

## TRADE-ECONOMIC COOPERATION BETWEEN RUSSIA AND THE EU: PROBLEM STATEMENT

<sup>a</sup>LEYSAN R. FATKHUTDINOVA, <sup>b</sup>OLGA YU. NEDOREZOVA <sup>c</sup>VICTORIA V. TABOLSKAIA

*Kazan Federal University, 18 Kremlyovskaya street, Kazan 420008, Russian Federation*

*e-mail: <sup>a</sup> editor@ores.su, <sup>b</sup> info@ores.su, <sup>c</sup> tabv.2007@mail.ru*

**Abstract:** In the context of a complication in recent years of economic and political connections between the countries entering the European Union and the Russian Federation considers difficulties and problems of forming of trade and economic relations between them in the long term. Need of search of new strategic partners in the world market both for the Russian Federation and for the countries of the European Union is proved in article. The possibilities and the prospects of forming of commercial and economic relations between the Russian Federation and some other countries, for example, India, Iran, and China are considered. In turn, in article the prospects of development of trade relations of the countries of the European Union with the ASEAN countries, Canada and also expansions of cooperation with India and China are estimated. In work the analysis of statistical data, concerning development of trade relations between the Russian Federation and the countries of the European Union is carried out further, change of the amount of import and export of goods and services for the last few years is estimated (before imposition of sanctions). Besides, in article the possibility of renewal of trade and economic cooperation between the Russian Federation and the countries of the European Union as probability of smoothing of influence of sanctions in the long term is proved.

**Keywords:** Trade relations, import, export, strategic partner, import substitution.

### 1 Introduction

The political relations of Russia and the countries entering the EU never developed easily and without complications. There were periods of frank hostility; there were periods of friendship, cooperation and even discussion of a possibility of association. Nevertheless, how political relationship of the closest neighbors developed, in the trade and economic plan between these influential economic forces of the relation remained pragmatical and stable. The geographical neighbourhood and also technological and resource dependence and competability did Russia and the countries of Europe by the trade partners major for each other, at least in a short time interval. However, in spite of the fact that have trade and economic relations of the closest neighbors serious value for both parties, international trade of the Russian Federation is less differentiated, and as a result, Europe, more dependent on the countries. Historically the share of import and export with the countries of Europe made not less than 50% of all Russian import and export while the share of the European import and export, falling on Russia of this figure did not reach, and there were much less, no more than 15% of all world trade of the countries of Europe. The trade turnover of the Russian Federation and the People's Republic of China never exceeded 20% of a trade turnover with EU countries that it is difficult to explain only with low transport expenses or the best quality of goods from Europe.

### 2 Methodology

The methodology of a research is presented by general scientific methods of knowledge, a historical and statistical method and also method of expert evaluations. For assessment of trade and economic relations of the EU and the Russian Federation the data submitted on official cite of the European Commission and the official site of permanent mission of the Russian Federation at the European Union and also statistical data of Federal State Statistics Service are used.

### 3 Results and Discussion

In the foreign trade Strategy of the EU approved by the EU Council of 27.11.2015 it is said that the EU is strategically interested in close economic relations with the Russian Federation. However development of future relations in many respects depends on domestic and foreign policy of the Russian Federation (Raven, 2002). And all this that the European Commission at the moment can tell about trade and economic relations with the Russian Federation (Konyakhina, 2012; Kast-Aigner, 2009; Mihailova & Solnyshkina, 2017; Solnyshkina & Mikhailova, 2017). Let's pay attention that mutual trade of the

EU and the Russian Federation makes more than 200 billion euros a year (285,8 billion euros), and earlier - more than 300 billion euros (338,5 billion euros in 2012). It is impossible to ignore figures, so significant for both economies.

Until recently Russia was trade partner of the EU, the fourth on the importance (after the USA, China and Switzerland), and the EU - the first trade partner of Russia. Trade between two economies showed dynamic growth rates up to for 2008 when the tendency was interrupted as a result of the economic crisis and the unilateral measures taken by Russia, which negatively affected trade relations. Since 2010 mutual trade resumed growth, having reached record level in 2012. In 2011 the trade turnover between the EU and the Russian Federation made 307,4 billion euros.

