

# Eurasian economic union: prospects development

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**Abstract**—With the development of scientific and technical potential, the geographical region of the coverage of integration processes has increased and now we can talk about global integration processes. Apart from the rest of the world, the Russian economy in new geopolitical conditions could not develop effectively. The creation of the EAEU gave a new impetus to the development of economic cooperation of the member states and contributed to improving the conditions for their access to foreign markets. But having reached the goals set in the Treaty on the Establishment of the EAEU, the Union faces the need to find new modern ways of developing integration processes, as well as mechanisms for their implementation.

**Keywords**—Eurasian Economic Union, integration, development, mutual trade.

## I. INTRODUCTION

The process of globalization, which began at the end of the 20th century and is actively developing in the 21st century, has radically changed the integration processes which have united plenty of countries in various spheres of life. Globalization has begun to bring together disparate countries into a unified system where any national economy becomes “an element of the single economic organism» according to V. Shishkov. The unification of such nationally different societies has been showed in the adoption of many cultural features of the involved in globalization countries (via Internet), and in the implementation of joint directions in the political sphere, and, of course, through the establishment of contacts in the economic environment [12].

The term «integration» (from Latin - the unification of dispersed parts into a single whole) was first used in the middle of the XX century to designate the process of unification of Western European states, both within the framework of the Organization for European Economic Cooperation (OEEC) established in 1948, and above all through the creation of European communities.

Currently, according to various estimates, there are more than 300 international associations of countries based on international agreements. Moreover, one country can be a member of several associations or organizations at the same time. For example, Russia has membership in 20 international organizations such as EAEU, UN, CIS, CSTO, BRICS, APEC SCO, etc as of 2019. We can point out several types of associations depending on the number of countries in them and on the level of integration processes between them (Fig. 1) [1].

When exploring significant integration organizations in the world’s main regions, it becomes clear that most of the associations were formed in the last century and cover the territories of European, African and North American countries mainly. But over the past 15 years’ integration processes the European and Eurasian regions have been

actively developed. The following main integration centers can be distinguished in the post-Soviet space: the European Union, Russia, and China. Russia is trying to continue its influence on the former Soviet republics, while the scope of Russia's economic interests is sales markets and labor markets, especially in the current tense of the economic and political environment [11]. Russia has been always facing the dilemma of choosing the path of integration development: either to follow the path of Western, European states, or at least to try to associate with them with the aim of economic and social modernization, or it is better to find a specific development model that meets national history, traditions, geopolitical position, capable of making the country an independent center of a multipolar world, and reintegrate at least just a part of the former USSR countries, which would influence the orientation towards close cooperation with the rapidly developing Asia-Pacific region, and especially with China [6, 9].

Therefore, the creation of the Eurasian Economic Union with the participation of Russia was primarily caused by the need to form a single market, increase the competitiveness of the national economies of the EAEU members and raise the standard of living of the population.

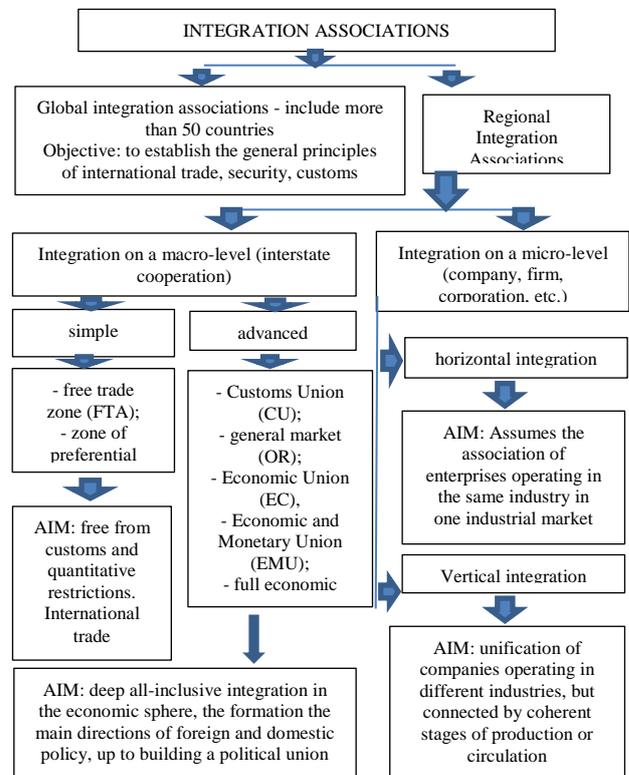


Fig. 1 Types of integration associations

After a short period of time, all forms of integration have been completed from simple: free trade to advanced: a common market in 2014, when an agreement on the creation of a Eurasian Economic Union between Russia, Belarus, Kazakhstan, Kyrgyzstan, Armenia was signed [4,5].

