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**THE ROLE OF SAINT PETERSBURG IN THE EURASIAN  
ECONOMIC UNION**

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**Abstract**

The article notes that the economic dominance of the Russian Federation in the Eurasian Economic Union (EAEU) leads to the fact that its largest cities begin to play an important role in shaping the socio-economic situation in the area of EAEU, for example, Saint Petersburg. The authors explore such key areas of the impact of Saint Petersburg on the socio-economic situation of the EAEU as mutual trade, mutual investment and migratory flows. The analysis shows that, despite the fact that Saint Petersburg has enormous resources and capabilities to influence the socio-economic situation in the EAEU, it does not fully realize this potential and remains more focused on cooperation with third countries. This process is exacerbated by the introduction of internal and external restrictive measures that are associated with the spread of the new coronavirus infection. All this requires coordinated work of the authorities of the EAEU countries and Saint Petersburg both in the direction of increasing the city's involvement in socio-economic processes in the area of the EAEU and in the direction of jointly overcoming the consequences of the pandemic.

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*Keywords:* Eurasian Economic Union, Saint Petersburg, socio-economic situation, coronavirus pandemic



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## 1. Introduction

In the context of globalization, an important trend in the development of the world economy is the strengthening of integration processes. This can be explained by the growing geopolitical tension and economic competition around the world, which leads to an increase in the interest of individual states in participating in regional integration associations.

These processes have also affected the Russian-Eurasian region. Thus, the Eurasian Economic Union, established by the Treaty on the Establishment of the EAEU of May 29, 2014, is a developing regional integration association of five countries, which ensures the freedom of movement of goods, services, capital, labour and the conduct of a coordinated, agreed or unified policies in key sectors of the economy.

In accordance with the Treaty, the main objectives of the EAEU include:

- creating conditions for the stable development of the economies of the Member States in order to improve the living standards of their population;
- the aspiration to form a common market for goods, services, capital and labour within the EAEU;
- comprehensive modernization, cooperation and increasing of the competitiveness of national economies within the global economy (Treaty on the Eurasian Economic Union, 2014).

The implementation of these goals implies the formation of a favourable socio-economic environment in the EAEU countries, which is mainly influenced by the actions of supranational and national governments in the EAEU, including governments at the level of individual administrative-territorial units (cities, regions, etc.).

At present, cities are increasingly turning into independent participants in international interaction and they are becoming a real leverage for the development of international integration processes.

Thus, the largest cities in the EAEU, which have a developed industry, transport system, scientific, educational and cultural spheres, are actively involved in economic, political and social processes of both national and supranational scales (Bredikhin, 2017) They are not only a platform for international negotiations, but also, they are considered as a center of attraction for factors of production within the integration association. Therefore, it is of interest to consider the role of one of these cities in the formation of the socio-economic situation in the EAEU - Saint Petersburg.

## 2. Problem Statement

Currently, the EAEU countries are faced with a serious internal problem that complicates the achievement of the designated goals of socio-economic development - the coronavirus pandemic, which caused a number of negative socio-economic phenomena in a short time. These phenomena include a decline in industrial production, foreign and mutual trade, labour migration, falling incomes of population, rising unemployment and poverty (Slutsky & Hudorenko, 2020; Vorona & Borisova, 2020).

In this situation, cooperation between the EAEU countries begins to play an even more important role, because it can help maintain the sustainability of socio-economic development even in such difficult conditions to one degree or another.

Russian Federation is not only the largest country in terms of territory and population size in the EAEU, but it is also the main economic center of the Union, as evidenced by the statistics of the Eurasian Economic Commission:

- the share of the Russian Federation in the total GDP of the EAEU amounted to 85.6% at the end of 2020;
- country's share is more than 80% in the total volume of mutual investments of the Union;
- the country's share is more than 83% in the external trade of the EAEU;
- the share of the Russian Federation is more than 62% in the total volume of mutual trade of the EAEU (Eurasian Economic Commission, 2021).

It is obvious that the economic domination of the Russian Federation determines its leading position among the EAEU countries and leads to the fact that it is assigned a primary role in shaping the socio-economic situation in the EAEU space, using all its resources, reserves and capabilities of administrative-territorial units. One of these administrative-territorial units is Saint Petersburg. It is the second most important city in Russia, occupying a leading position in a number of indicators of socio-economic development among the regions of Russia, so it can influence the socio-economic situation in the EAEU. Thus, Saint Petersburg actively participates in the organization and holding of various forums, summits and international conferences dedicated to the issues of Eurasian cooperation (Frolov, 2015). However, its most important role in shaping the socio-economic situation is manifested in the acceptance of huge migration flows from the EAEU countries on its territory and also in the implementation of mutual trade and mutual investments.

