

INTEGRATION AT THE PERIPHERY OF EUROASIAN ECONOMIC COMMUNITY (EURASEC) (USING THE EXAMPLE EURASEC AND ASEAN)

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The article gives grounds to the prerequisites for the integration of EurAsEc and ASEAN - two most viable groups on the territory of former Soviet Union and South-East Asia in the conditions of complex interdigitation of global and regional processes on Euroasia continent. Special attention is paid to finding the opportunity for activating and diversification of commercial and investment activity as well as developing the long-term projects of economic interaction.

A general feature of both periphery parts of Eurasia is the presence of territories with low level of economic development and mass poverty. Functioning economic integration groups: EurAsEc (Eurasian Economic Community), GUAM (Organization for democracy and economic community, which is an international regional organization, containing Azerbaijan Republic, Georgia, Republic of Moldova and Ukrainian) and ASEAN (Association of South East Asian Nations), double-sided agreements of free and preferential trade of goods or/and services does not provide the influence to deepen integration and interaction and accelerate the fight with poverty. Therefore reanimation of integration processes has become one of the more important tasks in both parts of the continent.

In these conditions the integration at the periphery has a number of specific features. Beside the tasks of mobilization of resources and creation of preferential regime for participants with a purpose of acceleration of growth and improvement of living conditions of population, typical for every integration association is the necessity to overcome poverty, the formation viable national economic complexes and their protection from unfavorable external influences, improvement of negotiation positions in relation to transnational corporations and international economic and financial organizations. It has been noticed that in the period of globalization the participation in any integration process (2 or/and many-sided) for non-periphery countries is imperative.

World experience proves that only economic areas with market capacity 250-300 million of consumers and can provide the creation the

stable structures for global criteria to external influences (Calculation according to the World Economic Outlook/ April 2000. P.69. China on the change of millennium remained behind Japan and European Union almost by 7 times, USA in 9 times, India in 13, 11 and 16 times accordingly; countries with transitional economy almost 4,5 times).

Nowadays it is USA, European Union, China, India, Mercosur (*Mercado Común del Sur*, "South American common market"), NAFTA (North American agreement about free trade (*NAFTA, North American Free Trade Agreement, ALENA, Accord de libre-échange nord-américain*)), ASEAN (early Soviet Union). Support on endogenous sources of growth provided stability for big structures to further open opportunities to external world.

This statement is very important. Endogenous development, understood as the necessity to protect oneself by barriers from external world by duties, quotas, administrative limits etc. for creation of 'hothouse' conditions for national producers in period of globalization and regionalization is not successful. But it is necessary to avoid the situation, when the expansion of interrelation is caused by external impulses. The main role must consist of internal factors in the development of the national production, social sphere, science and education, personal research and advanced development, management and marketing etc, provided in the context of national economy of the periphery country or/and in the context of integration of association with country participant.

At the start of the 21st century Russia and its partners in EurAsEc, from the one side and 10

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countries ASEAN, from another side, collided over the necessity to define a place in difficult interweaving of global and regional processes in EuroAsian continent, and in finding adequate resolutions to these challenges. In economic sphere a lot of challenges are general or close to the both groups of countries. There is referred the necessity of decision such problems as:

- ◆ Weakening of differentiation of countries according to the level of income per head, technological maturity and informational supply. Before nowadays regional integration groups of the periphery countries, including Eurasian continent, can't stop the general tendency to increase the distance between centre and periphery;

- ◆ Decreasing unemployment and search of the methods of providing stable employment level. Nowadays prevailing models of growth with increasing influence on external orientation in countries with developing markets allows one to preserve a level of employment, but on the practice can lead to its decrease. Sensitivity to this problem was sensed by highly-developed countries, where unemployment is increasing in some traditional spheres (footwear shop, textile, sewing industry, agrarian sector etc.);

- ◆ regulation of cross-border capital flows, which operated in economic growth and in the same time created finance houses, threaten the stability of their economy. In the end last century the wave of financial, bank and currency crisis happened in many periphery countries of Eurasia;

- ◆ the necessity of weakening the negative influences of irregular development of globalization processes. There leads to anxiety to reinforce deviation of trends of economic growth between poorest and richer countries. This deviation was at a maximum in the years of globalization. In this context periphery countries of Asia and countries of Union of Soviet Socialist of Republic must solve a double task, namely the modernization of national economies and reinforcement of positions in world economy and international division of labour.

