

# DEVELOPMENT PROSPECTS OF THE CENTRAL BANK DIGITAL CURRENCY IN THE EURASIAN ECONOMIC UNION

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The article deals with the prospects of issuing national central bank digital currencies of the Eurasian Economic Union member states. The relevance of the study is the widespread digitalization of the economy and the observed trend of the Eurasian Economic Union member states' transition to settlements in national currencies. The object of the study is the central bank digital currencies as a promising tool for improving the efficiency of foreign trade transactions. The purpose of the study is to increase the interest of the Eurasian Economic Union member states in development of national digital currencies. There are analysed the prerequisites for the introduction of digital currencies, as well as its pros and cons and problematic issues. There has been studied the experience of some foreign countries in the development of digital currencies and stages of their readiness for the introduction of this payment instrument. Conclusions are drawn about the expected high demand for digital currency, the long-term implementation of this project and the possibility of optimizing foreign trade operations conducted by the Eurasian Economic Union member states, due to the high speed of settlements, low transaction costs, high security of digital settlements.

**Keywords:** digital currency; cross-border settlements; foreign trade operation; non-cash payments; world trade; efficient tool.

Money is changing fast. Payments are an integral part of all our lives and the area of financial services most ready for transformation. New technology is coming on stream at an incredible pace. What seemed cutting edge only a couple of years ago is already out of date, as central bank digital currencies form the next stage of an inevitable evolution. The COVID-2019 pandemic has turbocharged the development of a complex global digital economy and the sophisticated digital payments systems upon which it will rely. To many, this offers the exciting prospect of cheaper, more efficient and more secure transactions on a global scale. In a post-pandemic world, it is increasingly crucial than ever that people work together to develop new financial technologies and make payments of all kinds easier to access, less costly to conduct, and faster to process.

In the current context, there is a constant increase in the volume of world trade and, accordingly, international settlements. Such processes all over the world stimulate the development of innovative, efficient, contactless payment concepts that reduce the time and material costs spent on conducting foreign trade operations. The Eurasian Economic Union was no exception, putting the issue of the cross-border settlements development and the search for promising payment tools on intensive discussion. It should also be noted that the Treaty on the Eurasian Economic Union of May 29, 2014 defined the objective of developing a common payment area in the customs territory of the Eurasian Economic Union. It is also reflected in the Strategic Directions for the Development of the Eurasian Economic Integration until 2025.

Taking into account the development of world trade and innovative payment technologies, as well as the global digitalization of the financial sector, the consideration of the central banks digital currency of the member states of the Eurasian Economic Union as a promising tool for accelerating and optimizing foreign trade operations conducted by subjects of foreign economic activity in the customs territory of the Eurasian Economic Union is of particular relevance. In current conditions, there is a tendency for the member states of the Eurasian Economic Union to gradually withdraw from settlements in US dollars, while most of the national currencies of the member states of the Eurasian Economic Union are not listed on currency exchanges. In our opinion, in such conditions, the digital currency can become an effective and progressive tool for optimizing cross-border settlements.

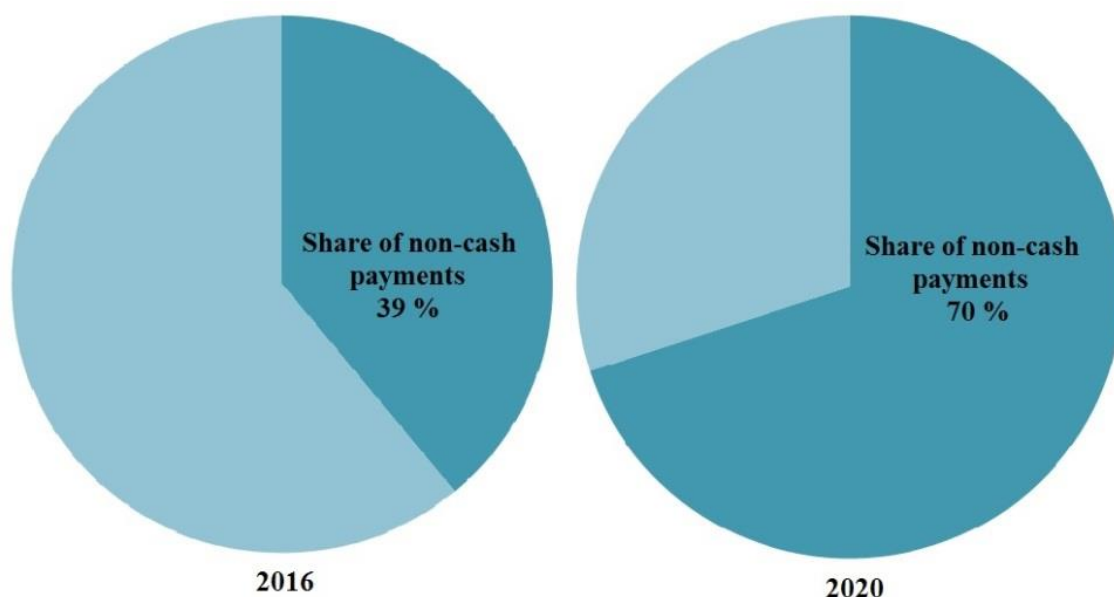
According to the Official Forum of Monetary and Financial Institutions, digital currency is the money of the central bank in digital form which acts as a new means of payment and an alternative to cash [1, p. 52]. To date, digital currencies are under active study from both theoretical and implementation points of view.

