Study of states eurasian economic integration through the prism of production value chains

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Abstract. This article examines the genesis of global value chains as a result of action of the law of international division of labour on the modern world economy. During the globalisation, we prefer to assess the integration of national economies in terms of the main value added indicators developed by international institutions. Value-added indicators make it possible to identify advantages and disadvantages of the economic development of different types of countries. The study found: national institutions in the extractive industries of developing countries receiving foreign exchange earnings from raw material exports, then spend more foreign exchange for imports of manufactured goods from developed countries that process raw materials from developing countries; foreign corporations in developed countries, receiving raw materials from developing countries, develop the processing sectors of the national economy and create new jobs by increasing the wages of employees; foreign corporations are expanding the scale of production, the rate of capital accumulation, and recouping the costs of technological upgrading of production and modernising machinery through an increase in depreciation fund and profits; corporations in developing countries need to process raw materials (oil, gas, iron ore, non-ferrous metals, etc.) deeply, produce final goods and export them to world markets on their own; based on new technologies, produce innovative final goods and create high-tech jobs, increase the wages of workers and expand the domestic market.

Keywords: global value chains, factors of production, capital, labour, innovative product, final and intermediate goods.

JEL codes: A10, F14, F17

For citation: Ilgizar S. Hasanov (2022). Study of states Eurasian economic integration through the prism of production value chains .*Journal of regional and international competitiveness*, 3(3), 60. https://doi.org/10.52957/27821927_2022_3_60

DOI: 10.52957/27821927_2022_3_60

Introduction

Recently, domestic scientific economic literature was interested in the problem of so-called global value chains (Kondratyev, 2019; Lukyanov & Drapkin, 2017; Sidorova, 2018; Chetverikova, 2018). The global value chain has as its origin a production feature, i.e. it is defined as the complete set of stages of the production process to produce a good (product and service) starting with a scientific and technical idea through to its creation and final consumption. If the individual stages of the technological process of producing a commodity are implemented by different organisations, this basis also forms the trade chain for the transfer (sale) of intermediate goods and services from one economic entity to another until the final good producing.

These economic interrelationships between different market economy actors are based on the law of division and specialisation of labour. Initially, production and trade chains expanded within the national economies of the industrialised countries, but as capital accumulated and large corporations emerged, they began to expand internationally. The major national monopolies of the leading countries are evolving into transnational corporations with the opening of their subsidiaries. In addition, multinational companies are increasing production and trade cooperation with each other along the entire technology chain. In this way, the value chains of multinational corporations are becoming global.

As we know, net value added is part of the value of any commodity. If the simplest cost formula for a good (without indirect taxes) includes material costs (c'), depreciation (c''), labour costs (v) and profit (m) respectively, then net value added consists of labour costs (wages and salaries) and profit (v + m). Many global value chains are based on inter-country factor price differences or in labour (v) and capital costs (c), which are continuously changing.

In terms of both the perspective of economic theory and the development of international trade practices, global value chains, or more precisely value added, have emerged from various international trade theories as a result of analysis of empirical and statistical evidence on the cost and value of products in world trade. For a long time the classical theory of the Swedish economists Elie Heckscher and Bertil Olin, based on the principles of the relation of factors of production (surplus and shortage of capital and labour), dominated economic theory and practice of capitalist economy and international trade. The essence of this theory is that countries export those goods for which there are surplus factors of production (labour and capital), while importing, on the contrary, those goods for the production of which there is a shortage, a shortage of factors of production (Ohlin, 1967; Heckscher, 2006).

However, Heckscher-Ohlin's theoretical approach was challenged by economist Vasily Leontief in his study of US foreign trade structure. V. Leontief calculated the ratio of the cost of capital (c) to labour (v) of the same quantity of exports and imports (of $1 mn, USD). The results showed that US imports were 30% more capital-intensive than exports, despite the fact that the economy has a surplus of capital. So, US exports were labour-intensive (v) and imports were capital-intensive (c). The reason is the national economic development, the proportion of labour costs in the cost of goods produced in the USA exceeded the proportion of material or capital costs, as the skilled labour used was highly remunerated. This effect is known as "Leontiev's paradox" (Leontiev, 2006a; Leontiev, 2006b). "Leontiev's paradox" was later explained scientifically and theoretically. Due to the fact that developed countries have entered the next stage of the scientific and technological revolution or innovation development. As we know, the cost structure and production price of an innovative good differs from ordinary goods by a high proportion of labour costs (v), entrepreneurial income (profit) (m), depreciation charges (c") and, finally, net value added (v + m).

