

MODERNIZATION OF ECONOMIC INSTITUTIONS IN RUSSIA ON THE WAY TO FORMATION OF A GREAT EURASIAN SPACE

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ABSTRACT

Trans-regionalization is reshaping the global economy, moving away from traditional, geographically-based bilateral partnerships to forming mega-partnerships across continents, setting the stage for the world economy's future structure. This shift, particularly accelerated by the systemic crisis of 2020, has propelled a notable change in global economic dynamics. Russia's role as a catalyst in forming the new Eurasian Economic Partnership, through formal agreements with China between 2016 and 2020, exemplifies this trend towards a broader Eurasian integration. However, the creation of a cohesive Eurasian economic space encounters challenges, notably the need for modernization within Russia's economic institutions. This study addresses the critical issue of underdeveloped economic institutions hindering the acceleration of integration processes in Eurasia. It aims to dissect the prerequisites for trans-regionalization and pinpoint the main obstacles in modernizing Russia's economic framework to facilitate the emergence of an extensive Eurasian region. Employing statistical, graphical, and tabular analysis methods, the study scrutinizes the current integration processes in the global economy and evaluates Russia's institutional environment's role in fostering Eurasian integration. The findings offer insights into global integration trends and propose enhancements to the institutional landscape to speed up Eurasia's integration. The article concludes by identifying the structural issues within Russia's economic institutions and proposing modernization strategies, underscoring the novelty and significance of these insights in fostering the development of the Greater Eurasian space.

Keywords: Economic institutions; The Greater Eurasian space; The Eurasian economic space.



MODERNIZAÇÃO DAS INSTITUIÇÕES ECONÔMICAS NA RÚSSIA NO CAMINHO PARA A FORMAÇÃO DE UM GRANDE ESPAÇO EURASIANO

RESUMO

A transregionalização está a remodelar a economia global, afastando-se das tradicionais parcerias bilaterais de base geográfica e passando a formar megaparcerias entre continentes, preparando o terreno para a estrutura futura da economia mundial. Esta mudança, particularmente acelerada pela crise sistémica de 2020, impulsionou uma mudança notável na dinâmica económica global. O papel da Rússia como catalisador na formação da nova Parceria Económica Eurasiática, através de acordos formais com a China entre 2016 e 2020, exemplifica esta tendência para uma integração eurasiática mais ampla. Contudo, a criação de um espaço económico eurasiático coeso enfrenta desafios, nomeadamente a necessidade de modernização das instituições económicas da Rússia. Este estudo aborda a questão crítica das instituições económicas subdesenvolvidas que impedem a aceleração dos processos de integração na Eurásia. Pretende dissecar os pré-requisitos para a transregionalização e identificar os principais obstáculos à modernização do quadro económico da Rússia para facilitar a emergência de uma extensa região da Eurásia. Empregando métodos de análise estatística, gráfica e tabular, o estudo examina os actuais processos de integração na economia global e avalia o papel do ambiente institucional da Rússia na promoção da integração euroasiática. As conclusões oferecem insights sobre as tendências de integração global e propõem melhorias no cenário institucional para acelerar a integração da Eurásia. O artigo conclui identificando as questões estruturais das instituições económicas da Rússia e propondo estratégias de modernização, sublinhando a novidade e a importância destas ideias na promoção do desenvolvimento do espaço da Grande Eurásia.

Palavras-chave: Instituições económicas; O grande espaço eurasiático; O espaço económico eurasiático.

1 INTRODUCTION

Recent years of the world economy development are characterized by different trends in terms of international integration processes. On the one hand, the analysis of data from the world trade organization (WTO) indicates a certain slowdown in integration processes (Figure 1).



