

# International Economic Integration in the Context of Sustainable Development

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**Abstract:** The concept of “internationalization” must be considered “in the broad sense of the word” and “in the narrow sense of the word”. The internationalization of the economy is the process of economic convergence of the countries of the modern world. National economies are drawn into world economic processes, thus increasing the interdependence of the economies of countries, primarily developed ones. A special place in the literature is given to the internationalization of scientific activity. Modern scientific research requires huge financial and human investments; for this, companies from different countries unite to conduct scientific and design research. In addition, there is an objective process of specialization of individual countries in certain types of scientific research. One of the forms of exchange of scientific and technical knowledge and information, the results of research conducted in different countries is the international trade in patents and licenses, which is developing extremely rapidly at the present time.

## 1 INTRODUCTION

To date, the European Union is the most developed integration association in the world, providing a successful example of close economic cooperation and a high level of national, international and cooperation. However, in 2019, amid increased tensions in important relationships, as well as uncertainty in the field of public control and geopolitics, the EU economy slowed down in 2019. Real GDP increased by 1.5%, which is 0.6% less than in 2018. The decline in the economic dynamics of the EU states led to an increase in the state budget deficit by 0.9% of GDP and an increase in industrial production by 1%. Particularly acute in 2019, political problems arose within the bloc, which emerged in the desire of states for sovereignty. So, after the double transfer of Brexit statistics last year, the UK formally left the European Union on January 31, 2020 after 47 years of membership in it. Until that time, partnerships in trade, politics and the economy as a whole throughout the country will continue. According to the agreements with the application. An important point of Brexit is the fact that Northern Ireland partly belongs to the EU customs area. Also

in October 2019, after a two-year lull, the Catalan crisis broke out in Spain with a margin of safety. In connection with the indictment of 12 separatists in Barcelona, again and several other cities in Catalonia, a protest movement broke out. However, after the election of Pablo Sanchez as Prime Minister, the dialogue with the source of great power was resumed, and it can be predicted with some certainty that the Catalan crisis will be put, probably not an everyday end, but by the disappearance of the episode a temporary solution. The change of the best EU institutions also came last year. The European Commission was headed by the German representative Ursula von der Leyen, the European Council by the former Prime Minister of Estonia Charles Michel, the European Parliament by the Italian politician Maria Sassoli, the European Bank by the French center Christine Lagarde. Decisive tasks will be outlined in the context of the weakening of the geo-economic and geopolitical positions of the EU, as well as the UK, as well as the reduction of its share in world trade and uncertainty regarding trade relations with the UK (which will largely affect the development of integration processes in the EU) against the backdrop of the global economic crisis

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associated with the pandemic (Molchanova, 2019). However, if we look at the problem of measurement, then the assessment of globalization includes political, economic, cultural, environmental and other components, while internationalization includes only economic ones. Globalization is comprehensive and affects all aspects of life, not just the economic. We share the view of scholars that internationalization is the economic dimension of globalization. The two leading global integration groups - the EAEU and the EU - are striving to strengthen trade and economic relations between the two unions (Reynard, 2018). Today, the European Union is the main foreign trade partner of the EAEU. Unfortunately, the sanctions policy of developed Western countries, including European ones, against the Russian Federation has complicated the interaction of the two associations in recent years, although the EAEU does not give up its desire to sign an agreement that was actively discussed earlier. In 2019, a number of constructive discussions took place between representatives of the EU and the EAEU, which discussed such initiatives as the work on the Lisbon-Vladivostok project, which is already supported by more than 60 companies and associations from eight countries, the German-Russian Chamber of Commerce, as well as German-Eastern Business Association. During the working meetings, issues of technical regulation, customs procedures and improvement of the taxation regulation system, including problems with VAT, were discussed (Murtazova, 2021; Gakaev, 2020). The issues of normalizing relations between the two associations became key in the discussion at the First Dialogue: Connecting Eurasia - from the Atlantic to the Pacific forum, held in March 2019 in Brussels. Given the tense relations between the EU and Russia, the EU is much more actively involved in concluding bilateral cooperation agreements with individual EAEU countries than with the Union as a whole. Thus, in 2015, an expanded partnership and cooperation agreement was signed with Kazakhstan. In 2017, the EU and Armenia signed an agreement on a comprehensive and enhanced partnership. And in 2019, a similar agreement was reached between the EU and Kyrgyzstan. Ultimately, the strengthening of trade and economic relations between the EU and the EAEU opens up new prospects and mutual benefits for both unions in terms of trade, tourism, industrial development and geopolitics. A similar situation (the presence of many definitions) is typical for the concept of 'internationalization'. This set is caused not only by the fact that each author reveals a separate side of the essence of the concept, but also by the fact that they reflect the features of the process in the