Certain inputs in resolving this complex task can insert development of interregional collaboration, including between functioning and formed integration associations on the continent.

According to the analysis of development of world economy of last 3-4 decades, we can maintain that the one of the most effective di-

rections of adaptation of periphery countries to economic globalization is became of the formation of regional integration groups.

Regionalism was promoted to development of globalization, but in the first decade of the 21st century defined a new tendency has been defined, namely its use as an instrument of neutralization of negative consequences of globalization. It has been proved by the collapse of the "Doha round" of World Trade Organization talks, which is targeted at increasing liberalization and universalization of regime of world trade, rally of subregional and regional collaboration (expansion of European Union; Mercosur, Venezuela; EurAsEC, Uzbekistan; suspended project of economic association of both Americas; movement of ASEAN to format of ASEAN+3, China, South Korea and Japan; increasing attention to sphere of economic collaboration in The Shanghai Cooperation Organization etc.).

In other words, the sphere of economic activity is represented as universal global processes, but also private in the context of biggest countries and their economic groups. Evidently in near future these 2 processes will dominate, stimulating movement in the global economy, and also relative individualism of some elements (regional and subregional groups).

Use of effects of growth scale and competition in association and optimization of foreign trade flows (in the case of successful realization of integration process) gives additional impulses to economic growth, increases stability in relation to external influences, improves negotiating positions in relations to leading regional partners and global structures. It is also important that there is an appearance of additional opportunities of resolving such problems, such as improvement of quality of economic growth between countries-partners, preservation and increasing employment, increasing living standards, decreasing poverty.

EurAsEC and ASEAN are more viable groups in the territory Soviet Union previously and South-East Asia, despite the difference in age, these countries are in the starting stage of development, therefore the interrelations between countries into these countries is provided by the next scheme "country of EurAsEC - country ASEAN". The exception is the relations between Russian and ASEAN. Quantity of population of

EurAsEC is exceed 200 million people. Capacity of market, territory, rich natural resources, quantity of human capital allows modernization of the economic structure of national economies of countries-partners, producing the impulses for activization of foreign economic activity in an Eastern direction. EurAsEC even before the joining of Uzbekistan (2006) provided 86.1% Gross Domestic Product of all Union of Soviet Socialist Republic (2004): 83.7% of industrial product, 67.6% of agricultural economy and 85.7% is the retail turnover of commodities through all channels of implementation. Thus, the dominating partners of ASEAN will be countries from EurAsEC, which is a base for economic potential of Union of Soviet Socialist Republic in the post-Soviet area.

Development of interrelations according to the scheme "ASEAN-Russia" will also lead to the activization of economic relations between Russia and countries of ASEAN in South-East Asia.

Beside the above mentioned problems of integrating an association of periphery regions of ASEAN and Union of Soviet Socialist Republics, there has appeared the anxious tendency of weakening their positions in world exports, accompanied by a decreasing share of inter-regional exports.

The data in this table allows us to make a few important conclusions.

Firstly both associations posses thriving internal markets that according to the general theory must allow the use of economies of scale.

It is an important advantage when we create the integrated group. Unfortunately, in both associations this resource does not give a real effect and is not compensated by stability of positions out of the region. In both the considered economic territories, as we said above, the trend is in one direction, namely a decreasing share of inter-regional trade, accompanied by weakening positions in world export. The indexes of dynamics of share of regional export in general volume (growth or stabilization in regions of developed countries - European Union and NAFTA - the North American Free Trade Agreement and in mixed mega-region Asia-Pacific Economic Cooperation (APEC) and decreasing periphery countries of ASEAN and Union of Soviet Socialist Republics in regions), shown in table 1, allows us to conclude that stability and soundness of growth of inter-regional trade requires the observation of 2 rules: achievement of acceptable level for global criteria level of development and presence of a thriving market. The analogous trends of Mercosur have shown that we have a global tendency, typical for big periphery regional association.

