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INFLUENCE OF THE CUSTOMS INSTRUMENTS ON IMPLEMENTATING THE COMMON AGRICULTURAL POLICY IN THE EURASIAN ECONOMIC UNION ¹

The article analyses characteristics of the participation of the Eurasian Economic Union's (EAEU) member states in the World Trade Organization (WTO) and its impact on the Eurasian economic integration. We described the contradictions in the regulatory frameworks between the WTO agreements and regional trade agreements. Moreover, we offered the ways to overcome these contradictions. We demonstrated the role of the economic and legal exemptions that operate on the EAEU's domestic agrarian market in connection with the accession of Russia and Kazakhstan to the WTO. On the one hand, these exemptions were shaped under the influence of tariff commitments made by Russia in the field of agriculture. On the other hand, they were formed due to Kazakhstan's subsequent entry into the WTO and the discrepancy of its tariff obligations for agricultural products with Russia's tariff obligations in the conditions of functioning of the EAEU's common customs tariff. We explored Kazakhstan's tariff commitments to the WTO. We have proved that for the EAEU's further effective development, its participants need to initiate compensation negotiations with other WTO members in order to equalize the overall level of the import duties on the EAEU territory. The study's results can be applied for harmonization of the tariff rates of the EAEU members. It is necessary for achieving the most effective joint economic development and implementing the coordinated foreign trade policy in various economic sectors, including agro-industrial policy and agricultural development of the EAEU states.

Keywords: economic integration, globalization, customs union, Eurasian Economic Union, World Trade Organization, regional trade agreements, foreign trade, tariff rates, customs tariff, customs duties, agro-industry

Introduction

At the present stage of the world economy's formation, the process of globalization does not stand still and is constantly evolving. In view of the constant intensification of interdependencies between different states, the world economy is gradually becoming a single economic system. Together with the process of globalization, the process of regionalization of the world economy progressively develops. It may seem that the formation of the regional economic groupings leads to fragmentation of the world economy and to further autonomization of its parts [1, 2, 3]. In reality, globalization and regionalization can perfectly cooperate with each other. We claim that the formation of the regional economic groupings of the integration kind is not an obstacle to the process of globalization. On the contrary, it pushes globalization, serving as a kind of a «building brick» for the establishment of a qualitatively new world

economic system, because progress never stands still [4, 5]. In our opinion, one of the key problems in the development of the economic integration processes is the presence of contradictions between regional trade agreements and multi-lateral trade agreements within the World Trade Organization (WTO). On the one hand, the WTO member country accepts certain obligations after joining the organization (for example, in relation to bounding customs tariff rates). On the other hand, the country should follow the agreements existing within the framework of an integration grouping (for example, to a common customs tariff applicable to all countries of integration). This article focuses on exploring these contradictions.

The Eurasian Economic Union has the status of the regional trade agreement, which is notified by the World Trade Organization and is currently active. Today, all participants of the EAEU, except for the Republic of Belarus, are members of the WTO. One of the main obligations of the state negotiating accession to the WTO is the so-called «binding» of customs duties. On August 22, 2012, the Russian Federation became the 156th member of

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the World Trade Organization and made commitments to liberalize the national rules on international trade. However, this process have revealed an extremely acute methodological problem. The problem is in the ratio of Russia's tariff obligations when joining the WTO with the mechanism of customs and tariff regulation of countries participating in building a single customs territory within the framework of the Eurasian economic integration. As of August 2012, only Russia had obligations to the WTO among the member countries of the Eurasian integration project. At that time, Belarus and Kazakhstan were not members of this organization. However, over the period from 2012 to 2015, significant changes have occurred in the implementation of the Eurasian economic integration project. On the one hand, these changes are associated with the emergence of the EAEU and its expansion through the accession of countries that already had obligations to the WTO (Armenia and Kyrgyzstan). On the other hand, they are associated with a change in the status of some EAEU countries related to their accession to the WTO and appearance of the obligations to this organization (Kazakhstan).

Scientific Approaches to Identifying Contradictions between Regional and Multilateral Trade Agreements

Modern scientific literature pays a lot of attention to the issues of the international economic integration in the context of the world economy. J. Tinbergen, a European theorist and supporter of the dirigisme theory, formulated the first definition of the economic integration. He identified the positive and negative sides of this process. According to scholars such as K. Marx, A. Smith, D. Ricardo, J. S. Mill, J.-B. Say, S. Harris, E. Heckscher, B. Ohlin, P. Samuelson, S. Linder, V. V. Leontyev, M. Porter, F. Perroux, and G. Myrdal, international economic integration resulted from the international division of labour [6].

In the Russian scientific literature, the active study of the process of the economic integration began in the 1950s. Russian scholars understood the term «international economic integration» as a process, which includes the manufacturing, production, distribution, exchange and consumption. Thus, during integration all of these processes must take into account historical and national characteristics of the partner countries. With the development of the concept, the process of the international economic integration was interpreted through the theory of the company, economic infrastructure and their efficient operation [5, 6, 7].

In the second half of the XX century, foreign economic theory identified two approaches to the study of the international economic integration: traditional technological and modern economic ones [7, 8]. Adherents of the traditional technological approach understand the integration process, based on its technological foundations. Such scientists as R. Bork, R. Blair, D. Kazerman conducted their researches relying on this approach [7]. The second, modern economic approach nowadays is gaining more and more popularity and supporters. This approach is based on the works of various scholars such as R. Coase, O. E. Williamson, D. North, K. Arrow and others [7].