### **3. Research Questions**

During the study the following questions were raised:

- to study the dynamics of the foreign trade turnover of Saint Petersburg with the EAEU countries from 2017 to 2020 and to determine the share of the EAEU countries in the foreign trade turnover of the city;
- to analyze the dynamics of the volume of mutual investments of Saint Petersburg and the EAEU countries from 2017 to 2020;
- to describe the migration flows of Saint Petersburg with the EAEU countries from 2017 to 2020.

#### 4. Purpose of the Study

It is assumed that the answers to the research questions will help determine the role of Saint Petersburg in the formation of the socio-economic situation in the area of the EAEU and will contribute to the development of recommendations for increasing the city's involvement in the Union's activities in the future.

#### 5. Research Methods

##### 5.1. Study of the dynamics of the foreign trade turnover of Saint Petersburg with the EAEU countries from 2017 to 2020 and determination of the share of the EAEU countries in the city's foreign trade turnover

Saint Petersburg is the largest economic, scientific and cultural center of the Russian Federation, thanks to which it has a significant role in the foreign economic relations of the country and the Eurasian Economic Union (Ekamasova & Kudryashov, 2017).

The city ranks third among Russian regions in terms of foreign trade turnover with the EAEU countries: in 2020, Moscow accounted for \$ 17602.08 million, the Moscow Region - \$ 5147.43 million, and Saint Petersburg - \$ 3398.66 million (3DPROINFO, 2021). The dynamics of the foreign trade turnover of Saint Petersburg with the EAEU countries over the past few years is presented in Table 1.

**Table 1.** Dynamics of the foreign trade turnover of Saint Petersburg with the EAEU countries

Year	Foreign trade turnover		Export		Import	
	The absolute value, million \$	Relative change from the last year, %	The absolute value, million \$	Relative change from the last year, %	The absolute value, million \$	Relative change from the last year, %
2017	3293.02	-	2314.39	-	978.63	-
2018	3542.79	▲7.58	2602.85	▲12.46	939.94	▼3.96
2019	4062.82	▲14.68	2776.85	▲6.7	1285.97	▲36.81
2020	3398.66	▼16.35	2303.7	▼17.04	1094.96	▼14.85

Source: (3DPROINFO, 2021)

The data given in Table 1 make it possible to estimate that Saint Petersburg has gradually developed foreign economic relations with the EAEU countries over the past few years. However, the coronavirus pandemic interrupted the emerging positive trend: in 2020 the volume of foreign trade turnover decreased by 16.35% compared to the previous year, including exports decreased by 17.04%, and imports - by 14.85%.

It is important to note that, despite attempts to increase the volume of trade with allied countries, Saint Petersburg remains more focused on foreign trade with countries outside the Eurasian Economic Union (Table 2).

**Table 2.** Foreign trade turnover of Saint Petersburg in 2020

Country	Foreign trade turnover	
	The absolute value, million \$	Share in foreign trade turnover, %
With countries outside the EAEU	39169.34	92.02
With the EAEU countries, including:	3398.66	7.98
Belarus	1950	4.58
Kazakhstan	1253	2.94
Armenia	107.85	0.25
Kyrgyzstan	87.81	0.21
TOTAL	42568	100

Source: (3DPROINFO, 2021)

Thus, the share of the EAEU countries amounted to only 7.89% in the total foreign trade turnover of Saint Petersburg in 2020. At the same time, the volumes of foreign trade operations of the city significantly depend on the country and show strong unevenness. Among the EAEU countries, Saint Petersburg is most actively developing trade relations with Belarus and Kazakhstan, whose shares in the city's foreign trade turnover amounted to 4.58% and 2.94%, respectively. At the same time, trade relations with Armenia and Kyrgyzstan are poorly developed: their share is only 0.25% and 0.21% respectively in the foreign trade turnover of Saint Petersburg.

## 5.2. Analysis of the dynamics of the volume of mutual investments of Saint Petersburg with the EAEU countries from 2017 to 2020

Due to its advantageous geographical position, advanced and diversified economy, and strong transport and logistics complex, Saint Petersburg is a major center of business activity in the Russian Federation (Volkov, 2018). The city not only actively invests in other countries, but itself is one of the most attractive regions in Russia for investment.

