

MACROECONOMIC COORDINATION IN THE EURASIAN ECONOMIC UNION: STRATEGIC ASPECTS

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Coordinated macroeconomic policy is a special element within the integration process in addition to the four freedoms usual for economic integration: free movement of goods, free movement of services, free movement of labor, and free movement of capital. Macroeconomic coordination was, from the very beginning, a key idea behind each stage of the process of Eurasian economic integration. The politico-ideological foundation of the Eurasian idea is the facilitation of growth for Eurasian countries on the basis of economic pragmatism. The macroeconomic coordination process within the Eurasian Economic Union is based on the coordination of strategic planning systems in each Member State. Strategic planning plays an important role in macroeconomic coordination. Strategic planning documents have a sound legal basis in the Treaty establishing the Eurasian Economic Union. At the same time Eurasian integration provides a platform for best practice exchanges and coordination of strategic planning between the Member States.

Keywords: Eurasian Economic Union; strategic planning; post-soviet space; macroeconomic coordination; economic integration.

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Introduction

The integration among the former Soviet republics and now among the newly independent States is an inevitable but contradictory process. Different approaches to integration were examined in the post-Soviet area: political, military and economic. After the first attempt at political integration – the Commonwealth of Independent States (CIS), which appears to be less than successful after three decades – a new attempt at political integration was made. In 2015 the Eurasian Economic Union (EAEU) came into existence and promises to be a greater success than previous attempts.

The EAEU was formed in light of the new political reality and differs from earlier attempts. Macroeconomic coordination and supranational strategic planning documents constitute a distinctive feature of the EAEU.

Academic interest in the Eurasian integration process is growing and covers more issues of the integration. Before and during the three years after the Eurasian Economic Union came into force in 2015, several books and collections of essays were published in Europe and the United States, related mostly to social and political aspects of Eurasian economic integration.

There were political studies on the integration where the future of Eurasian institutions was assessed as murky.¹ In some publications, the EAEU was considered within the context of the Central Asian region in general, assessing the importance and policy implications of the new union in the region.² The EAEU was established in the context of and as influenced by European integration, in particular the implications of Eurasian integration on constitutional and domestic legal norms.³

¹ Jeffrey Mankoff, *Eurasian Integration: The Next Stage*, Central Asia Policy Brief No. 13 (December 2013) (May 20, 2019), available at <https://app.box.com/s/39m175znb3155e4e016a>.

² Roman Mogilevskii, *Trends and Patterns in Foreign Trade of Central Asian Countries*, Institute of Public Policy and Administration Working Paper No. 1 (2012) (May 20, 2019), available at https://www.ucecentralasia.org/Content/Downloads/IPPA-WP1_Trends_PatternsForeignTradeCA-En.pdf.

³ *Post-Soviet Constitutions and Challenges of Regional Integration: Adapting to European and Eurasian Integration Projects* (R. Petrov & P. Van Elsuwege (eds.), London: Routledge, 2017).



The legal aspects of Eurasian economic integration seem to be less attractive to academic researchers. Constitutional issues are in the vanguard of all the studies. A comparative study has been published on the issues of the autonomy of the EAEU legal order compared with the European Union.⁴

The issues of coordinated macroeconomic policy, issues of strategic planning, and their legal basis have not yet been put into the spotlight of academic research. Macroeconomic policy coordination has its background in the logic of Eurasian integration and its legal aspects can be considered in the political, economic, and even ideological contexts.

In this study we employ the method of policy-oriented jurisprudence, which implies that various actors have expectations, based on their background, and implement their common interests in international law.⁵ The method generally called “law and economics” will also be applied, because it establishes the link between economic factors and international legal documents.⁶

The Eurasian integration process is developing in post-Soviet space and has its roots in the previous common historical and social realities. In order to understand social reality, it is important to look for the causes of phenomena and to the prior aspects of a continuing process. Accordingly, we employ the historical method in our research. We shall apply the historical approach in its “social sciences dialogue” dimension because history is involved in the interchange of the social sciences.⁷

The aim of this article is to demonstrate why coordinated macroeconomic policy is possible as a special factor in the Eurasian integration context and to show its legal basis in the treaty establishing the Eurasian Economic Union. Macroeconomic coordination is materialized in supranational strategic documents issued on the basis of the Treaty. At the same time, Eurasian integration provides a platform for a common vector of domestic strategic planning development in the Member States.

