



Problems of Economic Security of Kazakhstan and Kyrgyzstan in the System of Integration Processes in Eurasia

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Abstract

The aim of the study is to identify problems and threats to ensure the economic security of Kazakhstan and Kyrgyzstan in the system of integration processes in Eurasia. Both states can be attributed to the Central Asian region of the Eurasian post-Soviet space. The processes taking place in this region are determined by the sovereignty of countries, national interests, development strategies of each state, as well as the interests of national elites. Kazakhstan and Kyrgyzstan are more active participants in the integration processes in the Eurasian space. The authors emphasize the diversity of integration processes in the post-Soviet Eurasian space. On the one hand, there is a positive trend in the development of trade and economic ties with partner countries within the framework of the Eurasian Economic Union (EAEU), on the other hand, the Central Asian states are oriented towards regional cooperation with European states. The main objectives of the regional partnership are confronting internal and external threats, supporting reforms and modernizing the economy, and strong cooperation in the field of human rights and the rule of law. The paper defines the specifics of the “economic security” concept and considers the criteria of economic security. In studying the problems of economic security, the authors used systemic and institutional methodological approaches. Particular attention is paid to the criteria of economic security, thanks to which it is possible to assess the economic situation of states for compliance with the demands raised. Among the key problems of Kazakhstan and Kyrgyzstan, there can be listed the negative structural changes in the economy, the lack of stimulating factors for increasing production efficiency, artificially stabilized exchange rates, imbalances in the development of the regional economy of the countries, the deepening of territorial and property inequality, a weak system of state supervision, and the problem of external debt. In this regard, a joint solution to the problems of economic security requires the timely elimination of internal and external threats to economic security.

Keywords: Integration processes, The Eurasian post-Soviet space, The Central Asian region, Kazakhstan, Kyrgyzstan, Russia, Economic security

1 Introduction

It is well known that security is a priority for each state. At the same time, with the intensification of globalization and integration processes, new challenges and threats to the national security of states are being formed.

The region within which new independent states were formed after the collapse of the Soviet Union can be conditionally designated as the “Eurasian post-Soviet space”. The named region can be conditionally divided into several separate subregions: East European (Belarus, Ukraine, Moldova), Caucasus (Azerbaijan, Armenia, Georgia) and Central Asian (Kazakhstan, Kyrgyzstan, Tajikistan,

Turkmenistan, Uzbekistan). The main criterion for dividing the Eurasian space into separate sub-regions is their geographical location.

The theoretical basis of this study was the work of domestic and foreign scientists on issues of economic theory, security, problems of development of the economic system and economic security. The works do not fully reflect the problems of ensuring economic security in the framework of the regional integration processes. In this regard, the definition and understanding of the existing economic security problems in Kazakhstan and Kyrgyzstan in the context of the on-going integration processes of the Eurasian post-Soviet space will help to develop and propose solutions to improve the level of development of the state economy, measures to improve the social development of society and the individual. The issues of protecting national interests in all spheres of society require theoretical and methodological reflection and analysis, and effective prevention of emerging

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contradictions and conflicts will help ensure stability and security of the region.

2 Methods

Within the framework of the presented study, the key goal is to identify the economic security problems in the Central Asian region of the Eurasian post-Soviet space by the example of Kazakhstan and Kyrgyzstan. Security issues of the states of the Central Asian region are updated in the context of the development of integration processes within the framework of the Eurasian Economic Union (EAEU).

The authors used a systematic approach as the main research methodology. Also in the work, structural-functional and institutional approaches were used.

The systematic approach allowed us to consider the problems of ensuring economic security of Kazakhstan and Kyrgyzstan in the context of the integration processes of Eurasia.

Structural and functional analysis includes determining the main relationships between economic security and the external environment, as well as identifying the nature and methods of some economic security substructure influence (e.g., food security, etc.) and their constituent elements, on others.

Institutionalism as an object for its analysis puts forward both economic and non-economic problems of socio-economic development. Institutions play an important role in achieving the country's competitiveness and the successful development of society. The formation and effective functioning of institutions is a prerequisite for the sustainable development of the economy and stability of society.

