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Trade Integration in Services in the Eurasian Economic Union: Between Myth and Reality²

Within the framework of the Eurasian Economic Union (EAEU), a gradual formation of the single market of services is envisaged, both separately for different sectors and subsectors, and for horizontal level among the Member States. The order and formation of the services market and its sectoral coverage are to be determined by the liberalization plans approved by the Supreme Eurasian Economic Council. The countries prepared a set of Rules of trade in services, institutions, and activities that would allow to shape the licensing and regulatory system, make it more transparent, and reduce administrative and financial burden for authorities and businesses within the countries of the Union. It is expected that practical application of the Rules would cause reduction of the costs of services and goods for the population of the EAEU countries. Over the past few years, the countries of the EAEU have made an unprecedented and ambitious way forward in the formation of the single market for services in terms of a normative basis. At the same time, much remains to be done with regard to practical implementation of the proposed measures which is impossible without proper functioning of institutions, reduction of mutual technical and administrative barriers, and a favorable investment climate in the economies of the participating countries.

Key words: *trade in services, Eurasian Economic Union, barriers to trade, economic integration.*

JEL: *F13, F15, F53*

Introduction

The Customs Union of Russia, Belarus, and Kazakhstan (CU) has been functioning since January 1, 2010. From that moment, member countries have been applying Common external tariff and unified measures of non-tariff regulation in foreign trade with third countries, tariff preferences and preferences for goods from third

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countries were mainly ordered. Since July 1, 2010, customs clearance and control on Russian and Kazakhstan territories have been canceled, and since July 6, 2010, the same was done for Belarus territory. The functions of customs control in respect of foreign goods and vehicles entering the Customs Union territory were conducted by the customs services of Russia, Belarus, and Kazakhstan at entry points at the external border of the Customs Union. The Customs Code of the Customs Union came into operation for Russia, Belarus, and Kazakhstan in July 2010.

The Customs Union has become the first post-Soviet initiative, which has the attribute of a supranational political institution [Vinokurov, 2016]. From the very beginning, the decision-making process at the CU level was active and had a real impact on trade. Until 2010, representatives of post-Soviet bureaucratic apparatuses had managed to maintain a certain degree of cooperation only in several service sectors: railway transportation, aviation security standards, and electrical networks.

The next important step in the CU development was the alignment of the Common economic space (CES), which formally began to work in 2012 for three countries—Belarus, Kazakhstan, and Russia. It was the CES that was supposed to create the basis for the transition to such a deep form of integration as the Eurasian Economic Union (EAEU). Within the CES framework, an important international agreement was signed to regulate trade in services among participants, namely, Trade in Services and Investments Agreement. It was adopted by Russia, Belarus and Kazakhstan on December 9, 2010.

The agreement on the establishment of the Eurasian Economic Union (hereinafter «the EAEU Treaty») came into force on January 1, 2015. The EAEU Treaty included terms of many agreements that form the contractual legal framework of the Customs Union, as well as the Common Economic Space, signed in 2007–2011. In 2015, the membership of the EAEU expanded. On January 2, 2015, Armenia joined the Union, and on August 12, 2015, Kyrgyzstan joined it as well.

The Treaty on the Eurasian Economic Union: a tipping point in post-Soviet integration initiatives

The EAEU took a number of steps to advance regional economic integration. Despite objective difficulties and lack of real progress in some areas (technical regulation in the first place), it is premature to speak about its futility and inefficiency at the early stages of the incipient work [see, e.g., Aslund, 2013]. In the European Union, deep integration was achieved only decades after, and it required cooperation and trust and depended to a large extent on the effectiveness of national institutions [Tarr, 2016].