1. Idea of Eurasia as a Basis for Regional Economic Integration

Eurasia has become a term actively used by the post-Soviet elites. It is hardly acceptable to use the term “post-Soviet” for the new political groups.

⁴ Maksim Karliuk, *The Eurasian Economic Union: An EU-Inspired Legal Order and Its Limits*, 42(1) *Review of Central and East European Law* 50 (2017).

⁵ Myres S. McDougal & W. Michael Reisman, *The Prescribing Function in World Constitutive Process: How International Law Is Made*, Faculty Scholarship Series, Paper No. 2661 (1980) (May 20, 2019), available at https://digitalcommons.law.yale.edu/fss_papers/2661/.

⁶ Steven R. Ratner & Anne-Marie Slaughter, *Appraising the Methods of International Law: A Prospectus for Readers*, 93(2) *American Journal of International Law* 291, 293 (1999).

⁷ Juan R. Goberna Falque, *Fernand Braudel y las Ciencias Sociales*, 49(115) *Cuadernos de Estudios Gallegos* 211 (2002).



In some senses, the problem is that there has been no common term to describe the region post-soviet countries are located in.⁸

The term “Eurasia” describes the interconnections between newly-formed countries and meets the needs of the elites. Obviously, during years after the collapse of the USSR, there were still problems which these countries could solve better together.

The term “Eurasia” has two possible dimensions: geographical (land attributed both to Europe and Asia) and politico-philosophical-ideological (the complex idea or social concept). On the basis of the idea of Eurasia, a whole concept of “Eurasians” was raised and now flourishes, which is more of a politico-ideological and philosophical concept. It is alleged that this complex and complicated concept which underlies Eurasian economic integration is based on the Kazakhstan vision, which differs from the Turkish and Russian visions. The key aspect of Eurasianism underlying the current Eurasian integration process is economic pragmatism. However, it is not pure “economic Eurasianism” because it admits that successful integration of trade and economic policy cannot be created without political support and goodwill.⁹

European integration was inspired by Winston Churchill’s famous Zurich speech of 1946, when he proposed to create a kind of United States of Europe. If the idea of European integration can be attributed to Churchill, the idea of and inspiration for the Eurasian idea can be attributed to Nursultan Nazarbayev, former President of the Republic of Kazakhstan.

During his first official visit to the Russian Federation in 1994, at a meeting with the students of Moscow State University and at further meetings with business circles and intellectuals, President Nazarbayev proposed to create a new association of post-Soviet countries to be called the Eurasian Union of States.¹⁰ The following year the leaders of Russia, Kazakhstan, and Belarus signed the 1995 Agreement on Customs Union.

It was a long journey from the announcement of the Eurasian idea in 1994 to 29 May 2014, when Kazakhstan, Russia, and Belarus signed the Treaty establishing the EAEU in Astana, which was ratified by the parliaments of the three countries in October 2014.

A political presentation of the advanced Eurasian idea, published in *Izvestiya* on 3 October 2011, was made by Vladimir Putin, President of the Russian Federation.

⁸ Evgeny Vinokurov & Alexander Libman, *Eurasian Integration: Challenges of Transcontinental Regionalism* 19 (New York: Palgrave Macmillan, 2012).

⁹ Golam Mostafa, *The Concept of “Eurasia”: Kazakhstan’s Eurasian Policy and Its Implications*, 4(2) *Journal of Eurasian Studies* 160, 161 (2013).

¹⁰ Речь Нурсултана Назарбаева в МГУ им. М.В. Ломоносова 29 марта 1994 г. «Наши народы веками жили вместе, и укрепление добрососедства отвечает кровным интересам миллионов людей» / Назарбаев Н.А. Когда мысль материальна [Speech of Nursultan Nazarbayev in Lomonosov Moscow State University on 29 March 1994 “Our Nations Were Living for Centuries Together and Strengthening of Good Neighbourliness Meets Vital Interests of Millions” in Nursultan A. Nazarbayev, *When an Idea Is Material*] 19–22 (Moscow: Khudozhestvennaya literatura, 2012).



