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Factors and Directions of Transformations of the Integration Financial and Economic Cooperation of the EAEU Countries in Modern Conditions

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ABSTRACT

The article defines and analyzes the features, factors, and directions of transformation of the model of regional monetary and financial integration of the countries of the Eurasian Economic Union (EAEU). The **aim of the study** is to develop and systematize a set of measures to develop the investment direction of integration cooperation between the EAEU countries, reduce their dependence on the highly volatile international economic and financial environment and neutralize the negative impacts of Western sanctions for national economies. The **objectives** of the study are as follows: analysis of trends and problems of the investment process in the economies of the EAEU countries for 2013–2021, substantiation of proposals and recommendations for optimizing the model of integration financial and economic cooperation of the EAEU countries based on increasing the regulatory role of the state and regional financial institutions in attracting investments. The research **methodology** includes the analysis of the EAEU legal framework, statistical information, official reports of state bodies of the EAEU countries and the Eurasian Economic Commission, regional development institutions, scientific monographs and publications of Russian and foreign economists, and periodicals. Based on the **methods** of econometric analysis, the expediency of introducing into circulation a monetary unit of collective use of the EAEU countries independent of the US dollar and euro for mutual settlements is substantiated. The authors **conclude** that it is necessary to supplement and, in some cases, substitute the predominantly market-oriented model of Eurasian financial and economic integration with a regulatory investment model of regionalization with an increased role of national and regional management institutions in promoting integration processes.

Keywords: regional integration model; EAEU; economic sanctions; investments; investment financing; integration regulation mechanisms; regional development institutions; fiscal regulation; strategic planning; EAEU single payment system; collective currency

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INTRODUCTION

Recently, fundamental processes of transformation have been taking place in the global economy, accompanied by a stiffer competition between countries and regions for access to commodity and raw materials and investment resources. In the new realities, a polycentric model of the system of international financial and economic relations is being formed on the basis of regional and interregional institutional associations using new conceptual forms and mechanisms of integration investment cooperation, the role of regional institutions in the formation of a global financial security network is increasing

[1, 2]. In the scientific expert community, in the leadership of the Eurasian integration bodies, topical problems of the development of the economies of the EAEU countries, features and directions for improving Eurasian integration cooperation in modern conditions are comprehensively discussed.

The EAEU has a high geo-economic potential, however, as an analysis of mutual trade in goods and services, as well as investment cooperation between the EAEU countries, shows, the degree of economic integration does not meet the interests of strengthening Eurasian cooperation [3]. The recent increase in political, trade, and financial sanctions aimed at forcing individual

countries to comply with the requirements of economically strong states and blocs requires active action on the part of the EAEU to counter these threats and protect sovereignty by increasing the competitiveness of national economies and active joint investment and innovation activities [4]. The modernization of the economy and the development of integration of the EAEU countries are possible based on the development and implementation of a rapid development strategy as a set of key measures to ensure the growth of production and investment, as well as through the formation of the general budget of the EAEU, pursuing a balanced macroeconomic policy, stabilizing the exchange rates of national currencies and expanding the scope of their use in mutual settlements.¹

Given Russia's critical role in pricing on the global energy market, additional opportunities are being created for settlements in national currencies, reducing the economy's dependence on external conditions [5]. The creation of a common financial market of the EAEU countries takes a special place in the context of the new paradigm of Eurasian integration the criterion for the effectiveness of which is to ensure the inflow of long-term investments in the real sector, in the modernization and sustainable growth of national economies [6].

An important role in financing long-term investments in the economies of the EAEU countries is assigned to the Eurasian Development Bank (EDB), which, along with the investment function, also performs a financial function, contributing to the formation and development of a common financial market. At the same time, the lack of a common vision by the EAEU countries of the strategic role and tasks of the EDB in integration processes remains a problem [7]. The contradictory experience of financial and economic integration in the European

Union (EU) confirms the conclusion that the development of various areas of innovative modernization of the economy, including the new industrialization of the Eurasian Economic Union, should be based on a unifying ideology of equal Eurasian partnership and development of the countries of the region, in contrast to the neoliberal ideology of Western-type regional integration, which ensures the dominance of corporate and private interests of the political and economic elites of its participants [8].

Considerable attention is paid to the study of problems and prospects of regional financial and economic integration in the scientific publications of the Financial University under the Government of the Russian Federation. In particular, the collective monographs of recent years have comprehensively studied the issues of structural transformations in global and regional finance [9], disclosed the goals, features and prospects of strategic planning in priority sectors of the economy at the regional and country levels [10], approaches and directions for the adaptation of Russia and other emerging market countries to new trajectories for the development of international financial relations are determined [11].

FEATURES OF A MARKET-ORIENTED MODEL OF REGIONAL MONETARY AND FINANCIAL INTEGRATION

Historically, integration processes on the European continent within the EU and in the Eurasian Space within the EAEU have generally similar conceptual models. The paradigm of the laws of classical economic integration is based on the general methodological approaches formulated in the theory of economic integration by B. Balassa. The algorithm of the market integration model provides for a gradual change in the institutional forms of economic integration with the transition from a free trade area to an economic and monetary union based on a common European capital market [12–14]. The final link in full-fledged integration is the creation of a supranational administrative

¹ Glazev S. Yu. Report "On Strategic Directions for the Development of the EAEU" dated February 25, 2020. URL: <https://glazev.ru/articles/6-jekonomika/76650-o-strategicheskikh-napravleniyakh-razvitiya-eajes> (accessed on 18.07.2022).

structure.² In accordance with the paradigm of the evolutionary approach, R. Mundell's theory of the optimal currency area was also developed. The main message of the theory lies in the possibility of realizing the benefits of a monetary union only if there is a close correlation between the business cycles of integrating countries and a high degree of mutual openness of national economies and internal factor mobility [15].

