ISSN 1996-7845 (Print)
ISSN 2542-2081 (Online)

ВЕСТНИК МЕЖДУНАРОДНЫХ ОРГАНИЗАЦИЙ

INTERNATIONAL ORGANISATIONS RESEARCH JOURNAL

HIGHER SCHOOL OF ECONOMICS
NATIONAL RESEARCH UNIVERSITY

Vol. 17. No 1 (2022) English Version

ISSUE TOPIC:

Challenges and Imperatives for Multilateralism

INTERNATIONAL ORGANISATIONS RESEARCH JOURNAL Vol. 17. No 1 (2022)

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EDUCATION • SCIENCE • NEW ECONOMY

Quarterly Journal

Moscow 2022

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ВЫСШАЯ ШКОЛА ЭКОНОМИКИ
НАЦИОНАЛЬНЫЙ ИССЛЕДОВАТЕЛЬСКИЙ УНИВЕРСИТЕТ

Т. 17 № 1 (2022)

ОБРАЗОВАНИЕ • НАУКА • НОВАЯ ЭКОНОМИКА

Научный периодический журнал

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Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communications (ROSKOMNADZOR)

Reg. No. PI № FS 77 – 66563 (21.07.2016)

Publisher

National Research University Higher School of Economics

ВЕСТНИК МЕЖДУНАРОДНЫХ ОРГАНИЗАЦИЙ

ОБРАЗОВАНИЕ • НАУКА • НОВАЯ ЭКОНОМИКА

Научный периодический журнал

ISSN 1996-7845 (Print)
ISSN 2542-2081 (Online)

Периодичность выхода – 4 раза в год

Научный периодический журнал «Вестник международных организаций: образование, наука, новая экономика» издается Национальным исследовательским университетом «Высшая школа экономики» с января 2006 г.
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Подписка

Подписка на журнал «Вестник международных организаций» осуществляется во всех почтовых отделениях связи:
Объединенный каталог «Пресса России»
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Подписной индекс: **20054**

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Телефон: +7 495 621-49-66, 628-29-60

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Россия, 119017, Москва,
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Издание зарегистрировано Федеральной службой по надзору в сфере связи, информационных технологий и массовых коммуникаций, регистрационный номер ПИ № ФС 77 – 66563 от 21.07.2016

Учредитель

Национальный исследовательский университет «Высшая школа экономики»

Content

International Organisations Research Journal, 2022, vol. 17, no 1, pp. 7–24
Original article
doi:10.17323/1996-7845-2022-01-01

China and the International System: The Formation of a Chinese Model of World Order[1]

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Abstract

During its 72-year history, China has followed a difficult path in its efforts to change the diplomatic strategies of its relations with the outside world. The first period, marked by the 30 years from 1949 to 1978, was ideological; it was directed by Mao Zedong and completely ignored international organizations (IOs). The next 30 years (1978–2008) defined a second, economic, period, which was determined by Deng Xiaoping's policy of reforms and opening up, and by the gradual embedding of the People's Republic of China (PRC) into IOs. Now, China is implementing a third, political, stage under the leadership of Xi Jinping, who set the country to the tasks of great power diplomacy and the formation of new/alternative international structures in which it plays a leading role and has a real impact on the future model of the system of international relations.

The formation of the PRC in 1949 and the Korean War (1950–53) that followed soon after, during which Chinese "volunteer" soldiers fought against the United Nations (UN) forces, blocked the possibility of contact between the PRC and this universal international organization for two decades. The country's internal problems in the form of a "cultural revolution" also did not contribute to the solution of this problem. Even the restoration of the PRC's rights in the UN in 1971, the establishment of diplomatic relations with the United States in 1979, and Deng Xiaoping's reforms could not significantly accelerate the PRC's accession to other international organizations. This process took about 20 more years and, on the whole, ended only in 2001 with China's accession to the World Trade Organization (WTO). In the 21st century, especially after the 2008 global financial crisis, China began to actively use existing organizations and to create new ones with partner countries.

The purpose of this article is to analyze the Chinese academic discourse on the problem of relations between the PRC and international organizations and the international system, in which western countries, headed by the United States, dominate to this day, and in which China does not see a prospect for itself to take a place worthy of its complex power. The history of the formation of relations between the PRC and the international system is examined, the reasons for the dissatisfaction of the PRC with its status in its structures are identified, and the process of creating international organizations in which China occupies a dominant position and, in global competition with the United States, can influence the future model of the world is traced.

The specific contribution of this article derives from the fact that it mainly uses the works of Chinese authors who study the position of their country in relation to the international system. It is concluded that China is actively formatting its geo-economic space, offering the countries of the Global South, which are part of it, not only material dividends, but also China's values, development model, and vision for a future model of the world.

Keywords: China, international organizations, discourse, assumptions, Xi Jinping, structuring of international relations

[1] This article was submitted 28.08.2021.

Acknowledgments: this article was prepared as part of research project #20-514-93003 "Russia and China in the Global Political Space: Harmonization of National Interests in Global Governance" supported by the Russian Foundation for Basic Research and the Chinese Academy of Social Sciences.

For citation: Grachikov E., Xu H. (2022) China and the International System: The Formation of a Chinese Model of World Order. *International Organisations Research Journal*, vol. 17, no 1, pp. 7–24 (in English). doi:10.17323/1996-7845-2022-01-01

In international relations, the growing trend of "transit of power" from the United States to China [Degterev, Ramich, Tsvyk, 2021] and China's relations with international organizations, which act as the main tool in global governance [Grachikov, 2020], have gradually become the central topic of academic research [Larionova, Shelepov, 2021; Fried, 2021]. As a rule, they are comprehended from several theoretical approaches. Thus, Samuel Kim characterized China's relationship with the international system as moving from the "transformation of the system" approach in the period of 1949–1970 to the "reform of the system" approach in the 1970s, and to the "maintenance of the system and its exploitation" approach of the 1980s. and 1990s. He also argued that China's behavior in the international system is characterized by a "maxi-mini approach," that is, a strategy to maximize the benefits of participation in the system and minimize regulatory requirements such as costs and expenses in the form of dependence and loss of sovereignty [Kim, 1994].

Ann Kent draws attention to defensive reactions within China that emphasize that international cooperation and interdependence protect and advance US hegemonic interests. These reactions reflect the general ambivalence of globalization, which, unlike the concept of modernization, puts China at serious risk of losing control of its own politics. This duality explains China's insistence that interdependence and globalization must not undermine national sovereignty. While officially recognizing international organizations as subjects of international law, Beijing denies that they are "supranational" or political entities in the same sense as sovereign states. On the one hand, China is counting on international organizations to confer international prestige, status, and domestic legitimacy, and to solve the problems inherent in globalization. On the other hand, Beijing prefers to use bilateral mechanisms to resolve interstate or intrastate conflicts and views international relations from a realistic or, as some believe, culturally realistic, rather than a liberal point of view [Kent, 2013, 132–166].

Alastair Johnston in his study "The Social State. China in International Institutions. 1980–2000" examines these relationships from the positions of constructivism – the socialization of China into the international community. He identifies three micro-processes – mimicking, social influence and persuasion, to analyze China's participation in a number of international institutions on security issues, such as: the UN Conference on Disarmament, the ASEAN Regional Forum and regional multilateral dialogues on security issues [Johnston, 2008].

Well-known Chinese scholar Yan Xuetong, clearly disagreeing with such approaches, writes an article "The Anachronism of a China Socialized: Why Engagement Is Not All It's Cracked Up to Be." Yan argues that the effects of engagement/socialization are often overstated and oversold, because conventional constructivists, in their attempt to specify the conditions under which certain behavioral adaptation constitutes identity change, tend to obfuscate some issues of theoretical and methodological concern. First, transnationalism, as it pertains to China, has a poor record of engendering and sustaining domestic political change, because the party-state, firmly in the driver's seat, fiercely rebuffs any foreign attempt that it deems to undermine its iron-clad hold on state power. Secondly, international institutions are not as

transformative as claimed by constructivists, who conflate the distinction between agents and principals. Furthermore, the socialization perspective's penchant for positioning the state in question in a reactive mode can be an analytical straitjacket, in turn rendering it outdated and inadequate to capture the critically important dynamics and dimensions of a great power such as China in international politics and global governance. Yan Xuetong calls for a more compressive and eclectic approach that understands China as a proactive participant in international affairs [Yan, 2017, 67–94].

This sharp rejection of Western analytical approaches by Yan Xuetong, a prominent Chinese international scholar, stimulates our interest in Chinese content proper and academic discourse on the relationship between China and the international system. The purpose of the article is to analyze the academic discourse on China's relations with international organizations and the system as a whole, to study the controversial process of China's entry into international organizations, due to the historical memory of the Chinese people during the "one hundred years of humiliation" period and China's semi-colonial status in the international system, the formation of China as a global power with ambitions to create their own model of the world order.

Bibliography Overview

The bibliography analysis is divided into two parts. The first analyzes the literature of the initial stage of relations between the PRC and international organizations, which covers the period from 1949 to 2001, the second – the PRC in the international system, the period from 2001 to the present.

In researching relations between China and international organizations, Chinese scientists, according to Wang Yizhou, another well-known international specialist in China, have not achieved noticeable success. Apart from the publication of a number of special textbooks, there have been no theoretical works on this issue [Wang, 2002]. Previous studies on China's relations with international organizations in Chinese academic circles mainly represent two directions: firstly, these are the works of international lawyers, in which they introduced legal knowledge to the Chinese audience. A special place in this process is occupied by teams of scientists led by professor Wang Teya from Peking University and professor Liang Xi from Wuhan University, who not only translated a large number of foreign works, but also introduced their colleagues to the basics of international law. They explored the evolution of the international system as well as the integration of the Chinese legal system and legal concepts with the international system. In addition, work was carried out on specific areas of mechanisms and conventions, such as an introduction to international environmental law, an analysis of the European Community and the European Union and its legal framework, a discussion of the rules of the World Trade Organization and a comparison of the stages of development of a convention on international human rights, etc. [Zhu, Jiang, 2000; Ma, 1994; Liu, Zhu, 2000; Liu, 1996; Zhang, 1998].

To stimulate research in the field of international law, since 2011, Xiamen University has been publishing an all-China yearbook – the journal "International Relations and International Law," in which not only Chinese but also foreign scholars are published.[2]

Secondly, these are the studies of political scientists of universal international organizations and their international mechanisms, among which most of them are represented by the works of Li Te-cheng from the UN Research Center of Peking University of Language and Culture [Li, 1995; Chen, Li, 1993; Li, 1993]. Some works in the field of political science also

[2] 国际关系与国际法学刊 / 刘志云主编 [Journal of International Relations and International Law. Chief editor Liu Zhiyun].

represent studies of a number of specialized global and regional international organizations and mechanisms, such as the European Union, ASEAN, the Warsaw Pact, the Organization of American States, the League of Nations, etc. [Wang, Wang, 1998]. A significant part of the content of Chinese studies is "graft transplantation" (yízhí jiàjiē, "移植嫁接"), i.e. copying (Western) knowledge, which did little for internal changes, primarily legal ones, in China, and their impact on China's relations with international organizations.

Separately, it should be said about the book "International Organizations and Group Studies" edited by Qu Liang and Han De. Zhang Lili of the Diplomatic Academy prepared the chapter "Development of Relations between China and International Organizations." The main feature of the monograph is a comprehensive introduction to the current state and a brief history of international organizations, both universal and regional (political, economic and military, including political parties, parliamentary organizations, women's associations, etc.) [Qu, Han, 1989].

The logical conclusion of the study of this topic was the publication of "Introduction to International Organizations" edited by Zhang Lihua. In the "Introduction" the first few chapters are devoted to the study of the theory of international organizations, then the problems of globalization of international organizations, regional integration, international organizations and state sovereignty, national security, international order are considered. The last, 13th chapter "China and International Organizations" is devoted to the evolution of the development of China's relations with international structures and the analysis of China's position on the problems of the international situation, complex power, sovereignty, the influence of ideology and identity [Zhang, 2015].

A notable publication exploring the relationship between the PRC and the international system was the collective monograph "China and the International System: Process and Practice. Zhu Liqiong et al.," which examines the process of China's "engagement/entry" (Zhongguo canyu 中国参与) in organizations such as the WTO, IMF, WB, WHO, institutions for nuclear nonproliferation, human rights, climate change negotiations and various structures of the UN [Zhu, 2012]. Wang Mingguo's work is devoted to the rather rare topic "Investigation of causal relationships in the effectiveness of the international system." The author comes to the conclusion that since the 60s of the XX century in international organizations there has been a struggle between developing and developed countries on the "principles of financing technology" (the right to vote), which led to the fact that after the global financial crisis of 2008, China, India, Brazil, and other new market economies have had some success in resisting the "hegemonic order of governance" (Wang, 2014, 384).

Theoretical Approaches

When examining China's position in relation to international organizations and the international system as a whole, several assumptions must be kept in mind related to China's history and its relationship with the Western world. *First*. Before the first Opium War (1840), China was the center of interstate relations in East Asia and did not directly intersect with the European system of international relations [Zhang, 2015, 5–, 2014, 1–6; Kang, 2010; Chen, 2007, 1–22]. The naval aggression of England in the form of "opium" wars and the unequal treaties that followed them violated sovereignty, destroyed territorial integrity and turned China into a semi-colonial country [Li, 2016; Grachikov, 2015]. "One Hundred Years of Humiliation" (1840–1949) – this is how Chinese historiography describes the subordinate and humiliating nature of its international position [Zhao, Chen, 2014, 2–3; Zheng, 2012; Grachikov, 2021a]. The historical experience of a semi-colonial situation, when the West interfered in China's

internal affairs, determined Beijing's negative attitude towards international organizations controlled by Western countries for decades to come. Therefore, Xi Jinping's call for the creation of international organizations of developing countries led by China is understandable [Xi, 2014, 48].

The second assumption that must be taken into account is that the PRC immediately after its creation took part in the Korean War (1950–1953), where it fought against the combined forces of the UN, which froze China's relations with this organization for two decades. During the first three decades under the leadership of Mao Zedong, China did not express its desire to join international structures. In addition, China considered any mention of any national interests outside its state as aggression and violation of the sovereignty of other states, similar to what China experienced during the period of a hundred years of humiliation (1840–1949) [Xu, 2006, 18, 19; Grachikov, 2021b].

As stated in the "Practical Handbook of International Relations", the international system has gradually developed along with the expansion of capitalism around the world. The colonial behavior of capitalism links the initially isolated regions of the world into an international system, which was finally formed in the late 19th century and early 20th century on the basis of the final establishment of the world colonial system. The international system is divided into two types: the level of local structure and the level of general structure, depending on the geographical coverage and scale. The main characteristics of the international system include: 1. *Integrity*, all state and non-state actors are included in the international system; 2. *Interrelation*, in which all subjects of the system inevitably participate in direct or indirect connection; 3. *Non-direction against you*. In the international system, the difference in combined strength between countries has led to a gap in the level of (national) strength, so there is an inequality between large and small countries; 4. *Objectivity*. The international system exists objectively and any international entity must formulate its own security and development strategies based on the international system [Huang, Yao, 2013, 245, 246].

The theoretical toolkit of Chinese works is Zhu Liqiong's concept of "practice of participation" (参与实践) of China in the international system. As a format for theoretical analysis, such criteria as "practice of participation" (参与实践) and "recognition of identity" (身份承认) are taken. There are three forms of recognition of China's identity by the international system: official recognition (形式承认), essence recognition (实质性承认), and recognition of actor values (主体价值承认), which are the end result of participatory practice, where participatory practice acts as an independent variable, and identity recognition is the dependent variable. Different degrees of recognition by the international system means a different new identity for China and a different degree of participation. Practitioners are re-engaged in the practice in a new capacity and begin a new round of practice. China's participation in the international system reflects such a constant and continuous new process of practice [Zhu, 2012, 2].

The Practice Process of China's Participation in the International System

In the international political science of the PRC, there are different versions of the establishment and development of relations between China and international organizations. This difference applies to almost all international organizations, which is caused by different understanding in China of its national interests in various international structures. Zhang Lihua describes the periodization of China's entry into international organizations/participation practices as follows [Zhang, 2015, 235–248].

Period of "Relative Deviation" 相对排斥 *(1949–1965)*

During this period, China resisted participation in international organizations and had very limited ties with a few international organizations. This was a time when China was outside the UN system and ideologically exposed to the confrontational and antagonistic Cold War mentality. The main situation faced by China was isolation from the international community, which limited its participation and determined its attitude towards international organizations. The perception of Chinese leaders about international organizations at this stage was rather negative. China did not participate in international organizations mainly because China did not trust the guidelines of any international organization. The speeches of Premier Zhou Enlai and other leaders showed that China has been conservative and cautious towards the UN and other international organizations. In China's view, these international organizations were controlled by Western powers, while Third World countries had little leverage. Thus, it reflected the inequality of the world political system. Under such circumstances, China had a very limited choice: the possibility of joining the international organizations of socialist countries and developing relations with international organizations of developing countries. Direct examples include the Geneva Conference in 1954, where Premier Zhou Enlai put forward the "Five Principles of Peaceful Coexistence," and the Asia-Africa Conference in Bandung in 1955, which brought together most of the third world countries, as well as China's close relations with Group of 77 and the Non-Aligned Movement.

Period of "Active Deflection" 加剧排斥 **(1966–1970)**

Period 1966–1970 was the most active phase of the so-called. cultural revolution and "leftism" in the domestic and foreign policy of the PRC. As Zhang Lihua explains, the rupture of allied relations with the USSR and inter-party ties between the CPSU and the CPC caused significant harm to China's relations with the countries of the socialist camp. However, in just one year (1966–1967), China managed to establish (or half establish, ban jian jiao 半建交) diplomatic relations with more than 40 countries, with 30 of which there were diplomatic "disputes" (jiufen 纠纷) caused by the "revolutionary " rhetoric.

Period of "Limited Entry (Participation)" 有限参与期 **(1971–1991)**

On October 25, 1971, the 26th session of the United Nations voted to restore the legitimate rights of the People's Republic of China in the UN and withdraw Taiwan from the Organization and all its institutions. As a result of the vote, the resolution was adopted by an overwhelming majority: 76 votes in favor, 35 against and 17 abstentions.

Table 1. Reflects the process of the PRC's accession to the main universal international organizations

Year of Entry	Name of International Organization
1952	International Red Cross
1971	United Nations
1971	International Civil Aviation Organization
1972	World Health Organization
1976	International Olympic Committee
1980	International Monetary Fund

Year of Entry	Name of International Organization
1980	World Bank
1984	International Atomic Energy Agency
1984	International Criminal Police Organization
1991	Asia-Pacific Economic Cooperation

Source: Compiled by the authors.

By 2000, China became a member of more than 50 intergovernmental organizations (IGOs) and 275 international non-governmental organizations (INGOs). This contrasted with the situation in 1966, when he was a member of only one intergovernmental organization and 58 international non-governmental organizations. In terms of the number of IGOs by 2000, China ranked seventh in the Asia-Pacific region after Japan, India and Indonesia, South Korea, Australia and Malaysia. In terms of INGO membership, China ranked sixth in the region behind Australia, Japan, India, New Zealand and South Korea [Kent, 2013, 132–166].

