

ORIGINAL PAPER



DOI: 10.26794/2220-6469-2022-16-3-20-36
UDC 334(045)
JEL F02

The Eurasian Economic Union: Today and Tomorrow

M.V. Myasnikovich

National Academy of Sciences of Belarus, Minsk, Belarus

ABSTRACT

The Eurasian Economic Union States should strengthen their sovereignty within the EAEU through the complementary specialization of economies, cooperative ties in knowledge-intensive industries and economic sectors around the entire economic cycle. However, the Eurasian integration needs a new impetus. The period having passed since the EAEU creation imposed a necessity to qualitatively revise what has been done, to frankly state that a whole range of the Treaty's provisions was not fulfilled as well as to formulate and propose specific mechanisms for further implementation of its provisions, to outline new integration horizons, to adopt appropriate decisions and to start acting. The article provides an idea of where the Eurasian integration is currently moving. It offers an overview of the Strategic Directions for Developing the Eurasian Economic Integration until 2025, the document that embodies the transition from the shaping stage (2015–2019) to the project integration stage (2020–2025). The new stage's essence is about ensuring conditions for the specific joint economic projects at both interstate and individual economic entity level. The article mentions what has already been accomplished in this direction and what lies ahead. It reflects the integration's impact on the participating countries' economies: both existing and forecast one. Furthermore, it touches upon the issue of dedollarizing the Union countries' mutual trade, digitalization, the EAEU international cooperation as well as global economic risks and ways to overcome those through integration cooperation. In conclusion, the article proposes new principles of the integration association's work.

Keywords: EAEU; Strategy-2025; Eurasian integration; dedollarization; EAEU Member States; Greater Eurasian Partnership; globalization; economic development; digitalization

For citation: Myasnikovich M.V. The Eurasian Economic Union: Today and tomorrow. *The World of the New Economy*. 2022;16(3):20–36. DOI: 10.26794/2220-6469-2022-16-3-20-36

SCIENTIFIC AND PRACTICAL FOUNDATIONS OF EURASIAN INTEGRATION

At the meeting of the Supreme Eurasian Economic Commission in Bishkek on 27 May 2022, the heads of State of the Eurasian Economic Union (EAEU), which includes the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation, decided to approve 29 May as the Day of the Eurasian Economic. This date was chosen not by accident. On 29 May 2014, the Treaty on the Eurasian Economic Union of Belarus, Kazakhstan and Russia was signed, which was later joined by Armenia and Kyrgyzstan. Decision — is not only a tribute to the significant date of the creation of the economic

union, but also the consolidation of its status and the assessment of its viability.

On the one hand, has come a long way in integration construction. Many activities are carried out by reading reports on the implementation of adopted documents and plans, the results obtained. Official representatives of the Eurasian Economic Commission and EAEU Member States regularly announce relevant achievements. Not without criticism, based on the expectation of greater efficiency, or — for existing omissions.¹

Today's dynamically changing world requires much more flexibility and mobility, innovative approaches and ideas [1]. It is expected that

¹ Official website of the Eurasian Economic Commission. URL: <https://eec.eaeunion.org/>



the Eurasian Economic Union should not only form an appropriate agenda, but also somehow transform the style of its work, expand the range of activities, impress with large-scale initiatives and projects.

However, there is no active discussion of these issues [2]. And this should not be blamed on the Eurasian Economic Commission, which in its present status only implements the decisions of Member States. The Member States themselves, primarily their scientific community, which is always and everywhere the initiator of all changes, the engine of the resulting proposals, should develop the relevant request and proposal.

Most world and integration associations have the status of a free trade area or are in the process of forming a Custom Union.

Only MERCOSUR, the EU and the post-Soviet countries have achieved the highest level of integration [Free-Trade Zone, Custom Union, Common Economic Space and Eurasian Economic Union (FTZ, CU, CES and EAEU)].

Formation of the Eurasian Economic Union (EAEU) is a logical continuation of the integration process within the CU and CES. Principles of functioning of CU, CES and EAEU determine almost the whole system of measures and mechanisms for realization of goals and tasks at the stages of their creation.

The Eurasian Economic Union is based on concerted action in key economic areas — macroeconomics, competition rules, technical regulations, etc. This allows creating a common economic space, a common market of goods, balanced budget and currency policy, common approaches in the sphere of foreign policy.²

The minimum set of functions required for the effective functioning of the Union delegated to the supranational level within the Common Economic Space has already been effectively transferred. Supranational authority — the Eurasian Economic Commission, which replaced the Customs Union Commission in 2012 —

already has the authority to take decisions on 180 functions of state regulation.

Of particular importance is the delegation of trade policy functions to the supranational authorities of the Union, including the introduction of a common customs tariff and adoption of protective measures; technical regulation and phytosanitary control; implementation of antimonopoly policy; customs and trade statistics; unification of customs and tax legislation, trade regime and trade negotiations with external partners. This contributes to the creation of an integrated and efficient of regulation of foreign trade activities on the territory of the Union [3].

At the same time, issues such as border security with neighbors, national defense, external energy relations, justice and internal affairs, social policy, labour regulation, monetary and exchange rate policy, are in exclusive authority of national authorities. In addition, the standard setting of initiatives and the implementation of norms adopted by the Eurasian Economic Commission (EEC) also remain the responsibility of national governments.

As a result, in accordance with the existing treaty and legal framework, EEC develops regulation through international agreements. This determines the nature of its work as supranational authority on the form of decisions, and interstate — on the procedures for their development and implementation.

Post-Soviet countries are particularly sensitive to the transfer of recently acquired sovereignty to the supranational level. The most important task today, therefore, is harmoniously combine elements of an intergovernmental and supranational nature.

The combination of regulatory areas devolved to the supranational level and remaining in national jurisdictions presents many complex issues that remain to be solved. In the meantime, the insufficient development of inter-State institutions leads to the process of harmonizing national interests returning to the bilateral level, which is — threat of integration. If a

² Economic indicators. Statistics of the Eurasian Economic Union. 2021. URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/econstat/Documents/I-IV_quarter_2021.pdf

balance is achieved between supranational executive authorities and inter-State institutions, compromises between Member States are possible for most legislative initiatives. This will address the issue of bilateral discussion of critical issues.

The EAEU Treaty, signed in 2014, is comprehensive: Member States were able to agree at once on full integration across a wide range of issues. It gave a strong impetus to the development of integration, and the proposed paradigm of cooperation proved its worth. However, the Treaty's "kinetic energy" dried up. Countries began to use tools and subsequent agreements to strengthen their economic sovereignty. There are national interests arose, recent attempts to "national lobbying" on the EEC platform, statements about "prematurity of these or other steps". Meanwhile, fears are groundless. Threats and challenges lie not in strengthening the integration component, but in the lack of competitiveness of individual economies.

Insufficient understanding of the need for accelerated modernization of the material sphere of economies on the basis the principles of complementary specialization of real sectors the economies EAEU Member States raises concern. There is an opinion about more successful integration in the financial sector of the EAEU than in industry.

Financial stabilization is important, of course, but it is not feasible in the case of macroeconomic and enterprise finance problems, as they be.

Integration into EAEU needs a new "charge". Full economic self-sufficiency of Member States is possible only within the Union — it is a fact. The sovereignty of Member States should be strengthened within the framework of the Union through complementary specialization of economies, cooperation in technology-intensive industries and the full economic cycle.

With the passing of time, since the establishment of the Eurasian Economic Union, it became clear that it was necessary to conduct a qualitative audit of the work done, and frankly

to note that a number of the Treaty's positions were not implemented, and formulate and propose specific mechanisms for the further implementation of its provisions, define new integration horizons, take appropriate decisions and take action. The Commission, together with the Governments of Member States, was requested to develop Strategic Directions for the Development of Integration until 2025 (further — Strategy-2025, Strategy) [4].

