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# Eurasian Economic Union: Integration Organization or Tool for Russian Regional Hegemony? The Case of Participation of the Kyrgyz Republic in the EAEU since 2015

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**Summary:** This paper uses the case of Kyrgyz Republic to analyze two competing views concerning the role of the Eurasian Economic Union (EAEU). The realist view claims that the EAEU is a tool of Russian hegemonic power over its region of influence and interprets it as a primarily political rather than economic organization designed to serve Russia's national interests at the expense of those of other members. The liberal institutionalist view, on the other hand, sees the EAEU as a new regional organization of economic integration that is beneficial for all members. Analyzing the case of the participation of the Kyrgyz Republic in this union makes it clear that it is still too early to determine which perspective is correct as there is evidence in support of both.

**Keywords:** EAEU, Russia, geopolitics, international organizations, integration, Kyrgyz Republic, labor migrants, economic indicators

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## Introduction

The Eurasian Economic Union (EAEU) is currently the largest economic union in terms of both geographical coverage and potential for development. At present, it encompasses 170 million people, one fifth of world gas reserves, and 15% of global oil reserves. The current GDP is 2.5 trillion USD, comprising 85% of GDP of all CIS countries and making up 4.5% of world GDP (Ziadullaev S., Ziadullaev N., 2017, p. 71) The EAEU is a new integrated economic union, initially established by Russia, Belarus and Kazakhstan on May 29, 2014, as a Customs Union and common economic space. According to the agreement, the EAEU was established for the economic development of its members, their rapprochement with each other, and to increase the modernization and competitiveness of its members in the world market. Members are guaranteed free movement of goods, services, capital and labor, unifying regulations in 19 economic spheres and conducting policy agreements in energy, industry, agriculture, and transport (Ziadullaev, 2014).

The idea of creating such a union can be attributed to former Kazakh president, Nursultan Nazarbaev, who proposed it during his speech at the Moscow State University in 1994. According to Evgeny Vinokurov, after 1994 there were false attempts to establish such a union; however, the first steps were achieved only in 2000 when five states established the Eurasian Economic Community by signing more than 100 agreements. EurAsEC was officially dissolved in 2015 after the creation of the EAEU. In 2007, presidents of Russia, Belarus, and Kazakhstan established the Customs Union. In 2012, was supplemented with package of seventeen agreements that constituted the regulatory basis for the Single Economic Space (SES). The EAEU took its final form on January 1, 2015, and, on January 2, 2015, Armenia acceded to it, followed by Kyrgyzstan on May 8 of that same year (Vinokurov 2017, p. 54–70).

The decision to accede was historically important for Kyrgyzstan, and since the joining of Kyrgyzstan to the EAEU there has been much discussion of the topic among the Kyrgyz people. In both the public and the literature, two main views are being espoused:

(1) a liberal institutionalist perspective that sees the EAEU as an institution designed to bring common benefits to all member states; and (2) a realist perspective that views the EAEU as a Russian tool to increase and maintain regional political hegemony.

The main focus of this paper is thus to determine the real reasons for establishment and existence of the EAEU. Is it a regional integration organization, which serves all members' interests, or does it serve only Russian national interests in becoming a regional hegemon? In an attempt to answer this question, the paper focuses on sub questions connected to the participation of Kyrgyzstan in the EAEU. Is the Kyrgyz Republic (KR)'s participation in EAEU beneficial for it, as would be indicated under the liberal institutionalist view? Or do the benefits of the Union go only to Russia or for its larger members, as would be the case in the second?

Those who follow the first view maintain that it was necessary to create such a union and perceive the EAEU as an actor with liberal intentions (liberalist) of cooperation and joint development. In the case of Kyrgyz Republic, this should bear out in the form of positive social and economic results stemming from Kyrgyz participation.

Those who follow the second view consider the EAEU to be a Russian tool (realism), that wants to dominate over small states of the region (or a form of neo-imperialism). The EAEU is viewed as a singular important option for the KR's economic and social development and political stability. The idea is that, if the KR had not joined the EAEU, it could not have survived economically, socially or politically as it is encircled by EAEU states (Temir Sariev, 2017). Kyrgyzstan did not have the choice as the country is dependent on Russian and Kazakh goods and labor and financial and energy markets (Gast, 2018).

The Deputy of Kyrgyzstan's Parliament, Dastan Bekeshev, has stated that the EAEU has become a political association, providing a similar perspective to that stated above. In economic terms, Kyrgyzstan cannot be equal with Russia and Kazakhstan as its economy is much smaller. It was initially announced that joining the organization would open access to the Union's 180 million strong

market; however, Kyrgyzstan receives Kazakh and Russian products, while domestic products cannot be exported (Bekeshev, 2018). According to Rahat Sabyrbekov (2019), a Kyrgyz economist, this makes it evident that the Kyrgyz Republic joined the EAEU not for economic purposes, but for political reasons. Taken together, these statements indicate that the EAEU cannot be considered an integration union as it was declared when it was created, but rather, it is an instrument of Russia to become a regional hegemon and limit Western and Chinese influence in former Soviet countries.

