

Eurasian Economic Union

Observer

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A Word from the Publisher

Dear readers,

this eQuarterly is neither a propaganda instrument for nor a permanent criticizer of the Eurasian Economic Union. It just tries to reflect objectively what is said and written about the EEU. But compared to the European Union, it has to be mentioned that the EEU has its own characteristics, namely being composed of member states who do not follow always the standards of the legal order of the EU. But do they have to do this - this is the question, and also, how far should they adopt comparable rules?.

Anyway, there is "something" in the air of the East of Europe which can exercise influence on investment, trade, economic actors etc. in the EU and Council of Europe countries.

In this context, we point out that there is a seminar on the EEU offered to readers, state civil servants, managers, business associations in Berlin/Germany, on 19.9.2016.

Best regards,

Hans-Jürgen Zahorka

Chief Editor, European Union Foreign Affairs Journal (EUFAJ)

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The EEU Observatory invites to a seminar:

Eurasian Economic Union -

What Integration Attempt East of the EU?

Seminar (in German and English - understanding English is necessary - in Berlin/Germany. The EEU is composed of Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan. Its structure and policies, its external relations and those to the EU are the subjects, like "Eurasianism", an ideology which has nothing to do with the EEU, but always advocated likewise integration forms. The EEU is a new fact of the economy of the East - can and should it influence investors, traders, company strategies?

WHEN: Monday, 19th September, 2016, 13.30 - 17.30 h

WHERE: Berlin / Germany, RAMADA Hotel Plaza City Mitte, Prager Platz 12 (U-Bahn Station Günzelstrasse - U9)

PROGRAMME:

- "Eurasianism": Regional Integration vs. Imperialist Ideology?
- EEU Member States and Institutions
- EEU Policies, Economic Performance and Difficulties
- EEU External Relations - The EEU and the European Union

SPEAKERS: Ofelya Sargsyan, M.A. (AUA Yerevan), M.A. (Univ. Flensburg). political scientist and analyst; head of the Eurasian Economic Union Observatory, editor of EEU Observer. Editor of European Union Foreign Affairs Journal (EUFAJ)

Hans-Jürgen Zahorka, lawyer (Assessor jur.), former Member of European Parliament. Chief Editor of European Union Foreign Affairs Journal. Government Advisor (for EU, World Bank, UNDP) in Russia, other CIS countries, China, Balkan etc.

SEE THE PROGRAMME under www.eufaj.eu (under the EUFAJ issues)

SEMINAR SHOULD BE FOLLOWED BY:

diplomats, high civil servants, companies with interests in EEU countries, training companies and NGOs, NGOs with Eastern Europe interest, university teachers and researchers, international and trade strategy consultants, business associations, lawyers, tax & investment advisors, students.

PARTICIPATION FEE: 400 EUR, for civil servants, diplomats 300 EUR citizens of Eastern European countries 200 EUR; students 120 EUR (copy of student card necessary). Fees must be transferred/paid before the seminar.

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Die Eurasische Wirtschaftsunion-Beobachtungsstelle lädt zu einem Seminar ein:

Eurasische Wirtschaftsunion(EEU) -

Welcher Versuch der Integration im Osten der EU?

Ein Seminar (auf Deutsch und Englisch - gutes Verstehen von Englisch ist notwendig - in Berlin/Deutschland. Die EEU besteht aus Russland, Belarus, Kasachstan, Armenien und Kirgistan. Über ihre Struktur, Politikfelder, Außenbeziehungen und die zur EU. Aber auch über "Eurasianismus", eine Ideologie, die nichts zu tun hat mit der EEU, die aber stets derartige Integrationen forderte. Die EEU ist eine neue Realität der Ost-Wirtschaft - kann und sollte sie Investoren, den Handel und Unternehmensstrategien beeinflussen?

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- "Eurasianismus": Regionale Integration gegen imperialistische Ideologie?
- EEU-Mitgliedstaaten und -Institutionen
- EEU-Politikfelder, Wirtschaftsdaten und Problembereiche
- EEU-Außenbeziehungen - die EEU und die Europäische Union

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Chapter 1. The Eurasian Economic Union and its Challenges

Eurasian Integration: In Search of the Lost

Irina Bolgova

RIAC, 07.06.2016, http://russiancouncil.ru/en/inner/?id_4=7760#top-content

The Eurasian Economic Union – today’s framework for the processes of Eurasian integration – has graduated from a period of upbeat progress and achievement status reports to a phase of regrets. Those regrets were expressed in speeches by the presidents of all EEU member states at a meeting of the Supreme Eurasian Economic Council held in Astana on May 31, 2016. While they sound more like wishes for the future so far, to what extent all of the diverging interests of EEU members can be reconciled and realized remains the key question.

Froth on the Daydream

Economic motives have been declared to be the key drivers behind Eurasian integration, particularly in the context of frequent accusations leveled at the EEU for its political undercurrent and restorative nature. Minimizing its political component is important not only for the sake of communications with the outside world, but also in order to find a balance in relations between the Union member countries: It is no secret that the term “Economic” was added to its name as an afterthought.

It has become apparent in recent years that the association’s economic performance is on the wane.

Yet it has become apparent in recent years that the association’s economic performance is on the wane. The objective limits on mutual trade had been already reached by the time the Union was established. A financial and economic crisis in Russia, which has had an adverse effect on the economies of its neighbors too, has caused a considerable decline in intra-EEU trade (by 25% in 2015 and by a further 30% in the first few months of 2016), something that all summit participants pointed out in their speeches.

Despite the Eurasian Economic Commission’s efforts, trade barriers between the member states remain in place, a fact that Belarusian President Alexander Lukashenko was particularly rueful about. EEU integration has not resolved the issue of trade wars between its members, with trade hurdles representing a particularly acute problem for relations between Kyrgyzstan and Kazakhstan.

Security became a new item on the Eurasian integration agenda in 2016. It was security that Armenia's President Serge Sargsyan spoke about at the Supreme Eurasian Economic Council meeting, as he made a link between the outlook for economic prosperity and stability across the Union space. After Armenia joined the EEU, it has inherited a smoldering international conflict right in its territory. Different views on Nagorny Karabakh have created yet another reason for disagreements among the Union members.

These differences in approaches came to a head during the April flare-up of the Karabakh conflict. An insufficiently correctly worded official statement by Minsk on the "four-day war" led to the summoning of the Belarusian ambassador to Armenia's Foreign Ministry for consultations. Kazakhstan's special position resulted in the cancellation of an EEU intergovernmental council meeting in Yerevan. Astana refused to participate in the scheduled session without explaining the reasons and insisted on moving it to Moscow to dispel any suspicion that the Union might support either party of the conflict.

EEU integration has not resolved the issue of trade wars between its members.

Even a cursory glance at the general dissatisfaction and the list of mutual grievances reveals the extent of disagreements among the member countries on how to understand the rationale for integration and on a common future. This has only strengthened Russia's resolve to try and inspire its Union partners with its own vision for its outlook.

Great Expectations

The ultimate goal of Russia's integration initiatives in Eurasia is to create an efficient and attractive association capable of bringing as many external participants as possible into its sphere of influence while establishing sustainable ties between the leading integration blocks in Europe and Asia. It is those subjects that have moved to the forefront of the EEU's agenda even as its economic performance flagged.

The expansion of the Union's external economic ties featured prominently in debates at events leading up to the summit and in Astana too. According to official sources in the Eurasian Economic Commission, more than 40 countries have expressed interest in developing cooperation with the EEU. A year ago the EEU signed its first free trade agreement – with Vietnam, which envisages the elimination of duties on almost 90% of goods over ten years, something that should more than double trade. China is key to the expansion of the circle of partners. The Union has adopted Directives for launching negotiations with China on a non-preferential trade and economic agreement. Yet this is only the tip of the iceberg of EEU's external economic agenda. The bulk of cooperation with third parties concerns coordination among the Union member countries.

The EEU heads of state have decided to postpone decisions on relations with the European Union and Ukraine in view of the anti-Russian sanctions and counter-sanctions. Effective January 1, 2016, Russia has unilaterally withdrawn from the free-trade area regime with Ukraine and introduced EEU customs duties following Ukraine's accession to the EU free

trade area, and has also imposed a food embargo after Kiev joined the Western sanctions against Russia.

All EEU members are also members of the multilateral CIS free trade area, which sets the regime for their cooperation with Ukraine. Yet keeping trade preferences in place is fraught with an escalation of trade and economic disagreements within the Union, primarily because of deterioration of the “internal offshore” situation, which Belarus has exploited rather successfully after the introduction of mutual sanctions between Russia and the EU. Alexander Lukashenko said in December 2015 that Kazakhstan and Belarus were considering “supporting our ally Russia in a difficult situation”, yet no specific statements were made at the time or at all. As he was leaving the post of Chairman of the Eurasian Economic Commission in December 2015, Viktor Khristenko said that “the EEU member countries will work out mechanisms for responding to the Ukraine–EU free trade area during the first half of 2016 and will establish a single information system to collect data on all goods coming in from the EU by the summer of 2016”.

However, as soon as in February 2016 a meeting in Kiev of the Belarus–Ukraine Advisory Council on Business Cooperation resulted in an official statement on potential utilization of the Ukraine–EU free trade area for the benefit of relations between Ukraine and Belarus. To help the EEU save face in this difficult situation, Moscow was forced to have the Eurasian Economic Commission Integration and Macroeconomics Minister Tatyana Valovaya make it clear that the ability to conduct independent policy was among the Union’s key strengths, therefore “the EEU member countries coordinate their policies in such areas and for as long as it makes economic sense”.

Russia’s diplomatic efforts in this area are aimed at improving coordination within the EEU and achieving as tight consolidation and centralization of cooperation projects between the integration nucleus of the post-Soviet space and China as possible.

If the summit agenda is any indication, the EEU members decided not to raise the matter of support for Russia’s foreign economic policy anymore, focusing their common external economic policy on signing free trade agreements with third countries instead. But there too there is a risk of uncoordinated steps aimed at the development of bilateral projects with China, in particular by Kazakhstan. That’s why Russia’s diplomatic efforts in this area are aimed at improving coordination within the EEU and achieving as tight consolidation and centralization of cooperation projects between the integration nucleus of the post-Soviet space and China as possible. Case in point: A stated intent to involve the Shanghai Cooperation Organization in the initiative of “connecting” the EEU and China’s Silk Road Economic Belt.

Finally, various sources have announced a new direction for the EEU external economic cooperation: First Kazakhstan’s President Nursultan Nazarbayev and then Russian State Duma Speaker Sergey Naryshkin mentioned a possible EU–EEU forum this autumn to kick off the process of rapprochement between the two blocks. The visit by the President of the European Commission Jean-Claude Juncker to the St. Petersburg International Economic

Forum is viewed as a preparatory step towards practical implementation of this idea. This initiative brings the notion of “a common economic space from Lisbon to Vladivostok” to the forefront of the agenda, yet in a new geopolitical reality and on new cooperation terms.

