The Concept of Agro-Industrial Integration of a Border Region with Adjacent Territories under the Conditions of the EAEU

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Abstract: The subject of research in this paper is the prospects for integration relations of the Russian border region, the Altai Territory, with the adjacent territories of the Republic of Kazakhstan based on the concept of polarized development of territories. An analysis of the existing prerequisites and the current state of integration processes, as well as the specifics of the development of the regions, showed the possibility of using the agricultural sector as a propulsive industry. The possibility of increasing the workload of production facilities of processing enterprises of the Altai Territory using the raw stock potential of the livestock industry in the East Kazakhstan Region has been identified.

Keywords: agribusiness, integration, border region, adjacent territories, meat subsector, Eurasian Economic Union, development strategy

I. INTRODUCTION

The current stage of development of society is characterized by the increasing influence on the economies of almost all states of the world by such phenomena as globalization and regionalization. With the consolidation and mutual influence of these trends, the regions that purposefully or spontaneously, but, most importantly, effectively, integrate their resources with the resources of cross-border markets and regions become more dynamic. In this regard, the border regions of a country and the neighboring border regions, which can act as growth factors for each other through the consolidation of labor, natural, and production potentials creating a more capacious sales market are especially important (Sycheva et al., 2016; Dunets et al., 2019).

Such a strategically important region for Russia is the Altai Territory – a unique region in its geographical and natural parameters. Occupying a significant territory on the Eurasian continent as part of Russia, it creates a special geopolitical position, linking the actively integrating Europe and rapidly developing countries of the Asian-Pacific Region. Moreover, despite the border location, the Altai Territory is remote from the main transport arteries, and the development of regional economic integration may partially make up for the inaccessibility of world commodity markets (Sycheva, & Permyakova, 2016).

Considering the above, the authors consider it promising to use the competitive advantages of the Altai Territory with the involvement of the agro-industrial and production potentials of the neighboring region – the East Kazakhstan Region (EKR). This choice is due, first of all, to the fact that from the neighboring regions it is with the East Kazakhstan Region that the most long-term and strong trade ties are established. In general, about 30% of the region’s commodity circulation can be attributed to Kazakhstan annually, of which 70% falls on East Kazakhstan. Moreover, the Altai Territory and East Kazakhstan as parts of the Russian Federation (RF) and the Republic of Kazakhstan (RK), respectively, are included in the largest integration group in the post-Soviet space – the Eurasian Economic Union (EAEU), which gives them a number of additional advantages and prerequisites for integration (Luzina et al., 2019; Kashirskaya et al., 2019; Goryushkina et al., 2019a,b).

Both regions are part of the so-called Greater Altai with a similar landscape, climate, population, socio-economic problems in the formation of a regional market economy, as well as the initial economic potential and acquired market transformations. The agro-industrial sectors of the Altai Territory and East Kazakhstan are closely related; both regions have high potential in the field of agricultural production (Sycheva, & Svistula, 2017). On a regular basis, research institutions of both regions exchange promising breeding materials, while pedigree cattle and biological products are delivered to the Republic of Kazakhstan. At the same time, the leadership of both the Altai Territory and East Kazakhstan is consistently pursuing a policy of import substitution and export orientation of the economy in the food and processing industry (Sycheva et al., 2015, 2017; Bure and Tengeh, 2019). The foregoing allows considering East Kazakhstan as a prerequisite for the formation of integration mechanisms of the Altai Territory and considering the resource potential of the EKR as a factor contributing to the implementation of these mechanisms; and as one of the promising areas for the development of the economy of cross-border territories is seen the agricultural sector.
II. METHODS

Cross-border cooperation, being an integral part of inter-regional cooperation, has a peculiarity – direct proximity to the state border, which has a certain impact on the development of integration processes in all areas of interaction (Pavlshyn, et al., 2019; Grakhova et al., 2019; Kireev et al., 2019; Fedulova et al., 2019; Frolova et al., 2019). Therefore, for many regions of Russia, foreign economic relations have become an important, and in some cases dominant, condition for dynamic socio-economic development and a factor ensuring mutually beneficial cooperation, free movement of capital, goods, services, achievements of scientific and technological progress and workforce between the domestic and foreign markets within the framework of an open economy (Korableva et al., 2019).

