

The Current State of Barriers in the EAEU in the Context of the New World Economic Order

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Abstract: The research aims to reflect the current state of barriers in the EAEU in conditions of the new world economic order. To achieve this purpose, the authors use the following theoretical methods: analysis, synthesis, induction, deduction, and generalization. As a result of the systematization of scientific works, it turns out that the assessment of barriers may include the use of SWOT analysis, a survey of exporting enterprises, indicators of non-tariff barriers, and economic-econometric models. After a comprehensive generalization of the methods of studying the scientific problem, the paper reflects the dynamics and structure of barriers in the internal integration market. The analysis of the number of barriers for 2016–2023 shows mixed results. Before 2019, there was a rise in the number of barriers. After 2020, a decline of barriers is revealed. Currently, most barriers of the EAEU countries affect issues of tax policy and provide for the participation of Belarus. In the final part of the scientific work, the authors conduct a SWOT analysis to identify the possibilities and threats of the EAEU in the conditions of existing shortcomings and threats to Eurasian integration. The results of the scientific research provide an opportunity to form an author's approach to the systematization of methods for studying barriers and identify opportunities and strengths that the EAEU member countries can use in the face of existing global challenges.

Keywords: EAEU, integration, trade barriers, integration risks, integration possibilities

JEL codes: F13, F15

The Eurasian Economic Union (EAEU) acts as a young but actively developing integration association. Nowadays, intensive work is underway on its development, providing for the

formulation of new integration plans, development of the normative-legal base of integration, and harmonization of the legislation of the EAEU countries.

One of the basic legal foundations laid down in the EAEU Treaty is the principle of “four freedoms,” which determines the meaning of the creation and functioning of integration. Currently, the implementation of the principle mentioned above is facing difficulties caused by the following factors:

- Sanctions of Western countries;
- Dependence on energy prices;
- Low level of technological and industrial development;
- Insufficient powers of supranational institutions;
- Differentiation in the economic development of the EAEU countries;
- Lack of political cooperation between the integration countries.

The problematic aspects of integration reflected above determine the study of the present state of barriers in the EAEU.

Materials and Method

In research practice, a comprehensive study of trade barriers provides for the introduction of various methodological approaches.

One of them is a SWOT analysis covering the problem of trade barriers in an integration association by assessing its strengths, weaknesses, threats, and opportunities. It is possible to identify the features and techniques of applying this method in the works affecting the participation of Tajikistan in the Eurasian integration (Shokirov, 2020), the economic capacity of individual states of the integration association (Zhuk et al., 2020), the present state of the EAEU and its vectors of cooperation (Podkina, 2019), and elements of the economic potential of the customs territory of integration (Krivonos, 2022).

Along with SWOT analysis, it is possible to use a survey method of research aimed at identifying barriers to integration by means of an expert survey of exporting enterprises. It is possible to find the implementation of this method in the scientific studies concerning the assessment of non-tariff barriers (NTBs) in the EAEU (Vinokurov et al., 2015a), the study of the activities of enterprises of the EAEU countries in the conditions of barriers (Volkov et al., 2019), the survey of industrial enterprises of Russia on barriers in the EAEU (Sabelnikova & Volkov, 2019), and the analysis of the manifestation of artificial non-tariff barriers in the Common Economic Space (Pelipas et al., 2014).

The next scientific method is the use of indicator and economic-econometric approaches. The indicator method involves the usage of the following main indexes:

1. UNCTAD coefficients (indicators of the frequency, coverage, and prevalence of non-tariff barriers). The index of the frequency of barriers reflects the percentage of products that are subject to imported artificial non-tariff barriers. The barrier coverage indicator shows the share of import trade affected by non-tariff barriers. The indicator of the

- prevalence of barriers acts as a simple average of the number of NTBs aimed at creating obstacles to imported goods (De Melo & Nicita, 2018);
2. The price gap indicator makes it possible to compare the price of a good on the domestic market, which is formed considering the presence of NTB, with the price of the same product on the foreign market, unaffected by this barrier). In the simplest case, the tariff equivalent of an artificial non-tariff barrier has the following formula: $T_e = \frac{P_h - P_x}{P_x}$, where P_h denotes the price of the product on the country's internal market, considering the artificial non-tariff barrier; P_x denotes the price of the commodity on the external market (includes tariffs and transportation costs but does not consider NTBs); and T_e denotes the tariff equivalent of an artificial non-tariff barrier (Byrne & Rice, 2018; Volkov, 2020).

