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The post-soviet countries – development and structure of economy: Is there any potential for future regional integration?

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Abstract

This article analyses GDP over time in the post-Soviet republics over the 2000–2014 period. Its aim is to characterise the evolution of the economies of each country with respect to opportunities for mutual co-operation. Particular features of each country are identified in terms of GDP structure and creation. Over the period looked at, GDP rose very significantly. Russia and Kazakhstan can be included amongst the main driving forces behind this growth. The growth was affected by the transformation of the economies of the countries looked at, growth in prices of mineral resources and a major influx of foreign investments. Growth in the Russian Federation's GDP is also linked to a growth of transfers which should contribute to a higher standard of living, but which also contribute to increasing household consumption. Another growth factor is the impact of gross fixed investments. These two variables contributed most to GDP creation. In contrast, GDP elasticity in relation to the value of resources and the balance of external relations is negative for many of the countries looked at.

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1. Introduction

In recent years, the countries of the world have each faced growing pressure from multinational corporations, who represent one aspect of the globalisation currently underway. The objective of governments isn't to avoid these pressures, but rather to use them to their advantage, or to exploit the opportunities offered by the current order and work together to face up to the phenomenon. (Pomfret, 2005) see two main opportunities for co-operation –

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regionalism and multilateralism. Each of these tools has its pros and cons. For access to mineral resources, or where the government supports producers more than consumers' interests, bilateral co-operation is most appropriate; otherwise, both methods of co-operation are appropriate (Saggi & Yildiz, 2010).

The basis for successful regional co-operation is exploiting the comparative advantages of all the countries participating (Fathipour & Ghahremanlou, 2014), which enables them to showcase themselves at a global level as part of a whole, thus defending their shared interests. At the same time, functional regional integration supports capital transfers and improves productivity (Kumar, 2015). It can be said that without functional regional integration, the globalisation paradigm cannot work either (Dutta, 2002).

Integration within the Eurasia region is linked to the collapse of the bipolar world and the collapse of the Union of Soviet Socialist Republics (USSR). (Pourchot & Stivachtis, 2014) also note that following the end of the Cold War, integration tendencies were full of constant changes which not even the territory of the former USSR avoided. After the collapse of the Soviet Union, the original Soviet republics gained independence and the first integration tendencies began to appear. The Baltic republics (which had never had strong ties with Russia) signed an association agreement with the European Union. The other states formed the Commonwealth of Independent States (CIS). This form of co-operation was the objective of many economists and politicians ever since these states had become independent (Hartwell, 2013), mainly in Russia and Central Asia (Azizian & Bainazarova, 2012).

The Commonwealth of Independent States was founded in 1991 after the collapse of the Soviet Union (USSR) with the objective of co-ordinating economic and foreign policy within the territory of the former USSR. There was a mutual recognition of the independence, sovereignty and equality of each state within the Commonwealth (This principle was, however, breached a number of times, such as during the dispute over South Ossetia between Georgia and Russia when Georgia left the CIS in protest against Russia. Another example is the annexation of Crimea in 2014). A particular advantage of these countries is the shared past and common knowledge of one unifying language. Thoumi (1989) perceives the non-existence of a unifying language as a limiting feature of integration. It is also necessary to mention that if there is a difference in infrastructure between countries it may lead to divergence instead of convergence of these regions (Coulibaly, 2006). Another problem can be existence of resource abundant countries (Kuzmenko, Maitah, Malec, & Hndi, 2015) connected with the relationship between budgetary sources connected with natural resources (Maitah & der Ali, 2010).

2. Aim and methodology

2.1. Aim

The aim of this article is to characterise the development of the economies of the post-Soviet republics in terms of opportunities for mutual co-operation. Specific features of each country and differences which have arisen through the restructuring of each economy are identified in relation to GDP structure and creation.

A number of intermediate objectives are defined in order to meet the principal aim:

Defining the specific aspects of the economy within the post-Soviet territory.

Identifying the basic trends and tendencies in GDP creation within each post-Soviet state

Specifying differences and shared features in regard to the transformation of the economies of the countries analysed, with an emphasis on GDP development

In regard to forming the economies of each of the analysed countries, the article poses a key question: Is there more of a similarity between each state, or do they differ so much that any future form of co-operation is impossible?

2.2. Methodology

The article aims to give an analysis of post-Soviet republics, with the exception of Lithuania, Latvia and Estonia (EU member states). The analysis involves the following countries: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. The countries selected are based on an assumption of mutual economic co-operation and the dependence of each state, in particular in relation to the Russian Federation, which is the hegemonic power of the region looked at and which is endeavouring to anchor each of the above states to itself through economic and political ties.

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