The EEU is carrying on with its day-to-day work to tune up the mechanisms of economic integration: This is evidenced by such steps as the approval of the Concept of Establishment of the Common Oil and Oil Product Market or the expedited process of the adoption of the Customs Code. At the same time, much has been made of the strategic development of the Union’s external economic ties, partly to distract from the lack of a meaningful breakthrough in the deepening of integration, but also, perhaps to a greater extent, to give a fresh impetus to the process of searching for common interests of all member countries. The balance between those two directions will determine the vector of the EEU’s development in the short term, while the Union’s long-term potential will hinge on how well those directions complement each other.

Either a Greater Europe, or a new Cold War

David Lane

Greater Europe, 23.05.2016, <http://greater-europe.org/archives/1003>

The consequences of NATO and EU enlargement have discouraged Eurasian political elites from using the EAEU as a stepping-stone to the neo-liberal world economic system.

Their economic and geopolitical interests have been infringed by Western policies as illustrated by the conflict in Ukraine. The EAEU has reacted by turning inward and eastward and an alternative geo-political bloc is in formation. It is likely to form a nationally based administratively coordinated form of capitalism, which in turn might lead to greater international conflict.

“Periods of crisis are common in history. The characteristic feature of the [twenty year] crisis ... was the abrupt descent from the visionary hopes of the first decade to the grim despair of the second, from a utopia which took little account of reality to a reality from which every element of utopia was rigorously excluded [1]”. Here E.H. Carr was referring to the years between 1919 and 1939 and wrote these words just before Great Britain plunged into war with Germany, and consequently the Second World War engulfed the whole of Europe. Is history likely to repeat itself?

Following the dismantling of the Soviet European economic and political bloc in the early 1990s, politics promised utopian futures for both the winners and the losers of the Cold War. In the West, pundits and politicians echoed the rhetoric of Fukuyama’s ‘end of history’

discourse. In the post-socialist states, leaders and publics envisaged a return to Western values, a democratic peace and an advance to Western consumerism. By the end of the second decade, in the West the global financial crisis and the rise of austerity regimes, and in the East the widespread disenchantment with the political and economic settlement of the transition to capitalism, signalled the end of the post-communist utopias.

The vision for the decade after 2010 is one of greater tension and conflict epitomised by the confrontation in Eastern Ukraine. The reality is the advance of NATO and the EU to the borders of the Russian Federation, which it considers is a security threat.

The EU, once predicated on the goal of promotion of peace, has degenerated into a competitive trading bloc with an unquenchable appetite for enlargement. The cumulative effect of expansion into a supra-national state has outgrown the original conception and has reached imperial dimensions. As European Commissioner Jose Manuel Barroso put it in 2007: “We are a very special construction unique in the history of mankind. Sometimes I like to compare the EU as a creation to the organisation of empire. We have the dimension of empire. What we have is the first non-imperial empire. We have 27 countries that fully decided to work together and to pool their sovereignty. I believe it is a great construction and we should be proud of it”. [2]

Here he raises the spectre of the EU as an empire which exerts cultural, political, and economic hegemony.

Enlargement is predicated not on preserving the stability of the international order, but on the economic benefits to the EU of a larger market based on the values of the Washington consensus and a superior geopolitical position for NATO.

The Eurasian Economic Union

Most commentators trace the rise of the EAEU to the failure of the EU’s eastern neighbourhood politics on the one side, and the incapacity of the CIS to create a common economic and political space on the other. The formation of the EAEU is not just the extension of Russian foreign policy, but is favoured by the governments of Belarus and Kazakhstan; notably, President Nazarbaev first proposed the formation of a Eurasian Union in 1994.

Ironically, in its reaction to the development of the EU, the EAEU has been guided by the EU’s experience and likens itself to it. The EAEU seeks the advantages of economies of scale provided by a larger market. It aspires to the EU’s aims of the free movement within its territory of labour, capital, goods and services; it respects the free trade market principles of the WTO. It considers itself to be an area promoting peace and prosperity. This approach has found resonance in the writing of Western writers like Bjorn Hettne who have promoted the idea of a ‘new regionalism’, and envisage the development of economic and political blocs (like the EU) which can harmonise with the current hegemonic powers in the world economic system.

Different interpretations are placed on the EAEU. Like the EU, underlying the formation of the EAEU has been a wider political and geopolitical agenda which uneasily coexists with its free market economic principles. The policy of the Russian Federation under Putin and Medvedev entailed a major change towards the West which challenged some established Western assumptions. In the 2000 Foreign Policy Concept Russia's objectives were to preserve the sovereignty and territorial integrity of the country. It noted critically "a growing trend towards the establishment of a unipolar structure of the world with the economic and political domination of the United States".

The longer term intention of some Eurasianists is to further a quite different form of political organisation to that of the current neo-liberal world political economic order. It is a movement which is opposed to Western hegemony in a reactive rather than an aggressive sense.

There is a tension between a more neo-liberal approach in line with the current free market EU model and a Eurasian notion of state sovereignty, endorsed by the leadership of Russia, Kazakhstan and Belarus. Western policy influences internal political dynamics in support of one or the other. These standpoints underpin two alternative theoretical political and economic paths: first, a region within the hegemonic Western framework and second, the rise of a bipolar region.

The EAEU as a region of the neo-liberal world system

President Putin, basing his argument on common membership of the WTO, has contended that both the EU and EAEU would be able to forge a wider pan-European association to mutual advantage. As Sergei Lavrov, the Russian Foreign Minister, has declared it: "We must work for a union of unions, an alliance of the EU and the Eurasian Union". [3] This line of thinking would enable forms of collaboration from "the Atlantic to the Pacific Ocean".[4] The EAEU would be built on the laws of the market and, most important of all, would be part of a Greater Europe. The EAEU would become "one of the poles of the modern world and be an effective link between Europe and the Asian-Pacific region".[5]

These statements highlight one major dimension of EAEU policy. The implementation of such policies would constitute a 'stepping stone' for the EAEU to become a member of the existing international system. One possibility for future relations between the EU and EAEU would be the acceptance of a multipolar Europe involving overlapping areas of autonomy, both within the EU (along lines suggested by critics, such as David Cameron), and with other regional associations, such as the Eurasian Economic Community. Such a multi-stage and multi-pace EU would be conducive to internal cohesion as well as contributing to peace with the non-EU post-socialist states. The EAEU would complement rather than threaten the hegemonic Western powers.

Neo-liberalism is like putty and can be manipulated into different forms; the EAEU in subscribing to freedom of markets for the factors of production would present another association of neo-liberal states. It would moreover be shielded by its own boundaries, at least initially, from more powerful economic forces in the EU.

However, critics point out that markets have their own logic and would drive the EAEU into the Western dominated neo-liberal world system. Even if regional associations start out as economic free trade areas, such as the European Free Trade Area, the economic dynamics lead to further integration.

The EU would have to temper its expansionist propensities to accommodate other regional interests and overlapping associations. The EU's democratic scope would have to shift from democracy promotion within states to pursue democracy between states (including those in its neighbourhood). This means making compromises with other states.

EU Enlargement: Lessons From Ukraine

The EU has been uncompromising in its attitude to Russia. Consider EU enlargement in relation to Ukraine. The DCFTA presented Ukraine with a choice (either the EU or the Eurasian course) as it was contended that two sets of rules could not operate in the EU economic space. [6] The objective is to realise the neo-liberal goals of the EU – the free movement of capital, commodities and people under conditions of market competition. The consequences of the agreements are intended to influence the political and economic arrangements of the neighbourhood states to make them compatible with the economic, political and legal norms of the EU. Potential benefits to partners come at considerable costs to other countries, particularly to former trading countries, in the east.

The effects of Ukraine's participation in the EU would have resulted in major disruptions of Ukraine-Russia trade. Regulations affecting production and service provision would also be brought in line with EU standards. Moreover, Ukrainian-EU agreements would have repercussions on relations with the ECU, which would nullify Ukraine's favourable links with Russia. Not only would Ukraine, when subjected to the EU market, experience more de-industrialisation, it would also have significant effects on Russia which has been Ukraine's most important single country trading partner.

As we see from Figure 1, in 2010 and 2012, Russia's exports to and imports from Ukraine were greater than all the EU countries combined and Russia-Ukraine trade was rising whereas with the EU it was declining.

It is true that a country cannot be a member concurrently of two free trade areas. There are however other possibilities of increasing levels of trade between the EU and Ukraine without the disruption of Ukraine-Russia commerce. The response of Russia has been to try to find some middle way to allow Ukraine to have economic trade relations with both blocs. Putin in November 2010 proposed the formation of associations which would promote a 'greater Europe' from Lisbon to Vladivostok.[7] As recently as January 2014, Russia suggested to Brussels the establishment of a Free Trade Area between the EU and the EAEU. [8] While in the West such suggestions have either been ignored or rejected, they have some merit. If adopted, they might lead to something like the relationship of the European Free Trade Area to the EU. Negotiations between the EU and the USA over the TTIP are another example of how cooperation is possible between two commercial blocs (whether this agreement is desirable or not is a separate issue). Russian proposals have been dismissed by the EU and

NATO. Both organisations have adamantly championed conditions which would not preclude membership of Ukraine in their respective associations at some future time. Consequently the Russian leadership is no longer inclined to accept the terms offered by the West, which it believes further the EU's hegemonic power. Policy then moves away from a complimentary 'stepping stone' towards a more autonomous bloc. The absence of a negotiated settlement enabling the entry of the EAEU on acceptable terms into the dominant economic core, prompts the rise of an alternative and competing geopolitical alliance.

Eurasian Union As Part Of An Alternative Geo-Political Bloc

Since the Ukrainian conflict, the Russian leadership has paid more attention to linkages with the Asian-Pacific area and to strengthening ties with groupings such as the SCO and the BRICS (Brazil, Russia, India, China and South Africa) countries. The West's trade sanctions exercised against Russia and its retaliatory responses have had the effect of reinforcing the rise of a geopolitical bloc based on the EAEU and the BRICS, especially China. While there is no challenge to American hegemony, these countries claim respect and recognition in the world community. Relations between the EAEU and the EU will be overshadowed by the EAEU's growing links to the east.

For countries in the semi-core of the world system, regionalism need not entail adopting the principles of neo-liberal globalisation. China, Russia, India, Brazil and Venezuela and constituents of regional groups – SCO, the ECU, MERCOSUR, and the Association of Southeast Asian Nations (ASEAN) – can strengthen their position against hegemonic powers.

I have used the term semi-core as it better captures the economic and political status of countries like Russia, China, India, and Brazil. Semi-core countries have their own transnational corporations, are hosts to foreign corporations and concurrently have their own national companies. The BRICS formed a New Development Bank in 2007 which is at least potentially an alternative to the World Bank. The growing power of their economic base gives such countries political influence and military power. While not matching the strength of the US, when combined these countries have considerable military power. Russia has been pushed further into the formation of a non-Western association of states. Many of these, though state-led and autocratic, provide a fundamental social and political stability in the countries concerned.

