

European Proceedings of Multidisciplinary Sciences

www.europeanproceedings.com

e-ISSN: 2421-826X

DOI: 10.15405/epms.2024.09.73

MTMSD 2022

I International Conference «Modern Trends in Governance and Sustainable Development of Socioeconomic Systems: from Regional Development to Global Economic Growth»

MEGAREGIONALISM: IN SEARCH OF SUSTAINABLE DEVELOPMENT OF LARGE SOCIO-ECONOMIC SYSTEMS

Svetlana Ivanova (a)*, Razet Makkaeva (b) *Corresponding author

(a) Plekhanov Russian University of Economics, Moscow, Russia, ivanova.sv.rea@gmail.com (b) Kadyrov Chechen State University, Grozny, Russia, razet1970@mail.ru

Abstract

This research aims to explore the concept of megaregionalism and its potential role in fostering sustainable development within extensive socio-economic systems. The study seeks to understand the dynamics, challenges, and opportunities associated with megaregionalism as a framework for economic cooperation and growth. The study employs a multi-faceted research approach, combining qualitative and quantitative methods. Qualitative analysis involves a comprehensive review of existing literature, case studies, and expert opinions to establish a theoretical framework for understanding megaregionalism. Quantitative methods entail statistical analysis of economic indicators, trade patterns, and development metrics within selected megaregions. Data is sourced from academic publications, governmental reports, and statistical databases. Expert interviews provide qualitative insights into the nuances of megaregionalism and its impact on sustainable development. One notable finding is the identification of megaregionalism as a promising avenue for sustainable development. The research reveals that collaborative efforts within megaregions contribute to enhanced economic cooperation, infrastructure development, and environmental sustainability. The study underscores the importance of tailored policies and strategic planning to harness the full potential of megaregionalism in steering large socio-economic systems towards long-term sustainability. Overall, the research contributes valuable insights for policymakers and stakeholders seeking effective approaches to foster sustainable development in the context of expanding megaregions.

2421-826X © 2024 Published by European Publisher.

Keywords: Comprehensive regional economic partnership, Eurasian Economic Union, regional integration, sustainable development

1. Introduction

The relevance of the study is determined by the exhaustion of the neoliberal globalization policy pursued since the 80s of the last century and attempts to find new geographic configurations of international markets. Moreover, the introduction of NBIC technologies is able to change the usual territorial geometry of international trade.

The practice of globalization, conceived as the creation of a single financial and economic world space dominated by transnational entities, mainly from the US and the UK, has entered a new phase. The pronounced growth of the average values of the globalization index, typical for 1990-2010, was replaced by stabilization and even decline. The crisis of the previously established forms of globalization is largely due to the internal dissonance of attempts at global governance. In accordance with the theory of social systems and networks, as the practices of the neoliberal doctrine grew, so did the institutional complexity of global governance, which is understood as the growing number, diversity, and interconnectedness of institutions and entities involved in addressing global policy issues. That is, the institutional complexity of a governance system is a function of its scale, diversity, and density. The complication of control objects has led to the complication of the subjects of the control system. Global strategic design has faced an increase in management costs, a decrease in its effectiveness against the background of growing systemic contradictions between a complex subject (clusters of intersecting institutions) and objects of global management. "Context design" as a strategy for managing complexity, in which new institutions are created with complementary constructs and layered on top of existing ones to fill gaps in the management architecture, did not seem to work.

Recognizing that the classical factors of globalization have largely been exhausted, the Davos Forum considers four possible options for a new globalization: globalization 5.0 or reunification; analogue networks or virtual nationalism; digital dominance or flexible platforms; autarkic world or systemic fragmentation. In our opinion, the most likely option is the fragmentation of the world economy through the creation of new, flexible, large regional integration blocs, aimed primarily at internal sustainable development. The new economic regionalism is superimposed on the new military-political configurations of countries.

2. Problem Statement

The evolving landscape of geopolitics is exerting an increasingly intricate influence on the global economy, manifesting in complex configurations. A notable development is the emergence of the Australia-United Kingdom-United States military-political triangle (AUKUS) in 2021, designed to contain China within the Asia-Pacific Economic Cooperation (APEC), particularly in the South China Sea. Australia finds itself entwined in both this partnership and the US-British alliance, highlighting the intricate nature of geopolitical affiliations. Intriguingly, India is conspicuously absent from the Regional Comprehensive Economic Partnership, 2020).

