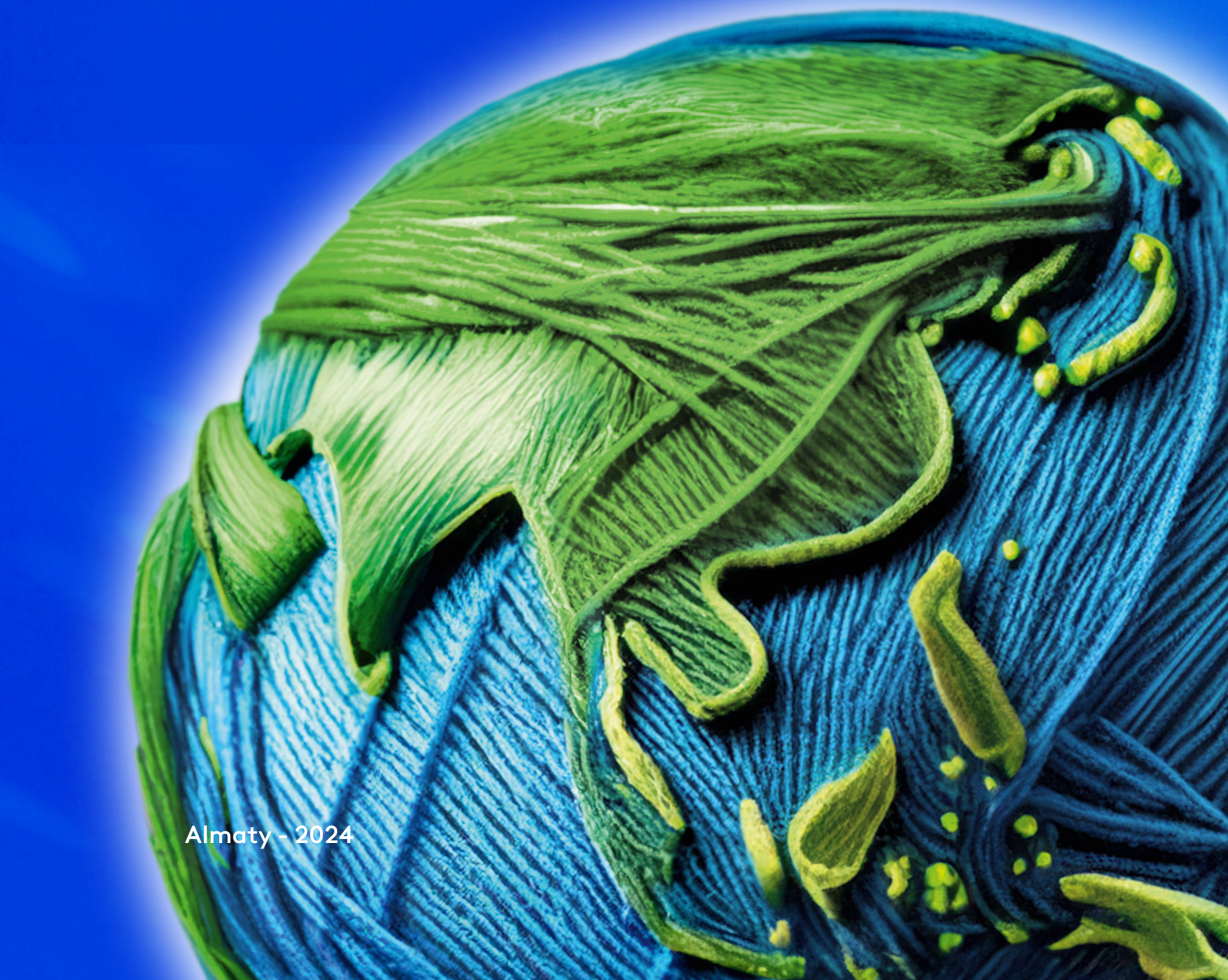
Eurasian
Development Bank

# Economic Cooperation in Eurasia: Practical Solutions

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# Economic cooperation in Eurasia: practical solutions


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Eurasian Development Bank

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Economic cooperation in Eurasia, building mutually beneficial horizontal ties between the EAEU and other integration associations and Eurasian countries, needs solutions that are pragmatic, flexible, and at the same time realisable. This report contains a "menu" of specific proposals which could be implemented in the Eurasian space to create an integrated infrastructure — physical (energy, transport, logistics), trade and financial (mutual settlements, regional financial institutions) — as well as to develop continental cooperation within the framework of the green agenda and humanitarian ties.

**Keywords:** Greater Eurasia, Eurasian region, Central Asia, regional integration, international trade, infrastructure, international development banks.

**JEL:** F15, F18, F22, F55, G15, F36, O13, O15, R11, R41.

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# HISTORY OF THE GREATER EURASIAN PARTNERSHIP IDEA AND PRINCIPLES

## History of the Idea

The Greater Eurasian Partnership (GEP) is an initiative designed to forge a vast geoeconomic space for cooperation in Eurasia by creating a partner network of integration associations and other multilateral cooperation organisations, mutually beneficial economic agreements, and dialogue venues for Eurasian states and their alliances.

Assertion by the countries of the region of the idea of multiplicity of cooperation vectors, and the shift of trade and economic ties toward the Asian region, including ASEAN, South Asia, and the Middle East, give rise to new priorities and interaction formats.

Closely interwoven interstate ties permeate the Eurasian space. Yet, to make cooperation even deeper, it is now necessary to come up with pragmatic applied solutions that can be enabled relatively fast and with flexible configurations of the participating countries. First, the countries of Greater Eurasia need to expand direct horizontal cooperation mechanisms, making it possible to reduce intermediation by third countries and thereby improve the security and minimise the cost of direct international contacts. Second, it appears expedient to rely on cooperation formats that involve small groups of countries with the most interest in such formats, and then scale up effective solutions. Third, it makes sense to focus on specific local problems faced by individual regions, avoiding megaprojects whose sheer scale, excessive red tape, and latent contradictions often jeopardise the chances of practical success.

The GEP cooperation format can be used by developed and developing countries, including landlocked countries, seeking to establish mutual horizontal ties, and by integration associations. The improvement of existing and the creation of new GEP formats is linked to the ongoing upheavals in the global economic order.

This report presents a set of practical solutions for further development of the Greater Eurasian Partnership. The aim of the report is to devise a "menu" of applied tools and initiatives (integration points), and review their strengths, weaknesses, deployment options, etc. We expect our proposals to contribute to creation of a seamless system that will support interaction within the framework of the GEP, and be capable of dealing with the existing barriers and challenges. It should be emphasised that the proposed solutions are the result of our analysis of the integration processes that have been unfolding over

the last several decades, and should be regarded in the context of the natural evolution of economic integration in Eurasia.

At the academic level, the importance of Eurasian continental integration, directed at a convergence and interweaving of previously separate regions – Europe, the post-Soviet area, Central, East, and South Asia – was researched in great detail by numerous scholars. Some suggested that Eurasian continental integration should be in the form of organisations, blocs, or "clubs" with overlapping memberships, and a focus on dealing with critical issues, realising shared infrastructure projects, and facilitating the movement of goods, services, and labour (Vinokurov, Libman, 2012). Others advocated a programme for a future Eurasian economic union, tentatively named "the Eurasian partnership", to design flexible forms of economic integration with the neighbouring countries, and multilateral continental cooperation, including joint action plans similar to the European Neighbourhood Policy (Vinokurov et al., 2013).

In that context, exceptionally important analytical work was done by the Valdai international discussion club, which, since 2012, had been promoting the concept of Russia's "turn to Asia" (Karaganov et al., 2012) and creation of a Greater Eurasia – which replaced the concept of the Union of Europe (or Greater Europe) "from Lisbon to Vladivostok". This implied that the Greater Eurasia was a common project open for everyone, and not only the countries of the Eurasian continent (Valdai Club, 2019).

At the Saint Petersburg International Economic Forum in 2016, the President of the Russian Federation said: "We and our partners believe that the Eurasian Economic Union may become one of the centres for the formation of a wider integration contour. <...> We suggest that we all should consider the establishment of a larger Eurasian partnership with the participation of the Eurasian Economic Union and the countries with which we have already established close relationships: China, India, Pakistan, Iran. And, of course, I also mean our CIS partners and other stakeholder states and associations".

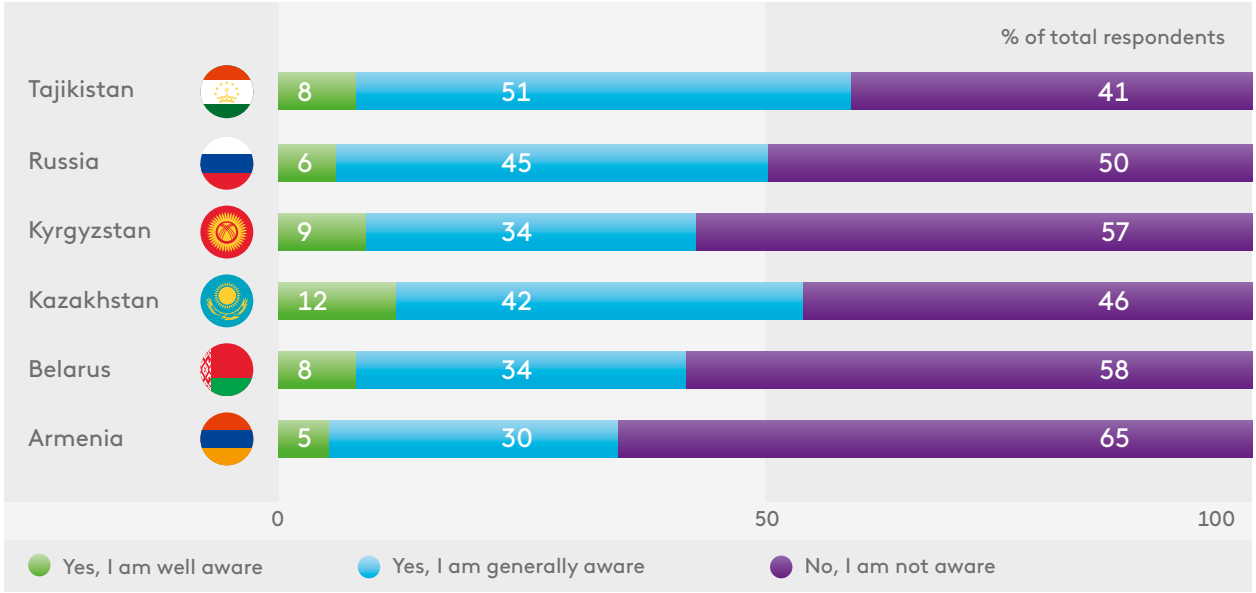
In the same year, the President of the Republic of Kazakhstan supported the creation of a partnership among the EAEU, the Shanghai Cooperation Organisation (SCO), and the Association of Southeast Asian Nations (ASEAN). The pivotal element of such inter-bloc integration could be the absolute priority of economic pragmatism over any expressions of the political situation. Finally, the EEC announced that it was interested in the establishment by the Union of its own trade blocs in the Eurasian continental partnership format (EEC, 2016), and supported the GEP idea (EEC, 2022).

