

**DOES THE EURASIAN ECONOMIC UNION IMPACT THE
KYRGYZSTANI LABOR MIGRANTS IN RUSSIA?**

By

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Abstract

This thesis analyzes how the Eurasian Economic Union, officially established in 2015, affects labor migrants from Kyrgyzstan in Russia. Both countries are members of the Union. The thesis focuses on the time between pre-Union before 2015 and after five years. Surveys among labor migrants and semi-structured interviews with key experts in labor migration of Kyrgyzstan were conducted to assess how policy changes in the sphere of labor migration within the Eurasian Economic Union framework impact Kyrgyzstan's labor migration patterns. This research used both quantitative and qualitative data from the World Bank, International Monetary Fund, Eurasian Economic Commission, Eurasian Development Bank, and other sources. The thesis revealed a positive effect of the policy changes under the Eurasian Economic Union on the labor migrants from Kyrgyzstan in Russia, amongst which the most favorable were cancelation of work permits, civil law employment contract opportunities and prolongation of the registration period for the Kyrgyz labor migrants. Also, there were positive changes in the employment profile of the migrants, i.e. shifts from “low-skilled” to relatively “high-skilled” jobs in Russia. Despite aforementioned policy adjustments, drawbacks such as unofficial labor migration (without registration in corresponding Kyrgyz authorities) as well as emigration risks for Kyrgyzstan were identified. The thesis proposes the positive impact of the Eurasian Economic Union on migrants from Kyrgyzstan in Russia could have a causal impact on the economy of Kyrgyzstan through remittance flows. Finally, policy recommendations are given in the study.

Key words: Economic integration, Eurasian Economic Union, labor migration, Kyrgyzstan, Russia

Remark: The thesis uses alphabetical order.

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List of Abbreviations

ASEAN – Association of Southeast Asian Nations

CACO – Central Asia Cooperation Organization

CAREC – Central Asia Regional Economic Cooperation

CIS – Commonwealth of Independent States

CSTO – Collective Security Treaty Organization

CU – Customs Union

EAEU – Eurasian Economic Union

ECO – Economic Cooperation Organization

EEC – Eurasian Economic Commission

EDB – Eurasian Development Bank

EU – European Union

EurAsEC – Eurasian Economic Community

FDI – Foreign Direct Investment

FTA – Free Trade Area

GDP – Gross Domestic Product

IMF – International Monetary Fund

IFS – International Financial Statistics

MERCOSUR – (officially) Southern Common Market

NAFTA – North American Free Trade Agreement

OEC – Observation of Economic Complexity

OECD – Organization for Economic Development and Cooperation

SCO – Shanghai Cooperation Organization

SEP – Single Economic Space

SPECA – UN Special Programme for the Economies of Central Asia

USSR – Union of Soviet Socialist Republics

Introduction

Globalization and a multi polar transformation worldwide resulted in a need for countries to integrate with each other in economic, cultural as well as political areas. As defined by the International Monetary Fund (IMF), the aspects of economic integration include trade proceedings, capital movements, investment transactions and labor migration. Indeed, a movement of people as one of main economic factors is essential for economic development. Since the past decades under existing global economic conditions the Eurasian region has been trying to create an integrated system.

The theory of economic integration developed by B. Balassa (1962) defines economic integration as “a process and a state of affairs”, aimed at eradication of discrimination between economic units of different nations and their national economies. For example, abolishment of trade-barriers is part of the economic integration. In addition, the theory classifies economic integration into a free-trade area, a customs union, a common market, an economic union and complete economic integration. Such a distinction explains how economic integration varies and impacts national economies at different levels (Balassa 1962 et al.).

The Eurasian Economic Union (EAEU) is an international organization aimed at regional economic integration according to the Treaty on the Eurasian Economic Union (the Treaty). The EAEU implies free movement of goods, services, labor and capital within its borders as well as common policies towards different sectors of economy. The present five member states, namely the Kyrgyz Republic, the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation, agreed to share common economic space and ensure mutual sustainable development of national economies with respect to their sovereignty and the rule of law in the conditions of global economy. While other Central Asian countries, namely Tajikistan and Turkmenistan are not members of the EAEU, and Uzbekistan recently

has shown its interest as an observer country (May 2020, Ria.ru). There is no specific answer on why other Central Asian countries have not joined the Union yet. Probably, Turkmenistan follows its own vision of development and its foreign policy principle of “*permanent neutrality*” (acknowledged by the United Nations in 1995). Tajikistan has mutual agreements with Russia, for instance, the Agreement on recruitment of the Tajik migrants who work in Russia and the Agreement on dual citizenship with Russia.

The initial idea of the Eurasian integration was proposed by Nursultan Nazarbayev, the first President of the Republic of Kazakhstan, in 1994 during his speech at Moscow State University. He highlighted the importance of the economic cooperation and creation of the Union in the region. Thus, in 2000 the Eurasian Economic Community (EurAsEC) was established. Following this, several agreements such as the Single Economic Space (SEP) (2003), the Customs Union (2007) and the Declaration of the Eurasian Economic Integration (2011) were introduced (Dragneva, Wolczuk et al. 2013). By today, the final agreement – the Treaty is a foundational document of the EAEU and came into force on January 1, 2015.

The access of the Kyrgyz Republic to the EAEU took place in August 2015 during the Presidency of Almazbek Atambayev. There are many debates in domestic as well as international literature about the pros and cons of Kyrgyzstan’s joining to the EAEU. Public domestic discussions of the civil society representatives, business and public sector about EAEU membership led to divergence of opinions.

At the present, the country has been benefiting mainly from labor migration opportunity since its membership in the Union. The National Statistics of the Kyrgyz Republic show that top destinations of the Kyrgyzstani labor migrants remain two the EAEU members – Russia and Kazakhstan. According to the 2019 report of the State Migration Service under the Government of the Kyrgyz Republic, roughly 728 000 Kyrgyz citizens reside in the Russian Federation,

while 35 000 Kyrgyzstanis are in Kazakhstan. However, some experts believe that unofficial numbers may be much higher than reported figures. The National Bank of the Kyrgyz Republic reports that in 2019 the volume of money transfers (remittances) from Russia reached only 2.4 billion USD, which estimates around 29 percent (%) of the country's Gross Domestic Product (GDP) last year (see Chapter 3, subchapter 3.1). Thus, such figures reflect a very high economic dependence of Kyrgyzstan on Russia.

In fact, since the collapse of the Soviet Union labor migration has always been significant for the economy of Kyrgyzstan. Early economic reforms in the country such as massive privatization, liberalization in addition to multiple economic and political crises like two *coup d'etats* (2005 and 2010) negatively affected Kyrgyzstan's general economic performance and investment climate. As a matter of fact, the local labor market did not have enough capacity to provide citizens with sufficient job opportunities. Meanwhile, the Commonwealth of Independent States (CIS) area was a good opportunity for locals to migrate for better lives. Past historical ties, common language, cultural features and economic interdependence have contributed to further development of migration in the region (Wolfel 2002; Ivakhnyuk 2006).

By highlighting the importance of labor migration and the membership of Kyrgyzstan in the EAEU, the thesis seeks to examine effects of the Eurasian Economic Union on the Kyrgyzstani migrants in Russia. Due to policy changes within the Union the Kyrgyz citizens have got number of advantages in the area of labor migration. They include such preferences as exemptions in work permits (patents), prolongation of the registration period, recognition of educational certificates and diplomas, mutual work experience recognition for social security purposes (pensions) and free medical emergency care (the Treaty).

Before this study several researches were conducted on the effect of the EAEU on the Kyrgyzstani migrants in Russia (see Sagynbekova 2017; Nasritdinov and Kozhueva 2017;

Ryazantsev, Bogdanov, Dobrokhleb and Lukyanets 2017). However, the timeline of previous researches was insufficient to assess the real correlation of the country's accession and migration dynamics or were short-term effect analyses. Moreover, it took some time for Kyrgyzstan to fully integrate into the Union, since there were technical and regulatory gaps. Therefore, current research is timely and can contribute to tangible assessment and provide analysis of a five-year impact of the EAEU on labor migration from Kyrgyzstan in Russia.

The research questions I address reveal the impact of the Eurasian Economic Union on the Kyrgyzstani labor migrants in Russia. I ask the following questions: *How has the EAEU changed labor migration trends from Kyrgyzstan? What are the changes (challenges and benefits) the migrants from Kyrgyzstan experience in Russia? Is there a shift from low-skilled to high-skilled labor among the Kyrgyzstani migrants in Russia since the last five years as a result of EAEU policy changes?* By examining these questions, the thesis will try to study a much discussed EAEU's impact on its member states on the example of its impact on labor migration. In addition, I will look at the country level impact of EAEU – namely, examine the changes in the national macroeconomic indicators such as GDP, FDI, remittances to Kyrgyzstan from 2013 until 2019. Like the earlier researches I expect a positive impact of the Eurasian Economic Union on the Kyrgyzstani migrants in Russia. The study's contribution to the literature is presenting up-to-date data and contrasting the data with pre-Union one (before 2015). The study uses surveys and semi-structured interview methods of research to collect information from the Kyrgyzstani labor migrants working in Russia and key Kyrgyz expert on labor migration.

Firstly, I will begin with a literature review on the impact of the EAEU on the Kyrgyzstani labor migrants in Russia. The First Chapter is dedicated to the Economic Integration theories and labor migration's relevance in economic integrations. In the Second Chapter, I will go through the historical background of the EAEU and do a brief overview of the established

Union, also I show preliminary results of the union on the Kyrgyz economy. In the Third Chapter, I focus on labor migration from Kyrgyzstan as a case study. In the last Chapter, I will present the results of the research, analysis of the semi-structured surveys and in-depth interviews. Finally, I discuss the impact of the EAEU on labor migrants from Kyrgyzstan in Russia and give policy recommendations.

Literature review

In this part of the thesis I review the literature on the Eurasian Economic Union and its impact on labor migration from Kyrgyzstan to Russia, present main debates and discussions on the topic.

There is a substantial literature on labor migration in the EAEU space and relatively less studies were conducted on the Eurasian Economic Union's impact on labor migration from Kyrgyzstan to the Russian Federation. The most cited and popular researches on the labor market and migration in the Eurasian Economic Union are demonstrated in works of such authors as Ryazantsev, Bogdanov, Dobrokhleb and Lukyanets 2017; Sakaev 2016 and others.

G. Osadchaya, I. Leskova and T. Yudina (2018) highlight that the EAEU labor market lacks complete regulatory and legal regulation in the area of labor migration. Moreover, there is a missing compliance and joint management of migration processes among the member states that would support a concept of the single EAEU labor market. As a consequence of labor migration to Russia from the EAEU member states, labor migrants had replaced major work force in Russian labor market in comparison to other non-EAEU labor migrants. The surveys conducted by the authors found that there are also psychological barriers of the labor movement such as local perceptions (Russian people's) and unenthusiastic attitudes towards labor migrants from the EAEU countries, and, on the one hand, non-acceptance by migrants from the EAEU of the existing local (Russian) mentality, culture and practices (Osadchaya et al. 2018).

Similarly, Ryazantsev, Bogdanov, Dobrokhleb and Lukyanets (2017) note that the EAEU member states do not have a common coordinated labor market policy including labor migration. Even though, since several decades the Eurasian space has an established stable migration corridor to Russia from the Central Asian countries like Kyrgyzstan. The authors

feature economic, demographic, historical and cultural, infrastructural and geographical, and political factors in migration to Russia and Kazakhstan from Kyrgyzstan (Ryazantsev et al. 2017). Overall, the research raises issues related to labor migration policies of major labor recipient countries – Russia and Kazakhstan – that they are not in accordance with each other. In fact, such countries may impose politicized restrictions towards migrants that hinder principles of free labor mobility in the EAEU. The authors suggest that recipient countries should estimate the proportion of domestic workforce and attract labor migration based on own needs and capacities (Ryazantsev et al. 2017).

Another feature of the labor migration from Kyrgyzstan to Russia is institutionalization of migration associations and organizations. For example, the Kyrgyz diasporas in Russia like “*Zamandash*” (Fellow), “*Mekendeshter*” (Compatriots) have been empowering and acting on a large scale. There is a long list of other Kyrgyz diasporas, they act as intermediaries between the Kyrgyz public authorities and citizens abroad as further revealed in the interviews in Chapter 4 of the thesis. Ryazantsev distinguished two implications of the Union to Kyrgyzstan: a short-term impact in form of remittances and new skills brought by migrants back to home; and a promotion of investments from the EAEU member states, in particular from Russia and Kazakhstan, to boost the country’s economic growth, as a long term impact (Ryazantsev et al. 2015).

Sakaev (2016) studied demographic trends and labor mobility of the EAEU. The rise of the Union is considered as an opportunity for Russia to tackle declining and aging population. According to his estimations, population of the EAEU members can be characterized as “depopulation trend” for Russia, Belarus and Armenia, and “growing population” for other two countries – Kazakhstan and Kyrgyzstan (Sakaev et al. 2016). The author supports the Union’s integration in the matter of political demography and notes the accession of Kyrgyzstan as an

extension of the EAEU at lower quality, i.e. demographic and economic aspects (Sakaev et al. 2016).

According to the surveys on labor migration in the EAEU conducted in Russia by G. Osadchaya, I. Leskova and T. Yudina (2018), percentage of local people that were against Kyrgyzstanis migration to Russia were 10 percent higher than in favor (in 2016s). As noted by the authors, probably, Kyrgyzstanis are not prepared to the “big city life” (Moscow) due to lack of experience and Russian language barriers in comparison to other EAEU nationals. Poletaev (2020) finds relatively positive and neutral attitudes of local population in the Russian cities like Moscow, Saint-Petersburg and Yekaterinburg towards Kyrgyz labor migrants (in 2017-2018). Poletaev (2020), Nasritdinov (2016) agree that Kyrgyz nationals are willing to obtain a Russian citizenship to secure their safe stay and work in Russia despite the policy changes such as cancellation of work permits and extension of duration of stay within the EAEU.

