

The Role of the EAEU Integration Cooperation in the Russian Federation National Economic Security

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Abstract—The article covers the correlation between EAEU internal cooperation and Russian national economic security. The main hypothesis of the article is that productive cooperation within the Union is a key factor in strengthening Russian national economic security. The author has developed an inclusiveness index, allowing to estimate whether the EAEU is an effective mechanism for promoting Russian economic security or not. The recommendations given in this article are of a complex character and mostly aimed at integration improvement and strengthening its international position. The novelty and the scientific significance of the paper comprise the index development, and the new approach to the analysis of the Russian national economic security through the research of its participation in the EAEU.

Keywords—national economic security; the Russian Federation; EAEU; cooperation; barriers

I. INTRODUCTION

The problem of timely and effective ensuring of national security for the Russian Federation is more urgent than ever. The formation of a new polycentric world order is accompanied by an increase in global and regional turbulence. The contradictions connected with the unevenness of global development, the deepening of the gap between levels of well-being of countries, the struggle for resources, access to markets and control over transport routes, are becoming more acute. The instability of the world economy and its pre-crisis state, as well as the use of restrictive economic measures, imposed by a number of countries against the Russian Federation as part of the implementation of the containment policy, exacerbates the issues of preserving Russia's competitive geo-economic position and its further development as a sovereign integral state.

There are no fully self-sufficient states in the world. Therefore, the security of a state cannot be analyzed in isolation from the security of others. To some extent, all of them interact, relying on their own potential, their strong components and specifics. In particular, such cooperation is manifested in regional partnerships. One such partnership is the EAEU, the attitude to which is contradictory.

Critics of this interregional partnership assess the EAEU member's interaction as destructive for their national security. Some of them consider the EAEU a political project created to

strengthen Russia's hegemony in the CIS region, and say that Russian regional hegemony has been consolidated domestically, and has begun outward expansion through the EAEU as its institutional mechanism [1]. Their opinion is supplemented by those who believe that the main goal of national security efforts is its state sovereignty, which implies political independence and self-government of its internal and external affairs, as well as freedom of independent decision-making in international relations. And who sees the problem in limiting sovereignty when states join international organizations, like EAEU, which is not always in the national interests of these states [2].

At the same time, there are those who are convinced that integrated interaction of the parties of the Eurasian Economic Union is a factor in ensuring their national economic security. They prove this statement by analyzing the regulatory framework, such as the national security concepts and strategies of the Eurasian integration countries, as well as The Treaty on the EAEU [3].

The article is devoted to determining the main barriers for tighter cooperation and developing recommendations for further economic collaboration between member countries, in particular in the context of strengthening Russian national economic security. The author has analyzed the trade and investment dynamic and forecasted the future progress of integration in order to develop a system of recommendations, providing synergistic effect on the economic development and national security.

II. METHODOLOGY

The hypothesis of the article is that the productive cooperation within the Union is a key factor in strengthening Russian national economic security. In order to prove it, the author refers to the analysis of the strengths and weaknesses of the EAEU in the key spheres of interest for Russia. These spheres arise from the national security strategy of the country and are revealed in the context of their implementation in the cooperation tracks with other Union countries.

The assessment of the possibilities, provided by the EAEU for Russia in fulfilling its national security goals are assessed statistically on the base of the synergistic effect estimation, developed by the author (1):

$$SE = (\Delta ATR/\Delta UTR + \Delta AFDI/\Delta UFDI) / 2 \quad (1),$$

where *SE* is the synergistic effect, *ATR* is the average rate of trade growth with all other countries (except for EAEU) for non-hydrocarbon exports, *UTR* is the average trade rate growth with the EAEU countries for non-hydrocarbon exports, *AFDI* is the foreign direct investment (FDI) growth rate with all partners (except EAEU counteragents), *UFDI* is the growth rate of FDI with the EAEU partners. The index value may vary:

- <1 – EAEU does not contribute to the economic security of Russia.
- >1 – EAEU is an effective mechanism for promoting economic security as a part of Russian national security.

The indicators of trade and foreign direct investments were chosen as one of the key elements of economic security in accordance with Article 55 of the National security strategy of Russia, adopted in 2015 [4].

