

THE EAEU 2025 DIGITAL AGENDA: Prospects and Recommendations

Overview Report



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Foreword

Nowadays, the level of development of digital technologies plays a critical role in the competitiveness of countries and economic unions. The Eurasian Economic Union (EAEU) considers the transition to a digital economy to be the key driver of economic growth. In recent years, EAEU member states have made significant progress in many areas of digital development.

The prospects and relevance of digital development of the economies of the EAEU member states were reflected in the Main Directions of the Digital Agenda of the EAEU by 2025, where digital transformation is emphasized as a key factor of development.

Harmonization of efforts in the joint implementation of initiatives and projects of the Digital Agenda of the EAEU will allow the expansion of the capabilities of member states, citizens and business entities not only within the EAEU, but also in foreign markets. The effectiveness of joint actions of member states within the Digital Agenda depends on the successful development of their own economies. The implementation of the Digital Agenda will require the creation of digital platforms, network infrastructures, enabling initiatives and projects, building partnerships with those who have chosen the path of digital transformation.

In 2016-2017, the Eurasian Economic Commission (EEC) and the World Bank conducted a joint study to research the international experience, and develop recommendations to maximize the economic impact of the development of the digital space and the implementation of the Digital Agenda of the EAEU. This study represented the continuation of the work initiated by a decree No. 6 from March 17, 2016 of the EEC Board on the creation of the EAEU digital space, as well as by the Statement on the Digital Agenda of the EAEU, signed on December 26, 2016 by the heads of the member states.

In the course of the study, international experience was analyzed, the existing national digital initiatives of the EAEU member states were reviewed and the economic impact of the development of the digital space of the EAEU and the implementation of the Digital Agenda was assessed.

The study concluded that it was important to develop a common coordinated approach to the framework of digital development at the national and union levels for obtaining maximum effects (digital dividends) for all participants. The creation of the digital space of the EAEU will make it possible to achieve synergies from the implementation of a regional digital agenda.

Indeed, the implementation of the joint Digital Agenda is expected to lead to overall economic growth, increased employment in the ICT industry and in the EAEU as a whole and enhanced productivity in priority fields.

We hope that this overview report will provide helpful guidance in the implementation of the EAEU Digital Agenda and serve as the basis for continuing the fruitful cooperation between the leadership of the EAEU and the World Bank in future stages of implementation of the Digital Agenda.



A handwritten signature in black ink, appearing to read 'C. Muller'.

Cyril Muller
Vice President
Europe and Central Asia Region
World Bank Group

A handwritten signature in black ink, appearing to read 'T. Sargsyan'.

Tigran Sargsyan
Chairman of the Board
Eurasian Economic Commission

This Report is an English translation of the original Russian language overview report which was produced on the basis of two detailed background reports. It is the product of a team of the International Bank for Reconstruction and Development / World Bank. The results, interpretations and conclusions contained in this document do not necessarily reflect the views of the Executive Directors of the World Bank or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work.

Acknowledgments

This Report is an overview of the joint Study conducted by the World Bank's team of experts led by Juan Navas-Sabater, Lead ICT Policy Specialist and Oleg Petrov, Senior Program Officer, in close collaboration with a group of experts of the Eurasian Economic Commission.

The main experts – authors of the Study were Declan Deasy, Zamira Dzhusupova, Aynura Dzhoroeva, Arman Doskaliyev, Artyom Anikyeu, and Darshan Yadunath.

Asya Rudkovskaya acted as the Editor-in-Chief of this Overview Report.

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EXECUTIVE SUMMARY

Digital technologies present unprecedented opportunities for the EAEU to transform its economy. The emergence of new ways of interaction between people, communities, and governments, of accessing information, and of doing business and interacting with public authorities, as well as the gradual disappearance of geographical and physical barriers open new prospects for the economic, social and cultural development of the Union, as well as for the growth of regional and global competitiveness.

Because of the impact digital technologies have on all spheres of public life, EAEU heads of state have recognized the need to foster and manage the processes of technological transformation for the benefit of all members of society as new opportunities for regional cooperation and economic growth in the Union arise, based on digital networks, common digital platforms and new digital solutions that reduce distances, eliminate borders, create new jobs, and develop previously nonexistent areas of business activity.

Thus, in November 2016, the Eurasian Economic Commission, together with experts from the World Bank, began working to study the current situation and make recommendations for reaping the economic benefits of digital development. They studied the potential of creating a common digital space and implementing the Digital Agenda of the EAEU by 2025, aimed at creating a single digital economy in the region and achieving associated digital dividends.

The vision of the EAEU common digital space is based on the creation of a common, secure, scalable digital infrastructure and platforms for the development of the Union's digital economy, which would include broadband internet access in all countries of the Union and would create opportunities for the emergence of innovative industries, new types of services, new jobs, growth and increased efficiency of interactions between countries.

The study analyzed the experience of other regional associations, in particular, the European Union (EU), the

In 2016, the EAEU started developing proposals on the formation of a digital space. The following priorities were set:

- Development of the EAEU legal and regulatory framework and harmonization of the legislation of the EAEU member states
- Creation of a common digital space to increase mutual trade volumes using e-commerce tools
- Expanding the practice of using information and communication technology (ICT) to improve the efficiency of cross-border interaction between public authorities, business entities, and individuals
- Development and implementation of joint projects and programs aimed at the digital transformation of the economies of the EAEU member states

Association of Southeast Asian Nations (ASEAN), and the Gulf Cooperation Council (GCC). The experience of these associations was used in developing a common vision and the main directions of the Digital Agenda of the EAEU, as well as in understanding the possible results and achievements that should be sought when implementing the Agenda. For example, according to the estimates of the European Commission, the creation of the Digital Single Market of the EU can bring up to 415 billion euros a year to the EU economy, create new jobs, and lay the foundations for a knowledge-based society.

In addition, the study analyzed existing national digital initiatives of the EAEU member states and concluded that it is extremely important to develop a common coordinated approach in order to ensure the expected benefits at the level of the Union.

The result of comparing two digitalization scenarios¹, that is, the implementation of the digital agenda only at the national level by the EAEU member states on the one hand, and developing a comprehensive regional digital agenda on the other hand, showed that efficiencies and additional dividends from regional transformation will be significantly greater.

For example, considering the impact of regional digital initiatives on the growth of the region's GDP by 2025 (Figure 1), one can notice the importance of expanding the penetration of fixed broadband internet access (plus 1.7%

¹ The differences between both scenarios were calculated for a broad range of indicators based on estimates of the regional spillover effects and externalities achieved through several mechanisms, such as strengthened competition, increased size of markets through and reduced inefficiencies, through harmonized legal and regulatory frameworks, elimination of barriers, and overall freedom of movement of goods, services, capital, people and data.

of GDP), of increasing international bandwidth (plus 0.66% of GDP) and of spreading the use of electronic commerce (plus 0.88% of GDP), among others.

Regarding employment, based on a 30 percent average fixed broadband penetration rate in the EAEU, 2 to 4 million new jobs may be created by 2025, 1 million of which would be in the ICT sector. At the same time, it is possible to achieve an increase in labor productivity of up to 1.73% by 2025. Optimization and robotization of production, as well as increasing labor efficiency, will certainly make some workers redundant, but the net effect of the development of the digital economy on jobs will be positive (Figure 2).

Considering the potential transformation of the services sector in 2018-2025, efforts to remove existing regulatory barriers in relations between the EAEU member states can increase the Union's GDP by \$42.3 billion. The potential effect of

Figure 1 Impact of digitalization initiatives on GDP growth for both scenarios for the period 2018–2025

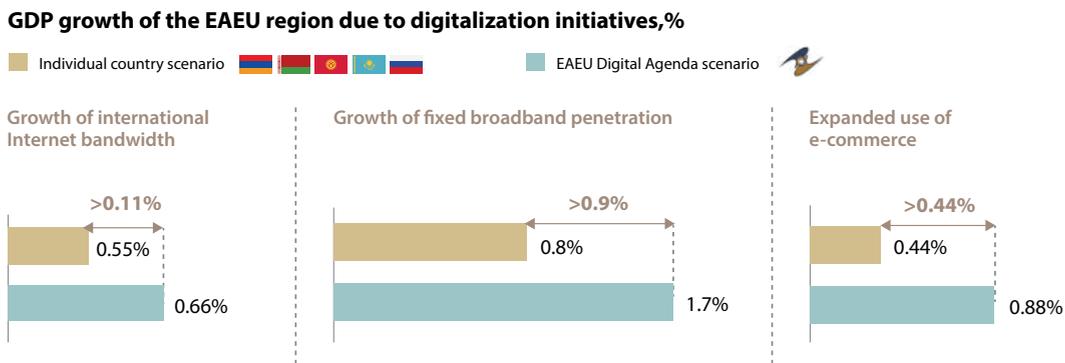
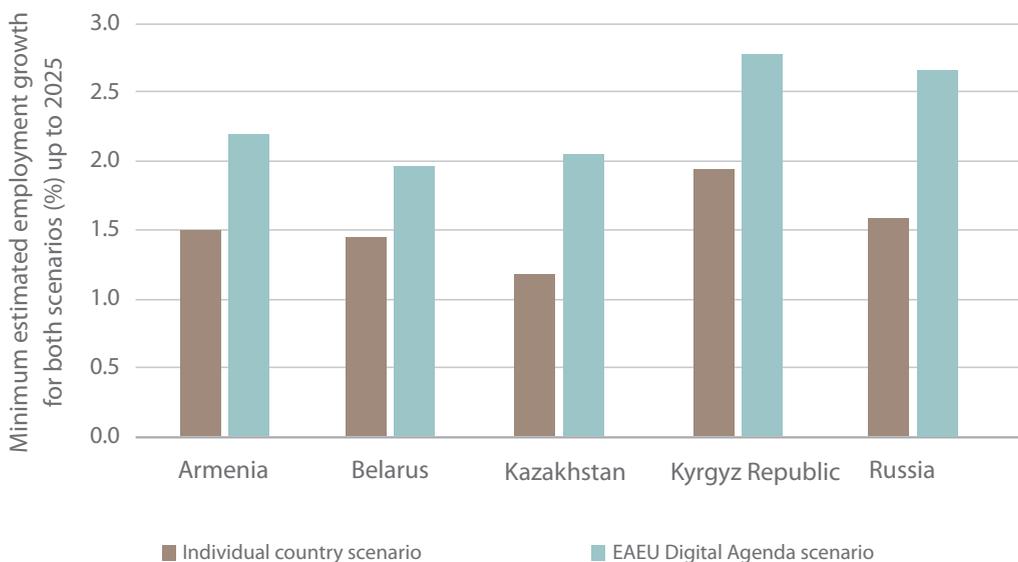


Figure 2 Minimum estimated impact of the digital economy on employment growth for both scenarios (%) up to 2025



digitalization of government procurement at the regional level is estimated at \$1.6 billion. The provision of “open government” services can save \$1.3 billion, and the introduction of cross-border electronic services - another \$0.5 billion (Figure 3).

The joint study emphasized that a major priority should be given to strengthening the ‘analog foundations’ for the EAEU digital economy. In this context, it is important to achieve political consensus and provide high-level leadership of the digital transformation process, as well as reinforcing the relevant governance institutions.

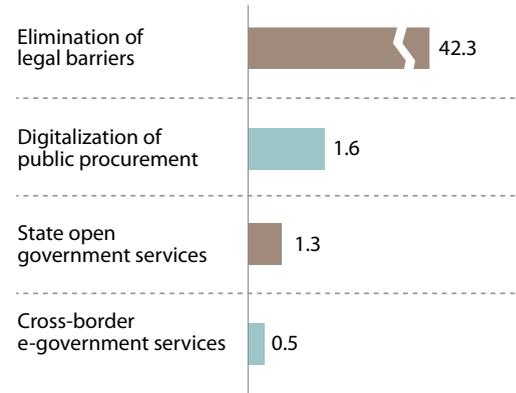
In order to facilitate regional integration and the digital transformation of the economy and the public sector, it is essential to create a harmonized legislation and regulatory framework.

This requires the involvement of a range of institutions and stakeholders, including government bodies, the private sector, research and educational institutions, the media, as well as the public.

It is also important to have experienced managerial and technical personnel who constantly improve their skills, and to pursue policies to develop the skills of the general public, as well as to raise public awareness about the expected economic and social dividends of digitalization.