Going Forward

The future relationship between the EU and the EAEU is clouded by the contradictory values and interests within both geo-political blocs. As in the EU, the elites in member states of the EAEU have different priorities. The EAEU is a movement which is reactive – it is opposed to Western hegemony and seeks an equal and respected, rather than a dominant, place in the world community. It lacks any grounding in a political theory (comparable to Marxist class interest) to legitimate its superiority and, outside the area of Eurasia, it is not expansionary in vision. The ideology of Eurasianism is conservative and legitimates a capitalist framework. What kind of capitalism is yet to be established?

Eurasianism, as advocated by President Putin and his associates, is highly ambiguous. On the one hand, the EAEU is considered to be an institution modelled on the EU with its concern for the free movement of goods, services, capital and labour. On the other hand, many of its advocates consider it to be a shift away from the hegemony of competitive markets to a state-led economy exerting significant degrees of control.

In its least radical form it would be a 'stepping stone' towards the existing neo-liberal global system, another regional neo-liberal bloc. While China as well as the Eurasian states are less exposed to global capitalist concerns and have a potential for internally state-led economic development, there are also neo-liberal interests derived from companies seeking profits from Western markets as well as politicians and intellectuals driven by liberal ideology. Russian writers, such as E. Vinokurov and T. Tsukarev, envisage the EAEU's long term economic cooperation to lie with the EU and China [9] – they see Russia standing on the 'two legs' of the EU and China.

The EAEU alone cannot mount a very serious economic challenge to the European part of the hegemonic core. Enlargement to include other former countries of the Soviet Union is limited politically and (excluding Ukraine) would not significantly enhance its power. Its share of global gross domestic product (GDP) is only 3.2 per cent; it has very few global companies to compete with those in the economic core. A political realist would hope to join the latter rather than compete with it. An acceptance of neo-liberal market relationships would move the project towards inclusion in the present global system constituting a complimentary regional bloc to the EU.

But there is by no means a consensus, either within or between the countries forming the EAEU, on the desirability of such a regional development. The tensions between the Russian leadership (particularly under President Putin) and leading Western trading nations are underpinned by significant differences of interest between Russia and the West.

To preserve a stable international order, the hegemonic Western powers will need to be more pluralistic and accommodating to the positions of others by adopting a more realist and less liberal internationalist political position. The EU political and economic elites who benefit most have to share their power with those who benefit least.

Politically, the West has pursued a policy of promoting electoral democracy within states, rather than encouraging democracy between states. The EAEU's option to join the world system as a component part based on neo-liberal economic principles has been effectively closed off by Western policies.

Thus many among Eurasian political and economic elites look to an alternative, to a state-led economy set to become a political and economic counterpoint to the West. Such views are strengthened by the damaging political and social consequences of the enlargement of the EU, the debacle of the Eurozone and the crisis in Greece currently making the EU less of a body to be emulated by outsiders. Moreover, the history of post-Soviet economic development modelled on markets has led many to question the underlying principles of a market-led approach.

The EAEU is more likely to evolve as a ‘counterpoint’, relying on greater state coordination and regulation economically and a top-down political system. Returning to Vinokurov and Tsukarev’s analogy, the Chinese leg might well provide one firm base but the EAEU will have to learn to stand more firmly on its own other leg. To build any significant alternative to the neo-liberal global order, the EAEU will find it necessary to combine with semi-core countries, particularly the SCO and the BRICS. Such an economic alternative might prioritise economic development through administrative forms of collective economic coordination. It could provide the basis for a more pluralist and multi-polar world. E.H. Carr’s rather pessimistic conclusion cited at the beginning of this might be replaced not by another utopia but an alternative bloc resting on an organised form of national capitalism. As following the twenty-year crisis, the danger here is that political and economic competition, if unrestrained, may lead to war.

Policy Recommendations

1. The West should recognise that the EAEU is not aggressive but reactive and has sought accommodation with the neo-liberal order.
2. The West should refrain from seeking hegemony over post-Soviet space and should move towards multi-polarity.
3. To secure the EU’s aims of peace and security requires less democracy promotion within states and more democracy between states.

Notes

[1] Edward Hallett Carr, *The Twenty Years Crisis 1919-1939* (London: Macmillan, 1961), p. 224.

[2] Jose Manuel Barroso, ‘Remarks at a press conference on 10 July 2007’, *Euobserver*, Brussels, 11 July 2007, <https://euobserver.com/institutional/24458>

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[4] Vladimir Putin, ‘A new integration project for Eurasia: The future in the making’, *Izvestia daily*, 4 October 2011.

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The Challenges Facing Russian-Chinese Efforts to “Dock” the Eurasian Economic Union (EEU) and One Belt, One Road (OBOR)

Li Lifan

Abstract

China and Russia have declared their common aim of coordinating their respective regional projects in Eurasia: One Belt, One Road (OBOR) and the Eurasian Economic Union (EEU). This article examines the challenges facing attempts to “dock” the two projects. These include the problems that each project has to address for their own development, as well as the differences in their aims and geopolitical orientations.

In mid-May 2015, the Chinese and Russian Presidents issued a joint declaration about their desire to coordinate China’s One Belt, One Road (OBOR) initiative and the Russian-led Eurasian Economic Union. Since then, the two strongest powers in Eurasia have shown political willingness to use their respective advantages to promote integration and connectivity across the entire Eurasian continent. But, questions about how they can concretely implement such connectivity projects remain.

The Eurasian Economic Union (EEU) was established in 2014. Its member states have abolished tariffs within the Union, with the aim to promote the free flow of goods, capital and labour among them. They have formed a large internal-market of 170 million people, which should be conducive to the development of SMEs within the member states. The EEU members have raised tariffs on outside investment, but the union should be beneficial for the production of goods within its internal market and thus favourable for exporters, who may then appear more attractive to foreign investors. As its shares a border with its western regions, China hopes to engage with the EEU as a way to promote “leapfrog” development in Xinjiang Province and enhance connectivity between inland China and the EEU members as part of its OBOR initiative.

This aim of developing connectivity between OBOR and the EEU is theoretically possible. However, its operationalization will be very difficult. Both sides currently lack the base with which to “dock” such large connectivity projects. After the crisis in Ukraine, the EEU has essentially come to be seen as the pivoting engine for Asian integration by various actors and institutions. However, if there is no progress in developing integration within the EEU, especially between the Central Asian members, then its future development does not look promising. The last 20 years do not offer much hope, as integration among the Central Asia Republics since the collapse of the USSR has been consistently difficult.

Current Problems Facing the Eurasian Economic Union

For effective coordination between the EEU and OBOR to develop, the EEU will first have to establish itself as a functioning integration project. However, it faces a number of challenges.

Firstly, the EEU is strongly dependent on the Russian economy, especially its oil and gas industries. There-fore, the prospects for Eurasian economic integration will largely be determined by economic development in Russia. However, Russia is currently facing huge economic sanctions imposed by the US and Europe. It has also been hit by the decline in international crude oil prices, which do not seem likely to return to higher levels in the next 2–3 years. As a result, the EEU is facing big challenges. The deterioration in the external economy context, alongside its members' national economic downturns, will affect the EEU's plan for trade liberalization and other policy goals. In contrast to integration, the current context may lead to calls for trade protectionist policies from opposition parties within the EEU member states.

Secondly, the EEU's internal contradictions will impact on the cohesion of its development. Many expected that Kyrgyzstan's entry to the EEU would cause this country a domestic shock, particularly as previously it played the role of the entry point and distribution centre for Chinese imports to Central Asia. For the purpose of maximizing their own interests, the Central Asian Republics seek to pragmatically balance the interests of major powers. Thus, the states inevitably try to improve relations with China or the United States, at the same time as cooperating with Russia. However, it will be difficult for the current and prospective members of the EEU to obtain the desired economic benefit from their relationships with other major powers while being part the EEU. For EEU members, investment and exports from outside the EEU will slow, being replaced by a large number of Russian companies, who will enter their markets to sell Russian-made goods. For those Central Asian countries not in the EEU, who seek a "de-Russification" in terms of keeping their distance from Russia, it is possible to attract more investments from outside the region, including China, USA, the European Union and Turkey.

Furthermore, cooperation between the Central Asian countries is problematic. For example, their low level of economic development and the differences between their national economies mean that it would be difficult to form a unified economic space among the five Central Asian countries. Moreover, political disputes also pose a challenge to integration. There are territory disputes among some states (Uzbekistan, Kyrgyzstan and Tajikistan) over control of water from the region's transborder rivers, and Kazakhstan and Uzbekistan compete over the status of regional leadership.

Fourthly, the EEU still lacks a common market, in particular in the energy sector. Integration of the energy sector will not occur anytime soon. In spite of the strategic character of the oil-gas and power industries, Russia has insisted that the pace of energy sector integration should be slower than in other sectors. The aim is to form a common energy market after July 1, 2019. Belarus and Kazakhstan would have preferred quicker integration, because the energy sector represents a large proportion of their economies. Due to this long and slow period of

negotiation over a common energy market, many doubt that integration in the energy sector will ever be realised.

Fifthly, there is no timetable to establish a common currency. Russia has long been publicly stating that the EEU will eventually have a common currency and a common central bank, which in the Kremlin's eyes will clearly be the Russian Ruble and a Moscow-based central bank. Belarus and Kazakhstan are strongly opposed to this proposition. On the one hand, the structure of the Russian and Kazakhstani economies are fundamentally different, with Russia closely linking its currency exchange rates with oil prices; on the other hand, Belarus believes that it would be very difficult to regulate the exchange rate of a hypothetical single currency.

The Major Problems Facing OBOR in Promoting Connectivity in Eurasia

The proposed Silk Road Economic Belt part of OBOR spans 18 Asian and European countries, and would make a very significant imprint on the world politico-economic map. From an international perspective, geo-graphically, the two endpoints connect two of the world's most active economic engines: the European Union and the Pacific Rim Economic Belt. Most countries along the OBOR are in the "sink zone" between these two engines, whereby pursuing economic development and a better life are common aspirations for all these countries. This demand as well as the interests of the two economic engines can be seen as mutually inclusive in the OBOR initiative. From its domestic point of view, China needs to address questions about regional balance as part of its current development model, by focusing on finding new economic growth points. However, the implementation of OBOR faces many challenges.

Firstly, the conflicts between neighbouring states, ethnic struggles and "elite fighting" along the route of the OBOR. Along China's western and southern borders, there are pre-existing tensions between some states that make building connectivity across these areas difficult, including India-Pakistan and Uzbekistan-Tajikistan. In addition, ethnic conflicts pose a challenge to building trust among populations along the OBOR. The Kyrgyz Autonomous region in China's Xinjiang Province borders southeastern Kyrgyzstan, and has been a point of connectivity between the two countries in recent years. However, for various historical reasons, there are tensions between the Kyrgyz and Uzbek population in Kyrgyzstan, with discrimination against ethnic Uzbeks, as seen in the 2010 Osh riots. These two communities have their own national schools and mosques, and there is no communication between them. Therefore, building connectivity between them is not an easy task. Furthermore, "elite fighting" is also an obstacle to building connectivity. There are three Yuzes (tribes) in Kazakhstan. With the question of who will succeed Nazarbayev now being asked, there is a struggle between the medium and small Yuz to position one of their own as a future leader, and concern that whichever is successful may then discriminate against the others. This is another challenge to OBOR efforts at connectivity.

