

Authors' contribution/
Wkład autorów:
A. Study design/
Zaplanowanie badań
B. Data collection/
Zebranie danych
C. Statistical analysis/
Analiza statystyczna
D. Data interpretation/
Interpretacja danych/
E. Manuscript preparation/
Przygotowanie tekstu
F. Literature search/
Opracowanie
piśmiennictwa
G. Funds collection/
Pozyskanie funduszy

ORIGINAL ARTICLE

JEL code: F14, F15, F21

Submitted:

September 2024

Accepted:

February 2025

Tables: 7

Figures: 4

References: 30

ORYGINALNY ARTYKUŁ
NAUKOWY

Klasyfikacja JEL: F14, F15,
F21

Zgłoszony:

wrzesień 2024

Zaakceptowany:

lutu 2025

Tabele: 7

Rysunki: 4

Literatura: 30

TRADE AND FDI EFFECTS IN EURASIA – THE CASES OF RCEP AND EAEU

EFEKTY HANDLU I BEZPOŚREDNICH INWESTYCJI ZAGRANICZNYCH W EURAZJI – PRZYPADKI RCEP I EAEU

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Citation: Petrushkevich, A., Rudy, K. (2025). Trade and FDI effects in Eurasia: the cases of RCEP and EAEU / Efekty handlu i bezpośrednich inwestycji zagranicznych w Eurazji: przypadki RCEP i EAEU / *Economic and Regional Studies*, 18(1), 55-74, <https://doi.org/10.2478/ers-2025-0005>

Guest Editor: Prof. Dr. Badar Alam Iqbal. Department of Economics, Tshwane University of Technology, South Africa; Economics and Finance, Monarch Business School; Switzerland

Abstract

Subject and purpose of work: The overview of trade and FDI effects in 2019-2023 in two biggest integration communities of Eurasia: Regional Comprehensive Economic Partnership (RCEP) with 15 members (including ASEAN) and Eurasian Economic Union (EAEU) with 5 countries (including Russia).

Materials and methods: The analysis of export, import, and trade balances showed asymmetric trade effects for the RCEP-countries that are focused on regional, intraregional, extra regional trade.

Results: It's proved that the signing of RCEP agreement raised attractiveness of the region for the FDI. In its contrast, the EAEU has refocused its trade effects on mutual trade with the significant role of Russia as the main FDI investor due to the decoupling from the West.

Conclusions: The difference in economic scale and political effects between RCEP & EAEU reflects different motivation and the barriers for bilateral trade and investment cooperation in the future.

Keywords: RCEP, EAEU, international trade, foreign direct investments

Streszczenie

Przedmiot i cel pracy: Przegląd efektów handlu i bezpośrednich inwestycji zagranicznych w latach 2019-2023 w dwóch największych wspólnotach integracyjnych Eurazji: Regionalne Kompleksowe Partnerstwo Gospodarcze (RCEP) z 15 członkami (w tym ASEAN) i Euroazjatycka Unia Gospodarcza (EAEU) z 5 krajami (w tym Rosją).

Materiały i metody: Analiza eksportu, importu i bilansów handlowych wykazała asymetryczne efekty handlowe dla krajów RCEP, które koncentrują się na handlu regionalnym, wewnątrzregionalnym i pozaregionalnym.

Wyniki: Udowodniono, że podpisanie umowy RCEP zwiększyło atrakcyjność regionu dla bezpośrednich inwestycji zagranicznych. W przeciwieństwie do tego, EAEU ponownie skoncentrowała swoje efekty handlowe na handlu wzajemnym ze znaczącą rolą Rosji jako głównego inwestora BIZ ze względu na oddzielenie się od Zachodu.

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Journal included in: AgEcon Search; AGRO; Arianta; Baidu Scholar; BazEkon; Cabell's Journalytics; CABI; CNKI Scholar; CNPIEC – cnpLINKer; Dimensions; DOAJ; EBSCO; ERIH PLUS; ExLibris; Google Scholar; Index Copernicus International; J-Gate; JournalTOCs; KESLI-NDSL; MIAR; MyScienceWork; Naver Academic; Naviga (Softweco); Polish Ministry of Science and Higher Education; QOAM; ReadCube; Research Papers in Economics (RePEc); SCILIT; Scite; Semantic Scholar; Sherpa/RoMEO; TDNet; Ulrich's Periodicals Directory/ulrichsweb; WanFang Data; WorldCat (OCLC); X-MOL.

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Wnioski: Różnica w skali gospodarczej i skutkach politycznych między RCEP a EAEU odzwierciedla różne motywacje i bariery dla dwustronnej współpracy handlowej i inwestycyjnej w przyszłości.

Słowa kluczowe: RCEP, EAEU, handel międzynarodowy, bezpośrednie inwestycje zagraniczne

Introduction

Two economic integration groups unite the countries at the Asian and Post-Soviet regions. Both of them have trade and investments effects on their members and outsiders and some potential mutual synergies. The first big group is the Regional Comprehensive Economic Partnership (RCEP). The second one is the Eurasian Economic Union (EAEU).

RCEP is the largest integration community, with its countries producing about 30% of global GDP in the early of 2020s (UNCTAD, 2021). In fact, it is the only mega-integration group of countries in Asia, both in terms of population coverage and directions (Shimizu, 2021). Although, not all experts recognize its significance, especially when compared to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (Terada, 2018). The history of the RCEP has its roots in the formation since 1967 of the ASEAN integration grouping, which today unites ten emerging countries in Asia: Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Vietnam, Myanmar, Laos, Cambodia. The ASEAN was originally an organization with primarily political goals, and full economic integration of the countries began in 1992 with the signing of the Agreement on the Common Effective Preferential Tariff, which became the basis for the ASEAN Free Trade Area and the formation of the economic community in 2015. Following ASEAN's negotiations with the more developed countries in the region: China, South Korea, Japan, Australia and New Zealand, a free trade area agreement was signed between them in 2020. The main competitive advantage of the RCEP bloc is the elimination of tariffs in mutual trade for 90% of commodity items with an implementation period of 20 years. In addition, simplification of customs procedures, harmonization of rules of origin, protection of intellectual property rights and investment were guaranteed, which should ensure trade liberalization among the 15 countries of the bloc. The first estimates of the projected effects of the RCEP formation showed an uneven distribution of the overall gains (due to the combined effects of trade diversion and trade creation) in merchandise trade across the 15 countries: a) five RCEP countries that joined the ASEAN Free Trade Area, primarily Japan, would be the main beneficiaries; b) Cambodia, Vietnam, Indonesia, and the Philippines would be the countries that will experience significant negative effects on trade of goods; c) trade diversion with non-RCEP countries was projected to be most significant in relation to the EU, the US, Hong Kong, and Taiwan (UNCTAD, 2021).

EAEU is the smaller integration union from an economic point of view, which was gradually formed in the 1990s and 2000s from the five countries of the former Soviet Union (Russia, Belarus, Kazakhstan, Kyrgyzstan and Armenia). It has evolved from a free trade zone to a customs union with a common customs tariff and the contours of a common market. The largest trading partner for the EAEU is China, with which the countries have been engaged in lengthy negotiations on the establishment of a free trade zone. Nevertheless, EAEU has signed free trade agreements with Vietnam, Singapore, Serbia and Iran. The formation of the RCEP has actualized the discussion on the trade and investment sensitivity of the EAEU to external partners. In the context of sanctions and restrictions by a number of Western countries against certain EAEU members (Russia and Belarus) after 2022, their practical interest in more active interaction with the RCEP market has become more acute. Currently, there is a lack of studies that focus on cooperation between the EAEU and RCEP. The works in the economic and political science fields only mention the necessity or limitations of cooperation between them.