At present, in the global economy the integration processes are happening at two levels: global and regional [1, 4]. Since the beginning of the XX century, these processes have accelerated. In our case, while discussing the global integration processes, we mostly pay attention to international organizations, in particular the World Trade Organization. Speaking of the regional processes, we examine regional integration associations or, in other words, regional trade agreements (RTAs), as the WTO calls them [9, 10, 11].

The World Trade Organization was established in 1995 as the successor of the General Agreement on Tariffs and Trade (GATT)¹. The WTO is an international organisation that deals with rules of trade between countries at the world level [12].

Recently, regional trade agreements (RTAs) have become widespread. RTAs are agreements between two or more countries on the creation of a joint free trade zone, a customs union or any another in-depth integration association².

In the context of the WTO, the very first rules for regulating the RTAs were set out in 1947 in the GATT. The rules, described particularly in Article XXIV, only concerned the movement of goods. Article V of the GATT, however, pronounced the rules of the regional trade agreements in the sphere of services' transit [10, 13]. Moreover, in 1979 an enabling clause was adopted that entrenched the rules for mutual reduction of the tariff rate in trade of goods among developing countries.

For example, at the end of 2017 there were 308 existing regional trade agreements notified by the World Trade Organization³. It is worth noting that

¹ About WTO. WTO: Official Site. Retrieved from: www.wto.org (Date of access: 20.02.2018).

² Regional trade agreements. WTO: Official Site. Retrieved from: https://www.wto.org/english/tratop_e/region_e/region_e.htm (Date of access: 20.02.2018).

³ The Regional Trade Agreements Information System (RTA-IS). WTO: Official Site. Retrieved from: <http://rtais.wto.org/UI/>

Table 1

RTAs scope of application «WTO plus» and «WTO extra»^{*}

«WTO plus»	«WTO extra»	
Manufactured goods	Anti-corruption measures	Power engineering
Agricultural goods	Competition policy	Financial assistance
Export duty	Data protection	Human rights
Phytosanitary measures	Consumer rights protection	Health service
State enterprises	Measures to attract investment	Production cooperation
Antidumping	Legislation in the field of environment	Illegal immigration
Public subsidies	Labour market regulation	Drug trade
State procurement	Intellectual property protection	Information society
TRIMS	Approximation of laws	Nuclear safety
TRIPS	Agriculture	Money-laundering
GATS	Audiovisual legislation Innovation policy Civil protection Economic policy Cooperation in the field of culture and education Statistics Visa issues Social policy	Policy State management Scientific and technological cooperation Regional cooperation Small and medium-sized enterprises Taxation Terrorism

* Source: compiled by the authors according to: WTO: Official Site. Retrieved from: www.wto.org (Date of access: 20.02.2018).

international economic integration is becoming multi-vector. That means that one country may not confine itself to one regional trade agreement, but sign a few [14, 15, 16]. For example, to date, the Russian Federation is a participant of 9 operating RTAs¹. In Table 1 we consider the scope of the RTA's application.

There are many such examples, as various countries are developing their global network of the regional trade agreements around the world. The World Trade Organization divides into all regional agreements two groups: «WTO plus» (WTO+) and «WTO extra» (WTO-X).

The RTAs of «WTO plus» include the commitments governing the rules of the WTO. The «WTO extra» agreements are dealing with issues that are not within the competence of the World Trade Organization. It is especially important to emphasize that the existence of regional trade agreements based on the more favourable conditions to partners compared to the conditions for third countries and the recognition of such RTAs by the World Trade Organization contradicts its main principle. The principle of 'the most favoured nation' manifests that a WTO country should provide the same trading regime for all other countries. In connection with this, in order to avoid legal conflict, the WTO uses the GATT agreement,

which qualifies RTAs as an exception to multilateral trade agreements [10].

The Problem of Contradictions of the Wto-Members Customs Commitments within the EAEU

The Eurasian Economic Union has the status of the regional trade agreement in force, which is notified by the World Trade Organization². All EAEU members, except for the Republic of Belarus, are WTO members. One of the main obligations of the state, which is negotiating its accession to the WTO, is the binding or, in other words, the consolidation of customs duties.

On August 22, 2012, the Russian Federation became the 156th WTO member. The terms of accession to the organization were being negotiated for 18 years. According to the agreement on Russia's accession to the WTO, the Russian Federation has made commitments to liberalize national rules and norms of foreign trade and accelerate the process of international economic integration. The system of obligations has created a transparent and predictable environment for international trade. The Russian Federation has pledged to fulfil the terms of the WTO agreements since its accession to the organization.

In this connection, a logical question arose on the correlation of the EAEU countries' obligations

PublicMaintainRTAHome.aspx (Date of access: 20.02.2018).

¹ The Regional Trade Agreements Information System (RTA-IS). WTO: Official Site. Retrieved from: <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> (Date of access: 20.02.2018).

² The Regional Trade Agreements Information System (RTA-IS). WTO: Official Site. Retrieved from: <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> (Date of access: 20.02.2018).