Deepening integration within the Eurasian Economic Union (EAEU) is an ambitious project requiring comprehensive and consistent work. Currently, there is a slowdown in the liberalization of foreign trade in goods because a substantial part of tariffs has already been eliminated and given immediate returns. Thus, the possibilities for fur-

ther liberalization of trade in EAEU framework are limited. Moreover, in Kazakhstan, for instance, at the entry into the Customs Union, import tariffs were increased. To implement the Common External Tariff, Kazakhstan almost doubled its average tariff, from 5.3% to 9.5% in the first year of joining the CU. The Belarus average import tariff at the entry into the CU did not undergo any substantial transformation. Kyrgyzstan became a member of the World Trade Organization in 1998 and Armenia joined it in 2001. In 2014, the simple average import tariff rate, according to the most favored nation treatment, in Armenia was 3.7% and in Kyrgyzstan it reached 4.6%. Due to the differences between commitments of Armenia and Kyrgyzstan in the WTO and the EAEU tariff schedule, new members do not apply the EAEU common external tariff at first [Volchkova, Kuznetsova, Turdyeva, 2016]. Therefore, further liberalization of services trade should be considered as an essential element for deepening of production networks and for expanding of supply chains for transnational companies in the region [Francois, Manchin, Tomberger, 2015].

At the same time, the freedom of movement of services requires comprehensive and complex changes in order to be implemented on the EAEU market. Services liberalization provides new conditions for the economic environment and legal entities and individual entrepreneurs of member states. This freedom also removes obstacles to cross-border provision of services and capital flows across the EAEU.

As it follows from Article 1 of the Treaty, within the EAEU framework, the four freedoms, namely, goods, services, capital, and labor movement are provided, as well as implementation of coordinated, agreed, and unified policy in various economic sectors, defined by this Treaty and international agreements within the EAEU framework. The EAEU is an international organization of regional economic integration, which has international legal personality.

The Treaty introduces a new concept — «the Union law» — which according to Article 6 consists of the Treaty itself; international agreements within the EEU framework; international agreements among EAEU and third parties; and decisions and orders of the Supreme Eurasian Economic Council, the Eurasian Intergovernmental Council, and the Eurasian Economic Commission.

The Treaty on the Eurasian Economic Union (Articles 65–69 of Section XV) and the Protocol on Trade in Services, Institution and Activities (Protocol), which is Appendix No. 16 to the Treaty on the Eurasian Economic Union, have become the main documents that regulate trade in services since January 1, 2015.

This Treaty and the Protocol cover any types of economic relations of economic entities, any types of services provided by them and services received from them, with such exceptions as

- services and activities related to the functions of governmental authorities, and
- governmental (municipal) purchases regulated by separate rules of the EAEU Treaty.

The approach to the definition of the concept of trade in services in the EAEU corresponds to the approach of the World Trade Organization and considers delivery of services, including production, distribution, marketing, and sales. It is implemented in the following four ways:

- from the territory of a member state to the territory of any other member state (cross-border trade);
- on the territory of a member state by the person of that member state to the recipient of services of another member state;
- a service provider of a member state by establishing commercial presence on the territory of another member state; and
- a service provider of a member state by presence of individuals of that member state on the territory of another member state (movement of individuals).

The concept of *an institution* in the EAEU law derives from the law of the European Union and means creation of an economic entity in one member state by an economic entity of another member state to carry out economic activities, e.g. production of goods and (or) trade in services.

It is worth noting that the concept of an institution in the EAEU law has nothing in common with a similar concept in Russian civil legislation. In Russian law, it stands for one of the organizational and legal forms of non-profit-making organizations (Article 123 of the Civil Code of the Russian Federation, «Basic provisions on institutions»).

According to the EAEU Treaty, there are several ways of establishing presence in another government:

- creation of a new legal entity and (or) acquisition of an active legal entity (participation in the capital of a created or established legal entity) of any organizational and legal form and form of ownership;
- acquisition of control over a legal entity, which is expressed in shaping decisions taken by such a legal entity;
- opening a sub-office;
- opening a representation office;
- registration as an individual entrepreneur.

The concept of *an activity* has acquired a very wide significance in the EAEU law. It characterizes any economic activity of economic entities.

An activity within examining freedom has the meaning of an entrepreneurial or any other activity (including trade in services and production of goods) of le-

gal entities, sub-offices, representation offices, or individual entrepreneurs established in one of the member states.

