REGIONAL INTEGRATION AND ECONOMIC GROWTH: IMPLICATIONS OF REGIONAL INTEGRATION FOR THE ECONOMIC DEVELOPMENT IN EURASIA

Doctor of Philosophy in Management

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Abstract

This study advances the knowledge on regional integration and the role of integration in countries' economic performance and development. It introduces a framework for conceptualizing the integration-growth nexus and discusses the welfare and development effects of integration. Unlike prior research, this study addresses the complex nature of regional integration and applies a multidimensional approach to measuring its growth and development-related implications. Application of the concept of the depth and breadth of integration enables the analysis of the dynamic nature of regional cooperation.

This thesis also introduces a special framework that enables a better understanding of integration effects on growth and development. In particular, it analyses the effects of regional integration together with the effects of alternative trade liberalization strategies. In other words, the impact of integration is tested against the effects that could result from the application of a unilateral tariff reduction. The research also considers the potential implications of combining the two liberalization strategies and explores the resulting complementarity effects. Such an approach allows the identification of the most and the least beneficial growth and development regional strategies and to design evidence-based policy recommendations.

Evaluating the integration-growth nexus on the example of the Eurasian Economic Union (EAEU), the study suggests that to target a better economic performance, the EAEU countries should further develop regional cooperation and increase the convergence across policy areas. Without deepening regional integration across sectors, the EAEU members would not be able to fully benefit from regional cooperation as, in its current form, it remains a purely trade-facilitating instrument. The research also highlights that a combination of two trade liberalization strategies (regional integration and unilateral trade liberalization) could create a complementary effect for the EAEU countries and mitigate the shortcomings of regional integration. When it comes to the development effects, the study suggests that current regional arrangements have a very limited impact on the welfare level of the EAEU countries.

To implement the robustness check of the research findings based the EAEU data, the study applies a panel data analysis to other integration initiatives with a comparable integration level. This approach improves the validity of the research outcomes and helps to develop both general and region-specific conclusions.

Dedication

This thesis is dedicated to the future generation and policy makers of the EAEU and any other people who can benefit from results of this work.

Acknowledgement

First and foremost, I would like to convey my sincere gratitude to my parents, Valentina and Aleksandr Pomerlyan, and partner, Timur Vafin, for their endless love and persistent support, and for being there whenever I needed them.

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Declaration

No portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or another institute of learning.

Copyright Statement

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List of abbreviations

CACM	Central American Common Market
CAN	Andean Community
CARICOM	Caribbean Community
CEMAC	Economic and Monetary Community of Central Africa
COMESA	Common Market for Eastern and Southern Africa
CU	Customs Union
EAC	East African Community
EAEU	Eurasian Economic Union
ECOWAS	Economic Community of West African States
EEC	Eurasian Economic Commission
EU	European Union
GCC	Gulf Cooperation Council
MERCOSUR	Southern Common Market
MFN	Most-Favoured-Nation
RQ	Research Question
SACU	Southern African Customs Union
SES	Single Economic Space
WAEMU	West African Economic and Monetary Union

INTRODUCTION

Purpose and motivation for the research

Divergence in countries' per capita income and gross domestic product drives interest in studying the determinants of economic performance (Haveman et al., 2001). Given the socioeconomic outcomes of the recent Covid-19 pandemic, which resulted in a 4.3 % reduction in global output (World Bank, 2021), the search for factors that could reset the economy and drive economic performance demands practical consideration and thus becomes critical.

For many years, integration into global markets and subsequent trade liberalization have been considered to be one of the driving forces of countries' economic performance (Hadhek & Mrad, 2015). Trade openness has been followed by many to acquire new knowledge on production processes (Bas, 2012; Ahn et al., 2019; Ibrahim & Vo, 2020), to attract foreign investment (Bajo-Rubio, 2010; Khalid & Marasco, 2019), and benefit from increased economy of scale (Conti, 2014). When pursuing these benefits, countries have chosen between different strategies either following a "going alone liberalization" (Bhagwati, 2002), equally recusing customs tariffs to all trading partners, or opening markets to selected groups of countries based on the principle of reciprocity and adopting a strategy of regional integration. The latter according to Agbetsiafa (2010) can provide better control over trade liberalization and exposure to foreign competition.

Since the 1980s, the world has witnessed a significant increase in regional integration activity. Of the 581 regional agreements notified to the WTO by 2022, around half of this number were reported in the last ten years. Today, almost all economies are parties to at least one regional initiative, and approximately one-third of world trade takes place between the members of such agreements (Venables, 2001). Multiple examples of regional integration worldwide prove the global nature of the phenomena (Han, 2018).

Since the late 1990s, the mandates of regional integration have expanded, embracing various elements of social policies. New regional agendas have incorporated social goals, including within the poverty and income distribution dimensions (Riggirozzi, 2017). It is fair to conclude that, today, regional integration has turned from a purely market instrument into a tool for development. On top of trade liberalization, it has incorporated issues related to the development of transport and infrastructure, solving regional and global challenges, and the development of regional standards (UNDP, 2011).

Existing theoretical knowledge suggests that regional integration can influence countries' development and economic performance in various ways. The impact could be provided through the acceleration of trade (Tumwebaze & Ijjo, 2015), more efficient allocation of production factors (Nicita, 2009; Ibrahim & Vo, 2020), reduction of administrative burden (Baldwin et al., 1995), technological spill over, and improved macroeconomic stability (Scherngell & Lata, 2013; Conti, 2014). According to Rivera-Batiz & Romer (1991), integration can drive the dissemination of technology and contribute to better access to knowledge and education. Simplifying the spread of ideas within a single regulatory space reduces the cost of knowledge generation and therefore contributes to a better economic performance of integrating states.

There are also non-tangible effects of integration, such as macroeconomic stability, improvement of investment rankings, and better quality of institutions (Dollar & Kraay, 2002; Hadhek & Mrad, 2015). According to Fernandez (1997), regional cooperation positively affects the political and international environment, induces mutual trust, and works as insurance against any form of a trade war. Moreover, it deals with the shortcomings of unilateral liberalization contributing to the development of better government and more stable institutions (Venables, 2001).

The increasing importance of regional integration for countries' performance and the extraordinary expansion of economic blocks around the world have stimulated empirical and theoretical research on the relationship between integration and economic performance (Ehigiamusoe & Lean, 2019). Despite a significant number of academic papers focused on the analysis of integration, the diversity of parameters affecting countries' performance has not yet allowed academia to develop a single definition of the integration-growth nexus nor to explain the degree of correlation between two phenomena under research (Vamvakidis, 1998). Applying various empirical models and explanatory variables, scholars received different results across geographic regions and across countries with different levels of economic development (Nicita, 2009; Falvey et. al., 2012; Tumwebaze & Ijjo, 2015). A positive and significant correlation between integration and countries' economic performance was confirmed by Ehigiamusoe & Lean (2019); Felbermayr et al., (2018), Kabderian & Schmid (2017), while negative growth outcomes were captured by Gharleghi & Jahanshahi (2020), Stockhammer (2016), Arestis et al., 2006). Other studies on regionalism (Misati et al., 2015; Zerihun & Breitenbach 2019) emphasized that the real integration effects vary significantly across regions due to different prerequisites and potential goals of regional cooperation.

The absence of a unified conclusion on the integration-growth nexus stimulates further research, including the focus on capturing integration effects within specific countries and/or regions.

Despite the extensive literature on regional integration, its effects have been traditionally evaluated from an economic and security standpoint (In ‘t Veld, 2011). With that, the research on integration within other policy areas has remained limited. Limited empirical knowledge on regional integration within the social policy agenda (Threlfall, 2003; Madeira, 2014) includes studies focusing on the EU regulatory framework for the harmonization of rights and policies in the social sphere or exploring the effects of cross-border coordination mechanisms for promoting employment, food security, and education (Vigevani & Aragusuke, 2013). Over the last few years, with the changing role of economic integration and the emergence of the "developmental regionalism" idea (Doidge, 2007), scholars have begun to pay more attention to the social considerations of regional cooperation, putting particular emphasis on the role of regional integration for poverty reduction, social spending, and security (Riggirozzi, 2004). The most recent papers that consider integration within the social agenda include the working paper of the Asian Development Bank (2018), which investigates the poverty reduction effects of integration, and the research of Madeira (2014) that provides a thorough analysis of the integration impact on states’ social expenditures, and the study of Eder (2021) who explores the potential of integration for securing the rights of the most vulnerable parts of society.

Despite a general agreement on the importance of social considerations of integration and the growing interest of scholars towards the developmental regionalism idea, academia has not yet produced a single vision over the direction and the magnitude of the integration-wellbeing and integration-development nexus stimulating further theoretical and empirical research on the relationship between the above phenomena.

Aims and objectives

Recognizing the ongoing debate on the role of integration for growth and development, **the aim** of our research is to uncover both theoretically and empirically the relationship between regional integration and regional economic growth and development, using the EAEU as a case study.

To explore the integration-growth and integration-development nexus, we plan to run an ex-post analysis to assess the relationship between phenomena under research on the example of

a relatively young regional block, the Eurasian Economic Union (EAEU). Considering the unique historic background of this integration initiative and noting a certain degree of divergence in the level of economic development of participating states, we believe that the selected integration block could be an interesting example for the case study.

To achieve the research aim, we plan to deliver the following **objectives**:

- to generalise and systematize the main scientific and methodological approaches to the phenomenon of regional integration;
- to explore and describe the main theoretical concepts explaining a possible relationship between regional integration and economic growth;
- to identify an inclusive set of channels of integration impact on growth;
- to analyse the socio-economic effects of regional integration;
- to explore and describe the main theoretical concepts which explain the possible relationship between regional integration and development;
- to develop an empirical model to test our hypothesis on the example of the EAEU countries;
- to develop practical recommendations for the policymakers of the EAEU on facilitating growth and development via regional integration.

After discussing the aim and objectives, the following main **research questions** are guiding this research:

- What is the role of regional integration for countries' growth and development?
- What are the key channels of integration impact?
- What factors impact the development and the outcomes of the regional integration in Eurasia?
- Is regional integration beneficial for the economic performance and development of the Eurasian Economic Union?
- What policymakers can do to stimulate bigger growth and development results for the member states of the Eurasian Economic Union?

Object of the Research

The object of this research is regional integration. For the purpose of this study, we will use Grimwade's (2013) definition of regional integration that implies that economic integration represents a joint effort by several often closely located countries to join together to create a single region through the reduction of barriers to factor movement or establishing common institutions with the transfer of national powers to a higher level.

The reason for choosing the above definition of regional integration relates to the current integration level of the EAEU that serves as a case study for the purpose of this research. Noting that the EAEU functions as a customs union with its own legal identity and has dedicated supranational institutions the research aims to exclude from the consideration process other forms of integration groupings that have a lower level of regional cooperation. Thus, the application of Grimwade's definition of regional integration allows to make a fair comparison and trustworthy conclusions when comparing the effects of the Eurasian integration with the outcomes recorded for other integration blocks included in the analysis following the application of the empirical model.

Subject of the Research

This research studies the effect of regional integration on countries' economic performance and development and the thesis presents a comprehensive review of the existing literature on the relationship between integration and countries' growth and development and develops conceptual and empirical models of the study. The integration effects are explored on a country-year basis.

Using the EAEU as a case study, the research tests the models and develops recommendations for the policymakers within and outside the region.

Chronology of this Research

This research uses the secondary data collected by the World Bank and the World Integrated Trade Solution, an online tool that combines trade-related information from various statistics databases.

For the analysis of the effects of the Eurasian integration, this study examines the observations for the period of 25 years since 1995, covering five countries (Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia) that trade globally.

To verify the results, the research tests the hypotheses based on other integration initiatives that applied the data for the period of 48 years since 1971, covering 6 regional blocks that together comprise 71 countries (EU, EAC, COMESA, CEMAC, GCC, SACU). The above groupings were selected based on the degree of similarity of the level of political and economic integration when compared with the one of the EAEU (only Customs and Economic Unions were considered) and the availability and consistency of data.

Scientific novelty of the research

This research makes several contributions to existing knowledge and applies a number of new approaches to understanding integration effects.

First, unlike prior research, this study applies a multidimensional approach to measuring integration and considers the effects of both depth and breadth of regional integration on countries economic performance and development. This helps to overcome the limitation of using dummy variables for capturing integration effects and enables to receive comparable results for different integration blocks. Second, this research further develops the knowledge on the integration effects by concluding on the strategies that could provide the most beneficial results for the integration blocks in Eurasia and other regions. Third, the research introduced a special framework that enables a better understanding of integration effects on growth and development. Finally, this study further expands the analysis of regional integration effects by considering the developmental and social aspects of regional cooperation.

The Philosophical Foundation of the Study

Our study employs the positivism paradigm that is typically associated with quantitative research focusing on empirical evidence and controlled experiments (Shan, 2022). This approach is different from other philosophical foundations of scientific studies in three basic elements: ontology, epistemology, and axiology.

First, based on Cook & Campbell's study (1979), positivism assumes that the research is performed in a mind-independent way that, however, can only be understood imperfectly. According to Smith (1983), epistemologically the paradigm assumes that scientific studies are objective in the sense of an absence of relationships between a researcher and a research object. The researcher remains independent from his study. A general rule is that proponents of a positivist idea adopt a deductive approach to developing hypotheses based on existing

knowledge, and then testing those hypotheses using secondary data (Crowther & Lancaster, 2008). Finally, axiological positivism suggests that science should be value-free in the sense that research should not be influenced by the scholar's beliefs and ideas (Shan, 2022). Accordingly, the aim of scientific research is to describe, explain and predict a social phenomenon (Phillips & Burbules, 2000) within the boundaries of what can be observed.

Figure 1 presents the positivism position regarding the three basic elements of philosophical foundations for scientific research.

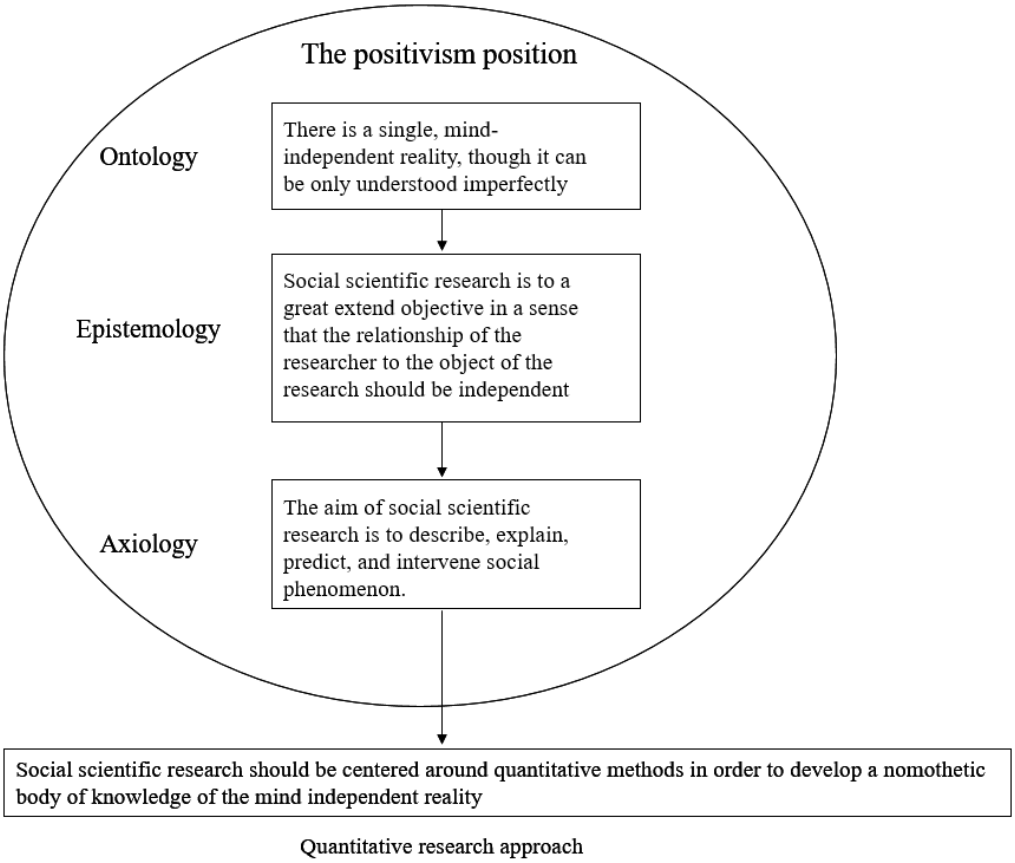


Figure 1: Philosophical foundation of the positivism paradigm

Source: Adapted from Shan (2022)

The Theoretical and Methodological Basis of the Study

Considering the background and the nature of Eurasian integration, this research applies intergovernmentalism and neo-functionalism approaches to understand states' behaviour and the reasons behind the emergence of regional structures. This study also adopts the theoretical concepts introduced by Viner (Viner, 1950), Meade (Meade, 1955), Rivera-Batiz and Romer (Rivera-Batiz & Romer, 1991). The research analyses the phenomena of regional integration

using Balassa's understanding of the term and considers both the process of regional integration and the existing situation. With that, the study adopts the concept of the dynamic nature of the regional integration effects.

To conceptualize the relationship between regional integration and countries' economic performance and development, the study applies three strands of literature. First, it applies the neoclassical approach introduced by Solow (Solow, 1957) & Swan (Swan, 1956) and the effects on the production factors allocation and capital-labour ratio. Second, it explores the effect of integration using the endogenous growth theory. Based on the works of Rivera-Batiz and Romer (Rivera-Batiz & Romer, 1991), Baldwin (Baldwin et al., 1995) and Forslid (Forslid, 2000), it includes consideration of the impact of integration on competition and technology transfer. Finally, the study applies the institutional economics approach and investigates the impact of integration on the quality of governance and institutions.

To address the research questions, the study undertakes a quantitative ex-post assessment of the various parameters of economic growth and development. The inspirational methodological study for this research is the work of In 't Veld (In 't Veld et al., 2006) who proposed the application of inverse import tariffs for the evaluation of trade openness effects and the work of Hufbauer and Schott (Hufbauer & Schott, 1994), who at first rejected the binary approach and using dummy variables to capturing the effects of regional integration and proposed a concept of the depth and breadth of regional integration. Figure 2 represents the theoretical underpinning of this research.

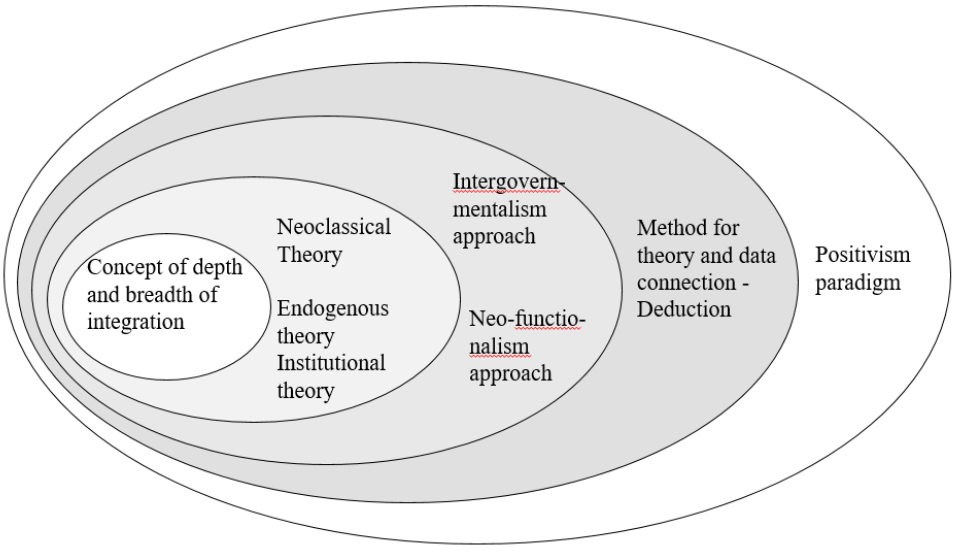


Figure 2: Theoretical underpinning of the research

Source: Author's conceptualisation of adopted theory

Practical Contribution

The aim of this thesis is to provide an overview of the key channels of the impact of integration on economic performance and development and to indicate the potential consequences of regional integration and trade liberalization for the national economies, including those participating in the EAEU. It also provides recommendations for policymakers within and outside the Eurasian region on the most growth- and welfare-inducing trade liberalization strategies. In addition, the research explains how the relationship between regional integration and economic performance can be applied to understand a real rather than a declared level of cooperation between integration blocks including the example of EAEU.

Viva statements:

1. Both breadth and depth of regional integration are important for understanding the effects of regional integration. With that, the impact of the depth of integration is always more significant than that provided by the breadth of integration. By giving a priority to a particular dimension of regional integration, policymakers could choose the type of economic outcome they want to experience following the formation of the regional blocks.

2. Regional integration around the world in its current form still primarily performs as a trade-facilitating instrument contributing to a better allocation of production resources, providing the economy of scale, and strengthening production specialization rather than driving the level of economic output, and thus the growth. In many cases, regional integration most significantly affects inward and outward trade flows and the level of employment.

3. Regional integration does not always result in positive development outcomes. Stronger convergence in social policies and strict budget criteria defined at the regional level may lead to the "retrenchment of the welfare state". By contrast, independence in social policies-related issues may lead to a higher support level (as national governments would tend to compensate for the shortcomings of regional integration). Strong institutions and effective redistribution mechanisms play a critical role in ensuring more generous social practices by national governments.

4. With respect to the regional integration effects for the EAEU, the study concluded that the existing form of regional integration does not have an equal impact on all EAEU members and does not represent the most beneficial strategy for the countries growth and development. There are two countries that benefit most from regional cooperation – Kazakhstan and Russia. All

other EAEU members receive mixed outcomes with a decrease either in trade and growth (Belarus) or employment (Kyrgyzstan). The economic effects of regional integration are limited to inward and outward trade flows. With that, economic integration is not the most efficient strategy for poverty and income inequality reduction in Eurasia.

5. While the Treaty on the EAEU promotes the goal of customs union formation, the empirical findings suggest that the Eurasian block is primarily performing as a free trade area, facilitating mutual trade between the country members, while creating zero or limited effects on other economic indicators such as GDP, capital accumulation and consumption.

6. Targeting better economic performance, governments of the EAEU countries shall focus on a combination of trade liberalization strategies supplementing regional economic integration with the unilateral liberalization of market access for 3rd countries. This may help to overcome any negative implications of integration, including trade diversion effects, and could lead to the development of more efficient trade patterns with non-members. Noting the difference in the effects associated with the increase in breadth and depth of regional integration, the EAEU decision-makers shall also prioritize deepening of existing regional cooperation rather than enlargement of the integration block. Finally, the EAEU countries should also concentrate on improving national governance, and institutions to overcome regional limitations and enable more equal distribution of integration benefits.

Publications

Following the topic of this thesis, three papers have been published in local peer-reviewed journals. Research findings have been presented at local and international conferences on the topic.

Publication list:

1. Померлян, Е.А. Будущее Евразийского экономического союза в контексте антироссийских санкций/ Е.А. Померлян // Горизонты экономики. – 2022. – Vol. 3. – No.69. (In Russian)

2. Pomerlyan, E. Integration Processes in Eurasia: Background, Challenges and Future/E. Pomerlyan // Gorizonty economiky. – 2022. – Vol. 4. – No. 70.

3. Померлян, Е.А. Торговые соглашения Евразийского экономического союза: текущий статус и перспективы/Е.А. Померлян // Вестник НГУЭУ. (Accepted) (In Russian)

Thesis Overview

Each Chapter of this thesis contributes to the relevant literature and area of knowledge.

Chapter 1 analyses the existing literature on regional integration and provides insights into the concept of regional integration. It presents the major paradigms to explain the emergence of regional structures and describes countries' motivation behind joining integration initiatives.

Within this Chapter, the study introduces the concept of breadth and depth of regional integration and sets the framework for further empirical evaluation. In addition, this part of the research conceptualizes the integration-growth and integration development nexus and presents the key channels of integration impact.

Chapter 2 focuses on Eurasian integration and, in particular, the Eurasian Economic Union. To capture the specificities of regional cooperation, this part of the research describes the background and the nature of the regional processes in Eurasia and explores countries' motivation for regional integration.

Furthermore, it structures and describes regional initiatives that preceded the formation of the EAEU, providing the insights into the goals and division of competence under the current regional arrangements. Finally, it focuses on the key challenges that stress-test economic integration in the region.

Chapter 3 is empirical and it contributes to the international economics and international development literature. This part of the research theoretically debates and empirically assesses the integration-growth and integration-development nexus. Within the framework of the research, this Chapter runs two separate ex-post assessments and concludes on the integration effects using the EAEU as a case study. The model and the results are then cross-checked through the application of the research method to other integration blocks.

Finally, this Chapter brings more clarity on the effects of Eurasian integration and helps to develop general and region-specific policy recommendations.

This research is an advanced step designed to contribute to a better understanding of the potential effects of regional integration within the growth and development dimensions. By running a case study, the research tries to look beyond regional patterns and develop conclusions that could be applicable across regions and across countries with the different level of development.

Table 1 provide an overview of the thesis according to each Chapter.

Table 1. Thesis Overview According to Each Chapter

	Chapter 1 Development of the concept and the review of literature	Chapter 2 Conceptualization of the Eurasian integration	Chapter 3 Analysis of the integration-growth and integration-development nexus
Title	Regional economic integration: conceptualization and potential impact on growth and development	Eurasian Economic Union: background, challenges, and current state	The impact of regional economic integration on economic performance and development in Eurasia
Study objectives	To understand the concept of regional integration; To define the theoretical paradigm of the research; To conceptualize the key channels of integration impact on growth and development	To understand the background and motivation behind economic integration in the region; To understand the EAEU goals and institutional design; To understand current limitations to cooperation agenda.	To design the empirical models to test the integration-growth and integration-development nexus; To test the models using the EAEU data; To present conclusions based on the results of the empirical tests.
The research question for each Chapter	- What are the potential implications of regional integration for countries' growth and development? - What are the key channels of integration impact?	- What factors shape the Eurasian integration? - How regional specificities could influence the effects of regional integration?	- What are the effects of the EAEU on growth and development of the member states? - What could contribute to a bigger impact of regional integration for the EAEU countries?
Methodology	Conceptual Chapter that aims to conduct a systemic review of the existing literature and present the theoretical background to the research.	Conceptual Chapter that aims to provide insights into the regional process in Eurasia and describe the specificities of regional integration that could impact the empirical tests.	Empirical Chapter to quantitatively test the hypothesis based on the EAEU data. Research method - random effects panel data analysis.
Data source	The systematic review was concluded based on the publications that were	Publications for this Chapter have been accessed via Science Direct, Taylor and	Data was retrieved from the World Bank website as well as from the World Integrated Trade Solution

	accessed via Scopus, a database managed by the Elsevier publisher.	Francis, Wiley and Blackwell, JSTOR, Springer, Books Google.	(WITS), online software which allows users to source trade-related information from the databases of the World Bank, United Nations Conference on Trade and Development, International Trade Centre, United Nations Statistical Division and the World Trade Organization.
Research outcomes	RQ1: Literature analysis suggests that regional integration may result in static (trade creation and trade diversion) and dynamic effects on growth and development. Within the growth dimension, it may lead to the economies of scale, improved factor allocation, and drive growth through the technological process. Moreover, the intangible effects of integration may include improved macroeconomic stability as well as better investment climate and institutions quality. Within the developmental dimension, regional integration may contribute to poverty reduction, improve social and living standards and impact employment.	RQ1: Based on the analysis of the background and the nature of the Eurasian integration key factors that shape regional cooperation include: - political, economic, cultural, and historic ties between the integrating states (EAEU as an example of holding-together regionalism) - shared priorities of the integrating states, among which are the growth of exports, unlocking the transit potential of the region, strengthening the common market, and human capital development; - underdeveloped institutions, weak rule of law, and a lack of good governance; - inefficient factor allocation, ignoring real comparative advantages;	RQ1: Based on the model outcomes, the EAEU most significantly affects inward and outward trade flows, raising exports and imports, negatively impacts employment, and does not provide significant effects on other indicators such as GDP, consumption, and capital accumulation rates. Analysing the effects of regional integration on development, the research suggests that the EAEU has a negative impact on social expenditures of the member states (primarily in health sphere), positively affects life expectancy and has no significant effects on poverty reduction or income distribution.

	RQ2: The conceptualization of the integration-growth and integration-development nexus helped to define the following key channels of integration impact: - trade (changing patterns in imports and exports); - labour market (poverty and migration levels); - productivity/value creation (technology dissemination, better factor allocation); - capital formation (reduced risk for investment); - dissemination of knowledge (exchanges, access to education); - institutions (regional policy benchmarks. redistribution mechanisms).	- focus on the short-term rather than the long-term gains; - weak production base, dependence on commodities exports; high exposure to external shocks. RQ2: - weak institutions may level down the effects of regional arrangements; - due to inefficient factor allocation and disregard for comparative advantages in the production sector following integration, trade diversion may overlap trade creation effects; - high exposure to external shocks may undermine any positive effect of regional cooperation; - shared priorities may help to align goals that are being set at the regional level; - despite the shared past, the absence of "regional identity" may limit countries' appetite for regional cooperation.	RQ2: Policy recommendations may include: - focus on deepening the regional cooperation rather than a simple enlargement of an integration block; - full implementation of the existing arrangements followed by further development of regional polices and institutional (with the special focus on labour market cooperation); - further improvement of governance and institutions' quality at the national level; - supplement integration with unilateral trade liberalization.

CHAPTER 1. REGIONAL ECONOMIC INTEGRATION: CONCEPTUALISATION AND POTENTIAL IMPACT ON GROWTH AND DEVELOPMENT

1.1. Regional integration as a concept.

This section aims to describe the phenomenon of regional integration paying special attention to the changing concept of regional cooperation. It also analyses the link between integration, growth, and development.

Definition of economic integration

Like any other socio-economic phenomenon, regional economic integration has witnessed a number of attempts for conceptualization. At the dawn of regional integration, many scholars viewed the phenomenon as a political or a peace-ensuring instrument with many studies being concentrated on European affairs (Haas, 1958; Mitrany, 1966). Strengthening the economic side of integration, the European project also motivated research into the evolution of regional integration and its implications for international trade (Viner, 1950; Meade, 1955). The first theoretical consideration of economic integration was based on the idea of the integrational expansion of market economy and equated regional projects with the establishment of customs unions and free trade areas.

The neoclassical debate on the "integration by the market" later formed a basis for a modern theory on international trade (Balassa, 1961). Further research that concentrated on the regional process in Africa and Latin America (Aron, 1953; Ropke, 1959) emphasized the weaknesses of the neoclassical approach and contributed to the introduction of an alternative model that expanded the scope of analysis beyond various aspects of international trade. The new approach investigated the structural changes caused by regional integration and considered the possibilities for optimization of the socioeconomic effects. As a result, scholars have begun to view regional integration as a dynamic rather than a static phenomenon as proposed earlier by the customs union theory.

Despite an extensive analysis of regional integration, there is no universal and comprehensive definition of the notion. The difficulty of drawing a precise definition deals with the multidimensional character of the phenomenon and the dynamic nature of regional integration. When analyzing regional integration, economists, political, social, and international relationship scientists all highlight different aspects of the notion, making it difficult to produce

a general definition. Moreover, all regional initiatives represent the ongoing processes that evolve in response to the intra- and extra-regional changes. The theory follows the experience and so the approaches to the conceptualization of regional integration keep evolving. As noted by Doidge (2007), in the XXI century, regional integration has been transforming from a purely economic into a socio-economic phenomenon and an instrument for development. The latest international developments such as the global pandemic, disruption of global production and financial networks, and the rise of geopolitical tensions could lead to the development of new aspects of regional integration experiences.

According to Nye (1968), the ambiguous concept of regional integration - generally defined as "forming parts into a whole"- can be divided into three separate types:

- "economic integration" will refer to the formation of a transnational economy;
- "social integration" will imply the establishment of a transnational society, and
- "political integration" or a process towards transnational political interdependence.

Using this approach rather than talking about integration in general, this thesis will limit the analysis only to the notion of "economic integration". Such disaggregation will enable the analysis to develop more meaningful findings than that resulting from the application of the general understanding of the phenomenon.

According to Balassa (1961) who was among the first to contribute to the development of a regional integration theory, the term economic integration includes both "a process" and "a state of affairs" (the opposite to Haas (1968) who viewed integration as only a "process" toward unification). Balassa defined "a process" of economic integration as "measures designed to abolish discrimination between economic units belonging to different national states" while describing "a state of affairs" as "the absence of various forms of discrimination between national economies." For Nye (1968), economic integration is a "process of strengthening interdependencies between neighbouring states with common features that partially or wholly reduce their national sovereignty". Following another interpretation (Santos-Paulino et al., 2019), regional cooperation is "the process of seeking mutual interests through the complementary nature of diverse economies". According to Grimwade (2013), economic integration represents "a joint effort of several, often closely located, countries to bind together and create a single region through reducing barriers to factor movement and to establish common institutions with transference of national powers to a higher level". For the Russian researcher Shishkov (2001), integration is the highest degree of interdependence of the

economies when “separate national goods, services, capital and labor markets are merging together in order to form an integral space with a single monetary and financial system as well as a single legal base and a high degree of coordination of internal and external economic policy”. A similar definition is provided by Liventsev and Harlamova (2001) who underline that regional economic integration is a “process of gradual unification of several national economies” that lead to a “formation of a new integration entity”. The researchers highlight that regional integration results in the “emergence of a new type of integrational economic relations”. Finally, underlying the relationship between regional integration and globalization Butorina (2005) notes that “regional integration is a way of conscious and active participation of a group of countries in the processes of world stratification caused by globalization”.

From the definitions above it is possible to conclude that economic integration involves the following:

- it implies the elimination of barriers and discrimination;
- it takes place between countries that share geographic, economic, historical or other special affinity;
- it results in the establishment of joint institutions with the responsibility to strengthen integration;
- it aims to ensure the complementarity of constituencies and involves the interplay of key political actors of integrating states.

For the EAEU, which serves as a case study for this research, economic integration means more than a measure eliminating trade barriers. Integration is adopted as an instrument for economic growth and development, and a tool that would reduce region’s dependence on industrialized partners and enhance the bargaining power of the group (Eder, 2021). It therefore requires a transfer of competence and political powers from states to supranational bodies with the latter responsible for the realization of the objectives of the integration project.

Theories of integration

There are at least six major paradigms to explain the behaviour of the states and the emergence of regional structures: federalism, functionalism, neo-functionalism, intergovernmentalism, neo-realism, pluralism or transactionalism. The first four families of theories emerged in response to the development of European integration and not rarely referred to as classic

schools of integration studies. These paradigms seek to explain the principles of regional cooperation as well as decision and policy-making processes. As noted by O'Leary (1979) the above four theories contrast with reference to the sort of community that is to merge following the integration process and the process by which this community is likely to be forged. The other two schools – neo-realism and pluralism – concentrate on the integrative experience itself and see regional integration as a formation of a community of states. They represent the perspective of international relations scholars. There are no references in those theories toward any specific form of supranational organization that could supersede national state. On the contrary, those paradigms take the most "realistic" approach to integrational studies and consider integration as a culmination of diplomatic and strategic integration efforts aimed at ensuring the safety and stability of the system.

Federalism. A federalist approach implies the application of federal principles to the process of regional integration (Brugess, 2003). In particular, federalists are concerned with the formation of political unity through formal legal instruments and the establishment of federal institutions. Federalism highlights the importance of the original interdependence of integrating parties and puts a special emphasis on their ideological, cultural and historical unity (Wheare, 1963). A federalist approach provides a theory of how countries may unite peacefully and overcome the shortcomings of the national state in maintaining peace and security.

Functionalism. A functionalist approach as introduced by Mitrany (1948) implies that existing interdependence among states, cross-national trade and capital flows create favourable conditions for functional cooperation. Such cooperation should be organized at the level of international organizations, for example United Nations agencies along basic functional needs (transport, medicine, production), and as such should not have geographical constraints. Mitrany (1948) claimed that that there were "such needs that cut across national boundaries," and offer an effective way towards socioeconomic welfare that can ensure lasting peace in creating joint agencies for addressing these common needs.

Neo-Functionalism. The inability of functionalism to predict the evolution of the European integration led to the adjustment of the approach and the introduction of an alternative paradigm. Contrary to federalism, neo-functionalism as proposed by Haas (1958) did not reject the idea of a national state and only viewed it as becoming irrelevant. With that being opposite to functionalism, it argued that integration in one sector would gradually trigger integration in

other sectors, ensuring a step-by-step process. It believed that “interests” would motivate integration rather than “moral principles.” Therefore, in advancing functionalism, neo-functionalists argued that integration required political will and federal organization. Further explaining the mechanism of integration development, Haas & Schmitter (1964) noted that integration provokes a "spill over" effect. This means that integration in one sector would tend to spread to other sectors. The pressure for integration would result from the functioning of joint institutions and the political, social and economic processes that relate to their activities. Neo-Functionalists also emphasized the need for “low politics” and the primarily importance of addressing practical concerns of integrating states.

Intergovernmentalism. The intergovernmentalist approach views states as key actors in regional integration. Joint institutions under this paradigm only facilitate or overview the implementation of collective decisions of national authorities. According to Hoffmann (1966) the track of regional integration is defined by sovereign governments that pursue their own national interest. States decide on major internal and external issues and realize common objectives. The integration dynamics depends on the national interests and the power that can be brought to deal with specific issues.

Neo-realism. Revising the elements of traditional realism, the neo-realist approach considers integration as a rational act of survival aimed at anarchy on integrational relations. In particular, the European integration is viewed by neo-realists as a way to respond to regional pressures and challenges and to maximise state benefits (Milward, 1992). Following a state-centric approach, neo-realists consider integration an adoptive response to rescue rather than surrendering a nation state. Under neo-realism paradigm, states cooperate self-interests with similarly positioned states rather than achieving supranational goals or competing within a new international order.

Pluralism or Transactionalism. The key concern of pluralists is ensuring peace and stability. Within this context, integration is viewed as a conflict-resolving instrument that strengthens cooperation to the point where conflicts become inconceivable. Therefore, numerous transactions in trade, capital, and movement of people are considered by the paradigm as the causes rather than the consequences of integration.

Different regional and historic conditions and diverse agendas of integrating states make it impossible to conclude on a single theory that can adequately explain the dynamics and the process of regional integration. While one can struggle with defining a universal theoretical concept, finding an explanation as to why and how a specific integration process develops seems to be a more feasible task. In particular, the analysis of the regional arrangements and the motivation behind the EAEU confirms that federalism can hardly be used to explain regional integration. This is because one of the key principles of federalism, equality among deferral units, can hardly be ensured with one of the units having almost 80% of the market and population. Pluralism and neo-realism can also be rejected due to their "security and peace" orientation of the paradigms. On the other hand, intergovernmentalism and neo-functionalism seem to be a better fit to explain the Eurasian integration. As in other intergovernmentally based regional arrangements, the national authorities of the EAEU enter integration voluntarily and rationally, they respect state interests and are fully conscious of their costs and benefits. Despite the existence of joint institutions, the EAEU governments keep a leading role in defining the future of a grouping. On the other hand, the logic of the EAEU development confirms the existence of a "spill-over" effect and a step-by-step expansion of integration between functional areas typical for the neo-functional regional arrangements.

Evaluation of regional economic integration

Conceptualizing economic integration, Balassa (1961) introduced a theory that distinguished five separate stages of the "suppression of discrimination" among integration members. The differences created in the removal of the discriminatory measures for the integration stages ranging from a free trade area to a comprehensive economic integration are illustrated in Table 2.

Table 2. Balassa's Approach to the Classification of the Integration Process

	Free Trade Area	Customs Union	Common Market	Economic Union	Complete Economic Integration
No tariffs, quotas	yes	yes	yes	yes	yes
Common external tariff		yes	yes	yes	yes
Free flow of production factors			yes	yes	yes
Harmonization of economic policies				yes	yes

	Free Trade Area	Customs Union	Common Market	Economic Union	Complete Economic Integration
Unification of policies and political institutions					yes

Although Balassa's interpretation helps to further explore the concept of regional economic integration and to classify the existing regional project, the framework is viewed by some as arbitrary and misleading (Nye, 1968). The reasons for that are the lack of congruency with reality and a use of the ambiguous terms (e.g., "common market"). In fact, Balassa's concept of stages implies a linear gradual movement from one level of integration to another while the real sequence can be non-linear, and the boundaries of different stages may overlap. For instance, the formation of a "common market" might require an element of "economic union" while a "customs union" could include some aspects of "complete economic integration" that relate to the delegation of authority to a supranational level. Balassa's theory further suggests that economic integration comes gradually, and total economic integration is the inevitable outcome. The history of integration, however, proves that it is possible to change the order of the integration stages and implement more advanced levels before the earlier ones. The examples can be found in Latin America (with the Union of South American Nations initially established as a political alliance) and Africa (with the East African Community that harmonised fiscal policies before ensuring a free movement of production factors).

While recognizing the applicability of Balassa's categorisation for political and international relations studies, this thesis requires an approach that could better reflect a complex nature of regional economic integration. In searching for the appropriate methodology, the thesis relies on the work of Hufbauer & Schott (1994) who introduced the idea of evaluating the degree of integration by disaggregating the phenomenon into several elements. The approach that resulted in the development of the Integration Achievement Score allows us to systematically measure economic integration and develop comparable characteristics for the analysis of the phenomenon within and across regions (Genna, 2017). The applicability of the approach across regions also allows its application for testing generalizable hypotheses on regional economic integration. According to Hufbauer and Schott, regional integration has six elements:

a) liberalization of trade in goods and services (the minimum foundation of regional integration);

b) liberalization of capital movement (ability to invest and withdraw investment);

c) liberalization of labour mobility (ability to seek employment and higher wages in other markets);

d) formation of joint institution (the degree of authority delegated to a supranational level);

e) monetary policy coordination (establishment of common exchange rate policies);

f) fiscal policy coordination (setting common spending criteria).

The degree of integration within each category is then analysed using the levels from zero to five across Guttman scale with higher value reflecting deeper level of integration in each category (Table 3). Equal weight is applied to each category. The final index represents a simple average of the scores across all six categories. The application of Hufbauer & Schott's methodology ensures a high degree of objectivity as the progress across elements of integration is evaluated using ratified agreements, protocols and other legal instruments implemented by the constituencies of economic integration in order to meet the agreed obligations. Little deviations may occur only in the case of poor or inconsistent implementation of the integration obligation of constituencies. This can be further refined using the information contained in the progress reports published by integration authorities or a series of expert interviews.

Table 3. Hufbauer & Schott's Integration Achievement Score Coding System.

