

# Issues in and Prospects for the Formation of the EAEU's Common Financial Market and Its Infrastructure

## Problemas y perspectivas para la formación del mercado financiero común de la EAEU y su infraestructura

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Received: 21/04/2018 • Approved: 01/06/2018

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#### ABSTRACT:

In present-day economic conditions, the process of the formation of the Eurasian Economic Union (EAEU) has been faced with a number of difficulties in the way of interaction within the legal, financial, customs, and other spheres. A crucial role in the process of Eurasian integration is played by financial relations, which ensure the operation of all entities within the economy. The purpose of this paper is to develop a set of recommendations regarding the formation of institutions of the EAEU's financial system and their interaction. The authors examine some of the financial, and other, aspects of EAEU's integration, propose a possible evolutionary path for the formation of the EAEU's financial infrastructure, and explore some of the key global geofinancial trends in the postglobalization era. The paper provides an assessment of risks associated with the use of organizational/structural and methodological adoptions from the structure of the EU's financial system and brings forward a set of recommendations on the formation and interaction of integrated financial institutions within the Eurasian Economic Union. The findings and recommendations from this study could be utilized for the purposes of developing the financial infrastructure of the EAEU's common economic space with a focus on ensuring macroeconomic sustainability, creating the conditions for achieving greater business activity and investment attractiveness, ensuring the accessibility of financial resources, and putting in place an efficient financial market within the Union.

**Keywords:** globalization, integration, EAEU, Eurasian Economic Union, issues within the EAEU, financial institutions, financial infrastructure

#### RESUMEN:

En las condiciones económicas actuales, el proceso de formación de la Unión Económica Euroasiática (EAEU) ha enfrentado una serie de dificultades en la forma de interacción dentro de las esferas legal, financiera, aduanera y otras. Las relaciones financieras desempeñan un papel crucial en el proceso de integración euroasiática, que garantiza el funcionamiento de todas las entidades dentro de la economía. El propósito de este documento es desarrollar un conjunto de recomendaciones sobre la formación de instituciones del sistema financiero de la EAEU y su interacción. Los autores examinan algunos de los aspectos financieros, y otros, de la integración de EAEU, proponen un posible camino evolutivo para la formación de la infraestructura financiera de la EAEU y exploran algunas de las tendencias geofinancieras globales clave en la era de la posglobalización. El documento proporciona una evaluación de los riesgos asociados con el uso de adopciones organizativas / estructurales y metodológicas de la estructura del sistema financiero de la UE y presenta un conjunto de recomendaciones sobre la formación e interacción de instituciones financieras integradas dentro de la Unión Económica de Eurasia. Los hallazgos y recomendaciones de este estudio podrían utilizarse para desarrollar la infraestructura financiera del espacio económico común de la EAEU con un enfoque en asegurar la sostenibilidad macroeconómica, creando las condiciones para lograr una mayor actividad empresarial y el atractivo de la inversión, asegurando la accesibilidad de los recursos financieros. y establecer un mercado financiero eficiente dentro de la Unión.

**Palabras clave:** globalización, integración, EAEU, Unión Económica de Eurasia, problemas dentro de la EAEU, instituciones financieras, infraestructura financiera

## 1. Introduction

The formation of a common financial market and its infrastructure within the EAEU's common economic space is a naturally determined and relevant stage in bolstering the cooperation of its member states. A relatively new integration unit, the Eurasian Economic Union is not playing a determining role in the economies of its member states as of yet, but it is expected to become a powerful economic and geopolitical association in the future.

Currently, the intraunion trade and foreign-economic trade relationships are characterized by unstable development dynamics, with there being some difficulties in the area of coordinating both macroeconomic policy as a whole and trade relations. Financial-economic interests within EAEU member states do not always agree with each other, which

is due to a number of reasons, like the lack of a single financial system, as a set of financial institutions required to ensure the integration of national economies and supranational financial infrastructure. This issue requires non-standard solutions, cutting-edge approaches to the development of the financial system of the EAEU's common economic space, and a proper practical instrumentarium.

The complexity of the development of large regional establishments, like the EAEU, is associated with there being an intraunion economic imbalance. It, in particular, is expressed in the insignificant volume of interstate economic ties. Thus, for instance, in 2017 the volume of trade between Kazakhstan and Belarus totaled \$493.5 million, while the turnover among Belarus, Armenia, and Kyrgyzstan was just \$132.8 million (Khulkhachiev 2015).

