

**GAIDAR INSTITUTE FOR ECONOMIC POLICY**

**RUSSIAN ECONOMY IN 2019**

**TRENDS AND OUTLOOKS**

*(Issue 41)*

**Gaidar Institute Publishers  
Moscow / 2020**

UDC 338.1(470+571)"2019"

BBC 65.9(2Poc)"

R95

**Russian Economy in 2019. Trends and outlooks. (Issue 41)** / [V. Mau et al; scientific editing by Kudrin A.L., Doctor of sciences (economics), Radygin A.D., Doctor of sciences (economics), Sinelnikov-Murylev S.G., Doctor of sciences (economics)]; Gaidar Institute. – Moscow: Gaidar Institute Publishers, 2020. – 596 pp.: illust.

ISBN 978-5-93255-587-3

The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 41<sup>th</sup> issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 6 big sections that highlight different aspects of Russia's economic development, which allow to monitor all angles of ongoing events over a prolonged period: global economic and political challenges and national responses, economic growth and economic crisis; the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

By contrast to the previous publications the present issue includes also a short analysis of the first three months of 2020 from the perspective of the COVID-19 pandemic impact on the Russian economy development.

*Reviewer:* Faltsman V.K., Doctor of science (Economics), Professor, main researcher, Department of Institutional and Financial Markets Analysis, IAES RANEPА.

UDC 338.1(470+571)"2019"  
BBC 65.9(2Poc)

ISBN 978-5-93255-587-3

© Gaidar Institute, 2020

## **6.6. Russia in international economic institutions <sup>1</sup>**

In 2019, the effects of geopolitical contradictions and increasing protectionism continued to influence the global economy, the Russian economy, the economies of our partner countries, and the current agendas of international institutions. The escalation of tensions undermines confidence across the business community and negatively affects investment activity. Investment growth in the G20 countries (China excluding) in 2019 dwindled to 1% (vs 5% in 2018). The growth rate of global trade fell to a record low since 2009 and amounted to 1%.<sup>2</sup> According to the estimates released by the IMF, the negative impact of trade conflicts between the US and China is going to push down global GDP, to 0.8% in 2020.<sup>3</sup> Even in case of a favorable outcome of the tariff confrontation and the closure of the trade deal between China and the USA, the economies of China's trading partners (the EU, Japan, South Korea) can expect to experience some negative consequences as a result of changes in the trade flows.<sup>4</sup> The risks of a further slowdown in economic growth remain high, making obvious the need for collective action to restore confidence, strengthen inclusive growth, boost employment, and improve the well-being of citizens. The growing need for multilateral cooperation is also determined by the fact that digital transformation multiplies the cross-border effects of national policies, thus increasing the potential benefits of international cooperation, while at the same time also increasing the risks associated with failures in the operation of multilateral institutions. Under these conditions, Russia's priority is to build a positive agenda in global and regional economic organizations, as well as cooperation on risks monitoring, development of measures aimed at their prevention overcoming negative unanticipated consequences for the global economy.

### **6.6.1. G20 and BRICS**

As before, one of Russia's key tasks in G20 and BRICS was to advance the elaboration of collective decisions aimed at promoting the reform of the WTO and the Doha Round of trade

---

<sup>1</sup> This section was written by *Ignatov A.A.*, junior researcher at the RANEPА Center for International Institutions Research; *Larionova M.B.*, Doctor of Political Science, Director of the RANEPА Center for International Institutions Research; *Popova, I.M.*, junior researcher at the RANEPА Center for International Institutions Research; *Sakharov A.G.*, researcher at the RANEPА Center for International Institutions Research; *Shelepov A.V.*, Candidate of Economic Sciences, researcher at the RANEPА Center for International Institutions Research.