Another research conducted by L. Sagynbekova (2017) analyzes the Kyrgyzstani migrants’ post EAEU accession challenges. The author points out a positive impact of the Union on labor migration from Kyrgyzstan, however, a ‘two-year effect’ (from 2015 to 2017) is too short to see feasible changes in the paper. As found in the study the migrants from Kyrgyzstan migrate to Russia for ambiguous reasons – the migration decisions of majority were driven by socio-economic factors in the country of origin, while few responded the EAEU policy changes as a determinant of labor migration. In addition, the study suggests that there is a causal relationship between the migration and the export to the EAEU market. Hence, despite simplifications for labor migrants in Russia their families back in Kyrgyzstan were deadlocked in agricultural sectors (Sagynbekova et al. 2017). Overall, the study highlights the labor migrants from Kyrgyzstan in Russia have not felt the EAEU’s positive effect on their lives and working conditions as expected (Sagynbekova et al. 2017).

In fact, since the accession of the Kyrgyz Republic to the Eurasian Economic Union there were technical mismatches with the Union's requirements such as veterinary and sanitary rules under the trade policy of the EAEU. Thus, during the first two-three years of membership almost whole agricultural sector of the Kyrgyz Republic had gaps within infrastructure and other technical gaps. Consequently, the Kyrgyz individual farmers and entrepreneurs significantly suffered from border closures (between Kyrgyzstan and Kazakhstan) and bureaucracy (Azattyk.org, 2019). For example, phytosanitary barriers of Kyrgyzstan with Kazakhstan were abolished only in the end 2016 and veterinary restrictions only in 2019 (CabarAsia, 2020). Moreover, there are only two laboratories in Kyrgyzstan that assess the quality products and are accredited in the registry of the EAEU (CabarAsia, 2020).

Nasritdinov and Kozhoeva (2017) are one of other few authors to study the impact of the EAEU on the Kyrgyzstani labor migrants. Their research discovered that around 75 percent of respondent-migrants thought that the EAEU improved their lives in Russia after the abolishment of work permits and easing the registration period as well as bettering the employment opportunities in comparison to labor migrants from Uzbekistan and Tajikistan (non-EAEU nationals) (Nasritdinov and Kozhoeva et al.2017). In addition, the authors mention that young and male Kyrgyzstanis benefited more than female or elder labor migrants from Kyrgyzstan.

As the literature review above shows the EAEU and its impact on labor migration is a debated topic in the Eurasian integration studies. The existing studies researched the topic from different angles: 1) as a projection of the EAEU prior its actual establishment; 2) as immediate reaction studies to assess initial effects of the Union; 3) a focus on labor migration within the EAEU from the perspective of the Russian Federation; 4) an effect of the Russian financial crisis in 2014 on labor migration from the EAEU. Meanwhile less studies explore the labor

migration to Russia from the perspective of Kyrgyzstan within the given single labor market in the EAEU.

Therefore, the thesis seeks to explore the most recent trends of labor migration from Kyrgyzstan to Russia within the EAEU policy changes. It will provide with the latest and coherent analysis of the topic.

Chapter 1. Theoretical Framework

In Chapter 1 I turn to the theories on economic integration and discuss main arguments in the debates and concepts presented in key works of the existing literature. In addition, I refer to the literature on effects of economic integration on migration, determinants of migration flows and effect of migration in destination and origin countries. The theoretical part of the research will help us to understand and analyze the economic integration and labor migration in Eurasia with Russia's leadership.

1.1 Economic Integration Theories

1.1.1 Main definitions and forms of economic integration

Economic integration is a global phenomenon, although there is no a single definition of the term in the literature. According to Molle (2006) the expression “economic integration” has occurred after the World War II. International academic collaborations distinguish economic integration on a country level and supranational scales. In the thesis, I will focus on the second category and refer to economic integration from intercountry economic integration perspective.

Bela Balassa (1962) in his book “The Theory of Economic Integration” proposed the economic integration as “a process” and “a state of affairs”, which is aimed to eliminate any barriers that discriminate economic units of states and their national economies. The Theory of Economic Integration also classifies different levels of economic integration: a Free Trade Area (FTA), a customs union (CU), a common market (CM), an economic union (EU) and complete economic integration (CEI). A free-trade economic integration implies a removal of tariffs and quotas (import) on commodities between the participating countries, while the presence of such restrictions remains towards third parties – nonmembers. Similarly, a customs union is another form of economic integration, which sets fixed common tariffs for trade towards nonparticipating countries. With a higher level of integration, a common market allows all

factors of production, including labor and capital to freely move across the agreed area. An economic union also holds a non-restricted movement of all factors of production on a policy harmonized level between the countries, i.e. adjustments of national economic policies under the common conditions and rules of the union. Finally, Balassa proposes a complete economic integration, where supranational authorities of the members fully carry out decision making on economic policy including monetary, fiscal, social, countercyclical agendas and they are mandatory for the participating states (Balassa et al. 1962).

Slightly different from Balassa's classification, Molle (2006) distinguishes economic integration into markets, economic policy levels and other policies. He suggests, a Free Trade Area, a Customs Union and a Common Market are matter of market integration, while an Economic Union, Monetary Union and combination of both are economic policy integration. Lastly, the highest level of integration comes to the Political Union and Full Union, which will be the same as one country or a form of confederation (Molle et al. 2006).

The literature on economic integration suggests that authors over time used different notions. Thus, the conclusion is that definitions and approaches of theories are conceptual and do not necessarily follow a concrete course of actions of economic integration. The Eurasian Economic Union with respect to B. Balassa's theory can be characterized as an "economic union". Since the EAEU encourages member states to follow agreed rules and conditions under the signed Treaty and adjust their national policies accordingly. Finally, within the economic union the participating countries cannot restrict four factors of production namely goods and services, labor and capital.

1.1.2 Theories of regional economic integration

Neofunctionalism is one of widely used theories of integration especially in the literature of the European Union integration. Haas, Ernest Bernard (1958); Rosamond, Ben (2000); Jensen,

Carsten (2003); Niemann, Arne and Schmitter, Philippe (2009) elaborated on neofunctionalism from economic interdependence perspective. According to neofunctionalists different social groups follow their material and economic needs rather than cultural or ideology related interests. Moreover, this approach implies the leading role of non-state bodies like social movements or regional organizations in the integration processes. Good supporters of neofunctionalism explain that supranational authorities of integration like the EU institutions contribute to further integration, while their absence complicates the regional integration process. Thus, existing social and economic interdependence in societies as a rule creates a ‘spillover’ to political integration, i.e. national political decision makers shift some of their activities with respect to supranational levels (Haas et al. 1958).

Another theory to support economic integration is *liberal intergovernmentalism* (see Michelmann, Hans and Soldatos, Panayotis (1994); Moravcsik, Andrew (1993, 1998)). Like neofunctionalism this approach emphasizes economic driven integration of states. On the contrary to the previous theory, liberal intergovernmentalism highlights a central role of national state institutions. Especially, in the process of negotiations on the economic integration given own national economic interests and domestic economic units of production. Ideally in liberal intergovernmentalism national governments are supposed to come up with optimal decisions and preferences that maximize utility of dependent social groups. However, literature suggests that it may create distortions due to bargaining power of participating states. Hence, more powerful and/or bigger countries may have greater influence in comparison to weaker ones and manipulate the latter.

The theory of *neorealism* interprets regional integration processes from the international system perspective. According to neorealism countries integrate into bloc in order to gain political and economic power *vis-à-vis* other parts of the world. A Hurrell (1995) from the English School of International Relations notes that regional integrations may occur as a

response of smaller countries to the raise of hegemons and single states. For example, MERCOSUR (Southern Common Market) in opposition to the United States of America (USA), Association of Southeast Asian Nations (ASEAN) towards China. So, the regional integration is also driven by so a called ‘security dilemma’ of one region in response to the others (Gilpin 2001 et al.).

In contrast to neofunctionalism and liberal intergovernmentalism, other theories of regional integration as a social constructivism go beyond the bounds of economic matters to historic-cultural, political and geographical aspects of cooperation. I will not review them in this section consequently.

Among above mentioned theories, the liberal intergovernmentalism theory of economic integration seems to better characterize the Eurasian Economic Union at this stage of development. Despite the existence of supranational institutions like the Eurasian Economic Commission, the Supreme Eurasian Economic Council and others the national governments play a central role in decision making based on their national interests.

1.1.3 Effects of economic integration

Economic integrations affect states in different ways. Existing literature on the effects of economic integration for member states determine corresponding advantages and disadvantages. Namely, economic effects are often tested through trade flows, economic performance (growth).

There is a substantial literature on trade effects of the economic integration. For example, Viner (1950) distinguishes trade creation and trade diversion as a result of customs union establishment. Intuition behind a trade creation is abolishing trade barriers that would lead to more efficient allocation of resources and specialization of countries in specific industries

based on their comparative advantage (Ricardo 1817). Trade diversion implies a decrease in trade as a result of economic integration, because member states, as a principle of mutual integration, trade in favor of each other rather than third countries even if such cooperation is not cost-efficient. Thus, the positive benefit of economic integration is associated with the difference between trade creation and trade diversion of participating states, with the idea that every state will gain. On the contrary, Hechsher-Ohlin's (1919) model highlights an existence of differences in factor-endowments of production and countries trade (export) goods and resources that are domestically abundant. Such notions are criticized since general equilibrium model makes assumptions of the perfect competitiveness, limited factors of production and other externalities.

Similarly, Scitovsky (1958) studied that economic integration increases trade among members and leads to specialization of productions. He also analyzed the effect of economic integration on trade with non-members of unions and concluded that in case of Western Europe the region would benefit from the integration with focusing on domestic and import-oriented industries (Scitovsky et al. 1958). Another econometric economic integration assessment was proposed by Balassa (1962) which evaluated trade effects through the import share of GDP and linking a trade creation effect with the increase in import as a share of GDP and vice versa – trade diversion.

Grossman and Helpman (1991), Baldwin and Forslid (2000) in their study on international trade effects on economic growth, using a simple descriptive growth model come up with two mechanisms on the effect of economic integration on the national economies. The first is so-called “scale-effect channel”, which implicates pragmatic spillover effects on the economic growth of members in a short or long run. Another mechanism is a “factor-reallocation channel” where resources are allocated based on the dynamics of the sectors of economy and substantially effect growth rate. The studies show that there is an evidence on economies of

scale and other positive externalities such as competition and innovation. Meanwhile, Vanhoudt (1999) rejected positive trade effects on growth in his study on the European integration. Distinctively, Rodriguez and Rodrik (2001) conclude that trade openness does not necessarily mean growth and trade restrictions do not systematically increase growth. Therefore, trade demonstrations of the economic integration and its correlation with welfare is ambiguous and may not be the same for all countries in the world.

1.2 Labor Migration within Economic Integration

1.2.1 Effects of economic integration on migration

Economic integration along with barriers also incentivizes labor migration (Baldwin and Venables et al. 1995), since in a perfectly competitive market migration of labor decreases differences in factor prices. In regional economic integrations authors emphasize that countries vary with different size of markets, thus, due to economic integration bigger regions are likely to induce higher wages and attract migration. In this scenario wage gap will increase further, since in case of migration people will take extra costs and increase difference of market sizes further. Some studies on the trade and migration, highlight a causal effect of migration on trade through comparative advantages, business network effects (Reinert 2012).

According to Clemens (2011), an elimination of barriers would bring efficiency gains to the whole world. For instance, elimination of barriers towards labor migration would result in efficiency gain of 96.5 % of world GDP (Moses 2004 and Letnes 2005) and 147.3% of world GDP (Hamilton and Whalley 1984).

1.2.2 Determinants of migration flows

The literature distinguishes two levels of migration flow determinants: 1) a macro level, for example, income levels in countries, geographical factors like distance, cultural and historical

linkages between countries, migration policies etc.; 2) micro level, related to individual factors like education, age, gender etc.

According to the human capital theory of migration people tend to migrate to the countries with better employment opportunities (Sjaastad, 1962). Other authors like De Jong & Gardner (1981), Rogerson (1991), Shaw (1975) also support the idea of migration decisions as a result of macro-level society factors. On the contrary, Lawson (1995) studied a micro-level motives of individuals in the relation to migration. Giddens' Theory of Structuration and Applications to Migration aggregates both macro (society) and micro levels (agency) to explain decision making on migration (Giddens 1984).

Similar to Borjas (1997) and Clark (2007), Mayda (2010) in the empirical analysis of determinants of migration in OECD countries suggests that the most significant ones are Gross Domestic Product (GDP) in the destination countries, migration policies related political processes, positive effects of inequality on emigration rates, and network effects push migrants to follow their fellow citizens who already settled in some destination countries (Mayda et al. 2010). One of the strongest propositions of the paper is a statistically significant effect of migration policies.

