

Logistical Support of Interstate Trade and Economic Cooperation

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Abstract

Background: Globalization processes led to the development of international economic integration in the world economy, where logistical issues of trade and economic cooperation have gained particular scientific significance in the last ten years. **Methods:** In the study the data showing the current state of the world trade were analyzed, as well as the features of regional logistical capabilities and tendencies of trade policy of the Eurasian Economic Union (EEU) were discussed. In order to rationally use geo-economic resources of integrated formation, the need to create a common logistical space, including regional logistical centers, objects of near-customs, transport and other infrastructures, logistical informational systems, etc., was defined by general scientific and special methods of structural-functional analysis and organizational design. **Findings:** The article focuses on the key objectives of unification of the countries into international trade and economic blocs: The total economic and social development, provision of favorable conditions for the development of bilateral trade and strengthening of competitive geopolitical advantages. According to the author's opinion, the regional economic integration allows member countries to use economic, logistic and natural-resource potential of the macro-region according to the principles of synergy. Due to the fact that the international cooperation involves the creation of a common customs and economic space, where the free movement of goods, labor and capital takes place – the formation of a common logistical space is becoming an integral part of regional trade and economic system, ensuring the needs of international business structures. The uniqueness of the author's proposals relates to strengthening of the integration processes in the regional cross-border area, where one of the most urgent tasks is to create an efficient infrastructure base for the organization of export-import and transit goods movement. In this article the author reviews the prerequisites for the formation of the Eurasian Economic Union (EEU), special aspects of integration processes development in the post-Soviet space, the key trends of EEU trade policy and the specificity of EEU logistical potential implementation in terms of resource constraints. **Application/Improvements:** The obtained research results can be applied in the framework of trade policy of regional integrated union, as well as be taken into account in the design of global supply chains of business entities.

Keywords: Global Logistics, Global Supply Chain, Logistical Space, Regional Integration, Trade and Economic Cooperation

1. Introduction

International trade relations of the leading world states underwent large-scale restructuring in recent years, where the key trends of the geopolitical development had a significant impact on the global division of labor. The intensive globalization of the world economy led to the emergence of the new international economic and trade unions, changes in science and technology sphere and,

in some cases, to the loss of national economic identity of certain states. The emerged global challenges and the structural crisis in the world economy led to the need to create new models of social and economic growth.

Currently, more and more attention is paid to the development of international trade and economic cooperation on the part of the international business entities, where the main objective is the implementation of international integration projects through the

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intensification of synergistic processes in trade, production and economic sphere, information and communication technologies, logistics, investment activity, etc. These projects provide the formation of interstate unions, where international relations are presented as the form of a strategic set of activities and initiatives.

Global challenges of geo-economic nature compel integrational unions to make strategic changes in the national and international trade policy, in particular: To restructure the export and import policy, to impose trade restrictive measures against third countries, to activate preferential trade agreements, etc. As a result, the reorganization of global supply chains takes place, accompanied by the re-formation of the internal market of logistic services and the change of regional logistical centers of business activity.

2. Concept Headings

2.1 Essence of Trade and Economic Cooperation

The term “integration” originated in the 20th century from the Latin word “integratio”. Integration as a general scientific term means a state of connectedness of certain differentiated parts and functions of the system in a whole, as well as the process leading to such a state¹.

In accordance with the “theory of large spaces”² connected economic integration with the weakening of the role of traditional national states, in relation to their economic development. Schmidt proposed the theory according to which new geo-spaces as new subjects of international relations are formed within the framework of economic integration.

International economic integration is a complex of economic relations of cooperation between the countries in various spheres of activity, which is characterized by a deep interpenetration of economies and leads to long-term technical, technological and economic interdependence³.

The positive effect of international economic integration is caused by the rational production within the integrational community, consisting of interacting national economies, where the exchange of results and production factors is carried out⁴. International economic integration is identified by establishing of closer international trade and economic cooperation, where liberalization of mutual trade assumes a particular importance.