<sup>2</sup> OECD Economic Outlook. Vol. 2019. Iss. 2. URL: [https://www.oecd-ilibrary.org/sites/9b89401b-en/1/2/1/index.html?itemId=/content/publication/9b89401b-en&\\_csp\\_=dfa9d861509505eac6168a6630ad633f&item\\_IGO=oecd&itemContentType=book](https://www.oecd-ilibrary.org/sites/9b89401b-en/1/2/1/index.html?itemId=/content/publication/9b89401b-en&_csp_=dfa9d861509505eac6168a6630ad633f&item_IGO=oecd&itemContentType=book)

<sup>3</sup> World Economic Outlook. October 2019. URL: <https://www.imf.org/en/Publications/WEO/Issues/2019/10/21/World-Economic-Outlook-October-2019-Global-Manufacturing-Downturn-Rising-Trade-Barriers-48513>

<sup>4</sup> Managed Trade: What Could be Possible Spillover Effects of a Potential Trade Agreement Between the U.S. and China? URL: <https://www.imf.org/en/Publications/WP/Issues/2019/11/15/Managed-Trade-What-Could-be-Possible-Spillover-Effects-of-a-Potential-Trade-Agreement-48771?cid=em-COM-123-39738>

negotiations, overcoming the crisis in the Dispute Settlement Body (DSB), giving an impetus to new initiatives (on electronic commerce, simplification of the ‘investment for development’ procedures, and regulation in the services sector). According to the year-end results, it can be stated that there had been both successes and problems. On the one hand, the leaders of G20 and BRICS reaffirmed their desire to create a free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment and to maintain open markets, as well as their willingness to support a reform of the WTO, including the adoption of measures designed to ensure proper functioning of the dispute settlement system.<sup>1</sup>

On the other hand, on November 22, 2019, at the meeting of the DSB of the WTO, the USA once again rejected the proposal of 117 WTO members, including Russia, BRICS, and the majority of G20 members, and so blocked the process of appointments and reappointments in the Appellate Body (WTOAB). The member states continue to introduce protectionist measures, which have already affected 8.8% of imports of G20 members<sup>2</sup>. The contradictions between developed and developing countries concerning the package of issues addressed by the Doha Development Round have been deepening.

In 2019, Russia continued to consistently promote a reform in the international financial and monetary system. Here, we can also observe both problems and achievements. In spite of the confirmation, by the leaders and ministers of finance of G20 members, of their obligation to complete the review of the IMF quota formula before the 2019 Annual Meetings, the 15th General Review of quotas did not result in any quota increase or adjustment of quotas in favor of the emerging markets and developing countries. At the 40th meeting of the International Monetary and Financial Committee in October 2019, the discussion of this issue was once again postponed until the next (16th) General Review of quotas, with the Review to be extended from 2020 to no later than December 2023. Meanwhile, the New Development Bank continued to strengthen, increasing its project portfolio<sup>3</sup> and opening new regional centers, including in 2020 in Russia. It was decided to expand the membership of the NDB. The preparations for the operational activities of its contingent reserve (the pool of foreign exchange) are nearing completion; these will involve the provision of funds to the member states, including cashing out without a stabilization program agreed upon with the IMF. These decisions are significant. The new institutions function as additional development and insurance mechanisms for the five countries. It is also important that they exert pressure in favor of more active reforming of the existing system.

Russia pays special attention to cooperation in the field of ‘making use of the full potential of the digital economy as a tool designed to ensure the well-being of people and global development based on the principles of sustainability and inclusiveness.’<sup>4</sup> To achieve this end,

---

<sup>1</sup> G20 Osaka Leaders’ Declaration. Paragraph 6. URL: [https://www.ranepa.ru/images/News\\_ciir/Project/G20\\_new\\_downloadings/OSAKA\\_DECLARATION\\_rus.pdf](https://www.ranepa.ru/images/News_ciir/Project/G20_new_downloadings/OSAKA_DECLARATION_rus.pdf); 11th BRICS Summit Brasilia Declaration. Paragraphs 26–28. URL: [https://www.ranepa.ru/images/News\\_ciir/Project/BRICS\\_new\\_downloadings/2019/11th\\_BRICS\\_Summit\\_rus.pdf](https://www.ranepa.ru/images/News_ciir/Project/BRICS_new_downloadings/2019/11th_BRICS_Summit_rus.pdf)