current period of time (point in time). Therefore, it is advisable to talk about approaches. For example, the essence of the spatial approach is the search for the most favorable territories for placing a division of an enterprise, improving the territorial structures of enterprises. Marketing is aimed at forming a strategy for the development of foreign economic relations in the context of globalization, the choice of alternative options for a development strategy. With the development of the company in the foreign market, management receives some independence. The global development of the corporation is in the area of responsibility of the headquarters, and the local manager concentrates on the development of the company within a certain region. The goal of the management approach to internationalization is to improve the management of a company in a foreign market.

## 2 RESEARCH METHODS

According to the most general definition, transaction costs are the equivalent of friction in mechanical systems. Getting rid of the analogy with physics, any costs associated with the coordination and interaction of economic entities should be classified as transactional. In other words, these are all costs associated with the exchange and protection of entitlements. Savings in transaction costs are both external and internal factors affecting profits. Its content is determined by a variety of personal relationships that regulate entrepreneurial activity. Some authors, emphasizing the importance of the considered source of profit formation, are talking about "calculation of personality" and "transactional exchanges" (Murtazova, 2021). In psychological science, a transaction is defined as the interaction of the ego states of two individuals entering into communication (Gakaev, 2018). And in this regard, we can talk about the "market of personalities" in the economy. D. Hartwick writes the following about this: "The predominant behavior in the psychology of an individual who is aware of his connection with other individuals and dependence on them, apparently, should be considered behavior that is fundamentally different from the "purchase and sale" of the basis of market relations." This is explained, according to the author, by the fact that people intuitively prefer cooperation to rivalry (Bekmurzaeva, 2009). But cooperation, according to other authors, does not negate the relationship of "purchase and sale" (Braverman, 2019). The thing is that the equivalence occurring in this case of

exchange is determined not only on the basis of cost calculation, but also on human dignity. And the substance that is obtained as a result of the synthesis of these two values is still unknown to modern science, which does not prevent people from actively working in the “market of personalities”. In a market economy, the company's costs are divided into 1) transformational; 2) transactional.

For a long time, transaction costs were simply “not noticed”. This term was first used in the construction of economic models by R. Coase (Bekmurzaeva, 2009). In addition, O. Williamson (Reynard, 2018), D. North (Braverman, 2019) wrote about the importance of transaction costs in the life of society. Their papers dealt, respectively, with the “costs of operating an economic system”, “the equivalent of friction in mechanical systems”, “the costs of evaluating the useful properties of the object of exchange, and the costs of enforcing and enforcing rights”. Modern authors are talking about the classification of transaction costs (Gakaev, 2018; Vladimirov, 2019). They are divided into:

- 1) real and effective transaction costs. The former are determined by the network of transactions actually taking place, and the latter by the most efficient one. The magnitude of the deviation of these types of costs shows how effectively the community uses the established institutions. The more this deviation, the worse. Individuals (entrepreneurs) use the opportunities they have to optimize their activities. The existence of such a deviation is due, on the one hand, to the refusal to comply with the norms and rules established by society, and on the other hand, to the diverse availability of information necessary for doing business;
- 2) explicit and implicit transaction costs. In other words, the former are also called “explicit”, taking the form of cash payments to suppliers of transactional resources. Explicit transaction costs are deliberately hidden (for example, the cost of maintaining a criminal “roof”). Implicit costs, by analogy, are called “implicit”. But they are associated with risk and nerve costs for the entrepreneur;
- 3) total and average transaction costs. They are related to each other in a certain way: the average transaction costs are determined by dividing the total by the number of transactions. But the growth of their number is not always a positive thing (although it reduces the average cost). This is explained by the lengthening of the technological chain for the production of the same product.