Secondly, the unpredictability of participation by the countries along the OBOR. China has put forward the OBOR initiative design, and is now seeking support from the inland countries in order to implement it. However, this is a difficult task. This challenge began to

appear during the “China–Kyrgyzstan–Uzbekistan railway construction”, when Kyrgyzstan withdrew from the cooperative project. On the one hand, Kyrgyzstan announced that it will actively participate in the construction of OBOR. But, on the other hand, in December 2013 withdrew from this railway construction project. On December 16, 2013, Kyrgyz President Atambayev even said: “In fact, the China–Kyrgyzstan– Uzbekistan railway does not solve any problems in our country”. Although Kyrgyzstan announced its withdrawal from this railway construction project, this does not mean that Kyrgyzstan would refuse to participate in other OBOR¹ construction projects. What is clear, how-ever, is that OBOR needs to win-over these states, so that they actively participate by ensuring that Chinese connectivity projects meet the interests of all the countries that they will cross.

Thirdly, the US reaction to China’s OBOR initiative. Afghanistan is an important hub of the OBOR. Historically, Afghanistan has played an important role in the development of various civilisations on the Eurasian continent. Notably, Afghanistan was a key part of the Silk Road connecting Asia and Europe and promoting economic and trade between China and Europe. Through Afghanistan, OBOR could also reach out to Iran, Tur-key and even to Europe. However, there are security and political obstacles. A few years ago, Western coalition troops announced that they would be leaving Afghanistan, but no final decision to leave was taken by the US, who has retained troops in Afghanistan. The status of US troops in Afghanistan will influence the progress that can be made in implementing OBOR, with the possibility that the US will seek to hedge against Chinese interests. Also, in 2014, Islamic State (IS) appeared. Like the Taliban in Afghanistan, the reason that

IS rose to prominence was a local reaction against the presence of US troops. Today, the efforts to create a Caliphate in the Middle East, Caucasus, Central Asia and Xinjiang pose the main challenge to security in the region. Addressing the current security situation in Afghanistan will be a core strategy for Central Asia and the development of OBOR.

Fourthly, the different levels of socio- economic development among the five Central Asian countries increase the difficulty for China’s attempt to increase coordination in the region. After twenty years of independence, the development paths of the Central Asian Republics are becoming more and more obvious diver-gent, reflecting their competing interests. A good example is their engagement with China on the construction of transport connections. Kyrgyzstan wants China to build a national railway connecting the North and the South, while Uzbekistan expects China to build a “Sino– Kyrgyz–Uzbek” railway. At the same time, Tajikistan is continuously seeking Chinese assistance to improve its infrastructure. Moreover, these contrasting ideas are exacerbated by the tensions between the Central Asian Republics. These includes disputes over access to and control of water, and still unresolved border demar-cations. In addition, they tend to follow very differ-ent orientations in their foreign policy, including in their relations with China. These issues make China’s efforts to promote policy coordination between them very challenging. Fifthly, the impact of foreign investment on the local social and cultural contexts along the route of OBOR. Improvements in economic opportunities, infrastructure and services are possible positive effects of overseas

¹ Xu Tao, “Afghanistan: the important hub of Silk Road”, Chi-na’s Investment, March 4, 2015

investment from OBOR activities in Central Asia. However, recent polls show that 40% of people in Central Asia believe that there are negative economic and ecological consequences to Chinese investment. Most significantly, it is suggested the Chinese investment is leading to environmental degradation and an increased level of competition at local markets, which locals are losing. Assessing the environmental and social risks of investment is very different from normal commercial risk calculations. Unlike business risks, environmental and social risks are hard to control. Nonetheless, such risks influence international relations, and cause unsustainable conditions for investment. Currently, Chinese companies often use “bribery” as a means to win contracts for foreign investment projects. However, they do not put much effort into ensuring positive relations and good communication with local communities, NGOs and media. This means that long-term investment is very risky.

Challenges of “Docking” the EEU and OBOR

There are also a number of challenges to the efforts to connect the EEU and OBOR projects. Firstly, the geo-graphic scope and geopolitical composition of the EEU and OBOR are different, which means they cannot be docked as unified entities. Geographically, the EEU is located in the heart of the Eurasian continent, while OBOR aims to spread itself across Eurasia, including Europe, East Asia, Central Asia and its periphery. The EEU is based on CIS countries, although it is gradually seeking to engage associated countries on its periphery, while OBOR is an open-orientated project, aiming for “65+” partner countries across several different regions of the world. In addition, their aims are distinct.

The EEU seeks to develop regional integration amongst its members, while OBOR has a more flexible intention of expanding regional trade and investment. Geopolitically, the EU has opposed the EEU, but has had no objections to the OBOR. The EU’s perspectives are related to the perception that the EEU is mainly a Russian political project, while the OBOR is mainly concerned with economics. Hence, in geopolitical terms there is not a lot of commonality between the EEU and OBOR.

Secondly, there is the possibility of future tensions between China and Russia. This would impact on efforts to “dock” the EEU with the OBOR. The EEU was suggested by the leaders of Russia, Belarus and Kazakhstan, but is mostly driven by Russia. China is the sole leader of the OBOR initiative. Therefore, disputes between Moscow and Beijing will be a challenge for the coordination of the EEU and OBOR.

Thirdly, the different aims of the EEU and OBOR mean that there is a lack of institutional common ground on which they can engage one another. The EEU has rather political overtones and takes a “defensive” posture as it is orientated inwardly, rather than on outward coordination. By contrast, OBOR aims to connect Europe and Asia, with an ultimate goal of establishing a free trade zone. The EEU built its platform on the agreements of the CIS, and has made a customs union its core concern. In contrast to the EEU’s focus on establishing legal and organizational mechanisms, the OBOR is concerned with reaching flexible agreements to the end of coordination.

Fourthly, the possibilities of cooperation between the EEU and OBOR are limited by their different emphasis on rule-making. The EEU is focused on very detailed economic cooperation and integration between the strategic sectors of its member's economies, such as full customs liberalization, common tariffs and abolishing quotas and other restrictions. OBOR emphasizes mutually beneficial and pragmatic coordination in energy, commodities and transportation, without calling for harmonization in state economic policy tools.

Fifthly, there are differences in the international status of the EEU and OBOR projects. Although the OBOR initiative was announced a little bit later than the EEU, it has come to attract more international attention. After it was suggested, OBOR won support from East-ern Europe and some Asian countries, but has not found backing from major political powers, importantly the United States and Japan. Recently, the European Union has shown interest in cooperation with the EEU in the energy sector, and the possibility of long-term engagement between the EU and EEU seems more pragmatic than with OBOR.

Conclusion

The EEU has unified an economic space, establishing common economic policies between its members towards external countries. This development is beneficial for China's engagement with EEU countries. The OBOR initiative proposed by China integrates various strands of domestic strategies, which point to inclusive, feasible and sustainable cooperation with countries along the belt and road. At the same time, a competitive game between the EEU and OBOR has become a reality. This is, however, a multi-levelled, overlapping and even perhaps a positive-sum game. Russia has changed its attitude toward OBOR, from its initial lack of understanding, suspicion, fear and doubt to accepting, supporting, and even wishing to join OBOR. Currently, the process of cooperation is scheduled to begin with projects for developing Russia's Far Eastern and Siberian regions.

The EEU and OBOR represent the two main regional development models at the heart of Eurasia. In recent years, there have been many negative trends for coordination between the two. For example, the total level of trade among China, Russia and Central Asian countries has declined, the construction of the "western route" natural gas pipeline between China and Russia has been held-up indefinitely, and the Eurasian Economic Commission has recommended anti-dumping duties be imposed on China. In spite of this competition and these contradictions, the negative factors should not be exaggerated.

Recently, there have been various devaluations of the Russian Ruble, Kazakh Tenge and Chinese RMB. Counter intuitively, these developments provide opportunities for greater coordination in the financial sector between these states. However, even if the EEU and OBOR can successfully coordinate their economic strategies, this would not solve all the problems at once. The harmonization of legal arrangements, adjustment of political interests and connectivity takes time to come to fruition.

What Putin Says and What Putin Does

Alexander Bovdunov

Fort Russ, 28.06.2016, <http://www.fort-russ.com/2016/06/what-putin-says-and-what-putin-does.html>

On July 24th, Tashkent will host the summit of the Shanghai Cooperation Organization. The largest military-political organization on the Eurasian continent is preparing to become even greater. In this year, SCO will include India and Pakistan, while Syria and Israel are also ready to start cooperation. Russia also intends to accelerate Iran's accession to the SCO. In fact, Russia is creating a bloc of countries centered around it and China which will inevitably challenge US hegemony. And if the US is now trying to win over India, then Russia, through the SCO, is trying to find a compromise between Iran and Syria on the one hand and Israel on other. The SCO is becoming not only a Central Asian, but a Pan-Eurasian entity. And this organization is not only tying itself to the Middle East. Earlier, it was stated that applications for membership in the SCO had also come from Eastern Europe and Southeast Asia.

A week ago, while speaking at the St. Petersburg Economic Forum, Russian President Vladimir Putin said that Russia is beginning the construction of "greater Eurasia":

Now we are proposing to consider the prospects for more extensive Eurasian partnership involving the EAEU and those countries with which we already have close partnership - China, India, Pakistan and Iran - and certainly our CIS partners, and other interested countries and associations.

The updated SCO is to become a military-political union providing security to a large space of Eurasia. Thus, this common security space will be built where the US has no place.

At the same time, for the first time ever, Putin declared the USA to be the sole superpower:

America is a great power, today perhaps the only superpower. We accept this. We want to work with the United States and we are prepared to. No matter how these elections go, eventually they will take place. There will be a [new] head of state with extensive powers. There are complicated internal political and economic processes at work in the United States. The world needs a powerful country like the United States, and we also need it.

Is there a contradiction between Putin's words on the USA and the trend of creating extended Eurasian partnership? In fact, there is. The change in Putin's rhetoric demonstrates the changing balance between word and deeds in Russia's stance on multipolarity. In the late 1990's, when Evgeny Primakov became the Russian foreign minister and then prime minister, the term 'multipolarity' was introduced into the Russian political language for the first time. Putin inherited this concept and although he declared the course towards multipolarity, in the first years of his presidency Russia was not very opposed to the USA.

Moreover, Russia participated in the American “war on terror” and assisted the US in Afghanistan. Russia spoke about multipolarity while acting as if the USA were the sole superpower. Things started to change after the American invasion in Iraq and the color revolution in Ukraine in 2004.

Then the balance between more independent Russian foreign policy and the multipolar discourse of Russian leadership was established. Russia dared to blame the US and at the same time gradually built a network of multipolar persuasion, albeit not challenging directly US hegemony ...

After 2008 and the war with Georgia over South Ossetia and Abkhazia, Russia demonstrated that it had become a solid regional power. But the most structural change occurred only after 2014. Crimea, the war in Ukraine, and especially Russian engagement in Syrian war showed that Russia was becoming global power. This greatly increased the weight of this struggle.

