

## RECOVERY AND ACCELERATED INTEGRATION OF EURASIAN ECONOMIC UNION UNDER THE IMPACT OF EPIDEMIC SITUATION

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It has been more than six years since the treaty on the Eurasian Economic Union came into force on 1 January 2015. Through years of development, Eurasian Economic Integration has made some achievements, but it also faces many difficulties and challenges. The global economic recession caused by the epidemic of new crown pneumonia has a severe impact both on the economies of the Eurasian Economic Union and the integration process of the Union. In the post-epidemic era, the economic recovery of the alliance countries is out of step and diverging. There are still severe epidemic situation and the unstable political situation which add new uncertainty to the prospect of the alliance integration. However, the economic crisis caused by the epidemic has also made the countries of the union attach more importance to regional cooperation, which has also become a new impetus for the integration of the Eurasian economic union to a certain extent.

1. Economic situation of the countries of Eurasian Economic Union under the epidemic situation of new coronary pneumonia. The NCP epidemic has disrupted the slow recovery of the union economy since 2015 and dealt a heavy blow to the union economy. In 2020, GDP growth declined in all member countries, with Belarus falling the least, by 0.9%, Kazakhstan by 2.6% and Russia by 3.2%, Kyrgyzstan and Armenia experienced large declines of 7.5% and 8.6%, respectively [1]. At the level of the alliance as a whole, the economic crisis in the countries of the alliance is mainly caused by the economic downturn of the world economy caused by the epidemic of NCP, the fall of the world price of raw materials and the low economic growth rate of the alliance in the past five years. For the countries of the Union, Russia and Kazakhstan have been greatly affected by the decline in the prices of raw materials, especially oil, Armenia and Kyrgyzstan, whose economies depend on remittances, have been hit hard by the decline in foreign exchange for labour migration, the economic crisis in Armenia, Kyrgyzstan and Belarus has been exacerbated by unstable political situations. Industrial production in the alliance has been significantly affected by the outbreak, with Kyrgyzstan being the most affected, while Belarus, Kazakhstan and Armenia remaining essentially at 2019 levels. In 2020, industrial output in the member countries of the Eurasian Economic Union fell by 2.7% year-on-year, by 6.6% in Kyrgyzstan, by 2.9% in Russia, by about 0.7% in Belarus and Kazakhstan and by 0.9 % in Armenia. In agricultural production, thanks to the increase in crop and livestock production, the agricultural output value of the alliance has increased rather than decreased, and the agricultural output value of all member countries has increased. In 2020, the alliance's agricultural output increased by 2.3% year-on-year. Kazakhstan posted the biggest increase, at 5.6%. Belarus was next with a 4.9% increase. Growth of 1.5% in Russia, 1.5% in Armenia and 1.1% in Kyrgyzstan.

Table1 - GDP growth rate of the member countries of the Eurasian Economic Union since its formal establishment

	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Russia
2015	3.2%	- 3.8%	1.2%	3.9%	- 2.0%
2016	0.2%	- 2.5%	1.1%	4.3%	0.2%
2017	7.5%	2.5%	4.1%	4.7%	1.8%

2018	5.2%	3.1%	4.1%	3.8%	2.5%
2019	7.6%	1.2%	4.5%	4.5%	1.3%
2020	- 7.6%	- 0.9%	- 2.6%	- 8.6%	- 3.1%

*Source: collated data from the official websites of the Eurasian Economic Commission and the Eurasian Development Bank*

## 2. Anti-crisis measures and their effects in the Allied countries.

Although Eurasian Economic Union countries have different degrees of economic crisis, but overall, the extent of economic recession in the union in the middle of the global level. According to the IMF's 2021, released in April, the global economy shrank by about 3.3% in 2020, and according to preliminary figures from the Eurasian Economic Commission, the union economy shrank by about 3.9% in 2020 [2].

Table 2 - Scale and effect of anti-crisis measures in member countries of the Eurasian Economic Union

	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Russia
Scale of anti-crisis measures as a share of GDP	3.8%	1.4%	8.7%	2.4%	4.5%
Recoup GDP losses	1.8%-2.2%	0.2%-0.7%	2.0% .-3.0%	0.5% .-1.0%	> 2.0%

*Source: collated data from the official website of the Eurasian Development Bank*

This is thanks to a series of anti-crisis measures taken by the governments and coalitions of member states. The anti-crisis measures adopted by the alliance countries fall into two main categories: one is temporary emergency measures of a stabilizing nature, including strengthening the health system and ensuring food security. The other is the systemic measures aimed at creating the conditions for economic recovery in the post-epidemic era, including maintaining macroeconomic and financial stability, increasing support for small and medium-sized enterprises and stabilizing the labour market, implementing positive structural reforms. Because of the differences of economic structure and financial reserve, the actual input and effect of anti-crisis measures are also very different.