These innovative processes in the global economy, further deepening of the international division of labour, increased competition between transnational corporations and other reasons led to the widespread spread of global value chains (hereinafter GVCs) – a characteristic feature of the current stage of both national and global economic development. The participation of national economies in global value chains (v + m) of final goods reflects the degree of development of each country's economy, its role in the international division of labour and trade, and its competitiveness in world markets. In 2015 an official UN document, enshrined the concept of the "global value chain" as a form of international division of labour with the location of individual stages of end-use production in different countries, was issued.

GVCS (global value chains) are currently the focus of leading research centres and international organisations and integration alliances. The two main international databases used to assess the participation in GVCs: World Input – Output Data (hereafter WIOD) and Trade in Value – Added (hereafter TiVA). TiVA is a collective product of the Organisation for Economic Co-operation and Development (hereinafter OECD) and the World Trade Organisation (hereinafter WTO). The latest version of TiVA contains data on 66 economies, reflecting both traditional indicators of foreign economic activity and new indicators describing a country's participation in the GVC.

Main part

The subject of our study was a general analysis of the participation of different types of countries, in particular post-industrialised and industrialised countries (USA, China, Russia) and peripheral countries of the Organisation of Islamic Cooperation (hereafter OIC) in global value chains. The OIC currently involved 57 permanent members and 5 observer countries, including the Russian Federation. We do not claim perform the comprehensive analysis of this problem, but consider one of the many topical issues relating to trade value added analysis of the economies of Malaysia, Saudi Arabia (Islamic countries), Turkey, Indonesia (Muslim countries) Kazakhstan and Russia (former republics of the Soviet Union).

The object of the study (countries mentioned above) was chosen as the target because they are the only ones among the 66 countries for which the main value added trade indicators for 2018 were calculated. For assessing the participation of the above countries in GVCs based on the TiVA international database we considered: gross output, value added, gross exports, gross imports, trade balance, share of value added in

gross output, gross export of final goods, gross export of intermediate goods, gross import of final goods, gross import of intermediate goods, domestic value added content in gross exports, domestic value added content in gross imports, backward participation in GVCs (share of foreign value added in gross exports) and prospective participation in GSC (share of domestic foreign export value added in gross exports).

An analysis of OECD and WTO statistics for the eight countries and the 15 main value added indicators listed above for 2018 shows the following. The average ranking of the above countries in the first 13 indicators among the 66 countries surveyed is: China – 6th place, USA – 8th place, Russia – 9th place, Saudi Arabia – 21st place, Indonesia – 22nd place, Turkey – 27th place, Malaysia – 30th place and Kazakhstan – 36th place. However, for the fourteenth integrated indicator on Backward Participation, the rankings are as follows: Turkey – 4th place, Malaysia – 16th, China – 50th, Indonesia – 55th, Kazakhstan – 62nd, USA – 63rd, Russia – 64th and Saudi Arabia – 65th. In contrast, in terms of 'forward-looking participation' in global value chains, the most optimistic countries are: Kazakhstan – 2nd, Saudi Arabia – 3rd, Russia – 5th, the US – 10th, Indonesia – 12th, Malaysia – 30th, China – 34th and Turkey – 37th (OECD, 2022; TiVA, 2021).

Table 1 – Rankings of Islamic and non-Islamic countries in output, exports, imports, value added and its share in goods output among 66 countries in 2018

country	gross output	added value	gross exports	gross imports	trade balance	share of value added in gross output
The USA	1	1	2	1	66	10 (56,2)
China	2	2	1	2	4	63 (38,5)
The Russian Federation	12	12	12	15	2	22 (53,4)
Indonesia	15	16	28	26	56	23 (53,4)
Saudi Arabia	20	18	22	29	5	1 (67,4)
Turkey	17	19	30	27	53	40 (49,8)
Malaysia	25	31	29	31	15	61 (40,2)
Kazakhstan	45	46	47	51	14	3 (58,9)