He proclaimed the EAEU as one of the poles of the modern world and the effective nexus between Europe and the Asia-Pacific region.¹¹

However, not only political inspiration and ideas were pushing the Eurasian integration process and promoting its relative success. Different reasons can be cited to explain the creation of the EAEU, some of which are set out here.

The common reason for economic, political, and military integration in post-Soviet space is a shared historical heritage, reaching back to before Soviet times. Territories of many contemporary independent States and former Soviet republics were part of Tsarist Russia, so their common history extends further back than 70 years.¹² Similarly, cultural interchange and closeness relates not only to Soviet traditions, but to the cultural closeness within the Russian Empire.

Building on this common historical and cultural experience within Russian Empire, during the Soviet era State economic planning created a common economic history, with strict integration of economic policy. Traditional planning in the Member States has its roots in Soviet State planning and is considered to be an inherent part of the public governance system and economic policy. For example, the newly independent States in the post-Soviet area implemented the top-down model of strategic planning. Common economic history forms the context in which the idea of a coherent macroeconomic policy is an expected and natural part of Eurasian economic integration.

Economic, transportation, and infrastructure relations and even economic interdependence are not the final factors in the list reasons for integration. The importance of a simple but critical geographical and historic point cannot be overlooked: many newly-independent States in Asia following the collapse of USSR were landlocked.

Eurasian economic integration has been driven not only by these fundamental forces, but has been reinforced and accelerated by other factors. One accelerating factor was the financial crisis of 2008. There is no disagreement between authors that it was indeed an accelerating factor. However, the impact of the 2008 global crisis is presented in different ways.

President Putin in his article for *Izvestiya*¹³ mentioned that the global financial crisis forced States to seek new resources for economic growth, giving an additional impulse to the integrative process. Eurasian integration focused primarily on developing trade and production cooperation helped to overcome the crisis.

Researchers from outside of the EAEU, referring to the fact that Eurasian integration was given impetus by the global economic crisis, also observe that the

¹¹ Путин В. Новый интеграционный проект для Евразии – будущее, которое рождается сегодня // Известия. 3 октября 2011 г. [Vladimir Putin, *New Integration Project for Eurasia – the Future That Is Born Today*, *Izvestiya*, 3 October 2011] (May 20, 2019), available at <https://iz.ru/news/502761>.

¹² Anna V. Shashkova et al., *Emergence and Activity of Legal Entities in Russia in the Pre-Revolutionary Period (Comparative Analysis)*, 46(4) *Bylye Gody* 1333, 1335 (2017).

¹³ Putin, *supra* note 11.



crisis encouraged a search for alternatives to European integration. The crisis made European integration a less appealing prospect for Russia and other post-Soviet States. At the same time, the crisis made them “think more creatively about how they fit into the emerging global order.”¹⁴

The politics of the European Union in the recent decade in the Eurasian region is mentioned as a geopolitical factor pushing the Eurasian integration:

Geopolitics behind the integration process cannot be ignored. The European Union engagement with six CIS countries and China’s growing economic engagement in Central Asia have influenced Russia in pushing for the Eurasian Economic Union, in hope that the organization would give Russia more bargaining power in the region. Economic considerations, however, need to take precedence over politics to make economic integration a success. Also addressing the fears of the smaller countries over Russian dominance and preserving their sovereignty would be crucial for the functioning of the group.¹⁵

The planning in the economic sphere in the post-Soviet space was traditionally believed to be a key tool for overcoming the economic crisis. During the crisis of 2008 and shortly thereafter, there were political references to planning as a solution for the economic crisis.¹⁶ The process of Eurasian economic integration benefited politically from the positive aspects of the traditional State planning common to all former Soviet republics which avoided recessions. This may be the reason why Eurasian economic integration relied on the coordination of macroeconomic policy, including economic planning.

