

ANALYSIS OF INTERNATIONAL ECONOMIC RELATIONS IN THE EURASIAN AREA

Basile Sekongo

Peoples' Friendship University of Russia
Faculty of Economics, Department of Economics and International relations
St. Miklukho-Maklaya, 6. Russia, 117198, Moscow
E-mail: nahouabasilesekongo@yahoo.fr

***Abstract:** The presented article is devoted to the analysis of existing international economic relations in the Eurasian area. Amid ongoing processes of globalization and regionalization, the states of Eurasia are intensifying their participation in regional mechanisms of interstate interaction. That contribute to stimulating exports, removing barriers and restrictions. Today, a conceptual framework is being actively formed in Eurasia, which allows researchers to develop the creation of a new format of economic interaction that overcomes old contradictions and is able to bring the states of the Eurasian area to the latest level of economic and political development. The formation of the EAEU (Eurasian Economic Union) opens up new prospects for multilateral economic cooperation in the Eurasian area. Integration in the Eurasian area could give a powerful impetus to the formation of Greater Eurasia. Researchers talk not only about cooperation between the EAEU and the EU, but also about cooperation with the SCO (Shanghai cooperation organization), ASEAN (Association of Southeast Asian Nations), and integration with the Chinese initiative of the new silk road.*

***Key words:** International Economic Relations, Eurasia, EAEU, SCO, integration, globalization, economic partnership.*

***JEL codes:** F5, F6, O2*

1. Introduction

Integration processes in the world are rapidly gaining momentum – currently, there are about 600 integration groups in the world. International integration is an objective, informed and directed process of economic cooperation between countries, the gradual rapprochement, mutual adaptation and coalescence of national economic systems with the potential for self-regulation and self-development. Against the background of ongoing processes of globalization and regionalization, the Eurasian countries are intensifying their participation in regional

mechanisms of interstate interaction of an economic nature that contribute to stimulating exports and removing barriers and restrictions.

Today, a conceptual framework is being actively formed in Eurasia, which allows us, researchers to develop the creation of a new format of economic interaction that overcomes old contradictions and can bring the states of the continent to the latest level of economic and political development. The formation of the EAEU opens up new prospects for multilateral economic cooperation in the Eurasian space. Integration in the Eurasian space could give a powerful impetus to the formation of Greater Eurasia. We are talking not only about cooperation between the EAEU and the EU but also about cooperation with the SCO, ASEAN and integration with the Chinese initiative of the new Silk Road.

The goal of the paper is to reveal the impact of the economic, political cooperation on the Eurasian states within the framework of globalization. Also give a review on the outlook of the Eurasian area development which will bring the states of the region latest level of economic political development

2. Methodology and Data

The writing of this paper was based on analysis a criticism of existing literature on the subject. To better achieve our goals, we have written the article in 2 parts (chapters 3 and 5). The perspective of development of the Eurasian economic union is to make a “Greater Eurasian” partnership by creating multilateral economic partnerships: EAEU-SEMI, EAEU-SCO and at long term EAEU-SCO-ACEAN. The forecast show that the partnership between the Eurasian states and EU will increase the EU export to the Eurasian states by 60% growth. The Shanghai cooperation organization built one of the largest regional cooperation systems in the world with an emphasis on guarantying political and stability, security, expanding economic cooperation joint development and prosperity of the peoples of the organization.

The study allows us to make to say that the Eurasian economic union (EAEU), and the Shanghai Cooperation organization (SCO) play a key role in the Eurasian area integration, bring economic, political stability and security in the region.

3. The Essence of Eurasian Economic Union and outlook of is development

The Eurasian Economic Union as a regional integration association was created to reduce trade costs, increase productivity and competitiveness of countries in this international arena. It is important to build an economic partnership in Eurasia thoughtfully and gradually, at each stage

assessing all the opportunities and risks, correlating with the norms of international law and cooperation practices in the framework of other formats of economic cooperation between states.

The first step towards the Greater Eurasian Partnership was the EAEU-SEMI multilateral economic partnership, the optimal second level is the partnership in the EAEU-SCO format, and the EAEU-SCO-ASEAN may become the third. Moreover, the SCO (with its transformation from a regional to a diversified organization and the active joint efforts of its members), in our opinion, is the most optimal platform for creating the Community of Greater Eurasia and can play a key role in this process. Using this organization with an existing institutional framework (subject to its development) seems more convenient than creating a new structure.

In the near future, in addition to the movement towards Greater Eurasia and the deepening of the Asian rotation, it is also important for the EAEU states to form a new conceptual basis for interaction with another third-party partner - Europe. It is important to start building integration in this direction from the advice of union's Expert Forum of Eurasian development. In this direction, the dialogue formats of the EAEU - EU, SCO - EU are seen as effective.

Today in Eurasia, the institutional framework is being actively formed to create a new format of economic interaction that overcomes old contradictions and is able to bring the states of the Eurasian area to the latest level of economic and political development.