Period of "Active Participation" 积极参与期 (1992–2008)

On May 3, 1993, the Bureau of International Exhibitions adopted a resolution accepting China as the 46th member state of the organization. On December 3, 2002, Shanghai won the right to host the 2010 World Expo.

On November 10, 2001, the Fourth Ministerial Conference of the World Trade Organization (WTO), held in Doha, Qatar, reviewed and decided on China's accession to the WTO by consensus, marking the end of a 15-year negotiation process for China's accession to the WTO. China has officially become the 143rd member of the WTO. On November 19, six representatives of the Chinese government attended the WTO General Council for the first time as a full member.

On February 5, 2001, the Board of Governors of the International Monetary Fund adopted a resolution to increase China's share in the organization from 4.687 billion SDRs to 6.376 billion, lifting China from 11th to 8th place.

On November 9, 2006, Chen Fengfu from Hong Kong (PRC) was elected as the new Director-General of WHO, making the PRC representative the highest ranking person in the UN agency. On May 29, 2007, the 75th Congress of the International Committee for Animal Health (OIE) confirmed by an overwhelming majority of 131 votes in favor, 5 abstentions and 8 votes against that China had joined the organization as a sovereign nation.

On June 29, 2007, the world's leading international anti-money laundering organization, the Financial Action Task Force (FATF), agreed that China is a full member of this organization.

The Period of "Awareness of a New Role" (2009–2012)

China tends to make the most of its status as a developing country. For example, although China is among the five permanent members of the UN Security Council, the rate of China's contribution to the regular budget of the Organization is below 1 percent, which in 1979 was reduced at the request of China from 5.5% to 0.79%, compared with 25%, paid by the United States, and 19.9% paid by Japan, a country that is not even a permanent member of the Security Council. As China's economy continued to develop and its overall national strength increased,

China's financial contribution to the UN budget also began to increase. The share of the PRC increased from 0.7% at the end of the last century to 2.053% in 2005 and then to 2.667% in 2009. After the last adjustment in 2010, China's current dues ratio was 3.189%, and the cost of maintaining peace also rose from 3.147% in 2009 to 3.939%. Supporting international peace and security, China is not only one of the main providers of UN peacekeeping funds, but also the country with the largest number of peacekeepers among the permanent members of the UN Security Council. From 1990 to the end of 2009, China sent a total of 14,650 people to UN peacekeeping operations who took part in UN operations in Haiti, the Democratic Republic of the Congo, Liberia, Lebanon, Sudan, Ivory Coast and East Timor [Li, 2010].

As a major developing country, China has always supported developing country organizations. China is not a member of the Group of 77 and the Non-Aligned Movement, but it has always maintained good relations with the two organizations of developing countries. China actively participated in the activities of the Group of 77 as an observer. In 1995, China officially joined the dialogue and became the center for the development of South-South cooperation. Since 2002, China has contributed $100,000 annually to these activities, and $200,000 since 2010. China also supports and contributes to regional organizations in Asia, Africa and Latin America. For example, China has long supported the African Union (AU) in various ways, including helping to build the AU Convention Center, funding the AU to participate in the Shanghai World Expo, and donating office equipment to the AU.

With the growth of national power and the accumulation of experience, China's contribution to international organizations and international institutions is increasing. For example, since 1990, China has increasingly become a meeting place for international organizations. In 1995, Beijing hosted the Fourth UN World Conference on Women, which was attended by government delegations from 189 countries, as well as organizations and specialized agencies of the UN system. The 22nd Congress of the Universal Postal Union (UPU) in 1999 was held in China, and this was the first time that a UN specialized agency had held a plenipotentiary conference in China.

The success of the 2008 Beijing Olympics has greatly enhanced China's opportunities and attractiveness to international organizations. In recent years, more and more representatives of the PRC have taken leadership positions in international organizations. For example, in 2005, Zhang Xinsheng was elected President of the UNESCO Executive Board. In 2006, Chen Fengfu was elected Director General of the World Health Organization. In 2007, Li Jinhua, Auditor General of the National Audit Office of China, was successfully elected a member of the UN Audit Committee. Major General Zhao Jingmin, an official of the Peacekeeping Administration of the Chinese Ministry of Defense, became the first high-ranking official of a UN peacekeeping operation. In 2008, Lin Yifu became Vice President of the World Bank. In 2010, Zhu Min was Special Adviser to the President of the International Monetary Fund, and Xue Yuqin was Chairman of the UN International Law Commission and Judge of the International Court of Justice.

In 2013, then-UN Secretary-General Pan Ki-moon appointed Xu Haoliang as Assistant Secretary-General of the United Nations, Assistant Administrator of the United Nations Development Program and Director of the Asia Pacific Bureau.

By 2007, there were 61,836 international organizations in the world. China was a member of 4386 of them, and since 1753 has signed accession agreements [Zhu, 2012, 1]. In 2021, the number of governmental and non-governmental international organizations in the world increased to 66425, and China became a member of 5479 of them. At the same time, the secretariats of 251 organizations were located in China [UIA, 2021].

Chinese World Strategy (2013–2021)

China's disagreement with the existing world system and the inability to increase its influence there resulted (see Tables 2 and 3) in a gradual change in existing and creation of alternative international institutions.

Table 2. Voting power distribution in major international nancial institutions (% of total voting power in a given institution), 31 December 2017

Shareholder	Voting Power						
	IBRD		IMF	ADB	AfDB	IADB	EBRD
	2010	2017					
US	16.4	16.0	16.5	12.8	6.6	30.0	10.1
Japan	7.9	6.9	6.2	12.8	5.5	5.0	8.6
Big Four European countries	15.9	14.3	16.4	9.6	12.1	6.7	34.4
China	**2.8**	**4.5**	**6.1**	**5.4**	**1.2**	**0.004**	**0.1**
IDA & IBRD borrowing members	37.1	39.3	n.a.	39.1	59.2	50.02	14.4

Sources: [Galan, Leandro, 2019].

Abbreviations used in the table: International Bank for Reconstruction and Development (IBRD), Asian Development Bank (ADB), African Development Bank (AfDB), Inter-American Development Bank (IADB), European Bank for Reconstruction and Development (EBRD).

Table 3. Relative weight in world's Gross Domestic Product measured in current US dollars (%, 1993–2017)

Shareholder	1993	1997	2001	2005	2009	2013	2017
US	26.6	27.4	31.8	27.6	24.0	21.7	24.0
Japan	17.2	14.0	12.9	10.0	8.7	6.7	6.0
Big Four European Countries	21.4	20.6	18.3	19.9	17.8	14.8	13.4
China	**1.7**	**3.1**	**4.0**	**4.8**	**8.5**	**12.5**	**15.2**
IDA & IBRD Borrowing Members	16.5	19.2	18.9	21.6	29.2	37.0	38.0

Source: [Galan, Leandro 2019].

According to Chinese scholars, the result of these changes was the division of the current international institutions into three types: traditional, modified and innovative.

I. Traditional International Institutions

Traditional international institutions refer to those created during the Cold War by the traditional hegemonic powers based on the old world political and economic order, such as the UN system, World Bank, IMF, GATT and some others. The fundamental rules of these institutions were designed and implemented under the leadership of the traditional superpowers, mainly the United States. The main beneficiaries of this system naturally turned out to be

its creators. In this structure, it is impossible to achieve equal dialogue and cooperation due to the limitations and selective preferences of traditional major powers in managing and solving global problems.

II. Modified-improved International Institutions

Modified-improved international institutions refer to the newly founded international cooperation institutions in the 1990s after the Cold War and some old international institutions that have undergone some reforms and adjustments, for instance G20, APEC, Asia Europe Meeting, Association of Southeast Asian Nations (ASEAN) Plus Three, WTO, etc. Their difference lies in the fact that, under pressure from the international community, developing countries were included in these structures, so the voice of the non-Western world became more distinguishable in international affairs.

III. Innovative International Institutions

Innovative international institutions are those that have appeared since the beginning of the twenty-first century, such as the Shanghai Cooperation Organization, the BRICS Bank, CICA, the 16 + 1 mode of cooperation among China and the Central and East European countries, the AIIB, the Belt and Road strategic framework, etc. They are fundamentally different from the institutions of the old world order, since they were created by the main developing countries to protect their own interests in solving global problems of peace and development. Based on the principles of equality, mutual benefit and win-win for all members, these institutions are established in areas that have remained outside the scope of traditional international institutions. Their number and role in global governance will only increase [Chen, 2018, 112, 113]. In fact, "innovative" means alternative or parallel structures of the international system, which is presented in table 4.

Table 4. Parallel International Structures, created by China

Organizations and mechanisms with China at the center	**Main characteristics**	**What international structures does it duplicate**
Financial and monetary policy		
BRICS New Development Bank (NDB)	Development Bank with a focus on infrastructure projects, established in July 2014; headquarters in Shanghai; for the first five years, the president of the bank is a representative of India	World Bank, regional development banks
Asian Infrastructure Investment Bank (AIIB)	The initiative was announced at the APEC summit in October 2013 with an initial capital of $50 billion	Asian Development Bank
BRICS Contingency Reserve Arrangement (CRA)	Estimated size $100 billion; announced July 2014	International Monetary Fund
Chiang Mai Initiative Multilateralization (CMIM); ASEAN+3; Asian Macroeconomic Research Office (AMRO)	Announced amount of 240 billion dollars ("Multilateralization" started in March 2010, AMRO in April 2011; received the status of an international organization in 2014)	International Monetary Fund
Renminbi Internationalization Mechanisms	Ten agreements on the direct exchange of the yuan with other currencies; non-cash banking agreements in nine countries; seven RQFII country quotas; 26 swap agreements with central banks	Established foreign exchange market mechanisms

Organizations and mechanisms with China at the center	Main characteristics	What international structures does it duplicate
Shanghai as a global financial center with yuan futures markets	Decision of the State Council (2012) to turn Shanghai into a world financial center; Approval of the Shanghai FTA (August 2013). Futures markets in RMB for crude oil, natural gas, petrochemicals (August 2014); gold trading platform (autumn 2014); six other international commodity futures markets are in the planning stage	Existing centers for financial, commodity and futures markets
China International Payments System (CIPS)	CIPS for international transactions in RMB (April 2012); Sino-Russian negotiations on alternatives to SWIFT (autumn 2014)	Established payment systems (CHIPS, etc.)
Universal Credit Rating Group (UCRG)	Joint project of three rating agencies (Dagong, RusRating, Egan-Jones) (since June 2013); NDRC and MFA launch a joint research project to prepare an Asian rating system (June 2014)	S & P, Moody's, Fitch
China Union Pay (CUP)	Association of Card Issuing Banks (since 2002); currently adopted in 140 countries, released in 30 countries, most recently: Russia (August 2014), Myanmar (September 2014)	VISA, MasterCard

Source: [China Monitor, 28 October 2014, no 18].

China has also managed to create a well-structured global network of partnerships (strategic and conventional) in five macro-regions of the world. At the top of this pyramid are regional forums primarily dedicated to economics, trade and infrastructure: China-Arab Cooperation Forum, China-Africa Cooperation Forum, China-SELAC Forum (with Latin American countries), Asia Cooperation Dialogue, Format 17 + 1, which again turned into 16+1 (after the withdrawal of Lithuania in 2021). At the base of the pyramid are agreements with more than 140 countries on establishing partnerships [Grachikov 2019a; 2019b].

In the context of this typology, China's identity in these international structures is changing. First, in traditional institutions, China identifies itself as a participant and supporter. China "radically" does not deny or oppose the existing system and order, but tries to play a positive role corresponding to its power. Second, in modified institutions, the PRC presents itself as supportive and reformer, realizing that it has little chance of becoming a leader and dominant player in the near future. China can also play the role of participant and builder here, reforming the old order if possible. Finally, in innovation institutions, China positions itself as a supporter and leader. These institutions were originally created by China and other developing countries and therefore China plays a leading and guiding role in these structures. The main advantage of innovative institutions based on the principles of collaborative discussion, creation and jointness is that they will serve to "create a new international order" [Chen, 2018].

Conclusion

International organizations have become the main arena of world diplomacy and global competition between China and the United States. They play a key role in global governance and provide platforms for collaborative solutions and international issues. China, as one of the centers of the "new bipolarity" and a structure-forming actor in international relations, has a significant impact on the institutions of global governance, and the future model of the world order largely depends on its position.

China, actively participating in existing international organizations and trying to reform them from within in accordance with its own norms and rules, proactively creates new international structures in which it plays a leading role and can indirectly influence the development and adoption of decisions that are beneficial to it.

The new "innovative" international organizations of the PRC, as a rule, do not include Western countries and, therefore, can be viewed as Beijing's desire to format a new non-Western system of international relations, or, in a broader sense, as Fyodor Lukyanov noted, the "collective East," where quite naturally, one can include the Organization of the Collective Security Treaty (OCST), the SCO, the EAEU, the AIIB, BRICS and almost all regional international organizations of the developing countries of the Global South.

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International Organisations Research Journal, 2022, vol. 17, no 1, pp. 96–113
Original Article
doi:10.17323/1996-7845-2022-01-04

The Influence of the G20's Digitalization Leadership on Development Conditions and Governance of the Digital Economy[1]

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Abstract

Given the increasing importance of the digital economy, competition for digital technologies and solutions, as well as the contest to influence norms, standards, and regulatory mechanisms, is escalating. This influence is distributed unevenly – digitalization leaders, primarily the key Group of 20 (G20) members, gain significant advantages, increasing their potential for shaping digital regulation through the consistent inclusion of domestic standards and norms in the documents of multilateral institutions, including the G20, the Organisation for Economic Co-operation and Development (OECD), the World Trade Organization (WTO), and the United Nations (UN). At the same time, Russia's impact on the most important aspects of digital economy regulation at the global and regional level is currently limited.

The article presents an assessment of the influence wielded by the leading G20 members (the U.S., Canada, the UK, the European Union (EU), Japan, Korea, China and India) on the digital economy's development and regulation. This assessment serves as the basis for recommendations on Russia's approaches to the specific aspects of regulation (digital infrastructure development, cybersecurity, regulating digital platforms, regulating global stablecoins and central bank digital currencies (CBDCs), data governance, and artificial intelligence (AI) policies at the national level, as well as its engagement in the G20 and other multilateral institutions.

The analysis indicates that the leading countries affect the digital economy mainly by determining conditions for activities in their domestic digital markets and participating in shaping new global standards and rules. In the areas of digital infrastructure development, cybersecurity, and data governance, there are growing contradictions between the approaches of the U.S., the UK, Japan and partly the EU and Korea on the one hand, and Russia, China and India on the other. Recommendations in these areas are related to strengthening coordination within the BRICS group of Brazil, Russia, India, China and South Africa to develop common positions and collectively promote them in the G20 and other multilateral institutions. The main recommendations on other regulatory aspects include using the experience of digitalization leaders to minimize the risks posed by competitors and to strengthen Russian positions in the global digital economy.

Keywords: digital economy, G20, cybersecurity, digital platforms, central bank digital currencies (CBDC), data governance, artificial intelligence (AI)

Acknowledgments: the article was written on the basis of the RANEPA state assignment research programme.

For citation: Shelepov A. (2022) The Influence of the G20's Digitalization Leadership on Development Conditions and Governance of the Digital Economy. *International Organisations Research Journal*, vol. 17, no 1, pp. 96–113 (in English). doi:10.17323/1996-7845-2022-01-04

[1] This article was submitted 03.02.2022.

Introduction

Given the growing role of the digital economy in overcoming the COVID-19 pandemic and stimulating economic growth following the related crisis, competition for digital technologies and solutions is intensifying. At the same time, the contest to influence the regulation of the digital economy and the conditions for its development in various areas is escalating. The outcome of this competition for digital dominance and cooperation for digital equality will determine the balance of power in the future economic order.

Russia does not yet have a significant impact on the most important aspects of the regulation of the digital economy, such as cross-border data flows, ensuring privacy and protecting consumer rights, providing critical digital infrastructure security, developing and using artificial intelligence (AI), and regulating digital markets. At the same time, the leading developed countries are enhancing their potential to regulate the digital economy, including through the consistent inclusion of domestic standards and cooperation norms in the documents of multilateral institutions such as the Group of 20 (G20), the World Trade Organization (WTO), and the United Nations (UN) in order to create a global market based on their own approaches, thus providing additional opportunities for their technology companies, products, and services in this market. In this regard, this article assesses the leading G20 members' impact on the development conditions and regulation of the digital economy and makes recommendations for Russia's regulatory policies at the national level, as well as for its engagement with the G20 and other multilateral institutions.

To this end, a sample of leading digital economies was formed, including the UK, the U.S., Canada, the European Union (EU), Japan, Korea, India and China. These economies were included in the sample based on an expert assessment of the impact potential (in particular, of the Group of 7 (G7) and BRICS countries (Brazil, Russia, India, China and South Africa) as these economies can coordinate their positions and promote them collectively in more representative institutions) and data from international digital economy development ratings (Table 1). Both rankings with distribution by positions and ratings without direct comparison of examined countries were considered – for example, in the Organisation for Economic Cooperation and Development (OECD) Going Digital Toolkit ranking, the UK, the U.S. and Canada leave other countries behind in terms of most indicators. The EU, which is actively strengthening its potential for digital economy regulation at the supranational and international level, is considered as a substitute for individual European countries.

Table 1. Positions of the Selected Economies in International Digital Economy Development Ratings and Rankings

	U.S.	**Canada**	**EU (Germany)**	**UK**	**Japan**	**Korea**	**India**	**China**	**Russia**
International Telecommunication Union (ITU) Information and Communication Technology (ICT) Development Index	16	29	12	5	10	2	134	80	45
World Bank Group (WBG) Digital Adoption Index	27	36	6	23	8	4	92	74	28
World Economic Forum (WEF) Network Readiness Index	4	11	8	10	16	12	67	29	43

	U.S.	Canada	EU (Germany)	UK	Japan	Korea	India	China	Russia
Institute for Management Development (IMD) World Digital Competitiveness Ranking	1	13	18	14	28	12	46	15	42
UN E-Government Development Index	9	28	25	7	14	2	100	45	36
ICT sector share in gross domestic product (GDP) (%)	5.0	3.4	3.8	4.1	5.7	8.4	5.1	4.8	2.2
Global position in terms of the absolute size of the ICT sector	1	11–20	3 (EU)	7	4	5	6	2	11–20

Source: Compiled by the authors based on the data of the respective ratings and rankings.

The article considers the influence mechanisms that provide opportunities for promoting regulatory approaches through multilateral institutions for each of the selected countries and the EU in six priority areas: digital infrastructure development; ensuring cybersecurity; regulating digital platforms; regulating global stablecoins and central bank digital currencies (CBDCs); governing data flows; and AI policies.