Figure 3 Transformation of the services sector

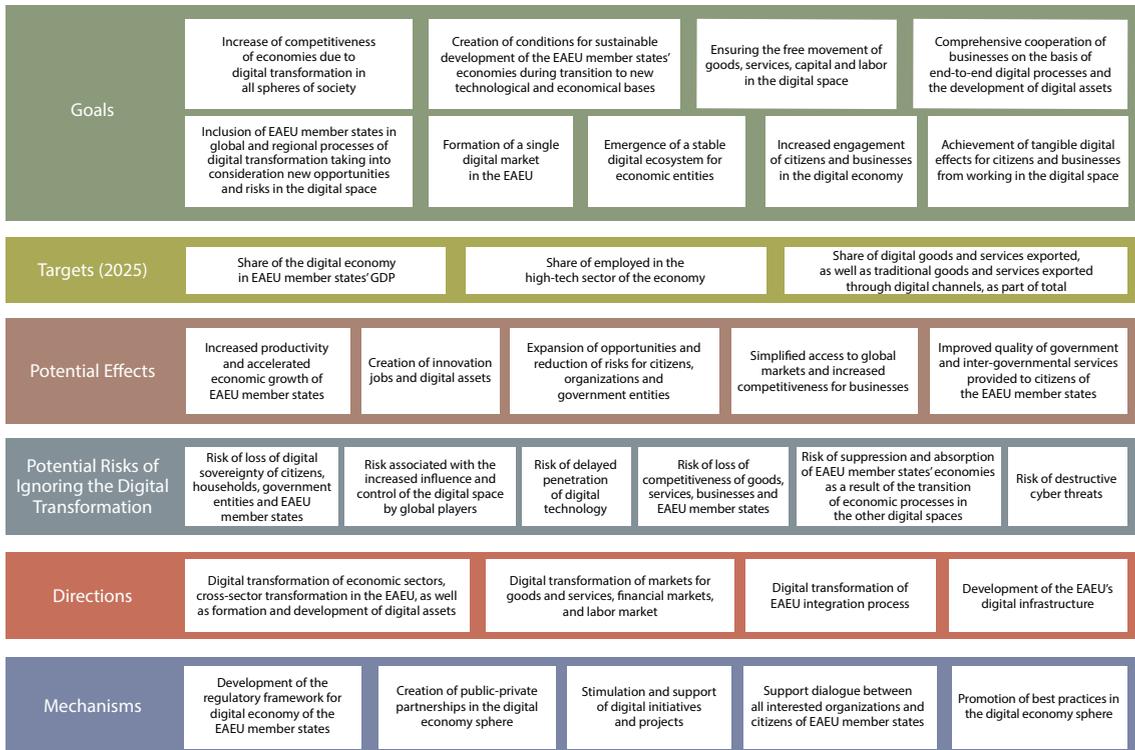
Examples of potential digital dividends (in bln. USD) from the introduction of the EAEU Digital Agenda (2018-2025)



Successful implementation of digital technologies is possible only if, inter alia, compatibility, interoperability, and scalability of digital infrastructures, platforms and solutions are ensured so as to deliver an effective, inclusive, and secure digital economy.

In cooperation with experts from the World Bank, a target model for the creation of the digital space of the EAEU was developed (Figure 4), and it was reflected in the proposals

Figure 4 Target model for the creation of the EAEU digital space



for the creation of the EAEU digital space. This model is an effective tool for determining, approving, measuring, and overseeing the actions aimed at achieving the objectives of the EAEU Digital Agenda.

The principal actions for creating the EAEU Digital Space include: strengthening the processes of economic integration and international cooperation; creating an enabling environment for the implementation of regional digital initiatives; creation of a common digital infrastructure and digital platforms; digitalization of leading economic sectors and digitalization of regional markets.

This model also presents mechanisms for supporting these activities, including the development of an overall favorable regulatory framework, the creation of public-private partnerships for the implementation of priority initiatives, the development of a dialogue among all interested players in digital ecosystems, and the promotion of better digital solutions and practices.

It is important to note the risks associated with ignoring the EAEU 2025 Digital Agenda. These include brain drain from the region, increasing influence of global players in the digital space of the Union, loss of competitiveness of goods and services, and a threat to the digital sovereignty of the region.

In cooperation with the World Bank experts, key recommendations were also developed for the implementation of the Digital Agenda of the EAEU by 2025, the implementation of which will lead to accelerated economic growth, creation of new jobs, improved public services, and increased competitiveness of the Union. Among the most important ones are the following:

First, there is a need to create the institutional and legal basis for the Digital Agenda. Here, it is important to provide for the division of roles, responsibilities, and authority between national and regional organizations.

Second, it is necessary to allocate sufficient financial resources, taking into account the long-term and complex nature of the transformations.

Third, programs should be launched to increase the overall level of the digital skills and digital literacy among broad sectors of society, which are necessary to launch and sustain the dynamics of the new digital economy.

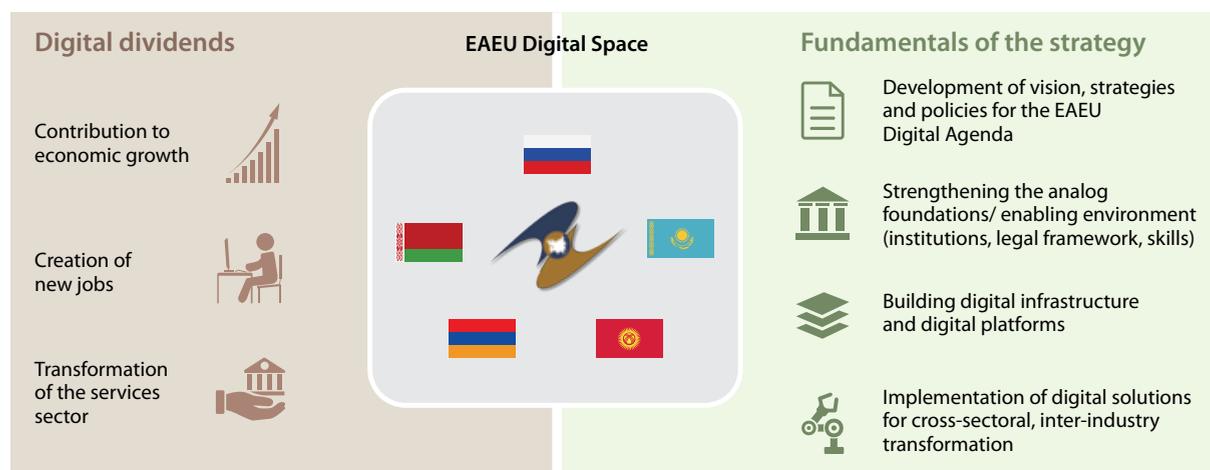
And *finally*, new telecommunications services should be deployed, including widespread broadband internet access, to support the development and deployment of secure and reliable cross-border intersectoral digital platforms and digital solutions.

The implementation of these recommendations (Figure 5) should be accomplished in stages, taking into account their complexity, priority, interdependence, integration of the EAEU and national systems, and the availability of resources.

This task requires the participation, knowledge, and experience of many stakeholders (private and public), and, most importantly, inspiring, active, consistent political and professional leadership at the EAEU level.

The EAEU is on the verge of a historic evolution in which digital technologies will have a fundamental impact on all sectors of the economy and society in general. The stakes are high, and time is of the essence. Success is defined as an internally integrated and digitized EAEU boasting high rates of economic growth, increased global competitiveness and a high level of social development.

Figure 5 Digital dividends and the fundamentals of the strategy for the implementation of the Digital Agenda of the EAEU



THE EAEU 2025 DIGITAL AGENDA: PROSPECTS AND RECOMMENDATIONS

PREREQUISITES AND RATIONALE FOR THE CREATION OF THE EAEU DIGITAL AGENDA

Prerequisites for the creation of the EAEU Digital Agenda

Both global and EU experience with the development of the digital economy indicate how significant the economic impact of the implementation of the EAEU Digital Agenda may be.

TIGRAN SARGSYAN, CHAIRMAN OF THE EEC BOARD

“Change in the status quo is always a cause for certain ‘stress’ for countries and unions, but at the same time, it creates additional opportunities. The acceleration of global processes can transform international economic relations and cause new worldwide redistribution of labor and competencies. Countries and unions that are most adaptable to change have much more potential to become leaders in this new system. Regional integration becomes a natural response to external economic challenges.”

At the global level, cross-border data flows (enabled by technology use) grew by 45 times between 2005 and 2014. They generated US\$2.8 trillion² in economic value in 2014—a greater impact on world gross domestic product (GDP) than the global trade in goods³.

The economic dynamism created by the digital economy is not just about new technological companies and businesses. Over 75 percent of the value added created by the internet is in traditional industries, due to higher productivity gains⁴.

As international experience shows, the digital economy is a force for accelerating global economic development, enhancing industry productivity, creating new markets and industries, and offering new avenues for inclusive, sustainable growth⁵. However, the acceleration of economic development is achieved by those countries and economic associations that systematically build the foundations and mechanisms of leadership in the digital economy.

As indicated in a recent study published by the World Bank, ‘Reaping Digital Dividends: Leveraging the Internet for Development in Europe and Central Asia’, not everyone takes advantage of the benefits of the internet. In fact, there can be an increase in inequality between countries and population groups within countries. Much of this depends on the appropriate implementation of digital transformation in the context of creating the conditions necessary for significant societal transformations⁶.

As the authors of the study indicate, the digitalization of the region in which the EAEU is located is determined by two significant factors: (1) strong government interventions and (2) a risk-prone private sector. In some countries of the EAEU, internet providers were until recently monopolized by the state, so the cost of internet access remained high and the quality of the services provided was quite low. As a consequence, the reluctance of the private sector to take risks lead to a very primitive use of internet technologies for business needs.

Moreover, geopolitical issues and weak diplomatic relations in some parts of the South Caucasus and Central Asia are obstacles to (1) ensuring both universal and low-cost access to the internet, (2) receiving economic dividends from international

² <http://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/digital-globalization-the-new-era-of-global-flows>

³ Fact Sheet: Key Barriers to Digital Trade, <https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2016/march/fact-sheet-key-barriers-digital-trade>

⁴ Digital transformation, European Commission, https://ec.europa.eu/growth/sectors/digital-economy/importance_en

⁵ G20 Digital Economy Development and Cooperation Initiative, http://www.g20chn.com/xwzx/english/sum_ann/201609/P020160912341422794014.pdf

⁶ <http://www.worldbank.org/en/region/eca/publication/digital-dividends-in-eca>

transit traffic, and (3) other economic and social dividends. However, as the international experience of digital transformations indicates, the benefits of this process can be very significant.

Understanding the above processes and potential dividends of developing a digital space for the Union enabled the EAEU to decide to develop the Digital Agenda and establish a high-level working group to develop the main directions for the implementation of the Digital Agenda of the EAEU until 2025.

Several factors were emphasized to underline the urgency for digital transformation:

First, brain drain, which is a loss of both entrepreneurial talent in the field of ICT and workers and consumers in this field, accompanied by depletion of competencies and devaluation of traditional assets that have not been digitized;

Second, continuous decline in the competitiveness of traditional institutions and economic entities against the backdrop of the practice of digitalization of business processes and the emergence of the data economy; and

Third, the domination of global digital platforms and players that dictate policies and create additional gaps between ‘connected’ and ‘unconnected’ countries and entities.

Global and regional trade and economic integration are key factors in increasing the effectiveness of national economies. Digital technologies are an integral part of such integration today, being the engine of both national growth and global competitiveness. It is digitization that can give a powerful boost to the competitiveness of the EAEU.

In line with the vision of the EEC, the development of the EAEU digital space and the Digital Agenda is to support the EAEU mission to enable free movement of goods, services, capital, labor and data toward achieving the vision for raising the competitiveness of the region and of Member States, and improving living standards of the citizens of the Union⁷.

The *strategic directions for the development of the digital space of the EAEU by 2025*⁸ were defined at the EEC in collaboration with experts:

First, to increase EAEU’s global competitiveness and achieve sustainable economic development for the region through the establishment of a digital economy, comprehensive modernization, and regional cooperation;

Second, to achieve the development of human capital and ensure that EAEU member states are part of the process of new global industries’ and markets’ creation; and

Third, achieving a multiplier effect of digitalization at the regional level and ensuring that the digital space becomes attractive to both consumers and businesses.

Within the context of these strategic directions, several *priority areas* were identified.

First, the development of the EAEU legal and regulatory framework and harmonization of the legislation of the EAEU member states;

OBJECTIVES OF THE EAEU DIGITAL AGENDA 2025

- Increase in the share of the digital economy in the EAEU to annual GDP growth
 - Growth of the number of employees in the high-tech sector
 - Increase in productivity of the main sectors of the economy
 - Increase in exports of digital goods and services, as well as in digitally-mediated exports of traditional goods and services
-

Second, the creation of a common digital space to increase mutual trade volumes using e-commerce tools;

Third, the expanding of the practice of using ICT to improve the efficiency of cross-border interaction between public authorities, business entities, and individuals; and

Finally, the development and implementation of joint projects and programs aimed at the digital transformation of the EAEU member states⁹.

In addition to results that can be achieved in each country individually, this study evaluates the additional digital dividends that can be achieved at the level of the EAEU, the *multiplier effect* (Figure 6).

For example, according to World Bank estimates, in line with the country-specific scenarios for digitalization, an increase in the international internet bandwidth is estimated to have a 0.55 percent growth impact on the cumulative national GDP of the EAEU member states. In comparison, with the EAEU Digital Agenda implemented, the regional GDP growth is estimated at a minimum of 0.66 percent. Hence, the variance between the two scenarios amounts to 0.11 percent of the current GDP.

Similarly, the difference between the two scenarios in terms of the impact of fixed broadband access on the growth

⁷ <http://www.eaeunion.org/?lang=en#about>

⁸ “Draft of the Strategic Directions for the Formation and Development of the Digital Space of the Eurasian Economic Union in the Perspective until 2025” [http://www.eurasiancommission.org/ru/act/dmi/workgroup/materials/Documents/Стратегические%20направления%20формирования%20цифрового%20пространства%20ЕАЭС%20\(проект\).pdf](http://www.eurasiancommission.org/ru/act/dmi/workgroup/materials/Documents/Стратегические%20направления%20формирования%20цифрового%20пространства%20ЕАЭС%20(проект).pdf)

⁹ <http://www.eurasiancommission.org/ru/nae/news/Pages/26-11-2015-2.aspx>

of the GDP of the EAEU for the period 2018–2025 is estimated at 0.9 percent of the current GDP.