In the practical activity of studying barriers in the Eurasian space, indicator methods have a rare application due to their specific shortcomings, including the difficulty in identifying the effect of specific trade barriers, the presence of other factors in the economy of states in addition to NTBs, and limited statistical data.

Nevertheless, the use of indicator methods that indirectly relate to the EAEU countries takes place, which is proved by the UNCTAD TRAINS data on UNCTAD indicators (available only for Russia and Kazakhstan) (UNCTAD Trains Portal, 2023) and the information of B. M. Soon and W. Thompson on the price gap indicator affecting the problem of NTBs of Russia in relation to imported chicken meat (Soon & Thompson, 2020).

Economic and econometric approaches to studying barriers, in contrast to indicator methods, provide for constructing a gravitational model, a model of general equilibrium, and a model of partial equilibrium (Viju, 2013). The gravitational model is an econometric model that makes it possible to analyze bilateral trade flows between countries in conditions of barriers.

The general and partial equilibrium models, unlike the gravitational model, require the use of many assumptions. However, despite the complexity of the construction, they make it possible to analyze all possible economic scenarios comprehensively. The main difference between the models lies in the scale of the studied scientific problem because partial equilibrium models affect the consequences for specific markets of the country, while general equilibrium models consider only its economy as a whole (Madiyarova & Terletskii, 2021).

The accumulated economic experience shows that in scientific works concerning the problem of the manifestation of barriers in the EAEU, economic-econometric approaches are more widespread than indicator research methods. The application of scientific methods of an economic and econometric nature is possible to find in the works aimed at studying the risks and benefits for the Eurasian Economic Union from integration scenarios in the Asia-Pacific region (Knobel & Sedalishchev, 2017), the consequences of the EAEU countries resulting from the development of regional economic integration (Kuznetsov et al., 2018), the consequences of agricultural markets of the integration of the EAEU (Svetlov, 2016), and the effect of non-tariff barriers on foreign trade flows of the EAEU countries (Vinokurov et al., 2015b).

Thus, in practice, there is a wide variety of methods aimed at studying trade barriers. In the current work, the study of barriers in Eurasian integration is carried out by analyzing obstacles in the internal market of the Eurasian integration association and building a SWOT analysis of its trade and economic potential.

Results

Examining the market of the EAEU, we can state that the markets of goods and labor are the most progressive single integration markets. According to the data of the EAEU information portal “Functioning of internal markets,” the number of obstacles within the EAEU amounted to 42 pcs., which is 30% lower than the same indicator in 2016. Furthermore, the study has shown that the structure of obstacles is wide and unequal, which can be observed based on the statistical data in Table 1. Obstacles are the sum of the number of barriers, exemptions, and restrictions. Barriers are obstacles prohibited by the legal provisions of the EAEU. Restrictions are obstacles that have arisen due to the lack of a technical mechanism for legal regulation of economic relations. Exemptions are obstacles prescribed by the legal provisions of the EAEU due to the presence of sensitive issues affecting the EAEU countries. Starting from March 3, 2021, exemptions are not subject to inclusion in the register of obstacles. However, despite all this, they still remain the main category of difficulties for the EAEU.

Table 1
 Dynamics of the number of obstacles in the EAEU for 2016–2023

Type of obstacle	Date of registration of obstacles							
	Nov 30, 2016	Nov 1, 2017	Jan 1, 2018	Jan 1, 2019	Jan 1, 2020	Jan 1, 2021	Jan 1, 2022	Apr 2, 2023
Obstacles	60	62	65	71	66	59	50	42
Barriers	9	8	11	16	15	11	15	8
Restrictions	34	37	37	38	37	35	35	34
Exemptions	17	17	17	17	14	13	0	0

Source: Compiled by the authors based on the EAEU Information Portal “Functioning of the Domestic markets” (2022) and EAEU Legal Portal (2021)

In the situation of barriers representing obstacles that do not comply with the legislation of the EAEU, the following dynamics can be noted. From 2016 to 2019, a cardinal increase in their number from 9 to 16 pcs. has been revealed, which reflects the presence of large contradictions between countries in the internal integration market for this period. Starting from 2020, there has been a sharp decline in the number of barriers, which has dropped to 8 pcs. by 2023. The latter reflects that the indicator is currently at the level of 2017.