Influence of Leading Countries on the Development Conditions and Regulation of the Digital Economy, and Recommendations for Russia

Global Leadership Pursuit as a Basis of Influence

It is important to note that most countries in the sample explicitly set global digital leadership goals in their policy documents. For instance, in 2021, UK authorities formulated the objective of ensuring the competitiveness of the national economy as a global digitalization and data hub in the context of geo-economic and geopolitical shifts, systemic competition, rapid technological changes, transnational challenges, and the ongoing impacts of the COVID-19 pandemic [Gov.UK, 2021a]. The U.S. National Cyber Strategy stressed that "the United States' influence in cyberspace is linked to... technological leadership" [President of the United States of America, 2018]. The EU is striving for global leadership in digital economy regulation, while Japan and Korea are taking systematic measures to maintain their leadership in the field of digital technologies. The strategic plans of the People's Republic of China (PRC) also provide for the transformation of the country into a global cyber power, leading the world in the main areas of digitalization and capable of influencing international digital standards. To achieve these goals, these countries actively use trade and investment policies, development assistance, participation in the activities of standard-setting organizations (for example, the International Organization for Standardization (ISO) and the ITU) and other international institutions. Countries such as India and Canada do not explicitly set goals for international leadership in their strategic documents, although they do prioritize internal digital development objectives. Accordingly, their degree of influence on global digital economy regulation is relatively lower.

Nevertheless, their approaches should also be taken into account by Russia when it implements bilateral cooperation projects and develops its own regulation.

Digital Infrastructure Development

Digital infrastructure development is a priority for all countries under consideration. The deployment of 5G infrastructure (in the EU, 6G as well) is carried out mainly using public resources and through the creation of incentives for business investment, as well as the implementation of secondary and shared frequencies and the free use of radio frequencies in accordance with ITU recommendations. This approach is typical for the U.S., the UK, Korea and Japan. Their experience may be relevant for Russia; however, the frequency range of 3.4–3.8 GHz that is considered the most convenient for commercial use of 5G networks is, in Russia, used by law enforcement and defence institutions, thus creating technical obstacles to the development of new technologies [TASS, 2021].

The objectives of overcoming the digital divide are relevant not only for countries where this problem is traditionally acute, such as India, but also for developed ones. For instance, the new U.S. administration emphasized the need to bridge the digital divide, given that about 30 million U.S. citizens do not have access to broadband networks, and that there are ethnic and racial disparities in the provision of high-quality Internet connectivity [The White House, 2021]. The importance of digital infrastructure development increased even more during the COVID-19 pandemic, as evidenced by the approval of new projects and the allocation of additional resources by all countries considered.

Given the growing competition, the approach of developed countries to digital infrastructure is to seek cooperation with like-minded states while limiting competitors' potential. For example, the UK Telecommunications (Security) Act of November 2021 tightened security requirements for telecoms and network providers and strengthened the powers of the Ofcom, giving it new decision-making powers in relation to high-risk vendors [Gov.UK, 2020]. In fact, according to the UK's official position, Chinese companies are included in this group. Additionally, most G7 countries have set the objective of enhancing their influence on the development of global telecom standards, including through increasing the number of representatives in international standard-setting institutions and the intensity of their work, strengthening strategic coordination between national actors (including business, governments and regulators) to ensure consistent positions in international institutions, and building strategic unity with partners, including a consensus on the need to provide interoperable telecom standards.

The most significant risk for Russia in this regard is the EU policy of extending influence on its neighbouring states, including within the framework of the Eastern Partnership. The main instrument of such influence is the EU4Digital programme (2019–22). The programme aims "to extend the European Union's Digital Single Market to the Eastern Partner states.... Through the initiative, the EU supports the reduction of roaming tariffs, the development of high-speed broadband to boost economies and expand e-services, coordinated cyber security and the harmonization of digital frameworks across society, in areas ranging from logistics to health, enhanced skills and the creation of jobs in the digital industry" [EU Neighbours East, n.d.]. The EU's policy affects, inter alia, Russia's strategic partners in the region, including the Eurasian Economic Union (EAEU) states.

China's Digital Silk Road initiative pursues similar goals [Shen, 2018]. The Digital Silk Road covers a range of projects related to infrastructure, e-commerce, research cooperation, and the promotion of Chinese standards and norms. Implementation of this initiative leads to strengthening China's global position, promoting Chinese standards, and increasing dependence of the countries engaged in this initiative on Chinese digital infrastructure. The Digital

Silk Road and other international projects of the PRC largely affect countries neighbouring Russia, including the EAEU members, thus complicating competition for Russian digital infrastructure suppliers and increasing the overall economic dependence of these countries on China. However, in contrast to the EU's policy, the Chinese initiative also has a positive impact associated with potential joint projects, such as the interface of GLONASS and Baidu satellite navigation systems and the development of 5G infrastructure.

Thus, in the area of digital infrastructure development, Russia could strengthen cooperation with China, taking into account the EAEU's digital agenda and the Digital Silk Road as an integral part of building synergies between the EAEU and the One Belt One Road (OBOR) initiative. It could also intensify cooperation with partners in the framework of Eurasian integration on harmonizing standards, establishing institutional and legal frameworks for the EAEU's digital agenda until 2025, and financing measures to bridge the digital divide both within countries (including the Russian Federation itself) and between them, thus limiting the EU's influence in the region.

Cybersecurity

The creation of a new digital infrastructure is closely related to security and competition issues. Ensuring cybersecurity, along with infrastructure development, is a priority in terms of digital economy financing for countries claiming the status of cyber power. For example, in 2016–20, the UK committed £1.9 billion to implement the National Cyber Security Strategy [NAO, 2021]. China aims to create a $40 billion market for cybersecurity products and services by 2023 [Xiong, Zhang, 2021]. Although both the UK and China strive to become leading cyber powers, their approaches to reaching this objective and identifying the main threats to it differ. The same is true for differences in general approaches to digital economy regulation between the developed countries, on the one hand, and India and China, on the other. The UK aims to establish strategic superiority through strengthening its science and technology sector and consolidating its position as the world's leading democratic cyber power. In this regard, the UK pays much attention to cyber threats emanating from other states, as well as response measures, including the expansion of sovereign capabilities to implement offensive cyber operations [Gov. UK, 2016]. The EU also strives to set global cybersecurity standards. European countries seek to prepare against potential cyberattacks by other states, including Russia. The EU builds cooperation either on its own terms (for instance, in the Organization for Security and Co-operation in Europe (OSCE)) or through institutions where Russia is not represented (the North Atlantic Treaty Organization (NATO), the OECD). There is a growing risk of spreading the EU's approaches and values, which in recent years have been increasingly at odds with Russian ones, and of losing opportunities to affect international decision-making. Unlike the EU, the UK, and other developed countries, China set the goal of sovereignty over key and critical technologies without striving for the global expansion of its standards [Government of the PRC, 2016]. This position is much closer to the Russian one.

G7 countries' attempts to promote a multilateral approach to Internet governance and multilateral cooperation models in international organizations, as opposed to countries with an alternative vision of the state-controlled Internet and reproduction of national borders in cyberspace, reflect the aspiration to consolidate their advantages in the existing digital governance system and contradict Russia's position on the need to guarantee all states equal rights and opportunities to participate in Internet governance [Ministry of Foreign Affairs of the RF]. Moreover, Russia, along with China, is directly mentioned in the G7 countries' documents on cybersecurity as a state that poses substantial threats [Gov.UK, 2021b]. Thus, the promotion of

G7 countries' values, norms and rules as a global standard through international institutions is a direct challenge for Russia.

In the context of a growing divergence of interests and values with the UK, the EU, the U.S. and Japan, and given their endeavour to set global cybersecurity standards, it is important for Russia, in addition to implementing domestic measures in accordance with the National Security Strategy, to facilitate multilateral discussion of relevant issues within influential fora such as the UN and the G20, to cooperate within the BRICS to agree on and promote the consolidated positions of the five countries (despite some contradictions between India and China), to strive to strengthen meaningful cooperation on cybersecurity in the Shanghai Cooperation Organization (SCO), and to promote confidence-building measures between countries in the cybersphere.

Regulating Digital Platforms

The growth of active digital platforms draws the attention of regulators in all the examined countries and the EU. In general, regulation in this area is aimed at protecting the interests of local suppliers and consumers and limiting large players' influence. The U.S. and China, in addition to this goal, try to prevent foreign platforms from entering their national markets. Although not always explicitly stated in the regulatory documents, this issue is considered a matter of national security. At the same time, regulation in these two countries is largely aimed at national digital platforms, as their active development could undermine free competition.

The dominant approach to regulating digital platforms is illustrated by the EU example. The European Union strives to limit the dominant position of the largest companies implementing the two main regulatory documents – the Digital Services Act (DSA) and the Digital Markets Act (DMA). The EU needs proper regulation of digital services, markets and platforms in order to control the activities of companies that are not formally located in the EU and are not subject to its law but which actively collect and process its citizens' data, provide services to them, and generally benefit from European clients and consumers. The DSA introduces a distinction between online intermediaries by singling out the category of "very large platforms," defined as having more than 45 million users, or 10% of the EU's population. Companies falling into this category will face additional rules regarding content moderation and targeted advertising [EC, 2020b]. The main burden of the new requirements falls on the largest global players, classified as "gatekeepers" in accordance with the DMA [EC, 2020c]. As a result, EU policy seems to be non-discriminatory toward small platforms while imposing strong oversight and accountability requirements on the largest companies.

Given the cross-border nature of technology companies' activities, leading developed countries are strengthening cooperation in their regulation, including through the Multilateral Mutual Assistance and Cooperation Framework, as well as the G7, the OECD, the International Competition Network (ICN), and the International Consumer Protection and Enforcement Network (ICPEN). In contrast to the two areas discussed above, common interests can contribute to developing coherent regulation of digital platforms at the international level and have a positive effect on regulating platforms in Russia. There are some examples of effective collective approaches to digital economy regulation. For instance, the decision to reform international tax rules in the digital economy agreed by the members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) provided for the redistribution of rights to tax excess profits of the largest multinational enterprises (MNEs) (20–30% of profits received above the established threshold) in favour of jurisdictions where market activities are carried out and introduced a 15% minimum global tax for MNEs [OECD, 2021a].

Overall, there is an undoubted potential for a positive dialogue using foreign experience in regulating large digital platforms. For instance, the emerging EU scheme, with strict consumer protection rules, limits on the ability to use a dominant position in the market, and taxation of digital presence, or the UK regulation that provides for determining the strategic market status of companies, adopting codes of conduct, carrying out targeted interventions, implementing stricter mergers and acquisitions (M&A) regimes in relation to such companies, monitoring and requesting information, imposing fines, and making court decisions [Gov.UK, 2021c], can be considered as functionally close, although alternative, in terms of their implementation mechanisms, to the requirement of physical establishments in Russia. Given the commonality of approaches and the cross-border nature of digital companies' activities, it is important for Russia to integrate issues related to regulation of digital platforms into the BRICS and G20 digital economy agendas.

Regulating Global Stablecoins and Central Bank Digital Currencies

The goals of the central banks and finance ministries of Russia and the selected countries regarding the regulation of global stablecoins and issuance of central bank digital currencies (CBDCs) are quite similar. Given the inevitable, rapid emergence of global stablecoins, developing international regulation, monitoring, and supervision in this area is necessary to effectively use their advantages and minimize relevant risks. It may also have positive effects for Russia, although the central bank does not plan to allow the use of such currencies so far. As for issuing and regulating CBDCs, the development of common approaches in the Financial Stability Board (FSB), the Bank for International Settlements (BIS), the Committee on Payments and Market Infrastructures (CPMI), the International Monetary Fund (IMF) and the G20 could also be positive, especially given the Russian central bank's active engagement in testing the digital rouble [Bank of Russia, 2021], which could potentially make Russia one of the global leaders in this area.

There are some differences in country-specific approaches to achieving the goals of regulating digital financial assets [Shelepov, 2021]. The approaches of the considered jurisdictions to global stablecoins can be divided into two groups: the preventive development of regulation taking into account the expected rapid spread of global stablecoins and aimed at using their advantages and minimizing risks, on the one hand, and introducing restrictive measures, typical of countries with the potential for large-scale use of their own national digital currencies, on the another. The first approach is typical of most developed countries, and the second is implemented, for instance, in China [Ledger Insights, 2021]. An example of the first approach is the EU strategy [EC, 2020a] designed to utilize the potential of digital assets while reducing risks for investors and to financial stability. European regulation is aimed at ensuring legal certainty for all crypto assets, whether they qualify as financial instruments or electronic money under the current legislation or have not previously been regulated. The Markets in Crypto-Assets (MICA) regulation covers all such assets not currently subject to existing financial services legislation, including global stablecoins. Further, it covers the full range of legal persons engaged in the crypto assets services market, such as providers, exchanges, trading platforms and issuers. Crypto asset service providers will need to have a physical establishment in the EU and obtain prior authorization from the national competent authority before starting their activities. They will be subject to capital requirements, management standards, and an obligation to separate their clients' funds from their own assets. Crypto asset providers will also be subject to stringent cybersecurity requirements. Compliance will be monitored by national competent authorities or the European Banking Authority. Additional requirements for issuers of global stablecoins

include the obligation to be officially registered, as well as good governance and stabilization mechanism disclosure requirements, conflict of interest guidelines, and investment rules.

As for CBDCs, they have not yet actively spread in the selected countries and the EU. Of all these jurisdictions, only China has made significant progress in developing its CBDC, creating conditions for its rapid launch throughout the country if the authorities decide to do so [King, 2021]. The experience of countries with different approaches is relevant for Russia since its national regulation in the area is still being developed. At the same time, negative risks from other countries' influence are currently minimal.

To reap the benefits of new financial technologies and take a more significant place in the emerging system of cross-border payments based on digital currencies, Russia should intensify the work related to the G20 road map for enhancing cross-border payments and CBDCs in international institutions. So far, the G7 retains leadership in these areas; BRICS cooperation is stalling despite the stated goals of reforming the international monetary system and increasing the share of settlements in national currencies. As part of the national regulation development, the EU's experience can again be useful as its approach to the use of crypto assets does not provide for their full prohibition but maintains a high degree of control over issuers.

Data Flow Governance

As for data flow governance, growing inter-country contradictions are obvious, illustrated by the declaration of the goals of free cross-border data flows, primarily by developed countries, along with the simultaneous adoption of restrictive measures to protect data and critical information and preserve the competitive advantages of national companies. Data protection is the most regulated area among those considered. Appropriate laws have been adopted in almost all selected countries. In India, the Personal Data Protection Bill is being considered by a parliamentary committee [Dalmia, 2021]. In China, a draft law on the protection of personal information is under public discussion [WilmerHale, 2021].

Similar to their approach to cybersecurity, the selected developed countries promote a multilateral approach to data governance based on international regimes providing for interoperability of standards, consistency of legislation and cooperation between relevant national authorities. This creates opportunities for their "companies to work without additional barriers in their respective markets and internationalise and benefit from operating on a global scale" [OECD, 2021b, p. 4]. However, differences in approaches [Goodman, 2021] and problems of trust are evident not only between the bloc of like-minded developed countries and other states, including Russia and China, but also within this bloc [Swire, 2021], as illustrated by the Japanese presidency's "data free flow with trust" initiative that is stalling in the G20.

Nevertheless, there is a significant strategic unity among developed countries, which is facilitated, among other things, by more than 40 years of cooperation in protecting privacy and cross-border data flows in the OECD.[2] In most cases (in particular, in the EU, the UK and the U.S.) this regulation is extraterritorial, as it defines general requirements for all companies that collect or process data from citizens, regardless of their location, conditioning cross-border data transfer by adequacy decisions, appropriate safeguards, or mandatory corporate rules. In some cases, data transfer is regulated by bilateral agreements, such as the EU-U.S. Privacy Shield [Privacy Shield, n.d.]. At the same time, Russia, like the other BRICS members, applies localization requirements [Cory, Dascoli, 2021]. The Russian Federal Law No 152 that establishes

[2] The 1980 Guidelines on the Protection of Privacy and Transborder Flows of Personal Data became the first internationally agreed document in this area and has had a significant impact on the OECD members' policies.

this requirement is not extraterritorial, does not cover non-residents, and does not prohibit the transfer of Russian citizens' data. According to Article 12 of this law, personal data are transferred within the territories of states that are parties to the Council of Europe Convention for the Protection of Individuals with Regard to Automatic Processing of Personal Data, and, for transfer to the territories of countries that are not parties to the convention, an adequacy decision is required to ensure proper protection of personal data subjects' rights.[3] Nevertheless, foreign experts often consider the BRICS countries' legislation as protectionist, justifying calls for shaping international data governance without Russia and China and with digital authoritarianism and high data restriction indices [Ibid.].

The aspiration of G7 governments to establish a global data governance system based on shared values and to manage the "malicious" influence of rivals (including Russia and China) enhances risks associated with Russia being considered an outcast in this system with negative consequences for Russian companies and citizens. In this regard, it is important to increase the activity and quality of Russia's engagement in the dialogue on regulating data flows, including in the G20, and to strengthen the work on achieving a multilateral consensus within the framework of the WTO negotiation process in order to determine international standards for cross-border data transfer.

AI

Promotion of AI technologies is a cross-cutting priority affecting all digital development areas. The UK [Gov.UK, 2019], Korea [Government of the Republic of Korea, 2019], Canada [CIFAR, n.d.], China [Government of the PRC, 2017] and Russia [President of the RF, 2019] are implementing strategic programmes and plans in the AI sphere.

Despite the high perceived level of Russian developments in the field of AI and the 2019 forecast for the growth of AI's share in Russia's GDP to 0.8% in 2024 and 3.6% in 2030 [Government of the RF, 2019], the share of the Russian Federation in the global AI market is negligible. The National Strategy for the Development of Artificial Intelligence Until 2030 does not provide for measures to enhance Russia's participation in international cooperation on AI or develop regional and global partnerships, while the Federal Project "Artificial Intelligence" does not provide for relevant funding. Without appropriate support from the government aimed, inter alia, at promoting cooperation with the Global Partnership for AI, it will be challenging for Russian actors in this emerging international system to gain influence in standard- and norm-setting or to take any significant market share.

It is also important to consolidate positions on the potential engagement with the Global Partnership for Artificial Intelligence. This institution is one of the new initiatives to promote responsible AI development and use. An important feature of the partnership, distinguishing it from similar institutions operating as non-governmental organizations (NGOs), is its intergovernmental nature. The partnership was established in 2020 with the participation of the G7 countries, Australia, the EU, Mexico, New Zealand, Korea, Singapore and India. Despite political disagreements with most of these countries, Russia largely shares their positions regarding practical cooperation on AI. Partnership activities are mostly based on the OECD Recommendations on AI [OECD, 2019], which, in fact, are supported by Russia, since the G20 adopted AI principles with almost identical wording. Currently, the activities of the partnership are not aimed at unifying approaches to regulation as it mainly facilitates research cooperation and applied AI developments. However, in the future it may become a platform for shaping

[3] In particular, decisions can be made on compliance of legal norms and personal data security measures in force with the provisions of the Council of Europe Convention. See [Federal Law of 27 July 2006 N 152-FZ].

global AI rules and standards, so it is important for Russia to join this initiative now to have its positions considered.

