

Russia – EU Relations: trade and economic imbalances

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Abstract

The article focuses on the prospects of cooperation between the European Union and the Russian Federation, hence currently the European Union is viewed as one of the main partners of Russia, including economic and other spheres of partnership. Russia and the European Union act as key partners engaged in fruitful networking for the purpose of further mutual cooperation. To date, we can witness a deepening of bilateral economic relations between Russia and the EU, however, things haven't gone smoothly so far due to certain trade and economic issues. To a greater extent, cooperation has come down to economic and joint trade aspects. Since 2009, in order to expand their dealings, the partners have entered into a number of agreements, involving IT and other scientific technologies.

Key words: economic relations, Russia and the European Union, the spheres of interaction, cooperation, scientific technologies

Main body

As relations between Russia and the European Union developed, prerequisites arose for further deepening cooperation. In my work, I will consider the economic relations of countries, the reasons for the imbalance in trade and economic relations, as well as the possibility and prospects of deepening relations in the scientific field.

The purpose of my work is to conclude whether the integration of Russia and the European Union in the field of scientific and technological development can occur in the near future, and the problem of trade imbalance can be eliminated.

The relevance of this topic lies in the growing importance of the scientific and technical base around the world, which is often an indicator of the development of a country.

Overview of trade and economic relations between Russia and the European Union

Relations between Russia and the European Union are governed by the Partnership and Cooperation Agreement. It was assumed that this agreement will find its development in a new agreement between the EU and Russia, aimed at the comprehensive development of bilateral relations. The new agreement was supposed to be based on the WTO rules and should include stable and balanced rules aimed at the development of trade and investment relations. However, due to the 2014 crisis, the project was suspended. Nevertheless, the EU is one of the main trade partners of Russia. Thus, almost half of all Russian trade turnover falls on the EU countries. In 2019, 41.7% of Russian trade, or \$ 277.8 billion, was with EU countries [1]. In the structure of Russian exports, more than 80% falls on the commodity group of mineral products: mineral fuel, oil and oil products. Russia is the most important supplier of energy resources for a number of key EU countries, such as Germany, Italy, Poland, Finland. In the structure of imports, the largest share is occupied by machinery, equipment and vehicles, products of the chemical and pharmaceutical industries, alcoholic and non-alcoholic beverages. In 2019, Russia ranked 4th in the main directions of EU exports (with a share of 4.41% - 100 billion US \$) [2].

Russia ranks third among the largest trading partners for the import of goods into the European Union with a share of 7.03% (US \$ 161 billion) with a share of 4.41%.

The above statistics show that trade flows between Russia and the EU are unbalanced. Russia exports mineral raw materials, metallurgical products of a low degree of processing. Moreover, the main Russian suppliers are a small number of

major large businesses. EU imports are much more diversified. Such a trade structure is extremely disadvantageous for Russia in the future. Selling raw materials in exchange for products with high added value creates a threat to Russia's economic security.

Scientific innovation comparison

Modern scientific and technological development and the production of innovative products are associated with a large number of macrotechnologies (biotechnology, aerospace engineering; information and communication technologies; nanotechnology). Much of this is developed in the EU, which makes it possible to enter the top ten leaders of the world market for science-intensive products and increase the volume of their exports [3]. In Russia, the cost of developing and implementing technological innovations in industrial production in 2018 amounted to 886.8 billion rubles [4].

According to the global innovation index for the level of innovative development Russia ranks 46th in the ranking. 7 countries out of 10 belong to the EU countries.

Russia is in the top ten leaders in terms of the intensity of expenditures on technological innovations. At the same time, the gap in the level of efficiency of innovation activity remains noticeable. The highest values of the intensity of expenditures on technological innovations were recorded in Sweden (3.8%), Denmark (3.3%) and Germany (3.1%). Russia is in 9th place (2.1%), ahead of such developed countries as France (2%), the Netherlands (1.6%).

The share of Russian products in 2018 is only 6.5%, which corresponds to the 24th place in the ranked number of EU countries (below Russia - Poland, Bulgaria, Luxembourg and Romania). In addition, high values of the indicator, twice or more exceeding the Russian level of performance, were noted in the UK (15.5%), Lithuania (14.7%), Germany (14%), Belgium (13.6%), Czech Republic (13 %) [5].