Investments in the EAEU law are understood as capital investments between member states — tangible and intangible assets invested by an entity of a member state in business objects on the territory of another member state in accordance with the legislation of the latter.

Within the EAEU framework, classification of services based on the Central Product Classification of the United Nations (hereinafter «the CPC») is applied. One of the main reasons that formed the basis of choosing this classifier was that the CPC is regularly updated and forms the basis of the GATS classifier (GNS/W/120). Application of national classifiers only would allow countries to remove any kind of services from the sphere of regulation or to narrow the scope of the EAEU Treaty. Therefore, implementation of the CPC reinforces the obligations of these countries within the WTO and thus, fixes the steps of liberalization of the services sector carried out at the multilateral level. Their wish to integrate into the multilateral trading system induced them to incorporate various WTO standards into their regional trade agreement [Shadikhodjaev, 2009].

Regulation of the Services Single Market by the Treaty on the Eurasian Economic Union

The Treaty on the Eurasian Economic Union (hereinafter «the Treaty») introduces the concept and criteria of the single services market. It is understood as the application of the national treatment by all parties. This excludes discrimination and prohibition of quantitative and investment restrictions. Also, the single market for services includes supply and reception of services without restrictions, exceptions, or additional requirements (except for certain cases), possibility of supplying services without establishment of a legal entity abroad, and delivery of services on the basis of the permit obtained by a service provider in its native country. Recognition of professional qualifications of the services provider's personnel became an important point.

In general, the Treaty has a wider coverage of measures than its predecessor, the Agreement on Trade in Services and Investments in the CES Member States dated December 9, 2010.

In 2014, The Supreme Eurasian Economic Council (hereinafter «the Supreme Council») formed a list of 43 sectors of services that should be part of the single services market. This list includes construction, architecture, services related to agriculture, forestry and hunting, unmanned machinery and equipment, soft development services, personnel services, wholesale and retail trade, franchising services, and hotels and catering services.

After liberalization of these services sectors, other sectors joined the single market of services. Thus, in 2015, the list of 21 service sectors that would participate in the formation of the single services market of the EAEU during the transition period was approved. With regard to 11 service sectors from this list, the Republic of Kazakhstan envisages its transitional period until 2025, unless otherwise stipulated by liberalization plans. At present, the governments of the EAEU countries in cooperation with the Eurasian Economic Commission have prepared liberalization plans with the indication of specific transitional periods.

New member states, Armenia and Kyrgyzstan, are in the process of adapting the terms of their accession to the Protocol on Trade in Services. Thus, it is too early to review the results of the trade in services in the free trade regime. Until January 1, 2016, the free trade regime in six sectors (services in wholesale and retail trade, franchising, hotel and catering services, etc.) was only applied by Belarus and Russia.

At the same time, a number of services that are the most sensitive ones and have a special social and economic significance for the EAEU countries are excluded from the Treaty and regulated by special provisions. These include energy-related, financial and transportation services. At the same time, many experts note that liberalization of services at the regional level can provide a deeper and more comprehensive result, compared with liberalization in the multilateral process. This liberalization is carried out through reduction of protectionism, which is implemented by the regimes of trade in services and strict regulation. In this regard, governments face a difficult challenge of finding the best balance between trade policy considerations and national regulatory objectives, as various regulatory barriers to trade in services might be applied to well-grounded public policy objectives. It is the regional integration blocs where there are more opportunities for regional policy and for cooperation in regulatory and institutional spheres that will help to strengthen national regulatory efforts.

By now, countries have not been able to overcome burdensome regulatory requirements and procedures in the market of the Union. These barriers lead to negative consequences, both for business and for the economies of countries in general [Melville, Mironyuk 2016]. The key reason for this situation was the lack of common approaches to regulating business activities among the states of the Union during the post-Soviet period. In addition, new rules of the Union often create additional burden for entrepreneurs, therefore significantly complicate conduct of business in the EAEU countries [Eurasian Development Bank, 2015]. The uncertainty of regulatory requirements and procedures established by the legislation, the inaccessibility of information on licensing procedures and authorities that grant permissions for business activities, etc. all these create restrictions and additional obstacles to trade in services, registration, and activities for individuals of the member states of the Union.