In this case, the border regions are given the role of peculiar locomotives of integration processes, the significance of which, of course, is increasing within the established Customs and Eurasian Economic Unions.

So, for the Altai Territory, Kazakhstan is consistently the main foreign trade partner in terms of turnover. The share of Kazakhstan in the trade turnover of the region in 2018 amounted to 29%. The dynamics of trade are presented in Table 1.

Table 1 – Dynamics of trade between the Altai Territory and the Republic of Kazakhstan in 2011-2018 (million USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover</th>
<th>Exports</th>
<th>Exports share, %</th>
<th>Imports</th>
<th>Imports share, %</th>
<th>Turnover growth rate, % to the previous period</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>501.2</td>
<td>418.8</td>
<td>83.6</td>
<td>82.6</td>
<td>27.3</td>
<td>26.0</td>
</tr>
<tr>
<td>2012</td>
<td>573.9</td>
<td>440.4</td>
<td>76.6</td>
<td>133.5</td>
<td>23.4</td>
<td>22.5</td>
</tr>
<tr>
<td>2013</td>
<td>563.5</td>
<td>431.7</td>
<td>76.4</td>
<td>131.8</td>
<td>22.4</td>
<td>20.0</td>
</tr>
<tr>
<td>2014</td>
<td>543.9</td>
<td>425.8</td>
<td>77.9</td>
<td>127.6</td>
<td>23.4</td>
<td>18.3</td>
</tr>
<tr>
<td>2015</td>
<td>284.2</td>
<td>196.5</td>
<td>69.0</td>
<td>87.7</td>
<td>30.6</td>
<td>156.2</td>
</tr>
<tr>
<td>2016</td>
<td>270.1</td>
<td>183.6</td>
<td>68.5</td>
<td>86.5</td>
<td>30.6</td>
<td>112.5</td>
</tr>
<tr>
<td>2017</td>
<td>423.8</td>
<td>302.7</td>
<td>71.8</td>
<td>119.0</td>
<td>28.2</td>
<td>156.2</td>
</tr>
<tr>
<td>2018</td>
<td>474.4</td>
<td>355.3</td>
<td>74.9</td>
<td>118.9</td>
<td>25.1</td>
<td>112.5</td>
</tr>
</tbody>
</table>

The dynamics of trade between the Altai Territory and the Republic of Kazakhstan in 2011-2018 have extremely mixed trends. With the introduction of the Customs Union in 2009, there was a significant increase in the indicator until 2012, a significant decrease occurred in 2015-2016. The reason for the decrease in cost volumes of trade in 2015, along with a decrease in the supply of some product groups, was a change in the ruble and dollar rates. So, in the case of the conversion of the ratio of currencies for the period in rubles at the average rate, the commodity turnover not only did not lose, but, on the contrary, increased by 7% and reached 16.65 billion rubles. In 2017, the turnover has grown significantly – more than by 55%, but these positive dynamics are relative: analyzing a longer period, which is much more objective when it comes to foreign trade, the size of the turnover only approached the level of the pre-crisis period of 2014 (about USD 440 million). In 2018, trade also maintained a positive trend, amounting to USD 474.4 million with an increase of 12.5%.

As noted, among neighboring regions, one of the largest trading partners of the Altai Territory is the East Kazakhstan Region. Moreover, at present, there are rather mixed dynamics in the field of economic cross-border cooperation of the Altai Territory, which is limited only by an increase in the volume and expansion of the range of sphere of trade and services with a small share of production-related forms of entrepreneurship. To reach a new level of integration, it is necessary to develop new science-based projects and comprehensive programs for the development of the industrial and agro-industrial potential of the region (Sycheva et al., 2015; Voronkova et al., 2019; Ivanova et al., 2019; Goloshchapova et al., 2018).

