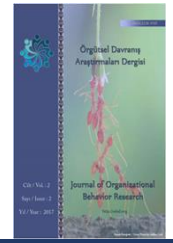




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## THE EAEU POTENTIAL AND THE INTERESTS OF MEMBER-STATES IN COOPERATION TO ENSURE SUSTAINABLE FOREIGN ECONOMIC STRATEGIES

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### ABSTRACT

*The Eurasian Economic Union has been formed by a rapid, retrospective, and at the same time, constant transfer to a qualitatively novel phase of a combination of the post-Soviet space. It is found in the desire to consolidate the potential of regional economies that are structurally different from each other, through the unification or convergence of regulatory principles, the minimization or complete elimination of internal administrative obstacles to do business, and in general, the progress of supranational collaboration. The major goal – achieving synergy – is to balance different high-speed trajectories, stimulate the economic growth of sovereign member countries of the Union, as well as increase their economies competitiveness. This is a unique model of combination that considers the trends towards exemption from comprehensive global norms and long-range conventions that are characteristic of many large economies and major global development trends today. Within the framework of this article, issues of cooperation in transport, logistics, and project areas are considered. The author considers the potential of the Eurasian Economic Union, as well as the interests of its participants in interaction to ensure a stable foreign economic strategy. Special attention is drawn to the need to intensify actions and involve government bodies as well as representatives of the trade sector, and Eurasian development institutions.*

**Keywords:** Organizational behavior, EAEU, Eurasian economic integration, Supranational collaboration.

### INTRODUCTION

The article intends to study the EAEU potential and countries' interests in cooperation to ensure sustainable foreign economy strategies.

The objectives of the study are as follows:

- To determine organizational issues in the context of EAEU cooperation;
- To consider collaboration perspectives in areas including transportation and preparation, project collaboration, and interface regulation;

### MATERIALS AND METHODS

The study was based on the EAEU member statistics available from 2015 to 2020. Public sources including published cooperation metrics of the EAEU countries were analyzed. Forum and conference data were also studied; the author's observation results were used.

A comparative-historical method, regression and visual data analysis, comparison and analogy, empirical data statistical analysis, expert-analytical, and other methods were used.

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## RESULTS AND DISCUSSION

International trade has always been considered as one of the determining factors of the countries member of the Eurasian Economic Union (EAEU) (Zakharochkina *et al.*, 2020). To this day, the highly significant transportation passages and product flows pass through its region. Due to its special geographical location, the Union had a competitive advantage for its States. At the same time, in recent years, various geopolitical conflicts, quite frequent for the modern global political arena, have begun to cause disunity, while the constant redistribution of zones of influence is the fragmentation of the region. As a result, this has led to the formulation of a long-term concentration on short-range advantages and the impossibility of building development and consolidation strategies. However, by now, the EAEU has been able to become a unique platform for the beneficial economic collaboration of its participants, including concerning the initiation and successful implementation of trade and economic initiatives throughout the Union.

Understanding the need to adapt the EAEU to new socio-economic realities prompted the leaders of the participating countries to outline new integration guidelines. As you know, at the end of 2018, the heads of state of the EAEU adopted the Declaration on the further expansion of integration procedures within the Union. Its key provisions opened up opportunities for interaction in such areas as renewable energy sources, nuclear energy, medicine, ecology, tourism, sports, interregional and border cooperation, and industry. Of course, to a certain extent, this has brought its positive results. So, based on the Eurasian Economic Commission (EEC), industrial manufacture throughout the EAEU from 2015 to 2020 increased by 12.2%, involving in the production industry by 13.8%. Simultaneously, producing pharmaceuticals enhanced by 20.1%, and manufacturing electronic and optical goods increased by 12.7%. The highly significant thing is knowledge-intensive directions and growing markets (Container rail transportation in the Eurasian space in 2020, 2021).