Eurasian economic integration was further encouraged as a result of the successes from 2010 to 2012 within the framework of the Eurasian Customs Union. The Eurasian Customs Union unified the external tariffs of Kazakhstan, Russia, and Belarus. Economic research demonstrates the effects of the Eurasian Customs Union by observing that trade turnover between Kazakhstan and Russia increased by 28% between 2010 and 2011, whereas for the same period the growth rate of trade between the Customs Union of Belarus, Kazakhstan, and the Russian Federation and the other central Asian countries was 19%.¹⁷

The combination of these reasons and accelerating factors facilitated Eurasian integration.

¹⁴ Mankoff, *supra* note 1.

¹⁵ Gatikrushna Mahanta, *Eurasian Regional Economic Cooperation: Opportunities and Challenges in Eurasia and India: Regional Perspectives* 22 (K. Warikoo (ed.), London; New York: Routledge, 2017).

¹⁶ Лужков Ю. Российские особенности мирового кризиса // Российская газета. 11 февраля 2009 г. [Yury Luzhkov, *Russian Features of the World Crisis*, Rossiyskaya Gazeta, 11 February 2009] (May 20, 2019), available at <https://rg.ru/2009/02/11/luzhkov.html>.

¹⁷ Mogilevskii, *supra* note 2.



2. Initial Domestic Strategic Planning Positions of the Member States Involved in the Eurasian Integration Process

The EAEU Treaty, signed by the leaders of Belarus, Kazakhstan, and Russia, came into force on 1 January 2015. Treaties providing for accession by Armenia and Kyrgyzstan to the EAEU were signed on 9 October and 23 December 2014 respectively. Armenian accession came into force on 2 January 2015 and the Kyrgyzstan treaty came into force on 6 August 2015.

The political aspects of internal strategic planning in the Member States of the EAEU had certain significant differences. Russia followed the top-down model of strategic planning and elaborated the concept of long-term socio-economic planning. However, some observers have claimed that, after the crisis of 2008, there was a national security aspect to strategic planning.¹⁸

Kazakhstan had a consistent system of formal long-term strategic planning with the President at the top. The strategic documents of Kazakhstan speak for themselves: from “Khazakhstan-2020” in 1997 to “Khazakhstan-2050” in 2012.

Belarus had a consistent planning system with a vision for fifteen years in the future without ambitious goals in a sustainable political context.¹⁹

Accordingly, the three initial Member States entered the age of a common economic space with their own national strategic planning systems, bringing certain differences and characteristics.

The three initial Member States were the subject of a special study comparing the internal aspects of strategic planning. In order to carry out the tasks of macroeconomic coordination and exchange of best practices in strategic planning, the Eurasian Economic Commission in 2014 prepared a fundamental analysis of national strategic planning systems.²⁰ The national level practices in strategic planning were assessed on the basis of the following elements of national planning systems:

¹⁸ Ekaterina Kudryashova, *State Planning and Budgeting in the Russian Federation in Developments in Strategic and Public Management: Studies in the US and Europe* 149 (P. Joyce et al. (eds.), Basingstoke: Palgrave Macmillan, 2014).

¹⁹ Maksim Vilisov, *Strategic Planning of the Economic Development in the Eurasian Union Member States*, Presentation (November 2017) (May 20, 2019), available at https://www.researchgate.net/publication/320852322_Strategic_Planning_of_the_Economic_Development_in_the_Eurasian_Union_Member_States.

²⁰ Аналитический доклад «Анализ систем стратегического планирования и прогнозирования Республики Беларусь, Республики Казахстан и Российской Федерации» / Департамент макроэкономической политики Евразийской экономической комиссии. 2014 г. [Department of Macroeconomic Policy, Eurasian Economic Commission, Analysis of the Systems of Strategic Planning and Prognosis of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation, Analytical Report (2014)] (May 20, 2019), available at http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_makroec_pol/seminar/Pages/default.aspx.