Several qualitative research methodologies were used in this paper, including the analysis of theoretical works and secondary data; the analysis of primary data – statistical data from different ministries and state bodies, speeches and declarations of official decision makers, representatives of civil society and statements from business, academia and other non-state local and external actors; analysis of interviews with state and non-state actors concerning the research questions. Interviews were conducted with Former Prime Ministers of the KR; Ministers of Economics in the KR from 2015–2019; representatives of civil society; representatives of business; Deputies of the Jogorku Kenesh (Parliament), academic scholars, economists, and political scientists, among others.

The article consists of two main parts. The first part is dedicated to a literature review and overview of the theoretical bases underpinning the research work. The second part analyzes the EAEU from different theoretical approaches, namely realism and liberal institutionalism. Further analyze the impacts of participation of the KR in the EAEU since August 2015, when the KR became a full member of this integration union in order to answer the main question of whether the union is a tool or international organization. In this paper analyze status and state of Kyrgyz labor migrants in Russia after 2015, as well as some economic indicators after accession to EAEU.

## **Theoretical Framework and Literature Review**

### **Is EAEU a Regional Integration Organization or Tool for Russia Hegemonism?**

This first section is fully devoted to literature review, discussing participation of the Kyrgyz Republic in the EAEU: from realist and from liberal institutionalist perspectives. I analyze two competing views: the realist view that sees the EAEU as a tool of Russian dominance and the liberal institutionalist view that sees the EAEU as an international institution. Statements from expert interviews, which the author included into the analysis, enrich these the positions.

#### **Literature Review**

There are different views and opinions concerning the main goal of the EAEU. We can divide these into two groups: the first group is predominantly supported by Western authors who see the EAEU as an attempt by the Kremlin to restore its regional hegemony (Dreyer, Popescu, Allison, Bugajski, Kirkham, Mankoff, Kropacheva, Van Herpen) and to limit the influence and politics of non-regional actors in Central Asia or in what it perceives to be, the natural Russian sphere of influence. The second group of authors claims that EAEU is a union of regional integration which unifies states that are interested in cooperating for the purposes of economic development.

The EAEU is seen by some scholars as an attempt of the Kremlin to develop a rival project to the EU's Eastern Partnership (Kirkham, 2016). Most often Eurasian integration is analyzed through the prism of Russian foreign policy strategy, with notions of empire and hegemony widely used to characterize it as expansionist, post-imperialist and even "de-colonialist" (Kirkham, 2016). Many papers of Western academics undertake a purely realist approach, defining the EAEU as Russia's neo-imperial project (Kirkham, 2016). According to Jeffrey Mankoff, the main reason for its integration is to "re-establish Russia as a major global player" (Mankoff, 2012). Elena Kropatcheva argues that Putin's political course in the so-called

“near-abroad” has actually been “consistent in pursuing its main realist interests: maximization of power and security... vis-a-vis the West”, which is constantly triggered by the exclusion of Russia from international decision-making (Kropacheva, 2012). The EAEU is seen as a manifestation of the “post-imperial syndrome”, rooted in “annexationist Pan-Russianism”, alongside pre-imperial Russian foreign policy (Van Herpen, 2014).

On the contrary, some Western authors analyze the Eurasian integration with liberal theories and according to them, the Eurasian integration is not a product of Russian hegemonism, but a tendency for states to form regional groupings for the sake of mutual economic benefit (Kirkham, 2016, p. 113). This view is dominant in the region, especially in Russia and Central Asia. Most of the authors in the EAEU countries state that the EAEU was established to help its members to make the most of intraregional economic ties, modernize their national economies, and forge an environment conducive to improving their global competitiveness (Vinokurov, 2017). The EAEU is the largest driver of economic development, and the largest regional market globally, uniting 170 million people (Ziadullaev, 2017, p. 71). “The EAEU is still primarily intergovernmental in nature and has a declared purely economic agenda. For the first time in history the EAEU is a completely peaceful, voluntary, as well as an arguably democratic, equal and market-based unification of the countries and peoples of the Eurasian space” (Kofner, 2019).

## **Realism and EAEU: A Tool for Russia?**

Realists maintain that institutions are basically a reflection of the distribution of power in the world. They are based on self-interested calculations of great powers and they have no independent effect on state behavior. John Mearsheimer’s main conclusion is that IOs have minimal influence on state behavior. He defines international institution as a “set of rules that stipulate the ways in which states should cooperate and compete with each other” (Mearsheimer, 1994–1995, p. 8).