Source: composed by author

Table 2 – Rankings of Islamic and non-Islamic countries in gross exports and imports of final and intermediate goods among 66 countries in 2018

country	gross exports of final goods	gross exports of intermediate goods	gross imports of final goods	gross imports of intermediate goods	domestic value added content of gross exports
The USA	2	1	1	2	1
China	1	2	2	1	2
The Russian Federation	20	8	12	21	9
Indonesia	28	26	25	24	25
Saudi Arabia	43	13	16	37	15
Turkey	21	31	27	25	26
Malaysia	26	28	32	26	29
Kazakhstan	58	41	50	52	44

Source: composed by author

However, for the fourteenth integrated indicator on Backward Participation, the rankings are as follows:

Turkey in 4th place, Malaysia in 16th, China in 50th, Indonesia in 55th, Kazakhstan in 62nd, USA in 63rd, Russia in 64th and Saudi Arabia in 65th. In contrast, in terms of 'forward-looking participation' in global value chains, the most optimistic countries are: Kazakhstan – 2nd, Saudi Arabia – 3rd, Russia – 5th, the US – 10th, Indonesia – 12th, Malaysia – 30th, China – 34th and Turkey – 37th (Table 3).

Table 3 – Rankings of Islamic and non-Islamic countries in backward and forward participation among 66 countries in 2018

country	domestic direct value added content of gross exports	domestic value added content of gross import	backward participation in GVCs: share of foreign value added in gross exports	prospective participation in GSC: share of domestic value added in gross exports
The USA	1	1	63	10
China	2	2	50	34
The Russian Federation	7	12	64	5
Indonesia	25	20	55	12
Saudi Arabia	10	29	65	3
Turkey	27	33	4	37
Malaysia	32	31	16	30
Kazakhstan	38	49	62	2

Source: composed by author

There is an issue of Russia, Indonesia, Saudi Arabia, Turkey, Malaysia and Kazakhstan rank lower in terms of value added. In our opinion, the answer to this question is the extent to which the peripheral economies of the Eurasian continent make use of the factor of mutually beneficial economic cooperation. We firstly consider Russia's trade relations with Eurasian countries. So, we examined statistical data from the Russian Federal Customs Service on 24 countries belonging to the Organisation of Islamic Cooperation and to the Eurasian region. The countries with which Russia has close trade and economic ties has been divided into the Islamic far-abroad countries (Bahrain, Brunei, Jordan, Malaysia, Oman, Qatar, the United Arab Emirates, Pakistan, Saudi Arabia), the former Soviet republics – the Turkish-speaking countries (Azerbaijan, Turkmenistan, Tajikistan, Kyrgyzstan, Uzbekistan and Kazakhstan) and Muslim countries (Turkey, Egypt, Iran and Indonesia).

According to the Russian Federal Customs Service, the above 24 countries accounted for Russia's foreign trade turnover with the countries of the Organisation of Islamic Cooperation, which has steadily increased in recent years (with the exception of the two pandemic years 2020 and 2021) (Federal Customs Service of the Russian Federation, 2022). The Islamic non-CIS countries (Malaysia, UAE and Saudi Arabia) accounted for the largest volume and share of Russia's foreign trade turnover in 2017 – 6.58%, in 2018 – 7.3%, in 2019 – 8.3%, in 2020 – 10.58% and in 2021 – 10.3% (Table 4).

Table 4 – Foreign trade turnover and balance of the Russian Federation with 10 Islamic countries (USD, thousands) The USA

Years	2017		2018		2019		2020		2021	
Name of country	Goods turnover	Balance of trade	Goods turnover	Balance of trade	Goods turnover оборот	Balance of trade trade balance	Goods turnover	Balance of trade	Goods turnover Jan-Nov	Balance of trade Jan-Nov
Bahrain	10390	- 44	100753	86595	46346	24306	21129	-2801	4721	-1037
Brunei	0	0	0	0	0	0	0	0	0	0

Years	2017		2018		2019		2020		2021	
Name of country	Goods turnover	Balance of trade	Goods turnover	Balance of trade	Goods turnover оборот	Balance of trade trade balance	Goods turnover	Balance of trade	Goods turnover Jan-Nov	Balance of trade Jan-Nov
Jordan	156941	110993	602518	573876	390126	340086	300841	134819	93288	71210
Qatar	73318	26252	78774	5884	82447	9415	100622	27292	14999	-4309
Kuwait	708221	707617	644661	644469	554372	550750	748284	746420	173831	173821
Malaysia	2147407	-944387	2713191	-539997	2904921	-605231	2627261	-531657	609782	-134760
Oman	115367	108799	156828	151450	239929	231939	211038	207202	69288	68622
United Arab Emirates	1630242	1287646	1689081	1277425	1834549	1364117	3256509	2564751	1149928	1046240
Pakistan	541064	-19026	732541	105123	541569	-203649	789830	203974	272943	19843
Saudi Arabia	915202	626164	1054863	470598	1667174	1138710	1677985	1240637	297687	186541
Total lines	6298152	1904014	7773207	2775423	8261433	2850443	9733499	4590637	2686467	1426171