- (1) The necessary and sufficient regulatory framework for ensuring strategic planning;
- (2) The correlation between development guidelines and target-setting in strategic documents;
- (3) Implementation of the strategic planning system and the reassessment of the planning documents already in force;
- (4) Clear allocation of responsibilities in strategic planning systems;
- (5) The role of municipal and regional authorities in strategic planning systems;
- (6) Formation of multiagency groups for drafting strategic documents;
- (7) Efficiency of monitoring and control of the implementation of the strategic documents;
- (8) Coordination between strategic planning and budgeting with focus on budgetary constraints.²¹

Significant differences were noted, for example, in the goals of strategic planning. The strategic goal of Belarus is the dynamic enhancement of welfare, the enrichment of culture and public ethics on the basis of intellectual and innovative development of the economic, social, and ethical spheres, and the conservation of the environment for present and future generations.

Kazakhstan's strategic goal is to create a society of prosperity on the basis of a strong State, a developed economy, and opportunities for work for all.

Russia sees the aim of strategic planning as achieving a level of economic and social development corresponding to the status of Russian Federation as a world leading state in twenty-first century, having an advanced position in the global economic competition with guaranteed national security and the promotion of constitutional rights of citizens.

All three Member States set different goals in their strategic socio-economic planning. However certain similarities in the strategic planning on national level were found and can be considered to be a good starting point for harmonization.

The feature of Russian domestic strategic planning development is the level of political and social consensus, which allowed it to take further steps in formalization of systems for strategic planning. Russia adopted Federal Law of 28 June 2014 No. 172-FZ "On Strategic Planning in Russian Federation." The text of this law provides that it aims to create a fundamental and continuing system of strategic planning. The Russian system of State strategic planning includes all of the actors in State strategic planning and comprehensive documents on State strategic planning.

The States which acceded to the EAEU after 2014 were not included in the report on domestic strategic planning systems within the Eurasian integration process. However, they have their own domestic systems of strategic planning as established in strategic documents.

²¹ Department of Macroeconomic Policy, *supra* note 20.



The Sustainable Development Program of Armenia was approved by the Decree of the Government of Armenia of 30 October 2008 No. 1207-N. As the world financial crisis erupted in 2008, the Program could not have an impact on the economy of Armenia and no significant steps were made to implement the Program. After revisions, the new Armenian development strategy covers the period of 2014–2025.²²

Kyrgyzstan elaborated, in the post-Soviet period, a few strategic documents, including the “Comprehensive Development Framework” (2001), “National Poverty Reduction Strategy” (2003), “New Economic Policy” (2009), and multiple industry-specific development programs. The objectives of these documents were not completely achieved, and a consistent system of strategic planning was not elaborated. The National Strategy of Sustainable Development for the Kyrgyz Republic for the period 2013–2017 was approved by the Edict of the President of Kyrgyzstan of 21 January 2013 No. 11. To implement this, pursuant to the Decree of 18 January 2013 No. 3694-V, the Government of Kyrgyzstan adopted the Program of Government of Kyrgyzstan for the transition of Kyrgyzstan to sustainable development (2013–2017). The legal framework for national development strategies in Kyrgyzstan is the Law “On State Forecasts of Socio-Economic Development of the Kyrgyz Republic.”

All Member States joined the EAEU with developed strategic planning systems. These systems have certain differences and similarities. The Eurasian common economic space and the EAEU created a sound platform for the dynamic interchange of best practices in domestic strategic planning between the Member States. Different forums have been developed for this interchange. One forum is the Assembly of Eurasian Nations. The release of the new model of economic strategic planning is expected as an idea for discussion between the EAEU Member States.

3. Strategic Planning in the Age of the Common Economic Space

The concept of Eurasian economic space or Common Economic Space from the outset included five structural elements. Among those elements were the four freedoms: free movement of goods, free movement of services, free movement of labor, and free movement of capital. Besides these four freedoms, which are standard at this level of international regional economic integration, there was a fifth element – consistent economic policy.²³ The Common Economic Space was based on agreed actions in the key sectors of economic regulation: in macroeconomics, in the competition sphere, in the areas of subsidies for industry and agriculture, transport, power engineering, tariffs, natural monopolies as well as monetary policy, migration

²² Republic of Armenia: Second Poverty Reduction Strategy Paper, IMF Country Report No. 08/376 (December 2008) (May 20, 2019), available at <https://www.imf.org/external/pubs/ft/scr/2008/cr08376.pdf>.