According to the realist approach of IOs, each state in the international system aims at guaranteeing its own survival and maximizing its relative power position over other states (Mearsheimer, 1994–1995, p. 11). According to Robert Keohane, the regional hegemon exercises its power not through direct military or economic domination, but through the creation of an international regime, which, if successful, lives its own and could even redefine national interests (Keohane, 1984).

From the point of view of the realistic approach, integration processes are rather difficult to explain, as the question arises as to what causes a major power, in our case Russia, to bind itself to an external institutional framework (the rules of the game) by participating in processes of regional integration with smaller states. Cooperative hegemony is a type of regional order within which soft control is exercised through cooperation agreements based on a long-term strategy. Cooperative hegemony can be understood as a binding “contract” between the regional center, i.e. Russia, and its periphery, i.e. the other EAEU member states: the former agrees to some preferences and follows the policy of a certain self-restraint in exchange for the loyalty of the latter (Pederson, 2002).

According to John Mearsheimer, realism envisions a world that is fundamentally competitive. Cooperation between states does occur and the main reason for it are expected gains or profits as members of one organization. The members can think in terms of absolute gains, focusing on maximizing their own profit and caring little about how much other member gains, or on relative gains, where individual gains are compared to other members (Mearsheimer, 1994–1995, p. 12). According to Mearsheimer, in an anarchic world, states are mostly motivated by the balance of power and must be motivated by relative gains when considering cooperation. He further argues that another reason for cooperation and creating international institutions is building a counter power against joint enemies, like in the case of the Cold War: NATO against the Warsaw Pact. In a similar way, the EAEU is seen as a tool for regional countries, especially Russia, to limit and stop Western and Chinese influence in its closest surroundings.



In Kyrgyzstan politicians believe that the EAEU is a Russian-led organization, in which Russia can take an intermediary role. Deputy Prime Minister, Zamirbek Askarov, said “Considering that Russia plays a key role in the EAEU, I hope for a positive resolution of this issue. The EEC should speed up work to remove barriers and unnecessary restrictions in the framework of the unification” (Kudryavtseva, 2019) concerning the situation on the Kyrgyz-Kazakh border in March-April 2019, when Kazakhstan unilaterally closed the border and did not let Kyrgyz goods flow into Kazakhstan.

According to Ziadullaev, the benefits from the EAEU are distributed very unequally among its participants. The big winners are Belorussia, then Kazakhstan, Armenia and Kyrgyzstan, while Russia is just “sponsoring” the new integration. Cessions to the EAEU partners include fees for Russia in the new association (Ziadullaev, Ziadullaev, 2017, p. 74). This means that Russia was ready to unify these states despite the fact that it is not winning economically in this integration, but losing. How then can we explain the Russian interests of establishing and supporting this union? The realists answer was already provided: Russia aims at balancing extra-regional actors in the closest surroundings.

During the interview, the Deputy of the Jogorku Kenesh, Dastan Bekeshev (2019), stated that the EAEU is more a political union than economic one. If it were an economic union, then there would be no blackmailing of the members of the union in terms of tightening of technical regulations and there would be no obstacles to the circulation of goods within the union itself.

The former deputy of the Jogorku Kenesh, Omurbek Abdrahamanov, argued that Kyrgyzstan could not compete with Russia, Belarus and Kazakhstan, and that the Union only serves its big members. “And we do not have such large resources. We are a state that survives due to a relatively liberal economy. By joining the EAEU, we are forced to abide by their basic laws. This means that our laws of development fundamentally contradict their laws. It would be better for us not to join the union. EAEU esp. Russia made a political decision to get a market to sell their goods (to us)” (Kasmambetova, Kaziev, 2017). Heiko Schrader, a professor from



Otto von Guericke University of Magdeburg, Germany expressed the same view concerning the aim of the EAEU: "...from my perspective it is a tool of geopolitical interests of Russia: to keep strong influence on former Soviet Union states, and perhaps be perceived as "protectors" of these states. I believe that this Union is more political than economic from the Russian interest side, and of course Russia revives the idea of distinct (US and Russian) spheres of influence" (Schrader, 2019).

### **Liberal Approaches to Analyzing the EAEU: A Theory of Integration and Liberal Intergovernmentalism**

What does integration of an organization mean? According to Ernst Haas, "Political integration is the process whereby actors shift their loyalties, expectations and political activities toward a new center, whose institutions possess or demand jurisdiction over preexisting national states" (Haas, 1958, p. 10). In the integrated organization sovereign states transfer part of their sovereignty to a supranational organization. According to the theory of economic integration, organization building should happen among states with similar levels of economic development, political regimes, and so forth.

According to Evgeny Vinokurov, a "single market of goods, services, capital and labor is at the heart of the Eurasian integration process," and it is not a purely Russian tool because, despite being responsible for 87% of EAEU total GDP, Russia has only 20% of its total voting power" (Vinokurov, 2017, p. 55).