1.2.3 Effect of migration in destination and origin countries

Substantial literature suggests that effect of migration in destination countries is positive. Firstly, often migrants take low-skilled jobs that host citizens do not overtake. Services provided by migrants such as childcare and nursing allow natives to actively work in a labor market. Meanwhile, high skilled migrants work at IT industries or other perspective sectors, where local labor is not enough. Empirical studies show that effect of migration on native wages is insignificant and ranges to zero. For example, in 2004 accession of the Eastern European countries to the EU incentivized their citizens to migrate to high income countries

such as the United Kingdom. There were no evidences of decrease in wages in those high-income European countries. According to OECD data (2015), migrants accounted for 70 % of the workforce increase in the past ten years in Europe, and they significantly contributed into growth as well as decline of sectors. Razin, Sadka and Swagel (2002) using the political economy equilibrium estimated tax burden and migration linkages. Indeed, migrants are likely to give rise to taxes and social contributions than they benefit. Thus, employment is one of strongest determinants of fiscal contributions of migrants on destination countries. However, attitudes of local people towards working migrants in destination countries are ambiguous.

There are also studies estimating the effect of migration on countries of origin. The most popular attention in such researches is given to the financial capital contribution, remittances. Rapoport and Docquier (2005) show an empirical evidence of migration and remittances tend to have a positive impact on the countries of origin of migrants. Moreover, there are social capital and cultural effects like business network or diasporas, formation of new norms and values (Scheve and Slaughter 2001).

To summarize, based on the economic integration theories discussed in the first section of Chapter 1, the thesis notes the presence of liberal intergovernmentalism features in the Eurasian Economic Union. Moreover, distinction between the macro and micro level migration determinants as well as understanding of labor migration effects in destination and origin countries will theoretically support further findings of this thesis on labor migration from Kyrgyzstan to Russia in the EAEU framework.

Chapter 2. The Eurasian Economic Union (EAEU)

2.1 The development of the EAEU as an economic integration

The attachment of all five EAEU member states (Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia) under the Union of Soviet Socialist Republics (USSR), which lasted for around eight decades, made the region interdependent. Later the USSR's collapse had a huge impact on newly established sovereign states' ulterior scope of development. In short, the collapse generated massive privatization schemes, deindustrialization, huge capital outflows and lack of investment in the area (Cooley and Heathershaw 2017). According to Daucé (2008), Adomeit (2012), Krickovic (2014), Russia's President Putin's adopted more economic integration focused state policy with accountancy of its new geopolitical and economic goals. In addition, there are other regional integrations on economic and security issues (Table 1). Therefore, the presence of such regionalism played a key role in the development of the Eurasian economic integration.

Table 1 - Other regional agreements evolving the EAEU members (m=Member; o=Observer, d=Dialog partner)

	CIS	CSTO	Eurasian Community	EAEU	CACO	CAREC	SPECA	ECO	SCO
Armenia	m	m	O	m					d
Belarus	m	m	M	m					o
Kazakhstan	m	m	M	m	M	m	m	m	m
Kyrgyzstan	m	m	M	m	M	m	m	m	m
Russia	m	m	M	m	M				m

Notes: CIS – The Commonwealth of Independent States; CSTO – The Collective Security Treaty Organization; Eurasian Community (2000); EAEU - the Eurasian Economic Union (present); CACO – Central Asia Cooperation Organization; CAREC – Central Asia Regional Economic Cooperation; SPECA – UN Special Programme for the Economies of Central Asia; ECO – Economic Cooperation Organization; SCO – Shanghai Cooperation Organization.

Source: Pomfret et al. 2019

The Eurasian Economic Union began its existence in 2014 under the Treaty of the Eurasian Economic Union. The official establishment of the EAEU took place on January 1, 2015. The former Kazakh President Nazarbayev has supported such economic integration as a response to increasing economic and geopolitical influence from China (Kassenova 2013).

The Eurasian Integration officially laid the foundation of Customs Union in 2010 with the membership of three countries – Belarus, Kazakhstan and Russia. So-called “troika” (three countries) under the assignation of Single Customs Code agreed to share common customs space. In 2012 the Single Economic Space was created and the Eurasian Economic Commission (EEC) started its functioning. After a year the Kyrgyz Republic followed by the Republic of Armenia have expressed their interest to join the Union. Finally, the EAEU treaty was signed by all parties and took its beginning in 2015 (Table 2).

From the perspective of the Economic Integration Theory, the EAEU is an economic integration and can be outlined as an “economic union”, which implies a non-restricted mobility of all factors of goods and services, people and capital. As Balassa noted, members of the union adjust their national policies under the agreed terms and conditions.

Table 2 - The EAEU accession negotiations

	Date of signature	Came into force
Armenia	10 October 2014	2 January 2015
Belarus	29 May 2014	1 January 2015
Kazakhstan	29 May 2014	1 January 2015
Kyrgyzstan	23 December 2014	12 August 2015
Russian Federation	29 May 2014	1 January 2015

Source: Illustrated by the author based on EEC data, 2020

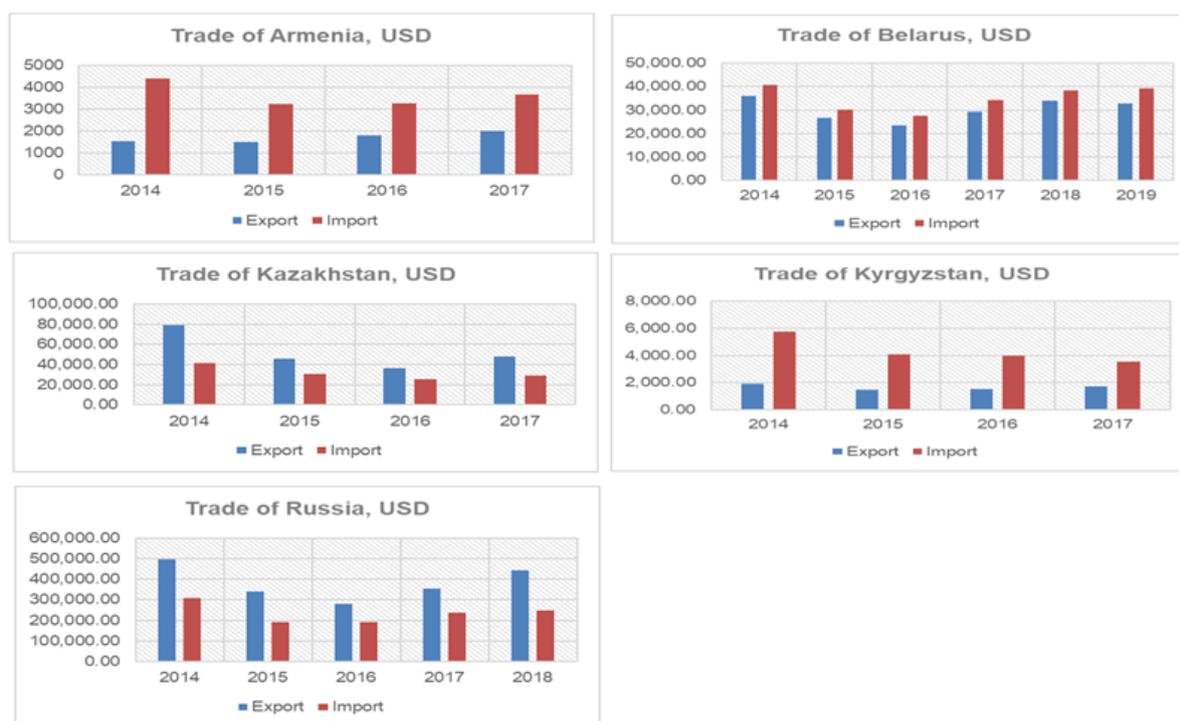
The theories of regional economic integration discussed in the previous chapter are fundamental to understand the European Union's (EU) integration. Meanwhile, Mukhametdinov (2020) admits that the EAEU hasn't reached a high level of interdependence to be considered or analyzed from perspectives of the theories of neofunctionalism, liberal intergovernmentalism, neorealism and social constructivism presented earlier in Chapter 1. Indeed, the EAEU has not established independent institutions as the EU and where member states play a leading role in integration.

There is a high number of studies that note similarities of the EU and the EAEU, namely about the imitation of the EAEU to follow the EU model of regional integration (Obydenkova, Libman 2019; Yeliseev 2014). For example, researchers find common characteristics at the institutional level, like the Eurasian Economic Commission and the European Commission and the Court of the EAEU vis-à-vis the EU Court of Justice (ECJ) (Popescu 2014; Lanko 2015; Podadera Rivera, Garashchuk 2016). Also, the EAEU implements common product safety regulations similar with EU (Lanko 2015), and energy policies that do somehow converge with the EU practice (Zemskova 2018).

2.2 Macroeconomic indicators of the EAEU

The Eurasian Economic Union's territory constitutes roughly 14% of the world land area with population of 182 million people. In fact, almost 86% of total GDP constitutes Russia's GDP, 10% to Kazakhstan's GDP and 4% to Armenia, Belarus, Kyrgyzstan accordingly (Vinokurov 2018). Similarly, the proportion of population of the EAEU is dominated by Russia and Kazakhstan – 144 million and 18 million people (World Bank data, 2018). Moreover, the EAEU region is hugely dependent on raw materials such as crude oil, gold and other minerals. Especially the biggest countries like Russia and Kazakhstan export crude petroleum, gas in big volumes annually. Armenia, Belarus and Kyrgyzstan are also extractive countries with leading export of copper, gold and other mineral resources (OEC 2017).

Figure 1 - Value of exports and imports of the EAEU members



Source: Illustrated by the author based on International Financial Statistics (IFS) data, 2020

Today the EAEU is a single market of four freedoms – goods, services, capital and labor among the member states. According to the EAEU Treaty, the Union deals with the following areas:

- 1) Macroeconomic policy and monetary policy;
- 2) Business and trade of services and investments;
- 3) Financial regulation;
- 4) Tax and taxation policies;
- 5) General principle and rules of competition;
- 6) Natural monopolies;
- 7) Energy and transport;
- 8) Public procurements;
- 9) Intellectual property;
- 10) Agro-industrial complex and other industries;
- 11) Labor migration.

Overall, in accordance with the harmonized macroeconomic policy for sustainable development of the EAEU states, the annual public budget deficit has to remain below 3 % of

GDP, public debt – 50 % of GDP maximum and year-on-year inflation within 5% points of the inflation rate of the member with the lowest inflation rate (EDB, 2017). By the time being, the Union has established supranational institutions such as the Supreme Eurasian Economic Council, the Eurasian Intergovernmental Council, the Eurasian Economic Commission and the Court of the EAEU (EDB, 2017).

The Supreme Eurasian Economic Council is the supreme body of the Union and consists of the Heads of member states. They deal with strategic agendas like international cooperation and the Union's future perspectives. The Eurasian Intergovernmental Council consists of the Heads of Governments of the member states and they ensure implementation of the EAEU Treaty and other powers (EDB, 2017).

The Eurasian Economic Commission is a permanent supranational regulatory body of the EAEU and consists of total ten members (two members per each 5 member states). The main functions of the Commission are submitting proposals on integration and development of the Union. According to the official information, the areas of activity of the EEC include macroeconomic policy, foreign and mutual trade, competition policy, customs administration and others (EDB, 2017).

Finally, the Court of the EAEU is a judicial body, which ensures equality and access to justice for all member states and their citizens with respect to rule of law (the Treaty).

The Table 3 compares some macroeconomic indicators of the participating countries for year 2013 (before the Russian financial crisis and the year of the Union's establishment) and 2018 (the latest data available for all member states). Summarizing the table, I can generally observe that the EAEU had a positive impact on trade for all countries except for Kyrgyzstan and Kazakhstan. Also, there was an increase in GDP (both estimations), in the employment except

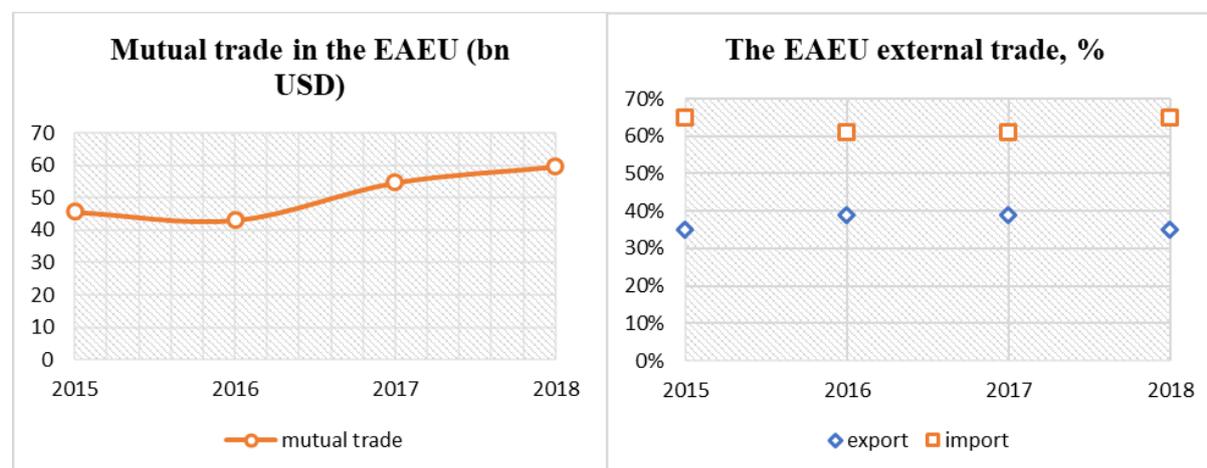
for Armenia. Surprisingly, all members had a decline in FDI net inflows in 2018 in comparison to 2013, especially Kazakhstan, Kyrgyzstan and Russia.

Table 3 - Macroeconomic indicators of the EAEU members ex-ante and ex-post ('3=2013 y., '8'=2018 y.)

