

MARKET ENVIRONMENT RELATED ISSUES OF BUSINESS DEVELOPMENT IN THE EAEU STATES

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Abstract

Integration processes in the EAEU area are becoming a subject of keen interest both from the governments of the member states and from the international community amid growing global military-political and economic tensions. Developing new global supply chains provides a unique opportunity for the business community of the EAEU member states to offer the world economy alternative business models of interaction with regional markets. At the same time, traditional integration problems still remain relevant for the Union: the uneven development of national economies, the complicated bureaucratic nature of interagency procedures, differences in legal systems, technical barriers, low integration in innovation and technology, and others. The article defines the main essence of the problems associated with the Union interaction that impede the development of regional business. The article also reveals possible ways of resolving the most serious restrictions, emphasizing the importance of cooperation among the EAEU member states in boosting cross-border business.

Keywords

Integration processes, the EAEU, regional business, international business, Eurasian cooperation, regional risks.

TRANSFORMATION OF INITIAL CONDITIONS

Modern Eurasian integration processes are developing amid a global military-political and economic confrontation when each state, regardless of membership in certain associations and unions, is forced to navigate between the interests of major parties in the conflict. At the same time, membership in the Eurasian Economic Union opens up new development horizons for many of its members, which, with the efficiently organized legal and economic processes, can give a powerful impetus to the development of national economies.

The global sanctions war declared by Western countries against Russia and the Republic of Belarus has caused a drastic transformation of supply chains that have been shaping for decades. Such a dramatic disruption of cross-border business processes, on the one hand, triggered a significant deterioration in the business environment for most economic entities in the EAEU area, up to the halted activity of many of them. On the other hand, the opportunity to design new logistics routes «from scratch» creates unprecedented benefits for new business projects, especially for the most economically lagging Union members.

However, all the EAEU states still face the threat of sanctions pressure from Western countries if they are suspected of violating the restrictive measures imposed against Russia [1]. Under these circumstances it becomes vital for Armenia, Kazakhstan and Kyrgyzstan not only to arrange the re-export of finished products and make up for the current temporary deficit on the Russian market, but also to direct efforts to develop value added and organize the manufacturing of goods in demand on the Union markets.

The geopolitical aggravation and, at the same time, new emerging opportunities, on the one hand, make the integration processes development more relevant, on the other hand, they are reminiscent of those systemic problems that remain unresolved on the Union agenda.

RELEVANT PROBLEMS OF ECONOMIC INTEGRATION

1. The uneven development of the EAEU economies is the main problem and phenomenon that has been witnessed in the economic cooperation among the Union states from the very beginning of its creation in 2015 [2]. This implies that some countries have a higher level of economic development and productivity than others. The most developed EAEU country is Russia, which leads by many economic indicators, such as GDP, industrial output, labor productivity, etc. At the same time, such countries as Armenia and Kyrgyzstan have a lower level of economic development and remain in a more difficult position. The uneven development of the EAEU economies may lead to unequal distribution of benefits and resources among the member states, which is likely to cause dependence of some countries on others, and also create certain difficulties in maintaining the competitiveness of less developed economies.

2. Differences in legal systems and economic regulation, as well as a complicated system of bureaucratic procedures in member states, still remain a relevant problem. This hinders doing business, particularly for those operating in several countries. Bureaucratic procedures and regulations in different EAEU countries especially complicate the activity of small and medium-sized enterprises (SMEs). For instance, procedures for obtaining permits to do business, compliance with the fiscal law and reporting in line with national rules bear tangible costs for SMEs. Moreover, a serious constraint for SMEs is the interaction with tax authorities and quarantine services when moving goods across borders.

3. Technical barriers are another significant factor hindering the business activity in the EAEU. Differences in technical standards and requirements for product quality, as well as differences in certification systems in the EAEU member states imply tangible difficulties for business. For instance, goods manufactured in compliance with the regulation of one country may not be compatible with the requirements of another country. This generates extra costs for processing (updating) and certification of goods, which has a negative impact on profitability of the business.

4. Low integration in technology and innovation is another factor hindering the development of the EAEU economies. One of the main problems associated with technological integration is the difference in national strategies and approaches to technological development. Apart from that, unlike the European Union (EU) with numerous joint projects, programs and tools that promote integration in scientific research and technology, the EAEU still lacks single integration system for technological integration. Another problem is insufficient number of businesses participating in innovative projects and programs. Often companies cannot realize the value of innovations, allocate the required resources and manage the processes of their development [3].

5. Restrictions on the movement of goods and services: the EAEU has a number of restrictions on the free movement of goods and services. Some member states retain national regulations and restrictions on the participation of foreign companies in a number of economic sectors (for instance, public procurement), which creates additional obstacles to the development of cross-border business.

Restrictions on the movement of goods lead to flawed competition and inadequate pricing policy, which also have a negative impact on economic development in the region.

6. The underdevelopment of international infrastructure projects is another problem that hinders the development of the EAEU economies. It complicates trade between countries and hinders access to the global market. The lack of international transport links limits the free flow of goods and services and reduces the effectiveness of accelerating infrastructure integration and competitiveness of the region on the global market.

7. Finally, the EAEU faces the problem of conflicts between its members. For instance, in 2019 Russia and Belarus faced serious disagreements over oil and gas prices, which restricted energy supplies from Russia to Belarus [4].

Conflicts between the EAEU states may be caused by various reasons, for instance, trade disputes, market competition, different approaches to solving economic problems, etc. Conflicts between member states may also result from different national interests and priorities. For instance, Belarus can protect its national interests in the production and export of agricultural produce, while Russia protects its interests in the energy sector and oil and gas industry.

MECHANISMS OF COMPREHENSIVE SOLUTIONS

Despite the complicated nature of the above problems, their full or partial resolution is a key prerequisite for the implementation of the Union strategic integration goals. In the light of the foregoing, it seems reasonable to concentrate the efforts of government heads of the member states using the mechanisms of the EAEU governing bodies in the following areas.

1. Development of harmonized measures aimed at encouraging a more even development of member economies. This can be achieved through the integration of financial and economic infrastructure, support for investment and technological innovation, as well as through higher levels of labor education

and qualification throughout the area of the Union.

2. Streamlining the procedure for interaction among the EAEU member states to optimize bureaucratic barriers in cross-border business [5].

3. Introduction of a single product certification system in all the EAEU member states. This would reduce the time and cost of obtaining certificates and entry barriers on another market [6]. Moreover, to eliminate the existing incompatibility of standards in different states it seems reasonable to coordinate the EAEU members when developing and adopting new norms and standards that should be compatible in various sectors of the economy.

4. Educational programs and business support in innovation. One of the solutions may be joint projects and programs in various areas of innovation. Better interaction of innovation centers, single innovation network, the introduction and improvement of the main internal mechanisms (innovations, software products, intellectual property management and other elements) can considerably accelerate the development of economic and innovation potentials of the EAEU member states, as well as ensure technological independence and higher competitiveness on the global market [8].

5. A solution to the problem of underdeveloped international infrastructure projects can be achieved through a series of measures aimed at strengthening infrastructure capacity and a common logistics system. In particular, the development of a single transport system will improve the international infrastructure network and strengthen the attractiveness of the region as a whole.

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Conflict of interest: the author declares no conflict of interest.

Funding: the study was not sponsored.

For references: Aram I. Afyan (2023). Market environment related issues of business development in the EAEU states 2(4), pp. 90 - 94

Submitted for publication: 6 June 2023

Accepted for publication: 27 June 2023