The Eurasian Economic Union by 2020

Andrei Yeliseyeu

- Expectations
- Challenges
- Achievements

EAST Center

The Eurasian Economic Union by 2020: Expectations, challenges, and achievements

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EXECUTIVE SUMMARY

The Eurasian Economic Union (EAEU) between Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia is the most developed institution of regional economic integration among post-Soviet states. As it reaches its six-year anniversary, it is time to assess its principal achievements, failures, and challenges.

The Kremlin's principal reason behind pushing for the EAEU's establishment was to create a regional bloc oriented toward Russia. A customs union and a single market are supposed to prevent the EAEU countries from drifting toward competing trading blocs or other great powers. Furthermore, Russia views the EAEU not only as an economic project, but also as a cultural and historical space built around the Russian language.

Unlike in Armenia and Kyrgyzstan, which joined the EAEU later, there was no meaningful public discussion or parliamentary deliberations over the question of Eurasian integration in the three largest EAEU countries. The overly top-down promotion of integration ultimately raises the question of its sustainability and of the EAEU's overall viability. The union's prospects, however, do not necessarily look bleak, for at least two reasons. First, Eurasian integration enjoys quite broad public support in all EAEU countries. Second, bureaucratic machinery and horizontal connections between the national bodies of the five members have been developing over time, contributing to the union's viability.

The EAEU remains a four-tier organization with very limited truly supranational competences. In a few notorious cases, the decisions of the Eurasian Economic Commission (EEC) have been overruled

upon Russian appeal. Hence Russia – the principal engine of Eurasian integration – does not have a coherent, unified policy toward EAEU bodies that is respected by every agency of the Russian state.

On the other hand, hundreds of other EEC decisions have not been appealed and overturned by superior EAEU institutional bodies. Generally, despite narrow EEC competences, the EAEU institutional structures and bureaucratic machinery have made progress toward establishing a single market. Many exemptions remain within the single market but the EEC has been doing considerable work to reduce their number. The EAEU's achievements are most pronounced when it comes to creating a single labor market.

While the EAEU Court's jurisdiction remains quite limited, there have been some remarkable achievements in its legal practice. It has moved toward fulfilling its mandate to ensure uniform application of EAEU law. Following the court's first ruling in favor of a business in late 2018, the larger business community may become more interested in court appeals in the future.

EAEU countries have benefitted from membership to different extents. Thus far the benefits have been most pronounced for Kyrgyzstan and least for Kazakhstan. Thanks to the EAEU, Kyrgyzstan has improved conditions for labor migrants in Russia and investment, as well as begun reforming its technical-regulation system, which was virtually non-existent before the accession process began. For Armenia and Belarus EAEU membership has mostly served to retain benefits from Russian cooperation that they had before accession. Armenia has witnessed considerable increases in exports to Russia, while Belarus continued to reap benefits from its oil and gas deals and Russian loans.

INTRODUCTION

The Eurasian Economic Union (EAEU), an organization for regional economic integration between five post-Soviet states, marked its fifth anniversary on January 1, 2020. Its founding treaty, signed first by Belarus, Kazakhstan, and Russia, then followed by Kyrgyzstan and Armenia, celebrates six years in May 2020. The EAEU is the most developed form of integration among post-Soviet states. As a contractual, rules-based regime, it differs qualitatively from a number of previous fragmented and unsuccessful integration initiatives in the post-Soviet space.

The Eurasian Economic Community (EurAsEC), for example, which came into existence in 2000 with participation from Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan, ultimately failed to establish a customs union between its members despite such ambitions. Instead, it developed a non-comprehensive free trade regime, also an aim of the parallel integration track of the Commonwealth of Independent States (CIS). In 2011 a new CIS Free Trade Zone Agreement was signed by Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Ukraine, and Tajikistan. Lately, that agreement has been undermined by Russian retaliatory measures against Moldova and Ukraine for their steps toward EU integration.

The EAEU was built on the basis of the Common Economic Space (CES, 2012–14) and the Customs Union (2006–11) between Russia, Belarus, and Kazakhstan. A single customs territory within the Customs Union became operational in 2011. The CES gave birth to the Eurasian Economic Commission and the Court of the EurAsEC, and the countries began forming a single market. The EAEU Treaty codified an earlier set of agreements concluded by its founding trio

to create a common market by ensuring free movement of goods, services, capital, and labor.

This paper reviews the EAEU's principal achievements, failures, and challenges. First, it examines the following questions regarding its functionality.

- What are the limitations of the EAEU's institutional setup, considering its objective to form a single market?
- How successful has the EAEU Court been in fulfilling its mandate to ensure the uniform application of EAEU law by EAEU countries and bodies?
- How viable is the EAEU, given the undemocratic political regimes of its founding countries?
- How effective the EAEU's communication is and how visible the EAEU topics have been in the national media of the EAEU member states?
- What are the main institutional, legal, and political obstacles of the EAEU's single market, and what achievements and failures have we witnessed thus far?

The paper's second part analyzes the principal expectations of EAEU countries with regard to establishing or joining the union and to what extent those expectations have come true.

This paper is based on over 30 interviews with academics, experts, EAEU officials, former national officials, businesspeople, and civil society representatives carried out from July to December 2018 across all member states.

Limitations of the Institutional Setup

The four EAEU statutory bodies are the EAEU Court, the Eurasian Supreme Economic Council, the Eurasian Intergovernmental Council, and the Eurasian Economic Commission (EEC).

The Supreme Council is composed of the heads of EAEU member states. It must convene annually, but in practice summits normally take place 2–3 times a year. The Supreme Council is in charge of overall EAEU development strategy, assignments on the EEC's Board and distribution of duties between the Board members, approval of the union budget, etc. Supreme Council decisions prevail over Intergovernmental Council or EEC ones. Between 2015 and 2019, the Supreme Council adopted almost 150 decisions.

Some EAEU countries have undermined the legitimacy of the Supreme Council. Belarusian President Alexander Lukashenko's absence from the December 2016 EAEU Summit, during bilateral tensions with Russia over gas and oil agreements is one such example. Further, in early 2019 Belarus began intentionally disrupting the work of the EAEU bodies[1] in an attempt to influence Russia during another bilateral row over energy pricing.

The Intergovernmental Council consists of the heads of the national governments and convenes at least twice a year.[2] It reviews issues on which the EEC Council was unable to reach consensus, submits

[1] RIA Novosti, "Oreshkin proposes guessing which country impedes the EAEU 'elevator'" [original in Russian], February 1, 2019.

[2] Armenian deputy prime minister serves as a national representative to the Intergovernmental Council.

candidates for the EEC Council and Board to the Supreme Council, and reviews draft EAEU budgets. The Intergovernmental Council adopted over a hundred decisions and orders. Its decisions supersede any adopted by the EEC. A member state can demand a repeal of or an amendment to any EEC decision within 30 days of its official publication through appeal to the Intergovernmental Council or Supreme Council. Countries have not shied away from using this right.

One such blow to EEC authority came in 2017, following a groundbreaking competition-law decision that established that Russia's Novolipetsk metallurgical combine and VIZ-Steel had abused competition rules by imposing discriminatory terms for electrotechnical steel exports to Belarus and Kazakhstan.[3] The EEC Board imposed a fine of $3.5 million. Before its decision came into force, however, Russian Prime Minister Dmitry Medvedev appealed the case to the Intergovernmental Council, thus effectively blocking it.

Another notorious case concerned the EEC decision calling upon the Russian government to abolish a dozen of its orders imposing restrictions for companies based in other EAEU countries to participate in Russian municipal and state procurement tenders.[4] The Russian government defined domestic state-owned enterprises as exporters of worsted fabric for the production of military uniforms. The Intergovernmental Council repealed the EEC Board decision and tasked it to elaborate the order of informing EAEU member states about upcoming decisions concerning procurement procedures.[5] In his December 2018 interview the then Russian Ambassador Mikhail Babich said experiments with military procurement contracts are "inappropriate." [6]

Therefore, the EAEU Treaty provision allowing member states to prevent EEC decisions from entering into force is not just a symbolic incarnation of consensus principles benefiting the EEC lawmaking process, but rather a mechanism used by member states to defend their national interests at the expense of EEC powers. Moreover, as seen in many cases, Russia works both to promote Eurasian integration as well as to undermine EEC decisions. This has given other EAEU member states license to act accordingly in EAEU bodies.

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3 EAEU Commission Board, "Decision #130" [original in Russian], September 26, 2017.

4 EAEU Commission Board, "Decision #81" [original in Russian], July 14, 2015.

5 Eurasian Intergovernmental Council, "Decision #8" [original in Russian], September 8, 2015.

6 TASS, "Decent development of the Union State serves the interests of Russia and Belarus, Mikhail Babich says" [original in Russian], December 17, 2018.

Although nominally a permanent supranational EAEU institution, **the Eurasian Economic Commission** is in reality a combination of two different bodies, namely the Council and the Board of the EEC. Its regulations define 19 areas where the EEC realizes its competences, including customs tariff and non-tariff regulation, technical regulation, (phyto-) sanitary measures, establishment of trade regimes with third countries, and competition policy. However the EAEU Treaty does not offer the classification of competences and in none of the above areas EEC's "exclusive" competences are mentioned. Instead EEC competences are said to be "bound by the [EAEU] Treaty and international treaties within the Union" and are rather limited. Between 2015 and 2019 the EEC Council and Board combined adopted over 1,500 decisions.

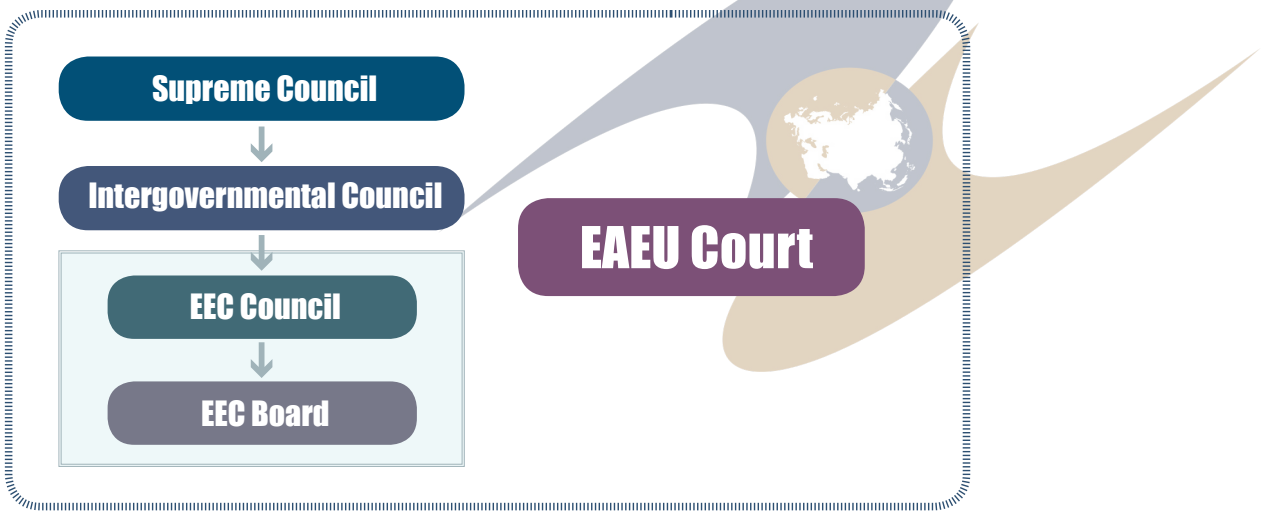

Figure 1. The EAEU institutional setup

The EEC Council, which consists of the deputy prime ministers of each EAEU member state, is de facto another intergovernmental body. Its decisions are taken by consensus. The ten-member EEC Board is an EAEU supranational regulatory body. Each country nominates two ministers who act independently of the member states as non-political EAEU representatives, similar to EU commissioners. The decisions of the Board are made by qualified majority voting (two-thirds of members), except in a number of areas defined by the Supreme Council where consensus is required. The Board is currently chaired by the former prime minister of Belarus (2010–14) and speaker of the Belarusian parliament's upper chamber (2014–19), Mikhail Myasnikovich.

Considering that the EEC Council can cancel or amend decisions taken by the Board within ten days of their adoption,[7] resulting in the Board's inability to adopt binding decisions without the consent of governments, supranationality within the EAEU is disputable. For instance, according to the EEC 2017 annual report on abolition of barriers, derogations, and restrictions on the internal market, three Board decisions in the areas of coal markets, labor-force regulations, and taxation of goods had not been executed despite two of them dating back to 2015–17.[8]

The work of the EEC Council and Board is structured around 25 departments.[9] For the professionals appointed as heads and deputy heads of the departments, equal representation among the EAEU countries is applied. The distribution of candidates for other EEC positions (nearly 1,200) is based on the size of member-state contributions to the EEC budget, resulting in the prevalence of Russian employees.