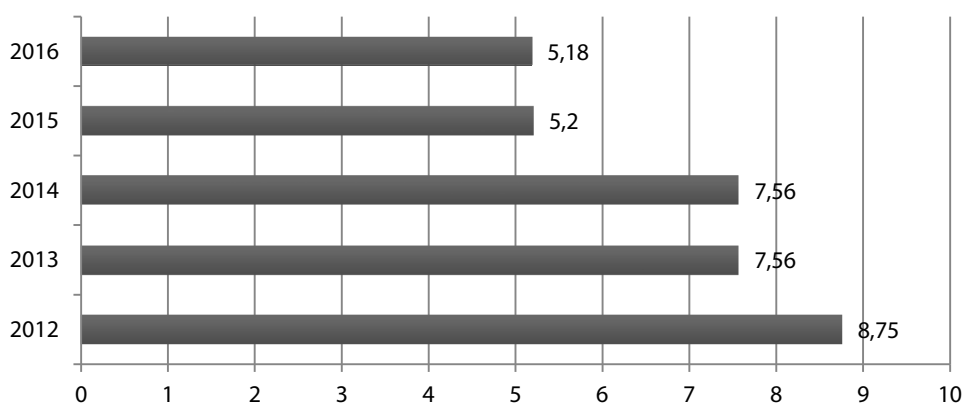


Fig. 1. Dynamics of import customs tariff, % (Source: Compiled according to the data of the Eurasian Economic Commission. Retrieved from: <http://eec.eaeunion.org/> (Date of access: 20.02.2018))

(formerly the Customs Union), taken in the framework of regional trade agreements, and the obligations undertaken by individual countries after WTO accession. One of the problems, for example, is the issue of the mechanism of the common customs tariff. As the countries of the Union join the World Trade Organization independently, their tariff commitments can differ.

The Agreement on the Functioning of the Customs Union within the framework of the Multilateral Trading System of May 19, 2011 ensures countries' compliance with their obligations to the WTO¹. This agreement declares the priority of WTO rules in case of conflicts with the provisions of the Customs Union's legal framework. Moreover, it obliges the Union to comply with the terms of its member countries accession to the WTO [3, 10]. As of August 2012, only Russia had obligations to the WTO among the Customs Union countries, since the Republic of Belarus and the Republic of Kazakhstan were not WTO members. Therefore, in May 2012, the Eurasian Economic Commission adopted an action plan that would adapt the legal framework of the Customs Union (CU) to the conditions functioning within the multilateral trading system based on Russia's obligations to the WTO².

¹ The agreement on the functioning of the Customs Union in the framework of the multilateral trading system of May 19, 2011 (entered into force on 22.08.2012). Legal portal of the Eurasian Economic Union. Retrieved from: https://docs.eaeunion.org/docs/ru-ru/0134797/itot_17052013 (Date of access: 20.02.2018).

² Vypolnenie obyazatelstv gosudarstv-chlenov EAES v VTO [Implementation of the obligations of the EAEU member states to the WTO]. (August 2016). The Eurasian Economic Commission. Retrieved from: http://www.eurasiancommission.org/ru/act/trade/SiteAssets/Presentation_2016%20rus.pdf (Date of access: 20.02.2018).

In this connection, on August 23, 2012, new editions of so-called «CN FEA» of the Customs Union (Commodity Nomenclature for Foreign Economic Activity) and the Common Customs Tariff of Customs Union (CCT CU) came into force. The CCT CU was subjected to the changes in the part of the codes, as 138 codes of CN FEA were altered. In the new version of the CN FEA (the Commodity Nomenclature for Foreign Economic Activity) dated August 23, 2012 in pursuance of the Russian Federation's tariff obligations to the WTO:

- 136 items of the CN FEA were excluded,
- 364 positions of the CN FEA of the Customs Union were included.

These alterations in the CN FEA of the Customs Union are explained by the Russian Federation's assumption of tariff obligations to the World Trade Organization. The Russian Federation obliged to reduce the tariffs. In the negotiation process on accession to the WTO, the Russian Federation has concluded 30 international bilateral agreements on access to services markets and 57 international bilateral agreements on access to commodity markets³.

Figure 1 shows the dynamics of the average annual import tariff of the EAEU in the direction of its reduction. In 2016, it amounted to an average of 5.18 %, which is 3.57 % less than the year of accession to the WTO.

Typically, when a country joins the World Trade Organization, the transition periods for the liber-

³ Sibirskie tamozhenniki obsudili problemnye voprosy vstupleniya v VTO s uchstnikami vneshneekonomicheskoy deyatel'nosti [Siberian customs officers discussed the problematic issues of accession to the WTO with participants in foreign economic activity]. Federal Customs Service. Siberian Customs Administration. Retrieved from: http://stu.customs.ru/index.php?option=com_content&view=article&id=6104:2012-10-17-06-33-21&catid=4:news&Itemid=136 (Date of access: 20.02.2018).

alization of foreign trade terms are 2–3 years, and from 5 to 7 years for the most sensitive goods¹.

Today 4 member countries of the EAEU are the WTO members: Russia, Armenia, Kyrgyzstan and Kazakhstan. Belarus is negotiating its accession. Armenia is a member of the World Trade Organization since 5 February 2003, and a member of the EAEU since 2 January 2015. In November 2014, Armenia filed a WTO Notification asking for revision of its tariff obligations under the article XXIV: 6 of GATT». The adjustment of customs duties is validated by the country's accession to the Eurasian Economic Union, as the EAEU common customs tariff differs from Armenia's commitments to the WTO. In this regard, the country should negotiate with other WTO members on compensating the increase of customs duties on certain goods in order to establish a balance by reducing customs duties on other products. At the moment, the negotiations are still not finished. Thus, the tariffs that were agreed upon with the WTO are Armenia's first priority. It was announced that the transition to the EAEU tariffs will happen by 2022. The average weighted tariff in the Republic of Armenia has a relatively low rate of 2.7 %. Russia's average tariff should reach 7.1 % by the end of the transition period. That is why Armenia needs to hold compensation talks to increase its average weighted tariff, as it significantly differs from the level of the EAEU's common customs tariff [1, 3, 10].

