

## Kazakhstan In The System Of Eurasian Integration

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**Abstract:** Kazakhstan in system of the Eurasians integration with justification of its strategic effect by the main components – the institutional basis having special value for successful realization of integration policy. In this article the specification of Customs Union organization in the system of Eurasian integration is disclosed with substantiation of its strategic effect on basic components such as institutional basis, integrations of trade market and capital as well as labour market. Almost any state cannot develop its economy efficiently without taking into account geo-economic tendencies and geopolitical interests. At this time, national management systems are in dynamical integration area, experiencing both positive and negative influences of external challenges: from attraction to various integration processes to common crisis cataclysms, as it has been taking place lately. For many relatively young independent states, which also concern former Soviet republics, integration in the world system of management required to carry out radical changes in its institutional basis, motivational and adaptive mechanisms in various spheres of social and economic life. In this case, the specificity of integration relations organization in Eurasian community is thought to play a significant part, and first of all, in the format of Customs Union with its strategic effect substantiation which is formed by new institutional basis of integration, expansion of the competitive environment as well as goods turnover, and also resource potential, including the field of general labour- market development.

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### Introduction

On November 28, 2009 in Minsk there took place D. A. Medvedev, A. G. Lukashenka and N. A. Nazarbayev's meeting on creation in the territory of Russia, Belarus and Kazakhstan since January 1, 2010 of uniform customs space. Council includes heads of state and government of the Customs union. The supreme council gathers on level of heads of states at least once a year, at the level of heads of governments — at least two times a year. Decisions are made by consensus. The made decisions become obligatory for performance in all participating states. Council defines structure and powers of other regulating structures of the Customs union [1].

The purpose of creation of the Customs union was, ensuring free movement of goods in mutual trade and favorable terms of trade of the Customs union with the third countries, and also developments of economic integration of the parties.

Within the Customs union representing more perfect, than a free trade zone, integration structure, the participating countries pursue the coordinated foreign trade policy, mainly in the field of customs and tariff rules and procedures. It gives the chance to them to regulate commodity streams in interests of development of production, export and fuller

satisfaction of import demand of the countries - participants of the Customs union. Practice shows that the Customs union creates more attractive conditions for foreign investors that also positively affects economic development of the participating countries.

If established on external borders of the participating countries of the Customs union the tariff for any goods becomes above the average tariff existing before creation of integration group, the participating countries limit external sources of supply for the purpose of development of inner-union resources. Then joint development of the natural resources, new materials, technologies, the knowledge-intensive products is possible to reduce dependence on import. economic development of the participating countries.

In case of establishment of level of an external tariff is lower average for the countries - participants of the Customs union the last are guided by the markets of the third countries and, therefore, take measures for competition strengthening between internal and external producers to create incentives for domestic producers to production of competitive production.

At further development process of integration of member countries of group reaches a form of a common market. It is marked by signing of the contract covering "four freedoms" crossings of frontiers - for goods, services, the capitals and people.

In this case integration process joins factors of production and to some extent coordination of the external economic policy. Besides, creation of a common market demands harmonization of many industrial standards and rules of law [2]. Thus the special attention is paid to system of the actions preventing violation of norms and regulating the competition.

The main body of the Customs union of Belarus, Kazakhstan and Russia is the Supreme Eurasians economic council at the level of heads of states of the participating countries of the Customs union and the Common economic space. One of the most important problems of effective development of the world system of economic management is believed to be implementation of integration processes; development of new forms of interstate, inter-regional and regional correlations which give the opportunity to engage saved social and economic, scientific and technical potential in optimum. In current conditions in the world economy geo-communications are dominating more and more.

The investigation of these issues is closely connected with problems of optimization of macroeconomic tendencies in the economy of Eurasian states, increase of their competitiveness in the international goods and services markets and creation of a progressive life-support system.

In the investigation of the problem of strategic effect, its formation in the competitive environment is basically accentuated and it deals with solving the problems of competition increase of separate managing subjects. Such approach is certainly important and interesting, but from the point of view of modern reproductive processes development, it is not so topical and objective. In our opinion, here there is natural interconnection of strategic effect with geo-economy and with it's branched out system of regional communities, groups and separate countries forming wide competitive environment. A lot of these regional subsystems of the world economics join into world economical communications having a certain competitive status in concrete goods and services markets and at the same time trying to keep their positions, and in prospect future as strategically significant component of its foreign policy to reach a dominating place there.