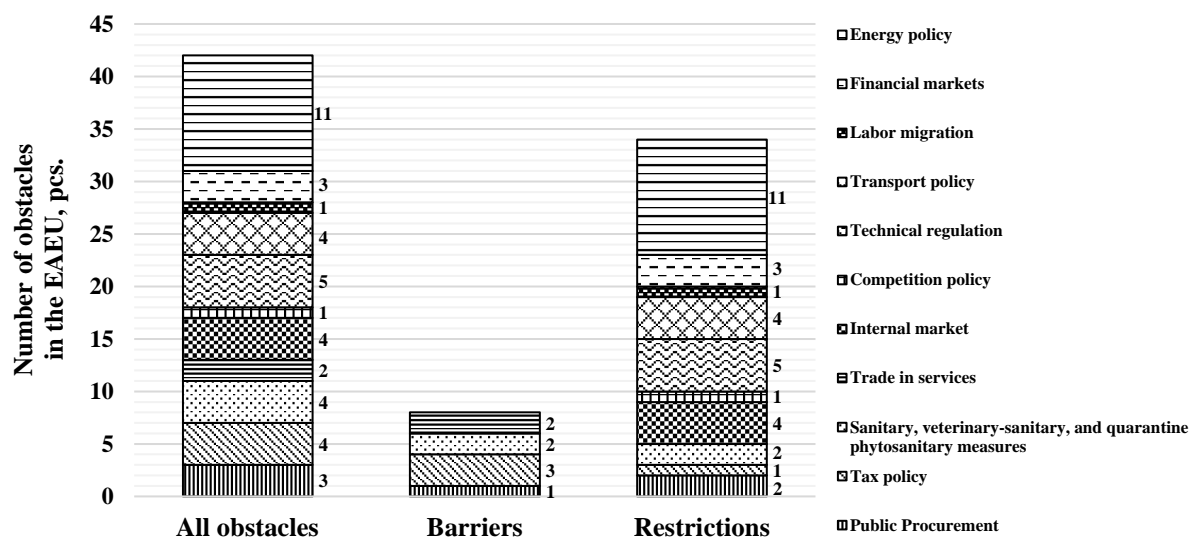
Touching upon the areas of application of barriers in the EAEU, it is important to note that they quantitatively prevail in tax policy (3 pcs.). The latter shows that the most debated issue is the tax policy of the EAEU countries.

Then, in descending order by the number of barriers introduced by integration countries, follow measures in the field of sanitation (2 pcs.), trade in services (2 pcs.), and public procurement (1 pc.) (EAEU Information Portal “Functioning of the Domestic markets,” 2022;

EAEU Legal Portal, 2021). Information on the number of barriers in the context of individual areas of regulation is shown in Figure 1.

Figure 1

The structure of obstacles by areas of application in the EAEU, current state as of April 2, 2023



Source: Compiled by the authors based on EAEU Information Portal “Functioning of the Domestic markets” (2022)

Analyzing the geographical structure of barriers reflected in Table 2, it is possible to single out the predominant use of barriers by Belarus, which imposed these obstacles in the area of sanitation (issuance of veterinary permits for the import of livestock products from the Russian Federation) and trade in services (obstacles in the sphere of wholesale trade in scrap and metal wastes, the impossibility of opening branches of firms of the EAEU countries in Belarus).

There are also barriers in the EAEU on the part of Armenia in the field of tax policy (collection of duties for exporting scrap and metal wastes from the country), in the area of public procurement in Kazakhstan (limited access of goods and services of the EAEU countries to public procurement of Kazakhstan caused by its reliance on domestic suppliers), in the field of tax policy in Kyrgyzstan (price level control mechanism for goods from other EAEU states and VAT exemption for agricultural machinery, manufactured and supplied by Kyrgyz companies), and in the field of sanitation in Russia (requirements for a good that is not included in the Unified List of Products subject to mandatory requirements within the Customs Union).