1. Liberalization of Trade in Goods and Services
0 = No agreement made to lower tariffs and non-tariff barriers
1 = Preferential Trade Agreement
2 = Partial Free Trade Area
3 = Full Free Trade Area
4 = Customs Union
5 = No barriers among member countries
2. Degree of Capital Mobility
0 = No agreement made to promote capital mobility
1 = Foreign Direct Investment allowed in limited form
2 = Capital Withdrawal allowed
3 = Full access for foreign investment and capital withdrawal, except for national government procurement
4 = Full capital mobility expect for large scale mergers and acquisitions
5 = Full capital mobility without restrictions

3. Degree of Labour Market Mobility
0 = No agreement made to promote labour mobility
1 = Right of movement granted for select professionals
2 = Full right of movement
3 = Transferability of professional qualifications granted
4 = Transferability of pensions and other retirement devices
5 = Full freedom of movement
4. Level of Supranational Institutional Importance
0 = No supranational institutions
1 = Establishment of nominal institutions
2 = Information gathering and advisory role
3 = Ability for Institutions to amend proposals
4 = Ability for Institutions to veto proposals
5 = Supranational institutions operate as primarily decision node
5. Degree of Monetary Policy Coordination
0 = No monetary policy coordination
1 = Consultation regarding policy
2 = Commitment to maintain parity
3 = Coordinated interventions
4 = Regional Central Bank established
5 = Single currency
6. Degree of Fiscal Policy Coordination
0 = No fiscal policy coordination
1 = Consultation regarding policy
2 = Commitments regarding deficit spending and taxation
3 = Sanctions regarding breaking commitments
4 = Uniform tax code
5 = Single budget

When first developed by Hufbauer & Schott, the Score was presented as a static parameter that would indicate the depth of integration for a particular moment in time. As this thesis considers integration as both "a process" and "a state of affairs," it plans to expand Hufbauer & Schott's

approach and to trace the changes in the depth of regional integration that reflect the development path of economic integration. The initial value of integration depth, in this case, will indicate the level from which the integration has begun while the final value will reflect the current state of affairs. The evaluation of the EAEU's integration depth using the Hufbauer & Schott's approach is presented in Chapter two of the research.

1.2. Rational for joining integration initiatives

Multiple examples of regional initiatives around the world suggest that economic integration means more than a simple abolishment of trade discrimination. In most cases, countries consider economic integration to be an effective instrument for growth and development. For developing countries integration also serves as a spin board for industrialization and a transformation of the economy. To understand the rationale behind countries' decision to employ joint integration initiatives, this subchapter will investigate possible growth and development implications of regional integration.

Growth implications of economic integration

The traditional integration theory considerations of the integration-growth nexus are based on the works of Viner (1950) and Rivera-Batiz & Romer (1991). Viner's work (1950) was particularly important as it challenged a simple argument that, from a global economic perspective, regional integration will nearly always raise world welfare. Looking at the static effects of integration that arise from a marginal allocation of production and consumption patterns (Axine, 1979), the proponents of the neoclassical growth theory only considered the trade-creation effects of economic integration emphasizing its desirability at all levels. The traditional integration theory proposed by Viner extended the consideration of regionalism and included in the analysis its trade-diverting effects. According to Viner (1950), trade creation occurs when the elimination of trade barriers between the participating states provokes an increase in the intra-regional trade as production shifts from high-cost to low-cost producers within the bloc. In other words, trade creation occurs when parties to regional integration gain an opportunity to purchase more affordable goods within the group at lower prices. Favouring the intra-block trade regional integration significantly affects the imports from non-members of the regional initiative. In particular, the elimination of tariffs and, in many cases, alignment of the administrative requirements within the group create the stimulus for redesigning the

trade flows and substituting the low-cost imports from non-members with more cost-intensive products from the block participants. The economic literature refers to such integration effect as a trade diversion effect.

Viner's analysis of the effects of regional integration was further expanded by Meade (1955) who claimed that trade creation and trade diversion only relate to the production effects of regionalism provoked by the reallocation of resources. Simultaneously, the creation of economic blocks also leads to the consumption effects, which appear due to the changes in the prices of goods resulting from the creation of larger markets. The elimination of tariffs between participating states lowers the prices, which in the case of positive demand elasticity stimulates the demand and drives the level of consumption up (Waheeduzzaman, 2017). As reasonably stated by Grimwade (2013), inclusion of the consumption effects into the consideration of integration increases the potential welfare gain nations might receive from entering regional economic blocks.

While considered by many as static effects that appear shortly after the formation of regional block trade, related implications could also provoke a better utilization of domestic resources and provide incentives for capital movement thus stimulating domestic capital formation. The latter are mainly referred to as the dynamic effects of integration which are considered under a so-called new integration theory. There is no agreed list of the dynamic effects that result from economic integration but many scholars point to:

1) benefits related to the economy of scale (Corden, 1972; Balassa, 1961);
2) improvements in the efficiency driven by increased competition (Marinov, 2014);
3) technology spillover and dissemination of knowledge (Rivera-Batiz & Romer, 1991; Ventura, 2005);
4) greater market stability (Venables, 2001);
5) improvement of investment rankings (Baldwin et al., 1995);
6) higher quality of institutions (Dollar & Kraay, 2002; Hadhek & Mrad, 2015);
7) more opportunities for internationalization of business (Plummer et al., 2010);
8) stronger position in the international arena and wider development opportunities (Moravcsik, 1998).

According to the Obolenckiy (2011), there are three clearly distinguishing implications of regional economic integration “trade creation”, “trade diversion” and economy of scale. The cumulative result of all integration effects could be both positive and negative as “trade creation” and “trade diversion” increase the risks of inefficiency and reduce incentives for improving competitiveness.

A particular importance of dynamic effects of economic integration was highlighted by Linder (1966) who explored the rationale behind the formation of integration schemes among developing countries. In particular, he claimed that a trade diversion effect could benefit developing countries in cases where it is the result of a successful import-substitution industrialization. Further, Linder (1966) noted that diverting imports of finished goods from foreign industrial suppliers enables the countries to reallocate scarce foreign exchange on imports of input materials therefore contributing to better capacity utilization and stimulating growth. Linder’s idea of “efficient trade diversion” implied that the search for the most efficient supplier had to be replaced with the search for the most advantageous transaction for the national economy.

Further analyzing the effects of market enlargement resulting from economic integration, Corden (1972) argued that in a situation where certain production existed in two or more countries that enter a regional group, the gains from regional integration could go beyond conventional trade creation and include cost reduction that would result from lowing the prices of existing supply sources. Corden suggested that further exploration of the potential effects of regional integration could enable a launch of new production that none of the group constituencies previously had. In that case, the elimination of trade barriers under regional arrangements would lower the production costs to the level at which its own production becomes economically feasible.

A particular importance of regional integration for economic growth was highlighted by Baldwin (1989), who explored medium- and long-term effects of trade liberalization. Following the assumption that regional integration improves factors allocation and thus causes an increase in output, he argued that the key source of growth in the medium term is the physical capital formation. Increased output promotes higher savings, which then lead to higher investment rates. The latter induces output increase in a cumulative way. Such permanent growth is only possible in a situation when we consider the technological process as an endogenous variable, which contributes to a more rapid growth in the long term.

There are also a number of non-tangible effects of integration, such as macroeconomic stability, improvement of investment rankings and overall improvement of the institution's quality. Regional integration positively affects the political and international environment, induces mutual trust and works as an insurance against any form of trade war. Finally, it deals with the shortcomings of unilateral liberalization contributing to the establishment of more stable institutions (Venables, 2001).

The institutional aspects of integration reflect the complex nature of the phenomena. In particular, as a deregulatory instrument aimed at the elimination of trade barriers, regional integration also reveals a re-regulatory imprint. The latter relates to the adoption of single rules (e.g., for functioning of a common market) and requires a delegation of agenda-setting and enforcement powers to independent supranational authorities (Hix, 2010).

Such delegation if designed wisely could significantly improve the quality of the decision-making process, establish a robust system of checks and balances, and effectively promote the collective interests of integrating states (Pollack, 2003). While the proponents of the neo-classical approach to economic theory presume that market and economy are naturally pareto-efficient, in real life it is institutions and high-quality legislation that balances market failures. The delegation of powers to independent supranational bodies limits the possibilities for power abuse and helps to further reduce negative market externalities. Figure 3 illustrates some of the consideration on the relationship between integration and economic performance.

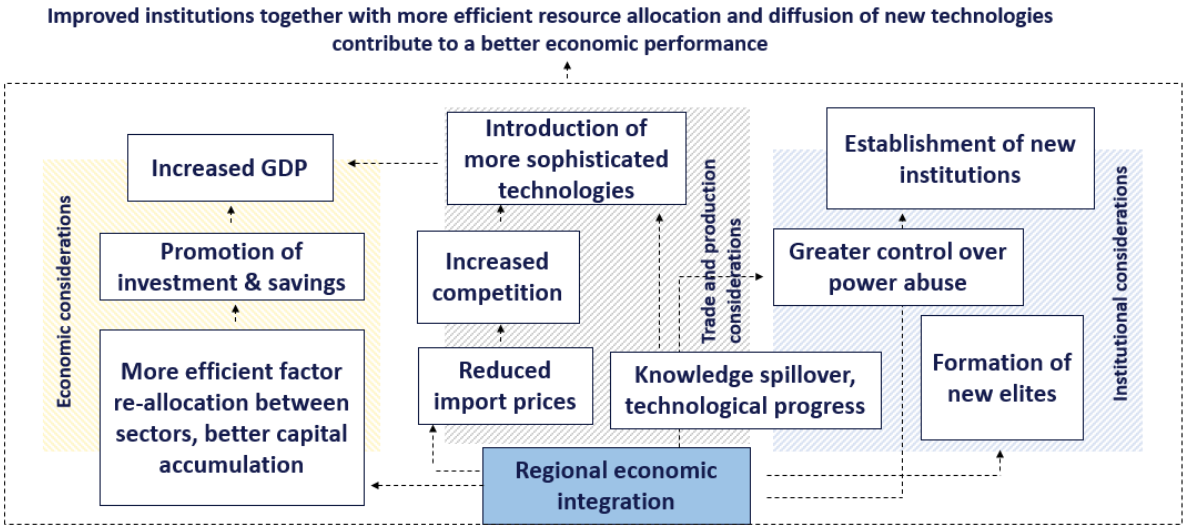


Figure 3: Theoretical conceptualization of the Integration-Growth Nexus.

Source: Author's elaboration based on selected literature presented in Table A1, Appendix A.

Economic integration for welfare and development

Over the last few decades, economic integration has evolved from a purely market instrument and transformed into a tool for development. The scope of regional integration went beyond trade and market issues and expanded towards investment in infrastructure, solving regional issues, enabling logistics and connectivity, and setting single standards and regulations (UNDP, 2011). Moreover, economic integration agenda incorporated poverty reduction and equity-related issues (Yeates, 2014).

Most of the existing literature approaches integration effects from a purely economic perspective, leaving aside the considerations related to the social sphere. For example, In ‘t Veld et al. (2006) argued that poverty reduction was a simple knock-on effect of regional integration that led to a better economic efficiency, trade-led growth, and investment in employment. Most scholars view regional integration as a way for trade facilitation as well as an instrument for capital and people movement that can influence prices and affect economic output (Riggirozzi, 2017). With that, the majority of the existing literature overlooks the effects of closer political cooperation between integrating states, leaving unexplored how regional integration can benefit welfare, including human development, equality, health, and education.

The limited research on regional integration within the social policy agenda (Threlfall, 2003; Madeira, 2014) focuses on the EU regulatory framework for the harmonization of rights and policies in the social sphere or explores the effects of cross-border coordination mechanisms for employment, food security, and education (Vigevani & Aragusuke, 2013). In recent years, with the changing perception of the role of economic integration and the emergence of the "developmental regionalism" idea (Doidge, 2007), scholars started to pay more attention to the social dimensions of regional cooperation, putting a particular emphasis on welfare and the poverty reduction effects of integration (Riggirozzi, 2017). Figure 4 illustrates some of the consideration on the relationship between integration and development. The shift in focus of regional scholars also mirrors the evolution of the term development, which is perceived today as a combination of economic progress and an improved quality of life (UNDP, 2011). The latter deals directly with the concept of human welfare that combines multiple elements starting with health and education and ending with income and security.

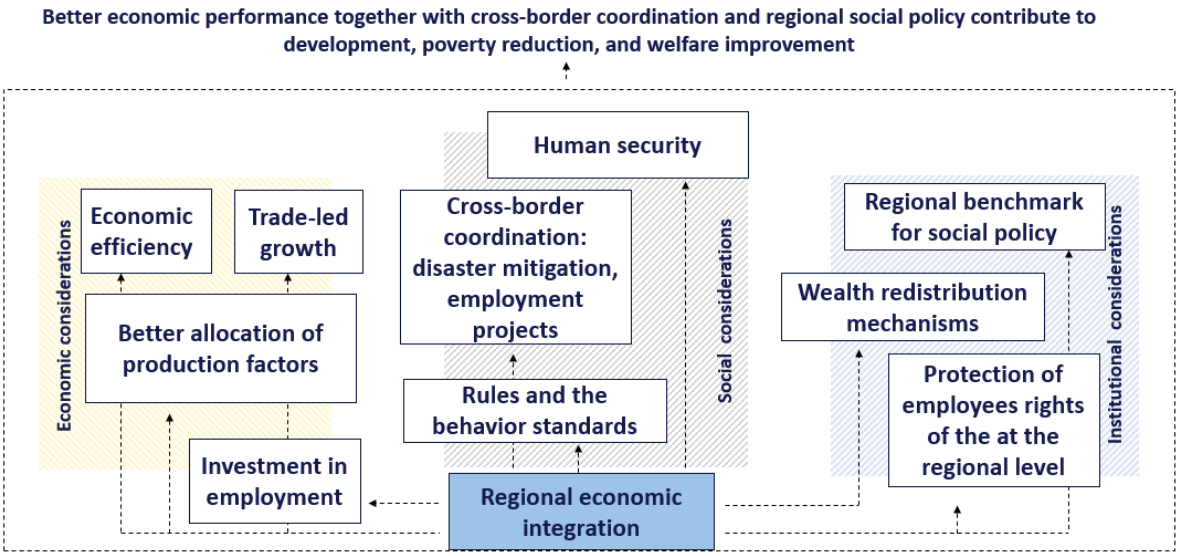


Figure 4: Conceptualization of the Integration-Development Nexus.

Source: Author's elaboration based on selected literature presented in Table A2, Appendix A.

A "developmental regionalism" approach to economic integration implies that, between states, cooperation goes beyond simple trade facilitation and encompasses a broad range of areas, including research, industrial and infrastructure development, and focuses on the non-economic benefits of regionalism (Sloan, 1971). One of the objectives of developmental regionalism is to promote local processing and to create regional value chains in the sectors where the integration blocks can enjoy a high competitive advantage. Another element of developmental regionalism deals with strengthening the private sector and entrepreneurial activities. Finally, the third aspect of developmental regionalism lies in building economic linkages among integrating economies to create "development corridors" within the most promising sectors of the economy (Akinkugbe, 2020).

Responding to the policymakers' request, academia started to investigate the effects of regionalism on poverty reduction, social spending, health, and such non-economic benefits as the creation of collective identities and securitization.

The debate on the relationship between regional integration and poverty was initiated by Schiff & Winters (2003) and In 't Veld (2006), who analyzed the impact of market enlargement and labour migration as well as stressing the importance of regional policies for ensuring an equal distribution of integration effects. These scholars suggested that a free market and regional agreements could result in larger social benefits. Under this approach, wellbeing is viewed as an ultimate result of economic growth. Another consideration of the integration-poverty nexus includes the analysis of transnational cooperation (Yeates & Deacon, 2006) and research into

cross-border coordination, including the implementation of joint food management, disaster mitigation, and employment projects. This approach suggests that economic integration impacts the social development of integrating members by setting the parameters or benchmarks of regional policies. As stated by Deacon (2008), regional integration creates the institutional framework that has a significant impact on poverty reduction.

Commenting further on the potential effects of integration on poverty, Gasiorek et al. (2016) argued that the results might be asymmetrical across regions. The differences would derive from the nature of the institutional arrangements that manage the integration process and, in other words, the scope or ambition of the depth of regional integration. The working paper of the Asian Development Bank (2018) also indicated that the poverty reduction effects of integration are more significant for lower-income countries. The study that covered 156 economies around the world confirmed the poverty alleviation effects of integration are closely interconnected with the degree of regional cooperation.

The existing literature suggests that regional integration may affect social policies and social spending in three ways. First, integration may increase labour and capital mobility (Ventura, 2005) and provide additional wealth and resources for integrating states. On the other hand, regional economic integration may provoke positive social outcomes via compensation and increased social spending that national governments would provide to society in order to mitigate the insecurity and employment losses resulting from joining integration initiatives. Examining the implications of the European integration, Caporaso &Tarrow (2009) argued that the formation of the common labour market resulted in higher social standards as the EU Court of Justice actively promoted the protection of the rights of the employees at the regional level. Furthermore, regional integration may significantly impact national policies through joint institutional arrangements demanding social spending change (Madeira, 2014). As opposed to that, regional initiatives may stimulate the counties to cut off their social programs and amend tax regimes to increase the attractiveness of the economies to foreign businesses (Lawrence, 1997). According to Pierson (1996), national governments may also retrench social spending more successfully, blaming it on the integrational authorities that can place demands on the member states via institutional arrangements (Feng & Genna, 2003). Finally, regional integration lacking the social dimension may have no effect on social policies at the national level. For instance, Huber & Stevens (2001) and Mosley (2005) argue that the social policy adjustment mainly depends on domestic changes and is triggered by the demographic growth or structural changes in the economy rather than regionalization or trade openness.

The analysis of the relationship between regional integration and employment also results in mixed outcomes. Some studies indicate that regional initiatives can create scale effects in labour rights and contribute to better working conditions (Deacon, 2008). Moreover, many scholars underlined that economic integration could drive employment via labour or job mobility. Others suggested that a stronger market competition that results from regional integration can undermine less developed sectors of economies and shorten employment. In his study, Krueger (2000) underlined that, with freer markets more exposed to external shocks, the demand for social protection rises. Labour market management remains key in ensuring the delivery of potential benefits of economic integration on regional employment. It sets the rules and the behaviour standards toward the most vulnerable parts of the labour force, securing social protection, adequate labour legislation, and social dialogue between the employees and the employers. Regional institutions could also include courts or enforcement bodies that would help to ensure the implementation of efficient labour policies for those countries where it is associated with high costs. This is especially true for developing regions such as Africa that might experience difficulties with securing high labour standards (Eder, 2021). Acharya (2011) also suggests that regional integration bodies can be efficient in ensuring 'normative congruence' or translating international norms to the local context while slightly adjusting them with due account to local bars and beliefs.

Beyond providing stronger institutional and policy engagement, regionalism also contributes to a process of identity formation. The latter serves to strengthen the so-called "human security" (Axworthy, 2000). Unlike the traditional approach to understanding security, the concept of human security is multidimensional and includes safety from the threats of diseases, hunger, repressions, and the overall disruption of daily routine (Lawson, 2005). Taking on board this concept of security, regional integration initiatives serve as essential protectors of minority rights and help to ensure stronger human and societal security more generally (Thiel, 2007).

Based on the above description of the relationship between integration and growth and development, and considering the goals set forth in the Treaty of the EAEU, it is fair to conclude that the motivation of the block constituencies towards economic integration includes:

- a desire to strengthen national economies;
- a goal to ensure economic progress by strengthening business activity, mutual trade, and competition;

- an intention to create a basis for professional, socio-cultural and economic development of individuals.

1.3. Systematic literature review

To support the study and build a comprehensive set of publications for objective research, this section presents a systematic quantitative literature review strengthened with bibliometric mapping and a TCCM approach. The literature review is carried out to demonstrate the evolution of the topics related to the research and to capture the factors of economic growth and development most affected by economic integration.

Review approach

According to Paul & Criado (2020), the review of literature can be conducted in different ways, among which are:

a) theory-based (Rindfleisch & Heide, 1997; Gilal et al., 2019);

b) domain-based reviews, which can be further classified into structured (Kahiya, 2018; Paul & Feliciano-Cestero, 2021), framework-based (Paul & Benito, 2018; Lim et al., 2021), bibliometric review (Ruggeri et al., 2019), hybrid-narrative reviews (Paul et al., 2017) and review aiming for theory development (Paul & Ma, 2019; Paul, 2019);

c) method-based (Voorhees et al., 2016) and

d) meta-analysis reviews (Rana & Paul, 2020).

To conduct an objective overview of the various literature, the thesis first adopts a systematic quantitative literature review method (Tranfield et al., 2003; Denyer & Tranfield, 2006; Rousseau et al., 2008). According to Grant & Booth (2009), a systematic review is one of the most reliable and efficient methods of collecting and assessing the existing knowledge literature.

With regional economic integration only rarely being reviewed from a political standpoint, which can be biased and preconceived, it is fair to assume that the narrative approach towards literature analysis could have been subjective (Griffiths, 2002) and not result in an exhaustive and accurate representation. While in a narrative literature review, a researcher takes the lead in the selection process of the publications, the systematic review proposes clear rules based on which the final selection of studies is built (Tranfield et al., 2003; Denyer & Tranfield,

2006). Moreover, preliminary research showed the absence of systematic literature analysis of the phenomenon in the pile of existing academic knowledge. In contrast, Han (2018) and Hosny (2013) published the narrative literature review. To advance the results of the systematic literature review, this section will include bibliometric mapping. This approach to the analysis would help to better understand the trends in the existing integration-growth literature and identify possible directions for future research (Perianes Rodriguez et al., 2016). Applying bibliometric mapping techniques, the research will employ two main approaches – bibliographic coupling and bibliographic co-occurrence. To highlight the research gaps and to develop suggestions for future research, the TCCM methodology (Rosado-Serrano et al., 2018; Paul & Rosado-Serrano, 2019) will be used.

Data collection

To collect a comprehensive set of studies on regional economic integration and economic growth, the author has reverted to one of the largest sources of academic literature – Scopus, founded and managed by the Elsevier Company and broadly following the selection scheme introduced by Tranfield et al. (2003), Denyer & Tranfield (2006) and Rousseau et al., (2008). Scopus was chosen as a database for the selection process due to the high level of its inclusivity (Scopus currently indexes around 1.4 billion items) and its convenient interface allows for the effective retrieval and analysis of large datasets. Moreover, the preliminary selection of publications using the keywords-based query proved that Scopus returning a bigger number of results would be the more suitable option for running a systematic literature review on integration-growth and integration-development nexus than its direct competitor Web of Science.

The systemic literature review included five steps. Each step was applied to granulate and narrow the scope of available publications to create a concise and objective set of studies for further analysis. After studying a number of guidelines for systemic review (Tranfield et al., 2003; Moher et al., 2009) and considering the specificities of the research subject, we designed the selection approach, which has incorporated both quantitative and qualitative selection queries (Snyder, 2019) aimed to address the research needs most objectively and efficiently. Data applied for this literature review was collected from May to November 2021.

First step – initial search. The search query introduced to compile the initial bulk of studies dealing with the phenomenon of regional economic integration included the following keywords:

"economic integration",

"disintegration",

"trade liberalization",

"regional integration",

"single market",

"economic union" and

"customs union".

Retrieval queries were combined with the "OR" operator. The database was screened for these word combinations in abstract, title, or keywords. Based on the described retrieval request and with no further limitations, the database returned 62,400 documents.

Second step – initial validation. This was based upon the field of study and the date of the publication. We employed a number of selection criteria to refine the results and receive a more targeted selection of academic literature on the phenomenon under research. Thus, with a new inquiry, we have restricted our search in terms of the following criteria:

1) research fields – publications had to belong to Business, Management, and Accounting; Economics, Econometrics, and Finance or Social subject areas;
2) type of publication – selected papers had to represent an article or editorial;
3) timeframe – studies had to be published after 1993 (even though the Maastricht Treaty declaring the formation of the first single market around the globe was signed in 1992, it officially came into force only in 1993 when the ratification processes in the member countries were completed);
4) language – papers had to be either in English or in Russian (as the research deals with the analysis of the integration effects in the Eurasian region the latter can be a contribution for compiling an objective and non-bias overview of existing studies).

The search query returned a list of 11,232 publications that required further narrowing based on the described criteria. The majority of the selected papers were in English, Russian papers contributed to about 2% of the list. As this step of the data collection returned several thousands of publications, we continued the selection process to get a more targeted set of academic knowledge.

Third step – validation. The search was based on the main topics studied by the publication. In this step, the results were divided into two streams to separate the literature that addresses integration-growth and integration-development nexus. To restrict the search only to publications that address growth and development dimensions of integration, additional selection criteria were employed. In particular, the bulk of articles was limited to those indicating the keywords that represent the central scope of our research: "development" and "economic growth". As a result, we've identified two sets of literature. The growth literature included 668 publications, while the development literature had 315 publications.

Fourth step – validation. This was based on the number of citations. The analysis of Scopus data showed that despite many publications focusing on exploring the growth and development effects of integration, there were only 30% of studies with a citation index above 10. Considering the qualitative nature of the citation ranking introduced to reflect the real degree of author's or publication's value and aiming to include into the scope of the review the most reliable and meaningful literature within the selected field of study, we further proceeded with limiting the search query with the 100 most cited articles on the integration-growth nexus. To avoid bias selection towards old and, therefore, the most cited articles, we followed Granstranda & Holgersson's (2020) approach to literature review and included into the selection process the 20 most cited articles published in 2018, 2019, and 2020.

Fifth step – final selection. During the last stage of our selection process, we designed and applied specific fine-grained criteria (Table 4) that provided the experts with an objective basis for an inclusion/exclusion decision. Final selection criteria were introduced to define the best-quality evidence for future research (Tranfield et al., 2003; Denyer & Tranfield, 2006) and only focus on the papers directly related to the research question. Under this selection, the experts evaluated the studies based on their interpretation of the term "integration", type of research, degree of contribution to existing knowledge, and the quality of data applied. Only original studies with an authentic approach were selected. We have restricted our search in terms of the following criteria with a new inquiry.

Table 4. Fine-Grained Inclusion/Exclusion Criteria for Literature Selection

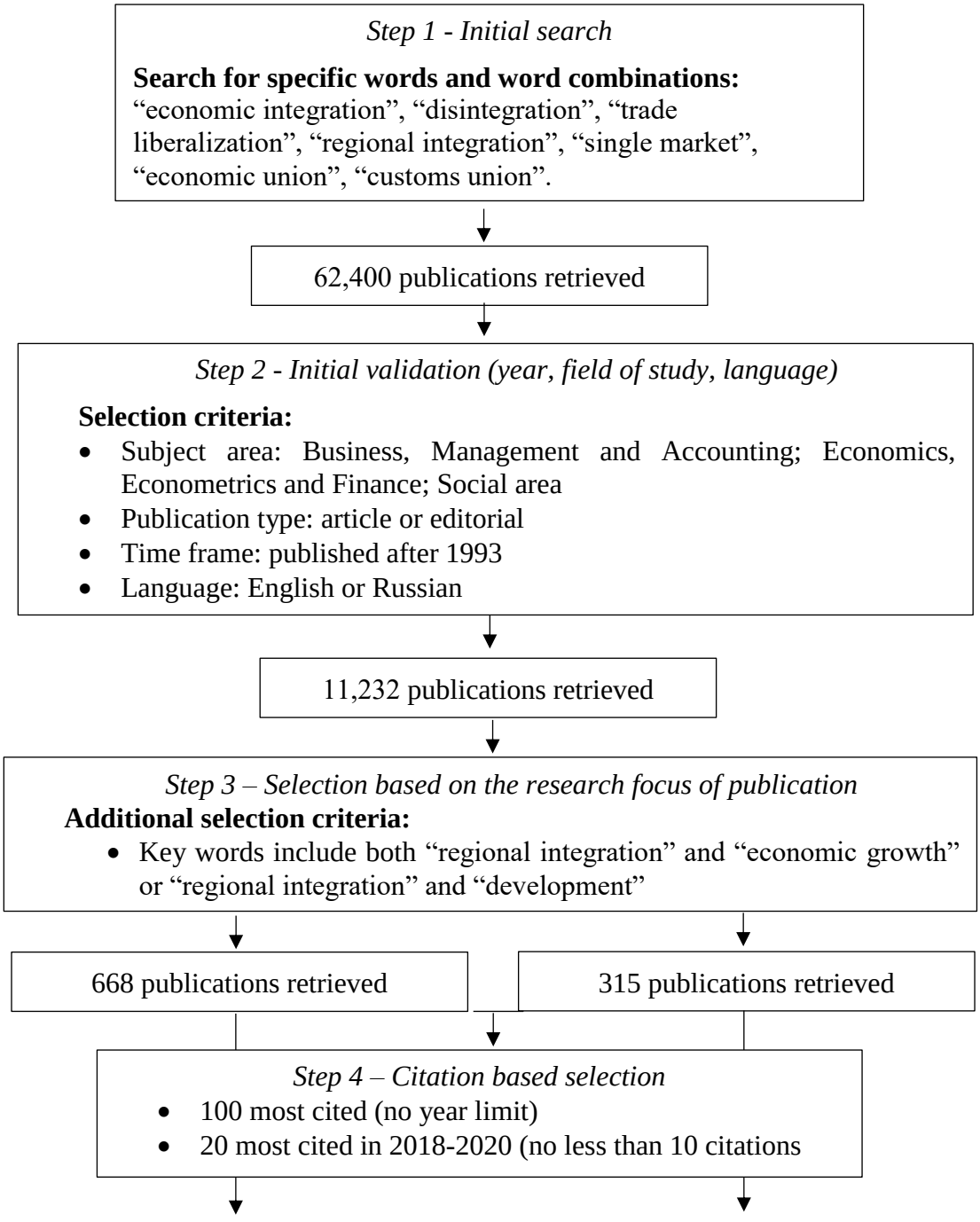
Decision variables	**Inclusion criteria**	**Exclusion criteria**
Definition of the term "Integration"	The term "Integration" is considered as an economic notion that represents one of the forms of advanced economic cooperation (free trade arrangements or customs unions)	The term "Integration" is considered as a non-economic notion and analyzed from a cultural, historical and/or corporate standpoint.
Type of research	Quantitative and qualitative empirical research.	Opinion, conceptual, theoretical.
Coverage	Existing regional integration initiatives and their members	Countries outside regional groupings
Panel data	Datasets applied for quantitative and qualitative analysis are robust and representative	Quality and selection of panel data is poor. Dataset covers insufficient number of elements
Methodology/Theory	Transparent methodology and theoretical ground are provided	No theoretical justification or clear-cut methodology are presented
Focus	The study clearly addresses the integration-growth nexus or integration-development nexus and examines the potential channels of impact	The study doesn't clearly address the relations between integration and growth or between integration and development and/or focuses only on examining one of these notions

Two experts undertook this part of the selection process. The lead reviewer conducted the initial analysis of the potentially relevant publications retrieved at the earlier stages of the selection process. To ensure the integrity and accuracy of the process and to avoid the subjective selection of publications, all retrieved papers were judged against the proposed fine-grained criteria by two experts. All inclusion or exclusion decisions were documented and supported by evidence. In case of disagreement, additional discussion and consideration took place to settle the differences. Where needed, an independent third party was consulted. Consequently, from 62,400 publications retrieved from the database under the initial search, only 82 papers were selected for review of the integration-growth nexus and 40 papers were selected for review of the integration-development nexus. All steps of the literature retrieval process are presented in Figure 5.

Descriptive analysis

The analyses of the retrieved data showed the following distribution of the publications that studied integration-growth nexus (Figure 6). Time distribution of selected papers shows that the academic knowledge on the integration-growth nexus has undergone two non-overlapping periods of development.

The first one covers the years from 1994 to 1999 and reflects the major change in the global perception of trade liberalization (which resulted in the formation of the World Trade Organization) and the proliferation of preferential trade arrangements.



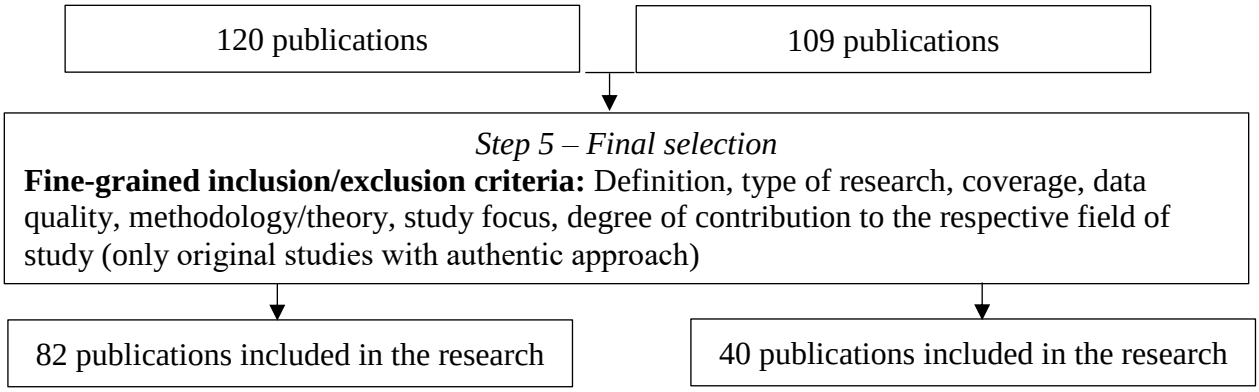


Figure 5: Step-by-step Process of the Literature Retrieval Process

Source: Developed by the author

Academia replies to the demand of the policymakers and investigates the potential impact of liberalization on industrialization (Puga & Venables, 1999), countries' comparative advantages (Devereux, 1997), labour flows (Zabin & Hughes, 1995), GDP growth (Krueger, 1998), including in the developing countries (Greenaway et al., 1997; Greenaway et al., 1998; Ocampo & Taylor, 1998; Onafowora & Owoye, 1998). Moreover, the respective set of academic knowledge mirrors a new wave of analyses on European integration that followed the signing of the Maastricht Treaty (came into effect in 1993), which declared "a new stage in the process of the European integration" (Dunford & Perrons, 1994; Abraham & Van Rompuy, 1995; Henrekson et al., 1997).

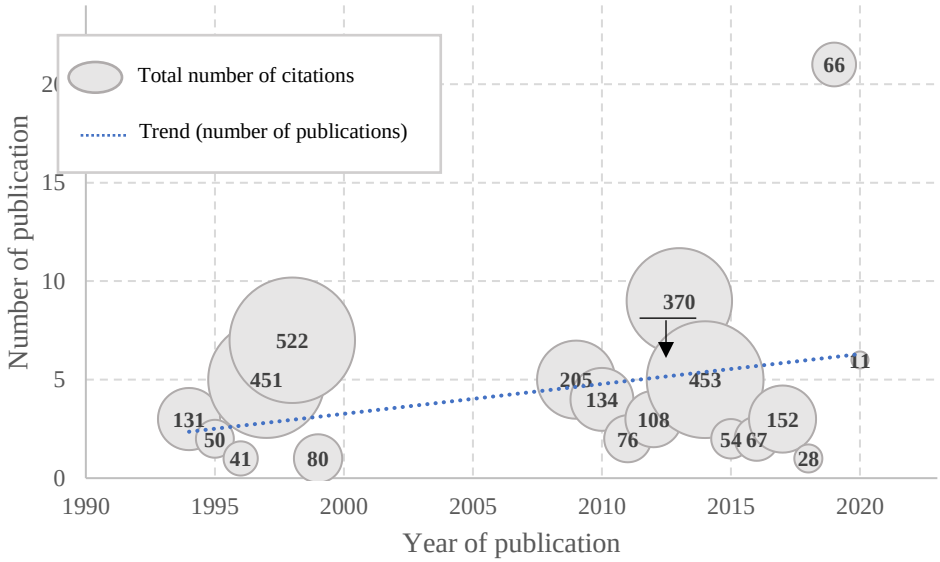


Figure 6: Total Number and Citations of Publications per Year (Integration-Growth Literature).

Source: Author's elaborations based on selected literature.

The second set of selected academic knowledge is represented by the research papers published between 2009 and 2020, with one-third of the total number being published in the period between 2018 and 2020 (28 out of 63 academic papers). The renewed interest in integration-growth studies was caused by the structural and institutional shifts taking place in the EU over the respective time period (such as the Eastern enlargement and the introduction of the European Neighbourhood policy (Kallioras & Petrakos, 2010; Casas–Cortes et al., 2013), signing of the Treaty of Lisbon, euro crisis (Friedrich et al., 2013) and the invocation of Article 50 of the Treaty on European Union by the United Kingdom (Brownlow & Budd, 2019; Perraton & Spreafico, 2019) as well as with the desire of scholars to further investigate the phenomenon of regional economic integration applying previously ignored social and international business (Ezcurra & Rodríguez–Pose, 2013; Doan, 2019), geographic (Cutrini, 2010) and environmental perspectives (Kleemann & Abdulai, 2013) and to assess the degree of contribution trade liberalization can provide to foster economic growth and business internationalization following the 2008 global financial crisis (Kleemann & Abdulai, 2013; Falvey et al., 2012; Aizenman et al., 2013; Menyah et al., 2014).

The comparison of the two blocks of literature helps us to better understand the evolution of academic thinking. Thus, analysis of the research questions indicates that, while the first set of publications focused mainly on the growth agenda, the second block has expanded the research limits and covered the developmental aspects of regional integration. Such evolution of academic thinking has resulted in a change in the empirical settings of the integration studies. In particular, the research subject, which was previously centered around European integration, started to include a broader range of integration initiatives (CARICOM, ECOWAS, MERCOSUR, GCC, etc.). The evolution of these empirical instruments available for running quantitative assessments also affected the development of selected knowledge contributing to its robustness and objectivity.

The dataset selected for the literature review shows that, over the period between 1994 and 2020, the 82 relevant studies were published in 51 different academic journals. The literature fields of the selected bulk of knowledge included Economics, Econometrics and Finance (45 papers), Business, Management and Accounting (11 papers), Environmental and Social Science (26 papers). Most cited articles were published in the European Journal of Development Research, Economic Modelling, West European Politics, Economic Systems, Economic Journal, Economica, Economic Policy, and European Economic Review. Information on the top 20 cited studies within selected datasets is shown in Table 5.

The analysis of the literature on the causal relationship between integration and development also indicates two separate periods of development (Figure 7). Considering the relative similarity of the time distribution of the two sets of literature it is fair to assume that both have been impacted by similar or identical historical and geopolitical events.

The first block of the integration-development literature includes twelve studies published between 1993 and 1999. This set of knowledge evaluates regional integration from a neoliberal perspective and primarily considers its welfare effects that could result from increased trade, improved resource allocation, and investment in employment (Henrekson et al., 1997; Onafowora & Owoye, 1998; Greenaway, 1998). In particular, Puga & Venables (1999) talk about the industrialization effect of integration and its potential to drive income and countries' welfare levels. Klitgaard & Fedderke (1995), in turn, explore the concept of "social integration and disintegration" and its relationship with the growth indicators. It is worth noting that not all the examined papers supported the conclusion about a positive relationship between integration and development. For instance, Dunford & Perrons (1994) suggested that "competitive mechanisms of regional integration could be deflationary and may increase inequalities". Further developing this point Wellisch & Walz (1998) provided an explanation of the correlation between integration and the level of welfare, noting that increased migration following economic integration could result in the reduction of the social security level due to the redistribution of income of low-skilled non-native workers.

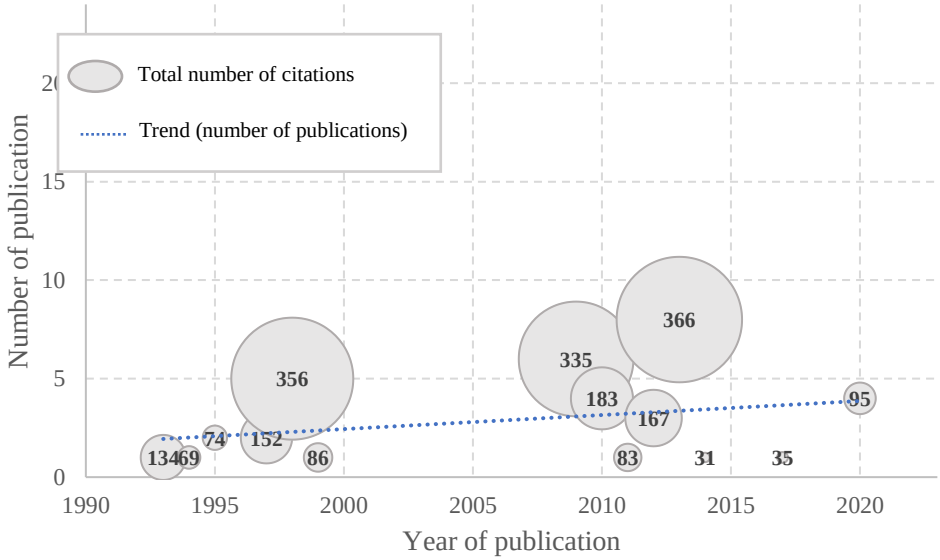


Figure 7: Total Number and Citations of Publications per Year (Integration-Development Literature).

Source: Author's elaborations based on selected literature.

The second set of knowledge on the integration-development nexus contains studies published between 2009 and 2017 with a limited number of papers published in 2020 (4 out of 28 studies). Mirroring the evolution of the concept of regional integration, and in response to the introduction of the developmental regionalism idea, the selected papers expand the research agenda and apply both economic and non-economic perspectives to the analysis of the integration effects. For instance, the welfare gains of integration and trade openness were studied by Kim and Lin (2009), Balistreri et al. (2011) and Cadot et al. (2013). Broader considerations of the integration-development nexus were provided by Griffith et al. (2010), Mishkin (2009) and Kimakova (2009) who explored the institutional effects of integration, Ezcurra & Rodríguez-Pose (2013), Castilho et al. (2012), Buys et al. (2010) who researched the link between integration, income inequality and poverty reduction, Gao et al. (2020) and Liu et al. (2020) who added the environmental dimension to integration effects and Mustafa et al. (2017) who first introduced the human development and human capital formation issues into the narrative on regional integration.

The review of the selected set of literature indicates that over the period between 1993 and 2020, 40 relevant studies were published in 26 different academic journals. The literature fields of the selected literature include Economics, Econometrics and Finance (31 papers), Business, Management and Accounting (1 paper), Environmental and Social Science 8 papers). Most cited articles were published in Economica, World Development, European Economic Review, Economic Journal, Journal of International Economics, and Journal of Economic Surveys. Information on the top 20 cited studies within selected datasets is in Table 6.

Table 5. Summary of the top 20 cited studies (Integration-Growth Literature).

