
Development of Eurasian Economic Integration in the Agro-industrial Sector

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Abstract:

The article develops the issues and prospects for the development of Eurasian economic integration in the agro-industrial sector.

Author stresses that in the context of growing competition from world leaders in the production of agricultural products, the practical implementation of a single agrarian policy is needed.

This policy implies the need for additional institutional and institutional reforms aimed at implementing agreed approaches to the formation of a single market for agricultural products within the EEU and due to the specifics of the implementation of integration projects.

Keywords: *Agro-industrial complex, foreign economic activity, Eurasian Economic Union, economic integration, export potential.*

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1. Introduction

In the course of ongoing reforms connected with the transformation of macroeconomic policies, the entry of the Russian Federation into the World Trade Organization, the strengthening of the economic opposition of Russia and a number of foreign countries, the conditions of functioning of the Russian agribusiness complex suffered significant structural changes, which negatively affected its international competitiveness. Low competitiveness of major products of the Russian agro-industrial complex on world markets, excessively high dependence of Russia on imports of agricultural products, restricting measures of state support for the agro-industrial sector in the framework of Russia's participation in the WTO, insufficiently effective state support for Russian participants of foreign economic activity, the divergence of the concept of agro-industrial policies of the member states of the EEU form tough challenges for Russia in the international arena and require improvement of the development strategy of the Eurasian economic integration in the agro-industrial sector (Zobov *et al.*, 2017).

The process of forming a common integration space to ensure the competitiveness of the agro-industrial complex of the EEU is stated in three key aspects:

- as an objective global trend resulting from the manifestation of the processes of regionalization of organizational and economic activities and the increasing interdependence between the EEU member states and their economic complexes;
- as a concept for the strategic development of the EEU states, providing for the joint solution of a number of interstate socio-economic problems;
- as an international project involving the improvement of the competitiveness of national agro-industrial complexes of the EEU Member States, provided by the synergistic effect of integration (Bykov, 2014; Kovalenko *et al.*, 2016).

The integrated agrarian market of the EEU forms the prerequisites for optimizing the volumes of state support, developing levels of both national and inter-country competition between economic entities, market pricing and ensuring the launch of an efficient system for exporting grain and agricultural products, expanding and deepening economic ties with WTO member countries and other economic integration associations (Rau, 2017). The strategic vectors for the development of the EEU agrarian policy in solving these tasks should be: maximizing the efficient use of the agro-industrial potential of the EEU member states, preserving natural resources for expanded reproduction of agricultural products, providing incentives for the development of competitive agro-industrial production (Marwa *et al.*, 2017).

The integrated agrarian policy allows overcoming the existing institutional divergence and polarization observed in almost any economic union. In the context of integration processes, the traditional tasks for all states to ensure the national food security and the competitiveness of national agricultural products in the domestic

and world markets are transformed according to the formation of united customs territory and economic space.

2. The evolution of the development of Eurasian economic integration in the agricultural sector

In the modern economy, the integration aspect becomes one of the most important tools for ensuring the international competitiveness of the agro-industrial complex. The realization of additional opportunities for economic growth arising in integration associations depends on the effectiveness of cooperation and readiness for real interaction. Deepening foreign economic cooperation in one form or another should contribute to the growth of competitiveness of specific national product or regional markets as segments of the world economy (Filatov, 2014). The key form of integration in the post-Soviet space is currently the Eurasian Economic Union of Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. In terms of land resources, the EEU is leading the world. The agricultural lands occupy more than 400 million hectares. The EEU Member States have the main global potential of agriculturally unused land suitable for farm labor (according to various estimates, 20-30 million hectares). Proper use of them will allow the EEU Member States to make a significant contribution to solving global problems of the world economy.

Despite the fact that the agro-climatic conditions of agriculture in the EEU Member States are generally inferior to Western European and North American, the territory of the Union is characterized by the presence of regions favorable for the development of agriculture, as well as the geographical, socio-cultural and transport proximity of participants in the national agro-food markets of the EEU, which stimulates the formation of an integrated agro-industrial complex.

The first stage of development of integration processes in 2011-2015 included the formation of a legal base that determined the basic elements of a coherent (coordinated) agricultural policy, namely: freedom of economic activity and unity of commodity markets within the territory of the Eurasian Economic Union, mutual restriction of instruments of state support for the agroindustrial complex, coordination of research activities, export policy (Petrikov, 2016).