Analyzing the major tendencies in formation and perspective development of the world economical communications such scientists – geo-

economists as K. Jan and P. Savona notice that as a result of competitive environment expansion in the scale of geo-economy "systems-countries, striving for increasing their profit as enterprises do, that is the wealth of the nation and profusion of their citizens through the ways of increase competitiveness in the world market" [1]. Thus, the effectiveness of joining any certain competitive environment in many respects depends on start conditions of stored economic potential - for separate countries and integrative - for a group of countries (regional communities). The great value concerns business environment development in the country, which recently has become one of the major criteria of its competitiveness, it is especially important at the systems approach to the analysis of economy resources [2].

The particular interest for researchers is known to be developing market systems which integrate actively into the world system of managing and test the experience of developed countries. Improvement of national economic systems is mostly made on the basis of integration with use of progressive institutional leverages. At the same time the developed structure of the market predetermines the competition model [3]. In these particular model geo-economic standards prevail more and more. Taking into account such tendency in geo-economy almost for all countries, the strategic effect means qualitative renewal of reproducing process in the external institutional environment [4]. Generalization of these approaches, which are acceptable enough in our opinion, allows making a conclusion about objectification of the strategic effect criteria, developing a special algorithm of the components, which allow defining the effectiveness of certain management system operation on the new institutional basis. In particular, it concerns integrated systems, some or other regional communities. It is essential to notice that almost each integration formation evolves changing its institutes, parameters of integration, etc. in connection with their own objects and goals. Thus, the components of strategic effect are altered accordingly. It is obvious that in these cases the structural component prevails significantly influencing on strategic effect. Basically, the objective interrelation of strategic effect with all main environments, forming the competitive status of managing system, is observed: market, institutional and business environments. From here we can see multilevel criteria approach to strategic effect substantiation, especially in the new integration formations created recently and essentially changing their parameters of management, according to scales of integration. In the methodological plan it is important to note a specific

narrowing of such macro approach to strategic effect substantiation which takes place in several researches. For instance, in the proceedings of J. Brander, Spenser the strategic effect is defined as a gain of national economy from subsidizing the firm or any branch [5, 6]. In particular, concerning firms, it means, developing effective strategy of its subsidizing to enter specific oligopoly market which is limited to small circle of the large scale enterprises that correspond the profile of the mentioned firm. At this approach all components of the competitive environment are accurately observed and almost each firm can react in due time to actions of the competitors, leaning on the state support. Even in case of the compelled reduction of manufacture volumes caused by the establishment of lower price in the certain market, the strategic effect and its own niche consequently in this market is kept until the establishment of the equilibrium price. Essentially, such approach to strategic effect substantiation, basing on use of specific tools of industrial and commercial policy of the state, allows to regulate the competitive environment, and at the same time raising the competitive status of the firms to provide extra benefits for the whole national economy. Apparently, engaging even one component of the strategic effect is sensible in the course of its increase.

Integration in the post-Soviet area has passed through several evolutionary stages and stored both as positive as negative experiences in the organization of economic, social and political interaction in diversity of regional communities. Eurasian Economic Union -3 has become one of such communities which included three largest states of the post-Soviet territory: Russia, Kazakhstan and Byelorussia. These states became initiators of Customs Union creation to operate in the system of Eurasian integration from the beginning of 2010. The organizational registration of the Customs Union of these Eurasian states was preceded by thorough study and working out of the considerable great amount of documentary-legal basis, social and economic standards of national economies as well as the experience saved up in the world practice of such union's organization. Basically, establishment of the Customs Union became objectively necessary in the course of realization strategic goals of general system modernization of entered there countries, their effective promotion in the world markets of goods and services. In particular, Kazakhstan striving for joining the number of 50 most competitive countries in economic policy implements a complex of measures at strategically important course of industrially-innovative renewal of its own managing system. It is also important to use purposefully the