Since the early 2000s, in the process of creating the Economic and Monetary Union in the European Union, priority has been given to the creation of a market-oriented model of financial regionalization, which is seen as a key component of the overall institutional structure of economic integration [16]. At the same time, the monetary union in the new design was not supported by the creation of real economic, budgetary, and tax unions [17]. The mixed model of centralized management of the sphere of monetary circulation, combined with decentralized budgetary and tax policies, predetermined the high degree of vulnerability of the European Economic and Monetary Union (EMU) as an integration project. According to M. Demertzis and N. Viegi, employees of the European think tank Bruegel, "in order to curb the overly expansionary nature of the ECB's monetary policy, closer fiscal cooperation between the countries of the European EMU and an understanding of the fact that monetary union imposes such strategic interdependencies is necessary, that need to be taken into account".³ The result of the incompleteness

of the regional project was the increased vulnerability of the entire EMU structure to internal and external shocks, which was most clearly manifested at the peak of the COVID-19 pandemic [18, 19].

The conceptual model of the European EMU in general terms was also tested in the Eurasian Space. By the decision of the Interstate Council of the EurAsEC at the level of heads of state No. 220 dated June 22, 2005, the Concept of Cooperation of the Member States of the Eurasian Economic Community in the Monetary Sphere was approved.⁴ The document, by analogy with the European Union, is based on the methodology of an evolutionary step-by-step approach. In the process of its implementation, in 2010, the Customs Union was created in the Eurasian space, and in 2012, the Eurasian Economic Space. These first institutional forms of economic integration became the basis for the creation of the Eurasian Economic Union in 2014.

The institutional basis for financial and economic integration in the EAEU is based on the following regulatory principles:

1) liberalization of currency regulation, the use by the EAEU countries of the regimes of the floating exchange rate of national currencies and the freedom of cross-border movement of factors of production, including capital;

2) the priority of the monetary policy of the central banks of the EAEU countries, aimed at ensuring price stability, excluding its active role in stimulating production activities;

3) determination in the EAEU, by analogy with the Maastricht Treaty in the European Union, of a triad of quantitative financial criteria in order to maintain macroeconomic stability in the EAEU countries:

- the annual deficit of the consolidated budget of the public administration sector of

² According to B. Balassa's theory, economic integration is defined both as a process and as a state. As a process, it implies a set of measures aimed at eliminating discrimination between economic units belonging to different states; presented as a state, it implies the absence of any form of discrimination between the economies of individual countries. The forms of eliminating discrimination are the free trade area, the customs union, the common market, and the economic union (Economic integration. Bela Balassa. Economic theory/Ed.: corresponding member of RAS B.C. Avtonomov. Moscow: Infra-M; 2004. P. 931).

³ Demertzis M., Viegi N. Policy coordination failures in the euro area: not just an outcome, but by design. Bruegel Blog. 20 December 2021. URL: <https://www.bruegel.org/2021/12/policy-coordination-failures-in-the-euro-area-not-just-an-outcome-but-by-design> (accessed on 18.07.2022).

⁴ The Concept of Cooperation of the Member States of the Eurasian Economic Union in the Monetary Sphere (approved by the Decision of the Interstate Council of the EurAsEC dated June 22, 2005 No. 220). URL: <http://www.evrazes.com/docs/view/66> (accessed on 18.07.2022).

the EAEU countries at the level of no more than 3% of GDP;

- the debt of the general government sector should not exceed 50% of GDP;
- the level of inflation in a member state of the EAEU cannot exceed by more than 5 p.p. inflation rate in the member country of the association, in which this indicator has the lowest value.

The principles and criteria for its creation, initially laid down in the design of the Eurasian Economic Union, predetermined the predominantly market model of regulation of the Eurasian financial and economic integration, which was subsequently supplemented by two interstate investment promotion institutions — the Eurasian Development Bank and the Eurasian Fund for Stabilization and Development (EFSD). However, these institutions, having relatively small resources, do not have a significant impact on investment processes in the region. With the weak development of national financial markets in the EAEU, a unified regional budget has not been formed as a source of financing for common investment projects, there is no unified fiscal policy that contributes to the financing of long-term investments in the economy of the EAEU countries.

FACTORS OF TRANSFORMATION OF THE MARKET-ORIENTED MODEL OF FINANCIAL AND ECONOMIC INTEGRATION OF THE EAEU COUNTRIES

As practice confirms, the predominantly market-oriented financial zoning model operating in the EAEU does not solve the problems of regional integration traditionally associated with structural imbalances in the economies of the association countries, low levels of investment in fixed capital, and the incompleteness of creating a single internal market. Under the influence of the aggravation of systemic, financial, market, and sanction risks for economic entities, in some EAEU countries and in the region as a whole, weak economic growth rates are observed (*Table 1*).

Pervasive underfunding of industrial investments in the economies of the EAEU countries has become one of the main factors in the transition to a new model of Eurasian monetary and financial integration. The low and unstable economic growth rates in the EAEU are largely due to the low level of investment, which tends to decrease in Armenia, Belarus, and Kyrgyzstan (*Table 2*).

