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## MODERN INTEGRATION MECHANISMS: INTERNATIONAL ORGANIZATIONS AND ASSOCIATIONS

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### Резюме

В данной статье анализируются современные механизмы интеграции: международные организации и объединения. В экономической теории пространство рассматривается как активный фактор роста. Анализ новых тенденций развития глобальных интеграционных процессов в географическом пространстве, а также определение влияния комплексных региональных союзов развитых и развивающихся стран, а также стран с переходной экономикой о перспективах глобализации становится более актуальным. В статье были рассмотрены предпосылки возникновения интеграционных объединений в рамках существующих региональных торговых соглашений и классификации региональных ассоциаций в мире в контексте существующих форматов и моделей интеграции.

**Ключевые слова:** интеграция, объединение, ассоциация

### Түйін

Бұл мақалада интеграцияның заманауи тетіктері: халықаралық ұйымдар мен бірлестіктер қарастырылған.

Экономикалық теорияда гарыш-осу факторы ретінде қарастырылады. Жаһандану перспективалары туралы әзірленген кешенді өңірлік бірлестіктер мен өтпелі экономикасы бар елдер және дамушы елдерге әсерін анықтау үшін географиялық кеңістікте әлемдік интеграциялық үдерістерді дамыту бойынша жаңа үрдістерін талдау, сондай-ақ негүрлым өзекті болып отыр.

Мақала қолданыстағы аймақтық сауда келісімдері шеңберінде интеграциялық бірлестіктердің қаралуы мен интеграция қолданыстағы форматтары мен модельдері тұрғысынан әлемде өңірлік бірлестіктердің жіктелуі қарастырылған.

**Кілт сөздер:** интеграция, кәсіподақ, бірлестік

*Abstract. The paper analyses the modern integration mechanisms: international organizations and associations. In economic theory, space is seen as an active factor of economic growth. Analyzing the new trends of development of global integration processes in geographic space and determining the impact of regional integrated alliances of developed, developing and transition economies on the prospects of globalization becomes relevant. Preconditions of occurrence of integration unions in the context of existing regional trade agreements and the classification of the world's regional associations in the context of the existing formats and models of integration were considered in this article. Also efficiency of these associations for trade was examined by author.*

In economic theory, space is seen as an active factor of economic growth, creating not only the geolocation benefits of integrating countries, but also the

interests of the non-regional actors involved in the region's economy, to expand its influence on the processes of regional development. Geolocation modeling is becoming the new direction of the foreign influence. Since recent time, a geospatial dimension is widely used in the formation of new spatial-political concepts of development of important for the global economy regions, particularly, the concepts of development of Central Asia, alternative to the project of its participation in the Eurasian integration.

The prerequisites for the emergence of concepts which change the perceptions on political-economic and geographic division of world space are, on the one hand, the processes of forming a new system of international relations in the transition from a bipolar world to depolarization and to multipolarity, on the other hand increased competition for economic leadership as major developed powers lose levers of economic pressure.

Under these conditions analyzing the new trends of development of global integration processes in geographic space and determining the impact of regional integrated alliances of developed, developing and transition economies on the prospects of globalization becomes relevant. [1]

As experience shows as a result of the development of integration processes in the world it was possible to find adequate answers to many important issues, namely the collective exercise of sovereignty is in today's interconnected world, the most optimal way to ensure national interests and real independence. Participation of smaller in size, less developed and militarily powerful states in the regional integration gives them an additional guarantee and a real opportunity to more effectively deal with policy dictates, pressure and violence.

Modern approach to the study and analysis of the "integration" concept is characterized by the fact that defines the latter as "the process by which individual states transfer some of their sovereign rights in favor of the emerging and the same for all of them institutional structure in order to realize their common interests". [2]

There are two ways to overcome barriers to integration (territorial remoteness, less mobility of factors of production and resources, national, customs and currency barriers) objectively there are two ways:

(1) Creation and development of transnational companies that will bypass many difficulties (transfer supplies, prices, favorable conditions for the reproduction, the best account of the market situation, the application of profit, etc.);

(2) Interstate concerted action to purposeful formation of world economic market (economic, legal, informational, psychological and political) space in major regions of the world.

The combination of these two trends, and provides a transition to such a high, effective and promising form of world economic relations as international economic integration.

International economic integration is one of the most important strategies for

international economic cooperation. Strengthening intraregional interaction occurs primarily in areas such as trade, industrial cooperation, direct investment, inter-firm partnerships and, finally, economic cooperation at the international level. In particular, the number of existing regional trade agreements (taking into account not notified agreements) exceeds 240, of which about 200 are agreements on customs unions or free trade zones (zones account for about 72% of all existing regional trade agreements).