The authors propose to consider the agro-industrial sector of the Altai Territory and East Kazakhstan Region, in particular, the livestock sub-sector and processing, as a cross-border propulsion industry. Meantime, the authors mean by cross-border propulsion industry a set of enterprises of one industry located in the local territories of neighboring states, capable of perceiving innovations and exerting a positive influence on the development of economies of border regions (Sycheva, & Permyakova, 2016; Arnati et al., 2019; Paptsov & Nechaev, 2019).

III. RESULTS

The Altai Territory is one of the main granaries of Russia, has a powerful agricultural potential, and is one of the largest Russian food producers. The region specializes in the production of cereals, but, in addition, it has the largest number of cattle in the Siberian Federal District; of the total agricultural output of the region, crop production is 54%, livestock – 46% (Glotko et al., 2018). However, from 2014 to 2018, the livestock population has been constantly decreasing in the region and, as a result, slaughter cattle production has decreased by almost 33% over the period (Official statistics of the Territorial Office of the Federal State Statistics Service for the Altai Territory, 2019). At the same time, the capacities for the production of meat products of the largest manufacturers located close to the border of the East Kazakhstan Region, such as Rubtsovsk Meat-Processing Plant JSC (Rubtsovsk), Aleyksk Meat-Packaging Plant LLC (Aleyetsk), are less than 50% full; therefore, there are significant reserves to increase the production of final products.

As for the neighboring territory – the East Kazakhstan Region, despite the pronounced industrial specialization, up to 10% of the region’s GRP over the past 10 years was formed by the agricultural sector; for example, the share of agriculture in the GRP of East Kazakhstan amounted to 8.6% in 2017. The region is one of the three leaders in meat production – more than 60% of the structure of agriculture is occupied by animal husbandry.

In this regard, the main arguments in favor of agro-industrial integration of the regions are:

1. In a significant part of the districts of the Altai Territory, the insufficient availability of processing capacities for meat raw materials and the raw stock base currently have an almost unlimited growth reserve.
2. Most of these areas are geographically closer to the districts of the East Kazakhstan Region, where at present there is a problem of a low level of meat processing (only 16%) while ensuring the demand for processed products by only a quarter. For example, the Mikhailovsky, Uglovsky, Tretjakovsky, Zmeinogorsky, Rubtsovsky, and Charyshsky Districts in the Kulundinskyaya, Prialeykaya, Priialtayskaya and Altayskaya natural and economic zones border on the Glubokovsky, Shemonaikhinsky, and Borodulikhinsky Regions of EKR, where agriculture is traditionally developed, including animal
husbandry, but at the same time, poor development and low percentage of utilization of processing industries are seen.

The solution to the problem is seen in the development of economic integration of agricultural producers and processing industries on the basis of industrial cooperation with the identification of growth points throughout the cross-border area Altai Territory – East Kazakhstan Region. Now, let us consider the factors presented in more detail.

The key indicators of livestock production of the East Kazakhstan Region for the period from 2014 to 2017 have a positive trend. Thus, gross livestock production in value terms grew by 29.4%, the number of cattle increased by 11.6%. In addition, in order to increase the labor productivity of the regional agro-industry, in 2018 a regional Program for the development of the agro-industrial sector of East Kazakhstan Region was developed. According to the Program, by 2022 imports of breeding livestock should increase significantly in all districts of the region compared to 2018 by 4 times (from 10 to 40 thousand heads), presumably, enterprises and farms of the Altai Territory should become the main partners to achieve this indicator.

Certain results were already achieved in 2018: the East Kazakhstan Region became a leader in the growth of national meat production by 11.2% over the year from 270.8 to 282.0 thousand tons.

Thus, by 2022, the number of new feedlots in the region will be 30 units with the number of cattle on them being 48.5 thousand heads.

For planning the development of the agro-industrial sector as a cross-border propulsive industry, it is important to consider enterprises and areas that can act as cross-border growth points and form a cross-border axis of development of this territory.