The central bank digital currency can be used by both citizens and the state and subjects of foreign economic activity when conducting international settlements. Meanwhile, the digital currency will provide high settlement speed, low transaction costs, a high level of reliability and security. It should also be noted that the introduction of the central bank digital currency will contribute to increasing the financial accessibility of the use of payment services and digital financial tools.

As for the prerequisites for the introduction of digital currency, it is quite notable that the share of citizens of the Russian Federation for whom online access to bank accounts for making transfers has become a common practice has increased from 32 to 55% over the period from 2017 to 2019 [2, p. 12]. In addition, it can be assumed that this indicator has maintained its growth in subsequent years due to the impact of the COVID-19 pandemic. There is also an increase in the share of non-cash payments in the member states of the Eurasian Economic Union. For example, according to the Central Bank of Russia, over the period from 2016 to 2020, the share of non-cash payments for goods and services in Russia increased even more significantly – from 39 to 70% (Figure 1) [2, p. 12]. In addition, there is an increase in the share of non-cash transactions in Kazakhstan – from 51% in 2020 to 75% in 2021 (Figure 2) [3].

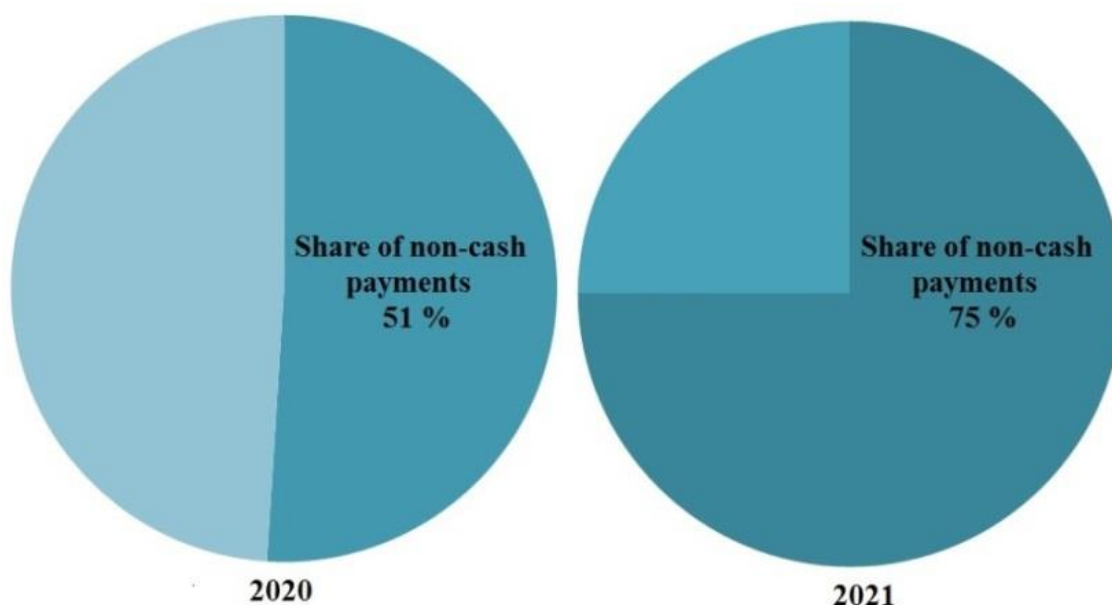
Thus, it is notable that the demand for advanced technologies when making payments is gradually increasing. Consequently, there can be expected the same high interest of citizens and the business community of the member states of the Eurasian Economic Union in digital forms of currency.

In general, the interest of many countries of the world in the introduction of national digital currencies is obvious. Thus, according to the Bank for International Settlements, 55 of the 65 central banks of the countries participating in the survey are conducting research on the possibility of introducing a digital currency. At the same time, as at July 2020, Uruguay, Ecuador and Ukraine have completed pilot projects of retail digital currencies. In addition, pilot projects of retail digital currencies are currently being implemented in six regions: in China, Sweden, South Korea, the Eastern Caribbean Currency Union, the Bahamas and Cambodia [4].