Some scholars are proposing for the EAEU countries a new integration theory – named "holding together integration". The holding-together integration is a regional integration initiated by a group of countries that, until recently, were a part of a unitary state or a colonial empire and maintain a high level of economic, political, and cultural unity. Firstly, the holding-together integration helps to maintain a certain level of economic and political cohesion between newly independent states – either indefinitely or for a limited period (thereby making the separation process less costly and painful). Sec-

only, the holding-together integration may also initiate a U-turn: strong disintegration after dissolution of the unitary state, followed by reintegration based on interstate cooperation, new principles, various mechanisms and possibly a revised set of members (Kofner, 2019).

According to Yuri Kofner, the head of the Eurasian sector at the Centre for Comprehensive International and European Studies, an organization founded under the framework of the Higher School of Economics in Moscow, liberal intergovernmentalism of Moravcsik explains the nature of the EAEU very well (Kofner, 2019). Liberal intergovernmentalism emphasizes national governments as key actors in the process of integration and considers supranational institutions to be of limited importance in the integration process. In the case of the EAEU, member states have a strong idea of what their preferences are and pursue them in bargaining with other member states. Such bargaining power of member states is important in the pursuit of integration and especially for the national governments of the smaller member states – Armenia and Kyrgyzstan – who view the perks of the Eurasian integration as a viable means to implement their social and economic commitments toward their populations (Kofner, 2019).

According to Rahat Sabyrbekov, the EAEU is not effective as an international integration organization since it is not able to constrain the behaviors of its members through institutionalized norms and rules. Kazakhstan has closed its borders for Kyrgyz goods several times after the Kyrgyz and Kazakh presidents experienced some personal troubles (Sabyrbekov, 2019). The situation at the Kyrgyz-Kazakh borders from March-April 2019 also proves that EAEU cannot be considered to be a regional organization or integrated union that constrains the interest of its members for the joint common good. The Ministry of Economics of the Kyrgyz Republic blamed Kazakhstan for violating the EAEU rules on the freedom of movement of goods in the internal market. The ministry proposed to invite members of the EAEU commission to Bishkek for consultation due to the situation at the Kyrgyz-Kazakh border (Kudryavtseva, 2019). Kazakhstan tightened control on March 19,

and, since then, hundreds of freight trucks have been waiting in line on the border (Erkebaeva, 2019). The Ministry of Economics stated that “such actions are the implementation of hidden customs controls, which is fundamentally contrary to the norms of the union, and also violates the provisions of the Article 25<sup>2</sup> of the Treaty on the EAEU in terms of ensuring the freedom of movement of goods in the domestic market of the EAEU” (Kudryavtseva, 2019).

Such border incidents happen occasionally. In 2017, Kazakhstan took similar action when then President of the KR, Almazbek Atambayev, had a personal conflict with the Kazakh authorities. At that time, Kazakhstan spent an entire month carrying out an intensified inspection of Kyrgyz goods at the border, and also introduced restrictions. Kazakh authorities argued that Kyrgyz products “do not always meet the requirements of the EAEU” (Erkebaeva, 2019). This was called an “economic blockade” of Kyrgyzstan by Kazakhstan (Kudryavtseva, 2019). Also in this the EAEU institutions did not work to settle this conflict.

According to Saniya Toktogazieva, assistant professor of the Law Division, AUCA, “For effective work of any international organization, a strong system of checks and balances is needed. So, in the case of the EAEU there is no such system, initially this union was political, not economic. The institutional structure of EAEU is extremely centralized. Firstly, the main supreme body of the EAEU is the highest Eurasian Economic Council (EEC) (composed of heads of state). The executive body of the EAEU consists of the Eurasian Economic Commission, which consists of a council (vice prime minister) and a board (members are appointed for a term of 4 years by the EEC). So, any actions and decisions of the executive body are taken under strict control of the EEC. There is also the EAEU Court, but it is just a facade. Therefore, whatever Kyrgyzstan is now trying to do to solve the problem in the border, relying on the institutional structure of the EAEU, it is useless since decisions are made only in EEC” (Toktogazieva, 2019).

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<sup>2</sup> According to the Ministry of Economics 250 trucks were stuck at the border as for April 3, 2019 and caused heavy financial losses for suppliers of Kyrgyz goods.

## **Does the Eaeu Serve All Members? Some Results of 3.5 Years of Kyrgyzstan in the EAEU**

This section analyzes the economic and social outcomes of the Kyrgyz Republic's participation in the EAEU for the past 3.5 years.

Labor migrants from Kyrgyzstan received equal economic rights with citizens of other countries of the EAEU. Citizens of the Kyrgyz Republic working in the territory of other EAEU countries are not required to obtain a work permit and the requirement to obtain employment quotas has been abolished. Citizens of Kyrgyzstan and Russia on the territory of Russia and Kyrgyzstan, respectively, have the right not to register with the competent authorities, if their tenure does not exceed 30 days from the date of entry (Kubitsky, 2017).

