THE TRADE AND INVESTMENT COOPERATION OF THE EAEU COUNTRIES

This article presents an economic analysis of trade and investment relations between the countries belonging to the EAEU. The purpose of the study is to assess the impact of trade and investment cooperation of the EAEU countries on the development of their economies. The significance of the work is manifested in mathematical analysis of the problems of foreign trade policy of our country in the context of economic integration. The method of investigation is an analytical grouping, comparison of dynamic series, construction of linear graphs and construction of a correlation model, which made it possible to determine the presence, direction and form of the relationship between the parameters considered. On the basis of the analysis of the model of multiple correlation, the author determined a very high degree of interrelation between the trade and investment cooperation of all three countries and the growth of their GDP before the creation of a customs union. However, between 2011 and 2016, relations between Kazakhstan and Russia increased when Belarus became more independent in this area. Trade and investment relations between Russia and Kazakhstan have a very strong influence on the development of the country’s economy, moreover, the influence grows with each period. The results confirm the mutual influence and dependence between Kazakhstan, Russia and Belarus, which also means the vulnerability of these countries to external negative influence. This is the main reason for creating an integration union.

Key words: Eurasian Economic Union, foreign trade, investments, GDP.

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Представлен экономический анализ торгово-инвестиционных отношений между странами, входящими в ЕАЭС. Целью исследования является оценка влияния торгово-инвестиционного сотрудничества стран ЕАЭС на развитие их экономик. Значимость работы проявляется в математическом анализе проблем внешнеторговой политики нашей страны в условиях экономической интеграции. Методы исследования являются аналитическая группировка, сравнение динамических рядов, построение линейных графиков и построение корреляционной модели, что позволило определить наличие, направление и форму отношения между рассматриваемыми параметрами. На основе анализа модели множественной корреляции выявлена очень высокая степень взаимосвязи торгово-инвестиционного сотрудничества всех трех стран и роста их ВВП до создания Таможенного союза. Однако в период с 2011 по 2016 годы связь между Казахстаном и Россией укрепилась, тогда как Беларусь стала более независимой в этой области. Торговые и инвестиционные отношения между Россией и Казахстаном оказывают очень сильное влияние на развитие экономики страны, более того, влияние растет с каждым периодом. Результаты, полученные в данной статье, подтверждают взаимное влияние и зависимость Казахстана, России и Беларуси, что также означает уязвимость представленных стран от внешних негативных явлений. Это основная причина создания интеграционного союза.

Ключевые слова: Евразийский Экономический Союз, внешняя торговля, инвестиции, ВВП.
repaid, and the votes belonging to it are distributed among the other participants in proportion to their contributions.

**Materials and methods**

In selecting factors for creating the model, was carried out an analytical grouping, comparison of dynamic series, construction of linear graphs, which allowed to determine the presence, direction and form of the relationship between the parameters considered.

$$R_{y/x_1x_2} = \sqrt{r^2_{y/x_1} + r^2_{y/x_2} - 2r_{y/x_1}r_{y/x_2}r_{x_1x_2}}$$  \(1\)

where \(R_{y/x_1x_2}\) is the model of multiple correlation of trade and investment cooperation and GDP growth of Kazakhstan, Russia and Belarus, coefficient;

\(x_1\) – volume of foreign trade turnover of Kazakhstan, Russia and Belarus, billion dollars;

\(x_2\) – volume of inflow of current direct foreign investments into Kazakhstan, Russia and Belarus, billion dollars;

\(y\) – GDP volume of Kazakhstan, Russia and Belarus, billion dollars;

\(r_{y/x_1}\) – coefficient of pair correlation of the volume of foreign trade turnover between Kazakhstan, Russia and Belarus and their GDP, coefficient;

\(r_{y/x_2}\) – coefficient of pair correlation of imports of current foreign direct investment with the volumes of their GDP, coefficient;

\(r_{x_1x_2}\) – coefficient of pair correlation of imports of current foreign direct investment with the volume of their foreign trade turnover, coefficient;

\(r_{y/x_1x_2}\) – square pair correlation of the volume of foreign trade turnover between Kazakhstan, Russia and Belarus and their GDP, coefficient;

\(r_{y/x_2x_1}\) – square pair correlation of imports of current foreign direct investment with the volumes of their foreign trade turnover, coefficient.