Recognizing the especially important role of digital innovations and transformations in modern conditions of economic development, on December 26, 2016, Presidents of the EAEU member states signed a joint statement calling for cooperation on the creation and implementation of the Union's Digital Agenda

For e-commerce and trade, the difference is estimated at least at 0.44 percent in favor of the regional scenario at the EAEU level. In the case of the expansion of mobile communications, the difference in the impact between the two scenarios reaches 0.25 percent of the current GDP.

Providing citizens, entrepreneurs, and companies with opportunities to prosper in the digital economy will depend on the success of the EAEU in creating a reliable common digital infrastructure of world class level, effective integration mechanisms, adopting a regulatory and legal framework that supports the digitalization of economic activity, encouraging innovation, and attracting sustainable investment.

The task of the EEC is to take full responsibility for this process at the Union level and secure reliable support from all the member states of the EAEU. Major priority should be given to the development of the 'analog foundations' for the EAEU digital economy, that is, a regulatory and legal framework and governance institutions that are aimed at and ensure the security of digital activities and enhancing the digital skills of the population.

Digital dividends as an economic basis for consistent policy in the digital economy

To develop the EAEU Digital Agenda, common approaches are key to the implementation of the Digital Agenda at regional level that will result in the *multiplier effect* outlined above.

STRATEGIC GUIDELINES FOR THE DEVELOPMENT OF THE EAEU DIGITAL SPACE BY 2025

- Systemic digital transformations of economies of the EAEU countries in the areas of integration
- Ensuring the seamlessness of economic processes and the service environment as a result of their digitalization
- Creation and launch of joint digital tools for expansion into global markets (digital assets)
- Qualitative growth in the number of jobs in the digital economy and increase in the digital inclusion of the population
- Reducing the complexity of economic risks

It is important to note that the digital economy concept continues to evolve because of its multifaceted and dynamic nature, derived from the transformational potential of digital technologies. The digital economy involves more than simply e-commerce and includes doing business, conducting communications, and providing services across all sectors including transport, financial services, manufacturing, education, health care, agriculture, retail, and media and entertainment industry.

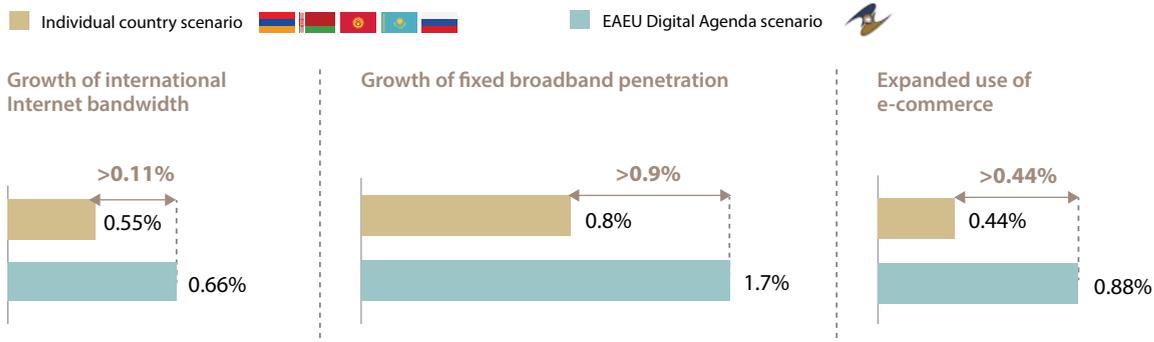
The World Economic Forum (WEF) indicates that “*the digital economy permeates all aspects of society, including the way people interact, the economic landscape, the skills needed to get a good job, and even political decision making.*”¹⁰ At a seminar held in June 2017 in Moscow, the World Bank team proposed the following definition: “*Digital economy is a new paradigm of accelerated economic development based on real-time data exchange.*”¹¹

¹⁰ The 10 countries best prepared for the new digital economy, WEF, 2016, <https://www.weforum.org/agenda/2016/07/countries-best-prepared-for-the-new-digital-economy>

¹¹ Developing the Digital Economy in Russia, World Bank, 2016, <http://www.worldbank.org/en/events/2016/12/20/developing-the-digital-economy-in-russia-international-seminar-1>

Figure 6 Impact of digitalization initiatives on GDP growth for both scenarios for the period 2018–2025

GDP growth of the EAEU region due to digitalization initiatives,%



The EU considers the digital economy as “*the single most important driver of innovation, competitiveness, and growth in the world.*”¹²

ASEAN promotes a secure, sustainable, and transformative digitally-enabled economy that enables an innovative, inclusive, and integrated ASEAN community.

The Economic Commission for Latin America and the Caribbean also facilitates the development of the regional digital market¹³. It is anticipated that its creation will boost the equality-based and environmental sustainability-based development in the region and drive the growth of the connectivity for citizens and business and simplify the online exchange of goods and services.

Based on its understanding of this dynamic, the EEC adopted the definition of the Union’s digital space as *a space that integrates digital processes, means of digital interaction, informational resources and digital infrastructures on the basis of regulatory norms and mechanisms of organization, management and utilization.*¹⁴

The digital transformation of the economy is understood as the manifestation of qualitative, revolutionary changes that involve not only individual digital transformations, but also a fundamental change in the structure of the economy where the centers of value creation shift toward the development of digital resources and end-to-end digital processes¹⁵.

As a result of the digital transformation of the economy, a transition to a new technological structure is taking place, and new industries are emerging.

The EEC recognises the digital transformation of the Union’s markets as an important dimension for cooperation in all common markets of the Union aiming to create an enabling environment for the development of entrepreneurship based on digital technologies.

The digital transformation of the EAEU is opening opportunities to transform several economic activities.

For example, cross-border digital public services enable citizens and residents of neighboring countries to easily request and receive public services outside their home countries. The European Commission considers cross-border

digital public services as building blocks for a Connected Continent and its Digital Single Market¹⁶.

According to the calculations for this study, the cross-border services of utmost priority in the EAEU are registration of residence, obtaining identity documents, application for legal aid, filing tax return forms, registration of new legal entities, and obtaining advice on registering a business and on e-government services.

Summarizing the potential effects of providing these six cross-border priority services electronically, the potential savings for the EAEU can reach more than US\$200 per user accessing the services, and the total number of cross-border users may reach 2.8 million people.

Digital technologies increase the efficiency of trade transactions, transparency and accountability, eliminate delays and reduce corruption risks. Digital technologies are lowering transaction costs for the movement of non-digital goods and services (for example, through regional customs reforms), which will have significant economic impact that will also indirectly support growth in digital trade.

In line with the World Bank’s methodology for presenting the dividends of digital transformation, this study analysed the benefits for the EAEU from the implementation of its Digital Agenda in terms of growth, jobs and services (Figure 7).

Contribution to Economic Growth

The global digital economy is at a stage of active growth, rapid development of innovation, and widespread use of digital technologies in all sectors.

As highlighted in the World Bank’s World Development Report (WDR) for 2016, the impact of digital technologies on economic growth is mediated through three mechanisms: inclusion (engaging a maximum number of citizens in social processes), increase of efficiency, and innovation¹⁷. The report further explains that these three mechanisms boost growth by expanding trade, increasing capital and labor utilization, and intensifying competition.

According to the calculations for this study, the effect of the increase in fixed broadband access as part of the Digital Agenda by 2025 on the EAEU GDP will be significantly greater than the effect of increasing broadband access on a strictly country level. Providing universal broadband access can secure a total GDP growth of 1.7 percent for the EAEU by 2025. The savings resulting from removing legal barriers to the implementation of the EAEU Digital Agenda can potentially reach 2.6 percent of GDP.

¹² Digital transformation, European Commission https://ec.europa.eu/growth/sectors/digital-economy_en

¹³ ECLAC Encourages the Creation of a Regional Digital Market in Latin America and the Caribbean, ECLAC, 2016, <http://www.cepal.org/en/pressreleases/eclac-encourages-creation-regional-digital-market-latin-america-and-caribbean>

¹⁴ EEC Glossary, <http://www.eurasiancommission.org/ru/act/dmi/workgroup/Pages/glossary.aspx>

¹⁵ Digital transformation: online guide to digital business transformation, i-Scoop, https://www.i-scoop.eu/digital-transformation/#The_digital_transformation_economy_DX_moves_to_the_core_of_business

¹⁶ Digital Single Market, European Commission, 2017, <https://ec.europa.eu/digital-single-market/en/public-services-egovernment>

¹⁷ World Development Report 2016

Figure 7 Digital dividends from the implementation of the EAEU Digital Agenda

The implementation of the EAEU Digital Agenda is expected to accelerate the penetration of mobile communications closer to saturation levels due to regional harmonization of regulations, falling of prices, and increased competition. The impact of these processes on the GDP of the EAEU may include an increase of up to 0.76 percent by 2025.

As indicated by the European Parliament, innovations such as cloud services and data analytics, could add more than EUR 2,000 billion to Europe's GDP by 2030 through increasing the industrial outputs¹⁸.

Even though the use of cloud computing technologies is not yet extensive among the EAEU member states today, it is expected to grow considerably over the next decade.

Given the EAEU's unique geographical location, data centers could become important nodes of the global digital information network¹⁹. One could also envisage the creation of cloud services for the research community, as well as for public authorities of the member states with a view to providing a new generation of cross-border services. Such cloud initiatives will provide an opportunity for member states to consolidate existing data centers, increasing their sustainability while reducing maintenance costs.

Support for the development of cloud technologies through the introduction of cloud services at the Union level, the formation of a regional Eurasian network of data centers and of regional operator companies, and provision of internet traffic cache services for European and Chinese providers will significantly accelerate economic growth. According to the calculations of the World Bank, the potential increase in GDP of the EAEU due to this sector is 0.95 percent by 2025.

Despite the fact that the data industry is just emerging at the EAEU level, significant growth of the "data economy" is expected in the future, which may lead to 2 percent growth in EAEU GDP by 2025.

Creation of new jobs

The development of the digital economy inevitably leads to a significant transformation of the labor market. This transformation is complex and occurs gradually as more and more traditional sectors of the economy are engaged in the digital economy.

Such a transformation affects job creation on multiple levels. Undoubtedly, due to process optimization, robotization, and overall efficiency improvement, several jobs will leave the economy. As a rule, jobs for the least competitive and most vulnerable segments of the population will disappear; therefore, the EAEU member states need to consider the possibility of implementing special measures to support adaptation of such categories of citizens to the potential difficulties that they may experience along with the development of the digital economy.

However, according to global studies, the net effect of the development of the digital economy on the number of jobs will be positive.

For instance, according to McKinsey estimates²⁰, one new job in the ICT sector creates two to four jobs for the overall economy. PwC estimates indicate that an increase in digitalization by 10 percent reduces the level of unemployment by 0.84 percent.²¹ A detailed analysis of the French economy over the past 15 years has shown that an additional 1.2 million jobs have been created for 500,000 jobs that disappeared due to digitalization²².

According to the calculations for this study, with a 30 percent average fixed broadband penetration rate in the EAEU, one may expect that about 2 million to 4 million new jobs will be created by 2025, 1 million of which would be in the ICT sector.

Achieving target values of up to 3 percent employment in the ICT sector for EAEU member countries upon implementation of the EAEU Digital Agenda may ensure a 2.4 percent increase in employment rates by 2025.

¹⁸ Digital Economy, BusinessEurope, 2015, <https://www.buinessurope.eu/policies/digital-economy>

¹⁹ Data Center, Gartner IT Glossary, <http://www.gartner.com/it-glossary/data-center/>

²⁰ <http://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/digital-globalization-the-new-era-of-global-flows>

²¹ https://www.strategyand.pwc.com/media/file/Strategyand_Maximizing-the-Impact-of-Digitization.pdf

²² <http://economictimes.indiatimes.com/tech/internet/internet-creates-2-4-jobs-for-every-job-it-destroys-mckinsey/articleshow/8586070.cms>

According to the WDR, “the number of direct jobs created by digital technologies is fairly modest, but the number enabled by it can be quite large”²³. The rise of e-commerce platforms is creating a new group of micro-entrepreneurs, who can access global markets in a way that was impossible before²⁴.

For instance, China’s State Information Center estimates that the recent boom in the country’s e-commerce sector has created 10 million jobs in online stores and related services, about 1.3 percent of the country’s employment.

Information, counseling, recruiting and job search services should be provided at the regional level, along with the appropriate legal and regulatory framework, to ensure the free movement of citizens in the Union to seek employment as new jobs are created throughout the EAEU. There will be a need for a new employment and migration information system at the level of the Union to provide workers and employers with cross-border services related to employment and relocation from one country to another.

Transformation of the services sector

Achieving a high digitalization level for the EAEU by 2025 will entail economic and social dividends in all fields and sectors of the Union’s economy.

According to the calculations for this study, the most significant effect will be in manufacturing, retail, and services. Thus, if the digitalization level²⁵ reaches 20 percent by 2025, the manufacturing industry is expected to see an additional growth of 0.98 percent of EAEU GDP, retail — 0.92 percent of EAEU GDP, and services — 2.2 percent of EAEU GDP.

The digital services’ share of total exports, represented 28.3 percent in the EAEU in 2015. To achieve the EAEU target—which is 34–36 percent — several measures are needed to foster and support the export focus of ICT services in the EAEU. This involves services such as information technology (IT) outsourcing, business process outsourcing, cloud services, offshore programming, and customized development.

According to the calculations for this study, the additional increase in the volume of exports of ICT services by 2025 can be between 51 percent and 74 percent upon implementation of the EAEU Digital Agenda.

Practices of many digitally advanced countries show that digital technologies help improve public services for the population and businesses. Innovative governments are making it

easier for citizens to access public services and make the shift from simply administering services to regularly engaging and empowering citizens to participate in the design and the delivery of these services²⁶. This not only helps to increase citizens’ choices of available services, but to also boost government productivity and efficiency of public administration and increase citizens’ trust in government.