<sup>2</sup> Reports on G20 Trade and Investment Measures. Mid-May to Mid-October 2019. URL: [https://www.wto.org/english/news\\_e/news19\\_e/g20\\_joint\\_summary\\_nov19\\_e.pdf](https://www.wto.org/english/news_e/news19_e/g20_joint_summary_nov19_e.pdf)

<sup>3</sup> The Bank has approved the provision of financing for 49 projects in the field of infrastructure in the total amount of about USD 14 billion.

<sup>4</sup> Report by Svetlana Lukash at the International Scientific Conference ‘Globalization 4.0, Changing World Order and the Future of Global Economic Governance.’ URL: [https://www.ranepa.ru/images/News\\_ciir/news/conf\\_2019/3-4\\_October/Svetlana\\_Lukash\\_rus.pdf](https://www.ranepa.ru/images/News_ciir/news/conf_2019/3-4_October/Svetlana_Lukash_rus.pdf)

it is necessary that the State, despite the ‘race for technological superiority’<sup>1</sup>, should develop some common approaches that ensure collective regulation and increase the level of trust. The process is evolving with difficulties, but there is still some progress in a number of areas. In 2019, in the framework of implementing the Action Plan on Base Erosion and Profit Shifting (BEPS), G20 approved the OECD proposals for the development, by 2020, of a coordinated approach to taxation rules in the digital economy. It is necessary to formulate the principles and methods for determining, distributing and administering the ‘power to tax’ in a situation where the ‘market jurisdiction’ (the country in which clients of a business entity are situated) may be spread across several countries, and not reduced to the country where the business entity is permanently established. In the Osaka Declaration, the leaders of G20 reaffirmed the need to continue the dialogue on security issues in the digital economy and to bridge the digital divide, and supported the G20 AI Principles based on the OECD Recommendation on Artificial Intelligence.<sup>2</sup> The BRICS members adopted the Work Plan for the BRICS Partnership on the New Industrial Revolution, embarked on the implementation of the BRICS Roadmap of Practical Cooperation on Ensuring Security in the Use of ICTs, and confirmed the importance of creating a legal framework for BRICS cooperation in this area. Russia’s proposal concerning an appropriate BRICS intergovernmental agreement on cooperation in the use of ICT has not yet found full support,<sup>3</sup> but this work will continue as part of Russia’s upcoming BRICS chairmanship in 2020. Development of digital technologies and solutions for raising efficiency, sustainability and potential of health care systems to rapidly react to urgent situations will take an important place in the BRICS and G-20 schedule.

#### 6.6.2. International financial institutions

Within the IMF, Russia, having a creditor status, continued to participate in various mechanisms and operations stipulated in the relevant articles of the IMF agreement, including the participation in the New Arrangements to Borrow (extended until November 16, 2022), with the volume of potential obligations of the Russian Federation under the agreement not exceeding SDR 4,440.91 million, and in the bilateral borrowing agreement until December 31, 2019 (with the possibility of extending it until December 31, 2020), the volume of potential obligations under the agreement not exceeding USD 10 billion.<sup>4</sup> Based on the results of the IMF Article IV consultation, a report and recommendations on Russia’s economic policy were prepared. As part of Russia’s fiscal policy, it is planned to stimulate growth in accordance with the budgetary rule and to continue investing the NWF resources in high quality foreign assets, even after its liquid part will have reached 7% of GDP. As part of Russia’s monetary policy, it is recommended that liberalization should be continued, and that confidence in the regime based on inflation targets should be improved. As far as financial markets are concerned, consolidation of the banking sector should be continued, alongside a decreasing presence of the State on those markets; supervision and regulation should be strengthened; and a set of