The concept of international trade and economic integration (interaction) was firstly used in the scientific community in the 20th century to describe the latest occurrence in the global economy – the formation of the European Economic Community (EEC). International trade and economic cooperation covers the full scope of trade, production and economic, financial and other ties and relations in the field of movement of goods, services and labor outside national borders, forming a complicated global complex⁵.

The most significant theories and approaches to the evaluation of integration processes are: 1. “Functionalism” in the framework of which functions providing integration processes are tested and evaluated; 2. Evaluation of the integrational processes as an interstate interaction (the approach opposite to “functionalism”)⁶.

In recent years, a regionalization of international cooperation has been actively developed, which is represented as efforts by countries aimed at increasing the level of security, stability and sustainability of multi-state international system⁷.

2.2 Logistical Support of Trade and Economic Cooperation

Economic globalization provides the integration of national economies into the global system through external trade, direct foreign investment, short-term capital flows, movement of labor and the international exchange of technology⁸.

The main results of globalization significant for the development of logistics, became multinational, international and global companies whose supply chains across national borders, and therefore the logistics have acquired an international dimension⁹.

Globalization predetermined the way for international business development, based on the intercontinental movement of material, informational and financial flows. Simultaneously global logistical originated, which revealed in the formation of global supply chains.

Global logistics covers such functional areas of logistics as: Custom, transport, investment logistics, logistics of international and global projects, etc. At the same time, the global logistics is an important factor in the implementation of national and international interests in economic and other fields¹⁰.

With the increase in the number of trade and economic integrational unions, global logistics is faced

with new challenges, which are caused by elongation of the functional cycle of logistics (due to increase in transportation distance), increasing demands for logistics information systems, a more complex nature of logistical operations (due to the increase in the number of storage and inventory units), etc. A key requirement of the global economy is the formation of global logistical unions, the creation of which the development of integrated distribution and transportation networks should contribute to¹¹.

Regional economic integration predetermines the formation of a common regional trade and economic area, where the main instrument supporting its effective functioning, is logistics. It is logistics that provides trade and economic processes taking place both within the integrated union, and within the framework of its cooperation with third countries. Synergistic development of territorially-branch economy of integrated union requires a highly efficient logistical provision of movement of foreign trade, informational, financial, service and other flows. The procedure of logistical provision of trade and economic processes is determined by geo-economic factors in the development of regional commodity markets.

3. Discussion

3.1 Integrated Unions in the World Economy System

3.1.1 Economic Globalization Evolution

Among the main advantages of economic globalization, the following factors should be emphasized: Strengthening the economies of scale and the state production efficiency, provision of the favorable conditions for long-term foreign investment in the leading national industries, etc.

Achieving a maximum benefit from economic globalization is possible if the following conditions have been fulfilled. First of all, the state's economy should be stable enough in terms of the stability of macroeconomic indicators (such as low inflation)⁸. Considering the fact that the world economy suffers a significant crisis in the last decade, holding of stable macroeconomic indicators is not always possible - especially for developing countries. The key indices of consumer prices states are demonstrated as an example in Table 1¹².

These indices show that there is a growth in the consumer price index in many countries, which provokes

Table 1. Change in consumer price index (in %), October 2015 (according to World economic outlook¹²)

Range of change in consumer price index (in %)	Country	Change in consumer price index indicator (%)
0% – 3%	Canada	2.1
	USA	2.3
	Australia	2.7
	Saudi Arabia	2.9
	Germany	1.9
	France	1.7
	Finland	2
	Zimbabwe	1
3% -10%	Russia	4
	Brazil	4.5
	China	3
	India	5.1
	Iran	5
	Ukraine	5
	Kazakhstan	6
10%-25%	Byelorussia	11.4
	Argentina	20.2
	Uzbekistan	10
More than 25%	Venezuela	155

the acceleration of consumer price inflation, where states are forced to make changes in the national and international trade policy in an unstable geopolitical situation.

A distinctive feature of the modern trade and economic integrational unions is more complex nature of international cooperation implementation, which is based on forms of regional integration. The geopolitical “polis” is distinguished as part of the respective union, which is presented not as a separate state, but a region. In this case, a regional geopolitical center is formed, where the states with similar interests in the economic and ideological aspects are concentrated.