Subject to the foregoing, this report examines the principles underpinning the economic cooperation in Eurasia, identifies the mechanisms that may have lost their relevance due to changed circumstances, and lists proposed practical solutions. Although not exhaustive, that list includes proposals related to development of the physical infrastructure

**BOX. OPINION OF THE BUSINESS COMMUNITY ABOUT THE CREATION OF THE GEP**

In August–September 2021, the EDB looked at the ways that large and medium-sized businesses preferred to expand into external sales markets, by surveying 337 companies from the EAEU and Tajikistan within the framework of the EDB Integration Business Barometer research project (Chimiris et al., 2022). About 60% of respondents from Tajikistan and 54% of respondents from Kazakhstan said they were aware of the creation of the Greater Eurasian Partnership, and of its capabilities (Figure 1). In Russia, 50% of respondents knew about that initiative. In Armenia, Belarus, and Kyrgyzstan most respondents were not aware of it. ■

↓ Figure 1. Awareness of the Establishment of the Greater Eurasian Partnership and Its Potential for the Respondents




Source: EDB Integration Business Barometer – 2021 (Chimiris et al., 2022)
The findings of EDB surveys indicate that further expansion of free trade areas in the EAEU is also perceived by the business community as an appealing development opportunity. The respondents showed the most interest in an FTA between the Eurasian Economic Union on the one hand, and China, Turkey, Uzbekistan, India, and the United Arab Emirates on the other.

(Solutions 1–7 dealing with transport, the water and energy complex, and food logistics), trade (Solution 8 related to expansion of the free trade agreements network), finance, including sustainable finance (Solutions 9–11), and cooperation in education (Solution 12).

The practical solutions are expected to target the countries of the CIS, West (including Turkey), South West, South, East, and South East Asia.

# Practical Solutions: Fundamental Principles in Current Conditions

Structural shifts in the economic ties among the countries of Eurasia have increased the relevance of continued expansion of relations between the EAEU member states on the one hand, and the countries of the Asian region, including South and Southeast Asia and the Middle East, on the other. However, there is a pronounced shortage of applied solutions that could be used to develop new formats of cooperation.

The methods of their implementation proposed in this report are based on the following key assumptions and principles (Figure 2).

*Involve the minimum number of countries required to solve a problem.*

It is expedient to build certain sectoral integration mechanisms and cooperation formats around stakeholder countries. Reduction of the number of participants will make it possible to find solutions faster and more efficiently, ensure optimal allocation of powers and financial resources, and accelerate finalisation and approval. Accession of new participants to previously approved and deployed interaction arrangements (if, and only if, it is truly necessary) will then be relatively problem-free. In that way, the countries of the region will be able to master, step by step, the various dimensions of integration (trade-related, financial, infrastructural, humanitarian, etc.) with maximum benefits for their population and business communities, and only in those

↓ Figure 2. Principles Underpinning Practical Solutions

| | | | |
|---|---|---|---|
| Involve → the minimum number of countries required to solve a problem. | Take a → pragmatic approach to formulating tasks and proposed solutions. | An essentially → new format of economic integration | Delegate to the → supranational level only those powers and authorities that are minimally necessary to solve individual tasks. |
| Fewer participants – easier coordination | Focus on dealing with specific regional problems | The GEP may become a framework that binds subregional economic ties within Eurasia. | Subsidiary integration principle |

Source: EDB

areas where they will deem such involvement beneficial. Such cooperation formats can be realised without building centralised supranational mechanisms.

*Take a pragmatic approach to formulating tasks and proposed solutions*

The countries of Greater Eurasia need to focus on dealing with specific regional problems that can be solved "here and now". This is the only approach that can give a major impetus to economic relations and promote creation of regional supply chains. It is worthwhile to avoid big projects that may involve a large number of countries, as that may rapidly increase the risks associated with inter-country coordination, and hollow out the final solution. High-potential cooperation areas may include trade in goods and services, investment, customs collaboration, cross-border interactions, competition, inter-branch cooperation, transport and transit, energy, telecommunications, joint development and utilisation of technologies. International social and cultural ties are equally important. They include familial and educational ties, migration, tourism, cultural exchanges – areas which over the long run may produce an impact similar to that generated by economic agreements (Vinokurov, 2013).

*An essentially new format of economic integration*

The GEP implies movement along the path of a new and little-known economic integration format – "mesointegration". This is above the regional level, but below the global level, and, as a rule, involves working on joint solutions at the level of continents – Africa, Latin America, and now Eurasia. In this context, regional blocs may generally (but not necessarily) act as elements of megaregional agreements and global cooperation architecture (Libman, Vinokurov, 2021). In that sense, the GEP may become a framework that binds subregional economic ties within Eurasia into a single self-evolving system.

*Delegate to the supranational level only those powers and authorities that are minimally necessary to solve individual tasks*

The principle of *subsidiary integration* implies that countries delegate to the upper level those (and only those) powers and authorities that are strictly necessary to solve the task at hand.

# PRACTICAL SOLUTIONS

This section presents practical solutions designed to support Economic cooperation in Eurasia. Each solution is discussed in a separate subsection, which provides an analysis of the current status of cooperation in the relevant area, and an assessment of the potential for continued development of the partnership, its geographic coverage, the challenges that need to be overcome, and the steps suggested to ensure success.



## Transport Connectivity

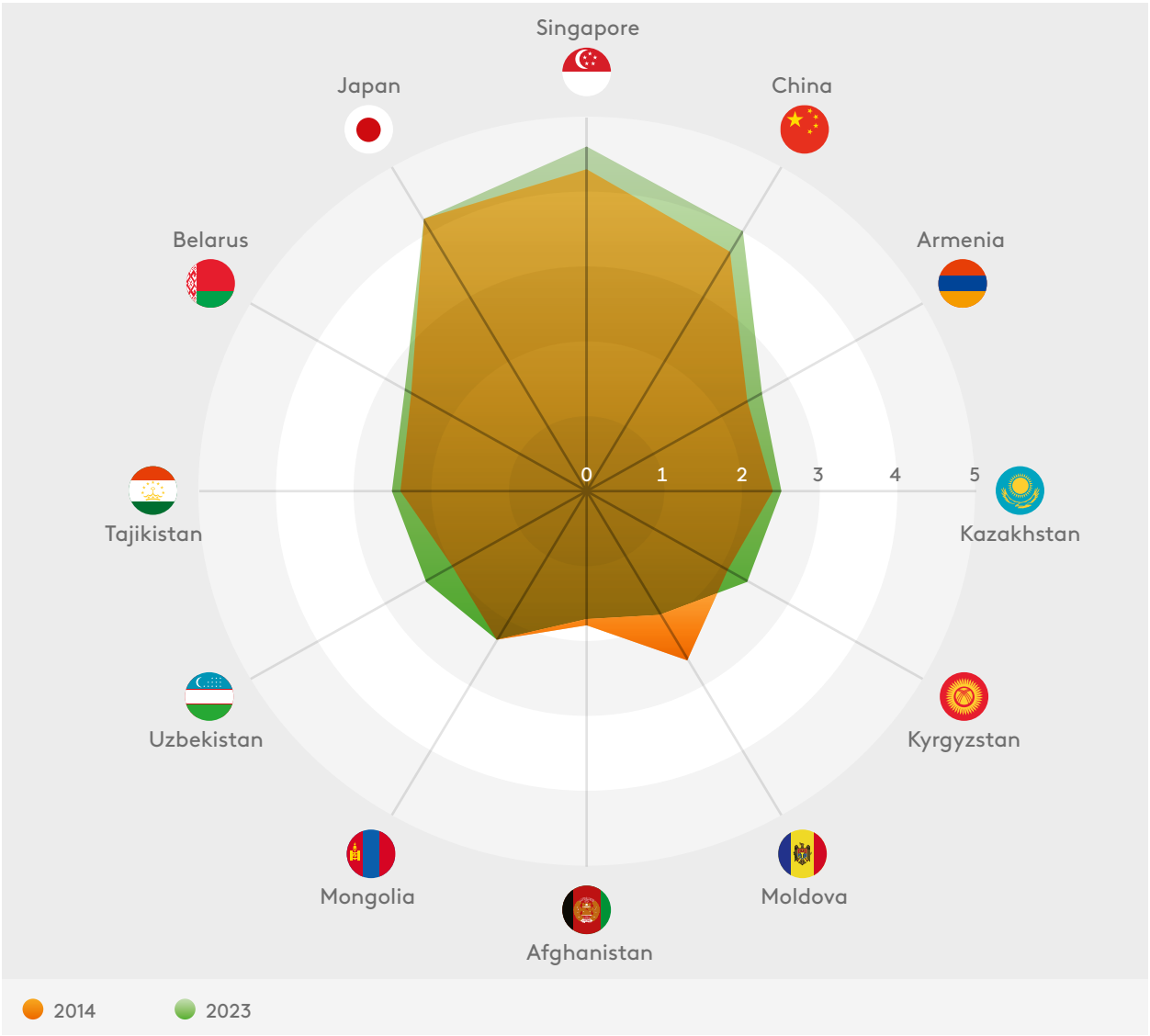
Transport connectivity is defined as the availability of infrastructural capabilities needed to ensure prompt and safe movement of passengers and cargoes between countries, regions, cities, and commodity markets with the required level of service. Because of Eurasia's vast territory and enormous distances, transport connectivity is one of the basic prerequisites for sustainable social and economic development and continued progress in trade, tourism, and human mobility. Transport connectivity is vitally important for the landlocked developing countries of Eurasia.

Transport infrastructure bottlenecks and non-physical barriers inhibit improvement of economic connectivity among the countries of Greater Eurasia even more than its huge distances. They increase the costs borne by the manufacturers and consumers of goods, and by the people inhabiting those countries. Export products lose their competitive edge (compared to the goods manufactured in coastal countries). Due to the lack of access to the sea, the GDP of landlocked countries grows at a rate 20% lower than in coastal countries (Vinokurov et al., 2022c).

The key components of transport connectivity are infrastructure and border-crossing procedures. Over the last several years, Eurasia in general, and the countries of Central Asia and South Caucasus in particular, have improved their transport infrastructure, as demonstrated by the growth of the relevant indicator of the Logistics Performance Index (LPI) calculated by the World Bank (Figure 3). That said, the countries of Eurasia, especially landlocked developing countries (LLDCs), still have a compelling need to enhance their transport infrastructure, and develop transport corridors and routes to gain access to international markets ■

[1] There are 13 landlocked countries in Eurasia: Azerbaijan, Armenia, Afghanistan, Belarus, Bhutan, Kazakhstan, Kyrgyzstan, Laos, Moldova, Mongolia, Tajikistan, Turkmenistan, and Uzbekistan.