It is a comprehensive assessment of trade integration that will help lay a solid foundation for future transformations within the EAEU and, relying on the formed economic base not only within the framework of bilateral relations and cooperation of the participating countries with the Russian Federation but also among themselves, will allow them to move up the integration ladder. When negotiating on specific issues of cooperation within the EAEU, it is necessary to take into account the factors influencing the development of integration, and especially decision-making mechanism.

2019, has been 5 years since the signing of the Eurasian Economic Union, which unites Russia, Kazakhstan, Belarus, Kyrgyzstan and Armenia. The Union is actively developing international relations with states from all over the world. During its operation, the EAEU has proved its worth, success has been achieved in many areas. Over the past five years, the most impressive results have been achieved on the outer track of the Union's activities including - an agreement with Vietnam, Iran, Singapore, Serbia on the Free Trade Zone (FTA). Negotiations on the FTA with Egypt, India and Israel are currently underway.

The EAEU is an Economic Union, for the member countries of the Union there is no alternative to the EAEU in the Eurasian space. “Today in the world there are about 50 regional economic associations”. This is a global trend that began in the middle of the 20th century, and this movement shows that there is not an alternative. All countries recognize that working together is easier to overcome difficulties and create more comfortable conditions for both their citizens and business. Another tendency is the fact that regional economic associations conduct dialogue among themselves on cooperation.

4. Results and Discussion

The structure of trade between the member countries of the Eurasian Economic Union has a raw material direction and approximately corresponds to the structure of trade in regional integration groups of developing countries. This structure of commodity circulation reduces the level of complementarity of the economies of member. Countries, also reduce economic interest in each other, and often even turns them into competitors in the struggle for the same product markets. The structural problems of the commodity circulation of the Union countries are the result of their low level of technical and economic development, which leads to a decrease in the level of competitiveness of these countries in the world market.

One of the key barriers is the underestimation of the factor of Eurasian integration in the development of national trade policies of the Union countries. Member states still prefer to focus on building their own trade relations with external (with respect to the EAEU) partners, perceiving participation in Eurasian integration not as a significant opportunity to build up their own export and industrial potential, but only as one of the vectors of foreign trade policy.

The formation of an effective economy of the Union based on the principle of “four freedoms” (free movement of goods, services, capital and people) requires a constant search for mutually beneficial ways to develop external relations. Currently, the EAEU's international relations are being built in four main formats: agreements on a free trade zone (FTA), non-preferential trade agreements, memorandums of cooperation with third countries and international organizations as well as interactions with observer states (Republic of Moldova). In particular, the EAEU foreign economic policy on the formation of an FTA is coordinated at the highest supranational level.

The priority of interaction is given to six countries with which the EAEU intends to form free trade zones: Iran, Israel, Singapore, Serbia, India and Egypt. In general, more than 40 countries showed interest in various formats of cooperation with the Eurasian Economic

Commission (EEC). Memoranda have been signed with some of them and joint research groups (CIGs) are working.

The state of the EAEU's international cooperation, expanding to the eastern, southeastern and southern directions is characterized by the desire to create a network of free trade zones and agreements on trade and economic cooperation, as well as to combine the Union's logistics and infrastructure systems with the Chinese (one belt, one way) OPOR initiative and the North Indian international transport corridor project "South." In October 2016 The Free Trade Area Agreement between the EAEU and the Socialist Republic of Vietnam entered into force. In May 2018 an Interim FTA Agreement was concluded between the EAEU and the Islamic Republic of Iran.

In May 2018 the EAEU and China signed an Agreement on trade and economic cooperation, which is non-preferential and does not imply a reduction in customs rates. The movement in this direction logically develops the Declaration on the pairing of the EAEU and the Chinese SREB initiative (China's Silk Road Economic Belt), adopted in 2015.

Foreign economic dialogues in the western direction continue to develop. Forecasts show that the economic benefits from the free trade zone between the EU and the EAEU (in the future, with other CIS countries) will be significant. With a high probability there will be a significant increase in exports from the EAEU to the EU. In particular, in the event of the conclusion of a full-scale free trade agreement, the expected increase in EU exports to the EAEU is projected to grow by almost 60%. The increase in exports will lead to a significant increase in real income.

The EU member states in Eastern Europe are also expected real income growth at the level of 1.2 to 1.8%. The World Trade Organization (WTO) is the most important institutional partner of the EAEU and the main reference organization in the field of liberalization of international trade.

The Union pursues a unified foreign trade policy, within the framework of which unified measures of customs and tariff and non-tariff regulation are applied, as well as measures to protect the domestic market (special protective, antidumping and countervailing measures). In order to promote cooperative products on international markets within the Union, work is underway to create an export support system, including laying the foundation for interaction between national export credit agencies of member states.

As part of the foreign trade policy, the functioning and implementation of the signed FTA Agreement with the Republic of Vietnam is ensured. At the same time, cooperation between

the EAEU and Vietnam continues to develop, including in the direction of interaction between customs authorities, as well as electronic information exchange.

Improving the structure of trade implies diversification of the structure of exports and an increase in the share of non-resource exports. Today, integration in the sphere of foreign trade within the framework of the EAEU is at a rather advanced stage. The objectives of the trade policy regarding the liberalization of instruments of foreign trade regulation in mutual trade have been completed. The application of common instruments of foreign economic regulation in relation to third countries is ensured. In 2014, these agreements were codified and fixed in the EAEU Treaty.