It should be noted that it is the identity of the national interests of the participants that is a key feature of modern integration projects where some of trade and economic zones of influence are formed, which are based on the coincidence of institutional principles with the possible presence of certain contradictions^{13,14}.

Globalization and regionalization should be seen as complementary phenomena as globalization is aimed at involving the world economy entities into a single system of international trade and economic relations. However, in terms of increasing foreign trade, commodity and financial threats, the logical consequence of globalization is the structuring and the ordering of the current economic interstate relations through regionalization.

The intention to improve the integration processes in the part of the association of states in the region-wide integrated units, due to several factors, which, in our view, should include the following ones:

- Geopolitical factors. Due to the negative impact of geopolitical factors of the national security of states, the development of new strategies for regional development in a multipolar space is a necessary condition for the preservation of national economic integrity of the countries and strengthening the geopolitical position.
- Territorial and geographical factors. Territorial and geographical factor primarily involves raw materials potential of the state (depending on its spatial location), where the presence of certain natural resources can be a fundamental incentive for integrational integration, for the purpose of further distribution and sale. It is also important to emphasize that the territorial and geographical factor under certain conditions (see further) can have a positive

influence on the formation of a single region-wide logistical space (for example, the creation of regional logistical clusters)¹⁵.

- Socio-economic factors. The level of socio-economic development of integrated union member states determines the duration of “life-sustaining activity” of the integrated unit, in particular the long-term character and strength of its members’ economic relations.

3.1.2 Eurasian Economic Integration

The cumulative effect of the following factors had a massive influence on the establishment and the further development of the Eurasian integrational unit. The post-Soviet Eurasian space was in a state of “geo-economic uncertainty” for a long time – the region with high trade-economic potential was positioned in the international community as a separate part of the territorial configuration of Eurasian continent. In 2010, in the Decree “On Measures to Implement the Foreign Policy of the Russian Federation” the Russian Federation President V.V. Putin noted the need to address multilateral cooperation and integrational processes in the Commonwealth of Independent States (CIS) as a key direction of Russian foreign policy.

The most important step in the international integration of the former Soviet Union was the creation of a January 1, 2015 the Eurasian Economic Union (EEU) – a closer economic cooperation between the member states. Treaty on the Eurasian Economic Union was signed on 29 May 2014 at the meeting of the Supreme Eurasian Economic Council in Astana, by Presidents of Belarus, Kazakhstan and the Russian Federation. On October 10, 2014, the Treaty of Accession of the Republic of Armenia to the EEU was signed during the work of the Supreme Eurasian Economic Council in Minsk. And on December 23, 2014 in Moscow, Presidents of Belarus, Kazakhstan and the Russian Federation, on the one hand, and the President of the Kyrgyz Republic, on the other hand, signed the Treaty of Accession of the Kyrgyz Republic to the EEU, which officially came into effect on May 21, 2015.

Eurasian Economic Union is a form of regional integrational union, which provides the formation of a unified Eurasian trade and economic system. EEU is a geo-economic area of influence, where the principles of rationality of foreign trade, economic and other policies

were the basis of the future development. The main driving force behind EEU integrational process are economies of member states having their own competitive advantages, where the result of the synergistic effect is obtaining the income from the products produced in the territory of EEU¹⁶.

Territorial and geographical EEU features make it possible to implement logistical (including transit) potential of the member states. The main driving forces in the transformation of the Eurasian Economic Union into the macro-region of joint development should be the most promising projects of both international and cross-border cooperation, providing high traffic transit and export-import flows. In this regard, geo-economic factors of development of the EEU member states' commodity markets assume a special significance, which determines the priority of providing integrated logistical service in the border regions¹⁷. In this situation, the border regions can be considered as "contact points" of trade and economic cooperation of the international integrated union.