This article has three objectives. Firstly, to overview the impact of the expansion and deepening of ASEAN+6 integration to the RCEP level on the development of merchandise trade of member countries and intensification of inter-country direct investment flows. Secondly, to analyze the trade and investment peculiarities of the EAEU functioning at the present stage. Thirdly, to assess the potential of trade and investment cooperation between the RCEP and the EAEU integration association. The methods of systemic observations of trade and foreign direct investments (FDI) flows development in RCEP countries as well as in EAEU countries have been used in the studies. A descriptive statistic for comparative analysis of export and

import dynamics, the changes in trade balance for countries and regions in 2019-2023 have been employed. Evaluation of changes in FDI for countries have been undertaken on the basis of stock values that could better reflects the changes in foreign ownership of productive assets.

The paper consists of three parts: literature overview; description of trade and FDI effects both in RCEP and EAEU; discussion and conclusions about RCEP and EAEU potential cooperation.

Literature overview

Based on the objectives of this article, we can distinguish several blocks of literature with mixed conclusions. First of all, we can name the papers devoted to the study of economic consequences of the introduction of trade and economic liberalization within the RCEP agreement for all participating countries. One study (Itakura, 2022) proposed to consider five scenarios for liberalizing the economies of the RCEP countries depending on the coverage of areas of freedom in international economic relations, namely: liberalizing goods and services trade, improving the logistics for merchandise goods trade, and fostering investment in the RCEP region. The results of the study showed that all RCEP countries gain in terms of real GDP, economic welfare, trade, and investment if two major freedoms – merchandise trade and investment flows – are ensured. At the same time, exports and imports of goods will increase in all RCEP countries, indicating growing interconnectivity among the countries of the new bloc in global supply chains. Some economists (Chen et. al, 2023) showed that the development feature of RCEP countries is a significant extra-regional export-orientation, which means that there is a huge potential for intra-regional flows to intensify due to trade liberalization after the entry into force of the RCEP agreement. The authors believe that precisely the main objectives of this agreement are to enhance intra-regional trade, which could consolidate global production advantages by strengthening global supply chains, including through extra-regional investments. A study of intra-industry trade among RCEP countries (Zhao and Mun, 2023) found that tariff reduction and intra-regional FDI have a positive impact on its increase in the short run, although the impact levels are low, namely about 1.5% and 1.4%, respectively. At the same time, the impact of countries' GDP growth has a significant (about 8.5%) and long-term effect. Therefore, the trade effects of integration are rather static, while dynamic effects depend on more fundamental reasons underlying economic growth.

The results of other studies were less encouraging. One paper (Banga, et. al., 2021) showed risks for ASEAN countries, where tariff reduction would bring a deterioration of their trade balances in merchandise trade by 6% annually. The main reasons for these negative trade effects will be not only the increase in imports from the top five more developed RCEP countries, but also the decrease in exports to the RCEP countries due to their displacement by the top five more developed RCEP countries. This will lead to an imminent deterioration in the trade balance in the following ASEAN countries: Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. The trade balance will show significant improvement for non-ASEAN countries like Japan and New Zealand. Similar conclusions were reached by other study (Suvannaphakdy, 2021), who argues for asymmetric distribution of trade effects among RCEP countries after the RCEP agreement enters into force. Some papers outlined (Shimizu, 2021) that the creation of the RCEP would increase external protectionism because of the standoff and trade wars between the US and China.

Second group of studies focuses on trade effects in the specific industries in RCEP and provide mixes results. For instance, the textile industry has come into focus first, as ASEAN countries and China, both members of the RCEP, are consistent leaders in international textile and apparel trade. According to the study (Liu, 2019), when the RCEP agreement is signed, the global Asia-Pacific value chains in apparel and textiles will be subject to significant adjustments: both positively due to trade creation effects and thus strengthening of the chains themselves, and negatively due to a decline in textile exports to the US and the EU. The case of the electrical machinery and equipment sector and inorganic chemicals sector of Malaysia shows that tariff reductions in Malaysia have resulted in displacement of component imports from India (trade diversion) by imports from more developed RCEP countries such as Australia, South Korea and Japan (Rahmand and Sharma, 2024).

Third group of papers assess the trade effects on individual RCEP countries. The expected trade and welfare growth effects of China and South Korea under the RCEP agreement have been estimated

as unambiguously positive by a number of researchers before the agreement entered into force (Li and Moon, 2018; UNCTAD, 2021) and after (Zhan, 2023). The RCEP will have a positive impact on Indonesia's foreign trade performance and reduce the gap between potential and actual trade volumes primarily by deepening engagement with the most open and developed countries like Australia, Singapore, and Japan (Aprilianti and Patunru, 2020). Some argue, that ASEAN countries are less likely to experience positive effects in trade growth than ASEAN partner countries after the signing and entry into force of the RCEP agreement (Novith and Purwana, 2023). An assessment of the potential trade effects of changes in bilateral trade between Malaysia and China under the RCEP shows significant positive effects in Malaysia's trade and welfare compared to China, if tariffs are fully eliminated, suggesting that a set of measures should be taken to cautiously phase down tariffs from China to zero (Jiang and Husin, 2023).

Fourth group of studies on the investment effects of the formation of the RCEP free trade area have received less academic attention. Some emphasized the critical need to develop high-value business service provider firms to help ASEAN SMEs embed themselves in global value chains involving more developed RCEP members (Julien and Pomfret, 2019). There are papers that show the positive impact of the RCEP on the growth of intra-regional foreign direct investment using an individual country case study. In particular, one study showed on the data from Vietnam that FDI was determined by such parameters of investing countries as gross national product, export turnover, government spending, national reserves, trade openness and participation in RCEP agreement of investing countries (Thi Huong Do et al., 2024). Moreover, it is argued that trade openness of investing countries through participation in the free trade area and trade liberalization within the RCEP has the greatest importance in the decision to invest in a partner country under the trade agreement. Furthermore, foreign investors in Vietnam can rely on both market-oriented strategies and efficiency-oriented investment strategies due to the attractive growing market demand and the possibility of expanding production at relatively low costs.

It was hard to find a big number of economic studies on the potential of interaction between the RCEP and the EAEU. One paper outlined the possibilities and prospects for the development of integration in the EAEU according to the "bloc-to-bloc" principle (Pranevich, 2018). Another one considered the grounds for strengthening the competitiveness of the EAEU and the possibility of being the largest economic pole and the leading center for the development of multilateral institutions in Greater Eurasia (Ivantsov, 2021). The recent paper testified the limited opportunities for expanding EAEU cooperation with integration associations and projects (Pepe, 2024). It shows the following as the main limitations: structural underdevelopment of Russia's economy as the center of the EAEU; narrowing of opportunities for openness of various integration associations due to the countries that are members of them, which have imposed sanctions against Russia and Belarus. At the same time, it is noted that only Asian integration, within the framework of which there is the project "One Belt, One Road", stands out from the remaining integration directions for the EAEU.

The literature overview showed controversial trade effects of the RCEP for the area in general, for its selective members and industries in particular. FDI effects in the RCEP are less studied. And the RCEP's effects on the EAEU didn't attract much attention in the researches. This paper will try to fulfill those gaps.

Trade and FDI effects

RCEP

Trade: export, import, trade balance

RCEP countries are characterized by significant asymmetry in terms of their position in international trade as exporters and importers of goods. Moreover, three countries from the RCEP integration association - China, Japan and South Korea - are among the top ten world exporting countries, which indicates the high competitiveness of their goods and the probable displacement of imports to the RCEP region from other countries. The latter can be considered an obvious effect of foreign trade diversion and the creation of intra-regional trade flows. In intra-regional trade, the possibility of restructuring flows is also almost obvious. Among ASEAN countries, it is also worth highlighting the leaders that are in the second ten exporters of the world (Singapore and Vietnam). Also such RCEP countries as Australia, Malaysia, Thailand and Indonesia, which are in the third top ten exporters of the world, have high export competitiveness. That is, nine

countries out of fifteen parties to the agreement are global exporters, which indicates the export-oriented model of economic development of the RCEP. At the same time, even less developed countries are within a top one hundred of global exporters.