The scale of trade in Russian technologies on the foreign market is insignificant. The volume of technology exports in 2016 reached 1.3 \$ billion, imports - \$ 2.5 billion. In terms of exports, Russia occupies 27th position (between Portugal and Greece), imports - 25th (between Poland and the Czech Republic). Our country is characterized by the predominance of technology imports over exports and, as a result, a negative balance of payments.

Since 2001, the number of patent applications for inventions filed by Russian applicants in the country and abroad has increased by 39%. Despite this, Russia accounts for about 1% of the global number of applications (10th place in the global ranking). 5 of the top 10 are dealt with by the EU countries (Germany, France, UK, Switzerland, Netherlands) [6].

The participation of Russian science in shaping the world-class research agenda remains subtle. As of 2017, articles by Russian scientists belonged to 339 global research fronts, which is 3.90% of their total number (8684). According to this indicator, the country is ranked 29th in the global ranking. 7 out of 10 are occupied by EU countries (Great Britain, Germany, France, Australia, Italy, Netherlands, Spain).

Russia has seen a steady increase in spending on science (since 2000 - by 12.3 times in those operating in China - by 2.9, in Great Britain - by 1.8 times in prices and almost 2 times in constant prices), which allows it to maintain its position in the group world leaders in this indicator. However, since 2015, there has been a decrease in the growth rate of spending on science. Russia is characterized by a generally low science intensity of the economy, measured as the share of spending on science in GDP.

Thus, the quality level of scientific and technical integration between Russia and the EU does not correspond to the existing economic potential of the parties. In addition, the political crisis in the relations between the parties practically leveled the emerging trend of increasing the innovative component of cooperation.

The reasons for the weak development of the scientific and technical process

The main fields of science are still physics, chemistry, space and earth sciences, mathematics and materials science: they account for more than half of the international publications of Russian scientists. At the present stage, it is extremely important to develop other demanded specializations of science, such as molecular and microbiology, clinical medicine, immunology.

Also in Russia there is no business interest in investing in science. The business sector absorbs about 60% of all spending on science. Almost two thirds of these funds are provided by the state.

Research and development costs per researcher in Russia are 4.2 times lower than in the USA, 3.4 times lower in Germany, 3.0 times in Japan, 2.9 times in China, and 1.8 times in Great Britain. And research and development work costs in Germany are 3.9, while Russia is 0.99 [7].

Other reasons for low innovation activity include: imperfection of the legal framework, instability of the economy, high dependence on imports, and an unfavorable investment climate.

Conclusion

The scientific potential of the country consists of scientists, developers and its own scientific and technical base. Its components are also the degree of development of technological cooperation, the state of the instrument and experimental park, access to information, the management system, as well as the entire infrastructure for the support and development of science, the information sector, without which modern science and the economy as a whole cannot function. New technologies and inventions are being developed on a theoretical and practical basis. For the state, developed science is a necessary priority to ensure the sustainable development of the people. In the modern world, it is extremely important to conduct our own scientific research, apply new technologies in all spheres of life.

Otherwise, if a state does not have a developed science, it will inevitably lag behind other states and will be dependent on imports.

Undoubtedly, economic relations with the European Union are considered to be a priority direction for our country. A significant share of trade turnover falls on this region. However, economic relations must be balanced. To a large extent, the imbalance in relations lies primarily in the underdevelopment of science in Russia, which also inevitably slows down the process of deepening relations between the two partners.

Despite the fact that the level of patents in Russia is quite high, their further implementation is not taking place. All this makes it necessary to reorient the domestic economy to an imported technological base.

Despite obvious problems, Russia still has potential. According to the statistics of the global innovation index over the past five years, Russia has demonstrated certain successes in innovative development: since 2013, it has moved from 62nd to 45th place in the GII. Russia occupies a high position in terms of generating new knowledge (scientific publications, patents) and their acquisition (import of advanced technologies, acquisition of rights to the results of innovation, saturation of the industry with scientific personnel), as well as by the scale of the research and development sector.

Thus, Russia needs to improve its scientific and technical base in order to strengthen its position in the world and eliminate the imbalance in trade with the European Union.

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