Rank	Time cited	Authors, year	Document title	Source Title	Rank	Time cited	Authors, year	Document title	Source Title
1	258	Baldwin *et al.*, 1997	The costs and benefits of eastern enlargement: The impact on the EU and Central Europe	*Economic Policy*	11	73	Ocampo & Taylor, 1998	Trade liberalization in developing economies: modest benefits but problems with productivity growth, macro prices, and income distribution	*Economic Journal*
2	179	Menyah *et al.*, 2014	Financial development, trade openness and economic growth in African countries: New insights from a panel causality approach	*Economic Modelling*	12	69	Dunford & Perrons, 1994	Regional inequality, regimes of accumulation and economic development in contemporary Europe	*Transactions - Institute of British Geographers*
3	156	Blackburn and Hung, 1998	A theory of growth, financial development, and trade	*Economica*	13	65	Aizenman *et al.*, 2013	Capital Flows and Economic Growth in the Era of Financial Integration and Crisis, 1990-2010	*Open Economies Review*
4	126	Krueger, 1998	Why trade liberalization is good for growth	*Economic Journal*	14	62	Nicita, 2009	The price effect of tariff liberalization: Measuring the impact on household welfare	*Journal of Development Economics*
5	116	Hall, 2014	Varieties of Capitalism and the Euro Crisis	*West European Politics*	15	60	Harrison *et al.*, 1997	Economic implications for Turkey of a Customs Union with the European Union	*European Economic Review*
6	108	Asongu & De Moor, 2017	Financial Globalisation Dynamic Thresholds for Financial Development: Evidence from Africa	*European Journal of Development Research*	16	56	Scherngell & Lata, 2013	Towards an integrated European research area? Findings from Eigenvector spatially filtered spatial interaction models using European framework program data	*Papers in Regional Science*
7	97	Belloumi, 2014	The relationship between trade, FDI and economic growth in Tunisia: An application of the autoregressive distributed lag model	*Economic Systems*	17	56	Nataraj S., 2011	The impact of trade liberalization on productivity: Evidence from India's formal and informal manufacturing sectors	*Journal of International Economics*
8	92	Henrekson *et al.*, 1999	Growth effects of European integration	*European Economic Review*	18	54	Casas-Cortes *et al.*, 2013	Re-bordering the neighborhood: Europe's emerging geographies of non-accession integration	*European Urban and Regional Studies*
9	86	Puga & Venables, 1999	Agglomeration and economic development: Import substitution vs. trade liberalization	*Economic Journal*	19	51	Cadot *et al.*, 2013	Trade diversification, income, and growth: What do we know?	*Journal of Economic Surveys*
10	85	Greenway *et al.*, 1998	Trade reform, adjustment, and growth: what does the evidence tell us?	*Economic Journal*	20	50	Bas M., 2012	Input-trade liberalization and firm export decisions: Evidence from Argentina	*Journal of Development Economics*

Table 6. Summary of the top 20 cited studies (Integration-Development Literature).

Rank	Time cited	Authors, year	Document title	Source Title	Rank	Time cited	Authors, year	Document title	Source Title
1	156	Blackburn &Hung, 1998	A theory of growth, financial development and trade	*Economica*	11	69	Dunford & Perrons, 1994	Regional inequality, regimes of accumulation and economic development in contemporary Europe	*Transactions - Institute of British Geographers*
2	134	Streeten, 1993	The special problems of small countries	*World Development*	12	62	Nicita, 2009	The price effect of tariff liberalization: Measuring the impact on household welfare	*Journal of Development Economics*
3	118	Mishkin, 2009	Globalization and financial development	*Journal of Development Economics*	13	61	Ahmed & Long, 2013	An empirical analysis of CO2 emission in Pakistan using EKC hypothesis	*Journal of International Trade Law and Policy*
4	95	Gohou & Soumaré, 2012	Does Foreign Direct Investment Reduce Poverty in Africa and are There Regional Differences?	*World Development*	14	60	Harrison *et al.*, 1997	Economic implications for Turkey of a Customs Union with the European Union	*European Economic Review*
5	92	Henrekson *et al.*, 1999	Growth effects of European integration	*European Economic Review*	15	58	Buys *et al.*, 2010	Road network upgrading and overland trade expansion in sub-Saharan Africa	*Journal of African Economies*
6	86	Puga & Venables, 1999	Agglomeration and economic development: Import substitution vs. trade liberalisation	*Economic Journal*	16	57	Kim & Lin, 2009	Trade and growth at different stages of economic development	*Journal of Development Studies*
7	85	Greenway *et al.*, 1998	Trade reform, adjustment and growth: what does the evidence tell us?	*Economic Journal*	17	56	Griffith *et al.*, 2010	Product market reform and innovation in the EU	*Scandinavian Journal of Economics*
8	83	Balistreri, 2001	Structural estimation and solution of international trade models with heterogeneous firms	*Journal of International Economics*	18	48	Gao *et al.*, 2020	How regional economic integration influence on urban land use efficiency? A case study of Wuhan metropolitan area, China	*Land Use Policy*
9	76	Ezcurra &Rodríguez-Pose, 2013	Does Economic Globalization affect Regional Inequality? A Cross-country Analysis	*World Development*	19	44	Wellisch & Walz, 1998	Why do rich countries prefer free trade over free migration? The role of the modern welfare state	*European Economic Review*
10	69	Cadot *et al.*, 2013	Trade diversification, income, and growth: What do we know?	*Journal of Economic Surveys*	20	44	Neary, 1995	Trade liberalisation and shadow prices in the presence of tariffs and quotas	*International Economic Review*

Bibliographic mapping

Aiming to identify the main topics of the selected literature the thesis applied bibliographic coupling, a technique proposed by Kessler (1963), which allows researchers to process a large number of publications and measure the degree of their similarity based on specific criteria of coupling. Scholars widely adopt such approaches to map the existing knowledge, measure the similarity among publications and to allocate documents into similar subject sets (Glänzel & Czerwon, 1996).

After collecting the data, the study employed VOSViewer to deliver graphic results of bibliographic mapping. Along with Calc and Sci2 Tool, VOSViewer is a computer-based software that allows scholars to process a large number of publications and to visualize datasets based on authors' keywords and citation networks (Perianes Rodriguez et al., 2016; Park & Claveria, 2018). This review adopted two bibliometric mapping approaches: bibliographic coupling and bibliographic co-occurrence.

The application of a bibliographic coupling technique to the integration-growth literature indicated six thematic research topics. The most frequent study (colored in red) is the causal relationship between integration and various socioeconomic indicators (households' welfare, poverty, regional inequity); economic integration in developing countries is another clearly appearing topic on the map (colored in green). The third group of studies considers various issues of European integration (colored in blue). Another thematic group of literature focuses on the integration impact on productivity and innovation (colored in yellow). The fifth group concentrates on various financial aspects of regional cooperation (colored in purple). Finally, the last group concentrates on the impact of integration on the capital and trade flows (colored in light blue).

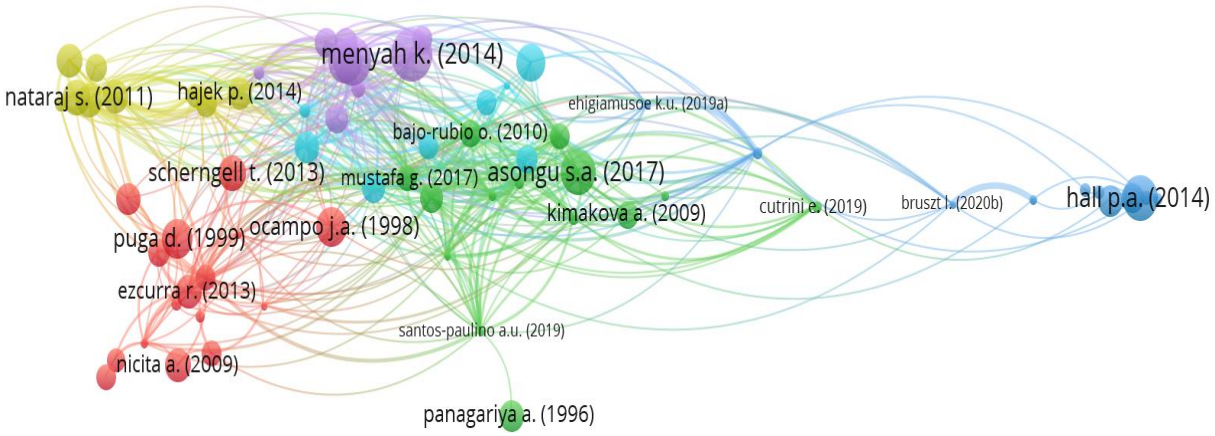


Figure 8: Representation of the bibliographic coupling (Integration-Growth Literature).
Source: Author's elaborations based on selected literature.

The application of a bibliographic coupling technique to the integration-development literature indicated the link only between 5 (out of 40) publications. Due to a limited connection between the authors, the key research areas were identified using bibliographic keywords co-occurrence technic. Based on Figure 9 it is possible to conclude that the integration-development studies consider welfare effects integration (achieved through trade liberalization, capital accumulation and foreign investments) and pay special attention to the analysis of the environmental implications of regionalization.

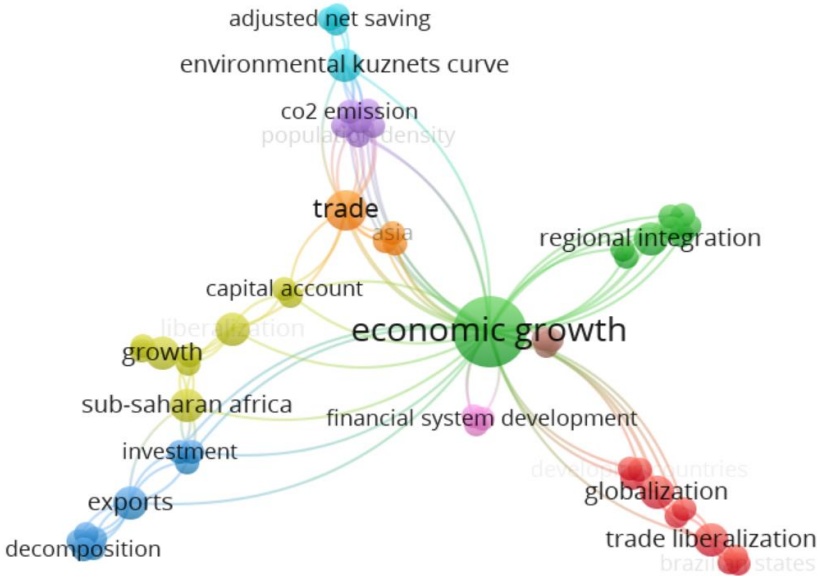


Figure 9. Representation of the bibliographic co-occurrence (Integration-Development Literature).

Source: Author's elaborations based on selected literature.

Theory, Characteristics, Context, and Method (TCCM) approach

Based on the TCCM method (Paul & Rosado-Serrano, 2019) further discussion is structured in a way that allows debate on the theory development, context, characteristics, and methodology of the selected knowledge.

Theory development

The integration-growth and integration-development literature selected for the review applied either "static" (Viner, 1950) or "dynamic" (Balassa, 1961) theory towards understanding integration effects. With that, the analyses of the "trade creation" and trade "diversion effects" typical for the "static" approach have been performed mainly by the growth literature.

Explaining the causal relationship between integration and growth, the scholars adopted neoclassical and endogenous considerations. In particular, based on the assumption that regionalism provides a more efficient allocation of production resources, Conti (2014) and Ehigiamusoe & Lean (2019) analyzed the effects that integration could have on capital accumulation, employment, productivity enhancement, and trade flows. Many recent studies (Klein & Olivei, 1999; Griffith et al., 2010; Audretsch & Keilbach, 2004), on the other hand, followed the endogenous theory approach and focused their research on the effects that integration could create for competition, innovation development, and knowledge spillover. The supporters of the endogenous school suggested that integration scaled-up the market size and drove business and economic growth through increased competition and exchange of knowledge (Ventura 2005; Barreto & Kobayashi 2015). Another set of literature (Misati et al., 2015; Zerihun & Breitenbach, 2019) has considered integration from the developmental standpoint and compared the effects that countries with different levels of economic maturity could receive. In particular, applying an instrument-variable threshold regression, Kim & Lin (2009) and Tumwebaze & Ijjo (2015), suggested that countries' levels of income define the relationship between trade and growth. The empirical evidence from the sample countries confirmed that below a certain income threshold, improved trade flow that follows integration no longer contributes to growth and business internationalization.

Looking into the causal relationship between integration and development, the scholars primarily apply neoclassical and endogenous theories, with a few studies adopting an institutional approach to understanding integration effects. The endogenous consideration of the integration-development nexus is based on the idea that regionalism goes beyond simple trade facilitation and implies cooperation in a number of areas such as industrial and infrastructure development, knowledge and technology dissemination. For example, Buys et al., (2010) suggested that there is a positive correlation between poverty reduction and the development of the continental network and transport infrastructure that result from integration and closer regional cooperation. Under the neoclassical approach, the scholars concentrate on the trade-related integration effects (e.g., “trade diversion” and import substitution) on poverty and welfare (Harrison et al., 1997; Cadot et al., 2013). Finally, the proponents of the institutional school (Mishkin, 2009; Griffith, 2010) focus on the non-economic benefits of regionalism and argue that trade openness could be viewed as an important factor in driving institutional reform that, in turn, could contribute to improved social welfare and human capital development.

Based on the analysis of the selected literature, this study concludes that scholars tend to apply either neoclassical or endogenous approaches to understanding integration effects. A number of studies adopting an institutional theory approach remain limited. Social and cultural aspects and the integration effects also remain under-researched. Thus, despite the importance of institutions for business and economic performance (North, 1990; Stensnes, 2006) or for insuring fair social policies and redistribution of welfare benefits (Bernaciak, 2014), very few studies (Pollack, 2003; Hix, 2010) measure integration effects based on the assessment of the regulation policy and decision-making quality. An even a smaller number of papers consider the integration effects on the environment (Kleemann & Abdulai, 2013; Gao et al., 2020) and such socially important spheres as education (Baah-Boateng, 2013; ECLAC, 2014). In addition, future research would benefit from the empirical analysis of the integration effects across regional and within-country stakeholder groups.

Context

There are two clear periods of literature development. Most selected studies were published between 1993 and 1999 as well as between 2009 and 2020. The comparison of the two blocks of literature helps us to better understand the evolution of academic thinking. The analysis of the research questions indicates that, the first set of studies mainly focus on the growth agenda and look into the potential impact of liberalization on industrialization (Puga & Venables, 1999), countries' comparative advantages (Devereux, 1997), labour flows (Zabin & Hughes, 1995), GDP dynamics (Krueger, 1998) and growth induced welfare effects of integration (Henrekson et al., 1997; Greenaway, 1998). However, the second block of literature expands the research agenda and includes consideration of the developmental and non-economic aspects of regional integration. For instance, Mishkin (2009) and Kimakova (2009) considered the institutional effects of integration, Ezcurra and Rodríguez-Pose (2013) and Doan (2019) investigate implications for businesses while Mustafa et al. (2017) include into the research integration impact on human development. The growth literature also reacts to the structural and institutional changes taking place in the EU and concentrates on the financial aspects of regional integration.

Literature analysis indicate that most academic papers on the integration-growth and integration-development nexus contribute to the Economic literature. The top three journals containing most cited publications on the topic include Economic Policy, Economic Modelling, Economica. Most of the reviewed papers applied case study approach and considered the

integrating effects of the EU (Hall, 2014; Stockhammer, 2016) and its member states (Heider, 2019; Lains, 2019). A smaller number of publications researched integration effects in Africa (Tumwebaze & Ijjo, 2015; Kalai & Zghidi, 2019), Asia (Liu, 2009; Shepherd, 2019) and the Americas (Bas, 2012).

Based on the above, this review identifies several contextual limitations of selected literature. First, collected knowledge only considers the integration projects that can be classified under the conventional taxonomy of regional initiatives and ignores non-traditional forms of regional cooperation such as non-institutionalized fora (e.g., ASEAN). Second, the existing knowledge lacks a comprehensive approach – many of the papers consider the effects of integration at the blocks level paying little or no attention to the country-level developments. An even fewer number of papers consider integration effects across regions of the integrating states. Finally, the majority of the existing papers are euro-centric and the number of the publications considering alternative grouping (including those developing in Eurasia) remains limited.

Characteristics

Further analysis will review the key channels of integration impact on growth and development and will analyze the research design of selected literature.

The phenomenon of economic growth is defined by many as a positive change in the country's output level over a certain period of time (Haller, 2012). The term "development", in turn, refers to the situation of improved welfare and standard of living (UNDP, 2011). Guided by the idea of the causal relationship between integration, growth, and development, the scholars evaluate this link by looking into the dynamics of various indicators that "channel" integration effects. The review of existing literature suggested that there is a certain number of channels through which the growth and development effects of integration are transmitted. For instance, Conti (2014) argued that regional integration could enable economic growth through enhanced trade flow, improved productivity, and capital accumulation. Klein & Olivei (2008), on the other hand, suggested that national economies can benefit from regional integration through increased competition. The latter according to Griffith et al., (2010) drives innovation and increase productivity. The positive impact of trade liberalization on productivity was also confirmed by Ahn et.al. (2019) who traced the relationship between input tariffs and total factor productivity and Bas (2012) who argued that trade openness contributes to the transfer of technologies through relaxed importation of intermediate goods. Finally, Ehigiamusoe & Lean's study (2019) proposed that integrating states could benefit through improved capital

accumulation and the integration of financial markets. Scherngell & Lata (2013), who examined knowledge and technology sharing across the EU, proposed an alternative perspective for assessing the growth effects of integration. In particular, their research suggested that joint research and innovation efforts implemented at the regional level could help to overcome geographic limitations and drive growth through collaborative generation of knowledge. Research on the benefits of the EU accession (Baldwin et.al., 1997) also suggested that integration could positively affect the integration of states through improved governance, stability and reduced risk premium on investment.

Conceptualizing the link between integration and development, the scholars suggested that regional integration may reduce poverty and income inequality (Castilho et al., 2012; Winters & Martuscelli, 2014). Buys et al. (2010) further claimed that integration could support development by enhancing transport infrastructure and removing border restrictions, enabling freer movement. Griffith et al. (2010), in turn, emphasized the fact that economic integration tends to stimulate reforms that ease regulatory burden and drive competition and innovation. Further commenting on the impact of non-economic channels on integration, Mishkin (2009) highlighted that it could enhance stability and ensure better governance. Finally, Puga and Venables (1999) suggested that integration could affect welfare through the promotion of industrialization and import substitution.

Effects of integration

Traditional growth theory predicts no permanent effects of integration on countries' growth and development, although advocates of regional cooperation insist on the possibility of long-lasting integration effects (Baldwin, 1997). However, it is not the magnitude of the impact that is critical, but the direction of the link.

The review of the selected knowledge did not result in a single definition of the integration-growth or the integration-development nexus. While one group of scholars (Felbermayr et al., 2018; Ehigiamusoe & Lean, 2019) confirm a positive significant correlation between integration and growth, another (Gharleghi & Jahanshahi, 2020; Stockhammer, 2016) suggests that the link is null or even negative.

The positive nature of the integration-growth nexus has been confirmed by a series of empirical research. Growth effects of European integration were proved by Henrekson et. al. (1997) who focused on the analysis of the EC and EFTA memberships and Harrison et.al. (1997) who

examined the GPD and trade-related gains of Turkey's participation in the Customs Union with the EU. Felbermayr et al. (2018) and Kabderian & Schmid (2017) also supported a conclusion on the positive significant correlation between integration, growth and development.

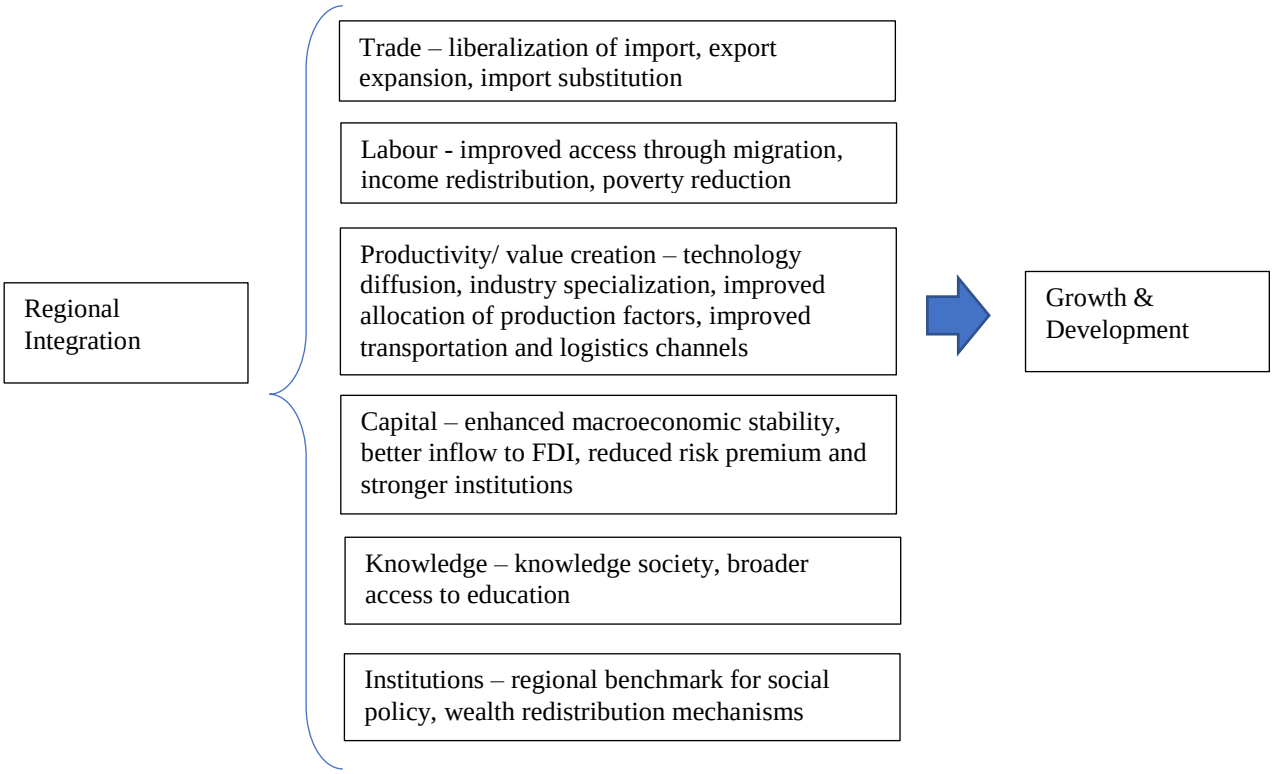


Figure 10: Conceptualization of the integration-growth and integration-development nexus

Source: Author's elaborations based on the selected literature.

Although perceived by many as a driver of better economic performance regional integration does not always deliver positive outcomes. In fact, the impact of trade openness differs across countries, income levels and geographic regions. Exploring the effects of the US-Mexico trade and economic cooperation, Nicita (2009) suggested that richer regions located closer to the border gained relatively more compared to the Southern Mexican states that significantly lacked integration effects. Further to this point, Ndlovu (2014) argued that spatial impact of trade liberalization is greater in low- and middle-income countries, whose levels of regional disparities are on average relatively higher than in the high-income countries.

The welfare effects of integration were further researched by Wellisch &Walz (1998). Analyzing the preference of each country for free trade over free migration, they challenged the traditional trade theory conclusion on the equivalence of the effects of integrated trade and

labour markets and suggested that free migration resulting from regional integration could have adverse effects on social welfare in the countries with the higher income levels. Adverse effects of integration on sustainable development of both developed and developing economies was also confirmed by Gharleghi & Jahanshahi (2020). The empirical results revealed that integration and trade liberalization stimulate unfair income distribution and exacerbate income inequality.

Further contribution to the debate on the integration effects was made by Falvey et. al., (2012), who argued that the outcomes of integration depend on the overall economic context and the state of the integrating economies. Other scholars (Nicita, 2009; Greenaway, 1997) suggested that integration effects could differ significantly when being captured for the economic effect with different levels of maturity. Kim & Lin (2009) also concluded that the relationship between trade and growth is dependent on countries' income level. The empirical evidence from the sample countries suggested that, below a certain income threshold, improved trade and capital flow was unable to stimulate countries' growth and development.

Methodology

Based on the selection criteria, the literature under review included both quantitative and qualitative analyses of the integration-growth and integration-development nexus. Non-empirical literature was also reviewed (Viner, 1950; Balassa, 1961; Bahadir, 1978; Baldwin, 1989; Bagwell & Staiger, 1999; Waheeduzzaman, 2017) with the aim of presenting the theoretical considerations of the notion under research.

The selected studies applied multiple methodological approaches. The majority of the studies adopted a quantitative method, including a general equilibrium model (Baldwin, 1997; Harrison et al., 1997), generalized method of moments (Ibrahim & Vo, 2020; Tumwebaze & Ijjo, 2015; Asongu & De Moor, 2017), ARDL bounds testing approach (Belloumi, 2014), panel data regressions (Kim & Lin, 2009; Kleemann & Abdulai, 2013; Ezcurra & Rodríguez-Pose, 2013), vector error correction model (Onafowora & Owoye, 1998; Liu et al., 2009), autoregressive distributed lag test (Kalai & Zghidi, 2019).

Overall, the analysis concludes that the existing literature lacks comprehensive quantitative-based and mixed-method studies. In addition, existing research contains very few papers with multiple case studies and studies based on surveys.

Future research agenda

The ongoing search by policymakers for the most efficient growth and development strategies and dynamic nature of regional initiatives calls for further research on the potential effects of economic integration for countries' growth and development. Based on the review findings the literature analysis can suggest the following avenues for future research:

First, due to the growing importance of institutions for sustainable economic growth and development, future research would benefit from applying institutional theory to the understanding of the nature and effects of regional integration. Research on the benefits of the EU accession (Baldwin et al., 1997) on the example of the Eastern European states suggested that regional integration can positively affect new members through improved governance and stability as well as through reduced risk premium on investment. The evolution of the international agenda and the introduction of the sustainable development goals accord regional integration with a role of a springboard for achieving fast and significant development outcomes (Zerihun & Breitenbach, 2019). Building on that, future studies may extend the research towards new possible channels of integration impact on businesses and economies and, in particular, focus on the assessment of the knowledge sharing, cultural and education effects of integration. Further development of the research could also be connected to the consideration of sustainability-related impact of integration and its role in combating global challenges. Another perspective for further research was proposed by Scherngell and Lata (2013), who underlined that a joint European effort could help to overcome knowledge fragmentation resulting from the geographical distance and strengthen knowledge sharing and technology transfer across the EU countries contributing to the human capital development.

Second, future research could consider an application of the mixed-method approach that would allow combining both imperial and qualitative consideration of regional integration. In addition, the research would benefit from the expansion of case studies and delivering comparative reviews that would enable it to pick up the major trends in the integration-growth nexus across regions. New methods such as survey- and questionnaire-based studies could also be considered.

Finally, based on the identified research gaps, the focus of future research could be concentrated around new integration initiatives, including the ones that do not fall within the conventional taxonomy of regional blocks. Moreover, the research agendas could include the integration groupings that contain both developed and emerging economies. On top of that, the

research could aim at understanding the distribution of integration effects across regional blocks and participating states. In addition, it could be useful to assess the role of the local context (cultural differences, countries' history, social contracts, other settings) in defining the scale and the dimension of the regional integration effects on economic growth and development.

CHAPTER 2. EURASIAN ECONOMIC UNION: BACKGROUND, CHALLENGES AND CURRENT STATE

2.1 Context of the Eurasian integration

This section aims to describe the background and the nature of the regional processes in Eurasia and the current state of the most recent integration initiative in the region, the Eurasian Economic Union (EAEU). Due to the relatively young age of the EAEU, the discussion on the history and the driving forces of regional cooperation are necessary for understanding the key integration effects.

The literature on the EAEU and Eurasian integration, in general, appears both advanced and progressing (Yarashevich, 2021). With that, most of the studies focus either on the trade implications of regional cooperation (Pak & Piskulova, 2015; Isakova et al., 2013; Spartak, 2016) or on its potential effects and their conditionality (Piskulova, 2021; Tarr, 2016; Vinokurov, 2018; Vinokurov & Libman, 2017). There is also a number of critical and more complex studies that consider both political and economic aspects of Eurasian integration (Hoffmann, 2010; Dragneva & Wolczuk, 2013; Dutkiewicz & Sakwa, 2014; Sadri, 2012). When considering the prospects of the intra-regional trade the main focus of the researchers has always been on the effects of the non-tariff barriers (Vakulchuk & Knobel, 2018; Vinokurov et al., 2015). However, despite a substantial number of papers on Eurasian integration, the unique nature of the regional grouping and the constantly changing geopolitical environment create a demand for additional research. Moreover, the literature analysis confirms the absence of studies that consider Eurasian integration from a development perspective, as in the case of this thesis.

Theoretical consideration of the Eurasian integration

The concept of Eurasian integration was introduced in 1994 by the President of Kazakhstan, Nursultan Nazarbayev, and implemented in 2015 when the Treaty on the EAEU has entered into force. The EAEU promotes economic agenda and serves as an intragovernmental institution that enables the development of economic ties in the region, promotes modernization of national economies, and drives the level of international compatibility of the Union members.

Based on a recent publication of a group of Russian researchers, the Economic Dimension of Eurasian Integration (Piskulova, 2021), classical integration theories developed in response to the EU integration cannot be applied for explaining the Eurasian case. Due to a number of specificities of this integration block, the conceptualization of the EAEU should account for the regional, historical, cultural, and security peculiarities. According to the authors of the Economic Dimension of Eurasian Integration, the non-EU integration projects (including the EAEU) shall be analysed by adopting the idea of comparative regionalism that looks into the historical, social, political, and other specificities of regional blocks and enables the comparison across time, space, and forms of organizations. Moreover, the concept of comparative regionalism rejects the classical argument about the link between regionalism and economic interdependence (Hooghe & Marks, 2019). Applying the idea of comparative regionalism to understanding the nature of the Eurasian integration, the proponents of the school suggest that a strong regionalism in the EAEU might not be a result of high level if economic interdependence but rather a consequence of other factors such as common values, regime stability and even security externalities (Piskulova, 2021).

Another approach to understanding Eurasian integration introduced by Vinokurov, and is called "pragmatic Eurasianism" (Vinokurov, 2013). This concept is based on the idea of purely pragmatic and non-ideological cooperation goals of the EAEU members. Within the framework of "pragmatic Eurasianism", there are four major paradigms that could be applied for understanding contemporary integration processes in the area:

- geo-economic determinism (Savitsky, 1920; Trubetskoy, 1920).
- cooperative hegemony (Pedersen, 2002);
- liberal intergovernmentalism (Moravcsik, 2009) ; and
- holding-together integration (Vinokurov & Libman, 2017).

Geo-economic determinism

One of the approaches to understanding Eurasian integration is based to the idea of a unique geography of the region and its unprecedented remoteness from the global logistics routes and, as a result, from international markets. Based on this concept, a number of economists view the EAEU project as an instrument for improving the access of its participants to global markets by advancing connectivity, reducing trade and logistics cost, and contributing to the

establishment of a single transportation space (Lisovolik, 2017). The idea of geo-economic determinism was first introduced in earlier 1920s by Savitsky (1920) and Trubetskoy (1920). Their considerations of the unique geographic nature of the area make the links between classical and pragmatic approaches to understanding the regional process in Eurasia.

The proponents of the geo-economic determinism note that four out of five of the EAEU's member states (Kazakhstan, Belarus, Kyrgyzstan, Armenia) are landlocked and are cut from easy access to global trade. The landlocked status increases the transportation cost of both exports and imports and makes these countries less competitive. According to the WB data, the landlocked countries, as a rule, have 30% lower trade turnover compared to the countries that have access to sea and ocean logistics routes, those countries also suffer from 1.5% lower growth rates. The EAEU serving as a trade and transportation facilitating instrument allows the EAEU members to overcome the challenges that stem from their geographical locations.

Underlying different driving forces behind Eurasian integration, four different paradigms of the "pragmatic Eurasianism" (Vinokurov, 2018) agree on the idea that regional processes in Eurasia are not the ultimate goal but rather the means for resolving of remaining problems of the regional states. Pragmatic Eurasianism is aimed at ensuring "bottom-up integration" where a free movement of goods, services, labor and capital would serve as a long-lasting guarantee for the sustainability of regional cooperation. Pragmatic Eurasianism is a concept of open regionalism that understands the importance of cooperation with the partners within the continent, both in the West and in the East. Pragmatism in politics does not exclude the value content of the concept. Eurasianism is a technocratic approach to political processes that gives priority to the economic component and underlines the importance of calculating the balance of long-term benefits and losses (Vinokurov, 2018). In order to better understand the context for developing the idea of pragmatic Eurasianism, the next subchapters will focus in detail on the background of Eurasian integration as well as comment on the national priorities of the EAEU member states within the regional context.

Cooperative hegemony

For the realism school of thought, it always remained a question of why major states (Russia in the case of the EAEU) should want to engage in regional initiatives with smaller and less influential parties and become a part of integration arrangements that could limit its execution of power. To explain this phenomenon, Pedersen (2002) introduced a concept of cooperative hegemony. This concept implies that a major state advances their interests through co-operative

instruments such as power-sharing instruments and long-term cooperation agreements. Cooperative hegemony is one of the four possible strategies of major states (the other three include unilateral hegemony, building an empire and concert of nations). The strategy of cooperative hegemony can be considered as a "deal" between the major country in the region (Russia) and smaller periphery states (other EAEU countries). The first one then provides a number of preferences to smaller partners and follows a course of self-restraint and self-control in exchange for the loyalty of the latter.

According to Pedersen (2002), there are three key preconditions for the major country to adopt a strategy of cooperative hegemony toward smaller states – "capacity for power-sharing, capacity for power aggregation and capacity for commitment to a long-term regionalist policy strategy". From a perspective of a major state, a concept of cooperative hegemony may have four main advantages: advantages of scale (related to the power aggregation); advantages of stability (cooperative hegemony is more stable than unilateral hegemony due to the presence of joint institutions); advantages of inclusion (that secures access to specific resources); and advantages of diffusion (joint institutions helps to disseminate the hegemon's rules and principles).

Liberal intergovernmentalism

The concept of liberal intergovernmentalism has evolved from the intergovernmental theory of regional integration introduced by the American professor A. Moravcsik (1998) in the 1990s to explain the developmental patterns of European integration. Like intergovernmentalism, this concept underlines the key importance of the national governments in the integration process. Moreover, liberal intergovernmentalism also highlights that the integrating states (in our case governments of the EAEU countries) priorities their national interests and pursue them in the negotiations with other parties of the regional initiative. Liberal intergovernmentalists emphasize the importance of the bargaining power of integrating states and stresses that the negotiations on advancing national interests usually result in a number of side deals between the members. Hence, the proponents of liberal intergovernmentalism consider supranational institutions as credible guarantees that integrating states would comply with their obligations and would stick to their side of the bargain.

Applying liberal intergovernmentalism approach to understanding Eurasian integration, some Russian researchers, Entin & Diyachenko (2018), even considered the possibility of the existence of a separate EAEU "acquis". As the exclusive competence of the EEC remains

limited and the EEC lacks the enforcement power to ensure the EAEU states' compliance with supranational obligations, one could reasonably challenge this statement. With that, noting the limitations of the EAEU law, it is difficult to disregard the direct applicability of the EAEU's regulation on the territory of the integrating states and ignore the significant progress achieved by the Union members in developing single and coordinated policies in a number of important policy areas (e.g., in the trade as well as in technical, sanitary, and phytosanitary regulation).

Holding-together integration

To explain the specific trends of regional integration in Eurasia, Vinokurov & Libman (2017) proposed a concept of holding-together regionalism (alternative to the coming-together approach). Holding-together integration initiatives represent cooperation projects which unite countries with strong political, economic and cultural ties and which previously have been a part of a single legal entity (state or empire).

Under this concept, the rationale behind regional integration is not grounded on the idea of a common future idea but rather on the idea of a common past. That means that a starting point and the development pattern of a holding-together regionalism may differ from those typical for the integration initiatives built according to the classical regional integration theory (e.g., European Union). Moreover, holding-together regionalism may have a specific U-shape development pattern: a disintegration process that results from the deconsolidation of a single entity may be followed by the intensification of regional cooperation that would develop among new countries and under new rules. In many cases, holding-together regionalism would represent a response to the economic meltdown provoked by the economic crisis at regional or global levels. Moreover, according to Vinokurov & Libman (2017), unlike coming-together projects, the integration initiative of the holding-together type would be highly politicised, it will react strongly to external shocks and have a specific sequence during the integration stages.

Holding-together regionalism maintains a certain level of economic connectivity between newly independent states. This makes the separation process less costly and painful. Holding-together regionalism may also provide an impetus to re-integration (de-integration after the collapse of a once unified state can be replaced by subsequent re-integration based on the new composition mechanisms and principles). In a general sense, holding-together regionalism may be triggered by a crisis: an economic downturn can drive new cooperation between countries. In an unfavorable economic situation, it is more likely that economic ties will deepen between the newly independent states than the ties between these states and third countries.

Background to Regional Integration in Eurasia

The collapse of the Soviet Union was by far one of the most meaningful and unexpected social and economic developments of the 20th century and one that led to a significant transformation of the region (Mayer, 2002). The dissolution of the Soviet bloc had undermined the infrastructure, affected production value chains, and disrupted human networks. The breakdown of the former regime also disturbed social and economic development in the area and contributed to further poverty and unemployment (Pourchot & Stivachtis, 2013).

The regional context of the post-Soviet world contained several elements that later contributed to the development of the integration processes in the area. In particular, the shared Soviet legacy included a lack of knowledge about the functioning of the market-based economy, a lack of experience in independent decision-making (the countries used to follow the orders of the central planning committee), and a heavy reliance on Moscow's financial assistance. It is worth mentioning that, during the Soviet times, the countries of the region were part of a closed trading environment that was based on a high degree of specialization paying little attention to countries' real comparative advantages. The system was primarily designed to serve the political goals of the ruling party and was characterized by a low level of adaptability and inefficient allocation of the production factors (Benesova & Smutka, 2016).

Long affected by the communist past and the state-planned economy even after gaining independence, post-Soviet countries have been struggling to integrate effectively into the world economy. The reforms proposed to eradicate the socialist past only exacerbated the existing problems and led to wage hikes, economic stagnation, and the black-market expansion (Pourchot & Stivachtis, 2013). Moreover, regional trade and transit had suffered from the challenges related to the recreation of border protection. The statistics show that while in 1992 the intra-region trade amounted to more than 57% of the total trade of the CIS countries, five years later, this number had dropped to 33% (Legvold et al., 2000).

The transformation of the post-Soviet world was not only about the transition from the state-led to the market-based economy but also implied social and political changes. Many independent national bodies were established to replace the structures and institutions that used to function under a single authority. The new order aimed at gaining economic and political advantages was among other things stress-tested by the free market and, thus, could not immediately deliver the anticipated results (Johnson, 2001).

People with little to no experience in state building designed the new order. As a result, the former Soviet republics faced some difficulties when introducing the rule of law, protecting private property and as a result establishing democratic regimes. Additional challenges for the post-Communist states related to the collapse of the single currency area. The latter negatively affected the volume of mutual trade, doubled the transaction costs, and increased the uncertainty related to the exchange rate fluctuations.

Among other things, the decentralization of power and the formation of national authorities brought to the regional agenda new security concerns. In particular, the first of the security issues related to illegal activities in uncontrolled areas such as Afghanistan; the second dealt with the emergence of new nuclear-armed states, which did not have prior experience in managing the risks arising from the possession of the weapons of mass destruction (Ellsberg et al., 1991). The nuclear factor used by many as a bargaining chip in the negations that followed the collapse of the Soviet Union had significantly affected the relationships of the former republics between each other and with the rest of the world. Finally, the dissolution of the Soviet Union resulted in the formation of an ideological vacuum accompanied by diverging expectations about the future. The Soviet ideology, which explained the past and present, and defined a future by providing a clear image of an ideal socialist state, was no longer in vogue. However, common history, shared infrastructure, and similar values remained important in defining the region's future (Lukin, 2014). As a result, even after political and economic separation, many post-Soviet countries considered regional integration as an acceptable strategy for future development.

Figure 11 presents the annual GDP growth rates of the Eurasian countries since 2000 where the region has overcome a profound transformation, strengthened governance, and to a certain extent completed structural and institutional reforms. Some of the scholars suggest (Dabrowski, 2019) that the economic growth demonstrated by the Eurasian countries between 2000 and 2008 was primarily facilitated by the global commodity boom which resulted in a threefold increase in commodity prices (fuels, food, metals, agricultural). The initial growth was followed by a significant drop in the economic activity caused by the global financial crisis in 2009. In the next ten years, the region’s economy performed at a much lower level compared to the beginning of the 2000s and experienced both global (the Covid-19 pandemic) and region-specific shocks (anti-Russia sanctions of 2014).

The pattern of the commodity price dynamics can be captured in the example of the crude oil curve. As highlighted in the World Bank report published in 2014, at the time of the Soviet

Union collapse the oil prices were below USD 30, and by the end of the 1990s they had fallen even further to USD 15. However, after 2000 prices rose sharply, and by mid-2008 were at USD 130 per barrel. After falling in reaction to the financial crisis, oil prices increased again in 2010 exceeding USD 100 per barrel, and returned the focus of the Eurasian countries to regional affairs. Overall, the prices of most commodities traded by the Eurasian countries followed the same pattern.

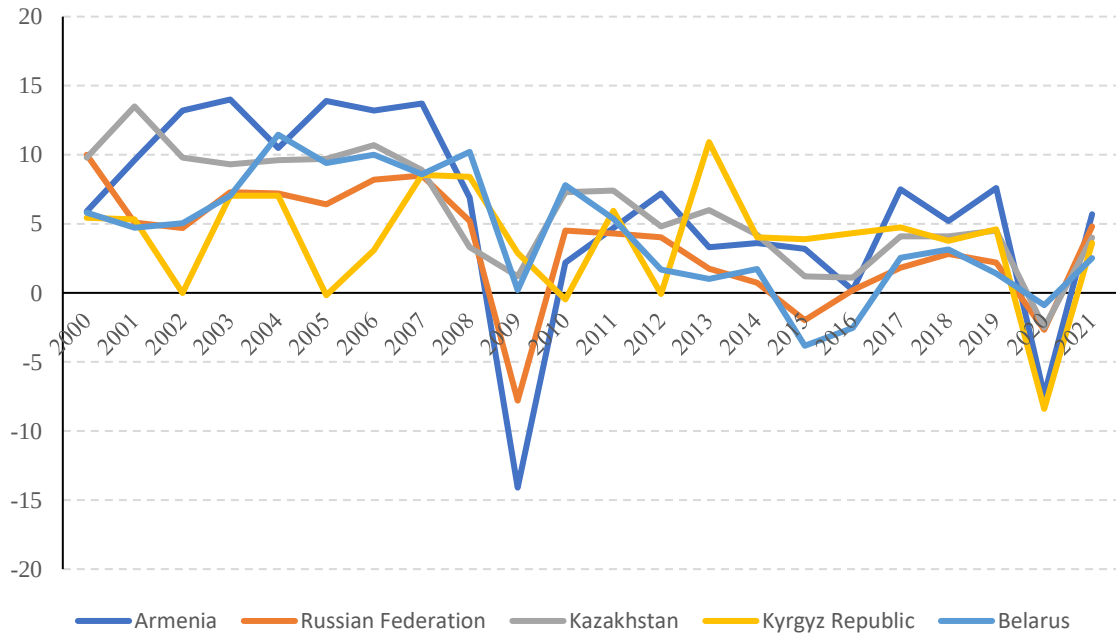


Figure 11: Annual GDP growth rates for Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia, annual percentage change, 2000–2021.

Source: Author's elaboration based on the WB data.

This price increase improved the living standards within the region and helped to drive the transformation of the Eurasian countries providing funds for social services, education support, and poverty reduction (Gill et al., 2014). Over the period of 2000 to 2008, the abundance of resources helped to raise export sales and stimulate growth. For Russia, which is the major economy of the Eurasian block, the increase in oil prices has contributed to additional income equivalent to as much as 15 % of GDP (the average growth amounted to 9.4 % of GDP) (Kudrin & Gurvich, 2015).