Country	GDP, PPP (bn USD)		GDP per capita (USD)		Real GDP growth rate, %		Unemployment nt (% total labor force)		Trade (% GDP)		FDI (net inflows, % GDP)	
	'3	'8	'3	'8	'3	'8	'3	'8	'3	'8	'3	'8
Armenia	22.3	27.0	7717.1	9177.7	3.3	5.2	16.1	17.4	76.5	91.2	3.1	2.0
Belarus	167.0	168.2	17644.8	17741.8	1.0	3.0	6.0	4.7	119.8	139.3	2.9	2.4
Kazakhstan	391.3	452.1	22972.4	24738.3	6.0	4.1	5.2	4.8	65.4	62.8	4.2	0.1
Kyrgyzstan	17.8	21.7	3116.6	3446.9	10.9	3.5	8.3	5.9	134.0	101.1	8.3	1.8
Russia	3668.8	3736.1	25565.6	25629.2	1.8	2.3	5.4	4.8	46.1	51.5	3.0	0.5

Source: Illustrated by the author based on World Bank data, 2020

Figure 2 - Mutual trade and external trade of the EAEU members



Source: Illustrated by the author based on EEC data, 2020

According to the Eurasian Development Bank report in 2018, the EAEU states continue to favor third countries in trade, but within four years the mutual trade has grown significantly by one third (Figure 1, Figure 2).

2.3 Challenges and opportunities within the EAEU

Despite it has been five years since the establishment of the Eurasian Economic Union, it took few years for member states to integrate into the Union respectively. The initial “troika” (Belarus, Kazakhstan and Russia) integrated into the Union more rapidly owing to the Customs Union – the EAEU’s predecessor. Meanwhile, Armenia and Kyrgyzstan have been working hard to make their infrastructure and other standards to meet the Union’s requirements. In fact, such integration processes can be far stretched than anticipated.

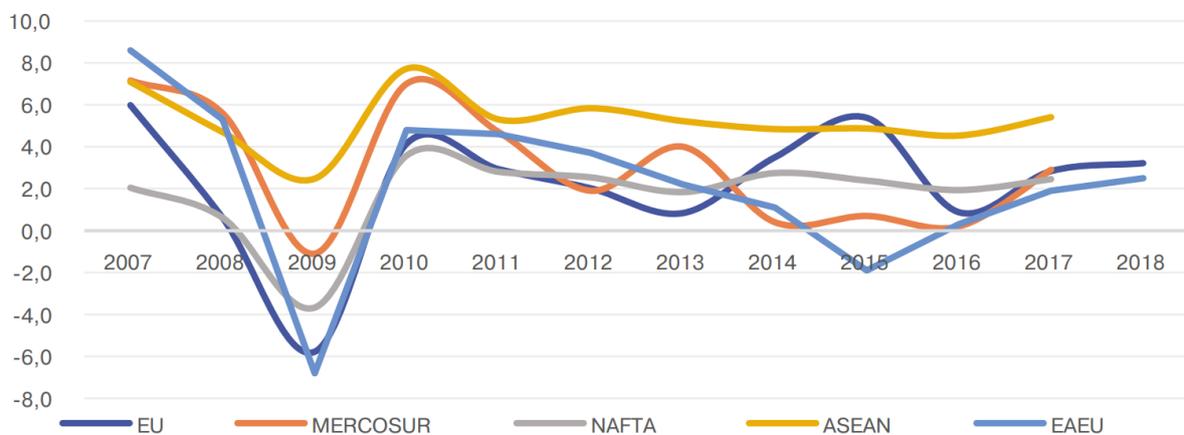
Firstly, the literature emphasizes authoritarian regimes in the political systems of all five member states. In addition, there are differences among the countries in several aspects such as size, population and economy (as shown in the Table 3). Such an imbalance may result in discrepancy of the Union members and domination of one member state over another (Umland, 2011). Another challenge is the volatility of national currencies and interdependence to the Russian ruble. For example, the Russian financial crisis in 2014 resulted in big devaluation of the Russian ruble, the Belarussian ruble and the Kazakh tenge against the US dollar. Hence these three countries have relatively high trade volumes with each other in comparison to Armenia and Kyrgyzstan. Moreover, Belarus, Kazakhstan like Russia are top exporters of crude petroleum. Therefore, their national currencies are volatile to crude oil prices and can lead to national crises of all member states of the Union. Finally, engagement of the internal trade within the EAEU remains poor (as seen in the previous section).

According to the Eurasian Economic Commission 2030 outlook, if quality of decisions and high level of integration are coherent, the EAEU will see increase in GDP by 13%, internal

consumption trade will compose up to 80% and the external FDI inflows will reach roughly 90 billion USD.

In the literature there are divergent views on the future perspectives and opportunities within the EAEU. Firstly, the EAEU remains with limited activities and capabilities, while smaller and weaker countries like Armenia, Belarus and Kyrgyzstan will try to maintain this integration because, as the example of Kyrgyzstan speaks, the country is heavily dependent on Russia and Kazakhstan not only in terms of trade but in terms of labor migration. I will elaborate more about it in the next chapter.

Figure 3 - GDP growth rate (%)



Source: EDB Centre Report 2019

Other opportunities within the Union are to expand. Especially the expansion of the Union with third countries through the existing Free Trade Zone would boost a welfare and trade (Kosov and Frolov 2015). In fact, countries like Moldova and Uzbekistan were granted “observer” status, and development of free trade zone agreements with China and others leave some positive hope for the Union. In respect to the Eurasian Development Bank’s report 2019 (Figure 3) the EAEU has a competitive advantage along with other regional integrations such as the EU, MERCOSUR, ASEAN etc.

The Chapter 2 provided a brief overview of the Eurasian Economic Union mainly the most important events in the development of the integration, economic characteristics of five member states as well as challenges and opportunities were demonstrated. Overall, the Chapter revealed differences between the national economies, lack of infrastructure and weak implementation of the EAEU requirements by some participating countries. In addition, the mutual trade patterns between five countries remain poor as shown. To summarize, this part of the thesis introduced the essence and current *status quo* of the EAEU to readers. Onwards, I move to the topic of labor migration within the Union.

Chapter 3. Labor Migration in the EAEU: a case of Kyrgyzstan

3.1 Labor migration overview

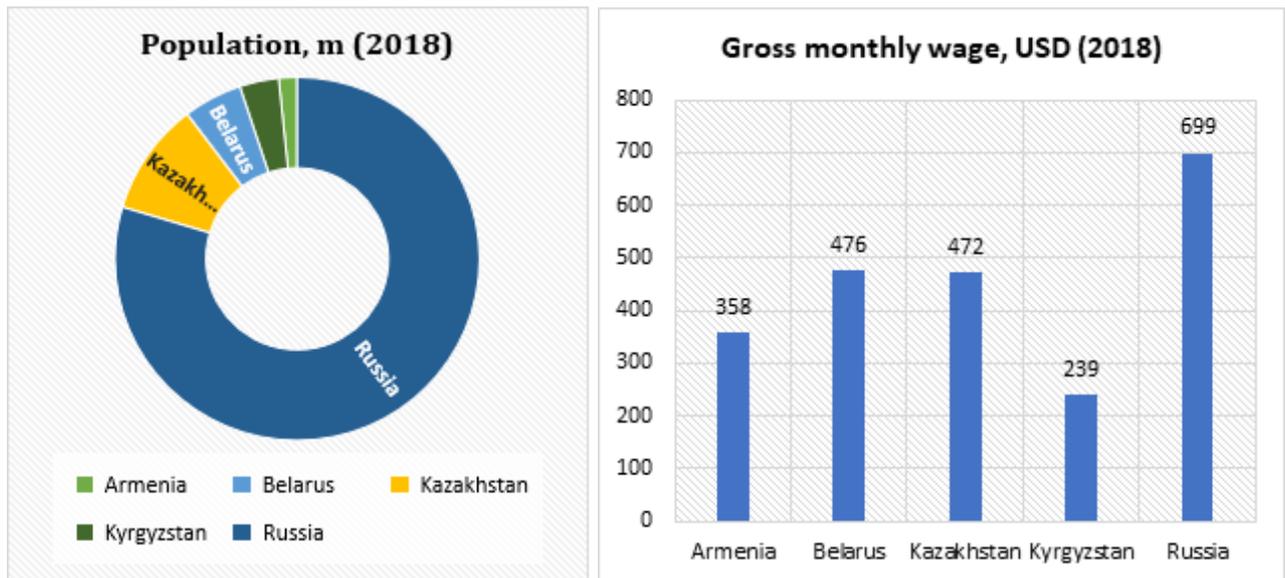
Mobility of people as noted before is one of the main achievements of the EAEU. It can substantially foster economic growth through efficient allocation of labor resources between the member states and thus create a higher welfare (National Institute for the Strategic Studies of the Kyrgyz Republic, 2015). On the other hand, labor mobility can have a negative effect on demographics, e.g. population decline, or brain drain (Krause 2014 et al.).

Since Kyrgyzstan had joined the EAEU, the most positive effects were labor migration to Russia and other member states. In accordance with the previous discussions of literature in Chapter 1, the Theoretical framework, citizens of Kyrgyzstan started migrating abroad after domestic crises the country faced since the country's independence. As proposed by Giddens (1984), in case of Kyrgyzstan a macro level impact along with individual factors were the main determinants of human capital outflow. Indeed, Russia and Kazakhstan with higher gross monthly salary, job opportunities and other socio-economic factors remain attractive to Kyrgyzstanis (Figure 4).

Despite debates in the literature and among the public on the pros and cons of Kyrgyzstan's entrance to the EAEU, labor migration is one of evident benefits. According to the National Statistical Committee of the Kyrgyz Republic, top destinations of the Kyrgyzstani labor migrants are the Russian Federation and Kazakhstan.

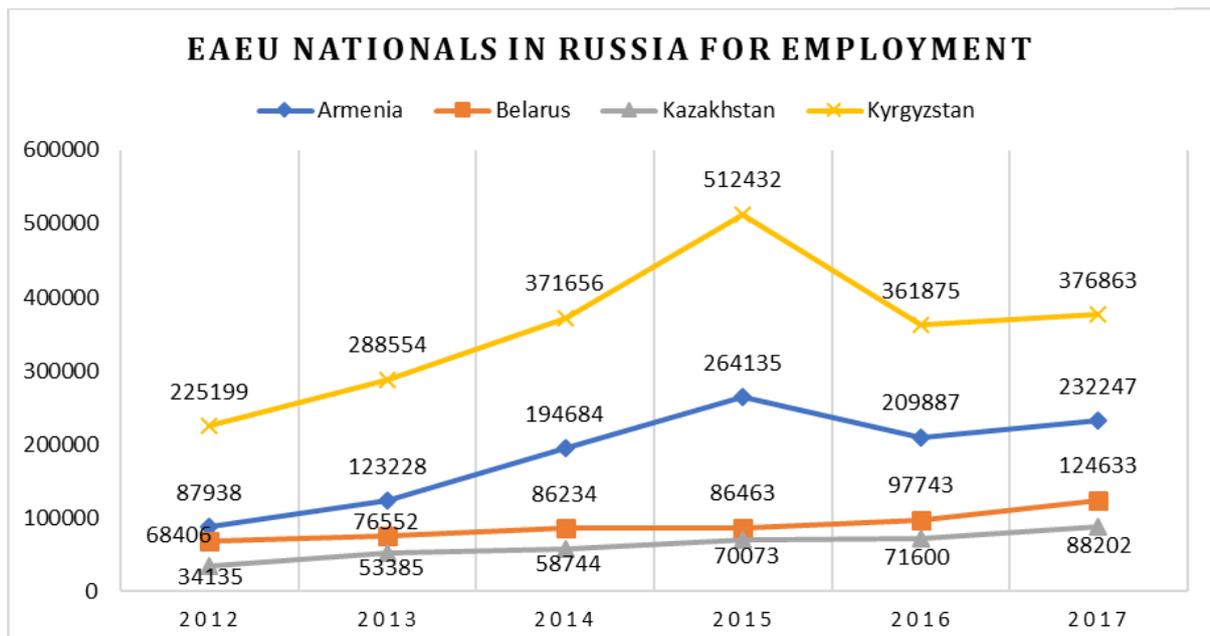
In 2019, the State Migration Service under the Government of the Kyrgyz Republic reported that 728 000 citizens of Kyrgyzstan reside in the Russia and 35 000 in Kazakhstan. Some other sources estimate more than one million of labor migrants working in Russia in permanent as well as seasonal jobs (Sarygulov 2005, Rueegg 2008).

Figure 4 - Population and gross monthly wage in the EAEU in 2018



Source: Illustrated by the author based on EEC data, 2020

Figure 5 - The EAEU nationals, entered Russia for employment purposes



Source: Illustrated by the author based on EEC data, 2020

As seen from the figure above (Figure 5) socio-economic indicators determined labor migration outflow from the poorest countries in the EAEU like Kyrgyzstan and Armenia to Russia with comparatively higher living standards.

A decline in number of nationals since 2015 Schenk (2017) explains by the fact that the migrants did not know properly the new rules and procedures under the EAEU like patents, work permits set by the EAEU. On the other hand, as noted before the crises in Russia in 2014 could have a negative effect on migrants' inflow to Russia.

3.2 Labor migration reforms within the context of the EAEU

As of January 1, 2015, single labor market came into force, which implies the free mobility of labor in the territory of Members States. Policy changes, attached to the regulatory documents of the EAEU on labor migration (see Table 4), brought principal benefits to the Kyrgyzstani migrants.