EEC departments are assisted by ad hoc and permanent consultative committees which consist of representatives of business enterprises and associations. The EEC is praised by experts and practitioners for its expertise and openness.

> *"Russian regulators seem to be more conservative when it comes to involvement of [external] experts into their activities. In contrast, the EEC willingly involves them, talks to businesses and independent consultants",*

one expert said in an interview.[10]

Thus the EAEU institutional structure is a strict four-tier hierarchy, where a higher-tier institution can overrule decisions by a lower one. In this hierarchy the supranational EEC Board occupies the lowest level, below three intergovernmental bodies. Thus, the supranational component of the EAEU is very weak, and the union is dominated by intergovernmental modes of decision-making.

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7 See the EAEU Commission's work regulations [original in Russian], p. 5.

8 EAEU Commission, "Report on the work of identifying and eliminating barriers, derogations and restrictions on the Eurasian Economic Union's internal market in 2017" [original in Russian], pp. 10–11.

9 EAEU Commission, "Structure of the Commission."

10 Interview with Wilhelmina Shavshina, DLA Piper Global Law Firm, Saint Petersburg, August 7, 2018.

These limited supranational competences are acknowledged by experts and policymakers including Sergey Glazyev, member of the EEC Board, a former deputy secretary general at EurAsEC and Russian President Vladimir Putin's adviser (2012–19). According to Glazyev, "In the course of [EurAsEC] reorganization Russia lost its dominant position in decision-making processes, and this loss was not compensated by fostering the role of the EEC. The latter, though de jure a supranational body, de facto operates as an inter-governmental body, which agrees all its decisions and agenda with national governments."[11]

Glazyev develops this view by proposing to turn the EEC into a "full-fledged supranational body" to enable it to oversee the execution of EEC decisions by EAEU member states.[12] Russian legislators also analysed "practicability of expansion of EEC competences."[13]

THE EAEU INSTITUTIONAL STRUCTURE IS A STRICT FOUR-TIER HIERARCHY, WHERE A HIGHER-TIER INSTITUTION CAN OVERRULE DECISIONS BY A LOWER ONE.

EAEU officials and member states sometimes voice the need to empower the Commission with additional competences. In practice, however, mutual agreement on specific terms in areas like competition law would be difficult to reach.

During negotiations over the EAEU Treaty, the leaders of Belarus and Kazakhstan reportedly torpedoed the idea of establishing the EAEU parliamentary institution. Its advocates included Sergey Naryshkin, Chairman of the State Duma (2011–16) and Kremlin Chief of Staff (2008–12). In 2012 Naryshkin co-authored an academic article, advising to cement a parliamentary body "in the Eurasian Union's future founding acts."[14] The article lists lawmaking, budget approval, and parliamentary control as possible Eurasian parliament competences.

[11] Integration Club under the Chair of the Federation Council, "2017 Annual Report" [original in Russian], pp. 60-61.

[12] Ibid.

[13] The Council of Federation, Ordinance #454-СФ "On results and development prospects of the EAEU" [original in Russian], pp.32-33, November 22, 2017.

[14] Sergey Naryshkin, Taliya Khabrieva, "Towards new parliamentary dimension of Eurasian integration" [original in Russian], Zhurnal rossiyskogo prava, #8, p.12, 2012.

However in the current EAEU institutional setup a parliamentary institution would be largely redundant because it would hardly be delegated significant powers.

Some experts consider the current EAEU institutional setup logical given the national political and economic systems of its member countries. According to one,

> *"Eurasian integration is a cast formed from the EAEU founding member states' domestic systems. Expectations that the EAEU would turn into an organization similar to the EU, with strong supranational bodies and a customs union without reservations, are absurd."*[15]

From this perspective, despite its very limited supranational component, the EAEU has been rather successful as an integration project.

According to one study by the Center for Integration Studies in Russia, comparison of the EAEU with the EU "distorts correct and realistic assessment of [the EAEU's] achievements and challenges."[16] Outside the EU, economic dominance of a regional grouping by one country is not exceptional, it adds, and thus the EAEU is a "normal" rather than exceptional case of regional integration. The study also mentions that occasional disagreements over trade and economic issues are inherent to other big trade blocs such as ASEAN and NAFTA.

[15] Interview with Evgeny Treshchenkov, associate professor at St. Petersburg State University, St. Petersburg, Russia, August 8, 2018.

[16] Evgeny Vinokurov, ed., Eurasian Economic Union [original in Russian] (St. Petersburg: Eurasian Development Bank Center for Integration Studies, 2017), p. 214.

The EAEU Court's Achievements and Limitations

The EAEU has international legal personality and enforces its own system of union law. The Minsk-based EAEU Court ensures the uniform application of EAEU law by member states and union bodies. It consists of two judges from each member state serving a nine-year term and appointed by the Supreme Council.

From its establishment in 2015 until the end of 2019, the EAEU Court adopted 33 rulings, 15 of them on applications brought by economic entities.[17] These include companies and natural persons registered as individual entrepreneurs either in a member state or abroad. The right to apply by non-EAEU legal persons was used only once, by a Ukrainian company. Most applications concern EAEU customs tariff and non-tariff regulations.

The fact that until recently no cases in the EAEU Court had been won by companies negatively affected the development of the Court's legal practice. The EurAsEC Court, its predecessor from 2012 to 2014, enjoyed a better start in this respect, as the first case brought by a company, OJSC Southern Kuzbass, was ruled in its favor, setting a different tone for that court.

[17] In total, during 2015–19 the Court received 47 applications from authorized bodies, 37 of which were considered.

As one expert says,

> *"The court found itself in a vicious cycle. The first EAEU Court case on an economic entity's application was brought by a Kazakhstan-based individual entrepreneur who represented himself. In general, applications on behalf of economic entities were either quite ill-prepared or were more interested in the EAEU Court's interpretation [for further use in national court cases] than in an actual win."*[18]

This trend was finally interrupted in October 2018 when the EAEU Court ruled in favor of the petitioner over the EEC in the Oil Marine Group case. This ruling will likely encourage the business community and legal firms to dispute EEC actions in the court. Yet the inability of the court to award compensation remains a chilling factor for companies seeking legal recourse.

THE FIRST EAEU COURT RULING IN THE COMPANY'S FAVOR TOOK PLACE IN OCTOBER 2018 IN THE OIL MARINE GROUP CASE.

That said, there are positive developments in EAEU legal practice. First, in recent rulings the court proclaimed the principles of direct applicability[19] and direct effect[20] of EAEU Treaty provisions. Treaty provisions should therefore be applied by member states as international treaty norms and union legal norms can be enforced directly without intervention by national bodies. Companies and individuals can derive their rights from union law and refer to the treaty in national courts.

Second, in its 2018 consultative conclusion concerning labor relations for sports professionals in EAEU counties, the court reaffirmed the supremacy of EAEU law over national legislation.[21] Although member countries' national constitutions do not envisage such supremacy, this is an important legal development as the EAEU Treaty is silent in this respect.

18 Interview with anonymous legal expert, July 12, 2018, Minsk, Belarus.

19 EAEU Court, Consultative conclusion [original in Russian], April 4, 2017.

20 EAEU Court, Consultative conclusion [original in Russian], December 7, 2018.

21 Ibid.

According to Tatyana Neshataeva, a judge at the EAEU Court, noncompliance with court rulings does not exist due to the court's annual report to the heads of EAEU countries. Although the right to turn to the Supreme Council is stipulated in Article 120 of the Statute of the EAEU Court, the court has never used it. According to Neshataeva, "This formula ideally suits [the integration structure which includes] European and Asian countries. … [In our communication culture] one reaches consensus by smiling when needed, by abstaining from using a bad word, and by being polite to others, which would guarantee compliance with a [court] decision."[22]

Third, the growing number of requests for clarification of the provisions of EAEU law by EAEU member states and bodies[23] indicates the increasing role of the court. By the end of 2019 nearly half of all applications taken by the court for consideration (17 out of 33) were requests for clarification. More importantly, member states normally follow court opinions.

> *"A dispute between Kazakhstan and Kyrgyzstan over transportation tariffs is indicative. Within a month after the consultative conclusion in Kyrgyzstan's favour, Kazakhstan informed about the application of unified tariffs and the issue was resolved."* [24]

Fourth, as analysis of Russian courts' legal practice shows, national courts increasingly refer to EAEU Court case law and follow its reasoning,[25] which is a positive development for the EAEU Court and the union's legal system as a whole.

According to one study, the EAEU Court is currently dealing with issues and challenges faced by the European Court of Justice in the 1960s and 1970s.[26] However, its jurisdiction is rather restricted and should instead be compared with the scope of the European Coal and Steel Community's Court of Justice (1953–57).[27]

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[22] Tatyana Neshataeva, EAEU Court conference "International Justice and the Intensification of Integration Processes," October 19, 2018, Minsk, Belarus.

[23] They can also be filed by employees and officials of EAEU bodies in case of provisions regarding labor relations.

[24] Interview with anonymous legal expert, July 12, 2018, Minsk, Belarus.

[25] Ekaterina Diyachenko and Kirill Entin, "Competence of the Eurasian Economic Union Court: myths and realities" [original in Russian], Mezhdunarodnoe pravosudie, 2017, No. 3, pp. 91–93.

[26] Kirill Entin and Benedikt Harald Pirker, "The Early Case Law of the Eurasian Economic Union Court: On the Road to Luxembourg?" Maastricht Journal for European and Comparative Law, Vol. 25: 3, 2018.

[27] A.S. Ispolinov, "Statute of EAEU Court as Reflection of EAEU Members Concerns and Doubts" [original in Russian], Pravo. Zhurnal Vysshey Shkoly Ekonomiki, 2016, No. 4, p. 162.

Practitioners and legal experts interviewed acknowledge two main limitations in the scope of EAEU Court jurisdiction.

First, the EEC cannot file a case in the court to seek enforcement of EAEU law by a member state. If the EEC identifies violations of union law by a member state, it can only inform the member state, with no possibility to refer the transgression to the court. The court delivers judgments only on cases brought by economic entities or member states. As a result, enforcement of union law by member states is weak.

Member states have the right to legally contest each other's observance of the EAEU Treaty or decisions of EAEU bodies or to challenge EEC actions (or its failure to act). Countries generally prefer, however, to settle such disputes via other means. In the past four years, only one member state has contested another's observance of the EAEU Treaty: Russia filed against Belarus for confiscating household appliances transiting between Kaliningrad and mainland Russia, and the EAEU Court found in Russia's favor.

PRACTITIONERS AND LEGAL EXPERTS INTERVIEWED ACKNOWLEDGE TWO MAIN LIMITATIONS IN THE SCOPE OF EAEU COURT JURISDICTION.

Second, national courts cannot ask the EAEU Court for preliminary rulings, i.e. they cannot request the court to interpret union law. Without such a preliminary ruling procedure in place, EAEU countries and their national courts may end up interpreting laws differently. This was the case with the EAEU technical regulation on the security of light-industry goods, adopted in 2011 and effective in 2015.

> *"In Russia no certification for any single batch of supplies was demanded from retail clothing importers. There, the regulation has only concerned wholesale importers, while in Belarus its provisions are applied to all," according to one interviewee.*[28]

It was widely speculated that this interpretation by Belarusian authorities meant the EAEU technical regulation worked to the benefit of wholesale importers in Belarus.

[28] Interview with Aliaksandr Papko, research fellow at EAST Center, July 27, 2018, Warsaw, Poland.

There is a general consensus among legal experts that the EAEU Court's competencies were narrowed due to the judicial activism of its predecessor court. The EurAsEC Court had jurisdiction to supply preliminary rulings at the request of national supreme courts. In practice, only one such request – by Belarus' Supreme Economic Court – was ever made and ultimately revoked just a few weeks later. One expert interviewed said:

> *"The EAEU Court has paid the price: the restriction of its powers. It may well be that [the aforementioned case] made the [Belarusian] national supreme court unhappy and pushed national courts to lobby for cancellation of the preliminary ruling procedure."*[29]

The absence of a preliminary ruling procedure undermines the creation of a common legal space, a prerequisite for a full-fledged common internal market. To some extent, however, this absence is compensated under Article 49 of the Statute of the EAEU Court. This allows EAEU countries to give their national institutions – including courts – the right to turn to the court for interpretation. Thus far, EAEU countries have extended this right only to their ministries of justice and certain other ministries.

In summary, the EAEU Court has shown mixed results: it suffers from serious limitations, yet it has enjoyed some remarkably positive developments in court rules, the scope of its jurisdiction, and its legal practice.