In May 2020, the heads of state of the NPP approved the Strategy for the expansion of Eurasian Economic Integration until 2025 (in January 2021, the Decision of the Supreme Eurasian Economic Council No. 12 of 11.12.2020 "On Strategic Directions for the Development of Eurasian Economic Integration until 2025" was published on the legal portal of the EAEU). The strategic directions include common provisions - 330 measures and mechanisms, grouped into 11 system blocks. The strategy has been developed as a step-by-step disclosure of the provisions of the Declaration, and clarifying activities in several areas. The Strategy includes mechanisms for completing the formation of common markets without barriers, restrictions, formulated approaches to the development of new areas of joint investment, innovation, and laid guidelines for the creation of joint production of highly competitive products. These measures are also designed to increase the share of the EAEU in world trade. In the current situation related to the pandemic, the slowdown of the world economy, and new imbalance challenges, there is a need to act together, maximizing all opportunities for integration.

The experience of the Union formulated to date in the context of an almost unprecedented crisis shows the importance of taking relevant measures, as well as expanding integration interaction. The strategy covers all economic areas that are defined by the EAEU Treaty, and each of them is supposed to be further developed taking into account the established law enforcement practice and new global trends. So, for example, it is planned to form a common exchange commodity market of the Union. Despite the active activity of the Customs Union, there remains a fairly



large number of exemptions from the single customs tariff. The Strategy pays much attention to this issue. In addition, the implementation of the Strategy will give an incentive to the development of a unified system for the transit of goods of the EAEU, which will accelerate and increase the transparency of customs operations.

To date, a very strong single market for services has formed. At the same time, one of the goals of the EAEU is to ensure its functioning in more sectors. By 2025, it is planned that a single service market will cover at least 63 sectors. The Strategy provides for the addition to the spectrum of services sectors, which will be transferred following liberalization plans to the single market, as well as the elaboration of the feasibility of harmonizing the regulation of key services sectors in the EAEU states. The functioning of the single market of services will increase business activity and become a priority for the sustainable development of the member countries of the Union.

The implementation of the Strategy will significantly advance the formation of a single financial market and the optimization of the investment climate, as well as an increase in financing of industrial complexes. The formation of common energy markets remains a significant and one of the most sensitive issues in the development of the EAEU - it was also reflected in the document. Especially relevant in the conditions of falling economic activity caused by COVID-19 (Al Badaly *et al.*, 2020), is the promotion of the economic development of the EAEU countries. In addition, the implementation of this direction is presented not only in the development of flexible mechanisms for such development but also in increasing industrial production. In the Strategy, a whole chapter is devoted to this issue. Much attention is paid to the development of the scientific and technical base, to reduce barriers to export development.

A separate block of the Strategy is devoted to institutional transformations, focused on increasing the effectiveness of the Eurasian Economic Commission, improving the effectiveness of the judicial system, and wide involvement of citizens and public associations. This direction has a great role since the degree of trust and support for integration strategies by citizens determines the success of the association. At the same time, they must understand how the EAEU functions, how it affects their lives and how it can affect the processes that are taking place.

This approach suggests that the Strategy has priorities not only of an economic and political nature but also of a social one. Considerable importance is paid to measures of consolidation of citizens of the EAEU member states and improvement of well-being and quality of life. Taking into account the current challenges, the provisions of the Strategy on ensuring the accessibility for citizens of the EAEU states of modern achievements in the field of health care, sports, education, and other areas become even more important. However, the former is of particular importance; free medical care for migrant workers, joint research, initiatives, innovative approaches, and collaborative projects in the treatment, diagnosis, and prevention of infectious diseases.

In general, only the comprehensive implementation of strategic directions will ensure the implementation of the main goals of the Union, as well as the stable development of the EAEU states, based on global trends on innovative approaches of collaboration, as well as digitalization. In addition, close cooperation with the Eurasian Economic Commission, national governments, and financial regulators is especially important for success in the work. The final task of the EAEU is to use the existing potential and achieve significant results, as well as increase current



indicators to achieve an ambitious purpose: the EAEU will be one of the five prominent economies in the world.