↓ Figure 3. Changes in the Logistics Performance Index* in Selected Countries of Eurasia, Including LLDCs, 2014–2023



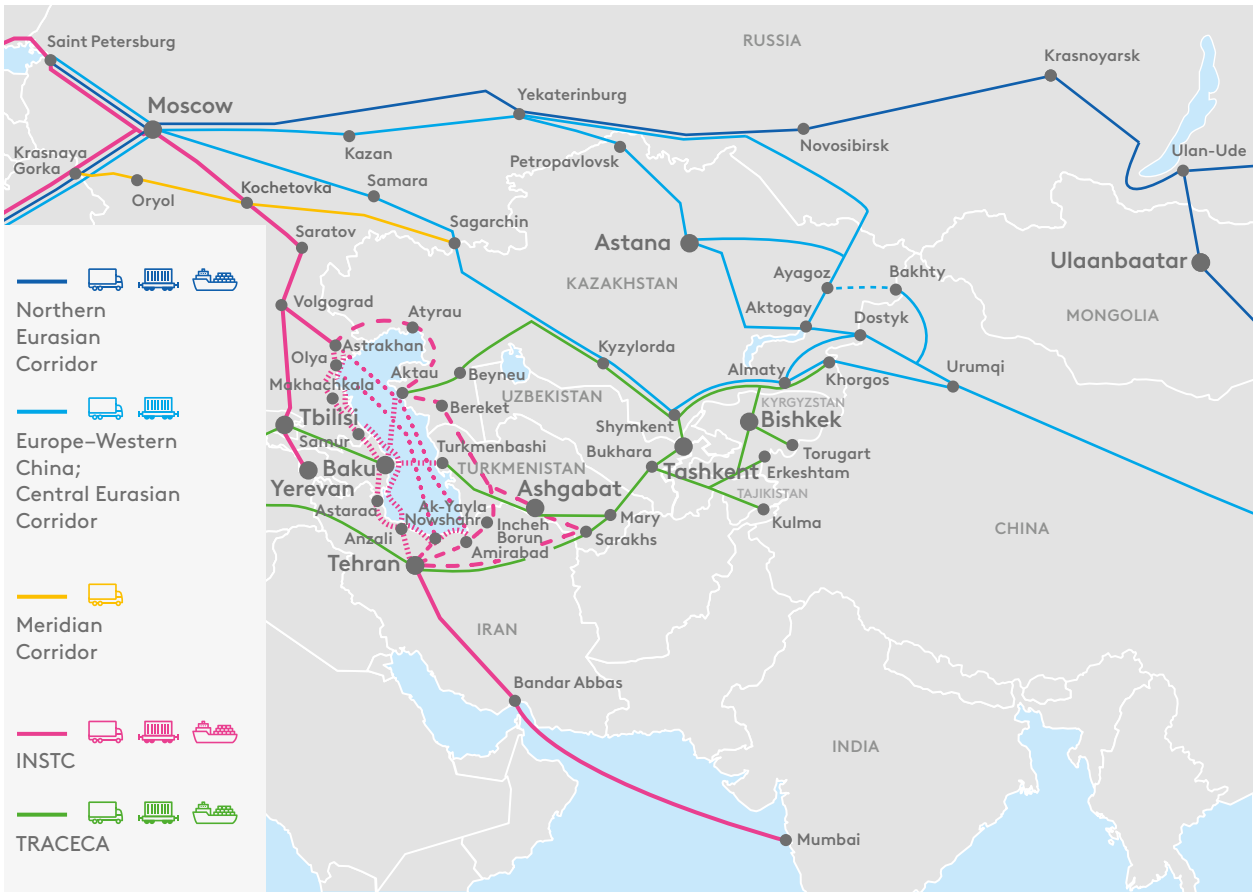

Note: * The index is measured in accordance with the World Bank methodology on a scale of 1 to 5, where 1 = transport infrastructure is absent or unusable, and 5 = transport infrastructure is effective, safe, and accessible, and creates ideal conditions for economic connectivity, logistics, and mobility.
Source: Arvis et al., 2014; 2023.

# 01 Eurasian Transport Network

Over the last 50 years, development of east-west transport links has been a policy priority. However, many countries of Greater Eurasia are currently paying increasing attention to north-south corridors. These include both the International North–South Transport Corridor (INSTC) connecting Russia, the countries of the South Caucasus and Central Asia, with Iran and India; and the proposed new corridors: Central Asia–Afghanistan–Pakistan, Russia–Mongolia–China, and others.

As a result, the creation of the **Eurasian Transport Network**, a system capable of synergising the east-west and north-south transport corridors and routes, is moving to the top of the agenda.

↓ Figure 4. Eurasian Transport Network




Source: EDB.

The Eurasian Transport Network is a grid of meridional and latitudinal routes crossing the countries of Eurasia. Various international organisations and development programmes are contributing to the creation of that grid. Notable examples of their activities include publication of the List of Eurasian Transport Corridors approved by Order No. 175 of the EEC Collegium dated 26 October 2021 (EEC, 2021), the Euro-Asian Transport Links (EATL) project of the United Nations Economic Commission for Europe (UNECE, 2020), the CAREC Transport Corridors Development Strategy (ADB, 2020), expansion of the Trans-Asian Railway (TAR) and the Asian Highway (AH) Network by the UNESCAP, and the Chinese Belt and Road Initiative (BRI).

The mechanisms underpinning development of the Eurasian Transport Framework include the following:

- Infrastructure projects for development of east-west and north-south transport corridors and routes, together with related logistical facilities and border-crossing points, with financing provided by the MDBs and development institutions;
- Cross-border infrastructure projects using the public-private partnership (PPP) mechanism;
- Coordination of transport infrastructure development plans by the countries of Greater Eurasia at the bilateral and multilateral levels;
- Consistent improvement of soft infrastructure through elimination of non-physical barriers related to international transport and border-crossing procedures, digitalisation of freight transport, customs and shipping documents.

02

PRACTICAL SOLUTIONS / TRANSPORT

## Integrated Eurasian Transport Connectivity Map and Online Observatory for Transport Infrastructure Projects

One possible solution is to create an **Integrated Eurasian Transport Connectivity Map** that will highlight bottlenecks and missing links, and indicate high-priority measures and projects required to form a common integrated transport and transit system. When completed, the Integrated Map may form the basis for a **Greater Eurasia Transport Projects Observatory (Database)**.

In 2022, the EDB prepared a database featuring investment projects for the development of the INSTC, using data from open sources and from national transport strategies and programmes. It included more than 100 investment projects, both ongoing and scheduled for realisation by 2030, with a total value of more than $38 billion. All projects were ranked by priority and divided into three groups. Group 1 included critical projects designed to build the missing transport corridor sections and eliminate existing bottlenecks; Group 2 – projects aimed at improving the quality of existing infrastructure, and developing alternative sections to increase the overall capacity of the corridor; and Group 3 – projects to expand corridor branches and adjacent transport network sections.

However, a lot of work still needs to be done before the formation of the Transport Projects Observatory along the Eurasian Transport Network is complete. The methodology for the creation and operationalization of the Transport Projects Observatory in Eurasia could be similar to that used for a similar online observatory created by the UNECE for Europe.

# 03 Cross-Border PPP Projects

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A prominent place on the list of transport projects is occupied by transport infrastructure development projects for construction of facilities shared by two or more countries which are realised on the basis of public-private partnership principles. Transport **cross-border PPPs** are difficult to implement without external financing; on the other hand, they make a valuable contribution to the development of international transport and economic ties. Examples of such projects in Eurasia include the construction of a border bridge across the Amur between Blagoveshchensk (Russia) and Heihe (China), the construction of the China–Laos high-speed railway, and others (Vinokurov et al., 2023a).

Improvement of cross-border transport connectivity can produce cumulative effects for all countries of Greater Eurasia, as it will promote trade, investment, economic activity, employment, mobility of people, and international tourism. Multilateral development banks can make a significant contribution to transport connectivity by financing and co-financing infrastructure projects, sharing expertise, and assisting public-private partnerships. The MDBs can maintain environmental safety and offer climatic and social benefits as they use green, sustainable, and social finance tools to invest in transport infrastructure facilities.

Improvement of transport connectivity in the region can become a striking example of a "win-win" situation, by creating benefits both for transport companies, and for the consumers of transport services, exporters, importers, and citizens of all participating countries. Development of transport infrastructure will be equally advantageous for both LLDCs and transit states.

## Regional Cooperation in the Water and Energy Complex (WEC)

Shortage of water resources is one of the key structural constraints on social and economic development of the Eurasian region, primarily in the countries of Central Asia. Some of the gravest problems are low water use efficiency, massive irrigation-related water loss, serious water contamination, and operational disruptions at water control facilities, such as hydro power stations and water reservoirs. Competition for water resources among the countries of the region is growing. The close connection between water, energy, and food production gives rise to the need for an integrated solution that will resolve the problems faced not only by the water sector, but also by the energy and agricultural sectors. Regional cooperation in the water and energy sphere must become a tool for solving the region's water and energy shortages. ■



# 04 Regional Approach to Managing Water and Energy Resources in the Aral Sea Basin

The Aral Sea Basin (ASB) covers the entire territory of Tajikistan and Uzbekistan, a large part of Turkmenistan, four regions of Kyrgyzstan, the southern part of Kazakhstan, and the northern parts of Afghanistan and Iran. The water resources of the ASB mostly belong to the basins of the Syr Darya and the Amu Darya (Vinokurov et al., 2021a). Those resources are distributed unevenly: 77% of the annual runoff to the ASB is concentrated in its upstream reaches in Tajikistan and Kyrgyzstan, while 85% of all water resources is used for irrigation in the downstream reaches in Uzbekistan, Turkmenistan, and Kazakhstan. Sixty million people, or 81% of the total population of Central Asia, live in the ASB. The ASB faces two interrelated problems: shortage of investment in water and energy infrastructure, and absence of effective regional cooperation (Vinokurov et al., 2022b).

Central Asia needs an open and constructive regional dialogue to develop common principles that will govern the regulation of the region's water and energy complex. The most effective solution is to grant more powers to the regional organisations involved in water and energy regulation, primarily various units of the International Fund for Saving the Aral Sea (IFAS) and the Central Asia Power System (CAPS). It is important to transform the IFAS into a full-fledged political platform. That will ensure harmonious development of the water and energy complexes of the countries of Central Asia, including rational utilisation of resources and formulation of coordinated investment policies. Establishment of the CAPS International Research Centre could be an important step in that direction (Figure 5).

Creation of an International **Water and Energy Consortium of Central Asia (CA IWEC)** would facilitate an efficient dialogue with investors. The consortium could tackle the key task of identifying and financing infrastructure projects. Two options are available: creation of a

↓ Figure 5. Proposed Solutions for the Development of WEC Regional Cooperation in Central Asia




Source: Vinokurov et al., 2022b.