Conclusions

The analysis indicates that the selected digitalization leaders affect the digital economy in two main domains: through determining conditions for activities in their domestic digital markets and participating in shaping new global standards and rules. Swift digital transformation of the Russian economy and society requires taking into account the experiences of these countries and the consequences of their influence. The analysis of the influence of the G20's digitalization leadership on the development conditions and governance of the digital economy served as a basis for policy recommendations concerning relevant measures at the national level and promotion of Russian digital agenda priorities in international institutions.

Based on the results of the study, the six main digital economy regulation areas can be divided into two groups. In the areas of digital infrastructure development, cybersecurity and data governance, there is a tendency for growing contradictions between the approaches of the U.S., the UK, Japan and partly the EU and Korea on the one hand, and Russia, China and India, on the other. In the areas of designing standards and norms for the development and application of AI, coordinated digital market regulation at the international level, and international regulation, monitoring, and supervision of global stablecoins, and issuance of CBDCs there are no serious conceptual contradictions between Russia and other BRICS members and the leading developed countries.

In the areas from the first group, coordination within BRICS should be strengthened to develop common positions and jointly promote them in the G20 and other institutions. As part of Eurasian integration, Russia should stimulate the adoption of digital economy development strategies by the EAEU partners and their maximum consistency, intensify cooperation on harmonizing digital standards, strengthen the institutional and legal foundations of the Digital Agenda, build a coordinated system for regulating the digital environment at the EAEU and national levels, and ensure sufficient funding to bridge the digital divide within and between countries. It is important to use the synergistic effect of pairing projects within the EAEU's digital agenda and the Chinese Digital Silk Road initiative in the most promising areas, such as 5G development.

Russia should also promote the idea of discussing and adopting global approaches to cybersecurity, primarily within the UN framework, and strengthen its positions within the OSCE and the Council of Europe, using relatively more favourable bilateral relations with some individual EU members. Regarding cross-border data flow governance, Russia should increase activity and the quality of its engagement to reach a multilateral consensus within the WTO negotiation process on e-commerce and intensify coordination with its traditional allies and other countries whose positions are closest to Russian ones.

As for the second group, the main recommendations are related to using the selected countries' experience when shaping Russia's own national policy. For instance, to develop an approach to large online platforms, balancing preferences for national companies and fair competition, Russian regulators could examine the EU policies. Given the experience of Russia's key BRICS partners – India and China – the five countries could coordinate positions on CBDCs and other digital assets, thus contributing to the broader goals of international financial system reform. Regarding AI technologies, given the experience of the selected countries and the EU, the Russian government should provide funding for enhancing its engagement in international cooperation and establishing international partnerships, including through interaction

with the Global Partnership on AI. Such measures will help ensure that Russia will not stay away from the emerging process of developing global principles in this area.

The proposed recommendations in certain areas should be based on a set of systemic measures. In particular, efforts to strengthen Russia's digital economy should be based on creating appropriate conditions for business digitalization, growth of the digital sector and improving opportunities for exports. To this end, the priorities of supporting the digital economy and national innovative enterprises should be linked with Russian development assistance programmes. It is advisable to strengthen state support measures for bringing domestic digital solutions to foreign markets, including through "regulatory export sandboxes," and to facilitate the creation of additional competitive advantages through international partnerships.

The implementation of these recommendations will help achieve national digital transformation goals and strengthen Russian positions in the growing global struggle for digital leadership.

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International Organisations Research Journal, 2022, vol. 17, no 1, pp. 114–128
Original article
doi:10.17323/1996-7845-2022-01-05

Multilateralism as Forced Necessity? Evolution of the French Policy in Sub-Saharan Africa: Continuity and Change[1]

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Abstract

French foreign policy discourse during the presidency of E. Macron was often based on the idea of multilateralism as a pillar of the international order. Nevertheless, the motives that governed the French approach were far from idealism. The purpose of this article is to analyze the relationship between the rhetoric of multilateralism and the practice of the Fifth Republic's policy in Sub-Saharan Africa in 2017–21. Conclusions are drawn from the documents of the French ministries, texts of French laws and the speeches of the president. The analysis proceeds by exploring the evolution of Paris' approach to the three main "pillars" of its African policy: the French military presence, the influence on the western and Central African countries' financial system (the former CFA franc), and, finally, French aid to development. In his policy toward Sub-Saharan Africa, Macron showed clear intention to modernize the practices of the past and to inject more multilateralism into them. The French president wanted to strengthen the European and global dimensions of the relations between the Fifth Republic and Africa; he aimed to put these relations into a broader framework, including the European Union (EU), the United Nations (UN), the African Union, and other international organizations and fora. Macron also pursued the reform of the CFA franc, which gave more authority to the West African countries themselves. He validated the evolution in the sphere of aid to development, which resulted in more convergence between the French methods and the international recommendations, though at the same time Paris persisted in its preference for bilateral mechanisms of aid. In general, the emphasis put on multilateralism was a French method to maximize the benefits from its African policy and to minimize its costs.

Keywords: France, Africa, multilateralism, international relations, Sahel

For citation: Magadeev I. (2022) Multilateralism as Forced Necessity? Evolution of the French Policy in Sub-Saharan Africa: Continuity and Change. *International Organisations Research Journal*, vol. 17, no 1, pp. 114–128 (In English). doi:10.17323/1996-7845-2022-01-05

Introduction

The rhetoric of multilateralism plays an important role in contemporary French foreign policy. Addressing the ambassadors of the Fifth Republic on 29 August 2017, President E. Macron urged them to "convey worldwide the message of a stronger, more united, more open France, keen to hold aloft, wherever it can, the flame of multilateral action, political dialogue and crisis

[1] This article was submitted 07.07.2021.

resolution" [Macron, 2017a]. According to scholars, Macron is trying to base future international relations on "inclusive multilateralism" [Obichkina, 2018, p. 141].

This article investigates to what degree the rhetoric of multilateralism, actively used in French diplomacy, corresponds to the actual foreign policy of the Fifth Republic in Sub-Saharan Africa in 2017–21.

The choice of this sub-region is explained by the fact that Paris continues to perceive it as being within the French sphere of influence. Nevertheless, the trends of international transformation, which were already evident in the 1990s, indicate that French influence and presence is weakening. The leadership of the Fifth Republic has to look for new instruments of foreign policy. Paris interacts actively with the countries of Sub-Saharan Africa within international organizations and other international institutions and formats (the United Nations (UN), the International Organisation of La Francophonie (IOF), Africa-France summits, and so on). This circumstance enhances the academic interest in exploring the challenges of multilateralism in the relations between the Fifth Republic and African states. If contextualized properly, the experience of French African policy could be of interest to Russian diplomacy as well.

Various scholars have already researched the contemporary African policy of France [Filippov, 2020; Gaulme, 2019; Khalitova, 2020]. However, they have rarely focused on the question of how Macron's diplomacy correlates with the transformations of French African policy in the medium term. Typically, questions about the reasons for Paris' emphasis on multilateralism have not been asked nor answered. The purpose of this article is to fill in this gap.

The three traditional pillars of French influence in Africa are analyzed in this article and the attempts of Paris to modernize them are discussed. The first pillar is France's military presence (44% of all French military interventions between 1962 and the end of the 2010s took place in Sub-Saharan Africa) [Pannier, Schmitt, 2019, p. 901]. The second pillar relates to the currency system in West and Central Africa (former CFA franc)[2], which was de-facto regulated until recently by the French Treasury; the final pillar is French development aid [Gaulme, 2019, p. 7]. With reference to multilateralism in the African policy of Paris, there are three main components. The first is the French tendency to engage partners/allies in military interventions in Africa and the desire of Paris to base these on the UN mandate. The second component covers French policy aimed at promoting dialogue with Africa via the European Union (EU) and the IOF, and through the interaction between the UN and the African Union (AU). Finally, the third component encapsulates the growing tendency of French diplomacy, while rendering development assistance to African countries, to use the principles proposed by multilateral institutions and international organizations, including the International Monetary Fund (IMF), the World Bank (WB) and the Organisation for Economic Co-operation and Development (OECD).

E. Macron and Modernization of French African Policy

Judging by the first steps of President Macron, it is already possible to conclude that he rates Africa amongst his foreign policy priorities, after Europe and the Mediterranean [Obichkina, 2018, p. 140]. Macron's decision, dated 29 August 2017, to create a Presidential Council for

[2] Introduced in December 1945 as "franc of the French colonies of Africa" in 1958, it was renamed the "franc of the French Community of Africa" and, finally, the "franc of the African Financial Community" (*Communauté financière africaine*, CFA). Before 2020, the term "CFA franc" included, as a rule, two currencies issued by two different institutions. The first circulated in the eight countries of the West African Economic and Monetary Union, and the second, in six countries of the Economic and Monetary Community of Central Africa.

Africa spoke to that. At the same time, this step was relevant to the broader framework of diplomatic innovations proposed by the new French president. He was eager to broaden the interstate relationship by engaging members of the business community and civil society. French and African entrepreneurs and social activists participated on the Presidential Council, which was entitled to give recommendations to Macron [Presidential Council for Africa, 2021]. Confronting the growing number of critics raising accusations that French African policy was "neocolonial," the president of the Fifth Republic aimed to increase France's soft power by renewing its instruments. Pursuing this aim, he appealed to dynamic and young groups in African societies.

New French interest in Africa originated not only from a positive stimulus but also from fears as well. If the "communist menace" pushed Paris to be actively engaged in Africa during the Cold War, in the 2010s, the growing influence of China, Turkey and Russia played the same role. On 18 February 2021, soon after the new French law on development aid was deliberated in the National Assembly, Minister for Foreign Affairs J.-Y. Le Drian spoke rather openly during a radio broadcast, stating that "France is returning to the game." He did not conceal the fact that the "Chinese factor" was one of the key motives for Paris: "We entered the war for the model of development and for influence against China" [France Inter, 2021].

Macron presented the key features of his African policy during a speech at the University of Ouagadougou on 28 November 2017 [2017c]. The president indicated his desire to reform French diplomacy in Africa and to develop a continental approach, that is, to change the former emphasis put on the relationship with the francophone African countries and to reject the strict conceptual divide between the states north of the Sahara and those on the south, which had long existed in the French official mind. Macron placed a bet on the new multilateralism of Paris diplomacy and on the reinvigoration of relations between the EU and Africa.

The impact of these ideas was felt in Macron's appeal to develop the "Afro-European strategy" [The Great Continent, 2020]. Read pragmatically, the French president tried to share the "burden" of African policy with his European partners. "French priorities in Africa" were at the centre of the European Intervention Initiative proposed by Macron in his speech on 26 September 2017 [Pannier, Schmitt, 2019, p. 910].

During another presentation linked to the topic of African policy at the UN General Assembly on 20 September 2017, Macron stressed the idea that "in the Sahel, we are all now committed." He bore in mind "the United Nations, the countries of the region within MINUSMA[3] and the G5 joint force,[4] the European Union and its member states...". Macron envisaged even broader plans: "We need coordination in the management of crises, with the European Union, the African Union, and sub-regional organizations that are key players" [2017b]. In a year, Macron urged the UN General Assembly to support the African initiative aimed to promote cooperation between the AU and the UN in peacekeeping missions [2018].

It is possible to find similar ideas in the strategic review of defence and national security prepared by the French Ministry of Armed Forces in October 2017 [p. 22], and also in the update published in February 2021 [p. 12]. An expert on African issues from the French Institute of International Relations, F. Gaulme, gave a somewhat more pessimistic view. He thought that the idea to create "solid multilateral relations between Europe and Africa with AU participation" "lacked realism" [Gaulme, 2019, p. 4].

[3] United Nations Multidimensional Integrated Stabilization Mission in Mali. Established by the UN Security Council Resolution 2100 of 25 April 2013. In July 2018, Macron did not exclude the possibility that the African Union forces would play the MINUSMA role in the future and would replace the G5 joint force [Gaulme, 2019, p. 28].

[4] The framework for interstate cooperation in the Sahel region was established in February 2014 by Burkina-Faso, Mauritania, Mali and Chad. As its priority, G5 Sahel has the struggle against international terrorism and promotion of stability in the region.

From Macron's point of view, the support given by Paris to the reform of the AU should contribute to Europe-Africa dialogue. The intention to reform the AU was voiced in 2016 and materialized in the decisions taken at the two summits in Addis Ababa, on 17–18 November 2018 and 6–7 February 2021. The reforms were aimed at strengthening the AU's executive body (Commission), making the financing of the organization by its members more effective, and finally, stimulating development aid policy [Nemchenko, 2019]. Support given by Macron to these processes had the additional task of helping normalize the relations between France and Rwanda, the latter being under the shadow of the 1994 Tutsi genocide even now. The Rwandan president, P. Kagame, who chaired the AU in January 2018–February 2019, was a protagonist of the above-mentioned reforms.

Linkage Between Socioeconomic and Strategic Issues in the African Policy of E. Macron

In spite of Macron's declarations about the abandonment of the traditional pillars in Africa, it is more correct to speak about continuing modernization of the system. A current comparison, which was made by the media and scholars between Macron and V. Giscard d'Estaing – the two youngest presidents of the Fifth Republic – operates rather well in this case. In his desire to widen the scope of French African policy beyond the francophone sphere of influence (the so-called '*pré carré*') and to enforce trade and business dimensions of Paris diplomacy, centrist Macron inherited some conceptions from his predecessor [Bach, 1984].

Illustrating Macron's approach, it is noteworthy to mention the Elysée Palace initiative, which resulted in a summit on the financing of African economies in light of the COVID-19 pandemic, convened in Paris on 18 May 2021. Proceeding in a hybrid format (offline and online), this meeting assembled representatives of nineteen African states (10 of which were not francophone), five European countries, the EU, Japan, and the officials of international organizations and institutions, including the UN, the IMF, the OECD, the World Trade Organization (WTO), and the WB. However, the announcement by Macron, who spoke about the "new deal" in development aid to Africa, was not accompanied by "any firm commitments" from France [de Vergès, 2021]. The main responsibility went to the IMF's decision, entered into force on 23 August 2021, according to which the Fund issued $650 billion equivalent in new special drawing rights (SDRs). African countries were entitled to SDRs worth $33 billion.

Macron's approach to the IOF also reflected the new emphasis put by Paris on economics. This organization interests the French president "especially as an instrument, and not the key one, to strengthen the economic positions of his country" [Zueva, Timofeev, 2018, pp. 88–9]. According to this logic, the expansion of the French language was a springboard for French business activities.

In his military policy in Africa, Macron's mixture of continuity and novelty showed one more time. He inherited the antiterrorist Barkhane operation from President F. Hollande and continued its realization, trying simultaneously to internationalize this costly undertaking. A signal that Macron rated Barkhane high on his agenda was given during his first African visit. On 19 May 2017, few days after taking the office of the president, Macron made a symbolic visit to the French military base in Gao (Mali).

According to the 2017 strategic defence review, the Sahel was regarded by Paris as "a high priority in France's fight against terrorism and trafficking as well as in the protection of French expatriates, the Sahel-Sahara region risks becoming an entrenched hotbed of jihadism" [Ministry of the Armed Forces, 2017, p. 21]. Though the review did not reference it, there was an additional challenge to France posed by the growing discontent of many Africans regarding the

French military presence on the continent. According to an observer, Macron "poorly hid his irritation" and accused several African leaders of playing a double game. They used the "anti-colonial card" to gain more popularity inside their countries, desiring at the same time to conserve Paris as the supplier of regional security [Pigeaud, 2020, p. 12].

The rumors that Macron wanted to reduce the French military contingent engaged in the Barkhane (which numbered around 5,100 soldiers), which circulated on the eve of the Group of 5 (G5) Sahel and its partners summit in N'Djamena (18 February 2021), were not confirmed [Duclos, 2021]. Nevertheless, it seems that there were some basis for them. On 10 June, Macron announced the "deep transformation" of the French military presence in the Sahel and its reorientation toward "international alliance including the regional states" [Vincent, 2021]. Anonymous sources indicated that there were plans to reduce the French contingent to 3,500 soldiers in 2022 and to 2,500 in 2023 [Vincent, 2021]. However, the new announcement made by Macron on 13 July sounded even more serious: "Operation Barkhane will be terminated in the first trimester of 2022, but we continue our efforts further..." [de Vernet, 2021].

The reaction of Paris to Russia's rapprochement with the new Malian authorities, who gained power after a military coup on 24 May 2021 was indicative of the ambivalence of the French approach to Sub-Saharan Africa. The Elysée Palace was anxious about the Russo-Malian negotiations concerning the dispatch of the Russian private military company's troops in Mali (the news about these negotiations became publically known in September). On 15 November, during the telephone call between the presidents of France and Russia, Macron raised this question again and indicated that the presence of the Russian units would have serious consequences [Young Africa, 2021].

Nevertheless, Macron's discontent about the policy of the new Malian authorities aligned with his declarations about further reducing the French military presence in Mali. On 8 October 2021, during the Africa-France summit in Montpellier, the French president announced the closure of the two military bases in the north of Mali. He further warned about the continuing disengagement of the Fifth Republic from the country [RTL, 2021]. This declaration could be explained partially by reasons related to domestic French politics, that is, by the desire of Macron to weaken opponents who stressed the serious costs of military operations in Africa. It was especially important in view of the approaching presidential elections. At the same time, by this gesture, Paris tried to press Bamako and to make it more compliant.

The lack of full support from the allies made the French position worse. If the U.S. backed France in criticizing Russian activities in Mali, Paris' disengagement did not find understanding in Washington [Lynch, Detsch, 2021]. Thus, the French stance in Sub-Saharan Africa is contradictory. Looking at the growing presence of China, Turkey and Russia in the sub-region, Paris wanted to conserve the influence there but lacked the necessary resources and also the complete support of the allies.

By promoting multilateralism and arguing for internationalization of the security "supply" in the Sahel, the French leadership hoped to save money and to secure its interests in the collective undertaking. It is possible to agree with the idea that the search for allies by Paris operates according to the well-known maxim: "necessity is the mother of invention" [Pannier, Schmitt, 2019, p. 907]. The Brussels conference of donors supporting the Barkhane operation, which took place in February 2018, could be cited as an example of the French success. The summit decided to grant €414 million (one-year expenses for Barkhane are estimated at €400 million). The main donors were the EU (€100 million), Saudi Arabia (€100 million), the G5 Sahel (€50 million), and the U.S. (€48.8 million) [Barbière, Flausch, 2018]. Playing a crucial role during the military operations in the Sahel, Paris hoped that the WB and the EU would lead in the field of development aid to the Sahel countries.