At present, in the context of the intensification of the formation of the Common Economic Space of the EEU Member States, the measures ensuring the conditions for the formation of the Common Agrarian Market have been generally implemented in the first and second stages. At the same time, in the conditions of aggravating competition from world leaders in the production of agricultural products, it is necessary to improve certain areas of implementation of the Common Agrarian Policy due to the fact that the contractual and legal framework of the EEU does not ensure the implementation of a common agricultural market and a single food security policy.

The important reference in this aspect is the Concept of the Agreed Agro-Industrial Policy of the Member States of the Customs Union and the Common Economic Space, which identified the production of competitive agricultural products, increasing agricultural exports and meeting the needs of the common agricultural market as priority objectives of the agreed agro-industrial policy. The key tasks were defined within the framework of the Concept:

- ensuring the interests of national producers of agricultural products both in foreign and global markets;
- ensuring fair competition between producers of AIC (Agro-industrial complex) products of the EEU member states, including equal conditions for access to the integrated market;
- harmonization of rules and norms of agricultural products circulation;
- ensuring unified requirements and rules for veterinary and phytosanitary control throughout the EEU.

These goals and objectives were fully implemented in the Treaty on the Eurasian Economic Union dated May 29, 2014. Within the provisions, member states harmonize and unify national legislations, taking into account the formation of supranational legal regulation on the basis of implementing the provisions of a coherent agro-industrial policy and the development of integration. As a result:

- an unified forecasting system was formed for the medium term (indicators, methodological basis for forecasting supply and demand balance sheets, medium-term forecasts for the development of the agro-industrial complex and supply and demand);
- a list of sensitive agricultural commodities of the Union was defined, for which comprehensive reviews are being created with the identification of industry problems and promising directions for its development in the framework of consultations with Member States;
- unified approaches were formed in the field of assessing the volume of state support for the agro-industrial complex, as well as evaluating the effectiveness of measures of state regulation and supporting the agro-industrial complex;
- within the framework of relevant sectoral agreements, approaches were defined for the unification of requirements for the treatment of seeds of agricultural plants and for carrying out selection and breeding work;
- harmonized rules were developed for the issue, circulation and redemption of warehouse certificates for agricultural products;
- mechanisms of scientific and innovative cooperation in the field of the agro-industrial sector were formed (a list of promising R&D in the agro-industrial sector until 2020, a R&D registry in the agro-industrial complex, a procedure for organizing joint R&D);
- approaches to the implementation of export policy in relation to priority commodity groups were developed;

- the basis for operation was created and commissioning was ensured within the framework of the integrated information system of the EEU of the AIC subsystem.

Thus, at the second stage of the implementation of integration, systems of medium-term forecasting and evaluation of state support for agriculture, organization of joint scientific research are formed, draft acts of the EEU bodies are being developed to implement sectoral agreements to unify the requirements of seed circulation and selection work (Burkaltseva *et al.*, 2017).

3. Issues of agro-industrial policy of EEU members

Despite the significant potential of the Eurasian Economic Union in the agro-industrial sector, we could identify common features of the EEU member states that limit the competitiveness of the agro-industrial complex:

- poor level of provision with own production for certain types of agricultural products (poultry in Armenia, Kazakhstan, Kyrgyzstan, sugar in Kyrgyzstan, vegetable oils in Armenia, Kyrgyzstan) with simultaneous significant differentiation in the level of population consumption of main types of products and its self-sufficiency in food, agricultural potential and internal socio-economic conditions. Thus, in Belarus in 2016 self-sufficiency in milk reached 257%, and in Russia - 80.4%, the availability of poultry in Belarus was 135.3%, in Kyrgyzstan - 18.4%, and the provision of Russia with vegetable oil - 137 %, Armenia - only 7%, the supply of Belarus for sugar exceeded 240%, in Kyrgyzstan it amounted 57.7%;
- low rates of introduction of biotechnology and precision farming technologies into the practice of agribusiness production of the EEU states, which leads to a high comparative material intensity and energy intensity of a number of key agro-industrial complex subcomplexes, as well as high production costs of the agro-industrial products;
- infrastructure (transport, logistics, processing, trade) restrictions on foreign trade in agricultural products, especially acute in the harvest years, when rail, road, sea, river transport, warehouses and elevators do not cope with the increased volumes of transportation and storage, which leads to losses of the grown crop and complicates interstate supplies of agricultural products both within the EEU and beyond;
- inconsistency of measures to optimize the structure of production, mutual and foreign trade in agricultural products, taking into account the competitive advantages of each country. The analysis of the main legal and regulatory documents governing the agrarian sphere (special laws of the republican / federal level and the state program for the development of agriculture or the agro-industrial sector for the medium term) of the EEU members clearly indicates the priority of national interests over allies. Moreover, Kazakhstan and Belarus mention or take into account membership in the EEU in certain measures, general provisions, but the similar Russian acts include no measures to resolve issues agreed with the member states of the EEU in the field of support for the agro-industrial complex (integrated information system, forecast balances, unification of circulation breeding products,

etc.). In all the EEU countries, the basic documents regulating the agrarian sector included provisions on the priority of import substitution, the need to support the domestic agro-industrial complex, but the provisions on the common agrarian market and import substitution by the EEU products are not included in the program documents.