The most acute problem of lack of investment in the economies of the EAEU countries manifested itself in 2020 at the peak of the COVID-19 pandemic. At the beginning of 2021, the total volume of accumulated direct investments in the EAEU from all countries of the world decreased by 5.8% and amounted to \$ 731 billion. The share of mutual accumulated investments of the EAEU countries in their total volume at the beginning of 2021 amounted to 2.3%. The predominant instruments of mutual direct investment are investments in the capital of companies, including reinvestment of income, investments in shares, and shares of investment funds. At the same time, there is a low level of investment in new projects, primarily in R&D. In the first quarter of 2021, the total volume of investments in the EAEU countries (out of all countries of the world) in the amount of \$ 7.1 billion, the share of mutual investments was 9%.⁵ In recent years, Russia and other EAEU countries have been dominated by the share of their own funds in financing investments, and this share tends to grow. For example, in Russia, according to the Ministry of Economic Development, this share increased from 51.3% to 56.7%⁶ over the period from 2017 to 2020.

Along with traditional structural problems, the negative consequences of the COVID-19 pandemic for the EAEU countries and strict

⁵ Mutual investments of the EAEU Member States. Eurasian economic information. Express Information July 8, 2021. URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/fin_stat/express_information/Documents/mutual_investments/express_mi_4Q2020.pdf (accessed on 18.07.2022).

⁶ Investments in fixed assets in the Russian Federation in 2020. 2021. P. 8. URL: https://rosstat.gov.ru/storage/mediabank/SRseY8Jp/inv_osn2020.pdf (accessed on 18.07.2022).

Table 1

Indices of physical volume of GDP of the EAEU countries in 2013–2021, %

Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average for 2013–2021
EAEU	102.1	101.1	98.4	100.2	102.1	103.0	102.4	97.3	104.6	101.2
Armenia	103.3	103.6	103.2	100.2	107.5	105.2	107.6	92.6	105.7	103.2
Belarus	101.0	101.7	96.2	97.5	102.5	103.1	101.4	99.3	102.3	100.6
Kazakhstan	106.0	104.2	101.2	101.1	104.1	104.1	104.5	97.5	104	103.0
Kyrgyzstan	110.9	104.0	103.9	104.3	104.7	103.8	104.6	91.6	103.6	103.5
Russia	101.8	100.7	98.0	100.2	101.8	102.8	102.2	97.3	104.7	101.1

Source: IMF. URL: <https://www.imf.org/en/Publications/WEO/weo-database> (accessed on 18.07.2022).

Table 2

Dynamics of the total volume of investments in the economy of the EAEU countries in 2013–2021, % of GDP

Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average for 2013–2021
Armenia	22.1	21.0	21.2	18.0	18.4	22.4	17.4	17.9	16.1	19.4
Belarus	38.8	34.8	29.0	26.5	28.0	28.1	29.2	26.3	25.6	29.6
Kazakhstan	24.6	25.8	27.9	27.8	26.4	25.3	27.6	28.5	26.6	26.7
Kyrgyzstan	33.5	36.4	34.3	31.6	30.7	27.7	26.4	18.6	26.4	29.5
Russia	23.3	22.4	22.1	23.1	23.6	21.9	22.8	24.0	23.5	23.0
Average for the EAEU countries for 2013–2021:										25.6

Source: IMF. URL: <https://www.imf.org/en/Publications/WEO/weo-database> (accessed on 18.07.2022).

sanctions regime against Russia and Belarus, which occupy leading positions in the economy, trade and investment in the EAEU, have become new acute challenges for Eurasian integration over the past three years. Since the end of February 2022, the United States, the European Union, and other unfriendly countries have introduced and are constantly increasing sanctions and restrictions on Russian and Belarusian government agencies, and the banking and manufacturing sectors of the economy.

In the new conditions, in order to neutralize the negative impact of sanctions on the national economy in Russia, a large-scale structural restructuring of the established norms and rules for the functioning of the economy is taking place, and the regulatory role of the state in financing investments in the economy is increasing. The monetary authorities and the government are taking a set of measures to increase the liquidity of the financial market and banks. The role of the state and monetary authorities in financing

investments in infrastructure projects and import-substituting industries is growing significantly. The Bank of Russia extended the terms for granting permanent loans secured by securities (lombard loans) from one day to 90 days, significantly reducing the key rate from 20% to 8.0% from April 8 to July 22, 2022. The introduced currency control measures, including the mandatory sale of 80% of foreign exchange earnings by participants in foreign economic activity from February 28, 2022, contributed to the reduction of capital outflow and the strengthening of the ruble against the US dollar and the euro. Postponement by the Bank of Russia of the introduction of new regulatory requirements for banks, scheduled for 2022, and the use of increased risk ratios for credit requirements when calculating the mandatory ratios of banks contributed to the stabilization of the financial stability of credit institutions. The terms for using credit ratings when the Bank of Russia conducts operations to provide credit institutions secured by credit institutions have also been postponed from April 1, 2022, to January 1, 2023. Nevertheless, the problem of bank liquidity remains acute and is being solved by credit institutions by reducing the balances on correspondent accounts of banks with the Central Bank of the Russian Federation. In March-April 2022, the balances decreased three times compared to the average level of January-February 2022. The new conditions for the functioning of the economy of Russia and other EAEU countries require supplementing measures at the national level by consolidating efforts to develop and deepen integration cooperation in the monetary and financial, and economic spheres on an updated conceptual basis.