Table 3 shows the data of the Bank of Russia (2021) on the positions of foreign direct investment coming to Saint Petersburg from the EAEU countries at the beginning of the year from 2017 to 2020. Due to the lack of data as of January 1, 2021, which would allow tracking the impact of the pandemic on the annual change in the positions of direct investments from the EAEU countries to Saint Petersburg, the authors provide information as of October 1, 2020.

**Table 3.** Direct investment positions from the EAEU countries to Saint Petersburg, \$ million

Country	Date				For reference: 01.10.2020
	01.01.2017	01.01.2018	01.01.2019	01.01.2020	
Armenia	-	0.43	5.95	7.26	6.5
Belarus	-	11.74	15.18	45.37	33.79
Kazakhstan	12.02	33.27	49.04	75.99	69.82
Kyrgyzstan	0.21	5.09	2.45	5.44	6.96
From countries outside the EAEU	22319.77	22187.47	19110.38	24682.94	18188.93

Source: (Bank of Russia, 2021)

According to Table 3, it can be seen that the EAEU countries have gradually increased the volume of direct investments in Saint Petersburg over the period 2017-2020. In particular, Belarus and Kazakhstan are the main investors in the city among the countries of the Union. Thus, the positions of direct investments from these countries amounted to \$ 45.37 million and \$ 75.99 million, respectively, as of January 1, 2020.

However, despite the current trend towards an annual increase in the volume of direct investments in Saint Petersburg, they remain at a low level. Moreover, the available data as of October 1, 2020 allow us to estimate that the volume of direct investment from the EAEU countries at the end of the year will demonstrate a decrease due to the pandemic.

As for direct investments from Saint Petersburg to the EAEU countries, the Bank of Russia (2021) provides the following data as of January 1 for 2017-2020 (Table 4).

**Table 4.** Direct investment positions from Saint Petersburg to the EAEU countries, \$ million

Country	Date				For reference: 01.10.2020
	01.01.2017	01.01.2018	01.01.2019	01.01.2020	
Armenia	0.08	0.1	0.24	0.31	0.35
Belarus	66.72	71.9	62.57	76.39	58.97
Kazakhstan	-160.12	-268.8	-198.91	7.88	130.1
Kyrgyzstan	-	-	29.44	35.24	28.83
To countries outside the EAEU	20 548.32	21071.8	34 880.66	41 191.18	38 726.75

Source: (Bank of Russia, 2021)

If we compare the available data for October 1, 2020 with the data for January 1, 2020, they show that during the COVID-19 pandemic, there was a decrease in the volume of direct investment from Saint Petersburg to Belarus and Kyrgyzstan, and, on the contrary, direct investment in Kazakhstan increased significantly over this period. However, as the analysis shows (Table 4), a large share of direct investment from Saint Petersburg is directed to countries outside the Eurasian Economic Union.

### 5.3. Study of migration flows of Saint Petersburg with the EAEU countries from 2017 to 2020

For many years, Saint Petersburg has remained one of the most attractive Russian regions for tourism, international labor and study migration.

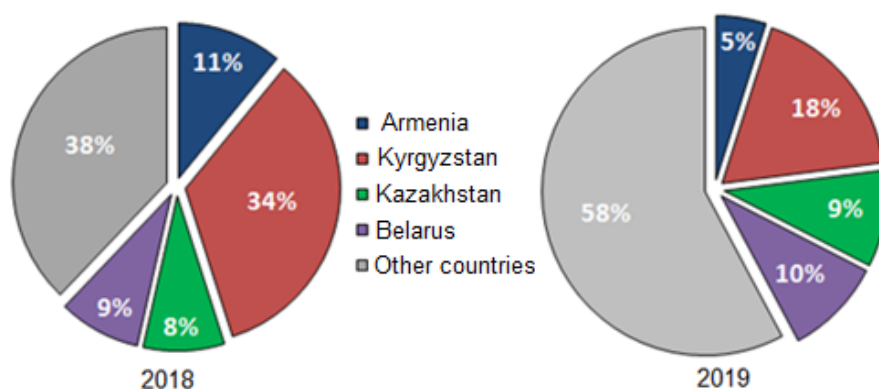
Table 5 shows the number of citizens from the EAEU countries who were registered with a period of stay in Saint Petersburg of 9 months or more from 2017 to 2020.