Professor of the University of Hamburg Cord Jakobeit proposed classification of motives of regional associations emergence. According to him, motives consist of three types, namely:

- first - a common interest of States, in such form of cooperation that occurs as a result of geographic proximity and availability of common economic, social and cultural interests;
- second - ideological considerations, that are incentive to the ideas of constitutional association;
- third - the rational choice motive (rational choice), in which the participants welcome the economic aspects of integration, and based on the analysis of revenues and expenses from membership in such associations boost regional association. [3]

According to analysts, since the conditions of effectiveness of regional groupings can be diverse and approach proposed by K. Jakobeit is based on the factors of subjective origin, motives shouldn't be limited only to these ones. Therefore, economists have summarized existing in economic theory different approaches to identification of the prerequisites for integration unions, such as:

1. *The proximity of the economic development levels and the degree of market maturity of the economy of integrating countries* is desirable but not mandatory condition. As experience of development of integration processes shows, quite often there is cooperation between developed countries or between developing ones. Even within the framework of industrialized and developing countries, integration processes are most active between countries which are at about the same level of economic development. It takes a long time to a country that has significantly lower economic indicators in comparison with other countries, and to be able to participate equally in the integration process. Thus, economically stronger partners are forced to allocate funds for pulling the weak economy of these countries, rather than development of integration processes. In this case, due to the incompatibility of the initial economic mechanisms, the integration of these countries begins with a different kind of transitional agreements on association, of a special partnership, preferential trade, etc., the validity of which may take some time until in less developed country market mechanisms comparable to the degree of maturity with mechanisms of more developed country will be created. Attempts of associations between developed and developing countries, although they have a place, are in the nascent stage, and do not yet allow us to draw unambiguous conclusions about the

extent of their effectiveness. So, as an example, we can show the situation in the EU, when Greece, Italy in the first stage of integration could not become a member of the euro zone due to the mismatch with Maastricht criteria. NAFTA is also experiencing some difficulties due to the different economic situation of the United States and Mexico

2. *The generality of economic and other problems faced by country's development, financing, regulation of the economy, political cooperation* suggests the solution of specific problems faced by integrating countries. Thus, the reform of the centrally planned economy has shown that all the countries of post-socialist space exhausted intensive methods to improve the efficiency of the national economy, experienced the same problems, in particular:

- all countries experienced high demand in all kinds of resources (investment, production, technology, innovation, intellectual, etc.) available in the global economy;
- territorial community caused the same types of complications associated with the resolution of global problems, including environmental ones. All of this necessitated pooling of resources for joint solutions of these problems.

Thus, the integration is developing more successfully when the economy is in expansion. It is difficult to integrate with each other for countries in economic crisis, since they have to give more preference to the internal situation in the country, to take anti-crisis measures, laws and restrictions on capital outflow, etc. (integration is characterized by free of movement of labor, capital, goods and services). As of today, there are no stable integration groups that have arisen between countries in crisis.

3. *The geographical proximity of the participating countries, the presence of common border in most cases and the historically formed economic ties.* Integration associations of most countries of the world began with several neighboring countries on the same continent, in close geographic proximity to each other, with transport links and often speaking the same language. Indeed, to perform the main goals of integration, such as: reduction of production costs, the final price of the goods it is necessary to decrease all components of the price, including shipping costs.

Integration processes which took place in South America have shown that, despite their geographic proximity, the integration between the current MERCOSUR member countries did not develop until a certain time due to the lack transport infrastructure (South America focused on the export of goods from the ports).

4. *Political will of leaders of integrating countries* is essential to the creation of integration groups. Thus, the creation of such large integration blocks as the EU, MERCOSUR and NAFTA were the result of initiatives of leaders of interested countries.

5. *Creating a structure to which the country should gradually transfer, delegate certain powers and tools for implemenation.* Thus, the Secretary-General of UNCTAD R. Rikupero believes that between countries aspiring integration block

it is necessary to separate powers on defining the strategy issues, creating supranational structures and developing cooperation mechanisms to harmonize national approaches to the development of mutually acceptable solutions. [4]

6. *Creating initiating center of one or two states to integrate actions of the partner countries.* In connection with the enlargement of the EU due to accession of new countries into it models for further development of European integration by way of its deepening, have been developed, among which are such models as:

- Model of "step by step integration";
- Model of the "Europe of concentric circles";
- The model of "differentiated integration".

The first two models are based on the idea of creating in the EU "center" of the most developed countries, around which the "circles" of countries with a shallower depth of integration are formed.

The basis of the model of "differentiated integration" is the geographical expansion of the EU, which suggests differentiating the rate of integration processes across different countries. The purpose of such integration is to deepen the integration processes with the exception of the need to sign contracts and time constraints, as well as the creation of a "center" with different groups of participants.