The Kyrgyz Republic joined the World Trade Organization on 20 December 1998, and became a member of the EAEU on 12 August 2015. Kyrgyzstan also had to reconsider their commitments. In April 2015, Kyrgyzstan submitted a notification to the WTO on the revision of its tariff obligations under the article "XXIV:6 of the GATT". Kyrgyzstan became the first CIS country to join the World Trade Organization. The country agreed upon a weighted average customs tariff of about 5 %. Negotiations on the revision of the customs tariff are still not finished.

We believe that the modern multilateral trading system has one important feature: the presence and rapid development of regional trade agreements. The RTAs' prosperous existence requires a well-developed legal framework. This framework should start from the developed national legal system harmonized with the legal acts of the international economic integration. The final goal is harmonization of the global and regional levels of regulation of foreign trade relations [11, 17].

¹ WTO: Official Site. Retrieved from: www.wto.org (Date of access: 20.02.2018).

At this stage of the Eurasian Economic Union's involvement, not all these important stages are developed to the extent for the RTAs to function successfully. In this regard, the countries of the Eurasian integration should pay a lot of attention to solving this issue.

Assessment of the WTO Impact on the EAEU Customs Policy in Agriculture: Case of Kazakhstan

We focused on assessing the WTO's impact on the EAEU customs policy on the example of the Republic of Kazakhstan. The Republic of Kazakhstan became the 162nd member of the World Trade Organization on the 30th of November 2015. Kazakhstan outstripped the Russian Federation in terms of the duration of the negotiations on accession to the WTO, as it lasted for 20 years compared to the Russian 18 years [18]. This entry will directly affect the foreign trade policy of the Eurasian Economic Union countries. Since Russia became a member of the WTO, during the transition period its customs rates specified in the «List of concessions and commitments on market access for goods» should be aligned with Russian obligations to this organization. More precisely, we are talking about the tariff rates of the Customs Union, and then of the Eurasian Economic Union [13, 19, 20]. The same situation applies to Kazakhstan. First, the Republic of Kazakhstan had to apply the same rates as the Russian Federation, since they are embodied in the Common Customs Tariff of the EAEU. Moreover, Russia's obligations to the WTO directly affect Kazakhstan's foreign trade policy, as they belong to the same integration association. All these nuances are spelled out in The Treaty on the establishment of the EAEU. Additionally, the obligations of the Republic of Kazakhstan to the WTO directly affect the foreign trade policy of Russia as the EAEU member.

During the negotiations on accession to the WTO, Kazakhstan accepted less favourable obligations in the field of tariff policy compared to the Russian Federation [3]. The level of Kazakh bound tariff rates was lower than the Common Customs Tariff of the EAEU for more than 3,500 commodity items. After the transition period, the average bound rate of the Republic of Kazakhstan should be about 6.5 %. In Russia, it should be at 7.1 %. Turns out that after the transition period, more than 1/3 of the Kazakhstan's customs tariff rates will be lower than the Unified Customs Tariff of the EAEU. Lower customs duties will be used when importing these goods to Kazakhstan. Of course, this situation does not please the other EAEU's participants. In case of importation of the goods to their

territory through the territory of Kazakhstan, the products pass the customs clearance with lower customs rates. As a result, it may lead to the reduction of customs payments in the consolidated budget of the EAEU countries and promotion of competition in the commodity market. In addition to customs obligations, Kazakhstan has committed to accept and fulfil other commitments. For example, there is a difference in agricultural subsidies. Kazakhstan agreed upon the volume of subsidies to support the agricultural sector that equals 8.5 % of the value of this sector's gross output of the Republic. In Russia, this indicator should not exceed 10 %.

The most difficult situation, seriously affecting the agrarian market and the Russian agro-industry in the EAEU system, is now developing in connection with Kazakhstan's tariff obligations to the WTO. Kazakhstan agreed to reduce the average customs tariff for agricultural goods from 13.9 % operating in the framework of the Common Customs

Tariff of the EAEU to the rate of 9.2 %. At the same time, the final rate of the Russian Federation for agricultural products after the WTO accession until the end of transitional periods equals 12.9 %. On December 1, 2015, the total number of Kazakhstan's tariff exemptions have amounted to 1,347 ten-digit tariff lines. By December 1, 2016, this number increased to 1911 ten-digit tariff lines. By December 1, 2017 after the introduction of the new edition of the EAEU's Commodity Nomenclature for Foreign Economic Activity, this list of exemptions has reached 2,450 positions. At the same time, 881 of this list's items fit into the category of the agricultural products and foodstuffs. After the end of all transitional periods associated with the accession of Russia and Kazakhstan to the WTO, the total number of tariff exemptions for Kazakhstan from the Common Customs Tariff of the EAEU will reach approximately 3,500 positions. More than a third of these positions belong to the circulation of agricultural goods and food.

Table 2

Exemptions of the Republic of Kazakhstan from the Common Customs Tariff of the EAEU for a number of agricultural and food products in accordance with the terms of the WTO accession*