Now we are seeing a situation in which Russia’s positions are the exact reverse of what they were in the 2000’s. In the field of realpolitik, Putin’s Russia is acting more and more independently, but is compensating this with a decrease in anti-American rhetoric paired even with a verbal recognition of the United States’ status as the sole superpower. If in the 2000’s, Russia combined multipolar rhetoric with pro-American policies in the spirit of peripheral realism, then nowadays it is merging the realization of a completely changing world with more moderate rhetoric. The results of the SCO meeting reveal that Russia is not changing its ultimate goal, but is merely moderating its rhetoric the more dangerous steps it takes.

Earlier, we pointed out a combination of two trends of Russian foreign policy under Putin: one of “peripheral realism” and the other one of global proportions.

The specificity of Russian peripheral realism is the exploitation of the pulses and the initiatives of global realists. Since 2008, Russia has put critical challenges before itself, overcome them, and then used this opportunity to trade up for a more favorable place in the US-centric world.

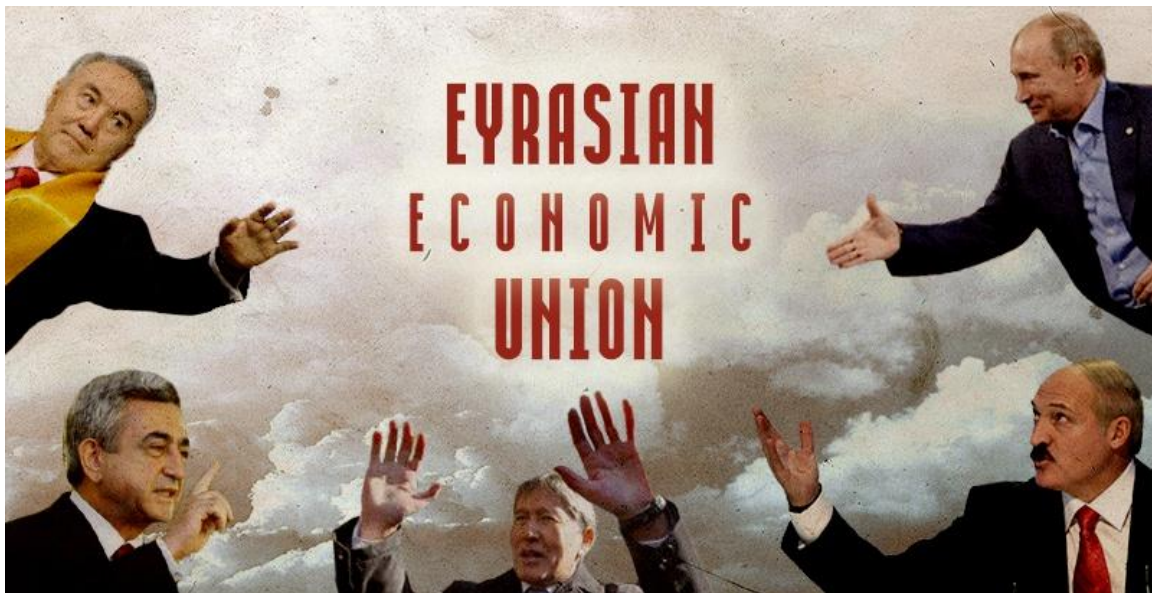
But now the game is changing. Due to geopolitical circumstances, Russia has been forced to opt for a worsening of relations with the West, but in order to preserve its hegemony the West cannot opt for a total worsening of relations with Russia. Russia is not challenging the ideology of the West and is not fighting hegemony in the field of public discourse. As an old school realist, Putin primarily believes in hard power, not in ideology or the promotion of multipolar discourse. Therefore, if Russia’s position will be strengthened by hard power, this may very well be accompanied by concessions in the field of discourse, which the Russian government considers to be least significant. Thus, the rhetoric of peripheral realism may be used in order to promote the agenda of global realism.

5 challenges that will determine the future of the Eurasian Economic Union

Dmitry Yevstafiev

South Front, 27.04.2016, <https://southfront.org/5-challenges-that-will-determine-the-future-of-the-eurasian-economic-union/>

Today the Eurasian Economic Union is going through «growing pains», struggling to come out of the limits of the post-Soviet format of «free trade zones». Professor Dmitry Yevstafiev of the National Research University, Higher School of Economics (NRU, HSE) discusses the main “growing pains” and comes to the conclusion that the major challenges for the future of the EEU appear to be not the military-political conflicts, but the development of integration institutions and trans-governmental industrial enterprises.



Eurasian-Economic-Union

It is assumed that the Eurasian Economic Union, which started to work in January 2015, finds itself today in a crisis. Often it is linked with the escalation of military-political conflicts in the last year and a half. However, despite the critical military-political situation in the Near and Middle East and the intensification of conflicts, linked with international terrorism, it is incorrect to say that it is specifically the military-political factors that are holding back the development of the EEU.

The crisis that the EEU is going through today is, without a doubt, “growing pains”. It is the normal consequence of the movement away from the post-Soviet format of “free-trade zones”, which in different formats and under different names existed for more than 20 years. The potential development of the EEU faces more difficulties because of significant

reduction of internal investment potential in the Eurasian territory in the abrupt falls in prices in the global commodities markets.

The strategic problem in the development of the EEU and in the socio-economic integration processes in the New Eurasia, in a nutshell, is the mixed economic trends in the post-Soviet territory. After all, “New Eurasia”, a term very often used in political sciences and economics, in fact, describes that part of the post-Soviet territory that so far was not swallowed up by the major global economic forces. This post-Soviet territory preserves internal non-administrative drivers, motivators for the economic integration and the creation of new trans-regional economic ties.

On the one hand, the EEU gave a strong integration boost, which sooner or later will crystallise in the appearance of inter-territorial ties of a new kind, the importance of which will grow in the deepening of the economic crisis. On the other hand, the logic of the economic development of 2000s and 2010s based on the strength of high prices in the mineral raw materials made the integration processes in the post-Soviet nations less of a priority.

This created the effect of “distraction from integration”, drawing in nations of the post-Soviet territory in the economic processes of regional neighbours. Primarily into the China-centric economic system relations, but into the complex, and not always economically legal economic processes in the Middle East as well. The question of future Eurasian integration and the EEU as an integration tool depends on which of these opposing vectors will be satisfied most with an effective institutional base. In other words, from a long-term point of view, the main challenge is the institutionalization of the development of the EEU.

Moreover, the pursuit of key global forces in the development of strategic alliances, to achieve the strengthening of institutional bases of the EEU will be quite difficult. In any case, this will be opposed with tendencies that will develop around the EEU. It is difficult to tell if the political leaders of the EEU will be able to succeed in making the Union a successful working institution.

This becomes an important challenge for its development. The EEU will fully be able to come out of the «free-trade zone» frame only when the Union as an institution will promote the formation of important trans-national industrial enterprises that will be able to provide a significant influence on world market conditions in their own territories.

There are other important challenges in the development of the EEU. We will list them as follows:

Trust. It is obvious that the countries of the EEU have reached the limits of trust to a level of transparency within their policies. Opposition in the areas of “sanction” policies, of course, added additional mistrust, however this does not appear an important factor. The main problem appears to be the desire of all participants of the Eurasian integration, especially in Russia, to preserve the most “free hands”, in politics, as well as in economics.

In view of this, it must be taken into account that the extent of trust between partners depends on the willingness of each individual to take on the mid- and long-term responsibilities with each other. The development of trust between the members of the EEU in the whole of the New Eurasia are significantly complicated with independent policies with partial “legalization” of radicals (of a national-patriotic persuasion) and for using it for propaganda purposes directed towards their partners.

Unique information environment. What appears to be most important is the preservation of the New Eurasia as a territory not only with a unique format of mass communication but with a unique content structure, but mostly, with similar principles for its public circulation. To include independent countries or even independent regions of certain countries into the “information sphere” of neighbouring regions (what we already consider in certain regions of Central Asia) will cause a substantial impact in the process of institutionalization of the EEU and in the growth of its influence. In the modern world, we must be not only precise, but an information entity and a source of relevant global content. In this sense, the main priority must be to develop a unique information and knowledge base from EEU out of the periphery.

Logistics network. Objectively the post-Soviet territory finds itself in the priority sphere of logistics interests of adjacent economic systems. These economic systems would be interested in their reconfigurations on their terms with their operational and legal standards. If that happens, then we can talk about the internal network of the region only conditionally, especially if external forces manage to, even in part, impose a strategy of development of transport and logistics infrastructures on their own basic standards and goals. It is important, however, to understand that in the sphere of logistics the EEU has the possibility of steadily developing only as a logistically integrated space, working in the framework of common standards.

Bureaucracy. Regardless of the necessity of institutionalization, the EEU must avoid transforming itself into a bureaucratic structure, providing some “macro processes”, that society will perceive as an unnecessary burden. The sad experience of the European bureaucracy must be properly evaluated on the post-Soviet territory. Of course, institutionalization without a bureaucracy is not possible, however, especially true today, in this period of global economic crisis, **the structures of the EEU must keep a high level of flexibility and competence to be able to react quickly to problems that may appear. The only recipe for this is the involvement of the civil society and experts from surrounding countries in the institutional processes.** So far this resource of institutionalization without unnecessary bureaucracy, like the civil society, in the EEU is clearly underestimated.

The problem of the current stage of development of the EEU and the size of New Eurasia in whole lies with the fact that in the political conditions of uncertainty and non-formation of an economic basis of the Eurasian integration, even from a strategically insignificant perspective, may have a long-term destabilizing effect. We, unfortunately, are not always qualified to evaluate long-term effects of small political “grievances” and strategic developments. In this sense, in a foreseeable future, the main challenge will likely be to minimize the quantity of strategic miscalculations, which might become long-term irritants.

Following this, the condition for the development of the potential of the EEU will be significantly more favourable.

How Washington Learned to Stop Worrying and Love Eurasian Integration

Jeffrey Mankoff

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In a region notorious for grand visions fallen flat, the NSR initiative overlaps, compliments, and competes with new Russian and Chinese regional integration plans: Moscow's Eurasian Economic Union (EEU) and Beijing's Silk Road Economic Belt (SREB), the Eurasian leg of China's One Belt, One Road strategy.

The rollout of these Russian and Chinese visions has led Washington to perform a delicate balancing act. Among the original aims of the U.S.-backed NSR was to enhance north-south connectivity, tying Afghanistan and Central Asia to India, which the United States hoped to build up as a potential counterweight to Russian and Chinese influence in the region.

As the scope of U.S. objectives for the region has diminished over the past few years, however, Washington has increasingly come to accept that its original NSR proposal was overly ambitious, and that Russia and China will likely be driving the agenda for Eurasian integration in the years to come. In that sense, the U.S. has sought to adapt its approach, recognizing that it has little choice but to make its peace with both the EEU and the SREB, while seeking to shape them in ways commensurate with its own longstanding commitment to the sovereignty of the region's smaller states as well as to liberal economic principles.

