
Difficulties and Perspectives of Incorporating Russian Economy into the European Economy and Centripetal Tendencies in the EU

V.A. Bondarenko¹, E.A. Israilova², S.A. Albekova³, A.A. Albekova⁴

Abstract:

The article determines current realia and potential possibilities and perspectives of Russian economy's incorporation into the European one in the contexts of centripetal tendencies in the EU. As a result of the research, the authors have come to the conclusion on the growth of centripetal processes in the EU and stabilization of integration processes against this background as of now.

The authors have made substantiated conclusion on the possibility for active incorporation of Russian economy into the European in view of personalized trade cooperation with specific members of the EU, not with the association as a whole.

Key Words: *Centripetal tendencies, centrifugal tendencies, EU, incorporation, Russian economy.*

¹ *Viktoria A. Bondarenko, Ph.D., Professor, Department of Marketing and Advertising, Rostov State University of Economics, Rostov-on-Don, Russian Federation*

² *Elima A. Israilova, Ph.D., Associate Professor, Department of World Economy and International Business, Rostov State University of Economics, Rostov-on-Don, Russian Federation*

³ *Seda A. Albekova, Master's Student, Department of World economy and International Business, Rostov State University of Economics, Rostov-on-Don, Russian Federation*

⁴ *Amina A. Albekova, Master's Student, Department of Accounting, Rostov State University of Economics, Rostov-on-Don, Russian Federation*

Corresponding author: *V.A. Bondarenko, Rostov State University of Economics, 69 Bolshaya Sadovaya str., Rostov-on-Don, 344002, Russian Federation. Tel. +7863-237-0255. E-mail: b14v@yandex.ru*

1. Introduction

Modern economic realia in the RF, characterized largely by political context and complexities in interrelations between Russia and the EU, sanction pressure in the national economy, efforts to narrow down the circle of national economic interests of the RF, together with old trade and economic relations between Russia and the European countries, as well as resource components of Russian export, oriented at European consumption, actualize the study of issues for the possibility of incorporating Russian business into European economic structures.

2. Theoretical, Informational and Empirical, and Methodological Grounds of the Research

Despite the crisis phenomena in the world economy, active consumption of primary energy resources by the countries of the EU and lack of realistic perspectives of replacing the latter by other energy sources in the short-term are preserved. This should have ensured favorable attitude towards Russian companies' entering European markets, which was obvious not so long ago.

However, it is possible to note certain difficulties with access of Russian export (except for raw materials) to a range of European markets and increase of formal and informal reasons for these difficulties due to the processes of expansion of the European Union by means of its new members. Over the recent two years, cooperation with Russian business in some spheres became impossible or decreased substantially due to a range of political reasons.

It should be noted that the tendency of formation of economic self-sufficiency of the European Union began to appear, which consists in increase of the volumes of intra-industry trade between the European states. It should be noted that further expansion of the European Union and growth of its self-sufficiency destroy the very idea of full incorporation of Russian economy into the European one, leaving to it's the role of supplier of raw materials. Nevertheless, integration processes in Europe are ambiguous, for there is another tendency – centripetal one. Its manifestations are Great Britain's exit from the EU as a result of the referendum and announcements of the possible Greece's exit. Domination of centripetal processes increases possible perspectives of Russian companies in the European markets. In this sense, consideration of integration and disintegration processes in Europe is very topical for the Russian economy.

Economic literature and mass media have been discussing the issues of increase of centripetal and weakening of centrifugal processes in the context of European integration. These problem actualized by the Netherlands and France not accepting the European constitution. At present, the most vivid example of centripetal movement is Great Britain's exit from the EU.

However, despite the discussed difficulties, integrated Europe is a reality, and the process of its integration is natural – in spite of certain problems – so it is very interesting to view the problems of the European association from different sides.

We offer to view the issue in the following way: can Europe be united at all? If it can be with what borders and under which circumstances – as it is very important for realization of trade and economic relations between Russia and European countries or their conglomerates. It is necessary to view this problem in dialectical development, as physiological and psychological attributes of the masses of people who constitute peoples of Europe and determine the directions of vectors “association – separation” have not changed with time. The issue of Europe’s integration is eternal and appears every 30-40 years, i.e., during each generation, as well as the issue of Russia’s entering (Westerners – Slavophiles, etc.).