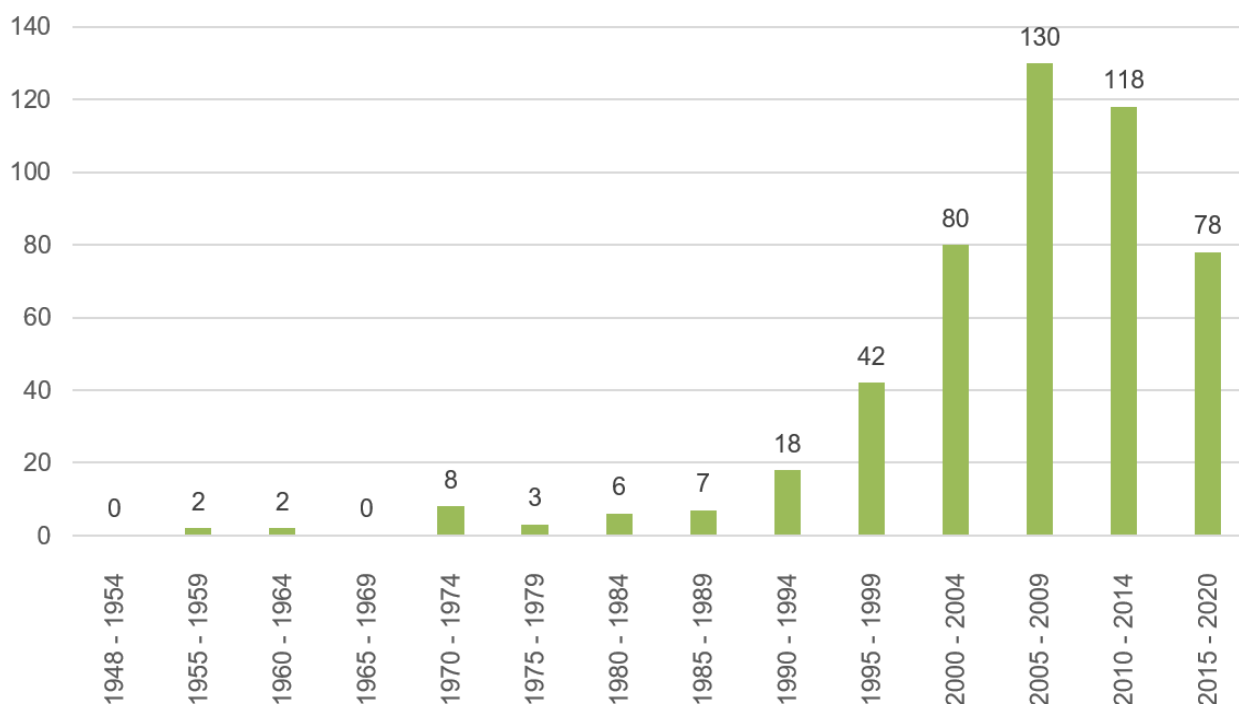


Figure 1. Dynamics of integration processes in the world: number of regional trade agreements and notifications of accession to them in 1948-2020
 Source: World Trade Organization (2020).

The period from 2000 to 2010 marked the zenith of integration activity in international relations, evidenced by the conclusion of 210 trade agreements. However, the subsequent decade witnessed a notable decline in such activities, as seen in the reduced number of regional trade agreements. Concurrently, a paradigm shift towards trans-regionalization in integration processes has emerged as a new trend. This shift is characterized by the formation of trans-regional economic mega-partnerships that bridge states across diverse continents, a phenomenon now recognized as an established trend (Heifetz, 2019). These mega-partnerships, including the Trans-Pacific Partnership, Comprehensive Economic and Trade Agreement (EU-Canada), EU-Japan Free Trade Area, EU-Vietnam Free Trade Area, EU-MERCOSUR, Trans-Atlantic Trade and Investment Partnership, Belt and Road Initiative, and the African Continental Free Trade Area, are poised to significantly influence the global economy.

This evolution towards new models of interstate economic unions, driven by varying degrees of integration into international economic processes, geographical considerations, and traditional international cooperation practices, demands attention from Russia. In response, the development of the Greater Eurasian Space (GES) project has been prioritized, aligning with both new international integration trends and Russia’s aspirations for deeper integration into the global economy.

The systemic crisis of 2020 further accelerated changes in global economic processes,



with Russia playing a pivotal role in the inception of a new Eurasian Economic Partnership. Between 2016 and 2020, Russia commenced the formalization of the Greater Eurasian Partnership through agreements with China. However, the realization of the Eurasian economic space is contingent upon addressing several domestic challenges, notably the modernization of Russia's economic institutions, which are currently inadequate for facilitating expedited integration processes within the anticipated Greater Eurasia.