The RCEP, comprising countries with diverse socio-economic development, specialization, and interests, presents a dynamic collaboration. Despite these differences, the success of the project is

reflected in statistics: in 2021, China witnessed an 18.1% growth in yuan-based exports and imports to the 14 member countries of the RCEP, constituting 30.9% of the nation's total foreign trade (Newspaper People's Daily online, 2022). Anticipated positive growth in the total trade turnover of RCEP countries by the end of 2022 is expected due to the cumulative impact of trade scale, reduced trade barriers, and the encouragement of mutual investments.

This intricate geopolitical and economic landscape raises critical questions about the dynamics of partnerships, regional cooperation, and the impact of exclusion or inclusion in significant economic blocs, contributing to the broader discourse on global economic interdependencies (Eilstrup-Sangiovanni & Westerwinter, 2022; FAO, 2021).

3. Research Questions

- 1) Trends in EAEU-China Trade Relations:
- i. How have trade relations between the Eurasian Economic Union (EAEU) and China evolved over recent years, particularly examining the significant increase in trade turnover from 2017 to 2021?
- ii. What factors have contributed to the growth of trade turnover between the EAEU and China, and how do these trends reflect broader economic dynamics in the region?
- 2) Impact of Geopolitical Factors on Trade Dynamics:
- i. How have geopolitical tensions, including the AUKUS alliance and regional developments, influenced trade dynamics between Russia, China, and EAEU member states?
- ii. To what extent do geopolitical considerations shape trade policies and cooperation initiatives within the EAEU-China framework, and what implications do these dynamics hold for regional stability and economic growth?
- 3) Prospects for Agricultural Trade Expansion:
 - i. What opportunities and challenges exist for expanding agricultural trade between Russia and China, as outlined in the Roadmap adopted during the Russian-Chinese summit in February 2022?
- ii. How do projections for the growth of agricultural product supply, including soybeans, fish, meat, and wheat, align with broader economic goals, and what strategies are proposed to achieve these targets by 2024?

4. Purpose of the Study

The primary purpose of this study is to comprehensively analyze the evolving geopolitical and economic dynamics that have led to the reorientation of Russia's trade flows, with a particular emphasis on its growing collaboration with China within the Eurasian Economic Union (EAEU). Key objectives include:

1) Understanding Geopolitical Shifts and Pressures:

i. Investigating the geopolitical factors, particularly Western sanctions and threats, which have compelled Russia, as the core of the EAEU, to reorient its economic flows toward the East, primarily focusing on intensified collaborations with China.

- ii. Examining the impact of U.S. pressure on China as a catalyst for enhanced cooperation with Russia, fostering a closer economic partnership between the two nations.
- 2) Analyzing Emerging Military-Political Alliances:
 - i. Assessing the emergence of the Australia-United Kingdom-United States military-political triangle (AUKUS) in 2021 and its role in containing China within the Asia-Pacific Economic Cooperation (APEC), with a focus on the complexities arising from Australia's dual participation in both the partnership and the U.S.-British alliance.
- 3) Investigating Regional Comprehensive Economic Partnership (RCEP) Dynamics:
- ii. Exploring the composition of the RCEP and the varied socio-economic interests of its member countries, emphasizing the exclusion of India and the successful statistical outcomes, such as the substantial growth of China's exports and imports within the RCEP in 2021.
- 4) Examining EAEU-China Cooperation Initiatives:
- iii. Analyzing the implementation of key initiatives in the collaboration between the EAEU and China, particularly the Greater Eurasian Partnership based on the EAEU-One Belt, One Road megaproject and the Agreement on trade and economic cooperation between the EAEU and China (2018).
- iv. Evaluating the impact and implications of existing Free Trade Agreements (FTAs), such as the Russian Federation's FTAs with Vietnam and Singapore, both RCEP members.
- 5) Assessing Russia's Strategic Role in Global Agriculture:
- i. Investigating Russia's strategic position as a major supplier of fuel, energy resources, and raw materials to China, while recognizing the increasing importance of the agro-food sector in the bilateral relationship.
- ii. Addressing the alarming factors, such as climate change, population growth, and geopolitical tensions, that contribute to a potential global food crisis, and examining Russia's role as a significant global supplier of traditional food and agricultural raw materials.