Table 4 - Regulatory documents of the EAEU on labor migration

Title	Date of signature	Date of entry into force
1. Treaty on the EAEU, Section 26 "Labor Migration", Articles 96 – 98; Section 23 "Intellectual Property", Articles 89 – 91	Different for each MS (see Table 2)	January 1, 2015
2. Protocol on the Provision of medical care to the workers of the Member States and their families (Appendix 30 to the Treaty on the EAEU)	Different for each MS	January 1, 2015
3. Agreement on Cooperation in Counteracting Illegal Labor Migration from Third Countries	November 19, 2010	Different for each MS
4. Agreement on the provision of pensions to workers of the Member States of the Eurasian Economic Union"	December 20, 2019	In the process of ratification by MS
5. International Agreements between Member States in the field of migration	Different for each MS	Different for each MS

Source: Illustrated by the author based on EEC data, 2020

Firstly, the accession to the EAEU allowed the Kyrgyz citizens to apply for the employment through civil law contract, but not only through labor law and quotas. Mandatory work permits (patents) cancellation guaranteed abolishment of protection of the national labor markets. Moreover, labor migrants from Kyrgyzstan and their families were exempted from registration within 30 days from the date of entry to Russia and collect a so-called “migration card”. In addition, in case of hitherto termination of labor contract of migrants after 90 days of residence, extra 15 days are granted for Kyrgyz nationals to sign a new contract with new employers. Importantly, documents on higher education issued by the Kyrgyz Republic became recognized without “nostrification” (special recognition procedures) except for medical, pharmaceutical, legal and teaching activities. Work experience gained in the territory of all member states is considered as the EAEU working experience or “*trudovoi staj*” for social security purposes. The pension policies are in the process of ratification by the MS, but the Agreement was signed by the Heads of States during the EAEU Summit in December 2019. Another achievement in the agenda of labor migration is free medical emergency services despite the existence of medical insurance. The taxation harmonization within the EAEU resulted in common rules on income taxation of the citizens of the EAEU. Finally, the Kyrgyz illegal migrants who were included in the “blacklist” (a list of illegal migrants) of Russia have been granted with migration amnesty and allowed to continue working in the country of destination (EEC). To note, these preferences apply to all citizens of the EAEU. Along with current advantages in the area of labor migration, the experts believe that further steps of integration are needed.

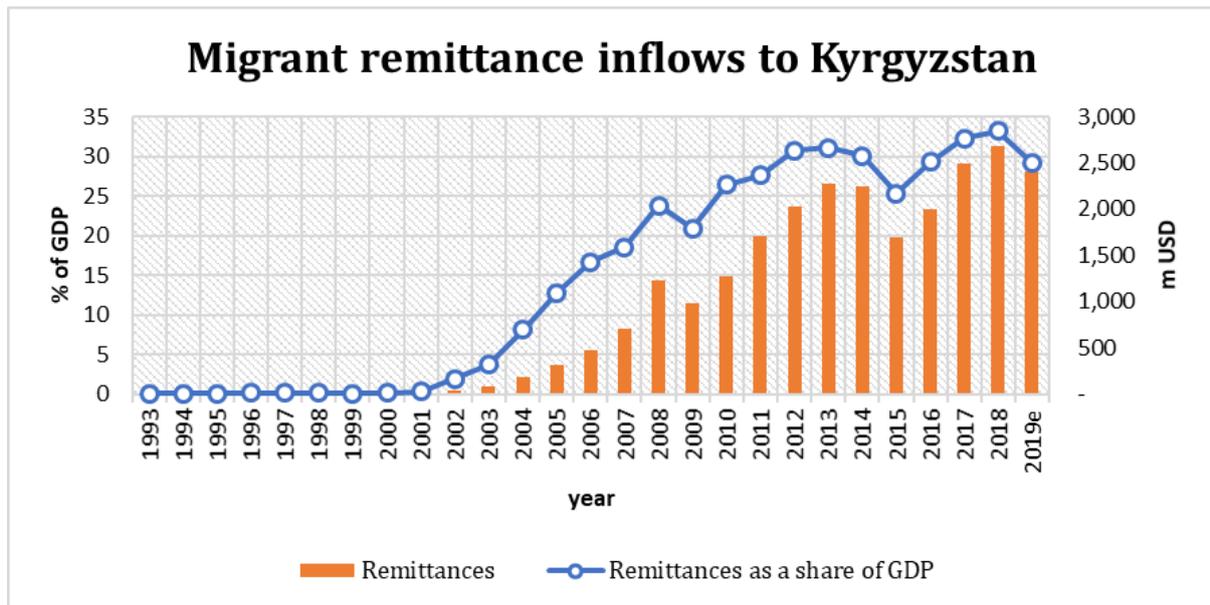
3.3 Remittances from the Kyrgyzstani labor migrants and their impact on the Kyrgyz economy

The relationships between labor migration and remittances and economic welfare of Kyrgyzstan are very strong. Existing literature on remittances in the context of labor migration and its relationship with GDP and consumption of Kyrgyzstan finds empirically positive effects

of the variables (Akmoldoev and Budaichieva 2012, Atabaev 2014, Sulaimanova 2012, Marat 2009). As I discussed in Chapter 1, the studies confirm benefits of labor migration, including financial capital transfers to the countries of origin, especially in tackling poverty and low living standards.

According to the World Bank Data Release Report dated 2019, the Kyrgyz Republic was the fifth in top 10 world remittance recipient countries as a share of GDP (Figure 6). Such corresponding trends are certainly linked to the labor migration outflow from Kyrgyzstan. Hence, both data on the Kyrgyz nationals’ outflow to Russia (Figure 5) and migrant remittance inflows in the chart below (Figure 6) depict precise positive correlation with each other. Note that, these remittance inflows are in million US dollars. Also, there is almost no difference between the official exchange rates set by the National Bank of the Kyrgyz Republic and intermediaries like exchange bureaus or commercial banks in Kyrgyzstan.

Figure 6 - Migrant remittance inflows in USD and as a share of Kyrgyzstan’s GDP

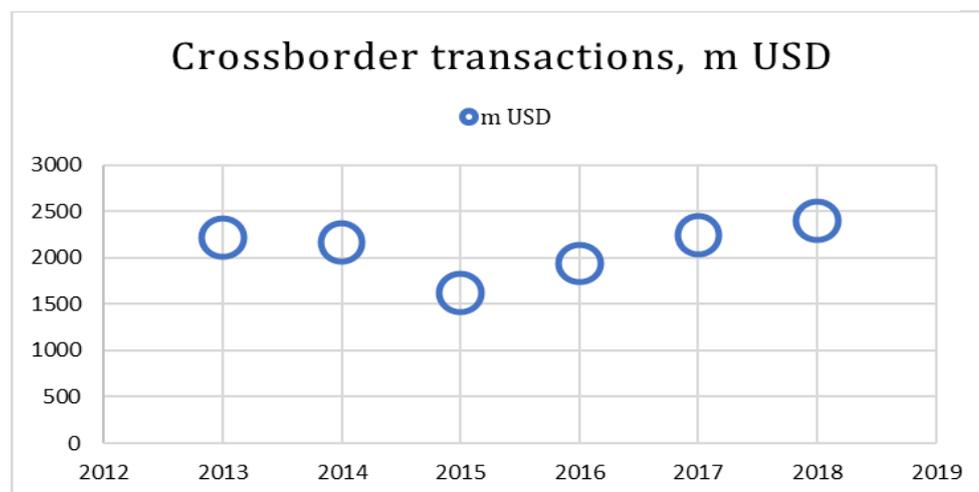


Source: Illustrated by the author based on World Bank data, 2020

Thus, labor migration from Kyrgyzstan to Russia owns a high importance for the Kyrgyz economy. The National Bank of the Kyrgyz Republic reports that in 2019 the volume of money

transfers (remittances) from Russia only reached 2.4 billion USD, which estimates around 29 percent (%) of the country's GDP last year. Overall, since 2015, the entrance year of Kyrgyzstan into the EAEU, the amount of remittance inflows from the Russian Federation to the Kyrgyz Republic slightly declined during the first two years. Such negative initial trend can be explained by the Russian financial crisis in 2014 – 2017 or other ambiguous observations. In 2017 and on, cross border money transfers from the Russian Federation to the Kyrgyz Republic resumed at the previous pace (Figure 7).

Figure 7 - Cross-border transactions (sum of transfers of non-residents from Russia to Kyrgyzstan)

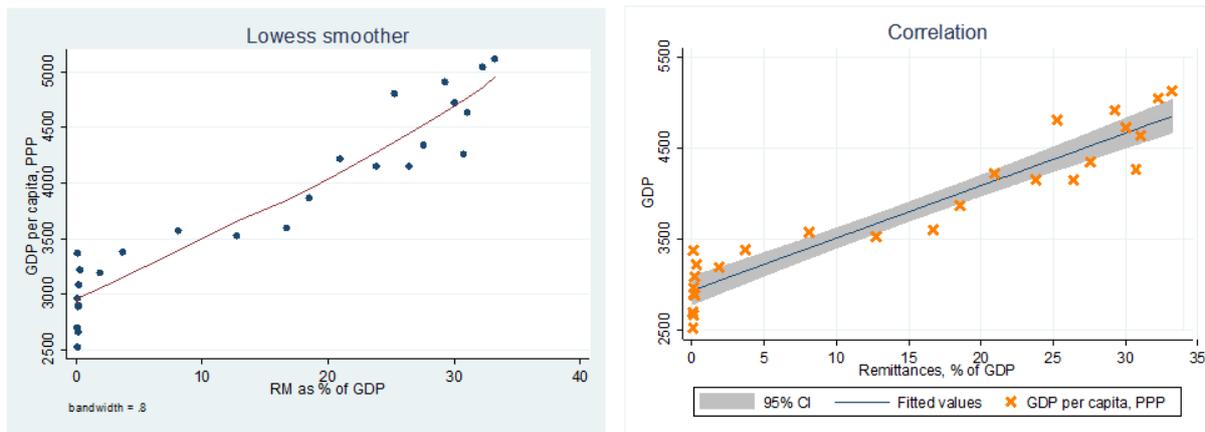


Source: Illustrated by the author based on the Central Bank of the Russian Federation data, 2020

Using the World Bank data for the period from 1993 to 2018 for Kyrgyzstan, I illustrated the Figure 8, which depicts a positive correlation of GDP per capita (PPP, constant \$) and Remittance inflows as a share of GDP. Both LOWESS (Locally Weighted Scatterplot Smoothing) and linear regression show positive relationship of GDP and Remittances in Kyrgyzstan since 1993. Indeed, the empirical findings of Ordinary Least Squares (OLS) estimator show statistically significant ($p < 0.01$) impact of remittances on GDP of Kyrgyzstan, i.e. 1 % higher Remittance inflows as a ratio of GDP are likely to induce the GDP per capita for around 58 USD. Moreover, the accession of Kyrgyzstan to the EAEU has also had positive

impact on GDP. I included a dummy variable (takes a value of “1” after y. 2015 and “0” before y. 2015), which would reflect policy changes under the EAEU for Kyrgyzstan. Extra control dummy variable also had a statistically significant coefficient (For the regression results see Appendix 2).

Figure 8 - Correlation of GDP per capita and Remittances of Kyrgyzstan (1993 – 2019)



Source: Prepared by the author based on World Bank data, 2020

However, since 2019 the Russian side introduced limitations of money transfers through the systems of money transfers like Russian-owned “Zolotaya Korona” and others. The Central Bank of Russia set maximum amount of 100 000 the Russian rubles (RUB) per month, i.e. 30 days for cross-border transfers from Russia towards four countries (China, Kazakhstan, Kyrgyzstan, Vietnam) to fight money laundering and the Russian ruble devaluation. Later, in 2020, after the negotiations of the sides in the EAEU meetings, the limit was increased up to 150 000 RUB for Kyrgyzstan. As a response to these policy changes, the National Bank of the Kyrgyz Republic convinces public that it will not drastically change the situation, since the average amount of money transfers by individuals constitutes 400 – 500 USD, while the mean of monthly wage of the Kyrgyz nationals in Russia is around 500 – 600 USD accordingly (Rossiyskaya Gazeta rg.ru, 2020).

Finally, by highlighting the importance of labor migration and the membership of Kyrgyzstan in the EAEU, in the following concluding chapter I will discuss empirical findings of the research, namely survey data from the Kyrgyzstani labor migrants working in the Russian Federation.

Chapter 4. Methodology and Findings

Empirical part of the thesis was conducted online due to unforeseen the global Coronavirus COVID-19 pandemic in the beginning of 2020. Therefore, I had to cancel my thesis research field trip accordingly. Instead, online surveys with Kyrgyzstani migrants in Russia and interviews with the Kyrgyz migration experts took part.

An anonymous survey was carried out using Google Forms online surveying platform in the period of April – May 2020. Overall, 53 Kyrgyz labor migrants participated in the survey (more on methods see 4.1).

The structure and questions of online survey were based on my research question on the impact of the EAEU on the Kyrgyzstani labor migrants in Russia. I tried to find empirically evident answers to the following questions:

- 1) How has the EAEU changed labor migration trends from Kyrgyzstan to Russia?
- 2) What are the changes (challenges and benefits) the migrants from Kyrgyzstan experience in Russia?
- 3) Is there a shift from low-skilled to high-skilled labor among the Kyrgyzstani migrants in Russia since the last five years as a result of the EAEU policy changes?

Based on this set of sub questions of the thesis' main research question, I asked additional demographic questions, questions about personal experiences among the Kyrgyz labor migrants in Russia (listed in Appendix 1). This allowed me to get a deeper glimpse into everyday labor migration within the EAEU framework.

4.1 Data and methods

The data was collected through two methods: 1) Surveying the Kyrgyz labor migrants through Social Media channels such as Facebook diaspora groups, Vk.com and WhatsApp; 2) Interviewing of the key Kyrgyz experts on labor migration from the State Migration Service of the Kyrgyz Republic.