The direct causal relationship between commodity prices and the economic performance of the region proves the importance of natural resources for the Eurasian economies, defining it as an important determinant of economic growth in the region. In principle, an abundance of natural resources may affect economies in several ways. First, it can have direct effects with both

positive and negative implications (Gill et al., 2014). In particular, the resource abundance can generate economic income that can be further used by national governments for the provision of public goods and to finance the structural transformation of the economy. On the other hand, a high degree of uncertainty associated with the volatility of the commodity markets, in the long run, can discourage foreign investment and undermine public finance. In addition, the abundance of natural resources can hamper the development of the production sectors and slow down the capital formation and the development of human resources (Auty, 1998).

Natural resources can provoke even greater implications for growth and development through indirect effects. In particular, the resource income could affect the development of political institutions and governance by cultivating an income institutional culture (Bond & Malik, 2009). Thus, the profits collected from export sales of natural resources could lead to the decoupling of taxation and government expenditures, thereby weakening the authority's accountability towards citizens and creating little incentive for introducing pro-growth reforms. Natural resources may also affect countries' economic performance by limiting the opportunities for the development of capital and technology-intensive sectors

Over the last thirty years, the countries of the Eurasian region have tested various development strategies to overcome the shortcomings of the disintegration following the collapse of the Soviet Union. The recovery included the introduction of the market-based economy, domestic economic reform, and, what is more important, the gradual re-integration into the global market through trade liberalization. Recognizing the limitations of the communist past, the Eurasian countries pursued the strategy of trade openness and sought to initiate foreign contacts. Aiming to strengthen the competitiveness of national economies and provoke positive macroeconomic effects, the countries of the region pursued trade openness through both the WTO accession process and the establishment of regional integration initiatives (Chernova et al., 2019).

Due to the specific background of the Eurasian economies, some scholars argued (Atik, 2013) that regional integration that allowed for a targeted reduction of trade barriers towards a selected number of countries was the most reasonable option for the immature Eurasian producers. In contrast, unilateral liberalization could create additional risks and provoke negative economic implications. In particular, Hadhek & Mrad (2015) stated that uncontrolled exposure to global trade could hurt those commodity-dependent economies vulnerable to rapid price changes. Khusainov et al. (2017) further argued that accelerated integration into the global markets could be risky due to the immaturity of institutions, economic policies, and weak trade infrastructure. Moreover, countries with production specialization developed over

many years with little consideration for real comparative advantages could only remain competitive by pursuing targeted regional integration.

Despite the debate on the specific policy choice, trade openness has been proposed by many as the key instrument for achieving positive growth and development rates in the region. Closer economic cooperation with the key trading partners was and still is believed to benefit the region by providing access to larger markets, contributing to capital accumulation, knowledge exchange, and lower production costs due to the economy of scale.

Taking into account a strong focus of the Eurasian countries on regional cooperation for achieving growth and development, and in order to grasp the specific characteristics of the integration processes in the region, the next subsections of the research will discuss the history of trade and economic cooperation in Eurasia.

2.2 Evolution of the Eurasian Integration: Key Cooperation Stages

Commonwealth of Independent States

Over the last twenty years, the former constituencies of the Soviet Union have sought to facilitate regional cooperation through multiple integration frameworks. The first attempt for closer political and economic integration related to the signing of the Agreement announcing the formation of the Commonwealth of Independent States (CIS) in December 1991. The new alliance was aimed at managing the consequences of the recent demise of the Soviet Union and promoting partnership in the field of economy, politics, and security.

Cooperation within the CIS was based on the consensus of interested countries, meaning that the parties to the Agreement could choose whether they wanted to cooperate on a particular matter and be part of the CIS structures. Despite signing numerous agreements and political declarations within the CIS (the total number of official dominants exceeded 1,600), the actual integration effects remained insignificant. As a result, the intensity of the integration process was relatively weak and many scholars considered the CIS a failure (Sakwa & Webber, 1999; Kubicek, 2009; Atik, 2014).

The outcomes of the political cooperation were also quite ambiguous. It is true that the CIS countries had successfully resolved the majority of legal issues that emerged after the collapse of the Soviet Union. However, the progress in other areas was limited. In particular, the countries could barely reach an agreement on the institutional structure. In fact, a proposal to

create independent supranational bodies similar to those introduced by the Treaty of Rome was rejected. A federal concept of the Eurasian Union, proposed in 1994 by the President of Kazakhstan, Nursultan Nazarbayev, was also declined. As a result, the final structure of the CIS was designed in a way that has not created any real obligations for the members (Raikhan, 2013). The proposals on the harmonization of the legislation, creation of a single legal space, or introduction of double citizenship were also rejected.

As reasonably stated by Vinokurov (2018), following the dissolution of the Soviet Union, the CIS area had witnessed "a passive resistance by the majority and an enthusiasm without resources by the minority". Numerous factors could explain why the CIS failed to become an effective regional organization. The key reason, however, was that each country had its own national priorities, and very few leaders were ready to delegate recently acquired sovereignty to some supranational institutions. Simultaneously, many CIS-sceptics were still concerned with Russia's ambitions in the region (Azerbaijan, Georgia, Moldova, Turkmenistan, Ukraine). These sceptics, however, had not fully withdrawn themselves from the CIS structure, choosing to remain under the CIS umbrella until they could fully adjust to new circumstances and resolve the issues that required close cooperation with the regional partners and, especially, Russia. For instance, due to the political reasons and as a reaction to conflict with Russia, Georgia withdrew from the CIS in 2008. With that, due to the fact that a number of the agreements concluded under the CIS umbrella, provide for the participation of states that are not CIS members the level of Georgia's cooperation with the "former partners" remained at a relatively high level (even after leaving the CIS Georgia is still a party to about 70 agreements concluded within its framework). It is important to note, that not only Georgia, but also other CIS members are very interested in maintaining the existing status quo. For Ukraine, the CIS has always been a "divorce instrument" and the institution for ensuring national economic interests in the region. It is worth mentioning that even though Ukraine has always been considered one of the founding members of the organization it never ratified the CIS Charter and legally speaking could never be considered a CIS member (Petrashchuk, 2018). That, however, never limited Ukraine from receiving trade and economic benefits associated with the functioning of the CIS and the treaties signed under its umbrella.

Transition towards the EAEU

A more consistent movement toward regional economic integration in the area began with the signing of the Customs Union (CU) Agreement between Belarus, Kazakhstan, and Russia in

1995. The Agreement has consolidated the group of like-minded countries aimed at strengthening the integration processes in Eurasia. During the following decades, these states built the pro-integration core and functioned as driving forces promoting the formation of the Single Economic Space in the region (Vinokurov, 2018).

The CU Agreement aimed to facilitate the unimpeded movement of goods across the borders and increase the economic cooperation between the members. However, the implementation process was complicated by the members' mutual distrust and the intensification of the centrifugal forces within the region.

Further development of the integration processes in the area related to the introduction of the Customs Union between Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tadzhikistan and the signing of the Agreement on the Single Economic Space in 1999. Around nine months later in October 2000, five countries decided to increase the level of cooperation and introduced a new integration initiative called the Eurasian Economic Community (EEC). The key aim of the grouping was to advance and promote the arrangements introduced under the Agreements on the Customs Union and the Single Economic Space while contributing to the effective integration of the Community into a global trading system (Atik, 2013).

The important difference between the CIS and the EEC Agreements, which shows the evolution of the regional integration in Eurasia, was that the latter did not provide for the "participation by interest" and demanded from its members a full implementation of all decisions adopted within the framework of the Community. Moreover, it refused to follow the decision-making process based on consensus (as the CIS Agreement prescribes) and instead introduced a qualifying majority voting (Kaveshnikov, 2011; Vinokurov & Libman, 2014).

In 2003, Belarus, Kazakhstan, Russia, and Ukraine signed an Agreement on the Single Economic Space. Ukraine's participation in regional affairs was important from both an economic and a political point of view. However, the transition of power in Ukraine following the Orange revolution of 2004 resulted in a significant shift in that country's national priorities and led to the withdrawal of Ukraine from the Eurasian integration processes.

Despite numerous agreements signed at the end of 1990 and the beginning of 2000, the integration processes in Eurasia remained slow and have not met the expectation of either academia or politicians. However, it would not be correct to claim it was a complete failure (Vinokurov, 2018). Even though mainly achieved through bilateral agreements (between Russia and Belarus or Russia and Kazakhstan), the overall level of integration in the region

was increasing (Gleason, 2010). On top of that, the EEC was an important step toward building the foundation for the further introduction of the Eurasian Economic Union.

First integration success in Eurasia

The real breakthrough in Eurasian integration happened only at the end of the 2000s. There were two critical factors contributing to this. First, the growing energy prices that resulted in the intensification of regional trade and required new institutions and structures for managing the increased flow of goods and services (Golam, 2015). Second, the global economic downturn that followed the financial crisis of 2008. These developments indicated the importance of the local markets and refocused the attention of the Eurasian countries on regional affairs.

On a practical level, the renewed interest in regional integration in Eurasia resulted in the adoption of two critical decisions during 2009-2010: first, the formation of the Customs Union (CU) and, second, the creation of the Eurasian Fund for Stabilization and Development (the former Eurasian Economic Community Anti-Crisis Fund). Very few believed in the success of the new undertaking. Still, the course of events proved the success of the CU between Belarus, Kazakhstan, and Russia. The novelty of the CU was in the introduction of the Common Customs Tariff aimed to consolidate the trade policies of the CU members.

Another important achievement of the CU is that it was the first integration project to gain political recognition by its members and the establishment of supranational decision-making bodies (Vinokurov, 2018). Previously, even the pro-integration countries (Belarus, Russia, Kazakhstan) had never delegated the decision-making powers to jointly managed institutions. The CU paved the way to establish the Single Economic Space (SES) in 2012 and the formation of the EAEU in 2015.

When it came into force, the SES Agreement introduced single trade policies to countries outside the CU, common competition and anti-trust rules, and the free movement of production factors (goods, services, capital, and labour force). The adoption of the Agreement also provided for the institutional development of the integration framework.

Eurasian Economic Union

The establishment of the EAEU in 2015 marked a new era in the integration processes in Eurasia (Vinokurov, 2018). The Treaty introduced four freedoms necessary for the effective

functioning of a single economic space. In particular, it declared a free movement of goods, services, labour, and capital. Membership to the Agreement initially included Belarus, Kazakhstan, and Russia. On January 2, 2015, Armenia has joined the Union and, on August 12, the membership was further expanded due the accession of Kyrgyzstan. As reasonably noted by Vinokurov (2018), the signing of the Treaty on the EAEU has not indicated the end of the journey toward regional integration in Eurasia. On the contrary, it has just opened the door for further negotiations.

The EAEU is different from all its predecessors. It represents a deeper stage of integration, promotes not only a free trade area and establishes a common external tariff but it harmonizes product quality and standards (Golam, 2018). The EAEU has the legal identity as well as the written rules and regulations necessary to ensure the effective functioning of the single capital, labour, goods, and services markets. The Treaty on the EAEU stipulates that the Union has the right to perform international activities aimed at addressing the challenges faced by the member states and for that, it can engage with other states, international organisations, and regional integration blocks.

The Treaty contains plans for setting common markets in various areas, and some of these are already in place (medical devices (2017) and a common electricity market (2020)), while others still have to be established (common financial markets (2022–2025), common gas, oil and oil product markets (2024-2025), common transport space (2025)). The Treaty also establishes the general principles for technical, sanitary, phytosanitary, and veterinary regulations. It defines the main priorities of transport, industrial and agro-industrial policy and includes provision for a coordinated macroeconomic policy. Finally, the Treaty promotes common labour market and common market of services.

While harmonizing legislation, the EAEU Treaty also provides for the establishment of joint institutions. The Union institutional framework is based on the collective form of the decision-making process. The key bodies of the Union are the Supreme Eurasian Economic Council that is comprised of the heads of the states (primarily responsible for the decisions on the strategy and future development of the Union) and the Eurasian Intergovernmental Council that is represented by the heads of the governments.

The permanent regulatory body of the Union is the Eurasian Economic Commission (EEC), which combines and coordinates the interests of the members and promotes joint interests of the Union. It provides for the principle of equality irrespective of the economic power or the

size of a member. According to the Treaty on the Union, the main bodies of the Commission are the Council and the Board of the EEC. The Council is represented by Vice Prime Ministers and the decision-making process is based on consensus. The Board, in turn, takes decisions by a qualified majority or by consensus and includes two representatives from each member state. The Council and the Board have broad powers required for the implementation of the Treaty on the Union.

Achievements of the current integration stage

The analysis of trade and economic indicators of the last several years confirm that regional integration has provided additional incentives for the development of intra-regional trade between the EAEU members. According to the official data of the EEC, after a slight decrease in 2016, the volume of EAEU intra-regional trade increased by 27.4% in 2017. In 2018, a further growth of 10.1% was achieved and the total amount of intra-regional trade reached USD 60.3 billion. Further, albeit not so rapid, growth was also recorded in 2019 (2.3% and total amount of intra-regional trade of USD 61.6 billion). In 2020, intra-regional trade developed amid the slowdown in global economic activity associated with the COVID-19 pandemic. As a result, the volume of trade between the EAEU members decreased by 10.7% compared to the level of 2019. In 2021, the intra-regional has once again demonstrated an upward trend with an increase of 31.9% compared to the amount of the previous year (total intra-regional trade reached USD 73 billion). Figure 12 indicates the volume of intra-regional trade of the EAEU countries in 2016-2021.

According to the EEC data, in 2021 the volume of the intra-regional trade increased for all EAEU members compared to the indicators of the previous year. In particular, for Kyrgyzstan the increase equalled to 42.7%, for Kazakhstan – 37.8%, for Russia – 35.3%, for Belarus – 24.5%, for Armenia 24.3%. The most traded goods within the intra-regional exchange are intermediate goods (contributed to 59% of total volume of intra-regional trade in 2020 and 62.2% in 2021). The share of consumer goods in total intra-regional amounted to 26% in 2021 (slightly lower indicator than in 2020 – 28.4%) and the share of investment goods equalled to 8.5% in 2021 and 8.7% in 2020.

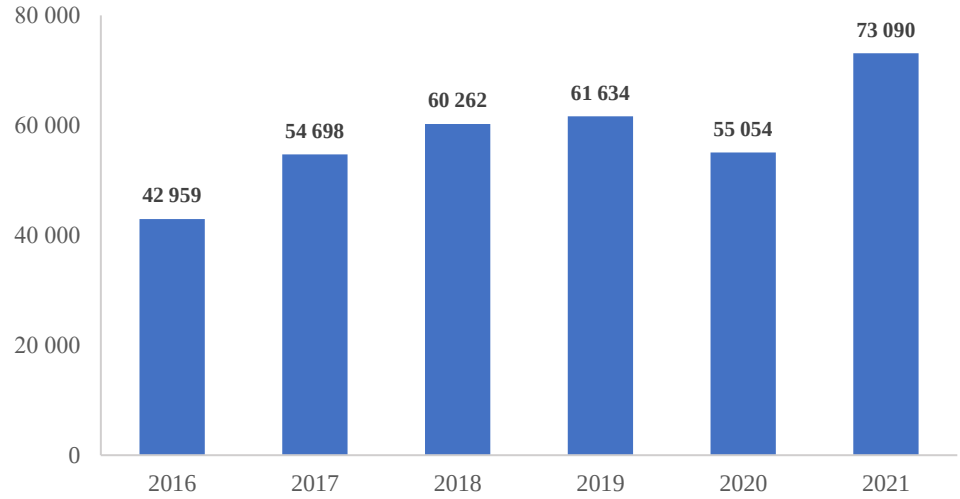


Figure 12: Volume of intra-regional trade of the EAEU countries in 2016-2021, USD million.

Source: Author's elaborations based on the EEC data. URL: http://www.eurasiancommission.org/

The share of the intra-regional trade in the total EAEU foreign trade in 2021 amounted to 14.6% (14.9% in 2020). For Armenia this indicator equalled 35.3% (34.2% in 2020), for Belarus – 50.5% (49.5% in 2020), for Kazakhstan 26.1% (23.6% in 2020), for Kyrgyzstan 41.1% (42.9% in 2020) and for Russia 8.9% (9.3% in 2020). The biggest growth of the share of the intra-regional trade in total volume of foreign trade was recorded for Kazakhstan (2.5 p.p.). Table 7 indicates the dynamic of the share of the intra-regional trade in the total foreign trade of the EAEU members.

Trade of the EAEU with the third countries also demonstrated positive dynamics following the formation of the integration block. In 2017, exports increased by 25.5% and imports by 23.0%. In 2018, the growth of EAEU trade with third countries continued. It amounted to 26.8% for export and 6.3% for imports. In 2019, a positive trend was captured for imports (4.5%) and a negative – for exports (6.1%). In 2020, due to the global downturn following the COVID-19 pandemic, both imports and exports demonstrated negative dynamics (5.5% and 20.8%, respectively). Finally, in 2021, the EAEU foreign trade demonstrated gradual growth with exports growing by 44.1% and imports increasing by 22.6%. The total increase in the EAEU foreign trade with third countries in 2021 amounted to 35.2%. The positive trade balance amounted to USD 207.1 billion. Figure 13 indicates the volume of EAEU trade with the third countries in 2016-2021.

Table 7. Share of the Intra-Regional Trade in the EAEU Total Foreign Trade, 2016-2021.

	2016	2017	2018	2019	2020	2021
Armenia	29.0%	29.6%	28.8%	30.2%	34.2%	35.3%
Belarus	52.3%	52.5%	50.7%	50.8%	49.5%	50.5%
Kazakhstan	22.2%	22.8%	21.3%	22.2%	23.6%	26.1%
Kyrgyzstan	37.2%	38.4%	39.3%	39.3%	42.9%	41.1%
Russia	8.8%	9.0%	8.4%	8.9%	9.3%	8.9%
EAEU total	14.4%	14.6%	13.7%	14.4%	14.9%	14.6%

Source: EEC data. URL: http://www.eurasiancommission.org/

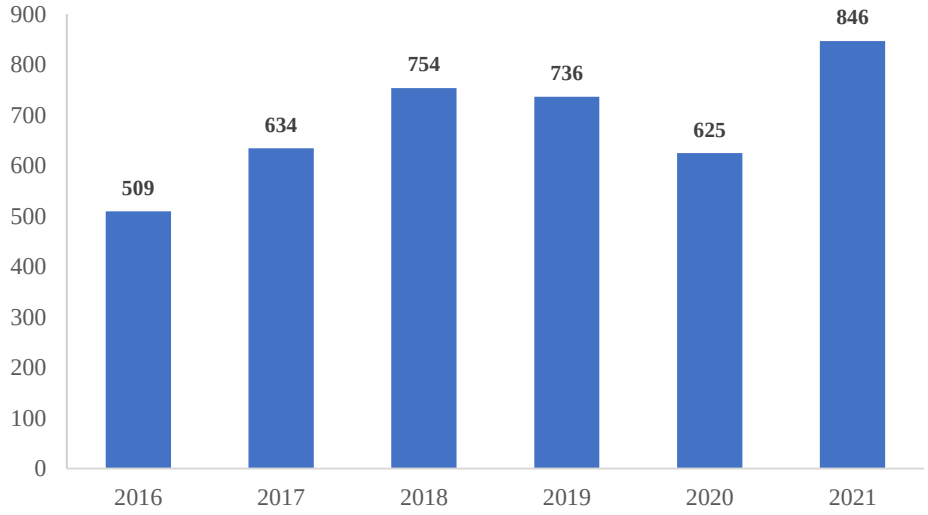


Figure 13: Volume of the EAEU trade with third countries in 2016-2021, USD billion.

Source: Author's elaborations based on the EEC data. URL: http://www.eurasiancommission.org/

To further analyse the impact of regional integration on trade of the EAEU members the research evaluates the regional trade intensity index (Table 8). The index is calculated at the level of the integration block. The respective index initially proposed by Brown (1947) and further developed by Kojima (1962) helps to evaluate the level of intra-regional trade in comparison to total foreign trade and conclude on the existence of the trade diversion effect (in case the trade intensity index is more than 1). The research will apply the following formal for the calculation of the trade intensity index:

$$RT = \frac{\frac{Ex\ int + Imp\ int}{Ex\ total + Im\ total}}{\frac{Ex\ total + Im\ total}{Ex\ w + Im\ w - (Ex\ total + Im\ total)}}$$

Where:

RT - trade intensity index of integration block, $Ex\ int$ – intra-regional export, $Imp\ int$ – intra-regional import, $Ex\ total$ – total export of integration block, $Im\ total$ – total import of integration block, $Ex\ w$ – total world export, $Im\ w$ – total world import.

Table 8. EAEU Trade Intensity Index, 2016-2021.

2016	**2017**	**2018**	**2019**	**2020**	**2021**
10.5	9.5	8.2	8.6	9.8	8.9

Source: Author's elaborations based on the EEC and WB data. URL: http://www.eurasiancommission.org/; URL: https://data.worldbank.org/

The calculations confirm the existence of trade diversion effect in the EAEU.

Evaluation of the depth of the Eurasian integration

Based on the discussion on the methods applicable for the assessment of the integration achievements (presented in Chapter 1) and in order to prepare the data for the empirical part of this study this subsection of the research focuses on the assessment of the depth of the regional integration in Eurasia currently present in the form of the EAEU. The summery of the results are presented in Table 9. The scoring was performed by the author of the research. To ensure the objectivity of the scoring only official Union documents and the formal agreements between the EAEU members have need used for concluding on the progress achieved within different dimensions of Eurasian integration.

Table 9. Evaluation of the Integration Achievement Score for the Eurasian Economic Union (depth of integration).

#	**Scoring blocks**	**2015 - EAEU Founding Treaty enters into force**
1	Trade in Goods and Services	4
2	Degree of Capital Mobility	4
3	Degree of Labor Market	3

4	Level of supranational institutional Importance	3
5	Degree of Monetary Policy Coordination	1
6	Degree of Fiscal Policy Coordination	1.5
7	**Total average**	**2.75**

Source: Developed by the author using the methodology proposed by Hufbauer & Schott (1994).

In the case of the EAEU, marked at its inception by the signing of the Union Agreement, it has received a value of 4 for the first category "trade in goods and services". The higher the level of liberalization of barriers to trade between the members the higher the values in this category. Functioning as a single market for goods, services and labour, the EAEU still experiences some barriers in mutual trade between the members and thus cannot be awarded the highest score within the category.

The second category is free movement of capital. Liberalization in this category implies a possibility for direct investment in member counties with the associated ability to withdraw the capital. As the Union Treaty allows for complete freedom of capital movement the EAEU received a value of 4 for this category. It cannot be awarded a 5, however, because the member states remain the authority over important merges and acquisitions.

The next category is that of labour mobility. The single labour market is present when labour can move freely while seeking for new employment opportunities. Due to limited transferability of professional qualifications and pension rights the EAEU is ranked with a 3 for this category[1].

Following the labour mobility is the level of supranational institutional development. To score the highest value in this category the institutions need to have full authority over all aspects of

[1] It should be noted that in January 2021, the Agreement on Pension Provision of the EAEU has entered into force. The Agreement created a legal ground for the the working population of the Union to execute their pension rights in all of the EAEU member states disregarding the actual citizenship. According to the document, a year-long work experience acquired after the entrance of the Agreement into force is a necessary prerequisite for executing the pension rights across the Union. In other words, the earliest possible date of the start of the implementation of the Agreement is January 2022. It is also worth noting that the implementation of the Agreement depends on the introduction of a special common process within the EAEU integrated system for the information exchange. According to the EEC data, the design of the process was recently agreed at the Union level and is expected to be in operation by 2024. Once the common process is fully operational the EAEU members will be able to implement the Agreement on Pension Provision. Due to the above limitations and based on the absence of the real possibility for the execution of the pension rights across the Union, this research considers impossible to rank the labour mobility category with the value different from a 3.

internal and external policy. The EAEU institutional structure implies that the Eurasian Economic Commission, the Union regulatory body, plays primarily an advisory role with the ability to propose amendments to the legislative proposals drafted by the member states. The decision-making process remains in the hands of the national governments that meet at the level of heads of state or heads of government. With such an institutional arrangement, the EAEU is ranked with a 3 in the category "level of Supranational Institutional Importance".

The last two categories cover the fiscal and monetary cooperation of the regional initiative. The category of monetary coordination described the progress in the establishment of a single currency. For the EAEU, the value of this category equals 1. The Union Treaty does not imply a common monetary policy of the member states. The final category, fiscal coordination, refers to the degree of coordination in taxation, spending and budgeting. In the EAEU case this category receives a value of 1.5 as certain commitments on deficit spending are incorporated in the Union Treaty. A simple average of all categories (the value of 2.75) represents the overall Integration achievement score of the Eurasian Economic Union. This value will be applied in further analysis for capturing the depth of regional integration within the Union.

To account for the liberal considerations of economic integration that emphasize "an integration by markets," the thesis will also incorporate the second dimension of integration. In particular, it will consider the breadth of integration measured as the number of economies participating in regional arrangements. To capture the evolution of regional processes the breadth of integration can be evaluated repeatedly to account for any changes related to the number of the constituencies of a group. For the EAEU, the value of the breadth of regional integration will be equal to 5.

2.3 EAEU: Common vs National Interests

National interest within the integration agenda

The history of Eurasian integration shows that, in many cases, policies and individual actions of the EAEU members are not always aligned with the provisions of the Treaty of the Eurasian Economic Union (Artemenkova, 2016). The areas where experts identify the biggest gaps between individual actions and the obligations outlined in the Treaty on the Union include the spheres of macroeconomic and customs regulations. The immaturity of the approach toward the EAEU's decision-making process provides additional constraints to harmonizing members' interests and, in many cases, results in unilateral actions and decisions (Alekseenkova, 2017).

According to Kurc (2019), the lack of alignment between actions and obligations under the Union Treaty stems from the multi-vector foreign policy pursued by an EAEU member, which in turn results from the unique positioning of the region. Prioritizing national interests, the Eurasian countries either do not establish clear priorities for membership in the EAEU or define them without considering the Union's interests. Quite indicative of this is that some national development strategies of the EAEU members and, in particular, Kazakhstan's strategy 2050, do not contain any reference to Eurasian integration. Another example of misalignment of the commitments under the Union Treaty and individual actions of the EAEU members is a conclusion of the Comprehensive and Enhanced Partnership Agreement between Armenia and the EU. Despite the obligations set forth in the Union Treaty, the text of the Agreement was negotiated by Armenia in secrecy without providing sufficient information to other EAEU countries.

Prioritizing receiving the gains through bilateral negotiations with Russia, the EAEU members only rarely have diverging expectations about the potential outcomes of the integration processes in Eurasia (Vinokurov & Libman, 2017).

In particular, the perception of the Eurasian integration in Armenia relates to the ability of the EAEU to launch the common market on energy supply, which could impact the energy retail prices for Armenian consumers. Reduction of the gas prices was among the key Armenia asks (Ter-Matevosyan, et al., 2017). Armenia's expectations for the integration effects also include the country’s improved transport and infrastructure connectivity to the rest of the region which, in turn, could ensure the country’s better integration into the Union’s trade. Participating in the EAEU, the Armenian government also seeks to unlock the potential for the electricity exports that are currently constrained by the existing transfer capacities and the country’s disconnection from the Union networks (Alekseenkova, 2017).

Kyrgyzstan's expectations of the integration effects also include the formation of a common energy market, which has to solve the problems of hydropower generation in Kyrgyzstan (Mogilevskii et al., 2018). Another key ask relates to that country's desire to play a more significant role in regional trade and to increase its share within the EAEU single market. Kyrgyzstan also expects to gain some advantages that could result from the development of the EAEU common industrial policy (including in the sphere of agriculture) and receive additional benefits in the sphere of human capital development (Nuraliev, 2015). It is worth mentioning that before joining the EAEU, Kyrgyzstan led active bargaining to obtain concessions from the EAEU members, including substantial financial assistance. The

negotiation showed the orientation of the country's leadership on national problems and indicated the absence of a clear vision or a long-term interest in regional integration.

With a more pragmatic leadership in place, Kazakhstan has a long-term focus on the national socio-economic development programmes and defines regional strategy based on national priorities and tasks. Analysis of official and academic papers indicates that Kazakhstan's key expectations from joining the Eurasian integration project relate to the expansion of that country's trade with the partner markets. However, the introduction of a single market has not immediately led to the growth of Kazakhstan's exports. Instead, the formation of the Union resulted in an increased administrative burden (Alekseenkova, 2017). The situation was further aggravated by the growing flows of competitive imports from Russia and Belarus. The second reason for Kazakhstan to join the EAEU deals with the Union's commitment to introduce a common financial market and create a regional financial centre in Almaty. This ambition was declared by the former President of Kazakhstan, Nursultan Nazarbayev, on the margins of the Supreme Eurasian Economic Council in 2014 (Baskakova, 2017).

Belarus's major expectations from joining regional integration in Eurasia are concentrated primarily in the area of trade. In particular, Union membership is considered as a means for growing the country's exports to the member states' markets and to the third countries using the network of preferential trade agreements to which the EAEU would be a party (Gospodaric & Kovalev, 2020). The formation of a common energy market is another reason for Belarus to join the EAEU. The Belorussian government expects that the common electricity, gas, and oil markets will level the playing field within the Union, align the energy prices, and bring new investments into the country.

For Russia, the integration processes in Eurasia have been initially viewed as a means of its own economic development and promoting growth in neighbouring states (Vinokuvov, 2018). Russia was interested in expanding exports to the Eurasian market, securing a free movement of national goods to neighbouring economies, and growing the amount of non-energy export in the country's trade profile. Building a common financial market also corresponded with Russia's strategic interests within the region. Like Kazakhstan, Russia desired to build a leading financial hub in Eurasia. With that, Russia's ambitions went far beyond the common financial market and included creating a single currency area where the Russian rouble would be the key means of exchange. Another benefit that Russia planned to gain from joining the EAEU is the formation of a common electricity market that would facilitate the exports of excessive capacities within the region. Current Russia's priorities over EAEU membership have shifted

significantly following the introduction of the Western sanctions and restrictive measures. After losing the major export markets and the supply of crucial technology and equipment, Russia re-evaluated its EAEU membership and declared a focus on strengthening regional production and financial cooperation. However, Russia's new position in the world and the risk of secondary sanctions made the future of this cooperation uncertain.

Sanctions test

Setting their regional priorities, the EAEU members have always paid special attention to the geopolitical context and evaluated the risks and opportunities arising from the cooperation between the Union neighbours and the major world economies. While the role of the third countries in defining the future of the Union has been limited for a long time, with the recent introduction of unprecedented sanctions against one of the EAEU members, Russia, it increased dramatically.

Sanctions and restrictive measures have become part of the Union's agenda since the establishment of the block. On January 1, 2015, when the Treaty on the EAEU came into force, Russia had already been sanctioned by a number of Western countries. Even though Russia was the only EAEU member to which the international restrictions applied, due to the particular importance of Russia's economy to the Unions (in 2021, Russia contributed to about 86% of the EAEU's GDP), the respective measures have slowed down the development of the entire Union. Russia's countersanctions that took the form of an import ban on selected agricultural products have further exposed the EAEU economy to risks. Tensions with the Western countries also affected the trade policy of the EAEU and led to the termination of several ongoing negotiations with third countries (e.g., New Zealand).

The second wave of sanctions and restrictive measures that followed the Ukraine crisis of 2022 has led to even more significant consequences for the Union. There are several reasons why the new sanctions might have a much more significant impact than the measures introduced in 2014.

First, the new sanctions have a more significant scope and are applied to two out of five members of the Union (Russia and Belarus together contribute to 90% of Union GDP). New restrictions cover the majority of sectors of the economy, including the financial sector, create significant challenges for sourcing technology and equipment and ban Russian and Belorussian goods from the key export markets (in some parts of the world, an import ban is substituted with an increase in import duties for Russian and Belorussian goods and the revocation of the

Most-Favorite-Regime). In part, the negative effects of the new sanctions and trade restrictions are being solved by legalizing parallel imports via non-sanctioned EAEU members and in particular Kazakhstan. Parallel imports refers to the situation when the goods are being imported into a country without the consent of the owners of the original trademark. Second, extending the restrictions to Belarus, new measures have significantly spoiled the image of the entire Union and limited the prospects of block's extra-regional cooperation. Finally, different from the measures introduced in 2014, new restrictions imply the possibility of the imposition of secondary measures. The risk of secondary sanctions complicates the future relations of the EAEU with its trading partners and further limits the number of countries that would agree to engage in advanced economic cooperation with the Union.

The consequences of the new sanctions regime are not limited to extra-region affairs. In fact, the opposite is the case and they play an even more critical role in the future of inter-regional development. To eliminate loopholes in the sanctions regime and limit the opportunities for the circumventions of the restrictive measures, a number of Western countries call for the extension of sanctions to all EAEU members. The risk of association is becoming the biggest political risk for the Union members. It is possible that to mitigate the risk, some members may reduce or even terminate the cooperation at the regional level. However, for most of the members, that will mean the loss of the Union market, regional prices on energy resources, and no financial support from Russia.

During a recent meeting of the Supreme Economic Council of the EAEU, the President of Kazakhstan, K. Tokayev, underlined the need to create favorable conditions for the relocation of businesses, taking into account the sanctions context. He noted that the advantages of the geo-economic location of the EAEU and 80 million consumer market shall stimulate the world leading producers to think of the new options of their presence in the region.

However, in reality, the EAEU members are not able to significantly mitigate the economic and financial losses of Russia caused by a new wave of sanctions. While considering what exactly each of the member states of the Union could offer, it should be noted that there is almost no risk to the flow of essential goods of Western origin to Russia. Therefore, no special help is needed for the supply of food or consumer goods. The most impactful restrictions concern exports ban on computer and semiconductor technologies and is a part of a broader package of sanctions in the military, aerospace and shipbuilding sectors. The flows of high-tech and dual-use goods are already closely monitored by Western law enforcement bodies;

this control will only increase with countries such as Singapore and South Korea joining the sanctions.

Taking in account Armenia's trade agreement with the EU (Comprehensive and Enhanced Partnership) this country may seem as the most attractive rout for ensuring the supply of necessary technology to Russia. However, due to its geographic location (Armenia is the only EAEU member that does not share land borders with other members of the Union) such supplies from Armenia could be blocked by other transit countries. Belarus itself is under heavy Western sanctions over human rights abuse and will not be able to help.

Kazakhstan and Kyrgyzstan, in their turn, are the biggest gold producers in the areas that could supply Russia with additional volumes should the gold become the most desirable asset for Kremlin. However, the assumptions that Russia would link the ruble to the value of gold do not take into account the realities of the global financial system. In addition, the total volume of gold production in these two countries is less than half of Russia's. Kazakhstan may also serve as a channel for importing goods from China, but Beijing may as well trade directly with Russia. What is important is that Kazakhstan authorities are already showing no intention of violating the sanctions, and instead are beginning to move import and export routes away from Russian ports. The most recent example of the Kazakhstan desire to comply with the sanctions regime is the publications of the draft regulation developed by the Ministry of Finance aimed to control and eventually prevent the supply of certain types of goods to the territory of the Russian Federation.

It is worth mentioning that none of the EAEU members can, on its own, provide necessary assistance for Russia to overcome banking and financial restriction (e.g. disconnecting Russian banks from the SWIFT system that facilitates international transactions). The scale of Russia's trade and economy is too large and any transaction with the countries that have joined the new sanctions regime will be immediately blocked by even the most incompetent compliance department. Kazakhstan is the only EAEU member those banks are able to process part of the Russian export activity. However, until now Kazakhstan banking sector showed reluctance to engage with the Russian counterparts due to the risk of secondary sections. Finally, the EAEU members and in particular Kazakhstan will unlikely provide a safe haven for official Kremlin funds and the funds of the business owners connected to the Russian Government.

Conceivable way forward

The first thing to note, speaking about the main consequences of the new sanction regime, is that it brought back to the agenda long ignored unresolved problems and contradictions that exist among the EAEU members. In particular, the new restrictions intensified demands for independence within the Union from one of the leading economies, Kazakhstan. Supporting the idea of intra-regional cooperation in principle, the Republic of Kazakhstan has not rarely underlined its independence and autonomy in the sphere of politics-related decision-making. The import substitution programme and the development of alternative routes for the supply of sanctioned goods to Russia following the restrictions of 2014 strengthened the role of Kazakhstan in the Russian market. Considering the scale of the newer restrictions on Russia's economy, it is worth assuming that the presence of Kazakh manufacturers in Russia will only grow, which will help maintain the trend toward strengthening the Eurasian integration. With that, the risks associated with the possible continuation of cooperation cannot be ignored. Kazakhstan has always been concerned about a possible fall in the scope of Russia's economic or political interests. In reality, Kazakhstan will be forced to act even more cautiously, minimizing the possible political association with the Russian Federation. The ability of Kazakhstan to maintain relations with the key trade partners (including those that have introduced the sanctions against Russia) while participating in the EAEU will depend on the agility of country's foreign policy. Given the dynamics of Kazakhstan's trade and economic relations with the EAEU countries, in the case of a real threat to national interests, one could expect that the Kazakh government would distance itself from Eurasian integration.

Despite Armenia and Kyrgyzstan's efforts to diversify their trade and economic ties, cooperation within the Eurasian region remains important for the national economies (with the EAEU countries remaining Armenia and Kyrgyzstan's key trading partners). The high degree of exposure to regional affairs and the lack of their own resources for development increase the chances for Armenia and Kyrgyzstan to retain their membership of the EAEU in the short and medium term. However, the so-called "positive motivation" tools developed by the Western countries may motivate the change in Armenia and Kyrgyzstan's foreign economic policy. Such tools could include new investments, wider preferences for market access, and substantial technical assistance. The choice of foreign trade and economic policy is also under the influence of the local elites, whose priorities may change, being pressured by the national businesses and households due to rising inflation and the lack of cooperation with the Western countries.

Finally, those sanctioned economies, Russia and Belarus, will be interested in deepening integration cooperation and institutionalization of the Union. Having said that, neither Russia nor Belarus currently possess the resources to “warm up” the interest of the EAEU partners in the integration project. Russia, which for a long time functioned as a "donor" to other countries of the Union, is currently under unprecedented pressure from the West, and may not be in the position to provide additional financial stimulus to other EAEU members.

Taking into account the interests of the EAEU members, it is possible to develop three alternative strategies that the Union could follow in the coming months/years:

a) Inertial scenario. This scenario does not imply significant changes, the EAEU members do not join Russia’s counter-sanctions, the Union is trying to reorient itself towards the development of trade relations with states that do not support anti-Russian policy. Negative trends in the Russian economy affect the economic performance of other EAEU members. The Treaty on the Union becomes a framework agreement; the EAEU suspends the development of a common and coordinated policy.

b) Scenario of strengthening regional cooperation. The EAEU members are joining Russia’s counter-sanctions, the Union loses its key trading partners, and experiences challenges with regard to the import of equipment and technologies. The EAEU strengthens regional cooperation and the import substitution programme.

c) Disintegration scenario. Trying to avoid secondary sanctions, the EAEU members are guided by their own national interests and are gradually reducing cooperation with Russia, the foreign economic course is being reoriented, regional competition for production resources is intensifying, the EAEU countries are balancing between the Western countries and China.

Despite the fact that the path of strengthening regional integration could be labeled by many as the riskiest, given the limited alternatives to the Eurasian project, most (but not all) of the EAEU members are most likely to follow this scenario. It is highly possible that the Treaty on the Union will undergo significant changes in the medium and long term. The number of the participants in the integration initiative is also likely to decrease. However, the general trend towards strengthening regional cooperation and maintaining their own production base will intensify, leading to the establishment of new forms of cooperation between the EAEU members.

As seen from the above, national constraints as well as the key national development targets are the main driving forces behind the Eurasian integration (Vinokurov & Libman, 2017). Seeking national objectives, the EAEU members not rarely have diverging priorities and competing views regarding the future of regional economic integration. While some experts claim that the mismatch in goals and objectives of the EAEU members slows down the integration progress, others believe such variation is a part of the natural process of integration in which independent economies are the parties.

It would not be correct, however, to claim that the Union members are fully misaligned (Vinokurov, 2018). There are a number of shared priorities, among which are the growth of exports, unlocking the transit potential of the region, strengthening the common market, and human capital development. It is also worth noting that apart from the long-term integration effects, the EAEU members are also targeting the short-term gains and direct financial assistance, which becomes available right after joining the integration block (Alekseenkova, 2017). In many cases, the misalignment between countries' expectations and the immediate integration effects create a significant degree of disappointment that further affects the level of members' commitments to integration priorities. With that, the limited number of alternatives to the EAEU project motivates the countries to retain their membership in the Union and further develop integration arrangements to ensure the fulfilment of their national interests.

Due to the complexity of the integration process and the ambiguity of the integration effects, the objective assessment of the relationship between regional integration and growth and development in Eurasia is only possible via empirical tests. The aim of the next Chapter of the research is to design and run an empirical analysis in order to understand the real rather than declared effect of the EAEU.

CHAPTER 3. THE IMPACT OF REGIONAL ECONOMIC INTEGRATION ON ECONOMIC PERFORMANCE AND DEVELOPMENT IN EURASIA

3.1 Analysis of the Integration-Growth Nexus

Determinants of economic growth and the role of policy

The question as to why some countries grow more slowly than others has been high on the academic and political agendas for decades. Understanding the divergences in countries' long-term growth rates is the key to explaining and reducing the differences in standards of living (Barro & Sala-i-Martin, 2004). Recent years have seen a revival of research on the underlying forces behind economic growth. Recognizing the negative implications of the Covid-19 pandemic, a sharp reduction in global demand and production, and the risk of a potential food crisis, policymakers demand that academia should determine the factors that could reset global economy and drive the long-term economic growth

Before commenting on the key theories and determinants of economic growth, it is important to define the notion under research. As discussed in the first chapter of the thesis, the phenomenon of economic growth could be defined as a positive change in a country's income and output level over a certain period of time (Munday, 1996; Haller, 2012). Recognizing that potential variations may occur due to different stages of trade and economic cycles, this research will not consider short-term growth implications but will rather focus on a long-term positive trend of sustainable national income and production output growth.

The determinants of economic growth have been thoroughly explored in both theoretical and applied research. However, even now there is still no single definition of the prerequisites to successful economic performance. Academia generally believes that the key sources of economic growth include direct factors such as human capital, natural resources, capital accumulation, innovations and technologies (Munday, 1996) and indirect ones such as the efficiency of the economy and financial system, size and quality of institutions, budgetary, fiscal and migration policies etc. These determinants have different implications for developed and developing countries (Boldeanu & Constantinescu, 2015)

The most recent studies on economic growth highlight the importance of public expenditure (Ghosh & Gregoriou, 2008; Benos, 2009), entrepreneurship (Stam, 2008), trade (Tekin, 2012; Simut & Mester, 2014), investment (Li & Liu, 2005), and institutional components for achieving continued economic progress. The empirical analysis of the first two factors,

however, shows mixed results in terms of the potential implications on growth rates. The underlying factor for the diverging results is the high degree of heterogeneity in both the kind of entrepreneurship and government expenditure and the kind of economic environment where economic development is taking place (Boldeanu & Constantinescu, 2015).