In 2019, despite the deadline, the Strategy-2025 was not developed. Reasons are many. The main ones are: the unwillingness of the governments of the EAEU Member States to deepen integration more than defined by the EAEU Treaty, as well as the uncertainty of the Union's goals for the future. Of course, these issues are not far-fetched, although, except for the provisions of the EAEU Treaty, in 2018 the Heads of Member States adopted the Declaration "On the Further Development of Integration Processes within the EAEU" which, in essence, was a technical task for the development of the Strategy-2025.

The global economic crisis caused by the pandemic of new coronavirus infection has had a significant impact on the economies of all regions of the world. In 2020, the spread of the virus caused disruption of global supply chains, instability in financial markets, had a negative impact on key sectors of the economy. Measures implemented of social isolation have led to a decline in employment and consumer demand as a result of the decline in real disposable income of the population. Financial market panic and declining commodity prices resulted in significant economic losses. As a result of the widespread introduction of active quarantine measures, economies at different levels of development are experiencing a sharp recession.

Despite this, the EEC Board made serious efforts in 2020 to develop and submit to the heads of the EAEU Member States the project Strategy-2025. Pessimists told the management of the EEC Board that now the main thing — is to minimize the impact of the pandemic, not the Strategy. At the same time, the cohesion of

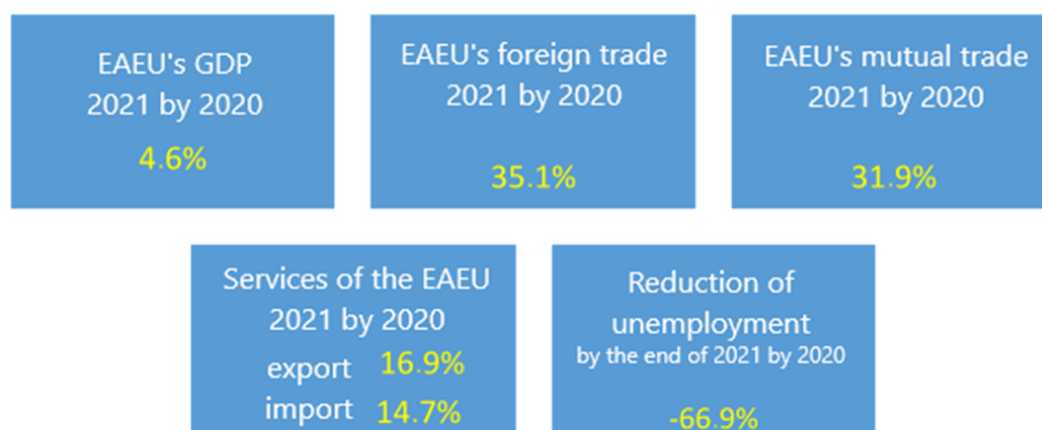


Fig. 1. The main socio-economic indicators of the EAEU activity

Source: compiled by the author.

the EAEU Member States in the fight against COVID-19 really showed its solvency, and the EAEU demonstrated more successful work during the pandemic than isolated actions of different countries. In December 2020, for the second time, the Strategy-2025 was approved by the Supreme Eurasian Economic Council.

STRATEGY-2025

Development of Eurasian economic integration until 2025 is focused on strategic planning in EAEU. The EAEU Treaty 2014 deals mainly with trade, and the Strategy-2025 slightly expands the horizons envisaged by it.

At the end of the first year, the pace of implementation of the Strategy is in line with the planned ones. Thanks to joint efforts, there are positive trends in most indicators: GDP, external and mutual trade, industrial production etc. (Fig. 1)

The results are expressed not only in the statistical but also in the practical “cut”.

With regard to the creation of a common labour market, the procedure and mechanism for the export of pensions from one Member State to another has been defined, as well as the addition of years of service in Member States to determine entitlement to a pension, which affects the interests of millions of people.

Digital unified search system “Work without borders” began to operate in the current conditions, because it was in demand. Currently,

the service contains more than 500 thous. jobs and more than 2 million CV.

Element-by-element formation of the common financial market — the members of the Intergovernmental Council signed an agreement on the exchange of information, which is part of credit histories within the Union.

To promote industrial development, the Eurasian Intergovernmental Council (EIC) approved the Main Directions of Industrial Cooperation until 2025, making its legal and organizational framework. Commission formed Maps of industrialization and development of the agro-industry of the EAEU. The first includes more than 180 large investment and significant projects in more than 25 industries and the second — more than 70 large investment projects in the field of AIC and provides insight into geographical location of these projects. Both resources are intended to be a tool for coordinating the actions of the EAEU countries on import substitution and avoid duplication of production.

In the adopted General Principles and Approaches to Ensuring Food Security, food security in the EAEU through produce their own food is enshrined. Production and consumption balances on the main groups of food are developed. Documents specify the fact that the food produced is sufficient for own consumption. However, there is no harmonized system for mutual trade as well as for complementary

specialization and cooperation. Appropriate program is therefore needed.

With regard to the digital agenda, work continues on the development platform of the industrial cooperation and transfer of technologies, and new projects have been launched on the technical regulatory system and transport services.

Agreement on the implementation of navigational seals in EAEU signed for unimpeded movement of goods. They provide for the tracing of goods moving through customs transit, as well as — in mutual trade (sanctions goods, alcohol, tobacco). In general, the implementation of the Agreement will minimize control measures at the internal borders of the Union, so it is necessary for early ratification by countries.

Adopted documents on equal access of all economic entities to public procurement in Member States. The volume of contracts on procurement of goods (works, services) on the territory of the EAEU in 2021 in value terms amounted to 152.8 bln USD (9.5% more than in 2020). The Republic of Belarus and the Russian Federation have the most significant trends in public procurement (33.7 and 10%, respectively).

Revised methodological framework to identify and remove barriers in the internal market of the Union.

The framework is being created for the implementation of cooperation in new areas: education, health, “green” technologies, environmental protection, and climate agenda.

The Scientific and Technical Council under the Chairman of the EEC has been established for the purpose of scientific support of integration directions, work on long-term development forecasts have been started.

Strategy-2025 — document evolutionary, and, in fact, preserves the continuity of earlier decisions taken in the EAEU, taking into account the challenges and prospects of world and Eurasian economic development, as well as contains new approaches in the formation of integration processes.

Heads of Member States in the Declaration of 2018 identified 4 macro-directions for the

development of integration. Their disclosure is provided in Strategy-2025.

RELEVANCE OF STRATEGY-2025

1. The adoption of the Strategy exemplifies the transition from the stage of formation (2015–2019) to the stage of project integration (2020–2025), essence of which is to provide conditions (legal, managerial, scientific and methodological, financial) for specific joint economic projects as an inter-State and at the level of individual business entities (para. 2 Declaration, directions 6–8 of the Strategy) [5].

Examples of cooperation in EAEU already exist: the first cooperative project in the space sphere was approved, the project of the industrialization map with applications of a total cost of almost 200 bln USD was formed, development of the agro-industry development map was started, the system of accounting of production and circulation of agricultural products for monitoring food security of the EAEU is being established.

2. In order to move into a new phase of integration, it was necessary to agree on how to eliminate the disadvantages identified in the first phase. The Commission identified them well — they are mainly focused on the functioning of the internal market, ensuring the safety and quality of traded products, customs regulation, etc. The strategy proposes specific functions for which Member States have already agreed (para. 1 Declaration, directions 1–4 of the Strategy).