Based on expert opinion, it is anticipated that in the next few years the Russian economy will be growing, which is going to have an effect on life across the entire Eurasian Economic Union. The Russian Federation being a key trade partner within the Eurasian Economic Union, strengthening the EAEU's economy, may require the member states directly cultivate trade relations among each other.

Thus, a relevant and overarching objective in attracting financial resources from the world capital market to help develop a nation's domestic economy is creating a common financial market and its infrastructure within the EAEU. What adds immediacy to this issue is the recent toughening of sanctions' policy by Western states and the need for funding for infrastructural projects in the Russian Federation.

The formation of the Union's common financial market is one of the more significant areas in the integration cooperation of EAEU member states. Resolving relevant objectives in this area will help boost the efficiency of capital distribution, better minimize and diversify risks, remove restrictive barriers to mutual access, and boost competition in financial market. Despite the effects of the global financial crisis and restricted access to foreign sources of funding, the creation of the financial system of EAEU's common economic space may provide a powerful impetus to economic growth in the member states.

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## 2. Methods

This study is, mainly, a theoretical one, and is based on the use of the following methods of research: analysis and synthesis, induction and deduction, analogy, and modeling. Combining these methods made it possible to gain a comprehensive insight into the study's subject matter and identify the more essential attributes, features, linkages, and relationships.

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## 3. Results

### 3.1. Terminology

The 2014 treaty on the EAEU's common economic space is, without question, a historic event which requires thoughtful conceptualization, especially when it comes to terminology. Regional economic associations of states, like the EAEU, are still a rare phenomenon in today's international economic life, but they may need an economic lexicon of their own too. This lexicon ought to contain clear and well-founded definitions of scholarly terms employed to describe the operation of unions of this kind. This will help avoid confusion that may be caused easily by the use of different terms in connection with this kind of complex and ambitious global-scale processes.

Invoking the actual text of the treaty on the Eurasian Economic Union makes it possible to focus on some of the key terms which provide insight into its goals, objectives, structure, and mechanisms. The sovereign member states within the Union have agreed to create common economic space or a single (common) market as the space comprising the member states' territories across which there operate similar (comparable) and uniform mechanisms of economic regulation, predicated on market principles and based on the use of harmonized or unified legal norms, and there exists a single infrastructure (Treaty on the Eurasian Economic Union. 2014). If our starting point is the free-market principles that underpin the union's operation, it makes sense to speak of the creation of a single (common) market as a set of economic relations within the Union which ensure the free movement of goods, services, capital, and manpower. Note that the treaty does address the concepts of single economic space and common financial market.

Thus, the EAEU is an integration association of sovereign jurisdictions which, without losing their sovereignty in any area, have agreed to cooperate in the economic domain by creating a single, common market for goods, services, capital, and labor resources and building a common infrastructure. The free cross-border movement of goods, information, services, labor resources, and capital within the union objectively implies the formation of a common infrastructure, including a financial one.

Of particular note is that the focus here is on creating a financial infrastructure as a set of various institutions (organizations and establishments, inclusive of their operations and technology) which are going to provide for, mediate, and service a common market or common economic space (Khmara 2015). Annex 17, 'The Protocol on Financial Services', to the Treaty on the Eurasian Economic Union includes the term 'common financial market', which meets the following criteria: harmonized standards on regulation and oversight, mutually recognized banking and insurance licenses, as well as licenses for activity within the securities sector, permission to carry out financial operations throughout the Union without having to additionally register as a legal person, and uninhibited exchange of information among the member states' financial and monetary authorities.

Strictly speaking, it may help to associate all of the stated criteria not with the financial market as such but its infrastructure. The financial market implies operations by its participants related to the provision (rendering) of financial services, including financial deals between buyers and sellers, which, if need be, may involve intermediaries. All other things like organizations, processes, systems, standards, communications channels, etc., are subsumed under the financial market's infrastructure. It is another matter when it comes to the fact that the execution of operations is mediated by additional systems or institutions, like legislation (specialized legislation, i.e.

legislation related to banking, insurance, the securities market, and common legislation, i.e. legislation related to competition, investment, proprietorship, etc.), registration and keeping track of rights of ownership in the securities market (registrars and depositories), organizers of trade in the securities market (trading systems and stock exchanges), regulation standards, oversight and control over the activity of entities within the banking and insurance markets and the securities market, and information channels and institutions (ranking agencies, consulting companies, mass media, etc.). It is important to also focus on the financial market's institutional infrastructure, not just the functional one. Here, we also have a set of core, i.e. the ones that actually conduct financial operations, and secondary institutions. The former include such entities within the financial market as lending institutions, insurance organizations, issuers, investors in the securities market, as well as lending, insurance, and investment intermediaries (brokers, dealers, and agents).