The first part of the question should be answered positively – Europe can be united. Europe was united during the Empire of Charles the Great (IX century AD), but that was a short period, and during the reign of his grandchildren the European empire – the Christian world (Pax Christiania), i.e., Europe as we understand it – divided into Germany and France with a small buffer between them - Lorraine. However, all further history of development of Europe could be viewed as an effort of uniting under the rule of France or Germany. Accordingly, Russia always had politically pro-Germanic and pro-French “parties” which expressed economic interests of trade intermediaries from these states. As is well known, unification of Europe by the Napoleon’s France in 1807 – it is largest military success – ended in a catastrophe for France (with active participation of Russia, which realized one of its efforts to become part of Europe). Three powerful attempts of Germany to achieve the same did not end in success: the Franco-Prussian War (1870 – 1871) World War I (1914 – 1918) and World War II (1939 – 1945). At that, the latter two were European wars for the hegemony in Europe, which involved the rest of the world.

The whole 19th and first part of the 20th centuries between the wars were filled with theoretical discussions on unification of Europe. However, over a thousand years, the European countries – despite all discussions on unification and despite the attempts of unifying wars – struggled with that. Europe did not want to unify neither in French nor in German variants.

Moreover, over the thousand years, it ethnic map changes, a lot of new nations and peoples appeared – though French and German hegemony are still clearly seen (so called “core of Europe”). A Christian world, under the sign of which Europe unified for the first time, changed substantially. The previously unified Christian church was divided into Catholic and Orthodox, and then a lot of Protestant branches appeared out of the Catholic Church. All variants of Christian religion are present in Europe as of now: Catholicism – mostly in southern countries, Orthodox Church – in the center and east, and Protestantism – in the west and north.

The paradox consists in the fact that there were unified religion and church that substantiated the thesis on the necessity for unification of Europe, and it was destroyed by bloody wars during that time; when the church divided, and atheism appeared – which became a part of socialist and communist ideologies – Europe began to unite. At that, this process took place without a vivid center of unification. It is necessary to find something common in the reasons for unification and unwillingness for unification. There should be a basis due to which the nations that reject others' hegemony – even in the mildest form – and protect their national peculiarities and the right to be different agree to give away a large part of their uniqueness in the favor of unification. We think that such a reason is an external threat to Europe – which threatens the very fact of existence of Europe in its regular form.

In the 9th century, in times of Charles the Great, such threat was a strong pressure from the Muslim world – the Arabs were stopped only in a difficult Battle of Tours (center of France) – which was combined with attack of the Hungarians and Vikings. Activities of Charles the Great and his barons liquidated the direct threat of destruction of his empire (Europe) by Arabs, Hungarians, and Vikings. With the decrease of external threat, the need for unification disappeared, and Europe was divided into parts; division coincided with ethnic borders of territorial localization of nations. This happened 30 years after the death of Charles the Great, (814) in 843.

After that, for the purpose of achieving the global goals of European policy, during the Crusades, it became possible to unite several states into an economic, political, and military union under the guidance of the church. Still, these unions were weak, and their achievements – ephemeral. During the past millennium, there was no external threat that would make European nations give up a part of their sovereignty. Moreover, artificial attempts to unite from above in the form of the League of Nations and others showed their invalidity. The concept is simple – there is no decent external threat, so there's no need to unite, and every state and every nation solve their tasks independently. Under such conditions, free trading and free competition in all sectors of economy allow for realization of the chance for any European country. Moreover, the issue of integration of Russian economy into the European one was not established, as Russian companies traditionally had wide trade and economic relations with the countries of “core of Europe” and Benelux – primarily, as supplier of raw materials.

Then, against the background of rich rhetoric regarding freedom of trade and competition, the state of European economy became the opposite to free trading, this limiting free competition. This striving for unification appeared in late 1950's – early 1960's. Thus, in 1957, the European Economic Community was established, and 1960 saw the appearance of the European Free Trade Association. Of course, the literature has a lot of arguments in favor of creation of these institutes for the purpose of unification of Europe. But why did these processes begin precisely then? World War II ended in 1945 – and war in Europe affected economies of all

European countries. Positions of banks and companies from the USA strengthened a lot. If European countries were going to fight their influence in economy, the above organizations should have been created earlier – right after the end of World War II. Again, Europe was not united back then, because Europe and the USA were economic rivals, but they still were very close.

The process of consolidation of Europe was vivid in 1960's – so, it wasn't initiated by influence of the USA in European economy. This, due to the method of exclusion, we were able to determine the reason of the start and development of European unification – foreign economic expansion from South-East Asia; in the given period it was expansion from Japan. Acting within economic legal framework, Japanese corporations were able to increase the export in Europe, obtain good positions in traditional European markets, and achieve leading positions in many directions (oil carriers' freight, consumer electronics, etc.).

The use of traditional means of protecting markets by the European states did not bring the expected effect. The application of mechanisms of vivid limitation of free trade and Japanese export by each European country would seem to be contradiction to the policy of free trading and economic voluntarism. But it would be a completely another issue if these actions were taken by a union of European states for some higher purposes. Then they would acquire noble shade of progressive development, and would not be a simple ousting of successful rivals from their markets with non-economic methods.