3. Since the signing of the Treaty, there has been an explosive growth in innovation and technology. Digital world in 2020 compared to 2014 has changed a lot. Integration should be based on modern digital solutions in all spheres. The Commission “rolled” some of them within the framework of the digital agenda of the EAEU, where there were lively discussions on the part of the issues, “weaknesses” were revealed. Direction 5 of the Strategy (correlated with para. 2 of the Declaration) proposes a balanced digital framework.

4. When working on the implementation of the Declaration and Strategy it became



apparent that the EAEU requires institutional improvement. It is necessary to eliminate the objective disadvantages (first, the absence of mechanisms for implementing Commission decisions) which prevent the full exercise of supranational competence; strengthen the right of the EAEU and support the powers of the Union bodies (Commission and Court). Steps to move in this direction are formulated in Direction 9 of the Strategy.

5. If during the formation period (2015–2019) the main task was the formation of the “framework” of the Union, then at a new stage (2020–2025) it is necessary not only to make “renovation” (give concrete projects), but also to “arrange life”, i.e. to unlock the potential of integration for people, to make everyday life more comfortable.

Outlines of this work is set out in para. 3 of the Declaration and in direction 10 of the Strategy (education, health, tourism, sports).

6. The potential of the Union as an international organization was not realized in the first phase. The EAEU should formulate its agenda, for example, to promote the creation of a model of regulation of trade and economic cooperation in Eurasia beneficial to Member States and benefit economically from it. The Union needs to become a significant center of development of the modern world (para. 4 of the Declaration, Direction 11 of the Strategy).

7. Adopting the Strategy — is a balance of interests. In the new phase, it is necessary to achieve national interests and alliance goals in a complex — this is the request of Member States and an objective reality. The strategy reflects this approach. This is an indication that countries are ready to agree.

All decisions on the implementation of the Strategy will be taken in a concerted, open and by consensus among Member States.

8. Strategy — the basis for a new phase of integration. Document provides for:

- development of some 13 international treaties;
- adoption of more than 60 other normative legal acts of the EAEU;

- introduction of some 25 amendments and additions to the Treaty;
- further harmonization of national legislations of EAEU Member States.

IMPLEMENTATION OF THE PLAN STRATEGY

332 measures and mechanisms for its implementation have been approved under Strategy-2025 in 11 key areas of integration. The Council of the Commission approved a detailed plan for the implementation of the Strategy, which contains 523 measures. According to the instructions of the Heads of State, approximately 75% of the activities fall on first three years of the Strategy's implementation. Out of 383 activities with deadlines, 289 are planned for 2021–2023; 140 are held annually or have an indefinite duration.

Of the 86 activities of 2021, 4 are still implementing: adoption of a mechanism for recognizing restrictions removed (para. 1.2.1), determination of the feasibility of creating a single information portal in the field of education (para. 10.2.1), optimization of general processes (para. 5.3.2), development of the concept of the territorially distributed digital platform of the EAEU (para. 5.3.4).

The Strategy provides for the adoption of 28 international treaties and agreements, more than 50 supplements and amendments to the law of the Union. Some of them have already been adopted, and the amendments provided for in the II Great Protocol, which was signed by the heads of State on 31 March 2022, are awaiting ratification.

2022 — one of the most intense in the implementation of the Strategy: 133 activities planned, 27 of which have already been implemented (*Fig. 2*).

Further implementation of the Strategy depends on the active position of the EAEU countries. The most pressing issues are: the need to accelerate the completion of the ratification of signed international treaties (of which II “Greater” protocol); timely formation and presentation of a common position in the coordination of draft

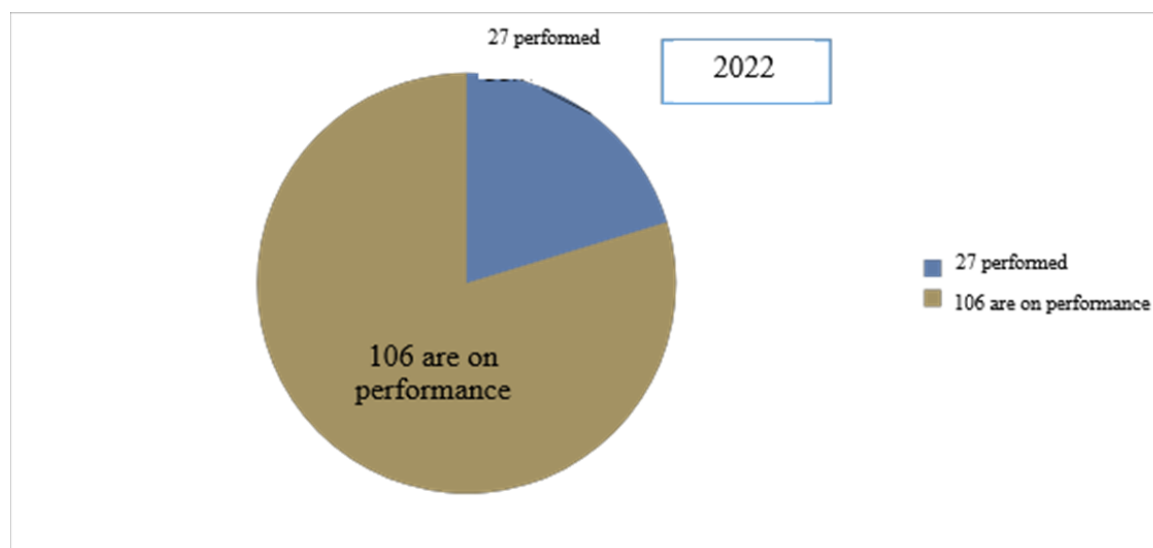


Fig. 2. Activities planned by the Strategy-2025

Source: compiled by the author.

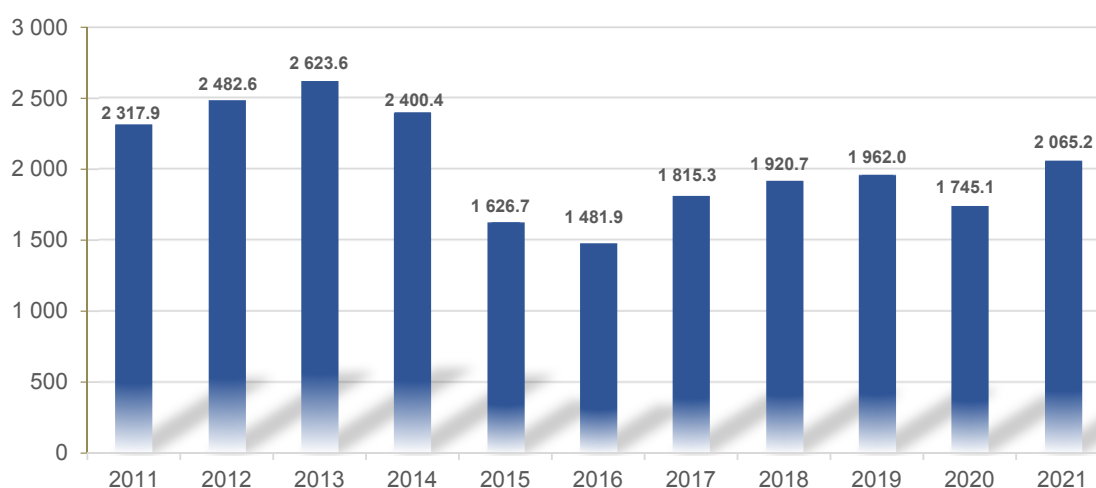


Fig. 3. Gross domestic product (in current prices, billion US dollars)

Source: compiled by the author.

documents; elaboration of questions regarding the presence/absence of competence of Union bodies for the implementation of the Strategy's activities; implementation of the provisions of the Strategy in the national acts of Member States, etc.