MEASURES TO FORM THE INVESTMENT MODEL OF FINANCIAL AND ECONOMIC INTEGRATION COOPERATION OF THE EAEU COUNTRIES

The key direction for the successful development of regional financial and economic integration is defined in the joint

documents of the EAEU countries to promote the inflow of mutual investments into national economies. The decision of the Supreme Eurasian Economic Council dated May 21, 2021 No. 9 "On the main guidelines for the macroeconomic policy of the Member States of the Eurasian Economic Union for 2021–2022"⁷ set the task of creating favorable conditions for increasing investment, developing scientific and technological potential and industrial cooperation of the Member States of the EAEU. Particular attention in the priorities of the basic guidelines of macroeconomic policy is given to increasing the share of gross fixed capital formation in the GDP of the EAEU countries to the global average in the medium term. However, the mechanisms and measures for the implementation of these tasks contained in the documents of the EAEU are not specific enough. In particular, the Resolution of the Council of the Eurasian Economic Commission dated September 14, 2021 No. 16 "On the list of measures to implement the main guidelines for the macroeconomic policy of the Member States of the Eurasian Economic Union for 2021–2022" determines that the expected result of the agreed measures to develop national capital markets and the development of the mechanisms of the financial market of the EAEU is the financing of projects with integration potential, including cooperation projects aimed at modernizing and (or) expanding existing production. However, there are few specifics as measures taken by the Eurasian Economic Commission to solve these problems, only an analysis of the measures implemented by the Member States in this direction and the preparation of proposals for expanding internal sources of long-term investment resources in the Member States of the Union are defined.⁸

⁷ The decision of the Supreme Eurasian Economic Council dated May 21, 2021 No. 9 "On the main guidelines for the macroeconomic policy of the Member States of the Eurasian Economic Union for 2021–2022". URL: <https://legalacts.ru/doc/reshenie-vysshego-evraziiskogo-ekonomicheskogo-soveta-ot-21052021-n-9> (accessed on 18.07.2022).

⁸ Resolution of the Council of the Eurasian Economic Commission dated September 14, 2021 No. 16 "On the

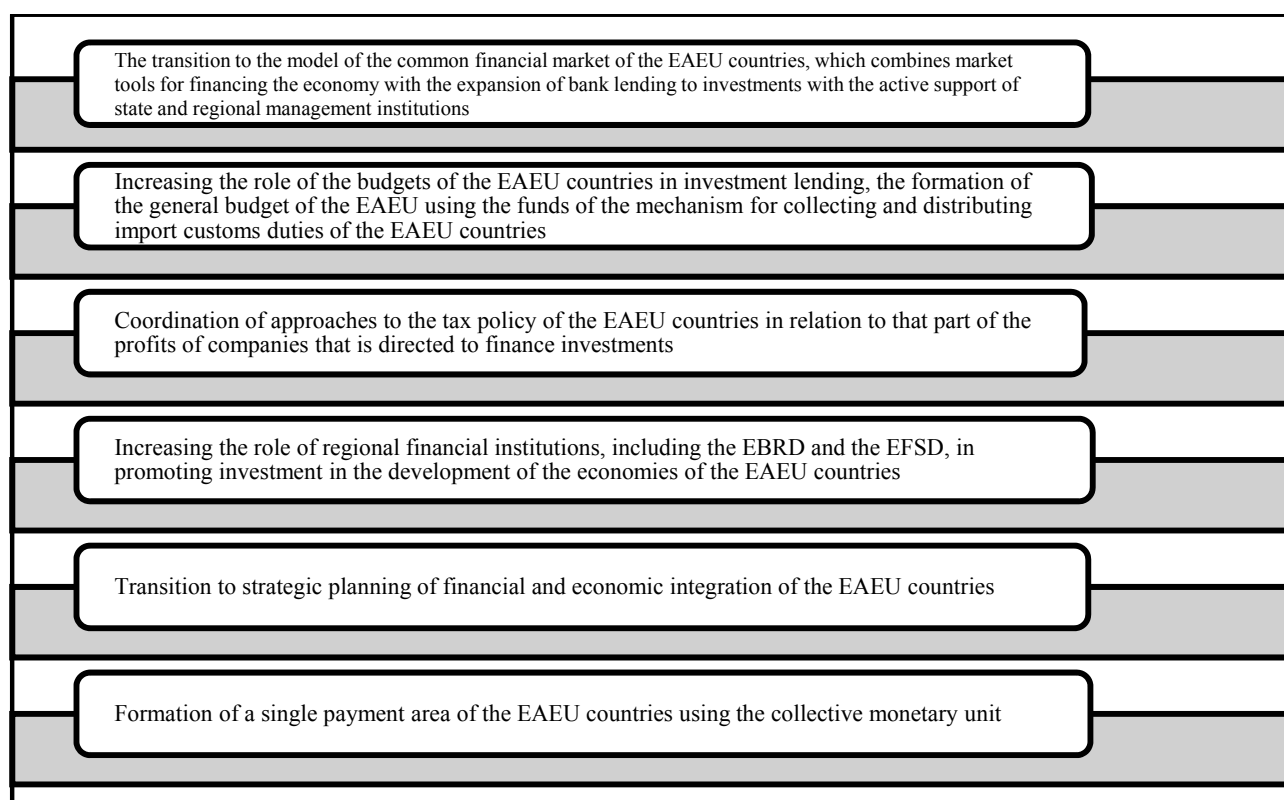


Fig. Structural components of the investment-oriented model of financial and economic integration of the EAEU countries

Source: compiled by the authors.

Solving the strategically important task of increasing the investment potential of the EAEU objectively requires a restructuring of the historically established market approach to Eurasian financial and economic integration in the direction of increasing the role of national and regional financial mechanisms and institutions. Priority is given to measures to consolidate the investment model of integration interaction between the EAEU countries by increasing the regulatory role of the institutions of governance of the countries of the region and developing tools for integration interaction (*Fig.*).

The model of regional integration, adapted to the new conditions, involves the development of investment-oriented market instruments

for financing long-term investments in the economy based on the creation of a common financial market in accordance with the Concept for the formation of a common financial market of the Eurasian Economic Union, approved by the Decision of the Supreme Eurasian Economic Council dated October 01, 2019 No. 20.⁹ At the same time, taking into account modern realities, a significant increase in the role of national state and supranational regional institutions for regulating integration processes, harmonizing the instruments of budgetary-tax and settlement-payment mechanisms of cooperation between the EAEU countries is in demand.