When studying the determinants of economic growth, academia tries to explain causal relationships between the factors and the economic performance and to present the connections within a certain framework, developing what is currently referred to as economic growth theories. In the last several decades one could clearly distinguish three main stands in economic growth theories:

a) the Solow-Swan model, which represents the neoclassical approach to growth and places emphasis on the importance of investment and savings;

b) the Romer & Lucas's endogenous growth theory, which considers the importance of human capital and technological process; and

c) the institutional economic theory that stresses the primary importance of the quality of institutions in achieving sustainable economic growth.

While underlining different factors as key determinants of a successful economic performance, these schools of thought also provide different policy recommendations to encourage economic growth.

Growth theories traditionally stress the importance of physical and human capital accumulation and technological progress as key determinants of countries' growth. However, there is also an additional layer of analysis. In particular, the research on the determinants that explain possible uneven capital accumulation and different levels of technological development across countries. The institutional economists believe that the quality of institutions could be the factor explaining these differences (Stensnes, 2006).

Institutional economics understands growth as an efficiency of economic performance that results from a specific political and institutional environment. The latter could facilitate or impede the progress by creating either incentives or constraints to the performance of various economic agents (North, 1990). The proponents of the institutional growth theory argue that the details of the institutional construct determine the rules of the game, set the path for development, and have an incremental impact on economic performance. Institutions include formal rules (law, regulations), informal norms (self-imposed codes of conduct, culture,

mentality, customs) and the enforcement practices of both. They incorporate and organize the incentives for human exchanges and guide social, economic or political life (Dobler, 2011).

The assumption that efficient institutions are the ultimate determinants of economic growth was supported in the works of Chang (2010), Acemoglu et al. (2005), and North (2005). An efficient institutional framework could encourage economic growth by lowering transaction costs and offering incentives for boosting productivity. It can lead to better and less regulation, macroeconomic stability, and more predictable decision-making processes. Efficient bureaucracies, law enforcement, and sound protection of property rights are fundamental for a successful national economic performance.

While primarily focusing on the internal policy implications, institutional economics also considers the impact of trade openness on the development of a national economy. As explained by Stensnes (2006), greater integration into the global economy increases the fragility of producers exposed to international competition and raises the proportion of imports in consumption. Moreover, greater openness provokes broader and deeper effects of external shocks on national economies. On the other hand, the external environment may potentially mitigate domestic risks and thereby reduce the overall level of uncertainty. For instance, by integrating into the global financial market and allocating finances abroad, one could reduce the asymmetric shock risks and smooth local consumption patterns (Stensnes, 2006).

Researching the determinants of economic growth, scholars also consider the effects of trade openness as one of the policy options. The analysis of growth theories proves the existence of the causal relationship between trade openness and economic progress. According to Hadhek & Mrad (2015) trade liberalization allows countries to:

a) acquire new knowledge on production processes;

b) gain new technical information;

c) drive domestic productivity;

d) use a broader variety of products created in other markets thus raising consumption;

e) attract foreign investment to drive capital accumulation; and

f) benefit from increased competition and economy of scale.

International trade also contributes to the improvement in the efficiency of production. Following the opening of domestic markets to the global scene, producers are forced to improve product quality and lower prices to remain competitive. Increased competition further

improves institutions, which then support local economic agents in benefiting from trade openness.

The proponents of the institutional school (Dollar & Kraay, 2002) argue that the growth effects of trade increase substantially with the improvement of the quality of institutions. Further developing this idea, Niyongabo (2004) and Hadhek & Mrad (2015) suggested that good governance is the main factor in defining the success of economic performance as it pushes outward-looking policies to become more effective. It is also worth mentioning that the relationship between trade openness and institutional quality is not a one-way but rather a two-way process. Thus, according to Dani et al., (2004) openness can partly explain the quality of institutions and contribute to their improvement over time.

Despite potential gains in trade openness, existing knowledge still does have a single definition of the liberalization growth nexus, with the empirical studies showing diverging results. For instance, in many developing regions the vision that trade restrictions and trade protectionism could drive higher growth rates remains strong. Trade restriction pursued by countries is focused mainly on supporting import-substitution policies and protecting immature industries. There is also a vocal group of scholars arguing that trade openness could be detrimental to growth and potentially destroy national economies (Taylor, 1991). The existence of controversial findings and argumentation drive further research, pushing for additional empirical studies aimed at providing an objective analysis of the liberalization growth nexus.

When analysing countries' approaches to trade openness, one can clearly distinguish two options available for countries looking to benefit from market access liberalization. On the one hand, national governments could choose unilateral liberalization and apply equally low tariffs to all trading partners respecting the WTO MFN principle. "Going alone liberalization" as referred to by Bhagwati (2002) occurs when countries reduce their trade barriers unconditionally and independently of what other countries do. On the other hand, economies could liberalize trade towards a selected group of countries on the bases of reciprocity through regional integration. The latter claimed (Agbetsiafa, 2010) to support better control over trade liberalization and exposure to foreign competition.

Targeted liberalization in the form of regional integration has been a popular policy choice for countries across regions. Driven by their own national agendas, countries developed intra-regional ties looking for bigger markets, easier access to production resources, improved infrastructure, and production base development. The last 40 years have seen a significant

increase in regional integration activity. According to the WTO Regional Trade Agreements database, since the 1990s, WTO members have concluded more than 581 regional agreements, with around half of this number being notified to the WTO bodies in the last 10 years Today approximately one-third of world trade takes place within the framework of the regional integration agreements. EAEU countries have also been following the global trend, engaging in regional integration and promoting cooperation based on reciprocity.

The increasing importance of regional integration for countries' economic performance and the growing number of integration initiatives around the world have motivated empirical and theoretical research on the causal relationship between integration and growth (Ehigiamusoe & Lean, 2019). While agreeing in principle that there is a causal relationship between regional integration and economic growth, the theoretical literature has not yet produced a single vision over the direction and magnitude of this link. Applying various empirical models, scholars reported diverging results across geographic regions and across countries with different levels of economic development (Kim & Lin 2009; Falvey et. al., 2012; Tumwebaze & Ijjo 2015). The question as to whether integration may have a positive effect on growth will be further analysed within the next subchapter, which will provide the empirical assessment of the integration-growth nexus using the EAEU as a case study.

Hypothesis development

For decades, trade openness has been an integral part of the multilateral trade negotiation under the auspices of the WTO General Agreement on Tariffs and Trade (Mansfield & Reinhardt, 2003). Since 1947, the global economy has witnessed eight rounds of multilateral tariff negotiations which resulted in a substantial liberalization of market access worldwide (Richardson, 2001). Following a series of setbacks in promoting further tariff liberalization at a global level, several governments around the world adopted unilateral trade liberalization strategies (Gnangnon & Brun, 2018) aiming to support growth.

There are three strands of literature that advocate trade openness as an important driver of countries' economic performance.

First, Solow (1957) and Swan (1956) introduced the neoclassical approach and argued that trade openness attracts foreign and domestic investments, drives capital accumulation rate, promotes savings, and raises GDP. The neoclassical growth theory considers trade openness the key determinant of higher and faster growth rates. Explaining the impact of the mechanism

of trade openness, the neoclassical school suggests that easing the market access barriers improves factor allocation, attracts additional inflow of capital, which then increases domestic savings, improves the capital-labour ratio, and thus contributes to higher GDP rates.

In general terms, opening the national economy through market access liberalization implies a combination of policies aimed at promoting free trade, broad deregulation of the internal market and the reduction of tariff barriers. Such processes are usually accompanied by the elimination of subsidies, and state protection, and a more efficient allocation of production resources (Onakoya et al., 2019). Furthermore, outward-looking policies which include trade liberalization and openness to foreign investment, in the main, have been recommended to countries' authorities by the International Monetary Fund and the World Bank as key developmental strategies starting from the 1980s.

Baldwin and Forslid (2000) suggest that trade openness could stimulate growth and economic performance through technology, which can be transferred internationally through market exchange. In particular, the school proponents argue that liberalization raises competition and thus stimulates innovation and technological progress. Openness and international competition increase rivalry between domestic and foreign producers, which stimulates innovation, leading to more efficient production performance and eventually economic progress. Moreover, free movement of goods across borders promotes knowledge carry over, letting the latecomers replicate the products manufactured in the developed economies and thereby helping to stimulate innovations in products and processes (Mwaba, 2002). By contrast, trade-restrictive policies that impede international exchange and limit competition would result in poor innovation and weaker economic performance.

Supporting the assumption of a positive correlation between trade and innovation, Rivera-Batiz and Romer (1991) developed a simple model demonstrating how increased competition by foreign producers could induce local businesses to increase investments in R&D, contributing to greater innovation and productivity within the domestic economy. Studies of long-term growth also suggest that the creation of new goods and inputs represent one of the major sources of national economic progress. Thus, the endogenous growth theory reflects the shift from a resource-based to a knowledge-based economy, suggesting that the emergence of new knowledge and technologies through trade represents the key source of countries' economic growth.

Baldwin & Forslid (2000) also argued that the Romer–Grossman–Helpman endogenous

growth model could be further advanced to better understand the trade openness effects on growth. Using R&D and the financial sector for a case study, they showed that trade liberalization could stimulate growth by lowering the equilibrium mark-up via a pro-competitive effect.

According to the endogenous school, the mechanism of how trade openness affects economic performance via a pro-competitive environment is as follows. Trade openness 'defragments' the markets, raising the degree of competition as measured by, for instance, the Herfindahl-Hirschman Index of concentration, lowers the prices and drives demand. As shown by Baldwin (1989) in the example of the IT sector, growing import competition reduces the market power of national producers, alters the market structure and equilibrium mark-ups thereby lowering capital replacement cost. The resulting incipient increase in quantity leads to faster growth.

The third literature strand is rooted in institutional economics and argues that open trade regimes can result in the improved quality of institutions and better governance (Rodrik et al., 2004). For instance, Venables (2001) suggests that trade liberalization can drive the formation of more stable institutions. Further, Levchenko (2016) argued that liberalization of trade can change countries' preferences over institutions. Second, it can change the balance of power between the agents in the economy. The mechanism of trade effect on countries' performance under institutional economics would work as follows.

When countries have a comparable level of production, factor empowerment, and share a similar level of technological progress, trade openness will lead to a race for the "top-level" institutional quality and governance (Levchenko, 2014). Competing for the sectors that generate income under the trade openness concept, national economies will try to advance institutions to "the best attainable level" (Levchenko, 2016). The second source of institutional development relates to the fact that opening up global markets can change the configuration and the balance of power in the economy (Acemoglu et al., 2005; Jha, 2015). Acemoglu et al. (2005) suggested that the increase in Atlantic trade in the early modern era had led to the formation of a merchant class in Great Britain and other European countries that were interested in well-functioning institutions. Using trade-based wealth, merchants acquired political power and shaped the institutional formation of their countries facilitating the establishment of contemporary capitalism.

Overall, the scholars state that the impact of trade openness on economic institutions is likely to be multifaceted and depend on country-specific circumstances (Levchenko, 2016).

Moreover, as claimed by Dani et al., (2004), the relationship between trade openness and the quality of institutions is a two-way process. Openness can contribute positively to the quality of institutions, while effective institutions remain vital for the economy to benefit from trade liberalization.

The above discussion leads to the first hypothesis:

H1: Unilateral trade liberalization increases countries economic performance.

According to Tomiura et al., (2014) "going alone" liberalization may in some cases lack public support due to the unclear direct gains for national economies. Reciprocal liberalization represented by regional integration, on the other hand, may be a more popular strategy for winning public support and leading to real trade negotiations. The latter is believed to benefit the economy through better control over market access, liberalization, and exposure to foreign competition (Agbetsiafa, 2010) and the development of more targeted trade and economic cooperation.

Three groups of literature explain the mechanism as to how regional integration affects economic performance.

First, the neoclassical growth literature generally supports the development of preferential trade agreements, arguing that regional integration represents one step forward towards achieving global trade liberalization. Positive considerations are rested on the assumption that regionalism contributes to more efficient employment of production factors and maximizes production capacities, leading to greater prosperity and better economic performance (Bahadir, 1978). The neoclassical theory assumes that countries' economic policies, including regional integration, cannot provoke long-lasting effects on countries' performance. However, in the case of a more efficient allocation of resources and production factors, it can alter the existing capital-labour ratio and temporarily drive economic performance until a new equilibrium is reached. Thus, the proponents of the neoclassical growth theory argue that regional integration causes level, but not scale effects on economic growth.

Another set of literature – endogenous growth literature – concentrates mainly on the dynamic effects of regional integration (Baldwin, 1989) and addresses the technology and knowledge carry over effects. This school of thought explores how regional integration affects the process of knowledge creation and its translation into higher factor proactivity rates (Aghion & Howitt,

1992). Explaining the mechanism of integration impact on economic performance, the endogenous school suggests that the establishment of trade blocs provides for increased competition under which home and foreign versions of goods of integration members become perfect substitutes (Barreto & Kobayashi 2015). Forced to compete with a larger number of producers, local agents engage in a technological race, resulting in lower monopoly rates. As Walz (1999) suggested, market expansion through economic integration increases productivity, creates a scale effect in the R&D sector and thus contributes to higher output and growth rates. According to Rivera-Batiz & Romer (1991), regional integration can also represent a vehicle for technology carry over and facilitate access to knowledge exchange.

The third set is the institutional economics literature. According to North (1990) the major reason countries can show slow economic progress is that their respective institutions can lack efficiency and be designed in the interests of particular elites. Entering regional integration implies the delegation of powers to independent supranational bodies and the introduction of new decision-making processes that can mitigate the risk of power abuse and promote further reduction in negative market externalities (Hix, 2010). The delegation of power and agenda-setting responsibilities to the upper level could significantly improve the quality of the decision-making process and prioritize the group's interests through robust systems of checks and balances (Pollack, 2003). Moreover, as suggested by Winters et al., (2004), regional integration could be a good example of a policy-making learning exercise. Practices established by more developed trade bloc members after being adapted to local needs and conditions could be applied as legitimate solutions for domestic challenges. The introduction of reforms following integration can also reduce uncertainty and increase the credibility of local institutions inviting foreign capital and entrepreneurial activities (Fernandez, 1997).

Such a perspective on regional integration also helps us to understand the complex nature of the phenomena. It recognizes that the impact of regional cooperation can vary significantly across the levels of institutional development and levels of cooperation intensity related to it. When conceptualizing regional integration, the study expands the work of Hufbauer & Schott (1994) and considers not only the fact of country membership in a particular regional block but instead, it considers the quality of regional cooperation measured by the depth (intensity of different integration dimensions) and the breadth of regional integration (number of participating countries).

There are also some bargaining power considerations behind choosing regional integration as a development strategy. According to Schiff & Winters' analysis of regional integration (2003),

governments may prefer regional integration against unilateral trade openness for several reasons. First, through regional arrangements, they would be able to exploit greater power over non-members through coordinating trade policies (in case they may wish to exploit the regional market as a base for protected industrialization). Second, they may feel that access to selected partners' markets could be better ensured by providing preferential access conditions to their own markets, conditional on reciprocity. Another channel through which countries could benefit from joining economic blocks relates to the ability of regional integration to scale up the size of the available resources and to offer opportunities to overcome constraints related to the smallness of the economies (Venables, 2001, 2011). The scaling effects could help to implement expensive public projects, take a stronger position in the region and receive more favourable treatment from non-members.

Clearly, the success of regional integration measured as a degree of induced economic growth under this concept will primarily depend on choosing the right partners for preferential trade and economic cooperation. Under this scenario, reciprocal regional integration can help countries combine the benefits of free trade with selected countries to protect their national economy from the rest of the world (Norbert, 1983). Integration then would represent a "closed-door club" that can be joined only by invitation. Therefore, I hypothesize:

H2: Regional integration increases countries economic performance.

A new theory of regional economic integration has been developing along with changes in the global economic environment. Lawrence (1997) claims that the driving forces behind "old integration" efforts presented by trade creation and trade diversion effects differ significantly from the factors promoting contemporary integration initiatives, including the increasing role of foreign investment, growing importance of services, etc. Trade openness within a thin context becomes a multifaceted notion beyond simple tariff liberalization.

It is interesting that analysing the behaviour of existing regional blocs, authors (Lee & Shin, 2005; Estevadeordal et al., 2008; Ando et al., 2009; Powell & Low, 2011) not rarely suggest that, after joining regional integration initiatives, countries are more likely to reduce their tariff barriers and liberalize market access conditions to non-members. Bagwell & Staiger (1999) refer to it as a "complementary effect" which accompanies preferential trade liberalization. Such a scenario triggers the idea that further tariff reduction implemented at a block level could be as beneficial as the unilateral trade liberalization pledged by most growth scholars. The

general assumption behind this idea is that the reduction of the level of block's tariff protection towards the rest of the world could moderate the trade diversion effect of integration and shift some supply back to the original low-cost sources, reducing the mark-ups and driving up the consumption and the quality of traded goods. Supporting this assumption, some scholars (Estevadeordal et al., 2008) claim that the effects of regional integration on economic performance are hugely influenced by the policies pursued by integrated economies following the formation of a bloc.

Examining the link between regionalism and global trade openness, Powell & Low (2011) claim that regional arrangements serve as "steppingstones" toward global liberalization, making states more receptive to unilateral trade openness. Claiming that joining regional integration rarely encourages countries to follow trade liberalization, Estevadeordal et al., (2008) suggested several reasons to support this argument. In particular, they stated that this costly trade diversion effect could force governments to adhere to trade openness to revive shrinking import volumes from non-members. He also assumed that some products could be easier to liberalize than others and for these products countries would choose to supplement regional liberalized by unilateral tariff reduction to boost economic performance and receive additional trade-related benefits. As suggested by Powell & Low (2011), the key drivers for trade liberalization after entering regional integration would be the structure of intra-bloc trade and the elasticity of demand for specific product groups.

Based on the above I hypothesize:

H3: Unilateral trade liberalization increases the impact of regional integration on economic performance via the complementary effect.

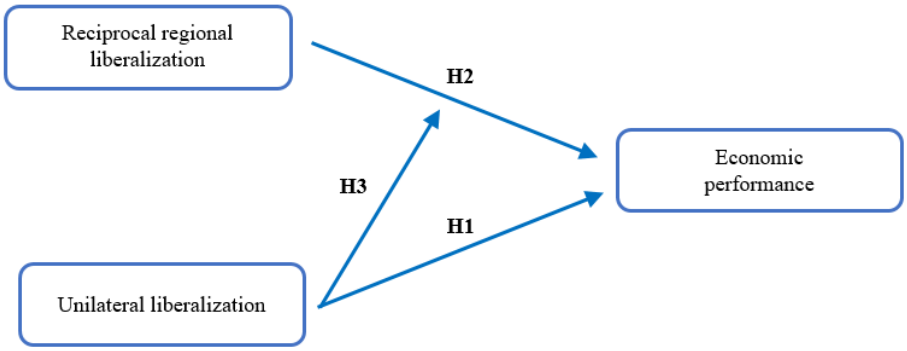


Figure 14: Conceptualization of the integration-growth nexus (hypothesis)

Source: Developed by the author.

Data and method

To test the hypotheses and address the research question, this subchapter will empirically assess various indicators of economic performance. The panel data used for the analysis of the effects related to Eurasian integration will cover observations over the 25 years since 1995 of five countries (Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia) that trade globally. The robustness check will be implemented by applying the model to other comparable integration initiatives (the comparability is defined based on the degree of similarity of the integration initiatives' goals and level of institutional development). For the above assessment, the panel data will include the observations for the 48 years since 1971 covering six regional blocks (EU, EAC, COMESA, CEMAC, GCC, SACU) that together include 76 countries. The extension of the research to other integration blocks aims to check the applicability of the initial findings to the non-Eurasian regions.

The selection process of the integration blocks for the robustness check comprised of two steps. First, in order to enable a fair comparison we searched the WTO RTA database for all integration blocks notified to the Organization that function as Customs or Economic Unions. The reason for choosing this selection criterion relates to the current integration level of the EAEU that serves as a case study for the purpose of this research. Noting that the EAEU functions as a customs union with its own legal identity and has dedicated supranational institutions the first step of the selection process aimed to exclude from the consideration process other forms of regional groupings that demonstrate lower level of integration cooperation. The initial selection of regional blocks that function as Customs or Economic Unions consisted of 12 groupings: EU, EAC, COMESA, CEMAC, GCC, SACU, ECOWAS, CAN, MERCOSUR, WAEMU, CACM and CARICOM.

Under the second stage of the selection process, we checked the availability of necessary data for the selected blocks and did the initial test applying the empirical model developed within the frameworks of this research. Following this test, some of the selected integration blocks were excluded from further consideration – ECOWAS, CAN, MERCOSUR, WAEMU, CACM and CARICOM. The reason for the exclusion is data gaps, insufficient data for the panel analysis or insufficient variation.

The country-level data is retrieved from the World Bank (WB) website, which contains official statistics collected through national accounts, countries' balance of payment and the Bank's country reports as well as from the World Integrated Trade Solution (WITS), online software

which allows users to source trade-related information from the databases of the World Bank, United Nations Conference on Trade and Development, International Trade Centre, United Nations Statistical Division and the World Trade Organization. The sample is then refined by cleaning out the missing values as well as the outliers. The latter is especially important as the data on the weighted average MFN tariffs (which rarely contain great picks) is included in the model. To avoid the risk of misinterpretation, the weighted average MFN tariffs over 40 % level are excluded from consideration[2].

Dependent variables

The dependent variables that proxy economic performance include growth (Ibrahim & Vo, 2020), export and import (Tumwebaze & Ijjo, 2015; Ehigiamusoe & Lean, 2019), consumption (Grimwade, 2013; Waheeduzzaman, 2017), capital (Bajo-Rubio, 2010) and employment (Jones et al., 2018).

Explanatory variables

We employ several explanatory variables to capture the trade openness (tariff liberalization) and regional integration effects.

To test our H1 and H3 hypotheses on the relationship between the level of market access protection and economic performance, the research uses import tariffs, which are measured as a weighted average level of applied most favoured nation (MFN) tariffs (In ‘t Veld, 2019). To calculate the effect of the depth and breadth of regional integration on economic performance (H2), we draw on the prior research on international trade and integration analysis, adopting the concepts of depth and breadth of integration for this study. This approach has more robust benefits as it goes beyond the often-used dummy variables concept that simply provides for a dichotomous choice of whether the country is in or out of an integration block.

To measure the depth of regional integration, the study expands on the Hufbauer & Schott study (1994), which has developed a comprehensive framework to evaluate the degree of regional integration. The indicator is referred to as the Integration Achievement Score. This

[2] The MFN tariffs over 40 % level were excluding from the consideration based to the logic applied at the moment of the formation of the multilateral trading system. During the first General Agreement on Tariff and Trade negotiations, the 40% import tariff ceiling was identified as the starting point for the discussions on trade liberalization. The tariffs above the 40% level were excluded from the consideration as they represent “exceptions” rather than an international practice and their inclusion in the assessment may significantly affect the reliability of the calculation results.

score is calculated as a simple average of the values assigned to the blocks in six categories that measure different aspects of regional integration. These aspects include

a) trade in goods and services;

b) capital mobility;

c) labour market;

d) importance of supranational bodies;

e) coherence of monetary policy; and

f) fiscal policy coordination.

Each assessment category can have a value from zero to five along a Guttman scale, where the higher level of regional integration within the selected category translates into a higher value along a scale. A detailed description of the scoring system was presented in chapter 1 of this thesis. The scoring of the EAEU is presented in Table 9. A simple average of all categories (the value of 2.75) represents the overall Integration achievement score of the Eurasian Economic Union.

To measure the breadth of regional integration, the number of countries that form the integration block is used. To capture the evolution of regional processes, the breadth of integration can be evaluated repeatedly. In that case, the initial number will reflect the amount of the initial constituencies who signed the founding Treaty, further scores will respond to the changes relating to the number of the constituencies in a group. For the EAEU, the value of the breadth of regional integration will be 5.

Control variables

The model uses a set of control variables, which may also explain the differences in economic performance. First, to avoid fiscal contraction effects provoked by lesser customs tariff revenues resulting from trade openness, government spending would remain constant (In ‘t Veld, 2019). Next, the model assumes that savings and foreign direct investments remain fixed. By including these factors as control variables, I exclude the capital inflow in financial instruments and concentrate mainly on the capital inflow in fixed capital assets (gross capital formation). To account for the level of economic development and the maturity of different sectors of national economies and the integration into the global markets, the model also controls the Herfindahl-Hirschman Index and the Export Market Penetration Index. Above all,

to allow for potential trends and patterns in the data that may be related to time effects, the model includes time-fixed effects in the equation. In this case, we allow for any potential changes related to the country characteristics that happen over time. To allow for potential trends and patterns that may be related to country effects, the model includes country-fixed effects in the equation

The descriptive statistics of the EAEU countries' variables are presented in Table 10, while the correlations between the EAEU countries' variables are presented in Table 11. The descriptive statistics and the correlations between the variables of other integration blocks included in the research are presented in Table C1 and Tables C2 (Appendix C).

Table 10. Descriptive statistics of the EAEU countries' variables included in the model (growth)

Variable	Measurement explanation, source	Nr. obs.	Mean	St.Dev.	Min	Max
Growth	Annual percentage growth rate of GDP per capita based on constant local currency, WB.	150	2.19	7.71	-40.74	14.69
Export	Log of exports of goods, services, and income in current U.S. dollars, WB.	129	23.25	2.13	19.24	27.18
Import	Log of imports of goods and services in current U.S. dollars, WB.	132	22.22	1.88	19.52	26.87
Consumption	Household final consumption expenditure (% of GDP), WB.	152	81.39	16.81	51.31	117.45
Capital	Gross capital formation (gross domestic investment) (% of GDP), WB.	153	26.15	7.62	1.63	47.94
Employment	Proportion of a country's population that is employed (age 15 and older), WB.	145	57.17	6.21	44.02	70.50
Import tariff	Weighted average level of MFN tariffs, WB.	243	5.53	2.45	0	11.28
Breadth of integration	Number of countries constituting integration block	245	0.51	1.51	0	5
Depth of integration	Integration Achievement Score which is the degree of regional integration	245	0.26	0.78	0	2.75

Variable	Measurement explanation, source	Nr. obs.	Mean	St.Dev.	Min	Max
Government spending	General government consumption (% of GDP), WB.	153	15.87	3.90	8.32	25.00
Savings	Gross savings (% of GDP), WB.	132	20.80	9.39	-7.94	36.15
Economy maturity	Degree of market concentration and/or competition measured as the Herfindahl-Hirschman Index, WITS	110	0.14	0.10	0.03	0.51
Global markets integration	The extent to which a country's exports reach global markets measured as the Export Market Penetration Index, WITS.	105	3.60	2.88	1.41	11.28
FDI	Net inflows of investment (% of GDP), WB.	139	3.92	3.46	-1.39	17.13

Table 11. Correlation matrix of the EAEU countries' variables included in the model (growth)

	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.
1. Growth	1													
2. Exports	-0.12	1												
3. Imports	-0.001	0.99*	1											
4. Consumption	-0.04	-0.80*	-076*	1										
5. Capital	0.22*	0.02	0.11	-0.18*	1									
6. Employment	-0.23*	0.41	0.36	0.49	-0.04	1								
7. Tariff	-0.03	0.53*	0.53*	-0.48*	0.003*	-0.14	1							
8. Breadth of integration	-0.2	0.17	0.20*	-0.05	-0.007	-0.04	-0.11	1						
9. Depth of integration	-0.2	0.17	0.20*	-0.05	-0.007	-0.04	-0.11	0.75*	1					
10.Government spending	0.15	0.76*	0.76*	0.85*	0.36*	-0.36*	0.46*	0.12	0.12	1				
11. Savings	0.15	0.76*	0.76*	-0.85*	0.36*	0.36*	0.46*	-0.13	0.13	0.01	1			
12. Economy maturity	-0.009	-0.46*	-0.44*	0.29*	0.12*	0.06	-0.10	-0.06	-0.06	0.33*	-0.23*	1		
13. Global markets integration	-0.01	0.81*	0.81*	-0.46*	0.23*	0.04	0.55*	0.06	0.06	0.42	0.46*	-0.42*	1	
14. FDI	0.26*	-0.16	-0.11	0.08	0.23*	0.17	0.29	-0.09	-0.09	-0.41*	-0.04	-0.07	-0.42*	1

*Level of statistical significance: * 5%.*
Source: Authors' elaboration of the collected data.

Empirical strategy

Trade openness can be explained by unilateral liberalization and regional integration in its effect on economic performance, and the research estimated this econometric model using random effect panel data analysis with additional controls for countries and years with the dependent variable y_{it} and the independent variable x_{it} such that:

$$y_{it} = \beta_0 + \beta_1 x_{it} + \beta_2 \tau_{it} + \varepsilon_{it} \quad (1)$$

where i is the country and t is the year.

The dependent variable y_{it} would represent growth, volumes of imports and exports, capital, consumption, and employment for country i in time period t respectively.

The explanatory variables such as import tariff and the breadth and depth of regional integration for country *i* at a time point *t*, would be presented by x_{it}.

The control variables are government spending, Herfindahl-Hirschman index, FDI, Export Market Penetration Index, and savings, represented by τ_{it}. The model also controls for country fixed effects and year fixed effects.

We add country controls into the model to account for country unobservable characteristics that do not vary across time. The aim of the introduction of the year control effects is to account for the factors that vary within time and affected all members of the Union (e.g. economic crises, introduction of economic and political sanctions, or adoption of new regulation at the EAEU level).

Finally, ε_{it} would be an error term that consists of:

$$\varepsilon_{it} = \gamma_i + \mu_t + \nu_{it} \quad (2)$$

Where γ_i represents the omitted variables that vary across countries but not overtime (country fixed effects), μ_{ij}. denotes the omitted variables that vary over time but are constant across countries (time fixed effects), and ν_{it} is the idiosyncratic error term.

The type of error adopted in the model is Driscoll-Kraay standard error.

Before adopting random-effect panel data analysis with additional country and year controls we implemented a number of diagnostic tests. In particular, we ran Cumby-Huizinga test, Breusch-Pagan Lagrangian multiplier test, and Robust Hausman test. The results of the diagnostic tests (Table 12) allowed us to use a random effects regression and to choose an appropriate type of standard error (Driscoll-Kraay standard error).

Table 12. Results of the Diagnostic Tests (growth)

Specifications	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Type of diagnostic test	Growth	Growth	Export	Export	Import	Import	Consu-n	Consu-n	Capital	Capital	Emplo-t.	Emplo-t.
Cumby-Huizinga test for autocorrelation chi2	12.72	12.72	46.074	43.150	46.498	42.427	68.040	51.737	58.662	58.662	77.593	78.383
Cumby-Huizinga test for autocorrelation p value	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Breusch-Pagan Lagrangian multiplier test for random effects chi2	291.76	281.69	6605.53	7074.52	7069.08	7323.72	4223.22	4418.88	1582.84	1506.61	10362.30	10049.45
Breusch-Pagan Lagrangian multiplier test for random effects p value	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Robust Hausman test chi2	6.76	5.93	9.93	9.59	6.07	6.77	1.93	3.33	2.22	1.92	4.15	4.86
Robust Hausman test p value	0.34	0.43	0.12	0.14	0.29	0.34	0.92	0.76	0.89	0.92	0.65	0.56

Results of the analysis of the Eurasian Economic Union

To find the effect of unilateral liberalization and reciprocal regional liberalization (breadth and depth of integration) on economic performance, the study tests H1-H3 for the EAEU Members. Table 13 presents the results of the fixed effects panel data analysis.

From Table 13, we find that trade openness in the form of unilateral liberalization has different effects on economic performance indicators before and after regional integration takes place. Regional integration (measured as breadth and depth of integration) does not equally affect various indicators of countries' economic performance.

Overall, the findings resulting from the regression analysis have not supported H1, which implied that unilateral liberalization increases countries economic performance. According to the model's results, unilateral trade liberalization had not yielded significant effects on EAEU's countries' economic performance before they entered regional integration. The explanation for this could be an inferior quality of governance and institutions of countries constituting the block, effective functioning of which, according to Hadhek & Mrad (2015) and Levchenko (2016), is seen as a necessary condition for gaining the benefits from trade liberalization.

H2, which predicted that regional integration which implies targeted reciprocal liberalization would enhance economic performance, is only partly supported by the regression results. Both indicators for the depth and breadth of regional integration are positive and significant for the inward and outward trade (exports and imports). An increase in the breadth of regional integration by one country is associated with an increase in export by 0.48% (β=0.480, $p<0.001$ (Table 13, Column 3)) and imports by 0.49% (β=0.493, $p<0.001$ (Table 13, Column 5). An increase in the depth of regional integration measured by 1 point in the value of the Integration achievement score is associated with an increase in export by 1.03% (β=1.029, $p<0.001$ (Table 13, Column 4)), while the rise in imports was 11.41% (β=11.140, $p<0.001$ (Table 13, Column 6)). Interestingly, the effect of regional integration on national employment is negative. This is to say that an increase in the breadth of regional integration by one country is associated with a reduction in employment by 2.63% (β= -2.634, $p<0.001$ (Table 13, Column 11)), while the depth of integration (an increase by 1 point in the score) leads to a reduction in employment by 14.55% (β= -14.550, $p<0.05$ (Table 13, Column 12)).

Table 13. Regression results from the panel random-effects regression, EAEU (growth data)

Specifications	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Models	Growth	Growth	Export	Export	Import	Import	Consu-n	Consu-n	Capital	Capital	Emplo-t.	Emplo-t.
Import tariff (H1)	-0.0351 (0.22)	-0.115 (0.34)	-0.008 (0.02)	-0.008 (0.01)	-0.003 (0.01)	-0.001 (0.01)	-0.280 (0.63)	-0.280 (0.57)	-0.083 (0.43)	-0.083 (0.43)	0.030 (0.13)	0.030 (0.13)
Breadth (of integration) (H2)	0.026 (1.08)		**0.480***** (0.10)		**0.493***** (0.09)		13.67 (5.46)		3.75 (1.92)		**-2.634***** (0.91)	
Import tariff x Breadth (H3)	-0.189 (0.18)		0.0200 (0.01)		**0.066***** (0.01)		**1.714**** (0.88)		0.500 (0.33)		-0.342 (0.14)	
Depth (of integration) (H2)		-15.15 (11.25)		**1.029***** (0.17)		**11.41***** (0.34)		68.50 (15.55)		17.56 (10.58)		**-14.55*** (2.89)
Import tariff x Depth (H3)		-1.076 (0.83)		0.038 (0.04)		**0.121**** (0.03)		**3.295*** (1.70)		0.961 (0.63)		-0.658 (0.28)
Government spending	-0.455 (0.19)	-0.154 (0.42)	0.001 (0.01)	0.001 (0.01)	0.006 (0.01)	0.006 (0.01)	0.183 (0.65)	0.183 (0.48)	-0.152 (0.31)	-0.152 (0.31)	-0.387** (0.13)	-0.387** (0.13)
Savings	0.292** (0.10)	0.215** (0.13)	0.010* (0.00)	0.012* (0.00)	-0.003 (0.00)	-0.00213 (0.00)	-1.146*** (0.13)	-1.146*** (0.13)	0.366*** (0.14)	0.366*** (0.14)	-0.048 (0.03)	-0.048 (0.03)
Economy maturity	10.25 (6.43)	5.280 (9.30)	0.027 (0.42)	0.027 (0.42)	0.216 (0.45)	0.157 (048)	32.91** (11.13)	32.91** (11.13)	-17.99** (8.04)	-17.99** (8.04)	-3.895 (3.48)	-3.895 (3.48)
Global markets integration	0.167 (0.21)	1.823 (1.31)	-0.088 (0.05)	-0.088 (0.05)	-0.119** (0.03)	-0.112** (0.03)	-2.333 (1.84)	-2.333 (1.84)	-1.516 (1.56)	-1.516 (1.56)	1.776*** (0.39)	1.776*** (0.39)
FDI	0.012 (0.21)	0.217 (0.24)	0.001 (0.01)	0.001 (0.01)	0.015** (0.01)	0.016** (0.01)	0.266 (0.49)	0.266 (0.49)	0.755*** (0.22)	0.755*** (0.22)	-0.071 (0.08)	-0.071 (0.08)
Country controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Constant	-1.794 (2.18)	-0.040 (1.58)	25.48*** (0.63)	19.97*** (0.28)	27.48*** (0.43)	20.45*** (0.23)	109.7*** (18.03)	109.7*** (18.03)	26.91*** (20.34)	26.91*** (20.34)	51.01*** (4.30)	51.01*** (4.30)
R2	0.662	0.717	0.997	0.997	0.997	0.997	0.931	0.931	0.766	0.766	0.973	0.973
RMSE	3.49	3.38	0.135	0.144	0.123	0.123	5.521	5.521	4.302	4.302	1.245	1.245
F stat	272.25	260.58	3002.83	1062.55	986.95	1861.47	250.92	4876.82	799.31	39.37	1163.12	8331.62

*Note: Level of statistical significance: * p<0.05 **; p<0.01, *** p<0.001. Number of observations =105. Driscoll-Kraay standard error.*
Source: Author calculations

The results suggest that the Eurasian integration most significantly affects inward and outward trade flows, raising exports and imports, negatively impacts employment, and does not provide significant effects on other indicators such as GDP, consumption, and capital accumulation rates. We argue that these findings conflict with the expected results. For example, when countries experience growth in exports, they should also enjoy a positive effect on employment rates. However, the empirical results under H2 are in contrast to this assumption. The explanation of this gap can be as follows. First, as Ayadi & Ramos (2017) argued, the elimination of tariff protection under regional integration increases competition and forces domestic prices to fall to the lower regional level.

Under such market pressure, domestic production shrinks, while household consumption further contributes to import growth. Even though some scholars (Fertig, 2003) suggest that regional economic integration could be positive for employment in the long run, Ayadi & Ramos (2017) argue that during the initial stages of trade and economic cooperation, countries can temporarily experience hikes in unemployment rates. Thus, decreasing market share and falling mark-ups slow down national demand for labour, and increase unemployment.

The second argument is that a larger market resulting from regional integration can encourage Eurasian producers to seek economy of scale and increase the productivity in tradable activities. When doing so, national businesses try to reduce the production factors ratio and decrease the demand for labour. Under this scenario, low-skilled workers and workers implementing outline jobs are at the highest risk of being unemployed.

By including in the model two indicators explaining the effects of economic integration, we can make a conclusion about the scale of impact of different integration parameters. Thus, the EAEU case suggests that the quality of integration measured as integration depth provides a greater impact on the economic performance of block constituencies than the so-called breadth of integration, which accounts for the number of countries taking part in the integration block.

It is important that our findings do not capture the effects of the Eurasian integration on courtiers' growth, consumption, and capital accumulation. This means that with the current configuration, a regional block does not impact the overall economic performance or contribute to production growth. From the opposite point of view, the EAEU serves primarily as a trade-facilitating instrument contributing to a better allocation of production resources, and promoting the economy of scale.

H3, which predicted that trade liberalization following regional integration would enhance economic performance, is partly supported. This means that the two trade liberalization strategies do not always perform in a complementary manner. In particular, the results suggest that the reduction of import tariff (EAEU Common Customs Tariff) by 1 percent and an increase in the breadth of integration by one country has a significant positive effect on imports (0.06%) (β=0.066, $p<0.001$ (Table 13, Column 5)) and consumption (1.71%) (β=1.714, $p<0.01$ (Table 13, Column 7)).

For the depth of integration, it is found that the reduction of import tariff by 1 percent and an increase in the depth of integration by 1 point has a significant positive effect on imports (0.12%) (β=0.121, $p<0.01$(Table 13, Column 6)) and consumption (3.29%) (β=3.295, $p<0.05$ (Table 13, Column 8)). The consumption effect signals the positive impact of trade liberalization on blocks economic performance (Dayal & Dayal, 1977).

While measuring the effects which arise from different trade liberalization options, we also accounted for other country characteristics which might affect the economic performance of participating countries. First, it is possible to highlight that household savings have the most significant impact on EAEU's economic growth. This approach expands the number of studies that support the idea that savings can boost economic performance (Bebczuk, 2000; Anoruo & Ahmad, 2002). FDI mainly increases imports and capital accumulations, while integration into global markets is significant for increasing employment and limiting imports. The level of economic maturity affects consumption and capital accumulation. As we measured the level of economic maturity using the Herfindahl-Hirschman Index, which indicates the degree of market concentration, we can understand this connection by the following explanation. A higher level of market concentration resulting from lower competition does not create an additional stimulus for investment into business development and thus negatively affects the capital accumulation rate. On the other hand, the economy of scale effect that would result from the growing position on the market would positively affect the level of consumption by decreasing the production cost. Simultaneously, a dominant market position in many cases would provoke additional controls and regulations that would not allow the producers to abuse their position and stimulate fair pricing and contribute to increased consumption. Finally, government spending is significant for employment. An additional 10% contribution from the government leads to a decrease in employment by 7.7%. This pattern can emerge when additional government spending is mainly funded by an increase in taxation. At some point in time, increased taxation reaches the level at which households' income decreases so

significantly that it provokes a substitution effect, following which many individuals refrain from official employment and/or replace office time with leisure activities.

Results of the analysis of other integration blocks

To understand the pattern of unilateral liberalization and regional integration effects on economic growth, the study applied the panel data analysis to six other selected integration initiatives. A consideration of the regional blocks other than the EAEU provides this study with the opportunity to check the applicability of the empirical approach, evaluate the relevance of the initial findings and capture the key patterns of the trade openness effects across regions. Tables D1-D6 (Appendix D) represent fixed effects panel data analysis results for each block[3]. The selection of integration initiatives under research was based on the level of comparability of the respective blocks to the current integration level of the EAEU. The initial selection included all integration initiatives notified to the WTO as Customs Unions. Under the next step, some blocks were excluded from the analysis due to limited data or insufficient variation in the breadth or depth of regional integration.

Based on the findings shown in Tables D1-D6 (Appendix D), trade openness in the form of unilateral liberalization has different impacts upon countries' economic performance before and after regional integration takes effect. That finding partially confirms the pattern captured earlier for the EAEU. In particular, the model suggests the absence of a significant correlation between unilateral trade liberalization and economic growth for the CEMAC members and one can observe significant negative correlation for the COMESA members for the period prior to regional integration (1 % import tariff reduction results in the decrease of exports by 0.01 % (β= -0.0146, $p<0.05$ (Table D2, Column 4, Appendix D)) and capital formation by 0.64% (β=-0.641, $p<0.05$) (Table D2, Column 9, Appendix D)).

In contrast to the above, significant and positive correlation between unilateral trade liberalization and economic performance is recorded for the EAC and GCC (positive effects are mainly associated with the trade indicators). For the EAC countries, the reduction in customs tariffs of 1 % is associated with an increase in exports of 0.02 % (β=0.0290, $p<0.01$ (Table D3, Column 4, Appendix D)) and an increase in imports of 0.02% (β=0.0259, $p< 0.05$ (Table D3, Column 6, Appendix D)). Similar, to that, for the GCC countries the model suggests that an additional market access liberalization of 1 % customs tariff reduction results in a 0.01

[3] The assessment of the depth and breadth of integration for each block other than the EAEU is represented in Tables A1-A12, Appendix A.