It is important to understand that the removal of restrictions in the EEU mutual trade, as well as the cumulative reduction of import duty rates (in 2014 the

level of the EEU average weighted import rates of duties reduced from 7.8% to 7.1% (according to EEC data)) is not conducive to guaranteeing a high level of efficiency of trade procedures. The rapidly changing global geo-economic situation provides the necessity to search for new aspects of economic growth, the reduction of transaction costs in the international commodity circulation by the integrated union.

3.2 Measures Aimed at International Trade Facilitation

The current unfavorable economic situation forced the international community to focus on the development of new international trade facilitation mechanisms, where proposals to increase the efficiency of global supply chains assume particularly importance. An agreement on trade facilitation was formed in accordance with the decision taken at the 9th WTO Ministerial Conference in December 2013. A certain negative dynamics of world trade has served the reason for such a decision (Table 2).

Given the fact that the EEU Member States are part of the CIS, deterioration in the dynamics of international

Table 2. World trade dynamics in 2010-2014, (in percentage), according to the Secretariat of the World Trade Organization (WTO) data¹⁸

Volume of world trade	2010	2011	2012	2013	2014
Total volume of world trade	13.9	5.3	2.2	2.5	2.5
Export					
Advanced Economies	13.4	5.1	1.1	2.2	2
Emerging economies	15.2	5.9	3.7	3.8	3.1
North America	14.9	6.6	4.4	2.7	4.2
South and Central America	4.5	6.4	0.9	1.9	-1.3
Europe	11.5	5.5	0.8	2.4	1.6
CIS member countries	6.3	1.6	0.8	1.1	0.0
Asia	22.8	6.4	2.7	5	4.7
Import					
Advanced Economies	10.9	3.4	0.0	-0.1	2.9
Emerging economies	18.2	7.7	4.9	5.2	1.8
North America	15.8	4.3	3.2	1.2	4.6
South and Central America	21.8	12.1	2.3	3.4	-2.4
Europe	9.9	3.2	-1.8	-0.2	2.3
CIS member countries	18.2	16.9	6.5	-1.2	-9.8
Asia	18.3	6.5	3.7	4.8	3.4

trade proves the need to stimulate it. The purpose of the WTO agreement on the facilitation of international trade is to adopt general measures designed to reduce costs, mainly those of customs, in the organization of international supply of goods and materials from the manufacturer to the final recipient¹⁸. The WTO experts correlate the main reasons for the growth of the final cost of imported products with long-term holding of custom administration operations in border regions, ineffective measures of total customs control, etc.

However, under conditions of economic recession, there are other external factors that destabilize trade and economic cooperation with third countries and provoke the growth of the logistical costs. These external factors include:

- Imposition of trade restrictions and bans on countries and integrated unions.
- Instability in the market of hydrocarbons.
- Devaluation of national currency, etc.

These external factors cause the occurrence of uncertainty in the planning and implementation of global supply chains, where eventually the additional costs are borne by the final consumer of goods, whose solvency tends to decrease in the EEU countries. For example, in the Russian Federation slowdown in the market of transport and logistical services amounted to 10-20% in February 2015 because of fall in consumer spending, in some regions it reached 25%. The ruble devaluation had a negative impact on the Russian market of logistical services, especially this effect had an impact on the organization of warehouse logistics,¹⁹ for example, the average cost of warehouse rent for 1 square m amounted to 4000-4500 rubles up to 2015, 8000-9000 rubles – in 2015²⁰. Currently, there is a dumping situation in the transport and logistical market due to the excess of supply over demand.

In the conditions of the interdependence of the economies of integrated union members with the structural change in trade policies of any of the states, there is a change in the geographic orientation of the global supply chains²¹. The introduction of mutual sanctions in 2014 between the Russian Federation (a member of the EEU) and the European Union led to a reorientation of the Russian trade policy and its EEU partners to strengthen international cooperation with Asia-Pacific countries, in particular People's Republic of China.

Russia and China carry out joint efforts to modernize

the economy and the strengthen the geopolitical position, including the struggle for polycentric world, security, preservation of international law, etc.²². The main international Eurasian project in the field of logistics at the moment is the project of "economic belt of the Silk Road", which will allow integrating three key integration projects considering the Russian-Chinese interests: EEU, the Shanghai Cooperation Organization (SCO) and the Chinese "Silk way" land project.