In fact, the EEU states do not focus on cooperation in the framework of strategic programs for the development of the agro-industrial sector, which leads to the intensification of contradictions between the participants of an integration association, the direction of national budgetary and other resources to intra-union competition. The result of these negative trends is the deterioration of the structure of foreign trade in agricultural products.

The indicators of the development of sub-sectors of the agro-industrial sector, scientific developments, requirements and rules in the field of agricultural production (seed production, livestock breeding), the formation of a unified information support system and in a number of other areas have not been fully coordinated within the EEU. In this regard, it can be stated that the existing legal base of the EEU does not allow to fully ensure the formation of a common agrarian market and food security.

In the EEU states, fundamental differences in breeding requirements in the process of breeding animals remain. Common methods for the genomic selection of breeding animals and the assessment of their breeding value have not been developed. Tribal certificates issued in the EEU states are characterized by a different amount of information about breeding products, which does not provide an objective assessment of the breeding status of animals and creates barriers to the mutual trade of this critical AIC product. At the same time, estimates of the EEC (Eurasian Economic Commission) indicate a 30% potential for reducing the volume of imports of dairy cattle with the introduction of modern methods for the genomic evaluation of animals.

The potential for replacing seed imports from third countries with national ones is hampered by legislative differences in breeding and seed production. In the EEU states, the production and sale of seeds of exclusively varieties included in the national registries of plant varieties is allowed. Unlike the European Union, the inclusion of varieties in the registry of one of the EEU member states does not allow for their free circulation in the integrated market.

The need to resolve these problems predetermines the objective need to accelerate the pace of socio-economic integration within the EEU, including the effective use of the competitive advantages of each member of the union, coordination of measures to support and develop agro-industrial production and, ultimately, the formation of an integrated agro-industrial complex of the EEU.

4. Key areas of the formation of an integrated agro-industrial complex of the Eurasian Economic Union

The practical implementation of a single agrarian policy implies the need for additional institutional and organizational reforms that are not reflected in the regulatory framework of the EEU. The priorities in the institutional changes of the Common Economic Space in terms of the regulation of the agro-industrial complex are the objective need to form common approaches in a number of areas:

1. The measures to unify the regulatory framework are of particular importance in the formation of a common agricultural market. The greatest efforts in this aspect require the following issues:

- development of international agreements and treaties defining uniform requirements for the production and circulation of agricultural products, including the mutual recognition of pedigree certificates, the unification of varietal identification methods and methods for assessing the breeding value of animals;
- unification of issues of ensuring the safety of agricultural products, including foreign ones and the establishment of a uniform procedure for measuring quality and principles of ensuring the safety of agricultural products, the unification of accreditation systems;
- harmonization of measures in the field of technical regulation, veterinary and quarantine phytosanitary control (supervision) on the basis of international standards and recommendations;
- unification of the procedure for the formation of a cadastre of agricultural land for the purpose of the subsequent formation of a single land cadastre of the EEU and the convergence of approaches to the taxation of agricultural producers;
- unification of the procedure for testing varieties and seed production of agricultural crops, as well as the mutual recognition of documents confirming the quality of seeds;
- adoption of additional contractual obligations and agreements aimed at creating common institutional conditions for the functioning of national agri-food markets within the EEU, including agreements on technical requirements for infrastructure objects of the agrifood market, harmonizing statistical monitoring methods and agreements on the coordination of activities of development institutions of the EEU states, which involves the implementation of agreed programs for the development of the market of agricultural products and its about individual sub-sectors;
- formation of a unified approach to the development of national agricultural insurance systems, providing the definition and formalization of forms of interaction between agricultural producers and insurers of the EEU states, the use of similar insurance products, a weighted risk assessment policy, the use of unified approaches to determining the amounts insured and damage assessment procedures for agricultural producers risk events. This direction is of fundamental importance in connection with the assignment of subsidies to agricultural insurance in order to

stabilize the incomes of agricultural producers to the “green basket” of support measures (Gospodarev and Petrov, 2015).