The U.S. government now argues that boosting trade and investment via economic integration is per se beneficial for Eurasia, and that the Russian and Chinese projects could, if done properly, contribute to longstanding U.S. goals for the region. At the same time, it remains concerned about the potential for both the EEU and the SREB to promote an illiberal, politicized version of integration.

Competing Visions

Like the NSR, both the EEU and the SREB seek to deepen economic integration between the small states of inner Eurasia and larger markets on their periphery. However, the geographic ambit as well as the "software" of the Russian and Chinese proposals seem at odds with the NSR vision. And while the basic aims of the EEU and SREB themselves diverge, Moscow and Beijing have made conscious efforts to coordinate the two projects, culminating in an agreement in the spring of 2015 to meld the two projects together.

The EEU ties its various post-Soviet members—Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia, with Tajikistan possibly joining in the future—more closely to one another while erecting common external tariff and non-tariff barriers. The Chinese-backed SREB is much more ambitious, envisioning a series of east-west transit corridors running primarily between China’s interior and markets in Europe and the Middle East. Neither the EEU nor the SREB devotes much attention to Afghanistan, much less to India and the rest of South Asia.

At first, U.S. officials sought to avoid comment about what Russian President Vladimir Putin initially termed the Eurasian Union (eliding the word “economic”), though in private conversations they tended to be highly critical.

Washington’s first public statement about the EEU reflected what many officials had been thinking, though it was unscripted. In response to a journalist’s question, then U.S. Secretary of State Hillary Clinton said at a December 2012 press conference that the planned Eurasian Union was “an attempt to re-Sovietize the region” and that the United States was “trying to figure out effective ways to slow down or prevent it.” Her remarks, while not necessarily reflective of U.S. policy, shaped expectations in Russia as well as in the wider Eurasian region that the United States would seek to hamper the formation of the EEU.

Clinton’s remarks came in the context of a sharp downturn in relations between Washington and Moscow, occasioned in part by Putin’s return to the Kremlin and the end of the Medvedev-era thaw inside Russia and in the bilateral relationship, as well as the unfolding crises in the Middle East. Substantively, her remarks hinted at two principal objections to the EEU, objections that would be repeated in more explicit, if more diplomatic, terms in subsequent years: namely, that Russia was compelling its neighbors to join the EEU against their will and that the EEU was a closed economic bloc that would divert rather than expand trade flows.

By contrast, initial U.S. attitudes to the SREB were rather positive, even though Washington remained skeptical about Beijing’s ability to implement its plan. Deputy Assistant Secretary of State Lynne Tracy was the first U.S. official to comment publicly, noting in October 2013 that the United States “welcome[s] the efforts of China to develop energy and transportation infrastructure in the region,” which would be “mutually reinforcing and beneficial” for Eurasia.

Washington was more favorably inclined toward the SREB in part because it encompassed many of the same development goals that the United States was trying to achieve via the NSR, specifically new infrastructure connections that would link inner Eurasia to major economic centers. The SREB also appeared to lack the element of compulsion and overt politicization that Washington saw in the EEU, i.e., Russia’s pursuit of integration on political grounds even when the economic arguments seemed unconvincing. As Washington’s own Eurasian ambitions contracted in line with the planned drawdown of U.S. forces from Afghanistan, the United States began raising the prospect of active U.S.-Chinese cooperation in the region, seeking to leverage Beijing’s deep pockets to build major new infrastructure projects that the United States itself could not afford.

Reality Sets In

Over time, Washington's position on the EEU and SREB evolved as Moscow and Beijing began filling in the blanks about what the two projects entailed, and as it became clear that Washington's initial plans for Eurasia were overly ambitious. The United States has been unable to leverage substantial amounts of private investment to bolster the NSR. It also confronts a panoply of other foreign policy challenges, while its approach to Central Asia is shifting back to a pre-Afghan War approach, placing a higher priority on political and economic reform in its engagement with the Central Asian states.

Washington has continued to back specific projects linking Central and South Asia, but it has increasingly emphasized that these projects are not designed to compete with the east-west infrastructure China has been promoting, nor even with Russia's continued involvement in Central Asia. U.S. officials have made it clear that Eurasian integration is not a zero-sum competition between Washington, Moscow, and Beijing.

This has been accompanied by a nuanced reassessment of both the EEU and the SREB. In public, the Obama Administration has reconciled itself to the existence of the EEU and downplayed the idea that the U.S. was engaged in a modern version of the Great Game with Russia and China. In private, U.S. diplomats in 2014 were still telling interlocutors from countries like Kyrgyzstan that were contemplating membership that EEU membership would be economically damaging and would make them more politically dependent on Russia. (Kyrgyz officials argued that they did not have much choice, given Kyrgyzstan's dependence on remittances from migrants to Russia, and pointed out that Washington was not offering any better option.)

Washington's public messaging came to focus on calling on Russia to ensure that membership in the EEU would remain compatible with Washington's own longstanding objectives for Eurasia, especially respecting Central Asian states' sovereignty and opening the region up to global trade flows. In other words, Russia should not have "the right to determine the political and economic orientation of another country," while EEU membership should "be trade-liberalizing rather than trade-restricting" and not "come at the expense of...existing international commitments, including commitments to the World Trade Organization, nor restrict [members'] ability to enter into other bilateral or multilateral trade relationships." At times, U.S. officials emphasized the potential benefits of the EEU, which "by reducing transit times and costs, could be a good thing."

Washington remained more positive about the SREB even in public, seeing it as an opportunity to leverage Chinese interest and Chinese funding to support U.S. goals of boosting regional connectivity. But it has also become more willing to see the potential downsides. In May 2015, U.S. Principal Deputy Secretary of State for South and Central Asia Richard Hoagland traveled to Beijing for "intensive consultations" with his Chinese counterparts on U.S.-China cooperation in Central Asia. Privately, however, U.S. officials have been disappointed at the fruits of China's efforts, complaining that Beijing's rhetorical

openness to cooperation has not been matched by concrete proposals or an actual willingness to pursue joint projects.

At the same time, the United States has become increasingly vocal about the ways in which large-scale Chinese investment could negatively impact the regulatory environment in Central Asia. U.S. officials have worried that the SREB, as well as other Chinese initiatives in Eurasia (especially investment tied to the Asian Infrastructure Investment Bank, AIIB), would lower standards related to issues like environmental protection and labor rights, while crowding out investment from other sources. Washington has called on Beijing “to utilize global standards” in its Eurasian infrastructure and cooperation projects. Washington has also been concerned that the large-scale construction projects associated with the SREB would entail importing large numbers of Chinese workers, creating tensions and resentment within the Central Asian states.

The Potential for Cooperation Persists, but So Do Challenges

The objectives underpinning the original New Silk Road initiative remain admirable. Central Asia would be better served by multiple transit routes and multiple access points to global markets. But the region’s great distances, sparse populations, and complex political environments make private Western investors wary of sinking capital into ambitious new infrastructure projects. Convincing them otherwise would require at a minimum a level of U.S. political support and engagement that Washington is unable to offer. Even then, Central Asia’s political and economic pathologies make it seem a poor bet to many private companies whose investment decisions, unlike those of their state-owned counterparts in Russia and China, turn on commercial considerations. U.S. interests in Central Asia are not vital enough to justify the call on resources—diplomatic, economic, and political—that full implementation of the NSR vision would require.

Washington is also not in a position to pick serious quarrels with Moscow and Beijing over the region. Russia and China have a more vested regional security interest and will likely be driving the agenda for Eurasian integration in the years to come. Geographic proximity dictates that Russian and Chinese interests in Central Asia, and Eurasia more generally, are more fundamental. The challenge for U.S. foreign policy in the region is to achieve as many of the objectives underpinning the NSR as possible while minimizing the scope for confrontation with Moscow and Beijing. Increasingly, this means looking for ways to leverage, in particular, Chinese investment, while trying to steer both Moscow and Beijing toward a more liberal version of integration. Washington may not actually love the EEU and the SREB, but it is coming to understand that they are the only game in town.

Why countries are not rushing to join Putin's union

Sijbren De Jong

During the ASEAN-Russia summit held in Sochi from 19-20 May, Russian president Vladimir Putin claimed ASEAN member states voiced their support for integration with the Eurasian Economic Union (EEU).

The diplomatic value of such a statement at a time of Russian relative isolation notwithstanding, there are ample reasons to take this statement with a grain of salt. Now at about one-and-a-half year into its existence, the EEU is rapidly turning into a flawed motor of regional integration.

After failing to entice Ukraine to join the bloc in 2014, Russia firmly turned the screws on its neighbour by annexing Crimea and stoking conflict in eastern Ukraine.

Putin's belligerence swiftly caused anxieties in other prospective members of the Union. Russia's subsequent economic crisis served to further undermine the attractiveness of the EEU compared to other projects in the region, such as China's One Belt One Road initiative.

With the European Union to its West and China's New Silk Road to its East, EEU member countries are gradually starting to voice their disillusionment of having joined the bloc. It appears that almost 25 years after the demise of the Soviet Union the Kremlin still has not learnt that countries simply do not like to be coerced into closed-member blocs and alliances.

If they won't join you, beat them

Attempts at regional integration in the post-Soviet space on the basis of equality and mutual respect for state sovereignty should be wholeheartedly embraced and encouraged. Sadly, the EEU does not profess this kind of integration. When the Ukrainian population rebelled against Russian coercion to ditch the EU Association Agreement in favour of joining the EEU in late 2013, Putin was quick to react by annexing Crimea and invading the Donbas. The message is clear: If invited for dinner in the Kremlin, it is not in your interest to decline. Russia does not 'invite' countries into the EEU because it would like these countries to join, but rather it does so because it does not want these countries to make alternative choices. Sovereignty for me, but not for you is the motto of integration a la Russe.

Rouble pro quo

Sadly for Putin, what goes around comes around. Although the other prospective members of the EEU had no desire to end up in a Ukraine-like situation, they certainly put up a fight with Moscow, extracting hefty concessions in the process.

For example, Belarus managed to secure subsidies of up to \$10 billion (€8.9 billion) per annum, consisting primarily of cheap oil and natural gas deliveries.

Armenia similarly only accepted to join the EEU and decline the EU Association Agreement after Putin promised it similarly low gas prices as offered to Belarus.

Furthermore, Russia has had to commit to numerous investment projects in Kyrgyzstan. Enticing countries to join a bloc they have no desire of joining comes at a price.

Russia's economic fallout

Rattled by sanctions and low energy prices, the effects of Russia's economic downturn are being felt throughout the region.

The damage to EEU members has been extensive, highlighting concerns in national capitals that Moscow is dragging the entire region down with it.

Due to the rouble's devaluation, non-Russian goods have suffered a competitive setback, forcing other EEU members to devalue their own currencies.

The resultant economic disgruntlement among the region's population added to ongoing frustrations about how Russia blocks many agricultural goods from entering its territory on the basis of obscure sanitary regulations, how Gazprom and Transneft do not open their gas and oil pipelines to competitors, and how Russia forced the other countries to raise their import tariffs to the higher Russian level.

A country such as Kyrgyzstan, which is heavily reliant on the resale of cheap Chinese merchandise, is particularly affected by this. More worryingly perhaps from the point of view of regional stability, the economic crisis in Russia is causing many migrant workers to lose their jobs, thus greatly decreasing migrant remittances; traditionally a major source of revenue for countries in Central Asia.