To denote the cross-border axis of the propulsive agricultural sector, the authors singled out areas within the Altai Territory and East Kazakhstan Region that are capable of forming it, as well as enterprises – growth points of this axis.

Altai Territory, the Russian Federation:
- Rubtsovsk city: Rubtsovsk Meat-Processing Plant JSC.
- Aleysk city: Aleysk Meat-Processing Plant LLC. East Kazakhstan Region, the Republic of Kazakhstan:
- Ust-Kamenogorsk city – the distance to the Altai Territory is 202 km (to the city of Rubtsovsk – 266.7 km), enterprises engaged in cattle breeding and sale: Mambet farm, Altai A.N. farm, EnbekAgro LLP.
- Semei city – the distance to the Altai Territory is 228 km (to the city of Rubtsovsk – 156 km), enterprises engaged in cattle breeding and sale: Agrofirma Prierechnoye LLP, Zhumabekov IP, Eginbaeva IP.
- Glubokovsky District of the East Kazakhstan Region (Uvarovskoye farm, OMK LLP) – located 139 km from the Altai Territory and 158 km from Rubtsovsk, livestock production: for slaughter live weight – 4,037.3 tons.
- Borodulikinsky District of the East Kazakhstan Region (Sakhnovskoye LLP, Peschanka LLP) – located on the border of the region with the Altai Territory, livestock production: for slaughter live weight – 5,345.2 tons.
- Beskaragai District of the East Kazakhstan Region (Fariza farm and others) – located on the border of the region with the Altai Territory, livestock production: for slaughter live weight – 3,791.9 tons.
- Shemonakihinsky District of the East Kazakhstan Region (Kamyshinskoye farm, Kamyshinskoye-2 LLP, Shemonakihinsky farm, Vorobyov N and Co farm – located on the border of the region with the Altai Territory, livestock production: for slaughter live weight – 4,082.7 tons.
- Kokpektinsky District (Elimai Kokpekty LLP (ElimAi LLP), Ornek LLP, Talap farm, Rustam farm) – distance to the Altai Territory 349 km, livestock production: for slaughter live weight – 8,067.3 tons.

Thus, the enterprises of East Kazakhstan, located near the borders of the Altai Territory, produce livestock products in live weight of more than 25 thousand tons; in addition, it is planned, with the introduction of new feedlots, to annually increase production by another 5 thousand tons.

An analysis of the potential of livestock enterprises in East Kazakhstan and processing enterprises in the Altai Territory, intended for inclusion in the local axis, revealed that more than 20 enterprises, including 2 processing enterprises of the Russian Federation and up to 20 agricultural enterprises of the RK can compose its agricultural and industrial base.

In this case, the recommended form of cooperation is production cooperation, when each of the partners fulfills its share of work within the framework of a single production cycle (Plaskova et al., 2017; Prodanova et al., 2019a, 2019b). Such a system of partnerships is highly effective because it leads to a complete coincidence of the economic interests of partners, thus, they will act so that the goods can be sold at the highest possible price, everyone will be interested in the quality and other indicators that are important for the market.

IV. DISCUSSION

Considering the current processes of intercountry integration and globalization, it should be noted that they are perceived by scientists and practitioners very ambiguously. Some consider globalization a dead-end branch of the development of civilization, encroaching on the economic sovereignty of states and leveling national identity. At the same time, others characterize global integration processes as an objective reality with a dynamic environment in which one can get a chance to develop if one timely tunes in to new codes for preventive management of events.

At the same time, having studied the experience of international regional associations that are currently operating, it can be stated that the most dynamically and progressively developing integration relations are those between Russia, Kazakhstan and Belarus, and more recently, Armenia and Kyrgyzstan. No international group, with the exception of the EU, has achieved such results in such a short period of time. This pace of integration, on the one hand, indicates a positive trend. On the other hand, this process is accompanied by certain costs and mixed opinions about the benefits of this union. The most important motive for the creation of the EAEU was the increment of economic results.
due to participation in integration processes; therefore, a positive impact on the growth of economies of the participating countries will only appear if economic integration leads to a process of deep structural transformations in the economies of integrating states, the quality of the economic space will change through cooperative, organizational, investment, technological novelty, increasing the competitiveness of the global economic association. Unfortunately, these characteristics are far from being fully manifested in the relations between the EAEU member states. In addition, the development of the young integration group is significantly affected by negative factors caused by global crises or EAEU zone, which is 15%.