Secondly, economic activity of ASEAN and Union of Soviet Socialist Republics (accordingly and EurAsEC) is oriented to partners out of their region. This orientation creates favourable preconditions for opposite movement of EurAsEC to the East and ASEAN to the West as a bipartite base in format "country-country", but also as a multilateral

Table 1

Positions of base economic associations in world and regional exports

Years	Associations						
	ATES ¹	EU ²	NAFTA ³	ACEAH-10	Mercosur	SNG ⁴	
1995	I	46,3	39,8	16,8	6,4	1,4	2,5
	II	71,9	62,4	46,2	25,4	20,6	28,4
2000	I	37,5	29,6	15,6	5,5	1,1	1,7
	II	72,6	62,4	54,2	24,0	20,5	19,1
2003	I	34,0	31,4	12,6	4,9	1,2	1,3
	II	72,3	61,9	54,3	23,3	11,9	17,2

Note: I - share in world export

II - share of inter-regional exports in general volume of exports of association Sources: is calculated according to World Development Indicators. Washington: The World Bank, 2003; Direction of Trade Statistics. Yearbook 2004, Wash., September 2004; Union of Soviet Socialist Republic 2002-2003 years. Statistical Yearbook, M.,2004; Panorama de la inversion internacional de America Latina y el Caribe, 2004-Tendencias 2005.

¹ Association of Southeast Asian Nations, ASEAN.

² European Union

³ North American Free Trade Agreement

⁴ Union of Soviet Socialist Republic

base in format “country-integrate association” and “integrate association - integrate association” (EurAsEc - ASEAN).

Thirdly, both economic areas (ASEAN and EurAsEc) are influenced by world centers of economic power, first of all, USA, the European Union and China. In the near future these will be the main trade and economic partners will be ASEAN and EuaAsEC also.

Fourthly, both groups of countries have started or are now in the industrial stage of development. Their main tasks are modernization (but in some countries creation) of some base branches for the formation of viable national complexes and effective organization of economic area of integrated association for providing the process of expanded reproduction in region. In the other case, inclusion in international division of labour instead incentive of industrial development can become a factor in linking countries-partners and periphery associations generally as resource-provided regions of world economy and deindustrialization of own territories.

About this case it is proved that the experience of many advanced and even poorly developed countries, particular in Russia, which are trying to overcome negative tendencies of development of 90-years of last century by inclusion in world economy due to natural resources. Despite this, Russia still preserves the opportunity of reconstruction of industrial potential, the most part of which is an inheritance from Soviet Union. The country has natural resources, production power, including scientific investigation, staff and financial resources, but it is not a thriving enough market to allow the organization of scaled production of modern cars and other technologies. In this context Russia needs in countries of ASEAN an additional sale market and mean of reconstruction of machinery-technical branches, including military. ASEAN needs Russia to be one of the alternative sources of getting industrial equipment for base branches and formation of optimal national economic complexes of the group generally.

Certain presentations about alternatives were given by foreign economic organizations to the Soviet Union before its disintegration. At the start of the 1990s Soviet organizations established equipment, the power of which con-

sisted of production of energy of 40.9 million of quotas (established power), annual mining coal operation was 122 million tons and iron ore was 22 million tons, steel production was 22 million tons, oil refining was 39 million tons, production of mineral extraction was 1.3 million tons, different metallurgical equipment was 192 thousand tons, and irrigation and melioration was 2.5 million hectares.

Fifthly, in favour of intensification of economic relations with countries of East Asia, including ASEAN, influences geopolitical and geo-economic factors of Russia. Most of this enormous Eurasian country (from Ural to Pacific Ocean) has lost population; there are not enough structure-formatted megapolises, around which surrounding territory can be organised. Here it is a very real problem of revival of industrial potential of country. Countries with rich natural resources have industrial regions that have become the objects of expansion of regional and global economic mega-structures in the dynamic epoch of globalization. Therefore in the next 10-15 years it is expected that there will be acceleration of industrial development of regions of Siberia and Far East by construction of big infrastructural and industrial objects and national complexes. Realization of scale project is possible by providing 3 conditions: attraction internal and foreign investments, working power from other regions of Russia and neighbouring countries and the presence of a thriving market not only in country, but also abroad.