% increase in imports (β=0.0172, p< 0.05 (Table D6, Column 5, Appendix D)) and 0.56% (β=0.568, p< 0.001) (Table D6, Column 7, Appendix D) increase in the level of consumption.

Mixed effects are observed for the EU and SACU. Despite the diverging results for different dependent variables, the European block proved to economically benefit the most from the market liberalization applied on the MFN basis. In particular, the model outcomes suggest that a reduction of customs tariffs of 1 % for the EU countries results in:

a) additional GDP growth from 1.20% to 14.99% (β=1.208, p<0.001; β=14.90, p<0.001 (Table D1, Column 1-2, Appendix D)),

b) capital growth from 4.94% to 9.41% (β=4.948, p<0.001; β=9.410, p<0.001 (Table D1, Column 9-10, Appendix D)) and

c) employment increase by 22.27% (β=22.270, p<0.01 (Table D1, Column 11, Appendix D)).

Simultaneously, the model indicates that that the reduction of customs tariffs by 1 % for the EU countries results in export and import decreases from 5.97% to 6.72% (β= -5.970, p<0.001; β= -6.720, p<0.001 (Table D1, Column 9, Appendix D)) and from 5.29% to 6.08% (β= -5.292, p<0.001; β= -6.087, p<0.001 (Table D1, Column 9, Appendix D)) respectively.

Concerning the SACU case, the reduction of import tariff by 1% is associated with:

a) a change in the level of consumption from -6.15% to 1.51% (β= -6.155, p<0.01; β=1.512, p<0.01 (Table D5, Column 7-8, Appendix D)),

b) a change in the level of employment from -1.87% to 0.581% (β= -1.876, p<0.01; β=0.581, p<0.001 (Table D5, Column 11-12, Appendix D)).

c) Moreover, for SACU, the import tariff reduction by 1% is associated with a decrease in capital accumulation equal to 5.92 (β= -5.921, p<0.001 (Table D5, Column 10, Appendix D)).

It is assumed that, in a similar way to the EAEU case, the divergence in trade openness effects on the economic performance of the countries party to different integration initiatives, stems from the uneven level of institutional development as well as the different levels of market maturity, which reflects the degree of concentration and indirectly indicates the level of compatibility of various segments of national economies. Good governance and efficient institutions are seen by many as a key prerequisite for countries to benefit from trade liberalization. According to the WB data, the gap in the regulatory quality rank of the blocks

not benefiting from unilateral trade liberalization and the countries that are being positively affected by the tariff's reduction can be at the level of 50 %. For example, a simple average of the regulatory quality rank of the EAEU countries in 2019 equalled around 46 %, while for more developed regional initiatives such as the EU the indicator equalled more than 87%.

The diverse results that are observed for different integration blocks make it possible to suggest that unilateral market access liberalization does not always result in positive economic outcomes, especially in the case of less advanced economies that are still in the process of development and building efficient institutions (Silajdzic & Mehic, 2017). The model also suggests that for more advanced economies (e.g., the EU), unilateral market liberalization can positively affect countries' economic performance without directly influencing trade flows. This is possible when market liberalization also implies capital market liberalization and is followed by an increase in FDIs, and growth in employment and production appear as a cumulative result.

The test of H2, which predicted that entering regional integration block will foster the economic performance of constituting countries, also resulted in mixed outcomes. The prediction about the positive effect of regional integration is only partly supported based on the regression results. For instance, significant and positive effects of regional integration on economic performances are recorded for COMESA, CEMAC, GCC and SACU.

In particular, an increase in the breadth of regional integration by one country is associated with an increase in exports by 0.45% ($\beta=0.450$, $p<0.001$ (Table D2, Column 3, Appendix D)) and imports by 0.58% ($\beta=0.585$, $p<0.001$ (Table D2, Column 5, Appendix D)) for COMESA and an increase in exports by 0.69 ($\beta=0.697$, $p<0.05$ (Table D4, Column 3, Appendix D)) for CEMAC. Concerning the depth of regional integration, the model suggests that a 1 point increase in the value of the Integration achievement score leads to:

a) an increase in export of 0.27% ($\beta=0.272$, $p<0.01$ (Table D2, Column 4, Appendix D)) and imports of 0.29% ($\beta=0.295$, $p<0.01$ (Table D2, Column 6, Appendix D)) for COMESA,

b) an increase in export of 1.71% ($\beta=1.710$, $p<0.001$ (Table D6, Column 4, Appendix D)) and imports of 2.43% ($\beta=2.431$, $p<0.001$ (Table D6, Column 6, Appendix D)) for GCC and

c) an increase in export by 10.16% ($\beta=10.160$, $p<0.05$ (Table D4, Column 4, Appendix D)) for CEMAC.

It is interesting just how the employment rates of the above blocks react to regional integration. In particular, the establishment of regional integration between COMESA countries was associated with reducing employment rates, while in GCC and SACU cases regional integration has increased employment opportunities for participating states.This is to say that an increase in the breadth of regional integration by one country is associated with a reduction in employment by 1.77% (β= -1.778, $p<0.001$ (Table D2, Column 11, Appendix D)) for the COMESA while an increase in depth of integration (an increase by 1 point in the score) leads to a reduction in employment by 2.96% (β= -2.963, $p<0.001$ (Table D2, Column 12, Appendix D)). In contrast to the above, joining GCC and SACU integration projects resulted in higher employment rates by 11.47% (β=11.47, $p<0.01$ (Table D6, Column 12, Appendix D)) and 27.23% (β=27.23, $p<0.01$ (Table D5, Column 12, Appendix D)) respectively.

The link between regional integration and employment is especially important for understanding integration blocks' maturity level. For example, when countries experience exports growth, they should also enjoy a positive effect in employment rates. However, the empirical results under H2 for COMESA is in contrast to this assumption. As explained above in the EAEU section, the initial stages of regional integration may be associated with a temporary decrease in unemployment rates. Market pressure that accompanies the formation of a regional market impacts the domestic producers, decreases their presence and slows down national demand for labour. According to Fertig (2003), such imperfection of economic integration can be overcome with time and in the long-term, regional cooperation will favour the development of national employment markets.

Applying the logic presented above, it is fair to conclude that COMESA (as with the EAEU, Appendix D) is growing with the initial stages of block development. At the same time, the GCC and SACU have already achieved a certain degree of maturity of integration cooperation, bypassing the stage at which the labour market could experience a temporary downturn due to the adaptation of constituting economies towards increased competition and consumption.

Mixed effects from joining regional integration are observed for the EAC and the EU. It is interesting that the breadth and depth of integration for those blocks result in multidimensional trade effects. In particular, for the EAC, an increase in the breadth of regional integration by one country is associated with a decrease in exports of 0.38% (β=-0.380, $p<0.001$ (Table D3, Column 3, Appendix D)) while an increase in the depth of regional integration measured by 1 point in the value of the Integration achievement score is associated with an increase in exports of 0.33% (β=0.331, $p<0.001$ (Table D3, Column 4, Appendix D)) and an increase in imports

of 0.65% (β=-0.650, p<0.001 (Table D1, Column 6, Appendix D)). For the EAC the breadth of integration is also positively correlated with the level of consumption where an increase in the breadth of regional integration by one country is associated with an increase in consumption of 5.74% (β=5.740, p<0.001 (Table D3, Column 7, Appendix D)). Like the EAEU and COMESA cases, the impact of joining the integration block negatively affects the level of employment within the EAC. In particular, an increase in the breadth of regional integration by one country is associated with a decrease in employment of 2.83% (β= -2.839, p<0.001 (Table D3, Column 11, Appendix D)). In addition, an increase in the depth of regional integration measured by 1 point in the value of the Integration achievement score is associated with a decrease in employment across the EAC countries of 4.53% (β= -4.538, p<0.001 (Table D3, Column 12, Appendix D)).

Finally, for the EU, we observed significant negative correlation between integration and economic performance while the impact on individual indicators contributing to the block's performance is mixed. For the European block, an increase in the breadth of regional integration by one country results in an increase in exports, imports and employment 0.10 % (β=0.100, p<0.001 (Table D1, Column 3, Appendix D)), of 0.10 (β=0.108, p<0.001 (Table D1, Column 5, Appendix D)), of 4.83% (β=4.839, p<0.01 (Table D1, Column 11, Appendix D)) as well as a decrease in capital accumulation of 0.20% (β=-0.202, p<0.05 (Table D1, Column 9, Appendix D)), and overall economic growth of 0.98% (β= -0.981, p<0.001 (Table D1, Column 1, Appendix D)). An increase in the depth of regional integration measured by 1 point in the value of the Integration achievement score also provokes positive effects for exports, imports and employment (increase of 1.40% (β=1.409, p<0.001 (Table D1, Column 4, Appendix D)), of 1.39% (β=1.398, p<0.001 (Table D1, Column 6, Appendix D)) and of 3.35% (β=3.354, p<0.01) (Table D1, Column 12, Appendix D) respectively) and negatively affects consumption (decrease of 1.37 (β=-1.374, p<0.05) (Table D1, Column 8, Appendix D)) and economic growth of the block (decrease of 6.44 (β=-6.445, p<0.001 (Table D1, Column 2, Appendix D))).

Based on the above, we can conclude that regional integration most significantly affects inward and outward trade flows and the level of employment. In many cases, the effects of joining trade initiatives remain limited to the trade aspects. Thus, direct impact on economic growth is recorded directly only for the EU. This supports our finding that currently, regional integration around the world performs primarily as a trade-facilitating instrument contributing to a better

allocation of production resources, providing the economy of scale, strengthening production specialization rather than driving the level of economic output, and thus the growth.

Under the study's next step, the research has evaluated H3, which suggested that trade liberalization following regional integration would enhance economic performance. The application of the model resulted in mixed outcomes further confirming that two integration strategies might not always complement each other. Interestingly, all outcomes resulting from regressions were associated only with the combination of trade liberalization and improved depth of regional integration, leaving aside the effects that could result from an increase in the breadth of regional integration.

For SACU and COMESA, the combination of two liberalization strategies results in additional positive trade effects. For the depth of integration, the model finds that the reduction of import tariff by 1 percent and an increase in the depth of integration by 1 point has a significant positive effect on exports for COMESA (increase by 0.01 (β=0.149, $p<0.01$) (Table D2, Column 4, Appendix D)) and on imports, consumption, capital accumulation and employment for SACU (increase by 0.15 (β=0.158, $p<0.05$ (Table D5, Column 6, Appendix D)), by 5.65 (β=5.652, $p<0.01$ (Table D5, Column 8, Appendix D)), by 4.83 (β=4.832, $p<0.001$ (Table D5, Column 10, Appendix D)) and by 2.02 (β=2.022, $p<0.001$ (Table D5, Column 12, Appendix D)) respectively). The consumption effect signals the positive impact of trade liberalization on blocks economic performance (Dayal & Dayal, 1977).

Mixed effects are recorded for the EU. In particular, the results suggest that the reduction of import tariff by 1 percent and an increase in the breadth of integration by one country has a significant positive effect on exports (increase by 036 (β=0.364, $p<0.001$ (Table D1, Column 3, Appendix D)) and imports (increase by 0.32 (β=0.322, $p<0.001$ (Table D1, Column 5, Appendix D)) and a negative impact on capital accumulation, employment and overall block's performance (decrease by 0.36 (β= -0.362, $p<0.001$ (Table D1, Column 9, Appendix D)), by 1.18 (β= -1.18, $p<0.01$) (Table D1, Column 11, Appendix D) and by 0.92 (β= -0.929, $p<0.001$ (Table D1, Column 1, Appendix D)). Similar to the above, the model suggests that the reduction of import tariff by 1 percent and an increase in the depth of integration by 1 point has a significant positive effect on exports and imports (2.32% (β=2.329, $p<0.001$ (Table13, Column 4, Appendix D)) and 2.09% (β=2.093, $p<0.001$) (Table D1, Column 6, Appendix D)) while the negative effect on capital accumulation and economic performance (decrease by 3.09% (β= -3.090, $p<0.05$) (Table D1, Column 10, Appendix D) and by 0.29% (β= -0.294, $p<0.001$) (Table D1, Column 2, Appendix D)).

For the EAC the model indicated negative results. In particular, the reduction of import tariffs by 1 percent and an increase in the depth of integration by 1-point decreases exports of the block by 0.01 (β=-0.0151, $p<0.05$ (Table D3, Column 4, Appendix D)). Finally, For the GCC and CEMAC the combination of two trade openness strategies had no significant correlation with the economic performance indicators.

While analyzing the effects, which arise from different trade liberalization options, the model also controlled other characteristics that might affect the economic performance of the countries participating in the integration project. In particular, the model results suggest that, as with the EAEU case for most integration blocks, household savings and the level of integration into global markets have the biggest impact on economic performance of regional blocks. Another indicator which, according to the model, has an important effect on economic performance is the level of economic maturity as measured by the Herfindahl-Hirschman Index in our model.

3.2. Analysis of the Integration-Development Nexus

Countries' development: definition and measurement

The term development does not have a single definition, and it is a much wider concept than economic growth. The notion has different meanings for the proponents of the development and monetarist theory, as well as those who consider development within the sustainability agenda. Despite an increase in the national income, the term development can include social, economic, and political changes that contribute to the material progress of a country (Behrens et al., 2007). Ensuring better institutions, more equitable income distribution, and a better standard of living, development represents a process of overlapping and interrelated changes that influence supply and demand in a way that contributes to the long-lasting growth of national output (Pierson, 1996).

For the purpose of this subsection, the term development will be viewed as a combination of economic progress and an improved quality of life (UNDP, 2011). Quality of life, in turn, deals directly with the concept of human welfare that, according to Rider (2005), "is primarily a matter of education, health, and income". While GDP and national income can hardly be representative for assessing the development trends (Ambramovitz, 1959), Hawkins (2014) suggests that there are four major approaches to measuring human welfare.

The first approach deals with the adjustment of a country's GDP. Such adjustment gets the indicator closer to Hick's definition of income (1946) which refers to a "maximum sustainable consumption" of households rather than a general production output. Hick's approach implies that a wide measure of depreciation should be deducted from GDP (e.g., depreciation of the production capital, natural capital, environmental capital, human capital, etc.) so that a real disposable income per capita that is a more precise way of measuring the progress can be determined. The idea of GDP adjustment is based on the desire to introduce a more sophisticated indicator that will be cleared from the elements that are being counted for GDP while having no real impact on wellbeing (Hawkins 2014), such as expenditure on prisons or commuting to work, which should be treated as intermediate goods and thus be excluded from GDP. The idea that the growth of GDP translates into a much smaller improvement of households' wellbeing was further developed by Nordhaus & Tobin (1972) as well as by Daly & Cobb (1989), who introduced a Measure of Economic Welfare and an Index of Sustainable Economic Welfare, respectively. The latest research on measuring wellbeing with an adjusted GDP (Eckersley, 1998) proved that, until the 1970s, for many countries wellbeing mirrored the growing trend of GDP and then showed the opposite dynamic, having little or no impact from still-growing economic output.

A dashboard of suitable development indicators is a second option for measuring wellbeing (Hawkins, 2014). This approach considers various subjective and objective aspects of wellbeing without merging them into one indicator. Measures of Australia's Progress, an indicator developed by the Australian Bureau of Statistics may serve as an example of the dashboard approach for measuring wellbeing. The data elements included in the measurement are shown in Figure 15.

A third approach to measuring wellbeing is by introducing composite indices that could incorporate various progress and development indicators. The UN Human Development Index, which summarizes the key areas of human development – health, education, and income – is by far the most well-known and influential wellbeing indicator (Yang, 2018). Following Sen's conceptual framework (1985), the UN Human Development Index is based on the idea that people and their capabilities should serve as criteria for assessing the level of a country’s development and not simply economic performance. The idea of a multidimensional character of wellbeing is not new for the concept has been explored since the 1970s (Rawls, 1971; Stewart, 1985; Fleurbaey & Gaulier, 2009). Today, the examples of composite indices of wellbeing measurement include the Canadian Index of Wellbeing (consolidates health, living

standards data, vitality, social engagement, education, environment and culture, and time use data), an Index of prosperity by the Legatum Institute (combines entrepreneurial, economic social and governance data), the Australian National Development Index (combines both objective (education, environment, health, etc.) and subjective data (life satisfaction, work-life balance, etc.).

Finally, the last approach to measuring wellbeing relates to using subjective happiness indices. This implies asking people to assess their level of satisfaction with their lives. For many years, scholars doubted the possibility to accurately measure wellbeing based on subjective assessment. However, recently, the OECD (2011) has indicated a range of evidence supporting the view that trusted results could be received through wellbeing surveys. Nowadays, many European countries, such as Canada and New Zealand, collect data on life satisfaction. Obviously, such statistics are more in demand by developed economies with strong democratic institutions than developing countries with planned economies.

Society	**Economy**
• Health	• Opportunities
• Close relationships	• Jobs
• Home Safety	• Prosperity
• Learning and knowledge	• A resilient economy
• Community connections and diversity	• Enhancing living standards
• A fair go[4]	• Fair outcomes
• Enriched lives	• International economic engagement
Environment	**Governance**
• Healthy natural environment	• Trust
• Appreciating the environment	• Effective governance
• Protecting the environment	• Participation
• Sustaining the environment	• Informed public debate
• Healthy built environments	• People's rights and responsibilities
• Working together for a healthy environment	

Figure 15: Australian Bureau of Statistics Measures of Australia's Progress dashboard.
Source: Adopted from the Australian Bureau of Statistics Measures of Australia.

[4] Australians aspire to a fair society that enables everyone to meet their needs.

The existence of various approaches to measuring wellbeing proves the complex nature of the phenomena. With many experts trying to find more sophisticated indicators of wellbeing, the current discussion shifts toward the assessment of sustainability aspects of development and the interaction between wellbeing and inequality (Hawkins, 2014).

Goals aiming at sustainable poverty reduction, the realization of fundamental rights, and the strengthening of human capital are part of a country's development strategies that are based on a number of relevant policies. Such policies may include actions related to the improvement of macroeconomic conditions (for ensuring stable economic climate control and positive economic growth), measures aiming at trade and market deregulation, and the development of infrastructure and regional cooperation. The third subchapter will focus especially on the effects that trade liberalization policies, including a form of regional liberalization, may have on development, even though until recently economic integration has been viewed as a development tool that can only be applied primarily by developing economies. Today, with the emergence of the "developmental regionalism" concept and the inclusion of welfare, social, and poverty reduction issues into the regional cooperation agenda, integration is transforming into a truly universal development policy that can benefit countries across regions and countries having different levels of economic development.

Hypothesis development

In recent decades, trade liberalization has become increasingly important for countries that pursue a holistic development path (Syal, 2017). When lowering market access protection to allow trade to integrate into a global economy, national governments focus on the introduction of a combination of policies aimed at the promotion of free trade, reduction of tariff and non-tariff barriers, and general market deregulation (IMF, 2001). According to Onakoya et al. (2019), such policy approaches are frequently accompanied by the elimination of subsidies for, and state protection of, non-efficient sectors of the economy. Moreover, outward-looking trade policies such as trade liberalization or regional integration are quite often recommended to national governments as key developmental strategies by international development institutions such as the IMF and WB (Wacziarg & Welch 2008).

The existing literature suggests that unilateral trade liberalization affects development and welfare through multiple channels: consumption, production, and the labour market (Vigevani & Agasuku, 2013).

In particular, based on the standard theoretical framework, trade liberalization benefits developing countries because of their labour-abundant nature. According to the neoclassical theory, freer trade contributes to a better allocation of production factors and significantly increases employment opportunities for the most abundant resource of developing countries, the unskilled labour pool. This, in turn, benefits national economies by reducing poverty and income inequality and by stimulating wage increases for low-skilled employees (Madeira, 2014). As argued by Dollar & Kraay (2001), trade liberalization has the potential to increase the wages of low-income labour to roughly similar levels to that of the rest of the population (Dollar & Kraay, 2001).

Moreover, the traditional Heckscher-Ohlin theory underlines the fact that these countries are more likely to export to foreign markets the products that require the largest intensity of the most abundant production factor (Nahuis, 1997). That means that, for developing countries, trade liberalization would encourage the shift towards the production of labour-intensive products. This, in turn, should increase the local demand for labour and reduce poverty. Proponents of the trade liberalization idea (Baldwin & Forslid, 2000; Mwaba, 2002; Wacziarg & Welch, 2008) argue that the sooner and deeper trade is liberalized the greater the welfare gains of the society could be. It is worth noting that the positive effects of unilateral trade liberalization on unskilled labour can be undermined if the labour force is unable to move freely across sectors and undergo low or no-cost retraining. Thus, freer markets may hurt the workers who are stuck in the shrinking sectors (Vigevani & Agasuku, 2013).

Further integration into global markets and deeper trade liberalization also lead to consumption and welfare gains. First, lower market access protection results in a larger number of import substitutes for final and intermediate goods (Avelino et al., 2005). Moreover, changes in import tariffs pass into the price reduction of tradable goods, leading to adjustments in income needed to sustain the original consumption/welfare level. This switch to lower-cost producers leads to an increase in consumer surplus and economic welfare (Vigevani & Agasuku, 2013). Thus, all three channels (consumption, production, and labour market) are affected by the price changes that result from the reduction in import tariffs.

According to the endogenous school, trade liberalization can enhance countries' potential for knowledge exchange and technology development, stimulating the establishment of the private sector and entrepreneurial spirit. As argued by Lee (2005), freer trade attracts private capital, drives foreign exchange, and generates the resources for sustainable development.

Finally, the institutional school suggests that open trade regimes can result in better governance and institutions (Rodrik et al., 2012). Reacting to the demands of the foreign partners and aiming to attract new investors, national governments establish better institutions that prevent channelling of welfare benefits to narrow privileged groups and set higher living and employment standards to meet the global benchmarks.

The above discussion leads to the first hypothesis:

H1: Trade openness in the form of unilateral tariff liberalization benefits countries' development and poverty reduction.

Regional integration has a higher potential to impact governments' decisions on social policies than unilateral tariff liberalization due to its strong institutionalized nature, also referred to as supranationalism (Madeira, 2014). According to the current approaches to regionalism, economic integration may impact countries' development in several ways.

First, the "race to the bottom," or the convergence hypothesis, suggests that with the trade and capital openness that follows regional integration, the social spending of national governments is more likely to decrease. Proponents of this theory (Rodrik, 1998; Rudra, 2002) suggest that regionalization may increase the economic pressures placed on national governments and force them to reduce social spending to compete more efficiently for capital and investments within a common market. By reducing expenditures, governments would be able to lower the tax burden on businesses, making their country more attractive to new investors (Cerny, 1995). Rodrik (1998) also underlines the fact that regional integration limits the autonomy of the national governments in areas ranging from social to fiscal and monetary policies.

Other scholars (Katzenstein, 1985; Pierson, 1996) believe that the economic insecurities fuelled by increased competition and the changes in production specialization that result from regional integration may pressure national governments to increase social spending. According to Katzenstein (1985), the market transformation that followed regional integration in Europe after WWII resulted in the expansion of the welfare state in the majority of the European countries. Schiff (2010) also suggests that countries that are more economically and politically integrated within their region spend more on social policies. The theory of regionalism suggests that the expansion of a welfare state is aimed at mitigating the negative consequences for the labour force that stems from stronger wage competition within a regional market. This

compensation hypothesis argues that deeper regional integration results in higher social spending by national authorities (Madeira, 2014).

The impact of integration on development can be explained also by applying the institutional approach. Existing literature suggests that regional cooperation represents a combination of two processes: economic and political integration. According to Katzenstein (2005), economic integration is a "bottom-up" process that eliminates trade and investment barriers. Political integration, on the other hand, is a more "top-down" institutionalization process aimed at the creation of supranational regional authorities. Political integration implies the creation of regional institutions as well as the transfer of the authority to a supranational level across a number of areas (Jetschke, 2010). Setting higher social standards at a supranational level of regional integration may increase living and employment standards, pressuring the national governments to follow the regional benchmarks for social support and social policy. Social pressure has trigged the development of the EU social policy in the 1980s. Nowadays, the EU 'social acquis' has progressed significantly and includes unified standards across various aspects of employment, ranging from workplace safety to the occupational health of workers, gender equality, and non-discrimination.

Furthermore, regional initiatives may serve as effective means of wealth redistribution, supporting poorer regions and lowering income inequality across integrating states. Redistribution mechanisms would be put in place to avoid social dumping and uncontrolled migration to the countries with the more generous social policies (Bernaciak, 2014). Since the 1990s, the creation of a financial mechanism to aid the development of the low-income regions has become a key European policy. Today, the European Regional Development and Cohesion Funds represent a good example of regional policy instruments aimed at reducing the differences in development across regions and the member states and achieving economic and social cohesion (Vigevani & Aragusuke, 2013). ERDC Funds jointly invest around €274 billion in the EU's regions.

The neoclassical approach to understanding regional integration also suggests that regionalization is able to extensively increase employment and lower the poverty level by enlarging the market and enabling better allocation of production resources, and stronger and more efficient specialization of national economies (Wacziarg & Welch, 2008; Bolaños, 2016). Free movement of personnel further supports the positive effects of regional integration by allowing employees to move freely between the markets and the industries (Bernaciak 2014).

Unlike unilateral liberalization, regional integration creates a legal ground for recognizing qualifications.

Finally, regional integration contributes to welfare and development via peace and security dimensions. According to Hettne & Inotai (1994), regionalism should be considered a prerequisite to the attainment of peace, long-term stability, sustainable development, and democratic consolidation. By strengthening the interdependence of the integrating states, regional integration ensures conflict prevention and creates necessary institutional bases for managing conflicting interests.

Based on the above, it is possible to hypothesize:

H2: Regional integration benefits countries' development and poverty reduction.

Based on the traditional integration theory, the impact of regional integration on welfare depends on the balance of trade creation and trade diversion effects (Viner, 1950). The latter occurs when integrating states shift their imports from more efficient suppliers outside the block to less efficient partners within the block. This, in turn, reduces the consumption effects of integration, leading to smaller welfare benefits for national households (Camargo & Carvajal, 2020).

Analysing the behaviour of regional blocs, the scholars (Urata & Okabe, 2010; Pfaffermayer, 2020) suggest that this costly trade diversion effect, in many cases, could encourage the governments to adhere to trade openness strategies and further lower the customs tariffs for all trading partners. Reduced tariffs would allow the imports from non-members to restart and a switch to lower-cost producers, generating a higher level of consumer surplus and economic welfare, and contributing to development. In other words, regional integration, in conjunction with the well-thought-out gradual opening of the markets to non-integrating states, could be superior to, or at least a useful complement to, other trade liberalization strategies (Lyakurwa et al., 1997). Considering regional integration as a “steppingstone” toward freer trade at a global level Estevadeordal et al. (2008), and Powell & Low (2011) also suggested that integrated states are more likely to follow a trade liberalization strategy after joining the block, thus contributing to further growth and development gains.

Based on the above, I hypothesize:

H3: A combination of unilateral trade liberalization and regional economic integration benefits countries' development and reduces poverty (complementary effect of unilateral and reciprocal liberalization strategies).

Data and method

To test the hypotheses and to address the research question, this subchapter will empirically assess various development indicators. Similar to the analysis of the integration-growth nexus, the panel data applied to understand the impact of trade openness on countries' welfare and development levels includes the observations over the 25 years since 1995 of five countries (Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia) that trade globally. To check the applicability of the model to other blocks and to decide on the patterns in the integration-development nexus, the research will also run the regression based on other (non-Eurasian) blocks that have a comparable level of integration development. Due to the limited amount of development data, the analysis will only include two integrational initiatives that were covered under the integration-growth assessment – the EU and COMESA. The data on these blocks will include the observations for the 48 years since 1971.

To ensure the comparability of the results of integration-growth and integration-development nexus assessments, the research applies country-level data retrieved from the WB and WITS. The data sample is refined by cleaning out the missing values as well as the outliers. Similar to the approach described in the previous subsection, tariff picks with a weighted average MFN tariff over 40 % are excluded from consideration.

Dependent variables

The research uses the following variables as a proxy for countries' development and wellbeing: health expenditure (M. Byaro et al., 2021), education expenditure (UNDP, 2011; Baah-Boateng, 2013), life expectancy (Alam et al., 2016), Gini coefficient (Beckfield, 2006; Ametoglo et al., 2018).

Explanatory variables

Similar to the analysis of the integration-growth nexus, this part of the research employs several explanatory variables to capture the open nature of trade (tariff liberalization) and regional integration effects.

To test H1 and H3 hypotheses that describe the relationship between the level of trade liberalization and countries' social-economic indicators, the research applies import tariff rates in the form of MFN tariff (In ‘t Veld, 2019). To measure the integration effects (H2), this subchapter adopts the concepts of the depth and the breadth of regional integration. The scoring for the EAEU is presented in Table 9. The value of 2.75 is the overall Integration achievement score that defines the depth of Eurasian integration. The value of the breadth of regional integration for the EAEU equals 5 (see subsection 3.1 for the detailed description of the concept of the breadth and depth of regional integration).

Control variables

This study uses control variables that may also explain the differences in countries' development levels and in particular, the study controls for the number of people living in a country or region (population). Next, to avoid the fluctuations in development indicators due to structural and cyclical economic changes, the research assumes that the level of unemployment remains fixed. Finally, the model assumes that foreign direct investments remain fixed. By including this indicator as a control variable, the study excludes the capital inflow from abroad and concentrates on the internal resources of the integration blocks that contribute to improved development indicators. The model also controls for year and country effects.

The descriptive statistics of the EAEU countries’ variables are presented in Table 14, while the correlations between the EAEU countries’ variables are presented in Table 15. The descriptive statistics and the correlations between the variables of other integration blocks included in the research are presented in Table E1 and Table E2 (Appendix E).

Table 14. Descriptive statistics of the EAEU countries’ variables included in the model (development)

Variable	Measurement explanation, source	Nr. obs.	Mean	St.Dev.	Min	Max
Health expenditures	Government expenditure on health from domestic sources (% of GDP), WB.	100	2.68	0.94	0.95	4.52
Education expenditure	Government expenditure on education (current, capital, and transfers) (% of GDP), WB.	101	4.08	1.33	1.84	7.38
Life expectancy	The assumed number of years of a newborn infant's	245	68.63	3.06	60.55	75.08

Variable	Measurement explanation, source	Nr. obs.	Mean	St.Dev.	Min	Max
	life based on the patterns of mortality at the time of its birth, WB.					
Gini	The extent to which the distribution of income among households within a national economy deviates from a perfectly equal distribution, WB.	105	32.32	5.18	25.2	48.40
Import tariff	The weighted average level of MFN tariffs, WB.	243	5.35	2.45	0	11.28
Breadth of integration	Number of countries constituting integration block	245	0.51	1.51	0	5
Depth of integration	Integration Achievement Score, which is the degree of regional integration	245	0.26	0.78	0	2.75
Population	Log of total country's population (midyear estimates), WB.	245	16.33	1.35	14.76	18.81
Unemployment	The share of the labor force without work but available for and seeking employment, WB.	126	7.43	4.87	0.05	22.97
FDI	Net inflows of investment (% of GDP), WB.	139	3.92	3.46	-1.39	17.13

Table 15. Correlation matrix of the EAEU countries' variables included in the model (development)

	1.	**2.**	**3.**	**4.**	**5.**	**6.**	**7.**	**7.**	**9.**	**10.**
Health expenditures	1									
Education expenditure	0.76*	1								
Life expectancy	-0.24*	-0.15	1							
Gini	-0.07	-0.31*	-0.46*	1						
Import tariff	0.44*	0.20*	-0.18*	0.31*	1					
Breadth of integration	-0.06	0.008	0.47*	-0.24*	-0.11	1				
Depth of integration	-0.06	0.008	0.47*	-0.24*	-0.11	0.90*	1			
Population	0.32*	-0.02	-0.16*	0.65*	0.66*	0.02*	0.02	1		
Unemployment	-0.64*	-0.43*	0.11*	0.15	-0.33*	0.03	0.03	-0.21*	1	
FDI	-0.26*	-0.05	-0.04	-0.19*	-0.29*	-0.09	-0.09	-0.24*	0.23*	1

*Level of statistical significance: * 5%.*
Source: Author's elaboration of the collected data.

Empirical strategy

To analyse the relationship between trade openness, including in the form of regional integration and countries' level of development, this study employs the econometric model that uses random-effect panel data analysis with controls for countries and year with the dependent variable y_{it} and the independent variable x_{it} such that:

$$y_{it} = \beta_0 + +\beta_1 x_{it} + \beta_2 \tau_{it} + \varepsilon_{it} \quad (1)$$

where *i* is the country and t is the year.

The dependent variable y_{it} would represent health expenditures, education expenditure, life expectancy and Gini for country *i* at a time period *t*, respectively.

The explanatory variables such as weighted average MFN tariff and the breadth and depth of regional integration for country *i* at a time period *t*, would be represented by x_{it}.

The control variables of population, unemployment and FDI represented by τ_{it}. The model also allows for country fixed effects and year fixed effects.

We add country controls into the model to account for country unobservable characteristics that do not vary across time. The aim for the introduction of the year control effects is to account for the factors that vary within time and affected all members of the Union (e.g. economic crises, introduction of economic and political sanctions, or adoption of new regulation at the EAEU level).

Finally, ε_{it} would be an error term that consists of:

$$\varepsilon_{it} = \gamma_i + \mu_t + \nu_{it} \quad (2)$$

Where γ_i represents the omitted variables that vary across countries but not over time (country fixed effects), μ_t. denotes the omitted variables that vary over time but are constant across countries (time fixed effects), while finally ν_{it} is the idiosyncratic error term.

The type of error adopted in the model is Driscoll-Kraay standard error.

Before adopting random-effect panel data analysis with additional country and year controls we implemented a number of diagnostic tests. In particular, we ran Cumby-Huizinga test, Breusch-Pagan Lagrangian multiplier test, and Robust Hausman test. The results of the diagnostic tests (Table 16) allowed us to use a random effects regression and to choose an appropriate type of standard error (Driscoll-Kraay standard error).

Table 16. Results of the Diagnostic Tests (development)

Specifications	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Type of diagnostic test	Health expenditures	Health expenditures	Education expenditure	Education expenditure	Life expectancy	Life expectancy	Gini	Gini
Cumby-Huizinga test for autocorrelation chi2	55.624	55.624	60.376	58.398	71.948	71.948	37.301	37.301
Cumby-Huizinga test for autocorrelation p value	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Breusch-Pagan Lagrangian multiplier test for random effects chi2	4496.78	4554.04	1205.61	1225.64	2583.77	3561.91	967.57	1075.82
Breusch-Pagan Lagrangian multiplier test for random effects p value	0.00	0.00	0. 00	0.00	0.00	0.00	0.00	0.00
Robust Hausman test chi2	5.24	4.23	1.26	2.86	4.16	5.67	2.46	3.28
Robust Hausman test p value	0.26	0.37	0.86	0.58	0.38	0.22	0.65	0.51

Results of the analysis of the Eurasian Economic Union

To evaluate the hypotheses and the effect of trade openness, either in the form of unilateral liberalization or reciprocal regional liberalization, on countries' development, this research applies panel data analysis to the EAEU data.

Table 17 presents the results of the fixed effect panel data analysis. Under the next step, the study applies the model to other selected integration blocs to compare the effects.

From Table 17 we find that trade openness, also referred to under this research as unilateral trade liberalization, has different effects on the development indicators before and after regional integration takes effect. Once the regional block is formed, the development indicators are equally affected by both the depth and the breadth of regional integration.

Overall, the test of H1, which predicted that trade openness in the form of unilateral market access liberalization would contribute to development, resulted in mixed outcomes. In particular, the model indicates a significant negative correlation between trade openness and education expenditure as well as life expectancy (a 1 % import tariff reduction results in the decrease of the government's expenditures on education by 0.11% (β= -0. 115, $p<0.05$ (Table 21, Column 3-4)) and in the reduction of life expectancy by 0.12 years (β= -0.122, $p<0.05$ (Table 17, Column 5-6)). These findings suggest that, for the Eurasian region, education has a high level of sensitivity to the reduction of government revenues due to the decreasing tariffs. The model also finds a significant correlation between market access liberalization and income distribution among populations (Gini coefficient). Based on the regression results, the reduction of import tariff by 1 % leads to a decrease in the Gini coefficient and thus income inequality by 0.39% (β= -0. 397, $p<0.05$ (Table 17, Column 7-8)). This finding mirrors the conclusion of Helble M. *et al.* (2018), who empirically assessed the relationship between increased imports, inequality and household welfare. In particular, the research explained that lower market access barriers and increased import competition affect households' income as trade offers various employment opportunities and offers more price-competitive alternatives.

H2 which predicted that regional integration which implies targeted reciprocal liberalization would enhance countries' development is only partly supported by regression results. Both indicators for the depth and breadth of regional integration are negative and significant for health expenditures and positive and significant for life expectancy. For example, an increase in the breadth of regional integration by one country is associated with a decrease in health expenditures of 0.14% (β= -0.143, $p<0.01$ (Table 17, Column 1)).

Table 17. Regression results from panel random-effects regression, EAEU (development data)

Specifications	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**
Models	Health expenditures	Health expenditures	Education expenditure	Education expenditure	Life expectancy	Life expectancy	Gini	Gini
Import tariff (H1)	0.0209	0.0209	**-0.115****	**-0.115****	**-0.122***	**-0.122***	**-0.397***	**-0.397***
	(0.04)	(0.04)	(0.07)	(0.07)	(0.08)	(0.08)	(0.12)	(0.12)
Breadth (of integration) (H2)	**-0.143****		-0.142		**0.269*****		-0.792	
	(0.06)		(0.09)		(1.90)		(1.24)	
Import tariff x Breadth (H3)	**-0.0276****		0.0218		0.0170		0.210	
	(0.01)		(0.02)		(0.02)		(0.27)	
Depth (of integration) (H2)		**-0.275****		-0401		**1.786*****		-1.501
		(0.12)		(0.34)		(0.37)		(2.31)
Import tariff x Depth (H3)		**-0.0531****		0.0419		0.0326		0.403
		(0.02)		(0.04)		(0.03)		(0.23)
Unemployment	0.0235	0.0235	0.114**	0.114**	-0.0269	-0.0269	-0.299*	-0.299*
	(0.03)	(0.03)	(0.06)	(0.06)	(0.04)	(0.04)	(0.19)	(0.19)
Population	7.090***	7.090***	8.612***	8.612***	-8.065**	-8.065**	-29.75***	-29.75***
	(1.91)	(1.931)	(3.04)	(3.04)	(4.46)	(4.46)	(9.31)	(9.31)
FDI	0.0429**	0.0429**	0.0480*	0.0480*	-0.0319	-0.0319	0.207**	0.207**
	(0.02)	(0.02)	(0.03)	(0.03)	(0.03)	(0.03)	(0.16)	(0.16)
Year controls	YES	YES	YES	YES	YES	YES	YES	YES
Country controls	YES	YES	YES	YES	YES	YES	YES	YES
Constant	-114.5***	-114.5***	-133.5***	-133.5***	197.0***	197.0***	487.1***	487.1***
	(36.81)	(36.81)	(48.89)	(48.89)	(72.30)	(72.30)	(121.16)	(121.16)
R2	0.898	0.898	0.895	0.895	0.957	0.957	0.904	0.904
RMSE	0.35	0.35	0.55	0.55	0.74	0.74	2.08	2.08
F stat	258.21	245.03	482.18	169.37	2087.08	1134.77	4032.71	1789.28

*Note: Level of statistical significance: * p<0.05, ** p<0.01, *** p<0.001. Number of observations =88. Driscoll-Kraay standard error.*
Source: Author calculations

An increase in the depth of regional integration measured by 1 point in the value of the Integration achievement score is associated with a decrease in health expenditures of 0.27% (β= -0.275, $p<0.01$ (Table 17, Column 2).

Interestingly, the effect of integration on life expectancy is the opposite when compared to the trend of the integration-health nexus, with the depth of integration resulting in a bigger impact. In particular, an increase in the breadth of regional integration by one country is associated with an increase in life expectancy of 0.26 years (β= 0.269, $p<0.001$ (Table 17, Column 5)) and an increase in the depth of regional integration measured of 1 point is associated with an increase in life expectancy of 1.78 years (β= 1.786, $p<0.001$ (Table 17, Column 6)). The link to understanding the positive relationship between integration and life expectancy is in the income effects that regional blocks can generate in constituency members (Lei et al., 2009; Bayati et al., 2013). New employment and consumption opportunities resulting from a better allocation of production factors, a single market, and closer cooperation of integrating states improve household income and thus impact people's lives, leading to lower levels of early mortality. The second argument relates to higher living standards that result from improved institutions which itself, according to Bagwell and Staiger (1999) and Tejedor (2017), is one of the key outcomes of regional integration.

The test of H3 which predicted that trade liberalization following regional integration would further enhance the level of development of integrating states resulted in opposing outcomes and didn't support the hypothesis. In particular, significant negative effects were recorded for health expenditures. For example, an increase in the breadth of regional integration by one country is associated with a decrease in health expenditures of 0.02% (β= 0.027, $p<0.01$ (Table 17, Column 1)). An increase in the depth of regional integration measured by 1 point in the value of the Integration achievement score is associated with a decrease in health expenditures of 0.05% (β= -0.053, $p<0.01$ (Table 17, Column 2)). No other development indicators were affected by combining two trade openness strategies.

While measuring the effects which arise from various trade liberalization options, the model also controlled the outcome for other characteristics that might affect the development of participating countries. According to the results, the population change is significant for all dependent variables and thus has the biggest impact on the development indicators of the EAEU's countries. FDI growth that results in higher tax revenues provides a positive impact on health and education spending. Simultaneously, higher FDI increases income inequality, further driving apart the poor and the rich. Finally, the unemployment rate provokes higher

spending on education, forcing the government to invest in the retraining of workers to decrease income inequality. The latter is only possible in the situation of the "unemployment trap" when unemployment benefits provided by the authorities are relatively higher than the minimum net income from employment (OECD, 2005).

Results of the analysis of other integration blocks

To understand the pattern of unilateral liberalization and regional integration effects on countries' welfare and development, the study applied the panel data analysis to other selected integration initiatives. For comparability purposes, the study only considered integration initiatives that have a level of integrational development like the one of the EAEU.

Different from the analysis of the integration-growth nexus, the relationship between trade liberalization, including in the form of regional integration, has been tested on the EU and COMESA. The analysis of other blocks that were considered while assessing the growth effects of integration, such as EAC, GCC, CEMAC, and SACU, had not resulted in any significant development effects. The latter, however, cannot be considered as a proof of absence of the integration-development nexus but rather as an indication of the limited development data available for analysis.