[29] Interview with Maksim Karliuk, leading research fellow at HSE-Skolkovo Institute for Law and Development, July 7, 2018, Minsk, Belarus.

Is a Union of Authoritarian States Sustainable?

Until the resignation of Kazakhstan's President Nursultan Nazarbayev in 2019, Alexander Lukashenko, Vladimir Putin, and he had been ruling their countries for over seventy years cumulatively. None of the five EAEU member states is considered an electoral democracy, and protection for political and civic freedoms across the EAEU generally remains rather low. In Freedom House's Freedom in the World 2017 ranking, the average scores for freedom of political and civic rights in Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia on a scale from 1 (most free) to 7 (least free) were 4.5, 6.5, 6.0, 5.0, and 6.5 respectively.[30] Armenia and Kyrgyzstan are classified as partly free in the Freedom of the World 2020 ranking, while the remaining three fall under the "not free" category.

Upon acceding to the EAEU, Belarus had no political opposition represented in parliament. The EAEU Treaty passed its two parliamentary chambers unanimously. The lower chamber of Kazakhstan's parliament approved the EAEU Treaty unanimously, while only one member of its parliament's upper chamber abstained. In Russia just one member of parliament abstained during the vote ratifying the EAEU Treaty, whereas the remaining 441 present supported the bill. In Armenia, out of five opposition parties represented in the parliament in 2014, only one (Heritage) opposed the EAEU, and its seven members, including Nikol Pashinyan who is today the prime minister, voted against ratification.

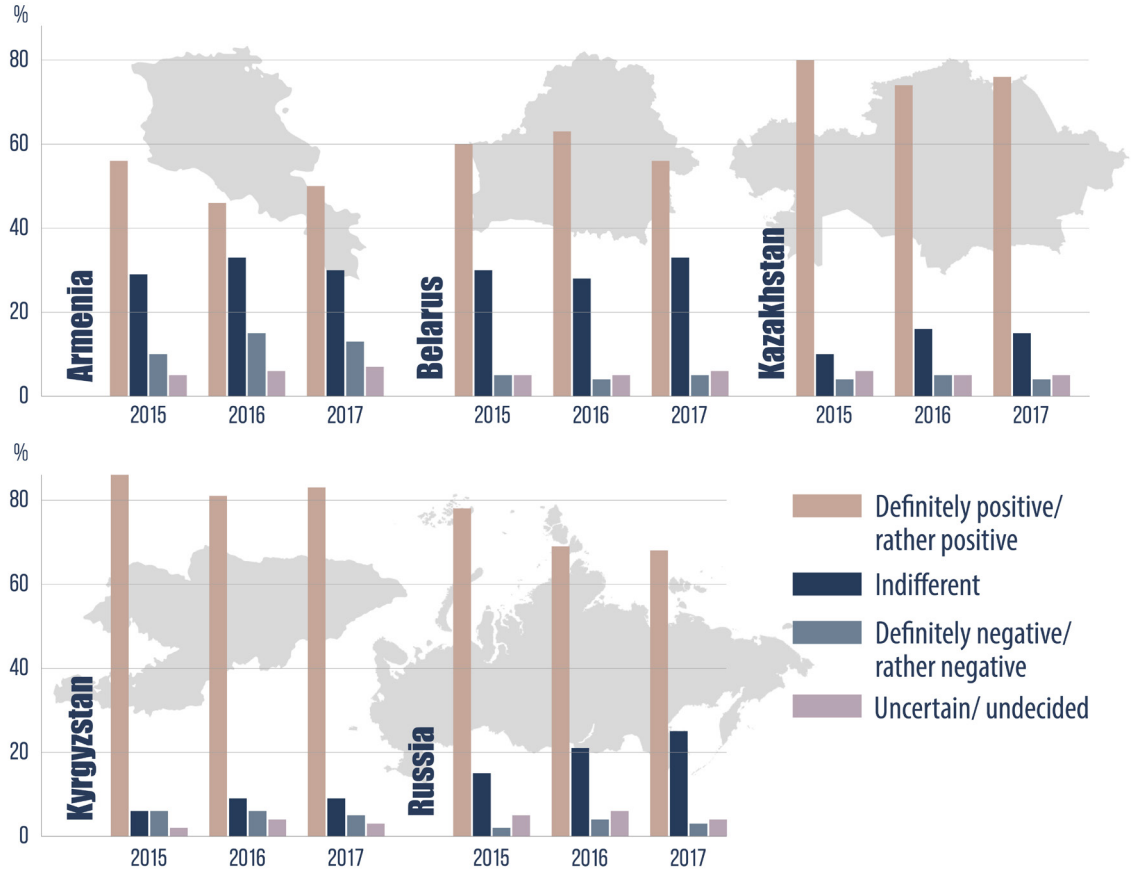
Unlike in Armenia and Kyrgyzstan who joined the EAEU later, there was no meaningful public discussion over the issue of Eurasian integration, nor

[30] Freedom House, "Freedom in the World 2017."

deliberations in the parliaments of the three largest EAEU countries. It was not a popular or debated issue during national electoral campaigns either. The overly top-down promotion of Eurasian integration ultimately raises the question of its sustainability and of overall EAEU viability. The EAEU was born of undemocratic politics and, according to one interviewee,

> *"If there were no centralized decisions [in Eurasian countries], the EAEU would not have been created."*[31]

Now that the EAEU has entered its sixth year of existence, its prospects – even with changes to political leadership or systems on the horizon – do not necessarily look bleak for at least two reasons.



Source: Eurasian Development Bank, Integration Barometer 2017. Note: "Question: "Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia have joined to create the Eurasian Economic Union (in essence, a single market of five countries). What is your attitude towards that decision?"

Figure 2. Public perceptions of the EAEU in the Member States

[31] Interview with Treshchenkov.

First, Eurasian integration enjoys broad public support in all EAEU countries, as yearly opinion polls commissioned by the Eurasian Development Bank (EDB) show (see Figure 2). The level of support somewhat decreased in 2016–17 largely due to economic decline, but remained impressive. Furthermore, there are also rather high levels of mutual trust between the populations of the EAEU member states. The latest EBD Integration Barometer shows that in 2017, when asked to identify which country would be likely to provide support at a difficult time, 79 percent, 45 percent, and 30 percent of Belarusians selected Russia, Kazakhstan, and Armenia, respectively. For Kazakhstan's population, the results were Russia (81 percent), Belarus (42 percent) and Kyrgyzstan (33 percent).[32]

EAEU'S PROSPECTS DO NOT NECESSARILY LOOK BLEAK FOR AT LEAST TWO REASONS, NAMELY, RATHER BROAD PUBLIC SUPPORT IN ALL EAEU COUNTRIES AND HORIZONTAL CONNECTIONS BETWEEN THE NATIONAL BODIES OF EAEU COUNTRIES.

Second, bureaucratic machinery and horizontal connections between the national bodies of EAEU countries have been developing over time, contributing to the union's viability.

> *"The more specialized networks are created, the more sustainable the EAEU will become,"*

one interviewed expert said.[33] Permanent cooperation between EAEU countries in mid-level fields like food safety, energy, and public procurement strengthen ties between member states and contribute to EAEU sustainability.

[32] Eurasian Development Bank Center for Integration Studies, "EDB Integration Barometer 2017," pp. 10–11.

[33] Interview with Treshchenkov.

EAEU communication and visibility in national media

Decisions of the EAEU institutions are often insufficiently communicated in press releases while authorized EEC spokespersons are few. The accreditation possibilities for journalists to cover EAEU summits are rather limited. According to EAEU rules, Supreme Council Chairs decide about the presence of accredited journalists at EAEU summits,[34] which is a striking contrast to the EU with its inclusive system of accreditation for EU-based and foreign journalists.

Most if not all prolific pro-EAEU non-governmental organizations and initiatives have repeatedly voiced their concerns about rather limited EAEU coverage in the national media of the EAEU member states. One of the first calls to improve the mass media coverage was the declaration passed at the first Eurasian Youth Forum in Armenian Tsaghkadzor in August 2012. It proclaimed the establishment of the Eurasian Media League with the aim to create a "horizontal information network to influence public opinion about the EAEU establishment."

In mid-2014, the Integration Club, Russia's permanent consultative parliamentary body, was instructed by Federation Council Chair Valentina Matvienko to inquire the Russian leadership about a possibility to establish the EAEU-related TV channel. The Integration Club also proposed to increase financial support to Russian-language media abroad, to develop a concerted media policy in the EAEU, and to sign an agreement on joint media strategy. Vladimir Dzhabarov, first

[34] Supreme Eurasian Economic Council, Decision #96 [original in Russian], December 23, 2014.

deputy chair of the Federation Council Committee on Foreign Affairs, proposed to create the Information Center tasked with popularization of the Eurasian integration, in collaboration with the EEC.[35]

The Eurasian Media Index surveys, based on quarterly monitoring of EAEU media coverage, found rather limited media attention towards Eurasian integration agenda. In 2017, EAEU topics received most positive coverage in Armenian media, while Kazakhstan's and Kyrgyzstan's media were most active in covering EAEU developments. Next year Russian national media published more about the EAEU than others, whereas coverage of the EAEU in Kyrgyzstan's media was on average the most favourable. In 2019, Kazakhstan's media took the lead in the number of publications, whereas Armenian media were found to be generally more positive toward the EAEU than national media outlets in other countries.[36] Belarus's media often turned out to be most critical towards the EAEU.

NATIONAL MEDIA OUTLETS RARELY PUBLISH EAEU-RELATED ARTICLES BEYOND NEWS ABOUT EAEU SUMMITS AND KEY DEVELOPMENTS IN BILATERAL RELATIONS.

Beyond the coverage of the Supreme Council and Intergovernmental Council meetings and developments in bilateral relations, publications on Eurasian integration in EAEU coutries' national media are rare, the Eurasian MediaIndex surveys also found. Furthermore, business media interest for EAEU-related topics has been fairly limited.

Attempts by pro-EAEU agencies and (GO)NGOs to significantly increase media coverage of the Eurasian integration in EAEU coutries' national media had a rather limited success thus far. Russian media are very popular in all EAEU member states, though. They contribute to Russia's positive image in the EAEU countries which translates into positive sentiments towards the EAEU. In December 2018, Russian federal TV channel Rossiya 24 made a clear attempt to invigorate the Eurasian integration coverage by producing EAEU-related interviews with Nikol Pashinyan, Alexander Lukashenko, Nursultan Nazarbayev, and Sooronbay Jeenbekov.

[35] 2016 Annual Report of the Integration Club [original in Russian], pp.64–65.

[36] Eurasian media index. Center for the Studies of Integration Prospects.

Obstacles to the EAEU Single Market

When it comes to the EAEU internal market's four fundamental freedoms – movement of goods, services, labor, and capital – criticism regularly concerns the multiple exemptions held by member states, the prevalence of non-tariff barriers, and the absence of common trade policy. The EAEU's achievements in liberalizing the movement of labor are most pronounced, though often overlooked by commentators.

On the eve of the EAEU Treaty's activation in December 2014, the Supreme Council approved a list of 96 "restrictions, derogations, and additional conditions" by Belarus, Kazakhstan, and Russia, with around 30 cases per country. Besides special norms related to trade in tobacco and alcoholic beverages, most national exemptions to the single market are related to the service and labor markets. For instance, Kazakhstan requires lawyers, notaries, or editors-in-chief of national mass media outlets to be citizens. Belarus requires state health organizations to provide hospital services, while in Russia gambling companies must be legal entities registered in Russia.[37]

Besides such mutually agreed upon exemptions, the EEC is responsible for a public register of additional existing barriers, derogations and restrictions within the EAEU market. This work is done by the EEC Domestic Market Operations Department,

[37] EAEU Supreme Council, "Decision #112" [original in Russian], December 23, 2014.

established in 2016. Its e-portal[38] allows public monitoring of progress and includes a reporting function for enterprises and individuals to submit restrictions for EEC consideration. Out of 161 reported cases to the EEC in 2017, 48 were submitted by businesses and individuals through the e-portal.[39]

Out of 65 single-market exemptions listed in the public register in May 2020, 14 were classified as barriers, 14 as derogations, and 37 as restrictions. Barriers are obstacles to free movement of goods, services, capital and labor contrary to union law. Derogations are exceptions from the general rules of the union's internal market allowed by union law. Restrictions represent issues that have arisen as a result of gaps in union law.[40]

THE EAEU'S ACHIEVEMENTS IN LIBERALIZING THE MOVEMENT OF LABOR ARE MOST PRONOUNCED, THOUGH OFTEN OVERLOOKED BY COMMENTATORS.