---

<sup>1</sup> The Global Race for Technological Superiority. URL: [https://www.ispionline.it/sites/default/files/publicazioni/ispi\\_cybsec\\_2019\\_web2.pdf#page=7](https://www.ispionline.it/sites/default/files/publicazioni/ispi_cybsec_2019_web2.pdf#page=7)

<sup>2</sup> G20 Osaka Leaders’ Declaration. Paragraphs 10–12. URL: [https://www.ranepa.ru/images/News\\_ciir/Project/G20\\_new\\_downloadings/OSAKA\\_DECLARATION\\_rus.pdf](https://www.ranepa.ru/images/News_ciir/Project/G20_new_downloadings/OSAKA_DECLARATION_rus.pdf)

<sup>3</sup> Brazil put forth an initiative of bilateral agreements between BRICS members. 11th BRICS Summit Brasilia Declaration. Paragraph 19. URL: [https://www.ranepa.ru/images/News\\_ciir/Project/BRICS\\_new\\_downloadings/2019/11th\\_BRICS\\_Summit\\_rus.pdf](https://www.ranepa.ru/images/News_ciir/Project/BRICS_new_downloadings/2019/11th_BRICS_Summit_rus.pdf)

<sup>4</sup> On loan agreements between the Bank of Russia and the IMF. URL: <https://www.cbr.ru/StaticHtml/File/36568/NAB20170615.pdf>

measures designed to reduce the risks created by the rapid growth of household debt should be implemented. It was also recommended to pursue the structural reform, making it easier for companies to enter and exit the market, to reform public procurements, to reduce the barriers to trade and FDI, to increase transparency in the fiscal sphere, as well as accountability and management quality of state-owned enterprises<sup>1</sup>.

Another major priority in the framework of cooperation with the World Bank Group (WBG) in 2019 was information exchange, research, expert and analytical support, and development of recommendations in the field of financial regulation.<sup>2</sup> Besides, some of the multilateral official assistance to development in Russia is provided through the WBG's institutions<sup>3</sup>.

Nevertheless, some unresolved problems can still be noted in Russia's interaction with the traditional international financial institutions. This, among other things, no progress has been achieved in a number of important areas, e.g. increasing Russia's quotas and voting power in the IMF, reviewing the quota formula, expanding the reserve currency range, and changing the composition of the SDR currency basket. As for the WBG, the year 2019 saw a continuing freeze on the approval process for new IBRD projects in Russia (at present, the 6 projects approved by the World Bank before 2014 are being implemented)<sup>4</sup>. As a result of the anti-Russia sanctions, restrictions are still imposed on Russia's interaction with the other WBG institutions. No decisive progress has been possible in reforming the World Bank; the main directions of reform, according to Russia and her partner countries, should be the expansion of its financial capabilities, restructuring of its share capital in favor of the emerging markets and developing countries, and more democratic governance principles.

In face of the uncertain prospects for resolving these problems and against the backdrop of the existing restrictions and waning interaction with the Bretton Woods institutions, Russia is getting increasingly involved in the activities of new financial institutions, especially the New Development Bank (NDB) established by the BRICS states. In 2019, the bank approved financing in the total amount of USD 300 million, earmarked for the development of renewable energy in Russia in accordance with the Energy Strategy until 2030. Also in 2019, the NDB Project Preparation Fund was launched: on December 2, 2019, the Bank pledged to provide USD 400,000 for the consulting services pertaining to the preparation of a cableway project in Krasnodar for the stage when potential external investors will be ready to consider financing it. The cooperation between Russia and the NDB is also actively developing in other areas, beside project financing. In November 2019, the Moscow Exchange registered the Bank's bond issue program to the total value of up to RUB 100 billion. Following the registration of a similar program in China, this was an important step towards increasing the use of national currencies by the NBR. This policy is beneficial for Russia, because it helps reduce the risks faced by national borrowers, as well as deepen the financial market.<sup>5</sup> And lastly, an agreement on the