Nowadays, all educational documents (higher, secondary, special, etc.) are recognized in the EAEU; more than 30% of Kyrgyz working citizens work in the field of their professional degree as doctors, teachers, social workers, in the field of transport communications, in senior positions in construction, law enforcement, etc. In Akeneev's opinion, the participation of the KR in the EAEU was beneficial for Kyrgyzstan in terms of migrant's status and in solving some social issues (Akeneev, 2017).

The same was expressed by the President of the International Business Council of Kyrgyzstan, Askar Sydykov. In his opinion, results are generally good, because in many ways participation in the EAEU has managed to improve the position of Kyrgyz migrants. Now they can legally work in Russia on a par with Russian citizens. This does not only eliminate the need for a work permit, but also entry with internal passports and visa. It also provides amnesty from "black lists". All of this is important as migrant transfers constitute one third of the country's GDP (Sydykov, 2018).

Ordinary citizens have also benefited from the membership in the Union as they obtained a simplified procedure of employment in the EAEU countries and had their social rights guaranteed by the Union law (EEC, 2017).

A study by the Tian-Shan Policy Center at the AUCA jointly with the Center for Migration Research in Moscow showed that the number of labor migrants from Kyrgyzstan to Russia after the accession of the KR to the EAEU is growing. According to the Federal Migration Service of the Russian Federation and the Main Investigative Department of the Ministry of Internal Affairs of the Russian Federation, on June 1, 2018, there were 638,735 Kyrgyz people on the territory of the Russian Federation. For comparison, according to the same government agencies of the Russian Federation, on May 1, 2016, 561,756 Kyrgyz people arrived to the territory of the Russian Federation; as of May 1, 2017, there are already 622,534 people (TSPC, 2018). The number of workers from Kyrgyzstan in the EAEU countries increased over the last year by 7%, and more than 80% of 120,000 former labor migrants from Kyrgyzstan who were on the “black list” are received amnesty and the work on rehabilitation continues. Since the accession of the KR to the Union, remittance payments to Kyrgyzstan have increased by \$200 million per year (Akeneev, 2017).

Dissemination of the compulsory health insurance system for family members of workers of the EAEU member states in the Russian Federation was approved in Chapter 3, Article 98 of the Agreement on EAEU from May 29, 2014. However, the order N803 of October 27, 2016 of the Ministry of Health of the Russian Federation does not extend this to workers’ family members of the Member States; thus, the provisions of the Union Treaty are not fully implemented by the Russian Federation (Interview Ministry, 2019).

According to Jumakadyr Akeneev, the former Minister of Agriculture and economist, more than 700 thousand citizens of Kyrgyzstan (labor migrants) in the Russian Federation and Kazakhstan received the status of workers and were exempted from registering within 3 days, passing exams for knowledge of the Russian language, buying patents for the right to work, buying medical and insurance policies without restrictions on the territories of the EAEU countries (Akeneev, 2017). The expectations of migrant workers related to the simplification of employment procedures and obtaining permits were justified after the accession of the Kyrgyz Republic to the EAEU:

now Kyrgyz people, in order to work in Russia and Kazakhstan, do not need to buy patents for employment (TSPC, 2018).

The issue of pensions for migrant workers has not been resolved – the mechanisms for calculating, exporting and paying pensions and accounting for work experience acquired in another EAEU Member State have not been developed or approved. The access of migrants' children to Russian and Kazakhstan kindergartens and schools is not complete; nor is there a comprehensive approach to the adaptation and integration of migrants and their families in communities in host countries (TSPC, 2018).

During the Bishkek Economic Forum, on behalf of Jumakadyr Akeneev, former Minister of Economics, Arzybek Kojoshev, stated that Kyrgyzstan successfully passed the adaptation period. The most important goal, that labor migrants, who officially number 800,000 people in the Russian Federation (unofficially more than 1 million), are in a much better position than before the accession of the Kyrgyz Republic to the EAEU (2018).

According to Dastan Bekeshev, deputy of Kyrgyz Parliament, since the accession of the country to the EAEU, employment preferences have been provided for Kyrgyz migrants, allowing more money to be transferred into the country and new houses to be built. In this regard, the accession to the EAEU was beneficial for Kyrgyzstan (Bekeshev, 2018). The same opinion is expressed by economist Kuban Choroiev, who suggests that the biggest benefit was that a lightweight regime has been introduced for migrants who work in Russia and Kazakhstan (Choroiev, 2018). According to the previous president of the KR, migrants turned from slaves into normal people, and just for the sake of that it was worth joining the Eurasian Economic Union (Atambaev, 2017).