Thus, the key strategic objective for the formation of a common financial market within the EAEU comes down to coordinating its infrastructure. This is a large-scale, multidimensional, and long-term objective that is material to the national interests of EAEU member states.

### **3.2. Evolution of Eurasian economic integration**

Notwithstanding that the process of Eurasian integration kicked off officially and in the present format just on January 1, 2015, one may already now speak of its evolution or its more substantial landmarks and integration achievements within the various areas of interstate economic relations. Note, though, that the stage of financial integration in all its aspects, including the formation of a common financial market and its infrastructure, is far from completion for now and may still remain in the development and coordination stage for quite long. There is all the more reason for this as what is going on today with the EU, existing geopolitical and geofinancial risks, "suppressive" globalization, and other present-day trends appear to be impeding Eurasian financial integration significantly.

To get an idea of what Eurasian integration has helped achieve in the period 2015–2018, it helps to invoke the criterion of the "four freedoms", which implies the free movement of goods, capital, services, and labor (Kadochnikov, Salamatov and Spartak 2016). Considering today's rapid development of digital technology, it would make sense to add to that a fifth "freedom" – information. But that is a subject for another, specialized, study.

Back to the "four freedoms", it is worth noting that especially brisk in its development has been the common market for goods, which, just like the very EAEU treaty, is based on the Customs Union, which goes back as early as 1995. Today, this is zero rates on customs duties among the union's member states, removed customs borders, and a single foreign tariff for third countries. The Customs Code of the Eurasian Economic Union, ratified in December 2017, went into effect on January 1, 2018. The document sets out a set of provisions on common customs regulation within the Eurasian Economic Union, including the procedure and conditions for the movement of goods through the EAEU's customs border and the rules for the execution of customs procedures, storage and declaration of goods, determination of the size of and collection of customs payments, imposition of bans and restrictions, etc. (Eurasian Economic Union, 2018).

One of the exemplary outcomes from carrying said freedoms into effect is the formation of the Union's common market for pharmaceuticals and medical products, which was launched in 2016 and since then has helped ease some of the foreign sanctions' pressure on Russia in this crucial social sphere through simplification of the terms and conditions for the import of pharmaceuticals and medical products from third countries. At the year-end 2016, the import of pharmaceutical products from third countries to the EAEU states totaled \$10,325.8 million or 5.13% of all imports in that year (98.8% relative to 2015) (Eurasian Economic Commission, 2017). In 2017, the member states adopted a total of 26 documents designed to ensure the operation the Union's single pharmaceutical market.

There is now in place the Union's common market for autotransportation services. Being a successfully developing market, it is gradually shifting to digital technology, which there are plans to implement at all stages in freight and cargo transportation from the consignor to the consignee, in formalizing transportation, and in monitoring delivery. There are plans to employ in this area some of the best practices used in the EU, more specifically the Union's member states acceding to the Additional e-CMR Protocol. In 2017, the Eurasian Interstate Council adopted the 2018–2020 Roadmap, which implied the coordinated pursuit of a common transportation policy by the Union's member states (Decision of the Eurasian Interstate Council No.3, 2017). The document stresses the need for proper digital transportation and logistics procedures capable of ensuring further development.

In 2015 the Union approved and in 2016 it adopted the Concept on the Single Energy and Power Market, which is expected to go into operation in 2019, while there are plans to launch the Union's common oil and gas market no later than 2025. This area of cooperation appears to be quite complex and problematic but vital for all parties to the Agreement, especially those which export energy commodities. In 2016, the Eurasian Economic Commission (EEC)'s Council adopted the Concept on the Formation of a Common Gas Market within the Eurasian Economic Union (Decision of the Supreme Eurasian Economic Council No.7, 2016), while the concept on the formation of the EAEU's common markets for oil and oil products is currently in the final stage of its formation.