An intra-EAEU trade is significantly affected by non-tariff barriers. In 2015, Russian exporters estimated that the cumulative effect of non-tariff barriers reached, on average, 25% of the cost of exporting to Kazakhstan and Belarus, the survey by the Center for Integration Studies shows.[41] They include technical barriers, special importer status and other measures affecting competition, price control measures including complementary taxes and duties in the country of origin, particularly those associated with VAT payments.

Belarusian transportation companies estimated that the abolition of the permit system for freight traffic to Russia would double turnover in three years and increase vehicle fleet size by 30–40% a year.[42]

38 EAEU Portal of General Information Resources and Open Data, "Obstacle Registry."

39 EEC report "On identification and abolition of barriers, derogations and exceptions on the EAEU domestic market in 2017" [original in Russian], p. 5, 2017.

40 See EAEU, "Interview with Karine Minasyan, EEC Minister for Internal Markets, Information, and Communication Technologies to Belarusian Telegraph Agency 'Belta': 'The EEC proceeds from the principle of inadmissibility of barriers in the EAEU'" [original in Russian], February 9, 2017.

41 EDB Centre for Integration Studies, "Assessing the impact of non-tariff barriers in the EEU: Results of enterprise surveys," 2015.

42 Ibid.

Another study concluded that if EAEU non-tariff barriers are reduced or fully abolished, EAEU agriculture and food industry as well as Belarus-Kazakhstan trade would benefit the most.[43]

Despite new exemptions arising, this work continues to progress in the face of limited EEC competencies. In 2017 the Intergovernmental Council adopted a road map to eliminate 35 exemptions in the EAEU market in 2018–19.[44] A year later the Council reminded member states of this schedule and asked the EEC to make progress reports. In 2017–18 the EAEU overcame around 25 exemptions, of which 16 were barriers.

A significant obstacle to the free movement of goods in the EAEU is a so-called "residence" principle. It restricts filing goods declarations with the customs authorities of a declarant's own country. That is, in order to sell Germany produced goods in Russia a Kazakhstan-registered company cannot handle customs clearance procedures in Belarus. Instead it has to file customs declaration with Kazakhstan's customs authorities, to pay customs duties in line with EAEU tariff rates and VAT compliant to Kazakhstan's legislation.

Hence the existing procedure mandating to bring imported goods in the EAEU is very complicated and increases the cost of goods considerably. "There is no reason in preserving the "residence" principle, as it prevents competition and leveling up of business conditions in the EAEU territory. If goods flow away to other member states' customs then it means that Russian federal budget carries losses as more than 60% of its profits come from customs payments,"[45] one expert said.

Another obstacle to EAEU freedom of movement of goods is the absence of common trade policy. This is by and large a result of retaliatory Russian measures against Western countries, Turkey, and Eastern Partnership states opting for EU integration. Russia introduced a 2014 ban on many Western agricultural products in response to Western sanctions. Following Turkish military action that shot down a Russian jet in Syria in 2015, Russia embargoed a range of Turkish food products in 2016–17. Finally, against Georgia, Moldova, and Ukraine,

[43] Roman Vakulchuk and Alexander Knobel, "Impact of non-tariff barriers on trade within the Eurasian Economic Union," Post-Communist Economies, Volume 30, pp. 459-481, 2018.

[44] EAEU Intergovernmental Council [original in Russian], "Order #17," October 25, 2017.

[45] Personal interview with Wilhelmina Shavshina, DLA Piper Global Law Firm, Saint Petersburg, 7 August 2018.

Russia cancelled preferential trade regimes and imposed stricter veterinary and (phyto-)sanitary controls, import bans for selected foodstuffs and drinks, bans on transit of goods through its territory, and restrictions on employment and the free movement of people.

MULTIPLE EXEMPTIONS HELD BY EAEU MEMBER STATES, THE PREVALENCE OF NON-TARIFF BARRIERS, THE PRINCIPLE OF RESIDENCE FOR CUSTOMS CLEARANCE PROCEDURES, AND THE ABSENCE OF COMMON TRADE POLICY ARE OBSTACLES TO THE FREE MOVEMENT OF GOODS IN THE EAEU.

Other EAEU countries did not follow Russia's sanctions for political and economic reasons. Intra-EAEU trade is of relatively low importance for them as trade with third countries accounts for over 80% of imports and exports. Given that the EAEU economy accounts for only 2.5% of global GDP, “any attempts to build "fortress Eurasia" are suicidal” and will make EAEU countries “permanent outsiders from a technological point of view,” the Center for Integration Studies experts believe.[46] Russia’s strained relations with many third countries have potentially negative consequences for other EAEU countries’ economies.

Thus Russia has had to ensure unilateral application of restrictions, including controlling the flow of sanctioned products through EAEU partner countries. After Belarus and Kazakhstan reportedly blocked Russian proposals in EAEU bodies for closer cooperation on the movement of embargoed foods, mobile groups consisting of Russian customs officers, border guards, police, and Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhoznadzor) inspectors began patrolling areas bordering Belarus and Kazakhstan. In the first half of 2017 more than 40 mobile groups were functioning, half of them at the Russia-Belarus border.

This development undermined the EAEU objective of removing controls on the movement of goods at internal borders. To Russia’s dismay, systematic control at internal borders was largely ineffective at combating

[46] Eurasian Economic Union [original in Russian]. Ed. by Evgeny Vinokurov. Centre for Integration Studies. Saint Petersburg, p. 157, 2017.

massive reexports of sanctioned products. The estimated total cost of embargoed food reexported to Russia through Belarus from August 2014 to the end of 2016 was $2.7 billion. Russian systems detected less than 1 percent of the actual volume of products reexported via Belarus.[47]

It has been widely speculated that Russian restrictions on Belarusian food products' access to the Russian market were retaliatory measures following this massive reexport of banned foods. In early 2017 the dispute sharpened to the point that Lukashenko instructed Belarus' Ministry of the Interior to announce a criminal investigation of Sergey Dankvert, the head of Rosselkhoznadzor, over alleged "libel against Belarusian enterprises."

Generally, over the past four years, EAEU partners introduced multiple mutual restrictions on the import of different food categories (dairy products, meat, vegetables, and fruits), especially in Belarus-Russia, KazakhstanRussia, Kyrgyzstan-Russia, and Kazakhstan-Kyrgyzstan trade relations. Although more prevalent amid the economic crises and national currency volatility of 2015–16, they continue to a lesser extent to the present day.

Finally, Armenia, Kazakhstan, and Kyrgyzstan have different legal arrangements with the WTO. Before joining the EAEU, according to their WTO obligations, Armenia and Kyrgyzstan applied very low customs tariffs. They agreed to bring them in line with the EAEU tariffs by 2022 and 2020, respectively. Kazakhstan enjoys a longer transition period, and is poised to start similar negotiations with the WTO in 2023. Until then, the customs monitoring system ensures that the goods which are imported at lower tariffs are not re-exported to the rest of the EAEU without payment of extra duties.

[47] Andrei Yeliseyeu, "Belarusian shrimps, anyone? How EU food products make their way to Russia through Belarus," GLOBSEC Policy Institute, 2017.

Russia and the EAEU

A Russia-oriented Political and Cultural Space

Experts interviewed generally agree that the Kremlin's principal reason behind the EAEU's establishment was to create a regional bloc oriented toward Russia. As one said, "Russia as a superpower needed a union's fist."[48] Russia sees international relations through the lens of power competition and intends to prevent close integration between Eastern Partnership countries and the EU as well as rapprochement between Central Asian countries and China.

The aim is to link neighboring countries to Russia by developing a customs union and creating a single market that prevents drift toward competing trading blocs or alternative superpowers. From this perspective, Ukraine's EU Association Agreement was a serious defeat in the Kremlin's struggle with the EU specifically and the West generally over their shared neighborhood.

THE KREMLIN'S PRINCIPAL REASON BEHIND THE EAEU'S ESTABLISHMENT WAS TO CREATE A REGIONAL BLOC ORIENTED TOWARD RUSSIA.

[48] Interview with Andrey Suzdaltsev, associate professor at National Research University Higher School of Economics, August 9, 2018, Moscow, Russia.

Russia, however, often seeks to cover its own ambitions by stressing that the EAEU was the brainchild of Kazakhstan's President Nursultan Nazarbayev. In his report on Russia's role in Eurasian integration, former deputy prime minister Igor Shuvalov wrote: "Often opponents and opposition parties both in Belarus and Kazakhstan speak of Russia's leadership. I assure you this is not true. … This [union] was the Kazakhstan president's initiative … in the first place."[49]

In May 2019, the Supreme Council praised Nazarbayev's role as the "author or the Eurasian integration idea" and declared him an Honorary Chair of the Supreme Council with the right to take part in the Council meetings and make proposals about the EAEU functioning.[50] That the initial idea came from Nazarbayev does not, however, negate Russia's leading role in the EAEU, given its overwhelming dominance in terms of economic, political, and military power. Russia represents 86 percent of the EAEU's joint GDP and around 80 percent of the union's population.

Kyrgyzstan's President Sooronbay Jeenbekov vividly expressed Putin's superior EAEU position in a December 2018 TV interview with Russia 24: "We [EAEU leaders] argue with one another at official and unofficial gatherings, as everyone sympathizes most strongly with his own country. In such cases, Vladimir Putin, of course, always plays the arbiter."

Statements and reports by representatives of the Russian ruling elite indicate that Russia's authorities view the EAEU not only as an economic project, but also as a cultural and historical space built around the Russian language. Anatoly Torkunov, rector of Moscow's State Institute of International Relations, sees failure to consolidate this neighborhood as a potential threat to the core of the Russian state and its society: "Defeat in the struggle [for Eurasian space] would mean losing not only sovereignty and control over the territory and its natural resources, but most importantly a loss of national identity, a disintegration of a system of national values."[51] According to Torkunov, Russia's international status rests heavily on the success of the Eurasian project.

Illustratively, cultural cooperation and the role of the Russian language across EAEU countries are among the most frequently

[49] Integration Club under the Chair of the Federation Council, "2014 Annual Report" [original in Russian], pp. 12–13.

[50] Eurasian Supreme Economic Council, Decision #9 [original in Russian], May 29, 2019.

[51] See Torkunov's speech, Integration Club under the Chair of the Federation Council, "2013 Annual Report" [original in Russian], p. 43.

discussed topics at meetings of the Integration Club, an informal group influencing Eurasian cooperation led by the chair of Russia's Federation Council. As the current officeholder, Valentina Matvienko, stated at the April 2017 meeting, "Whereas cooperation in economic, investment, and customs fields are without doubt the EAEU's principal components, I believe that cultural interaction should not be rejected by anyone either, because protection of the cultural identities of each union country isn't political per se."[52]

This view is echoed by Sergey Glazyev, who advocates for an elaboration of Eurasian ideology that justifies further integration through specific national interests. Thus far, "National self-identification of all post-Soviet republics, including EAEU member states, is built on Russophobia," he argues.[53]

Russian cultural influence in EAEU countries has intensified recently due to large Russian investment in state-controlled cultural foundations and Russianlanguage media. Every EAEU country but Armenia is dominated by the Russian information space, though the impact of Russian media in Armenia is also significant. Statements from Russian decision-makers suggest that the Kremlin plans further escalation of its informational preeminence across the post-Soviet sphere, foremost in EAEU countries.

A Bridge between Lisbon and Jakarta

A complementary aim of the EAEU's establishment lies in Russia's intention to negotiate more beneficial cooperation terms with other large trading blocs. Russia expects to improve its own international position as a result of the competitive regional economic organization created around itself. Describing the EAEU as a "factor of alignment between European and Asian-Pacific regions" at the September 2012 APEC Summit, Putin underscored this objective.

According to Ruslan Grinberg, director of the Institute for International Economic and Political Studies at the Russian Academy of Sciences, "foreign opponents of Eurasian integration usually claim that Russia leads its partners toward new isolation and creates in the CIS space 'a reservation of economic backwardness and authoritarian regimes.' In response to this,

[52] Integration Club under the Chair of the Federation Council, "2017 Annual Report" [original in Russian], p. 7.
[53] Ibid, pp. 61–62.

it needs to be explained that the real EAEU aim is to create a common economic space with EU and Asian-Pacific countries."[54]

In a 2016 speech in Beijing, Putin combined earlier proposals into an alignment of EAEU infrastructural projects, the Chinese Silk Road project, as well as the Northern Sea Route with a view to reconfigure transportation across Eurasia. Pro-EAEU agencies, institutions, and independent researchers based outside the EAEU countries regularly consider links between the EAEU and the EU, the Chinese Silk Road project, the Shanghai Cooperation Organization, and various ASEAN countries.