“One of the conclusions of our study is that the integration processes went with great difficulty, and even the mechanisms for protecting the labor rights of migrant workers from Kyrgyzstan created by entering the EAEU are still functioning with limited efficiency”, Tatiana Zlobina, coordinator of the programme on human rights and migration, summed up (TSPC, 2019). According to Anne-Sophie Gast, the situation of Kyrgyz labor migrants in Russia has signifi-

cantly improved and remittances have increased in 2015–2016 by 22% and were 1.6 billion USD (Gast, 2018). Remittances for 2018 amounted to 2.1 billion USD (Interveiw Ministry, 2019).

### **Economic Indicators for the Kyrgyz Republic after Joining the EAEU**

According to Anne-Sophie Gast, a researcher from the OSCE Academy, many of the desired positive effects of accession have not materialized yet. The Kyrgyz government was hoping that membership in the EAEU would boost the country's economic development, lead to higher revenues from export and push the implementation of international standards that would help the country to export beyond the EAEU. Half of the EAEU's technical regulations are harmonized with international standards and their implementation could thus also help Kyrgyzstan benefit from its EU GSP+ status. Moreover, there were hopes that EAEU membership would help Kyrgyzstan to transit from an economy that is based on re-export to an economy that relies on its own production, services and digitalization (Gast, 2018).

In January-August 2018, the trade volume of Kyrgyzstan decreased by 3.5% and was 1.48 billion USD with the EAEU states (Azattyk, 2018). “Economy growth of Kyrgyzstan by 3.8% in 2016 is the highest among countries of the Eurasian Economic Union (EAEU)”, the Deputy Director of the EEC Integration Development Department, Rimma Kiseleva, said during the session of the Inter-parliamentary Commission for cooperation between the Federal Assembly of the Russian Federation and Jogorku Kenesh of the Kyrgyz Republic (EEC), held in Moscow, noted the positive impact of the Eurasian integration on the economy of Kyrgyzstan. According to Rima Kiseleva, the participation in the Eurasian integration project brought Kyrgyzstan to a new level of trade and economic development: only in January and February of 2017, the volume of trade with partners within the EAEU grew by 7.5% and amounted to 331.3 million USD (EEC, 2017).



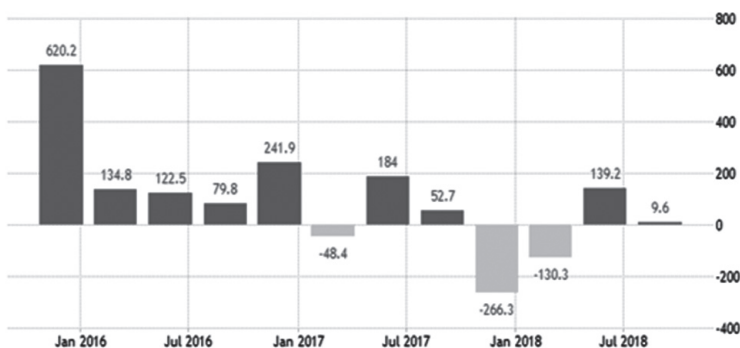
According to Daniyar Imanaliev, head of the strategic development department of the Kyrgyz Republic, over the last three years the economic development of KR increased enormously and for 2017 it showed an increase of 4.6%. The conditions for labor migrants improved seriously and their remittances made up 30% of GDP. Furthermore, the investment projects increased in the KR from the EAEU states. In his opinion, joining to the EAEU was “undoubtedly timely and faithful” for the Kyrgyz Republic (Round table, 2018).

In 2018, the EAEU countries accounted for 35.1% of the total foreign trade turnover of the Kyrgyz Republic (2017 – 38.4%), including 32.2% in exports (30.7%) and 36.2% in imports (41,5 %). In 2018, foreign trade turnover of the Kyrgyz Republic amounted to 6.6 billion USD compared to 2017, it increased by 6.6%, including exports amounted to 1.7 billion USD (increase by 0%), import – 4,9 billion USD (an increase of 9.2%). The trade with the countries of the EAEU in 2018 amounted to 2.3 billion USD and decreased by 2.5%, including exports amounted to 0.56 billion USD (an increase of 5.0%), imports – 1.78 billion USD (a decrease of 4.7%) (Interview Ministry, 2019).

Foreign Direct Investments (FDI) increased from 727,1 million USD to 1,6 billion USD that is 216% increase for the period of two years from 2015 to 2017. The investment from Belarus increased 449 times from 90.5 thousand to 40,6 million USD. FDI is one of the positive effects of Kyrgyzstan accession to the EAEU. Share of FDI from the EAEU members increased from 75.6% in 2014 to 84.7% in 2016 (Gast, 2018). Foreign Direct Investment in Kyrgyzstan increased by 9.60 USD million in the third quarter of 2018 (National Bank, 2019).