**Table 5.** International migration in Saint Petersburg for 2017-2020, people

Indicator	Year							
	2017		2018		2019		2020	
	From the EAEU	Total	From the EAEU	Total	From the EAEU	Total	From the EAEU	Total
Number of arrivals	20096	35219	22946	36912	10528	24956	5091	20842
Number of departed	5708	17650	9426	30170	20463	30497	6963	16608
Net migration	▲14388	▲17569	▲13520	▲6742	▼9935	▼5541	▼1872	▲4234

Source: (Petrostat, 2021)

The data in Table 5 show that citizens from the EAEU member states accounted for more than half of international migrants arriving in Saint Petersburg in 2017 and 2018. However, after 2018, the number of international migrants began to decrease, which can be explained by the existence of a migration amnesty at that time, which allowed foreign citizens, who violated the rules of stay in Russia, to leave the country without fines and a ban on subsequent entry. During this period, the number of citizens who arrived in Saint Petersburg from Kyrgyzstan and Armenia mainly decreased (Figure 1).



**Figure 1.** The share of citizens who arrived in Saint Petersburg from the EAEU countries, %

In 2020, due to the spread of coronavirus infection and the introduction of various internal and external restrictions, the outflow of international migrants from the city continued, and the number of citizens arriving from the EAEU countries decreased by 52% compared to 2019.

Unfortunately, the narrow scope of the article does not allow describing all aspects of the socio-economic significance of changes in migration flows. We can only say with confidence that, thanks to educational and labor migration to Saint Petersburg, the EAEU countries receive not only an inflow of revenues, but also significantly improve the level of qualifications of their population.

## 6. Findings

In this article, the authors analyzed such important areas of interaction between Saint Petersburg and the countries of the Eurasian Economic Union as mutual trade, investment and international migration, which most significantly affect the socio-economic situation within the integration association.

Unfortunately, the analysis of the foreign trade turnover of Saint Petersburg from 2017 to 2020 showed that despite the development of partnerships during this period, the EAEU countries did not become key foreign economic partners for the city, which is more oriented towards third countries.

As for investment relations, a similar situation can be traced. Saint Petersburg is very inactive in investing in the EAEU countries, which, in turn, either do not have significant capital resources in order to significantly increase the volume of investments in Saint Petersburg companies, or are also focused on third countries.

Migration ties between Saint Petersburg and the EAEU countries play an important role in shaping the socio-economic situation, because, first of all, they affect the flow of income to these countries. However, in the period 2019-2020 the number of international migrants arriving in Saint Petersburg from

the EAEU has decreased due to the introduction of the migration amnesty and the coronavirus pandemic. In turn, this leads to a weakening of the impact of Saint Petersburg on the socio-economic situation in the EAEU countries.

Thus, Saint Petersburg, which has enormous resources and opportunities to influence the socio-economic situation in the EAEU, does not fully realize this potential, because it is more focused on third countries. As a result, the influence of the city on the socio-economic situation of the EAEU is not so significant in this period of time.

## 7. Conclusion

The coronavirus pandemic, which began in March 2020, has led to a number of negative internal socio-economic consequences in the EAEU countries. At the same time, it had an adverse effect on the role of Saint Petersburg in the formation of the socio-economic situation: the volume of the city's foreign trade turnover with the EAEU countries decreased by 16.35% in 2020 relative to 2019, the number of migrants who arrived in the city decreased by almost by 52% and the volume of mutual investments also decreased.

As a result, two contradictory phenomena were formed:

- the potential role of Saint Petersburg in the formation of the socio-economic situation in the area of EAEU has increased, because it has greatly deteriorated due to the pandemic;
- the city's influence on socio-economic processes in the EAEU has decreased due to the introduction of various internal and external restrictive measures.

However, the increase in the potential role of Saint Petersburg in the formation of the socio-economic situation in the EAEU space requires a reorientation of the city's foreign economic activity from third countries to the EAEU countries. In turn, this is not only a difficult socio-economic, but also a political task.

As for the coronavirus pandemic, despite its temporary nature, it can negatively affect all existing ties within the EAEU in the future, because there is a strong desynchronization of the actions of the governments of the EAEU countries and their focus on solving exclusively internal problems at the present (The main results of the expert seminar on the EAEU, 2021). Therefore, the restoration of the city's influence on socio-economic processes in the EAEU can be protracted.

Consequently, resolving the current contradiction requires serious work by the government of Saint Petersburg and the EAEU countries to expand and strengthen interaction both in the direction of increasing the city's involvement in socio-economic processes in the area of EAEU, and in the direction of jointly overcoming the consequences of the coronavirus pandemic.

At present, Saint Petersburg remains a reserve that has yet to be introduced to achieve the ambitious goals of Eurasian integration.



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