The oft-touted integration formula "From Lisbon to Vladivostok" reflects only part of Russia's ambitious long-term vision. Deputy Foreign Minister Igor Morgulov instead described Russia's strategic aim as a common space spanning "From Lisbon to Jakarta."[55] However, experts acknowledge that the prospect of comprehensive free trade agreements between the EAEU and the EU, ASEAN, or China is distant for economic as well as – especially in the case of the EU – political reasons.

A COMPLEMENTARY AIM OF THE EAEU'S ESTABLISHMENT LIES IN RUSSIA'S INTENTION TO NEGOTIATE MORE BENEFICIAL COOPERATION TERMS WITH OTHER LARGE TRADING BLOCS.

The Agreement on trade and economic cooperation between the EAEU and China, which was signed in May 2018, establishes a framework of cooperation on (phyto)sanitary measures, customs, intellectual property rights, procurement, etc. Instead of cancelling duties and reducing non-tariff barriers, the agreement aims at increasing transparency and easing trade procedures.

Thanks to contractual relations with the EAEU and EU, Armenia and Kazakhstan have established themselves as test springboards for cooperation between the two trade blocs. In 2015 Kazakhstan and the EU signed the Enhanced Partnership and Cooperation Agreement

[54] R. Grinberg, "Eurasian Union Development: Chances and Risks" [original in Russian], 350th meeting of the Federation Council, March 26, 2014, p. 24.

[55] Integration Club under the Chair of the Federation Council, "2017 Annual Report," p. 47.

(EPCA) which covers 29 fields of cooperation, including in the sectors of economic and financial cooperation, energy, environment and climate change, employment and social affairs. After ratification by all EU member states, the EPCA entered into force in March 2020.

In November 2018 Armenia and the EU signed the Comprehensive and Enhanced Partnership Agreement (CEPA). Often referred to as an 'Association Agreement-lite', CEPA defines the spheres of Armenian approximation to EU legislation which do not go contrary to the country's commitments within the EAEU. They include transportation, telecommunications market, consumer rights protection, and others. The CEPA entered into provisional application in June 2018 and is currently being ratified by EU countries. It remains to be seen how the application of these agreements will contribute to understanding of the EU and EAEU complementarity.

Belarus and the EAEU

Lucrative Energy Deals with Russia

The consensus among experts interviewed is that the principal driver for Belarus's EAEU membership was the preservation and possible improvement of preferential terms on Russian oil and gas deliveries.

> *"Belarus decided to join the EAEU in order to maintain Russian subsidies and economic preferences. The Russian side made clear that without accession, the screws would be tightened,"*

one expert said.[56]

Over the last two decades Belarus traded geopolitical loyalty and military cooperation for Russia's generosity. Low prices for Russian gas, beneficial schemes for Russian oil processing, an open market for Belarusian goods, and other forms of Russian financial assistance allowed Lukashenko to keep the largely unreformed economy afloat.

OVER THE LAST TWO DECADES BELARUS TRADED GEOPOLITICAL LOYALTY AND MILITARY COOPERATION FOR RUSSIA'S GENEROSITY.

[56] Interview with Kamil Kłysiński, specialist in Belarusian affairs, Center for Eastern Studies (OSW), July 27, 2018, Warsaw, Poland.

After signing the Customs Union Treaty in 2009, Belarus turned the second phase of Eurasian integration (the CES) into a lengthy bargaining process. Disagreements with Russia over oil rents grew to the point that in 2010, Putin announced plans to establish a Customs Union with Kazakhstan without Belarus. Days later Belarus committed to signing the Customs Unions Customs Code.

This 2010 row included Russia's restriction of energy benefits to Belarus, an exchange of caustic remarks between the countries' leaders, and an anti-Lukashenko information campaign in Russian state media. To raise pressure on the Kremlin to agree to more beneficial oil delivery terms, Belarus imported oil from Venezuela and Azerbaijan. As Vladimir Semashko, Belarus's former deputy prime minister and current ambassador to Russia, acknowledged in 2012, "We probably would not have had agreements on single market oil and oil products with Russia and Kazakhstan if we had not had [Venezuelan oil] supplies in 2010–12."[57]

The Russia-Belarus disagreements were eventually settled in closed negotiations between the countries' presidents on December 9, 2010, when Belarus, Kazakhstan, and Russia established the CES. Lukashenko stated he was ready to "surrender" for $4 billion in Russian subsidies, as "This money goes to our people and our state."[58] Ten days later, in the aftermath of Belarus's presidential election, a violent crackdown on political opposition and civil society took place, which must be seen as a result of the bargaining process with Russia over the terms of CES accession.

The agreement was that Belarus would buy duty-free Russian crude oil, process it, and sell the oil products to the EU. Export duties on oil products are transferred to Russia, but Belarus retains the difference between the duties on crude oil and oil products. In 2013 this profit accounted for 8 percent of Belarus' national GDP.

In 2014 Belarus conditioned signing of the EAEU Treaty on even more beneficial oil-related terms. The two countries signed an additional protocol that allowed Belarus to keep $1.5 billion of the export duties on oil products from 2015 onward. This amount is in essence the extra (annual) price Russia was willing to pay to keep Belarus in the EAEU. Furthermore, in October 2014, a few weeks after Belarus's ratification

[57] "Belarus to stop importing oil from Venezuela after June" [original in Russian], Unian information agency, June 22, 2012.

[58] "Alexander Lukashenko accepted all challenges and threats" [original in Russian], Kommersant, No. 230, December 11, 2010.

of the EAEU Treaty, the two countries agreed that Belarus would keep all export duties on oil products in 2015, delaying the start date of the previous duty agreement till 2016.

However, a steep drop in oil prices significantly reduced the expected profit for Belarus. "Belarus hoped to get an annual benefit [from export duties on oil products] worth $3–4 billion in exchange for EAEU integration.

Instead, the value of the export duties on oil products that Belarus negotiated to keep reached only $1.26 billion in 2015, $550 million in 2016, $680 million in 2017, and $970 million in 2018. Russia's ongoing oil-sector tax reform will bring even gloomier prospects for Belarus's economy in the years to come. Experts expect that Belarus will purchase Russian oil at near market prices after 2024.

An important energy deal struck between the two countries in 2017 did not result in lower prices for Belarus; the country paid an accumulated debt of $726 million to Gazprom. Putin agreed to provide Belarus with 24 million tons of oil annually until 2024, of which 6 million would be reexported by Russia with export duty profits remaining in Belarus. Moscow ended the 6-million-tons deal for 2020 amid bilateral controversies over "deepened integration". As of May 2020 the Kremlin also continues to turn a deaf ear to Minsk requests for lower gas prices.

Belarus reiterates that its industry struggles to compete given the unequal advantage of its Russian counterparts. According to Vladimir Semashko, in late 2018 KAMAZ, Russia's largest truck manufacturer, paid $0.04 for 1 kWh of electricity and $65 for 1,000 cubic meters of gas, while costs for Minsk Automobile Plant (MAZ) stood at $0.11 and $276, respectively.[59] One expert points to the fact that Belarus sets those higher prices on Russian gas:

> *"Russia would possibly agree to supply gas to Belarus at Russian domestic prices, but Belarusian authorities would consequently sell that gas to its population and industry at twice the price. It is just a way to line their pockets. The markup over Russia's domestic pricing is only around 30 percent, not 200 percent [as a result of the price Belarus charges its citizens and enterprises]."*[60]

[59] TV interview with Vladimir Semashko, "Main Broadcast," Belarus 1, November 18, 2018.

[60] Interview with Suzdaltsev.

In response to Belarusian demands for Russian concessions, in December 2018 Medvedev proposed closer integration between the two countries within the so-called Union State established in a 1999 bilateral agreement. This inflamed speculation about assertive Russia's plans to leave Belarus with only nominal sovereignty in exchange for larger economic support.

As of May 2020, neither the Action Plan for closer integration, which was initialled by Belarusian and Russian prime ministers in September 2019, nor a dozen of roadmaps accompanying it, did not come into force. The format of future Belarus-Russia relationship remains in the state of uncertainty given the worsened personal relationship between Alexander Lukashenko and Vladimir Putin, upcoming presidential elections in Belarus amid low Lukashenko's electoral rating, and likely diverse range of negative impacts that the novel coronavirus outbreak is poised to bring for both counties.

Russian Loans and Export of Goods

Belarus expected that EAEU membership would preserve unrestricted access for its goods and services in the Russian market. Russia has remained its main trading partner, which accounted in 2018 for around 38 percent and 59 percent of Belarusian exports and imports, respectively. Yet, Russian accession to the World Trade Organization (WTO) in 2012 brought greater competition for Belarusian producers on the Russian market, causing losses in industries such as agricultural machinery and construction materials. A non-WTO member, Belarus found itself committed to WTO rules but without access to protection from third-country discrimination or to the right of appeal within the WTO known as "compulsory trade liberalization."[61]

It is widely speculated that episodic Russian bans on Belarusian imports (typically, meat and dairy products) are ungrounded and dictated by politics. In several cases, however, Rosselkhoznadzor provided evidence of quality certificate forgery by Belarusian companies, allegations that were not challenged. In any case, the volume and cost of banned dairy products was assessed at less than one percent of Belarus' total dairy exports to Russia.

Russia is Belarus's primary lender. While Russian government loans account for only 26 percent of government debt, taken together with loans provided by Russian banks and the Eurasian Fund for Stabilization

[61] Irina Tochitskaya, "Russia's Accession to the WTO: Implications for Belarus' Trade and Industries," German Economic Team Belarus, IPM Research Center, Policy Paper Series [PP/01/2012], June 2012.

and Development, support from its neighbor totals nearly half of the Belarusian government's debt.

Upon the accession to the EAEU, Belarus suffered from decline in FDI capital both from Russia and Western countries, a consequence of economic downturn in 2015–16, slow progress with reforms, and insufficient Belarus's interest in privatization. It was reported yet in 2014 that Russian counter sanctions against the West resulted in the interest of EU companies to invest into Belarus-based food processing plants.[62] Large investment deals were not eventually sealed though, partly for the reason that embargoed goods continued finding their way onto Russian market through Belarus quite unproblematically.

Access to the Russian labor market

Due to EAEU membership, Belarusian migrants continued to enjoy access to the Russian labour market. Although the share of remittances to the country's GDP is quite insignificant (2.3% in 2017), remittance inflows are important to reduce the number of Bealrus's households below the poverty line. The flows of temporary labour migration from Belarus seemingly increased since the 2015–16 economic downturn.

Russia remains the predominantly preferred destination country for Belarusian labour migrants. Over the past few years, however, including owing to depreciation of Russian ruble and economic stagnation in Russia, part of Belarusian migrant labourers began to reorient towards Poland's labour market. In 2017, Polish businesses submitted over 58,000 statements to employ Belarusian migrants under a simplified employment procedure, compared to just 5,600 in 2015. Furthermore, an unknown number of over 130,000 Belarusian holders of the Card of the Pole stay in Poland temporarily or permanently, including for work reasons.[63]

[62] TUT.BY, "EU milk flows directed to Belarus in hope to get to the shelves of large Russia's [supermarket] chains" [original in Russian], September 10, 2014.

[63] Yeliseyeu Andrei. Migration between Belarus and Poland: Current trends and prospects. EAST Center, 2018.

Kazakhstan and the EAEU

Nazarbayev's Political Rationale

The reasons for Kazakhstan's engagement in Eurasian integration are less pronounced than those of other EAEU countries. Kazakhstan's dependence on exports to EAEU markets is lower than other EAEU countries. Thanks to a relatively high standard of living (which has started to erode over the last few years), Kazakhstan relies on temporary labor migration to Russia less than Belarus, Armenia, or Kyrgyzstan. Further, Kazakhstan's economy does not depend on shady energy deals or common energy projects with Russia to the extent that Armenia or Belarus do. Kazakhstan's strategic economic interest is to ensure the cheap import of modern technology, but EAEU membership does not facilitate this objective.

THE REASONS FOR KAZAKHSTAN'S ENGAGEMENT IN EURASIAN INTEGRATION ARE LESS PRONOUNCED THAN THOSE OF OTHER EAEU COUNTRIES.

Consensus among those interviewed is that the primary reasons behind Eurasian integration for Kazakhstan were instead political.

> *"There was no good economic reason: the Kazakh and Russian economies are structurally similar, both countries depend on the export of hydrocarbons and compete for the same markets,"*[64]

one expert said, adding that Kazakhstan plays a role of a sacrificial "cow" for sanctions-hit Russia.[65]

While the septuagenarian Nazarbayev started a power transition in 2019 by resigning as president while retaining an influential status, he and his inner circle ensured that the country's leadership remained in the hands of a regime figure, loyalist diplomat Kassym-Jomart Tokayev.