**II. THE ANALYSIS OF EAEU DEVELOPMENT**

Analyzing the characteristics of the development of mutual trade of the EAEU and the most important indicators of the effectiveness of the implementation of integration processes (Figures 2,3) and volumes of export and import of goods in mutual trade by the EAEU member states (Figures 4,5) [14], it is possible to come to conclusions about the efficiency of the EAEU’s functioning and about the prospects for its further development.

Export shares in mutual trade in the total volume of exports of Armenia in 2018 increased by 12.7% compared with 2014, while among the other members these indicators have not changed practically. This shows that Armenia has begun to export more goods to the Union. According to various sources, the EAEU has got 17–19% of the world’s supply of all minerals, while it completely provides itself with fuel and energy resources.

Import shares in mutual trade in the total Russian import’s value increased by 0.2% in 2018, Kazakhstan - by 4.5%, Belarus - by 2.4% compared to 2014, while in Armenia and Kyrgyzstan the indicator decreased by 0.9% and 13.1% respectively. The decrease of the import of goods from the member states of the Union to Kyrgyzstan explains the depreciation of the Kyrgyz Som exchange rate against Dollar exchange rate in 2015 and, consequently, a decrease in consumer demand [10].

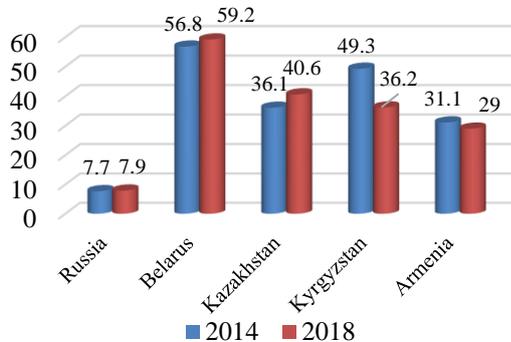


Fig. 2 Export share in mutual trade in total export value, in %

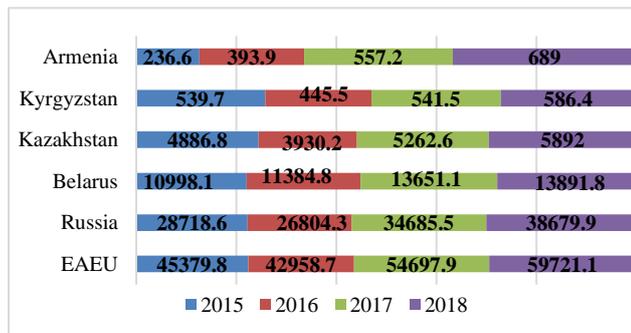


Fig. 3 Import share in mutual trade in total import value, in %

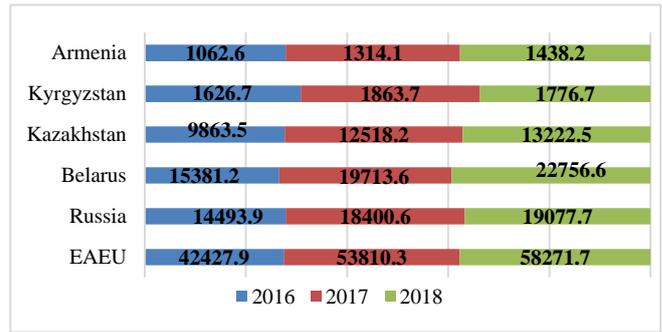


Fig. 4 Export value in mutual trade of the EAEU Member States, in millions of dollars

The value indicators of exports in mutual trade show an upward trend from 2015 to 2018. However, there were minor decreases in exports in Kyrgyzstan, Kazakhstan, and Russia by 17.4%, 19.5% and 6.6%, respectively. This is explained by the high competition in the common market of the EAEU and the presence of various technical barriers in the EAEU member states not regulated by the EAEU legislation at the same time.