---

<sup>1</sup> Russian Federation: 2019 Article IV Consultation-Press Release; Staff Report. URL: <https://www.imf.org/en/Publications/CR/Issues/2019/08/01/Russian-Federation-2019-Article-IV-Consultation-Press-Release-Staff-Report-48549>

<sup>2</sup> World Bank Group. URL: <https://www.cbr.ru/today/ms/smo/wb/>

<sup>3</sup> Russia and the World Bank: International Development Assistance. URL: <https://www.worldbank.org/en/country/russia/brief/international-development#3>

<sup>4</sup> Projects in the Russian Federation. URL: [https://projects.worldbank.org/en/projects-operations/projects-list?lang=en&searchTerm=&countrycode\\_exact=RU](https://projects.worldbank.org/en/projects-operations/projects-list?lang=en&searchTerm=&countrycode_exact=RU)

<sup>5</sup> NDB Registers RUB 100 Billion Bond Program in Russia. URL: [https://www.ndb.int/press\\_release/ndb-registers-rub-100-billion-bond-programme-russia/](https://www.ndb.int/press_release/ndb-registers-rub-100-billion-bond-programme-russia/)

opening of the Eurasian Regional Center of the NDB in Moscow in 2020 was signed.<sup>1</sup> In addition to expanding the opportunities for project financing in Russia, the center will be able to provide the Bank's support for infrastructure projects in the other countries across the region, which conduce to trade growth and economic integration. Given the upcoming Russian BRICS chairmanship in 2020, the NDB will remain Russia's key partner among the multilateral banks. However, it is necessary at the same time not to overlook the existing potential for interaction with the other financial institutions where the Russian Federation holds a significant position. Thus, in particular, Russia plays a very significant role in the financing of the Asian Infrastructure Investment Bank (AIIB), being its third largest shareholder. Meanwhile, as of the beginning of December 2019, Russia offered only one motor road development project to be financed in the framework of the AIIB, in the amount of USD 500 million, which has not yet been approved.<sup>2</sup> It is also necessary to ensure effective influence on the selection of projects financed by multilateral banks in order that they at most correspond Russia's interests and tasks in light of current risks of the social and economic development.

### 6.6.3. Energy cooperation with the EU

In 2019, Russia continued to diversify its hydrocarbon supply routes. Thus, in October, Gazprom completed its preparations for the operation of the linear part of the Power of Siberia gas pipeline to China. Meanwhile, the European direction of Russia's energy exports (the traditional one) was also developing. According to Eurostat, in 2018 Russia's share in European natural gas imports amounted to 40.5%.<sup>3</sup> It is expected that at the end of 2019, the volume of pipeline supplies of Russian natural gas will remain at the same level as in 2018 (about 200 billion m<sup>3</sup>), while LNG supplies will increase. Also since 2016, Russian natural gas exports have been growing in value terms (EUR 20.5 billion in 2016, EUR 23.6 billion in 2017, EUR 29.7 billion in 2018, and EUR 13.3 billion in H1 2019).<sup>4</sup>

Russian natural gas is supplied to the EU through a well-developed energy infrastructure network, consisting of the gas pipelines and gas compressor stations that ensure smooth transportation of the raw material from the natural gas fields in Western Siberia all the way to the European consumers. Since 2011, the offshore part of the Nord Stream gas pipeline has been in operation. For 2020, the launch of Nord Stream 2 is planned. Its construction in 2019 was complicated by a number of problems that had to do with the political pressure exerted by the USA on her European partners and the sanctions imposed on the companies participating in the project.