The list of agricultural goods and foodstuffs for which the Republic of Kazakhstan, in accordance with the commitments made as a condition of accession to the WTO, apply import customs duty rates that are lower than the rates of duties of the Common Customs Tariff of the Eurasian Economic Union (as of 01.01.2019 year), Code of the EAEU Commodity Nomenclature for Foreign Economic Activity	The rate of import customs duty (related) in Kazakhstan (as of 01.01.2019), %	The size of the rate of import customs duty in Russia on the basis of the Unified Customs Tariff of the EAEU (as of 01.01.2019), %
0301 93 000 0 — carp, live fish (Cyprinus spp., Carassius spp., Ctenopharyngodon idellus, Hypophthalmichthys spp., Cirrhinus spp. and others)	5	10
0306 35 100 0 — shrimp (Crangon)	0	6
0306 35 900 0 — shrimps (Pandalus spp.)	0	6
0306 39 100 0 — freshwater crayfish	0	7
0306 93 910 0 — crabs (Cancer pagurus)	0	8
0703 20 000 0 — garlic	8	10
0805 10 200 0 — sweet and fresh oranges	3	5, but not less than 0,017 EUR per 1 kg
0805 40 000 0 — grapefruits, including pomelo	3	5, but not less than 0,015 EUR per 1 kg
0805 50 100 0 — lemons (Citrus limon, Citrus limonum)	3	5, but not less than 0,015 EUR per 1 kg
1108 11 000 0 — wheat starch	10	10, but not less than 0,03 EUR per 1 kg
1108 12 000 0 — corn starch		
1108 13 000 0 — potato starch		
1108 19 100 0 — rice starch		
1511 — palm oil and its fractions, unrefined or refined, but without changing the chemical composition		
1511 10 900 2 — in a package with a net weight of 20,000 kg or less	0	3
1511 90 110 0 — (solid fractions), in primary packages with a net weight not exceeding 1 kg	0	3
1701 12 100 — beet sugar for refining	23	250 USD per 1000 kg
170113 — cane sugar	5	From 140 to 250 USD per 1000 kg

* Source: compiled by the authors according to: Customs Tariff and Commodity Nomenclature for Foreign Economic Activity of the Republic of Kazakhstan; Common customs tariff of the Customs Union of the EAEU ed 2019. Retrieved from: <http://eec.eaeu-union.org/> (Date of access: 01.01.2019).

Customs import tariff for a number of the agricultural products*

Code of the EAEU Commodity Nomenclature for Foreign Economic Activity	Commodities	Final tariff rate for the Russian Federation, %	Tariff rate at the time of entry of Republic of Kazakhstan, %	Final tariff rate for the Republic of Kazakhstan, %	Implementation period, year
0401-0403	Milk and cream, yogurt, kefir	15	16.8	15	2016
0407	Eggs	7,5	11.5	5	2020
170112	Cane sugar	250 USD per 1,000 kg	25	20	2020
07	Vegetables	12	10,5	10.4	2017-2020
0201-0202	Fresh, chilled, frozen beef	15 % within the quota (530 thousand tons), 55 % outside the quota	23,3	15 % within the quota (21 thousand tons), 40 % outside the quota	2020
0203	Fresh, chilled, frozen pork	15 % within the quota, 65 % outside the quota	30	25	2020
0207	Fresh, chilled, frozen poultry	25 % within quota, 80 % outside quota	55	15 % within the quota, 40 % outside the quota, but not less than 0.65 EUR per 1 kg	2020

* Source: compiled by the authors according to: The Eurasian Economic Commission Decision of 14 October 2015, No. 59; Customs Tariff and Commodity Nomenclature for Foreign Economic Activity of the Republic of Kazakhstan; Common customs tariff of the Customs Union 2012, Common customs tariff of the EAEU. Retrieved from: <http://eec.eaeunion.org/> (Date of access: 20.02.2018).

In Table 2 we present a comparative analysis between the current import duty rates (related) in Kazakhstan and Russia (within the EAEU) for a number of agricultural and food products.

Below we consider the Republic of Kazakhstan's commitments after joining the WTO in the field of agriculture, industrial goods and services [21]. By joining the World Trade Organization, Kazakhstan has committed to reduce its average weighted tariff on agricultural commodity items to 7.6 %. This indicator is lower than the Russian rate, which is 10.8 %. This a significant reduction of the customs rate for these goods, as before joining the WTO Kazakhstan had it at the level of 14.1 %, and Russian one was 13.9 %.

Table 3 compares the final bound tariffs of Russia and Kazakhstan for some agricultural commodity items [see also: 22, 23].

Kazakhstan's tariff rates should be aligned with the Russian ones (demonstrated in the Table 2) in accordance with the Common Customs Tariff of the EAEU.

As a result, the average weighted tariff for agricultural products in Kazakhstan will be reduced by 46 %¹. On average, the transition period to the

final customs tariff rates will last until 2020. From the aforementioned commodity items, Russian and Kazakhstani tariffs differ the most in the sector of meat products. For example, the final bound rate for poultry meat from the Russian Federation is higher than that of Kazakhstan by 10 %. In addition, there is a significant gap at the rate outside the quota, 80 % and 40 % respectively.

For example, we focused on the supply of pork, poultry and fish products (Table 4).

There has been a massive growth in deliveries of sanctioned American products to Kazakhstan, such as chicken legs. (the United States has a quota of 140 thousand tons. Products with a total quota of 170 thousand tons per year) Those products were imported with a more preferential rate under the quota (15 % compared to 25 % in the Russian quotas). Considering the current embargo on American poultry meat in Russia, there appear opportunities of directing re-export of this product to Russia, and, more likely, processing cheap and not very high-quality American raw materials. That turns foreign goods into the EAEU's goods that can be exported to Russia without any customs restrictions.

¹ Source: The Eurasian Economic Commission Decision of 14 October 2015, No. 59; Customs Tariff and Commodity Nomenclature for Foreign Economic Activity of the Republic of Kazakhstan; Unified customs tariff of the Customs Union

2012, Unified customs tariff of the Customs Union of the EAEU. Retrieved from: <http://eec.eaeunion.org/> (Date of access: 20.02.2018).