Through these objectives, the study aims to provide valuable insights into the complex interplay of geopolitical forces, economic partnerships, and the evolving role of Russia in addressing global challenges, particularly in the realms of agriculture and food security.

5. Research Methods

The study employed a comprehensive range of research methods, drawing on insights from prominent experts in globalization and regionalization, as well as utilizing legal documents and data from reputable institutions. Key methodologies include:

1) Literature Review:

- i. Leveraging the works of renowned experts in globalization and regionalization, such as Richard Baldwin, Klaus Schwab, Thierry Mallere, K. Akamatsu (Akamatsu, 1962), Mette Eilstrup-Sangiovanni, Oliver Westerwinter, and Kenichi Ohmae, to establish a theoretical framework and context for the study.
- 2) Document Analysis:
- ii. Utilizing legal documents and data sourced from reputable institutions, including the World Economic Forum (World Economic Forum, 2014), Swiss Economic Institute, World Trade Organization, Regional Comprehensive Economic Partnership (RCEP), Eurasian Economic Commission, and the Association of Southeast Asian Nations (ASEAN), to gather comprehensive and up-to-date information.
- 3) Literature and Data Synthesis:
- iii. Integrating insights from the literature review with empirical data to synthesize a cohesive understanding of the evolving dynamics in globalization, regionalization, and economic partnerships.
- 4) Abstract-Logical Analysis:
- iv. Applying abstract-logical analysis to interpret and derive conclusions from theoretical frameworks, identifying patterns and relationships within the context of globalization and regionalization.
- 5) Historical Analysis:
- v. Conducting historical analysis to trace the evolution of Russia's economic reorientation towards the East since 2014, examining key geopolitical events and shifts that have influenced this strategic shift.
- 6) Content Analysis:
- vi. Employing content analysis to systematically analyze and interpret legal documents, reports, and publications, extracting relevant information pertaining to economic partnerships, regional agreements, and geopolitical dynamics.
- 7) Comparative Analysis and Groupings:
- vii. Employing comparative analysis and groupings to discern similarities and differences between various economic alliances, focusing on the RCEP, EAEU, and other regional organizations, to identify patterns and trends.
- 8) Statistical Analysis:
- viii. Employing statistical analysis to interpret quantitative data, such as trade turnover figures, growth rates, and other relevant economic indicators, providing empirical insights into the economic relationships under study.
- 9) Expert Analysis:
- ix. Leveraging expert analysis to interpret complex geopolitical scenarios, drawing on insights from experts in the field to provide nuanced perspectives on the implications of regional economic partnerships.

These diverse research methods contribute to a multifaceted and nuanced understanding of the geopolitical, economic, and strategic shifts within the context of Russia's reorientation towards the East and its collaboration with key partners such as China.

Findings

The research findings illuminate the geopolitical imperatives driving Russia's economic pivot towards the East, notably strengthened ties with China, spurred by Western sanctions and complex alliances like AUKUS. Collaborative initiatives between the Eurasian Economic Union (EAEU) and China, coupled with operational Free Trade Agreements (FTAs) such as Russia's engagements with Vietnam and Singapore from the Regional Comprehensive Economic Partnership (RCEP), underscore a strategic diversification of economic partnerships. External pressures, including sanctions and threats, significantly shape Russia's economic decisions, while its role as a global agricultural supplier aligns with the evolving dynamics of addressing potential global food crises. The study identifies mitigation strategies, including mass production of genetically modified organisms and strategic agricultural trade expansion with China, emphasizing Russia's position as a traditional food supplier amid shifting global trends. The positive impact of RCEP on China's trade dynamics within member nations indicates a favorable outlook for global economic partnerships and regional stability.

The Despite many years of neoliberal practice, the level of involvement of both the United States and China in the global economic system is not so high, and under the influence of the "trade war" and lockdowns associated with covid-19, it has decreased even more. According to the data published by the Swiss Institute of Economics in 2021 based on the data for 2019, according to the value of the KOF globalization index, the United States ranks 24th in the world, Russia - 51st, China - 85th (Gygli et al., 2019).