Under the current conditions, it is important to understand what can stimulate the growth of trade within the EAEU, taking into account the current economic situation. Surely, any economic integration is accompanied by various kinds of problems and difficulties. However, the implementation of any global project that brings changes to the existing system requires time and coordination of efforts on the part of the government bodies and the business. It is necessary to strengthen production cooperation, which will stimulate both the development of the economy and the growth of intra-company trade exchange. In addition, it is necessary to reduce barriers to trade administration, especially in the field of technical regulation, as well as accelerated development of a unified or at least coordinated trade, industrial and financial policy (Sycheva, & Permyakova, 2019; Dunets et al., 2019; Voronkova et al., 2019a; Kolmakov and Polyakova, 2019).

Despite certain difficulties of the current period, it is impossible to close the economy, supporting own producers only with the help of protectorist measures. This will leave the country on the periphery of global development. Barrage customs duties, quotas, privileges – all these are effective tools that increase business efficiency and make goods attractive to consumers. However, surviving due to such mechanisms of economic development is already unsafe. It is necessary to pay attention to the development of other tools, not to consider as a norm and include in the cost-price the costs of corruption, monopolism, the lack of normal transport infrastructure, and expensive loans. It will be more effective to improve the quality of the regulatory environment, develop infrastructure and the financial sector. For business, it is important to demand from the authorities not only privileges and subsidies, but also the systematic and consistent fulfillment of their obligations. In the authors’ opinion, each EAEU member state needs to orient its national economies towards the creation of leading joint ventures and form “growth poles”. In this context, competition and effective complementarity of economies will be the key to the successful development of both the integrated economic system as a whole and each state in particular.

The production cooperation of enterprises in the border regions of the Altai Territory and East Kazakhstan Region under the conditions of the functioning of the EAEU and the Customs Union gives a number of advantages to all participants and makes it possible to:

1) Use a zero rate of customs duty when importing beef in the territory of the participating countries, while from third countries not included in the EAEU zone it is 15%.
2) Add value added tax (VAT) only on the finished products, and not on intermediate processing, raw materials and semi-finished products, as would be the case with a simple contractual sale;
3) Save on raw materials, as the average price of beef producers in the Altai Territory is about 95 rubles per kg, and in the East Kazakhstan Region – about 91 rubles per kg of live weight.

Summarizing the above, the authors would like to note that such a structure allows legally independent enterprises that are part of the integrated formation to work in close production and financial cooperation, efficiently load production capacities and thereby increase labor productivity, optimize production and marketing processes, increase the profitability of enterprises, as well as provide additional jobs for agricultural areas and small towns, giving them a new impetus to development.

IV. CONCLUSION

As a result, the main problems of the meat subsector of the Altai Territory have been identified – insufficient production capacity, which can be compensated for by integration with the territories of neighboring regions and neighboring states, in particular, with the East Kazakhstan Region.

For the development of a cross-border region, the fact of the prospects for the complementarity of agricultural development is important. In particular, this is the elimination of imbalances in the functioning of meat production, the transition to intensive agricultural production due to the proximity of the territorial location and mutual use of the resource base of the two regions.

Speaking about prospects, first of all, it is important not to forget that the Altai Territory is a border region and strategic planning for its development is impossible without taking this factor into account. When planning, it would be effective to take into account the competitive advantages, interests, and market conditions of neighboring regions that are members of the Customs and Eurasian Economic Unions, thus preventing the neglect of their strategic geopolitical role and ignoring promising economic and social projects that are difficult to implement in conditions of one region. Therefore, the prospects for cooperation, speaking about a new qualitative level, are seen in the orientation towards the joint development of growth points and priority industries, in particular, in the agricultural sector.

REFERENCES