At present, the Russian-Kyrgyz Development Fund, out of the 500 million USD allocated by the Russian Federation, has already approved 1,657 projects in the amount of 307.2 million USD (49% – small and medium-sized businesses; 23.9% – Agriculture; 29.6% – the production sector) (Interview Ministry, 2019).

According to Almaz Sazbakov, special representative of Kyrgyz government in the EAEU, large investors are coming to the large



**Figure 1.** Foreign Direct Investment in Kyrgyzstan

Source: <https://tradingeconomics.com/kyrgyzstan/foreign-direct-investment>

market. As a result, the investment potential of Kyrgyzstan has increased as well as foreign trade. The trade increased by 12.2% in 2017, exports grew by 12.1%, and imports by 12.4%. In 2015-2017, GDP growth was 4.2%; this was one of the best indicators. In addition, the Kyrgyz-Russian Development Fund, with a capital of 500 million USD, was created and Russia allotted an additional 200 million USD for equipping the checkpoints on the borders with China, Tajikistan and Uzbekistan. Several new laboratories have also been built, and some have been modernized, customs and phytosanitary controls on the border between Russia and Kazakhstan were also modernized (Sazbakov, 2018). In 2017 Almazbek Atambaev declared that Kyrgyzstan received 800 million USD to enter the EAEU smoothly (Atambaev, 2017).

Sazbakov stated that, in the first 9 months of 2018, the trade turnover of Kyrgyzstan amounted to 4.3 billion USD in total. That is a growth of 9.5%, compared with the same period of 2017. With the countries of the EAEU, trade turnover decreased by 3.5%, at the same time, exports to the EAEU grew by 5.2%. Total exports amounted to 1.37 billion dollars. The volume of imports decreased by 6.2% (NSC, 2017), but the volume of exports increased. A decrease in imports and an increase in exports is a good indicator (Sazbakov, 2018).

Kyrgyzstan is one of the leaders in economic growth among the EAEU countries according to Arzybek Kojoshev, the former minister of economics of the KR (Kojoshev, 2018). He also added that the inflation rate for the three-year period in the EAEU did not exceed 5%. The positive dynamics of economic growth in 2015-2017 (average 4%) is another good indicator. The average growth of turnover during this period was 15% and the garment industry was developing at especially fast pace.



**Figure 2.** The GDP of the Kyrgyz Republic in 2014–2017

Source: Official Website of Ministry of Economics

“I would like to note the growth of foreign trade turnover in 2017 by 12.5% to 6.3 billion USD, as well as the positive dynamics in foreign trade with our partners in the Eurasian economic space. It is gratifying to note that by the end of 2017, exports to the EEU countries increased by 27%, while to third countries – by 8.6%”, said Sapar Isakov, Prime Minister of the KR, at that time presenting to the parliamentary factions a report on the activities of the government over the past year (Isakov, 2017).

In January-October 2018, deliveries of products from Kyrgyzstan to the countries of the Eurasian Economic Council increased by 1.2% compared to the same period of the last year and amounted to 466.2 million USD. It should be noted that the EAEU countries

have been and remain the main consumers of goods produced in the Kyrgyz Republic. For example, 93% of dairy products exports go to the EAEU countries, fruits and various nuts make up 71%, sugar, 98%, cotton fiber more than 37%, clothing and its accessories 99%, and glass and glassware 56% (Official website of the Ministry).

Imports for 10 months of 2018 amounted to 1.4 billion USD; which was a decrease in comparison with the previous year of 5.5%. In the import revenues of the country, the EAEU is the main supplier of energy products, raw materials and intermediate goods necessary for production purposes, the production of which is absent in the KR or is produced in insufficient quantities. Thus, 95% of energy products (coal, natural gas, oil products) are imported from EAEU countries, 100% of wheat and wheat flour, 80% of various stones (granite, marble, etc.) and limestone flux, 90% of wood and ferrous metals, 80% of gypsum and cement products, 68% of passenger cars, 62% of paper and cardboard, more than 60% of inorganic chemicals, and 52% of fertilizers (Official website the Ministry).

According to economist Rahat Sabyrbekov, while export to the EAEU countries formally became easier, in reality it is still a big problem. Technical regulations have not come into force, laboratories have not been built and the standards and certification system is not working. “On paper everything is perfect, while in reality it is not”. The protection of local production is not happening; there are no new enterprises or sectors in the economy after joining the EAEU. There have been no changes in the structure of economics. “We were exporting potatoes before EAEU and continuing to do so after 3,5 years in EAEU. We are not exporting chips from potatoes or jams from apples. The development of local production is not happening. It is because we were not ready” (Sabyrbekov, 2019).

The main results of the accession of the Kyrgyz Republic to the EAEU were the equipping of customs posts and check points, improvement of the conditions of stay of labor migrants in Russia and Kazakhstan, and equipping the laboratories of the Kyrgyz Republic and certification bodies for inclusion into the Unified Register of the EAEU. The modernization of border veterinary and phytosanitary posts was carried out according with the requirements of the EAEU.