The survey was conducted in two languages (Kyrgyz and Russian) through online social networks – a virtual snowballing sample. The main goal of the survey was to assess the impact of the Eurasian Economic Union on the Kyrgyzstani labor migrants in Russia.

The demographic characteristics of the labor migrants were the following:

- a) Male respondents composed 66 percent and 34 percent were Female;
- b) Age distribution of the survey was dominated by labor migrants in the range of 25 to 50 years old (60%), 38 % were people under the age of 24 and remaining 2 % were above the age of 51;
- c) More than half of respondents had spouses (55 %), one third was single (36%) and 9 % were divorced or widowed (see Appendix 1).

Majority of the respondents, almost 79 percent, preferred to answer in Russian language rather than Kyrgyz language (21 %).

Semi-structured interviews on labor migration from Kyrgyzstan to Russia after the establishment of the EAEU were conducted with two representatives of the State Migration Service under the Government of the Kyrgyz Republic. As requested by the employees of the Migration Service, I keep their names anonymous in the thesis. The State Migration Service under the Government of the Kyrgyz Republic is the main body that implements migration

policy of the Kyrgyz Republic including continuous communication with the Kyrgyz citizens abroad.

4.2 Results

4.2.1 Survey results

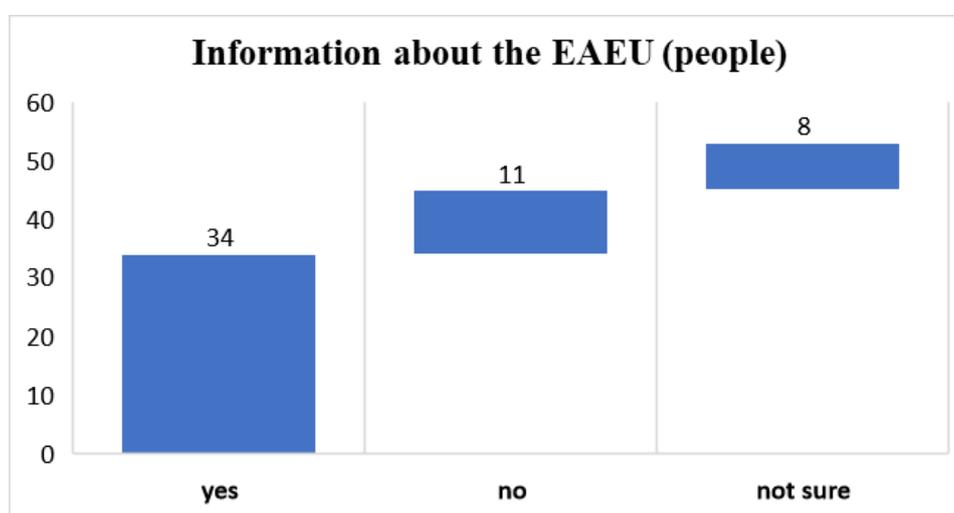
As a result of surveying of the Kyrgyzstani labor migrants in Russia the following observations were found:

- Majority of the labor migrants' in Russia are originally from the Southern part of Kyrgyzstan, namely Osh and Jalal-Abad – the second and third largest and populous areas (oblasts) in the country. There are also labor migrants from the capital city Bishkek (see Appendix 1). Intuition behind such patterns could be a population size of these regions in Kyrgyzstan. Also, southern oblasts are the poorest in ratio to the country level poverty rate (the National Statistical Committee of the Kyrgyz Republic, 2020).
- Top destinations in Russia for the Kyrgyz migrants are the biggest Russian cities like Moscow and St. Petersburg, in addition, some respondents indicated other cities such as Yekaterinburg, Novosibirsk, Tver etc. (see Appendix 1).
- The labor migrants according to the survey predominantly work in the service sector. Most popular ones include taxi and driving, sales and marketing, construction, restaurants and cafes, housekeeping and cleaning services. Before migrating to Russia, the respondents were involved in agriculture, commerce, tourism sectors and some were studying or unemployed in Kyrgyzstan.
- In accordance to the years of emigration more than 70 percent of the sample has been residing in Russia before 2015 (the EAEU accession year). Thus, there is a base for

objective assessment of the EAEU effect on labor migration from Kyrgyzstan relying on data provided by these respondents.

- Half of the respondents chose “secondary education” as the highest obtained educational degree, one quarter – high education (a 5-year university degree in the past “soviet system”), 17 percent have a Bachelor’s degree, 8 percent hold a Master’s degree and 1% with a medical residency.
- The average monthly wage of the labor migrants in the survey is around 45.5 thousand RUB or 627 USD (1 USD = 72.4981, Bloomberg.com rate on 19/05/2020). Meanwhile, the average percentage of money transfers to Kyrgyzstan made up 42% of the average monthly wages of labor migrants. Indeed, labor migrants send substantial amount of their incomes back to their families in Kyrgyzstan.
- Among surveyed labor migrants 11 people responded that they do not know about the Eurasian Economic Union at all. Eight labor migrants knew but were not sure, if they fully understand the Union’s pursuit. Around 65 % of respondents entirely know the Eurasian Economic Union and its authority (Figure 9).

Figure 9 - Survey question “Have you ever heard about the EAEU?” answers



Source: Prepared by the author based on the survey, 2020

Overall, the Kyrgyzstani labor migrants assessed the effect of the EAEU on the Kyrgyz labor migrants and labor migration procedures in general as positive (Table 5).

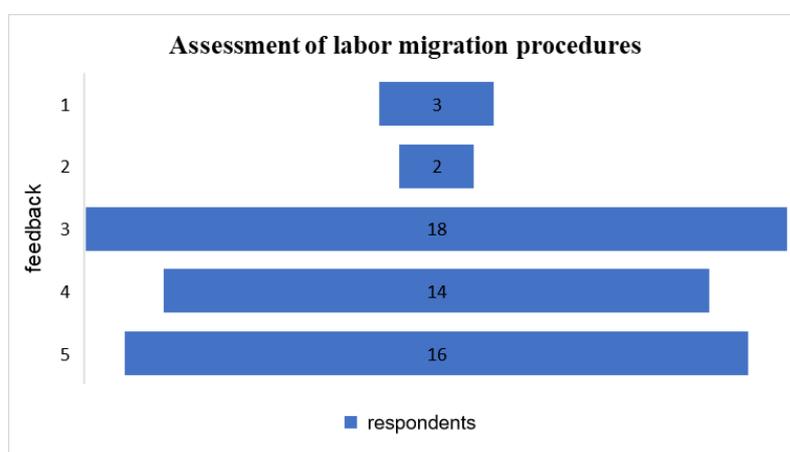
Table 5 - Impact of the EAEU on labor migration (personal experience)

ANSWERS	%	NO. OF RESPONSES
1. AMBIGIOUS	26	14
2. NEGATIVE	8	4
3. POSITIVE	66	35

Source: Prepared by the author based on the survey, 2020

The labor migration procedures (registration) as well as employment, hiring procedures have been significantly improved (Figure 10). As noted in the survey, the policy changes such as abolishment of work permits, civil law employment contract opportunities under the EAEU were certainly reflected on the status of the Kyrgyzstani migrants in Russia. Those respondents who evaluated new labor migration procedures with the lowest values were facing Russian language barriers in the part of challenges section of the survey.

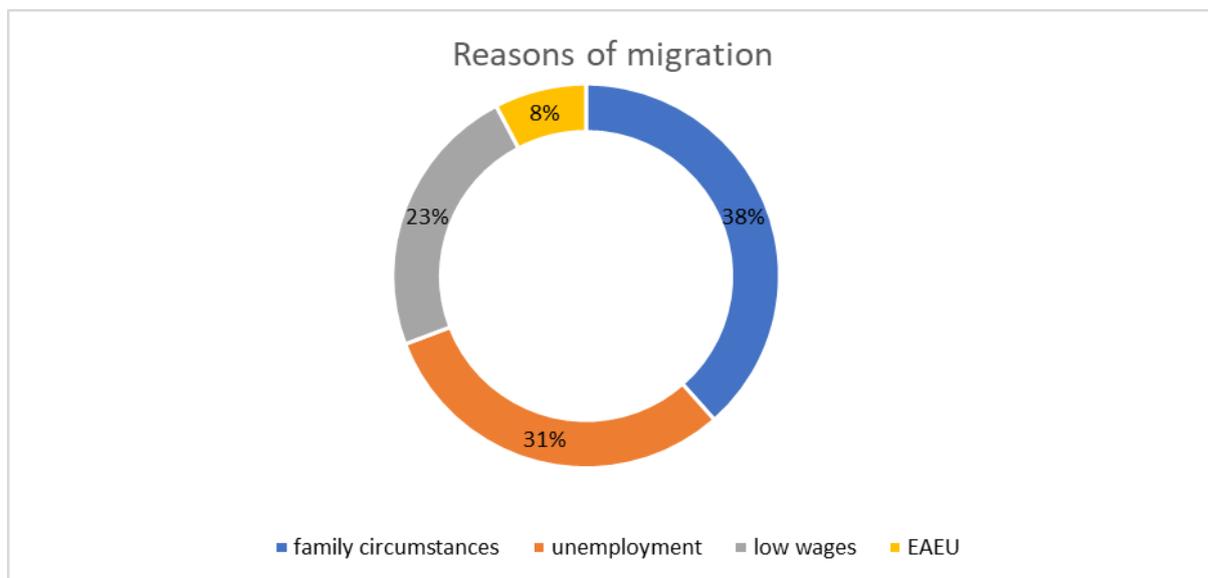
Figure 10 - Evaluation of migration procedures (1 – lowest value; 5 – highest value)



Source: Prepared by the author based on the survey, 2020

Another interesting finding of the survey is a set of reasons of labor migration from Kyrgyzstan to Russia. According to responses the most prevailing factor of mobility were family circumstances and unemployment in Kyrgyzstan. On the other hand, low wages demotivated Kyrgyz nationals to stay and work in the local labor market. Relatively, a small group of people migrated to Russia because of the EAEU (Figure 11). Therefore, in support to the theoretical part in Chapter 1, macro level society factors (unemployment, low wages) and micro level (individual family circumstances) were top determinants of labor migration from Kyrgyzstan to Russia in this sample.

Figure 11 - Determinants of labor migration from Kyrgyzstan to Russia



Source: Prepared by the author based on the survey, 2020

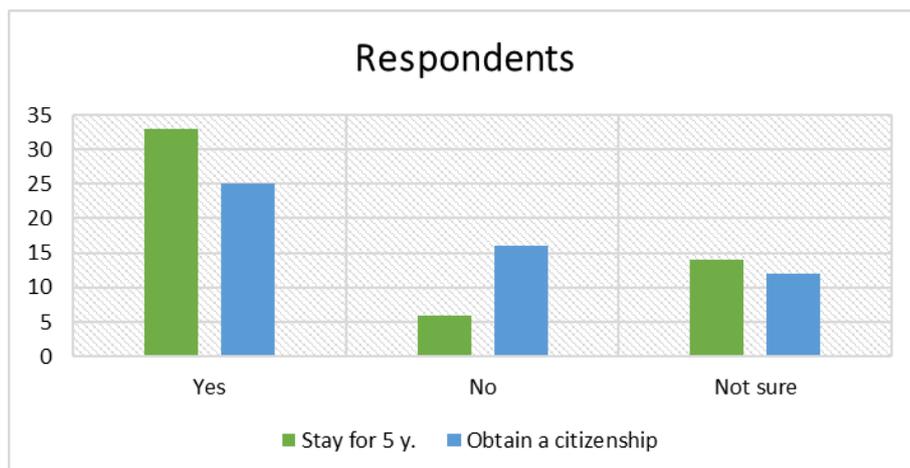
Along with benefits, the Kyrgyzstani labor migrants could not just pass by without mentioning the current challenges:

- 1) **Job losses due to COVID-19.** In fact, majority of labor migrants have a temporary and astatic employment types in Russia.
- 2) **Bureaucracy and time-consuming registration procedures** of the labor migrants. Respondents find labor migration system and procedures complex and slow.

- 3) **Language barriers.** Lack of Russian language knowledge is one of the main challenges. As found in the survey, those labor migrants, who do not speak Russian language at a working level, work in jobs that require lower skills or less communication in Russian language like porter workers in warehouses.
- 4) **Job hunting challenges.** Respondents of the survey believe that there are less employment opportunities for those who do not have a Russian citizenship.
- 5) Few responses indicated **nationality as a social pressure.** *“Often others care about my nationality”* one of the migrant’s answer in the survey.
- 6) Occasionally **document checks** by law enforcement agencies (police).
- 7) One third of labor migrants does not have any challenges and are happy with current jobs.

Hence some of the labor migrants from Kyrgyzstan noted about the privileges of the Russian citizenship, I decided to ask about their plans. 33 labor migrants (62%) see themselves staying in Russia in the next five years, 11 % will return to Kyrgyzstan and 14 respondents are not sure in their labor migration plans. On the other hand, 25 respondents or 47 % consider obtaining a Russian citizenship, 30 % (16 responses) denied getting a local citizenship and 23% deemed difficult to answer at this stage (Figure 12).

Figure 12 - “To stay or to leave?” the Kyrgyz labor migrants’ outlook



Source: Prepared by the author based on the survey, 2020

The survey conducted with the Kyrgyzstani labor migrants in Russia allows to conclude that the EAEU's impact, in general, was positive, namely work-related policy changes in work permits (patents), the registration period prolongation were indicated as significant among the respondents of the survey. Meanwhile, half of labor migrants did not see a significant change in the levels of their income.