Table 2

Geographical structure of obstacles in the EAEU, current state on 2 April 2023

Scope of application	Type of obstacle	The number of obstacles				
		ARM	BLR	KAZ	KGZ	RUS
Public procurement [2 restrictions, 1 barrier]	Barriers	0	0	1	0	0
	Restrictions	2	2	2	2	2

Tax policy [1 restriction, 3 barriers]	Barriers	1	0	0	2	0
	Restrictions	1	1	1	1	1
Sanitary, veterinary-sanitary, and quarantine phytosanitary measures [2 restrictions, 2 barriers]	Barriers	0	1	0	0	1
	Restrictions	2	2	2	2	2
Trade in services [2 barriers]	Barriers	0	2	0	0	0
	Restrictions	0	0	0	0	0
Internal market [4 restrictions]	Barriers	0	0	0	0	0
	Restrictions	4	4	4	4	4
Competition policy [1 restriction]	Barriers	0	0	0	0	0
	Restrictions	1	1	1	1	1
Technical regulation [5 restrictions]	Barriers	0	0	0	0	0
	Restrictions	5	5	5	5	5
Transport policy [4 restrictions]	Barriers	0	0	0	0	0
	Restrictions	4	4	4	4	4
Labor migration [1 restriction]	Barriers	0	0	0	0	0
	Restrictions	1	1	1	1	1
Financial markets [3 restrictions]	Barriers	0	0	0	0	0
	Restrictions	3	3	3	3	3
Energy policy [11 restrictions]	Barriers	0	0	0	0	0
	Restrictions	11	11	11	11	11
All areas of application [34 restrictions, 8 barriers]	Barriers	1	3	1	2	1
	Restrictions	34	34	34	34	34
ARM – Armenia, BLR – Belarus, KAZ – Kazakhstan, KGZ – Kyrgyzstan, and RUS – Russia						

Source: Compiled by the authors based on EAEU Information Portal “Functioning of the Domestic markets” (2022)

Thus, there is an insufficient implementation of the principle of “four freedoms” in integration, which requires a SWOT analysis to identify threats and opportunities of Eurasian integration (Figure 2) (EAEU Information Portal “Functioning of the Domestic markets,” 2022).