In particular, in the new paradigm of Eurasian financial and economic regionalization in the medium term, the importance of budget

list of measures to implement the main guidelines for the macroeconomic policy of the Member States of the Eurasian Economic Union for 2021–2022”. URL: <https://sudact.ru/law/rasporiazhenie-soveta-evraziiskoi-ekonomicheskoi-komissii-ot-14092021> (accessed on 18.07.2022).

⁹ The concept of forming a common financial market of the Eurasian Economic Union (approved by the Decision of the Supreme Eurasian Economic Council dated October 01, 2019 No. 20). URL: <http://www.eurasiancommission.org/ru/act/finpol/dofp/Pages/conception.aspx> (accessed on 18.07.2022).

financing of investments at the national and regional levels, including using the potential of the EDB and EFSD, is growing. It is also relevant to coordinate approaches to the formation of a common investment-oriented budget of the EAEU, to reduce the tax burden on that part of the profit that is directed to investments. A significant synergistic effect for the development of financial and economic integration in the EAEU can be achieved through the harmonization of the Strategic Directions for the Development of Eurasian Economic Integration approved by the Supreme Eurasian Economic Council for the period up to 2025 and the national strategies for economic development adopted by the member states of the EAEU also for the period up to 2025. The transition to strategic planning of financial and economic activity should be considered as an important element of the regulatory model for managing the financial and economic system in the EAEU.

In recent years, the European Union has gained some experience in the formation of a new paradigm of financial and economic regionalization. In 2015, at the highest level of the EU leadership, a 10-year concept document “Completing the European Economic and Monetary Union”,¹⁰ was adopted, which sets out the principles, organizational forms and main directions for restructuring the institutional model of European financial and economic integration. The reform of institutions in the European Union is aimed at the formation and practical implementation by 2025 of an action plan for the consolidation of the EMU. Along with the gradual dismantling of the market institutional foundations of monetary and financial integration (suspension in March 2020 for an indefinite period of the Stability and Growth Pact as a basic document for ensuring macroeconomic stability in terms of price, budgetary, and debt sustainability), the importance of interstate financial regulation of

integration due to funds of the general budget and joint funds of the EU in overcoming the crisis phenomena in the integration association. In particular, in the new seven-year EU budget for 2021–2027 in the amount of € 1,074.3 billion, priority financing is provided for projects on the technological modernization of the European Union and the sustainable development of the European economy. In 2020, the Next Generation EU was created within the EU’s general budget, with € 750 billion of resources dedicated to stimulating public investment in the economy.¹¹

Management decisions in the development of the Strategic Directions adopted in the EAEU, designed for the medium term, will allow optimizing and consolidating the activities of state and interstate financial institutions in deepening integration, facilitating long-term investments in the economy, and maximally adapting the existing models of monetary and credit and foreign exchange policy in the EAEU countries to new challenges, including the creation of a single payment and settlement system of the Member States of the EAEU.

The creation of a sovereign regional payment and settlement system (PSS) using a collective monetary unit for mutual settlements is a natural reaction to the weakening of the global role of the US dollar and euro reserve currencies in the global economy, the introduction of blocking sanctions restrictions on international settlements on operations of foreign economic activity of residents of Russia and Belarus, which negatively affects the situation in other EAEU countries and the prospects for regional integration in general.

FORMATION OF A SINGLE PAYMENT AREA OF THE EAEU MEMBER STATES. RATIONALE FOR USING THE COLLECTIVE CURRENCY OF THE EAEU COUNTRIES

In the Strategic Directions for the Development of Eurasian Economic Integration for the period up to 2025, special attention is paid to

¹⁰ Juncker J.-C., Tusk D., Dijsselbloem J., Draghi M., and Schulz M. Completing Europe’s Economic and Monetary Union, 2015, p. 23. URL: <https://www.ecb.europa.eu/pub/pdf/other/5presidentsreport.en.pdf> (accessed on 18.07.2022).

¹¹ Next Generation EU: A Bold European Recovery Strategy. 24th June 2021. URL: <https://eucalls.net/blog/next-generation-eu> (accessed on 18.07.2022).

the development of a single payment area in accordance with the Concept for the formation of a common financial market of the EAEU.¹² This direction of development of regional monetary and financial integration seems to be particularly relevant and significant at the present time in the context of the strengthening of the sanctions regime against Russia since February 2022. An acute problem is the disconnection of a number of systemically important Russian and Belarusian banks from the SWIFT international financial messaging system and the freezing of settlements in US dollars and euros, the arrest of the official foreign exchange reserves of the Bank of Russia in the amount of about \$ 300 billion. On March 11, 2022, the US Treasury introduced a ban on new investments in any sector of the Russian economy, and on April 6, 2022, on making dollar payments on debt from the accounts of the Russian government in US financial institutions. As a result, the risks of a crisis in the payments and settlements sphere, including in the Eurasian space, are growing, given the high share of the US dollar and the euro in international settlements and the significant role of Russian credit institutions that have fallen under sanctions in servicing settlements between trading partners of the EAEU countries. As a result of the “freezing” of the settlement and investment functions of the ruble in international circulation, the access of Russian companies and banks to external borrowings is actually blocked and the settlement servicing of Russian foreign trade operations in rubles is significantly hampered. In connection with this, an option to resolve the situation could be the creation within the EAEU with the participation of interested third countries (China, Iran, Turkey, and other participants) of a non-dollar system of international settlements. The internal value of a new collective monetary

unit can be backed up by the strategic resources available to the participating countries (gold, precious metals, strategic goods). The exchange rate of a collective unit of account can be tied to the weighted average price of the resources that provide it on the world market. Settlements are serviced by the clearing center, which, when conducting foreign trade operations, converts national currencies into a collective unit of account.