2. The creation of a system of information and consulting support to manufacturers of agricultural products plays an important role in the context of an integrated agro-industrial policy, which implies:

- determination of a unified list of harmonized indicators of the development of the agro-industrial complex of the EEU states;
- adoption of coordinated measures to create a unified system of monitoring the state of crops, the climatic situation, the yield of products based on aerospace monitoring of the state of crops based on aerospace technology;
- developing and adjusting the forecasts of the demand and supply of the states of the Common Economic Space for the main nomenclature of imports and exports of agricultural products of the agro-industrial complex;
- formation of a database on the recommended and approved for use of varietal resources of agricultural plants within the framework of the integrated information system of the EEU;
- development, using the crowdsourcing technology, of an algorithm for the business community to monitor the effectiveness of measures and tools to support the agro-industrial complex, identify measures that have a negative impact on the access of agricultural products of the EEU states to foreign markets and the market of EEU countries;
- formation of a unified risk assessment methodology for taking sanitary, veterinary and phytosanitary measures in accordance with international requirements.

3. It is necessary to intensify work on the development of the export potential of the agro-industrial complex of the EEU states. Today, within the framework of the EEU, proposals have been developed for coordinating the marketing and distribution policy in terms of agricultural exports and food products, involving the preparation by the ECE of regular proposals for diversifying agricultural exports of the EEU states, as well as a summary of measures and ones implemented in the EEU member states mechanisms for regulating and supporting the export of agricultural products, participation in business missions and industry exhibitions. At the same time, these measures are only advisory in nature, the interaction of national export-credit agencies of the EEU member states is not developed, and therefore to specific additional measures in this direction aimed at strengthening competitive positions, forming a positive attitude of foreign buyers to products, produced in the EEU, should include:

- development of mechanisms for regulating the activities of exporters of key types of agricultural products (grain, agricultural equipment), including the possibility of redistributing commodity flows, based on the stability of the domestic market of the Common Economic Space and the creation of a compensation mechanism with

voluntary restrictions on the export of these products in favor of one of the participants;

- coordinating the activities of national export credit agencies in terms of the development of co-insurance and reinsurance of export risks, mutual acceptance as collateral for the purposes of lending policies of national export credit agencies for which the state support is provided (regardless of the availability and ratings of international agencies), development of support mechanisms of crediting the export of products manufactured in the EEU states on a cooperative basis, participation in programs to support the export of the EEU states;
- the development of the united foreign trade policy in terms of determining the priority areas of agricultural products' exports, the formation of export prices for certain types of agricultural products;
- improvement of the interaction procedure on the basis of the single EEU platform of national trade missions to represent the interests of business entities from all EEU countries and the formation of a foreign distribution network;
- the creation of a joint agency to promote the products of the agro-industrial complex of the EEU to foreign markets;
- formation of a unified system of quality control of grain products of the EEU exported to third-party countries;
- development of an export brand (brand, logo) of agricultural products manufactured in the EEU.

4. When developing a strategy for the development of the agro-industrial complex, the choice of structural priorities is important. In this aspect, it is necessary to: 1) give priority to the industries of the agro-industrial sector that form the current investment potential of the EEU (grain, dairy, meat industry); 2) support the industries closing the interbranch technological chains and capable of ensuring the highest multiplicative effect of the growth of production and employment (agricultural engineering, manufacturing products with high added value; 3) focus joint efforts on sectors with the priority embodied not in general preferences, but in support of specific large-scale industry projects; 4) invest in infrastructure projects contributing to reducing costs in the rest of the EEU economy, primarily in the development of transport (port, customs and logistics infrastructure) (Uzun, 2015).

5. The core aspect is the need to ensure institutional conditions for the implementation of public-private partnership policies in the agro-industrial sector, transparency of national and supranational regulatory mechanisms, which predetermines the importance of developing a system of advisory and regulatory bodies within the ECE framework that:

1) ensure the integration of exporters of agricultural products of the member states of the EEU to monitor the dynamics of mutual trade and export of agricultural products by the EEU countries, develop and implement proposals on leveling administrative barriers in the CES countries, and third countries, cooperation with national trade representative offices to address issues of promotion of agricultural products to

foreign markets, form the proposals for the organization of a foreign product pipeline conductive network and promising areas of co-development of export infrastructure;

2) provide opportunities for the promotion and development of strategically significant projects implemented on the basis of public-private partnerships in the EEU member states (provision of information, consulting, analytical services to potential investors, interaction with potential investors and development institutions);

3) sponsor joint research programs and projects that are being implemented on co-financing from the budgets of all participants of the EEU and ensure sufficient accessibility of the results for economic entities of national economies.

