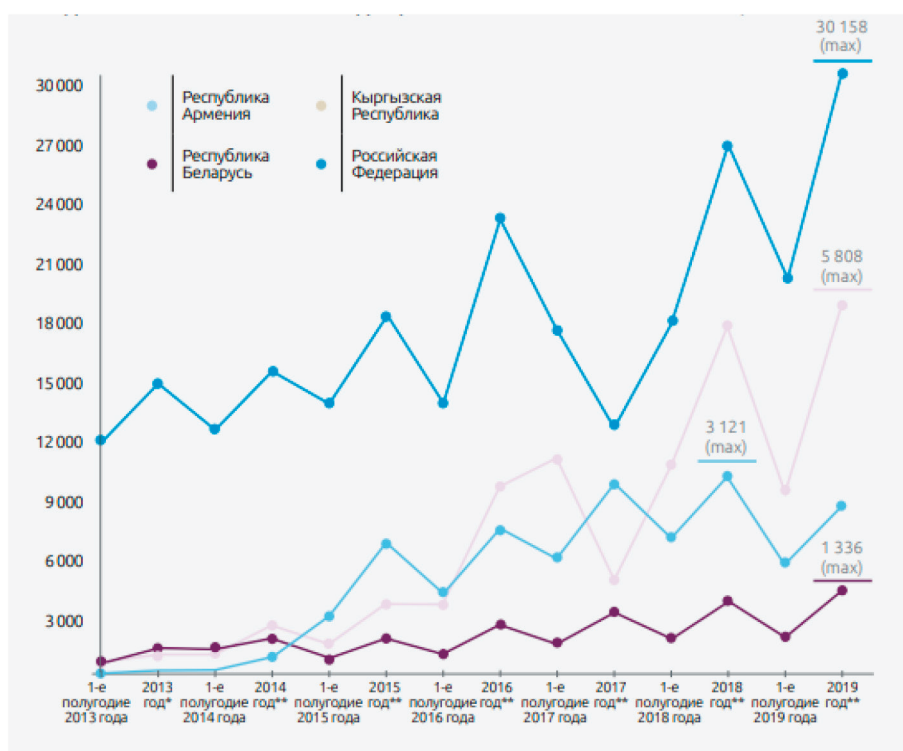


Figure 6. Information on number of workers in the Republic of Kazakhstan, persons.

Note – compiled according to the source (Figures and facts).

Cheap labor is also one of the export resources. Within the union framework citizens of Kyrgyzstan and even Kazakhstan in search of work receive unhindered access to labor market of the Russian Federation.

According to some authors, “the main problems faced by Kazakhstani enterprises in EAEU conditions are insufficient preparedness for qualitative changes and unpreparedness for transition to new format of doing business. Ensuring macroeconomic stability is a necessary condition for formation of sustainable competitive advantages both in EAEU as a whole and its individual members. It will be of great importance to increase the added value created in EAEU and develop effective interaction between the economies of member states. To form sustainable competitive advantages of member states of the association, it is necessary to take measures to strengthen their economic, financial and monetary potentials. At the same time, it is important to focus on economic modernization programs to diversify the structure of production and exports”.

Thus, the economic potential of Kazakhstan within the EAEU is better defined and regulated

through freedom of movement, services and labor. According to the international ranking of World Bank Doing Business 2020, Kazakhstan currently ranks 25th in the ranking of favourable countries for doing business, having risen by three positions compared to 2018, thereby being ahead of all EAEU countries (The World Bank).

Strong cross-country relations support Eurasian integration projects. For example, in September 2021 President of the Republic of Kazakhstan Tokayev K.-J. announced the signing of memorandum between the government of Kazakhstan and the “Sber” group of companies to create digital government platform (Eurasian weekly). This is in line with the global trend towards the transition from manufacturing to a digital economy.

Conclusion

Thus, Kazakhstan’s potential is realized within the framework of the movement of three of the four “freedoms”. Even though Kazakhstan joined the Customs Union with relatively weak and poorly diversified export opportunities, the transit potential

of Kazakhstan makes it possible to speed up the delivery of goods from Asian countries to European countries. Continued expansion of the service sector, both within Kazakhstan and outside, will allow it to remain a leader in the share of the service sector in the structure of GDP among countries of the union. At the same time given the share of direct investment in gross domestic product, Kazakhstan will retain its leadership as the most attractive country for investment. Further transition to a digital economy will allow Kazakhstan to occupy niches in a new strategy of digital space.

The success of the development of integration associations often depends on the economic base, innovation potential, scientific, educational, and industrial infrastructure of the country. An important role is played by large cities, which are the focus of

regional integration processes in this process. In this regard, it should be noted the role of Astana in formation of integration ties in the Eurasian area.

For Kazakhstan, Astana is a significant city in establishing international relations. The potential of the capital of Kazakhstan allows holding large-scale meetings at high levels, international conferences, global events. In addition, there was experience in holding such events.

In our opinion, Kazakhstan has good potential both politically and economically for the development of integration projects. The favorable location of Kazakhstan, at the crossroads of Asia and Europe, openness of Kazakhstan to global processes, and rapid response of foreign policy vector to changes in the world, make Kazakhstan an undeniable participant in international organizations with great potential.

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