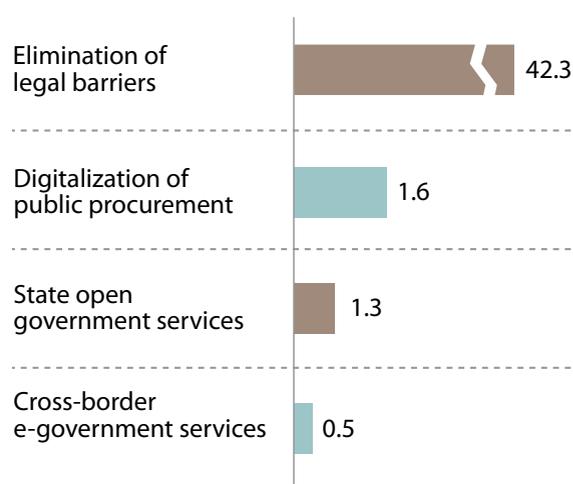
Implementation of the open government concept may offer significant opportunities and dividends. An EU study on this topic explores services such as support for entrepreneurship, street maintenance service, feedback management, publication of regulations, participatory budgeting, and participatory decision making, among others.

It is important to note that for open government services to be provided, there is a need for a sufficient amount of open data that is accessible to the public and business. Approving common open data standards and ensuring data’s synchronization and quality are important for the creation of such a repository at the Union level. According to World Bank estimates, the potential impact of creating a regional open data repository may be a growth of 1.34 percent in the EAEU GDP by 2025.

In general, according to World Bank estimates, the increase of digitalization of the EAEU by 20 percent by 2025 may lead to an increase in the services market by 2.2 percent of the Union’s GDP.

Figure 8 Transformation of the services sector

Examples of potential digital dividends (in bln. USD) from the introduction of the EAEU Digital Agenda (2018-2025)



²³ World Development Report 2016

²⁴ Enabling Digital Entrepreneurs, Background paper, Digital Dividends, World Development Report 2016, <http://pubdocs.worldbank.org/en/354261452529895321/WDR16-BP-Enabling-digital-entrepreneurs-DWELSUM.pdf>

²⁵ As defined by the WEF: http://www3.weforum.org/docs/WEF_GITR_Report_2013.pdf

²⁶ Government by design: Four principles for a better public sector, McKinsey, 2013, <http://www.mckinsey.com/industries/public-sector/our-insights/government-by-design-four-principles-for-a-better-public-sector>

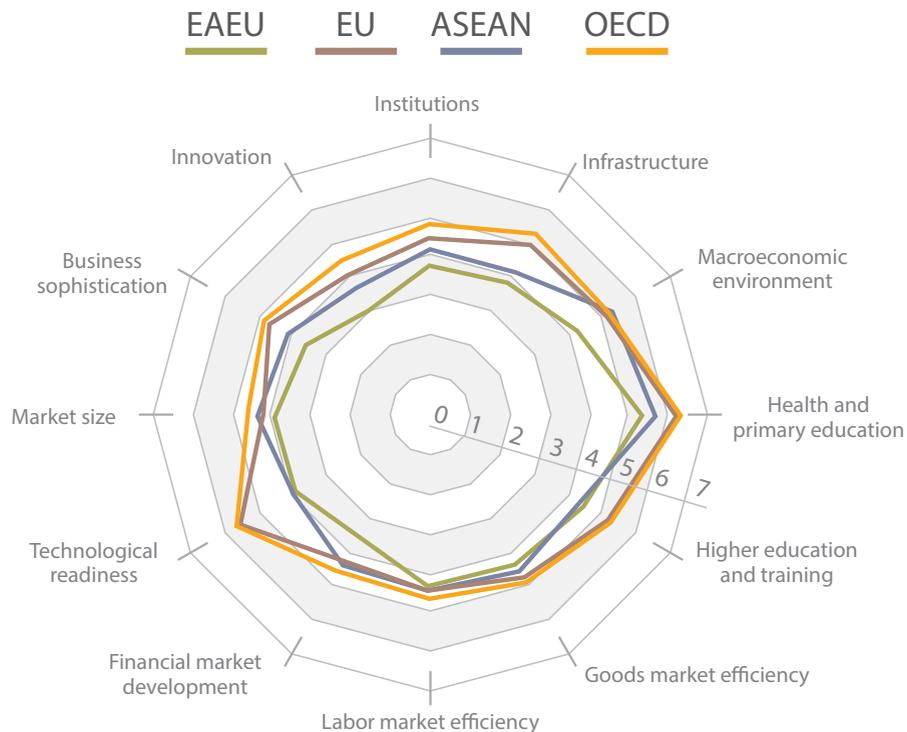
CHALLENGES TO THE DIGITAL TRANSFORMATION OF THE EAEU AND THE POSSIBILITY OF ACHIEVING DIGITAL DIVIDENDS

In recent years, the EAEU countries have developed different national strategies and programs for ICT development. This indicates an increased understanding by governments of the importance of ICT for economic development. The different country initiatives, however, differ from each other in program priorities. Most strategic documents do not include plans, indicators, or actionable projects aligned with the efforts toward integration within the EAEU, nor are they supported by the necessary investment funding.

In addition to that, according to the WEF Competitiveness Index 2016–2017, the EAEU region shows a low level of institutional development, efficiency of financial markets, and technological readiness. There is a noticeable lag in the development of the EAEU infrastructure when compared to the EU and the Organization for Economic Co-operation and Development (OECD) countries (Figure 9). To address these gaps and ensure economic growth and competitiveness in the region, strategic objectives of the Digital Agenda should include reforms that foster innovation.

²⁷ WEF Competitiveness Index for 2016-2017

Figure 9 WEF Global Competitiveness Index in the EAEU versus EU, ASEAN, OECD²⁷



As for the efficiency of goods markets and the labor market, the EAEU is at a comparable level of development and only marginally lagging behind the EU, ASEAN, and OECD.

According to the WDR 2016, indicators on analog foundations²⁸ and digital technology penetration demonstrate that the EAEU is at the bottom of the list of transitioning economies in Europe and Central Asia.

Analytical data shows that the level of adoption of digital technologies by the population and the private business sector remains low. This may be due to low awareness of the benefits of digitalization, as well as lack of competence or low level of trust of citizens and businesses in ICT and digital technologies.

As part of the development of the digital economy of the Union, there is a need to provide measures aiming to stimulate the business sector to adopt digital technologies, as well as to implement a program to raise public awareness about the opportunities and benefits of digital interactions.

Based on WEF Networked Readiness Index research, the EAEU is among the weakest regional performers in terms of economic impact. This means that digital technologies have not yet sufficiently penetrated the economy and that digitalization does not yet have an equally significant impact on the

development of the Union's economy, as is the case for more developed regions.

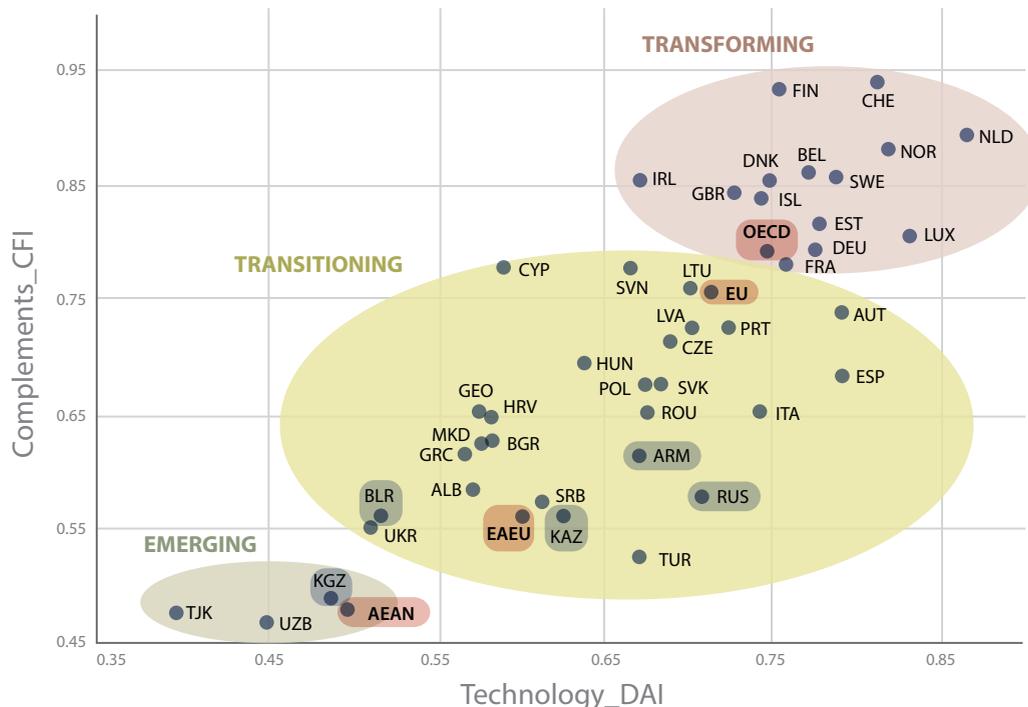
The low level of penetration of digital technologies in the EAEU is determined by several factors. For example, as indicated in the World Bank's study on Digital Dividends in Europe and Central Asia, for more than 80 percent of the population of Armenia and the Kyrgyz Republic, the most basic plan for mobile communication services represents at least 10 percent of the total of their household expenditure. This is a vicious circle because of the high cost and low quality of internet services, low demand, which, in turn, does not stimulate infrastructure investments. The fixed broadband penetration rate is only 3 percent in the Kyrgyz Republic.

Will universal access to the internet be a sufficient condition to reap digital dividends? Most likely not. The EAEU member states lag behind in a number of areas related to analog foundations, such as the legal framework, skills, and institutions. An integrated approach to addressing these issues should be developed at the level of the EAEU, under the EEC's guidance.

In the *Reaping Digital Dividends in Europe and Central Asia Report* (2017), countries are divided into three groups, depending on their level of development of digital technologies: emerging, transitioning, and transforming (Figure 10).

²⁸ World Development Report 2016

Figure 10 Development of digital economy in Europe and Central Asia



Countries with different levels of development of digital technologies face different challenges, and therefore differ over priorities of various strategies.

Countries where the digital economy is emerging include those where the specific number of internet users is so low that they practically do not benefit from any drastic changes that new technologies may bring.

Transitioning countries have an adequate level of internet access, but new technology leads to lack of take-up due to the absence of certain analog complements.

Finally, transforming countries are the ones with well-developed telecommunications markets, where some of the analogue foundations might be insufficiently developed, thus hindering the positive impact of new technologies.

In terms of this classification, EAEU members (except for the emerging Kyrgyz Republic) are in the transitioning group. If the digital transformation process is pursued correctly, this will create opportunities for a leap into the transitioning

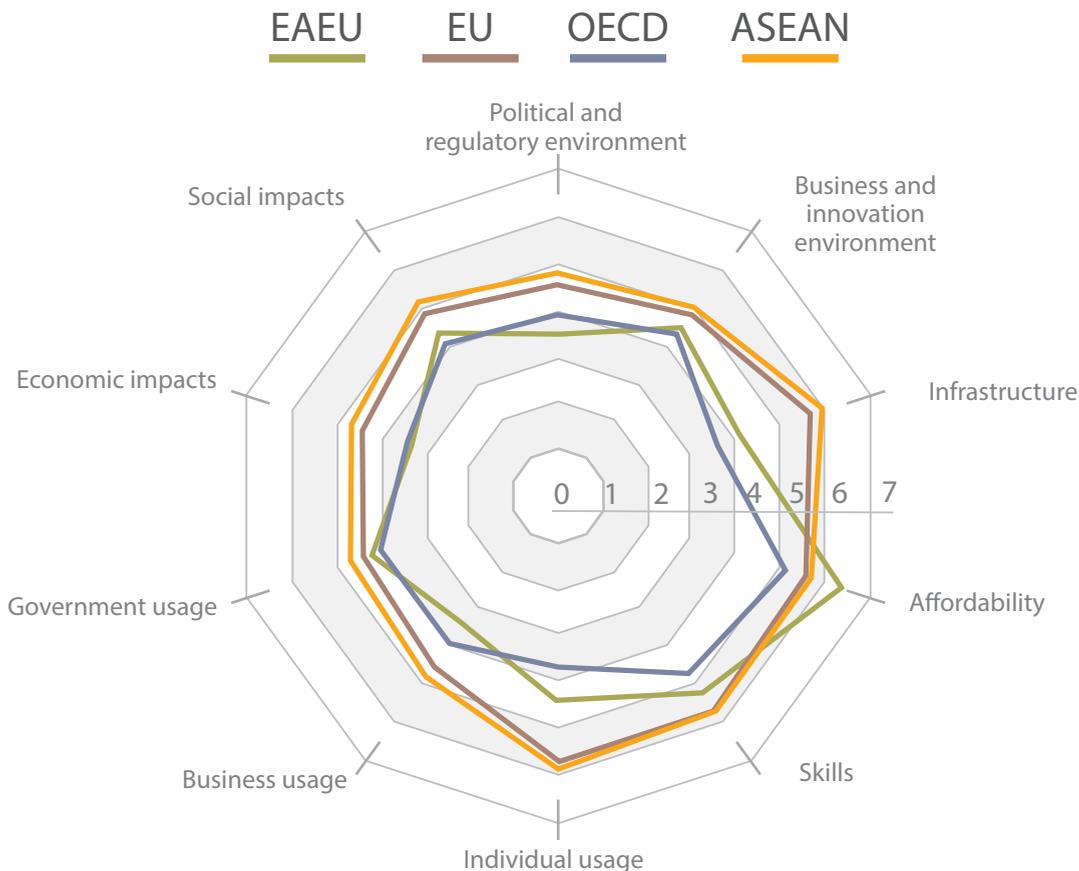
group for the Kyrgyz Republic, and opportunities for the majority of EAEU members to join efforts and leap into the group of leaders.