Tables F1 and F2 (Appendix F) indicate that testing of H1, which predicted that trade openness in the form of unilateral market access liberalization would drive development indicators, results in mixed outcomes. In particular, a unilateral tariff reduction creates positive outcomes for the EU while negatively affecting COMESA. For example, the reduction of the import tariff by 1 % is associated with an increase in the EU health expenditure from 1.68 to 4.61% (β=1.686, $p<0.01$ and β=4.611, $p<0.01$ respectively (Table F1, Column 1-2, Appendix F)) and a decrease in the EU income inequality by reducing the Gini coefficient by 88.72 % (β= -88.72, $p<0.01$ (Table F1, Column 7, Appendix F)). In contrast to that, the reduction of import tariff by 1 % leads to a decrease in COMESA health and education expenditures (of 0.60% (β= -0.604, $p<0.01$ (Table F2, Column 1, Appendix F) and from 0.27 to 1.72% respectively (β = - 0.276, $p<0.05$ and β = -1.725, $p<0.01$ (Table F2, Column 3-4, Appendix F)). It is fair to argue that the key reason for explaining the differences in trade openness effects on the development indicators of the regional blocks under research is a different level of a blocks' institutional development (Hadhek & Mrad, 2015). Better institutions help a country to benefit from market access liberalization and improve the standard of living by getting access to more price-competitive products.

It also enables jurisdictions to create new employment and attract new businesses that could generate additional resources for the government necessary to finance social and health care (Blazys, 2020). The important fact is that well-developed institutions help to generate state profits (through taxes and other charges) that surpass the budget loss related to the reduction in import tariffs.

The test of H2, which predicted that entering a regional integration block will foster the development of constituting countries, also resulted in mixed outcomes. In particular, for the EU, both the depth and the breadth of integration are significant and positive for health spending, life expectancy, and a Gini coefficient. In particular, an increase in the breadth of regional integration by one country is associated with an increase in health spending of 0.17% (β=0.177, $p<0.01$ (Table F1, Column 1, Appendix F)) and in life expectancy of 0.51 years (β=0.515, $p<0.001$ (Table F1, Column 5, Appendix F)) while it is associated with the increase in inequality in income distribution of 11.24% (β=11.240, $p<0.01$ (Table F1, Column 7, Appendix F)). With respect to the depth of regional integration, the model suggests that a 1 point increase in the value of the Integration achievement score leads to a rise in health expenditures of governments of 1.15% (β=1.158, $p<0.001$ (Table F1, Column 2, Appendix F)) and in life expectancy of 6.42 years (β=6.243, $p<0.001$ (Table F1, Column 6, Appendix F)). With that, a 1point increase in the value of the Integration achievement score exacerbates the income inequality by 5.13% (β=5.130, $p<0.001$ (Table F1, Column 8, Appendix F)).

The adverse effects of regional integration on wealth and income distribution relate to the political aspects of European integration. According to Beckfield (2006), European integration raises income inequality by driving the "retrenchment of the welfare state". In particular, pressing the member states to meet the convergence criteria introduced by the Maastricht treaty of 1992, it places further austerity on national governments which, as a consequence, roll back popular welfare programmes (Huber & Stephens, 2003).

For COMESA countries, the impact of regional integration can be seen only in the example of health and education expenditures. In particular, an increase in the breadth of regional integration by one country is associated with an increase in health spending 6.67% (β=6.679, $p<0.01$ (Table F2, Column 1, Appendix F)) as well as in education spending 0.84% (β=0.841, $p<0.001$ (Table F2, Column 3, Appendix F)); an increase in the depth of regional integration measured by 1 point in the value of the Integration achievement score is associated with an increase in education spending of 7.02% (β= 7.024, $p<0.001$ (Table F2, Column 4, Appendix F)). In contrast to the EAEU, the EU and COMESA both increased spending on

health and education following the formation of regional blocks. This pattern may be explained by the works of Katzenstein (1985) and Madeira (2014), who claimed that, amidst regionalization, expansion of government expenditure on socially important spheres could be viewed as a desire to compensate for the stronger wage competition in the labour market following the emergence of a larger labour pool.

Finally, the study evaluated hypothesis H3, which suggested that trade liberalization following regional integration would enhance development indicators. As above, the application of the model resulted in mixed outcomes. For the EU, the results of the H3 test mirrored the outcomes received from the H2 test. In particular, an increase in the breadth of regional integration by one country and a reduction of import tariffs by 1 percent are associated with an increase in health expenditures of 0.05% (β=0.054, $p<0.01$ (Table F1, Column 1, Appendix F)) while at the same time it is associated with the increase in inequality in income and wealth distribution of 7.42% (β=7.423, $p<0.01$ (Table F1, Column 7, Appendix F)). With respect to the depth of regional integration, the model suggests that a 1 point increase in the value of the Integration achievement score and a subsequent reduction of import tariffs by 1 percent leads to an increase in the EU health expenditure of 1.11% (β=1.114, $p<0.01$ (Table F1, Column 2, Appendix F)) while, at the same time, it is associated with an increase in inequality in income and wealth distribution of 6.95% (β=6.057, $p<0.001$ (Table F1, Column 8, Appendix F)).

The H3 test for COMESA indicated that the combination of two liberalization strategies might generate a bigger impact on the development of integrating states. For example, while regional integration was only significant for health and education indicators, the combination of regional integration and a subsequent trade liberalization also affects the Gini coefficient or, in other words, poverty. In particular, an increase in the breadth of regional integration by one country and a subsequent reduction of import tariffs by 1 percent led to an increase in health and education spending of 0.03% and 0.08 % (β=0.030, $p<0.01$ (Table F2, Column 1, Appendix F) and β=0.088, $p<0.01$ (Table F2, Column 2, Appendix F) respectively) while they are associated with a poverty and income inequality reduction of 2.46% (β= -2,468, $p<0.01$ (Table F2, Column 7, Appendix F)). With respect to the depth of regional integration, the model suggests that a 1 point increase in the value of the Integration achievement score and a subsequent reduction of import tariffs by 1 percent leads to an increase in COMESA education expenditures of 0.18% (β=0,189, $p<0.01$ (Table F2, Column 4, Appendix F)) while decreasing income inequality by 3.15% β= -3.158, $p<0.01$ (Table F2, Column 8, Appendix F)).

For the control variables, the model suggests that only unemployment is significant for poverty and income distribution (a higher level of unemployment correlates with a higher level of income inequality). FDI is significant and positive for health expenditures while significant and negative for life expectancy. Finally, the population number is significant and positive for education while significant and naturally negative for life expectancy.

3.3 Discussion and Policy Recommendations

This research contributes to the availability of international economics, business (Edwards & Lederman, 1998; Naito, 2017) and development literature (Madeira, 2014; Tejedor, 2017) that studies the role of trade liberalization in the form of regional integration on economic performance and countries' social policies and development.

Discussion of findings

In contrast to prior research on the integration effects on countries' growth and economic performance that has demonstrated that trade creation and trade diversion effects resulting from the establishment of economic blocks would necessarily lead to the consumption effects (Grimwade, 2013; Waheeduzzaman, 2017), this study has proved that, for young regional initiatives, regional cooperation does not always result in the tangible consumption effects. While discovering this, the study also highlighted that the effect upon consumption could appear if a combination of trade openness strategies is applied, and the positive effects of regional integration are further strengthened by a subsequent unilateral liberalization of market access for the suppliers from the third countries. Second, and further developing the works of Baldwin (1989), Aghion and Howitt (1992), and Badinger (2001), who claimed that better factors allocation resulting from larger integrated markets will first and foremost impact on the capital formation level, the research clarified that, for the labour-intensive regions, the biggest impact of integration on production could be seen in the example of the employment indicators. Third, in contrast to Lawrence (1997), who suggested that current integration initiatives go beyond trade creation and trade diversion effects promoting production growth through technology spillover, the study proved that for some blocks and, in particular, for the Eurasian Economic Union, trade effects remain to be the key outcome of regional integration.

Unlike prior research developed as part of the social and development literature (Huber & Stevens, 2001; Mosley, 2012) that has argued that demographic and structural changes in the

economy are the key determinants of states' social policies, this study proved that trade openness, including regional integration, could also lead to a significant adjustment of governments' social expenditure. Moreover, building on the works of Nahuis (1997) and Madeira (2014), this study also confirmed that in labour-intensive countries, trade openness could contribute to poverty reduction and generate more equal allocation of wealth.

One of the contributions of this study to international economic literature and policy development relates to the introduction of the theoretical framework for exploring the effects of regional integration on growth and development. In particular, the research considers the impact of trade openness by comparing the potential outcomes of two trade liberalization strategies – unilateral liberalization of import tariffs and reciprocal regional integration. It also considers the potential complementary effects that could emerge when the two approaches are implemented in combination.

Unlike other studies, this work applies a multidimensional approach to measuring regional integration and introduces a concept of breadth and depth of regional cooperation (Hufbauer & Schott, 1994). This concept is used to evaluate to what extent regional integration may be measured by the size of an integration block and/or the level of consolidation and unification of regional policies. Such approach allows the complex nature of the research objective to be addressed while considering the effects of the different policy choices available for the development of regional blocks.

Analyzing regional integration, this study particularly expands the work of Hufbauer & Schott (1994) and shows that the depth and the breadth of integration can both facilitate and limit growth and development as the results of integration and trade liberalization may be heterogeneous. The research further develops the knowledge on the positive effects of integration by concluding that the deepening of regional integration could have a greater impact on economic performance than a simple enlargement of an integration block. The latter advances the existing research on institutions (Hadhek & Mrad, 2015; Levchenko, 2016) and significantly contributes to the policy design and policy targeting in the Eurasian region. Underlining the fact that both breadth and depth of regional integration should be examined in order to capture the real integration impact, the study also argues that by giving priority to a particular dimension of regional integration, policymakers consequently choose the type of economic outcome they will experience following the formation of the regional blocks.

When exploring the integration-development nexus, the study explains that both breadth and depth of economic integration could be important for measuring the real effects of regional cooperation on wealth, poverty, and equality. Underlying the critical role of institutions in delivering the growth effects of integration, the study, however, concludes that neither breadth nor depth of integration may unilaterally define the social outcomes of regional cooperation. The real impact depends on the intra-regional approach to addressing social issues (Madeira, 2014) and changes with time, mirroring the development trends and the evolution of regional cooperation (Katzenstein, 1985).

Comparing the effects of different trade openness strategies (the summary of the hypothesis tests results for the EAEU and other integration blocks included in the research is presented in Table 18 (for growth effects of integration) and Table 19 (for development effects of integration)), the research suggests that simple tariff liberalization cannot lead to a desirable economic impact for the EAEU countries. In contrast, the study proposes that when targeting better economic performance, governments must focus on a combination of strategies supplementing regional economic integration with the liberalization of market access. This, in turn, may help to overcome any negative implications of integration, including trade diversion effects, and could lead to the development of more efficient trade patterns with non-members. The country-level analysis of trade openness effects, including regional integration, suggests that Russia is the only EAEU member that does not experience negative correlation between unilateral market access liberalization and economic performance with inward and outward trade benefiting the most.

For other EAEU countries, the results of a unilateral tariff reduction are mixed, with the employment indicators being positive in all cases. With respect to the regional integration effects, the study indicates that there are two countries that benefit most from regional cooperation – Kazakhstan and Russia. All other EAEU members receive mixed outcomes with a decrease either in trade and growth (Belarus) or employment (Kyrgyzstan).

By contributing to international business literature, this study aims to confirm to managers and entrepreneurs the potential consequences of regional integration and trade liberalization for business and society. For instance, the results suggest that businesses within the countries participating in regional integration could experience a short-term economic slowdown (e.g., lower employment rates) immediately after integration begins. It also indicates that the combination of trade liberalization options and, in particular, the combination of regional integration and liberalization of market access to non-members, could drive up the

consumption level and thus contribute to the development of production in the countries in the integration block. This may be an essential indicator for business managers to obtain information about the expected growth in demand, job creation, and consumption changes. Interestingly, the findings suggest that a unilateral tariff policy change could have a lower impact on employment compared to the one that could be generated by both the breadth and the depth of regional integration.

Finally, this study proposes how the relationship between integration and growth could be apply to the understanding of real, rather than declared levels of cooperation within an integration block, as well as to non-member states. For instance, the study argues that while the Treaty on the EAEU promotes the goal of customs union formation, the empirical findings suggest that the Eurasian block is primarily performing as a free trade area, facilitating mutual trade between the country members, while creating zero or limited effects on other economic indicators such as GDP, capital accumulation and consumption.

Analyzing the effects of different trade openness strategies on development, the research indicates that unilateral tariff liberalization can be the most efficient strategy for poverty and income inequality reduction in Eurasia. The study argues that the positive impact could stem from the consumption and employment effects resulting from a better allocation of production and the availability of more price-competitive imports. With that, the study suggests that the wealth and poverty reduction effects of regional integration would depend on the level of economic development of integrating states and would differ for developed and developing regions (Santos-Paulino, 2019). In other words, the starting point of countries' welfare would predefine the development results.

Finally, further contributing to the social and development literature, this study made important conclusions on the effects of trade openness on social benefits. In particular, it suggested that strong institutions and effective redistribution mechanisms play a critical role in ensuring more generous social practices by national governments. Moreover, supporting the ideas of Madeira (2014), this study concluded that, following the initial reduction of social expenditure caused by the lower state earnings resulting from trade liberalization, the national governments tend to expand the welfare state and compensate for the shortcomings of a changing labour market.

Table 18. Results of the hypothesis tests for the EAEU and other integration blocks (growth)

	EAEU	EU	COMESA	EAC	CEMAC	SACU	GCC
H1: Unilateral trade liberalization increases countries' economic performance.	*Not supported.*	*Mixed results.* Unilateral trade liberalization positively affects GDP growth, capital accumulation, and employment. With that, it negatively affects imports and exports.	*Not supported.*	*Supported.* Unilateral trade liberalization positively affects imports and exports.	*Not supported.*	*Mixed results.* Unilateral trade liberalization has mixed effects on consumption and employment and negative effects on capital accumulation.	*Supported.* Unilateral trade liberalization positively affects inward trade and consumption.
H2: Regional integration increases countries' economic performance.	*Mixed results.* Regional integration positively affects imports and exports and negatively affects employment.	*Mixed results.* Regional integration positively affects imports, exports, and employment and negatively affects GDP growth and capital accumulation.	*Mixed results.* Regional integration positively affects imports and exports and capital accumulation and negatively affects employment.	*Mixed results.* Regional integration positively affects imports, has mixed effects on exports, and negatively affects employment.	*Supported.* Positive effects of regional integration are only recorded for imports.	*Supported (only in case of higher depth of integration).* Positive effects of regional integration are only recorded for employment.	*Supported (only in case of higher depth of integration).* Regional integration positively affects imports and exports, and employment.
H3: Unilateral trade liberalization increases the impact of regional integration on	*Mixed results.* Unilateral liberalization that follows regional integration	*Mixed results.* Unilateral liberalization that follows regional integration	*Not supported.*	*Not supported.*	*Not supported.*	*Supported (only in case of higher depth of integration).* Unilateral	*Not supported.*

economic performance via the complementary effect.	positively affects imports and the level of consumption.	positively affects imports and exports and negatively affects GDP growth, capital accumulation, and employment.				liberalization that follows regional integration positively affects imports, consumption, capital accumulation, and employment.	

Table 19. Results of the hypothesis tests for the EAEU and other integration blocks (development)

	EAEU	EU	COMESA
H1: Trade openness in the form of unilateral tariff liberalization benefits countries' development and poverty reduction.	*Not supported.*	*Supported.* Unilateral tariff liberalization positively affects state expenditure (health) and reduces poverty and inequality.	*Not supported.*
H2: Regional integration benefits countries' development and poverty reduction	*Mixed results.* Regional integration negatively affects state expenditure (health) and positively affects life expectancy. No effects are recorded for poverty reduction.	*Mixed results.* Regional integration positively affects state expenditure (health) and life expectancy while increasing poverty and inequality.	*Mixed results.* Regional integration positively affects state expenditure (health and education). No effects are recorded for poverty reduction.
H3: A combination of unilateral trade liberalization and regional economic integration benefits countries' development and reduces poverty (complementary effect of unilateral and reciprocal liberalization strategies)	*Not supported.*	*Mixed results.* Unilateral liberalization that follows regional integration positively affects state expenditure (health) while increasing poverty and inequality.	*Supported.* Unilateral liberalization that follows regional integration positively affects state expenditure (health and education) and reduces poverty and inequality.

Analyzing the effects of regional integration on welfare and the development of the EAEU members, it was concluded that even though the current level of social expenditures is decreasing, the growing life expectancy indicator proved the existence of the positive income and consumption effects of regional cooperation. While contributing to longer life expectancy, such effects, however, remain limited in their ability to reduce poverty and to lead to a more equal distribution of wealth. Another possible explanation for the growing level of life expectancy in the region is the EAEU's institutional development in the areas of employment and social regulation and the block's consolidated response to global challenges. A country-level analysis of trade openness effects suggests that unilateral tariff liberalization leads to the reduction of social expenditure of almost all EAEU members (except for Russia). With respect to the regional integration impact on welfare and development, the study indicates that despite positive effects of the Eurasian integration on life expectancy across the various countries, Belarus can be seen as the country that benefits the most among EAEU members, as it is the only state that has a positive significant correlation between regional integration and income distribution and poverty reduction.

Policy recommendations

Based on the analysis of the relationship between regional integration, growth and development on the example of the EAEU and other comparable integration blocks, it is possible to develop policy recommendations that could enable the EAEU countries to increase the potency of their regional cooperation.

First, the cross-block analysis suggests that deepening of regional cooperation may generate a greater impact when compared to the results of a simple enlargement of an integration block. This conclusion supports the idea about the prevailing importance of the non-tariff measures over the conventional means of market protection represented in the form of customs tariffs. Based on this conclusion, further development of the EAEU should focus on strengthening the depth of integration rather than increasing the number of the block's constituent members. The empirical results suggest that without cooperation across sectors, countries could not truly benefit from the economy of scale or enjoy improved access to production allocation.

Further deepening of regional cooperation may take several forms. The initial effort should be put into the implementation of the existing arrangements. Based on the unveiled relationship between integration and economic performance, the EAEU demonstrates a gap between real and declared levels of regional cooperation acting as a trade-facilitating instrument rather than

economic or customs union. To bridge this gap and to promote growth and development effects, the EAEU members should prioritize the regional agenda and fulfill in full the commitments that were undertaken under the Treaty on the EAEU. To facilitate this process, the Union's executive body, the EEC, may be awarded an additional commitment enforcement competence that would enable the EEC to impact countries' behaviour in the case of non-compliance. Once the member states implement the existing arrangements in full, the EAEU may explore other avenues for institutional development, using Hufbauer & Schott's Integration achievement score coding system as a guideline. Considering the exceptional importance of the labour market for the economies of the EAEU (due to labour force abundance compared to other production factors) one of the first possible directions for the institutional development at regional level may include strengthening labour regulation and the establishment of redistribution mechanisms for reducing poverty and income inequality.

Second, apart from strengthening the integration arrangement and improving the quality of governance and institutions at the regional level, the EAEU countries must direct their efforts towards developing the institutions at the national level. Based on the special characteristics of the region, the primary focus should be on strengthening the rule of law and limiting the impact of privileged groups of stakeholders on defining national priorities and executing the decision-making process. Improved governance and institutions at the national level could enable more efficient cooperation and more equal distribution of integration effects.

Finally, a tailor-made policy recommendation may be proposed with due account to the specificities of the EAEU development and an increasing number of restrictions that stem from the growing tensions with the Western economies (and in particular, economic sanctions against the biggest economy of the block). To overcome new challenges and to ensure the future of the EAEU, the Union must prove its relevance and propose new ways of benefiting its members. To do so, it must further promote integration in the sphere of mutual interests and better respond to the evolution of the members' demands, including in new or underdeveloped spheres of cooperation. In particular, the EAEU could position itself as an innovation and knowledge-sharing platform and contribute to the development of the local supply chain that at some point could replace unreliable global suppliers.

Over the years, the critical question in the supply chain debate is related to the role of proximity versus the role of distance. From a trade standpoint, proximity could provide extra reliability and flexibility to the value chains, while a more distant supply source could have a better quality and cost (Ghadimi et al., 2018). Recent developments added a new dimension to this

debate showing that, in many cases, the potential economic gains could not outweigh the risks associated with distant sourcing. The EAEU could use the existing disruptions in value chains to reaffirm the importance of regional integration and encourage the members to accelerate industrial cooperation and boost the development of the regional value chains.

Limitations and future research agenda

As with other studies, this paper has its own limitations. The major limitation relates to data availability. First, the study includes few variations in breadth – the Eurasian block has only five member states – that may potentially limit the predictions for the relationship between integration and economic performance and also development for other integration blocks. Second, there is quite significant fragmentation in the development data that limited the opportunities for testing the research hypothesis on the other integration initiatives than the EAEU. Finally, the research concentrates on a relatively young cooperation project, the EAEU, that started functioning only in 2015.

Moreover, further research could expand the findings of this study and provide more details on the integration impact on growth, wealth and development by running region-specific research and testing the hypotheses on a bigger number of integration blocks, aiming to capture the main patterns across countries with different development levels and across regions. Moreover, future research can explore the impact of integration on developing non-commercial and informal connections with integrating countries such as social capital development, networks, cultural exchanges, joint response to natural disasters, etc.

The above directions of future research could generate more knowledge on the integration-growth and integration-development nexus and provide the policymakers with more evidence necessary to create effective strategies for the growth and development of the regions.

CONCLUSION AND RESEARCH RECOMMENDATIONS

This part of the thesis provides an overview of the study and presents the most critical insights developed in each Chapter.

The first Chapter of the thesis is conceptual, and it contributes to regional integration literature. This part of the research investigates existing approaches toward defining the notion of regional integration and discusses the theoretical paradigms applied to explain countries' motivation behind joining integrational blocks.

Stressing the absence of a single definition of regional integration, this Chapter notes that the conceptualization of the phenomenon is time-sensitive and is linked to a particular field of study considering the notion. However, aiming to set the boundaries of the research, this study highlights the most essential elements of regional integration and introduces the "Eurasian" consideration of integration. In particular, this research suggests that, for the EAEU countries, regional integration represents a growth and development instrument and is aimed at import substitution and strengthening the bargaining power of the group.

Looking into the concept of regional integration, this Chapter discusses several approaches for the categorization of integration blocks. While admitting that some political and international relations studies may benefit from a traditional binary consideration of integration, this part of the research underlines the need for a more sophisticated approach. In search of the appropriate methodology, the thesis relies on the work of Hufbauer & Schott (1994) who introduced the concept of the six elements/spheres of cooperation that together define the depth of regional integration. The application of Hufbauer & Schott's methodology ensures a high degree of objectivity as it separately considers the progress across all six areas of cooperation and does not prejudge the sequence of integration elements.

Building on the Hufbauer & Schott (1994) study, this Chapter also discusses the second dimension of integration that defines the scale of regional cooperation (the breadth of regional integration). Finally, noting the limitations of Hufbauer & Schott's (1994) method, this research proposes to divert from a "static" approach toward understanding regional integration and, instead, trace the changes in regional cooperation dynamics by performing multiple measurements of the depth and breadth of regional integration over time.

Analysing multiple examples of regional initiatives around the world, this study debates that regional integration is used by many as an instrument of growth and development. Developing

countries also consider regional cooperation as a tool for industrialization and transformation of national economies. The existing literature suggests that, over time, the scope of the regional integration agenda went beyond trade and market issues and expanded toward investments in infrastructure, solving regional issues, enabling logistics and connectivity, and setting single regulatory standards (UNDP, 2011).

Trying to better understand the integration-growth and integration-development nexus, this part of the research investigates the possible benefits the countries may enjoy after joining regional integration initiatives.

Debating the growth implications of integration, the study considers:

1) Static effects of integration:

- trade-creation and trade diversion effects (Viner, 1950);
- production effects caused by the factors' reallocation (Meade, 1955); and
- consumption effects related to price changes and the creation of larger markets (Grimwade, 2013; Waheeduzzaman, 2017);

2) Dynamic effects of integration:

- benefits related to the economy of scale (Corden, 1972; Balassa, 1961);
- improved efficiency (Corden, 1972; Marinov, 2014);
- technology transfer and knowledge dissemination (Rivera-Batiz & Romer, 1991; Ventura, 2005);
- improved market stability (Venables, 2001);
- better investment climate and stronger capital formation (Baldwin et al., 1995); and
- higher quality of governance and institutions (Pollack, 2003; Hix, 2010);

Debating the development implications of integration, the study notes the following dynamic effects:

- reduction of poverty and income inequality (Yeates, 2014);
- welfare improvement, including in terms of human capital development, equality, health, and education levels (Riggirozzi, 2004);

- introduction of cross-border coordination mechanisms for employment, food security, education (Vigevani & Aragusuke, 2013; Yeates & Deacon, 2006);
- research, industrial and infrastructure development (Sloan, 1971);
- higher social and labour standards, better working conditions (Deacon, 2008; Caporaso & Tarrow, 2009; Eder, 2021);
- strengthening the private sector and entrepreneurial activities;
- improved social spending (Madeira, 2014); and
- strengthening of "human security" (Axworthy, 2000).

Considering an extensive amount of literature on regional integration and aiming to develop an objective analysis of the integration-growth and integration development nexus, this part of the research implements a systematic quantitative literature review. With the review, the study demonstrates the evolution of the regional integration research agenda and conceptualizes the key channels of regional integration impact. Moreover, with the TCCM method, this Chapter assesses the theory development, context, characteristics, and methodology of the selected literature.

On the theory part, the literature review concludes that most scholars tend to apply either neoclassical or endogenous approaches to understanding integration effects, with a limited number of academia considering integration from the institutional standpoint. Social and cultural aspects and the integration effects also remain under-researched. While commenting on the contextual limitations of the existing knowledge, the review suggests that the majority of papers consider only those integration projects that can be classified under the conventional taxonomy of regional integration. Moreover, the papers concentrate mainly on the group-level analysis, ignoring the developments at the country and regional levels. A particular contribution of this Chapter has been developed within the characteristics part of the literature review and includes the conceptualization of the key channels of integration impact on growth and development. In particular, the study identified six channels of integration impact:

a) trade (through import liberalization or export expansion, etc.);
b) labour market (through labour migration, income redistribution, poverty reduction, etc.);

c) production sector (through technology diffusion, industry specialization, improved logistic, etc.);

d) capital market (through changing patterns in FDI, macroeconomic policies, etc.);

e) knowledge sphere (through knowledge spillover, broader access to education, etc.); and

f) institutions (through regional benchmark for social policy, improved governance, etc.).

Finally, in the methodology part, the review concludes that the existing knowledge lacks comprehensive quantitative-based and mixed-method studies with very few papers adopting multiple case studies and studies based on surveys.

While the review of literature has not resulted in a single definition of the integration-growth and the integration-development nexus, it helped to develop the recommendations on the research agenda and to introduce a conceptual framework for the empirical analysis.

The second Chapter of the thesis is theoretical, and it contributes to the understanding of the nature and background of Eurasian integration and the EAEU in particular. This part of the research concentrates on understanding regional specificities that may impact the relationship between integration, growth, and development.

Discussing the regional context that later contributed to the development of the integration processes in Eurasia, the study underlines a close historic connection between integrating states as well as the comparable growth and development goals of the EAEU members (e.g., export growth, unlocking the transit potential, and human capital development). With that, the Chapter suggests that the EAEU in its current shape represents a good example of holding-together regionalism (Vinokurov & Lubman, 2017). This type of regional integration primarily unites the countries with strong political, economic, and cultural ties that used to develop under a single jurisdiction (state or empire). Therefore, inter-states cooperation is governed by the idea of a common past rather than the idea of a common future (that is typical for the coming-together regionalism). It is important to note that holding-together regionalism has its own development dynamics (different from the ones typical for the coming-together projects), is not rarely politicized, and, therefore, has a low level of resilience toward external shocks.

Further, discussing the elements that have shaped the regional context and therefore affected the development of the Eurasian integration, the Chapter notes weak governance and low level of institutional development, dependence on commodities exports, and inefficient factors

allocation. Such regional context prevented the Eurasian countries from proper integration into the global markets and hijacked some of the positive effects of regional cooperation. In particular, inefficient organization of production in the region generated significant trade diversion effects, while weak institutions led to slow integration progress and unequal distribution of integration benefits.

Discussing regional development strategies, the research agrees with most studies that referred to regional integration as the most beneficial option for Eurasia. To support this assumption, the research highlighted that regional cooperation provided a better control over exposure to foreign competition and help to reduce the exposure of the Eurasian countries to external shocks. According to Hadhek & Mrad (2015) uncontrolled integration into global markets could hurt commodity-dependent economies due to a big exposure to price fluctuations. Finally, targeted regional integration protected immature Eurasian producers that developed without due consideration for countries' real comparative advantages.

Considering the interest of the Eurasian countries in regional cooperation this part of the research also explored the history of regional integration in Eurasia and in particular discussed the current state and the future of the most recent regional integration endeavour, the EAEU. Different from all its predecessors, the EAEU has its own legal identity and promotes not only a free trade area nor establishes a common external tariff, but it harmonizes products' standards and quality requirements (Golam, 2018). The Treaty on the EAEU stipulates that the Union has the right to perform international activities and engage with other states, international organisations and regional integration blocks. While harmonizing the legislation, the EAEU Treaty also provides for the establishment of joint institutions. Although having limited enforcement competence compared to the EU institution, the permanent regulatory body of the Union, the EEC combines and coordinates the interests of the members and promotes the EAEU interest. The evaluation of the real effects of the EAEU on growth and development of its members are further discussed in Chapter 3.

A separate discussion within this Chapter is devoted to the analysis of the factors that impede the development of regional integration. The areas where the biggest challenges are identified include the divergence of common and national interests of integrating states, priority for the short-term over the long-term benefits, absence of regional identity and a common vision for the future, and geopolitical pressure related to the implementation of the sanction's regime toward the biggest economy of the block, Russia.

According to Kurc (2019), the lack of alignment between the EAEU members stems from the multi-vector foreign policy pursued by national governments that results from a specific regional context. Prioritizing national interests and agendas, the EAEU members avoid setting clear priorities for regional integration. Focusing on national gains, the EAEU members not rarely have diverging expectations about the potential outcomes of regional integration and use their loyalty to the integration project as a bargaining chip in bilateral negotiations with Russia. Most of the EAEU members are interested in receiving financial and technical assistance (in particular, from Russia) and eagerly await the formation of a future common energy market.

The absence of regional identity and regional values is another serious test for the sustainability of the EAEU projects. As noted above, regional cooperation in Eurasia represents an example of holding-together regionalism that, although it has a strong historic and political background, is missing a common vision of the desired future. Such absence of the "regional philosophy" limits the opportunity for the block to be supported from the inside and to be considered as a non-political project from the outside.

Another crucial element that has become part of the EAEU agenda since the establishment of the block, is political and economic sanctions. Focusing on their own national interests, the EAEU countries have always been setting regional priorities with due account of the geopolitical context and associated risks. While the role of global affairs in defining the future of regional integration has been limited for a long time, the recent introduction of political and economic sanctions against Russia increased it many times. While this research does not allow measurement of the effect of the restriction introduced in 2022, the analysis presented in Chapter 3 helps to track the impact of the first wave of sanctions that entered into force in 2014. It is worth noting that while slowing down the development of the EAEU in general, the sanctions also affected its trade policy and, in particular, led to the termination of several ongoing trade negotiations with third countries.

The effects of the second wave of sanctions introduced in 2022 are believed to have an impact of a greater scale. First, the new sanctions have a wider scope (new restrictions cover almost all sectors of the economy). Second, being applied to two out of five EAEU members, new sanctions significantly spoil the image of the entire Union and гтвукьшту the prospects for extra-regional cooperation. Finally, in contrast to 2014, these new measures create the risk of the imposition of secondary sanctions. The risk of association, therefore, is becoming the biggest political risk for the EAEU members.

While it is difficult to predict the long-term future of Eurasian integration, this part of the research makes an attempt to present several possible scenarios for the short- and mid-term developments. Speculating on the existing options, the research suggests that while regional integration could be the riskiest scenario for the majority of the EAEU members, given the limited number of alternatives to the Eurasian project, most of the countries are likely to remain under the integration umbrella. The risk premium in such a case could be individual gains that countries would be able to receive via separate bilateral negotiations with Russia. With that, the study predicts that one should not exclude potential changes in the EAEU institutional arrangements, including adjusting the decision-making process and introducing the concept of multi-speed integration. Overall, the study suggests that the general trend toward strengthening regional cooperation and maintaining regional production chains would intensify, leading to the development of new forms of regional cooperation

While the analysis of the nature of the Eurasian integration and, in particular, the EAEU has not resulted in a clear description of regional integration effects it, however, built a sufficient theoretical background for supporting the findings of the empirical research further discussed in Chapter 3.

The aim of Chapter 3 is to design and run an empirical analysis to provide an objective assessment of the regional integration impact on countries' growth and development. In order to do so, this Chapter develops two separate quantitative tests and uses the EAEU countries as a case study. In both tests, the research applies fixed effect panel data analysis with country and year controls. Integration effects on growth and development are evaluated separately.

Exploring the integration-growth nexus, the study applies three sets of literature to introduce the hypotheses on the potential effects of trade openness, including in the form of regional integration, on countries' economic performance. In particular, the research relies on:

- the neoclassical school that states that trade liberalization, including in the form of regional integration, improves factors' allocation, attracts new capital, increases domestic savings, and thus contributes to higher GDP;
- the endogenous school that implies that trade openness promotes knowledge, and technology transfer, increases productivity, and stimulates innovation and progress; and

- the institutional school, according to which market access liberalization enables the formation of more stable institutions, and leads to a race for the "top-level" institutional quality and governance.

Comparing different liberalization strategies, the study suggests that regional integration may receive wider public support as it ensures greater control over exposure to foreign competition (Agbetsiafa, 2010) and enables the development of a more targeted trade and economic cooperation. The research also assumes that regional integration may increase countries' tolerance to tariff reduction-related risks. Several scholars suggest (Ando et al., 2009; Powell & Low, 2011) that, after joining regional initiatives, countries are more likely to reduce trade barriers and liberalize market access to non-members.

To test the research hypotheses, this Chapter designed a model that empirically assessed various parameters of economic performance. A regression for each indicator was run individually. The explanatory variables adopted by the model captured the trade openness (tariff liberalization) and regional integration effects. The latter was assessed using the concept of depth and breadth of regional integration introduced by Hufbauer & Schott (1994). The adoption of this concept allowed the study to avoid the application of an ambiguous binary approach to the measurement of regional integration and explore its multidimensional nature.

The empirical assessment was initially run on the EAEU countries' data. To prove the validity of the findings and to understand the patterns in trade liberalization effects, the study applied the panel data analysis to six other selected integration initiatives that demonstrate a level of regional cooperation comparable to the one of the EAEU.

According to the model outcomes, trade openness has different effects on the EAEU countries' economic performance, both before and after regional integration takes effect. Similar to that, regional integration does not equally affect various indicators of EAEU countries' economic performance. In particular, the EAEU positively affects trade flow (both exports and imports), creates negative implications for employment, and does not provide significant implications for such indicators as GDP, consumption, and capital accumulation. Finally, the model suggests that the complementary effects that result from the combination of regional integration and trade liberalization may trigger the consumption effects for EAEU members. Based on the empirical evidence, the study concludes that the EAEU in its current form does not generate sufficient growth implications and acts mainly as a trade-facilitating instrument.

Comparing the potential effects of different approaches to trade liberalization, this study helps to identify the most and the least growth-inducing strategies for the EAEU countries and to develop relevant recommendations for the policymakers within and without the region.

By including in the model two indicators explaining the effects of economic integration, the study also managed to reach a conclusion about the impact of different integration parameters. In particular, the model indicated that, for the EAEU, the depth of integration that measures the quality of regional cooperation provided a greater impact on the economic performance of block members rather than the breadth of integration that accounts for the number of countries participating in the integration initiative. This conclusion on the relationship between integration and growth was confirmed by the empirical evidence from other integration blocks.

The application of the empirical model to the selected integration initiatives enabled several additional conclusions:

a) Unilateral market access liberalization does not always result in positive economic outcomes, especially in the case of less advanced economies that are still undergoing the process of institutional development (Silajdzic & Mehic, 2017).

b) In many cases, regional integration most significantly affects inward and outward trade flows and the level of employment.

c) Regional integration around the world in its current form still primarily performs as a trade-facilitating instrument contributing to a better allocation of production resources, providing the economy of scale, and strengthening production specialization rather than driving the level of economic output, and thus the growth.

d) The impact of the depth of integration is more significant than that provided by the breadth of integration.

e) Regional integration and trade liberalization might not always complement each other; the effects would depend on the maturity of national markets and the ratio between trade creation and trade diversion effects.

Like the research on the growth effects of integration, the analysis of the development dimension of regional cooperation used three sets of literature to develop the hypotheses on the potential effects of trade openness on welfare and development, including in the form of regional integration. In particular, the research relies on:

- the neoclassical school that suggests that trade liberalization benefits countries'

development by increasing employment opportunities, reducing poverty and income inequality, and stimulating income growth for low-skilled employees;

- the endogenous school that states that trade openness can stimulate knowledge exchange and technology development, strengthen the private sector, and promote entrepreneurial spirit; and
- the institutional school, according to which market liberalization results in better governance and institutions that prevent channeling the welfare benefits to narrow privileged groups as well as contributing to setting higher living and employment standards.

To test these hypotheses, this subchapter proposed an empirical model that separately evaluated the changes in various parameters of economic development. To evaluate trade openness and regional integration effects, the model applied the explanatory variables introduced earlier in the growth part of the research.

The empirical model was tested initially with the EAEU countries' data. To further analyze how the patterns in trade openness affects the study, we then applied the panel data analysis to other selected integration initiatives. It is worth noting that due to limited development data the number of tests for this part of the research was smaller than the one observed under the research on growth implications of regional integration.

Based on the model results, trade openness has different effects on the development indicators of the EAEU countries both before and after regional integration takes effect. Overall, the model suggests that unilateral trade openness may cause mixed development outcomes having negative effects on social spending while possibly contributing to poverty reduction. Once the regional block is established, the development indicators of the EAEU members are similarly affected by both the depth and the breadth of regional integration. In particular, in the EAEU case both the depth and breadth of integration are negative and significant for health expenditures and positive and significant for life expectancy. The latter may increase due to the consumption and institutional (higher living standards) effects of the Eurasian integration. Finally, the model suggests that the combination of regional integration and trade liberalization strategies produces negative effects on the development of the EAEU countries.

To capture the trends in trade openness effects on countries' welfare and development, this subchapter applied the panel data analysis to other selected integration initiatives. The empirical assessment has resulted in the following research outcomes:

a) Efficient governance and institutions are necessary conditions for trade openness to provide positive development outcomes. Well-developed institutions may attack additional investment, create new employment opportunities, and thus generate government revenues that could compensate for the budget loss resulting from tariff reduction.

b) Regional integration does not always result in positive development outcomes. Stronger convergence in social policies and strict budget criteria defined at the regional level may lead to the "retrenchment of the welfare state" (Huber & Stephens, 2001). By contrast, independence in social policies-related issues may lead to a higher support level (as national governments would tend to compensate for the shortcomings of regional integration).

c) Similar to the trend captured for the growth effects of integration, the impact of depth of regional integration is higher than that of the breadth of regional integration.

Based on the results of the empirical analysis, the study developed several *policy recommendations* that could enable the EAEU to scale up the positive impact of regional cooperation. First, noting the difference in the effects of breadth and depth of regional integration, the research suggested that the EAEU countries should concentrate more on the development of regional cooperation and strengthening members' convergence across policy areas rather than increasing the number of the members in the block. Empirical evidence suggests that without deepening regional integration across sectors, the EAEU members would not be able to truly benefit from regional cooperation as, in its current form, it remains a purely trade-facilitating instrument. Second, the study underlines that the EAEU countries should also concentrate on improving national governance, and institutions to overcome regional limitations and enable more equal distribution of integration benefits. Finally, a region-specific policy recommendation could imply an introduction of new spheres of cooperation (to secure the relevance of the block amid an unstable geopolitical situation) and the development of the regional production value chains.

When it comes *to the contribution*, unlike prior research, this study considered the complex nature of regional integration and applied a multidimensional approach to measuring its growth and development-related implications. The study relied on the concept of breadth and depth of regional cooperation initially introduced by Hufbauer & Schott (1994). This concept implies that regional integration may be measured by the size of an integration block (breadth of

integration) and/or the level of consolidation and unification of regional policies (depth of integration).

Noting the dynamic nature of regional integration and trying to better understand the implications of different policy choices, this study expanded Hufbauera & Schott's idea and proposed tracing the changes in both the depth and breadth of regional integration that happen over time. The initial values of integration parameters indicate the levels from which the integration has begun, while the final values reflect the existing forms of regional integration initiatives. Application of Hufbauer & Schott's methodology for assessing the depth and breadth of regional integration enabled this study to overcome the limitation of the binary approach (which uses dummy variables for capturing integration effects) and to receive comparable results for various integration blocks.

Analyzing different degrees of integration, this research further develops the knowledge on the integration effects by concluding that the deepening of regional integration could have a greater impact on countries' economic performance and development than that generated by a simple enlargement of an integration block. The latter advances the existing research on intuitions (Hadhek & Mrad 2015; Levchenko 2016) and contributes significantly to the regional policy design. In particular, the study explains that, by giving priority to a particular dimension of regional integration, policymakers could control the outcomes that they will receive, following the formation of a regional block. Further to policy development, this study proposes how the relationship between integration and economic performance indicators could be applied for understanding the real rather than the declared level of intra-block cooperation.

Another important contribution to this research relates to the introduction of a special theoretical framework that enables a better understanding of integration effects on growth and development. In particular, the research considers the impact of regional integration by comparing its potential effects with the outcomes that could be generated by unilateral tariff liberalization. On top of that, the study explores the complementary effects that could emerge when the two trade openness strategies are implemented in combination. Such an approach enables the development of trade policy recommendations that could be applied within and outside the region.

Finally, this research further expands the analysis of regional integration effects by considering the developmental and social aspects of regional cooperation. Noting the critical role of institutions in delivering the growth effects of integration, the study, however, suggests that

neither breadth nor depth of regional integration may define the social and developmental outcomes of regional cooperation. This study claims that the real impact depends on the intra-regional approach to addressing social issues (Madeira, 2014) and changes with time, mirroring the development and the evolution of regional cooperation (Katzenstein, 1985).

Besides contributions that have been developed, this research has *several limitations and offers directions for future research.*

One of the key limitations of this research is data availability. Using the EAEU as a case study, this research applies only a few variations in the breadth of regional integration (the block has only five members) that may potentially affect the predictions for the relationship between integration, growth, and development and make the outcomes less representative for other integration blocks. More than that, due to the relatively young age of the EAEU, the research only evaluates the impact of regional integration since 2015. Finally, as the study tries to address the developmental dimension of integration, it faces significant data fragmentation. The lack of reliable development data limits the opportunities for evaluating the research hypotheses on the integration-development nexus using the data of the regional blocks, others than the EAEU.

As for the robustness check, the tests were implemented based on only six other integration initiatives that function at the level of regional integration comparable with the one of the EAEU. A number of additional integration blocks – ECOWAS, CAN, MERCOSUR, WAEMU, CACM and CARICOM – were, however, excluded from the consideration due to data gaps, insufficient data for the panel analysis or insufficient variation.