MACROECONOMIC POLICIES

In 2021, it was possible to prevent uncontrolled worsening of the economic situation, ensuring the implementation of anti-crisis programs

of financial support; restore business activity, employment and trade, and show a higher rate of economic growth than in the pre-pandemic period.

In 2021, GDP amounted to 2.1 trn USD, compared to the previous year it grew by 4.6% and reached the lower limit of the interval (4.5–5.5% per year), stipulated by the main guidelines of macroeconomic policy for 2021–2022, approved by the Decision of the SEEC on 21 May 2021 year in No. 9.

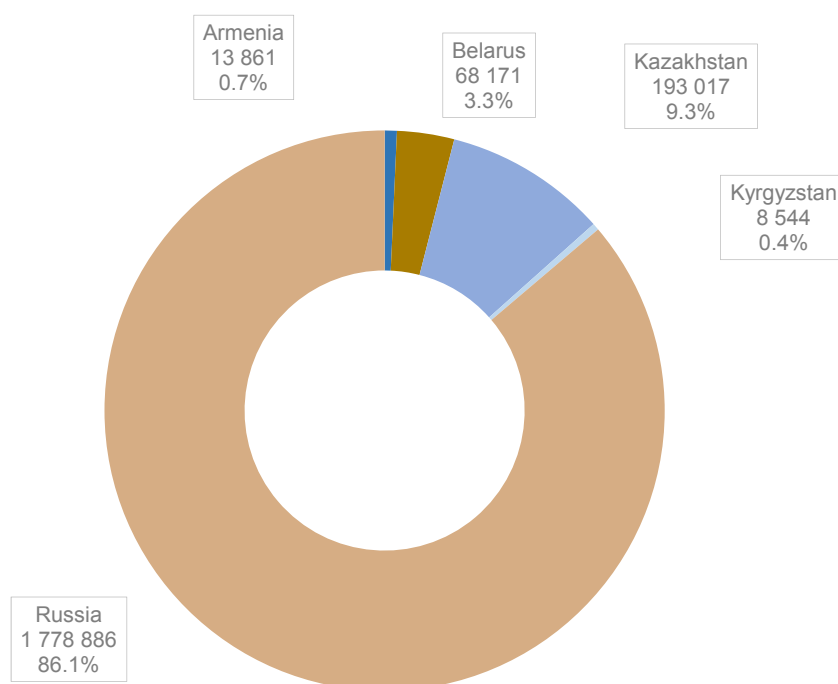


Fig. 4. Gross domestic product by country (in current prices, USD million, % of the total GDP of the EAEU)

Source: compiled by the author.

Recovery was observed in all sectors except agriculture. Average per capita GDP in current prices exceeded 11 thous. USD and became the maximum for last 7 years. It corresponds to the world average (latest data for 2020–10.9 thous.) (Fig. 3).

By 2011, the volume index of GDP of 2021 was 116%.

The EAEU GDP growth rate in the first quarter of 2022 was 103.5%. The positive growth dynamics of the economies were formed in Armenia: +8.6%, Kazakhstan: +4.4%, Kyrgyzstan: +4.5% and Russia: +3.5% (Rosstat estimates). Belarus – 0.4% decrease (Fig. 4).

The volume of industrial production of the EAEU in 2021 amounted to 1.4 trn USD and increased by 5.3%. At the same time, production of manufacturing industry increased by 5.1% compared to 2020 (919.3 bln USD) (Fig. 5).³

³ The highest growth was observed in high-tech industries: pharmaceutical production (111.7%), machinery and equipment production (114.5%), motor vehicles (114.1%). As part of the implementation of food security programmes, the average per capita production of basic foods has increased significantly by

The index of industrial production of EAEU 2021 to 2011 amounted to 123.7%.

Index of industrial production of EAEU in January-April 2022 amounted to 103.7%, including the mining industry – 105.7%, manufacturing industry – 103%.

Industrial production increased in Kyrgyzstan (110.3%), Kazakhstan (104.7%), Russia (103.9%) and Armenia (102.6%); it fell in Belarus (97.5%).

Armenia registered an increase of 2.6%, which is due to the recovery of manufacturing output (+10.1%), increased production of food, textiles, metallurgy.

In Belarus, production of metallurgy, electrical equipment, motor vehicles and clothing has declined.

Kyrgyzstan became the leader in manufacturing industry growth (+18.9%), mainly due to the production of finished steel products.

Dynamics of industrial production in Kazakhstan and Russia has slowed, including

2015: meat – 1.5 times, vegetable oil – 1.4 times, butter – 1.2 times, cheese – 14%, milk – 3%.

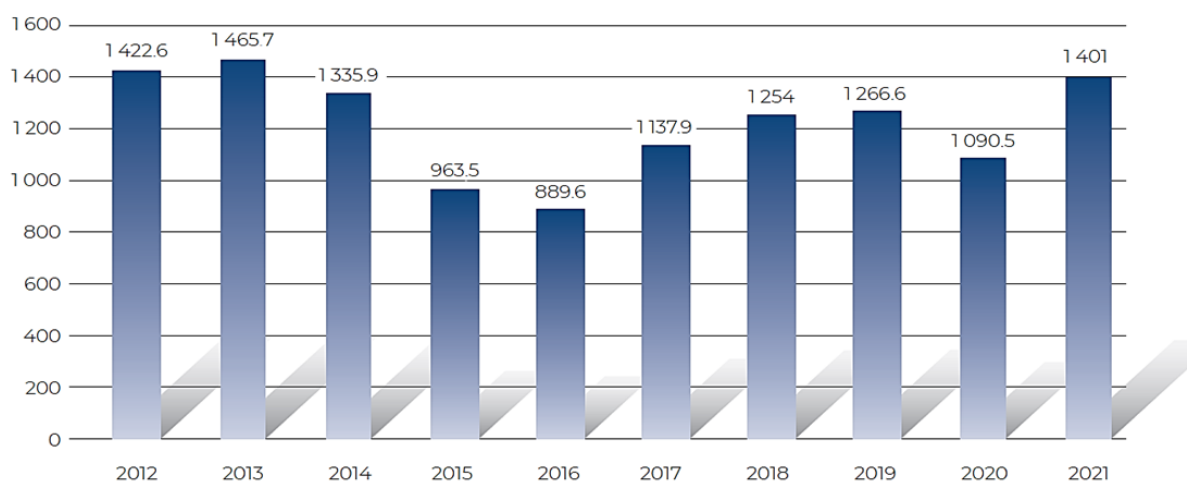


Fig. 5. Industrial production volume (in current prices, USD billion)

Source: compiled by the author.