Such practices do not correspond to the basic principles of effective regulation, namely, proportionality, harmonization of regulation, legislation, and transparency. On December 26, 2016, the Council of the Eurasian Economic

Commission approved the Rules for the regulation of trade in services, incorporation, and activities (hereinafter «the Rules»). The document was developed by the Commission in accordance with the Treaty and is of great importance for the single services market of the EAEU. The set of Rules is aimed at changing existing practices by improving efficiency of state regulation, conditions for conducting business in the countries of the Union. It is important that the provisions not only take into account the progressive international experience, best practices of economic integrations and national regulation in the EAEU countries, but also proposals of the business community of the member countries.

These Rules provide a special approach to regulate business activity on the basis of common principles for all EAEU countries regarding regulation of trade in services, incorporation, and business activities. Thus, in the legislation of the EAEU states, it would be necessary to impose an exhaustive list of permits and notifications, which are required for business performance and supply of services. In the future practice, this will reduce the risk of misconduct.

Provisions of the Rules are of a progressive nature and provide a general approach for control (supervisory) procedures. These include risk assessment and management system as well as the legal regulation of control procedures. In addition, guarantees of rights of business entities will be enshrined in the legislation.

A number of entrepreneurs working on the market of the EAEU face a situation that after submitting an application with a full package of necessary documents for obtaining any license or permit, the competent authority does not issue this document and does not provide a reasoned refusal in the period established by law. Such barriers significantly complicate activities of economic entities. To eliminate this practice, the Rules set the following standards:

- in case when an authority did not issue a permit or a reasoned refusal to grant permit within the prescribed period, the permit should be considered as granted by default (the principle of «silence is consent»);
- the Rules will be applied to all sectors (subsectors) of services, as well as any activities, not limited to services sectors only within the single market;
- the Rules are valid for services covered by the sections of the Treaty: XIX «Natural Monopolies», XX «Energy», and XXI «Transport» in the part that does not contradict these sections.

Thus, implementation of the proposed measures will help to increase competitiveness of national producers on the internal market of the EAEU along with investment attractiveness of this sector of the economy.

The Commission should annually inform the Supreme Council on the results of implementation of the provisions stipulated in the Rules by the EAEU states.

In addition to these initiatives, the Eurasian Economic Commission Council has established working groups to prepare liberalization plans for construction, tourism, engineering services, and urban planning; in the sphere of rental and leasing of pleasure boats without an operator; in the sphere of audit, reporting, and accounting; in the sphere of services related to real estate and property valuation; in the sphere of services for geological, geophysical, and other types of work, mine survey, cartography, weather forecasting, and meteorology; in the sphere of advertising; in the sphere of services related to production and distribution of film and video films, demonstration of video films; in the sphere of scientific research; and in the sphere of technical testing and analysis services.

Preliminary dates on plans and launch of the single services market are also ambitious. Thus, transfer of the construction of particularly dangerous and complex facilities sector into the single market regulation framework is planned to be carried out no later than 2021 while transfer of geological activities is planned for even earlier — 2019. In turn, services related to real estate are planned to be involved into the single market as early as 2017.

The complexity of ensuring the free trade of many types of services is objectively due to the fact that over the years of independence, each of the countries participating in the EAEU has established its own national regulatory system, which is characterized by national features and requirements [Krickovic, 2014]. Countries are at different stages of market reforms in specific services sectors. In this regard, countries have different timelines for liberalization with respect to these sectors. To clarify these terms, the Eurasian Commission during 2016–2017 analyzed the legislation of the EAEU countries. Harmonization of national legislation is planned to be carried out in extremely ambitious terms. Thus, for the service sectors in which there is no regulatory similarity, the Eurasian Commission defined 2017–2019 as the period of liberalization. Further in the 2019–2021 period, when the national laws are harmonized, relevant international agreements and instruments will be developed and adopted. Besides, administrative cooperation is to be established between the regulators of the parties, including by making separate agreements.