In order to provide a forecast of the cooperation progress with the EAEU in the sphere, the author has developed a forecast for the components of the index and counted the estimated values of *SE* for the period up to 2023. The forecast was made using the method of fewest squares, with time and its variations as exogenous variables (the polynomials of higher degrees were avoided).

After pinpointing the key problems of cooperation, the author develops recommendations for further enhancement of the interactions between the countries.

III. ANALYSIS OF RUSSIAN ECONOMIC SECURITY IN THE CONTEXT OF THE EAEU COOPERATION

It is necessary to give a brief analysis of the current state of Russian national security, and also weaknesses of the EAEU in the key spheres of interest for Russian national security.

The state of the Russian Federation's national security is difficult to assess during the growth and worsening of global economic imbalances, increasing the degree of political and ideological confrontation between the leading states and the sharp deterioration of its external development conditions. However, Russia is highly interested in the development of mutually beneficial, fair and equitable trade and economic cooperation with foreign partners. Being a responsible participant in the multilateral trading system and having an open economy Russia aims to acquire as many equal partners all over the world as possible.

In order to strengthen economic security, Russia has to move away from the export-raw-material model of development. For achieving this purpose, it is advisable to intensify trade relations with its integration partners. Article 91 of the abovementioned National security strategy declares, the Russian Federation is furthering its aim to ensure the free movement of goods, services, capital and labor resources and the implementation of joint infrastructure and investment projects (within the Union's members) [4].

For the moment, foreign trade is running a surplus (exports exceed imports almost twice). But the fundamental problem for the Union is that Russia is the main driver of cooperation. Furthermore, the contribution of Armenia and Kyrgyzstan is

very low. In addition, the Union over-dependent on machinery, equipment, vehicles and industrial chemicals imported from the EU (39.8%), China (24.1%), USA (5.5%), Japan (3.7%) and South Korea (3.1%) [5]. This is especially relevant, taking into account that some of those currently have Russia under various types of sanction. Last but not least is the fact that the lion share in trade statistics still belongs to mineral products (that is why it was excluded from the analysis).

Fig. 1 demonstrates the export data for non-hydrocarbon goods with all other countries (except EAEU's members) and within the EAEU's members. It also shows the key issue in trade development between the member countries – the volume of mutual trade within the Union is extremely low.

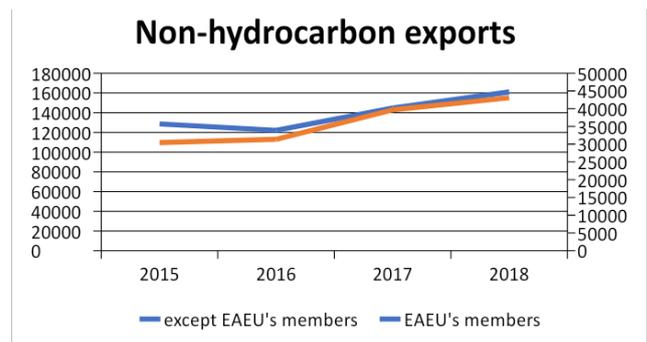


Fig. 1. Export statistics (developed by the author) [5].

Concerning FDI, they are received by all members of the Union in different proportions except Russia. Russia is the only country member who accumulates investments from the rest of the world and who is the main investor of the mutual FDI in the EAEU. A similar situation was in Kazakhstan until the 2017. Only the Republic of Belarus diversifies geography of incoming FDI. As a whole, the tendency is analogical – the volume of FDI within the Union is extremely low.

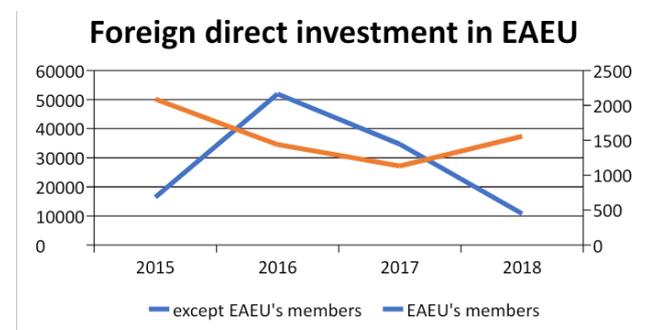


Fig. 2. FDI statistics (developed by the author) [5].