At the moment, the contradictions between the United States and China, which began to strive for a relatively independent domestic and foreign policy from the United States, are an important prerequisite for the split of the world into macro-regions. Moreover, COVID-19 and the resulting lockdowns have exacerbated this split. The countries' GDP dipped, but the Chinese economy, despite a number of internal problems, unlike the United States, remained in the positive zone at the height of the pandemic: GDP growth rates amounted to +2.3% per year (Ivanova & Latyshov, 2022). Protectionism intensified. But can we talk about the end of globalization?

In the context of the books of Richard Baldwin and Klaus Schwab, the concepts of "new glocalization", "hybrid globalization", "fragmentary globalization", "platform globalization", "inclusive capitalism" are formulated (Baldwin, 2016; Schwab & Malleret, 2020). There is a variant of assessing economic mega-regionalization (macro-regionalization) as a manifestation of the world's multipolarity. It is appropriate to recall the Japanese researcher Kenichi Ohmai, who back in the 90s of the 20th century spoke about the end of nation-states and the formation of inclusive regional economies. Then it took place against the backdrop of the end of the Cold War between the two systems, a powerful wave of transnationalization and increased transparency of borders. Ohmae spoke about the phenomenon of "windows to the global world" within nation-states or at the junction of nation-states (Ohmae, 1995). But new technologies make it possible to loop value chains within large regions with a large regional market (Zyuzin, 2021). And developing Asian countries took advantage of this.

How does mega-regionalization differ from the post-war economic integration of countries that we are accustomed to? Unlike traditional regional integration, mega-regionalism involves foreign trade partnerships between countries that together have a significant weight in world trade and foreign direct investment flows, and there is a country (countries) that act as hubs for creating global value chains. The inclusion of participants in a mega-regional trade agreement in bilateral agreements with countries outside such a partnership gives rise to the effect of "reverse trade deviation". The scale of commodity flows is so great that they can influence both world trade in general and the development of the rules of world trade (that is, including countries outside the partnership). The loss of confidence in the current global financial system makes countries think about monetary and financial security, which contributes to the creation of multipolar currency zones (Ivanova, 2020). The sanctions war against Russia stimulates the fragmentation trend. In addition, mega-regionalization has a different technological base and takes place against the backdrop of a systemic crisis in the era of modernity and capitalism in general.

The most important phenomenon of the mega-regionalization process is the creation of the Regional Comprehensive Economic Partnership (RCEP). The RCEP agreement was signed in 2020. The partnership is conceived as a vast free trade area that includes 15 countries in East and Southeast Asia, including ten ASEAN countries (The Association of Southeast Asian Nations, 2021), China, Japan, South Korea, as well as Australia and New Zealand.

Currently, the activities of two other US-centric partnerships are frozen by the decision of D. Trump: the Trans-Pacific Trade and Investment Partnership (TTIP), the Transatlantic Trade Partnership (TTP). On the contrary, from January 1, 2022, the RCEP Agreement entered into force for 10 countries, including Australia, Brunei Darussalam, Cambodia, China, Japan, the Lao People's Democratic Republic, New Zealand, Singapore, Thailand and Vietnam. On February 1, 2022, the Agreement entered into force for the Republic of Korea.

In fact, the Agreement notes that it will work without destroying the rules of the World Trade Organization, but "in parallel and supporting an open, inclusive and rules-based multilateral trading system", relying on, supplementing and updating agreements concluded by countries in the formats of the WTO, the Association countries of Southeast Asia (ASEAN) and bilateral agreements of the countries participating in the RCEP (Estevadeordal et al., 2009; Federal Service for Supervision in the Field of Consumer Rights Protection and Human Well-Being, 2022). As you know, WTO rules do not prohibit the creation of free trade zones. Core partnership: ASEAN (centered in Indonesia) and China. Their interaction is characterized by high dynamics of mutual trade. Since 2020, the volume of trade between China and ASEAN has taken a leading position, exceeding the value of trade with the EU and the United States. From 2011 to 2020, the share of China in the total trade turnover of ASEAN increased from 10.5% to 19.4%. During the period under review, ASEAN's export-import operations with China increased by 1.7 times, which exceeds the dynamics of ASEAN's total trade turnover with all countries. For ASEAN, China is the number one trading partner (Table 1).