The aim to engage partners (especially, Germany) and international institutions in development aid was one of the key reasons for the French initiative, resulting in the creation of the Sahel Alliance in July 2017. It numbers 25 members and 11 observers, and in 2020 the Alliance supported projects to a total amount of €21.8 billion [The Sahel Alliance, 2021]. France was not the leader in these undertakings, and its share (10%) in the donors' projects realized in Mali in 2017–8 was less than those of the EU (17%) and the International Development Association (24%). In the case of Niger, disproportions were even greater. The ratio was 4.7 (France), 20 (EU), and 20 (International Development Association) [Pye, 2021].

Pursuing the Europeanization of French African policy, Macron placed a bet on Task Force Takuba, a coalition of European forces created to help the Malian army in the struggle against terrorism. This task force, created on 27 March 2020, included representatives from Sweden, Estonia, the Netherlands, Portugal, Denmark, Belgium, Italy, and the Czech Republic [Ministry of the Armed Forces, 2021, p. 33]. However, the high expectations about it did not fully materialize. If, in February 2021, in N'Djamena, Macron spoke about the programmed strength of the Takuba forces at the level of 2,000 soldiers, by June they numbered only 600 [Sauvage, 2021]. Paris was also confronted with the difficulties of coordinating the multilateral activities. Macron's attempts to enlarge the G5 Sahel by including Senegal – a key French ally and an important regional actor – met with opposition from Mali and Mauritania and, finally, failed.

There was an additional contradiction in French African policy. Paris wanted simultaneously to secure its traditional strategic interests in the region and to reform its diplomacy in Africa. Macron's ideas about democratization in the region, though he was careful not to tell Africans "what the rule of law entails" [Macron, 2017c], were pushed back when there was a serious strategic stake. For example, Paris tried not to strongly criticize the political regime in Chad, which was far from meeting democratic standards, but remained one of the key French allies in the framework of operation Barkhane [Duclos, 2021].

Bilateralism and Multilateralism in the French Development Aid Policy

The conflictual coexistence of novelty and tradition characterized other components of Macron's African policy as well. The emphasis put by the French president on socio-economics issues and his promotion of multilateralism did not always go hand in hand. In an interview on 12 November 2020, Macron stressed the idea that "the key question in relations with Africa is African economic development, peace and security" [The Great Continent, 2020]. Nevertheless, the French approach to the problems of development was traditional and bilateral in its character.

The French law on development aid, dated 4 August 2021, programmed a growth in the amount of aid. Benefiting partially from taxes on financial transactions, it should rise to 0.55% of gross domestic product (GDP), as compared to 0.37% in 2017 [Law of 4 August, 2021]. Nevertheless, the intent of the law was even greater and amounted to a reconceptualization of French aid to development policy, continuing the earlier attempts to modernize it [Khalitova, 2020, pp. 123–30].

The law of 4 August consolidated several directions of reform. The key among them were as follows. First, the law acknowledged the necessity of harmonizing French aid to development policy, on the one hand, and to similar UN and AU programmes and multilateral initiatives in the sphere of biodiversity and climate, including the Paris Climate Agreement (2015) on the other. Second, the text established the promise that France would make efforts to increase

the amount of development aid up to 0.7% of GDP. Third, the law emphasized the idea that France should interact not only with the governments of recipient states, but also with local and regional authorities, non-governmental organizations, and business communities. Fourth, provisions would be made to create a mechanism to confiscate the property/possessions of foreigners in France purchased with funds obtained through illegal activities. The value of such assets could be returned to the countries of consignment. Finally, the law transformed the structure of French aid to development, which in the few past years "resembled more and more the aid of other donors and took the form of grants and not of loans..." [Zueva, Timofeev, 2018, p. 88].

Another direction in which French aid policy evolved was the growing convergence between the governing principles of this policy and the recommendations of the OECD Development Assistance Committee. Though the OECD and the committee headquarters are located in Paris, "the successive governments of the Fifth Republic paradoxically have paid little attention to it up to recent times" [Gaulme, 2019, p. 21]. In 2018, the Directorate-General for Global Affairs, Culture, Education and International Development (within the structure of the French Ministry for Europe and Foreign Affairs) stressed the necessity of following OECD criteria while assessing the troubled spheres in recipient states that need assistance [Ministry for Europe and Foreign Affairs, 2018, p. 8].

Though the law of 4 August contained new propositions, it inherited some traditional features of French aid policy as well. For example, the main recipients of aid were 18 African countries (fifteen of which were francophone) and Haiti. In 2019, the distribution of aid by the French Development Agency (AFD) painted a similar picture. The main recipients were the francophone states of West and Central Africa, with Ethiopia as a significant exception to the rule (it received €158 million, approximately 10% of the global amount). In 2020, 39% of bilateral French aid to development also went to Africa, and 80% of the African quota was transferred to Sub-Saharan states [Ministry for Europe and Foreign Affairs, 2021]. In general, from 2012, the AFD invested €5.3 billion in the Sahel countries, with €471 million invested in 2020 alone [Ministry for Europe and Foreign Affairs, 2020].

CFA Franc Reform: Traditions and Innovations

The CFA franc reform, another important feature of Macron's African policy, was, in essence, an already familiar mixture of continuity and innovation. In 2017, the French president did not consider this question to be topical. Thus, his signing, with the president of Côte d'Ivoire, A. Ouattara, of an agreement on CFA franc reform in Abidjan on 21 December 2019 was rather surprising [Pigeaud, 2020, p. 12]. As it seems, the initiative came from Ouattara. He expected that the new currency, as an alternative to the CFA franc, would circulate in all countries of the Economic Community of West African States (ECOWAS). However, such plans were met with criticism from the Nigerian leadership, which had plans to base the new currency on the Nigerian naira [Toulemonde, 2021].

The Abidjan agreement envisaged several reforms of the currency of the West African Economic and Monetary Union (WAEMU). This currency received the new name – "eco" – instead of the CFA franc. The agreement reduced, although did not totally liquidate, France's influence on the monetary system of the WAEMU. West African countries preserved the fixed parity between the successor of the CFA franc and the euro (1€ = 655.95 eco) and free conversion between them, which was guaranteed by Paris. At the same time, they freed themselves from the obligation to keep 50% of their currency reserves in the French Treasury. However, the clause about the exit of French representatives from the Central Bank of West African States (BCEAO) did not signify that Paris had lost its instruments of influence entirely. The choice

of "independent and qualified" member of the BCEAO's monetary committee would be coordinated with France, and if there are high risks for stability of the currency system, France retained the right to appoint a representative (with the advisory vote) to the board of directors [Bascher, 2021]. Nevertheless, the prospect of independent monetary regulation inside the ECOWAS could seriously question French financial influence in West Africa.

There were different reactions to these innovations among French elite and academic circles. Some remarks reflected the desire to quit from the "special" monetary relations with West and Central Africa even further and to transform them into "pure" business. In April 2021, the director of the French Institute for International and Strategic Affairs, P. Boniface, gave the following estimate of CFA franc reform: "The Elysée Palace did not succeed in breaking the monetary link between the countries of the zone of franc, which was embodied in the CFA franc. The African leaders do not want to embark on an adventure of financial sovereignty and prefer the comfort provided by the parity with the euro, even if France quit the bodies which govern the West-African currency" [Boniface, 2021].

Thus, the answer to the question about the degree of novelty in Macron's African policy depends seriously on the point of departure. If compared to the Gaullist heritage, the changes are evident. However, comparing the activities of Macron to the previous attempts of Paris to modernize the French-African relationship, beginning with Giscard d'Estaing, it is possible to see continuity in the search for renewal. As French expert and former ambassador, M. Duclos, underlined, "along with ambitious Macron, innovator and supporter of the global approach to Africa, there is classical Macron, cautious and realist, who manifests himself in the relations with West and Central Africa..." [Duclos, 2021].

Conclusion

This analysis of French policy in Sub-Saharan Africa in 2017–21 showed the desire of Paris to promote the elements of multilateralism. President Macron tried to strengthen the European and international dimensions of the French-African relationship; he wanted to include more substantially into this dialogue such actors as the EU, the UN, the AE, and other international organizations and institutions. These innovations, which were partially translated into practice, touched all three pillars of the African policy of Paris. Continuing the military operations in Africa, France aimed to draw other EU members and the AU states into them and to simultaneously reduce the French presence, shifting more burden to the G5 Sahel. During the CFA reform, Paris pursued a similar logic and gave more responsibilities to West African countries. Reforming its aid to development policy, French leadership went closer to international standards and criteria, though conserving some features of the traditional emphasis on a bilateral approach to African states.

As a rule, the above-mentioned tendencies of Macron's African policy had some predecessors during the previous presidencies of the Fifth Republic. Thus, it is more productive to speak not about the "rupture" with the traditions of French African diplomacy, but rather about transformations within the framework of continuity.

The factors, which stimulated innovations in the French approach, were linked chiefly to economic and international policy. These reasons governed the degree of the French interest in Africa. Such factors, such as competition for influence with China, Turkey and Russia and security interdependence in the field of terrorism and migration between the Europe and the Sahel, pushed Paris to pay attention to Sub-Saharan Africa. At the same time, the shortage of economic and military resources stimulated the Fifth Republic to search for the means to share the burden of its African policy with allies and regional actors. Already, in 2010, the British expert T. Chafer, while analyzing the diplomacy of Paris in Africa, noticed the important fact that

"it becomes now more complicated to rely on the bilateral approach, because such policy is too expensive. Thus, it is necessary to create the partnerships in order to share the expenses as in the military sphere, as well as in the aid to development policy" [Chafer, Cumming, 2010, p. 57]. Largely, multilateralism for Paris is an instrument to maximize the dividends from its African policy and to minimize the costs.

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International Organisations Research Journal, 2022, vol. 17, no 1, pp. 129–141
Original article
doi:10.17323/1996-7845-2022-01-06

Cooperative Rivalry – A Prospective Alternative to International Organisations on a Global Energy Market: A Case of Russia – USA European Gas Standoff[1]

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Abstract

The purpose of this article is to consider the options for settling equilibrium on the world gas market in the absence of international regulating institutions while political instruments of non-market competition are actively being used by European market players. A market analysis from the point view of cost structure and the interests of key suppliers and consumers is undertaken, and an attempt to build a model of market interactions accompanied by sanctions is made. Modelling the internalization of political restrictions is used to ground actors' motives and their strategies in new conditions. The results of this analysis provide for essential conclusions regarding market change in general as well as changes in the positions of separate players. Mathematically sound results inspire optimism that actors can take optimal and efficient decisions despite non-economic competition and de facto failure of international institutions.

Keywords: international competitiveness, European gas market, Nord Stream, LNG, price and non-price competition, economic and political rivalry, political economy modelling, sanctions, added value, energy security

For citation: Simonov A. (2022) Cooperative Rivalry – A Prospective Alternative to International Organisations on a Global Energy Market: A Case of Russia – USA European Gas Standoff. *International Organisations Research Journal*, vol. 17, no. 1, pp. 129–141 (In English). doi:10.17323/1996-7845-2022-01-06

Introduction: Context and Challenges

At this point in the development of the world economy, in which the global energy sector is one of the foundations of all production processes (in a broad sense, including household activities), humanity is facing a number of new challenges and threats. These are posed not by external factors (forces of nature, as it was beforehand), but by endogenous variables originating from the peculiarities and customs of interactions among individuals, companies and states.

The European gas market can be regarded as a vivid large-scale example of emerging and functioning international politico-economical systems. This market was chosen for analysis for

[1] This article was submitted 09.07.2021.

several reasons: it represents an energy system with hundreds of millions of consumers, operating a sophisticated technical and financial infrastructure, and having established standards and customs [Andronova, Osinovskaya, 2017]. These circumstances decrease transactional costs and make it possible to approximate this market structure with an almost perfect competition pattern (especially from the demand side – the limits of such an assumption are discussed below). An important detail of the European gas market is the growing deficit of domestic supplies; domestic production has been steadily decreasing and the vast majority of demand is satisfied by imports (see Fig. 1). Moreover, production and export volumes have almost become equal. Hence, European consumption is secured by imports only.

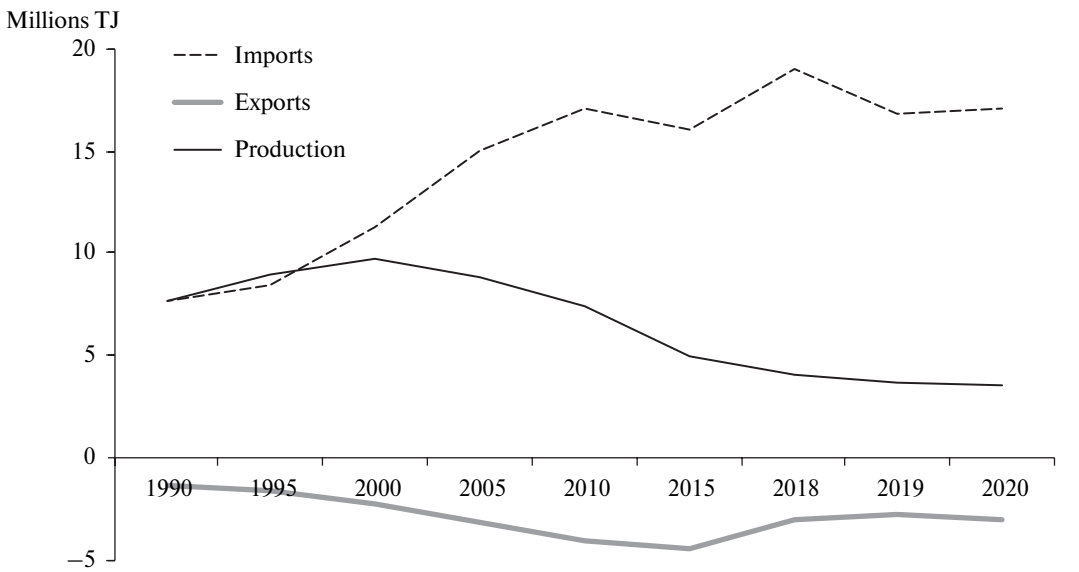


Figure 1. Production, Imports and Exports of Natural Gas in EU-28, TJ

Source: Compiled by the authors based on data International Energy Agency.

Meanwhile, a few large suppliers (Russia, Norway, Qatar, the U.S. and Libya), carrying out various business strategies, delivery schemes, and pricing mechanisms, tend to dominate the market. At the same time, natural gas is a rather homogeneous good (only a fraction of its main ingredient – methane – varies from 80% for biogas to 95–99% for a high calorific fossil fuel) which theoretically makes price competition the only efficient tool (this statement will be tested below).

The outcome of price competition can be assessed on the basis of suppliers' cost comparison (Figure 2 illustrates the cost structure of Russian and U.S. suppliers). It is notable that the variable costs of these producers are rather similar. However, adding up tolling fees (liquefaction at liquefied natural gas (LNG) terminals) almost doubles the U.S.' total costs. Since a majority of U.S. LNG terminals provide their capacities on a prepaid basis, the liquefaction costs of U.S. suppliers are regarded as sunk costs, forcing them to optimize short-term profit only (that is, covering at least variable costs). Thus, U.S. exporters have a strong incentive to duck into non-price competition options. At the same, the ability of some market players to influence other players' costs, including transactional ones, remains an understudied issue within the framework of economic theory.

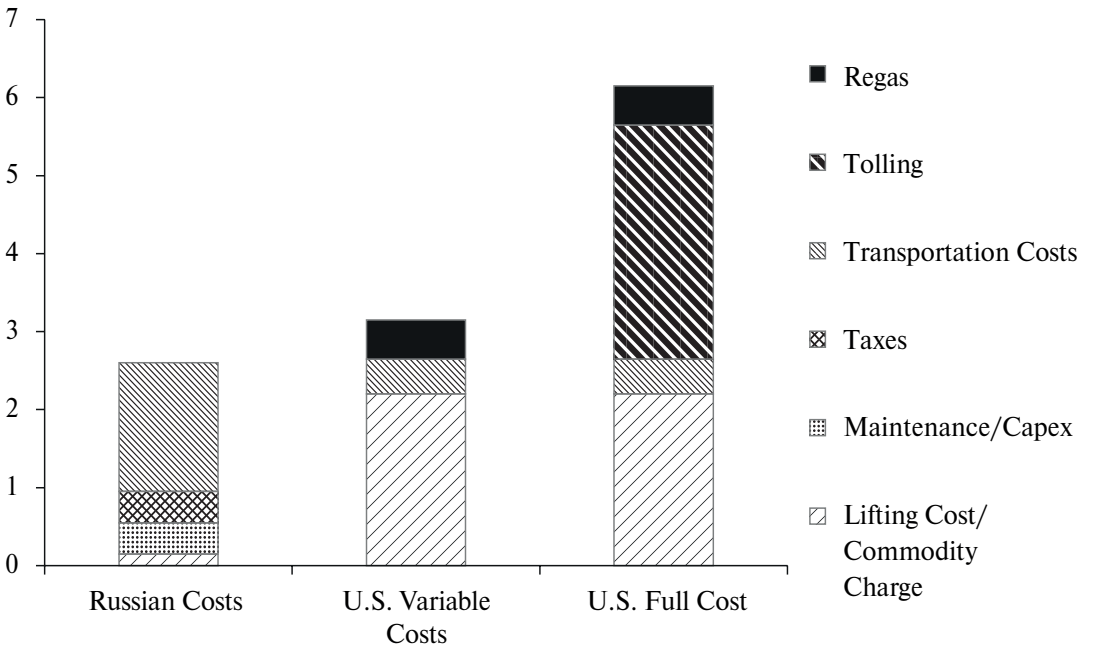


Figure 2. Cost Structure of Russian Natural Gas and U.S. LNG suppliers, $/MMBtu

Source: Compiled by the authors based on data PIRA.

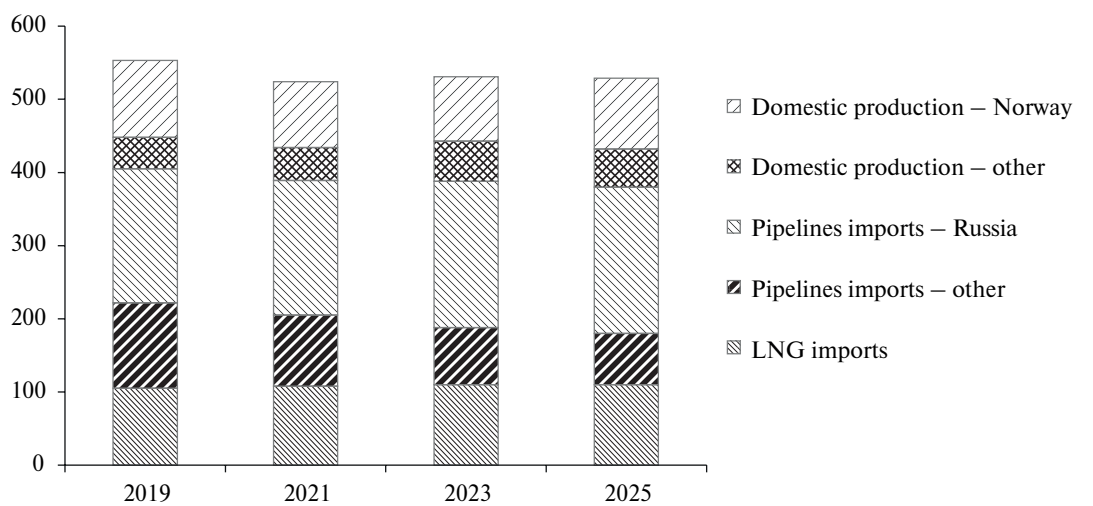


Figure 3. Evolution of European Natural Gas Supply, 2019–25, bcm

Source: Compiled by the authors based on data International Energy Agency.