Table 4

“Binding” of import customs duty rates on food products in Kazakhstan in accordance with the terms of the WTO accession*

Commodities	The current level of tariff protection in the framework of the Common Customs Tariff of the EAEU	The initial level of the «binding» rates of the customs duties in the Republic of Kazakhstan	The final level of the «binding» rates of the customs duties in the Republic of Kazakhstan
Pork	out of quota — 65 %; within the quota — 0 %; since 2020 — 25 %	30 %	since 2020 — 25 %
Fish and seafood	out of quota — 80 %, but no less than 0.7 EUR/kg; within the quota — 25 %, but not less than 0.2 EUR / kg; in case of cancellation of quota — 37.5 %	out of quota — 55 %; within the quota — 15 %	out of quota — 40 %, , but not less than 0.65 EUR / kg; since 2020 within the quota — 15 %
Fish and seafood	0–18 %	0–15 %	since 2020 — 0 %

* Source: compiled by the authors according to: Customs Tariff and Commodity Nomenclature for Foreign Economic Activity of the Republic of Kazakhstan; Unified customs tariff of the Customs Union of the EAEU ed 2019. Retrieved from: <http://eec.eaeunion.org/> (Date of access: 01.01.2019).

Table 5

Customs import tariff for a number of the industrial products*

Commodities	Final tariff rate for the Russian Federation, %	Tariff rate at the time of entry of Republic of Kazakhstan, %	Final tariff rate for the Republic of Kazakhstan, %
tractors for agricultural work	10	5	0
machines or machinery for harvesting or threshing crops	5	5	0
road and construction equipment	5	5	0

* Source: compiled by the authors according to: The Eurasian Economic Commission Decision of 14 October 2015, No. 59; Customs Tariff and Commodity Nomenclature for Foreign Economic Activity of the Republic of Kazakhstan; Common customs tariff of the Customs Union 2012, Common customs tariff of the Customs Union of the EAEU. Retrieved from: <http://eec.eaeunion.org/> (Date of access: 20.02.2018).

A similar situation is now taking place with powdered milk, which is sanctioned in Russia. It is supplied to Kazakhstan from the United States and other countries and processed into finished products (it can be used, for example, in the manufacture of sausage products). Then these goods are delivered as an EAEU product to Russia.

According to the commitments made by the Republic of Kazakhstan to the WTO, the average tariff for manufactured goods should be 6 %. For its part, Russia has this final bound tariff at 7.3 %. Turns out that in the industrial sphere Kazakhstan agreed to establish the customs tariffs lower than those operating in the EAEU. The changes mainly affect the products of the automotive and agricultural engineering (Table 5).

Table 5 provides the information comparing the bound tariffs after the WTO accession for both Russia and Kazakhstan. Significant changes should affect agricultural, construction and road machinery [24, 25]. The Republic of Kazakhstan undertook to zero out the import tariffs on tractors and machines for agricultural work and threshing crops in 2018–2020. Russia, in turn, has an associated tariff for these goods at the level of

10 % and 5 % respectively. A similar situation is observed in the import of construction and road machinery. Kazakhstan will have to import this equipment with a zero rate of import duty, while Russia's rate equals 5 %.

There is a difference in the final bound tariffs also for a number of such goods as¹ :

– plastics and articles made of them (CN FEA, Code of the EAEU Commodity Nomenclature for Foreign Economic Activity 39): 6 % for Kazakhstan, 6.5 % for Russia,

– particleboards (CN FEA, Code of the EAEU Commodity Nomenclature for Foreign Economic Activity 4410): 5 % for Kazakhstan, 7.3 % for Russia,

– linen fabrics (CN FEA, Code of the EAEU Commodity Nomenclature for Foreign Economic Activity 5309): 5 % for Kazakhstan in 2020, 8.2 % for Russia,

– refrigerators (CN FEA, Code of the EAEU Commodity Nomenclature for Foreign Economic Activity 8418): by 2020 most of this group of goods

¹ WTO: Official Site. Retrieved from: www.wto.org (Date of access: 20.02.2018).

will have a tariff of 5–10 % in Kazakhstan, and 0–15 % in Russia.

We also noted a number of obligations that Kazakhstan acquired upon accession to the World Trade Organization [3, 24, 25]:

- elimination of the domestic component's requirements in relation to oil and gas projects by 2021;

- elimination of the preferential tariffs, which are applied to investment programs in the automotive industry by 2018;

- sending a request for acquiring the observer status in the plurilateral WTO Agreement on Government Procurement and submitting an application for accession within 4 years after joining the WTO. This will result in opening the government procurement sector for foreign companies, which can help in increasing competition in this market;

- accession to the WTO's plurilateral agreement on information technology and application of the zero customs duty on information technology products that are stipulated in this agreement;

- use of price regulation for goods and services only in accordance with the WTO agreements;

- non-use of reference prices or a list of fixed prices for certain types of goods in determining the customs value of goods;

- elimination of the preferential tariffs and tariff regimes in the Special Economic Zones (SEZ) and industrial parks and application of the WTO rules in all of them. The only exception are the companies registered in the SEZ before January 1, 2012, for which exemption from customs duties will be in force until 2017.

In addition to tariff obligations, Kazakhstan has assumed obligations in the service market, or rather its expansion¹.

¹ Sovershenstvovanie struktury torgovoy politiki: otchet o torgovle v Kazakhstane [Improving the structure of trade policy: trade report in Kazakhstan] (Analytical note on trade policy No. 1, January 2014). Department for Poverty Reduction and Economic Management. Europe and Central Asia Region. Retrieved from: <http://documents.albankaldawli.org/curated/ar/126181468187795950/pdf/96863-WP-RUSSIAN-P153472-KZ-Trade-Rprt-Policy-Note-1-JAN-23-2014.pdf> (Date of access: 06.07.2017); Iskakov, J. (2015). Vstupleniye Kazakhstana v VTO: nekotorye izmeneniya v zakonodatelstve [Kazakhstan's accession to the WTO: some changes in legislation]. Rödl & Partner. Retrieved from: http://www.roedl.net/ru/de/publikationen/newsletter/newsletterarchive/newsletter_russland/newsletter_russland/newsletter_russland_september_oktober_2015_rossiiskii_informacionnyi_obzor_sentjabr_oktjabr_2015_g/novosti_v_evraziiskom_ekonomicheskom_sozhuzevstuplenie_kazakhstana_v_vto_nekotorye_izmeneniya_v_zakonodatelstve.html (Date of access: 06.07.2017).