Looking East

Where Russia's economic appeal in the region is going down, China's, by contrast, is rising fast

Already the region's largest investor since the late 2000s, China pledged to invest \$46 billion (€41 billion) as part of its Silk Road initiative.

The construction of the new Silk Road is gradually eroding the attractiveness of Russia as an economic partner and EEU members are scrambling to claim a place along the route.

The Silk Road will gradually strengthen Beijing's bargaining power vis-a-vis Moscow, which is already playing second fiddle in the bilateral relationship owing to its expulsion from international capital markets.

The completion of the Silk Road looks set to further undermine Moscow's power in Central Asia. Illustrative of the EEU's relative decline were the remarks by Kazakh president Nursultan Nazarbayev, who in an appeal to Eurasian leaders in February this year, outlined the argument for closer integration with both China's Silk Road and the European Union.

Unless Russia's leadership learns to understand that regional integration can only succeed on the basis of ties that bind, rather than creating binds that tie, the future of the EEU already looks doomed barely two years after it first saw the light.

The Crude World monthly column on Eurasian (energy) security and power politics in Europe's eastern neighbourhood is written by Sijbren de Jong, a strategic analyst with The Hague Centre for Strategic Studies (HCSS), specialised in Eurasian (energy) security and the EU's relations with Russia and the former Soviet Union.

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Chapter 2. The Eurasian Economic Union and its Member States

Is Kazakhstan Able to Bring Together EAEU and EU?

Adil Kaukenov

Astana times, 10.05.2016, <http://astanatimes.com/2016/05/is-kazakhstan-able-to-bring-together-eaeu-and-eu/>

Kazakhstan is so far the only country in the post-Soviet area that signed the Enhanced Partnership and Cooperation Agreement with the European Union. On May 1, the economic part of the Enhanced Partnership and Cooperation Agreement with the EU entered into force provisionally, while Foreign Minister Erlan Idrissov has been called the best advocate of the European Union. Is Astana able to implement the plans on bringing together the Eurasian Economic Union (EAEU) and the European Union?

Currently, the Eurasian Economic Union is not only building up the system of internal cooperation between its members, but also establishing mechanisms to work with external economic players. The significance of the latter is growing against the backdrop of low commodity prices as well as the systemic crisis in the economies of the EAEU.

In these conditions, the development of multi-vector and diversified external economic ties is an imperative. However, today the obvious logic of economic benefits in different areas has been put aside by political circumstances. Here, we talk about the relations between the EAEU and the European Union. Due to the fact that Russia and Western states initiated cut-backs in economic ties across a big sector, both the Eurasian Economic Union as an integration union and separate countries therein suffer.

In this context, Kazakhstan, being considered today as the most successful state in the EAEU in terms of maintaining and developing international cooperation with all potential partners of the Union, can be both a model and a mediator in building dialogue between the EAEU and the EU. This position is proved by the highly developed cooperation between Kazakhstan and Europe, and the willingness of Astana, as the historic author of Eurasian integration, to manage and promote the dialogue between the EAEU and the EU.

Development of Kazakhstan-EU Dialogue

Today, the European Union is the biggest trade partner of Kazakhstan. Statistics say that in 2015 trade turnover between Kazakhstan and the EU amounted to \$31.3 billion, which accounts for more than 40 percent of total foreign trade of Kazakhstan. The major part of

foreign direct investments attracted to the country come from the European Union (The Netherlands, France, Italy, Belgium, the United Kingdom, etc.). Furthermore, over the last decade, the trade turnover increased 13 times, the volume of European investments in the Kazakh economy – 10 times.

The great success of Kazakh diplomacy in the European direction is proved by the fact that Kazakhstan is the only country in the post-Soviet area that has signed the Enhanced Partnership and Cooperation Agreement with the European Union. This document, signed last December during the visit of EU High Representative for Foreign Affairs and Security Policy Federica Mogherini to Kazakhstan, is a second-generation agreement. It covers 29 areas of cooperation, where the trade section is notable for its thorough stipulation. On March 25, President of Kazakhstan Nursultan Nazarbayev signed a law on ratification of this agreement and since May 1, its economic part is provisionally effective.

At the same time, Kazakhstan is very active in not only establishing governmental mechanisms to improve cooperation, but also in attracting European investments and working with businesses. For example, the Spanish delegation that visited Kazakhstan recently included, besides head of the delegation, acting Minister of Foreign Affairs and Cooperation of Spain José Manuel García-Margallo, representatives of major Spanish companies such as INDRA, MAXAM, INECO, TECNICAS REUNIDAS, EUROFINSA and others.

Kazakhstan interacts actively with Europe in the format of cooperation with supranational bodies of the EU. For example, in mid-April, the Ministry of Agriculture of Kazakhstan and the European Commission achieved an agreement to develop a roadmap on deepening cooperation in agriculture; they also consider the transit of goods through the territory of the EAEU.

Finally, amid the crisis of confidence and economic relations between the EU and the EAEU, Kazakhstan consistently remains a constructive partner and, partially, a mediator in relations between the integration unions. It is not a coincidence that at the 13th Eurasian Media Forum held in Astana on April 22, French Ambassador Francis Etienne called Kazakh Foreign Minister Erlan Idrissov the best advocate of the European Union.

These words were heard after the statement by Idrissov, in which he noted that relations with the EU are of special importance for Kazakhstan and that the world has not yet created a better integration model than the European Union.

Promotion of EAEU-EU Dialogue

The progress described above in cooperation between Kazakhstan and Europe shows not only the importance of the Western vector in Astana's foreign policy, but also the general foreign policy strategy of the state. Within the Eurasian Economic Union, Kazakhstan is a flagship in promoting cooperation with other key players, including China and Iran.

At the same time, fortunately, Kazakhstan has an understanding at the highest level that in modern these conditions underlying the country's transition beyond a commodity economy and in a world in which the importance of integrational unions is growing, bilateral relations

cannot fully provide Kazakhstan with the type of opportunities it could have after lifting excessive barriers and harmonising the entire spectrum of standards covering economic cooperation.

For this period of chairmanship of Kazakhstan in the EAEU, it was proposed to announce 2016 “The year for deepening economic relations of the Union with third countries and key integration unions.” Among its priorities are bridging the EAEU and the Silk Way Economic Belt, deepening cooperation with the Shanghai Cooperation Organisation and the European Union.

In April, during a visit to the United States, President Nazarbayev informed that there were discussions with the European Council and the European Commission regarding prospects for cooperation between the EU and the EAEU. The President of Kazakhstan proposed to conduct a joint conference of the two unions for politicians and experts to clear the air in that issue. According to Nazarbayev, it is necessary to ensure mutual trade in a calm manner.

The fact that we need such an initiative is proven and demonstrated regularly by the scepticism of Europeans regarding the prospects and economic character of the EAEU, and by the regularly articulated discontent of Russia for the imposed sanctions and politicisation of economic cooperation. For example, on April 8, Speaker of the State Duma Sergei Naryshkin noted that by imposing sanctions, the European Union in fact isolated itself from the whole Eurasian integration process. And on April 13, at the enlarged session of the Eurasian Intergovernmental Council, Prime Minister of Russia Dmitry Medvedev said, “Now we receive more signs of interest in joint work from the European partners. Recently, they were not ready for that, but now it seems that there are such signs. We are ready for such action, but, of course, we need to act on the basis of equality, consideration of each other’s interests, and mutual benefit.”

In such conditions, Kazakhstan’s proposal to organise a large-scale platform to exchange opinions seems to be difficult to implement, but on the other hand – very relevant, because the logic of economic interest gradually decreases the barriers of political discontent.

In this context, besides comprehensive bilateral ties, Kazakhstan maintains a high level of confidence with the European Union in political and business circles, and it has the strategic vision in the need to improve cooperation between the two integration unions. There are chances that Astana will play a key role in resuming the dialogue.

Political challenges substantially moderated the process of cooperation between the European and Eurasian Economic Unions. But today it doesn’t seem relevant to discuss the revitalisation of the project “From Lisbon to Vladivostok” or the full institutional partnership of the two organisations. However, the establishment of the platform, where officials, parliament members, businesspersons and civil society of the two unions can give each other full information on their plans, projects, strategic goals and even concerns, is more than possible.

Serzh Sargsyan: By refusing to visit Yerevan some of our EEU partners tarnished the reputation of the organization

08/04/2016, Armenia, www.panorama.am, <http://www.panorama.am/en/news/2016/04/08/Serzh-Sargsyan/1559530>,



President Serzh Sargsyan received on April 7 the Chairman of the Government of the Russian Federation Dmitri Medvedev, who has arrived to Armenia on official visit, press department of the President's office reports.

“Distinguished Mr. Medvedev, I am glad to welcome you in Yerevan. Your official visit is the perfect opportunity to discuss a wide range of issues of our bilateral agenda. Unfortunately, your visit is taking place in the period when Azerbaijan has tried once again to reach the settlement of the NK issue through military means. A large-scale operation has been launched with the employment of their entire arsenal. Painfully, the arms have been used against the peaceful population; children have been killed, as well as elderly people, but thanks to the professional actions of the troops and commanders, the attempt was thwarted. Mr. Medvedev, I am sure you know that the fact that the Azeris have used with the entire force weapons they have acquired recently from Russia strongly resonated in Armenia. It is quite understandable since at the public level in Armenia Russia is perceived as the closest ally and friend.

Today, we cannot rule out a possibility of yet another threat because yesterday and also today these provocations in mass media continue and we, of course, have no great illusions. Nevertheless we anticipate from the Co-Chairs of the Minsk Group and our allies targeted

statements and certain actions, because the second phase, I believe will result in a large-scale operation since from the very beginning we, as a party of the 1994 Ceasefire Agreement, couldn't stay away from all this. And of course, Mr. Medvedev, we regret that some of our EEU partners refused to come to Yerevan to participate in the previously scheduled event. I don't know if they helped Azerbaijan with this, but they have definitely tarnished the reputation of our Organization, and it's a fact," said President Serzh Sargsyan.

"Thank you very much, Mr. President. It is a good chance indeed to exchange impressions and information regarding our routine bilateral issues. I would like to inform that we have conducted negotiations to discuss the entire spectrum of our economic cooperation, and signed, I believe, important documents aimed into future, reached agreement on different issues, including a complex issue, disputable and important issues such as, for instance, gas price, which, in my opinion is important for Armenia's sustainable development. I believe, we will again briefly negotiate some issues with you.

I have to admit that the agreed official visit of the governmental delegation is taking place in a very difficult period of time, but we didn't change our plans. We consider it our obligation, as Armenia's partner, to receive information, as it's said, firsthand and understand what's going on and, of course, do everything we can as a partner, as an ally and a member of the Minsk Group so that the situation develops according to a peaceful scenario. We believe that the most important thing at the moment is to uphold peace and to return to the table of negotiations, even disregarding the fact that the background of these negotiations is not the best, to say the least. I remember well our previous conversations. Probably at that time, some of the opportunities were missed; however peaceful negotiations and discussions have no alternative.