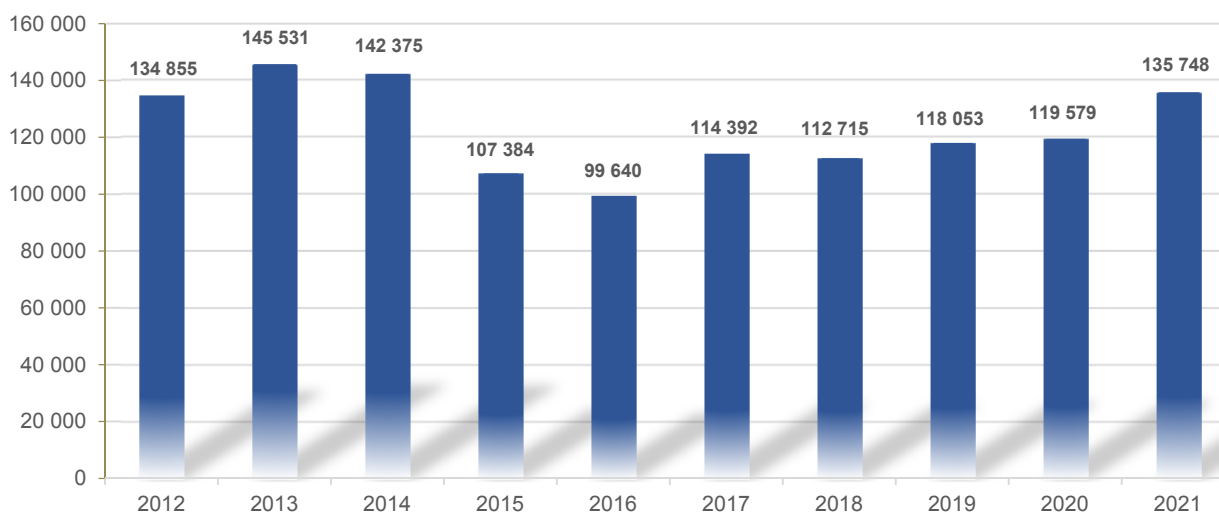


Fig. 6. The volume of production of agricultural products of the EAEU (in current prices, million US dollars)

Source: compiled by the author.

in the mining and manufacturing sectors. In 2021, the production of agricultural products of the EAEU amounted to 135.7 bln USD, decrease compared to 2020 by 1.4%.

Index of agricultural production of EAEU 2021 to 2011–117.8% (Fig. 6).

The decrease in agricultural production in 2021 is due to the decrease in the yield of main crops. Gross grain harvest in 2021 amounted to 146.8 million tons, which is 10.8% less than the previous year. Potato and vegetable production decreased by 5.9% and 1.6% respectively. The gross harvest of the main technical crops

increased by 17.8% — for sugar beet and 17.9% — for sunflower seeds. Farming development was more favorable. Production of cattle and poultry by slaughter (in slaughter weight) increased by 1.2% compared to 2020, milk by 0.9%, eggs by 0.5%.⁴

Agricultural production in January–April 2022 increased by 1.9% compared to the same period last year. Growth was in Russia — 2.3%, Kyrgyzstan — 2.2% and Kazakhstan — 1.9%.

⁴ Production of cattle and poultry, milk per capita in 2021 reached a maximum in 2015 (77 and 265 kg against 65 and 243 kg respectively).

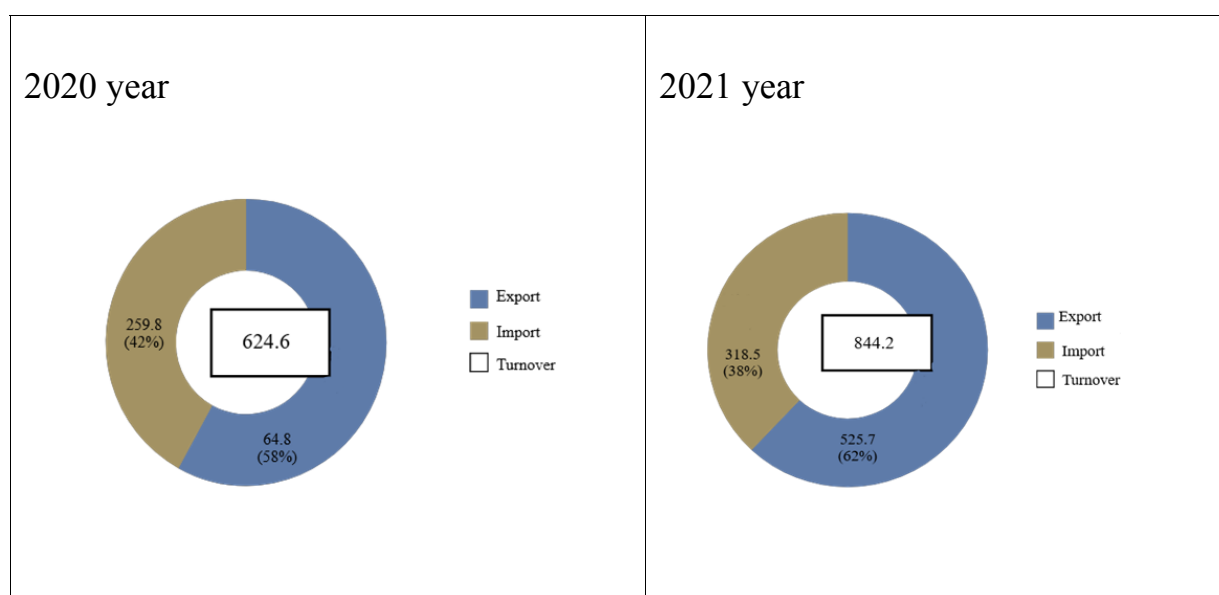


Fig. 7. Volume of foreign trade

Source: compiled by the author.

According to the results of 2021, the volume of foreign trade with countries outside the EAEU reached 844 bln USD, that is 35% more than in 2020 (the main contributors were: Russia, whose export growth increased by 47%, Belarus — 48% and Kazakhstan — 25.8%). Foreign trade turnover rose by 145.7% compared to 2015. The main buyers of goods exported from the EAEU were the European Union (their share accounted for 42.2% of exports) and APEC (28.3%). In the country section are leading China (15.1%) and Netherlands (9.3%). Main importers of goods to the Union market — China (27.4%) and Germany (9.8%) (Fig. 7).

The volume of mutual trade in 2021 reached the maximum value in the history of the EAEU and amounted to 72.6 bln USD, increasing by 31.9% compared to 2020 and by 17.8% — from 2019 (Fig. 8).

In 2021, the share of mutual trade in trade was 14.6%. The largest increases were in Kyrgyzstan (from 42.9 to 47.4%) and Kazakhstan (from 23.6 to 25.7%).

Mutual trade in cooperative goods in 2021 amounted to 25.7 bln USD and in comparison, with 2015 almost doubled. The share of cooperative goods in trade increased from 30% in 2015 to 35% (Fig. 9).

In the context of high volatility in the foreign exchange market and increasing global protectionism, the role of national currencies in the settlement of mutual trade in goods is increasing. Russian ruble retains the status of the main currency in the settlement of mutual trade (71.3%), the second most important is the dollar (17.9%). At the same time, additional opportunities for de-dollarization exist in Armenia, Kazakhstan, Kyrgyzstan, which respectively 43, 36 and 53% of mutual exports in 2021 were paid by this currency.⁵

One of the most important factors for economic growth is the growth in fixed investment, which must be at least 8–12% per year in order to achieve world average (in 2021–6.8%).⁶

The volume of mutual investments in the EAEU in 2021 quickly recovered after falling under

⁵ International Monetary Fund official website. URL: <https://www.imf.org/ru/Home>

⁶ Positive trend in sector investment in 2021: share of investment in mining decreased (from 17.2 to 16.0%) and funding for construction and modernization of manufacturing increased (from 14.3 to 14.8%). According to the results of Q1 of 2022 the growth of investments in fixed assets was recorded for all EAEU member states except Belarus. Russia (by 12.8%) and Armenia (by 6.2%) showed the highest growth. For the Union as a whole, the fixed investment index was 111.0%.