A high level of economic development, increased living standards, and advanced industries contribute toa strong energy demand in Europe. Previous studies [Lavrov, Simonov, 2021] spotted a probable lack of potential substitutes for natural gas among other energy carriers (related to forced nuclear station shutdowns, disqualified coal generation, and the impossibility of supplying peak load via renewable only).

Taking the above-mentioned into consideration, the European gas market can be described as a market of a homogeneous good with many of well-off consumers, a developed technical and financial infrastructure, and a heavy dependence on imports [Karpova, Lavrov, Simonov, 2014]. This description largely matches a classical definition of perfect competition [Arrow, Debreu, 1954]. The only significant obstacle to be mentioned is large foreign enterprises. Thus, a significant uncertainty arises, caused by importers' strategies (theoretically varying greatly, from price collusion to price war) and depending upon importers' policymaking (applied both to importers and setting energy market rules and regulations). The European gas market is substantially susceptible to regulations and prescriptions on a national, as well as supranational, level. The measures taken by importing states can significantly contort competition, impact supporting and related industries, and affect energy business strategies in the long run. Such measures may include a de facto discriminatory approach toward supplies from different sources, establishing large local intermediaries (for example, European energy distributors) to take part in profit distribution, or artificially creating substitutes (for example, promoting green energy and imposing duties derived from emission parameters). The latter is a well-researched phenomenon; when political factors are considered exogenous, the substitution of fossil fuels with renewables can be described within the framework of Porter's five forces model [1979] as the "threat of substitutes." Theoretically, the energy transition can also be considered a creative destruction within Schumpeter's approach [1994]. Nevertheless, for reasons stated above, the development of green technology (at least currently) can hardly guarantee better selling propositions when compared to traditional energy sources along key economic and technological criteria.

In this article, an analytical approach toward settling European gas market equilibrium in the short run is developed. Constructing a facilitated mathematical model that includes a political element may help to create an efficient tool to spot the potential for multilateral compromises based on the economic interests of various parties. In the case a principle of settling equilibrium without regulating institution is grounded, there is a conclusion to be made: current competition scheme turns out to be credible as an alternative to international organizations and treaties. This may pave the way for large-scale investigations focused on other regions and industries. This moment is highly important, as a better understanding of the ongoing evolution of international economic relations accompanied by the actual failure of many international organizations (such as the United Nations (UN) and the World Trade Organization (WTO)) could provide a new impulse to the development of the world economy [Larionova, 2016] and could become a competitive advantage for those actors who develop techniques to take optimal decisions in the absence of regulating institutions.

Key Concepts (Terms) and Analytical Paradigm

The oil and gas business is a classic sample of positive economies of scale (decreasing average costs caused by increasing output). Therefore, in most countries, especially those with significant resources, large (often the only) enterprises were formed and consolidated production, transportation, and refinery assets [Karpova, 2016].This, in combination with substantial fiscal dependency on oil and gas industries, leads to a blurring of lines between state and corporate interests in this sphere and makes some international organizations (primarily the WTO) unable to moderate interactions among business entities, perceived inter alia as state agents [Lavrov, Aleksanyan, 2017; Lavrov, Simonov, 2021]. The demand-side situation is rather similar: energy security underlies not only economic power, but also provides for basic necessities of households. This creates incentives for states (and politicians, for electoral reasons) to actively

interfere in energy procurement issues in the short run and exercise pressure on energy balance transformation and energy sources selection in the long run. Thus, logical questions arise: what, if any, are the options for settling equilibrium in these conditions, and what principles and rules of interactions on international energy (gas) markets are being shaped?

The consequences for the market and its players in the short term can be analyzed when major players take their egoistically best decisions (profit maximization) for two cases. The first one is\ price competition and the second one is the case where one player possesses strings to limit export capacities of the other. This approach looks applicable due to higher costs of delivering LNG from the U.S. compared to pipeline shipments. It is expected that restricting export capabilities of Russian suppliers is the only effective tool of profit maximization for U.S. suppliers under price competition [Simonov, Lavrov, 2022].

Methodology

The model assumes one consumer and two suppliers in the market. The market is observed in the short term, thus fixed costs are considered sunk and neglected at settling short term equilibrium. Demand and supply functions are linear, moreover, the volumes traded depend on price as well as physical limitations (such as the maximal transportation capacity of pipelines and LNG tanker fleet). Due to political leverage, the second supplier can influence pipeline transportation capacity and load factor, having incurred costs as well. The consumer's payoff is calculated as consumer surplus, and the suppliers' payoff is calculated as the difference between relative revenue and costs. This model contains a number of significant simplifications; however, it is expected to have sufficient predictive power to identify key equilibrium/equilibria regularities and to spot the factors exerting the greatest impact on each player's results. The following notation is used:

$MC_1 = AC_1 = a$	marginal and average costs of the first supplier;	
$MC_2 = AC_2 = b$	marginal and average costs of the second supplier;	
$Q^S = q_1(P)+q_2(P)$	the volume supplied equals the sum of volumes shipped by the first and the second player;	(1)
$TC_i = q_i * AC_i$	total costs equal volume multiplied by average costs;	
$TR_i = q_i * P$	total revenue equals supplied volume multiplied by price;	
$Q^D(P) = c - dP$	linear demand function;	(2)
$Q^s(P) = Q^D(P)$	market equilibrium condition.	(3)

I The equilibrium for the case of no price collusion is to be found. Each supplier defines volume to be supplied independently, only considering its own profit

From (1), (2), and (3):

$$P = \frac{c - Q}{d} = \frac{c - (q_1 + q_2)}{d} \quad (4)$$

$$TR_1 = P * q_1 = \frac{c - q_1 - q_2}{d} q_1;$$

$$TR_1 = P * q_1 = \frac{c - q_1 - q_2}{d} q_1;$$

In a similar way:

$$MR_1 = \frac{\partial TR_1}{\partial q_1} = \frac{c - 2q_1 - q_2}{d}.$$

Profit maximization rule provides for the following system of equations:

$$\begin{cases} MR_1 = MC_1; \\ MR_2 = MC_2; \end{cases}$$

$$\begin{cases} \frac{c - 2q_1 - q_2}{d} = a; \\ \frac{c - 2q_2 - q_1}{d} = b. \end{cases} \quad (5)$$

Having response functions derived and system solved, the following supply volumes and equilibrium quantity can be found:

$$\begin{cases} q_1 = \frac{c - q_2 - ad}{2}; \\ q_2 = \frac{c - q_1 - bd}{2}; \end{cases}$$

$$\begin{cases} q_1 = \frac{c + d(b - 2a)}{3}; \\ q_2 = \frac{c + d(a - 2b)}{3}; \end{cases} \quad (6)$$

$$Q^* = q_1 + q_2 = \frac{c - d(a + b)}{3}.$$

It is clear that for the case of equal costs we are obtaining Cournot duopoly equilibrium [Varian, 2005]

Then from (1), (2), and (5) equilibrium price is derived:

$$P^* = \frac{c + d(a + b)}{3d}. \quad (7)$$

To find each player's profit:

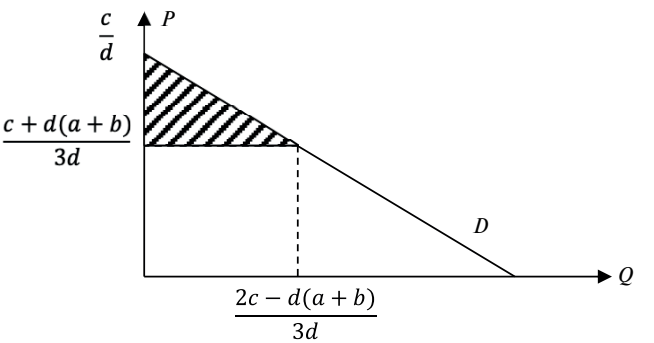
$$\Pi_i = TR_i - TC_i = q_i P - q_i AC_i = q_i(P - AC_i).$$

From (6) and (7): (8)

$$\Pi_1 = \frac{\left(\frac{c + d(b - 2a)}{3}\right)^2}{d};$$

$$\Pi_2 = \frac{\left(\frac{c + d(a - 2b)}{3}\right)^2}{d}.$$

Consumer surplus (CS). As far as functions are linear, equilibrium quantity (6) and price (7) have already been calculated; the computation can be performed based on diagram (the square of a striped triangle):



(9)

$$CS = \frac{(P^D(Q = 0) - P^*) * Q^*}{2};$$

$$CS = \frac{\left(\frac{2c - d(a + b)}{3}\right)^2}{2d}.$$

II Let us suppose that the second player, having incurred some costs (B⩾0), can limit the first player's access to transportation capacities. The model shall be completed with new conditions and the equilibrium shall be found

Let *e* be a new transportation capacity (which is now less than the previously disposable value by the first player, otherwise this limitation would not have any effect):

$$e < q_1 = \frac{c + d(b - 2a)}{3}. \quad (10)$$

Then from the response function (6):

$$q_2 = \frac{c - e - bd}{2};$$

$$Q^* = q_1 + q_2 = e + \frac{c - e - bd}{2} = \frac{c + e - bd}{2}. \quad (11)$$

Having defined new equilibrium quantity we can find new market price:

$$P = \frac{c - Q}{d} = \frac{c - e + bd}{2d}. \quad (12)$$

It is easy to prove that the new price will be greater. To do this, subtraction of the original price (7) from the new one (12) will provide positive value. (13)

Similarly, (8) the new profit of each player can be calculated:

$$\Pi_1 = e\frac{c - e + d(b - 2a)}{2d};$$
$$\Pi_2 = \frac{\left(\frac{c - e - bd}{2}\right)^2}{d} - B. \quad (14)$$

Similarly, (9) we can compute new consumer surplus:

$$CS = \frac{\left(\frac{c - e - bd}{2}\right)^2}{2d}. \quad (15)$$

It is easy to prove that the new consumer surplus is less than the one before the limitation on the transportation capacities of the first supplier was imposed. To prove this, a subtraction of the original CS (9) from the new one (15) can be performed. Due to condition (10), the result will be negative: limiting the first player's capacity worsens consumer benefit (16)

It can be proved as well, that the first player's profit falls under limitation, as the difference between the new profit (14) and the original one (8) is negative (17)

The difference of the second player shall be non-negative (otherwise, it is senseless to take any actions to limit the first player). This statement enables us to estimate **B** (costs for limiting the first player) as a value lying in-between 0 and additional profit, hence, it can be derived from (8) and (14)

Results and Conclusions

The modelling results lead to the conclusion that, when one player has the capability to limit its competitor's transportation capacities (for example, by imposing an obligatory Third Party Access (TPA) condition for export pipelines or derailing new transportation projects) it ends up significantly shifting market equilibrium. Generally, it results in decreasing volumes shipped and increasing prices. In addition, the first player's profit decreases, while the second player's profit, to the contrary, goes up. However, consumer surplus shrinks. The topic of the second player's costs remains open. It may be both costs of political lobbying as well as consumer reimbursement for price surcharge. In case the reimbursement is lower than the surplus decrease, the consumer's terms deterioration shall be considered as the cost of switching suppliers.

Limitation of the first player's transportation capacities by the second will be inefficient if the remaining capacities exceed original optimal volume, which maximizes the first player's profit. The second player will limit the first one only if this increases its own profit, since limiting the export capacities of the first player incurs costs for the second player. Therefore, a conclusion regarding economic feasibility of excessive capacities of the first player may be drawn: first, it secures market dominance due to lower costs and ability to significantly increase

supplies; second, it diminishes limitation efficiency regarding existing and under-construction transportation capacities.

Modelling results are indicative of a cost structure influence upon optimal choice by the international relations participants; moreover, the existing option to affect others' costs can be treated as a new form of competitive advantage. Thus, there are reasons for formulating a relevant conclusion of Coase theorem [Coase, 1960] for competition at the global level: economic benefits on a global scale and on all levels (individuals, firms, states) depend on international transaction costs. Logically, this means that actors capable of influencing the international transaction cost system are capable of affecting the economic results of other actors.

Analysis of the European gas market structure provides another conclusion regarding conditions and prerequisites of price discrimination: a relatively high level of consumer differentiation by location and economic characteristics (income, available generation capacities, budgeting, and so on) provides opportunities for suppliers to offer different contract terms and schemes (price, volumes, terms, special conditions like "take-or-pay," complicated pricing formula, or pegging to other commodities). These options can be actively exploited by all suppliers for product differentiation and to build up competitive advantages.

All in all, despite apparent chaos in modern international relations, modelling results from analysis of the European gas market suggest a possibility of equilibrium, even in the face of permanent political interference which damages fair competition. Moreover, as far as each party acts according to its own interests, which are usually pairwise contradictive, there is a strong link between economic factors and political decisions. It establishes a basis for creating an efficient instrumetarium of economic forecasting and decision-making within new conditions. Even when international regulators fail, the functioning of an effective economic system remains highly likely. The basis for such development is a complex of overlapping, as well as contradictory, politico-economic interests, i.e. cooperative rivalry. A capability to impact business conditions at the regional, and more importantly, global scale will create a key competitive advantage.

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International Organisations Research Journal, 2022, vol. 17, no 1, pp. 142–162
Original article
doi:10.17323/1996-7845-2022-01-07

Implementation of the National Reindustrialization Policy in the Countries of the Eurasian Economic Union[1, 2]

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Abstract

The current stage of development of Eurasian Economic Union (EAEU) countries indicates that these states are being forced not only to reindustrialize, but to industrialize their economies almost from scratch, since their industries, for known political reasons, were completely destroyed or are technologically obsolete. This article investigates innovative factors in the development of reindustrialization processes in the countries of the EAEU based on the development and implementation of targeted national policy. The study puts forward a hypothesis about the existence of a dependence between the rates of innovative development of countries, on the one hand, and foreign direct investment and research and development (R&D) expenditures, as well as trends in industrial production development, on the other, as a summary indicator of the reindustrialization of the national economy. To confirm the hypothesis, the following methods were used: statistical analysis, which allowed the primary processing of data that describe the dynamics of indicators of innovative development of countries and its factors, and a comparative analysis of the innovative development of the countries of the EAEU, which constitute the object of this study. The first part provides a sequential analysis of changes in specific indicators describing the innovative development of the countries under consideration, as well as factors that, according to the hypothesis, have a significant impact on it, thereby enabling the evaluation of the general trends in the dynamics of innovative processes within the selected object of this study. In the second part,

[1] The article was submitted 06.08.2021.

[2] Translated by A. A. Ignatov, Researcher, Centre for International Institutions Research, Russian Presidential Academy of National Economy and Public Administration (RANEPA).

through the establishment of correlations between the factors and results of the innovative development of countries, measures are proposed to improve the national policy of innovative development and reindustrialization.

Keywords: development indicators; reindustrialization; government and corporate investment; regional integration

Acknowledgments: this article was prepared within the grant of the Committee of Science of the Ministry of Education and Science of the Republic of Kazakhstan AP05134987 "Innovative susceptibility of EAEU countries' national economies: system characteristics, assessment, mechanisms of management."

For citation: Aimagambetov Ye., Taubayev A., Amirova G., Saifullina Yu., Ulybyshev D. (2022). Implementation of the National Reindustrialization Policy in the Countries of the Eurasian Economic Union. *International Organisations Research Journal*, vol. 17, no 1, pp. 142–162 (In English). doi:10.17323/1996-7845-2022-01-07

Introduction

Globally, experience shows that the pace and scale of economic development of countries is influenced by a wide range of environmental, institutional, financial, investment, and other factors, which is reflected in a fairly large number of publications that can be conditionally divided into two groups. The first is based on general conclusions; the second – on the statistical dependencies between the respective indicators. Therewith, the general methodological problems are, first, the substantiation of indicators of economic development of countries and, second, the identification of the degree of influence of these factors, which can both accelerate and slow the processes occurring in national economies or destabilize the situation.

The correlation between economic development and the analyzed factors is much more complicated than is conventionally presented in theory, which is conditioned by the following circumstances. First, the impact of factors is mediated by the simultaneous presence of a wide range of conditions associated with reindustrialization, which can change the direction and nature of the ongoing processes. Second, among the conditions that are often overlooked, the institutions existing in a particular country play an important role [Levin, 2010], including regarding the effectiveness of the economic policy implemented by the government. If past experience is any guide, the latter can significantly impact the effectiveness of programmes on environmental protection and social orientation. The strategy for further socio-economic development of the Eurasian Economic Union (EAEU) countries is directly related to the reindustrialization of their economies [Blyakhman, 2014]. First, these countries have different potentials and, as ecological-socio-economic systems, are at different stages of their development and reindustrialization. Second, they use various reindustrialization models, from the restoration of previously existing industries to the deep modernization of industries on an innovative basis, as well as the creation of fundamentally new industries, which requires attracting considerable investment.

The specific features of the current stage of development of the world economy are the establishment of a "new economy" based on the constant generation not only of product and technological innovations, but also organizational, social, and institutional innovations, among others. In this regard, there are two main approaches to the impact of reindustrialization on the development of ecological-socio-economic systems: first, a technocratic approach, in which reindustrialization is considered as a means of increasing gross domestic product (GDP) by increasing the efficiency of the economy; and second, a socio-economic approach, in which reindustrialization is considered with regard for the entire volume of social, economic, and environmental consequences for the development of the country at large.

The technocratic version assumes the subordination of the socio-economic development of the national economy to the interests of the real sector of the economy and the industrial development of natural resources. Industrial development in this direction will largely depend on the system of division of labour in the economic space of the EAEU countries. The second way is the subordination of the development of economic sectors, including the development of natural resources, to the strategic goals of ensuring sustainable ecological, socio-economic development of countries. The choice in this direction requires strengthening the role of the state in coordinating actions and solving issues related to the modernization of existing production, and the development and processing of the country's natural resources. The high degree of uncertainty in the socio-economic development of the national economies of the EAEU countries necessitates the identification of criteria or boundaries of their sustainable development, which should be understood as a set of conditions that ensure normal life, material well-being of the population, and the availability of spiritual and cultural values.

The processes of state regulation of the socio-economic consequences of reindustrialization must be dynamic and flexible. In all countries with an established market economy, the concepts, goals, objectives, priorities, and mechanisms of industrial development have changed with economic development. Reindustrialization is impossible without strengthening the role of the state based on a comprehensively substantiated socio-economic policy in relation to specific industrial complexes and industries. At the same time, it must be taken into account that socio-economic consequences are manifested primarily at the micro level. The construction of new, and the reconstruction of existing, enterprises should include a comprehensive analysis of the environmental, social, and economic consequences that arise at all levels, in individual regions, states, and in the EAEU in general.