To further expand the findings of this research, future studies on integration-growth and integration-development nexus could concentrate on the region-specific analysis and test the hypotheses on a bigger number of integration initiatives. The latter would enable conclusions to be reached on the key patterns in integration impact across regions and countries with different levels of development. Moreover, future research could investigate the effects of integration on the development of non-commercial and informal connections of integrating countries and, in particular, assess integration impact on social capital development, cultural exchanges, joint response to natural disasters, etc.

Further expansion of the contextual dimension of the research on regional integration could generate additional knowledge on its potential effects across various areas and help to generate

more empirical evidence necessary to develop efficient growth and development strategies of national economies.

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Appendix A

Table A1. List of selected literature for the conceptualization of the Integration-Growth Nexus

No	Literature categorization (based on the approach applied to consider the integration-growth nexus)	Literature
1	Literature that applies economic considerations	Ehigiamusoe & Lean, 2019; Díaz-Dapena et al., 2019; Khalid &, Marasco, 2019; Lains, 2019; Rani & Kuma, 2019; Ogbuabor et al., 2019; Kalai & Zghidi, 2019; Gnangnon, 2019; Bataka, 2019; Ehigiamusoe & Lean, 2019; Hantzsche et al., 2019; Asongu & De Moor, 2017; Waheeduzzaman, 2017; Stockhammer, 2016; Tahir & Azid, 2015; Tumwebaze & Ijjo, 2015; Belloumi, 2014; Cadot et al, 2013; Aizenman et al., 2013; Bajo-Rubio et al., 2010; Kim & Lin, 2009; Greenway, 1998; Onafowora & Owoye, 1998; Harrison et al., 1997; Greenaway et al., 1997; Devereux, 1997; Baldwin et al., 1997; Henrekson et al., 1997.
2	Literature that applies trade and production considerations	Ibrahim & Vo 2020; Asongu & Andes, 2020; Gharleghi & Jahanshahi, 2020; Cutrini, 2019; Perraton & Spreafico, 2019; Ahn et al., 2019; Hantzsche et al., 2019; Coulibaly et al., 2018; Sampson, 2016; Winters & Martuscelli, 2014; Hajek et al., 2014; Friedrich et al., 2013; Bas, 2013; Nataraj, 2011; Dinopoulos & Unel, 2011; Ventura, 2005; Ocampo & Taylor, 1998; Greenway, 1998.
3	Literature that applies institutional considerations	Bruszt et al., 2020; Doan, 2019; Brownlow & Budd, 2019; Dooley, 2019; Yusuf, 2019; Percoco, 2017; Hall, 2014; Christiansen et al., 2013; Friedrich et al., 2013; Ndlovu, 2013; Griffith et al., 2010; Hix, 2010.

Table A2. List of selected literature for the conceptualization of the Integration-Development Nexus

No	Literature categorization (based on the approach applied to consider the integration-development nexus)	Literature
1	Literature that applies economic considerations	Bruszt & Langbein, 2020; Riggirozzi, 2017; Winters & Martuscelli, 2014; Yeates, 2014; Ezcurra & Rodríguez-Pose, 2013; Cadot et al., 2013; Baumgarten, 2013; Vigevani & Agasuku, 2013; Gohou & Soumaré, 2012; Castilho et al., 2012; Buys, 2010; Griffith et al., 2010; Nicita, 2009; Ventura, 2005; Dollar & Kraay, 2001; Wellisch & Walz, 1998.
2	Literature that applies social considerations	Eder, 2021; Akinkugbe, 2020; Vigevani & Aragusuke, 2013; Caporaso &Tarrow, 2009; Deacon, 2008; Thiel, 2007; Yeates & Deacon, 2006; Rudra 2002; Axworthy, 2000; Rodrik, 1998; Fernandez, 1997.
3	Literature that applies institutional considerations	Mustafa et al., 2017; Bernaciak, 2014; Madeira, 2014; Vigevani & Aragusuke, 2013; Holslag, 2010; Mishkin, 2009; In ‘t Veld, 2006; Feng & Genna, 2003; Schiff & Winters, 2003.

Appendix B

Table B1. Depth of integration, COMESA

#	Scoring blocks	1994, Founding Treaty enters into force	2002, Protocol on the Free Movement of Persons, Labour, Services, the Right of Establishment and Residence enters into force	2008, Customs Union is launched	2009
1	Trade in Goods and Services	3	3	4	4
2	Degree of Capital Mobility	0	0	0	0
3	Degree of Labor Market	1	2	2	2
4	Level of supranational institutional Importance	2	2	2	2
5	Degree of Monetary Policy Coordination	0	0	0	1
6	Degree of Fiscal Policy Coordination	0	0	0	1
7	**Total average**	**1**	**1.2**	**1.3**	**1.7**

Table B2. Depth of integration, CEMAC

#	Scoring blocks	1999, Founding Treaty enters into force
1	Trade in Goods and Services	4
2	Degree of Capital Mobility	5
3	Degree of Labor Market	2
4	Level of supranational institutional Importance	2
5	Degree of Monetary Policy Coordination	5
6	Degree of Fiscal Policy Coordination	2
7	**Total average**	**3.3**

Table B3. Depth of integration, EAC

#	Scoring blocks	2000, Founding Treaty enters into force	2005, Customs Union Protocol enters into force	2010, Protocol on Common Market enters into force	2014, Monetary Union Protocol enters into force
1	Trade in Goods and Services	3	4	4	4
2	Degree of Capital Mobility	0	0	4	4
3	Degree of Labor Market	0	0	3	3
4	Level of supranational institutional Importance	2	2	2	2
5	Degree of Monetary Policy Coordination	1	1	2	4
6	Degree of Fiscal Policy Coordination	1	1	1	2
7	**Total average**	**1.2**	**1.3**	**2.7**	**3.2**

Table B4. Depth of integration, GCC

#	Scoring blocks	1981, Founding Treaty enters into force	2003, Founding Treaty enters into force	2007, Civil Retirement and Social Insurance Schemes	2008, Decision on common market
1	Trade in Goods and Services	3	4	4	4
2	Degree of Capital Mobility	5	5	5	5
3	Degree of Labor Market	2	2	4	5
4	Level of supranational institutional Importance	2	2	2	2
5	Degree of Monetary Policy Coordination	1	2	2	2
6	Degree of Fiscal Policy Coordination	1	1	1	1
7	**Total average**	**2.3**	**2.7**	**3.0**	**3.2**

Table B5. Depth of integration, SACU

#	Scoring blocks	1970, Founding Treaty enters into force	2002, Revision of Founding Treaty
1	Trade in Goods and Services	4	4
2	Degree of Capital Mobility	0	0
3	Degree of Labor Market	0	0
4	Level of supranational Institutional Importance	0	2
5	Degree of Monetary Policy Coordination	0	0
6	Degree of Fiscal Policy Coordination	0	1.5
7	**Total average**	**0.7**	**1.3**

Table B6. Depth of integration, EU.

#	Scoring blocks	1958, EEC Treaty enters into force	1962, General program adoption	1968, Common Customs Tariff comes into force	1979, European Monetary System established	1987, Single European act enters into force	1993, Maastricht Treaty enters into force	1998, EU Central Bank becomes operational	1999, Stability and Growth Pact enters into force	2004, EU Merger Regulation enters into force	2005, Directive in recognition of professional qualifications enters into force	2009, Treaty on the functioning on the EU enters into force
1	Trade in Goods and Services	3	3	4	4	4	4	4	4	4	4	4
2	Degree of Capital Mobility	2	3	3	3	3	3	3	3	4	4	4
3	Degree of Labor Market	2	2	2	2	2	2	2	2	2	3	5
4	Level of supranational institutional Importance	2	2	2	2	2	3	3	3	3	3	3
5	Degree of Monetary Policy Coordination	1	1	1	2	2	3	4	5	5	5	5
6	Degree of Fiscal Policy Coordination	1	1	1	1	1	1	1	3	3	3	3
7	**Total average**	**1.8**	**2.0**	**2.2**	**2.3**	**2.3**	**2.7**	**2.8**	**3.3**	**3.5**	**3.7**	**4.0**

Table B7. Breadth of integration (EU, COMESA, CEMAC, EAC, SACU, GCC).

Years / Integration block	1958	1970	1973	1981	1986	1990	1994	1995	1999	2000	2001	2004	2005	2007	2013	2016	2018	2020
EU	6		9	10	12			15				25		27	28			27
COMESA							17		18		19		20				21	
CEMAC									6									
EAC										3				5		6		
SACU		4				5												
GCC				6														

Appendix C

Table C1. Descriptive statistics of the variables of non-EAEU integration blocks included in the research (EU, COMESA, EAC, CEMAC, SACU, GCC) (growth)

Variable	Measurement explanation, source	Nr. obs.	Mean	St.Dev.	Min	Max
Growth	Annual percentage growth rate of GDP per capita based on constant local currency, WB.	2658	1.89	6.68	-62.37	140.37
Export	Log of exports of goods, services, and income in current U.S. dollars, WB.	2281	23.03	2.40	16.18	28.39
Import	Log of imports of goods and services in current U.S. dollars, WB.	2283	23.04	2.17	17.35	28.12
Consumption	Household final consumption expenditure (% of GDP), WB.	2521	78.87	16.20	16.71	186.44
Capital	Gross capital formation (gross domestic investment) (% of GDP), WB.	2556	22.44	7.81	-13.40	73.49
Employment	Proportion of a country's population that is employed (age 15 and older), WB.	1859	57.76	12.98	34.98	90.44
Import tariff	Weighted average level of MFN tariffs, WB.	3096	8.76	10.10	0	217.78
Breadth of integration	Number of countries constituting integration block	3185	11.03	9.04	0	28
Depth of integration	Integration Achievement Score which is the degree of regional integration	3185	1.89	1.34	0	4
Government spending	General government consumption (% of GDP), WB.	2522	18.02	6.12	2.04	76.22
Savings	Gross savings (% of GDP), WB.	2011	22.06	11.79	-236.26	71.29
Economy maturity	Degree of market concentration and/or competition measured as the Herfindahl-Hirschman Index, WITS	1388	0.11	0.09	0.03	0.91
Global markets integration	The extent to which a country's exports reach global markets measured as the Export Market Penetration Index, WITS.	1341	8.82	10.21	1.16	45.70
FDI	Net inflows of investment (% of GDP), WB.	2725	4.31	18.50	-58.32	451.63

Table C2. Correlation matrix of the variables of non-EAEU integration blocks included in the research (EU, COMESA, EAC, CEMAC, SACU, GCC) (growth)

	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.
1. Growth	1													
2. Exports	-0.004	1												
3. Imports	-0.005	0.99*	1											
4. Consumption	-0.06*	-0.43	-0.35*	1										
5. Capital	0.22*	0.10*	0.10*	-0.37*	1									
6. Employment	-0.07*	0.26*	0.24*	0.12*	-0.07*	1								
7. Tariff	-0.007	-0.38*	-0.38*	0.21*	-0.15*	0.05*	1							
8. Breadth of integration	0.04*	0.52*	0.55*	0.002	-0.004	-0.16*	-0.20*	1						
9. Depth of integration	0.02	0.73*	0.73*	-0.28*	-0.16*	-0.15*	-0.36*	0.73*	1					
10.Government spending	-0.04*	0.19*	0.17*	0.05*	0.12*	-0.17*	0.14*	0.14*	0.16*	1				
11. Savings	0.10*	0.23*	0.15*	-0.65*	0.36*	-0.07*	-0.11*	-0.08*	0.09*	0.0005	1			
12. Economy maturity	-0.05*	-0.33*	-0.36*	0.01*	0.07*	0.003	0.27	-0.38*	-0.32*	0.04	0.15*	1		
13. Global markets integration	-0.06*	0.77*	0.80*	-0.11*	-0.03*	-0.23	-0.39*	0.36*	0.46*	0.22*	0.04	-0.30*	1	
14. FDI	0.06*	0.05*	0.03	-0.02	0.02	-0.05*	-0.05*	-0.17*	0.15*	0.02	-0.03	-0.06*	-0.02	1

*Level of statistical significance: * 5%.*
Source: Authors' elaboration of the collected data.

Appendix D

Table D1. Regression results from panel random-effects regression, EU (growth).

Specifications	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Models	Growth	Growth	Export	Export	Import	Import	Consu-n	Consu-n	Capital	Capital	Emplo-t.	Emplo-t.
Import tariff (H1)	**14.99*** **	**1.208*** **	**-5.970*** **	**-6.720*** **	**-5.292*** **	**-6.087*** **	-30.97	24.34	**4.948*** **	**9.410*** **	**22.27** **	7.436
	(8.17)	(3.89)	(0.23)	(0.22)	(0.48)	(0.16)	(6.28)	(1.94)	(12.59)	(4.29)	(2.62)	(2.17)
Breadth (of integration) (H2)	**-0.981*** **		**0.100*** **		**0.108*** **		-0.151		**-0.202** *		**4.839** **	
	(0.23)		(0.02)		(0.00)		(0.07)		(0.09)		(0.52)	
Import tariff x Breadth (H3)	**-0.929*** **		**0.364*** **		**0.322*** **		1.960		**-0.362*** **		**-1.184** **	
	(0.50)		(0.02)		(0.03)		(0.39)		(0.78)		(0.14)	
Depth (of integration) (H2)		**-6.445** **		**1.409*** **		**1.398*** **		**-1.374** *		-1.389		**3.354** **
		(2.71)		(0.13)		(0.11)		(0.73)		(1.23)		(1.48)
Import tariff x Depth (H3)		**-0.294*** **		**2.329*** **		**2.093*** **		-8.667		**-3.090** *		-2.672
		(1.45)		(0.08)		(0.06)		(0.76)		(1.64)		(0.81)
Government spending	-0.334***	-0.490***	-0.0116*	-0.0175***	-0.00737*	-0.0179***	0.856***	0.796***	-0.0967	-0.283**	-0.0401	-0.0699
	(0.31)	(0.25)	(0.01)	(0.01)	(0.01)	(0.01)	(0.19)	(0.16)	(0.31)	(0.30)	(0.10)	(0.15)
Savings	0.0684*	0.0685	0.00583	0.00821***	-0.000755	0.00113	-0.471***	-0.592***	0.194**	0.223**	0.0666**	0.0744**
	(0.06)	(0.06)	(0.00)	(0.00)	(0.00)	(0.00)	(0.08)	(0.08)	(0.15)	(0.15)	(0.06)	(0.07)
Level of economy maturity	-0.0262	-1.849	-0.706***	-1.114***	-0.293***	-0.520***	-8.377	-8.043	1.874**	-0.00527	4.377***	2.077**
	(3.97)	(4.00)	(0.44)	(0.42)	(0.29)	(0.30)	(3.31)	(4.20)	(8.78)	(6.55)	(8.47)	(7.80)
Integration into global markets	-0.197***	-0.256***	0.0006***	0.0159***	0.0007***	0.0073***	-0.031**	-0.009**	-0.0164***	-0.153*	0.231*	0.169**
	(0.08)	(0.12)	(0.01)	(0.00)	(0.00)	(0.00)	(0.02)	(0.05)	(0.17)	(0.19)	(0.08)	(0.10)
FDI	-0.00431	-0.00348	0.000329	0.00059**	-0.0003***	0.000218	0.008***	0.00470*	0.00475	0.00265	-0.0113***	-0.0106***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Country controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Constant	35.06***	42.87***	24.50***	22.34***	23.98***	22.36***	73.78***	79.35***	26.57***	37.06***	38.32***	40.14***
	(8.07)	(10.32)	(0.50)	(0.64)	(0.33)	(0.57)	(3.80)	(4.13)	(5.84)	(6.37)	(4.62)	(6.04)
R2	0.587	0.607	0.996	0.996	0.996	0.996	0.964	0.968	0.666	0.686	0.891	0.895
RMSE	2.50	2.43	0.11	0.11	0.10	0.11	1.51	1.41	2.81	2.72	1.98	1.94
F stat	3016.1	521.10	3120.70	8626.56	875.07	164.42	23485.32	115187	24030.57	8731.82	5035.78	9790.62

*Note: Level of statistical significance: * p<0.05, ** p<0.01, *** p<0.001. Number of observations = 668. Driscoll-Kraay standard error.*
Source: Author calculations

Table D2. Regression results from panel random-effects regression, COMESA (growth).

Specifications	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Models	Growth	Growth	Export	Export	Import	Import	Consu-n	Consu-n	Capital	Capital	Emplo-t.	Emplo-t.
Import tariff (H1)	-0.203	-0.105	-0.00793	**-0.0146***	-0.0148	-0.00850	-0.146	0.0255	**-0.641***	-0.320*	-0.0804	-0.0514
	(0.22)	(0.14)	(0.01)	(0.01)	(0.01)	(0.01)	(0.16)	(0.19)	(0.56)	(0.16)	(0.14)	(0.04)
Breadth (of integration) (H2)	-1.007		**0.450*****		**0.585*****		-0.202		**3.055*****		**-1.778*****	
	(0.91)		(0.17)		(0.24)		(1.51)		(2.46)		(0.10)	
Import tariff x Breadth (H3)	0.0105		0.000711		0.000663		0.00936		0.0305		0.00315	
	(0.01)		(0.00)		(0.00)		(0.01)		(0.03)		(0.01)	
Depth (of integration) (H2)		2.526		**0.272****		**0.295****		-1.716		**5.465****		**-2.963*****
		(2.02)		(0.13)		(0.13)		(1.91)		(2.24)		(1.05)
Import tariff x Depth (H3)		0.0671		**0.0149****		0.00602		-0.0121		0.175		0.0171
		(0.11)		(0.01)		(0.01)		(0.14)		(0.12)		(0.03)
Government spending	-0.0907	-0.0933	0.0104**	0.0103*	0.00769**	0.00665	0.162**	0.0695	-0.122	-0.0551	-0.0684*	-0.00625
	(0.08)	(0.11)	(0.00)	(0.01)	(0.00)	(0.00)	(0.05)	(0.07)	(0.22)	(0.23)	(0.03)	(0.03)
Savings	0.00266	0.00102	0.013***	0.0118***	0.0108***	0.0090***	-0.784***	-0.779**	0.417***	0.437***	0.0392	0.0470**
	(0.08)	(0.07)	(0.00)	(0.00)	(0.00)	(0.00)	(0.06)	(0.05)	(0.11)	(0.12)	(0.03)	(0.02)
Level of economy maturity	-0.680	-3.131	-0.688**	-0.393	-0.112	-0.306	0.732	5.831	1.450	-8.510	-4.547**	3.059**
	(3.55)	(3.32)	(0.32)	(0.37)	(0.36)	(0.27)	(3.92)	(3.58)	(7.60)	(7.42)	(2.99)	(2.34)
Integration into global markets	-0.874	0.754	-0.0771	0.105**	-0.129***	0.0230	0.752	-0.157	-0.273	-0.654	0.717**	0.0478
	(0.46)	(0.83)	(0.08)	(0.05)	(0.04)	(0.04)	(0.84)	(0.90)	(0.59)	(1.03)	(0.33)	(0.50)
FDI	-0.0540	-0.0734	0.00174	0.00214	-0.000220	0.00209	0.0324	0.0212	0.162**	0.173**	0.169***	0.116**
	(0.05)	(0.04)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)	(0.04)	(0.07)	(0.07)	(0.06)	(0.07)
Country controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Constant	-7.583	-33.66	18.43***	21.13***	19.11***	23.61***	106.4***	110.6***	-4.257	44.99	90.87***	84.57***
	(7.66)	(27.10)	(0.27)	(1.54)	(0.32)	(0.88)	(4.23)	(13.70)	(8.73)	(21.38)	(3.24)	(2.15)
R2	0.478	0.491	0.989	0.989	0.989	0.988	0.961	0.967	0.833	0.842	0.996	0.997
RMSE	3.12	3.10	0.19	0.19	0.18	0.18	2.59	2.39	3.71	3.63	1.23	1.04
F stat	15482.85	78912.29	251.11	584.08	769.09	267.80	174.11	633.08	214.99	394.77	223.07	31819.41

*Note: Level of statistical significance: * p<0.05, ** p<0.01, *** p<0.001. Number of observations =271*. *Driscoll-Kraay standard error.*
Source: Author calculations

Table D3. Regression results from panel random-effects regression, EAC (growth)

Specifications	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Models	Growth	Growth	Export	Export	Import	Import	Consu-n	Consu-n	Capital	Capital	Emplo-t.	Emplo-t.
Import tariff (H1)	0.159	0.0353	0.0276	**0.0290****	0.00972	**0.0259***	0.0398	0.233	-0.196	-0.150	0.176	0.127
	(0.09)	(0.14)	(0.02)	(0.02)	(0.01)	(0.01)	(0.20)	(0.24)	(0.36)	(0.19)	(0.19)	(0.08)
Breadth (of integration) (H2)	-0.186		**-0.380*****		-0.0621		**5.740*****		1.091		**-2.839*****	
	(1.41)		(0.10)		(0.12)		(1.74)		(2.00)		(0.95)	
Import tariff x Breadth (H3)	-0.0210		-0.000855		0.000201		0.00451		-0.00261		-0.0135	
	(0.01)		(0.00)		(0.00)		(0.01)		(0.02)		(0.01)	
Depth (of integration) (H2)		-0.335		**0.331*****		**0.650*****		1.410		-1.106		**-4.538*****
		(1.71)		(0.12)		(0.13)		(2.22)		(1.80)		(1.02)
Import tariff x Depth (H3)		-0.100		**-0.0151***		-0.0117		-0.0935		-0.0378		-0.0935
		(0.13)		(0.01)		(0.01)		(0.18)		(0.13)		(0.06)
Government spending	-0.123	-0.183	-0.00323	0.00393	-0.00257	-0.00331	-0.0373	-0.111	0.368*	0.523***	-0.0388	0.0771
	(0.21)	(0.26)	(0.01)	(0.02)	(0.01)	(0.01)	(0.16)	(0.21)	(0.31)	(0.29)	(0.09)	(0.16)
Savings	-0.263**	-0.199**	0.0106	0.00928	0.0144**	0.0153***	-0.696***	-0.728***	0.273***	0.402***	0.0590	0.195***
	(0.12)	(0.12)	(0.01)	(0.01)	(0.01)	(0.01)	(0.18)	(0.12)	(0.09)	(0.12)	(0.07)	(0.06)
Level of economy maturity	3.312	8.632*	-0.257	0.365	-0.309	0.00972	6.219	8.932	-7.791	-6.811	-3.119	-3.962
	(3.74)	(5.91)	(0.51)	(0.62)	(0.34)	(0.40)	(8.66)	(9.92)	(8.39)	(9.96)	(2.89)	(3.26)
Integration into global markets	-4.912	-2.779	-0.809**	-0.0319	-0.400	-0.639***	-0.696	-14.21***	6.360	-6.412*	3.351	-1.577
	(5.05)	(3.29)	(0.53)	(0.26)	(0.65)	(0.15)	(7.66)	(3.52)	(6.57)	(3.23)	(4.16)	(2.30)
FDI	0.0520	-0.308	-0.00717	0.0397*	0.0204	0.0246	0.391	-0.201	-0.365	-0.410	0.331	0.699***
	(0.33)	(0.34)	(0.02)	(0.02)	(0.02)	(0.02)	(0.33)	(0.34)	(0.40)	(0.31)	(0.24)	(0.15)
Country controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Constant	42.32	7.193	24.74***	22.42***	23.79***	24.88***	44.65	154.5***	-6.72	19.88	80.67***	72.04***
	(38.29)	(10.35)	(2.25)	(1.28)	(1.95)	(0.67)	(43.43)	(14.89)	(48.26)	(13.02)	(26.84)	(7.09)
R2	0.7623	0.761	0.995	0.993	0.994	0.994	0.975	0.971	0.948	0.951	0.982	0.983
RMSE	2.16	2.16	0.15	0.18	0.14	0.13	2.32	2.48	2.37	2.29	1.29	1.26

*Note: Level of statistical significance: * p<0.05, ** p<0.01, *** p<0.001. Number of observations =95. Driscoll-Kraay standard error.*
Source: Author calculations

Table D4. Regression results from panel random-effects regression, CEMAC (growth)

Specifications	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Models	Growth	Growth	Export	Export	Import	Import	Consu-n	Consu-n	Capital	Capital	Emplo-t.	Emplo-t.
Import tariff (H1)	0.972	0.972	-0.102	-0.102	-0.143	-0.143	0.852	0.852	-2.186	-2.186	-0.858	-0.858
	(3.10)	(3.10)	(0.10)	(0.10)	(0.14)	(0.14)	(3.23)	(3.23)	(3.44)	(3.44)	(0.90)	(0.90)
Breadth (of integration) (H2)	-2.733		**0.697***		0.829		-4.135		9.976		2.412	
	(8.86)		(0.29)		(0.41)		(9.72)		(9.86)		(2.72)	
Import tariff x Breadth (H3)	-0.234		0.0188		0.0291		-0.187		0.597		0.0928	
	(0.81)		(0.03)		(0.04)		(0.84)		(0.89)		(0.20)	
Depth (of integration) (H2)		-2.682		**10.16***		9.275		-9.225		10.31		24.74
		(68.37)		(2.30)		(3.16)		(74.10)		(77.14)		(16.92)
Import tariff x Depth (H3)		-0.425		0.0342		0.0528		-0.339		1.085		0.169
		(1.46)		(0.05)		(0.07)		(1.53)		(1.63)		(0.36)
Government spending	1.085	1.085	-0.191**	-0.191**	-0.156	-0.156	1.499	1.499	0.0930	0.0930	-0.833	-0.833
	(2.61)	(2.61)	(0.09)	(0.09)	(0.13)	(0.13)	(3.13)	(3.13)	(3.08)	(3.08)	(0.84)	(0.84)
Savings	0.462	0.462	-0.0447*	-0.0447*	-0.0588*	-0.0588*	-0.492	-0.492	-0.262	-0.262	-0.279	-0.279
	(0.97)	(0.97)	(0.03)	(0.03)	(0.05)	(0.05)	(1.08)	(1.08)	(1.16)	(1.16)	(0.28)	(0.28)
Level of economy maturity	14.06	14.06	0.391	0.391	0.291	0.291	-0.515	-0.515	-13.42	-13.42	-1.591	-1.591
	(19.02)	(19.02)	(0.65)	(0.65)	(1.04)	(1.04)	(22.31)	(22.31)	(23.11)	(23.11)	(5.92)	(5.92)
Integration into global markets	-30.36	-30.36	-3.302*	-3.302*	-1.836	-1.836	39.62	39.62	13.10	13.10	-14.22	-14.22
	(62.97)	(62.97)	(2.24)	(2.24)	(3.32)	(3.32)	(77.55)	(77.55)	(79.02)	(79.02)	(17.10)	(17.10)
FDI	0.0653	0.0653	-0.0666*	-0.0666*	-0.0600	-0.0600	0.0599	0.0599	0.314	0.314	-0.462	-0.462
	(1.58)	(1.58)	(0.06)	(0.06)	(0.08)	(0.08)	(1.97)	(1.97)	(1.95)	(1.95)	(0.50)	(0.50)
Country controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Constant	58.75	58.75	29.07***	29.07***	25.17***	25.17***	5.865	5.865	-45.86	-45.86	103.1**	103.1**
	(88.72)	(88.72)	(2.89)	(2.89)	(4.23)	(4.23)	(100.09)	(100.09)	(96.60)	(96.60)	(31.28)	(31.28)
R2	0.936	0.936	0.999	0.999	0.998	0.998	0.997	0.997	0.967	0.967	0.999	0.999
RMSE	1.97	1.97	0.06	0.06	0.09	0.09	2.22	2.22	2.18	2.18	0.66	0.66

*Note: Level of statistical significance: * p<0.05, ** p<0.01, *** p<0.001. Number of observations =40. Driscoll-Kraay standard error.*
Source: Author calculations

Table D5. Regression results from panel random-effects regression, SACU (growth).

Specifications	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Models	Growth	Growth	Export	Export	Import	Import	Consu-n	Consu-n	Capital	Capital	Emplo-t.	Emplo-t.
Import tariff (H1)	0.217	0.440	0.0110	0.0454	0.0409	-0.120	**1.512****	**-6.155****	-0.335	**-5.921*****	**0.581*****	**-1.876****
	(0.42)	(1.14)	(0.02)	(0.08)	(0.03)	(0.12)	(0.62)	(1.89)	(0.61)	(1.95)	(0.19)	(0.79)
Breadth (of integration) (H2)*	0		0		0		0		0		0	
	(.)		(.)		(.)		(.)		(.)		(.)	
Import tariff x Breadth (H3)*	0.0434		0.00221		0.00819		0.302		-0.0671		0.116	
	(0.08)		(0.01)		(0.01)		(0.11)		(0.19)		(0.06)	
Depth (of integration) (H2)		4.299		0.768		1.214		2.804		30.61		**27.23****
		(19.17)		(1.12)		(1.10)		(37.16)		(22.79)		(11.40)
Import tariff x Depth (H3)		-0.365		-0.00412		**0.158***		**5.652****		**4.832*****		**2.022*****
		(0.96)		(0.06)		(0.10)		(1.79)		(1.68)		(0.79)
Government spending	-0.239	-0.211	-0.0331**	-0.0311**	-0.0330**	-0.0269*	-0.273	-0.0509	0.369	0.631	-0.148	-0.0961
	(0.24)	(0.24)	(0.02)	(0.01)	(0.02)	(0.02)	(0.34)	(0.34)	(0.57)	(0.51)	(0.17)	(0.16)
Savings	0.0350	0.0399	-0.0136***	-0.0125**	-0.0263***	-0.0239***	-0.515***	-0.471***	-0.0596	0.0127	0.0197	0.0369
	(0.12)	(0.12)	(0.00)	(0.00)	(0.01)	(0.01)	(0.14)	(0.15)	(0.15)	(0.13)	(0.07)	(0.08)
Level of economy maturity	2.384	2.393	0.168	0.207	-0.281	-0.258	2.990	2.314	-11.90**	-11.13*	-4.831**	-5.068**
	(3.88)	(4.52)	(0.38)	(0.33)	(0.35)	(0.28)	(3.29)	(3.77)	(4.83)	(3.70)	(2.99)	(2.94)
Integration into global markets	-0.467	0.495	0.109	0.0364	0.203**	0.110	3.019	4.860*	1.594	0.635	-0.0562	-0.180
	(1.19)	(1.21)	(0.06)	(0.09)	(0.07)	(0.11)	(2.48)	(2.94)	(1.07)	(1.97)	(0.80)	(0.87)
FDI	-0.105	-0.165	0.000603	0.00801	-0.0167	-0.00742	-1.194***	-1.378***	0.304	0.388	-0.107	-0.0881
	(0.19)	(0.20)	(0.01)	(0.01)	(0.01)	(0.01)	(0.42)	(0.42)	(0.19)	(0.29)	(0.06)	(0.07)
Country controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Constant	-3.084	-4.296	23.43***	22.93***	24.78***	22.86***	126.4***	79.83*	39.31**	-20.86	61.23***	28.55*
	(12.16)	(22.18)	(0.65)	(1.42)	(0.78)	(1.35)	(19.71)	(47.28)	(16.24)	(27.23)	(8.07)	(15.38)
R2	0.621	0.645	0.995	0.996	0.994	0.996	0.972	0.976	0.831	0.867	0.972	0.974
RMSE	2.43	2.47	0.14	0.14	0.156	0.13	3.87	3.77	3.80	3.52	1.37	1.38
loglikelihood	235.18	1097.5	1958.79	35403.46	6686.16	10515.64	397.31	223.15	89.95	6344.03	227.78	1214.89

*Note: Level of statistical significance: * p<0.05, ** p<0.01, *** p<0.001. Number of observations =82. Driscoll-Kraay standard error.*
Source: Author calculations
** Due to the constant number of the SACU countries the regression does not present the results for the H2 assesses the impact of the integration breadth*

Table D6. Regression results from panel random-effects regression, GCC (growt).

Specifications	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Models	Growth	Growth	Export	Export	Import	Import	Consu-n	Consu-n	Capital	Capital	Emplo-t.	Emplo-t.
Import tariff (H1)	-0.190	-0.282	0.00233	-0.0249	**0.0172****	-0.0547	**0.568*****	-0.590	0.231	1.821	0.0523	-1.040
	(0.25)	(2.13)	(0.01)	(0.08)	(0.01)	(0.15)	(0.16)	(1.90)	(0.22)	(2.30)	(0.10)	(1.81)
Breadth (of integration)	0		0		0		0		0		0	
(H2)*	(.)		(.)		(.)		(.)		(.)		(.)	
Import tariff x Breadth	-0.0317		0.000388		0.00286		0.0947		0.0385		0.00872	
(H2)*	(0.06)		(0.00)		(0.00)		(0.03)		(0.04)		(0.02)	
Depth (of integration)		-1.476		**1.710*****		**2.431*****		-5.715		11.60		**11.47****
(H2)		(8.13)		(0.25)		(0.27)		(4.17)		(9.20)		(5.21)
Import tariff x Depth (H3)		-0.121		0.00872		0.0251		0.345		-0.767		0.366
		(0.88)		(0.03)		(0.06)		(0.36)		(1.01)		(0.77)
Government spending	0.0301	-0.228	-0.0219	-0.00218	0.0173	0.0224	0.945***	0.735***	0.847**	0.743*	0.539***	0.619***
	(0.43)	(0.44)	(0.02)	(0.01)	(0.02)	(0.02)	(0.37)	(0.24)	(0.51)	(0.51)	(0.19)	(0.22)
Savings	0.00174	-0.114	0.00367	0.0118***	0.00276	0.00524	-0.408***	-0.523***	0.178	0.134	-0.0463	0.0218
	(0.17)	(0.21)	(0.01)	(0.00)	(0.01)	(0.01)	(0.09)	(0.05)	(0.11)	(0.13)	(0.10)	(0.08)
Level of economy	-2.309	-17.36	0.565	0.794	-0.514	-0.984	-26.21**	-35.16***	-40.63*	-46.98*	45.36***	28.61***
maturity	(22.89)	(22.54)	(1.64)	(1.12)	(0.68)	(0.52)	(18.51)	(10.14)	(37.58)	(42.80)	(9.24)	(5.92)
Integration into global	2.789***	2.208	-0.0721	-0.0360	-0.195***	-0.145**	2.640***	1.352*	-3.821***	-4.278**	-1.488***	0.846
markets	(1.19)	(1.84)	(0.08)	(0.10)	(0.07)	(0.09)	(0.90)	(0.70)	(1.96)	(3.01)	(0.62)	(0.89)
FDI	0.0776	0.110	0.00461	-0.00365	0.0125*	0.00838	0.108	0.113	0.320*	0.337*	-0.0497	-0.107
	(0.14)	(0.20)	(0.01)	(0.01)	(0.01)	(0.01)	(0.11)	(0.06)	(0.24)	(0.25)	(0.12)	(0.13)
Country controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Constant	-10.58	-0.170	22.50***	18.30***	21.72***	16.09***	64.58***	83.79***	10.50	-11.93	49.65***	22.60
	(7.48)	(23.19)	(0.35)	(0.68)	(0.27)	(0.69)	(5.28)	(11.76)	(7.70)	(24.51)	(4.25)	(14.71)
R2	0.429	0.531	0.994	0.997	0.995	0.995	0.982	0.993	0.878	0.886	0.988	0.993
RMSE	3.70	3.49	0.12	0.09	0.11	0.10	2.07	1.39	3.19	3.22	1.52	1.26
loglikelihood	289.56	408.03	129090	75933.13	15796.59	33793.15	7114.29	10733.87	713.49	237.31	275.88	11332.36

Note: Level of statistical significance: * p<0.05, ** p<0.01, *** p<0.001. Number of observations =92. *Driscoll-Kraay standard error*.
Source: Author calculations
** Due to the constant number of the GCC countries the regression does not present the results for the H2 and H3 that assess the impact of the integration breadth*

Appendix E

Table E1. Descriptive statistics of the variables of the non-EAEU integration blocks included in the research (EU, COMESA, EAC, CEMAC, SACU, GCC) (development)

Variable	Measurement explanation, source	Nr. obs.	Mean	St.Dev.	Min	Max
Health expenditures	Government expenditure on health from domestic sources (% of GDP), WB.	1265	3.69	2.31	0.06	9.27
Education expenditure	Government expenditure on education (current, capital, and transfers) (% of GDP), WB.	1634	4.69	2.02	0.70	44.33
Life expectancy	The assumed number of years of a newborn infant's life based on the patterns of mortality at the time of its birth, WB.	3176	65.57	11.62	26.17	83.48
Gini	The extent to which the distribution of income among households within a national economy deviates from a perfectly equal distribution, WB.	625	34.04	7.80	20.7	65.80
Import tariff	The weighted average level of MFN tariffs, WB.	3096	8.76	10.10	0	217.78
Breadth of integration	Number of countries constituting integration block	3185	10.92	9.14	0	28
Depth of integration	Integration Achievement Score, which is the degree of regional integration	3185	1.89	1.34	0	4
Population	Log of total country's population (midyear estimates), WB.	3174	15.51	1.57	10.90	18.53
Unemployment	The share of the labor force without work but available for and seeking employment, WB.	1375	8.55	5.66	0.10	37.94
FDI	Net inflows of investment (% of GDP), WB.	2725	4.31	18.50	-58.32	451.63

Table E2. Correlation matrix of the variables of non-EAEU integration blocks included in the research (EU, COMESA, EAC, CEMAC, SACU, GCC) (development)

	1.	**2.**	**3.**	**4.**	**5.**	**6.**	**7.**	**7.**	**9.**	**10.**
Health expenditures	1									
Education expenditure	0.42*	1								
Life expectancy	0.67*	0.12*	1							
Gini	-0.54*	-0.17*	-0.72*	1						
Import tariff	-0.53*	0.03	-0.36*	0.51*	1					
Breadth of integration	0.52*	0.08	0.59*	-0.50*	-0.20*	1				
Depth of integration	-0.58*	0.01	0.75*	-0.60*	-0.36*	0.73*	1			
Population	0.10*	-0.10*	0.05*	0.03	-0.12*	0.20*	0.16*	1		
Unemployment	-0.008*	0.12*	-0.20*	0.42*	0.15*	-0.006	0.12*	0.14*	1	
FDI	0.06*	0.06*	0.12*	-0.07*	-0.05*	0.17*	0.15*	-0.14*	-0.01*	1

*Level of statistical significance: * 5%.*
Source: Author's elaboration of the collected data.

Appendix F

Table F1. Results from panel random-effects regression, EU (development)

Specifications	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Models	Health expenditure	Health expenditure	Education expenditure	Education expenditure	Life expectancy	Life expectancy	Gini	Gini
Import tariff (H1)	**1.686****	**4.611****	0.206	0.189	0.0709	0.123	**-88.72****	-15.17
	(2.34)	(4.53)	(0.17)	(1.72)	(0.05)	(0.08)	(41.81)	(11.16)
Breadth (of integration) (H2)	**0.177****		0.003		**0.515*****		**11.24****	
	(0.29)		(0.05)		(0.02)		(5.81)	
Import tariff x Breadth (H3)	**0.054****		-0.0196		-0.00478		**7.423****	
	(0.08)		(0.02)		(0.00)		(3.50)	
Depth (of integration) (H2)		**1.158****		-2.585		**6.423*****		**5.130*****
		(0.25)		(9.47)		(0.24)		(1.13)
Import tariff x Depth (H3)		**1.114****		-0.0740		-0.0427		**6.957*****
		(1.12)		(0.76)		(0.02)		(4.88)
Unemployment	-0.0130	-0.0123	0.0328***	0.0251***	0.0155***	0.0170***	0.0753***	0.0999***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)
Population	1.029	1.158	3.957***	3.514***	-1.978***	-0.417	4.745	0.146
	(0.68)	(0.98)	(0.88)	(1.19)	(1.06)	(1.26)	(3.07)	(3.13)
FDI	0.00147**	0.00134**	0.0000110	0.000626	-0.000944**	-0.00071**	0.00141	0.00137
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Year controls	YES	YES	YES	YES	YES	YES	YES	YES
Country controls	YES	YES	YES	YES	YES	YES	YES	YES
Constant	-10.07	-15.00	-57.25***	-50.68***	93.58***	63.04***	-329.6***	7.927
	(15.51)	(19.58)	(15.13)	(17.52)	(16.22)	(11.64)	(125.08)	(60.71)
R2	0.938	0.946	0.825	0.837	0.986	0.987	0.920	0.917
RMSE	0.42	0.39	0.52	0.51	0.41	0.40	1.20	1.22
F stat	5376.04	2890.08	1610.07	871.08	954.07	260.70	1413.62	3660.73

*Note: Level of statistical significance: * p<0.05, ** p<0.01, *** p<0.001. Number of observations = 493. Driscoll-Kraay standard error.*
Source: Author calculations

Table F2. Results from panel random-effects regression, COMESA (development)

Specifications	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Models	Health expenditures	Health expenditures	Education expenditure	Education expenditure	Life expectancy	Life expectancy	Gini	Gini
Import tariff (H1)	**-0.604****	0.0323	**-1.725****	**-0.276***	0.333	0.0142	0.218	-2.574
	(0.41)	(0.05)	(0.76)	(0.15)	(0.44)	(0.34)	(1.28)	(0.0)
Breadth (of integration) (H2)	**6.679****		**0.841*****		1.722		13.23	
	(4.36)		(0.67)		(1.93)		(47.78)	
Import tariff x Breadth (H3)	**0.0302****		**0.0883****		-0.0185		**-2.468****	
	(0.02)		(0.04)		(0.02)		(3.51)	
Depth (of integration) (H2)		11.66		**7.024*****		-1.241		-10.02
		(11.11)		(1.63)		(2.76)		(0.01)
Import tariff x Depth (H3)		-0.0169		**0.189****		-0.0398		**-3.158****
		(0.03)		(0.10)		(0.21)		(0.42)
Unemployment	0.0301	-0.0181	-0.00179	0.00104	0.145	0.100	-0.333	-0.316
	(0.02)	(0.02)	(0.05)	(0.05)	(0.14)	(0.20)	(0.28)	(0.00)
Population	-1.652	-0.786	-0.361	-0.807	32.41***	14.15	36.76	6.037
	(0.99)	(1.06)	(3.21)	(3.92)	(6.25)	8.01)	(49.08)	(0.30)
FDI	0.00757	-0.00666	0.0230	0.0414	0.0255	-0.0602	0.629	-0.419
	(0.02)	(0.02)	(0.05)	(0.02)	(0.11)	(0.17)	(1.05)	(0.00)
Year controls	YES	YES	YES	YES	YES	YES	YES	YES
Country controls	YES	YES	YES	YES	YES	YES	YES	YES
Constant	22.31	14.86	5.415	33.16	-228.7	-179.4	-420.4	-781.5
	(15.34)	(26.78)	(58.50)	(37.20)	(93.90)	(138.23)	(601.70)	(91.10)
R2	0.919	0.927	0.990	0.993	0.967	0.964	0.998	1.000
RMSE	0.33	0.33	0.61	0.50	2.52	2.67	1.91	0.00
lF stat	5408.33	6159.53	7784.28	1310.07	713.80	1634.22	3615.12	869.20

*Note: Level of statistical significance: * p<0.05, ** p<0.01, *** p<0.001. Number of observations = 119. Driscoll-Kraay standard error.*
Source: Author calculation