At present, the Union's potential has to be fully realised. There are still many barriers, restrictions, financial losses (in particular for Russia) and lack of conditions for the harmonization of national legislations in order to enhance the economic potential of the EAEU. Furthermore, failure is mainly predetermined by Russia's current geopolitical state and ambitions. Russian economic, military and political power causes distrust from others and is regarded as an unequal partnership [5]. That is why for today, the Union is gradually

losing its effectiveness, and thus it threatens Russian national economic security, which the calculated index proves.

IV. DISCUSSION

Table 1 presents the calculated SE and its forecast up to 2023.

TABLE I. SYNERGISTIC EFFECT FOR THE EAEU COUNTRIES
(CALCULATED BY THE AUTHOR, BASED ON [6])

Year	2016	2017	2018	2019	2020	2021	2022	2023
SE	2.76	0.89	0.63	0.52	-8.35	1.28	1.15	1.13

The results of the modeling show the following: the highest SE of cooperation was achieved in 2016. This could be explained by geographical expansion of the Union, precisely by the accession of the Armenian and Kyrgyz Republics in 2015 and the rise of business activity. Exactly at that moment Russian cooperation with other neighbors in the integration was productive for its economic security.

This indicator has since begun to wane dramatically. The greatest concern is the negative value of the index in the forecast for 2020. It could be explained by the deterioration of the global economic situation in general, the pre-crisis state of the world economy and the economic downturn. Obviously, this puts Russian economic security at risk. Perhaps, it will result in tighter cooperation with Union partners as a measure of addressing the threats, which the forecast shows.

The conducted statistical analysis enables us to give some recommendations for Russia on better cooperation with the EAEU in the sphere of national economic security:

- Ensuring a stable business environment for investors: it is necessary to create a favorable investment climate for activating business activity in the Eurasian space. It is worth paying attention to the quality of cash flows contributing to their involvement in the development and implementation of promising technologies, and protecting the economy from speculative and round-tripping [7] capital.
- Increasing the role of national currencies in trade: it is worth raising the question of using national currencies in trade between the EAEU members. Nowadays, the dedollarization of relations is a crucial factor of confronting threats from the USA, it is hegemony and desire to dominate. Perhaps, the next step of creating a common financial infrastructure could be the implementation of transnational digital currency, the conditions of the circulation of which has already been created. Such a currency could reduce exchange rate risks and some regulatory barriers (current trade wars and international sanctions), could speed up the transactions and turnover, and reduce costs significantly.
- Implementing digital technologies, such as blockchain: it is necessary not only for transnational digital currency creation but also for being ready to a new technological paradigm [8].
- Moving from the model of catch-up development to an innovative one: it is proposed to establish joint research centres and / or multinational transnational

corporations with public involvement in the development, production and export of high-tech industrial products and technologies in innovative breakthrough areas;

- Creating a new financial circuit by reserving goods with internal values: it is offered to identify a number of natural products with timeless common demand, the strategic stock of which could remain a competitive advantage of the Union and ensure its financial security (similar to the CRB index basket).

It is worth noting that proposed measures could be used and put into practice not only in the EAEU but also by every country member, especially Russia, to guarantee its national security.

V. CONCLUSION

The Eurasian Economic Union is a young and developing integration project, which is at the initial stages of development. Despite the created perspective spaces, such as the Eurasian Economic Space and the Eurasian Customs Union, the overall economic effects for the members are quite low.

According to the author, to strengthen the power of the Union, it is necessary to develop such spheres as non-hydrocarbon trade and investments. These spheres provide the main opportunities for further enhancement of cooperation, as well as the reinforcement of national economic security.

The Russian Federation is a big country with great opportunities. But speaking of integration relations, it should not be a hegemon. It must be an equal economic partner which cares about its national security and that is why it is best enhanced by harmonizing key spheres of cooperation.

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