There is also another problem – that of complying with the rules of the Third Energy Package (TEP) of the EU applied to the existing and future projects for the export of natural gas from Russia. According to the TEP requirements, 50% of a pipeline's capacity should be reserved for the use by other energy companies. In particular, these rules apply to the OPAL gas pipeline, which runs across the territory of Germany. For Russia, and in particular for Gazprom, the

---

<sup>1</sup> Host Country Agreement for NDB's Eurasian Regional Centre in Moscow, Russia Signed in Brasilia. URL: [https://www.ndb.int/press\\_release/host-country-agreement-ndbs-eurasian-regional-center-moscow-russia-signed-brasilia/](https://www.ndb.int/press_release/host-country-agreement-ndbs-eurasian-regional-center-moscow-russia-signed-brasilia/)

<sup>2</sup> Russian Federation: Russian Federation Transport Sector Loan. URL: <https://www.aiib.org/en/projects/proposed/2019/russian-federation-transport-sector-loan.html>

<sup>3</sup> EU imports of energy products – recent developments. Eurostat, 2019. URL: <https://ec.europa.eu/eurostat/statistics-explained/pdfscache/46126.pdf>

<sup>4</sup> The detailed tables for imports and exports of energy products. Eurostat, 2019. URL: [https://ec.europa.eu/eurostat/statistics-explained/images/2/2d/Energy\\_-\\_product\\_details\\_-\\_2019.xlsx](https://ec.europa.eu/eurostat/statistics-explained/images/2/2d/Energy_-_product_details_-_2019.xlsx)

practical implementation of the TEC has created some difficulties in operating the existing export infrastructure, and is potentially fraught with a lower profitability of the future projects. The related parties, Germany including, have not yet succeeded in exempting the Nord Stream 2 project from EU legislation.<sup>1</sup>

Overall, in spite of the continuing politicization of the energy relations between Russia and the EU, it is still planned to complete the work on Nord Stream 2 and both branches of TurkStream. In 2019, shipments of Russian liquefied natural gas (LNG) from Yamal LNG plant increased significantly—rated value of output to the tune of 16.5 tons of LNG was surpassed over 11 months of the first year of operations.<sup>2</sup> Coronavirus pandemic-related crisis outbreak on the energy market in 2020 which engulfed PRC, East Asia, and then Europe as well as aggravation of competition with Saudi Arabia following the breakdown of the agreements on the production volumes concluded between Russia and OPEC put in place before our country new challenges aimed at retaining its share on the European energy market. Nevertheless, in the medium and long term, the ongoing globalization of energy markets and a shift in demand towards the large emerging economies in Asia, coupled with the development of renewable energy sources, will translate into an increasing diversification of the supply sources and routes, thus reducing the degree of tension in bilateral energy relations.

#### 6.6.4. The EAEU

The year 2019 brought success for Russia and her partners, as it saw a deepening integration in the most important areas inside the EAEU and its strengthening international status.

In 2019, the Supreme Eurasian Economic Council (SEEC) approved the draft Disposition ‘On harmonizing the EAEU Member States’ legislation in the sphere of gas transportation and supply between the Member States’.<sup>3</sup> Also, the presidents of the EAEU member states signed an agreement on a common electricity market.<sup>4</sup> Over the next few years, efforts to promote integration in the energy sector will be carried on, with a view towards launching the EAEU common energy markets from January 1, 2025.<sup>5</sup>

Another area of integration was financial regulation. In 2019, the SEEC approved the Concept for creating a common financial market in the EAEU.<sup>6</sup> Besides, the Eurasian Economic Commission (EEC) prepared its first report on the development of cryptocurrencies and blockchain technologies in the EAEU.<sup>7</sup> So far, no common vision of and approach to the regulation of cryptocurrencies and blockchain technologies has been developed in the framework of the Eurasian Economic Union. The Republic of Belarus has taken the first steps

---

<sup>1</sup> Berlin has failed: Nord Stream 2 could not be saved from the EU Directive on November 8, 2019. URL: <https://www.gazeta.ru/business/2019/11/08/12801278.shtml>

<sup>2</sup> Yamal LNG ahead of schedule produced annual planned volume of LNG, Novatek, November 29, 2019. URL: [http://www.novatek.ru/common/tool/stat.php?doc=/common/upload/doc/YLNG\\_production\\_Rus.pdf](http://www.novatek.ru/common/tool/stat.php?doc=/common/upload/doc/YLNG_production_Rus.pdf)

<sup>3</sup> SEEC outcomes: Free Trade Agreement signed with Singapore, Concept for creating a common financial market approved, documents on gas transportation and supply adopted. Eurasian Economic Commission. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/01-10-2019-9.aspx>

<sup>4</sup> EAEU common energy resource markets will be launched from January 1, 2025. Eurasian Economic Commission. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/26-09-2019-4.aspx>

<sup>5</sup> Ibid.