Achieving a number of effective trade agreements with EAEU partners based on mutual benefit and predictability, focused on the implementation of the existing regulatory potential, is objectively a necessary condition for the development of the economy as a whole. In the context of the instability of the current WTO multilateral system, the legal environment formed within the framework of bilateral trade agreements acquires additional value. Until recently, the ability of exporters from the EAEU countries to supply under the free trade regime was limited to the CIS space, apart from the free trade regime with Serbia (for Belarus, Kazakhstan and the Russian Federation) and Montenegro (for Russia). At the same time, the CIS countries that are not members of the EAEU account for only about 5% of the foreign trade of the Union states. After the completion of the current negotiations, the share of partners of the EAEU countries on trade and preferential agreements (Vietnam, Egypt, Israel, India, Iran, Serbia and Singapore), according to experts, will account for at least a third of the Union's foreign trade. In 2019, the possibility of creating a separate dialogue partnership between the EAEU and ASEAN was considered, taking into account the established practice of interaction between the Asian association and foreign partners, including integration associations. The strategic line of the EAEU and its supranational body, the Eurasian Economic Commission, is to further expand the network of partners, including through ASEAN members. Thus, the EEC is trying to develop the practice of organizing joint events with the participation of the business community, in particular, by analogy with the EAEU-ASEAN business dialogue within the SPIEF in 2018–2019. Another format of work to expand international cooperation is meetings at the level of heads of integration associations of the EAEU - ASEAN - SCO (and also the EU under certain conditions). One of the largest economies in Southeast Asia - the Republic of Indonesia (2.5% of global GDP, population 267.7 million people) - in 2019 became the fifth ASEAN state (along with Vietnam, Singapore, Cambodia and Thailand), with which the EEC formalized relations by signing a memorandum of cooperation. In 2019, regular consultations were held between representatives of the EAEU member states and the Republic of India, as a result of which the format of the future trade agreement was agreed and the transition to the active phase of negotiations with Indian partners began. Last year, a memorandum of cooperation was signed between the EEC and the government of the People's Republic of Bangladesh. The document provides for the creation of a joint

working group to discuss trade and economic cooperation. Also in 2019, cooperation with the Kingdom of Thailand was further developed within the framework of the memorandum dated November 19, 2018. In June last year, the first meeting of the joint working group was held, at which the parties discussed the development of trade and economic cooperation, customs and technical regulation, SPS measures, digital agenda and contacts in the industry and agro-industrial complex. As a result of the discussion, an agreement was reached to establish cooperation in matters related to the application of trade protection measures and to work out the possibilities of interaction, including through the direct exchange of notifications between authorized bodies.

### 3 RESULTS AND DISCUSSIONS

In the modern world, internationalization is an actual trend in world economic development, by the middle of the 90s of the twentieth century. reached an unprecedented level. As an illustration of this phenomenon, the educational literature presents a huge number of diagrams demonstrating how the parts of one of the most ordinary cars are assembled in several dozen countries. The Japanese school was close to the main conclusions of R. Vernon's theory. Among the founders, we single out K. Kojima and T. Ozawa, who outlined the advantages of companies in the conditions of international capital mobility (the theory of "flying geese of development") (Vladimirov, 2019; Molchanova, 2019). Scientists have proven that companies can contribute to the economic development of the host country, while pursuing their corporate goals. When choosing a location for locating production facilities, company management relies on two factors: location of production near end users (i.e. outside customs barriers) and access to resources to reduce production costs. J. Dunning in a series of his works (1980, 1981, 1988, 1992) published an eclectic theory of OLI-advantages, called the "eclectic paradigm of international production", or Dunning's eclectic paradigm (Eclectic paradigm, or OLI paradigm). Dunning's theory is based on a set of OLI-advantages, that is, an investor makes a decision on foreign direct investment based on an assessment of three components (advantages): - Ownership / property (O advantages, or specific advantages of ownership). The volume of foreign FDI is explained by the nature and set of competitive advantages of foreign investors in comparison with domestic investors (possession of