Another "freedom", the one associated with the free movement of services and the creation of a common market for services, provides a set of important benefits for entrepreneurs, like, in particular, exempting vendors from double taxation and making it possible to provide services based on a permit issued in the territory of the union's member state where the service provider is registered (Ziyadullaev and Ziyadullaev 2016). Since the Agreement came into effect, the common market for services has extended its operation to as many as 43 sectors, including construction, engineering, urban design, mine surveying, cartography, weather forecasting and meteorology, advertising, tourism, production and demonstration of movies and videos, and research and development. The roster is gradually growing to feature more services, like those in the area of geological, geophysical, and other types of surveying, services related to personally owned and rented real estate and property appraisals, as well those related to the hire and lease of unmanned pleasure boats. The process of liberalization of national markets for services and creation of the common Eurasian market for services is currently in full swing and proceeding quite briskly.

The freedom of movement of labor resources within the Eurasian space deals with the provision of social services. In 2016, the EEC Collegium approved the draft Pension Agreement for EAEU Workers, aimed at ensuring equal rights in the pension sphere. There are plans to ensure, in putting together and exporting pensions, the protection of pension rights granted to workers in the member states.

Finally, the last, “fourth”, freedom – freedom of movement for capital – is expected to be in place by 2025 in the form of a common financial market (Bank of Russia 2017). For a few years now, the institution has been conducting some preparatory work, which has so far resulted in the Agreement on Information Exchange within the financial sphere, which also covers confidential information, and the Agreement on Requirements for the Conduct of Activity in Financial Markets. The Eurasian Economic Commission has been engaged in active work on the draft agreement on the mutual admission of brokers and dealers from EAEU member states to their national stock exchanges. The document is aimed at the creation of single stock-exchange space within the EAEU and implies providing investors from one member state with access to the securities market in the territory of other member states, which should facilitate the free movement of capital. Access will be granted without the need for brokers and dealers to register additionally. This will empower a member state’s national stock exchange to recognize broker and dealer licenses issued by the authorities of other member states. The union’s member states are expected to complete the process of harmonizing their financial laws, in keeping with the focus areas prescribed by the draft agreement, by January 1, 2025.

Up to now, no substantial outcomes have been achieved yet in terms of activity on harmonizing financial legislation and financial regulation and oversight standards and creating single Eurasian financial and stock-exchange space. This means that the fourth “freedom”, associated with the free movement of capital, remains a thing of the future, although joint work on it is keenly underway at the moment.

The authors find it highly important to note that the process of integration among the markets is being objectively accompanied by a set of barriers, derogations, and restrictions, which is testimony to there being certain discrepancies in the integration plans. To enable the joint handling of these phenomena, the Eurasian Economic Commission has even worked out a set of unambiguous definitions (Eurasian Economic Commission, 2017). At the year-end 2016, the coordinated roster of obstacles to integration, i.e. the one listed in the so-called White Paper, contained as many as 60 obstacles, including 17 derogations, 34 restrictions, and 9 barriers. These are viewed by the EEC as a major obstacle to fulfilling the very afore-mentioned “four freedoms”.

Alongside evolving economic relations among EAEU member states, one is also witnessing some progress in terms of the institutional elaboration of economic integration through a set of supranational organizations, which are the Eurasian Economic Commission (in operation in Moscow since 2012), the Court of the Eurasian Economic Union (in operation in Minsk since 2015), and the Eurasian Megaregulator for the Common Financial Market (to be launched in 2025).

The process of putting together the infrastructure of the common Eurasian financial market is being complicated by a delicate issue that is material to each of the EAEU member states – a partial loss of financial sovereignty.

### **3.3. Restriction of financial sovereignty**

The formation of the financial foundations for EAEU integration is taking place in a climate of economic post-globalization, which is getting complicated by intensifying geopolitical risks. The 10-year period following the end of the global crisis is characterized by the ripening and development of two differently directed trends – globalization, which objectively is continuing and proceeding on a deeper scale today due to the rapid development of digital technology and networked finance, and sovereignization. A vivid example of the sovereignization trend is the UK’s decision to exit from the European Union (Brexit). The UK is projected to discontinue its EU membership as early as 2019, which means it will stop pitching in funds into the common budget and will be withdrawing immense assets, worth in the tens of billions of euros, from European banks.

The parallel development of these two opposite global trends has some deep meaning to it, with the states striving to bolster their sovereignty under the pressure of intensifying global risks and, above all, systemic threats of new ruinous crises.