²³ Мансуров Т.А. ЕвразЭс – от экономического сотрудничества к Единому экономическому пространству [Tair A. Mansurov, *EurAsEC – From the Economic Cooperation to the Common Economic Space*] 253 (Moscow: Russkiy raritet, 2011).



policy, regulation of financial markets, consumer protection, and enforcement of intellectual property rights.²⁴

One initial document within the integration stage of Common Economic Space was the Agreement on coordinated macroeconomic policy for the years 2013 and 2014. It was signed on 9 December 2010 and came into effect on 1 January 2012, with certain provisions coming into force 1 January 2013. The document provides quantitative macroeconomic parameters, including ceilings for the annual national budget deficits, national debt, and rate of inflation.

In order to facilitate the implementation of this Agreement on coordinated macroeconomic policy, the Eurasian Economic Commission issued the Key Guidelines for Macroeconomic Policy in the Member States of the Customs Union and the Single Economic Space in 2013–2014 (Decree of the Supreme Eurasian Economic Council of 29 May 2013 No. 37).²⁵ Agreement on coordinated macroeconomic policy was the first strategic document in the sphere of macroeconomics. The key points of the common macroeconomic policy for the short-term period are defined as follows:

- 1) Support for macroeconomic stability;
- 2) Creation of the conditions for stable economic growth by means of promotion of cooperation with industry in order to increase competitiveness, including the following:
 - Improvement of conditions for trade and the development of international trade;
 - Development of transport infrastructure and realization of the transportation potential of the Single Economic Space;
 - Promotion of the competitive environment and improvement of the business climate;
- 3) Development of the financial and credit system.

This three-fold development of macroeconomic policy aims generally to promote Eurasian economic integration. The development of a common macroeconomic policy according to the Agreement should take into account the best practices from the internal experience of Member States and from global practice.

Eurasian integration can be successful only if it facilitates the economic goals of the Member States. The academics have suggested a further step in strategic planning, such as adopting the single Trade and Economic Policy Strategy within Common Economic Space and concepts for a single industrial and agricultural policy.²⁶ This entails harmonizing development policies at the national level and

²⁴ Eurasian Economic Commission, *Eurasian Economic Integration: Facts and Figures (2015)* (May 20, 2019), available at http://www.eurasiancommission.org/en/Documents/broshura26_ENGL_2014.pdf.

²⁵ Key Guidelines for Macroeconomic Policy in the Member States of the Customs Union and the Single Economic Space in 2013–2014 (May 20, 2019), available at http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_makroec_pol/SiteAssets/Аннотация%20к%20Основным%20ориентирам_eng_ed_final.pdf.

²⁶ Sergey Glazyev & Sergey Tkachuk, *Eurasian Economic Union: Achievements and Prospects in Eurasian Integration – The View from Within* 61, 68 (P. Dutkiewicz & R. Sakwa (eds.), London; New York: Routledge, 2015).



within the Union, including industrial, agricultural, energy, transport, and other policies:

Moving forward a strategic planning system should be created within the Eurasian Economic Union to produce long-term forecasts, medium term concepts and strategies for trade industrial and agricultural, research and development policies guidelines for socioeconomic and tax policies and also cross-border programs and action-plans to implement them. A strategic plan to develop the Eurasian Economic Union should be drafted and approved without delay along with an action plan to implement it over the next decade.²⁷

4. Legal Basis for Strategic Planning Within the Macroeconomic Coordination in the Eurasian Economic Union

On the long road toward Eurasian economic integration, many legal and political agreements and other documents have been adopted. For example, the contractual and legal bases for the Customs Union and the Common Economic Space are found in sixty-eight treaties. Those documents became the basis for the Treaty on the EAEU and, in the process of intense negotiations, these were enhanced by other documents furthering integration.

The scope of the Treaty ensures free movement of goods, services, capital, and labor, as well as coordinated, coherent and unified policies in the economic sectors as specified therein and in international agreements within the Union.

Macroeconomic policy coordination is of great importance in the EAEU. It is more significant when compared to the legal provisions of the European Union. Part 3 of the EAEU Treaty includes a Section XIII entitled "Macroeconomic Policy." Moreover, not only Section XIII establishes the legal basis for common economic strategies and coordination: the idea of economic coordination permeates the entire Treaty on the EAEU.