6. One of the key priorities of ensuring the competitiveness of agro-industrial products of the EEU states on the world market is the formation of their own trading infrastructure and the development of exchange instruments for trade in key agricultural products. Taking into account the current state of the financial policy of the EEU, characterized by the lack of unification in patterns of central banks' activity, regulation of exchange, financial and credit, insurance activities, payment systems (Kotlyarov, 2016), the implementation of this task requires:

- formation of unified standards for regulation, control and supervision of market entities of the exchange market;
- establishing uniform rules for access of financial / exchange intermediaries-non-residents from the EEU States to the national (local) exchange markets;
- minimization of barriers to the use of electronic digital signature for the implementation of exchange operations, the creation of regulatory prerequisites for the development of self-regulation mechanisms in the activities of exchanges and other backbone infrastructure institutions;
- formation of a centralized clearing and settlement system, providing settlements between participants of exchange trades and free currency conversion;
- development of an information system providing the collection, analysis and provision of information on exchange prices for agricultural products to the interested parties;
- formation of legal and technological conditions for access of financial market participants from the EEU states and third-party countries to the exchange markets of the products of the AIC of the EEU states, including the accordance with international standards;
- harmonization of the order and conditions of creation, as well as requirements for the activities of the organizers of exchange trade, central depositories, clearing organizations and other infrastructure exchange institutions.

7. The growing technical and technological lag of the EEU states from the level of developed countries due to insufficient modernization of the agro-industrial complex determines the necessity of the implementation of joint research and innovation

activities in the field of agriculture and the formation of a unified strategy for the development of interstate cooperation to ensure food security.

The recommendation of the Board of the EEC dated July 8, 2015 No. 14 fixed 14 areas of joint agriculture research activities related to the creation of new varieties of grain, leguminous and forage crops, the development of highly effective plant protection products and veterinary drugs, the development of a veterinary risk management system, improving the productive and breeding qualities of farm animals. At the same time, taking into account the key innovative technologies developed by foreign countries in the framework of the formation of the VI technological paradigm, the following are highlighted as the most important additional areas for the implementation of joint research and innovation activities in the agro-industrial sector within the EEU:

- the development of technologies of urbanized agriculture including vertical farms, robotic greenhouses, industrial RAS aquaculture, aquaponics;
- development of technologies for the production of biological products for agriculture, industry and environmental protection, technologies for creating transgenic plants with economically valuable traits;
- the use of sophisticated precision agriculture technologies based on GLONASS, drones, the creation of an integrated network of meteorological stations within the EEU;
- development of technologies for complete local utilization and recycling of agricultural waste, fisheries, food industry, including the production of synthetic food products, fine chemicals and pharmaceutical products;
- introduction of LEISA technologies, including the organic agriculture, technologies of integrated protection against pests, restoration of fertility of degraded soils;
- production of personalized and functional nutrition of a new generation with therapeutic, prophylactic, nootropic, anti-aging features, production lactoferrin (human hermicidal protein) for the production of baby food with goat milk (Ushachev, Maslova, Chekalin, 2017; Krylatykh and Frolova, 2018).

5. Conclusion

The foregoing leads to the conclusion that in the conditions of growing competition from the world leaders in the production of agricultural products, the implementation of an integrated agrarian policy implies the need for additional organizational and institutional reforms that are not reflected in the regulatory framework of the EEU and aimed at implementing agreed approaches to the formation of a single market of AIC products in the framework of the EEU and due to the specifics of the implementation of integration projects. The functioning of the common agrarian market under the conditions of the creation of the EEU and the intensification of competition from the world leaders in the production of agricultural products is possible on the basis of a gradual deepening of integration in a number of key areas: 1) unification of the legislation of the EEU countries in the

field of agricultural sector regulation; 2) formation of an effective system of support for producers of agricultural products; 3) realization of the export potential of the national agro-industrial complexes of the EEU states; 4) the creation of institutional conditions for the implementation of public-private partnership in the agro-industrial sector.

The proposed measures will contribute to the implementation of the agreed agro-industrial policies of the countries within the EEU and the creation of conditions for the functioning of the EEU, leveling structural imbalances in the agriculture of the EEU countries, improving the competitiveness of agricultural products in the global agricultural market.

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