It has been suggested by a scholar that globalization entails a loss of sovereignty. In part this is true, since in today’s climate of mature globalization, global financial markets, and networked organization of global finance, not a single national financial regulator is in a position to cope with systemic financial risks, which initiate the flows of global financial capital, including shadow capital. Therefore, limiting financial sovereignty with a view to jointly counteracting new global crises is an objective need. However, due to the influence of certain nations, the global community is currently witnessing the pursuit of policy of “fetishizing sovereignty” (Ziyadullaev and Ziyadullaev 2016), which not only contravenes the ideas of integration but threatens to destroy the global system of financial regulation created after the 2007–2009 crisis (Khominich and Savvina 2018).

It goes without saying that financial integration and the formation of a common financial market and its infrastructure within the EAEU mean the obligate, purposeful restriction of the economic sovereignty of the Union’s member states and the transfer of a portion of functions on legal and economic regulation of the financial market over to the supranational level. It is no wonder that there are plans to establish, as part of an EAEU treaty, the foundations for the common financial market and the supranational financial regulator by the year 2025. This objective appears to be quite laborious, and, along with harmonizing financial legislation and the standards for financial regulation, oversight, and control over the activity of entities within the common financial market, it may also imply the granting of most-favored-nation treatment to suppliers of financial services throughout the common financial market; the mutual recognizing of licenses within the banking and insurance sectors, as well as the services sector in the securities market, issued by the authorized agencies of one member state in the territory of other member states; the formation of common effective mechanisms for protecting consumers of financial services. This implies the elimination of any differences that may exist among the EAEU states in the stated areas, which could be

achieved only through creating a single Eurasian megaregulator. The Eurasian Economic Commission, jointly with the central banks of Kazakhstan, Belarus, and Russia, as well as the Advisory Committee on Financial Markets, which, along with representatives of national banks and financial authorities features those of the business community as well, have been keenly engaged in working in that direction.

The EU experience unequivocally indicates that this process of putting in place supranational all-union regulators, coordinating their rights and obligations with all the jurisdictions involved, and working out common regulatory standards and norms that are mandatory for all entities engaged in financial activity across the Union's common economic space but representing different jurisdictions is quite a lengthy, painful, and laborious one.

### **3.4. Geofinancial trends of the postglobalization era. Geofinancial risks**

The integration of the Russian Federation into the global economy and the EAEU is proceeding in a climate of acute geofinancial instability, which is giving rise to a number of geopolitical risks. Recent years' reports from the World Economic Forum have included geopolitical risks in a cluster of key risks as threats to international stability. These can be treated as likely to disrupt a state of strategic stability within the certain geostrategic space. Thus, for instance the Forum's 2017 report sets out the essential issues which will require more attention and proper joint activities from the participants. The report contains such unequivocal and alarming definitions of current trends in the area of geopolitical risks as "a declining sense of trust and mutual good faith in international relations" "the general loss of faith in collective security mechanisms", and "deteriorating commitment to global cooperation" (World Economic Forum 2017). The tensions escalating over the years in many parts of the world resulted in 2016 in a number of dramatic political events, including Brexit, the advent of a new administration in the US, and the Italian electorate's renunciation of the constitutional reforms proposed by Matteo Renzi. Uncertainty and instability, so characteristic of political life in developed countries in 2016, have been observed virtually all over the world.

The above facts are testimony to an intensification of nationalist trends around the world and, consequently, a decline in the role of cooperation mechanisms, including in the area of maintaining and further developing the global system of financial regulation. It looks like the lessons learnt after the global financial crisis, which saw wholesale bankruptcies among banks, insurance companies, and investment institutions, the collapsing of entire segments within financial markets, sovereign debt collapses, immense monetary and material losses incurred by national economies, spikes in unemployment, and millions of people losing their sources of income, are now just a thing of the past and seem to have been, predictably, forgotten after 10 years.

Recent events are attesting to that today's world is again dominated by the ideas of bolstering nation's sovereignty, which are gradually extending to the economic sphere as well.

Mankind may have entered a new stage of some sort of "suppressive" globalization, which is being compounded by intensifying trends of sovereignization. In this context, it would be apropos to mention the introduction of economic sanctions against Russia. Is this a global economic war? Whatever it is, it has been initiated and is being carried into effect by a significant segment of the global community against one specific nation through the use of the entire arsenal of available means – political, legal, economic, and information/propaganda. The decision to initiate Britain's exit from the European Union is aimed at sovereignizing, trammeling, and destroying the global community not just organizationally, formally, and politically, but economically as well. This may be regarded as "suppressive" globalization, as it all looks like a minus-signed transformation of the world's largest political and economic union – the European Union, which officially comprises 28 member states.