Several articles address the issue of coordination of economic policy in the fundamental basis of the Treaty. Article 1 seeks to provide a coordinated, agreed, or common policy in the economic sectors determined under the Treaty and international treaties within the Union.²⁸

Article 4 mentions among the main objectives of the Union the creation of proper conditions for sustainable economic development of the Member States in order to improve the living standards of their population. The other main objects are: to seek the creation of a common market for goods, services, capital, and labor within the

²⁷ Glazyev & Tkachuk 2015, at 68.

²⁸ Treaty on the Eurasian Economic Union (May 20, 2019), available at http://www.un.org/en/ga/sixth/70/docs/treaty_on_eeu.pdf.



Union; to ensure comprehensive modernization, cooperation, and competitiveness of national economies within the global economy.

Other important provisions address the scope of the Treaty. Article 5(2) “Jurisdiction” requires Member States to carry out coordinated or agreed policies within the scope and limits determined under the Treaty and international treaties within the Union. According to Article 5(3), in other spheres of the economy the Member States shall seek to implement coordinated or agreed policies in accordance with the basic principles and objectives of the Union. By decision of the Supreme Eurasian Economic Council, auxiliary authorities may be established (councils of State, heads of the Member States, working groups, special commissions) in the relevant areas and/or the Eurasian Economic Commission may be instructed to coordinate the interaction between the parties to the Treaty in their respective spheres.²⁹

As noted above, there is an entire section in the Treaty on the issue of coordination of macroeconomic policy – Section XIII “Macroeconomic Policy.” Article 62(1) provides that within the Union, agreed macroeconomic policy shall be implemented for the development and implementation of joint action by the Member States aimed at achieving their balanced economic development.

Article 63 forms quantitative indicators of macroeconomic sustainability of economic development: the annual deficit of the consolidated budget of a State-controlled sector shall not exceed 3% of the gross domestic product; the debt of a State-controlled sector shall not exceed 50% of the gross domestic product; the inflation rate (consumer price index) per annum (December to December of the previous year, in percentages) shall exceed the inflation rate in the Member State with the lowest value by not more than 5%.

Shortly after the EAEU treaty came into force, the documents relating to the coordination of macroeconomic policies were updated by comparison with those from the time of the Common Economic Space. The Key Guidelines of Economic Development of the EAEU were adopted by Decree of the Supreme Eurasian Economic Council of 16 October 2015 No. 28. According to the EAEU Treaty, the Key Guidelines is a recommendatory document defining the prospective ways of socio-economic development which the Member States should strive to implement by internal procedures. The Supreme Eurasian Economic Council as an organ of the EAEU derives its powers from Articles 8 and 12 of the EAEU Treaty.

Quantitative values of macroeconomic indicators appear in the Treaty due to the economic context in which the Treaty was drafted, namely the consequences of the global crisis and the series of defaults in the financial sector.

On the basis of Article 12 of the EAEU Treaty, the Supreme Council considers the main issues of the EAEU activities, defines the strategy, directions and prospects of integration development, and adopts decisions to implement the objectives of the EAEU.

²⁹ Treaty on the Eurasian Economic Union, *supra* note 28.



The Key Guidelines are generally considered to be a recommendation and may be implemented by the Member States through their internal procedures. The Treaty provides that decisions of the Supreme Eurasian Economic Council and Eurasian Intergovernmental Council shall be enforceable by the Member States in the procedure provided for by their national legislation.

The EAEU Treaty refers to another strategic document – The Main Directions of Industrial Cooperation (MDIC). Article 92(6) of the Treaty states that the Member States shall develop the Main Directions of Industrial Cooperation within the EAEU. The Commission shall conduct annual monitoring and analysis of implementation results for the Main Directions and, if required, prepare, in agreement with the Member States, proposals for clarification of the Main Directions.