The potential of the preferential import customs duties of Kazakhstan, received after joining the WTO, greatly enhances the tax policy of this country. The Kazakhstan's VAT rate is 12 %, while in Russia the basic VAT rate from January 1, 2019 was increased to 20 %.

VAT is paid on import duties and is an element of the total customs payment. Therefore it significantly affects the economic efficiency of the imports of agricultural raw materials for further processing in the customs territory of individual EAEU member countries in case of a common market for subsequent circulation received during the processing of finished products.

The opportunities for Kazakhstan to use preferential customs duties on its territory, contrary to the current EAEU's common customs tariff, creates an economic and legal exemption that is a powerful catalyst for forming a new customs effect. This effect has a major destabilizing impact on the formation and development of the agro-industry and agricultural market of Russia in the system of Eurasian Economic Integration. Moreover, it violates the mechanism for the realization of fair competition between the EAEU countries, including equal conditions for accessing the general agrarian market. It slows down the processes of import substitution in agriculture that started in Russia.

We consider a specific example of the state budget's loss for the EAEU countries. During the release of goods into free circulation, these goods are imported to the other countries' territory through the Kazakhstan's border using the final bound rates agreed for Kazakhstan by the WTO. We assume that the importer is going to get frozen poultry (chicken) meat from a third country, the code of the EAEU Commodity Nomenclature for Foreign Economic Activity (CN FEA) is 0207 12 900. The size of the lot is 150 tones. The price of 1 kg is 1.6 USD. The term of delivery is CPT-Yekaterinburg (according to INCOTERMS 2010). 1 USD equals to 57,2 RUR, 1 EUR equals to 60,7 RUR. On the territory of the EAEU it is planned to sell the product for 150 RUR/kg.

The calculation of the total customs payment for the import of chicken meat and its import through the territory of Kazakhstan and the Russian Federation can be seen in figure 2.

Figure 2 demonstrates that the total customs payment for the frozen chicken meat import when imported into Kazakhstan with the application of the final bound rate was 3,957,306 roubles, while through Russia — 5,170,500 roubles. Turns out that importing through the Republic of Kazakhstan is profitable in 1.3 times (in money

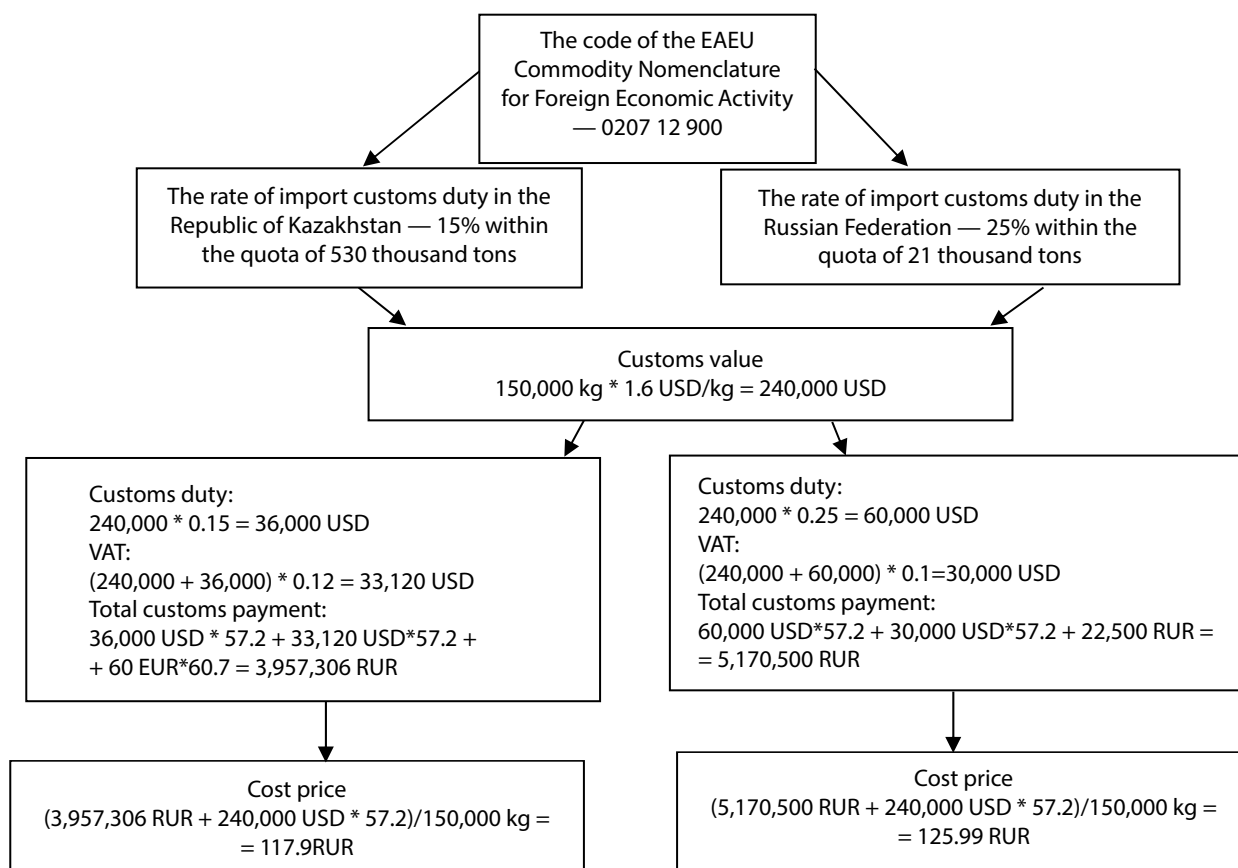


Fig. 2. Calculation of the total customs payment for frozen chicken meat imported through the territory of Kazakhstan and Russia (Source: compiled and calculated by the authors)