7. *Rapprochement of internal economic conditions in member states of integration associations and equalization of their economic development.* The purpose for the entry of many integrating countries is to create conditions for high economic growth for a long time and overcoming the negative external effects.

8. *Spatial opportunities expansion of interstate movement of goods, labor and capital* within the region and elimination of diverse administrative and economic barriers.

9. *"Demonstration effect"* suggests that generally positive economic changes (the acceleration of economic growth, reduction of inflation, the growth of employment, etc.) are taking place in countries that have established integration associations, which have a psychological impact on other countries.

After most of the countries in a given region have become members of integration association, the rest countries, remaining outside, begin to experience some difficulties connected with the reorientation of economic relations of these countries, often resulting in some reduction in trade of the countries living outside the block. Thus, the "demonstration effect" leads to a "domino effect" when other countries that do not have interest in the integration, but are afraid of the negative aspects, express interest in integration processes. There are several most common forms of international trade integration in the modern world practice.

In particular, the World Trade Organization has identified the following types of multilateral trade associations: free trade agreement, a preferential trade agreement, the economic integration agreement, customs union and their

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combinations. Now the main and most widespread ones of these types of agreements are free trade agreements and customs unions. According to the WTO, currently there are about 35 multilateral and regional trade agreements (this includes also the CIS and EAEU). The most known of these agreements are the EU, NAFTA, ASEAN, MERCOSUR, but besides these organizations, almost all regions of the world are present on the list. This indicates a high demand for multilateral trade associations in today's economy. [5]

Creating multilateral regional trade unions is directed at enhancing trade, at growth of trade and subsequent economic integration on this basis. The effectiveness of these associations for trade, as shown by analysis of their activity, is quite large. Thus, during the years 1990-2011 commodity turnovers within NAFTA, MERCOSUR, ASEAN and the Andean Community trade associations grew at a faster rate than the rest of the world. If we consider only trade agreements such as customs union, currently 14 such groups are operating (Table 1). [6] Every Economic Union, Economic and monetary union and Customs and monetary union has also a **Customs Union**.

**Table 1 Operating Customs Union (WTO classification) [7]**

№	Name of the Customs Union	Come into
1	European Union Customs Union	1958
	EU – Andorra	01.07.1991
	EU – Turkey	01.01.1996
2	EU — San Marino	01.04.2002
3	Caribbean Community and Common Market	01.01.1991
4	Central American Common Market	12.10.1961
5	East African Community	01.01.2005
8	Israel — Palestinian Authority	1994
9	The Economic Community of West African States	24.07.1993
10	Eurasian Customs Union	01.01.2010
11	Council for the Gulf Cooperation	01.01.2003
12	Southern Common Market (MERCOSUR)	29.11.1991
13	Southern African Customs Union (SACU)	1910
14	Switzerland — Liechtenstein	1924

As is evident from the table, most of the Customs Union emerged in the last two decades, which also indicates the increasing activation of regional economic integration.

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By the end of the XX century almost all civilized countries, which number about two hundred, became members of various international economic organizations such as the International Monetary Fund (IMF), World Bank (WB), World Trade Organization (WTO), the International Labour Organization (ILO) and etc.

In addition to these economic organizations representing the global economy, in the modern world, in almost all parts of the globe, there are a variety of international economic institutions, representing a wide range of local international economic integration. Among them:

- The European Union (EU);
- European Free Trade Association (EFTA);
- European Economic Area (EEA);
- Caribbean Community (CARICOM);
- Central American Common Market (CACM);
- Association of Southeast Asian Nations (ASEAN);
- Organization of Asia-Pacific Economic Cooperation (APEC);
- The North American Free Trade Area (NAFTA);
- The Organization of the Petroleum Exporting Countries (OPEC);
- Common Market of the Southern Cone: Argentina, Brazil, Paraguay, Uruguay, in order to create a free trade area and customs union (MERCOSUR);

It should be noted that this is not all integration groups, but only most basic ones. Many international economic associations only create the preconditions for the formation of real integration blocs. [8] It is important to note that international law does not preclude the participation of any country in several international economic organizations. [9] The most striking example of regional integration among the former Soviet Union is the EAEU as a possible basis for the “Trans-Asian bloc”. An example of a “continental regionalism” is the BRICS countries (Brazil, Russia, India, China, South Africa) which can over time form a powerful economic bloc.

The European Union is most striking example of successful integration of a number of states. The EU managed to achieve a combination of almost all forms of economic and political integration, whereby a stable, continuously expanding, integration grouping was formed. Further enlargement of the EU by the adoption of



new participating countries and formation in the territory of the Union federal or confederal type single state is proclaimed as a promising task. Based on the success of the European Union, it can be assumed that the most effective mechanism is a mechanism of integration, which has been applied in the EU. [10]

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