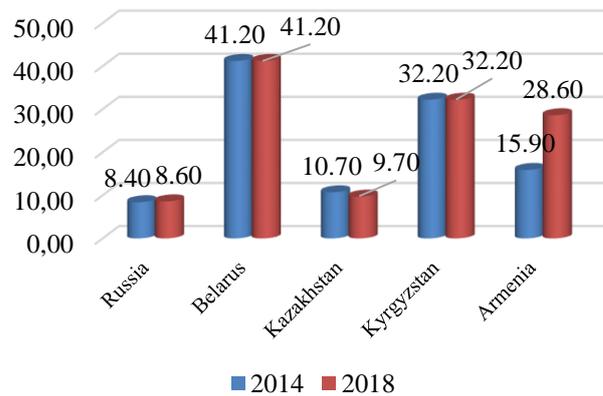


Fig. 5 Import value in mutual trade of the EAEU Member States, in millions of dollars

With the development of the legal and regulatory framework of the EAEU, and common approaches to the technical regulation of foreign economic activities since 2017, a steady increase in exports in the mutual trade of the EAEU.

The features of mutual trade of the EAEU development are also determined by its commodity structure. The structure of mutual trade by integrated commodity groups for 2015 and 2018 (table 1) shows an increase in the growth of trade in food products and agricultural raw materials by 4.7%, mineral products 3.9%, metals and metal products by 2.6%. Such minor growth is primarily associated with the growing tension in Russian international trade relations in the context of sanctions and trade policy related to the import substitution of the goods of the Union.

TABLE I. THE STRUCTURE OF MUTUAL TRADE ENLARGED COMMODITY GROUPS DURING JANUARY - DECEMBER 2015 AND 2018 (AS A PERCENTAGE OF THE TOTAL EAEU), IN%

| Enlarged commodity groups         | 2015 | 2018 |
|-----------------------------------|------|------|
| Minerals                          | 33.4 | 28.7 |
| Food and agricultural commodities | 15.2 | 19.1 |
| Chemicals and rubber              | 10.5 | 6.3  |
| Machines, equipment and vehicles  | 16.4 | 14.6 |
| Metals and metal products         | 10.6 | 13.2 |
| Other products                    | 13.9 | 18.1 |

Diversification and balance characterize mutual trade between the members of the EAEU.

According to the EEC data, there are positive trends in the development of the EAEU, as noted in the Report “On the Status of Mutual Trade between the Member States of the Eurasian Economic Union in 2018”, the competition in mutual trade is developing intensively in the EAEU common market. It impacts positively the quality of goods produced in the EAEU. Against the background of recent violations of global trade regulations, regional rules are of particular importance.

By the decision of the Board of the Eurasian Economic Commission of April 14, 2015 №. 29 the list of common processes within the Eurasian Economic Union is approved, containing 78 common processes in such areas as: electronic workflows, economics and fiscal policy, trade, fair competition and antimonopoly regulation, food-processing and agro-industries, technical regulation, customs cooperation. However, not all but only 36 common processes are fully implemented by 2018.

The implementation of common processes is slow due to various factors, both internal and external. The internal factors hampering the development of the EAEU include: a different level of development of the economies of the EAEU member states; imbalances in the development of national economies of the EAEU member states; low innovation potential; different levels of scientific and technical potential; slow rates of unification and harmonization of national regulatory normative base.

We can name a tense political situation in relation to Russia, which indirectly affects other EAEU member states as an external factor first of all.

### III. THE STRATEGIC DIRECTION OF THE EAEU DEVELOPMENT

According to the analysis above, despite the effective development of the EAEU, the Union has to choose either to follow the Treaty on the Eurasian Economic Union standards or the dynamically developing world, namely, taking into account the new global scientific, technical, socio-economic and geo-economic challenges.

An important step for the further development of the EAEU was signed on December 6, 2018 by the heads of the member states the Declaration on the further deepening of integration processes in the EAEU. The document envisages the expansion of the scope of the Treaty on the Union and defines the main directions of further development of the EAEU (Table 2) [15].