Source: composed by author

According to above list of countries, the share of Russia's foreign trade turnover of former Soviet republics – the Turkish-speaking countries (Azerbaijan, Turkmenistan, Tajikistan, Kyrgyzstan, Uzbekistan and Kazakhstan) was 37.1% in 2017, 38.1% in 2018, 41.36% in 2019, 43.92% in 2020 and 39.28% in 2021, respectively. While Islamic countries (Turkey, Egypt, Iran and Indonesia) reached 47.3% in 2017, 50.3% in 2018, 47.3% in 2019, 41.3% in 2020 and 46.67% in 202, respectively (Table 5).

Table 5 – Foreign trade turnover and balance of the Russian Federation and the former Soviet republics and Islamic countries (USD, thousands) The USA

Years	2017		2018		2019		2020		2021	
Name of country	Goods turnover	Balance of trade	Goods turnover	Balance of trade	Goods turnover оборот	Balance of trade trade balance	Goods turnover	Balance of trade	Goods turnover Jan-Nov	Balance of trade Jan-Nov
Turkey	22085783	15309831	25544680	17081918	26127756	16171262	20410746	10187498	6588559	3798279
Egypt	6723034	5621798	7668863	6615379	6250010	6287064	4534844	3503414	1127970	713648
Sudan	330564	328990	509141	-508865	278300	276680	379489	377631	118963	118783
Libya	135183	135183	227107	227075	157323	157311	121248	121248	91735	91 735
Iran	1707116	922688	1745043	666423	1588858	806212	2220320	626730	904359	324145
Indonesia	3271610	-1696518	2583396	-847220	2452300	-912504	2352499	-1223829	702343	-380333
Afghanistan	208172	202364	122653	114669	126134	115792	310260	-3548	24805	22815
Palestine	3045	2295	5056	4844	4783	3513	4769	4183	1546	1428
Azerbaijan	2627328	1242266	2486852	939854	3169937	1455077	2888483	1260789	649939	399417
Turkmenistan	428245	259309	411649	166013	694848	391772	970176	328776	117821	48323
Tajikistan	717580	667088	893908	805270	989999	916139	838070	752952	233233	207315
Kyrgyzstan	1606847	1185675	1889456	1386514	1881587	1237723	1697024	1216722	486722	345170
Uzbekistan	3651714	1598438	4381324	2254366	5087331	2728665	5881407	3437865	1225359	617347
Kazakhstan	17441156	7438068	18390093	7692245	19997073	8576815	19106285	8996649	5132887	2294901
Total: lines	65038460	37408558	66859221	36598485	68670239	37347521	61715620	29587080	17289006	8710208

Source: composed by author

The participation of corporations (natural monopolies) in global value chains is very important for national peripheral economies. With a predominantly commodity orientation, domestic corporations

in developing countries are heavily involved in the initial stages of value creation. Developing country corporations tend to locate low value-added production (e.g.: 5v + 75m) in the domestic economy, whereas high value-added production (e.g: 70v + 35m) are usually located in developed countries.

This decentralization of the stages of commodity value chains differs from the practices of developed innovation countries, where high value-added production is most often concentrated within their own economies, while the upstream parts of the value chain are transferred to developing countries. Therefore, the EAEU and CIS states need to create an independent international research system for Eurasian integration based on the application of value chains for the benefit of friendly states. The study of trade and production chains can serve as a starting point for a return to basic interstate planning for a joint economy.

We consider the conventional example of a peripheral economy participating in a value-added chain with post-industrialised countries in a production-trade relationship.

The commodity value chain - crude oil to petroleum products – between upstream and downstream countries would be as follows. The producing country produces and supplies crude oil with the following value (USD):

15c' + 5c'' + 5v + 75m = 100w,

where: 15c' is the material cost (USD $15) to produce one barrel;

5c'' is the depreciation charge (USD $5) per barrel produced;

5v is the payroll (USD $5) per barrel produced;

75m – profit (USD $75) per barrel produced;

100w is the price of one barrel of crude oil (USD $100).