The first practical step in order to mitigate payment risks was the decision taken on March 17, 2022, at a meeting of the Council of the Eurasian Economic Commission in Yerevan on a phased transition to settlements in national currencies when making customs payments within the Eurasian Economic Union.¹³ At present, the problem of creating a collective monetary unit in order to improve and ensure the security of payments and settlements within the EAEU is one of the most important areas of monetary and financial integration and requires substantive consideration and justification from the standpoint of the expediency of its use.

The creation and development of a single payment area of the EAEU in accordance with the Concept for the formation of the EAEU OFR is of strategic importance for the economic security of Russia and other EAEU countries. Earlier, at a meeting of the Supreme Eurasian Economic Council, held in St. Petersburg on December 6, 2018, the President of the Russian Federation V.V. Putin proposed to elaborate on the issue of creating a unified settlement infrastructure in the EAEU using modern financial technologies. This would allow, in his opinion, “to increase the stability of the national payment systems of our countries, making them less dependent on the US dollar and other foreign currencies. This ensures the strengthening of economic sovereignty”.¹⁴

¹² Strategic Directions for the Development of Eurasian Economic Integration for the period up to 2025 (approved by the Decision of the Supreme Eurasian Economic Council dated December 11, 2020 No. 12). URL: <http://www.eurasiancommission.org> (accessed on 18.07.2022).

¹³ “Single ruble area”: EAEU countries agreed on settlements in national currencies. March 18, 2022, Forbes Staff. URL: <https://ru.armeniasputnik.am> (accessed on 18.07.2022).

¹⁴ Single payment system, common markets for oil and gas in the center of attention of the leaders of the EEU. 06.12.2018. URL: <https://www.1tv.ru/news> (accessed on 18.07.2022).

Ensuring the financial and economic sovereignty of the EAEU countries is directly related to the elimination of critical dependence on the US-controlled global financial messaging system SWIFT [20]. In 2019, the Eurasian Development Bank developed and implemented a project for a clearing and settlement system (CSS) in the national currencies of the EDB Member States. According to the Deputy Chairman of the Board of the EDB A.A. Krainii, “the most important feature of the system is the possibility of using it for settlements in national currencies, bypassing SWIFT and converting transferred funds into US dollars. The creation of the CSS contributes to solving the issue of forming a common settlement infrastructure in the EAEU using modern financial technologies and national payment systems and reducing dependence on the US dollar and other foreign currencies.”¹⁵

The successful functioning of a single payment and settlement system depends on the choice of a settlement currency for collective use. The most logical option for the EAEU countries at this stage in the development of integration seems to be the concept of a parallel accounting unit. Such a decision, while making it possible to use almost all the advantages of a collective currency, does not affect the sensitive issues of partial or complete renunciation of the monetary sovereignty of the union member states. An important institutional issue is the choice of a supranational emission institution that implements the mechanism for issuing a collective monetary unit. Obviously, for the full implementation of the function of ensuring intercountry settlements within the framework of the EAEU, the emission of the collective supranational currency of the EAEU must be of a continuous credit nature. A loan in the collective currency should be provided by the issuing institution as part of settlement services for foreign trade and investment operations

of economic entities of the EAEU member countries. In this regard, the function of the regional issuing institution of the EAEU can be entrusted to the EDB as a financial institution with international legal competence. The currency structure of the collective monetary unit of the basket type is built taking into account the specifics of trade and economic relations and the scale of the economies of the EAEU member countries. Taking into account the significant bias of the economies of the EAEU countries in terms of scale and level of development in favor of Russia, it is reasonable when building a collective monetary unit to limit the share of the Russian ruble in the basket to a value not exceeding 50% and recalculate the shares of other currencies based on the distribution of the remaining 50%, taking into account the size of the economy and size of trade turnover with the EAEU countries [21].

JUSTIFICATION OF THE CREATION AND USE OF THE COLLECTIVE MONETARY UNIT IN MUTUAL SETTLEMENTS BY THE EAEU COUNTRIES

To determine the potential and prospects for creating a collective currency for making payments and settlements within the EAEU, it is advisable to assess the dynamics and scale of mutual trade between the countries of the region. As can be seen from *Table 3*, the dynamics of mutual trade between the EAEU member states after the coronavirus pandemic was positive. After a decline in trade activity in 2020, the volume of mutual trade between the EAEU in 2021 increased by almost 32%.

To obtain objective data in order to justify the introduction of the EAEU collective currency into circulation, the authors developed and used a two-stage econometric regression model for assessing the factors affecting the mutual trade turnover of the EAEU countries in national currencies. On its basis, a comparative analysis of the influence of independent variables — GDP, employment rate, the yield on federal loan bonds, and the level of currency risk on the volume of mutual trade between the

¹⁵ The EDB has created a clearing and settlement system in national currencies. 21.12.2018. URL: <https://eabr.org/press/news/v-eabr-sozdana-raschetno-kliringovaya-sistema-v-natsionalnykh-valyutakh> (accessed on 18.07.2022).

Table 3

Growth rate of mutual trade between the EAEU countries in 2015–2021, as a % of the previous period

Year	EAEU	Russia	Belarus	Kazakhstan	Armenia	Kyrgyzstan
2015	74.6	78.1	68.0	71.6	79.1	64.3
2016	94.2	93.0	103.4	76.8	153.7	109.0
2017	127.4	129.4	119.9	133.9	145.0	121.1
2018	110.1	112.3	102.1	114.9	120.6	118.3
2019	102.3	100.8	104.6	105.9	111.7	100.2
2020	89.0	86.8	96.1	86.5	91.7	85.1
2021	131.9	134.3	124.7	134.9	125.2	144.9

Source: Eurasian Economic Commission. URL: <http://www.eurasiancommission.org> (accessed on 18.07.2022).