created integration potential of the Customs Union. Effective operation of the Customs Union being strategically important for countries - participants at the same time brings a certain novelty aspect in the settled world managing relations in global economic building up a particular scale of integration expectations in constantly extending competitive environment. According to the world practice, despite a variety of integration formations, Customs Unions precisely allow to raise significantly the effectiveness of integration expectations in respect of growth the investment activity, foreign trade and other integration processes and also to allow involve rationally integration potential. The mechanism of customs unions establishment has been developed for years and in different regions of the world. For example, Central American Common Market since 1961, Arabian Common Market since 1964, Association of European countries with Turkey since 1963, etc. These unions are strictly enough arranged in their integration basis that allows to solve accurately strategically important issues in the corresponding markets of the world. According to its organizational matter the Customs Union (CU) is an agreement of two or more states (form of interstate agreement) on customs duties cancellation in trade between them, the form of collective protectionism against third countries. Also the Customs Union provides "formation of the united customs territory". Usually countries - participants of the Customs Union make agreements about establishment of interstate bodies which coordinate conducting the agreed foreign trade policy. As a rule, it deals with periodic meetings arrangement of the ministers supervising corresponding departments which in their work base on constantly operating interstate Secretariat. Actually, it is a matter of the form of interstate integration assuming creation of international bodies. In this case the Customs Union is much more strict form of integration than, for example, free trade zone.

Establishment of the Customs Union of Eurasian states is a vital step in strategy of their integration. However, many problems in the rationalization of integration interaction of the mentioned states were already revealed in the process of the Customs Union operation. They are the following ones:

- Much time of making decision in respect of integration processes management;
- Occurrence of not coordinated interests in the operating administrative toolkit;
- Contradictions in some investment programs implementation;
- Non-simultaneous and different levels of regulation in the tariff policy;

- Integration uninvolved potential existence due to lack of system parameterization of its structure.

In essence, functioning of the united customs territory objectifying integration processes in the scope of tariff and customs policy has not fully included all potential of Eurasian states in integration space yet. It is explained by integration prospects - creation of the united economic space and finally Eurasian Union. However, at the stage of the Customs Union establishment, the detailed parameterization of the basic integration components allows to provide even more rational transition to the next integration phase.

Proceeding from the urgency of the issue of rationalization of Eurasian integration system and a number of mentioned by us but still unsolved problems of above said matters, the purpose of the research is the substantiation of the strategic effect of Eurasian states Customs Union establishment with evaluation of modernizations and parameters on the basic integration components: institutional, trade, economic and social-labor.

#### **Methodology and theoretical part**

The statement of the problem of obtaining certain strategic effect at establishment or rationalization of the concrete integration space requires special methodological approaches, in particular, systematization of integration processes nature with generalization of scientific bases of their specificity and their parameters evaluation basing on the executed in this area investigations and macroeconomic problems of integration policy of Eurasian states.

#### **Results of the researches**

In the formation of real strategic effect in the matter of establishment the Customs Union in Eurasian integration system the renewal of institutional basis of integration processes had especially important structural and formative value. On the one hand, a new organizational structure is adapted to integration conditions of united customs territory, but on the other hand, it is directed on effective involvement of Eurasian states integration potential in the course of realization of the united customs policy. It is necessary to note the strategically important result at agreements conclusion, countries-participants have stipulated for themselves a number of tariff preferences for import customs duties payment proceeding from the interests of certain branches development, and also mutual agreement of common actions in the major scopes of activity. All these factors form structurally the basis for strategic effect within the created Customs Union. The following directions concern here:

- During the decade transitional period Kazakhstani sugar factories are entitled to deliver

cane sugar-raw free of duty. It is significant to say that now there is almost lack of own raw material basis for sugar and a beet production in the enough quantity. Zero duties allow providing competitiveness of domestic sugar in the conditions of constant growth of the world prices for cane raw product imported from the remote foreign countries, therefore zeroing duties on a raw and on raw materials were vital for sugar production in Kazakhstan.

- Till July 1st, 2014 Kazakhstani and Byelorussian airlines have the right to import duty-free air vessels, besides, spare parts required for aircrafts repair and service are delivered also duty-free but without time restrictions. Thus, spare parts for aircrafts repair are delivered on a constant basis under zero import duties.

- Till July 1st, 2011 individual bodies of Kazakhstan and Byelorussia for their private use are entitled to import cars under lower rates of the customs duties.

- For realization of investment projects in priority kinds of activity it is possible on a constant basis to conduct free of duty import of processing equipment, accessories and spare parts for it, and also not producible raw stuff and the materials necessary for any production cycle. This is a very important direction in tariff system regulation which allows optimizing investment processes within united customs territory. The specifications which justified themselves in any country before Customs Union creation have been approved. In particular, nowadays according to the Law operating in the Republic of Kazakhstan "About investments" within investment contracts concluded with the Committee on investments of the Ministry of the Industry and New Technologies, the processing equipment and accessories to these equipments can be delivered without payment of the import customs duties at zero rate. This norm existed before Customs Union formation, but within the agreement on the Customs Union's formation not only the equipment and also raw stuff and materials which are not made in the territory of Customs Union were added to it. Thus, for investment projects realization some respective alterations will be introduced in the national law about investments.