a unique technology or patent, a wide range of goods and services, a good reputation, a recognizable brand); - Location / location (L advantages, or specific location advantages) (Molchanova, 2019). The advantage is determined by the peculiarities of the markets offered to foreign investors by individual countries in comparison with other countries (significant market capacity, low transport and labor costs, cheap raw materials); - Internationalization / Internationalization (I advantages, or advantages of internationalization). Benefits from the implementation of intra-company transactions (between branches of TNCs, companies of the same holding, etc.) in comparison with the execution of such transactions between independent entities in the market. Advantages are also determined by the degree to which a company can internationalize, i.e. control its own competitive advantages, and not transfer or offer them to foreign companies, for example, through export or licensing (i.e., benefits from own use of assets, and not from transferring third party). The term "internationalization" is multifaceted (Vladimirov, 2019). However, if we look at the problem of measurement, then the assessment of globalization includes political, economic, cultural, environmental and other components, while internationalization includes only economic ones. Globalization is comprehensive and affects all aspects of life, not just the economic. We share the view of scholars that internationalization is the economic dimension of globalization. At the EAEU level, regionalization has actualized the idea of the Greater Eurasian Partnership. The commonality of the task of promoting it for the Union countries was recorded in the Declaration on the Further Development of Integration Processes within the EAEU dated December 6, 2020, which forms the basis for the development by the Eurasian Economic Commission (EEC) of a relevant conceptual document, as well as a specific plan of joint actions. In essence, the idea of the Greater Eurasian Partnership implies the establishment of close mutually beneficial economic ties with all countries of the continent, an increase in the contribution of the EAEU to strengthening the interconnection between Europe and Asia, the formation of "megablocks", that is, the creation of alliances between large economies and interstate associations. The formation of the Greater Eurasian Partnership should become a well-defined and dynamically implemented strategy for the EAEU to create a wide zone of trade and entrepreneurial activity for all those who work in this space. The Union is faced with the task of formulating specific proposals on how to build a system of

mutually beneficial relations between the largest players in Eurasia, in which interested states will be involved on a mutually beneficial basis. All integration initiatives of the EAEU, the formation of a network of free trade zones, as well as the conclusion of memorandums of cooperation should be positioned as interrelated elements of the Greater Eurasian Partnership. The EEC strives to minimize the negative impact of external shocks on the development of the EAEU members, including through deepening international cooperation. The expansion of the geography of trade and economic partnership is considered as a factor that reduces the risks associated with abrupt changes in the market situation.

## 4 CONCLUSIONS

In 2020, the process of expanding relations between the Eurasian Economic Union and non-CIS countries continued, which was reflected in the signing of cooperation agreements, the creation of free trade zones and the substantive study of issues on the entry of new members into the association. World economic trends, indicating a high degree of turbulence and uncertainty, have affected the development trajectory of regional integration associations, including the EAEU. The sphere of international business relations is moving to a new historical stage - geo-economic regionalization, characterized by the coexistence of several local economic centers (Hibbard, 2019). At the present stage, regionalization is manifested in the evolution of international integration processes, accompanied by the formation of regional and multiregional economic associations (for example, BRICS and SCO), and expresses the desire for effective and harmonious interaction between countries, regional and subregional systems, ensuring their access to the global level. Regional integration can contribute to the development of competition on the basis of existing and newly created advantages for members of integration associations, taking into account the protection of their internal national interests. As a result, realizing the complexity of this phenomenon and taking into account the variety of approaches to understanding the essence of state economic policy, in relation to economics and politics, there is a need to improve the teaching and research process, the optimal combination and choice of teaching methods. Under these conditions, an extensive discussion is unfolding on methodological issues, namely: which direction of economic thought is capable of giving the

most adequate and complete answer to the question posed. Therefore, within the framework of organizing the educational process in economic disciplines, it is advisable to use a systematic approach, that is, the study of the economic phenomenon as an integral complex of interrelated elements, views and concepts. There is a need to use an adequate critical synthesis of alternative approaches in order to make the most reasonable and constructive decisions. Great help in mastering the basics of economic policy in the study of economic sciences is provided by interactive teaching methods, which allow solving educational problems on the basis of intellectual difficulty and active interaction (Reynard, 2018). Thus, the full realization of the scientific and educational potential of economic science, the assimilation of a system of views on state regulation of the economy and state economic policy is impossible without the development of various methodological areas and their adequate refraction to economic reality through the education system. Economic policy takes into account economic interests, explores their interaction, considers possible consequences, and also has a direct impact on all areas of our lives. Therefore, the organization of the educational and scientific process should be aimed at a deep assimilation of the patterns and relationships of any economic phenomenon or process, including economic policy. Only such an approach lays a reliable foundation for a comprehensive understanding of the phenomenon under consideration and taking into account the existing contradictions.

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