The experience of new EU members suggests that the countries lagging behind have a wider choice of technologies to implement as a priority, and the transformation process itself can take much less time than has been taken by the digitalization leaders.

The report also notes that the priority of digitalization policy for transitioning countries should be *the launch of a national plan to ensure broadband access, labor market reform, and cross-border integration*. These three areas should be placed at the center of the EAEU digitalization strategy.

The EEC's task is to focus on overcoming these obstacles by creating favorable political, legal, business, and innovation environments. Concerning the development of these components, the EAEU is almost on par with ASEAN, but at the same time it scores lower than the EU and OECD countries (Figure 11).

Figure 11 Network Readiness Index in the EAEU versus EU, OECD, ASEAN



As the experience of developed countries shows, the level of business and innovation environment development has significant impact on the level of ICT usage by business sector. To date, the level of ICT use in the countries of the Union is low and is lower than in ASEAN and the EU (Figure 12).

Regarding fixed broadband access (per 100 people), the Union is placed almost on par with the countries of East Asia and the Pacific, but, at the same time, is at half the level of the EU and OECD countries (Figure 13).

Figure 12 ICT usage levels

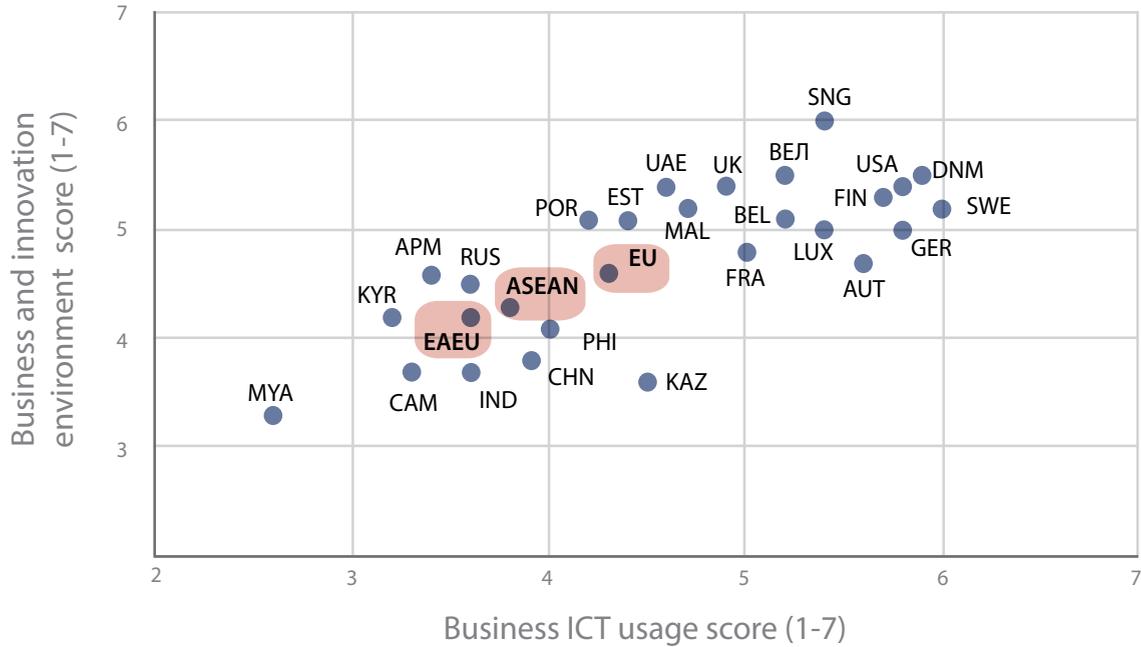
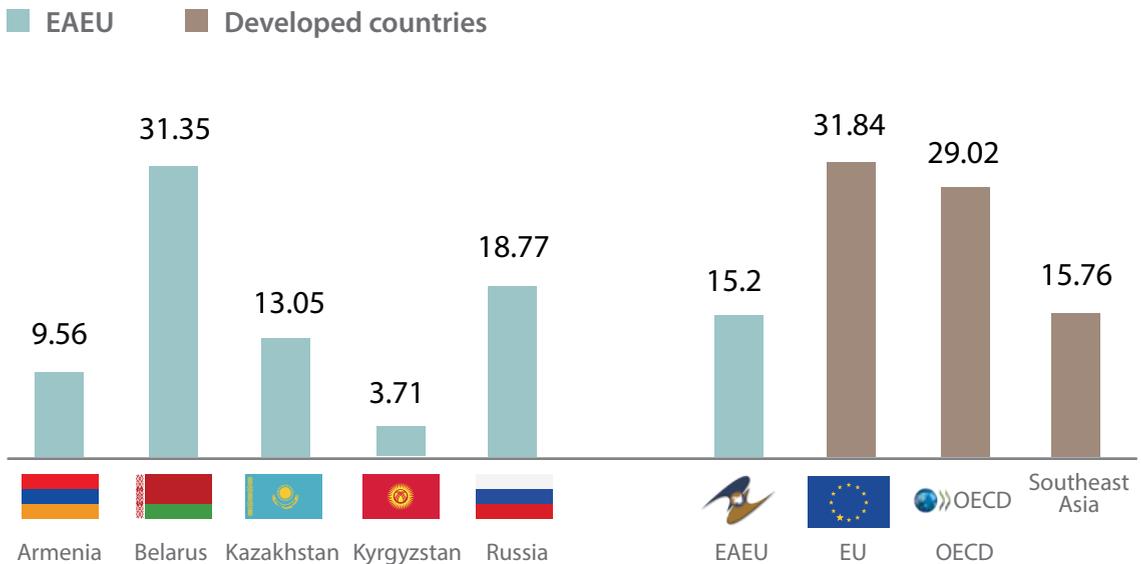


Figure 13 Fixed broadband access



The four pillars of the strategy to create the EAEU digital space

1. Development of vision, strategies and policies for the Digital Agenda of EAEU
2. Establishment of ‘analog foundations’ (governance and institutions, legal and regulatory framework, skills and entrepreneurship)
3. Building a digital infrastructure and common digital platforms
4. Implementation of digital solutions for sectoral, inter-sectoral, and government transformation

The EAEU multiplier effect

The concept of added value creation because of the integration was applied at the Union level to determine the advantages of EAEU digital transformation. It shows how the measures taken at regional level may create a multiplier effect and reap additional digital dividends, including for each of the EAEU member states.

The multiplier effect allows member states to accelerate the development and increase competitiveness of their own

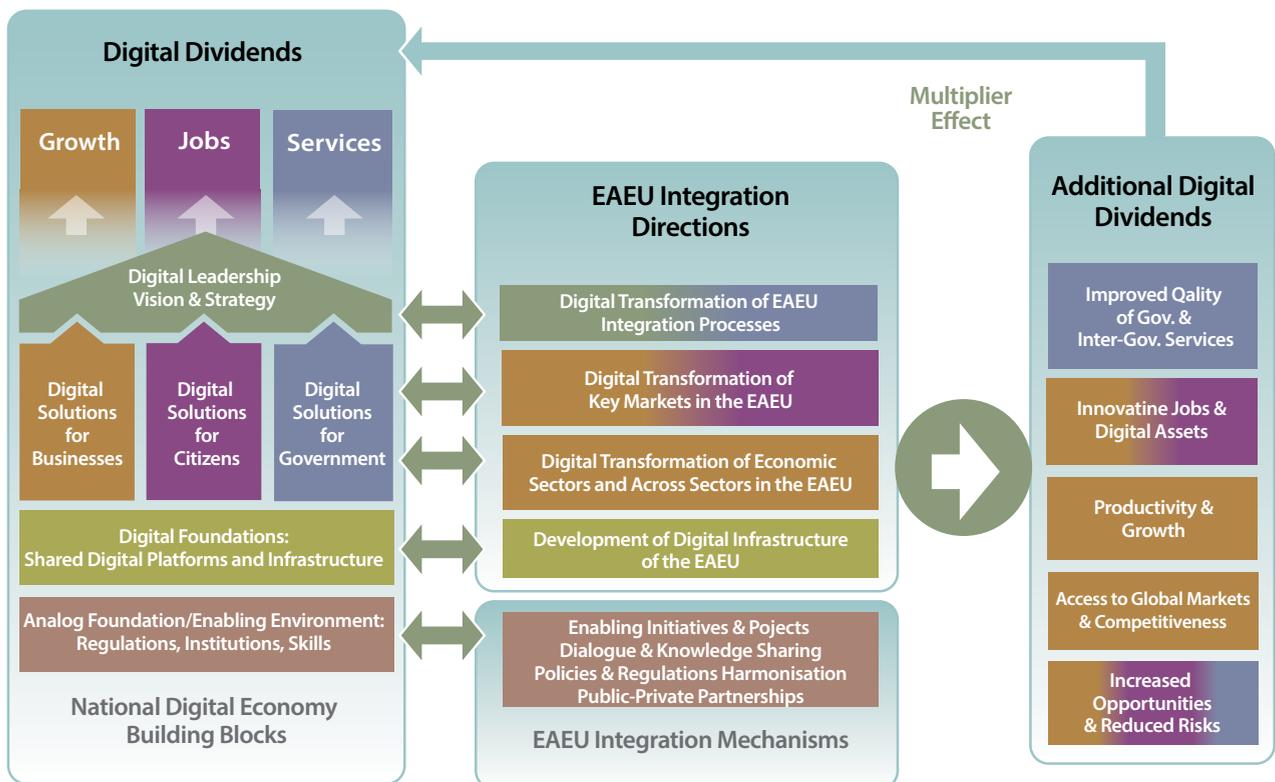
digital economies using integration synergy, and on the other hand, to generate additional dividends as a result of regional integration transformation providing new mechanisms for implementation of economic initiatives in various sectors, with smaller resources and greater efficiency.

The multiplier effect will lead to an acceleration of economic growth, an increase in the number of jobs created, and an increase in the quality of services at the regional level, creating a solid foundation for further development of common markets for goods and services (Figure 14).

The application of this approach requires, among other things, ensuring technological compatibility and interoperability of the digital solutions, digital platforms, and digital infrastructures needed to provide an efficient, inclusive, and secure digital economy throughout the EAEU digital space.

Since the digital economy, businesses, and services depend on infrastructure, the importance of quality digital infrastructure is not limited to the national economy. Common platforms that provide broadband internet access and the development of regional platforms, applications, and digital solutions will have a positive impact on the development of the regional economy.

Figure 14 EAEU Digital Agenda: the multiplier effect



Analysis of analog enablers in EAEU

WDR 2016 emphasizes that relying only on the use of digital technologies is not sufficient for fully fledged growth, and that countries will need to work on ‘analog complements’. These include *effective leadership, strengthening of the regulatory framework that meets the needs of the digital economy, and developing the necessary skills* to enable effective and economically advantageous employment of the population²⁹.

According to one of the key findings in the latest Global Information Technology Report of the WEF, new trends in digital economy require urgent innovations in the management and regulatory framework to ensure its sustainability³⁰. Analog enablers include laws and regulations, professional skills, and entrepreneurial potential, as well as management and institutions.

For many years, several measures have been put in place by the EU to create a legal framework and corresponding rules that ensure the development of new digital services, their successful implementation, and wide application by end users, businesses, and government employees. Such analog enablers are now considered as important as the digital factors, and they should be viewed as complementary to the technological factors.

The following are among the most important ‘analog’ factors for the successful implementation of the EAEU Digital Agenda:

First, a political consensus and leadership on the transformation processes is needed at the highest level;

Second, there is a need for a high level of engagement of various institutions, including government agencies, private sector, research and academic institutions, mass media, and the public;

Third, having experienced managerial and technical human resources is important; and;

Finally, a coherent policy is needed to raise public awareness about the overall vision of digitalization and the transformation process, as well as the expected economic and social dividends.

Strengthening governance systems for delivery of the EAEU Digital Agenda

Governance bodies in EAEU countries are at different levels of maturity. To date, most of the structures that perform the role of regulatory institutions are mainly engaged in

coordination functions and are not institutional engines for ICT development.

The implementation of many ICT programs is delegated to state-owned enterprises, which often lack coordination among themselves; this leads to fragmentation and the creation of isolated ‘digitalization islands’ outside the overall strategic vision of a coherent and scalable digital base.

Certain state bodies also create their own state-owned ICT enterprises, which focus on sectoral IT projects outside the overall strategic vision of the Union-level digitalization program.

Setting up EAEU organizational structures at the highest political level to monitor and coordinate the implementation of the commonly shared vision of digital transformation is necessary. There is a need to form strong interstate institutions that can become the main catalysts for the development of digital economy in the EAEU.

Therefore, the EEC faces a difficult task of building a governance structure at the Union level to administer the delivery of the Digital Agenda and coordinate it with national Digital Agendas of each of the Union’s members.

There is a need to set up a flexible and effective governance model that would ensure development of a common vision for digitalization, identify Union-level priority areas, create a roadmap, define implementation principles and mechanisms, provide a reliable technical base, and ensure the necessary sources of funding.