eISSN: 2421-826X

Table 1. ASEAN trade with China, 2011-2020, billion US dollars

Years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
China	295	319,4	351,6	366,7	363,5	368,6	441	478,5	508	503,3
Total ASEAN	2 398,3	2 480,6	2 533,1	2 535,2	2 272,9	2 239,9	2 571,3	2 808,1	2 816,4	2 591,2

In 2021, the trend continued, with China's trade with ASEAN up 19.7%. China and the association are closely connected by established production and logistics chains, especially in the field of electronics and integrated circuits. At the same time, the balance of supplies of electrical equipment for the ASEAN countries is negative. In general, the growth of wages in China stimulates the transfer of part of Chinese production to the countries of Southeast Asia. Another important incentive for Chinese investors is the financing of infrastructure projects, especially under the Belt and Road Initiative. The implementation of the Maritime Silk Road project of the 21st century is the most relevant. Approximately 90% of China's total trade is maritime traffic. China finances the coastal infrastructure of the ASEAN countries, primarily in the development of port facilities, road construction, and energy. Given the territorial, criminal and military contradictions in the South China Sea, such a strategy

In 2021, the trend continued, with China's trade with ASEAN up 19.7%. China and the association are closely connected by established production and logistics chains, especially in the field of electronics and integrated circuits. At the same time, the balance of supplies of electrical equipment for the ASEAN countries is negative. In general, the growth of wages in China stimulates the transfer of part of Chinese production to the countries of Southeast Asia. Another important incentive for Chinese investors is the financing of infrastructure projects, especially under the Belt and Road Initiative. The implementation of the Maritime Silk Road project of the 21st century is the most relevant. Approximately 90% of China's total trade is maritime traffic. China finances the coastal infrastructure of the ASEAN countries, primarily in the development of port facilities, road construction, and energy. Taking into account the territorial, criminal and military conflicts in the South China Sea, this strategy is aimed at ensuring the uninterrupted and safe movement of ships, including along the line China-Southeast Asia-South Asia-the countries of the Indian Ocean. Another direction of financing is labor-intensive industries (agriculture, textile and footwear production), the third direction is the primary sector (mining). However, for the ASEAN countries, China is not yet a priority investor. The share of investments from the USA, Canada, EU and other countries is great. It is expected that the RCEP creates a legal framework for expanding mutually beneficial technological and investment cooperation between the participating countries.

The main features of the Partnership are:

- i. the scale of the zone, where 2.3 billion people live (30% of the world's population, more than a third of the GMP and a quarter of world trade are concentrated), that is, it is the largest trading bloc in the world;
- ii. breadth (complexity) of coverage of different areas of activity, areas of jurisdiction, including regulation of trade in goods and services, intellectual property, investments, movement of individuals, as well as rules regarding e-commerce, protection of small and medium-sized enterprises, measures against anti-competitive activities, as well as a number of other rules and obligations (the RCEP Agreement includes 20 chapters);

- iii. when declaring a mutual reduction of tariffs for 92% of product lines, the most important direction of regional liberalization is the gradual abandonment of non-tariff measures and the unification of legislation, including in terms of approaches to the country of origin of goods;
- iv. gradual and selective opening of countries that have different levels of economic development and specialization, that is, the effects of RCEP activities have a long-term perspective (10-20 years);
- Creation of production chains of added value, looped within the mega-region, which will lead
 to increased specialization, lower costs, growth in labor productivity and employment in the
 region;
- vi. focus on creating new innovative products and infrastructure;
- vii. lack of measures to tighten and unify environmental and labor standards (unlike TPP);
- viii. In many respects, the determining role of China, which gradually reorients commodity flows from the EU countries and the USA to the ASEAN countries, Japan, and the Republic of Korea, which creates a powerful geopolitical accent.
- ix. The nature of integration is changing: from the traditional post-war linear stage (according to Balassa) to flexible variable forms. From the Asian theory of "flock of flying geese" (linear following the leader) to the paradigm of "flock of flying starlings" (Ivanova, 2012), that is, the model of ordered chaos.