Literature Review

Currently, the study of this subject area primarily investigates the general issues of reindustrialization, including imperatives, opportunities, and problems, as well as the impact of global factors and risks on these processes. The theoretical foundations for highlighting the concepts of reindustrialization were set forth in articles by A. E. Stevenson [1981] and R. Rothwell [1985], as well as in specialized studies of scientific organizations [National Research Council, 1981], developed as guidelines for understanding the terminology. The study by R. Rothwell [1985] examined the issue of the close, strong correlation of reindustrialization with the development of science and technology and determined the priority of the development of the industry precisely from the standpoint of introducing innovation and transition to new technological processes, which are based on the solutions of national science. Later, the development of theoretical aspects of the reindustrialization issue became controversial with regard to clarification of the terminology of the process and various verbal subtleties in the definitions of reindustrialization, which was reflected in the study by P. Raggi [2013].

At the present stage, instead of theoretical questions, attention has focused on the study of reindustrialization of national economies through the identification of readiness, priorities, resource provision, and the estimation of the impact on national competitiveness. In this aspect, studies by W. C. Shih [2013] and L. Panza [2014] deserve special mention, in which the key features of the reindustrialization of the United States and the Middle East were considered; comparison of the research data revealed a clear dependence of the reindustrialization process on the level of development of countries. If, for developed countries, reindustrialization acts as an opportunity to shift to a new technological level, then, for developing countries, an incorrectly developed and implemented reindustrialization policy can lead to deindustrialization and a decrease in the technological level.

A special mention should also be given to various studies of Eastern European and post-Soviet countries that considered the processes of reindustrialization of national economies based on accumulated world experience and assessed the priorities and possibilities of reindustrialization at the present stage. Studies by S. Konstantinova and A. Konarev [2015] considered the features and prospects of reindustrialization based on the national models of the economies of post-socialist countries. The authors assessed the role and importance of reindustrialization for the sustainable development of Bulgarian society, and also proposed national strategies and instruments for the development of industrial production. A study by A. N. Zakharov [2018] demonstrated the most important aspects of the reindustrialization of the world economy based on a comparative analysis of the strategies of reindustrialization of the U.S., Canada and Australia. The correlation of the main global trend was considered, that is, the transition to a digital economy and the processes of reindustrialization within the framework of the fourth industrial revolution. This experience of the reindustrialization of developed countries was considered in relation to the possibility of its application in the Russian context.

A study by N. A. Nevskaya et al. [2018] considered the transformation of the system of indicators of national economic policy aimed at stimulating the development of economic potential in order to increase the competitiveness of the national economy with a priority on reindustrialization of the Russian economy. It should be noted that the countries of the EAEU, including Russia and Kazakhstan, have identified reindustrialization on a new technological basis as the main priority for industrial development. Therefore, not only are the features of the reindustrialization process being investigated, but also its influence on the main economic and social processes; there are currently many studies of this nature. Among them is the study by A. G. Shelomentsev et al. [2017] that raised issues of the regional level of reindustrialization in EAEU countries from the standpoint of a thorough analysis of the issues of modelling the dynamic development of regional systems as an inseparable triad – ecology-society-economy – in the context of various stages of the reindustrialization of EAEU countries. This study also raised questions as to the further investigation of reindustrialization processes in EAEU countries, since the process is long-term and requires a well-developed state and supranational policy.

Among Kazakhstani authors, the study by Ye. B. Aimagambetov, D. Stefanov and N. Kuttybaevaet [2016] is notable; the authors considered the possibilities of reindustrialization of the national economy from the standpoint of ensuring its competitiveness. Evaluating the factors of ensuring competitiveness, they noted the primary role of national industry and the business environment in reindustrialization processes. These processes are directly related to the development of the sphere of industrial production, which is briefly discussed in all of the studies considered herein, but there are studies in which reindustrialization is considered in relation to the development of rural areas. The study by G. V. Zhdan, I. V. Shchetinina and Yu. P. Voronov [2017] substantiated the necessity and analyzed the problems of reindustrialization of the rural economy in modern conditions. As an example, the Novosibirsk region of Russia was chosen, in which a target programme for reindustrialization of the regional economy is being implemented. The authors, based on the study of domestic and foreign experience, analysis of statistical data, and established practice, proposed ways to overcome the reindustrialization issues of the rural economy at various levels of government, which is of particular interest to scholars and practitioners involved in reindustrialization.

Continuing the review of studies on reindustrialization in EAEU countries, the opinion of S. D. Bodrunov [2015; 2019] should be noted; Bodrunov considered the simultaneous solution of large-scale issues in several interrelated areas as the main measure for reindustrialization: first, the restoration or modernization of production facilities that were lost or became obsolete during deindustrialization; second, the implementation of programmes and projects of inno-

vative industrialization; and third, the transition to the stage of new industrial development, considering the specifics and technological challenges of the industry in the coming decades.

Within the framework of these proposed development aspects, the following reindustrialization determinants can be identified, which, in turn, condition its long-term trends:

– government and corporate investments, the scale of which should significantly increase and reorient toward reindustrialization;
– innovations, the effectiveness of which is determined, among other things, by state-generated demand;
– highly qualified personnel, requiring an increase in investment in human capital and an active personnel policy;
– technologies that are primarily used in mechanical engineering, since the state of the industry is directly dependent on the state of the machine-building complex, which is the main factor in the development of all types of activity;
– incentivization of entrepreneurs, which requires an adequate national economic policy, creation of support systems for high-tech business, and reduction of administrative barriers [Davletbayeva, Taubayev, Kuttybai, 2018].

Therewith, another feature of the reindustrialization of EAEU countries, and primarily Russia and Kazakhstan, is that at the first stage, the financial component of reindustrialization on a new innovative basis will be provided by the extractive sector of the economy. But this does not mean that countries should deliberately preserve the raw material structure of the economy at the risk of remaining haunted by the so-called commodity curse [Polterovich, Popov, Tonis, 2007].

Materials and Methods

Considering the innovative basis of reindustrialization, it is necessary to estimate the factors of innovative development in the EAEU countries. As noted above, the pace and scale of economic development of countries is influenced by a wide range of environmental, institutional, financial, investment, and other factors, an insight that is reflected in a fairly large number of publications [Hottenrott, Lawson, 2017; Slabbert, 2010]. These can be conditionally divided into two groups – those based on general conclusions, and those based on the statistical dependencies between the corresponding indicators. Therewith, common methodological problems involve the substantiation of indicators describing the country's innovative development and the definition of indicators that correctly describe the relevant factors influencing the innovative development of the analyzed countries. The countries of the EAEU – Russia, Kazakhstan, Kyrgyzstan, Belarus and Armenia – were selected as the objects of this study. The main factors for which indicators were collected and summarized were identified using World Bank [2020] data: the share of industrial gross value added (GVA) in GDP, foreign direct investment, high-tech exports (in thousands of dollars and as a percentage of industrial exports), financing of research costs and development (as a percentage of GDP), and the number of resident patent applications. It is not possible to take the entire range of factors into consideration due to its considerable scope; thus, only those for which the connection with innovative development is considered obvious and undoubted were analyzed. The study put forward a hypothesis about the existence of a dependence between the rates of innovative development of countries, on the one hand, and foreign direct investment, research and development (R&D) expenditures, and trends in the development of industrial production, on the other, as a summary indicator of the reindustrialization of the national economy. Two main dependencies were considered. The first is the correlation between the size of foreign direct investment in the national economy and the

rate of its innovative development, which was assessed according to two indicators: the volume of high-tech exports and the number of patent applications filed. The second is the extent of state and corporate R&D financing aimed at increasing the competitiveness of the national economy through its modernization and shift to new technological platforms, which attests to the understanding of the innovative priorities of national development.

To confirm the hypothesis, the following methods were used: statistical analysis, which allowed for the primary processing of data describing the dynamics of innovative development indicators in countries and its factors; a comparative analysis of the innovative development of the countries included in the study. The informational basis included the statistical data of the World Bank on the EAEU countries for 2010–18, presented on the official website [2020]. The choice of trends in the innovative development of countries was limited by several conditions: first, the analyzed indicators of different countries had to be calculated with the use of a single methodology; second, the selected indicators had to be presented for all analyzed countries; third, the number of observations had to be sufficient for analysis and the drawing of reasonable conclusions. These restrictions predetermined the choice of the World Bank indicators in the science and technology section as follows: high-technology exports, estimated at current prices (in dollars) and as a share in the total volume of manufacture exports of the country (as a percentage of manufacture exports), and the number of patent applications. Admittedly, these indicators reflect only certain aspects of innovative development, but in an aggregated form, they represent the most significant positions of countries and their dynamics.

Methodologically, this study includes two main stages. The first stage ensures a sequential analysis of changes in specific indicators describing the innovative development of the countries under consideration, as well as factors that, according to the hypothesis, have a significant impact on it, which allowed the evaluation of general trends in the dynamics of innovative processes within the framework of the selected object of study. At the second stage, through the establishment of correlations between the factors and results of the innovative development of countries, measures are proposed to improve the national policy of innovative development and reindustrialization.

Results and Discussion

The EAEU is a relatively new international organization that ensures modern regional integration for, first and foremost, states that have deep and historically established economic, political, ideological, and sociocultural ties, and are currently experiencing similar problems of social development. The leaders of the EAEU states declared reindustrialization based on the latest technological paradigm as the basic trend of economic modernization, which conditions the intensification of research and commissioning activities with the purpose of transitioning national economies onto an innovative development path [Shelomentsev et al., 2017]. In its most general form, reindustrialization is understood as the restoration of domestic industry on a new technological platform, as well as the return of industrial enterprises previously taken abroad, but with consideration of modern technological conditions and innovations.

EAEU technology platforms have significant resources and scientific and technical potential, the use of which will significantly increase the level of competitiveness of the transport sector and infrastructure and ensure their sustainable development [Andronova, 2016]. Technology platforms permit the inclusion of all relevant stakeholders, in particular, manufacturers, research institutes, and specialized classification societies. In general, technology platforms are tools to develop effective mechanisms that, regardless of global challenges and national sectoral policies, will ensure proper coordination of R&D. To date, the EAEU has registered about 40

so-called "separate" platforms (bioeconomics, energy, environment, information and communication technologies, manufacturing and technology, and transport) and three multisectoral platforms – nanofutures (nanotechnology research), industrial safety (reduction of the impact of industrial enterprises on the environment, ensuring safe working conditions, and prevention of technological disasters) and ConXEPT (development and sale of innovative products to end users and market research) [Gusakov et al., 2019; Tikhonovich, Zemlyanskaya, Antonenko, 2020].

For the dynamic development of the digital economy in the EAEU, the successful implementation of a digital agenda and national digital economy projects is crucial for increasing the competitiveness of EAEU countries in world markets in the face of increasing global innovative hypercompetition. Eurasian cooperation within the framework of the EAEU Digital Economy and Digital Eurasia programmes is aimed at creating conditions for the emergence of new breakthrough and promising end-to-end neuro-digital technologies and platforms, including wireless technologies, biometrics, virtual and augmented reality, artificial intelligence, electronic governments, and network security, the use of which is intended to ensure the implementation of the competitive advantages of the countries of the Eurasian Economic Space [Popova, 2020].

The current stage of development of Russia, Kazakhstan, and other EAEU countries indicates that states are forced not only to reindustrialize, but to industrialize the economy from scratch, since their industries, for known political reasons, were completely destroyed or are technologically obsolete. In this regard, reindustrialization acts as the design and deployment of internal industrial and technological chains that create use values for both industrial and consumer purposes. This is one of the most important features of the reindustrialization of EAEU countries, which noticeably distinguishes it from the reindustrialization of the U.S., Great Britain, and several other developed countries.

Analysis of Trends in Industrial and Innovative Development of EAEU Countries

As noted above, the main indicator describing industrialization trends is the dynamics of the industrial GVA level from GDP across the EAEU countries. Figure 1 demonstrates that the share of industrial GVA in GDP fluctuated from 27–40% in 2010 up to 25–33% in 2018 [WB, 2020]. There is a downward trend in the share of GVA in industry, which indicates a decrease in industrial production against the background of an increase in the service sector. Among the EAEU countries, a high share of GVA is typical for Kazakhstan and Belarus, and a low level of GVA in industry is observed in Kyrgyzstan and Armenia.

The next indicator describing both the level of industrial development of the national economy and its investment attractiveness is the volume and dynamics of foreign direct investment. Figure 2 shows that rather significant volumes of foreign investments and their volatility are inherent in the Russian economy [WB, 2020]. The impact of the sanctions policy can also be seen from the graph. A sharp decline was experienced during 2014–15 – a drop from $70 billion in 2013 to $6.8 billion in 2015. In this regard, the volumes and volatility of foreign direct investment in the Kazakhstani economy are described by more stable and smooth fluctuations, which generally indicates the investment attractiveness of the national economy and the business activity of economic agents. The rest of the EAEU countries, except for Russia and Kazakhstan, are distinguished by low investment attractiveness, as evidenced by the relatively low volumes of foreign direct investment, which also reduces the investment potential of the reindustrialization.

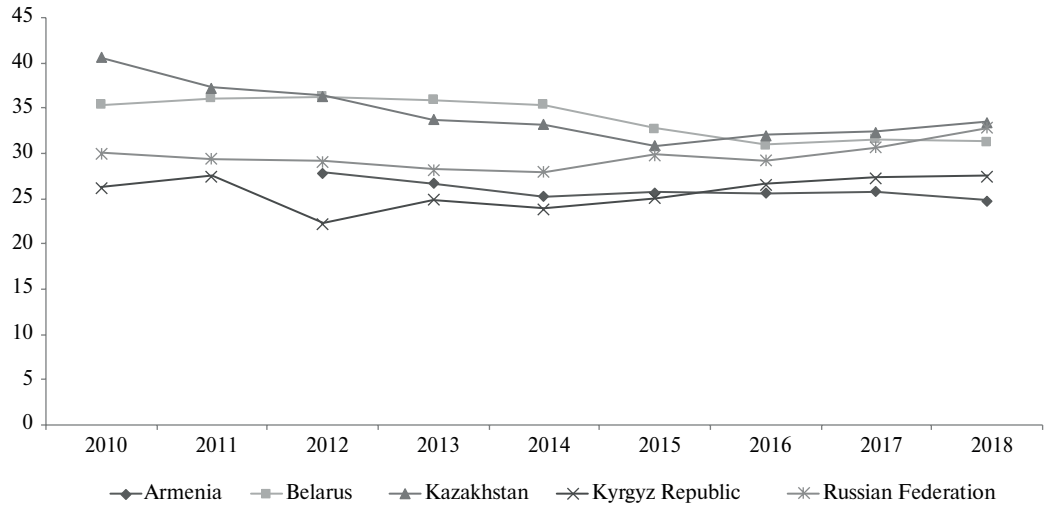

Figure 1. Dynamics of Industry GVA (Including Construction) in EAEU Countries (% of GDP)

Source: Compiled by the authors based on data World Bank [2020].

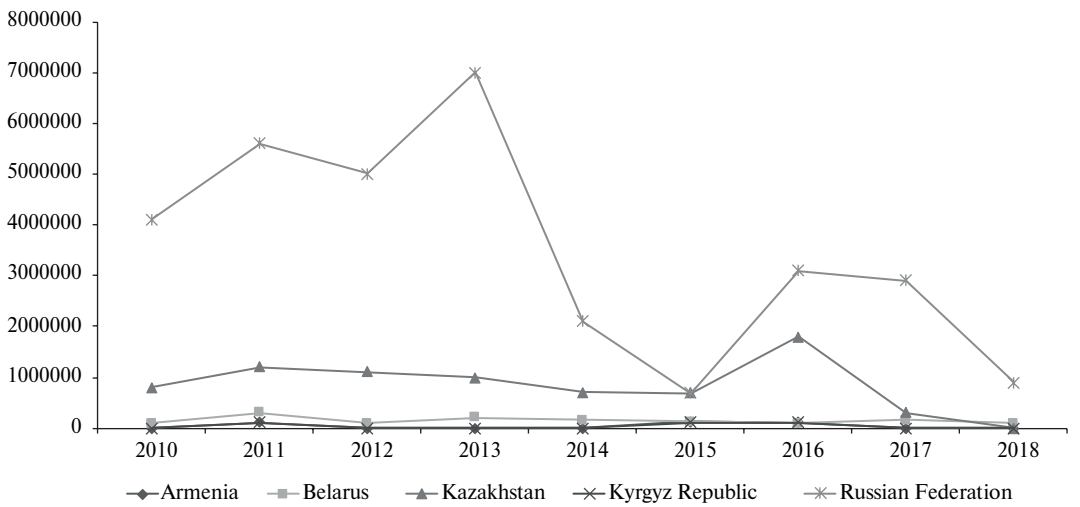

Figure 2. Dynamics of Foreign Direct Investment in EAEU Countries, Net Inflow ($ Millions)

*Source: C*ompiled by the authors based on data World Bank [2020].

The indicator of high-tech exports according to World Bank statistics is presented in quantitative and share values. In quantitative terms (in thousands of dollars) (Fig. 3), the dynamic of high-tech exports in Russia is described by a fairly stable growth compared to 2010, the growth of the indicator was more than double [WB, 2020]. For the rest of the EAEU countries, the dynamics are almost stable, except for Kazakhstan, where high-tech exports are described by significant volatility. At its peak in 2012, it amounted to $3.5 billion and at the lowest point in 2018, to $1.7 billion, a scatter of more than two times. Apart from Kazakhstan and Russia, high-tech exports are inherent in Belarus, while Armenia and Kyrgyzstan display insignificant indicators.

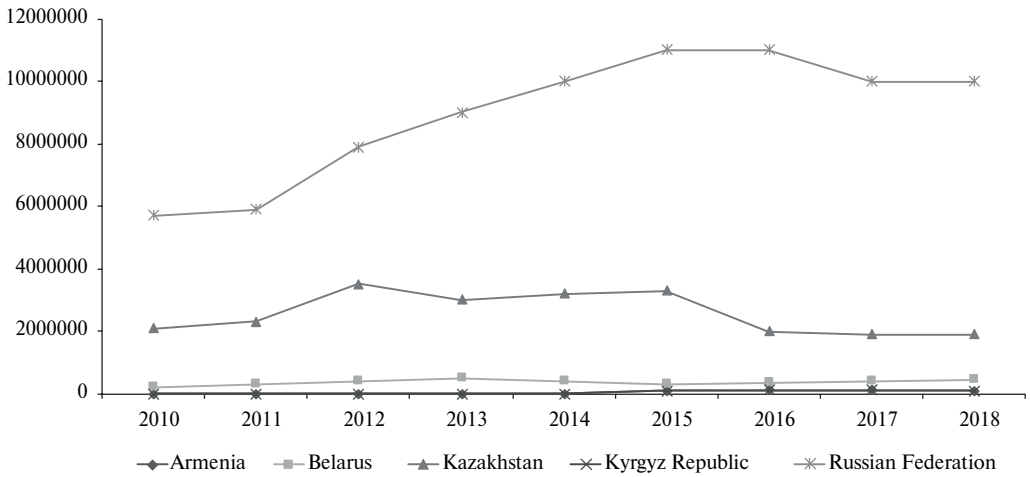

Figure 3. Dynamics of High-Tech Exports of EAEU Countries ($ Thousands)

Source: Compiled by the authors based on data World Bank [2020].