Improving the legal and regulatory EAEU framework for the delivery of the Digital Agenda

Creating an enabling regulatory and legal environment for the implementation of the Digital Agenda is crucial for its successful implementation and will lead to reaping tangible digital dividends.

For instance, in 2016, the EEC completed the development of the regulatory and legal framework for the introduction of the EAEU cross-border area of trust, with a view to ensuring national recognition of electronic signatures in the exchange of legal electronic documents, as well as to maintain an appropriate level of information protection in the interaction of the member states through the EAEU integrated information system³¹.

However, some of the adopted legal documents, strategic programs, and initiatives are already obsolete, or have lost their relevance and need to be updated in accordance with the emerging global challenges and opportunities of digital economy.

²⁹ World Development Report 2016

³⁰ Executive Summary, The Global Information Technology Report 2016, WEF, <http://reports.weforum.org/global-information-technology-report-2016/executive-summary/>

³¹ Meta.KZ, <http://meta.kz/novosti/kazakhstan/1066566-sformirovana-normativnaya-baza-eaes-dlya-vnedreniya-transgranichnogo-prostranstva-doveriya.html>

Personal data security is legally regulated in all countries of the Union. Some countries have taken important initiatives to strengthen the protection of personal data. However, the growth in the penetration of new digital technologies requires new approaches for the legal use and storage of personal data, without violating the rights of EAEU citizens.

According to World Bank estimates, the growth of the EAEU's GDP up to 2025 may amount to 2.6%, through the elimination of the legal and regulatory barriers for implementation of the EAEU Digital Agenda. Therefore, further work is needed to harmonize and enhance the effectiveness of cooperation in terms of common standards and regulations.

There is a need to ensure the harmonization of the legal and regulatory environment for the telecommunications sector, which allows for the creation of the EAEU single telecommunications market. It should ensure an effective decrease in the barriers to entry to the market, including legal obstacles.

There is also a need to review the entire legal framework creating the legal digital foundations for new methods of doing business and interacting with public administrations.

Harmonized legislation should provide the adoption of uniform and clear rules and standards to simplify procedures of interaction for actors at the regional level, to remove barriers to the movement of human resources, goods, services, data, and capital flows, and provide for open and fair competition rules within the Union. These rules should be supported by the relevant institutions that ensure their implementation.

In addition, legislation on protection of personal data, in particular the cross-border transfer of personal data within the EAEU, will need to be improved and harmonized to build confidence. The creation of relevant institutional structures will be required to ensure the security of the new digital ecosystem³².

Creating 'uniform rules of the game' for digital innovations by establishing relevant technical standards for digital equipment and digital services and publishing them on the internet is important.

The current jigsaw of fragmented markets prevents businesses from expanding and trading within the EAEU, and also prevents consumers from taking advantage of common digital markets. This obstacle can be overcome by eliminating legal barriers, promoting electronic payments, electronic billing, and electronic dispute resolution.

It is also important to create a single market for financial services, to enhance confidence and develop regional business. To ensure a harmonized regulation of financial markets

in the EAEU following the results of step-by-step harmonization of the legislation, the member states agreed to establish a single supranational body for regulating the financial market by 2025³³.

To ensure the free movement of capital in the territory of the EAEU, there is a need to integrate electronic financial systems in the member states. Principles and standards of interaction of such systems should be harmonized at the Union level and include a security policy, data standards and personal data security.

On the other hand, there is need to actively engage companies, entrepreneurs, and start-ups to create and provide innovative financial products and services. There is also a need to consider the creation of a dynamic mechanism to interact with businesses so as to obtain their proposals related to key problem areas.

Implementation of the Digital Agenda implies strengthening confidence in digital technologies, simplifying and improving the security of cross-border electronic transactions, and adopting a comprehensive harmonized legal framework for a digital economy, especially for international e-commerce.

At the regional level, simplification of rules on digital cross-border purchases will increase the cross-border trade conducted by business online and increase consumer confidence in cross-border electronic commerce.

Developing professional skills and entrepreneurial potential in the EAEU

The EAEU countries have a high level of general literacy, but at the same time, the population's and businesses' level of digital skills is still low.

The connections between universities, research institutes, innovation centers, and private and public sectors are weak.

The EAEU countries have a solid groundwork of technical and mathematical education from Soviet times. Nevertheless, the EAEU does not export large volumes of innovative products due to the lack of a complete ecosystem of scientific research and innovations, a shortage of highly qualified personnel, and also due to the low level of research infrastructure development.

As far as digital entrepreneurship is concerned, its growth rates have increased in the EAEU in recent years. Partially, this is due to the measures taken by the EAEU member states, namely the creation of financing and supporting institutions for start-ups and the construction of technology parks, incubators, and accelerators.

³² Rebooting public service delivery: How can open government data help to drive innovation, OECD, <https://www.oecd.org/gov/Rebooting-Public-Service-Delivery-How-can-Open-Government-Data-help-to-drive-Innovation.pdf>

³³ <https://barriers.eaunion.org/about?tab=MARKET>

Nevertheless, there are few such incubators and the lack of venture financing and initial investment to support start-ups and digital entrepreneurship is a serious obstacle in the development of this field.

A digital economy requires employees, entrepreneurs, and government workers with appropriate professional skills to use new digital opportunities. Transitioning countries should strengthen basic skills, and emerging countries should increase their efforts to obtain more advanced skills.

Entrepreneurial skills training for young people is a key area. Digital knowledge-sharing networks should be established within the Union and access to cutting-edge master's programs in business administration should be provided. It is necessary to create institutions and procedures aimed at solving issues of digital security, preparing for cyberattacks, combating cybercrime, and increasing general public confidence in the digital ecosystems underlying the digital economy.

In the field of education, the development of general cognitive skills as a foundation for further mastering of digital skills plays an important role.

Identification of digital competencies and relevant skills play an important role in the education sector. In light of this, the launch of a Union-level program to develop digital skills and improve digital literacy is recommended, as is the adoption of the EAEU policy on digital literacy and skills. This requires increased funding to universities for the organization of ICT courses, as well as applied digital technology research programs.

Digital entrepreneurship development can be stimulated by creating digital incubators, accelerators, and early stage funding programs.

6 priorities for the implementation of the EAEU Digital Agenda 2025

1. Approval of the concept and strategy of the EAEU digital transformation by 2025
2. Approval of the governance structure for implementation of the Digital Agenda 2025
3. Creation of an investment fund for digital transformation
4. Harmonization of the legal and regulatory framework for digital transformation
5. Development of cross-border telecommunications, cybersecurity, electronic identification, and logistics systems
6. Creation of the unified digital platform of the EAEU

Incubators provide technical training, targeted mentoring programs in the private sector, and opportunities for communication with colleagues, investors, research institutes, and well-known companies, as well as free or reduced-price office space and internet connection.

Accelerators are focused on supporting start-up companies that are already making a profit and moving to the stage of rapid growth by offering intensive training and equity investments. Such approaches can be combined with financial support at the riskiest and early stages of a start-up company's development.

PRIORITY INITIATIVES FOR IMPLEMENTATION OF THE EAEU DIGITAL AGENDA

“Improvement of conditions for the functioning of the EAEU internal market” is a priority for the EAEU. It is based on four “freedoms”—freedom of movement of goods, services, capital, and labor.

The active transformation of the EAEU’s internal market based on digital technologies to create a single digital space is extremely important in line with global digitalization and for the achievement of the EAEU’s social and economic objectives.

Considering similar development strategies in other regions of the world, in particular ASEAN and the EU, and considering the progress in this field in the EAEU, the strategic directions for the implementation of the EAEU digital space by 2025 are currently being developed.

The introduction of digital technologies to achieve economic objectives of the EAEU assumes a joint proactive approach that includes a shared vision agreed upon by all stakeholders in the private and public sector, common strategies, objectives, and long-term measures.

To implement this vision, extensive complementary measures are needed, based on the creation of the necessary analog and digital foundations, along with the development and implementation of cross-border, intersectoral, and interdepartmental digital solutions and services for citizens, businesses, and government employees.

The electronic ecosystem of technologically compatible digital solutions, common digital platforms, and digital infrastructure will facilitate the free movement of goods, services, capital, and labor and the development of a data-driven economy. It will bring dividends in the form of creating new jobs, accelerating economic growth, and improving the quality and accessibility of public services. These dividends

will create opportunities for regional cooperation, integration, transformation, and inclusive growth, thereby contributing to the achievement of the EAEU’s political objectives.

Creating shared digital platforms

Shared digital platforms are the drivers for the development of innovation and play an important role in achieving dividends at the regional level. They change the economy of cross-border business, reducing the cost of international transactions in creating market and user communities on a global scale. More specifically, companies can more effectively access a much larger number of potential customers.

According to the Massachusetts Institute of Technology (MIT), the digital platform is a platform that “uses technology to connect people, organizations and resources in an interactive ecosystem.”³⁴ Shared digital platforms facilitate interaction between users, the collection and use of data on such interactions, and contribute to the emergence of network effects, which increase the value of the digital platforms as the number of users grows.

The EAEU has recently launched a pilot project on the introduction of electronic document exchange between the member states and the EEC

In 2015, the share of electronic procurement reached 42 percent in the EAEU. The openness of public procurement information posted on the web reached 60 percent by 2016

³⁴ Return of platforms (and how to not fail at building one), 2016, MIT, <http://mitsloan.mit.edu/newsroom/articles/the-return-of-platforms-and-how-to-not-fail-at-building-one/>

The portals of integrated public services³⁵ can be distinguished among the examples of common platforms: digital platforms that unite government websites; shared data platforms; interoperable platforms that enable participants, including government agencies and private enterprises, to interact and exchange data; mobile application development platforms; and platforms of common services, including digital identification and authentication, digital payments, and digital procurement platforms.

Special attention should be paid to the possibility of creating a digital platform for the exchange of geospatial information at the level of the Union of the EEC member states based on the integration of existing systems and the corresponding harmonized legislation. The use of spatial data and their combination with external sources of data can contribute to the creation of new cross-border and cross-sectoral services.

Such platforms are particularly important in the regional context of the EAEU, as they increase the effectiveness and security of interactions, reduce the need for direct contact between officials and suppliers, and help in deterring corruption.

Implementing shared digital solutions

There are already actions underway leading to the spread of electronic cross-border transactions for consumers and business in the EAEU member states and the formation of a truly

unified, integrated free trade zone in the region, using the advantages of e-commerce.

Increase in trade, turnover of goods and services in the EAEU, and better use of transit potential between Asia and Europe can be accomplished by ensuring unimpeded transfer of vehicles through digital interaction of the customs authorities of the EAEU member states. Such interaction leads to restriction of paper-based procedures, full transition to automated systems, and electronic document flow.

Simplification of the procedures for implementation of digital cross-border purchases can increase cross-border trade conducted by online business and increase consumer confidence in cross-border e-commerce in the EAEU countries.

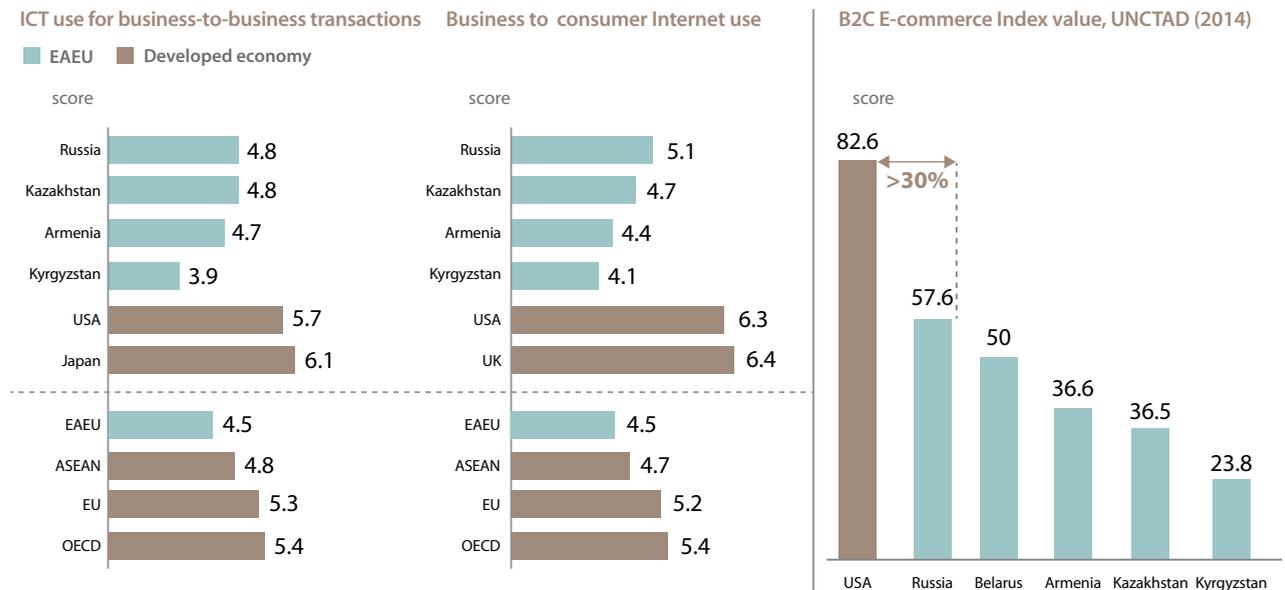
Digital solutions can support the simplification of trade procedures and ensure the free movement of people, goods, and services. These digital solutions include, among other things, finance, customs, procurement, taxation, logistics, and migration. Successful implementation of such solutions leads to reaping tangible digital dividends.