Another vivid example of "suppressive" globalization is the Financial Choice Act, initiated in 2017 by the new US administration, which implies unilaterally renouncing existing global standards for financial regulation to enable a unilateral shift toward softened requirements for the American financial business (Kulakova 2017). At present, this kind of policy of sovereignization in the area of financial regulation, which may well destroy the global system of regulation and oversight over the activity of financial institutions put in place after the global crisis, has been successfully implemented at both the supranational and national levels (Financial CHOICE Act of 2017, H. R. 10, 115th Cong 2017).

### **3.5. Formation of institutions of the financial infrastructure of the Eurasian Economic Union**

There are a plethora of practical and theoretical issues associated with the financial integration of EAEU member states and the creation of the Union's single financial market. These states' special characteristics and the special nature of their current economic development may require a serious scholarly conceptualization of relevant integration strategies and an investigation into the following fundamental issues:

- the macroeconomic and institutional conditions for Eurasian financial integration;
- the theoretical foundations for the development of an optimum model of financial integration within the EAEU space;
- the formation of development institutions for EAEU member states' financial markets;
- the creation of the EAEU's financial infrastructure;
- the institutional preconditions for the creation of a financial megaregulator.

To help put in place the financial infrastructure of the EAEU's single economic space, it has been suggested to set up the following supranational establishments:

- the EAEU's international investment bank;
- a commission concerned with introducing a monetary unit of account;
- a commission on interstate financial/industrial groups and joint enterprises;
- a commission on economics;
- a foundation on economic and scientific/technical cooperation;



- the EAEU's international arbitration body (Shevchenko, 2017),

Certain institutions of the EAEU's financial system are in place already (Valovaya 2017). However, at present not all of the potential of the established supranational development institutions is being put to use.

Firstly, the development institutions which are already in place – the Eurasian Development Bank (EDB) and the Eurasian Fund for Stabilization and Development (EFSD) – have been faced with a number of issues in the way of loan repayment, a lack of effective projects, and the limitedness of the EDB's sustainability model (Khulkhachiev 2015).

Secondly, the union's innovative development institutions – the Eurasian Center for High Technology (ECHT) and the Center for Innovative Technology (CIT) – have been faced with some difficulties associated with the limitedness of their capital base and the costs of acquiring legal personality.

In building a well-oiled EAEU financial infrastructure, it may help to draw upon some of the best practices employed by the European Union (EU). To enable the successful coordination of financial policy, EU member states have the following two financial institutions in place: the European System of Central Banks (ESCB), which brings together all the national banks of the EU's member states, and the European Central Bank (ECB), the central bank for the euro (Kashirkina and Morozov 2014). As regards the EAEU, notwithstanding that the Eurasian central bank is expected to be launched only by 2025, the national banks of the EAEU's member states are establishing cooperation ties among each other already today. As an example, in late 2017, the central banks of three EAEU member states agreed on consolidated oversight and information exchange (Katasonov 2013).

As is evidenced by both the foreign and Russian experience, it is anticipated that a significant portion of the EAEU's nascent financial infrastructure will be accounted for by self-regulatory organizations (SRO), which exercise some degree of regulatory authority over an industry based on a set of principles and can competently supplement the actions of a megaregulator (Kuznetsov 2016). In contrast with regulation based on rules, which is characterized by unequivocalness and legal accuracy, but slower decision-making, regulation based on principles has an evaluative nature and is capable of offsetting the imperfections in legislation. The search for an optimum balance between foreign regulation and self-regulation necessitates a focus on the following issues:

- the prospects for SROs operating in various segments of the financial markets of EAEU member states;
  - the national and supranational level of self-regulation;
  - the division of the powers of regulator and SRO within the sphere of financial control and oversight;
  - the division of competencies among SROs themselves;
  - the use of effective enforcement mechanisms at SROs.
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## 4. Discussion

The keen interest on the part of the scholarly community in the formation and development of international economic associations, which is governed by practical necessity, has been reflected in multiple publications, both by Russian scholars and by foreign ones. However, there has been a lack of research-based insights into the development of the financial system of the EAEU's common economic space, with much of the research focusing insufficiently on the more essential aspects, despite the wide application of many of those insights and their considerable relevance.