Improving integration mechanisms within the EAEU is systemic and complex, which is true for foreign policy as well. Coordinated efforts are taken to conjoin Eurasian integration, the China Initiative (BRI), and the concept of the Great Eurasian Partnership (GEP, Greater Eurasia), which offers a great opportunity for win-win development, strengthen the position of the EAEU member states both in Eurasia and universally.

The Eurasian Economic Commission sets the question and offers its answer to involve the maximum number of participants, to use all available centers of excellence and effective coordination tools (Dadar & Alamatian, 2020; Pepe, 2020).

Taking into account the enormous distances and specific market conditions in which modern China, the APEC countries, the European Union, and the EAEU are developing, it is very important to develop a well-thought-out transport and logistics policy. The most relevant in the specific case of cargo transportation along land routes, which are compiled by China and other Asian countries with destinations in the European part and the EAEU countries (Vartanova, 2018). To date, nearly 50% of the containers from Europe have returned to China empty. These provisions are the determining factors for the development and further development of transit capacity. The EAEU has everything necessary to achieve this goal, which means that the countries of the Union have every chance to ensure stable profitability to domestic transport companies, as well as the use of the relevant infrastructure.

Direct transport between Europe and China has significant potential, as well as prospects for each state, as confirmed by the results for the past 2020. It is worth noting that the crisis conditions associated with the epidemiological situation in the world only stimulated development in this direction. As the world economy recovers from the lifting of major constraints and during the recession, measures must be taken not only to preserve the results achieved but also to increase them. It is worth noting, however, that Europe has not yet formulated any strategic plan for the development of transport and logistics corridors. Despite many efforts to formulate their vision of Europe-Asia interaction in response to the China Initiative, Europeans still do not have equivalent status, as well as a practical-oriented plan of action. This is largely approved by the low efficiency of transport links along the Europe-China route. The measures proposed by partners from China to unite individual centers of economic activity in Eurasia into a single chain, which uses, in particular, the railway network, have not been implemented in practice. To date, barriers to even border crossings remain active. For example, in the European region, freight trains cross borders very slowly, because of the lack of flexibility of control mechanisms (Nikravesch *et al.*, 2020; Hilmola *et al.*, 2021). Simultaneously, China intends to enhance investment in related projects, which is aimed at creating more comfortable conditions for national producers.

Taking into account the prevailing circumstances, the Eurasian Economic Union must take an active and constructive position regarding further infrastructure development and relevant procedures. It is worth noting that some measures in this regard have already been taken by Russian Railways and the Belarusian Railway. In recent years, the latter has been actively working on the renovation of the track and station facilities, the development of loading and unloading operations both on the Belarusian-Polish border (broad-gauge and European standard gauge railways converge here) and in the country as a whole. European Railway



Alliance UTLC ERA – acts as a single Eurasian railway operator. Shareholders on a parity basis are Belarusian, Kazakh, and Russian railways.

As part of common container rail transportation, UTLC ERA implements freight transit from China and Europe and back through the territory of three states. For optimizing the customer service - informing about the details of the supply, the alliance index, a special and indicator of transit rail transportation, was developed. Simultaneously, based on representatives of the managing community, the speed of work at both the government and business levels can be faster (Speech by President of the Republic of Belarus F.G. Lukashenko at the II Forum of International Cooperation «Belt and Road», 2019).

Special attention must be paid to the application of the mechanisms that are supplied by the Strategic Directions for the Development of Eurasian Economic Integration until 2025. The application of priority infrastructure projects will indicate the transport and transit capacity of the EAEU. In turn, the activation of world-class transport hubs will make it possible to minimize logistics costs, integrate international freight standards and develop intelligent transport systems. At the same time, it is especially significant to make sure that the coordinated contribution of all the countries of the Union, certainly in collaboration with key foreign partners, the most important of which is China, as well as variegate finance flows, which will obtain a balanced integration approach and will combine both national priorities and development advantages of the EAEU.