The main efforts regarding the implementation of the EAEU foreign trade policy are today brought to the “Outer contour” and are aimed at building effective trade relations with external partners and providing the Union exporters with preferential conditions for access to third-country markets under free trade agreements and agreements on trade and economic cooperation.

Today, the EEC has received about 40 proposals to deepen trade and economic cooperation. In 2015 a free trade agreement was concluded between the EAEU and its member states, on the one hand, and Vietnam, on the other hand, in May 2018. - An interim agreement with Iran, leading to the formation of a free trade zone. Among the relevant issues are negotiations on the creation of a free trade zone with Israel, India, Serbia, Singapore and Egypt. In addition, in 2017. A non-preferential agreement on trade and economic cooperation was signed with China.

In the sphere of the economy of the state, they pursue a policy aimed at strengthening their own economic potential and are trying to implement long-term development strategies. In trade, all countries have come to understand that world trade should be based on the principles of transparency and non-discrimination, based on rules common to all participants. The main principles are the openness of the global economy and the versatility of the trading system.

On May 14-15, 2017, the One Belt, One Way Forum for International Cooperation was held in Beijing (China), following the results of the heads of state, they announced their implementation, including by coordinating international, regional and national projects focused on cooperation with a view to ensuring sustainable development based on the principles of mutual respect, equality and mutual benefit. The cooperation programs of customs services for 2016-2021, as well as other documents in the customs sphere, aimed at simplifying mutual trade and economic development within the SCO.

5. Shanghai Cooperation Organization (SCO) rule in the Eurasian region integration

Here are a few examples of bilateral cooperation between the Russian Federation and the People's Republic of China. To start, the interaction in the field of agriculture. This problem is solved through bilateral agreements with Russia, since its territory, firstly, is almost twice as large, and secondly, it is very beneficial for itself. As for the positive trend of energy cooperation, China is the largest importer of oil, which in June 2017 first overtook the United States and took first place in the world the daily volume of 8.79 million barrels and monthly - 36.11 million tons of crude oil. The demand for resources is growing every year. The most striking and largest in the history of gas transactions is the contract of Gazprom and CNPC in 2015 for the supply of gas from Russia to China, the cost of which is \$ 400 billion.

And the latest example is cooperation in the field of nanotechnology development. The Russian Federation is appreciated by China for its innovative space research and atomic research, while Russian specialists are interested, in turn, in Chinese markets, mainly the opening of joint research centers and bases. Recently, the SCO organization has become increasingly attractive to other countries, hence the growing number of those who want to join it or simply make statements on the status of observers.

The SCO has built one of the world's largest regional cooperation systems with an emphasis on guaranteeing political stability, strengthening security, expanding economic cooperation, joint development and prosperity of the peoples of the organization. In the face of constant changes and transformations in world politics and economics, the member countries of the Shanghai Organization recognize and implement a more equitable, polycentric world order that meets the interests of all states. In 2015, the heads of the SCO member states adopted and signed the SCO Development Strategy until 2025. Taking into account all forecasts of possible negative circumstances, it identifies new benchmarks in global and regional development. The SCO region is characterized by political, economic and social problems. In view of this, political and economic stabilization in this region, along with solving other problems, is the SCO's top priority, which requires a joint, integrated approach to the development of the organization and concentration of efforts in several key areas of cooperation at once.

Establishing the organization, the countries proclaimed the goal of creating in the economic sphere of the SCO member countries conditions for the free movement of capital, services, and investments. In fact, it was about full economic integration. In addition, the SCO

is an open organization, therefore, the economic partnership provides for the participation of other countries and associations. The organization's policy leads to the common benefit for all participating countries to stimulate regional investments, as they reduce the cost of production and trade costs, moreover, it is an opportunity to form a division of labor at the sub regional level, as well as combine the structure of regional industry with resources. The construction of the SCO free economic zone is a key element in promoting regional economic cooperation between China, Russia and the countries of Central Asia. They are concentrating on projects related to the development of infrastructure, transport, energy, communications, and are seeking new forms and methods of regional economic interaction. This contributes to the steady growth of mutual accumulated investments of the SCO member states.

6. Conclusions

At the beginning of the 21st century, integration processes are gaining popularity, more and more countries are joining their economies, processes of convergence and interpenetration of national economies of several countries are ongoing, aimed at creating a single economic organism. The importance of Eurasia is given by the fact that the region, its special geopolitical position, energy potential, the status of the crossroads of world transport routes connecting the North and South, West and East, allows you to develop and monitor various communications that are in the focus of interests of regional and non-regional states. The EAEU provides regional economic integration and has international legal personality. With the formation of a post-bipolar world order system, there is a tendency to move the center of economic and political activity from West to East, from developed to developing regions, the role of new regional unions with the potential to turn into "poles" or "centers of power" is growing. In this regard, interest in the Eurasian space connecting Western Europe with the new economic center in the Asia-Pacific region is growing.

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