A country with a manufacturing industry carries out deep processing of one barrel of oil (gas and other raw materials) to produce final goods of value:

100c'+ 20c'' + 70v + 35m = 225w,

where: 100c' is the material cost (USD $100) of refining one barrel of oil;

20c'' is the depreciation charge (USD $10) for processing one barrel of oil;

70v is the payroll (USD $70) for processing one barrel of oil;

35m is the profit (USD $35) to process one barrel of oil;

225w is the price of goods produced from one barrel of crude oil (USD $225).

The economic outcome of the interaction of countries with the extractive and manufacturing industries in the value chain of final goods would be as follows.

The foreign exchange earnings of a country's upstream exports of crude oil (gas and other raw materials) to a downstream country: 100 w or $100 USD.

The foreign exchange earnings of a country producing final goods based on crude oil: 225w or USD $225.

Produced net value added of corporations extracting raw materials (5v + 75m) or USD $80.

The produced net value added of corporations producing finished goods (70v + 35 m) or USD $105.

Extractive industries payroll (jobs, employment) by (5v) or USD $5.

Manufacturing payroll (jobs, employment) by (70 v) or USD $70.

Conclusions

1. National institutions in the extractive industries of developing countries receiving foreign exchange earnings from raw material exports (100w), then spend more foreign exchange for imports of manufactured goods from developed countries that process raw materials from developing countries (215w).

2. Foreign corporations in developed countries, receiving raw materials from developing countries, develop the processing sectors of the national economy and create new jobs by increasing the wages of employees (70v > 5v).

3.Foreign corporations are expanding the scale of production, the rate of capital accumulation, and recouping the costs of technological upgrading of production and modernising machinery through an increase in depreciation fund and profits (20c'' + 35m < 5c'' + 75m).

4. Corporations in developing countries need to process raw materials (oil, gas, iron ore, non-ferrous metals, etc.) deeply, produce final goods and export them to world markets on their own.

5. Based on new technologies, produce innovative final goods and create high-tech jobs, increase the wages of workers and expand the domestic market.

Consider the trade relations of the Republic of Tatarstan with Eurasian countries as an example. So, we examined statistical data from the Russian Federal Customs Service on 24 countries belonging to the Organisation of Islamic Cooperation and to the Eurasian region. The countries with which Russia has close trade and economic ties has been divided into the Islamic far-abroad countries (Bahrain, Brunei, Jordan, Malaysia, Oman, Qatar, the United Arab Emirates, Pakistan, Saudi Arabia), the former Soviet republics – the Turkish-speaking countries (Azerbaijan, Turkmenistan, Tajikistan, Kyrgyzstan, Uzbekistan and Kazakhstan) and Muslim countries (Turkey, Egypt, Iran and Indonesia),

Tatarstan's foreign trade turnover and balances in 2017-2021 were as follows: in 2017 – 2.9% and 7.0%; in 2018 – 2.8% and 5.45%; in 2019 – 2.36% and 5.21%; in 2020 – 2.17% and 4.84%; in 2021 – 2.56% and 3.99%, respectively. The years before the COVID-19 pandemic (2019 and 2020), foreign trade turnover and balance of the Republic of Tatarstan increased by USD $2361004.5 thousand and USD $2394367.7 thousand, respectively in 2018 in compare with 2017, i.e. by 13.97% and 26.15%, respectively. In 2021, the foreign trade turnover and balance of the Republic of Tatarstan tended to recover compared to 2019 and 2020.

Table 6 shows statistics provided by the Federal Customs Service of Russia on the foreign trade turnover and balance of the Republic of Tatarstan with the twenty-four Organisation of Islamic Cooperation member states (comprising 57 states) with which there are close and substantial trade and economic relations.