However, success in the development of integrated transport and logistics collaboration throughout the Eurasian region is important to associate not only with certain administrative and infrastructure processes but also with a more universal strategic goal, namely the formation of interregional and trans-regional value chains that correlate with each other according to a novel technological concept. During the past few decades, key centers of economic activity have become much closer to each other in the context of geography, apparently minimizing the distance between Europe and Asia for suppliers, consumers, and related production centers. This was the result of deliberate strategic action, which remains geopolitical. However, the complete integration of regional manufacturing chains and transit channels into trans-regional supply chains does not still exist. As a result of the lack of massive progress and support from the West, the positive "side effect" remains insignificant (Roldan & Perez, 2011).

It should be taken into account that by now there are no long-term trade and economic agreements in the Eurasian region as such, and those that are fragmented, uncoordinated, and not universal, which is aggravated by the crisis condition of the multilateral business system.

In case the EAEU is seeking to expand economic cooperation, give rise to economic development, the elimination of all barrier types should be worked on more effectively. However, when applied to the territory of one state only, this can be compared to eliminating traffic jams at one intersection only in the context of a large city (Drobot & Ivko, 2018).

In May 2018, a comprehensive convention on business and economic collaboration was concluded between China and the EAEU. This document is aimed at creating an institutional and legal framework for improving the effectiveness of collaboration to facilitate access of parties to markets and the implementation of joint projects. The convention indicates the idea of interfacing Eurasian integration and BRIC. One of the priority regions is the launch of a dialogue mechanism between China and the EAEU, for which the Union intends to use the platform of the



Joint Commission provided for in the convention. The first meeting was held at the end of October 2020, as a result of which contact points were identified and subsequently created in some areas, including SPS measures, government procurement, antimonopoly regulation, trade facilitation, customs cooperation, and so on. The next stage should be the addition of a joint pool of integration projects, that is, we are talking about the transition to the format of investment cooperation (Migranyan & Maimina, 2017).

China pays special attention to the investment and project components within the framework of the BRI. The Silk Road Fund and the Asian Infrastructure Investment Bank were established for targeted funding. Sub-funds are being established to finance regional programs, involving local entities and the private sector. At the same time, the EAEU, first of all, should count on its strength. The issue of enhancing the investment component remains a priority.

Strengthening Eurasian development institutions is needed for this. They are designed to become a real integration driver within the Union and a tool to promote Union initiatives in the region. It would also be useful to attract major public and private corporations, companies, and investment funds. In turn, joint project co-funding by the BRIC and EAEU financial institutions will have a certain positive impact on implementing the concept of the junction.

## CONCLUSION

Summing up the results of the study, it can be concluded that if within the framework of the Eurasian Economic Union it turned out to find relevant buds of further systemic activity in the East, then the collaboration on the European track has not yet gained clear boundaries. Since its founding, the EAEU has made it clear the full importance of the dialogue, which will strengthen and consolidate many conventions in the format of a framework document. It is expected that this will fill the legal and organizational vacuum on the western track and organically supplement the existing agreements that have been concluded with Asian partners. Unfortunately, for the most part, all the activities of the Union depend almost entirely on the political situation and are limited to conditional consultations on certain regulatory issues, which, are not in the interests of economic actors. The EU stays one of the general trading partners of the EAEU, as well as the leader of investment cooperation: approximately 70% of all foreign direct investment belongs to it. The EAEU and the EU have a lot in common. To a certain extent, the Eurasian Economic Commission performs similar functions to the European Commission. The EAEU is guided not only by European experience but also by the experience of other associations - ASEAN, MERCOSUR, and others. Experts of the Union in 2020 conducted a special study on the level of integration in key world associations and build the logic of the development of the EAEU taking into account the best experience. The main conclusion for today - the Eurasian integration project can be stated as having taken place, which means that key forces can be directed to effective collaboration.

So, for example, the interface between the integration processes of the EAEU and the SCO, as well as China's initiatives to develop the transport infrastructure of the defense industry should develop in the spirit of intergovernmental responsibility, taking into account the interests of Russia. It is in Russia's interests to use its transit potential and develop land routes.

The creation of the Great Eurasian Partnership will require the reconfiguration and formation of its institutional structure. At the same time, some aspects of cooperation between the



participants of the Eurasian Partnership can be implemented through negotiations on trade agreements between the EAEU and individual states.

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