Import from Russia for the EU is on the second place after import from the People's Republic of China (199 billion euros or 11,6% of the total amount of import of the EU in 2011). The EU exported to Russia machines and the equipment, chemicals, medical and agricultural production (Teneneva, 2013). Imported raw materials, in particular oil and gas from Russia. The EU was also a serious investor in economy of Russia. Up to 75% of direct foreign investments it was the share of EU member states.

The European Union and the Russian Federation officially fastened for a long time bases of the cooperation in the world market (Tognini-Bonelli, 2001). Confirmation to that is the Partnership and Cooperation Agreement of 1994 and numerous discussions on both sides about need of development of more comprehensive agreements, need of transition to the obligations having big validity, first of all, in the field of economic cooperation, exchange of goods and services, investments. In 2003 the Russian Federation and the EU began cooperation within the Program of common interests. An attempt of development of the new version of agreements was made at the summit to Khanty-Mansiysk in 2008. Following the results of the summit to Rostov-on-Don in 2010 the Program of partnership and modernization including joint aspects of modernization of economy was adopted. For development of trade relations with the EU Russia in 2012 joined WTO.

At the same time in recent years, namely since 2014, the economic and political relations between Russia and EU countries significantly became complicated, and all Programs were suspended. The European development banks suspended all projects on financing. As a result, in 2014 the amount of import of goods of the EU to Russia was already 181 billion euros, the amount of export - 103,3 billion euros. The amount of import of services of the EU to Russia was 12,4 billion euros, the amount of export - 28,9 billion euros. In total commodity turnover with all EU countries in January-December, 2014 decreased whereas with the USA, on the contrary, increased, having made 105,6% to the level of 2013.

It is possible to explain, of course, decrease in trade relations between the EU and the Russian Federation external factors, such as consequence of a world economic crisis and reduction of demand in Russia, etc. But as far as it would be right? It is obvious that it is not the only reason, and even not decisive. The main is a political deterioration in the relations between two European forces since 2014, introduction of economic restriction of the EU against the Russian Federation, and reciprocal embargoes and countersanctions from Russia to the European Union (Biber & Reppen, 2015; Biber, 2004).

Need of search, both the EU, and the Russian Federation was result of new partners in the world market. The EU initiated negotiations with the ASEAN countries, India and Canada and also the countries located at the southern and eastern frontiers of the EU; negotiations with Japan. Negotiations with the USA and also on further improvement of arrangements in the field of investments are begun with KHP (Villalobos Antúnez, 2001; Kolesnikova & Kamasheva, 2017).

As a result, commodity turnover of the EU - India made in 2014 72,5 billion euros against 28,6 billion euros in 2003. In 2014 the amount of import of goods of the EU to India was 37,1 billion euros, the amount of export - 35,5 billion euros. The amount of import of services of the EU to India was 11,1 billion euros, the amount of export - 11,8 billion euros. Significantly volumes of commercial transactions with China increased: for the sum more than 1 billion euros a day. In total, in 2014 the amount of import of goods of the EU to China was 302 billion euros, the amount of export - 164 billion euros. The amount of import of services of the EU to China was 22,6 billion euros, the amount of export - 31,7 billion euros.

Need of search of new strategic partners became relevant also for Russia. In May, 2014 the Russian Federation concluded the gas contract with China for 30 years according to which Russia will deliver to China up to 30 billion cubic meters of gas a year. Between China and Russia multi-billion contracts in power branch are signed, the contract with India for construction of power units of the NPP, etc. is concluded. These are not all directions studied by the Russian Federation in the conditions of need of search of the new directions of development of trade and economic relations, it is obvious that import substitution, there is it even successful, will not solve fully a loss problem for Russia of the EU as trade partner. Support of export promotes import substitution and at the same time attraction of investments into the Russian Federation. In 2016 the People's Republic of China becomes the largest importer in the Russian Federation of cars and the food equipment.

What concerning Europe? The Russian producers pay attention to practice of anti-dumping measures in recent years from the European Union which becomes more and more rigid and, according to them, less reasonable. Anti-dumping duties (from 12 to 70%) many times exceed levels of import tariffs (about 3,5-4,0%). Such reception, doubtful from the point of view of rules of the WTO, as "power adjustments" as a result of which the size of a margin of dumping sharply increases is widely applied. Incorrectly, from our point of view, some intermediate revisions of anti-dumping measures come to an end. On what goods get to coverage of these measures, it is possible to judge what industries of the EU experience the greatest difficulties in the conditions of crisis. And the tendency demonstrates that it is impossible to exclude the political background.