<sup>6</sup> SEEC outcomes: Free Trade Agreement signed with Singapore, Concept for creating a common financial market approved, documents on gas transportation and supply adopted. Eurasian Economic Commission. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/01-10-2019-9.aspx>

<sup>7</sup> The EEC published a report on cryptocurrency and blockchain issues in the Eurasian Economic Union. Eurasian Economic Commission. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/22-07-2019-1.aspx>



towards creating an institutional environment and legal framework for the activities in that field. In the Russian Federation, no single standpoint on the issue of cryptocurrency circulation has yet been elaborated by the regulatory authorities. The first tentative attempt at legal recognition and the elaboration of regulatory acts was made in September 2017, when a new platform for investors - the Voskhod investment system launched by the NP RTS Association and the Far East Development Fund was the first to receive a formal permission in Russia to trade in cryptocurrencies. The other members (the republics of Armenia, Kazakhstan, and Kyrgyzstan) are still mainly reviewing the regulating practices and experience of their EAEU partners. Therefore, it is necessary to harmonize the approaches to regulating the circulation of cryptocurrencies in the Eurasian space.

The issues of digitalization of the economy are becoming increasingly important in the framework of developing integration. The EEC, as well as the representatives of the member states, noted that the problem posed by a lack of statistics had become an obstacle to the development of competent solutions. For this reason, they supported the proposal that a working group charged with the task of measuring the digital economy under the Advisory Committee should be set up.<sup>1</sup>

In 2019, the EAEU paid particular attention to the development of its agenda until 2030 and to the achievement of its Sustainable Development Goals (SDGs). A study was conducted, which demonstrated that the EAEU member states' progress towards the UN SDGs is more effective in those areas of the economy that are addressed by the supranational regulatory measures<sup>2</sup>.

In the short term, integration needs to be further strengthened. It is planned to expand the powers of the EEC, as well as extend the integration to new areas (science, education, scientific and technical cooperation, etc.). There is also a discussion underway that focuses on the formation of a common Eurasian social space, by means of implementing the healthcare and social security initiatives.

In 2019, the Agreement on trade and economic cooperation between the EAEU and the PRC entered into force; besides, the Free Trade Agreement with Singapore, the Memorandum of Cooperation with the Government of Indonesia, and the Interim Agreement enabling formation of a free trade area between the EAEU and Iran were signed. Later on, it is planned to create a free trade zone between the EAEU and Indonesia. FTA negotiations are also underway with Egypt, Israel and India.<sup>3</sup>

The cooperation with international organizations has been deepening. A Memorandum of Understanding in the field of economic cooperation was signed between the EEC and the African Union Commission. Besides, the Declaration on Partnership was signed with the Pacific Alliance, as well as the Memoranda of Understanding with the ESCAP and the World Intellectual Property Organization.

---

<sup>1</sup> A working group on measuring the digital economy will appear in ECE. Eurasian Economic Commission. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/21-10-2019-2.aspx>

<sup>2</sup> The Eurasian Economic Commission submitted to the UN a report on the Eurasian Economic Union's experience and best practices in the field of sustainable development. Eurasian Economic Commission. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/13-07-2018-2.aspx>

<sup>3</sup> The EAEU aims to deepen integration. Eurasian Economic Commission. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/09-12-2019-3.aspx>

### 6.6.5. The Arctic Council

The Arctic Council, formally established in 1996 by signing the Ottawa Declaration, is currently the leading intergovernmental forum coordinating the policies of the Arctic States in the region. The Council has been gaining in importance due to the gradual opening of the Arctic to industrial development and promotion of transport infrastructure following the shrinkage of the Arctic ice cap caused by the global climate change.