Likewise, it was in Russia's interest to have a successor to Nazarbayev who supports Eurasian integration as

> *"Kazakhstan's exit would mean the project's collapse."*[66]

After initially voicing the idea in 1994, Nazarbayev "was simply taken at his word" by Russia as driver of Eurasian integration. The personalistic mode of Kazakh governance means that

> *"opposing the EAEU is criticizing the president's idea, therefore you oppose him,"*[67]

said the Kazakh politician.

Despite this and a generally repressive political environment in Kazakhstan, its fragmented opposition actually undertook concrete and lasting activities advocating against Eurasian integration, in stark contrast to other countries where political forces limited themselves to sporadic protest rallies like Armenia or public statements as in Belarus

64 Interview with Meruert Makhmutova, director of the Public Policy Research Center (Almaty), December 12, 2018.

65 In Russian prison slang, a "cow" historically refers to prisoners sacrificed and cannibalized for food in remote, desperate Soviet gulags or during prison escape attempts.

66 Interview with Victor Kovtunovsky, expert at the Fund for the Development of Parliamentarism in Kazakhstan, December 3, 2018, Almaty, Kazakhstan.

67 Interview with Amirzhan Kosanov, politician, December 5, 2018, Almaty, Kazakhstan.

and Kyrgyzstan. In 2012–13 the opposition attempted to collect 200,000 signatures for a petition on a nationwide referendum on membership in the Customs Union and CES.

According to Rysbek Sarsenbay, former editor-in-chief of Zhas Alash newspaper, readers collected around 80,000 signatures in 2012:

> *"Readers copied the letter with this call and collected signatures all over the country on their personal initiative, unpaid. If we had been a political party with regional offices and had larger human capacities and financial opportunities, then we would have collected many more."*[68]

Months before the May 2014 signing of the EAEU Treaty, several Kazakh civic organizations, foremost the youth movement Rukh Pen Til, organized an Anti-Eurasian Forum that gathered nearly 500 people. Forum participants passed a resolution calling for state authorities to postpone the treaty signing for ten years, citing Russia's violations of Ukraine's sovereignty and territorial integrity.

However Eurasian integration enjoys rather high support throughout the population, reaching 74 percent in 2016, as opinion polls organized by the EDB Center for Integration Studies show (see Figure 2). While many experts question the reliability of these numbers, there are good reasons to believe that support levels are very high even if somewhat overestimated by such polls. Reasons for this include positive coverage of Eurasian integration by state media, largely positive views toward integration with Russia among the Slavic population and Russified Kazakhs, as well as the high popularity of Russian media in Kazakhstan.

> *"Russian media overwhelmed Kazakhstan, especially prior to 2014 when Kazakh television was digitized and more diverse content became available. As a result, many Kazakhstan citizens are well informed about Russian politics but unable to name Kazakhstan's prime minister," one expert said.*[69]

In any case, as Kazakhstan's political leadership is in transition, the country's Eurasian prospects are less certain in the medium term.

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[68] Interview with Rysbek Sarsenbayev, journalist, December 5, 2018, Almaty, Kazakhstan.

[69] Interview with Kovtunovsky.

Exports to and Linkages with China

Kazakh authorities repeatedly named access to a large common market as the main argument in favor of Eurasian integration; however, no increase in exports to Russia actually took place. In fact, in 2017 Kazakhstan's exports to Russia at $4.5 billion were the same as 2015 levels and less than 2014's $6.4 billion. Largely due to depreciation of the Kazakh tenge in the second half of 2015, the country's exports to Russia in 2016 sank to a low $3.5 billion. That depreciation following a dip in Russian ruble prices helped Kazakh producers compete on the Russian market.

> *"Before that, as Russian industrial equipment and foodstuffs became cheaper, our production stagnated,"*

reports one expert.[70]

Especially during that period of currency volatility, Kazakhstan-Russia trade saw repeated cases of mutual import bans, normally on food products like meat, dairy, and fruit. Aggravating external factors such as falling oil prices, economic slowdowns in Kazakhstan and Russia, and Western sanctions against Russia generally complicate the study of trade effects brought by Kazakhstan's EAEU membership.

Although forcing Kazakhstan to nearly double its average import tariff rate upon accession to the Eurasian Customs Union is often cited as proof of overwhelming Russian dominance, this process was nuanced, detailed economic analysis shows.[71] It is fair to say that Russian influence was high, but it was not disproportionate given the size of Russia's economy. In the words of one analyst,

> *"Because the starting point for negotiations on the common import tariff was Russia's tariff rates, many thought Russia exerted disproportionate influence. In fact, what we saw was that Kazakhstan did not bargain to decrease tariffs on imported cars; instead, it bargained for protections for its own priority industries."*[72]

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70 Interview with an anonymous Kazakh economist, November 30, 2018, Astana, Kazakhstan.

71 Arevik Gnutzmann-Mkrtchyan, "Determining Harmonized Trade Policy: Evidence from the Eurasian Customs Union," May 19, 2016.

72 Interview with Arevik Gnutzmann-Mkrtchyan, postdoctoral researcher at Leibniz University Hanover, September 6, 2018, Yerevan, Armenia.

AN OLD KAZAKH SAYING GOES: "WHEN THE CHINESE ARRIVE, THE RUSSIANS WILL LOOK LIKE OUR BIRTH PARENTS."

Another Kazakh aspiration for EAEU membership is to become a regional business and transit hub thanks to EAEU linkage to China's Belt and Road Initiative. However, there is more rhetoric than substance around this ambitious idea thus far, despite an increase in Chinese transit to the EU through Kazakhstan over the past few years. After completion of its West Europe-West China road, Kazakhstan now waits on Russia to build its part of a modern highway connecting China with the EU. Nevertheless, deep-rooted fears about China among the Kazakh public and ruling elite must be taken into account. One expert cited an old Kazakh saying: "When the Chinese arrive, the Russians will look like our birth parents."

Armenia and the EAEU

Security Cooperation with Russia

By mid-2013 Armenia had successfully completed talks with the EU over a Deep and Comprehensive Free Trade Area. Then a meeting between President Serzh Sargsyan and Putin in September 2013, just two months before the Eastern Partnership summit in Vilnius where the EU Association Agreement would have been signed, became a turning point for Armenian foreign policy.

Although the EAEU does not regulate military cooperation between its members, security considerations played a big role, if not the decisive one, in Armenia's eventual change of mind. In joining the EAEU, it hoped to retain Russian security guarantees and to maintain the status quo in Nagorno-Karabakh.

> *"Turkish nationalists repeatedly call for interference in the Karabakh conflict 'to help their Azerbaijani brothers.' Armenia's Collective Security Treaty Organization membership and the presence of a Russian base in Armenia along the Turkish border are the principal guarantees that this will not happen,"*

said one interviewee.[73]

[73] Interview with Mikael Zolyan, political analyst, assistant professor at V. Brusov University of Languages and Social Sciences, September 4, 2018, Yerevan, Armenia.

MOST ARMENIANS CONSIDER RUSSIA THE BEST ALLY AGAINST MILITARY THREATS FROM TURKEY AND AZERBAIJAN.

Another expert, a prolific Armenian advocate of Eurasian integration, said the country cannot develop deeper cooperation with the EU at the expense of its relationship with Russia as this would be "suicide for Armenians."[74] During EAEU accession the issue of Nagorno-Karabakh itself was not an obstacle.[75] No EAEU countries individually nor any Armenian legislation specifically considers Nagorno-Karabakh part of Armenia.

Most Armenians (72%) consider Russia the best ally against military threats from Turkey and Azerbaijan, while only 10 percent favored the EU, a 2013 survey showed.[76] By some estimates, the Armenian diaspora in Russia numbers 1.2 million, with more than half of Armenia's population keeping in touch with family or friends living there.

Nevertheless, Russian weapons sales to Azerbaijan contributed to a worsening of Russia's image in Armenia. Nationwide survey results show that in 2016 the share of Armenians perceiving Russia as a friendly country had decreased to 69 percent from 90 percent in 2012.[77]

Some experts even put in question the significance of security cooperation with Russia for Armenia, increasingly so after the 2016 Nagorno-Karabakh clashes. "Russia's diplomatic silence in the days of war was not a coincidence. Putin intended to punish Armenia for disobedience. He disliked that Armenia dared to start negotiations on the Association Agreement with the EU," an interviewed expert said.[78]

Besides its military dealings, one additional important factor influencing public opinion toward Russia in the past few years was a 2016 assault on a police regiment in Yerevan by Nagorno-Karabakh war veterans. As war

[74] Interview with Aram Safaryan, political analyst, September 5, 2018, Yerevan, Armenia.

[75] Interview with Vache Gabrielyan, former Armenian minister for economic development, September 6, 2018, Yerevan, Armenia.

[76] S. Manukyan, G. Harutyunyan, and A. Safaryan, "The stance of Armenia's society on Eurasian and European integration" [original in Russian], Yerevan: Noravank Foundation, 2014.

[77] Eurasian Development Bank Center for Integration Studies, "EDB Integration Barometer 2017," p. 11.

[78] Personal interview with Styopa Safaryan, 6 September 2018, Yerevan.

heroes, the high level of respect they enjoyed in Armenian society led their actions to be considered justified by 38 percent of Armenian respondents. As the perpetrators held views critical of Russia, support for Russia in Armenia decreased as a result of specific media coverage of those events.[79] Although pro-Russia sentiment has decreased somewhat of late, Armenians still consider Russia the most friendly foreign country. With no viable alternatives, Russia remains Armenian's most critical security ally.

Exports to Russia and Remittances

Armenia's EAEU entry coincided with a macroeconomic crisis and depreciation of the Russian ruble. In the first quarter of 2015 exports to Russia hit record lows. Since that time, however, they have been steadily growing and in 2019 their value increased by 2.5 times compared to the pre-accession levels ($735 million in 2019 vs. $308 million in 2014).[80] The main beneficiaries have been the textile, food, and food processing industries.

While Russia-oriented export mostly consists of finished products, Armenia's main export commodities to the EU are aluminum foil and rolled aluminum, precious and semi-precious stones as well as non-ferrous metals (copper and molybdenum). Armenian trade with the other EAEU countries is quite insignificant. The annual volumes of Armenian exports to Belarus stand at $7–11 million, while exports to Kazakhstan and Kyrgyzstan are even less.

Some experts call attention to purportedly unfounded restrictions Russia introduced on Armenian exports, citing technical standard violations. One says:

> *"At times it looks like political pressure. I will not rule out that occasionally products fall short of quality standards. Such restrictions, however, always come at a time when Russia wants something from Armenia."*[81]

Despite these allegations and periodic restrictions, Armenia's expectation of increased exports to EAEU countries (above all, to Russia) has generally come true.

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79 Interview with Samvel Manukyan, sociologist, September 7, 2018, Yerevan, Armenia.

80 Armenian Statistical Committee data.

81 Interview with Stepan Grigoryan, chairman of the board of the Analytical Center on Globalization and Regional Cooperation, September 3, 2018, Yerevan, Armenia.

The part of Armenia's former ruling elite who maintained business interests in Russia expected to benefit personally from EAEU membership. Some of them enjoyed trade benefits that terminated soon after the 2018 peaceful revolution's power shift:

> *"Previously we had privileged businessmen who enjoyed a de facto import monopoly over some categories of goods such as sugar or bananas. That all ended after the 2018 revolution."*[82]

Facilitation of employment in Russia was among the most important EAEU accession expectations of both the Armenian population and authorities. In 2019 remittances accounted for 11.4 percent of Armenia's GDP. Two years before Armenia's accession to the EAEU, labor migration to Russia was assessed as important or highly important by 83 percent of Armenian respondents.[83] Popular attitudes toward the EAEU are very sensitive and highly elastic to the volume of money transfers from Russia. An increase in remittances from Russia in 2017 over the previous year ($979 million vs. $879 million) likely contributed to a 4 percent increase in pro-EAEU attitudes among Armenians in 2017.[84] The volume of remittances from Russia, however, has yet to reach 2014 levels.

Gas and energy prices

In the run-up to Armenia's EAEU accession, an agreement was signed by Russia with Armenia in 2013 cutting the price for 1,000 cubic meters of Russian gas from $270 to $189. This discount saved Armenia around $200 million annually. In exchange, Russia received the remaining 20 percent of shares in Gazprom's subsidiary Gazprom Armenia, the country's largest taxpayer.

> *"Russian gas prices were of great significance to Armenia since EAEU countries received rates far below third countries, including strategic allies,"*

one expert explained.[85] In 2015 gas prices were further reduced to $165 and then in 2016 to $150.