The main question is, how are these trade flows distributed to a greater extent: within regional or extra-regional trade? In terms of the importance of RCEP markets for each participant, ASEAN and non-ASEAN countries (Table 1) should be considered separately, for which three groups of countries can be distinguished.

The first group is the regional export-oriented countries. RCEP countries in the region have the largest share in the exports of two ASEAN countries, Laos and Brunei, which is more than 80% over the 2019-2023 period under consideration. And initially, for Brunei, the markets of the five non-ASEAN countries were the most important for Brunei, and vice versa for Laos. By 2023, for both Brunei and Laos, the importance of ASEAN countries among export markets is lower compared to non-ASEAN countries. For Brunei, the market share of RCEP countries has increased. For Laos, the share of merchandise exports to RCEP countries decreased, although it remained quite high. Moreover, in the case of Laos, the entry into force of the RCEP agreement resulted in a reorientation of intra-regional exports to the more developed region of non-ASEAN countries.

The second group of countries are countries oriented towards extra-regional exports. RCEP countries have the smallest share, namely between 25% and 50%, in the exports of Cambodia and Vietnam among ASEAN countries, and China, Japan, and South Korea among the group of non-ASEAN countries. In the case of Cambodia and Vietnam, this share has changed insignificantly over the period under review, although the reorientation towards the ASEAN region for Cambodia was only tangible in the COVID-19 period in 2020 and thereafter there was a recovery of previous markets. That is, external, extra-regional markets are essential for the exports of these countries. Moreover, for Cambodia, it should be noted that the largest share among export markets in 2019 was held by the US (about 30%). With the establishment of the RCEP, the share of the US as an export market has increased to over 37%. The significant role of countries outside the RCEP region for Cambodia is due to the high concentration of exports in apparel. Thus, in 2023, the share of these commodity items (42, 61 and 62 of HS) in total exports was 40%. As for the top five countries outside ASEAN, different patterns and preferences can be identified. For example, for China, the share of RCEP countries as markets for exports is very low – 26-27% and has hardly increased in five years. Moreover, ASEAN countries have a larger share than the other RCEP members, and the redistribution of export markets has been toward ASEAN due to the declining share of the other five RCEP countries when the agreement came into force. The export patterns of Japan and South Korea are similar: RCEP countries account for more than 40% of exports and this share has fallen mainly due to non-ASEAN partner countries.

The third group of countries are those that are mainly focused on intra-regional exports, i.e. the share of RCEP in the structure of their exports is more than 50% but not more than 70%. These are the majority of ASEAN countries, as well as Australia and New Zealand. Moreover, while in Singapore, Malaysia and Thailand the export shares of ASEAN and non-ASEAN countries are approximately the same, in Australia, New Zealand, Indonesia, Myanmar and the Philippines the shares of exports to the five non-ASEAN countries vary in different years from 32 to 50% of total exports. The share of RCEP countries increased slightly in exports of Australia, Indonesia, Malaysia, the Philippines. It declined in Thailand, Myanmar, and New Zealand due to growth in external markets.

Table 1. Shares of regions in exports of RCEP countries and their growth, percentage

		Shares of regions in exports of RCEP countries, %					Growth of the share in 2019-2023
		2019	2020	2021	2022	2023	
Vietnam	non-ASEAN countries of RCEP	32.4	32.5	30.7	30.3	33.5	1.1
	ASEAN	9.4	8.2	8.6	9.1	7.3	-2.1
	RCEP	41.8	40.7	39.3	39.4	40.8	-1.0
	EAEU	1.1	1.1	1.1	0.5	0.4	-0.7
Brunei Darussalam	non-ASEAN countries of RCEP	53.8	50.5	58.9	56.1	55.4	1.6
	ASEAN	34.3	40.2	33.5	39.3	35.7	1.4
	RCEP	88.1	90.7	92.4	95.3	91.1	3.0
	EAEU	0.0	0.0	0.0	0.0	0.0	0.0
Indonesia	non-ASEAN countries of RCEP	32.2	33.6	36.5	36.9	38.6	6.4
	ASEAN	24.7	22.4	20.7	20.9	20.4	-4.4
	RCEP	56.9	56.0	57.2	57.9	58.9	2.0
	EAEU	0.6	0.6	0.7	0.5	0.4	-0.2
Cambodia	non-ASEAN countries of RCEP	16.9	14.0	17.2	14.8	14.0	-3.0
	ASEAN	9.0	21.7	6.7	6.8	12.6	3.6
	RCEP	25.9	35.7	23.9	21.6	26.6	0.7
	EAEU	0.4	0.3	0.3	0.1	0.0	-0.3
Lao People's Democratic Republic	non-ASEAN countries of RCEP	30.6	26.9	37.6	no data	47.6	17.0
	ASEAN	60.5	64.8	53.3	no data	36.3	-24.2
	RCEP	91.1	91.7	90.8	no data	83.9	-7.2
	EAEU	0.0	0.1	0.0	no data	0.0	0.0
Malaysia	non-ASEAN countries of RCEP	27.5	28.8	27.8	27.0	27.4	-0.1
	ASEAN	28.8	27.8	27.7	29.2	29.5	0.7
	RCEP	56.3	56.7	55.5	56.2	56.9	0.6
	EAEU	0.4	0.4	0.3	0.2	0.3	-0.1
Myanmar	non-ASEAN countries of RCEP	42.8	41.9	37.7	30.9	34.3	-8.5
	ASEAN	23.9	25.9	30.1	28.6	29.4	5.5
	RCEP	66.7	67.8	67.8	59.5	63.7	-2.9
	EAEU	0.2	0.2	0.2	0.1	0.3	0.1
Singapore	non-ASEAN countries of RCEP	25.1	25.8	26.5	24.5	26.1	1.0
	ASEAN	28.7	25.1	26.5	28.6	27.7	-1.0
	RCEP	53.8	50.8	53.0	53.1	53.8	0.0
	EAEU	0.2	0.2	0.1	0.0	0.0	-0.1
Thailand	non-ASEAN countries of RCEP	28.5	29.4	29.8	27.4	27.6	-0.8
	ASEAN	25.5	24.0	24.0	25.0	23.5	-2.0
	RCEP	54.0	53.3	53.8	52.4	51.2	-2.8
	EAEU	0.4	0.3	0.4	0.2	0.3	-0.1
Philippines	non-ASEAN countries of RCEP	34.0	35.2	34.1	32.7	34.5	0.5
	ASEAN	15.3	16.0	16.3	17.0	15.4	0.1
	RCEP	49.3	51.2	50.3	49.7	49.9	0.6
	EAEU	0.1	0.1	0.2	0.1	0.1	-0.1
China	non-ASEAN countries of RCEP	12.3	12.2	11.6	11.8	11.5	-0.9
	ASEAN	14.4	14.8	14.4	15.8	15.5	1.1
	RCEP	26.7	27.0	26.0	27.6	27.0	0.3
	EAEU	2.8	2.6	2.7	3.1	4.8	1.9

Korea, Republic of	non-ASEAN countries of RCEP	32.1	32.2	31.8	30.5	27.6	-4.5
	ASEAN	17.5	17.4	16.9	18.3	17.3	-0.3
	RCEP	49.6	49.6	48.6	48.8	44.9	-4.7
	EAEU	2.0	1.8	1.7	1.2	1.5	-0.5
Japan	non-ASEAN countries of RCEP	28.0	31.2	31.0	29.2	26.9	-1.2
	ASEAN	15.1	14.4	15.0	15.8	14.6	-0.5
	RCEP	43.1	45.6	46.0	45.0	41.5	-1.6
	EAEU	1.1	1.0	1.1	0.7	0.5	-0.6
Australia	non-ASEAN countries of RCEP	49.3	50.9	50.9	46.3	50.6	1.3
	ASEAN	8.2	8.0	9.7	8.4	9.4	1.2
	RCEP	57.6	58.8	60.6	54.8	60.0	2.5
	EAEU	0.1	0.1	0.1	0.0	0.0	-0.1
New Zealand	non-ASEAN countries of RCEP	51.3	50.6	53.1	49.7	48.7	-2.6
	ASEAN	10.0	9.9	10.0	12.1	11.2	1.1
	RCEP	61.4	60.5	63.1	61.9	59.9	-1.5
	EAEU	0.5	0.6	0.4	0.1	0.1	-0.5

Source: Authors' calculations based on the Trade Map (2024) data.