The study aimed to explore the prerequisites for this trend towards trans-regionalization and to delineate the critical impediments in modernizing Russia's economic institutions crucial for establishing a comprehensive Eurasian domain. The research objectives included analyzing current integration process trends and evaluating the efficacy of Russia's institutional environment in fostering accelerated integration within the projected Greater Eurasia.

2 MATERIALS AND METHODS

The study uses data from the world trade organization, data from the world economic forum, and the regulatory framework that creates the basis for partnership between future members of the Greater Eurasian space. To achieve the goals set in the study, we used methods of statistical analysis, methods of graphical and tabular analysis, and methods of data generalization.

The components of the global competitiveness index of Russia and their values for 2019 were obtained based on the analysis of data from the world economic forum. According to the world trade organization, the structure of regional trade agreements and their changes over time for the period from 1948 to 2020 were analyzed.

3 RESULTS AND DISCUSSION

Although the idea of creating a GES matured for many years, including numerous publications on this topic, it received official registration as one of the vectors of the state's foreign policy relatively recently. In 2015, the President of the Russian Federation in his Address to the Federal Assembly noted: "I suggest that together with our colleagues in the Eurasian economic Union, we start consultations with the SCO and ASEAN members, as well as with the States that join the SCO, on the formation of a possible economic partnership" (President of the Russian Federation, 2015).

Speaking at the meeting of the heads of delegations of the Russia-ASEAN summit in



2016, Vladimir Putin stressed that in addition to the need to create a free trade zone between the EU and ASEAN in the future, integration of the Eurasian economic Union, ASEAN, the SCO and the silk road Economic belt could be another promising area (Vstrecha s predstavitelnyami Delovogo foruma, 2016). This proposal was enshrined in the Declaration on the results of the Russia – ASEAN summit in Sochi (RIA Novosti, 2016) and the St. Petersburg international economic forum (Plenarnoye zasedaniye, 2016).

The idea of creating a Trans-regional partnership was also supported by China. The Joint statement of the Russian Federation and the people's Republic of China listed the main subjects of this partnership (EEU, SCO, ASEAN), its principles (openness, consideration of mutual interests, transparency), and the partnership's goal – to deepen regional integration (Sovmestnoye zayavleniye Rossiyskoy Federatsii i Kitayskoy Narodnoy Respubliki, 2016). Further in this vein, they signed a Joint communiqué with Russia and China (Sovmestnoye kommyunike, 2016) and the Joint statement of the Ministry of Economic Development of the Russian Federation and the Ministry of Commerce of the PRC on joint feasibility study of the Agreement on the Eurasian economic partnership (Ministry of Economic Development of the Russian Federation, 2017).

In 2019, the development of the GES project initiated and supported by the Russian and Chinese sides received a new impetus – the Joint statement of the Russian Federation and the people's Republic of China on the development of comprehensive partnership and strategic interaction entering a new era was signed (Sovmestnoye zayavleniye Rossiyskoy Federatsii i Kitayskoy Narodnoy Respubliki, 2019). The reference to a new era in the document is rightly associated with qualitatively new international conditions, which is especially relevant in connection with the new coronavirus pandemic and the systemic crisis as its economic consequence (Kuznetsov, 2020).

In the structure of the new concept of Trans-regionalism (some studies also use the concepts of cross-regionalism, inter-regionalism, macro-regionalism (Kuznetsov, 2016)), the problem of institutional support for the activities of new partnerships is of particular importance. Some scholars define the new form of partnership as "institutionalized relations between regions of the world" (Heiner et al., 2006, p. 47).

Thus, the analysis of trends in international integration practice allowed us to conclude that the speed of integration processes is gradually decreasing. This is due, first, to a decrease in the pace of globalization, second, to the growth of economic nationalism and restrictions in countries, and third, to a qualitatively new trend towards TRANS-regionalization of economic processes.

Within the framework of trans-regionalism processes, experts do not accidentally highlight



the problem of forming their institutional support. For example, in D. A. Kuznetsov's definition of trans-regionalism, institutionalization of cooperation in various fields is considered as the main mechanism for forming large international clusters (Kuznetsov, 2019).

GES formation should be based on flexible mechanisms of joint institutional and project organizations that take into account all the diversity of member States and comply with the principle of voluntary cooperation (Stepanov & Sokolovskaya, 2019). Specifying actions during the GES project implementation requires expanding the mechanisms of cooperation between countries, while this approach is associated with the restructuring and improvement of the institutional structure within existing integration associations that can be considered as the basis of the GES (SCO, EEU) (Stepanov & Sokolovskaya, 2018).