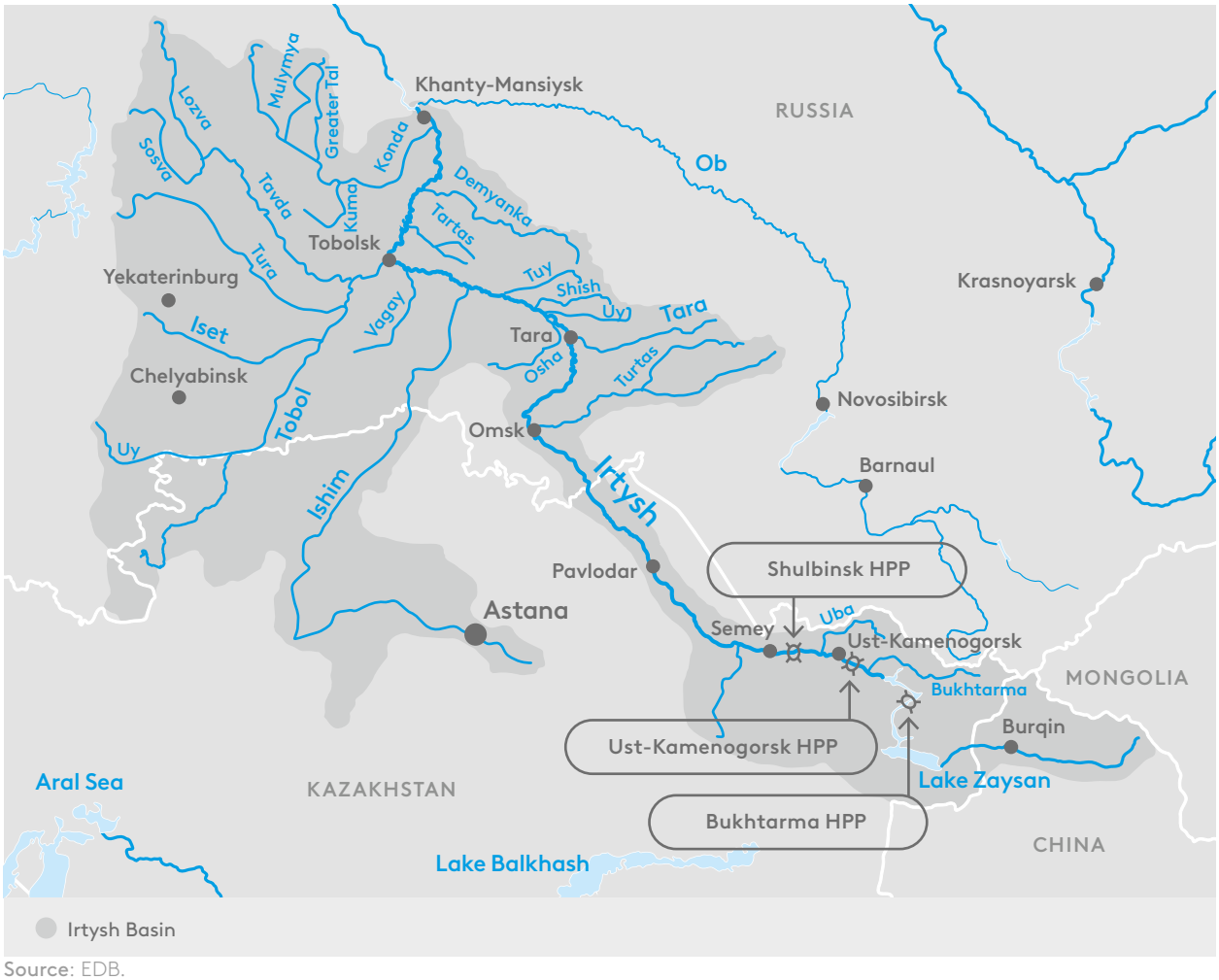
full-fledged international organisation, or establishment of a series of investment consortia to realise large-scale projects. The second option may prove to be more practical, as it would accelerate construction and ensure more effective realisation of major investment projects.

**Financial institutions could play a crucial role** as financial agents authorised to mobilise and pool the resources provided by international donors and other stakeholders (such as China and Russia). They could also co-finance national and cross-border WEC infrastructure projects in Central Asia. Accession to such consortia of regional associations, such as the SCO, the EAEU, etc., is also a possibility. Such projects should balance hydropower generation and irrigation needs, and create conditions conducive to increasing environmental safety in the lower reaches of the key rivers.

# 05 Tripartite Cooperation in the Irtysh Basin

The Irtysh Basin (Figure 6) satisfies the water needs of the people living in a vast territory in three countries – China (the Black Irtysh, or the Kara-Irtysh), Kazakhstan (the Ertis), and Russia (the Irtysh). Certain disproportions are observed between the formation of the runoff and the needs of the three countries. The ratios of the shares of the drainage basin area, the mean annual runoff, and the population inhabiting the Irtysh basin in China, Kazakhstan, and Russia are 1:30:69, 5:35:60, and 18:53:29, respectively. The number of people living in the territory of the basin is 17 million: about 3 million in the Altay Prefecture of the China's Xinjiang Uyghur Autonomous Region (XUAR), 5 million in Kazakhstan, and 9 million in Russia (Krasnoyarova et al., 2022).

↓ Figure 6. The Irtysh Basin




Source: EDB.

The increasing withdrawal of the Irtysh runoff and its intensive contamination are key challenges facing the three countries in this area. Kazakhstan's main risks include degradation of the flow-through of Lake Zaysan in the border area, operational disruption of the Irtysh HPP Chain (source of 80% of total hydropower generation in the country), deterioration of the water supply to the eastern and northern regions, including the capital Astana, and degradation of food security. Increase of water intake by China may produce a shortage of water resources in the Russian part of the basin, with water supply in the vicinity of Omsk already down to 75% of the norm (Krasnoyarova et al., 2022).

**A tripartite agreement among China, Kazakhstan, and Russia** is the optimal way out of the current situation in the cross-border Irtysh Basin. The agreement will make it possible to create an institutional cooperation platform which can then be used to effectively manage cross-border water resources, and improve water use safety in the basin. Another important objective of such agreements is to design mechanisms to improve water quality in the river, and enable each party to maintain a rational water balance. This can be done, among other ways, with water quality monitoring projects in the Irtysh Basin, and creation of a regional warning system to alert the interested parties of any incidents involving unexpected discharge of contaminants into the river.

PRACTICAL SOLUTIONS / WATER AND ENERGY

# 06 Cross-Border Power Transmission Lines

The close connection between water, energy, and food production gives rise to the need for **inter-country integration of electricity markets in Greater Eurasia**. Such integration should be based on the development of technological infrastructure, specifically cross-border power transmission lines (PTLs). It is expected that the integration of power transmission networks will reduce the need to maintain standby capacity to deal with the diversity factor caused by differences in daily and annual load schedules, and to boost competition in the electricity markets as a result of their geographic expansion. That effect will make it possible to use to the maximum the potential of the existing generation capacity by effectively managing cross-border power flows, which, in turn, will help to optimise inter-seasonal regulation of water resources, conserve water, and improve food security. Gradual movement towards a continental Eurasian common electricity market is economically expedient (Vinokurov, 2008).

Russia's participation in the construction of cross-border PTLs in Central Asia will have a positive impact. The Unified Energy System (UES) of Kazakhstan (which is synchronised with the UES of Russia) is a grid structure with principal lines to the Urals and Siberia. Energy systems of the countries of Central Asia can be integrated with the UES of Russia through Kazakhstan, which will improve their reliability, and increase their export and import potential, with possible expansion into foreign electricity markets. The UES of Russia has sufficient capacity to offset possible shortages in Central Asia's energy systems during low-water periods in the basins of the Amu Darya and the Syr Darya. In that context, **the projects for the construction of the Kambarata HPP-1 in Kyrgyzstan and the Rogun HPP in Tajikistan, both with reservoirs enabling long-term water management**, may make water and energy supply in the region more reliable, and open up new prospects for exporting electricity.

One of the possible variants of cooperation in the area of transmission and transit of electricity is **HPP construction in the cross-border PPP format**, where governments could act as the public partners, and a special-purpose joint venture, with national energy companies acting as shareholders, as the private partner. The joint venture would act as the operator of PTL construction and operation projects. The terms of implementation of the cross-border PPP, and of establishment and operation of the joint venture, may be defined in a bilateral or multilateral inter-governmental PTL construction and operation agreement. Expansion of the cross-border PTL network will boost mutual electricity trade, and assure stability of power systems during peak consumption periods.

## Logistics and Food Security

Reliable logistical supply chains and cooperation of the Eurasian countries in agriculture and the manufacture of food products are key drivers of food security and realisation of the region's export potential. Both the countries of Greater Eurasia and the regions to which they supply food products are exposed to certain food security risks, including lack of quality logistical infrastructure (such as grain transhipment and storage terminals), regional conflicts and the resultant trade route blockages, disruption of food supply chains (for example, the termination of the Black Sea grain deal), increase of logistical costs due to elevated insurance risks, etc. ■

07



# INSTC as an Alternative for Food Logistics

According to the long-term FAO–OECD forecasts regarding the volume of imports from the Agro-Industrial Complex (AIC) by the largest recipient countries, the most effective destinations for agricultural and food exports by the countries of the Eurasian region will be North Africa, Southeast Asia, and the Middle East (in particular, Saudi Arabia, Iran, and Egypt), China, India, and Vietnam. Our analysis also indicates that there is a significant potential for further increasing supply to foreign markets of AIC products from the EAEU member states, Uzbekistan, and Tajikistan (Vinokurov et al., 2023b).

However, to gain free access to high-potential markets, it is necessary **to considerably improve logistics along the southern and eastern routes of the INSTC**. Taking into account the persistently high food security risks, and the large number of people suffering from hunger in India and other countries of South Asia and Africa, continued development of the INSTC, the shortest route from Eurasia to those sales markets, becomes particularly relevant. It is also necessary to develop new logistical routes through Central Asia, and to build new, or increase the capacity of existing, land and multimodal routes to China and the countries of Southeast Asia.

**Food, in particular cereals, will become one of the main cargoes** that will be transported in the future using both southern and northern sections of INSTC routes. According to EDB estimates (Vinokurov et al., 2021b), by 2030 transport of containerised food cargoes by the corridor's three routes (Western, Eastern, and Trans-Caspian) is projected to increase to 69,000–164,000 twenty-foot equivalent units (TEUs) (depending on the scenario). In addition, large shipments of bulk vegetable oil and cereals could be redirected to the Trans-Caspian INSTC route. The EDB also forecasts that by 2030, INSTC cereals freight traffic may reach

8.7–12.8 million tonnes. By 2030, cereals freight traffic will exceed total potential container freight traffic generated by all other product categories combined.