Table 6 – Foreign trade turnover and balance of the Republic of Tatarstan with the 10 Islamic OIC countries for 2017-2021 (USD $, thousands)

Years	2017		2018		2019		2020		2021	
Name of country	Goods turnover	Trade balance	Goods turnover	Trade balance	Goods turnover	Trade balance	Goods turnover	Trade balance	Goods turnover Jan-Nov	Balance of trade Jan-Nov
1. Bahrain	-	-	13.7	6.3	83.8	83.8	0	0	0	0
2. Brunei	-	-	0	0	0.5	- 0,5	3.9	- 2,3	3.6	- 3,6
3. Jordan	-	-	11.1	7.1	76.1	49.7	37.8	- 13,8	59.2	2.4
4. Qatar	5176.3	- 5166,5	3898.5	- 2928,3	7547.1	- 5868,1	7281.6	- 7110	3541.7	- 3396,9
5. Kuwait	532.6	532.6	164.5	164.5	786.7	297.9	142.1	135.7	0	0
6. Malaysia	9824.6	- 6900,4	12066.5	- 5923,7	9250.1	- 4209,7	11155.2	- 6608,8	13875.4	- 13059
7. Oman	56.9	- 11,9	119.7	60.1	138.0	90.0	106.2	49.2	327.1	254.1
8. United Arab Emirates	21409.7	7422.9	34103.2	11133	20151.6	- 635,0	18002.0	13438.6	8031.5	5116.3
9. Pakistan	1039.6	290.0	713.5	- 171,1	989.6	- 323,8	564.3	- 135,9	791.7	- 227,3
10. Saudi Arabia	42844.8	30050.6	18651.8	3056.2	49409.3	43970.9	18597.7	14547.9	36130.0	27519.4
Total lines 1-10	80884.5	26217.3	69742.5	5404.1	88432.8	33455.2	55890.8	14300.6	62760.2	16206.4
11. Turkey	303946.0	- 15338,6	313949.5	- 73999,3	481028.3	60522.3	361838.0	- 77545,2	520189.9	-118657.1
12. Egypt	22821.3	21459.7	20913.6	17193.8	24335.5	17319.9	11807.2	3917.4	17451.2	14518.4
13. Sudan	24.2	24.0	1058.9	- 617,3	105.4	105.4	1.5	1.5	5831.6	5831.2
14. Libya	14.1	14.1	339.4	339.4	14.8	14.8	1091.6	1091.6	170.7	170.7
15. Iran	25007.5	10915.1	22941.6	17039.0	21794.9	14176.1	50975.5	39255.1	178839.2	171610.4
16.Indonesia	39627.1	- 38266,7	46285.7	- 34991,7	32500.2	- 21764,4	33753.8	- 14089,0	49172.7	- 31962,3
17. Afghanistan	1137.2	1134.6	2305.3	2301.9	654.6	652.6	1806.3	1806.3	500.2	474.4
18. Palestine	252.7	252.7	313.8	313.8	117.1	117.1	34.1	34.1	15.9	15.9
19. Azerbaijan	44970.4	21615.0	57434.8	37477.4	67239.8	46756.8	55967.3	53856.5	62564.9	36512.7
20. Turkmenistan	24977.6	14518.8	23898.6	- 3459,0	120681.4	58189.2	106656.8	78113.8	72980.3	65520.3

Years	2017		2018		2019		2020		2021	
Name of country	Goods turnover	Trade balance	Goods turnover	Trade balance	Goods turnover	Trade balance	Goods turnover	Trade balance	Goods turnover Jan-Nov	Balance of trade Jan-Nov
21.Tajikistan	34697.0	34624.0	12582.1	12479.7	22442.4	21664.2	20548.2	20430.4	18226.5	18211.7
22. Kyrgyzstan	50605.0	43539.0	61872.0	60720.4	61467.4	59748.0	41126.4	36537.6	48036.8	38502.6
23. Uzbekistan	92655.7	74880.3	145764.1	125392.5	194921.3	155988.5	156484.1	97471.7	171030.4	108638.6
24. Kazakhstan	702943.7	493701.7	700263.8	545047.2	551931.5	515759.5	630762.3	580808.7	560112.4	479156.2
Total lines 1-24	1343679	663073	1409923	705238	1579235	929250	1472853	821691	17051237	788544

Source: composed by author

The table includes Islamic countries of the far abroad (lines 1-10), former Soviet republics – the Turkish-speaking countries (Azerbaijan, Turkmenistan, Tajikistan, Kyrgyzstan, Uzbekistan and Kazakhstan) and Islamic countries (Turkey, Egypt, Iran and Indonesia), which characterise the specifics of export-import relations of the Republic of Tatarstan.