To calculate the coefficient of pair correlation, the following formula applies:

$$r_{y/x_1} = \frac{\sum (x_1-x_\bar{1})(y-y\bar{1})}{\sqrt{\sum (x_1-x_\bar{1})^2\sum (y-y\bar{1})^2}}$$  \(2\)

where \(x_1\) – the volume of foreign trade turnover of Kazakhstan, Russia and Belarus, billion dollars;

\(\bar{x}_1\)- average volume of foreign trade turnover of Kazakhstan, Russia and Belarus, billion dollars;

\(y\) – GDP volume of Kazakhstan, Russia and Belarus, billion dollars;

\(\bar{y}\) – average GDP of Kazakhstan, Russia and Belarus, billion dollars;

$$r_{y/x_2} = \frac{\sum (x_2-x_\bar{2})(y-y\bar{1})}{\sqrt{\sum (x_2-x_\bar{2})^2\sum (y-y\bar{1})^2}}$$  \(3\)

where \(x_2\) is the volume of imports of current foreign direct investment in Kazakhstan, Russia and Belarus, $ million;

\(\bar{x}_2\) is the average volume of imports of current foreign direct investment in Kazakhstan, Russia and Belarus, $ million;

$$r_{x_2x_1} = \frac{\sum (x_1-x_\bar{1})(x_2-x_\bar{2})}{\sqrt{\sum (x_1-x_\bar{1})^2\sum (x_2-x_\bar{2})^2}}$$  \(4\)

**Literature review**

Considering foreign trade in the territorial context before the creation of the Customs Union, it is possible to identify country preferences of export-import operations of Belarus, Kazakhstan and Russia, as well as the level of trade integration with individual countries, integration associations and regions. Thus, the coefficients of mutual preference show that the level of trade integration of Belarus and Kazakhstan, Belarus and Russia, as well as Kazakhstan and Russia since the formation of the Eurasian Economic Community has a clearly pronounced downward trend. Only in 2009 the level of trade relations between the three countries increased. The coefficient of integration between trade markets of Kazakhstan and Russia is much higher than Kazakhstan and Belarus, Belarus and Russia (Asia Report, 2013: 30). At the same time, trade integration of these countries with the developed economies of Europe and Asia is intensifying.

As a result of the EAEU development, along with the governing bodies, various non-governmental forums have emerged, the organization and conduct of which allows to voice, discuss and take into account the interests of the business circles of the participating countries when developing key areas of integration, and to create a platform for building a dialogue between
the integration in connection with the formation of the Common Economic Space of the Customs Union (Azanov, 2014: 83). The relevance of the studies devoted to the study of new aspects of economic integration in connection with the formation of the Common Economic Space of the Customs Union of Russia, Belarus, Kazakhstan and the ongoing work on the creation of the Common Economic Space of the EU-Russia makes it necessary to assess and take into account these factors in the integration strategy of the Russian Federation.

It should be noted here that the basis for EAEU was the design (detailing the nomenclature, rates, the size of the tariff step, etc.) of the Russian customs tariff, which operated in 2009 and contains, in particular, the duty rates established in the anti-crisis mode for motor transport means, combines, long products, pipes. As a result, EAEU was 82% coincident with the Russian customs tariff in force in 2009, including taking into account the decisions on customs and tariff regulation adopted for anti-crisis purposes (Hett, 2015: 31).

The Eurasian Economic Union is the basis for the speedy construction of the Single Economic Space, which provides for the removal of barriers to the free movement of goods, services, capital and working people. The Agreement on the Customs Code of the Customs Union, entered into force on July 6, 2010, is an important point of the report for the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation (Treaty on the Eurasian Economic Union, 2014). Later they are joined by Armenia (since October 10, 2014) and Kyrgyzstan (May 8, 2015), since then the union has 182.7 million people and occupies more than 20 million square kilometers (14%) of the world's land (Putin, 2013).

The EAEU is a fairly large Eurasian integration system and the development of this regional cooperation plays an important role in overcoming the negative consequences in the world economy. To the end, at the stage of completion are such processes as the creation of a single market of services, the general financial market and the labor market, which should contribute to greater stability of markets to crisis phenomena due to growth in their volumes, depth and liquidity. However, mutual trade in the EAEU countries from 2013 to 2015 decreased by almost 30%, when between 2010-2013 it increased by 1.5 times. In total, the current indicator of mutual trade is at the same level as in 2010 (Annual report of the Eurasian Economic Commission, 2013).