A special role in ensuring effective food logistics along the INSTC will be played by continued d**evelopment of transport and logistics soft infrastructure**, including the completion of the only missing Western route segment between Rasht and Astara (Iran), electrification of railway lines, reconstruction of border-crossing points, construction and modernisation of specialised Caspian port terminals, wholesale distribution centres, and agricultural logistics facilities, procurement of vessels and specialised rolling stock, including innovative fitting platforms, refrigerator containers, vegetable oil tank containers, etc. (Vinokurov et al., 2022a).

## EAEU Foreign Trade Policy

Taking into account the recent changes in foreign trade geography of the EAEU member states, the potential for expanding trade and investment relations with Asian countries has significantly increased. As a result, execution of new free trade agreements by the EAEU member states has become even more important in order to forge new economic ties.

The EAEU has five trade agreements with other countries, three of which imply creation of free trade areas (FTAs). The first FTA+ free trade agreement was signed in 2015 with Vietnam. In addition to elimination of customs duties, it covers trade in services and investment activities between Russia and Vietnam. The free trade agreement with Serbia was signed in 2019, and came into effect in 2021. In 2019, the EAEU and Singapore signed a free trade agreement and a framework agreement on comprehensive trade and economic cooperation (those agreements have still not come into effect).

An interim agreement with Iran leading to formation of an FTA has been in effect since 2019. In December 2023, the countries of the EAEU signed a full-fledged agreement with Iran on formation of an FTA.

A trade and economic cooperation agreement with China was signed in 2018. It is not a preferential agreement, but it does cover a broad range of important matters, including technical regulations, customs and sectoral cooperation, public procurement, electronic trading, etc. A road map was adopted within the framework of that agreement in 2023, with a special emphasis on development of digital transport corridors.

Negotiations on making free trade agreements with Egypt, Indonesia, and the UAE are ongoing. ■

[2] https://eec.eaeunion.org/comission/department/dotp/torgovye-soglasheniya/



# 08 Expansion of the Network of Free Trade Agreements

**Development and execution of free trade agreements with the developing economies** is currently the main tool for the development of trade and investment ties within the EAEU.

As a rule, mutual trade receives a powerful impetus following the signing of trade agreements, as tariff exemptions are granted, customs duties are reduced or eliminated, and trade procedures are simplified. Such agreements may also contribute to the expansion of the range of goods supplied by the EAEU, and reduction of the commodity bias in the structure of exports. The purpose of the network of trade agreements is to facilitate access of EAEU exporters of goods and services to foreign markets, to help such exporters to embed themselves in regional and global production chains, and to attract investment capital.

The EAEU needs trade agreements not only to secure its positions in rapidly growing markets, but also to build long-term economic and investment ties. Accordingly, it appears that **development of FTA+ agreements covering, among other things, broad sectoral cooperation**, has great potential. A trade agreement of that type was signed, for the first time, between the EAEU member states and Iran. One of the priorities of the EAEU member states is to strengthen mutual ties with third countries in such areas as food security, power engineering, infrastructure, and information technologies (Eurasian Economic Forum, 2023).

Incorporation into the agreements of matters related to services and investments, or execution by the EAEU member states of separate agreements in that area, will **ensure steady development of free trade in goods and services**, considering their inseparable connection, establish closer economic relations with good prospects of setting up new joint ventures with partner countries, creating new jobs for qualified personnel and new value added chains, and expanding scientific and technological cooperation. **An agreement on trade in services and investments was signed with the CIS countries**, adding the Republic of Tajikistan and the Republic of Uzbekistan to the list of EAEU partners, and finalising the legal framework for cooperation in those areas. Several EAEU member states commenced bilateral talks with the UAE on new agreements on trade in services and investments that will form the basis for bilateral preferential trade.

There are good prospects for finalising agreements on free trade in goods with several large emerging economies of the Middle East and Asia. In addition to the countries already involved in the negotiations, this process may expand to Bangladesh, Jordan, Turkey, Thailand, the Philippines, and other states. **It is advisable to focus on negotiations with the countries which that have extensive trade networks in their respective regions.** That will enable the building of "bridges" for subsequent interaction with other countries whose direct ties with the EAEU member states remain relatively weak. Cooperation with developing countries will open access to new markets.

For example, the agreement with Egypt may become for the EAEU a "gateway" to Africa. Egypt has duty-free access to EU markets and an effective free trade agreement with Turkey and MERCOSUR, and is a member of the African Continental Free Trade Area. The list of members of the Arab FTA includes countries of North Africa and the Middle East, such as the UAE, with which the EAEU also plans to sign a trade agreement.

## Cross-Border Settlements in Digital Currencies

Central Bank Digital Currencies (CBDCs) are actively spreading throughout the world. In 2022, the share of central banks involved in various CBDC projects increased to 93%. CBDCs are divided into retail (consumer) and wholesale digital currencies. Retail CBDCs are mostly used to promote financial inclusion, and wholesale CBDCs to support cross-border payments (Kosse, Mattei, 2023). At the 2023 SCO Summit, Xi Jinping, Chairman of the PRC, suggested that the SCO member states should enlarge the scope of cooperation of sovereign digital currencies (Xi, 2023).

Digital currency payments may prove to be faster, cheaper, and safer compared to payments via conventional correspondent banking systems, including because they reduce the number of intermediaries.

As regards technical issues related to functional compatibility (interoperability), cross-border CBDC-denominated payments can reduce dependence on the international payment infrastructure and, in particular, become an alternative to SWIFT. Taking into consideration the recent trend towards fragmentation of the global financial infrastructure, cross-border CBDC settlements may become a critical element of the trade finance infrastructure (National Bank of the Republic of Kazakhstan, 2022).

CBDC payment velocity may increase due to simplification of operating procedures, including due diligence and know-your-customer (KYC) procedures (BIS, 2022a). The fact that the payment infrastructure operates 24/7 will facilitate synchronisation of operating periods in various jurisdictions, while the reduction of the number of intermediaries in the payment chain will decrease the number of verifications (Kosse, Mattei, 2023). At the same time, jurisdictional differences remain a major obstacle to the use of CBDCs in cross-border payments.

On the other hand, cross-border settlements in digital currencies may give rise to certain risks, including cryptocurrency risks (fraud, etc.), financial risks, including elevated volatility of capital flows, and risks of diminished monetary performance (BIS, IMF, World Bank, 2022). ■

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## Movement Towards Technical Compatibility of National (Central) Bank Digital Currencies

**It is advisable for the EAEU member states to ensure technical compatibility of their national digital currencies, and to align their approaches to designing digital currency cross-currency payment models.** That will make it possible to reduce dependency on the international payment infrastructure, and to expand trade and investment ties.

Digital currencies of the EAEU member states are currently at different stages of development. This is consistent with global trends that testify to the asynchronous nature of that process.

As of June 2023, countries that account for 98% of the world economy were in the process of developing digital versions of their domestic currencies, with 46 countries and currency unions considering their introduction, and 32 engaged in their development, while 11 countries had already launched CBDCs.

In the EAEU, Russia and Kazakhstan have made the most progress towards completion of their national digital currency projects. The other EAEU member states are still examining their needs in that area.

In August 2023, the Bank of Russia launched a pilot project envisaging the use of the digital rouble in real operations. Beginning in 2025, individuals and businesses will be able to actively use the digital rouble (CB RF, 2023).

Kazakhstan's digital tenge platform was launched in pilot mode in November 2023. In 2024, the project will be scaled up by adding new participants and expanding the range of available services (Sholpankulov, 2023). It is planned for the digital tenge to be introduced in three stages by the end of 2025.

So far, the focus has been on expansion of the retail capabilities of the digital currencies of Russia and Kazakhstan. Their cross-border functionality is being examined, as are the possible uses of those currencies for cross-border payments.

Countries are experimenting with wholesale applications of their digital currencies for cross-border settlements. The ongoing testing of various digital currency interaction formats shows that those countries are interested in cross-border integration of their sovereign digital currencies on the basis of various technical solutions.

Globally, there are 16 international CBDC platforms joining various jurisdictions, including mBridge, Aber, Dunbar, and Nexus, run by China, the countries of ASEAN, the Middle East, and others (Figure 7). The Bank for International Settlements is actively involved in the development of cross-border digital currency settlement systems, testing such platforms, participating in numerous international initiatives, and urging stakeholder countries to design a legal framework to support CBDC interactions (McGleenon, 2023).

The Bank of Russia is discussing the possibility of integrating the digital rouble with the national currency platforms of several countries (Interfax, 2023). The National Bank of the Republic of Kazakhstan is examining cross-border payment opportunities in cooperation with a number of international organisations, including SWIFT. In 2023, it joined the BIS mBridge initiative as an observer state (Sholpankulov, 2023).