3. Results

Thus, economic expansion from South-East Asia, primarily from Japan, stimulated the process of economic unification of Europe. This phenomenon started from relatively small changes which did not require from the participating countries to give up a large part of their sovereignty and, thus, did not impinged on national dignity of these countries' population. Still, economic pressure from South-East Asia on European markets grew. Japanese export was supplemented by South Korean one, and then all six “Asian dragons” were at work – including the growing Chinese economy. These processes led to reduction of income per capita in Europe. Population of most European countries wished to apply any measures of economic and political character that would allow preserving the usual level of consumption. The process of formation of unified Europe began to grow like an avalanche. Beginning with the 1957 Treaty of Rome, establishing the European economic society, it led to an agreement on twenty-five countries' joining the EU in 2005. At that, some members of the European Union are not Europe – ethnically and territorially.

It should be noted that consolidation of Europe as a response to foreign economic expansion from South-East Asia began bringing its results – it did not eliminate it, but the processes was slowed down. Thus, during comparing the Japanese and

European export, it is obvious that the growth of Japanese export in Western Europe slowed down in 1973. In 1963 – 1973, it grew by 34.6 %, but in 1983 it was by 11.7% below the 1973 indicator. Over the following decade (1983 - 1993), there was growth by 14.56 % (i.e., by 2.4 times less than in 1963 - 1973). The year 2000 was marked by reduction of export from Japan in Europe by 3.9 % - as compared to 1993 [9]. During consideration of geographical structure of commodity import of developed countries – especially, of Western Europe – this tendency was expressed more clearly. Despite stable growth of import of Western Europe from Japan in 1963 – 2000, it should be noted that its volumes were constantly reducing. Over the first decade (1963 - 1973), import grew by 144.4 %, over the second (1973 - 1983) – only by 50%, over the third (1983 -1993) - by 36.4 %, and it dropped by 20% in 2000, as compared to 1993. The situation with goods imported in Western Europe from six Asian countries is similar. Positive balance of trading goods and services of Japan reached JPY 5.4 trillion in January – June 2004. Export of commodities grew, and its re-orientation from the USA to countries of East Asia and partly Europe continued. Export to China, Taiwan, and Republic of Korea grew by 25%. Export to Hong Kong, Singapore, Thailand, and Indonesia also grew, as well as to Great Britain, Germany, France, and Italy.

Thus, a push to unification of Europe was foreign economic expansion of countries of South-East Asia, and the newly emerged conglomerate started to protect itself by neglecting its classical methods of trading – namely, by partial refusal from free Trading (for countries that were not members of the EU), making quotas for production and trade for members and non-members of the EU, and active use of anti-dumping laws, which was later used against Russian entrepreneurial structures? As present, the EU is a rather successful (despite the crisis phenomena, the problem with refugees, etc.) but bureaucratic and non-liberal economy. Regarding the refusal from the principle of free trade and wide use of quotas and procedures of anti-dumping laws, it is possible to note that customs tariffs of the EU countries are higher than the candidates' ones; in order not to allow Russian goods in the European market, the EU started about a dozen of anti-dumping investigations; the most widely known case is establishment of quotas for shipments of steel and pipes. At the same time, as was mentioned above, the EU does not strictly stick to market principles within the EU: it subsidizes its agriculture and sets prohibitive tariffs for import of food from other countries. Obviously, successes from unification of efforts, except from slowing down the foreign economic expansion from South-East Asia, led to positive effect in the sphere of R&D and high-tech, and increased competitive capabilities of the European economy, creating tendencies for further expansion of the European Union by means of inclusion of new members. The action of these tendencies is clearly seen at this stage, when the Baltic countries, the Czech Republic and other states entered the EU, and there still at least 10 candidates. Expression of centripetal tendencies of the European association influenced negatively the Russian export, which was manifested in Russian companies' losing weapons markets in Europe. Ex-socialist countries, which entered the European Union, refused from importing Russian cars and medicine, and their

people visit the RF less. At present, the situation is aggravated by sectorial sanctions against the RF and the reverse food embargo. Besides, due to political reasons, there are efforts to turn Russian into a threat – which would help European countries to consolidate. Integration processes that took place in Europe were economically substantiated, but they did not take into account psychological and mental peculiarities of European population, especially of the countries that are considered to be the European “core”.