3 Results and Discussion

The Republic of Kazakhstan and the Republic of Kyrgyzstan are the most active participants in the integration processes in the Eurasian space. The entry of these states into the EAEU in 2014 demonstrated a positive attitude towards the development of trade and economic ties with partner countries in the Eurasian region, including Russia (1).

Moreover, integration processes in the Eurasian post-Soviet space continue and have a different orientation. The fulcrum in the framework of the current regional economic integration is not only the sovereignty of the participating countries, national interests, but also the interests of national elites. Certainly, integration "from above" and excessive politicization of integration can lead to a conflict of interests between national elites.

The form of manifestation of such a conflict of interests between the national elites of Kazakhstan and Kyrgyzstan can be called the situations that arose on the Kyrgyz-Kazakh border in the fall of 2017 and on the eve of the anniversary summit of the Eurasian Economic Union in 2019 (2). All of them are related to non-compliance by both parties with agreements on the free movement of goods and services established by the agreement on the EAEU.

Before considering the main problems of ensuring the economic security of Kazakhstan and Kyrgyzstan, it is important to disclose the essence of the concept of "economic security" and determine the criteria for economic security in

order to identify security threats in the context of on-going processes of globalization and integration.

The economic security of the state is an integral part of the security system of each country; it acts as the basis for ensuring national security. There are several definitions that reveal the essence of the "economic security" concept.

1) The set of conditions protecting the country's economy from external and internal threats (3).

2) The state of the economy and institutions of power, which ensures guaranteed protection of national interests, socially oriented development of the country as a whole, sufficient defence potential even under the most unfavourable conditions for the development of internal and external processes (4).

3) The state of the possibility and readiness of the country's economy to ensure sustainable economic development, meeting social needs, social stability of the individual, society and the state in the face of potential and real threats (5).

Consequently, economic security is associated with the protection of the economic interests of the state at the national and international levels and the sustainable development of the national economy. Sustainable development of the economy implies a continuous increase in its viability: the development of technologies, the development of new products, the qualitative updating of the production apparatus, the creation of new industries, etc. Only the existence of a stable national economy in the state will contribute to international economic integration with other states.

If we talk about the economic security of the EAEU member states, then, of course, economic security within the Union should be aimed at protecting common economic interests and projects.

Currently, a completely new quality of security is emerging in the territory of the Eurasian post-Soviet space. In fact, security in the territory of post-Soviet states has ceased to fulfil the function of protecting common economic interests.

The state of economic security can be assessed using the following indicators that determine the importance of the economic system development: 1) resource potential and the possibility of its development; 2) the level of resource use efficiency; 3) the competitiveness of the economy and economic entities; 4) the integrity of territories and economic space; 5) state sovereignty and independence; 6) the ability to confront the external and internal threats to interethnic and socio-political stability and conditions for the prevention and resolution of social conflicts; 7) criminalization of the economy (6).

Based on the presented criteria of economic security, it is possible to identify problems in the field of protecting the economic interests of Central Asian states. It is clear that these criteria are conditional and may be changed or supplemented.

Speaking about the resource potential and its effective use in Kazakhstan, one can single out the problems associated with lowering the quality of new reserves, their reduction in a number of regions of the republic, complicating mining conditions and rising production costs.

In connection with the development of mining and metallurgical production in the region, the environmental situation is deteriorating.

The Kyrgyz economy depends on gold mining and development of the Kumtor deposit. During 2018, the economy of the republic was in a state of instability. According to the results of the first half of 2018, the economy grew by only 0.1%. Since July 2018, a decline by 0.2% began. The reason, according to some sources, is associated with the development of a site with poor ore content in Kumtor. As a result, the export of this precious metal fell sharply, which immediately affected the country's economy (7, 11, 14).

The performance of the Kyrgyz economy is relatively stable. The GDP growth remains within the normal range of 2%. At the same time, the indicators of industrial production, as well as the entire economy, unlike 2017, are kept mainly due to textiles, as well as mining.

One of the main internal threats to the economic security of Kazakhstan and Kyrgyzstan is the low level of competitiveness of domestic production.

So, on October 7, 2018, the World Economic Forum (WEF) published the annual report on the global competitiveness index (GIC) 2018. According to the results of the rating of 2018, Kazakhstan took 59th place, Kyrgyzstan - 97th place, Russia - 43rd place.