As importers among RCEP countries, the same leaders from the top ten exporters – China, Japan and South Korea – stand out. The only country representing the second ten is Singapore. In the third ten of the world importers are Vietnam, Thailand, Australia, Malaysia, Indonesia. Among RCEP countries are also not active importers, namely Laos and Brunei. The import structure of countries by region shows the RCEP model different from the export model, namely, a much higher dependence on imports of materials, components and finished goods from RCEP participants Table 2. At the same time, four groups are seen in terms of the share of RCEP in the imports of partner countries, namely:

1) countries with the share of imports from the RCEP from 30% to 50%. These are the countries in the first and second ten world importers – China, Japan, South Korea and Singapore. Moreover, the import effects in each of the countries with RCEP activation turned out to be different. The share of imports from RCEP for China, the country with the lowest share of imports from RCEP, declined at the expense of a substantial decline for countries outside ASEAN. In contrast, for the remaining countries, the share increased, albeit slightly, in Korea and Japan at the expense of ASEAN countries, and in Singapore at the expense of non-ASEAN countries;

2) countries with the share of imports from the RCEP from 50% to 60% – Brunei, Thailand, Australia and New Zealand. Furthermore, for all countries except Thailand, the share of imports from RCEP increased significantly due to the growth of imports from ASEAN countries;

3) countries with the share of imports from the RCEP equal to 60%-70%. These include Indonesia and Malaysia with a slight decrease in the share of RCEP imports due to the decreasing importance of the ASEAN, and the Philippines with an increase in imports from RCEP countries, proportionally from the ASEAN and other countries;

4) countries with the share of imports from RCEP over 70%. These are Vietnam, Cambodia, Laos and Myanmar. Moreover, a clear increase in the share of the RCEP is observed in Myanmar due to the growth of imports from the ASEAN and in Cambodia due to the growth of imports from other RCEP members.

Table 2. Shares of regions in imports of RCEP countries and their growth, percentage

		Shares of regions in imports of RCEP countries					Growth of the share
		2019	2020	2021	2022	2023	2019-2023
Vietnam	non-ASEAN countries of RCEP	58.0	59.9	59.6	59.6	no data	no data
	ASEAN	12.7	11.7	12.4	13.2	no data	no data
	RCEP	70.7	71.6	72.0	72.8	no data	no data
	EAEU	0.8	0.8	0.7	0.6	no data	no data
Brunei Darussalam	non-ASEAN countries of RCEP	20.0	21.7	17.0	15.7	19.8	-0.2
	ASEAN	32.1	37.7	35.5	36.1	37.3	5.2
	RCEP	52.1	59.4	52.6	51.7	57.1	5.0
	EAEU	4.0	4.4	18.1	6.8	9.2	5.2
Indonesia	non-ASEAN countries of RCEP	44.0	44.2	46.1	45.4	45.2	1.3
	ASEAN	23.2	21.1	20.4	21.1	21.1	-2.1
	RCEP	67.2	65.2	66.5	66.6	66.3	-0.8
	EAEU	0.9	0.9	0.9	1.2	1.2	0.3
Cambodia	non-ASEAN countries of RCEP	45.5	43.5	38.5	39.8	49.3	3.8
	ASEAN	39.3	39.8	45.0	42.6	37.9	-1.4
	RCEP	84.8	83.3	83.5	82.5	87.2	2.4
	EAEU	0.0	0.1	0.1	0.1	0.1	0.1
Lao People's Democratic Republic	non-ASEAN countries of RCEP	33.2	32.1	28.4	no data	no data	no data
	ASEAN	60.6	59.9	56.8	no data	no data	no data
	RCEP	93.8	92.0	85.2	no data	no data	no data
	EAEU	0.2	0.1	0.5	no data	no data	no data
Malaysia	non-ASEAN countries of RCEP	35.9	37.7	38.3	35.8	35.0	-0.9
	ASEAN	24.1	21.9	23.6	24.6	24.8	0.7
	RCEP	60.0	59.6	61.9	60.4	59.8	-0.2
	EAEU	0.5	0.4	0.5	0.8	0.9	0.4
Myanmar	non-ASEAN countries of RCEP	40.6	43.6	34.8	36.0	36.6	-4.0
	ASEAN	43.6	39.5	50.6	52.6	53.0	9.4
	RCEP	84.2	83.1	85.4	88.6	89.5	5.3
	EAEU	0.2	0.2	0.1	0.1	0.2	0.0
Singapore	non-ASEAN countries of RCEP	24.9	26.3	26.2	27.3	26.8	2.0
	ASEAN	21.8	24.3	22.8	22.5	21.0	-0.9
	RCEP	46.7	50.7	49.0	49.8	47.8	1.1
	EAEU	1.4	0.4	0.9	0.5	0.9	-0.4
Thailand	non-ASEAN countries of RCEP	40.9	43.0	44.4	40.7	40.7	-0.2
	ASEAN	19.0	19.0	17.1	17.5	16.9	-2.2
	RCEP	59.9	62.1	61.5	58.1	57.6	-2.3
	EAEU	1.0	0.9	0.7	0.5	0.3	-0.7
Philippines	non-ASEAN countries of RCEP	41.7	41.8	41.7	40.7	41.2	-0.4
	ASEAN	26.1	26.4	27.5	29.0	29.6	3.6
	RCEP	67.8	68.2	69.2	69.7	70.9	3.1
	EAEU	0.9	0.9	0.6	0.5	0.2	-0.7
China	non-ASEAN countries of RCEP	23.2	23.2	22.4	20.0	19.2	-4.0
	ASEAN	13.6	14.6	14.7	15.0	15.2	1.6
	RCEP	36.8	37.8	37.1	35.0	34.4	-2.4
	EAEU	3.4	3.3	3.4	4.9	5.8	2.4

Korea, Republic of	non-ASEAN countries of RCEP	35.1	37.4	37.0	35.0	35.0	-0.1
	ASEAN	11.2	11.7	11.0	11.3	12.1	1.0
	RCEP	46.3	49.1	48.0	46.3	47.2	0.9
	EAEU	3.2	2.5	3.2	2.7	2.0	-1.3
Japan	non-ASEAN countries of RCEP	34.3	36.0	35.3	34.9	34.7	0.4
	ASEAN	15.0	15.7	14.7	15.0	15.3	0.4
	RCEP	49.2	51.7	50.0	49.9	50.0	0.8
	EAEU	2.1	1.8	1.9	1.8	1.0	-1.1
Australia	non-ASEAN countries of RCEP	38.7	39.9	39.0	40.5	39.5	0.7
	ASEAN	15.8	15.2	16.8	17.9	18.0	2.1
	RCEP	54.6	55.1	55.9	58.4	57.4	2.9
	EAEU	0.1	0.1	0.1	0.2	0.0	-0.1
New Zealand	non-ASEAN countries of RCEP	42.4	45.6	46.2	46.8	45.8	3.4
	ASEAN	13.8	13.5	13.9	16.2	17.1	3.4
	RCEP	56.2	59.0	60.1	63.0	62.9	6.8
	EAEU	1.0	0.7	0.2	0.0	0.0	-1.0

Source: Authors' calculations based on the Trade Map (2024) data.