The processes of integration into one economic and political space of states and peoples, which are not similar, might lead to negative consequences. Some European experts consider that the effect from the expansion of the EU will be insignificant, but its cost will be high (Duguleana and Duguleana, 2016; Thalassinos, 2007). With the methodology “costs – profits”, they performed calculations that expect the growth of real income for new members of the EU at the level of 18 %, and for old members of the EU – 0.2 %. Besides, it is obvious that Turkish, Arabic, and most of European ethnic communities are not complimentary. This is shown by analysis of historical process – constant wars and deep differences in life values, which is expressed in various religious systems – Christianity of different kinds and Islam. These differences could be clearly tracked at the everyday level. For example, Turks who work in European countries are under large psychological pressure, which is expressed in despising attitude and creation of artificial obstacles for their career growth. Due to the inflow of migrants to the EU and current threat of terroristic acts, this problem grew. Without a doubt, such attitude exists regarding representatives of other nations – Russians, Ukrainians, etc., but these phenomena are especially clear regarding Turks and Arabs. Despite economic and political dividends from the expansion of the EU, it is impossible to neglect such psychological mechanism of refusal from certain states, as, eventually; unseen sustainable processes that determine mindsets of people in the long-term also determine sustainability of certain state or inter-state association.

In our opinion, the success achieved by the European economy regarding opposition to foreign economic expansion from South-East Asia led to growth of centripetal tendencies regarding integration processes. Logic of these ideas is simple: if we achieved the desires result with this level of inter-state integration, its further deepening is not topical. In this sense, Great Britain’s exit from the EU and difficulties with distributing quotas for taking refugees and limitation for free movement are an obvious manifestation of growing centripetal tendencies. According to some experts, due to the above tendencies, there is a doubt regarding the vitality of such unregistered conglomerate of countries as the present-day EU.

4. Conclusions and recommendations

The question “Can Europe stay united?” should be answered positively – it can, but under a strong threat to Europe, which should see itself as a socio-cultural value – which is confirmed by dialectical analysis of the processes of European integration

in historical aspects and reaction of most European countries to foreign economic expansion from South-East Asia. At that, the level of European integration depends on the threat level. Reduction leads to slowdown of integration processes and appearance of strivings for leaving the union (Allegret *et al.*, 2016; Bondeanu and Tache, 2016).

Strengthening of centripetal tendencies makes European markets separate and more accessible for Russian export. Regarding the limits of the union – it should be considered that a stable union of European states can exist within the boundaries of “old Europe”. Inclusion of states and peoples which are not European into the EU will not stimulate strengthening of the European Union but rather stimulate centripetal tendencies and lead to economic conflicts and political problems.

Thus, at the modern stage, it is possible to forecast dynamic stabilization of integration processes of European Union at the current level and certain reduction in the short-term or mid-term with possible simultaneous strengthening of the processes of incorporation of Russian economy into European economy under the conditions of intensification of personified trade cooperation with specific members of the EU, not with the conglomerate on the whole – as reactions of separate members of the system and the whole system are not similar as to the scale, direction, and amplitude.

References

- Allegret, J.P., Raymond, H. and Rharrabti, H. 2016. The Impact of the Eurozone Crisis on European Banks Stocks, Contagion or Interdependence. *European Research Studies Journal*, 19(1), 129-147.
- Boldeanu, T.F., Tache, I. 2016. The Financial System of the EU and the Capital Markets Union. *European Research Studies Journal*, 19(1), 60-70.
- Baldwin, R., François, J., Portes, R. 1997. The cost and benefits of Eastern enlargement: The impact on the EU and Central Europe. *Economic Policy*, vol. 12(24), pp. 125-176.
- Duguleana, L., Duguleana, C. 2016. Structural Aspects of the European Union Economy. *European Research Studies Journal*, 19(1), 93-128.
- Gerasmik K. 2005. Russia - EU: Parameters of Optimal Relations. *Russian Entrepreneurship*, No. 1. P. 3-6.
- Fedko V.P., Bondarenko V.A. 2004. *Economy of World Relations and Their Infrastructural Provision*. Monograph. Rostov-on-Don. P. 188.
- Imangaliev R.N., Rangulova E.T. 2009. The Issue of the EU Constitution: a New Challenge of European Integration. *Kazan University*. No.1 P.206-216.
- Kulikov G.V. 2000. *Japanese Management and Theory of International Competitiveness*. M., P. 42-45.
- Lenin V.I. 1975. Regarding the Motto of USE. *Collection of works*, V. 26. P. 351-355.
- Thalassinos, I.E. 2007. Trade Regionalization, Exchange Rate Policies and EU-US Economic Cooperation. *European Research Studies Journal*, 10(1-2), 111-118.
- Zalokazova, N. 2004. Expansion of the European Union: Pros and Cons of Its Members' Positions. *World Economy and International Relations*. No. 1. P. 62-69.