Although the Main Directions of Industrial Cooperation have a sound legal basis in Article 92 of the EAEU Treaty, a few additional steps were taken to seek a general consensus on this document and to add more weight to it. It was announced that the draft Main Directions were prepared with the assistance of experts and leading economists and presented for discussion to the authorized bodies and the business community in March 2015 in order to develop the draft in the Member States. The Industrial Policy Department conducted a series of activities for public discussion of the draft as an open dialogue with representatives of the interested ministries and departments of the Member States, as well as business circles and business communities. As part of the cooperation with the United Nations Industrial Development Organization (UNIDO), the draft Main Directions of Industrial Cooperation was subject to international examination and expertise. The Main Directions of Industrial Cooperation received a positive evaluation by international experts and their support.³⁰

The Main Directions is a medium-term document for five years, which is based on the expediency of deepening industrial cooperation, taking into account current trends in the development of the economies of the EAEU Member States and the world economy.

The Treaty on the EAEU requires that a report on the results of monitoring and analysis of the Main Directions of Industrial Cooperation be issued annually. The report contains the analysis of the main qualitative and quantitative indicators that characterize the degree of achievement of the goals and objectives of industrial cooperation, as defined by the Main Directions. It contains information on the progress in the implementation of measures to promote industrial cooperation in the Eurasian Economic Union, as well as proposals to increase its effectiveness. The report on the results of the annual monitoring and analysis of the implementation of Main Directions of Industrial Cooperation issued in 2017 gives the following view of the situation.

³⁰ Eurasian Economic Commission, EAEU Industrial Policy: From Its Creation to the First Results (2015), at 35 (May 20, 2019), available at http://www.eurasiancommission.org/ru/Documents/Industrial_eng.pdf.



At the end of 2016 the total production in the EAEU increased by 0.9% compared to the corresponding period the previous year. In Armenia it increased by 6.7%; Kyrgyzstan, by 4.9%; and Russia, by 1.1%. In Belarus and Kazakhstan, although production continued to decline, the trend is positive: in Belarus industrial production decreased by 0.4% against a 6.6% decline in 2015; in Kazakhstan – 1.1% against a decline of 1.6% a year earlier.³¹ The results show certain positive trends, which is attributed in the said Report to industrial cooperation between Member States.

Conclusion

Macroeconomic policy coordination is the fifth important element in Eurasian economic integration, in addition to the four traditional freedoms inherent in any mature regional economic integration: free movement of goods, free movement of services, free movement of labor, and free movement of capital.

Macroeconomic policy coordination was initially implied within the Eurasian economic integration starting from the pure idea of integration. Post-Soviet development showed that the three initial members of the EAEU separately developed consistent strategic planning systems with many similarities and no dramatic controversies and obstacles for further harmonization.

Although no single trade and economic policy strategy has been adopted, as predicted by academics, there are supranational strategic documents within the macroeconomic coordination framework. Those strategic documents have a sound legal basis in the Treaty on the EAEU in its fundamentals and in Section XIII “Macroeconomic Policy.” In fact, strategic documents on the supranational level are being developed and widely discussed. Both the Key Guidelines of Economic Development of the EAEU and the Directions of Industrial Cooperation within the EAEU set supranational goals for economic coordination.

All Member States of the EAEU embarked upon Eurasian integration with their domestic planning systems. Domestic strategic planning systems of Member States have similarities and differences which are assessed as a good starting point for further harmonization and further macroeconomic coordination. Eurasian integration provided a platform for interchange of strategic planning ideas and models. Our study shows the process of harmonization of strategic planning, and this process forms a significant part of the macroeconomic coordination in the EAEU. There is a dynamic interchange of best practices of strategic planning among the EAEU Member States.

³¹ Report on the Results of the Annual Monitoring and Analysis of the Implementation of Main Directions of Industrial Cooperation in the Framework of Eurasian Economic Union (2017) (May 20, 2019), available at http://www.eurasiancommission.org/ru/act/prom_i_agroprom/dep_prom/Pages/default.aspx.



Progress in the development of strategic documents on issues of macroeconomic coordination demonstrates the political willingness of the Member States to move in this direction. Although all the documents are recommendations and their implementation is mostly left to the Member States, these documents form the supra-national level of strategic planning, giving direction to the common economic development within EAEU. The results of the report testify to the correctly chosen vector of development of the Eurasian industrial integration and the focus of the Member States on the effective development of industrial cooperation.

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