The analysis of the trade effects of integration also includes an assessment of the dynamics of a country's trade balance and the country's contribution to its positive or negative changes. The deterioration of the trade balance in merchandise trade over the 2019-2023 period under consideration, in absolute terms, can be found in countries such as: Myanmar, Thailand, the Philippines, South Korea, Japan, and New Zealand. Moreover, Thailand has even experienced a trade deficit conversion since 2021. On the contrary, all other countries turned out to be with an increasing trade surplus over this period. Moreover, a significant decrease in the trade deficit is observed for Cambodia. However, absolute values do not give an indication of the contribution of partner countries to the sustainability of trade balances. Therefore, the study of the regional component is essential and shows the real picture on the static trade effects of the RCEP. The study of the dynamics of the regional structure of RCEP countries' trade balance shows some observations.

Firstly, most countries, except Vietnam, South Korea and New Zealand, experienced a positive contribution of the RCEP region to their trade balance or some unsustainable decline in the significant contribution to the negative trade balance by 2022-2023 (Myanmar, Philippines, Japan). Therefore, most of the countries other than those named benefit from the establishment of the RCEP free trade area.

Secondly, assessing the trade balance dynamics of countries with RCEP regions and separately ASEAN and non-ASEAN, the following features can be noted:

- a very high negative contribution of RCEP countries to the positive trade balance of Vietnam and a growing contribution to the negative trade balance of Thailand, South Korea and New Zealand;
- a decrease in RCEP region's positive contribution to the trade balance due to increased trade with ASEAN countries occurred in Brunei, and at the expense of the non-ASEAN region in Brunei, Indonesia and Australia;
- an unsustainable decrease in the contribution to the negative trade balance due to increased trade with RCEP countries is observed in Myanmar, the Philippines and Japan;
- an increase in the positive contribution of RCEP region to the trade balance at the expense of intensification of trade with RCEP region - in Cambodia, at the expense of non-ASEAN countries – in Malaysia. A decrease in the negative trade balance with non-ASEAN countries occurred in China. In other words, these three countries have benefited significantly from the RCEP agreement, receiving positive static trade effects from deeper integration.

FDI

The basic hypothesis here is that RCEP countries can benefit from the dynamic advantages of FTA integration by boosting intra-regional direct investment flows. In addition, countries may become more attractive to external (extra-regional) inflows. At the same time, with the formation of the RCEP, both efficiency-oriented investments aimed at restructuring and strengthening global value chains and market-oriented (final consumption) investments may increase. Judging by accumulated international direct investments, the new integration association includes global investors such as China, Japan, Singapore, Australia and South Korea, companies from which may become drivers of production network development. Thailand, Malaysia and Indonesia are also growing global investors.

Table 3. FDI stock in countries of RCEP, USD mln

	2023	
	FDI inward stock	FDI outward stock
Brunei Darussalam	6 753	no data
Cambodia	48 420	1473
Indonesia	285 690	111 954
Lao People's Democratic Republic	14 404	95
Malaysia	201 736	144 361
Myanmar	39 948	13 595
Philippines	118 985	68 272
Singapore	2 632 364	1 792 289
Thailand	290 870	187 893
Vietnam	228 971	no data
China	3 659 633	2 939 100
Korea, Republic of	284 146	682 023
Japan	246 801	2 132 578
Australia	807 427	710 639
New Zealand	99 128	17 536

Source: UNCTAD (2024) data.

The analysis of the change in the share of accumulated outward and foreign direct investments (Figure 1) confirms the above hypothesis about the growing attractiveness of the RCEP region after the signing of the agreement for extra-regional investments, as the region's share in global FDI almost doubled from 11.4% in 2019 to 20.7% in 2022. At the same time, investors from the RCEP became more active in investing in their region, increasing their accumulated productive assets exported to RCEP countries from 37.3% in 2019 to 52.9% in 2022.

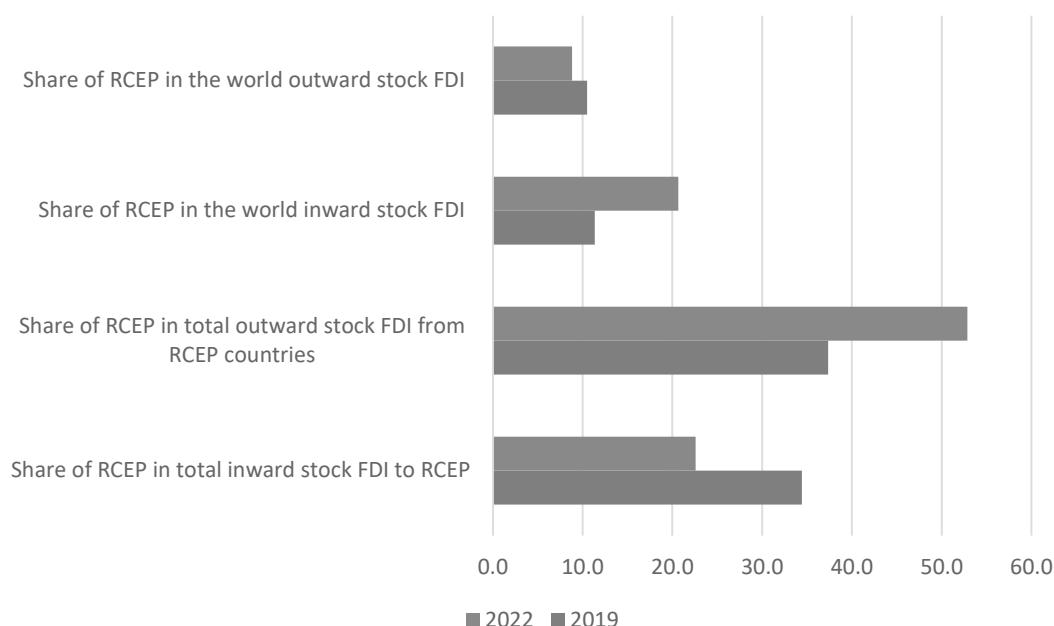


Figure 1. Change in the share of accumulated outward and inward FDI of RCEP countries in the countries of the integration association and in the world in %

Source: Authors' calculations on the basis of IMF database (2024).

At the same time, the dynamics of FDI inflows to the regions of RCEP shows the sound growth of investment to the ASEAN countries and volatile trend in increase of FDI to the non-ASEAN countries of RCEP (Figure 2). The ASEAN countries share in the world inward FDI flows has raised even in two times as it was 9.5% in 2019 and became 17% in 2023. The attractiveness of China, Japan, Singapore, Australia and South Korea have been equally reduced in 2023 that led to contraction of non-ASEAN countries of RCEP share from 23.6 up to 17.5% during a year.

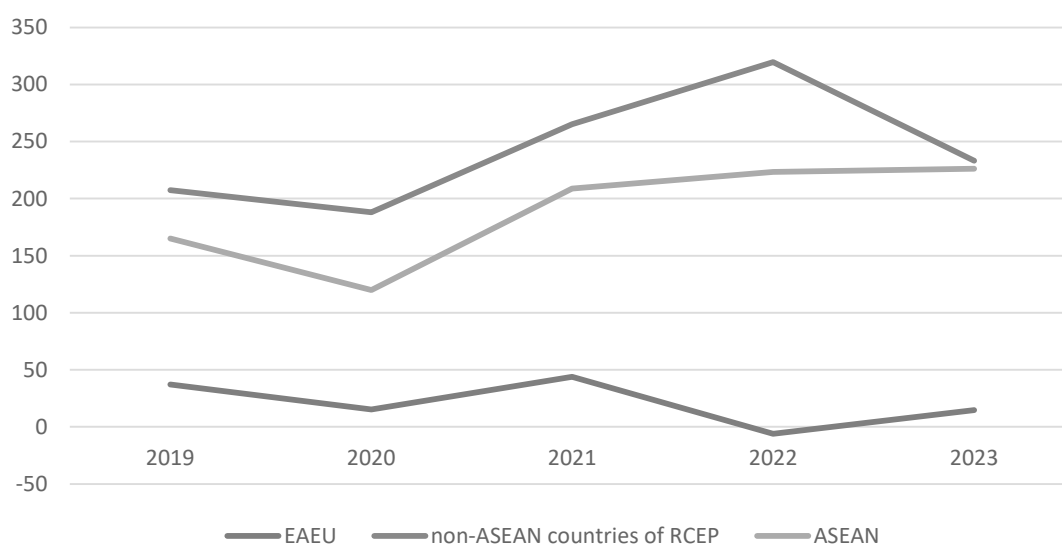


Figure 2. FDI inflows to RCEP and EAEU countries (in USD. bln)

Source: Authors' calculations on the basis of UNCTAD database (2024).