TABLE II. STRATEGIC DIRECTIONS OF EAEU DEVELOPMENT UNTIL 2025

| Directions of development  | Main goals  |
|--|---|
| Ensuring maximum efficiency of the common EAEU market and the realization of its opportunities for business and consumers  | Eliminate barriers and reduce restrictions for traders;<br>Create the common service market;<br>Form of a common EAEU financial market;<br>Form common energy markets;<br>Create an effective system of production cooperation;<br>Develop integration processes in the agro-industries;<br>Jointly realize significant infrastructure projects in Eurasian area and creation of transport corridors  |
| Formation of the “territory of innovation” and stimulation of scientific and technical breakthroughs   | Create and develop high-performing (including export-oriented) economic sectors and fast implementation of innovations and cyber-technologies<br>Extend the use of digital technologies in the work of Customs Departments and other spheres of governmental administration, providing the effective functioning of the EAEU;<br>Unite efforts to make and use new technologies and innovations;<br>Coordinate policy on cross-border e-trade regulations;<br>Provide smooth access of the Internet traffic including the transit one |
| Achieve the potential of integration for people, increasing their well-being and life quality  | Give the population the right to work, travel, study in EAEU freely;<br>Maintain price stability, increasing employment level, providing social guarantees and developing human potential;<br>Involve citizens, public and business associations in the EAEU functioning;<br>Provide a wider public access to the information about EAEU activity through mass media  |
| Form EAEU as one of the most significant centers for the development of the modern world, open for mutually beneficial and equal cooperation with external partners and building new interaction formats | Develop a multi-side dialogue and cooperate with the CIS countries and others, interaction with which shows mutual economic interests;<br>Expand cooperation with SCO, ASEAN, EU, MERCOSUR, WTO, OECD, other regional and international organizations;<br>Carry out coordinated work on the integration processes in the Eurasian space.  |

### IV. STAGES OF DECISION MAKING TO ACHIEVE A PROJECTED RESULT OF EAEU INTEGRATION PROCESSES

Taking into account a carried out within the framework of this work research, the authors propose to systematize the decision-making process to achieve the projected result of the integration processes within the EAEU.

The decision-making process to achieve that result is proposed to be divided into 4 main stages, based on political, legal, communicative, research and technical and integration components.

I stage The concept of integration development within the EAEU. It assumes decision-making by the heads of governments on the strategic development of integration processes, the improvement of regulatory legal acts on legal expertise and legal regulatory acts on the strategic development of Eurasian economic integration.

II stage The strategy for the implementation of integration processes in the EAEU. It involves interaction with the state bodies of the EAEU member states, public associations, business structures and business associations, banking structures of EAEU and CIS countries, as well as the other countries, regional integration associations, international organizations.

III stage The program of implementation of the integration processes of the EAEU. It is about evaluating the implementation of integration processes based on modern mathematical methods. For example, the analysis of the situation in the main directions of integration and on the basis of this the summary of proposals for the development of the main directions of integration.

IV stage The list of measures for the implementation of the integration processes of the EAEU. Creation of supranational information technology and telecommunication infrastructure for the implementation of integration processes, implementation and maintenance of electronic databases, formation and development of a unified system of regulatory the database of the Union. Creation of national information technology and telecommunication infrastructure for the implementation of integration processes.

The tasks assigned to the EAEU mark the priority of the new system for managing integration processes. It is necessary to search for specific tools, economic and micro-mathematical models, describing the parameters of the integration association, allowing to predict the development trajectories of the EAEU, such as stage-line Balassa's concept, "network" ("packet") integration model, Keynes's analysis of macroeconomic equilibrium, etc. [7, 8].

It is necessary to remember certain limitations when planning integration processes that are a consequence of the sovereignty of the EAEU member states and also the impact on the integration processes from the world community, as well as obstacles to the integration of the business community and the transition to a single financial system [16, 17, 18].

As practice shows, the process of optimizing a single currency area faces the incompatibility of the monetary and currency systems of the EAEU member states [19].

## V. CONCLUSION

The coherent elimination of obstacles in the Union's market, practical cooperation in the areas of economics with integration potential in the EAEU, the use of a fundamentally new methodic to integration processes will further lead to the trade diversification and will contribute to the economic growth of the member states. This will lead to an increase in the capacity of the single market, the formation of a stable and predictable demand for the products of the EAEU.

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