EAEU countries over the following time periods was carried out:

- 1) from Q3 2015 to Q3 2020;
- 2) from Q3 2015 to the end of 2021;
- 3) from January 2021 to January 2022.

Both at the first and second stages, the simulation results indicate that the dependence of the mutual trade turnover of the EAEU on independent variables was stronger until Q3 2020, i.e. the peak of the coronavirus pandemic. After conducting a similar study for the period up to the end of 2021, this dependence slightly decreased, which can be explained by fluctuations in the national economies of the EAEU countries due to the corona crisis, and the imposition, and removal of restrictions on the activities of enterprises.

The following two hypotheses were tested using the regression model:

1) hypothesis H0: the financial condition of Russian enterprises and the level of currency risk have a significant impact on the volume of mutual trade between the EAEU countries, carried out in the national currencies of the member states of the union;

2) hypothesis H1: the financial condition of Russian enterprises and the level of currency risk do not have a significant impact on the volume of mutual trade between the EAEU

countries, carried out in the national currencies of the member states of the union.

At the first stage of the model, the following indicators were used:

Y_1 — the volume of mutual trade in the national currencies of the EAEU countries (billion dollars); X_1 — the total GDP of the EAEU countries (billion dollars); X_2 — the volume of Russia's exports to the EAEU countries (billion dollars).

When building the model at the second stage, the following indicators were used:

Y_2 — the volume of mutual trade in the national currencies of the EAEU countries (billion dollars); X_3 — the unemployment rate in Russia in accordance with the methodology of the International Labor Organization (%); X_4 — federal loan bonds yield level with full redemption after 2 years, in accordance with the zero-coupon yield curve of the Moscow Exchange (%).

At the first stage, the aggregate GDP of the EAEU countries and the volume of Russian exports to the EAEU countries were used as independent variables, and at the second stage, the rate of unemployment in Russia and the yield of Russian federal loan bonds. The volume of mutual trade between the EAEU countries with settlements in national currencies was chosen as a dependent variable at both stages.

This indicator reflects the total volume of payments in national currencies for servicing the mutual trade of the EAEU countries. The change in this indicator indicates both an increase and a decrease in the volume of mutual trade of the EAEU member states using national currencies.

Justification of independent variables. The aggregate GDP of the EAEU countries is an indicator of the general state of the economies of the member states countries. The volume of Russian exports to the EAEU countries shows the total Russian exports to the countries of the union. Changes in this indicator indicate an increase or decrease in the trading activity of Russian exporting enterprises focused on the EAEU countries. The unemployment rate in Russia indicates the financial condition of Russian enterprises. With an increase in the unemployment rate, the number of enterprises that experience financial difficulties increases, and with a reduction, it decreases. The unemployment rate, according to the methodology of the International Labor Organization, is the proportion of the unemployed of the total number of the economically active population, i.e. residents of Russia aged 10 to 72 years. The federal loan bonds yield level, in accordance with the zero-coupon yield curve of the Moscow Exchange, shows how much yield the federal loan bonds bring, excluding coupon income upon the final redemption of the bond. The Ministry of Finance includes currency risk in the federal loan bonds yield level, namely, the risk of the high volatility of the ruble, including in connection with the imposition of US and EU sanctions. A decrease in federal loan bond yields indicates a reduction in foreign exchange risk, while an increase is the opposite.

The following regression model formulas were used for calculations:

$$Y = \alpha_1 + \beta_0 X_1 + \beta_1 X_2, \quad (1)$$

$$Y = \alpha_2 + \beta_2 X_3 + \beta_3 X_4. \quad (2)$$

For the values Y, X_1, X_2, X_3, X_4 3 of the above periods were chosen, namely: from Q3 2015 to

Q3 2020; from Q3 2015 to the end of 2021, and from January 2021 to January 2022.

The calculations carried out at the first stage of modeling indicate that there is a strong correlation between the independent and dependent variables at the level of 98% in 2020 and 94% in 2021. At the same time, for 2021, the correlation between the volume of mutual trade between the EAEU countries in national currencies, of the total GDP of the member state countries, and Russian exports to the EAEU countries decreased by 4%. The calculations performed at the second stage of the model also confirm a significant correlation between the independent variable (the volume of mutual trade between the EAEU countries in national currencies) and dependent variables (the unemployment rate in Russia and the federal loan bonds yield rate) — at the level of 88% in 2020 and some decrease to 82% in 2021.

Taking into account the decrease in the dependence of the mutual trade turnover of the EAEU in national currencies on independent variables at the first stage by 7% and at the second stage by 10%, the degrees of correlation between the data at the first and second stages were calculated. The results of the calculation show that the mutual trade up to Q3 2020 correlated with the GDP of the EAEU countries by 92%, with Russia's exports to the EAEU — by 98%, with the unemployment rate in Russia — by 63%, with federal loan bond yields — by 62%. By the end of 2021, EAEU mutual trade correlated with independent variables by 90%, 90%, 62%, and 47%, respectively. This means that by 2021 the dependence of mutual trade on Russian exports to the EAEU has decreased more than the dependence on the general state of the national economies of the EAEU countries. As a result, the influence of both independent variables of the first stage of the model on the volume of mutual trade turnover of the EAEU became equivalent. Also, by the end of 2021, the dependence of mutual trade on federal loan bond yields decreased by 15%.