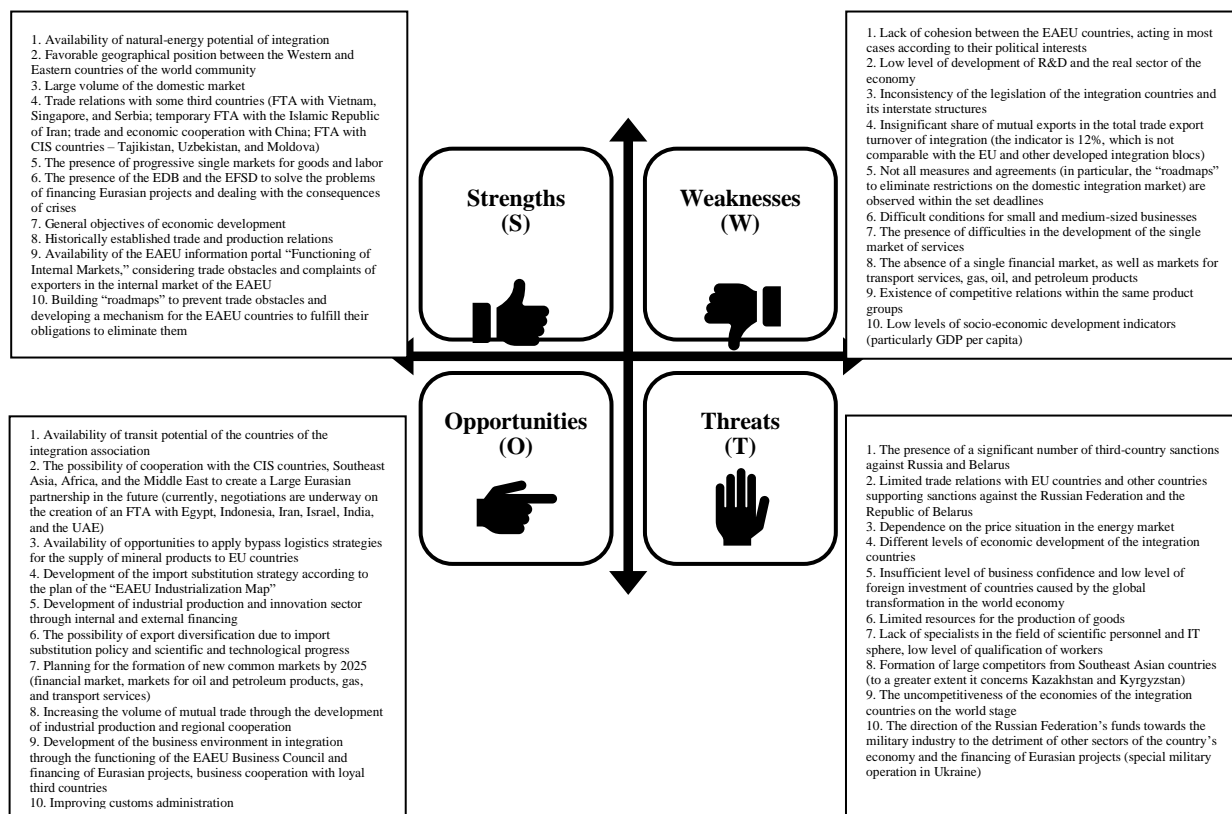


Figure 2

SWOT analysis of the trade and economic potential of the EAEU

Source: Compiled by the authors

The results of the SWOT analysis show the presence of weaknesses in integration (lack of cohesion, inconsistency of legislation, underdevelopment of the innovation and real sectors of the economy, a small share of mutual exports, etc.). Hence, there is a need to use strengths based on the natural energy potential, the favorable geographical location, the scale of the local integration market, the availability of favorable trade relations with third countries in the format of the FTA, and the agreement on trade and economic cooperation. Additionally, the progressing markets for goods and labor, the presence of the Eurasian Development Bank (EDB) and the Eurasian Fund for Stabilization and Development (EFSD), the historically established trade and production ties, the general tasks of economic development, the existence of the “Functioning of internal markets” portal, and the construction of “road maps” can also facilitate the development of integration.

During the research, the authors came to the conclusion that in the face of threats (sanctions, limited trade relations, dependence on prices in the mineral products market, different levels of economic development of countries, etc.), the EAEU needs to focus on the realization of opportunities arising from transit potential, cooperation with countries of friendly regions (CIS, Southeast Asia, Africa, and the Middle East), alternative logistics aimed at Western countries, the use of import substitution, and industrial-innovative development. Additionally, the result of export diversification, import substitution policy, and STP will be the creation of new markets, the growth of mutual trade, the development of the business

environment, and the improvement of customs administration. The implementation of the above strengths and opportunities will allow the EAEU countries to withstand the global challenges that have emerged within the framework of the presence of a new world economic order.

Discussion

Conducting a study of the problem of trade barriers in the EAEU through the use of SWOT analysis made it possible to identify the main strengths, weaknesses, threats, and opportunities for integration observed in the new world order. The implementation of the above strengths and opportunities will allow the EAEU countries to withstand the global challenges that have emerged in the new world economic order.

In the near future, to develop the results obtained, policy actors of the EAEU countries and scientific researchers will need to search for priorities, expediency, and weaknesses of individual trade policies in foreign trade practice. These actions will complement the results of the SWOT analysis and strengthen the positions of the EAEU countries on the world stage.

Conclusion

The study of the changes in the number of barriers in the Eurasian integration has shown a mixed trend, as a result of which it has been found that the number of barriers is currently at its 2017 level. Simultaneously, most barriers of the EAEU countries affect issues of tax policy and provide for the participation of Belarus.

Additionally, the authors have used the SWOT analysis method to show the threats and opportunities of the EAEU. It has been found that a decrease in the trade and economic potential of integration may be manifested as a result of aggravated threats. The latter mainly provides for the presence of sanctions from third countries, dependence on the price situation in the energy market, different levels of economic development of the integration countries, lack of competent specialists in the field of scientific personnel and IT areas, non-competitiveness of the economies of the Eurasian integration countries, and a low level of business confidence, accompanied by the insignificant inflow of foreign investment.

To level the above potential threats, EAEU countries need to use all available potential, including the policy of import substitution, scientific-technical progress, the emergence of new single markets, and business environment improvement. Additionally, to obtain benefits, it is advisable to use the FTA model when concluding preferential agreements with the participation of the EAEU because it will serve as an effective entry to the markets of friendly regions (Asia, the CIS, Africa, and the Middle East). The importance of improving the integration network for Eurasian integration is simultaneously reflected in the economic and institutional spheres. Therefore, it needs to expand and deepen the existing formats of foreign economic cooperation. These actions will undoubtedly contribute to the economic boost of Eurasian integration in the conditions of the new world economic order.

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