Compared to quantitative data, the relative indicators of high-tech exports across EAEU countries are described by significant fluctuations (Fig. 4). High shares of exports of high-tech products in the total volume of industrial exports are inherent in the Kazakhstani economy – 41.3% in 2015, which dropped to 22.0% in 2018. For the rest of the EAEU countries, except for Kyrgyzstan and Russia, the share of high-tech exports has a fairly stable dynamic. In Kyrgyzstan, the share of high-tech exports increased from 2.05% in 2014 to 19.93% in 2016 (more than a ninefold increase) but decreased in 2018 to 8.05%. The spread of Russian indicators is in the range of 10–15%. In general, the observed volatility of this indicator displays the dynamics of not only the high-tech sector, but also the industry, which is reflected in the global environment and also in the rates of national currencies that were under significant devaluation pressure during the period under study [WB, 2020].

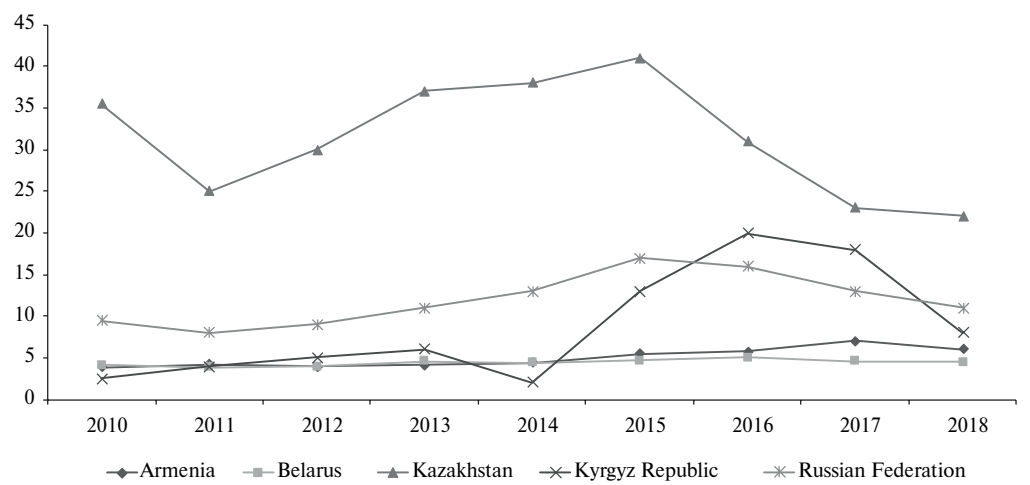

Figure 4. Dynamics of High-Tech Exports of EAEU Countries (% of Industrial Exports)

Source: Compiled by the authors based on data World Bank [2020].

The next indicator describing the main trends in the development of the scientific area of the EAEU countries is the amount of research funding, defined as the share of funding for R&D expenditures as a percentage of GDP (Fig. 5). This indicator has certain characteristic values, deviations from which indicate problems in science and innovation. According to the recommendations of the Organisation for Economic Co-operation and Development (OECD) [1996], the lowest threshold for R&D funding amounts to 1% of GDP, while the recommended threshold is 3%, within which the national economy is recognized as having shifted to a "knowledge economy." Figure 5 demonstrates that only Russia finances R&D within the framework of the lowest permissible threshold while the other EAEU countries do not reach even that,

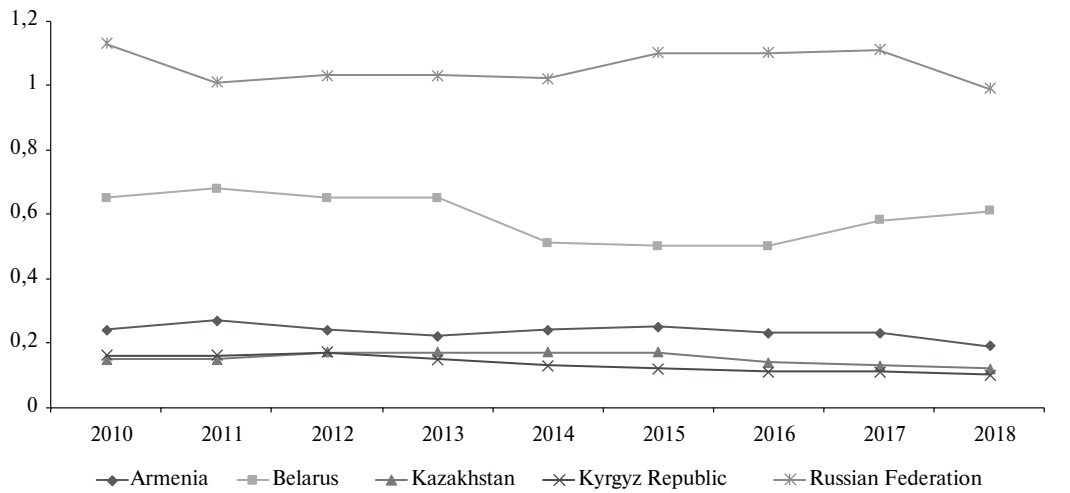

Figure 5. Dynamics of the Share of Financing of R&D Expenditures in EAEU Countries (% of GDP)

Source: Compiled by the authors based on data World Bank [2020].

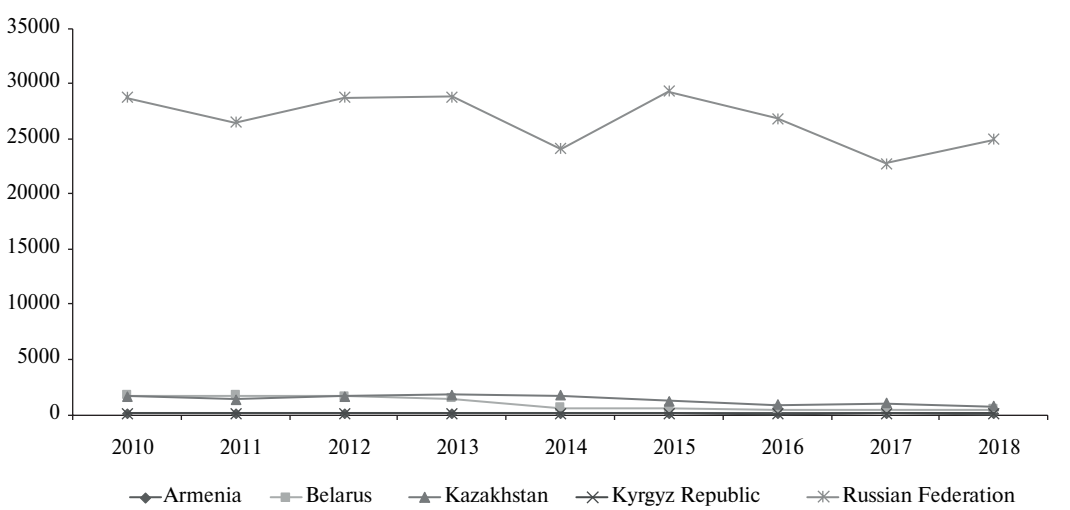

Figure 6. Dynamics of Patent Applications by Residents of EAEU Countries

Source: Compiled by the authors based on data World Bank [2020].

which indicates that there are serious problems in understanding the need for domestic science and the implementation of national scientific and innovation policy. While the indicators of Belarus, at 0.5–0.6% of GDP, are approaching the recommended minimum threshold, Kazakhstan, Kyrgyzstan and Armenia need to increase the funding for R&D tenfold. Considering the EAEU states' development programmes for science and innovation, one can see the tasks of increasing funding for science. However, for many years, these programmes and their objectives have been merely declarative, and if the situation is not fundamentally changed, the scientific factors of reindustrialization will be futile.

As for the last indicator – the number of patents – during the analyzed period, the ratio of the number of patent applications by residents in EAEU countries remained unchanged (Fig. 6). The undisputed leader in this regard is Russia, which accounted for more than 94% of the total number of applications filed by residents of these countries in 2018. The second and third places are taken by Kazakhstan and Belarus, which account for 2.99% and 1.72%, respectively. The impact of economic crises on the dynamics of this indicator had next to no significance.

Identification of Correlations Between the Factors and Results of Innovative Development of Countries and Recommendations for Improving National Reindustrialization Policy

Analysis of changes in indicators describing the innovative development of countries and their links with the identified factors – foreign direct investment, high-tech exports, financing of R&D costs, and the number of patent applications by residents – leads to the following conclusions.

The connection between the export of high-tech products and foreign direct investment is not observed in any of the countries under consideration. Therewith, there is a close correlation between the indicators of exports of high-tech products and R&D expenditures in Armenia. In addition, the relatively synchronous change in these indicators in Russia and Belarus was violated in 2012–13. The correlation between export indicators of high-tech products and R&D funding was observed in Belarus, while in Kazakhstan and Armenia, their changes were opposite in nature, confirming the lack of correlation between them. The influence of the volume of foreign direct investment on the number of patent applications filed by residents was most clearly revealed in Belarus and Armenia, while in Russia this connection is rather weak, and in Kyrgyzstan and Kazakhstan it is completely absent. The correlation between the indicators of the number of patent applications and R&D expenditures can be clearly observed in Russia, while in Kazakhstan, Belarus and Armenia it does not look very convincing.

Thus, the main factors that determine the dynamics of the analyzed indicators of innovative development in different countries are significantly differentiated. Thus, in Kazakhstan, there is practically no correlation between the analyzed parameters, which attests to the influence of several other factors on the studied indicators of innovative activity.

In Russia, the closest correlation is between the relative indicators describing the volume of high-tech exports and foreign direct investment as a percentage of GDP, which can be represented as a model with a high value of the approximation reliability equal to (R^2) 0.66: $y = 0.2667x^3 - 1.648x^2 - 0.4978x + 18.322$ (Fig. 7).

However, the inverse dependence between the analyzed indicators shows that during the period under study, with a steady increase in the relative indicators of foreign direct investment in GDP (in contrast to other considered states), there was a decrease in high-tech exports,

which indicates the "raw material" structure of foreign direct investment and low efficiency for the innovative development of the national economy. Therewith, there is a weak correlation between indicators of innovative development of the national economy and R&D expenditures. This indicator is calculated with a very large error and, probably, does not reflect the real costs in this area.

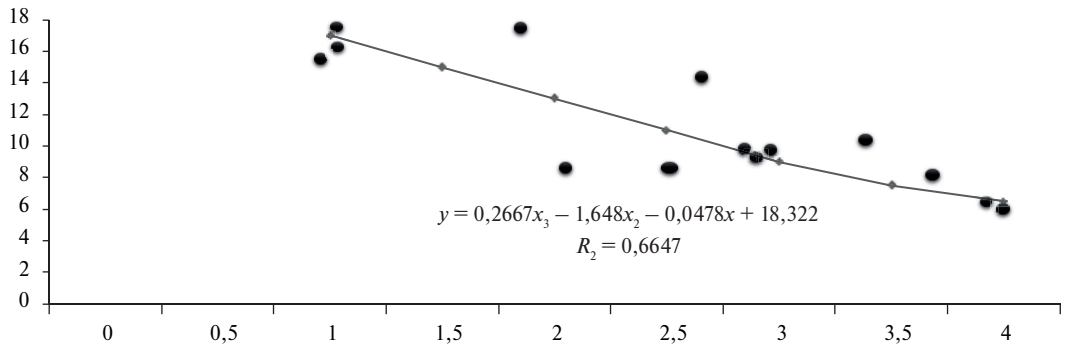

Figure 7. The Nature of the Dependence Between High-Tech Exports and FDI (% of Russian GDP)

Source: Compiled by the authors based on data World Bank [2020].

In Armenia, there is no clear dependence between the indicators describing the innovative development of the national economy, but there are implicit dependencies of these parameters that reflect the general trend. During the period under study, a weak correlation can be observed between R&D expenditures and indicators describing high-tech exports and the number of patent applications. In Belarus, the correlation between indicators of innovative development and influencing factors is more pronounced than in other countries under study. This can be explained by an overall rate of socio-economic development that is higher than that of other republics in the post-Soviet space, and by the stronger influence of the analyzed factors. Thus, the close correlation between the number of patents and foreign direct investment should be noted, as well as between indicators of high-tech exports and grants in technical cooperation. The dependence can be expressed by an equation with the *R*-squared value amounting to (R^2) – 0.67: $y = -3E - 05x^3 + 0.0065x^2 - 0.4909x + 15.23$ (Fig. 8). The graph below shows that the trend line is becoming flatter, indicating a decrease in the effectiveness of foreign direct investment.

Based on the identified dependencies and key factors influencing reindustrialization, the following recommendations for the development and implementation of national reindustrialization policy can be made. In general, reindustrialization policy should represent an integral set of methods and tools for managing this process. In turn, the mechanism for managing reindustrialization is a link in the mechanism for managing the national economy as a whole, thereby necessitating the harmonization of the methods of socio-economic and environmental management.

Thus, the economic mechanism constitutes a complex structure, which includes instruments and methods of state regulation, institutional support, and forms of functioning. Nine main types of economic institutions of the reindustrialization mechanism can be distinguished: reindustrialization incentives based on innovative development; rational use of natural resources and environmental protection; reindustrialization programming; protection of competition; assurance of national security; provision of natural resources for use; support of entrepreneurial

activity in the innovation sphere; attraction of private investment in sustainable use of natural resources and environmental protection; ensuring the budgetary efficiency of reindustrialization and environmental protection; and anti-corruption.

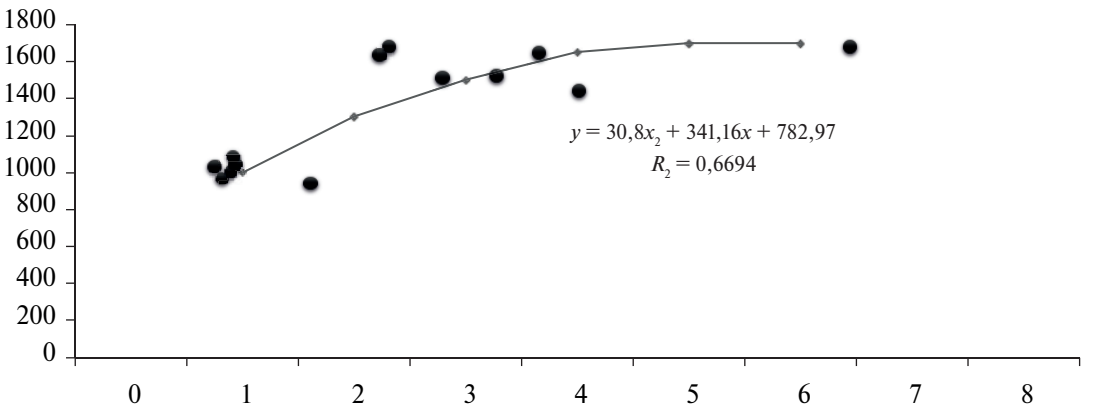

Figure 8. The Nature of the Dependence of Patent Applications and Foreign Direct Investment in the Republic of Belarus

Source: Compiled by the authors based on data World Bank [2020].

In the EAEU countries, these economic institutions are used with varying degrees of efficiency, depending on: the specifics of the respective regulatory framework of each country; provision and scale of involvement of natural resources in economic circulation; the sectoral composition of the economies; and efficiency of environmental protection institutions. Four main types of economic instruments (within the framework of functions established by legislation and other regulatory documents) of the national reindustrialization policy can be distinguished:

– stimulation of economic activity and the investment attractiveness improvement for the real sector of the economy;
– ensuring mutual responsibility of the authorities and the business community with regard to decisions taken by parties to the reindustrialization process;
– rationing and limiting the impact on the environment with an increase in the scale of production and the involvement of natural resources in economic turnover;
– prevention of negative social, environmental and economic consequences.

National reindustrialization policy should be based on the implementation of innovations in all their diversity. In the context of the proposed approach to reindustrialization, as noted above, innovations are considered quite extensively, covering the main sectors of the national economy: education and personnel training; provision of products, works and services that meet modern requirements; and a management system based on modern information and organizational technologies. The main areas of innovation also determine the basic reindustrialization trends, which include the creation of competitive industries, reconstruction of operating enterprises, closure of unprofitable non-competitive industries, implementation of environmental protection measures aimed at reducing the burden on the environment, utilization and recycling of industrial waste accumulated over the past years, and training of qualified personnel.

Conclusions

The analysis of the correlation between the rates of innovative development of countries, on the one hand, and foreign direct investment, R&D expenditures, and indicators of R&D funding, on the other, leads to the following conclusions. The correlation between the selected indicators of innovative development and the analyzed factors is much more complicated than is traditionally presented in the scientific literature. This is conditioned by the following circumstances. First, the impact of factors is mediated by the simultaneous presence of a wide range of other processes and conditions, which are often overlooked, while they can considerably change the dependencies under study. Second, among the conditions that tend not to be overlooked, the institutions existing in a particular country also play a large role, as does the effectiveness of the economic policy implemented by the government. If past experience is any guide, the latter can significantly affect the results of foreign direct investment, for example, by creating conditions for attractiveness in strategically important sectors of the national economy or by encouraging national companies to finance R&D.

The particularity of national economic policy leads to the second conclusion of this study, which relates to the reason that a factor (for example, foreign investments or grants) manifests itself in different ways in the economies of different countries. The one size fits all approach does not apply here. Therefore, as the analysis has shown, it is impossible to apply the same standard when evaluating the impact of a particular factor on the innovative development in different countries. In one country, a factor can have a positive effect, in another country it can have a negative effect, and in yet another – no effect at all. The key point here is the level of development of economic institutions and the innovation policy pursued by a particular country. In this sense, the task of the state is to "force" all factors to work for the national economy, ensuring its competitiveness. The degree of success in solving it characterizes the efficiency and effectiveness of innovation policy. Therefore, the problem is not only in attracting more investment, but in creating conditions under which investment will have the greatest effect on the development of the national economy and its renewal.

As practice shows, the role of the analyzed factors changed significantly during the time under review, which manifests on the graphs in the synchronous change of the corresponding indicators. The drivers of these changes were the global financial crises in 2009–10 and in 2014–15, when most of the patterns changed their nature, and the in-country nature of the economic situation. In this regard, the stability of the national economy is manifested in the stability of the existing trends in the dynamics of its development, despite the impact of external factors. As shown by the analysis, the Republic of Belarus displayed the highest resistance to endogenous influences, while most of the other countries under study were largely affected by them.

Admittedly, the given indicators cannot measure everything. They reflect only a small part of a wide and complex picture; however, they stand as specific examples to demonstrate the inconsistency of ongoing processes that require in-depth analysis when developing specific public policy measures in innovative development.

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