By the Table 6, these countries were 11.04% and 13.48% of total trade turnover and foreign trade balance in Tatarstan in 2021, 12.27% and 16.46% in 2020, 10.61% and 10.25% in 2019, 7.68% and 6.15% in 2018 and 8.43% and 7.53% in 2017, respectively. The largest volume and share of the Republic of Tatarstan's foreign trade turnover provided by:

- Islamic countries (Malaysia, UAE and Saudi Arabia) at 5.68% in 2017, 4.71% in 2018, 5.3% in 2019, 3.66% in 2020 and 3.55% in 2021;
- former Soviet republics (the Turkish-speaking countries of Azerbaijan, Turkmenistan, Tajikistan, Kyrgyzstan, Uzbekistan and Kazakhstan) at 67.75% in 2017, 67.71% in 2018, 61.08% in 2019, 62.87% in 2020, 52.77% in 2021;
- Islamic countries (Turkey, Egypt, Iran and Indonesia) 8.3% in 2017, 27.31% in 2018, 33.56% in 2019, 29.98% in 2020 and 43.31% in 2021.

The Republic of Tatarstan's foreign trade with Islamic countries, with former Soviet republics (with Turkic-speaking countries) and with Islamic countries has a positive balance in 2017-2021. At the same time, the positive balance in foreign trade turnover has been increasing over this period: in 2018 it increased by 3.09% compared to 2017 and in 2019 it increased by 35.47% compared to 2018. In 2020-2021, the foreign trade balance with these countries was also positive.

The above countries account for the following proportions of Tatarstan's total foreign trade balance with all countries: 8.43% in 2017, 7.68% in 2018, 10.61% in 2019, 12.37% in 2020 and 11.04% in 2021. The positive value of the foreign trade balance based on the inter-country structure.

The largest volume and share of goods imported into the Republic of Tatarstan provided by:

- Islamic countries (Malaysia, UAE and Saudi Arabia) at 5.92% in 2017, 7.35% in 2018, 5.63% in 2019, 3.81% in 2020 and 3.99% in 2021;
- the former Soviet republics (the Turkish-speaking countries of Azerbaijan, Turkmenistan, Tajikistan, Kyrgyzstan, Uzbekistan and Kazakhstan) at 16.44% in 2017, 29.15% in 2018, 22.4% in 2019, 20.83% in 2020, 19.35% in 2021;
- Islamic countries (Turkey, Egypt, Iran and Indonesia) at 56.12% in 2017, 62.27% in 2018, 69.42% in 2019, 73.16% in 2020 and 75.81% in 2021.

In our opinion, the countries of the Organisation of Islamic Cooperation have greater potential for socio-economic development. It is primarily depends on some economic advantages over developed and even post-industrialised countries. First, these countries have large concentrations of natural resources that are not profitably exploited: exports of intermediate goods and imports of final (manufactured) goods. These countries need to focus on processing raw materials together to produce final goods. The weak link in the OIC countries is the lack of new equipment and technology that needs to be produced by mobilising limited financial resources. There is a need to provide the economic analysis of the scientific and technical capabilities of certain states. For example, Russia, including Tatarstan, could specialise in the development

of new technologies and the training of scientific and technical personnel for future raw material processing industries within a joint division of labour. Also the economic function and role of the state in the planning of production, trade and logistics value chains should be enhanced.

The OIC countries have an undeniable competitive advantage – a social aspect, of an ethical, cultural, ideological and moral nature. Indeed, the main item for Islamic economic culture and ethics is the use of capital not for profit, speculation in the interests of individual actors, but for the purpose of collective investment in productive business projects and the concerted use of the capital earned. Therefore, Islamic moral norms need to be widely developed and popularised and transposed into economic life, the economy, such as Islamic financial institutions (Islamic banking, takaful insurance, etc). State organisations should propagate Islamic morality as a norm of economic life and translate its principles into the practice of mutually beneficial international economic relations.

There are some promising inter-state institutions for the further development of the OIC countries, such as the Eurasian Economic Cooperation, in which any OIC countries can participate, based on Islamic principles in economic activities. This requires increasing the economic function and role of the state in the OIC countries in guiding the planning and implementation of specific investment projects. In the context of global competition with Western and Eastern transnational corporations, OIC countries need to build their own production and trade chains for innovative goods at the inter-state level.

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Received 18.07.2022
Revised 14.08.2022
Accepted 02.09.2022