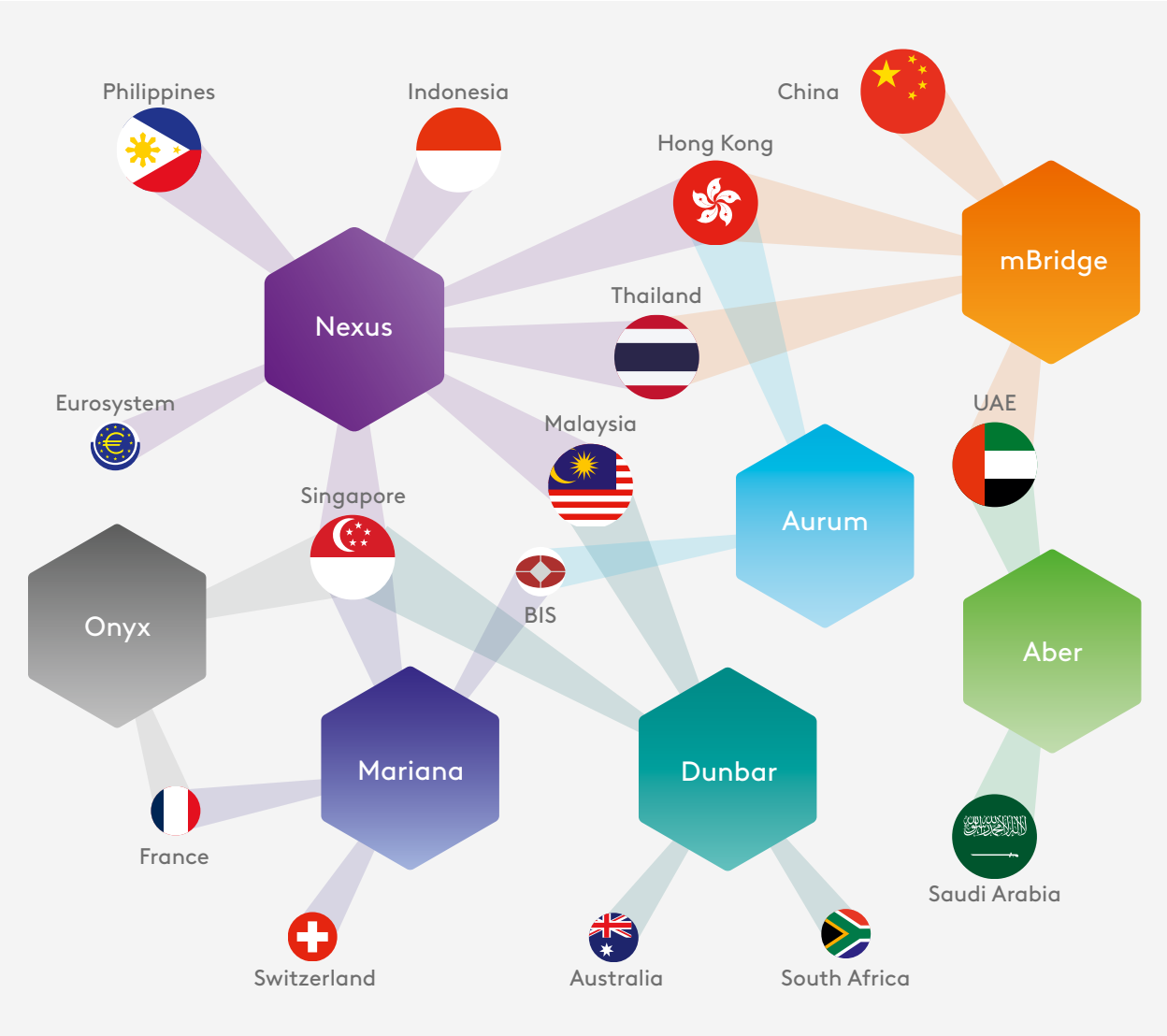
The mBridge platform (Multiple Bridge), jointly developed by several institutions from Hong Kong, Thailand, the UAE, and the PRC, supports, among other things, transactions denominated in the digital yuan (digiyuan, or e-CNY) (BOFIT, 2023). In 2022, it ran in test mode a series of transactions among 20 commercial banks in four jurisdictions (BIS, 2022b).

At this stage of development of digital currencies in the EAEU, it is also advisable to focus on producing coordinated technical solutions. It is likely that not all technical CBDC payment solutions proposed by international organisations will ultimately be applicable to all EAEU currencies.

In addition, it would be desirable for the EAEU member states to integrate with regional fast payment systems (FPSs) to expand their cross-border payment capabilities. More than 80% of central banks recognise the need to concurrently develop both CBDCs and FPSs

[3] Central Bank Digital Currency Tracker. Available at: https://www.atlanticcouncil.org/cbdctracker/.
[4] Ibid.

↓ Figure 7. Cross-Border CBDC Projects




**Source**: prepared by EDB analyses based on data published by the Atlantic Council and CBDC Tracker as of August 2023.

(Kosse, Mattei, 2023). The EAEU member states may benefit from the ASEAN's Local Currency Settlement Framework (LCSF) (Tama, Wijayanti, 2023) and the related QR code-based digital payment system. In 2021, the LCSF was first used in mutual settlements between Indonesia and China; in 2023, between Indonesia and Japan (Muhammad, 2023). The countries of ASEAN intend to promote the use of that system by their partner countries (Falak Medina, 2023).

## Horizontal Cooperation between MDBs

The amount of financial investments in Greater Eurasia infrastructure needed to achieve sustainable development goals is estimated at 5–8% of GDP per year, depending on the country, with the shortfall of investment capital that will be faced by all developing countries in 2023–2040 estimated at about $1.1 trillion (UNCTAD, 2023).

Infrastructure investment needs of the countries of Central Asia lying in the very heart of Greater Eurasia are estimated by the ADB at about $75 billion per year until 2030. Those needs are partially met by the MDBs operating in the region: in 2016–2022, their total investments amounted to $10–15 billion per year, which covered up to 20% of total infrastructure investment needs.

The MDBs of the Eurasian countries can engage in "horizontal" cooperation, which may increase the number of capital-intensive projects in the region. Joint expert assessment of projects helps to reduce commercial risks. The EDB can be considered as the leader (or one of the leaders) of the investment pools being created by the MDBs to realise regional investment projects, in many cases with significant sustainable development impacts. ■

[5] EDB expert estimates based on ADB calculations (https://www.carecprogram.org/uploads/2019-HLCAREC-Forum-Background-Note-ru.pdf).

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# Strengthening of Cooperation with MDBs: Consolidation of Resources, Expertise, and Capabilities

The MDBs play the key role in closing the infrastructure investment gap in Eurasia. However, many large multibillion projects, especially those affecting several adjacent countries, cannot be independently achieved by a single development institution. **Raising the level of cooperation among the development banks operating in the region will increase the number of capital-intensive projects in Greater Eurasia.** It is particularly important to expand cooperation among the regional MDBs established by countries with emerging markets (MDB–CEM), as they are uniquely positioned to rapidly and flexibly respond to the actual needs of such countries.

Many multilateral development institutions are working in the region. In addition to global institutions such as the World Bank Group, the EBRD, the EIB and others where the OECD plays the key role, the region is served by MDBs established by the countries situated in Greater Eurasia, including the Asian Development Bank (ADB), the Asian Infrastructure Investment Bank (AIIB), the Islamic Development Bank (IsDB), the New Development Bank (NDB), the Eurasian Development Bank (EDB), the Black Sea Trade and Development

Bank (BSTDB), the International Bank for Economic Cooperation (IBEC), the International Investment Bank (IIB), the Economic Cooperation Organisation Trade and Development Bank (ETDB), the OPEC Fund for International Development, and others.

Most of the MDBs listed above pursue similar goals, seeking to promote sustainable development and to deal with global and regional issues. This is largely because various MDBs have the same shareholders. Uniformity of goals and overlapping memberships objectively create conditions conducive to seamless coordination of their operations, which is reflected in realisation of joint projects. However, no assessment of the effectiveness of their cooperation is currently available.

Expanding cooperation among the MDBs may take different forms, but the following may produce the most significant impact:

1. **Mobilisation of capital** through co-financing, provision of mutual guarantees, or establishment of joint funds for specific projects. This will make it possible to considerably increase the capital intensity of the projects, including by relieving the MDBs of constraints related to risks, limits, portfolio structure requirements, etc.

2. **Facilitating the development of capital markets** in the region through issuance of joint bonds of various types, acquisition of equity participations, and establishment of trust funds. Cooperation in that area will make it possible to increase the capacity of regional markets (World Bank, 2016) by easing access to funding through both asset growth and better financing terms.

3. **Provision of financing in local currencies** through issuance of mutual bonds and currency swaps. This will satisfy demand for financing in national currencies for projects targeting the domestic market, and improve availability of credit resources to borrowers through mitigation of currency risks.

4. **Cooperation in expert assessment of projects**, including through the use of (project, sector, country) expert knowledge accumulated by each MDB, which will help to mitigate risks, reduce project timeframes, and ultimately maximise project impact.

5. **Integration of knowledge and experience** through country-level benchmarking, joint research, realisation of long-term projects (for example, creation and maintenance of databases), joint workshops, etc. Such cooperation promotes conditions conducive to free access to knowledge in participating countries, which is important for advancement of their human potential. In addition, joint research will make it possible to make the best use of the experience of various countries to deal with matters on the global agenda.

6. **Cooperation in technical assistance** through allocation of income, harmonisation of diverse approaches and procedures, and integration of accumulated experience. Such cooperation will not only improve the quality of technical assistance and, consequently, of relevant projects, but also release resources needed to expand technical assistance through elimination of redundant expenses.

7. **Realisation in the region of cross-border projects affecting the interests of multiple countries.** This form of cooperation (where coordination among the MDBs is particularly important) will make it possible to significantly expand the scope of projects. The MDBs can act as arbiters in relations between governments, thereby mitigating political risks associated with projects, and making sure that the positions of all stakeholder countries are duly noted. In addition, MDB pool participation can create conditions for projects to gain access to private co-financing.

Cooperation among the MDBs is currently ongoing, to varying degrees, in all of the above areas. It is, however, only sporadic, with the stakeholders mostly seeking to secure co-financing, and thus eliminate the constraints associated with large-scale projects. An analysis of the outcomes of joint projects previously completed in Eurasia reveals a notable increase in cooperation effects, including by strengthening integration ties.

**Sustained efforts to advance cooperation among the MDBs in the region** can be instrumental to increasing both the effectiveness of projects in the region, and the level of integration and collaboration among countries. Regional MDBs can play a particularly important role in that process because, due to their stakeholder line-up, they are most interested in increasing the number of projects and expanding the scope of financing in the region.

**Cooperation among MDBs in Eurasia can generate the best outcomes when they pool their efforts to modernise and build cross-border energy and transport infrastructure**, particularly to the extent that this can promote regional economic integration, provide landlocked countries with access to global commodity markets, advance digitisation and green transformation, improve public access to water supply utilities, support the water and energy complex and the agricultural and industrial complex, including irrigation and processing of agricultural products.

**Examples of joint MDB financing** of large-scale infrastructure projects in the countries of Eurasia include the following:

- international public-private project for construction of the Big Almaty Ring Road (BARR) (66 km) included in the "Western Europe–Western China" international transport corridor; total project cost $743 million, of which 78% was financed by an MDB syndicate consisting of the Eurasian Development Bank, the European Bank for Reconstruction and Development, and the Islamic Development Bank (EDB, 2021);

- co-financing by the Asian Development Bank and the EDB of the following two projects: construction of the Bishkek–Osh Highway (655 km) included in the "Russian Federation–Middle East and South Asia" CAREC-3 transport corridor, and restoration of the Toktogul HPP with replacement of two hydroelectric sets (total financing: $250 million) (Government of the Kyrgyz Republic, 2015);

- CASA-1000 Project co-financed by the ADB, the World Bank, the European Investment Bank, the IsDB, and other development institutions; the project involves creation of infrastructure for exporting electricity from existing Kyrgyzstan and Tajikistan HPPs to Afghanistan and Pakistan (Vinokurov et al., 2021a).

**Knowledge transfer** by international financial organisations has a positive effect on the attractiveness of projects in Eurasian market to a broad range of potential participants. The MDBs can facilitate enrolment of new concession companies with varying investment horizons, and development of innovative financing mechanisms at early project stages.