As for the FDI outflows analysis, it shows that non-ASEAN countries of RCEP are the global investors (Figure 3), therefore their role in the world outward FDI is considerable. It could be measured by their share,

which has been around 24–37.8% in 2019–2023. The growing trend of outward investment in 2021–2022 has been changed by abrupt decrease in 2023 because of each country from non-ASEAN countries of RCEP except Japan.

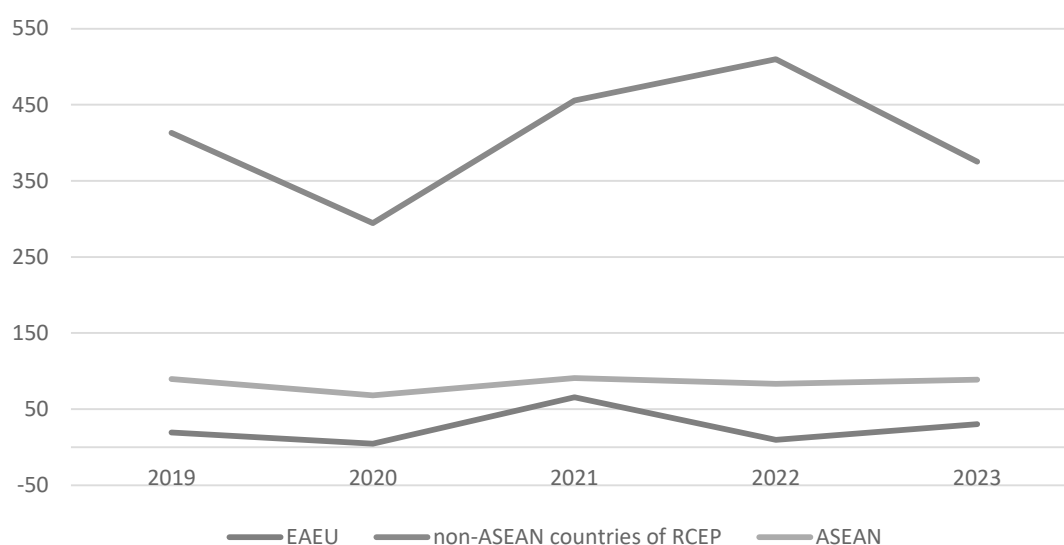


Figure 3. FDI outflows of RCEP and EAEU countries (in USD. bln)

Source: Authors' calculations on the basis of UNCTAD database (2024).

The ASEAN countries are mainly recipients of FDI rather than sources. The exception is Singapore, which is a global investor with the dozens of billions outward FDI annually. It is necessary to admit that Thailand, Malaysia and Indonesia have developed promotion of FDI abroad, so they are promising global investors as well.

EAEU

Trade: export, import, trade balance

EAEU countries in the study period 2019–2023 were affected by a variety of factors that had a negative impact on their economic development and mutual integration, including COVID-19; Russia's military operation in Ukraine; sanctions against Russia and Belarus by more than 40 countries; social explosions and public protests in Belarus, Kazakhstan, Kyrgyzstan; military conflict between Armenia and Azerbaijan. Under the influence of these factors, the export dynamics of EAEU countries is characterized by a decline in 2020 and then growth to a fall in 2023, when there was a decrease in exports from Russia and Belarus under the impact of sanctions packages from the EU, the U.S. and a number of other countries. It should be noted that the available data on the volume and structure of foreign trade of Russia and Belarus for 2022–2023 are limited, so the analysis is based only on the available statistics. Under the influence of the above factors, the position of the Russian Federation and the Republic of Belarus in the world ranking of exporters decreased significantly, while the positions of the other countries, on the contrary, increased, as well as their export volumes. EAEU countries include two countries - Armenia and Kyrgyzstan, which occupy very low positions in world exports, i.e. they are in the second hundred exporters, and since 2023 the Republic of Belarus has been added to them. For these three countries, the markets of EAEU partner countries occupy a significant share (from 1/3 of exports), and for Armenia and Kyrgyzstan the attractiveness of the EAEU increased significantly in 2022, but then slightly decreased under the influence of extraterritorial sanctions.

RCEP countries, namely to a greater extent non-ASEAN countries, play a prominent role in exports for 2019–2023 (Table 4) of Armenia (6 to 13.6% of total exports), Kazakhstan (22.6 to 27.6%) and Russia (over 21–22%). The share of RCEP countries in the exports of Belarus and Kyrgyzstan did not reach 5%.

Table 4. Shares of regions in exports of EAEU and their growth, percentage

		Shares of regions in exports of EAEU					Growth of the share	
		2019	2020	2021	2022	2023	2019-2021	2019-2023
Armenia	EAEU	28.4	27.4	28.2	46.4	42.7	-0.3	14.3
	non-ASEAN countries of RCEP	7.5	11.6	13.5	7.2	5.6	6.1	-1.8
	ASEAN	0.1	0.2	0.1	0.2	0.4	0.0	0.2
	RCEP	7.6	11.8	13.6	7.4	6.0	6.0	-1.6
Belarus	EAEU	43.9	47.5	37.3	no data	no data	-6.6	no data
	non-ASEAN countries of RCEP	2.3	2.9	1.4	no data	no data	-0.8	no data
	ASEAN	1.4	1.5	0.2	no data	no data	-1.2	no data
	RCEP	3.7	4.3	1.7	no data	no data	-2.0	no data
Kazakhstan	EAEU	10.9	11.8	13.0	11.5	14.0	2.0	3.1
	non-ASEAN countries of RCEP	20.4	22.8	20.3	21.9	24.3	-0.2	3.9
	ASEAN	1.9	1.3	3.7	3.3	3.3	1.9	1.4
	RCEP	22.3	24.0	24.0	25.2	27.6	1.7	5.3
Kyrgyzstan	EAEU	31.6	27.8	48.4	66.8	37.2	16.8	5.6
	non-ASEAN countries of RCEP	4.2	2.3	3.9	2.8	2.6	-0.2	-1.6
	ASEAN	0.1	0.1	0.3	0.1	0.1	0.2	0.0
	RCEP	4.3	2.4	4.2	2.9	2.6	0.0	-1.6
Russian Federation	EAEU	8.9	9.8	9.3	no data	no data	0.3	no data
	non-ASEAN countries of RCEP	20.1	21.1	19.6	no data	no data	-0.4	no data
	ASEAN	1.7	1.7	1.5	no data	no data	-0.2	no data
	RCEP	21.7	22.7	21.1	no data	no data	-0.6	no data

Source: Authors' calculations based on the Trade Map (2024) data.

The same leaders (Russia and Kazakhstan) can also be noted as importers among EAEU countries. The leadership of Belarus has been significantly shaken since 2022 under the influence of external sanctions. Armenia and Kyrgyzstan are at the top of the list of the second hundred global importers. As well as export volumes, imports of Russia and Belarus have decreased since 2022, while imports of other countries of the association have increased. The share structure of EAEU imports by region (Table 5) shows that the highest value, over 50%, of supplies from the EAEU was for the Republic of Belarus until 2021. For Armenia, Kazakhstan and Kyrgyzstan, the share of imports from the EAEU region in the period of 2019-2021 was between 30% and 50%, but significantly decreased in 2022-2023. The RCEP region as an exporter is much more important for EAEU countries than as an importer for all countries except Belarus. Moreover, the share of imports from the RCEP spans from over 19-20% in the case of Armenia to 22-51% for Kyrgyzstan. The share of the RCEP especially increased in Armenia, Kyrgyzstan and Kazakhstan in 2022-2023. At the same time, imports from non-ASEAN countries dominate, being sometimes dozens of times larger than imports from ASEAN countries.