equivalent). This difference was significantly influenced by the customs duty rate. In Russia, the rate is by 10 % higher than in Kazakhstan.

The amount of tax revenue to the budget depends on the differences in the customs duty rates of EAEU's countries. Above we cited the percentage ratio of the distribution norms of the import customs duties for each member state. They are the following: 1.11 % for Armenia, 4.56 % for Belarus, 7.11 % for Kazakhstan, 1.9 % for Kyrgyzstan, 85.32 % for Russia. The percentage shows the amount of transfers that will go to the budget of each participating country from the amounts of import customs duties.

The calculation in Table 6 shows that if the participant of the foreign economic transaction has a choice through which country it is better to import frozen chicken meat, he will prefer Kazakhstan, because its efficiency is higher there by 8 %.

Table 6
Calculation of the performance indicators of the import transactions*

Country	The calculation of the efficiency
Kazakhstan	150 RUR / 117.90 RUR = 1.27
Russia	150 RUR / 125.99 RUR = 1.19

* Source: compiled and calculated by the authors.

In table 7, for our example, we consider how much each member country will receive from the transaction.

The calculations demonstrate a significant difference in the amount of distribution of import customs duties between the EAEU members depending on the country where the customs clearance was performed. In Russia, this difference is 1,035,097.6 RUR. Russia loses this amount of money from only one transaction if the foreign

Table 7

Distribution of the amount of the import customs duty for the EAEU members, RUB*

The import conditions	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Russia
Kazakhstan	43 926.1	180 453.2	281 364.5	47 487.67	3 376 373
Russia	57 392.55	235 774.8	367 622.55	98 239.5	4 411 470.6

* Source: compiled and calculated by the authors.

economic participant pays taxes in accordance with Kazakhstan's obligations to the WTO. This is not profitable for all countries of the Eurasian Economic Integration.

Kazakhstan has already joined the WTO on terms that differ from Russia's obligations to the WTO and this fact will not change. The World Trade Organization insisted that Kazakhstan applies the rates of import customs duties, which differ from the rates of the EAEU Common Customs Tariff for a number of goods: electronics, cars, food, engineering products, alcohol. This situation contributes to the additional risks associated with controlling the import of such goods into the territory of Russia. Improvement of the system of the customs statistics' information exchange is required.

For this reason, the Protocol of the Eurasian Economic Union came into force on January 11, 2016¹. According to it, the goods imported by the Republic of Kazakhstan may be released into circulation only to the Kazakhstan market. Only after payment at the rates of the EAEU Common Customs Tariff, the foreign economic participant will be able to import this product to other EAEU members.

According to this case, we have shown that from the accession of Kazakhstan to the World Trade Organization on the adopted terms, the rest of the EAEU members will suffer some losses. In order to avoid this, the EAEU decided to introduce the Protocol of January 11, 2016, which contradicts the principles of the EAEU. It is supposed be one common market where goods, services, capital and labour can move without any obstacles. In this regard, we believe that the Protocol's adoption is not the solution for the current problem. The search for the way out of the situation is not over.

¹ Vstupil v silu Protokol o realizatsii obyazatelstv Kazakhstana po uchastiyu v VTO [The Protocol on the Implementation of Kazakhstan's Obligations on WTO Participation entered into force]. The Eurasian Economic Commission. Retrieved from: <http://eec.eaeunion.org/> (Date of access: 20.02.2018).

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Conclusion

In the course of the research, we achieved the set goal and fulfilled all the tasks. The study's scientific novelty lies in the substantiation of our hypothesis about the uneven distribution of the import customs duties between the EAEU members depending on the country where the goods pass customs clearance. Moreover, we formulated the methodological and theoretical approach to overcoming existing problems and contradictions. We believe it is economically inexpedient to limit the rates' harmonization within the Eurasian Economic Union. For ensuring the Union's effective economic and political development, its members (namely the Russian Federation, Armenia and Kyrgyzstan) will be required to begin compensatory negotiations with other WTO members four years from the date of Kazakhstan's accession to the World Trade Organization. The negotiations should aim to equalize the general level of rates of the import customs duties on the territory of the EAEU. In the process of these negotiations, the EAEU and the WTO countries should reach the agreements that satisfy the members of both organizations. The Union should be able to offer different options for compensation. For example, one of the options is the reduction of the import duty rates by the states participating in the Eurasian integration for the obligations, which are different in the EAEU Common Customs Tariff compared to those in the Republic of Kazakhstan, or other tariff lines. The Republic of Belarus will not be able to participate in these negotiations, as to date it is not a member of the WTO. At the same time, Belarus will be obliged to pursue its trade policy based on the norms and requirements of the WTO, as the remaining four EAEU countries belong to this Organization. Only by conducting negotiations at the domestic and foreign levels on harmonization of the countries' tariff rates, the EAEU will be able to achieve the greatest economic development and confirm the Union's key principles.

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