4.2.2 Semi-structured interview results

Semi-structured interviews with two representatives of the management of the State Migration Service under the Government of the Kyrgyz Republic (the Migration Service) were conducted online via Skype platform in May 2020. Both experts believe that the Eurasian Economic Union had certainly a positive impact on the labor migrants from Kyrgyzstan in Russia.

Firstly, according to the estimates of the Migration Service, the Kyrgyz labor migrants saved around 150 bn RUB or roughly 2.1 bn USD in total from cancelation of work permits as a result of policy changes since Kyrgyzstan's accession to the Union.

Secondly, the migration amnesty was applied to 130 000 Kyrgyz labor migrants. However, at this stage around 50 000 of Kyrgyz citizens are in the "blacklist" by the Court's decision and such migrants cannot be granted with migration amnesty under the EAEU.

However, despite the existence of the EAEU preferences, some citizens remain in shadow, i.e. do not officially report themselves as labor migrants. The representatives of the Migration Service mentioned that Kyrgyzstanis while crossing the border with Russia enter the country for "employment" purposes and do not send notifications to the State Migration Service of Kyrgyzstan about their employment status and contracts. At present there are 100 000 labor

migrants with whom the Migration Service lost connection. Such cases create distortions for coordination by the authorities.

The most frequent appeals made by the Kyrgyz citizens to the Migration Service of Kyrgyzstan branches in Moscow, Krasnoyarsk and Tyumen are related to the infringement of their labor rights like nonpayment of wages by employers. In 2019, 63 million RUB (roughly 900 000 USD) were paid back to the migrants with the help of the Migration Service. In such cases many Kyrgyz labor migrants were worse off, because the investigations, as a rule, rely on employment contracts, where the formal wage is mostly lower than actual to avoid taxes and other social contributions.

The profile of Kyrgyz labor migrants according to both experts has changed:

“Before the EAEU the migrants used to work in jobs that required higher physical load or more severe conditions such as cargo works, janitors, and in the present time, almost all service sector like taxi services, restaurants, hotels are happy to employ Kyrgyzstanis. Thanks to the EAEU, it is easier for the Russian employers to hire our citizens”¹.

The impact of changes in policies towards family members of labor migrants are difficult to assess. For example, the experts highlighted that huge cities like Moscow always have big queues for kindergartens or schools. Thus, some labor migrants from Kyrgyzstan face problems with childcare. The Kyrgyz Diasporas in Russia organize Sunday schoolings in this matter, so children of labor migrants can come, study and learn more about their country of origin.

Migration outlook of Kyrgyzstan according to the State Migration Service experts will resume. They distinguish two groups of the Kyrgyz labor migrants: 1) “skilled” citizens with strong education background, foreign language skills (apart from Russian language) prefer to emigrate

¹ Interview with Expert 1, May 14, 2020.

to the Western part of the world like Europe, the United States; 2) “relatively less skilled” choose Russia as a country of destination.

Indeed, such scenarios put the country into the irrevocable emigration risk despite positive trends in remittances from labor migrants. The observations of the interviewees imply that the Kyrgyz labor migrants have already satisfied their immediate needs (such as consumption) and started to invest their financial capital in more pragmatic ways (such as real estate, entrepreneurship).

At the same time, the Kyrgyz Government is trying to find ways to attract citizens back to the country. The Ministry of economy of the Kyrgyz Republic is considering Moldova’s practice called “PARE 1+1”, where migrant and Government contribute equal share of funding (1 USD per migrant = 1 USD from public funding). Alike mechanism of public subsidization of the Kyrgyzstani labor migrants’ entrepreneurship projects, in the opinion of the Migration Service representatives, will boost some feasible investment to the national economy and importantly help the labor migrants to maintain own businesses at home.

Moreover, the national support of labor migrants is done through the State Migration Service’s website, social media, the Kyrgyz diaspora leaders and the mobile app “*Spravochnik Migranta*” (the Migrant’s handbook) (Appendix 3). The Concept of the State Migration Policy of the Kyrgyz Republic until 2025 is currently at the stage of development and is considered to be a strategic and central policy in the area of regulation of migration processes. The document identifies risks and opportunities as well as maintains socioeconomic consequences of labor migration for Kyrgyzstan.

Overall, the experts think that the EAEU has a coherent migration policy, while the supporting bodies like the department of Labor Migration and Social Protection under the EEC and Advisory Committees constantly hold meetings with the member states. Finally, the

interviewees expressed their hope in further development of the “EAEU citizen” proposal of the EEC, that will allow the nationals of participating states to have a “special status” within the Union. The “EAEU citizen concept” is still being developed under the Digital Agenda of the EAEU among the supranational bodies and the member states. One of recent projects is a Unified search system “*Rabota bez granic*” (Work without borders). According to experts, the project will create a unique job search engine for all nationals of the Union by the end of 2020.

4.3 Limitations

By the time being it is difficult to assess real effects of the EAEU on labor migration from Kyrgyzstan to Russia due to data deficits. Even official numbers provided by responsible bodies contradict each other. Firstly, during my research I experienced a scarce data or data was closed to public access. For example, the National Statistics of the Kyrgyz Republic as observed do not frequently update the data on their website. Another limitation is a divergence of official “state prepared” and *de facto* empirical data. For instance, in practice labor migration indicators from Kyrgyzstan are significantly higher than reported. In fact, some labor migrants from Kyrgyzstan normally may not have contracts at their jobs, by doing so employer and employees may avoid formal procedures like taxation and social security payments in service sectors, where a large concentration of migrants is observed. Lastly, despite the plausible results of the survey, the sample is small for generalization to the population size.

Discussion

In this Section I discuss the main findings from the surveys and semi-structured interviews. Also, I try to explain labor migration dynamics from Kyrgyzstan in the context of the EAEU through the reviewed literature.

Firstly, the survey results show a significant positive impact of the Eurasian Economic Union on the Kyrgyzstani labor migrants in Russia. The most effective and encouraging policy changes within the EAEU, according to labor migrants' responses and interviewed experts are cancelation of work permits and prolongation of registration in the territory of Russian Federation for labor migrants and their family-members. Importantly, they saved a substantial amount of the Kyrgyz migrants' costs in Russia. In addition, the migration amnesty introduced within the EAEU excused thousands of Kyrgyz migrants to continue working in Russia.

The survey results show an evidence of the positive correlation of personal portfolio of migrants such as their educational background, knowledge of Russian language and their job satisfaction in Russia.

Based on the Kyrgyz National Statistics data and survey results, the southern region of Kyrgyzstan, especially Osh and Jalal-Abad, are the most populous oblasts and have a higher emigration flows to big cities like Moscow and St. Petersburg in Russia.

As the experts noted and labor migrants' responses suggested, the Kyrgyzstanis migrants' employment profile have changed from "harsh" or low-skilled jobs to relatively lenient or high-skilled jobs as a result of the EAEU policy changes.

Despite these positive trends in labor migration, some labor migrants lack information on their benefits within the EAEU migration policies, they remain in "shadow" (do not officially register) in public authorities.

Labor migrants send half of their incomes back to Kyrgyzstan. Therefore, a coherent management of financial capital of migrants is important not only for themselves, but also for the country (Kyrgyzstan). As the thesis revealed, migrants' money is mainly invested in real estate, while less part of capital is contributed for startups and business opportunities in Kyrgyzstan. In practice, it is not always possible to track the movement and use of the Kyrgyz migrants' money in the country of origin.

Finally, in support to the literature review and theoretical framework, the thesis finds that labor migration determinants in the case of Kyrgyzstan are migration policy changes of the EAEU, socioeconomic factors on macro and micro level as well as human networks (Kyrgyz diasporas in Russia).

Conclusion and Policy Recommendations

In the thesis, I investigated the impact of the Eurasian Economic Union on the Kyrgyzstani labor migrants in Russia. Overall, the study used data from EDB, EEC, IFS, IMF, the Central Bank of Russia, the National Statistical Committee of Kyrgyzstan and the World Bank from the available starting period to the 2020. The foundation of the EAEU and Kyrgyzstan's accession to the Union occurred in 2015. Thus, throughout all thesis I analyzed differences of macroeconomic indicators such as GDP, FDI, unemployment, trade patterns in Chapter 2 and population, migration flows, gross wages, remittances in Chapter 3 in timeline “before” and “after” the year of 2015. In addition, I addressed the thesis' research questions using the survey data with a virtual snowballing sample of 53 Kyrgyz migrants working in Russia and semi-structured interviews with the representatives of the State Migration Service under the Government of the Kyrgyz Republic.

I found that the impact of the Eurasian Economic Union on the Kyrgyzstani labor migrants in Russia was positive. Unlike previous studies suggested in the thesis, in the survey I observe the shifts in the profile of the migrants from Kyrgyzstan from “low-skilled” to relatively “high-skilled” jobs since the country's accession to the Union. Moreover, I noticed that benefits of the EAEU migration policies to the migrants were crucial, while challenges were individual based like lack of the Russian language, temporary job losses due to global pandemic or queues in the registration procedures.

Another intuition behind the topic is the role of remittances for Kyrgyzstan's economy. Despite the economic crisis in 2014 in Russia, the Kyrgyz migrants continued migrating to Russia for work. The latest data on cross-border transactions between Russia and Kyrgyzstan remain significant as a ratio of Kyrgyzstan's country GDP. Moreover, the analyzed panel data for Kyrgyzstan extracted from the World Bank for 1993 – 2019 shows that remittances have a

positive impact on GDP of the country, and Kyrgyzstan's accession to the EAEU had similarly positive effects on Kyrgyzstan's economy. Therefore, a positive impact of the EAEU on migrants from Kyrgyzstan in Russia could have also a causal effect on the economy of Kyrgyzstan through remittance flows.

The thesis revealed that there are emigration trap risks for Kyrgyzstan. Almost half of the surveyed migrants expressed their confident willingness to obtain a Russian citizenship and two third are remaining in Russia in next five years for sure.

Based on the analysis conducted in the thesis, I would like to summarize that despite the literature aforementioned, which indicates negative or ambiguous effects of the EAEU on Kyrgyzstan's economy, the Kyrgyz labor migrants in Russia have been benefitting from migration policy adjustments of the Union's participating countries.

Policy recommendations:

1. At the Eurasian Economic Union level

- 1.1 Consider further harmonization of migration and employment policies of the member states at the supranational level.
- 1.2 As part of implementation of the EAEU' Digital Agenda, when designing the Unified search system "*Rabota bez granic*" (Work without borders), to develop norms for monitoring the efficiency of the job search engine, to create free language learning tools for citizens to remove language barriers and professional online courses to update people's skills.

2. At the level of the Ministry of Economy of the Kyrgyz Republic

- 2.1 Initiate employment policies towards Kyrgyzstani migrants abroad. In particular, develop action plans towards "PARE 1+1" public subsidization schemes of the Kyrgyzstani labor migrants' entrepreneurship projects or other support tools.

2.2 Inform the public on the progress and results on employment policies and other related agenda.

3. At the level of the State Migration Service of the Kyrgyz Republic

3.1 Develop action plans to outreach the Kyrgyz citizens about their new status and employment opportunities under the EAEU.

3.2 Ensure continuous collaboration with public bodies of the member states including border services and internal affairs of Russia to efficiently monitor the Kyrgyz citizens entering Russia for employment purposes.

3.3 Include active migrants or representatives of Kyrgyz Diasporas abroad to the Public Council under the State Migration Service of the Kyrgyz Republic for better communication mechanisms.

3.4 Consider the policy recommendations of the research while developing the new Concept of the State Migration Policy of the Kyrgyz Republic until 2025.

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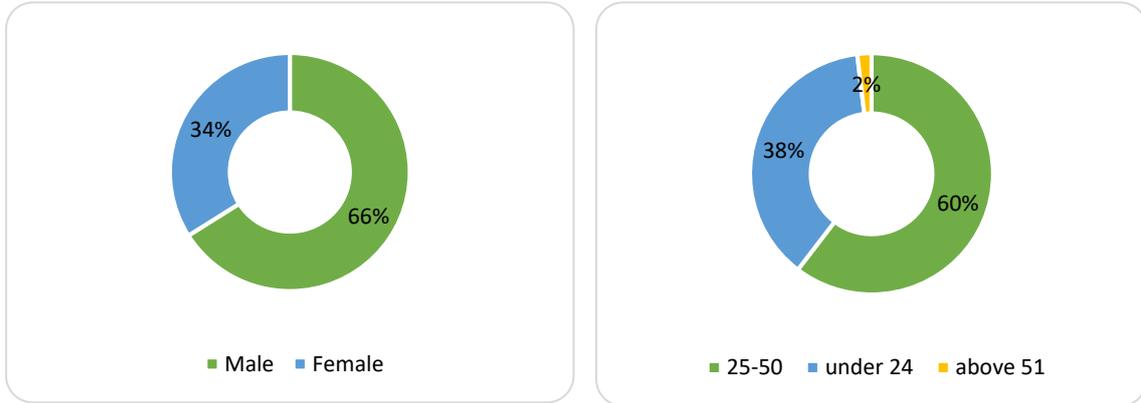
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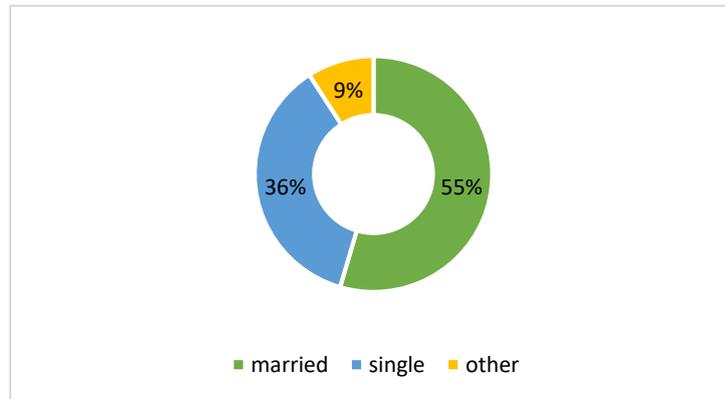
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Appendix 1