Due to their importance, transport and financial services are not included in Annex 16 «Protocol on Trade in Services, Incorporation, Activities and Investments». Cooperation on the liberalization of the transport services market began in 2001 within the framework of the Eurasian Economic Community (EEC), when the Council for Transport Policy under the EEC Integration Committee and four of its subsidiary bodies were established. In 2008, the Concept of the common transport space of the Eurasian Economic Community was adopted, which stipulated for creation of a common market for transport services and a common transport system, as well as development of a system of logistics centers. Then, in 2008, the Strategy for the creation and development of a system of international logistics centers of the Eurasian Economic Community was adopted. All these documents formed the basis for the coordinated transport policy envisaged by the

Treaty. Despite serious legislative work, over the last 15 years, significant advances in development of the common transport space have not been achieved, with the exception of the United Logistics Company established in 2013.

It should be noted that on the market of transport services, Russia has a powerful competitor, namely, China with its large-scale One Belt One Road project and well-known practices of creating joint free economic zones with Kazakhstan and Belarus. In order to strengthen its position, Russia is actively participating in this project. Thus, in May 2015 in Moscow, the leaders of the two countries signed a joint statement on collaboration in construction of the EAEU and the Economic Belt of the Silk Road. At the same time, Russia is interested in projects involving state participation, i.e., energy and transport projects, aimed at improving efficiency of the Russian infrastructure, filling it with cargo and developing transit potential [Kondrat'eva, 2016].

Liberalization of the financial services market is an even more complicated process than liberalization of the transport services market. The Treaty (section XVI «Regulation of Financial Markets» and Appendix No. 17) provides harmonization of regulatory and supervisory requirements in the financial markets, implementation of activities for provision of financial services throughout the entire territory of the EAEU without additional legal entities, and administrative cooperation between authorized bodies of the member states, including exchange of information. They also plan mutual recognition of licenses in banking and insurance sectors as well as in the securities market issued by authorities of a member state on the territories of other states. By 2025, all member countries of the Union will harmonize their legislation in the financial market and will also delegate authorities for regulating the financial market to a supranational body. This institution is supposed to be set up in Almaty, the capital of Kazakhstan.

Liberalization of trade in services within the EAEU framework

By choosing approaches to opening services markets within the EAEU framework, the member countries relied on positive international experience of preferential liberalization of trade in services. In accordance with the EAEU Treaty, opening of the services market is based on harmonization of the legislation of countries participating in the integration project, as well as administrative cooperation of relevant authorities of the member states. At the same time, liberalization of trade in services will be based on the following principles [the EAEU Treaty, Article 67]:

1. *Optimization of internal regulation.* Optimization is understood as step-by-step simplification or elimination of excessive internal regulation. This includes various requirements and procedures necessary to obtain permission for suppliers, recipients of services, and investors. It is assumed that such opti-

mization will be carried out with the best international practices in regulating the services sector, as well as positive experience of the member states.

2. *Proportionality*. This principle is revealed through necessity and sufficiency of harmonization of the legislation of the member states and administrative cooperation for effective functioning of the services market.
3. *Mutually beneficial relationship*. The parties agreed that mutually beneficial relationship is possible only with a fair distribution of benefits and obligations and with respect to national sensitive service sectors.
4. *Sequence*. Any measures in respect of trade in services should not allow deterioration of the terms of mutual access as compared to those that were fixed at the date of signing of the EAEU Treaty. In addition, phased reduction of national restrictions, exemptions, and additional requirements and conditions for trade in services are envisaged.