Table 5. Shares of regions in imports of EAEU and their growth, percentage

		Shares of regions in imports of EAEU					Growth of the share	
		2019	2020	2021	2022	2023	2019-2021	2019-2023
Armenia	EAEU	30.3	33.9	34.8	31.9	33.3	4.4	2.9
	non-ASEAN countries of RCEP	17.5	17.0	18.3	19.0	17.7	0.8	0.2
	ASEAN	2.7	2.3	2.1	3.7	8.3	-0.5	5.7
	RCEP	20.2	19.3	20.5	22.7	26.0	0.3	5.8
Belarus	EAEU	55.2	50.0	28.9	no data	no data	-26.4	no data
	non-ASEAN countries of RCEP	10.0	11.9	8.7	no data	no data	-1.3	no data
	ASEAN	0.7	0.8	0.6	no data	no data	-0.1	no data
	RCEP	10.7	12.7	9.3	no data	no data	-1.4	no data
Kazakhstan	EAEU	39.1	37.3	45.3	37.2	28.6	6.3	-10.5
	non-ASEAN countries of RCEP	27.6	31.0	23.2	27.5	33.8	-4.5	6.2
	ASEAN	2.3	1.7	1.6	2.1	2.7	-0.7	0.4
	RCEP	29.9	32.7	24.8	29.6	36.5	-5.1	6.6
Kyrgyzstan	EAEU	41.1	50.3	47.1	33.3	25.1	6.0	-16.0
	non-ASEAN countries of RCEP	36.6	22.0	27.6	44.1	49.9	-9.0	13.3
	ASEAN	0.4	0.4	0.7	0.6	1.1	0.3	0.7
	RCEP	37.0	22.3	28.3	44.7	51.0	-8.7	14.0
Russian Federation	EAEU	8.0	8.0	8.1	no data	no data	0.1	no data
	non-ASEAN countries of RCEP	29.5	30.3	32.6	no data	no data	3.1	no data
	ASEAN	4.2	4.4	4.3	no data	no data	0.0	no data
	RCEP	33.8	34.6	36.9	no data	no data	3.1	no data

Source: Authors' calculations based on the Trade Map (2024) data.

The assessment of the regions' contribution to the trade balances of EAEU countries allows us to note that in the countries with negative balances, namely:

- in Armenia and Kyrgyzstan trade with the EAEU and RCEP regions during the period under review was carried out with a negative trade balance;
- in Belarus, the negative balance of the EAEU became positive since 2021, and vice versa in trade with ASEAN countries.

In the countries with a positive trade balance the Russian Federation and Kazakhstan there are different dynamics of the geographical structure. Thus, the trade of the Russian Federation with EAEU countries and non-ASEAN RCEP countries in 2019-2021 was carried out with a positive balance, and with ASEAN countries, on the contrary. Moreover, with such countries as Japan, South Korea, Singapore, the Philippines and Myanmar, Russia's trade balance is traditionally positive. In the case of Kazakhstan, the trade balance with the EAEU over the whole period under review was significant and negative, although it varied constantly with the regions of the RCEP.

FDI

EAEU region has one leader as a global investor (Russia) and two leaders as global recipients (Russia and Kazakhstan), based on accumulated outward and foreign direct investments (Table 6).

Table 6. FDI stock in countries of EAEU, USD mln

	2023	
	FDI inward stock	FDI outward stock
Armenia	7 499	618
Kazakhstan	157 198	17 381
Kyrgyzstan	3 810	27
Belarus	15 822	1 470
Russian Federation	278 812	258 240

Source: UNCTAD (2024) data.

The FDI flows analysis (Figure 2) demonstrates a huge divestment in region mainly from Russia in 2022. In 2023, the inflows to the country amounted 8.5 bln USD. The share of EAEU countries in the world FDI inflows reduced from 2.7 % in 2021 up to 1.09 % in 2023 because of conflicts and economic sanctions, which have been imposed by US and EU. Several RCEP members have joined as well.

Despite the sanctions, Russia is the only country from the EAEU region that still enhances as a global investor. Its FDI outflows have been reduced under the pressure of COVID19 and in the year of the military conflict broke out, but the trend is growing and amounted 22 bln USD in 2019 and 29 bln USD in 2023.

In order to understand, which factors dominate in FDI attractiveness for the EAEU, the regression modeling was carried out. The purpose is determination the causality of FDI in EAEU and main factors impacted FDI, including the country's participation in foreign trade. The evaluation has taken 23 years (2000-2022) and comprised the comparison with neighboring countries, mainly former and current members of the CIS. The following hypotheses were formulated for regression:

hypothesis 1 (H1): the dynamics in accumulated FDI per capita in Russia and Belarus is determined by a decrease in openness due to multiple sanctions;

hypothesis 2 (H2): the volume of FDI stock per capita in the neighboring countries is determined by a set of factors that differ from those for Russia and Belarus.

The main FDI determinants of economic nature (GDP per capita, share of imports in the country's GDP) as well as institutional determinants (government integrity, investment freedom, trade freedom, and financial freedom) have been selected as explanatory variables¹ and taken from the Index of Economic Freedom. The method used was multiple linear regression using the least squares method in Excel.

The results presented in table 7 allow us to conclude that accumulated FDI per capita in individual groups of countries in the CIS region are determined by various factors (hypothesis 2 is true). Economic development (GDP per capita) has a positive, but insignificant influence in all groups of countries.

In the countries of the Caucasus region and in Moldova, the «government integrity», the indicator of corruption and contradictions in public administration are of great importance. For the countries of Central Asia, as well as Belarus and the Russian Federation, freedom of investment (liberalization of conditions and protection of foreign investors) is important. For Russia and Belarus, the growth of imports of goods has a negative impact on FDI, which shows the presence of the effect of crowding out import-substituting FDI.

Hypothesis 1 was confirmed as well in separate models for Russia and Belarus. The main determinant of accumulated FDI in Belarus is freedom of trade, the liberalization of which largely depends on external factors, including sanctions. For Russian Federation, financial freedom and the freedom of trade are the main FDI factors and they are associated currently with sanctions-type restrictions.

Thus, external shocks and sanctions pressure for Russia and Belarus have deteriorated the conditions for attracting FDI.

¹ Different factors influencing FDI stock per capita like protection of property rights, tax burden, and structural changes were excluded from modeling due to the high P-level of significance and low values of F- and t-statistics.

Table 7. Linear regression model of FDI stock by country groups and individual countries

Indicator	Linear regression model				
	Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan)	Caucasus countries (Armenia, Azerbaijan, Georgia) and Moldova	Russian Federation and the Republic of Belarus	Russian Federation	The Republic of Belarus
GDP per capita	0.671***	0.2945***	0.157***	-	-
Government integrity	33.296**	72.52***	-	-	-
Freedom of investment	18.189***	-	35.639***	-	-
Imports share in GDP	-	-	-16.262***	-	-
Trade freedom	-	-	-	102.694***	59.462***
Financial freedom	-	-	-	141.613***	-
c	-1735.6***	-1528.4***	-1305.2*	-9262.7***	-3335.1**
R ²	0.938	0.783	0.836	0.819	0.535
F-statistics	447.1***	160.2***	71.2***	45.18***	24.12***
Number of observations	92	92	46	23	23

* – $P < 0,05$; ** – $P < 0,01$, *** – $P < 0,001$; «-» means that the indicator is not included in the model

Source: Authors' calculations on the basis of Index of Economic Freedom (2023).

Therefore, the analysis shows that the share of Russia as the regional investor will grow due to the decoupling of the region from the West. Foreign investors both from the Western and RCEP regions likely to be reluctant to invest in the politically toxic region, so FDI decreases in the EAEU not only from the US, EU, but for example from China as well (Rudy, 2023). It raises the questions for discussion on the potential cooperation between RCEP & EAEU.