Institutional support for integration processes in the territory of the Eurasian economic space requires a comprehensive approach. This approach means the formation of not only interstate institutions that ensure the interaction of subjects of TRANS-regional partnerships, but also bringing national institutions in line with the new requirements. Economic institutions are of particular importance. Economic institutions can be defined narrowly as legislation that ensures the sustainable functioning and development of the national economy (Melikhov, 2011; Santos et al., 2019). Informal rules, which also form economic institutions and represent a broad understanding of them, should also be taken into account.

Any form of international economic integration requires the creation on the territory of the future members of the Association of economic conditions, including institutional ones, which allow on the one hand not to lose the benefits of domestic economic entities, and on the other to create external entities to conditions promoting the development of the integration process and its deepening. Over the past two decades, the Russian authorities have made efforts to modernize economic institutions. Some studies show that such efforts are not yet sufficient.

One of the international studies that clearly demonstrates the state of countries' economic institutions is the global competitiveness Index. The index is calculated on the initiative of the world economic forum based on a methodology that uses publicly available statistics and the results of a global survey of company executives. The variables that are the subject of the study are combined into 12 benchmarks that collectively determine national competitiveness (World Economic Forum, 2018):

1. Quality of institutions.
2. Infrastructure.
3. Macroeconomic stability.
4. Health and primary education.



5. Higher education and professional training.
6. Efficiency of the market of goods and services.
7. Efficiency of the labor market.
8. The development of the financial market.
9. Level of technological development.
10. Size of the domestic market.
11. The competitiveness of companies.
12. Innovation potential.

According to data for 2019, Russia ranks 43rd out of 141 countries surveyed according to the above indicators. At the same time, Russia's position is quite low on a number of indicators, including economic institutions (Table 1) (World Economic Forum, 2019).

Table 1. Components of the global competitiveness index of Russia and their values, 2019

Object of study	Value, points	Position in the rating, 2019
1. Institutions	52,6	74
Security	68,6	99
Social capital	45,3	113
The system of checks and balances	48,4	73
Public sector performance indicators	56,9	47
Openness	28	116
Private property right	59,6	56
Institute of corporate governance	59,2	75
Focus on the future of the Government	54,7	75
2. Infrastructure	73,8	50
Transport infrastructure	57,7	49
Utility infrastructure	89,9	50
3. Information and communication infrastructure	77	22
4. Macroeconomic stability	90	43
5. Health	69,2	97
6. Qualification	68,3	54
The status of current labor resources	63,1	47
Current workforce qualification	54,8	49
State of the future workforce	73,5	55
Qualification of future labor resources	60,7	63
7. Qualification of future labor resources	52,9	87
Internal competition	55,2	53
Trade openness	50,7	116
8. The labour market	61,0	62
Labour market flexibility	60	52
Social lifts and incentives	62,1	72
9. Financial system	55,7	95
Depth of development of financial relations	36,3	77
Stability	79,9	120
10. The size of the domestic market	84,2	6
11. The competitiveness of companies	63,1	53
Administrative regulation	76,7	50
Entrepreneurial culture	49,5	77
12. Innovation potential	52,9	32
The interaction and the variety of elements of innovation infrastructure	42,6	57
Research and development	63,1	23
Commercialization	53,3	77

Source: World Economic Forum (2019).



4 CONCLUSION

The results of this study show that there is an objective need for further modernization of a number of Russian economic institutions on the way to integration into the Eurasian economic space. In particular, the most significant problems are typical for the Institute of private property, including the Institute of intellectual property objects; the Institute of competition; the organization of the labor market; the Institute of small and medium-sized businesses and ensuring their economic security; the Institute of tax and budget planning and other institutions. The need to modernize economic institutions is also related to their imbalance in comparison with China, as one of the key partners in the new Eurasian economic space. In many indicators that characterize the state of economic institutions, China is ahead of Russia, and this fact also indicates problems in the speed of modernization of economic institutions on the way to the formation of GES.

The practical significance of the results obtained in the study is to determine the strategic priorities for the development of Russia's foreign economic strategy in the context of a new trend towards TRANS-regionalization of integration processes.

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