Kyrgyzstan has the worst indicators in terms of ability to innovate (125th place), market size (124th place) and development of the financial system (118th place). Kyrgyzstan has the best indicators for macroeconomic stability (64th place) and population health (98th place).

The competitive advantages of Kazakhstan are the labour market - 30th place (improvement by 3 positions) and business dynamism - 37th place (deterioration by 2 positions). The weak positions of Kazakhstan identified the factors "Financial System" - 100th place. "Health" - 97th place and "Innovation potential" - 87th place (8, 13).

A difficult problem is the problem of external debt which does not allow the country to pursue an independent foreign policy with full regard for its national interests.

If we pay attention to social indicators, then we'll note there is a territorial inequality in Kazakhstan. A decrease in poverty can be observed in Almatynsky, Akmolinsky, Severo-Kazakhstansky, Vostochno-Kazakhstansky and Pavlodarsky regions. It is worth noting that the share of the middle class in such areas as Kyzylordynsky, Atyrausky, Aktyubinsky and Yuzhno-Kazakhstansky regions is below the average level (9, 12).

The unemployment rate has also increased in Kyrgyzstan. According to the National Statistics Committee, since the beginning of 2019 the unemployment rate has increased by 19.2% compared to the same period last year. According to the Ministry of Finance of the Kyrgyz Republic, the number of officially registered unemployed at the end of April 2019 already amounted to 81.2 thousand people (10).

Based on the criteria of economic security, it is possible to determine the existing and potential threats to the stability and security of the region, which indicate the presence of problems in the region and the need to resolve them. In this

regard, the search for effective ways to counter security threats is the key policy direction of each state.

In our opinion, the most important problems of protecting economic interests in the territory of the post-Soviet Eurasian space include:

- 1) slowed economic growth against a background of low consumption;
- 2) a decrease in the intra-industry productivity growth rate in all the main sectors of the economy - agriculture, industry and services;
- 3) weak diversified economy, weak technological base, poorly developed private sector of the economy;
- 4) difficulties in implementing projects for the socio-economic development of Central Asian states (for example, the draft Strategy for the Long-Term Development of Kyrgyzstan until 2040);
- 5) the growth of unemployment and the outflow of economically active population in the neighbouring regions of the Eurasian post-Soviet space, including Russia;
- 6) a low level of monetization of the economy, which is the reason for weak investment in the economy;
- 7) increased transaction costs, which reduce the competitiveness of the economy;
- 8) the banking system is in a stressful state amid a recovery in the banking sector.

4 Summary

The identification and analysis of economic security problems in the territory of the post-Soviet Eurasian space allows us to draw the following conclusions.

Security in the Eurasian region of the post-Soviet space manifests itself in various spheres of life. One of such components of security is economic security as a state of protection of economic interests at the national and international levels.

The problems of ensuring the economic security of the states of the Eurasian post-Soviet space must be addressed by preventing and eliminating threats. Moreover, the state acts as the main subject in solving the problems of economic security.

As part of the integration and globalization of the economy, it is time for the Central Asian states to implement the reforms necessary to increase productivity, which is the basis for sustainable growth and higher living standards, in order to contribute to the development of new sources of economic growth. Reforms require a financial foundation.

To accelerate economic growth, each state needs to carry out structural transformations in the economy to increase private investment and reduce the disproportionate role of the state in the economy.

5 Conclusions

Among the problems of economic security in Kazakhstan and Kyrgyzstan, there are the negative structural changes in the economy, the absence of stimulating factors for increasing production efficiency, artificially stabilized exchange rates, the deepening disproportionality in the economic development of the country's regions, the strengthening of property inequality in society, and the weakening of the state supervision system.

Socio-political and economic processes taking place in this region are determined by national interests, concepts and strategies of each state. In this regard, strengthening the rule of law, step-by-step practical implementation of projects of

socio-economic development both within the state and in the framework of cooperation with international groups and associations is necessary.

The determining factor for the rapprochement of the Central Asian states in the post-Soviet space in the field of security is international economic cooperation enshrined both at the legal and organizational level.

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