Discussion and conclusions: RCEP & EAEU cooperation potential

The importance of the EAEU for RCEP countries, judging by its share in the exports and imports of the partnership countries, is low. In the exports of ASEAN countries, as well as Australia and New Zealand, the share of EAEU region did not rise above 1.1%. Moreover, this highest share was observed only for Vietnam in 2019-2021, then it significantly decreased. In China's exports, the share of EAEU countries was 2.6-2.8% in 2019-2021, sharply increasing further to 4.8% in 2023. As for Japan and South Korea, the EAEU share in the exports of these countries was 1.0-1.1% and 1.7-2%, respectively. Moreover, it decreased significantly in 2022-2023. The share of the EAEU in the imports of RCEP countries is also less than 1%, except for Brunei (4-18.1%), China (3.3-5.8%), South Korea (2.0-3.2%), and Japan (1-2.1%). In 2022-2023, we can observe a sharp increase in this share in China and a decrease in Japan and South Korea. Thus, mutual trade between RCEP and EAEU countries is active, but the importance of the regions for each other is different. For EAEU countries, the share of imports from RCEP countries ranged from 1/10 to 1/2, although the share of importance of RCEP countries as export markets is two times lower. RCEP countries are more oriented to the markets of their association and European and North American countries, so the EAEU region is not significant for them, with the exception of China.

Evaluating the mutual accumulation of FDI between the RCEP regions and the EAEU (Figure 4), it can be noted, as well as in mutual trade, the greater importance of RCEP countries for the EAEU. Moreover, the most active investors in the EAEU region were Japan, China, Singapore, and recipients were Russia and Kazakhstan. In addition, for Kyrgyzstan, investors from the RCEP, primarily China, occupied a high share in the attracted accumulated investments, which amounted to 18% in 2022. The share of the RCEP has significantly increased in the EAEU's FDI accumulation since 2022, when numerous sanctions were imposed by a number of countries against Russia and Belarus, at the expense of China, Vietnam, Malaysia, Thailand,

Indonesia, Cambodia. Conversely, the share of the RCEP has decreased in the EAEU's foreign accumulated FDI as Japan, South Korea, Australia, Singapore joined a number of the EU and US sanctions packages.

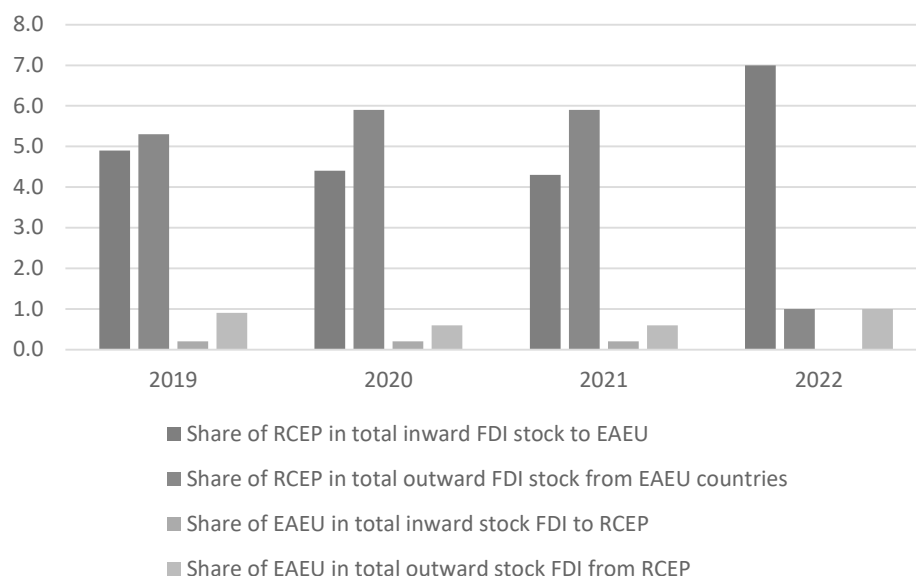


Figure 4. Changes in the share of mutual accumulation of FDI between RCEP and EAEU in 2019-2022, (in %)

Source: Authors' calculations on the basis of IMF database (2024).

Given the ambiguity of static trade effects of the integration of RCEP countries, further achievement of positive dynamic effects is possible through deeper investment integration of countries and intensification of interaction with those regions of the world, economic relations with which are underdeveloped and have growth potential, among which is the EAEU. Static positive investment effects of the RCEP integration are more evident, which means an increase in the region's investment attractiveness in the future. However, in this economic segment, there is fierce competition among RCEP countries for free investment resources, as a result of which the bloc's member states use more and more promotional mechanisms. Individual RCEP countries have been using various methods of stimulating foreign investment for many years. An example of comprehensive stimulation are programs to support outward direct investments in small and medium-sized enterprises. For example, China offers financial support to increase the global presence of SMEs (Hsu et al, 2019). Often the stimulation is not only extended to direct investments, but also to non-direct investment projects. BOOT projects are a case in point. Thus, the South Korean Eximbank lends to such projects (The Korea Eximbank, 2023). Some countries have started to use relocation and return programs for branches of domestic MNEs as part of their foreign direct investment stimulation arsenal (Podoba, 2021). For instance, in 2013, South Korea passed a law to support the return of foreign Korean companies, established a Reshoring Support Center and stimulations similar to FDI.

The growth of investment in the EAEU region, including from RCEP countries, involves many peculiarities and risks (Petrushkevich, 2021).

Firstly, all EAEU countries are characterized by different models of economic development and FDI attraction, including low sectoral and geographical diversification of FDI and mono-motivation of investors.

Secondly, there is an established contradictory pattern of factors influencing FDI attraction and direct investment exports in the countries under study over the previous decades:

- positive factors include: the 'neighborhood effect', roundtripping direct investments, privatization programs (primarily in Russia and Kazakhstan), development of FEZs, investments from the diaspora (Armenia), economic cooperation initiated at the political level (Belarus-Iran, Belarus-China, etc.);
- negative factors include: deoffshorization policy in Russia since 2012 and development of its own offshore zones; economic crises; economic sanctions against Belarus (since 2003), Russia (since 2014); divestments from the EAEU (active phases are observed for different periods, the last one – in Russia in 2022-2023),

limited international relations due to complex geographical location (typical for Armenia); sinophobia (typical for Kazakhstan and Kyrgyzstan); long-term political instability (Kyrgyzstan), episodes of social tension, typical for all EAEU countries; conflict zones.

Thirdly, the countries were characterized by positive dynamics of the investment climate by many indicators of international ratings and indices before the multidimensional crisis of 2022: all countries were characterized by positive dynamics and attractive conditions for all macroeconomic indicators, except for free trade and investment freedom, and the development of market institutions; in Armenia and Belarus - positive dynamics of economic factors for attracting high-tech investments, in Russia, Belarus and Kazakhstan - positive conditions for market-oriented, including environmental, investments. At the same time, all the countries were characterized by low indicators of the rule of law, low attractiveness for investments in industry oriented on efficiency and strategic assets.

Fourthly, EAEU countries are characterized by passive FDI attraction policies with a different set of dominant methods. Only Kazakhstan is characterized by an active type of FDI policy (long-term consistent system of measures to improve the investment climate, selective targeting, financial support, post-investment services, an established network of API units, investment ombudsman). In Russia, FDI policy is decentralized, focusing on numerous SEZs, information-type APIs; Belarus has provided numerous preferential investment regimes with limited API functions; Kyrgyzstan has complicated procedures for FDI and limited API activities; Armenia allows land sales to foreign citizens, but a previously successful API was closed in 2019.

Thus, there is an asymmetry in EAEU countries in the levels and potential of economic development, economic structure, types of FDI attraction and structure of FDI policies. So far, the integration factor has not been used for the growth of mutual direct investment. In addition, investment in Russia and Belarus is complicated by financial sanctions imposed by the EU and the US, which are extraterritorial in nature.

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