In general, the results of the regression model, built on the basis of data for 2015–2021,

only partially confirm the hypothesis H0 about the significant impact of the financial condition of Russian enterprises and the level of foreign exchange risk on the volume of mutual trade between the EAEU countries is carried out in the national currencies of the member states of the union. If the financial condition of Russian enterprises really has a significant impact on the volume of mutual trade in the national currencies of the EAEU countries, then the level of mutual exchange rate risk of the Russian ruble ceases to have a decisive influence on the volume of mutual trade of the EAEU countries in national currencies. This is due to the political decision of the member states to follow the course of a significant reduction in the share of the US dollar and the euro in the currency structure of mutual settlements and an increase in the corresponding share of the national currencies of the EAEU countries.

The results of the first stage of the regression model confirm that there remains a significant dependence of the volume of mutual trade between the EAEU countries in national currencies on the total GDP of the EAEU countries and the volume of Russia's exports to the EAEU countries. However, dependence on Russian exports no longer prevails over dependence on the general economic situation of the member states, expressed in the total GDP of the EAEU countries. Despite the fact that the ruble occupies a 72% share in the currency structure of mutual settlements between the countries of the association, the influence of the level of the ruble currency risk in the study period from 2015 to 2021 was not decisive when choosing the currency of settlements between Russia and other EAEU countries. The EAEU countries recognize the expediency of maintaining and increasing the share of national currencies in mutual settlements and are more guided by the decisions made to reduce the share of the US dollar in mutual settlements. According to the results of the second stage of the regression model, there is a steady dependence of the volume of mutual trade of the EAEU countries in national

currencies on the unemployment rate according to the methodology of the International Labor Organization, while the dependence of mutual trading on the federal loan bonds yield level in accordance with the zero-coupon yield curve of the Moscow Exchange is decreasing. In turn, the decrease in the unemployment rate is due to the strengthening of the financial position of Russian enterprises and, as a result, the expansion of the scale of their foreign economic activity, including those related to exports to the EAEU countries.

The results of the two-stage regression model allow us to conclude that in the period up to the beginning of 2022, the role of the ruble currency risk as one of the dominant factors affecting mutual trade in national currencies was decreasing. However, since the end of February this year, the Russian economy has found itself in an extreme political and economic situation under the influence of a tough sanction regime. This led, especially at the initial stage, to significant volatility of the ruble exchange rate against foreign currencies, including the currencies of the EAEU countries.¹⁶

CONCLUSIONS

The results of studying the problems and prospects for the development of regional monetary and financial integration within the EAEU allow us to draw the following conclusions and suggestions. The theoretical and methodological significance of the analysis of integration problems lies in substantiating the conclusion about the inefficiency of the historically established market-oriented model of financial and economic regionalization of the Member States of the EAEU, based mainly on the triad of institutions — a free trade area, Customs Union and Eurasian Economic Space. The removal of restrictions on the cross-border movement of production factors did not lead to a significant increase in mutual investment, could not have a significant positive impact on GDP growth, and increase the competitiveness

¹⁶ In this regard, to confirm or refute the hypotheses proposed in the model, it will be necessary to build a regression model based on updated representative data.

of the economies of the union countries. More than half of all investments in the development of economic activities of enterprises in Russia and other EAEU countries are financed from their own funds, and in recent years this share has been increasing. It is conceptually important, in order to deepen the economic integration of the Member States of the EAEU based on an increase in the share of gross fixed capital formation in the GDP of these countries, that the market-oriented model of Eurasian financial and economic integration be supplemented and, in some cases, replaced by a regulatory investment model of regionalization based on a set of effective joint institutions for managing integration processes.

The applied significance of the analysis carried out in the article lies in the systematization of specific measures to consolidate the cost-effective investment model of Eurasian integration by supplementing market instruments of the Eurasian financial market and bank lending instruments for infrastructure investment projects with more substantial support and assistance from state and interstate management institutions, regional financial institutions — The EDB and EFSD investments in the economies of the EAEU countries, as well as through the formation of a single investment fund, and in the future — the general budget of the EAEU used for this purpose, for example, the funds of the mechanism for collecting and distributing import customs duties in the EAEU since 2010 within the framework of the EAEU.

An important measure stimulating mutual investment could be the harmonization of approaches to the fiscal policy of the EAEU countries in terms of reducing income tax and using it to invest in fixed assets of enterprises.

The development of strategic planning of integration processes at the regional and national levels, and the coordination of

investment policy can give a new quality to sustainable economic growth in the EAEU countries.

In order to solve the problem of creating a single payment area within the EAEU countries, set in the Strategic Directions for the Development of Eurasian Economic Integration for the period up to 2025, the article substantiates the proposal to create a collective settlement monetary unit for mutual settlements using econometric methods of analysis. The research results using econometric modeling methods confirm that Russia, Belarus, Kazakhstan, Kyrgyzstan, and Armenia when choosing a currency of collective use for mutual settlements on trade and financial transactions, should take into account the existence of dependencies between mutual trade in the national currencies of the EAEU and independent variables reflecting the state of the economy and finances of the Eurasian region in general and Russia in particular. The results of the study using econometric analysis methods confirm the persistence during 2015–2021 of the strong dependence of mutual trade of the EAEU countries on the general state of national economies, Russian exports, and unemployment in Russia and, to a lesser extent, on changes in the exchange rate of the Russian ruble. The need in the context of the growing decentralization of the global monetary and financial system for coordinated actions of the EAEU countries to strengthen de-dollarization and the formation of a single payment area using the EAEU collective currency in circulation is justified.

The implementation of the proposed set of measures will make it possible to intensify the integration investment cooperation of the EAEU countries, reduce their dependence on the extremely volatile international economic and financial environment and provide a certain degree of protection from Western sanctions.

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