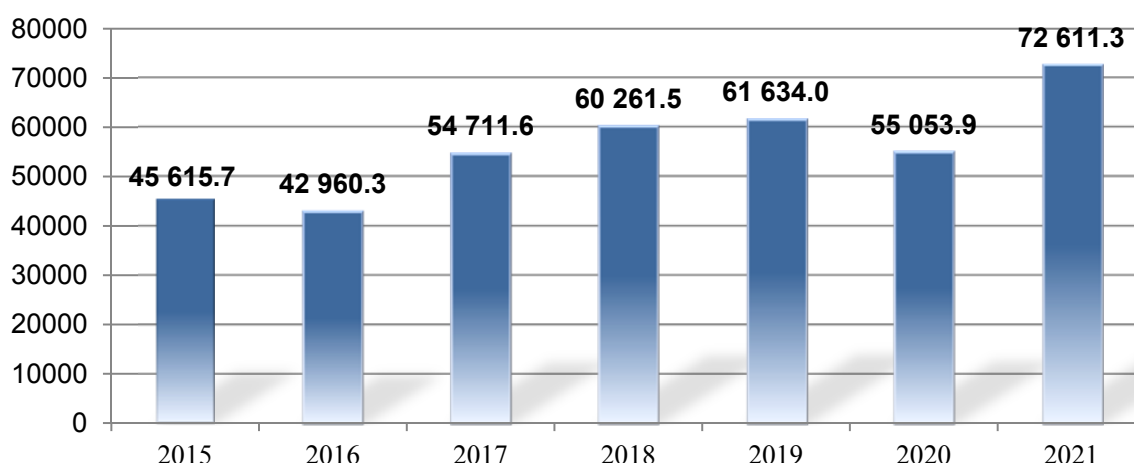


Fig. 8. The volume of mutual trade in the EAEU from 2015 to 2021, USD million

Source: compiled by the author.

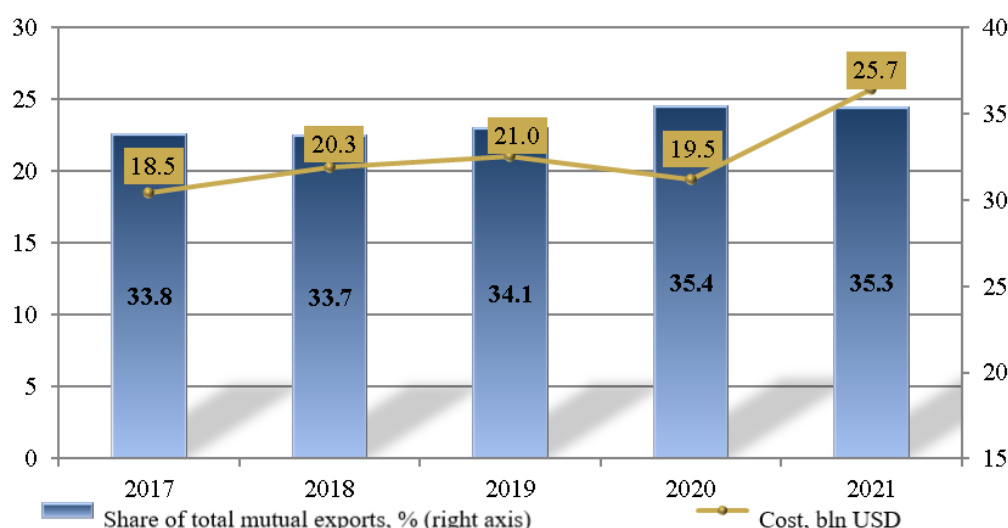


Fig. 9. Share in the total volume of mutual exports to the EAEU

Source: compiled by the author.

the conditions of the pandemic. It amounted to about 2 bln USD, which is 3 times higher than 2020 and 74% higher than 2019 (Fig. 10).

Increased household consumption in 2021 had a positive impact on the recovery of economic growth. Thus, retail trade turnover of EAEU increased in 2021 compared to 2020 by 7.1%. Growth of sales in the consumer market were in all States. Higher than in the EAEU, it is recorded in Kyrgyzstan (by 14.9%) and Russia (by 7.3%).

In the Q1 of 2022, retail sales increased by 3.4%. Higher than in the EAEU, it was in

Kyrgyzstan (by 13%), Belarus (by 6.5%) and Russia (by 3.6%). At the same time, in Kazakhstan it decreased by 3.3%.

Inflation accelerated in all EU countries in 2021 and grew by 8.6% in December 2021 compared to the same period in 2020. This is the maximum value since 2015. Inflation was higher in Kyrgyzstan (11.2%) and Belarus (10%).

High inflation rate in the EAEU continues to persist this year. In April 2022, by December 2021, the consumer price index was 110.9% compared to 102.9% — in April last year. Higher than in the EAEU, it is recorded in Russia — 111.7% and

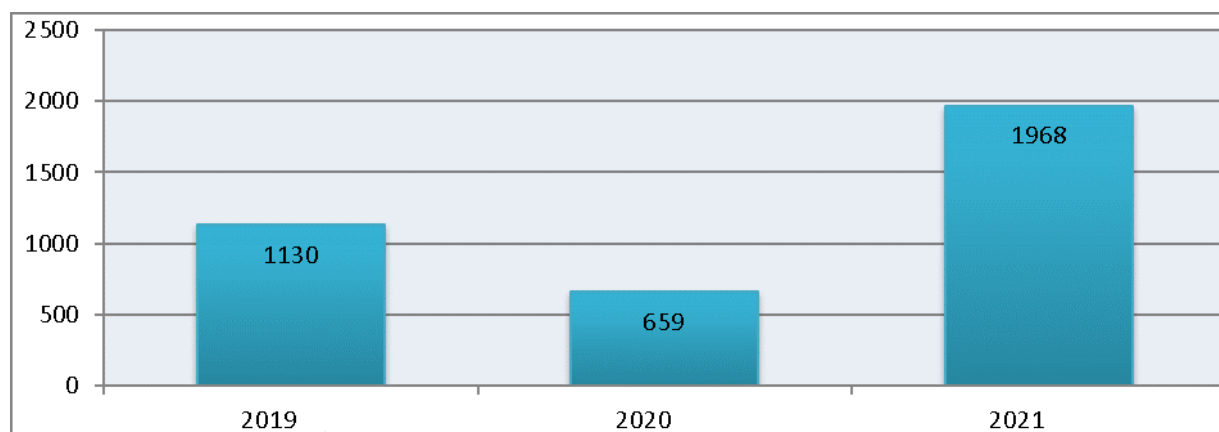


Fig. 10. Mutual investments in the EAEU

Source: compiled by the author.

Belarus — 111.1%. In Kazakhstan, consumer prices increased by 7.3 per cent, Kyrgyzstan — by 7.1%, Armenia — by 5.8% over the period.

In 2022 all national (central) banks of the EAEU Member States have tightened monetary policy by increasing the size of bank rates to neutralize inflationary factors. In Armenia, the rate for the beginning of June was 9.25% (+1.25 p.p. from the previous value), in Belarus — 12% (+2.75 p.p.), in Kazakhstan — 14% (+0.5 p.p.), in Kyrgyzstan — 14% (+4 p.p.), in Russia — 11% (–3 p.p.). The maximum value of rates in the EAEU was observed in Russia at the end of February (20%).

Commercial banks' interest rates on loans issued in national currency rose as central banks' rates rose. Further policy of "expensive money" can seriously affect on economic development.

Credit activity in countries high. Over the last decade (2010 to 2021) credit increased in all Member States. Armenia — 2.6 times, Belarus — 8.4 times, Kazakhstan — 3.6 times, Kyrgyzstan — 5.7 times, Russia — more than 4 times. Legal entities' deposits grew at a comparable rate: Armenia — 7.2 times, Belarus — 12.7 times, Kazakhstan — 2.7 times, Kyrgyzstan — 5.5 times, Russia — more than 4 times. Volume of deposits from 2010 to 2021 in Armenia has grown more than 5 times, in Belarus — 9 times, Kazakhstan — 6 times, Kyrgyzstan — 10 times, in Russia — almost 4 times. However, in all Member States

except Belarus, deposits in national currency increased more than in foreign currency.