Kazakhstan promptly formulated a series of anti-crisis measures to safeguard employment and attract investment, increased support for enterprises and employment, and increased support for small and medium-sized enterprises, including allowing residents and enterprises to defer loan repayments, we will help damaged enterprises restructure their loans, reduce or waive corporate taxes, expand the scope of preferential loans for small and medium-sized enterprises, and increase the list of priority development industries for which investment agreements are signed with the government. Russia has rich experience in dealing with the economic crisis. It has resolutely adopted a series of fiscal, monetary and financial policies, accelerated the digitalization of enterprises, and actively promoted technological innovation in traditional industries such as agriculture and energy, and formulated a medium-and long-term economic development plan.

Following the first confirmed case on 18 March 2020, Kyrgyzstan announced its first set of anti-crisis measures on 30 March, including guaranteeing food supplies and safety and reducing the tax burden on enterprises. Armenia has adopted a series of health, fiscal, financial and monetary policy measures, these include providing additional subsidies and preferential loans to businesses in sectors most affected by the outbreak, such as wine manufacturing, tourism and transport, and increasing support for small and medium-sized enterprises and the unemployed. Belarus granted tax exemptions and delays to enterprises and individuals affected by the outbreak, reduced rental fees, allowed employers and employees flexibility in adjusting labour relations and simplified government procurement procedures during the outbreak [3].

## 3. Uncertainties in the economic recovery of the alliance in the post-epidemic era

With the global economic recovery, the improvement of external economic conditions and the gradual relaxation of restrictive epidemic prevention measures, the negative impact of the epidemic on the union economy is weakening, but the union economic recovery faces many uncertainties, it will be difficult to return to pre-outbreak levels quickly. The outbreak not only severely affected the countries of the alliance in the short term, but also aggravated the problems accumulated by the countries of the alliance in their long-term economic development. Most of the countries of the alliance have small economies, a high degree of openness and a fragile macroeconomic situation, deeply affected by the economic recession of its trading partners and the drastic reduction in external demand, the lack of financial resources, the low level of people's income, the inability to stimulate consumption and the inability of social savings to be effectively converted into investment, a new outbreak and political turmoil in Member States also threaten the union's economic recovery.

The economic recovery speed and difficulty of the alliance countries are different, which makes the intra-alliance economic development more uneven in the post-epidemic era. Kazakhstan is recovering faster, and Armenia, Kyrgyzstan, and the economy of Belarus may need more time to recover. Weak health systems in most of the countries of the alliance, recurrent outbreaks and the emergence of new variants of the virus continue to pose a significant downside risk to the economy. At present, the situation of the epidemic in the countries of the alliance is still not optimistic. Countries are pressing ahead with the vaccination of the new crown vaccine. However, the overall progress is slow and the percentage of the total population that has been fully vaccinated is relatively low, in some countries, there have been setbacks.

#### 4. Prospects for the integration of the alliance in the post-epidemic era

While the epidemic has dealt a heavy blow to the countries of the alliance and its integration, it has also provided a new opportunity for the future development and cooperation of the Alliance. First, the epidemic has prompted member countries to localize production and reform their economic structures to improve their ability to withstand risks. Second, the epidemic has given rise to new areas of cooperation, the digital economy and biomedicine have become the new direction of the future integrated cooperation of the alliance.

Thirdly, the epidemic situation has made the alliance countries, especially some countries unable to solve their own crisis, it is realized that "staying aloof" is not conducive to coping with the crisis and long-term stable economic development, and strengthens the desire and requirement of the Union countries to push forward integration.

In 2020, despite the impact of the epidemic, the pace of Eurasian Economic Integration is accelerating. First, continue to carry out the union market integration. Since its establishment, the Union has formulated a series of market unification plans, and is now actively carrying out the construction of a unified market for oil, gas and electricity. Second, vigorously promote the integration of production and import substitution.

The outbreak increased awareness in the union countries of the importance of pursuing common industrial and agricultural policies and adopting uniform import substitution programmes, thus moving from the elimination of mutual trade barriers to a new phase of integration of production projects.

Third, speed up the pace of de-dollarization. In recent years, the countries of the union have been developing and implementing measures to expand the use of their own currencies. Since the outbreak, the Russian ruble has fallen more than 20%, and currencies across the union have generally depreciated, constrained by oil prices and the dollar [4].

In addition, the union will accelerate the construction of common financial markets and coordinate financial legislation. In 2021, the Eurasian Economic Commission discussed steps to establish a common financial market, approval of the draft agreement on supranational institutions for the establishment, regulation and development of unified financial markets and the draft agreement on the issuance of standardized banking and insurance licences by the central banks of member states.

In December 2020, the major financial institutions of the member states of the Union, including the Eurasian Development Bank, the Russian foreign economic bank, the State Development Group Corporation, the Development Bank of Kazakhstan and the Belarusian Development Bank, signed a memorandum of understanding, alliance integration will be promoted through joint investment activities.

To sum up, for the Eurasian Economic Union, the post-epidemic economic development has been full of difficulties and challenges to varying degrees. The economies and trade of the member states of the alliance have declined due to the spread of the coronavirus infection and the decline in global energy demand. However, in the face of difficulties and challenges, the member states of the alliance have worked together, has shown great resilience, and the pace of economic integration and external cooperation has not stopped. I believe that in the days to come, the shadow of the epidemic will always recede, and the Eurasian Economic Union will continue to unleash new vitality, and they're getting further and further away.

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