Economic efficiency. According to this principle, to establish the single market of services, all countries of the EAEU will primarily carry out liberalization of those service sectors that have the greatest impact on cost, competitiveness, and volumes of produced and sold goods on the domestic markets of the Eurasian Economic Union. It is worth noting that in this case, the countries turned to positive experience of the EU common market of services. So, in the Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community it is enshrined that countries will harmonize those services that are relevant for development of industry and trade. Thus, according to Article 59, all directives, which are established by the Council in respect of services, must firstly consider the services included in the costs of goods production, as well as the services the liberalization of which will facilitate the alleviation of the goods turnover.¹

Practice of functioning of the EAEU services market

Cooperation of the EAEU countries in foreign trade in services remains relatively low. Thus, in trade of Russia with the EAEU partners, their role is not very high and tends to decrease (exports at about 7–8% and imports at 6–7%). Achieving more substantial trade effects requires further deepening of integration and development of horizontal production chains.

Reduction of mutual trade in services takes place due to the following factors: decrease of demand for investment goods because of the difficult economic situation in the EAEU countries; competition from non-regional players related to accession of Russia and Kazakhstan to the WTO; slowdown of economic develop-

¹ Treaty on Functioning of the European Union. [Electronic resource] URL: <<http://eulaw.ru/treaties/tfeu>>.

ment due to Western sanctions and «crisis of confidence» on the part of businesses worldwide. The current situation requires revision of socio-economic models of countries in order to create real opportunities for closer integration, increased domestic production, and diversification of economies of the EAEU countries [Ziadullaev, Ziadullaev, 2016].

Table 1
Services Sector in the EAEU Economies

	Trade in services, % of GDP	Share of services in GDP value added, %	Employment in services sector, % of total employment	WTO membership	Share in world services exports, %
Armenia	9.6	51.1	47	2003	0.03
Belarus	20.1	50	57	Non-member	0.14
Kazakhstan	8.8	59.4	56	2015	0.13
Kyrgyzstan	27.6	55.1	48	1998	0.02
Russia	10.5	63.7	66	2012	1.38

Source: World Development Indicators.

The level of involvement of services sectors of the EAEU in the international exchange of services is relatively low. In 2015, total exports of services of the EAEU countries amounted to 1.7% of the world exports (including Russia — 1.4%), while total imports amounted to 2.3% of world imports (Russia — 1.9%).¹

Table 2
Structure of Services Trade of EAEU Countries

EAEU countries	Commercial services exports, mln USD		Transport, % of commercial services exports		Travel, % of commercial services exports		Finance and insurance, % of commercial services exports		Computer, information, communication, and other commercial services, % of commercial services exports	
	2005	2015	2005	2015	2005	2015	2005	2015	2005	2015
Armenia	422	1,484	22	11	53	63	3	2	22	24
Belarus	2,325	6,618	58	44	11	11	0	1	31	44
Kazakhstan	2,001	6,149	51	59	35	25	1	2	13	15
Kyrgyzstan	234	836	26	22	31	51	2	2	41	26
Russia	28,616	50,936	32	33	21	17	2	4	45	47

¹ Calculated by the author according to Intracen.org.

EAEU countries	Commercial services imports, mln USD		Transport, % of imports of commercial services		Travel, % of imports of commercial services		Finance and insurance services, % of commercial service imports		Computer, information, communication, and other commercial services, % of commercial services imports	
	2005	2015	2005	2015	2005	2015	2005	2015	2005	2015
Armenia	561	1,579	38	23	37	63	4	4	21	10
Belarus	1,104	4,331	28	29	41	21	4	7	27	43
Kazakhstan	7,401	12,644	16	19	10	15	3	1	71	64
Kyrgyzstan	286	960	44	47	20	32	7	3	29	18
Russia	39,521	87,083	13	13	43	40	5	4	39	43

Source: World Development Indicators.

The center of gravity of trade in services in the framework of the EAEU is Russia: more than 90% of mutual trade in services among the union countries was carried out with participation of Russia. The greatest volumes of bilateral trade in services are ongoing between Russia and Belarus, and Russia and Kazakhstan (the volume of annual operations is estimated at 3–4 billion U.S. dollars). Regarding other countries of the EAEU without participation of Russia, there should be distinguished bilateral flows between Kazakhstan and Kyrgyzstan (440 million U.S. dollars), Kazakhstan and Belarus (about 100 million U.S. dollars). In 2016, Russia's share of the total volume of fixed capital investments into the member states of the EAEU accounted for 86.4%, while Kazakhstan's share was 8.9%; Belarus's share 3.6%; Kyrgyzstan's share 0.8 %; and Armenia's share just 0.3% [The Eurasian Economic Commission, 2017].