Degree of elaboration of the problem. Various aspects of international economic integration since the 50s of the XX century have become the object of scientific research of many Russian and foreign economists.
The private research of individual stages of integration development and the resulting economic consequences for participating countries in the works of Kalish Ya. (Kalish, 2014), Panina E.V. (Panina, 2012), Trenin D. (Trenin, 2006), Yashina G. (Yashina, 2015).

A large number of publications in the domestic economic literature is devoted to the theory and practice of European integration. In the scientific works of such authors as Kizima S.A. (Kizima, 2012b), Kotlyarov N.N., Alekseyev P.V. (Kotlyarov et al., 2014), Raspopov S.V. (Raspopov, 2014) detailed its regularities, supranational institutions, the contradictions between the interests of the participating countries at each stage development and mechanisms for their resolution, the registration of which is necessary in the integration practice of the Customs Union and CIS countries.

The problems and contradictions in the integration of post-Soviet states, the issues of integration strategy and tactics in the Eurasian space, the influence of the integration factor on the development of the Commonwealth countries, the study of the activities and institutional structure of the Eurasian Economic Community, the Customs Union of Russia, Belarus and Kazakhstan, the role of the Russian Federation in the Eurasian integration were covered in Bakhturidze Z.Z. (Bakhturidze, 2014), Dedkov S.M., Sherbinin V.K. (Dedkov et al., 2014), Kizima S.A. (Kizima, 2012a), Ksenia Zubacheva (Zubacheva, 2016), Vinokurov E., Libman A. (Vinokurov et al., 2010) etc.

Despite sufficient knowledge of certain aspects of international economic integration in Russian and foreign economic literature, issues of the practice of interrelations of integration associations in the European-Eurasian space, as well as the impact of trade and investment cooperation and integration processes on the development of individual economies, have not received in-depth coverage. The urgency and insufficient elaboration of these issues served as the basis for choosing the research topic.

To study this problem, it is proposed to assess the impact of integration cooperation on Kazakhstan, Russia and Belarus. Since, to date, it is the original three member countries that remain the leading countries in the EAEU, and they are also the largest CIS countries. At the end of 2016, among the CIS countries, according to the GDP per capita indicator, Russia, Kazakhstan and Belarus occupy the first, second and fourth places respectively. In addition, these countries have a territorial and historical link, which explains the similarities in the economic system and market policies.

Thus, it can be argued that Russia, Kazakhstan and Belarus set the trend and occupy leadership positions in post-Soviet countries. However, trade and investment relations between these countries are of much greater interest (The Eurasian Economic Commission, 2014: 73).

The external turnover of these countries is quite similar in its dynamics (see Figure 1), from which it can be concluded that the partner countries have a sufficiently strong influence on each other. To solve the problem of determining the degree of influence of trade and investment cooperation of Kazakhstan, Russia and Belarus on the growth of their GDP, the author of this work suggests using a multifactorial correlation model.
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Research results and discussion

The main coefficients of research are shown in Table 1 and 2.

Table 1 – Model of multiple correlation of trade and investment cooperation and GDP growth of Kazakhstan, Russia and Belarus before joining the EAEU for 2006-2010, coefficients

<table>
<thead>
<tr>
<th>Country</th>
<th>$r_{y1x1}$</th>
<th>$r_{y2x2}$</th>
<th>$r_{x1x2}$</th>
<th>$r_{y1x1}^2$</th>
<th>$r_{y2x2}^2$</th>
<th>$r_{x1x2}^2$</th>
<th>$R_{y/x1x2}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>0,647</td>
<td>0,216</td>
<td>0,677</td>
<td>0,419</td>
<td>0,046</td>
<td>0,459</td>
<td>0,71461</td>
</tr>
<tr>
<td>Russia</td>
<td>0,967</td>
<td>0,735</td>
<td>0,851</td>
<td>0,935</td>
<td>0,541</td>
<td>0,723</td>
<td>0,98077</td>
</tr>
<tr>
<td>Belarus</td>
<td>0,911</td>
<td>0,771</td>
<td>0,627</td>
<td>0,830</td>
<td>0,594</td>
<td>0,394</td>
<td>0,94608</td>
</tr>
</tbody>
</table>

Note. Compiled and calculated on the basis of World Bank: official site

Source. Compiled and calculated on the basis of World Bank: official site

Table 2 – Model of multiple correlation of trade and investment cooperation and GDP growth of Kazakhstan, Russia and Belarus after joining the EAEU for 2011-2017 coefficients