A substantial contribution to the study and elaboration of the theoretical foundations of international economic integration has been made by scholars A.N. Spartak, S.P. Tkachuk, A.N. Bykov, R.S. Grinberg, L.B. Vardomskii, S.P. Glinkina, M.Y. Golovnin, L.Z. Zevin, A.G. Pylin, T.V. Voronina, V.N. Zuev, V.V. Ivanter, V.B. Mantusov, A.N. Barkovskii, S.N. Sil'vestrov, D.I. Ushkalova, etc. In their works, these researchers bring to light the role played by the government in the creation and development of integration associations and provide a rationale for the significance of coordinating foreign policy and for having a single regulatory framework for the member states.

Some of the factors for the impact of worldwide economic globalization upon economic integration within the EAEU have been explored by scholars I.N. Efremenko, P.V. Taranov, E.F. Avdokushin, V.N. Ovchinnikov, Yu.S. Kolesnikov, S.F. Sutyurin, A.Yu. Arkhipov, V.I. Samofalov, E.S. Akopova, A.M. Basenko, E.Yu. Vinokurov, N.G. Vovchenko, E.P. Puzakova, T.D. Tuleshov, I.V. Shevchenko, T.E. Korcherkina, and some others.

The theoretical/methodological foundations of research into the financial aspects of integration processes within the global economy have been investigated by a number of scholars from Russia and other CIS countries, including T.A. Mansurov, N.N. Kotlyarov, S.A. Afontsev, V.L. Sel'tsovskii, Y.V. Shishkov, V.V. Makrusev, Y.A. Boriko, T.D. Valova, M.V. Myasnikovich, S.I. Dolgov, I.I. Dyumulen, A.D. Ershov, A.N. Barkovskii, A.Y. Knobel', T.M. Suleimenov, and some others.

Research by scholars V.V. Simonov, V.V. Perskaya, V.L. Abramov, N.V. Luk'yanovich, A.E. Tarasov, N.V. Kotlyarov, B.V. Srebnik, N.L. Orlova, S.A. Panova, and some others has been focused on exploring some of the key areas for cultivating the integration of the production sectors of EAEU member states.

Issues related to cultivating the integration of the economies' financial sector and creating a common financial market for EAEU member states have been investigated by scholars Yu.Yu. Rusanov, M.Yu. Golovnin, B.B. Rubtsov, O.V. Khmyz, E.L. Davydenko, V.K. Burlachkov, N.S. Ziyadullaev, V.V. Shmelev, V.S. Kuznetsov, and some others.

Assessing the effectiveness of the EAEU's operation has been mostly attempted by foreign scholars, including F. Hett, S. Szkola, D. Tarr, I. Bond, M. Dabrowski, A. Kim, S. Blank, P. Kratochvíl, L. Tichý, M. Laruelle, S. Peyrouse, and some others.

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## 5. Conclusion

The findings and recommendations from this study could be utilized by the governments of EAEU's current, and prospective, member states for the purposes of developing the EAEU's financial market and infrastructure with a focus on ensuring macroeconomic sustainability, creating the conditions for achieving greater business activity and

investment attractiveness, driving innovation-based development, modernizing the economy, ensuring the accessibility of financial resources, and putting in place an efficient financial market within the Union.

The practical implementation of most of the proposals and activities brought forward in this paper may assist EAEU member states in achieving the following objectives:

- creating the favorable infrastructural conditions for achieving increased long-term investment in the real sector and ensuring sustainable economic growth;
- creating the institutional preconditions for achieving increased capitalization levels for the financial markets of EAEU member states;
- driving up the demand for long-term financial assets;
- helping diversify nation's financial instruments, especially in its national currency;
- reducing transaction costs;
- harmonizing the levels of development of the key segments within the financial markets of EAEU member states (the banking sector, the securities market, and the insurance market).

With a view to developing a further set of relevant theoretical tenets and practical recommendations and tools required for putting in place the financial system of EAEU's common economic space, the authors plan to carry on pursuing research in this area, more specifically as part of an effort undertaken by D.G. Perepelitsa to write his dissertation.

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Revista ESPACIOS. ISSN 0798 1015  
Vol. 39 (Number 41) Year 2018

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