In the Q1 of 2022, compared to the same period of 2021, the lending of legal entities increased in all Member States, including: Armenia — 1.2 times, Belarus — 1.3 times, Kazakhstan — 1.2 times, Kyrgyzstan — 1.1 times. In Russia, the increase is minimal — less than 1%.

The favorable economic situation in 2021 contributed to employment growth. Unemployment rate (ILO methodology) at historical low — 4.8–4.9%.

The number of unemployed of EAEU continues to decrease this year. In the Q1 of 2022, the unemployment rate calculated according to ILO methodology was 4.4% (in Q1 of 2021–5.6%).

Member States adopted measures to improve the sustainability of the economies of the Eurasian Economic Union, including macroeconomic stability.

In the medium term, the main risks to the economic development of Member States relate to a number of external challenges and internal constraints. However, this opens the way for import substitution, including in payments, to an accelerated full trade under the Union in national currencies. Use of the potential of the EAEU allows to ensure internal stability of the Member-States' economies, which in the future will create conditions for annual growth of the Union's GDP by 4.5–5.5%. Development and implementation of new investment national and

union programmes and projects in knowledge-intensive and capital-intensive industries is needed.

The “self-sufficiency” program of the EAEU — is a business cooperation. Joint companies and production clusters should be more actively created, providing them with appropriate measures of state support, especially at the stage of formation and fixing in the market.

The mandate and responsibility of Eurasian Development Bank, the Eurasian Fund for Stabilization and Development, Interstate Bank should be clarified to work as development institutions. Commercial banks could also be more active in investment. Need to move to project cooperation that transforms contractual relationships into a cohesive team with long-term commitments to achieve specific business objectives by increasing the resource efficiency of each participant.

Unification of trade, industrial and financial capital within a transnational corporation will be more effective than if an independent enterprise were integrated into the process chain. In addition, production, logistics, trade risks are minimized. Only large industrial clusters can quickly introduce the latest technologies and compete in world markets. One should think not only about trade and payments in national currencies, but also about building an independent monetary system. The world is undergoing changes in international economic, political and humanitarian relations: sanctions, refusal by some countries of mega-cooperation (WTO, OECD, ILO, WHO), minimization of global challenges and threats. This trend needs to be addressed in cooperation.

Despite the obvious achievements of recent years and intensification of mutual trade, cooperation within the Union can be more active and extensive. To this end, it is necessary to strive for the use of new instruments of integration and to be quick in decision-making in order to ensure the effective growth of the economies of individual countries and the Union as a whole. Cohesion, complementarity and mutually beneficial specialization will ensure

domestic market and competition in distant countries.

INTERNATIONAL ACTIVITIES

2021 has become important for the development of the Union’s existing international activities in practice (improvement of cooperation mechanisms, expansion of the practice of implementing joint action plans, holding business forums, intensification of interaction with relevant international organizations).

In 2021 trade turnover with partners with whom cooperation at the level of the Union and the Commission was formalized increased by 32% and amounted to 332.1 bln USD (40.5% of the total foreign trade turnover of the EAEU), including exports of the Union grew by 38.2% (to 185.5 bln USD, 36.5% of EAEU exports), imports — by 24.9% (to 146.6 bln USD, 46.9% of Union imports).

The geography and quality of the Union’s cooperation with international organizations continued to expand. The formalization of the Commission’s interaction with the Shanghai Cooperation Organization (SCO), as well as the progressive development of cooperation with Association of South-East Asian (ASEAN), have led to the establishment of a new integration framework: EAEU-SCO-ASEAN. New content was given to the track of interaction between the EAEU and the CIS — the work of the Commission on developing approaches to the interface between the law of the Union and the regulatory framework of the CIS, including the elimination of contradictions between the draft regulatory legal acts came to the fore, developed within the EAEU and CIS.

In the first months of 2022 we maintained positive dynamics in industry and agro-industrial complex, in foreign trade with our friendly partners, including China and India, in mutual trade, reflected in balance of payments and consolidated budgets. The level of interest of partners to further steps of the Union for the development of Eurasian economic integration remained high.



DIGITALIZATION

Digital technology is one of the main drivers of efficiency and competitiveness. Sector “Information and communication” in 2021 provided 2.6% of total GDP in EAEU countries, and in Armenia — 3.9%, Belarus — 7.4% (of which High Technologies Park — 4.8%). World IT-market grew by 9%.

At the same time, IT provides no more than half of the industry’s contribution to GDP. In Russia, according to the Higher School of Economics, this is 1%. By comparison, in the EU and China the rate is above 3%, in the USA and Japan it is even higher. Forecast for 2022 is favorable. According to consulting company Gartner, Global digital spending will be 4.4 trn USD.

Foreign trade surplus in telecommunication, computer and information (ICT) services has developed in 2021 in Armenia (340 mln USD), Belarus (2 726 mln USD) and Russia (579.5 mln USD). Negative — in Kazakhstan (281.3 mln USD) and Kyrgyzstan (5.5 mln USD). The share of ICT in services exports from EAEU Member States in 2021 amounted to 14.9%. In value terms, exports reached 11,021.8 mln USD.

In 2017, the statement of the EAEU Heads of State on the digital agenda was adopted. This was based on the assumption that digital platforms and products used by all countries would be created at the supranational level. Today we see that national systems have received sufficient development and the main issues of effective work in the Eurasian space have become: information interaction, harmonization of regulation, establishment of common formats and rules for processing different categories of information.

Among the difficulties that constrain the rate of the digital transformation of the economy in the Eurasian area are the following:

- different level of penetration of digital technologies in the economic and social spheres of the EAEU countries;
- different degree of readiness of national components to be integrated into supranational platforms in accordance with the Eurasian Integration Development Strategy;

- different approaches to IT-industry regulation in the Union countries.

Because of this, the IT-market is not efficient enough.

For example, in the Russian Federation the system of procurement of software products produced by residents of other EAEU member states remains quite complicated. And under conditions of relocation, this problem is compounded.

To sell the software to the Russian Federation, the developer needs to be included in a special registry, but there is no mechanism for this. In the Russian Federation there is a preferential amendment (20%) for domestic electronics and computer equipment, similar requirements are set for software. When concluding contracts with Belarusian, Armenian and Kazakh organizations, VAT arises, from which IT-companies in their countries are exempt.

Currently, within the framework of the Union’s digital agenda, the Commission completed work on the first stage of the “Eurasian Labour Exchange” — the project “Work without borders” (the system currently registered more than 90 thous. unique users, the number of applications exceeded 400 thous.).

In order to further develop the digital agenda in the field of placement and employment, the creation of a complex of new services “Eurasian Electronic Labor Exchange” is considered. Its implementation should provide more information support to applicants and employers for online interviews, improve the analytics and monitoring subsystems and add new job search functionalities.

Work continues on the creation of the Eurasian network of industrial cooperation and technology transfer, aimed at involving small and medium enterprises in the production chains of large producers (the first stage involves connecting to the network 6 thous. of economic entities, the second — 17 thous.).

Measures adopted in the Q1 of 2022 allow to complete the planned work by the end of the year and partially catch up with the schedule established in 2019–2021. Executor of the

project — IEIF (International Eurasian Industrial Fund) is completing its work the integration component of the system, a prototype of the core component is prepared for national operators. Agreement on the use of 4 services SIIS (State Industrial Information System) in the project was reached with the Russian Federation Industrial Development Fund.

Promising is the project aimed at import substitution and maximum representation of products of the EAEU Member States in the common market by creating a system of interconnected electronic catalogues of Eurasian products. At the same time, it is advisable to use all types of trade, cooperative and logistics processes (at the first stage — for domestic exports).