## Climate Obligations in the Eurasian Space

Most Eurasian countries have assumed certain obligations related to adaptation to climate change and development of the green economy. Climate finance is one of the mechanisms of green economic transformation. Expansion of climate finance can be facilitated by the MDBs which in 2023 promulgated Joint Principles for Aligning Financial Flows with Paris Agreement Goals. It is expected that the MDBs will focus on high-potential green/climate financing tools and targets, and on creation of a shared platform (mechanism) to accumulate financial resources and engage in "sustainable" investments to support green projects and ensure discharge of climate obligations assumed by the Greater Eurasia countries. ■

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# Creation of a Multilateral Green Finance Mechanism

Fulfilment of obligations under the Paris Climate Agreement implies application and development of the full range of green finance tools, and creation of shared platforms to accumulate the financial resources required to support green/climate projects and programmes of the Greater Eurasia countries. To promote investments in such projects in the territory of the Eurasian Space, it is possible to use cash offered by special funds, including subsidies and grants provided by international institutions specialising in climate finance.

The MDBs possess significant capabilities for the development of green finance tools, and their role in the realisation of the green agenda in Eurasia will be steadily growing. Thus, in 2022, climate finance provided by MDBs amounted to $99.5 billion, of which $60.7 billion (2021: $50.6 billion), or 63%, was channelled to low- and middle-income countries for climate mitigation and adaptation (EIB, 2023). It is anticipated that climate finance projects will continue to dominate MDB portfolios. For example, the Asian Development Bank is going to allocate at least 75% of its total financing to climate-related projects by 2030, and the Asian Infrastructure Investment Bank, 50% by 2025 (Vinokurov et al., 2023c).

Another instrument that could prove useful for the Greater Eurasia was the Green Economy Financing Facility (GEFF), created by the EBRD to support enterprises and households willing to invest in green technologies.

[6] According to the ADB, "green finance" covers all financial tools, investments, and mechanisms consistent with the "climate plus" approach aimed at attaining both climatic and environmental sustainability purposes.

The Green Economy Financing Facility (GEFF) is an EBRD programme (scheme) under which the bank offers mini-credits to more than 190 partner financial institutions in 29 countries for a total of more than €6.3 billion per year, jointly with the World Bank, the ADB, the Global Environment Facility, the FAO, etc. GEFF resources are available to a limited number of countries and organisations.

Inasmuch as the green finance needs of the Greater Eurasia countries are enormous, it is important **to create a "Eurasian" counterpart of the GEFF, a green (or, in a wider sense, sustainable) finance mechanism**, but in the form of an MDB coalition using a shared financial platform, with the participation of those MDBs that are interested in an equal partnership created to carry out climate and ESG projects, issue green and climate bonds, and other sustainable finance and development tools proposed below. The partnership may be established as a consortium comprising, for example, the ADB, the IsDB, the AIIB, the NDB, the BSTDB, the OPEC Fund for International Development, and the EDB – MDBs which have already implemented, or are testing, several bilateral cooperation formats, including those associated with sustainable development of their member states. In the future, the proposed GEFF-like green/sustainable finance mechanism could attract the resources of the Green Climate Fund, the Climate Investment Fund, the Global Environment Facility, and other relevant sustainable finance market players, including organisations that acceded to the Green Investment Principles of the Belt and Road Initiative (EDB, 2023).

**The MDBs operating in the Eurasian Space could develop joint sustainable finance tools**, including through green syndication, cross-guaranteed GSS+ bonds, and climate transition bonds. The Green Credit Lines (GCLs) are one of the most effective climate project finance tools. According to GCL procedures, the funds provided by international financial organisations are allocated among the participating local financial institutions (including commercial banks, national development banks, specialised financial institutions, and non-banking credit institutions) which, in turn, extend loans to the ultimate borrowers – green project developers (EU4Climate, 2020).

It may be beneficial to **adapt ASEAN practices to the conditions and needs of the EAEU** by using, for example, the knowledge accumulated by the ASEAN Catalytic Green Finance Facility and the ASEAN-EU High-Level Dialogue on Sustainable Development. For example, operating within the framework of the ASEAN–EU Dialogue on Sustainable Development, the European Commission participates in the ASEAN Catalytic Green Finance Facility, in line with the European Green Deal and in close coordination with the ADB and European financial institutions. Notably, the ASEAN Catalytic Green Finance Facility (embedded within the ASEAN Infrastructure Fund), established by the ADB and the ASEAN governments, is the only regional green finance initiative aimed at developing and expanding projects to promote climate improvement in the ASEAN countries. The ASEAN Catalytic Green Finance Facility – which emphasises the need to work with national development banks and organisations with direct access to the Green Climate Fund – has accumulated about $7 billion to finance ASEAN green projects (ADB, 2023).

It would also be useful for the EAEU to consider the experience of EU programmes promoting expansion of sustainable finance beyond the EU perimeter under the European Green Deal. In particular, the EU and the UNDP, working within the framework of the EU4Climate programme, support the Eastern Partnership in attaining climate goals using the platform created by the Eastern Europe Energy Efficiency and Environment Partnership (E5P). The countries of the Eastern Partnership have received more than €164 million from various sources to finance E5P projects, and raised almost €1.2 billion to invest in the development of green cities, including

[7] EBRD. Green Economy Financing Facility. Available at: https://ebrdgeff.com/about-seff/

energy efficiency of public buildings, complete renovation of heating systems, treatment of solid waste, and urban transport (CORLEAP, 2022). The EU supports about 80 Eastern Partnership SMEs in their efforts to adapt to climate change and use "green" opportunities, including steps to improve resource efficiency and green production ratios. Those practices could be beneficial for the EAEU which could **deploy tools designed to support green transition or climate adaptation of small and medium-sized businesses**.

# Academic Mobility Trends and Prospects in the Greater Eurasia

Academic mobility could become one of the key mechanisms of scientific and technical cooperation and convergence of labour markets in the Greater Eurasia countries. We propose to launch a Eurasian academic mobility programme, in the form of an international consortium of the leading universities, with active participation of the business community and maximally flexible structuring to match national priorities.

The strengthening of mutual educational ties among the countries of the Greater Eurasia, ranging from exchange of school and university students, post-graduates, and faculty members, to alignment of curricula and mutual recognition of diplomas, is a key instrument for long-term scientific cooperation and economic integration. Experts maintain that an international education network comprising the leading universities could have special significance in assuring gainful employment and realisation of human potential in the course of a structural transformation of the global economy on the basis of a new technological paradigm. Creation of such a network could be instrumental both for provision of education services to people in the developing countries and realisation of programmes designed to upskill and retrain the unemployed to ensure that they meet new qualification requirements (Glazyev et al., 2023).

At this time, there are several ongoing large-scale education exchange projects in the Eurasian space, including the CIS Network University, the SCO University, and the Eurasian Network University initiative. Although the existing network universities show some promise and have already produced certain results, they are not generating statistically meaningful flows of actual educational exchanges required to train quality talent for Eurasian continental cooperation.

Erasmus+, the European Commission programme promoting education, training, youth and sport projects, partnerships, events, and mobility initiatives, is a good example of global best practices. The programme offers financing to facilitate cooperation in those areas both among the EU countries and with partner countries around the world, covering 33 countries, including the EAEU member states and countries of Latin America, Africa, and the Caribbean. A university from a partner country may send its students and post-graduates (for three to twelve months), or its employees (for up to two months), to a participating university in another member country. The current Erasmus+ targets are: 30,000 scholarships for university students and employees under joint master's programmes; 130,000 individual scholarships to support short-term mobility among universities from partner countries and programme countries; 1,000 higher education enhancement projects; and 2,000 projects under the Jean Monnet Programme (short-term European integration courses). ■

# 12 Academic Mobility Promotion Programme

To fully realise the educational exchange potential in the Greater Eurasia, we propose the launch of a large-scale international educational and academic mobility programme. The target of the programme can be tentatively defined as annual enrolment of tens of thousands of university students, post-graduates, and professors with reference to the aims and objectives of Eurasian cooperation roadmaps and sectoral and foreign economic priorities of the countries participating in the programme.

The programme can be structured as a system of grants that will fully or partially cover education expenses (for 1–2 semesters) in the participating country. Funds should be disbursed through multiple channels, with education costs distributed among the family (travel expenses), the university, and the state (education fees, and the cost of living on a university campus) in varying proportions subject to family income and mobility vector – the remoteness of, and cost of living in, the host country. A portion of the costs could possibly be covered by a special facility (fund or agency similar to the Erasmus+ programme).

The list of priorities of the programme could be topped by training of **qualified engineering personnel** for cutting-edge industries, primarily to support continuous operation of cross-border infrastructure, including railways and highways, electricity networks, and oil and gas pipelines, as well as to launch and expand the key integration megaprojects, and strengthen cooperation among the Greater Eurasia countries. It is also important to provide advanced training to teachers of the Russian language as the official language of several interstate institutions of the Eurasian region, and an important means of international communication and cooperation.

The proposed educational exchange programme should be structured as a consortium that will comprise the leading universities of the participating countries and representatives of the business community, and make use of innovative infrastructure facilities. Private and state-owned companies willing to support the programme could be granted special privileges. The option whereby participants can concurrently engage in theoretical studies and on-the-job training could boost the programme's effectiveness and provide a solid link to "down-to-earth" economic tasks.

An acceptable legal and regulatory framework for the educational exchange programme could be provided by a separate **intergovernmental agreement** to which the Greater Eurasia countries can accede if there is interest on both sides. It would be best to ensure **maximum flexibility of the terms of participation of the countries**, not only for all education segments, including bachelor's and master's programmes and specialised sectoral and language programmes, but also for each individual training module. In addition, to launch the proposed programme, partner universities should execute an agreement that would guarantee recognition of the points (credits) received by the student during his/her studies abroad, and their inclusion in the graduation papers. This would give an additional impetus to the process of alignment of curricula and mutual recognition of diplomas of the countries participating in the programme.

The Eurasian academic mobility programme could become an important structural component of the Cooperation, reinforcing economic ties among the Greater Eurasia states, and promoting collaboration in education and research. At the current stage,

this is particularly relevant for the development of partner relations between the EAEU and Asian countries which more often display interest in joint ventures and cross-border megaprojects that will require qualified personnel familiar with the distinctive features of national and regional markets in Eurasia and the process of their integration.

# SOLUTIONS THAT ARE NOT CURRENTLY RELEVANT

Several ambitious ideas for integration interaction among the countries of Greater Eurasia have been put forward since 2012. Many of them are now all but unrealisable because conditions and priorities have changed, or time has demonstrated their unviability. It would be reasonable for the countries to discard those ideas, and focus instead on realisable practical solutions to achieve much better outcomes. The following sections provide several examples of integration initiatives that have, in our opinion, become irrelevant for the countries of the region.

## Free trade area "from Lisbon to Vladivostok"

Today the idea to form a shared economic space, or sign an agreement to promote free trade "from Lisbon to Vladivostok (Shanghai)", appears quite unrealistic. In the past, the idea was based on an assumption that global integration of major regional blocs, including the EAEU, the EU, and ASEAN, was possible. For example, several promising directions for a potential megadeal between the EAEU and the EU were proposed by the EDB Centre for Integration Studies and the International Institute for Applied Systems Analysis within the framework of a research project called "Challenges and Opportunities of Economic Integration in the European and Eurasian Spaces" (Kabat et al., 2016). However, systemic contradictions that have emerged between some of the EAEU member states and the EU over the last several years have put on hold further expansion of economic cooperation between the two unions. An alternative path is to expand the existing free trade agreements network. The prospects of such expansion are now largely associated with the Asian vector, in particular with such major players as the PRC, India, Indonesia, and the UAE.

