

# Chapter 6

## Common Market of Goods, Services, Capital, and Labor in the EAEU: Directions of Integration and Further Improvement

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### ABSTRACT

*The chapter examines the stages preceding creation of the common market of goods, services, capital, and labor within the EAEU, evaluates effects and proposes directions of improvement, considering the world experience. Attention is given not only to negative integration (elimination of barriers), but also to positive (signing of agreements, creation of institutions, mechanisms for cooperation, budget management and joint projects). The production cooperation, joint research, and digital economy are also considered. Based on the methodology of system analysis and integration design, the author identified problems of the EAEU common market and proposed aspects for improvement: deepening of negative integration and regulatory convergence; increasing positive integration; combination of integration with development; creation of the common system of protection; redistribution of benefits and costs; strengthening of supra-national regulation; improvement of statistics and monitoring; increasing of budget, stimulating innovations, structural changes, sustainable development and inclusive growth.*

### INTRODUCTION

The chapter is devoted to the EAEU common market (CM) peculiarities. Initially, the author considered the directions of CM formation, identified based on an analysis of the world experience. Then the author considered the stages preceding the creation of the EAEU CM. The main measures for the formation of the CM of goods, services, capital and labor are described, as well as the existing problems are identi-

DOI: 10.4018/978-1-7998-1950-9.ch006

fied. The author also made a quantitative assessment of the effects of the EAEU CM. In conclusion, the author proposes the directions of improvement integration process, developed based on the methodology of system analyses, design of integration and generalization of the best experience.

Thus, the purpose of the chapter is to consider the peculiarities of the EAEU CM of goods, services, capital and labor, as well as features of integration in the production, digital, scientific and innovation spheres, to identify the problems, to assess the effects and develop directions for improvement, taking into account the experience of other integrations.

## **BACKGROUND**

Institutionalism is the most appropriate theoretical approach to Eurasian integration as a whole (Allais, 1959; Balassa, 1961; Tinbergen, 1965; Myrdal, 1963), focused on the dynamic aspects of integration. Later there were interdisciplinary approaches, taking into account political theories, theories of economic growth and development: open (Bergsten, 1997) and new regionalism (Hettne & Söderbaum, 1998).

The theoretical basis of the CM was studied in several works. Thus, Baldwin (2012) studied the effects of the capital and labor CMs. Wooton (1988) investigated the benefits of the CU from the transition to the CM and proved that it depends on the level of the common external tariff. Michael (1992) has proved that the win is achieved only when the level of income taxes is the same for the participating countries, so the tax harmonization is important for the creation of a CM. Nielsen & Hansen (1992) showed that the differences in national direct and indirect taxes could significantly distort trade flows and hinder their development, as well as trade barriers. Pelkmans, Chang & Hanf (2008) conducted a comparative analysis of theoretical approaches to the definition of common (internal, single) market and goals of its formation. They concluded that the markets are integrated if the economic boundaries between them are eliminated and the price indices correlate (prices of goods and services, wages in the labor market, interest rates in the capital market). This chapter fully interlacing this point of view and use this approach as the basis for the analysis of the EAEU CM.

In the world scientific literature, the experience of the EU CM has been studied most widely. In recent publications the most attention is paid to the reform of CM in connection with Brexit (Lawson, 2019), migration crisis (Ludera-Ruszel, 2017) and energy market (Iulia, 2017). Besides, the experience of CM in other groupings is generalized: CARICOM (Gupta & Sahdev, 2018), EAC (Ombudo K'Ombudo, Ehandi, Kusek & Polanco, 2014), GCC (Boughanmi, Al-Shammakhi & Antimiani, 2016), MERCOSUR (Sadhna, 2018). Researchers from the EAEU are also interested in the EU experience (Mishalchenko & Alekseev, 2019). Much less often studies are devoted to the experience of CMs in other integrations (Kalinichenko, 2015; Ozhigina, 2017; Kostyunina, G.M., Lomakin, N.N., 2014).

Scientists from the EAEU studied trend of Eurasian integration as a whole (Shuhno, 2017; Ozhigina, 2016). Also they studied the process of forming a CM only in certain areas: the CM of goods (Golubtsova, Maksimov & Shafiev, 2019), services (Il'ina & Mikhaylova 2017; Uval'zhanova, 2016), capital and financial services (Gordon & Lazarev 2016; Zvonova & Pishchik, 2018) and labor (Topilin, 2016; Ozhigina, 2018). But scientists from other countries pay little attention to these issues.

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