An example of such solutions are public sector base registries that are reliable and official sources of basic information about citizens, the business sector, companies, vehicles, licenses, land plots, buildings, settlements, and roads. They are the cornerstone of digital public services. Base registries are a key element in the development of new digital services.

Another example is cross-border public procurement. Multilateral public procurement agreements reduce the gap between the share of imports from member states in government consumption and private consumption. According to

³⁵ <https://www.gov.uk/help/about-govuk>

Figure 15 Indicators of the EAEU countries in digital trade in comparison with other regions



results published by the EU’s Trade Directorate, the reduction of this gap by 50 percent leads to an increase in the total GDP of the member states by 0.01 percent per year.

The measures aimed at simplifying the cross-border procurement—that include the elimination of barriers, launching a single electronic portal, and switching to an electronic procurement format—are estimated to boost economic growth resulting in a EAEU GDP increase of 0.1% by 2025.

A Union-level information system for *cross-border electronic public* procurement should provide the functions of electronic filing and bidding, including electronic billing, and the exchange of electronic procurement documents between the government of one country and suppliers of another country. At the same time, the terms and costs of public procurement may be significantly reduced, and efficiency and transparency of the decisions taken on procurement and the award of contracts increased.

Solutions in the field of *digital trade and customs* include online processes related to exports/imports and accelerate cross-border trade in goods and services, as well as related

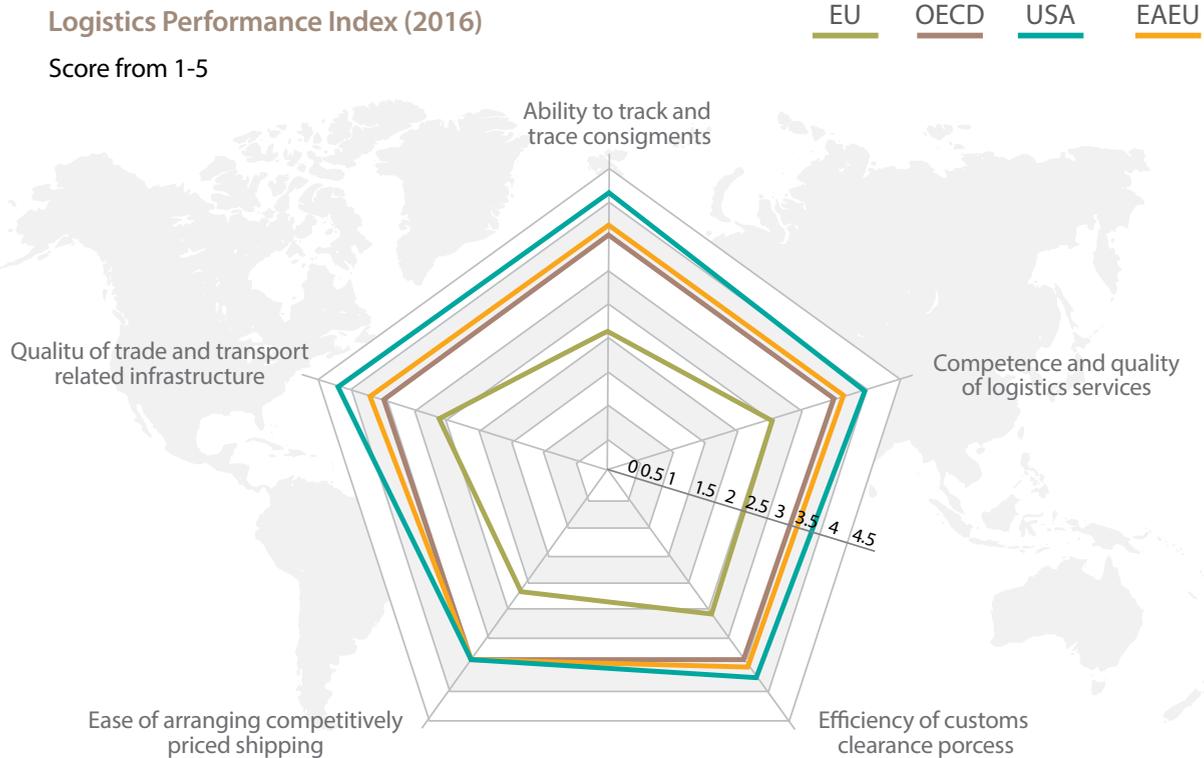
services, including logistics, customs clearance and licensing/certification.

In particular, a single-window trade facilitation system would unite all government agencies involved in the export/import procedure, which would allow companies to submit documents electronically once from anywhere (Figure 15). In the Asia-Pacific Economic Cooperation regional economic association, by 2013, 14 countries implemented the single-window system at various stages and aim to cover all 21-member states by 2020.

The development of electronic customs declaration systems in the EAEU countries began 20 years ago. There are several good examples of the successful implementation of digital solutions in the field of customs. Nevertheless, the problem of integration of the customs systems of the EAEU countries remains unresolved. In 2017, the EEC completed the preliminary work on the creation of a ‘single-window’ mechanism in the system of foreign trade activities of countries³⁶.

³⁶ <http://www.eurasiancommission.org/ru/nae/news/Pages/26-05-2017-5.aspx>

Figure 16 Quality Index of Logistics in the EAEU



SOURCE: World Bank and Turku School of Economics, Logistic Performance Index Surveys

A coherent concept for the modernization of the electronic customs systems of the EAEU should follow the principle of 'digital by default'. The basis of modernization should include common intersectoral business processes, semantic interrelatedness, and a unique identifier for economic operators. It will be necessary to impose more stringent requirements on availability, scalability, and security to ensure continuous operation and real-time data exchanges.

A pilot project has been developed to label products with radio frequency identification (RFID) labels in the EAEU countries.

Implementation of the EAEU Digital Agenda will have a significant impact on the growth in cross-border electronic trade as soon as online buyers can use duty-free internet purchases in any member state based on common digital platforms, including identification and authentication platforms and digital cross-border logistics platforms. According to World Bank estimates, the development of regional e-commerce can lead to an increase in the GDP of the EAEU of at least 0.88% by 2025.

The dividends of the modernization will have a positive impact on the EAEU foreign trade.

Solutions in the field of digital logistics facilitate the growth of trade and allow logistics companies to meet the growing needs of customers in faster deliveries. Modern solutions use sensors, data, and software to track physical deliveries, which allows reduction of losses during transportation and delivery, as well as for insurance of valuable goods. According to the WEF, the enhanced digital cross-border logistics, in particular, can increase the volume of international trade for the small and medium enterprise (SME) sector³⁷.

The geographic location of the EAEU, which can be described as a 'bridge' between Asia and Europe, contributes

to the development of logistics, including the creation of hubs for the transit of goods (Figure 16). This can promote economic growth and create new jobs.

By creating solutions for warehousing, transportation, goods delivery based on transcontinental transport chains, the interrelatedness and compatibility of the corresponding systems in the member states, including the regulatory legal framework, common business processes, standard documents, and data formats, as well as technically compatible platforms, will have crucial importance for the EAEU.

On January 1, 2015, the EAEU agreement on the digital exchange of information between customs authorities of the member states on indirect taxes paid came into force.

The governments of the EAEU countries are investing in the development of transport corridors and road transport infrastructures. Nevertheless, the potential of these corridors and logistics services in the region remains underutilized. The level of automation of logistics services is low, and today such services are provided by foreign companies. There are practically no digital channels for interaction among carriers, consignors, and passengers, and the opportunities for forecasting the demand for freight and passenger traffic is severely limited.

Within the framework of the IV Eurasian Conference, it was announced that the EAEU plans to implement the Trans-Eurasian Logistics Platform. The main goal is to integrate the processes of all participants through electronic data interchange, which will serve as the basis for creating an algorithm for interaction between businesses and the state and will lay the foundation for electronic document flow in the field of airfreight.

Increasing the degree of digitalization, standardization, and coordination of projects in the EAEU countries will improve the efficiency of transport hubs throughout the Union. Digital logistics can become a driving force for the economies of the EAEU countries, creating new links between producers and consumers across the region and in all sectors of the economy.

³⁷ Digital Transformation of Industries: In collaboration with Accenture, 2016, WEF], <http://reports.weforum.org/digital-transformation-of-industries/wp-content/blogs.dir/94/mp/files/pages/files/wef-dti-logisticswhitepaper-final-january-2016.pdf>

THE MAIN DIRECTIONS AND METHODS FOR IMPLEMENTATION OF THE EAEU DIGITAL AGENDA

Promotion of the EAEU Digital Agenda and the development of a digital single market require a long-term commitment both at the level of the EAEU and the member states. Consistent governance attention is required at the regional and country levels, as is the engagement of all strata of the society, strong state institutions, investments, durable legal framework, and targeted priority measures.

Within the EU and ASEAN, where long-term programs for implementing the digital economy have been adopted, the creation of a digital single market has become an important political priority.

In 2010, the EU adopted the Digital Agenda for Europe, aiming “to achieve sustainable economic and social benefits through the creation of a digital single market based on high-speed and ultra-high-speed internet and compatible applications”, and identified a number of problems that need to be solved to achieve the potential benefits.

The problems included fragmented digital markets, insufficient interoperability, increased cybercrime and the risk of diminishing trust, insufficient investments in networks and research and innovation, lack of digital literacy and skills, and lost opportunities in solving societal challenges.

To overcome these obstacles and to unlock the potential of digital technologies, a “comprehensive and unified political response at the European level” was required.

In 2015, the EU adopted its Digital Single Market Strategy, which, based on the measures envisaged in its 2010 Digital Agenda, emphasized the need to provide more efficient access to services, to create the appropriate environment for networks and services to flourish and to maximize the growth potential of the European Digital Economy³⁸.

It is important to understand that, in contrast to the EAEU which faces similar challenges today, the EU already has institutions responsible for the common policy at the regional level, including ensuring international competition in the telecommunications and IT market and making investments in digital infrastructure and security, as well as in pan-European research programs. The implementation of the Digital Single Market for Europe has developed and continues to evolve within these pan-European institutions and governance structures.

Based on the EU experience, the creation of the management structures of the digital transformation of the EAEU with a wide range of powers at Union level is crucial for the success of the transformations.

By developing a shared vision and strategies for the digital space of the EAEU, it is necessary to have an agreed consensus of all stakeholders with the definition of the main goals and stages of the transformation.

It is necessary to clearly articulate and communicate the transformative nature of the agenda and to emphasize the advantages for society which are ensured by digital technologies in the process of the free movement of goods, services, capital, labor, and data across borders within the Union and in all branches of industry and public administration.

Once the target vision is approved, it is recommended to develop an implementation strategy with clear goals and budget.

An e-government program for the provision of new and improved cross-border digital public services within the Union should be approved.

Particular attention should be paid to the development of an EAEU Interoperability Program to facilitate the emergence of the technologically compatible and interoperable architectures, standards, data, processes, services, platforms,

³⁸ Shaping the Digital Single Market, 2017, European Commission, <https://ec.europa.eu/digital-single-market/en/digital-single-market>

infrastructures, and networks that are critical to the successful development of the digital economy.

It is necessary to adopt an investment program for the modernization and expansion of broadband digital infrastructures at the Union level with a long-term budget and reliable sources of funding.

In addition, it is important to identify and prioritize a package of basic digital services, the implementation of which will accelerate the processes of integration and digitalization across the EAEU.

Given the scale and intersectoral nature of the Digital Agenda, it is essential to establish mechanisms to monitor the measures taken, monitor and quantify progress and its results, and to keep citizens informed of the ongoing transformations so as to maintain the involvement and commitment of all sectors of society.

Finally, to ensure the widespread use of new digital solutions and to exploit their innovative potential, it will be necessary to solve the problems of the lack of qualified personnel with the professional skills needed today and in the future, as well as to increase the overall digital literacy of the population.