82 Ibid.

83 Manukyan et al., p. 18.

84 Interview with Manukyan.

85 Interview with Suren Sargsyan, political analyst, September 5, 2018, Yerevan, Armenia.

The actual benefits are not as obvious as they seem, however, since the prices listed above refer to base prices rather than those facing Armenian customers who pay nearly twice that amount. Gazprom Armenia cites gasification works and gas network services including renovation of the outdated gas distribution system as reasons behind the substantial premium. It is widely believed instead that corruption plays a role. The government continuously raises the issue of gas prices with Russia, which were increased to $165 in early 2019; prices for domestic consumers have nevertheless remained constant.

Beyond energy cost savings, the other main EAEU membership benefit for the energy sector was projected Russian investment in the construction of a new power unit at Armenia's nuclear power plant, touted a Eurasian Development Bank 2013 study.[86] Indeed, in 2015 the government approved a program extending nuclear exploitation and signed two cooperation agreements with Russia, in which Russia pledged export loans totaling $270 million and a grant of $30 million.

Some experts criticize Armenia's heavy dependence on Russia in the energy field. "Unilateral dependence on Russia and the absence of diversification by no means contribute to energy security. Sargsyan wrongly believed that signing the EAEU Treaty would bring sustainable prices," one interviewed expert said citing Russian energy company Inter RAO UES's request to raise electricity prices for Armenia in 2015.[87] Mass protests against a 17% hike in electricity rates in the summer of 2015, known as ElectroMaidan, were successful in reversing the price increase and causing the sale of Electric Networks of Armenia from Inter RAO to the Tashir Group.

No Breakthrough in Foreign Investments or Transportation

Russian investment accounted for approximately 41.5 percent of gross foreign direct investment in Armenia from 1988 to 2012 ($2.83 billion). Some experts say that the government should have bargained harder during EAEU membership negotiations to strike a more beneficial investment package deal with Russia, similar to the one Kyrgyzstan has. Suren Sargsyan, an adviser to the former Armenian deputy prime minister who

[86] European Development Bank Center for Integration Studies, "Armenia and the Customs Union: Impact of Economic Integration," Report 20, 2013.

[87] Personal interview with Styopa Safaryan, 6 September 2018, Yerevan.

was in charge of the process for EAEU accession, disagrees, saying that in the bargaining process, the government "took as much as it could."[88]

EXPERTS AND PRACTITIONERS DISAGREE OVER HOW SUCCESSFUL ARMENIA WAS IN EAEU ACCESSION NEGOTIATIONS.

At the same time Armenian expectations of drawing larger foreign investment into industries exporting to the EAEU market have not yet come true. Vache Gabrielyan, a former minister for economic integration, calls it the biggest shortcoming of EAEU membership, citing a number of reasons for the problem:

> *"It would not be fair to put the blame for this on anyone as the entire period of Armenian EAEU membership has been very difficult. We saw an economic crisis in 2014–15, a war in 2016, and consecutive elections. It would be hard to expect an investment boom with this sequence of events."*[89]

Hopes of resolving Armenia's transportation problems under EAEU accession and Russian investment have likewise come to nothing. A 2013 EDB study listed construction of an Iran-Armenia railway, opening of Armenia-Georgia-Russia railway, as well as the creation of a north-south international transport corridor as possible options to overcome the transportation stalemate.[90] Four years after EAEU accession, Armenia has forged no new direct ground transportation links with Russia, the future of additional rail- and motorways via Georgia remains vague, and transportation services between Armenia and Iran still require many years of development.

Armenia's two longest border sections with Turkey and Azerbaijan are blocked because of political disagreements. Armenia is connected with Iran by a 35-km border along the Aras River but the transport infrastructure between the two countries is underdeveloped. The Upper Lars border checkpoint on Stepantsminda-Lars motor road, which runs through Georgia, remains the only overland route connecting Armenia with Russia.

88 Interview with Sargsyan.

89 Interview with Gabrielyan.

90 European Development Bank Center for Integration Studies, "Armenia and the Customs Union," pp. 34–35.

In spring and autumn the road is often shut down because of landslides, while in winter it is closed by the threat of avalanches. As a result, hundreds of Armenian trucks loaded with farmer products happen to be trapped.

According to an interviewed former official, although alternative routes and multilateral investment projects are discussed at different levels, "breakthrough is hardly probable soon" because of difficult political relations between Russia and Georgia. Expansion of the Upper Lars road is also unlikely in the near future as neither of the sides sees this investment as an urgent need.[91]

[91] Personal interview with Vache Gabrielyan, 6 September 2018, Yerevan.

Kyrgyzstan and the EAEU

Improved Conditions for Labor Migrants

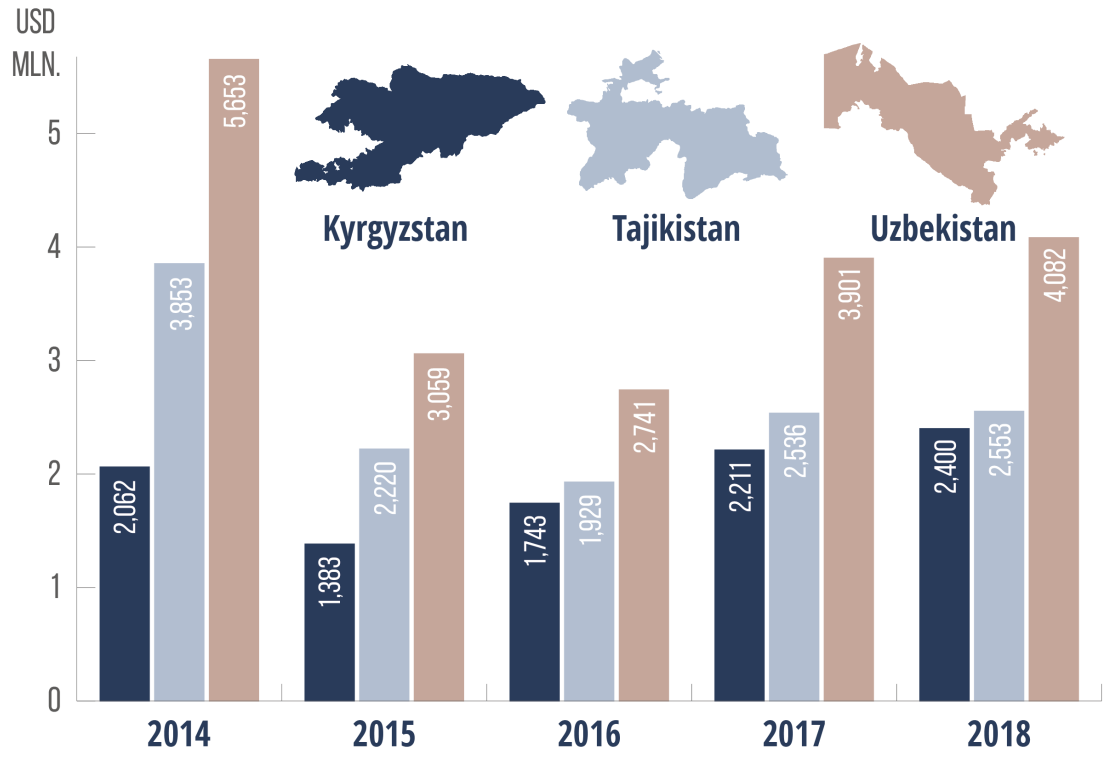
Kyrgyzstan, the least economically developed EAEU country, faces severe domestic unemployment and is therefore highly dependent on labor migration. Personal remittances accounted for 29.2 percent of GDP in 2019, globally fourth only to Tonga, Haiti, and South Sudan, and followed by neighboring Tajikistan (28.2 percent), 2019 World Bank data shows.

To this end, the most important expectation of EAEU accession for the authorities and the population was the facilitation of legal status for laborers abroad, as well as greater respect for the social and economic rights of Kyrgyz migrants – particularly in Russia and Kazakhstan, which absorb around 80 percent and 10 percent of all Kyrgyz temporary labor migrants, respectively – as confirmed by public statements, expert interviews, and public opinion polls.

Positive effects of EAEU membership on the conditions of Kyrgyz migrants are best seen when the dynamics of remittances from Russia to Kyrgyzstan are compared with two other Central Asian countries, Tajikistan and Uzbekistan. According to official Russian statistics, the number of migrants from Kyrgyzstan, Tajikistan, and Uzbekistan who came to Russia for employment in 2017 increased by 4 percent, 12 percent and 27 percent against the previous year, respectively. That same year, the 880,000 Kyrgyz migrants present in Russia[92] were far outnumbered by Tajiks (2.1 million) and Uzbeks (4.1 million). According to the World

[92] At present around 300,000 Kyrgyz citizens hold dual Russian citizenship.

Bank, in 2018 the volume of personal remittances from Russia to Tajikistan and Uzbekistan were nowhere near pre-crisis levels, accounting for just 66 percent and 72 percent of 2014 levels, respectively. However, the volume of remittances from Kyrgyz migrants in Russia exceeded the 2014 level by over 16 percent and reached $2.4 billion.



Source: Bank of Russia

It follows from Russian official statistics that the numbers of migrants from Kyrgyzstan, Tajikistan and Uzbekistan who came to Russia for work reasons in the course of 2017 increased by 4%, 12% and 27% against the previous year, respectively.

Figure 3. Personal remittances from Russia, USD mln

This is largely a consequence of the more favorable conditions faced by Kyrgyz migrants on the Russian labor market compared to Tajiks and Uzbeks. EAEU membership saves an average Kyrgyz migrant up to $1,000 annually as a result of automatic recognition of their education qualifications,[93] work permit waivers, and other such benefits. Furthermore,

[93] In the EAEU, educational qualifications are automatically recognized in all fields except legal, pedagogical, medical, and pharmaceutical ones.

in January 2017 Russia granted migrants from the EAEU countries access to mandatory medical insurance. In addition to this, the EAEU Treaty on pension benefits for the working population of the EAEU member states was signed in December 2019 and expected to come in force soon.

EAEU MEMBERSHIP HAD A POSITIVE EFFECT ON THE CONDITIONS OF KYRGYZ MIGRANTS IN RUSSIA, REMITTANCES DATA AND MIGRANT SURVEYS SHOW.

According to a 2016 survey of Kyrgyz migrant labourers in Moscow, just a year after joining the EAEU, one in three surveyed migrants positively assessed changes in their migration situation. They declared enhanced employment opportunities, simplified access and acquisition of medical treatment and insurance, etc.[94] Although part of Kyrgyz residents in Russia continue reporting unresolved issues such as occasional mistreatment by police officers or difficulties with access to public kindergartens and schools, generally the conditions of Kyrgyz migrants seemingly improved. As a result, many do not intend to obtain Russian citizenship anymore, while previously it was often sought to ease employment, avoid extortion and abuse by Russian authorities.[95]

Obstacles for Exports to the EAEU Market

Western sanctions imposed on Russia and a drop in oil prices that contributed to the depreciation of the Russian ruble relative to the Kyrgyz som make it difficult to separate external factors from EAEU-related ones in order to analyze what effect EAEU accession had on Kyrgyz exporting. In any case, available data and interviewed experts confirm that no significant increase in exports to EAEU markets, be it textile or agriproducts, took place, and in general exporting remains problematic. Kyrgyzstan joined the EAEU later than the other countries, and customs controls at the Kazakhstan-Kyrgyzstan border were not removed until August 2015.

[94] Lira Sagynbekova. International Labour Migration in the Context of the Eurasian Economic Union: Issues and Challenges of Kyrgyz Migrants in Russia. Institute of Public Policy and Administration, University of Central Asia, 2017.

[95] Ibid.

> *"Expectations over large flows of exports to the EAEU market did not come true. It is partly our own fault, as we neither started a proper certification system nor set up the necessary laboratories,"*

said one interviewee.[96] Other experts believe that the expectation of expanding exports to Russia "due to the elimination of barriers" were ungrounded as such. According to one,

> *"It is not clear which barriers were actually meant. Thanks to CIS free trade agreements, custom tariffs had not been applied for a long time. Only the value-added tax remained, as it was supposed to."*[97]

As for technical barriers for Kyrgyz goods, they could not be waived immediately because Kyrgyzstan did not establish the required veterinary and (phyto)sanitary control systems. Although some improvements in customs regulations and supervision of technical standards have taken place, Kyrgyzstan still has a long road ahead in these areas to improve exports. In the words of one interviewee,

> *"We should use EAEU membership to improve the whole system of technical regulation, especially veterinary control, which is currently underdeveloped. If a newly established laboratory is capable of doing, say, 12 kinds of tests out of 80, that is good, but what about the remaining 68 tests?"*[98]

Given Kyrgyzstan's lower capacities, in its accession negotiations the EAEU agreed to a four-year transition period for introduction of EAEU technical regulations. Nearly half (18) came into force for Kyrgyzstan only in 2017, with the remainder to be enforced after August 2019. Russia pledged $200 million for the modernization of Kyrgyz border crossings and the establishment of laboratories. A similar agreement providing $100 million to Kazakhstan was denounced by Kyrgyzstan in 2017 for political reasons.