There have been several attempts to negotiate large-scale trade agreements in some Greater Eurasia sub-regions. For example, over the last 20 years, the SCO member states have not been able to negotiate and sign a trade agreement, although establishment of a free trade area was envisaged by the Programme for Multilateral Trade and Economic Cooperation, adopted in 2003. The free trade area idea became even less realistic following the accession to the SCO of India and Pakistan. On the other hand, the Regional Comprehensive Economic Partnership (RCEP) project, based on the FTAs of the ASEAN member states, was successful, and became the world's largest free trade area.

[8] http://rus.sectsco.org/docs/about/faq.html

## Common labour market

At this time, it is impossible to create a common Eurasian labour market, mostly due to cultural and historical factors, language barriers, disparate levels of education, innovations reducing demand for human labour, and differences in national labour and migration laws. There are several international migration nexuses in Eurasia. As a rule, they comprise countries with close historical ties, such as the post-Soviet area, and the India–Bangladesh–Pakistan and Singapore–Malaysia–Indonesia "triangles". The existing legal barriers severely limit migration flows to and from other countries.

New barriers to labour mobility keep emerging on a regular basis. Logistics and visa procedures became significantly more complicated, especially during the COVID-19 pandemic. Integrated labour markets operate only within the EU and the EAEU, and the EU is trying to restrain the inflow of migrants from other parts of Eurasia. It is highly unlikely that these challenges will be overcome over the medium term.

## Common visa-free space

By the same token, it is difficult to imagine the emergence, in the next several years, of a common visa-free space covering several dozen countries. The focus of practical efforts should instead be moved to bilateral visa-free agreements, and to replication of people-friendly electronic visa arrangements.

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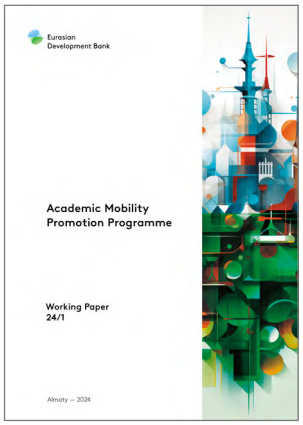
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# Abbreviations

**ADB** – Asian Development Bank
**AIIB** – Asian Infrastructure Investment Bank
**ASB** – Aral Sea basin
**ASEAN** – Association of Southeast Asian Nations
**BRI** – Belt and Road Initiative
**BSTDB** – Black Sea Trade and Development Bank
**CA** – Central Asia
**CAREC** – Central Asia Regional Economic Cooperation
**CBDC** – central bank digital currency
**CIS** – Commonwealth of Independent States
**EAEU** – Eurasian Economic Union
**EBRD** – European Bank for Reconstruction and Development
**EDB** – Eurasian Development Bank
**EEC** – Eurasian Economic Commission
**EIB** – European Investment Bank
**EU** – European Union
**FTA** – free trade area
**GCL** – green credit line
**GDP** – gross domestic product
**GEFF** – Green Economy Financing Facility
**GEP** – Greater Eurasian Partnership
**GSS+** – green, social, sustainable, and sustainability-linked bonds
**HPP** – hydro power plant
**IBEC** – International Bank for Economic Cooperation
**IFAS** – International Fund for Saving the Aral Sea
**IIB** – International Investment Bank
**INSTC** – International North–South Transport Corridor
**IsDB** – Islamic Development Bank
**ITC** – international transport corridor
**LLDC** – landlocked developing country
**MDB** – multilateral development bank
**NDB** – New Development Bank
**OECD** – Organisation for Economic Cooperation and Development
**OPEC** – Organisation of the Petroleum Exporting Countries
**PPP** – public-private partnership
**PRC** – People's Republic of China
**PTL** – power transmission line
**RCEP** – Regional Comprehensive Economic Partnership
**SCO** – Shanghai Cooperation Organisation
**SDGs** – sustainable development goals
**UAE** – United Arab Emirates
**UES** – unified energy system
**UNECE** – United Nations Economic Commission for Europe
**UNESCAP** – United Nations Economic and Social Commission for Asia and the Pacific
**WEC** – water and energy complex
**%** – percent
**%** y/y – year-on-year growth rate
**y** – year
**yy** – years
**$** – United States dollar
**km** – kilometre
**mln** – million
**bn** – billion
**T** – trillion




**Working paper 24/1**
(RU)

**Academic Mobility Promotion Programme**

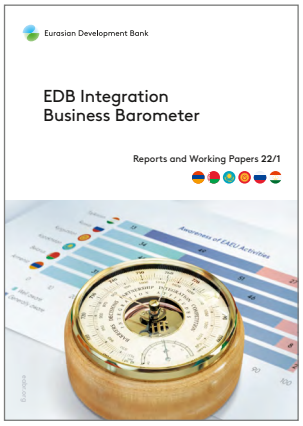
The EDB's working paper "Academic Mobility Promotion Programme" contains a comprehensive analysis of problems and specific practical solutions to ensure the sustainable growth of interuniversity relations and educational exchanges across the Eurasian region (the EAEU and CIS countries).




**Macroeconomic Outlook**
(RU/EN)

**EDB Macroeconomic Outlook 2024–2026**

The Eurasian Development Bank has published its Macroeconomic Outlook, presenting a preliminary overview of economic developments in the Bank's member states for 2023, along with key macroeconomic projections for 2024, as well as 2025 and 2026.




**Report 22/1**
(RU/EN)

**EDB Integration Business Barometer**

The Eurasian Development Bank has published its Macroeconomic Outlook, presenting a preliminary overview of economic developments in the Bank's member states for 2023, along with key macroeconomic projections for 2024, as well as 2025 and 2026.




**Report 22/2**
(RU/EN)

**International North–South Transport Corridor: Investments and Soft Infrastructure**

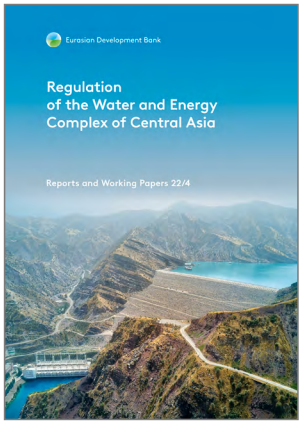
The study assesses the investment potential of the INSTC, identifies barriers to its development and provides recommendations on how to eliminate them




**Report 22/3**
(RU/EN)

**The Economy of Central Asia: A Fresh Perspective**

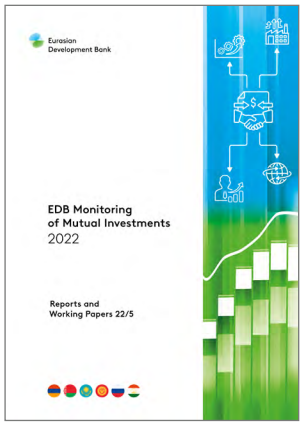
The report provides a renewed perspective on Central Asia as a large, dynamic and promising economic region and analyses its current structural changes and major growth areas




**Report 22/4**
(RU/EN)

**Regulation of the Water and Energy Complex of Central Asia**

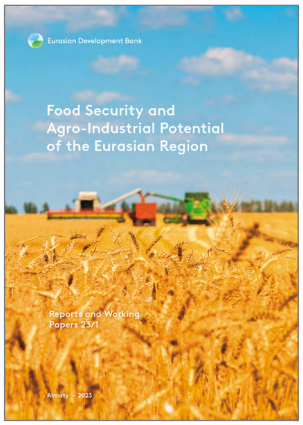
The report scrutinises historical data and international experience to suggest five institutional solutions for effective regulation and development of Central Asia's water and energy complex that would benefit all countries of the region




**Report 22/5**
(RU/EN)

**EDB Monitoring of Mutual Investments 2022**

The report contains detailed information on the scope, development, geographical, and sectoral structure of mutual investments of the CIS countries and Georgia from 2016 to the first half of 2022, as well as mutual direct investments of the countries of the region with China, Iran, and the Arab states




**Report 23/1**
(RU/EN)

**Food Security and Agro-Industrial Potential of the Eurasian Region**

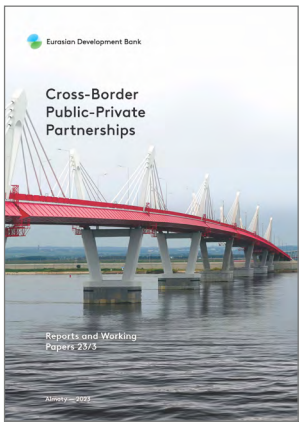
Based on the balance approach, the report analyses the production, resource, and export potential of the agro-industrial complexes of the EAEU countries, Tajikistan, and Uzbekistan for the period until 2035.




**Report 23/2**
(RU/EN)

**Global Green Agenda in the Eurasian Region. Eurasian Region on the Global Green Agenda**

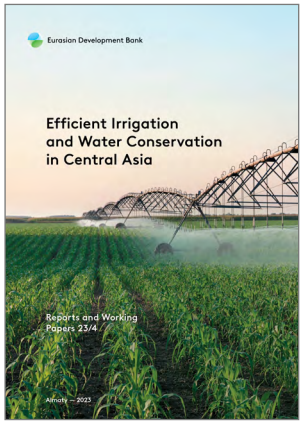
The report provides a comprehensive analysis of the challenges and prospects for low-carbon transition in Eurasia, covering EAEU countries, Tajikistan, and Uzbekistan.




**Report 23/3**
(RU/EN)

**Cross-Border Public-Private Partnerships**

The report outlines the criteria and scope of cross-border PPP projects, evaluates their potential for fostering cross-border infrastructure development in the EAEU, Central Asia, and the South Caucasus, and suggests guidelines for the successful implementation of cross-border PPPs in the region.




**Report 23/4**
(RU/EN)

**Efficient Irrigation and Water Conservation in Central Asia**

A new EDB study outlines ten practical steps for preserving irrigated land potential and promoting water conservation. The list includes four recommendations for adoption at the regional level and six at the national level. The measures are designed to save enough water each year to support sustainable development.




**Report 23/5**
(RU/EN)

**EDB Monitoring of Mutual Investments — 2023**

The report contains detailed information on the scope, development, geographical and sectoral structure of mutual direct investments of the countries of the Eurasian region from 2016 to 1H 2023. Special attention is paid to a review of mutual investments by companies from the Eurasian Economic Union member states, with special emphasis on their dual role as providers and recipients of capital.



Eurasian Development Bank

**RESEARCH DEPARTMENT,**
**EURASIAN DEVELOPMENT BANK**

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