**Figure 1 – Growth of the Share of Non-cash Payments in Russia**

Note: own development based on the source [2, p. 12].



**Figure 2 – Growth of the Share of Non-cash Payments in Kazakhstan**

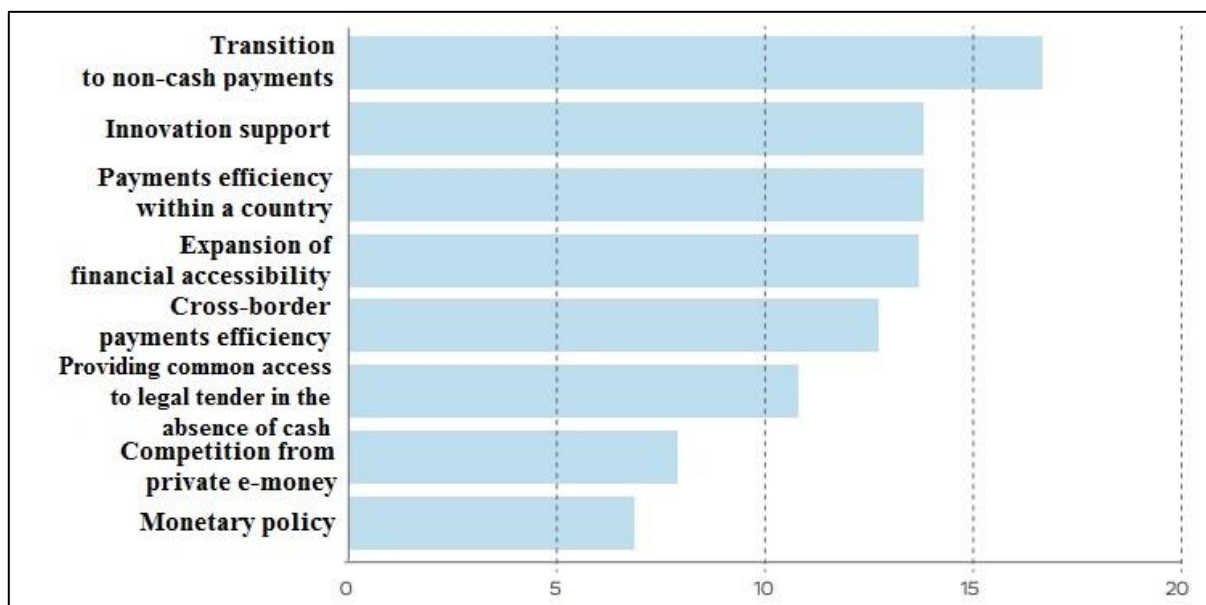
Source: own development based on the source [3].

Discussion of projects on the introduction of digital currencies is also actively underway in the member states of the Eurasian Economic Union. Hence, in 2020, the Central Bank of Russia published a report «Digital Ruble», in May 2021, the National Bank of the Republic of Kazakhstan presented a report «Digital Tenge» [3], and in September 2021, the National Bank of the Republic of Belarus held a round table «Central Banks Digital Currencies», where the possibilities of implementing the Belarusian digital ruble were discussed.

Such an interest of the member states of the Eurasian Economic Union in the development of innovative tools for financing foreign trade operations is supposed to be

caused by the tendency to intensify the use of national currencies of the member states of the Eurasian Economic Union in mutual settlements, as well as the search for alternative methods of settlements in trade with third countries. The high commission fees to banks for conducting international settlements should also be noted. This fact gives an additional incentive to create digital tools for financing foreign trade operations. They, in turn, allow for settlements between foreign counterparties without intermediaries, therefore, without material costs for paying commissions to banks, reducing the costs of conducting foreign trade operations. Thus, the Eurasian Economic Commission has already discussed the possibility of using digital currency in the trade of the member states of the Eurasian Economic Union with China and Latin American countries. Hence, in the future, central bank digital currencies can act as an effective tool for optimizing cross-border settlements, increasing the share of settlements in national currencies and reducing transaction costs, having a stimulating effect on increasing the volume of foreign and domestic trade of the member states of the Eurasian Economic Union.

As for the problematic issues in the introduction of digital currencies, first of all, there should be noticed the need to prepare the legal framework for its issuance and consolidate at the legislative level the recognition of digital currencies as a legitimate payment instrument. It is also necessary to establish the existence of a significant need of the member states of the Eurasian Economic Union and their citizens in the central bank digital currency and its economic feasibility. It is also important to take into account the fact that ensuring cybersecurity and protecting confidential data of users of digital currencies entails high costs for central banks. In addition, the issuance of national digital currencies by the central banks of the member states of the Eurasian Economic Union requires a developed technological infrastructure, including the stability of the power grid, mobile phone network and data transmission network with wired and wireless Internet access [5, p. 27].