<table>
<thead>
<tr>
<th>Country</th>
<th>$r_{y1x1}$</th>
<th>$r_{y2x2}$</th>
<th>$r_{x1x2}$</th>
<th>$r_{y1x1}^2$</th>
<th>$r_{y2x2}^2$</th>
<th>$r_{x1x2}^2$</th>
<th>$R_{y/x1x2}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>0,735</td>
<td>0,260</td>
<td>0,832</td>
<td>0,540</td>
<td>0,067</td>
<td>0,692</td>
<td>0,97074</td>
</tr>
<tr>
<td>Russia</td>
<td>0,989</td>
<td>0,842</td>
<td>0,845</td>
<td>0,978</td>
<td>0,708</td>
<td>0,714</td>
<td>0,98914</td>
</tr>
<tr>
<td>Belarus</td>
<td>0,311</td>
<td>-0,143</td>
<td>0,349</td>
<td>0,097</td>
<td>0,020</td>
<td>0,122</td>
<td>0,41071</td>
</tr>
</tbody>
</table>

Note. Compiled and calculated on the basis of World Bank: official site

Source. Compiled and calculated on the basis of World Bank: official site
On the basis of analysis of the model of multiple correlation, determined a very high degree of interrelation of trade and investment cooperation of all three countries and growth of their GDP before the creation of a customs union (Table 1).

However, between 2011 and 2017 the connection of Kazakhstan and Russia with the rest of the countries increased when Belarus became more independent in this area (Table 2).

### Table 3 – The model of multiple correlation of GDP growth in Russia and its trade and investment cooperation with the EAEU countries, the coefficients

| Country | r_{y|x1} | r_{y|x2} | r_{x1|x2} | r^2_{yx1} | r^2_{yx2} | r^2_{x1x2} | R_{y/x1x2} |
|---------|----------|----------|-----------|-----------|-----------|-----------|------------|
| Kazakhstan | 0.770 | 0.357 | 0.851 | 0.593 | 0.127 | 0.723 | 0.95616 |
| Belarus | 0.746 | 0.609 | 0.627 | 0.556 | 0.371 | 0.394 | 0.76719 |
| 2011-2016 | | | | | | | | | |
| Kazakhstan | 0.723 | 0.613 | 0.845 | 0.523 | 0.376 | 0.714 | 0.72315 |
| Belarus | 0.458 | -0.109 | 0.476 | 0.210 | 0.012 | 0.226 | 0.58954 |

Note. Compiled and calculated on the basis of World Bank: official site

### Table 4 – Model of multiple correlation of GDP growth in Kazakhstan and its trade and investment cooperation with the EAEU countries, the coefficients

| Country | r_{y|x1} | r_{y|x2} | r_{x1|x2} | r^2_{yx1} | r^2_{yx2} | r^2_{x1x2} | R_{y/x1x2} |
|---------|----------|----------|-----------|-----------|-----------|-----------|------------|
| Kazakhstan | 0.913 | 0.458 | 0.677 | 0.834 | 0.210 | 0.459 | 0.93864 |
| Belarus | 0.948 | 0.730 | 0.627 | 0.898 | 0.533 | 0.394 | 0.96353 |
| 2011-2016 | | | | | | | | | |
| Kazakhstan | 0.993 | 0.769 | 0.832 | 0.985 | 0.591 | 0.692 | 0.99779 |
| Belarus | 0.887 | 0.241 | 0.349 | 0.788 | 0.058 | 0.122 | 0.89048 |

Note. Compiled and calculated on the basis of World Bank: official site

The greatest interrelation of GDP growth and trade and investment cooperation within the three as a whole was noted in Russia (0.98914). However, if we consider Russia's trade and investment relations with each of the countries separately, a slightly different picture emerges (Table 3). If trade and investment relations between Russia and Kazakhstan have a very strong impact on the development of the country's economy and, moreover, the influence grows with each period (the coefficients of multiple correlation were 0.93864 and 0.99779 respectively), then the development of Russia's relations with Belarus in this direction is only reduce the level of influence on the development of the Russian economy (the coefficients of multiple correlation with these countries for the periods indicated above were 0.96353 and 0.89048, respectively).

Kazakhstan's trade and investment cooperation with Russia and Belarus had a strong impact on the development of Kazakhstan's economy until 2010. After joining the EAEU, the influence factor of these countries decreased by almost 20% (from 0.95616 to 0.72315 in Russia and from 0.76719 to 0.58954 in Belarus).