Since the establishment of the EAEU, the rise of mutual trade in services between Russia and Belarus and also between Kazakhstan and Belarus has taken place. These changes are associated mainly with the increase of Belarus's role as a transit country for foreign trade in goods, as well as the provider and consumer of construction services.

The difficulty of establishing the single services market is caused by the fact that during the years of the EAEU member states' independence, national legislation systems with many features and requirements for services were created. The situation is even tougher due to the fact that countries conducted their own uncoordinated policies regarding accession to the WTO. As a result, the sectoral coverage commitments and their depth vary from country to country. Dates of accession of the EAEU countries to the WTO are also different. For example, Kyrgyzstan joined the World Trade Organization in 1998 and on very liberal conditions for the national services market. For instance, Kyrgyzstan committed to remove restrictions on the access of foreign insurance companies and operators of international telephone services [Michalopoulos, 2003]. For other countries, similar conditions of accession were unacceptable in that period of time. Belarus is still not among the WTO members (see Table 1).

Other key reasons that constrain the growth of trade in the countries of the Eurasian Economic Union are low level of development of infrastructure facilities in the services sector (including tourism facilities, transport routes, and corridors); low competitiveness of national financial sectors, firstly, with TNCs based in developed countries, investing primarily in high-yielding areas (see Table 2). Barriers in services trade are related to the low level of supply and mutual trade of technically complicated and intellectual services, as well as legislative barriers preventing investments in the banking sector, exchange of technology and information in many countries of the EAEU [Biryukova, 2014].

An important argument in favor of liberalization of trade in services is potential employment growth in this sector of the economy. While oil exports of the CIS countries are ranked second in the world after the countries of the Arabian Peninsula, the oil and gas sector, for example in Russia, employs just 2.6% of the economically active population. At the same time, the services sector employs more than half of the employed population; during the past 25 years, namely, the services provided almost all the employment growth and a significant share of GDP value added. According to experts' calculations, liberalization of the services sectors of the CIS countries will provide for increase in services trade among these countries and the OECD countries by 2.5–3 times. In addition, liberalization of the services sector might have positive impact on productivity of different sectors of the Russian manufacturing industry [Knobel, 2016].

In the EAEU countries, there is significant potential to increase mutual trade in services, but one of the most important conditions for this is to stimulate development of the financial industry, including assets growth and financial stability of the largest banks, development of the insurance industry, expansion of public-private investment in the transport network, encouraging development of telecommunications and information industries [Daniltsev, Biryukova, 2015]. Dynamic development of telecommunication, computer, and information services in developing countries is an important issue, since these services create opportunities for modern economic and social activities, contributing to improvement of productivity and competitiveness. According to the World Bank, an increase in using the Internet by 10% in the exporting country leads to an increase in the number of goods in trade between two countries by 1.4%, while the costs of bilateral trade increase by 1.6% on average for each item. These services, mentioned in the UN Sustainable Development Goals might facilitate implementation of the Agenda for Sustainable Development for the period up to 2030 [World Bank, 2016].

Currently, on the markets of the EAEU countries, there are more and more products that contain a significant component of additional services, i.e., increase mutual communication of products and services. The nature of such products, which are associated with using of the Internet or cloud technology, includes a variety of additional services involving cross-border data flows and requires new regulations concerning security, privacy, intellectual property, consumer protection, and industrial policy.

These measures restricting or increasing the cost of trade via digital technology and data flows become increasingly important [Hoekman, Mavroidis].