- Kazakhstan during the transitional period stipulated the right to apply lower rates of customs duties concerning 409 goods with maximum term for five years. Basically it concerns medicine, medical equipment, carriages, raw materials for chemical, light and wood processing industries, greenhouses and other kinds of non producible raw materials. [7]. Since the beginning of one customs territory operating as a new functional basis of the Eurasian integration the countries-participants of the Customs

Union have managed to achieve essential results in tariffs regulation. For instance, in Kazakhstan as a result of formation of unified with Russia and Byelorussia customs tariff the arithmetic-mean level of the national tariff has raised from 6,2 % up to 10,6 %, and 47,7 % of Kazakhstani rates have been raised up to the Russian level, 5 % of our rates have been lowered, 45 % - the level of rates has not changed. They cover those goods positions on which we had uniform levels of import customs duties before the Customs Union formation with Byelorussia and the Russian Federation. A special attention to the renewal of institutional basis of the Customs Union was concentrated on the improvement of the investment climate in it. For these purposes the real mechanisms of financial integration were created, in particular Eurasian Bank of development, Anti-crisis Fund and Center of High Technologies. That is rather important as experts estimate common effect from Customs Union creation for more than 400 billion in dollar calculation for Russia, 16-18 billion for Byelorussia and Kazakhstan. Essentially, the start has been made for formation of common market whose population estimates about 180 million people or 60 percent of CIS population. The cumulative industrial potential of our countries is evaluated now 600 billion dollars, oil reserves estimate 90 billion barrels, agricultural production volume - 112 billion dollars. In the territory of three states 85 % of a total internal product of all post-Soviet territory is produced. The total amount of gross national product of three countries exceeds two trillion dollars; its gain by 2015 is predicted within 15-18 %. All this allows the Customs Union to apply for a role of one of leading world integration associations as well as to get a deserved place in the world economic system of coordinates. The Customs Union as a stage in the integration of Eurasian states is defined as an "achieving breakthrough". "The main goal that we wish to achieve - high quality of our people's life, steady economic and social development of our countries... The Customs Union will encourage growth of mutual trade, increase of competitiveness of our production; it will open new prospects for investments." As the heads of these countries declared, [8, 9]. These ideas have something in common with positions of the January Message of the President of the Republic of Kazakhstan:

"Kazakhstan is an active participant of integration processes in CIS. Customs Union establishment together with Russia and Byelorussia which came into force on January 1st, 2010, is a breakthrough of all Kazakhstani integration initiatives. Formation of United economic space from January 1st, 2012 will become the following stage of three countries integration. It is a higher level of

integration when free movement of capital and labor force will be provided." [10].

Realization of the planned purposes in the Customs Union of Eurasian states is relied on the highest level of political power with detailed developed mechanisms of motivation and real institutes of integration providing their effectiveness in various fields of their interaction.

## Discussion

The most important problem of Kazakhstan at the present stage is its active participation in process of world economy as it is obvious that the closed economy is a way to lag and inevitable dependence on other, more developed states. About need of realization of this task also it was spoken in the Message of the President of the Republic of Kazakhstan N. A. Nazarbayev to the people of Kazakhstan "New Kazakhstan in the new world": "We need to have the program – a minimum and a maximum programme on search and development of real Kazakhstan "niches" in system of the world economy, to participation in large advanced projects with foreign partners, and also – full and responsible support of participants of our economy, including, through rendering high-quality infrastructure services to them" [9].

Investigation of transformations in the system of Eurasian integration connected with the Customs Union creation in it has allowed detecting the influence of the basic integration components on the expected strategic effect of new integration space.

- Renewal of institutional basis in the integration of Eurasian states connected the creation of united customs territory has allowed to concentrate efforts of the state management of Eurasian Customs Union countries-participants on the most important conditions and problems of customs policy.

- So new institutional component has allowed to rationalize the investment area and to create better investment regime for Customs Union countries-participants.

- With Customs Union creation tariff policy has been significantly optimized as well as integration itself.

As a whole, integration processes in the system of Eurasian integration are more and more built up taking into account natural laws of construction of effectively organized integration space, experience which has been saved up in CIS, European Union and other regional communities that allow raising effectiveness of integration communications and their strategic perceptivity.

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