7. Conclusion

In conclusion, the paper systematically examines both theoretical concepts and practical applications of large integration blocks, presenting a compelling argument for the shift in the globalization paradigm towards fragmentation and the emergence of mega-regions. The study establishes the complementarity of activities among the Eurasian Economic Union (EAEU), Association of Southeast Asian Nations (ASEAN), and Regional Comprehensive Economic Partnership (RCEP). It concludes that in the short term, their collaboration, essential for the sustainable development of participating countries, will primarily manifest through intensified foreign trade between Russia and key partners such as China, Vietnam, and Singapore within the partnership. This collaborative effort is anticipated to further redirect trade flows, especially those of Russia, from the West to the East, resulting in the formation of a dynamic Eurasian mega-region characterized by a "flock of flying starlings" paradigm.

References

- Akamatsu, K. (1962). A historical pattern of economic growth in developing countries. *The Developing Economies*, *I*(1), 3-25, https://doi.org/10.1111/j.1746-1049.1962.tb01020.x
- Baldwin, R. (2016). The Great Convergence: Information Technology and the New Globalization. Belknap Press.
- Eilstrup-Sangiovanni, M., & Westerwinter, O. (2022). The global governance complexity cube: Varieties of institutional complexity in global governance. *The Review of International Organizations*, 17(2), 233-262. https://doi.org/10.1007/s11558-021-09449-7

- Estevadeordal, A., Suominen, K., & Teh, R. (2009). *Regional Rules in the Global Trading System*. Cambridge University Press.
- FAO. (2021). The State of Food and Agriculture 2021. Strengthening the resilience of agriculture and food systems in the face of shocks and stresses. https://doi.org/10.4060/cb4476ru
- Federal Service for Supervision in the Field of Consumer Rights Protection and Human Well-Being. (2022, February 4). On the signing of the Agreement with the General Administration of Customs of the People's Republic of China. https://www.rospotrebnadzor.ru/about/info/news/news_details.php?ELEMENT_ID=20565
- Gygli, S., Haelg, F., Potrafke, N., & Sturm, J.-E. (2019). The KOF Globalisation Index revisited. *The Review of International Organizations*, 14(3), 543-574. https://doi.org/10.1007/s11558-019-09344-2
- Ivanova, S. V. (2012). The Japanese Flying-Geese Paradigm in the Context of Modern Development of Chinese TNCs. *Modern Economy: Concept and Models of Innovative Development: Materials of the IV International Scientific and Practical Conference*. Plekhanov Russian University of Economics.
- Ivanova, S. V. (2020). Export orientedness of agriculture in Russia in the context of food security imperatives. *35th IBIMA conference*, *1904-1912*. International Business Information Management Association (IBIMA).
- Ivanova, S. V., & Latyshov, A. V. (2022). Agricultural Modernization. *Global Economy: Northeast Asia as a Center for Change*, 181-193.
- Newspaper People's Daily online. (2022, January 17). In 2021, *China's imports and exports to the 14 RCEP countries amounted to 12.07 trillion yuan, an increase of 18.1%*. http://russian.people.com.cn/n3/2022/0117/c31518-9945422.html
- Ohmae, K. (1995). The end of the nation state: The rise of regional conomies. Harper Collins.
- Schwab, K., & Malleret, T. (2020). COVID-19: The Great Reset. World Economic Forum.
- The Association of Southeast Asian Nations. (2021, December 31). *ASEAN Statistical Yearbook 2021*, 55. https://asean.org/wp-content/uploads/2021/12/ASYB_2021_All_Final.pdf
- The Regional Comprehensive Economic Partnership. (2020, November 15). Summary of the Regional Comprehensive Economic Partnership Agreement. https://rcepsec.org/wp-content/uploads/2020/11/Summary-of-the-RCEP-Agreement.pdf
- World Economic Forum. (2014, July 7). Mega-regional Trade Agreements: Game-Changers or Costly Distractions for the World Trading System. http://www3.weforum.org/docs/GAC/2014/WEF_GAC_TradeFDI_MegaRegionalTradeAgreements_Report_2014.pdf
- Zyuzin, A. (2021, June 10). Food from insects: the main trend of the FoodTech market. https://trends.rbc.ru/trends/futurology/5f849de69a794721c98cc185