This situation demonstrates the high degree of interdependence of logistics and trade policy, conjugated by progressive change in the geo-economic situation and the forced restructuring of distribution channels. These symptoms indicate the need for formation of a common logistic space to protect the domestic market of EEU logistical services and the preservation of the average level of logistical costs. Formation of a single logistical space, together with the simplification of trade procedures are urgent anti-crisis measures aimed at the retention of increase in prices for imported goods.

3.3 Creation of a Single Logistical Space

Logistical space of integrated union is a single customs territory, including business activity entities, logistical infrastructure and administrative institutions, interacting on the basis of three-dimensional structures of the national economy of the Member States of integrated formation, united by trade, informational and financial flows.

Logistical space correlates with the logistical system, where there are flows of integrational processes within the framework of the design of global supply chains. Creating a common international logistical space provides integration of all business activity entities into a single mega-logistical system, which is the economic system that creates value-added elements distributed in different countries¹⁵.

Deepening of EEU international economic integration and globalization of the economic interests of its members necessitated the formation of a common logistical space, which will provide the movement of economic units, capital and labor and will serve organizational and economic relations of business entities of foreign economic activity participants, etc. The presence of a common logistical space will provide, first and foremost, a high resistance of national markets to the effects of the macro environment and will create conditions for the gradual growth of the integrated unity.

Table 3. Characteristics of common EEU logistical space

Characteristics	Scope
Coherence	Intensification of EEU business entities' economic relations.
Density	Density of the gross domestic product, resources, per unit area of the space. ²³
Integrity	The possibility of expanded reproduction of logistical system through the use of own resources (logistical, intellectual, informational, financial, etc.). Besides, the integrity of logistical space is expressed in the unity of the legislative environment of logistical processes in terms of customs administration, transport operations, financial calculations, etc.
Rationality	Territorial and geographical, and resource distribution of business activity, logistical infrastructure capacity, investment assets in accordance with the geo-economic factors in the development of commodity markets of Member States of the integrated union.
Flexibility	The ability to quickly respond to changes in the macro environment, while uninterruptedness of global supply chains, positive dynamics of the development of domestic markets, regional social and economic stability is ensured.
Openness	Freedom of movement of capital, information, goods is ensured both within the territorial boundaries of integrated union and beyond it with minimal logistical costs.

A unified logistical space is part of a single economic space and covers not only the logistical system of enterprises (groups of enterprises) or certain markets, but the overall spatial economic structure of the EEU, where, in our opinion, specifications listed in Table 3 should be laid down in the basis.

4. Conclusion

Formation of a single logistical space is a complex event, which is based on a public-private partnership for the most part, as well as an active investment activity - in particular on the synergetic development of joint projects of Member States of regional integrated union and third countries.

Given the fact that the EEU presupposes the existence of a common customs border, then the measures for logistic and legal ensuring procedures should be common throughout the integrated union with no matter in which country there will be the actual crossing the customs border, and what states of the integrated unit are transit on the route of foreign trade transaction.

Formation of a single logistical space does not provide for the creation of a closed trade and economic system, however, resource and infrastructure self-sufficiency allows improving competitiveness of integrated union and providing guarantees of macro-region social and economic "survival".

It should be emphasized that following the fundamental WTO norms and rules by EEU members aimed at trade facilitation and effective regulation of

international trade, the increase in the proportion of budget replenishment share of the EEU Member States is possible due to the development of transit transportation along the territory of Eurasia and the expansion of trade and economic cooperation.

Eurasian Economic Union is a promising international union, where the core concept is to develop trade and economic co-development zone "from Lisbon to Shanghai". Economic results of integrational interaction are the proof of the relevance of deepening international cooperation in the post-Soviet space, in this regard in the future it is necessary to conduct a more detailed examination of the logistical capacity of key EEU regions, with a view to a uniform distribution of resources, material and technical and labor supply.

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