To date, 38 accredited laboratories of the Kyrgyz Republic and 16 certification bodies are included in the Unified Register of the EAEU, and they are equally recognized in the entire EAEU (Interview Ministry, 2019).

In 2018, 4 crossing points “Manas”, “Osh”, “Torugart” and “Irkeshtam” (4.5 million dollars) and 7 veterinary and control check points “Torugart”, “Irkeshtam”, “Dostuk”, “Kyzyl Bel” were equipped, railway “Kara-Suu”, at the airports “Manas” and “Osh”, 5 automobile and 4 railway checkpoints are under reconstruction. Additionally, work is underway to build and equip 8 checkpoints at the expense of the state budget (Interview Ministry, 2019).

## **Conclusion**

Do the results of the KR’s membership show the EAEU to be largely a Russian instrument, or do they show that the EAEU is an international institution that shows patterns that are expected from the liberal institutionalism theory? “Honestly, it is still early to unequivocally talk about the analysis of pros and cons. It takes 10-15 years to analyze the pros and cons. Today there are more minuses than pros. For example, our exports have decreased and imports have increased. Before difference between export and import was threefold, now it is fivefold. This has a negative impact on the economy” (Adamaliev, 2018).

According to economist Kuban Choroev (2018), in order to compete with other EAEU countries, a longer period of development is necessary. From the very beginning of joining the Customs Union, it was clear that there would be economic losses in the first five years after joining. After all, the Kyrgyz economic structure could not compete with Russia and Belarus in terms of goods.

According to President of Kyrgyz Republic, “Summing up the participation of the Kyrgyz Republic in the EAEU, it can be stated with confidence that despite the negative impact of external shocks and despite the darkest predictions, we managed to overcome the risks of economic recession in this difficult period of adaptation of

the national economy to new integration conditions and rules. We note with satisfaction the beginning of the process of increasing trade with the countries of the EAEU” (Jeenbekov, 2017).

According to most economists (Sabyrbekov, 2019; Sharsheev, 2016), Kyrgyzstan was not ready to join the EAEU. Normally, it would take 5–10 years of preparations to join such a union. In the case of Kyrgyzstan, it joined the EAEU within one year without any preparation made. Now it is too early to talk about the results of Kyrgyz participation in the EAEU.

According to Anne-Sophie Gast, the results of the Kyrgyzstan’s participation in the EAEU are mixed. “While FDI has increased and the situation of Kyrgyz labor migrants has improved, the desired economic boost and modernization have not materialized yet. Furthermore, overall export has declined and trade with China, Kyrgyzstan’s largest trading partner, went down. This is due to poor preparations on the Kyrgyz side, difficulties to implement the requirements of the Union, but also a general economic slow-down in the Eurasian region and a diplomatic conflict with Kazakhstan” (Gast, 2018).

According to Dastan Bekeshev, “if the EAEU also canceled the borders following the example of the EU, then it would be beneficial for Kyrgyzstan. But given that our production cannot compete with large companies of the Russia and Kazakhstan, the Union is unprofitable for us. Our companies cannot enter the 180 million market due to strict rules and standards approved by the EAEU. We cannot compete in prices. And it is clear that we become only consumers of the goods of our partners. It kills our economy. But there was no way out. 700 thousand migrants live in the Russian Federation. It is a powerful tool against us” (Bekeshev, 2019).

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## Euroazjatycka Unia Gospodarcza: organizacja integracyjna czy rosyjskie narzędzie regionalnej hegemonii? Przykład członkostwa Republiki Kirgiskiej w EUG od 2015 roku

**Streszczenie:** W tym artykule użyto przykładu Republiki Kirgiskiej dla analizy dwóch konkurencyjnych perspektyw na rolę Euroazjatyckiej Unii Gospodarczej (EUG). Perspektywa realistów utrzymuje, że EUG jest narzędziem rosyjskiej hegemonii w regionie i jest raczej narzędziem politycznym niż gospodarczym, stworzonym, aby służyć rosyjskim interesom narodowym kosztem pozostałych członków EUG. Perspektywa instytucjonalizmu liberalnego, ukazuje sprawę odwrotnie, postrzega EUG jako regionalną organizację integracji gospodarczej, która jest korzystna dla wszystkich członków. Analizując przypadek kirgiski, jasne staje się, że jest zbyt wcześnie, żeby określić, która z dwóch wymienionych perspektyw jest prawidłowa, jako że dane wskazują obecnie na prawidłowość tych dwóch podejść.

**Słowa kluczowe:** EUG, Rosja, geopolityka, organizacje międzynarodowe, integracja, Republika Kirgiska, Kirgistan, imigranci zarobkowi, wskaźniki ekonomiczne

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