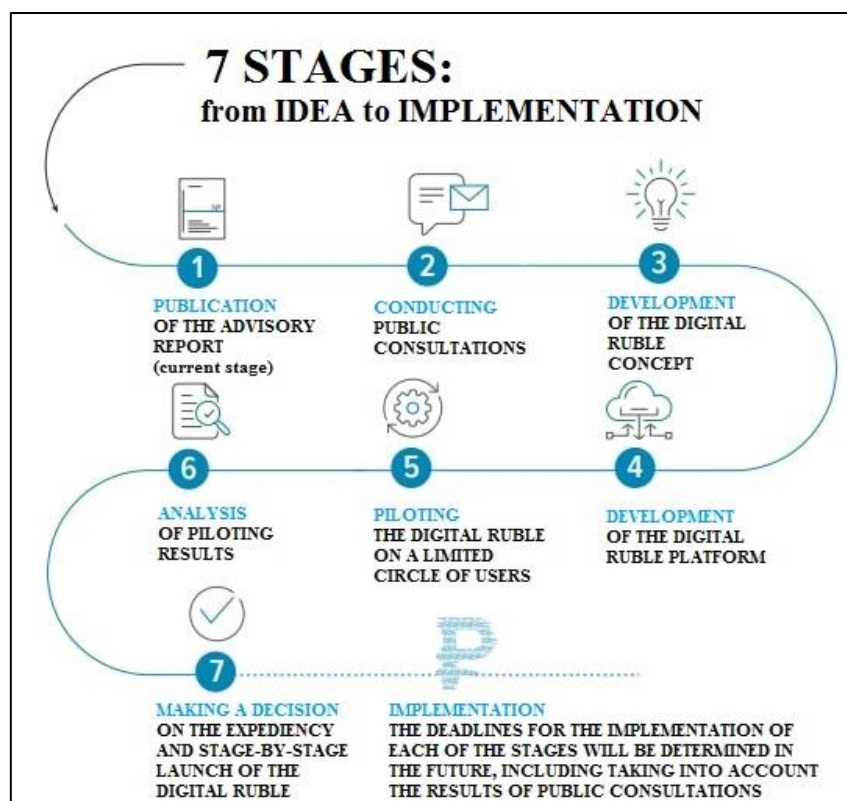


**Figure 3 – Benefits from the Introduction of the Central Bank Digital Currency**  
Source: own development based on the source [2, p. 39].

However, despite certain difficulties in the digital currency implementation, the central banks that are investigating this issue identify a number of advantages of this innovation (Figure 3). According to a survey conducted by Central Banking, most of the participants noted the positive impact of digital currency on internal payments, the introduction of innovations and the expansion of financial accessibility. A significant increase in the share of non-cash payments was also noted by the participants as an important factor in the introduction of digital currency. Some survey participants are confident that the introduction of the central bank digital currency will increase the efficiency of cross-border settlements.

Considering the prospects for the introduction of the central bank digital currency in the member states of the Eurasian Economic Union, it is necessary to take into account the long period of in-depth study of this concept. Figure 4 shows the planned implementation stages of the project on the introduction of the digital Russian ruble, which confirms the long-term nature of such a project.

While Russia and Kazakhstan are already actively exploring the possibility of introducing digital currencies, Belarus, Armenia and Kyrgyzstan have yet to study the feasibility of introducing this innovative tool, develop a concept, and determine the design of the national digital currency. Russia and Kazakhstan will have to conduct a pilot project, test the system, and only after that it will be possible to judge the feasibility of introducing a digital currency. Due to the difficult and long way to the implementation of this idea, no country in the world today has legally recognized and introduced its digital currency in a full-fledged mode.



**Figure 4 – Implementation of the Project on the Introduction of the Digital Russian Ruble**

Source: own development based on the source [2, p. 11].

Thus, having analyzed the aspects of the prospective introduction of central bank digital currencies in the member states of the Eurasian Economic Union, a number of conclusions can be drawn:

- high interest of citizens and subjects of foreign economic activity of the member states of the Eurasian Economic Union in digital currencies is expected due to the increasing demand for advanced technologies when making payments;
- there are a number of problematic issues and unexplored aspects regarding the introduction of digital currency, therefore, the process of studying this tool is quite long;
- central bank digital currency can ensure high settlement speed, low transaction costs, high reliability and security, thus optimizing foreign trade operations in the Eurasian Economic Union;
- taking into account the trend of the transition of the member states of the Eurasian Economic Union to settlements in national currencies, the central bank digital currency can become an effective tool for optimizing international settlements in mutual trade of the Eurasian Economic Union.

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