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The Russian Federation RTAs in the Light of Global Value Chains

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Abstract

In the literature, the regional integration policy of the Russian Federation has been studied in a variety of contexts. The focus is on the imperial and international aspirations of Russia. The article attempts to answer the question of whether participation in global value chains can be treated as a new criterion of regional integration. The article analyses the participation of the Russian Federation in the global value chains. The thesis is that in the modern globalized world, the directions of the most favourable RTA should be determined not only by the volume and intensity of trade but also by the structure of the global value chains of a particular country.

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1. Introduction

The Regional Integration Agreements notified by the Russian Federation are signed primarily with the countries in the area of the Commonwealth of Independent States. The most important trade agreements are those signed within the current Eurasian Economic Union** of Belarus, Kazakhstan, and most recently, Armenia and Kyrgyzstan. Most of the trade agreements were signed by Russia with Belarus and Kazakhstan and the two countries have made much progress with the process of economic turnover liberalization. Moreover, over the past 25 years, Russia has concluded free trade agreements with Azerbaijan, Georgia, Moldova, Tajikistan, Turkmenistan, Uzbekistan and Ukraine. Not all of these agreements have been implemented. For political reasons, the agreements with Georgia and Ukraine are not

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** The Eurasian Economic Union became operational on 1 January 2015. It replaced the Eurasian Economic Community existing since 1995. For the EEU they are: Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia.

functioning. The RIA between the Russian Federation and Serbia has been working since 2006. Moreover, Russia is conducting agreement negotiations with New Zealand and Viet Nam [20].

RTAs are concluded in order to liberalize trade and to facilitate the cooperation between economic partners of the Member States. They are also to improve the competitiveness of products, their position in the international division of labor and help in a better use of global value chains. There are many theoretical arguments for trade liberalization [15, 16]. From a bilateral and multilateral perspective, the majority of them, however, refer to the countries that are the most important trading partners to each other.

In the case of Russia, we are dealing with a unique situation. So far, the Russian Federation has concluded the RIAs with the countries that are not its most important trading partners. Therefore, the aim of this article is to answer the questions of what economic objectives motivate the RIAs such oriented by Russia, what their impact on the participation of Russia in the global value chains is and whether or not the Russian Federation should adopt the connections within the global value chains as a criterion for creating Regional Integration Agreements.

2. Trade and investment relations

The countries, the Russian Federation has signed the RIAs with, that is, the area of the Commonwealth of Independent States, account for only 11% of the Russian trade turnover (Fig. 1).

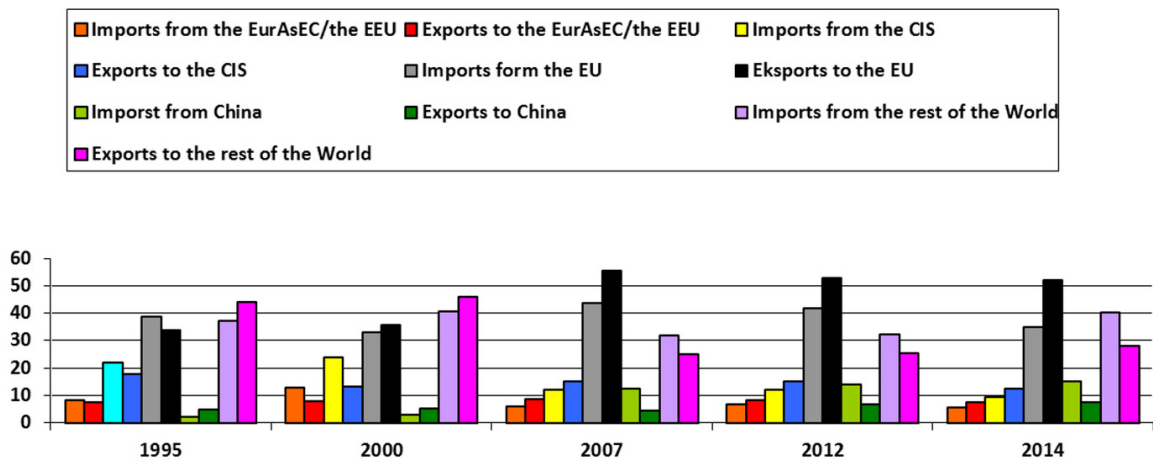


Fig. 1. Russian exports and imports %.
Source: Own calculation based on [4–13].

The share of the 11 countries of the CIS2 in the Russian imports is approximately 9.5% and in exports about 12.5%. The share of the priority area of the EEU in the Russian trade turnover, from the perspective of the level of the RIAs development, amounts to 5.7% in imports, 7.3% in the Russian exports and 6.7% in the total turnover (Fig. 1). Taking into account the disparities in the size of these countries and their economic potential, it might be said that the outcomes of the Regional Integration Agreements signed between them are satisfactory, although they are not significant. Moreover, in the nineties, Russia intensively diversified their economic connections reducing the share of the post-Soviet states. A stable position of the EEU countries (Fig. 1) in the rapidly growing international trade turnover of the Russian Federation (Fig. 2) proves the effectiveness of the RIAs.

Figure 2 shows the strong reactions of the Russian trade to crises and changes in the prices of energy resources and shows the enormous dynamics of the Russian trade. The structure of the Russian trade turnover explains the main directions of trade links of the country. Nearly 70% of the Russian exports are raw materials, mainly energy raw materials, partially processed. On the other hand, the most important items in imports are machinery, equipment and other highly processed products.

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