In 2019, the Chairmanship of the Arctic Council was transferred from Finland (2017–2019) to Iceland (2019–2021). At the Arctic Council foreign ministers' meeting in May, no new decisions were made in any field of cooperation, partly because of the current US presidential administration's stand on climate issues, which form the core of the Arctic agenda. Nevertheless, the work of Task Forces established by the Arctic Council has not been interrupted. In particular, the Arctic Contaminants Action Program (ACAP) is implementing a project to combat soot emissions in partnership with Russian energy companies.<sup>1</sup> Also, with the participation of the Russian side, the Council's Sustainable Development Working Group is implementing a project to comprehensively improve the living conditions of the indigenous peoples of the North.<sup>2</sup>

The main priority for Russia in the framework of participation in the Council's activities over the next few years is to prepare for taking over its Chairmanship in 2021. While Iceland is chairing the Council, it is necessary to work out an agenda that will take into account the potential changes in the standpoints of the key international players regarding climate issues in order to achieve concrete agreements capable of contributing to the ongoing global efforts to control the climate change as well as provide an answer to new challenges such as price volatility on energy markets and dangers of diseases spread on the global scale.

### 6.6.6. Internet governance and cyber security

One of the main issues on the international digital agenda is ensuring the security of individuals and the State in the information space. Russia's Internet governance initiatives designed to support global cybersecurity were announced at the 10<sup>th</sup> Russian Internet Governance Forum held in April 2019 in Moscow in the framework of the UN-sponsored Global Internet Governance Forum. The forum's resolution includes proposals aimed at developing a common approach for all countries in the hi-tech field, in particular artificial intelligence (AI) technologies. The forum participants suggested that certificates of 'compliance with ethical principles' for each product using AI technology should be introduced at the national and international levels under the auspices of the UN.<sup>3</sup>

In 2019, in response to Russia's proposals, the UN initiated the process of 'developing the norms, rules and principles of responsible behavior of states' in the field of information and telecommunications.<sup>4</sup> However, the Russian proposals put forth in the framework of the Open-ended United Nations Working Group (OEWG) on International ICT Security were negatively received by the USA. At present, the process of negotiating 'a common resolution for all' on

---

<sup>1</sup> URL: <https://arctic-council.org/index.php/ru/our-work/news-and-events-ru/525-norway-is-taking-over-the-chairmanship-of-arctic-contaminant-action-programme-acap>

<sup>2</sup> URL: <https://www.sdwg.org/arctic-indigenous-youth-food-knowledge-and-arctic-change-eallu-ii/>

<sup>3</sup> Resolution of the 10th Russian Internet Governance Forum. URL: <https://rigf.ru/press/?p=report>

<sup>4</sup> A/RES/73/27 Achievements in the field of informatization and telecommunications in the context of international security. URL: <https://undocs.org/ru/A/RES/73/27>

International ICT Security<sup>1</sup> has been effectively suspended. The elaboration of coordinated global cybersecurity principles remains Russia's priority in international organizations. In 2020, Russia as the chair of BRICS will continue to develop a common position for the five rapidly developing economies on cybersecurity issues, to further promote it on the UN platform, and to counteract the trends towards the regionalization of decisions on information security issues. All institutions expect to work on the solution of issues related to the security of information systems in the wake of large scale crisis situations and prevention of fake news as well as the issue of ensuring balance between free transfer of information and fight with the spread of fake news.

---

<sup>1</sup> Statement by the representative of the Russian Federation, A. I. Belousov, during voting on the draft Resolution of the 74th Session of the UN General Assembly 'Advancing responsible State behavior in cyberspace in the context of international security'. URL: [https://russiaun.ru/ru/news/1com\\_0611](https://russiaun.ru/ru/news/1com_0611)