The shift towards the single services market is significantly constrained by decreasing investment attractiveness of countries and FDI decrease in the CIS region. Despite the fact that in five member countries of the EAEU, dynamics of mutual FDI in the period from 2008 to 2015 was more stable than in the post-Soviet space in general, dynamics of this indicator also turned negative [EDB Centre for Integration Studies, 2016]. The structure of mutual investment continues to be a traditional one for Russian specialization: fuel industry and non-ferrous metallurgy. Large FDI flows were registered in transport and agro-food complexes, in the sector of communications and IT, financial sector, and infrastructure network. The leadership of the fuel sector is represented by two largest projects — the gas transmission subsidiary of «Gazprom» in Belarus and hydrocarbon extraction of «LUKOIL» in Kazakhstan. In general, five Russian investment leaders, namely, «Gazprom» (energy sector), «LUKOIL» (energy sector), «MTS» (telecommunications), «VimpelCom» (telecommunications), and group «VTB» (banking) — accounted 43% of all accumulated mutual direct investment in the CIS at the end of 2015.

Despite active presence of major players of services in the EAEU, ongoing regional processes in the field of investment do not correspond to global trends. Thus, the services sector continues to be an absolute leader in terms of accumulated FDI in the world at 64% [UNCTAD, 2016]. Notably, 47% of them were presented in the sector of infrastructure services. In 2005–2014, the most significant FDI increase was observed in such sectors as electricity, gas and water supply, construction, and health and social services [Biryukova, 2016].

Conclusion

The EAEU member states have not disclosed the full potential of the union in terms of favorable investment climate among the participants, which would contribute to their integration into the global production system. Concessions on investment can be compensated by gains from trade under the Treaty, and countries can comprehensively open their markets which will inevitably influence both trade and investment spheres.

Liberalization of several sectors (subsectors) of services, and simplification of movement of capital might lead to reduction of costs of services for citizens of the EAEU countries along with a sharp increase in competition among businesses of the EAEU countries on the common Eurasian market. However, such liberalization should influence all sectors with integration potential, primarily, infrastructure services sector. Within the framework of functioning of the single services market on the territory of the EAEU countries, there should be new conditions for free movement of services, business diversification in the service sector, new types of business in the Union's countries, and additional investments in the economies of the EAEU countries in the form of internal cash flows.

Within the framework of the EAEU, important steps have been taken to establish a legal framework of the mutual trade in services over the past few years. However, this is not enough to form a full-fledged single market of services. Measures are required to increase control over compliance with existing regulations, eliminate barriers, improve antimonopoly regulation, as well as measures to gradually reduce the number of exemptions in the sphere of trade in services. In the process of solving the tasks assigned to the EAEU countries, particular attention should be given to the financial services sector and freedom of capital movement, since these are the spheres that limit the participation of business in the intra-union trade in services.

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Интеграция в сфере услуг в Евразийском Экономическом Союзе: между мифом и реальностью²

В рамках Евразийского экономического союза (ЕАЭС) предусмотрено постепенное формирование единого рынка услуг, причем как отдельно для разных секторов и подсекторов, так и для государств-членов. Порядок и формирование рынка услуг, его секторальный охват определяется планами либерализации, которые утверждаются Высшим Евразийским экономическим советом. Страны подготовили проект Правил регулирования торговли услугами, учреждения и деятельности, который позволит структурировать лицензионно-разрешительную и уведомительную систему, сделав ее более прозрачной и понятной, снизить административную и финансовую нагрузку с компетентных органов и бизнеса стран Союза. Ожидается, что применение Правил на практике повлияет на снижение стоимости услуг и товаров для населения стран ЕАЭС. За последние несколько лет страны ЕАЭС проделали беспрецедентный и амбициозный путь вперед по формированию единого рынка услуг на нормотворческом уровне. Вместе с тем еще многое предстоит сделать в части практической реализации предлагаемых мер, что невозможно без должного функционирования институтов, снижения взаимных технических и административных барьеров и благоприятного инвестиционного климата в экономиках стран-участниц.

Ключевые слова: торговля услугами, Евразийский экономический союз, барьеры в торговле, экономическая интеграция

JEL: F13, F15, F53

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