Recommendations on delivery of EAEU digital transformation

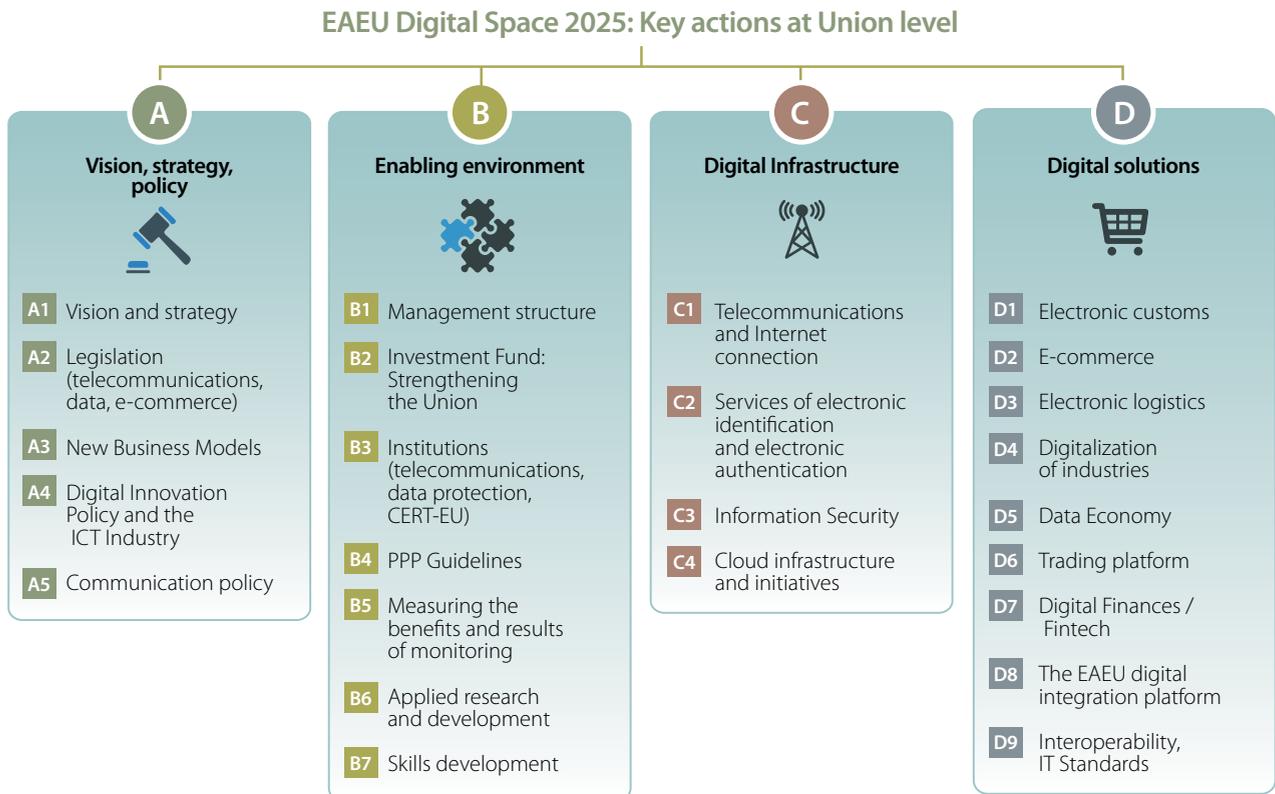
Regarding specific recommendations of paramount importance for the implementation of the Digital Agenda (Figure 17), the following points should be noted:

Firstly, there is a need to coordinate and approve the Digital Transformation Strategy of the EAEU by 2025, including a roadmap and action plan and the corresponding budgets for projects. The Strategy should include a communication policy, as well as the mechanisms for adjusting the Strategy, roadmap, action plan and budgets.

There is a need to agree on priority projects to achieve the objectives, taking into account the subsidiarity principle, and to develop plans and budgets for each project.

The implementation of the Strategy implies close cooperation between the EEC and the EAEU member states in the processes of harmonization of legislation, exchange of information, and development of systems.

Figure 17 Overview of the recommendations for implementation of the EAEU Digital Agenda



The roadmap and action plan should be regarded as a dynamically developing document that will be updated and supplemented with new activities on a regular basis, considering the rapid development of digital technologies and newly emerging conditions, requirements and circumstances.

As part of the development of the Vision and Strategy for digital transformation, the EAEU should envisage important elements of communication and develop a communication policy at the Union level to explain and promote the Vision and Strategy and to involve all stakeholders in the implementation of the Strategy.

Like the existing practice in the European Commission, the creation of a permanent working body within the EEC which would be responsible for collecting, collating, summarizing, and disseminating information on all aspects of digital transformation should be envisaged.

There is a need to develop assessment tools for monitoring the implementation of the Digital Agenda and measurement of the dividends of digital transformation for the EAEU member states with relevant indicators and a scorecard.

Secondly, as indicated by international experience, to coordinate and monitor the implementation of the Digital Agenda, there is a need to create structures for implementing the strategy at the highest level, with the appropriate governance structures and powers.

The lack of coordination of efforts will lead to the introduction of incompatible digital solutions. As a result, the digital ecosystem can become too expensive, inefficient, and incapable of achieving the expected results.

The governing body for the delivery of the EAEU Digital Agenda should have the authority not only to develop a shared vision for change, but—what is crucially important—to also guide the delivery of the Digital Agenda at cross-country level: to make key decisions; determine priorities and principles of implementation at the strategic, technical, and financial level; assign management personnel; set tasks; set deadlines for their implementation and monitor results; and adopt a budget and monitor its distribution and use.

Establishing a separate unit within the EEC may be necessary to ensure that initiatives and activities for implementing the Digital Agenda are in line with the strategic goals and objectives, effective coordination and communication with the numerous stakeholders involved in the implementation process, and monitoring and corrective actions.

As such, the option of establishing a Division for Digital Agenda Program and Project Implementation (Division) within the EEC should be given due consideration.

Within the division, a group of ‘designers’ should be established, responsible for recommending and developing

guidelines for high-level architecture solutions for sectors and markets, as well as monitoring the development of projects, ensuring their compatibility, and creating critical elements of the digital infrastructure, platforms, and system.

Similarly to the practice of the EU, ‘ambassadors’ of the Digital Agenda and leaders of digital transformation in the EAEU member states could promote the digital transformation initiative and raise awareness of current processes, the development of digital literacy, and citizens’ involvement in the formation of new opportunities for digital cooperation and innovation.

In addition, consideration should be given to providing the EEC with additional functions to develop and comply with the agreed rules in the EAEU countries on cross-border telecommunications, data protection within the EAEU, and providing cybersecurity.

There is a need to agree and approve mandatory requirements to ensure cybersecurity in the EAEU countries and a Union-wide action plan to ensure cybersecurity. It is important to consider the possibility of creating public-private partnerships for investments in cybersecurity of the EAEU and developing a digital cybersecurity platform for the exchange of information, knowledge, experience, skills, training, and practice between the member states and the private sector.

Thirdly, the approaches to strengthening the existing regulatory framework at the Union level for the safe cross-border exchange of data, telecommunications, e-commerce, and services with the harmonization of the relevant legislation of the EAEU member states should be agreed upon.

These approaches should encourage competition, guarantee user rights and promote the development of a ‘data economy’ with an emphasis on protecting personal data, intellectual property rights, and free flow of data across borders.

It is necessary to develop and approve a Union-level unified framework for the compatibility and interoperability of the EAEU’s digital systems and platforms and to align them with the national frameworks of the member states and with existing international standards.

It is important to study, update, and expand the current set of ICT standards to cover new digital technologies (broadband technologies, cloud computing, Internet of Things, Big Data and open data, cybersecurity, etc.) in accordance with existing international standards.

Cooperation in the field of standardization at the international level will ensure the EAEU integration in global digital processes, and cooperation with the private sector in this subject will help accelerate the achievement of economic dividends. Issues related to patents, intellectual property rights, and competition will also need to be addressed.

In addition, a system of cross-border electronic identification and authentication should be launched to enable cross-border digital trade and e-commerce. It is also necessary to harmonize a centralized certification of the corresponding systems in the member states to ensure compatibility and effective cross border interaction.

Lastly, consideration should be given to the possibility of creating a mechanism to attract investments at EAEU level for the development of common digital infrastructures throughout the EAEU.

In this context, it is particularly important to envisage mechanisms to attract investments and coordinate actions of the EAEU member states to improve broadband internet access in rural and remote areas and to modernize telecommunications networks in cities and among cities.

Consideration should also be given to creating a single digital platform of the EAEU based on the experience of developing the integrated information system (IIS) and using innovative solutions for cross-border data exchange among member states in priority industries and markets.

It is important to find new forms of public-private partnership (PPP) to attract private companies to the implementation of the digital transformation of the Union, both at the stage of financing and at the stage of introduction and provision of services³⁹.

PPPs can provide not only project financing, but also higher efficiency; state participation represents the necessary level of stability and scalability of the achieved results. At the same time, because of the PPPs, the state will gain access to new innovative technological solutions, in particular in the field of cybersecurity, and to effective models of project management.

Principles for digitalization of the EAEU

Efficient, cost-effective cross-border digital public services and digital solutions in various sectors of the economy are the basis for gaining benefits from the Union's digital economy, including lower transaction costs for non-digital businesses.

The introduction of such services requires close cooperation, simplified cross-border procedures, common services, and reliable information exchange mechanisms based on compatible digital infrastructures and reusable systems.

Interoperability at the legal, organizational, semantic, and technical levels all play an important role in achieving success.

There is a need to identify key cross-border digital public services, especially the first-priority services for citizens to use easily outside their own countries and also to move freely within the EAEU for work or personal purposes.

Fragmented markets services and data sources, and lack of technological compatibility are the barriers to digital connectivity and transformation in the EAEU. The technological compatibility and interoperability of architectures, standards, data, processes, services, platforms, infrastructures, and networks at Union level are crucial for the development and implementation of the digital ecosystem—the foundations of the digital economy.

The critical factor that will be helpful for overcoming those barriers is the implementation of an active EAEU policy and framework for interoperability at the legal, organizational, semantic, and technical levels:

Legal interoperability ensures that legislation is designed to enable uninterrupted economic cooperation allowing organisations to work together and to ensure that data exchanges have a legal significance.

Organizational interoperability ensures that the business processes of administrations and companies are aligned.

Semantic interoperability ensures that the format and meaning of exchanged data and information is preserved and understood by all parties

Technical interoperability ensures that formal technical specifications and standards are complied with while developing and connecting digital services, platforms, systems, and infrastructures.

The promotion of interoperability at each of these levels is an indispensable condition for the technological compatibility of digital communications and real-time digital data exchanges, which are the characteristics of the digital economy.

Thus, the basis for interoperability and guidelines for developers at the EAEU should be designed and adopted by all stakeholders; and technological compatibility and information management should be the foundations of the design process to ensure the continuous development and deployment of cross-border, cross-sectoral, public services.

The transformation of the EAEU member state administrations is based on the need to manage information in the public sector, in which data and information would be considered as key state public assets that must be appropriately generated, collected, managed, shared, exchanged, protected, and preserved.

³⁹ http://www.eurasiancommission.org/ru/act/dmi/workgroup/Documents/5.%20А.Хотъко_Трансформация%20ИИС_ЕЭК.pdf

Identification of a set of digital initiatives

The deployment and widespread use of digital solutions that will transform the economic and government sectors is of particular importance in obtaining the expected digital dividends from implementation of the Digital Agenda. These decisions will become critically important. The provision of integrated, compatible digital services and compliance with new more stringent requirements for confidentiality and security will require updating or replacing of existing solutions or abandoning existing ‘manual’ processes.

While creating new solutions, it is necessary to focus on working across borders, on the exchange of information and the development of open data in the public sector for its reuse.

Adopting an open data model at the state level will lead to cultural shifts towards more active cooperation at the inter-agency and intercountry level, as well as to the emergence of the industry of creating digital applications in the private sector. The combination of public and private sector data with the scientific research data will for the first time allow the development of evidence-based policies for a new digital society.

Solutions that offer international services as a part of the evolving global digital economy should also be identified and encouraged.

In addition, e-government services should provide an improved level of interaction with users, reduce costs, and promote the creation of open and transparent government bodies.

It is recommended to consider the introduction of the first series of digital solutions, including those that have a significant cross-border, cross-sectoral effect. Possible candidates may be the following components: trans-border purchases portal, digital taxation, electronic trade, and digital customs; digital logistics; e-health; e-commerce; and electronic public services. It is also necessary to consider launching the initiative of public sector base registries at the regional level.

It is recommended to develop and adopt an EAEU Interoperability Framework for digital public services, focused on ensuring technological compatibility at the level of the Union for components of the electronic ecosystem that form the basis of the digital economy. It is also recommended to publish and disseminate EAEU guidelines on project management and information management in the public sector, which are based on the requirements for user-centric, integrated and secure digital public services.

SIGNIFICANT PROGRESS IN THE FIELD OF TECHNOLOGICAL COMPATIBILITY WAS ACHIEVED BY EEC IN THE IMPLEMENTATION OF THE INTEGRATED INFORMATION SYSTEM OF THE EAEU. THIS SYSTEM AND ITS UNDERLYING DATA EXCHANGE INFRASTRUCTURE COULD EVOLVE TO FACILITATE THE INCREASED ECONOMIC INTEGRATION OF THE EAEU.

It is suggested to focus efforts on implementation of Union-wide solutions and to maximize digital dividends, where necessary, through appropriate national initiatives for their successful implementation.

Most projects are complex, with long delivery times and many interdependencies. The resulting ecosystem of digital solutions, common digital platforms, and digital infrastructure will consist of interrelated and closely integrated components at the regional and national levels, which implies a high level of cooperation and coordination in the development and implementation process.

Thus, a step-by-step approach with end-user-oriented ‘quick benefits’ should be considered so as to gradually achieve the expected benefits, maintain a high level of engagement of all stakeholders of the digital ecosystem, and create the conditions for development of innovative new digital services and solutions.

CONCLUSION

The EAEU is on the verge of a historic transition to the new digital world, where digital technologies play a key role in the transformation of all spheres of society and economic activity of the Union. To ensure an effective, responsible, holistic, and active transition, the participation, knowledge, and experience of a multitude of stakeholders (private and public) is required.

As a result of the implementation of the digital EAEU strategy, as described in this document, digital dividends are expected in the form of accelerated economic growth, new job creation, increased global competitiveness, improved living standards, and quality of services in the region.

The deployment of the digital platform for the integration of the EAEU and the framework for interoperability within the EAEU will serve as an impetus for the development of the next generation of interoperable systems that support the creation of the common digital economic space and the development of data economy.

In the future, the provision of high-speed network services, high-performance cloud services, provision of cybersecurity and interoperability will become the digital and analog components of the information ‘highway’ linking Asia, Eurasia, and Europe.

The stakes are high, and it is essential not to waste time. The measure of success will be a digitally transformed, inclusive, and secure EAEU, which has the potential for global leadership in the digital future.

With the current active position of the EEC, there are real opportunities for the development and implementation of the Digital Agenda of the EAEU, based on close cooperation among member states, pooling resources, targeted investments and engaging qualified personnel.

These are the ideas and there is the political will. Now it is time to bring these ideas to life.

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