In 2017 the Ministry of Economy requested a two-year extension from the parliament to complete border station modernization.

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96 Interview with Talant Sultanov, independent expert, December 7, 2018, Bishkek, Kyrgyzstan.

97 Interview with Roman Mogilevskii, associate director of UCA's Institute of Public Policy and Administration, December 7, 2018, Bishkek, Kyrgyzstan.

98 Ibid.

The government acknowledges that this work, as well as that on establishing laboratories, is far from being complete.[99] By early 2018, out of 19 established certification laboratories for EAEU exports, just one Bishkek-based lab had the equipment necessary to authorize agriproducts. For products like honey, Kyrgyz entrepreneurs regularly turn to laboratories in Kazakhstan. Kyrgyzstan faces challenges from insufficient funding to properly equip labs to a deficit of skilled laboratory specialists, as salaries in this field are quite low.

THANKS TO THE EAEU, KYRGYZSTAN HAS BEGUN REFORMING TECHNICAL REGULATION, A SYSTEM THAT WAS VIRTUALLY NON-EXISTENT BEFORE THE ACCESSION PROCESS BEGAN.

Due to this insufficient technical capacity, Kazakhstan keeps phytosanitary controls at Kyrgyz borders despite their ostensible removal on paper in 2015. Veterinary and transport controls are also present. Angering the Kyrgyz government, Kazakhstan's Zhambyl border region reportedly reorganized its control posts into permanent stations. Kyrgyz officials repeatedly raised this issue with EAEU bodies. Frustrated by these developments, President Almazbek Atambayev signed a modified EAEU Customs Code at the December 2016 EAEU Summit

The situation worsened for Kyrgyz exporters in late 2016 after Russia intensified checks along its border with Kazakhstan to prevent the reexport of sanctioned Western foods from there. Since Kyrgyz farmers often either lack supporting documentation for exported agriproducts or complete such documents incorrectly, products which may have managed to pass through to Kazakhstan were often banned by Russian supervisory agencies. According to unpublished research by the University of Central Asia's Institute of Public Policy and Administration, in 2017 nearly 20 percent of all Kyrgyz agriproducts exported to Russia were banned from entry.[100] Therefore, Russian controls over reexport of embargoed goods caused huge collateral damage to Kyrgyz exporters.

[99] Government of Kyrgyzstan, "Information on two years of results following Kyrgyz EAEU accession."

[100] Roman Mogilevskii, "Kyrgyzstan," Review of Agrifood Trade Policies in Post-Soviet Countries. 2017–18 (forthcoming), Rome: United Nations FAO.

Further, a political spat between Kyrgyzstan and Kazakhstan resulted in dramatic barriers to the movement of Kyrgyz goods through Kazakhstan in October-November 2017. Following former Kyrgyzstan president Almazbek Atambayev's critical tirade against his Kazakhstan's counterpart, Astana introduced strict inspections of people, transport and goods at the border and intensified phytosanitary and veterinary control. A cordial conversation between the current Kyrgyz president Jeenbekov with Nazarbayev in December 2017 put an end to the bilateral conflict which brought large financial losses for Kyrgyzstan. They also agreed on a roadmap concerning the resolution of issues pertaining to technical certification, (phyto) sanitary regulation, etc.

Some relief for Kyrgyz transportation came in late 2017 via the EAEU Court's consultative conclusion in a case concerning tariff rates for rail transportation of Kyrgyz goods between the country's northern and southern regions through the territory of Kazakhstan and Uzbekistan.[101] In its address to the EAEU Court Kyrgyzstan claimed that application of a transit tariff contradicts the EAEU rules in the field of coordinated transport policy. The Court opined that a unified tariff should indeed be applied to transportation of goods when railway starting and destination points are located on the territories of EAEU countries, without prejudice to the number of transiting countries, be they EAEU member states or not.[102] Kazakhstan reportedly began applying a lower, unified tariff after December 2017.

Re-export of Chinese Goods

Fears expressed by some prior to accession concerning termination of Kyrgyzstan's reexport capacities and an eventual decline of its large wholesale and retail markets like Dordoy Bazaar never materialized. Interviewees say that it is in part due to the fact that in practice Kyrgyzstan customs services do not strictly follow EAEU customs clearance procedures for Chinese goods.

Entrepreneurs interviewed at Dordoy Bazaar acknowledged that the share of Chinese goods has dropped in the last few years. For instance, the share of Chinese glass and porcelain decreased from 90 percent before EAEU accession to roughly 50 percent, while the share

[101] EAEU Court, Consultative conclusion [original in Russian], November 20, 2017.

[102] Ibid.

of Russian glass increased. Asked about the current specifics of customs clearance, two Dordoy traders said tariffs now reached $0.80 per kg, whereas prior to accession it was $0.35 per kg. Earlier Kyrgyz customs clearance procedures were based on weight, but this method was overturned by EAEU customs legislation. It is nevertheless reported that the unofficial cost of customs clearance for shuttle traders at China-Kazakhstan border points also stands around $0.80 per kg.[103]

> *"Imagine a sealed wagon from China's Urumqi loaded with all kinds of goods including cloth, utensils, etc., arrives at Kyrgyzstan's border. If the prices for each item were assessed at established ad valorem tariff rates, trade at China-Kyrgyzstan border points would be paralyzed,"*

one expert said.[104]

A look at China-Kyrgyzstan trade data in the UN's Comtrade database confirms the allegation that Kyrgyzstan has relaxed clearance procedures toward Chinese goods. It indicates that in 2017 China reported exports of apparel and clothing accessories to Kyrgyzstan worth $1.765 billion, while Kyrgyzstan statistics give a figure of just $61.3 million, 29 times less.

The EAEU counties must be well aware of the underreporting by Kyrgyzstan. Kazakhstan's finance minister Bakhyt Sultanov assessed Kyrgyzstan's understatement of customs costs of import in 2016 alone at more than $4 billion: "Given the current average tariff of 7.5% it is easy to calculate that damages or direct underpayment of customs duties to the EAEU countries [by Kyrgyzstan] accounted to nearly USD 300m".[105] Astana has repeatedly turned attention of other EAEU countries and the EEC to insufficient control over customs clearance procedures applied by Kyrgyzstan.

Analysis of bilateral trade statistics indicates that by 2019 Kyrgyzstan's accumulated underpayment of customs duties on Chinese goods totalled nearly $700 million. Whereas in relative terms the discrepancies between the trade reports by Beijing and Astana are lower than in the case of China-Kyrgyzstan trade, the total cost of underreported Chinese import by Kazakhstan is even larger.

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[103] Forbes.kz, "Who is behind the redistribution of transit cargo from China worth $1.2 billion?" [original in Russian], September 20, 2016.

[104] Interview with Mogilevskii.

[105] Grey import from Kyrgyzstan brings losses to the EAEU [original in Russian], Kapital.kz, October 17, 2017.

Large Russian Investments

Along with streamlining labor migration and improving the quality of its exports, Kyrgyzstan aspired to increase investment through its EAEU membership. That aspiration's principal incarnation is the Russian-Kyrgyz Development Fund (RKDF), established in 2014. Its $500 million of Russian charter capital represents a significant sum of money in a country whose GDP reached just $7.6 billion in 2017.

The RKDF's mission is to promote the modernization and development of the Kyrgyz economy as well as Russia-Kyrgyzstan economic cooperation. RKDF positions itself as the "most important mechanism for integration of the Kyrgyz Republic into the EAEU."[106]

Well-performing fund objectives include contribution to the real sector of the economy and replacement of physically and morally obsolete fixed assets. The third main objective concerning technical innovations in industry and agriculture has not been as fruitful as expected, experts say. "The expectation was that [RKDF] would contribute to changes in the structure of the national economy, which implies investment in riskier projects. Russians, however, have not been willing to be too risky in this respect and prefer sticking to prudent management, which is not bad as such."[107]

RKDF provides large investment loans as part of direct financing and SME financing through targeted loans given to Kyrgyz financial and lending institutions. By 2019 the Fund approved 1,653 projects worth $303,9 million which are distributed over the country rather evenly. They spread across various sectors including agro-industrial complex, transport and warehousing, tourism, and others.

Examples of large projects financed by the RKDF include modernization of Manas International Airport, construction of a fruit and vegetable canning plant providing over 5,000 jobs, modernization and revival of two sugar plants (Kaindy Kant and Koshoi), and construction and launch of a large logistics center for processing and storing vegetables in the Chui region. When it comes to loans to small and medium-size enterprises, lending rates under fund programs were lower than general interest rates on the Kyrgyz market.

[106] Russian-Kyrgyz Development Fund, "About us."

[107] Interview with Mogilevskii.

Conclusion

Close examination of the EAEU shows a fairly complex picture. Univocal judgment on its balance of achievements and failures or its viability would be too simplistic. A regional integration bloc with a strong supranational regulator, a court with extensive powers, and a powerful legislative body could never be a realistic result from the undemocratic political regimes of the EAEU's founding states. Nevertheless, one cannot argue that the actual EAEU institutional structures and its bureaucratic machinery have not made progress toward establishing a single market.

While the EEC, although nominally a supranational EAEU body, is de facto composed of two institutions (the EEC Council and Board), structurally the EAEU remains a four-tier organization with very limited truly supranational competences. In two notorious cases—over competition policy violations by Russian corporations and over Russian federal and municipal procurement policy – the Intergovernmental Council overruled EEC decisions upon Russian appeal.

Such developments indicate that Russia as a principal engine of Eurasian integration does not have a coherent, unified policy toward EAEU bodies respected by every state agent. While Sergey Glazyev and individual Russian legislators advocate for larger EEC competences, other Russian officials simultaneously undermine the very limited competences the EEC Board enjoys. From a larger perspective, however, hundreds of other EEC Board decisions were not appealed to and overturned by superior EAEU institutional tiers. So, while the two examples given are appealing, they are also rather exceptional. Nevertheless, such steps by Russia give other EAEU countries permission to disrespect Eurasian integration bodies.

Lukashenko's no-show at the December 2016 EAEU summit and Belarus's intentional disruption of EAEU bodies in early 2019 amid heated relations with Russia are two examples of such bad behavior.

UNIVOCAL JUDGMENT ON ITS BALANCE OF THE EAEU'S ACHIEVEMENTS AND FAILURES OR ITS VIABILITY WOULD BE TOO SIMPLISTIC.

EAEU Court results are mixed. While the court's jurisdiction remains quite limited, there were some remarkable achievements in its legal practice. Notably, it has moved toward fulfilling its mandate to ensure uniform application of EAEU law. Following the court's first ruling in favor of a business in late 2018, the larger business community may become more interested in court appeals in the future.

Many exemptions remain within the single market, but the EEC has been doing considerable work to reduce their number. EAEU achievements toward a single labor market are the most pronounced. Russia's dominance within the union and its global superpower aspirations are manifested in its unilateral decisions on trade sanctions with the EU, Turkey, and certain Eastern Partnership countries. The absence of common trade policy undermines the EAEU objective of removing internal border controls. Russia's binary policy toward Eastern Partnership countries whereby the only options are full EAEU membership or economic sanctions (with no discussion of a genuine free trade area) undermines positive regional cooperation.

Against this backdrop, EU cooperation with the EAEU would reflect the EU's acceptance of Russia's flawed regional policies. On the other hand, while Russia is the dominant country of this regional block, the EAEU obviously does not equal Russia. Tangible benefits for both the EU and EAEU could come from developing EEC contacts in the areas of transportation, trade, technical regulation, telecommunications, and other fields. Such contacts should not undermine the EU's bilateral channels of cooperation with EAEU countries, though such a result is unlikely given the rather limited number of exclusive EAEU competences.

National cases show that every country but Kazakhstan extensively bargained with Russia over the terms of their EAEU membership.

While energy deals were primary motivators for Belarus and Armenia, Kyrgyzstan struck beneficial investment cooperation terms. EAEU membership allowed Armenia and Kyrgyzstan to continue benefiting from massive labor migration.

Thus far benefits from EAEU membership have been most pronounced for Kyrgyzstan and least so for Kazakhstan. Thanks to the EAEU, Kyrgyzstan has improved conditions for labor migrants and investment, as well as begun reforming technical regulation, a system that was virtually non-existent before the accession process began.

For Armenia and Belarus EAEU membership has served to retain benefits from Russian cooperation that they had before accession, in security and defense as well as maintaining access to the Russian market for goods and labor. Armenia witnessed considerable increases in exports to Russia, while Belarus continued to reap benefits from its oil and gas deals and Russian loans, albeit to a lesser extent after 2018.

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