The results confirm the mutual influence and dependence of Kazakhstan, Russia and Belarus, which also means the vulnerability of each individual country to external negative phenomena. This is the primary reason for the creation of an integration union.

As it follows from the text of the Treaty, the establishment and development of in-depth sectoral cooperation among the members of the EAEU should serve as a more effective instrument for coordinating and coordinating national economic
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policies. To this end, the agreed industrial policy should be carried out within the framework of the EAEU, joint programs and projects, joint technological platforms and industrial clusters should be encouraged, mutually beneficial industrial cooperation should be developed to create high-tech, innovative and competitive products (Putin, 2014).

One of the most interesting theoretical issues arising in connection with the signing of the Treaty on the Unified Energy System is the definition of its international legal nature and the role in the international legal support of the integration process in the Eurasian space (Eurasian Economic Commission, 2015a: 114).

In the context of improving the activities of the recently established governing structures of multilateral regulation in the EAEU format, it is timely to expand the scope of planning for the current work, to improve the daily monitoring of the integration process. Additional attention is also required by the balance between the control and fiscal role of customs regulation, optimization of formats for innovative cooperation, speeding up the harmonization of technical regulations of the EAEU member countries, as well as EAEU participants and observers. It remains necessary to actively work on convergence on a number of other specific issues (Special Report, 2016: 23).

For example, against the background of the fall of the ruble, the strengthening of economic ties with Russia causes greater fear among its partners that their own economies are very vulnerable to external factors. The collapse of the ruble has exacerbated the contradictions that have grown between Russia and Belarus after the Russian government imposed an embargo on food imports from a number of Western countries (IMF World Economic Outlook, 2014: 180-181). The profits of Belarus from the growth of food supplies are brought to nothing by the prohibitions of the agricultural supervision, which is struggling with re-export and smuggling and, in fact, the collapse of the ruble. On the eve of the meeting of the Supreme Eurasian Economic Council on December 23, the President of Belarus said that it was necessary to switch to dollars and euros in settlements with Russia.

It is worth noting that the sharpest collapse of the ruble happened soon after the intentions were announced in the future to exclude dollars and euro from settlements between the EAEU countries. The transition to settlements in national currencies is planned for 2025-2030 (European Commission, 2014: 4-25). The draft concept of the development of payment systems in the territory of the EAEU implies the creation of a single payment space in the EAEU, allowing payments to be made taking into account the correlation of national card systems, including the Russian national payment card system and the already created Belcard and Armenian Card systems (ArCa). In addition, the document also proposes to prohibit the circulation of the dollar and euro in the territory of the EAEU. According to the authors of the project, this will allow to free themselves from the influence of the Western economy on the intra-union economic space and strengthen national currencies.

Currently, settlements between TC states are approximately 50% in rubles, 40% in dollars, 8-9% in euros and about 1% in other currencies. Given the strong volatility of national currencies, the rejection of dollars and euros is proposed to be implemented very gradually (Europe and Central Asia Report, 2014: 72). However, experts still doubt the viability of this project, indicating that for Russian organizations it is unlikely that it will be comfortable for partners to receive payments in Belarusian rubles, tenge or drams.

Conclusion

The study made it possible to draw a conclusion on the prospects of trade and investment cooperation of the EAEU countries as one of the important areas of cooperation between the EAEU countries in the development of modern national economies that affect the overcoming of negative consequences in the world economy through the expansion of investment and trade cooperation. So, Kazakhstan sets a goal to use the resource potential of the industrial sector, modernization, technological potential in terms of organization of work, personnel potential, and Belarus wants to expand the sales market and solve its economic problems precisely due to the macro-effect. In this list, Russia remains the only country that does not mean its economic interests, which it pursues. Everyone views Russia as a leader, as a locomotive, which creates this integration union. And this property obliges Russia to bear the burden of expenses.
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The Role of Border Cooperation of Kazakhstan with the EAEU Countries in the Economic Development of Cross-border Regions

Border regions of Kazakhstan are elements of the national economy, which are constantly experiencing the direct and active influence of the integration processes in the conditions of the Eurasian Union. Cross-border international cooperation in trade, environment, agriculture, transport, security and communications takes place across border regions. In this regard, the purpose of this article is identification of features of border cooperation of Kazakhstan with the EAEU countries (on the example of Kazakhstan and Russia) and definition of its role in economic development of border regions. During the research