Sixthly, optimism in estimation of opportunity of significant growth of trade volume and other forms of economic relations between Russia and countries of ASEAN is based on changes during the last few decades (Malaysia, Thailand, Philippines) in the structure of the economy and exports; Singapore has become a finance and trade centre not only in ASEAN, but also internationally. Both countries are intensively searching for zones of interests now, and in the medium and long terms too.

Emergence of markets with large quantity of consumers, which are presented by economics of different levels of development, including countries with which Russia has relations, gives a powerful incentive to trade and mutual investment flows in relations with countries of East Asia. Now it is very difficult to talk about pa-

rameters of economic interrelation in considered format, e.g. duration and conditions have not been defined on how to create a zone of free trade ASEAN+3. In second part of current decade it is possible to provide 2 big net infrastructural projects. First is a increasing share of Russia in haulage of goods between Europe and Asia, that will require not only increasing throughput capacity of Trans-Siberian railway, but also reconstruction of ports and increasing the tonnage of national cargo fleet. The second project consists of the future construction of oil-cable "East Siberia - Pacific ocean" (supporting volume of investments is 11.5 billion dollars) with throughput capacity after construction of 80 million tons and also the creation of 2 transport routes for delivery of Russian natural gas from West and East Siberia to China: their throughput capacity would consist of 80 billion cubic metres per year.

Analysis of trends of last 15 years and consequences of providing the two above mentioned large projects gives the basis to think that if there is no resolution to the problems, it can lead to an excessively strong concentration of economic interaction between Russia and the Association of South East Asian Nations (and the new participants of discussed zone of free trade (ASEAN+3) in East Asia), until the appearance of ASEAN-10. Evidently government, business groups and science community must search for ways to neutralize these influences.

Interests of Russia and partners of Russia for EurAsEC is shown besides the rapid development of relations with China, Japan and South Korea, and also activization and diversification of trade and investment activity in other parts of East Asia. A similar configuration of interaction of post-Soviet area with region of East Asia can bring in important input in improvement of integration association on the continent, to create the conditions for appearance of new integration structures, for example expansion of the Shanghai organization of collaboration.

Increased attention to Asia in foreign economic strategy of Russia and many countries of Union of Soviet Socialist Republic is provided by development of globalization processes in world economy. Before this time the eco-

nomical interaction of post-Soviet area and external world is characterized by excessive concentration on the Euro-Atlantic region and within Europe. They are competitive in only 2 markets, namely fuel and energy sector and metallurgy (more 85% of Russian export). The region of Europe is increasing slowly among the mega-regions of world, but, if trends of consumption of energy and raw materials halve, then that inertial process can lead the countries-exporters to a "foreign trade trap", when arrearage of demand will become a serious factor in the slowdown of economic growth.

Accelerated development of economic relations in Asian direction is a more effective method of disposal of foreign trade deadlock. The point of this position is also that Asian markets have a demand for production of branches, which serve the energy and a raw material industry, other commodities of high value, where traditional Russian position is strong (energy and transport machinery-producing industry, including atomic energetic, branches for raw reprocessing, production of mineral fertilizers, petrochemicals, arms and special techniques etc.).

Material base of foreign trade manoeuvre in Asian direction is a retargeting of investments, starting by the reconstruction of destroyed branches and support of fuel and energy sector and targeted to investment growth of industrial type in Russia. Institutional provision of deepening of economic interaction, especially with countries of East Asia, leads to lightening the certain similarity of instruments of economic regulation (for example, indicated planning is a program-purposeful approach, industrial politics, private-state partnership, national projects etc.), that lead to development not only of growth of traditional trade, but also of long-term projects of economic interaction.

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