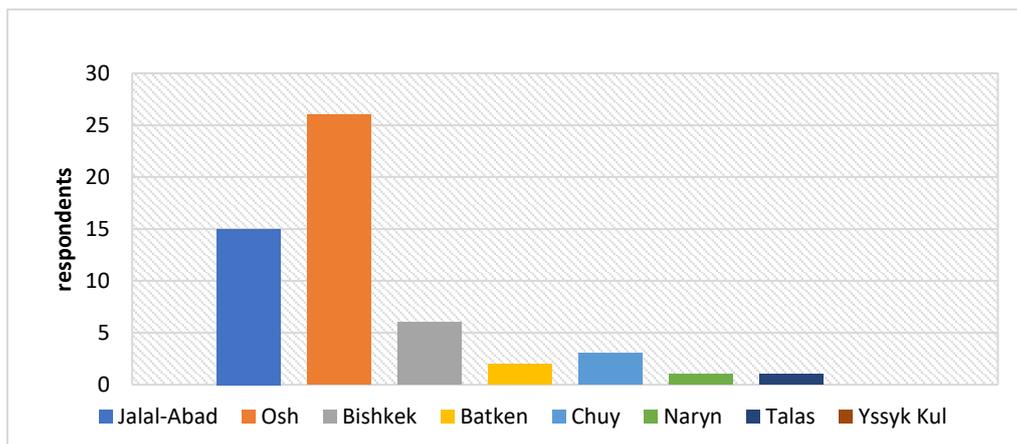
1. Gender and age distribution of respondents:



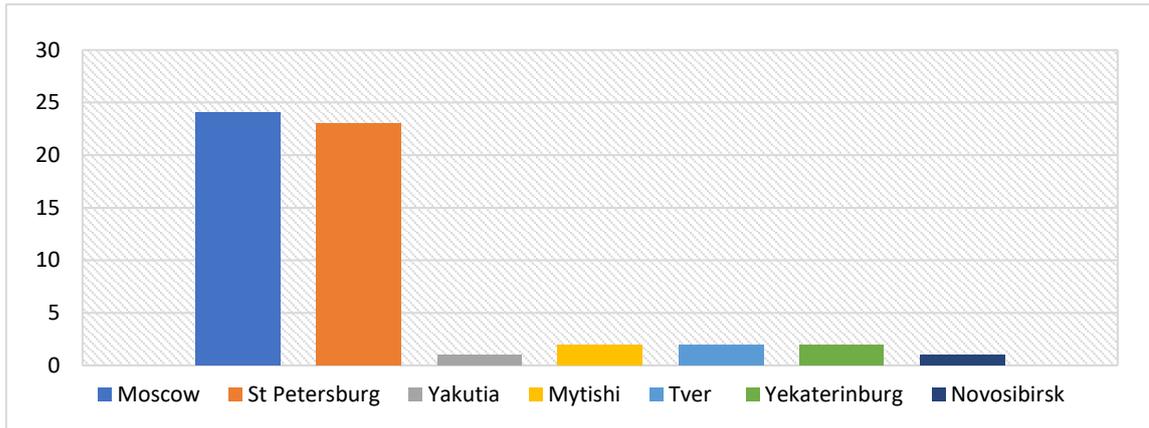
2. Marital status (“other” stands for divorced and or widow/widowers):



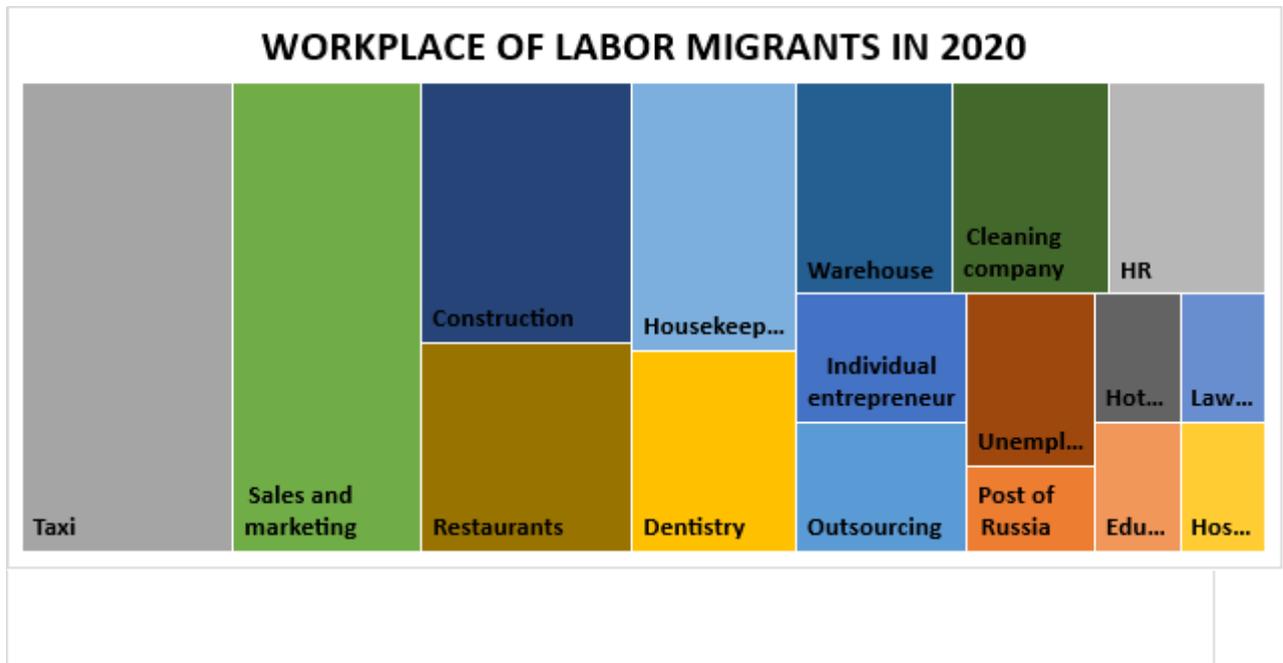
3. Labor migrants’ regions of origin in Kyrgyzstan (including capital city Bishkek):



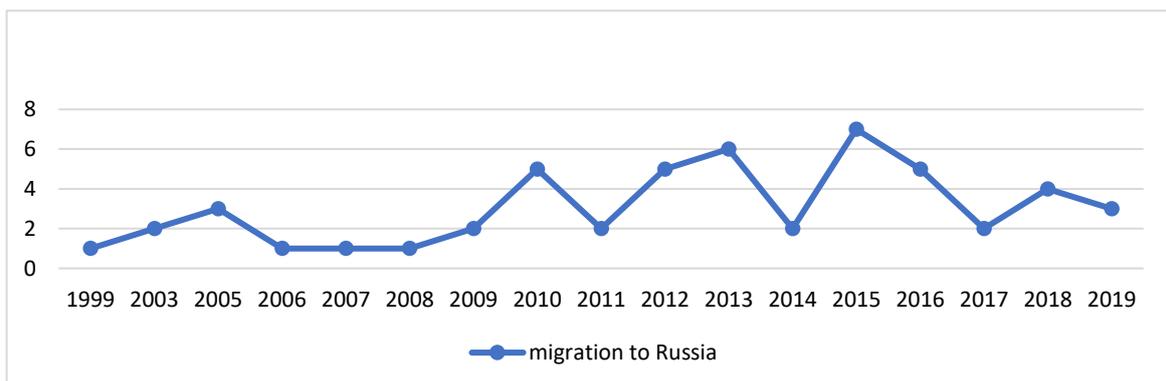
4. Regions of the labor migrants' destination in Russia (cities):



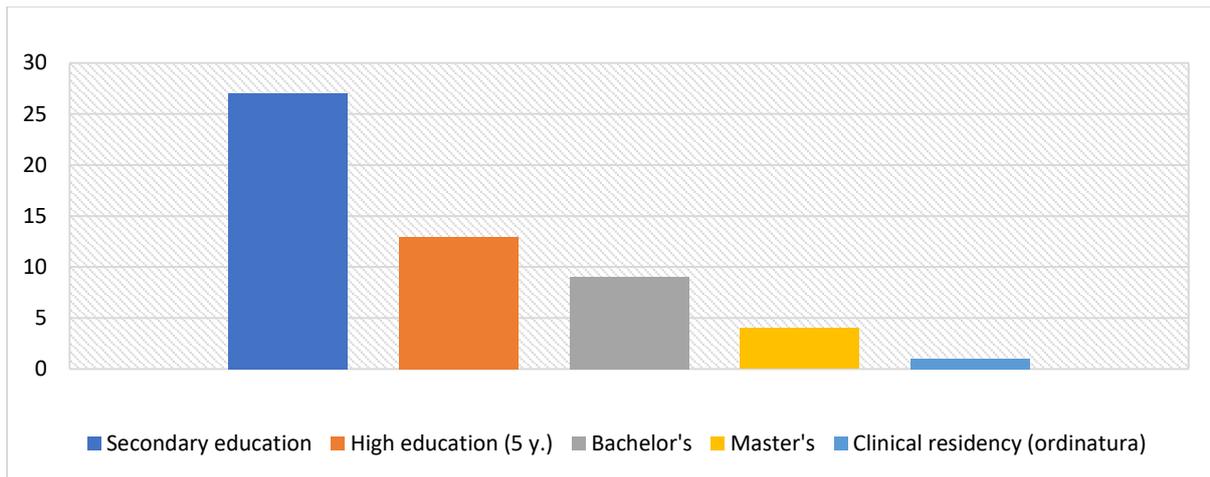
5. Place of work of the Kyrgyzstani labor migrants:



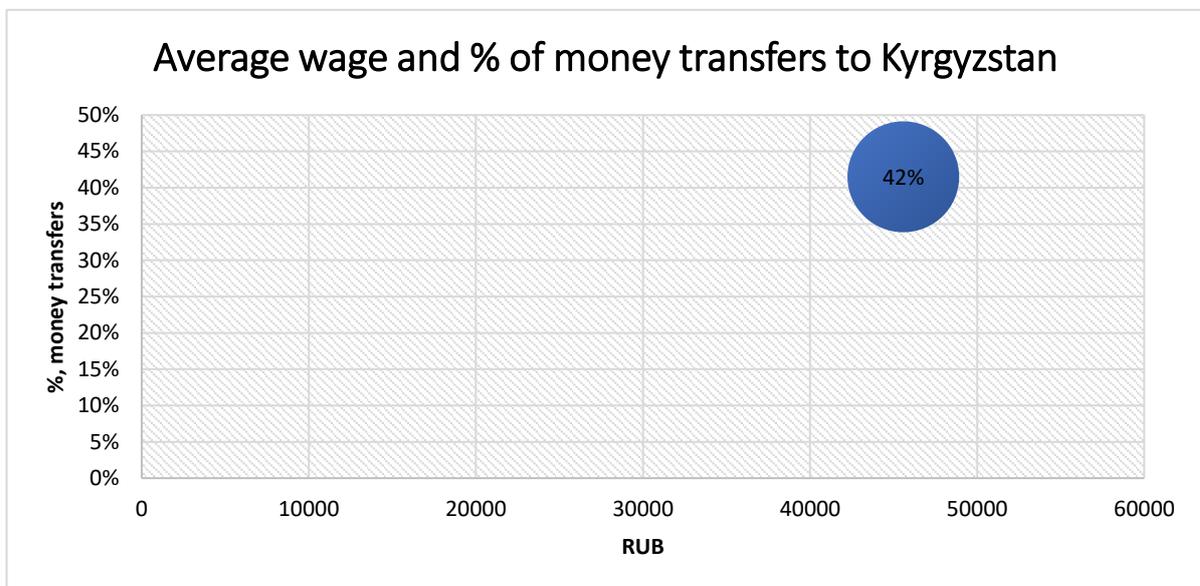
6. Year of migration of the survey sample:



7. Education background:



8. Ratio of average monthly money transfers on the average earning of labor migrants



Appendix 2

Linear regression of Remittances' and the EAEU's effect on GDP per capita of Kyrgyzstan, panel data (1993 – 2019). GDP is a dependent variable; Remittance inflows is an explanatory variable and Dummy EAEU variable is a control variable (takes a value of 1 after y. 2015 and 0 before y. 2015).

VARIABLES	OLS (Ordinary Least Squares)	
Remittances, % GDP	57.62*** (4.054)	50.60*** (3.894)
Dummy (EAEU policy changes)		495.59*** (75.195)
Constant	2,933.72*** (73.925)	2,958.28*** (76.084)
Observations	26	26
R-squared	0.902	0.940
Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1		

Appendix 3

Screenshot of the Mobile App “*Spravochnik Migranta*” (the Migrant’s handbook):

“The project is supported by the US State Department's "Assistance to the Government of Kyrgyzstan in strengthening the legal and technical framework in the field of countering trafficking in human beings”.

In the black list there are two data bases, where you need to check yourself using the application before your departure. The first is based on data of the Border Service FSB of Russian Federation (ssm.gov.kg).

The second base of the Ministry of Internal Affairs of the Russian Federation (https://mvd.rf/servisy-guvvm) available for our application. For the exact answer, please check yourself further in the second data base.” (URL: <https://play.google.com/store/apps/details?id=com.migrate.admin.pagination>)