There are no more bilateral summits which were taking place earlier twice a year which often came to an end with important joint initiatives. The offer on creation of a common economic space read by the EU, and then supported by Russia from Lisbon to Vladivostok, or in the Russian formulation - from Atlantic to the Pacific Ocean is not studied for the first time.

There are claims to Russia from the EU, and the EU from Russia on settlement of disputes within the WTO. The permanent representative of Russia to the EU, the Ambassador Extraordinary and Plenipotentiary V.A. Chizhov emphasizes that settlement of these disputes, discussion of controversial issues, including on the WTO platform, in a modern situation gradually loses any meaning.

How long-term can be the current deterioration in the economic relations between Russia and the European Union? Let's emphasize once again that this deterioration is only partly connected with objective factors - economic downturn in world economy and drop in oil prices. The main reason is the investigation of human decisions.

Undoubtedly, the Russian Federation will continue further development of import substitution and will be guided further in external purchases by other suppliers (the People's Republic of China, Iran, India, etc.).

However from our point of view, economic sanctions are capable to cause a serious loss in the short-term period, but the effect weakens as soon as business and the governments find ways to bypass formal restrictions and to reestablish economic relations.

As confirmation of this assumption serve the following data: by data for 2017, the trade turnover between Russia and the largest western countries for the first time in three last years increased to 26% in comparison with the same period of last year. In spite of the fact that this indicator is 45% lower than the level of 2013, it says about restoration of trade and economic relations of the countries contrary to sanctions that it can be estimated as a positive factor.

In total, the trade turnover between the Russian Federation and the EU by data for 2017 increased to 285,8 billion euros (+17,9%), between the Russian Federation and the USA - for 12,5%. The highest rate of growth of a trade turnover - with France (+26,5%), Germany (+19,5%), Italy (+17,3%).

In 2016 work of the Russian-German strategic working group on cooperation in economy and finance (SRG) and the Russian-French council for economic, financial, industrial and trade problems (CEFIC) dismissed earlier in 2014 and 2015 according to is restored.

These tendencies speak about renewal of trade and economic cooperation between the Russian Federation and the EU that cannot but be estimated by us as a positive factor. Certainly, it is necessary to restore the lost atmosphere of trust in mutual business relations. Certainly, the political tension will remain further, and it is necessary to develop trade and economic relations in such conditions.

#### 4 Summary

Generalizing all above, it is possible to draw the following conclusions.

In total, 7% of world's population (28 states) and 25,8% of world GDP are the share of the European Union, and trade with other countries makes 20% of the volume of export-import transactions in the world (without trade between EU countries). It does the European Union by the largest player in the world trade markets and also the largest importer and the exporter, the largest investor, the largest economy in indicators of GDP and the largest recipient of direct foreign investments, in the modern world trade is not only movement of goods. Within the difficult political and economic relations both Russia, and the EU are forced to look for new strategic partners in the world market, however would be inexpedient on the relations of these two largest economies, being geographical neighbors, to put an end. Development of trade and economic relations between the closest European neighbors will continue, let and in new, politically difficult conditions. The Russian Federation, unlike the countries of Europe, is rich with natural resources and has broad sales market. The Russian Federation is strategically located between the EU and the Pacific region, is the channel of transportation between the East and the West. It is necessary to take all above-mentioned into account. Also it is possible to believe that trade and economic relations between the Russian Federation and the EU will remain and in the future. As, however, also the political tension and statements for need of concessions and improvement in questions of cooperation and achievement of closer economic cooperation will remain from now on.

#### 5 Conclusions

Now both the EU, and the Russian Federation are in search of new strategic partners in foreign market, sign new contracts, I sign new agreements. At the same time, the trade and economic relations built for many years would be wrong to be stopped absolutely, would be incorrect to break off cooperation within trade in goods and services of two strategically favorably located forces of Europe. In the new, complicated in the political plan conditions, trade and economic relations of the European Union and the Russian Federation have to continue to develop.

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