Decisions of the Council of the EAEU Commission on formation of the basic digital infrastructure of ecosystem of digital transport corridors. It should provide the basis for more than 100 different services related to transport operations in the territory of the Union, as well as the possibility of integration with similar digital ecosystems of third countries.

first stage — “showcase of national digital transport corridor services”, envisaging digitalization of the first 10 transport services, already in operation — the parties have access to a demonstration stand. Prototypes of services will be ready by October.

The competitive procedures for the project “Digital technical regulation in the EAEU” are completed, which is designed to create digital technical regulations and standards with the prospect of their use in automated (robotic) production systems.

The nearest plans include the transfer of procedures of state procurement into the electronic format (December 2022, Commission Council Order No. 4 from 5 April 2021). The problem is that the mutual recognition of the electronic signature has not yet been agreed.

Activities on which Eurasian Economic Commission is working can have significant integration and economic effects.

To simplify the mutual trade in goods and services, to remove barriers in the common market of the EAEU, it is expected to implement a full transition to electronic legally significant document management throughout the cycle of circulation of goods (services). In order to reduce competition between the EAEU Member States in the development of national IT-industries (“competition of jurisdictions”) it was planned to: develop recommendations on the harmonization of measures to support the IT-industry in the EAEU countries, identify priority digital technologies for accelerated development of the real economy and measures to stimulate their development, complete the work on the removal of barriers for the participation of enterprises of the EAEU Member States in the public procurement in each other’s territory.

Eurasian import substitution program on key positions in electronics, telecommunications equipment, software is being developed.

In cooperation with central (national) banks of the EAEU member states, the possibility of preparing a concept for the formation of a single settlement space of the EAEU is considered (in particular, taking into account the experience of the Republic of Belarus in establishing and developing a single settlement and information space — SSIS).

A unified system for monitoring threats in the sphere of cybersecurity by key objects (sectors) of the economy of the EAEU countries is formed.

The formation of a network of digital competence centers of Member States, the work of permanent expert platforms on selected issues of the digital agenda will contribute to the effectiveness of the work under the Union’s digital agenda, improvement of the Union’s legal framework for the development and implementation of digital initiatives. The relevant draft decisions will be submitted to the bodies in due course in the second half of 2022.

The EAEU Member States have appropriate IT-infrastructure, decisions have been taken on measures of state support. Most systematically addressed this issue in Belarus.



High-tech Park (HTP) accumulates 1064 resident companies, including 11 states (from the NAS of Belarus, Ministry of Industry, Ministry of Communications, Ministry of Labor, Ministry of Economy, National Bank). The set of decisions made allowed HTP to provide IT-services exports worth 3.2 bln USD in 2021 with a growth rate of 118%. At the same time, the share of exports in revenue was 86%, the surplus — 2.8 bln USD. Total number of employees of HTP companies is 78 thous.

All projects in the digital sphere are considered in the context of the overall objectives of Eurasian integration, planned and implemented as a set of interconnected technological activities aimed at digitalization not as a process, as achievement of specific results of the Eurasian Integration Development Strategy through digital technologies.

CONCLUSION

In the current situation, caused, on the one hand, by objective internal factors, and on the other, unfavorable external conditions, it is necessary to implement a qualitatively new approach to the further development of the Eurasian integration project. The precautionary principle must be:

- *Confidence.* It is necessary to increase the level of confidence in the EAEU, institutions and integration processes in general among national authorities, entrepreneurs and the public of Member States. For this, the EEC should establish strong partnerships with national institutions, primarily with public authorities, business communities, individual companies and enterprises, and public and academic associations.

In the context of EEC activities, substantive and purposive work is needed to improve the efficiency of internal processes and the practical relevance of decisions.

Trust is fundamental in building in EEC and integration in general is openness of decisions at both national and supranational levels. At the same time in the process of execution of decisions there should be no “gaps” between political commitment and

practical implementation. Only the cohesion and unconditional trust of our countries and joint work for the benefit of the population of the Member States will lead to the successful development of the Union.

- *Self-sufficiency.* Coronavirus pandemic COVID-19 has exposed the current crisis of globalization, as well as the contradictions between the leading actors of the world economy. The growing role of national institutions and the importance of States’ economic self-sufficiency became evident. In the current circumstances, large economies, especially China and the USA, have the advantage.

To compete effectively with economic giants of smaller economies, there is a need to combine and strengthen institutional collaboration. The EU is currently undergoing a strength test. The EAEU was in a similar position. It should be recognized in a timely manner that regional economic integration is necessary for the successful achievement of national goals of self-sufficiency and sovereignty (including economic and technological production). The EAEU States alone will not be able to fulfill this large-scale and strategically important task.

The Union’s self-sufficiency, growing attractiveness and innovation will contribute to the development of the Member States’ economies. In 2014, the founders of the Union took a forward-looking course towards integration, which we must follow rigorously and resolutely. The Commission confidently declares that it is ready to assume the role of the flagship of this process, the role assigned to it by the EAEU Treaty.

- *Complementarity.* The transition from competition to cooperation within the Union is crucial. Economic policy should fundamentally promote the complementarity of national economies, both in the production base and in the creation of high-level industries. This is — the “key to success” of the EAEU. Competing in the same product groups is a losing tactic. Countries need to pool efforts and develop common product offers for third country markets. The Union’s supporting and effective

framework should be a common infrastructure platform, including transport, fuel and energy complex.

Inviolability of the law of the Union. The Law of the Union is the foundation of the Eurasian integration project, which creates the necessary conditions and predetermines opportunities for integration work in all spheres. That is why it is necessary to pay attention to the state of the legal system, its effectiveness and tools for the practical implementation of the stated provisions.

The implementation of competences by the supranational authorities of the Union (primarily EEC) within their competence, as well as the unification of legislation in the areas of common policy, should be fully implemented, including on the basis instrument provided for in the

EAEU Treaty, namely — the Union's law. There is a need to identify and effectively address, in a timely manner, the gaps in the law, which often constitute significant obstacles to the implementation of the underlying provisions, and to implement the ongoing, including conceptual, development of the law of the Union. In turn, harmonization of national legislation or the formation of common approaches to legal regulation in those areas, in accordance with the EAEU Treaty, a coherent and coordinated policy should be implemented in accordance with the tasks defined by the Member States, including the Treaty on Union.

Ensuring the functioning of the EAEU law will contribute to the comprehensive development of integration in the interests of the entire Union and its Member States.

REFERENCES

1. Ivanova N.I., ed. Innovation competition. Moscow: Ves' mir; 2020. 216 p. (In Russ.).
2. Myasnikovich M.V. Practical issues of Eurasian economic integration. Minsk: Belaruskaya navuka; 2021. 294 p. (In Russ.).
3. Glaz'ev S. Yu. Beyond the horizon of the end of history. Moscow: Prospekt; 2021. 416 p. (In Russ.).
4. Myasnikovich M., Glazyev S. Methodological approaches to the EAEU strategy development in a global crisis. *Nauka i innovatsii = The Science and Innovations*. 2020;(6)10–21. (In Russ.).
5. Glaz'ev S. Yu. Management of economic development. A course of lectures. Moscow: MSU Publ.; 2019. 759 p. (In Russ.).

ABOUT THE AUTHOR



Mikhail V. Myasnikovich — Doctor of Economics, Professor, Corresponding Member of the National Academy of Sciences of Belarus, Minsk, Republic of Belarus
myasnikovich@eecommission.org

Conflicts of Interest Statement: The author has no conflicts of interest to declare.

The article was received on 05.06.2022; revised on 15.07.2022 and accepted for publication on 10.07.2022. The author read and approved the final version of the manuscript.