This is also the purpose of my present visit, and I would like to discuss with you what can be done in the nearest future. As for the postponement of the meeting of the EEU Heads of Governments, I hope, I am confident that there will be no interruption anyway. I will certainly speak to our EEU partners. To some extent their attitude and decisions are probably understandable: not all are well-informed on the current situation, on what can happen, or what will happen. The most important thing now is keep the pace and to avoid creation of artificial problems. For that very reason, today when we are discussing the future of integration processes, we agreed that in the shortest possible time we would try to organize the session of the Heads of Government in Yerevan, as we were planning to, because to be honest, we meet infrequently. We agreed to meet once in two months, however last time we met was six months ago. For that very reason, I would like to increase the frequency, moreover so because of the disappointment present here, in Armenia with regard to the cancelation of the April 8 meeting. At any rate, I am very grateful for the invitation. We have conducted today's intergovernmental negotiations with great interest. I hope now, we will discuss with you all issues. Thank you," said Dmitri Medvedev.

Karen Bekaryan: Outrageous and unfriendly move by Kazakhstan

08/04/2016, Armenia, www.panorama.am, <http://www.panorama.am/en/news/2016/04/08/Karen-Bekaryan/1559861>



Karen Bekaryan considers the move initiated by Kazakhstan to postpone the meeting of the Eurasian Intergovernmental Council and move it from Yerevan to Moscow, an outrageous and unfriendly. Bekaryan, the member to the RA National Assembly Standing Committee on Foreign Relations, noted that it was also outrageous that other countries didn't respond to the decision accordingly. Bekaryan said that Kazakhstan being the coordinator and holding the Chairmanship of the OSCE could easily manage this situation. To remind, the meeting of Eurasian Intergovernmental Council was due in Yerevan, April 8. The meeting was moved to Moscow without any explanation.

According to Bekaryan, what happened wasn't a catastrophe. Armenia will have a chance to respond accordingly to this move. Concerning the question whether or not Prime Minister of Armenia, Hovik Abrahamyan should attend the Moscow meeting, Bekaryan said there are two options, either not to attend and "hit the door" as a sign of protest, or go there and express the discontent in front of everyone. According to him, you "hit the door" only when there's no alternative. Bekaryan considers that attending the meeting and expressing our attitude is the right choice to avoid such situations in the future.

Eurasian Union Hunts For Silver Linings

Eurasianet, 01.06.2016, <http://www.eurasianet.org/node/79016>

The summit of leaders from Eurasian Economic Union member states in Astana this week brought much grumbling with it, but there are some incremental signs of progress.

Kyrgyzstan's President Almazbek Atambayev set the tone on May 31 by pointing out problems on the border with Kazakhstan.

“Despite the positive aspects of integration, including the elimination of customs controls on the Kyrgyz-Kazakh border, the improvement of conditions for [Kyrgyz labor] migrants in Russia and other [EEU] states, I would like to note a number of problems. These are the matters of the harmonization of railway [transit] tariffs, the ban on the export of Kyrgyz potatoes to Kazakhstan, [phytosanitary-veterinary] controls on the Kyrgyz-Kazakh border, the transit of goods in Russia and a number of other things,” Atambayev said in remarks cited by Sputnik news agency.

There is a lot to unpack there, and even the good news Atambayev offered needs to be qualified.

Although custom controls were indeed lifted at the Kyrgyz-Kazakhstan border, it was only for them to be replaced with more stringent inspection regimes aimed at quashing the activities of unregistered traders exploiting differences in prices for various goods in the respective countries. Lengthy waits are still the norm for motorists and it will be a long time before the EEU becomes the kind of border-free space one sees in western Europe.

Still, there was some movement in addressing Atambayev's complaints. Kazakhstan's President Nursultan Nazarbayev on June 1 ordered an end to the ban on Kyrgyz potato imports, which was imposed in May amid fears of worm infestations. In another significant concession from Astana, Kazakhstan will now allow Kyrgyz citizens to remain on their territory for up to 30 days, an increase from the previous five days, without registering with the authorities.

Kyrgyzstan is eager to further exploit railway routes to export to EEU markets, but has complained of unfairly high transit costs.

“At the moment, when transporting goods, it is necessary to pay transit fees that raise the cost of goods. So Kyrgyzstan wants to reduce the tariffs payable for the use of railway network in the EEU,” Kyrgyz energy minister Danil Ibrayev said in remarks cited by KyrTag news agency in late March.

Ibrayev complained at the time that when Kyrgyz exporters send their wares through Kazakhstan, they often found themselves paying far higher transportation fees than Kazakhstani companies would face. In mid-March, the EEU's executive arm adopted a decision to harmonize railway tariffs, but the technicalities and conditions have evidently not been resolved.

Whatever concessions are being negotiated reflects the fact that EEU members must be coming to terms with the sobering realization that trade within the bloc has actually been falling. Belarusian President Alexander Lukashenko put it most starkly when he complained in Astana that conditions were not equal for everybody within the EEU and that more work was needed on eliminating internal barriers.

The latest figures show that the value of mutual trade in the EEU fell by 16 percent in the first quarter year-on-year. The contraction for the whole of 2015 was 26 percent. EEU officials like to point out, however, that this depressing picture is due in large part to the calculations being made in dollars. Then again, while Belarus, Kazakhstan and Russia have seen 10 percent, 20 percent and 18 percent drops, respectively, in the value of their intra-EEU exports in the first quarter of this year, Armenia, whose currency has also taken a battering, actually saw exports double in that period.

If anybody was looking for reassurances from the man at the head of the table, Russian President Vladimir Putin, they need not have held their breath. Putin said the EEU could help, but only up to a point. “We don’t expect any magic windfalls from our cooperation, but it will undoubtedly help us overcome current difficulties. I have little doubt about this,” Putin said on May 31.

What becomes obvious with every one of these summits is that EEU was created and then expanded with a haste that did not allow for the complexity inherent in creating a trade bloc between grossly unbalanced partners. The EEU has made few fans among the populations of its Central Asian members, so good news is needed sooner rather than later.

Kyrgyzstan: Putin’s Eurasian Economic Union and Its Discontents

Franco Galdini and Elyor Nematov

The Diplomat, 20.05.2016, <http://thediplomat.com/2016/05/kyrgyzstan-putins-eurasian-economic-union-and-its-discontents/>

“The trade volume has fallen dramatically. We really feel the crisis biting.” Standing outside his rented container where a variety of men’s clothing is on display, Aleksey’s mood is gloomy. It is a weekday morning and Dordoi Bazaar is a far cry from the trading hustle and bustle of the not-so-distant past.

“The economic crisis in Russia is affecting us all. Fewer people come from Russia and Kazakhstan to buy here, as the ruble and [Kazakh] tenge have collapsed and it isn’t convenient for them any longer,” Aleksey adds.



Porters at Dordoi market Source: Elyor Nematov

Nowadays, it is very common to hear such complaints from traders at Dordoi, a sprawling market of crisscrossing lanes with double-stacked containers serving as both storage and shop, located on the northeastern outskirts of the Kyrgyz capital Bishkek. Once a thriving hub for the re-export of mostly Chinese and Turkish goods on to former Soviet Republics, Dordoi has been experiencing severe difficulties of late in the wake of Russia's economic downturn, itself the result of plummeting oil prices and Western sanctions linked to the Ukraine conflict, to which the Kremlin has responded with its own set of counter-sanctions.

But Dordoi Bazaar isn't your average market. A 2012 World Bank report – with data from a series of surveys the authors conducted in 2008 – estimates that it employed about 55,000 people with an annual turnover of around \$2.8 billion, 80 percent of which is wholesale trade for resale, mainly abroad. Shuttle trade has long been a Dordoi trademark, as businesspeople and shopkeepers would purchase in bulk and resell the merchandise, mostly in Kazakhstan and Russia, for a profit.

According to the same 2012 report, Dordoi was not only at the center of a network of Central Asian bazaars where re-export was the norm, but it “tower[ed] above them all on all counts.” The significance of such trade for the economy of a small country like Kyrgyzstan cannot be overstated. The World Bank indicates that “the value of [re-export] flows through the bazaar channel averaged 3.5 billion USD in 2007-10, or 77% of the Kyrgyz Republic's gross domestic product (GDP).”

The EEU and Its Discontents

When Russia, Kazakhstan and Belarus created a Customs Union in January 2010, business at Dordoi suffered from the new trade barriers but was kept afloat by high demand in the Russian market and a favorable exchange rate between the ruble and the Kyrgyz som. In August 2015, Kyrgyzstan joined the Eurasian Economic Union (EEU), the Customs Union successor plus Armenia, on the premise that free access to its vast market would “trigger entrepreneurship” and provide “new trade and economic opportunities,” as the country's then Prime Minister Temir Sariyev explained.

While the government's line was contested by those who viewed the EEU as an economic Trojan horse to advance Russian President Vladimir Putin's political ambitions to reassert Russia's influence in its former Soviet periphery, the lesser-of-two-evils argument won out in the end, as many concluded that the risks of membership were outweighed by those of non-membership. Simplified procedures for the hundreds of thousands of Kyrgyzstani seasonal laborers working in Russia and Kazakhstan also played a major role in the decision to join.



Packaging workers playing cards. There is no work, they say. Source: Elyor Nematov

From its part, the Kremlin created a Russian-Kyrgyz Development Fund with a \$1 billion endowment “to overcome the structural changes caused by the new trade regime, to enhance the access to credit for the private sector, and to support the Kyrgyz economy.” Clothing and textiles were included in the list of priority economic sectors and by the end of last year the Fund had disbursed \$300 million, with \$150 million more expected for 2016.

Almost a year after Kyrgyzstan's accession, however, not only have these promises of growth failed to materialize, but the EEU common tariff system – based on Russia's higher tariffs – has translated into a sharp increase in prices for imports coming from non-EEU members such as China and Turkey. “Things have got worse since we joined the EEU,” Rustam tells me. Originally from Tajikistan, he has been trading in Chinese goods at one of Dordoi's prime central lanes for the past decade. “If before August 2015 I'd pay \$2 per kilogram of imported stuff, afterwards tariffs doubled overnight,” he continues.

Bekhtour and Dima confirm that imports from Turkey have suffered from the same protectionist measures, as tariffs for their men's clothing items shot up almost 100 percent to \$5 per kilogram. At the same time, in 2015 the Kyrgyz som lost about 30 percent of its value against the U.S. dollar, further eroding profit margins: “We buy in dollars but we sell in som, so in practice we are spending more for our purchases while our sales at Dordoi are less profitable,” they add almost in unison. The recent appreciation of the som vis-à-vis the dollar has been too slight to alter this dynamic.

The End ... or a New Beginning?

At the offices of the Professional Association of Dordoi Entrepreneurs located in the heart of the market, its deputy head Dinara Turbayeva confesses that “as soon as the EEU custom tariffs were introduced, re-export with China basically ground to a halt.” However, she sounds upbeat about the future of Dordoi, “as we are now experiencing a rebirth with the development of our local textile industry.”

What she describes is a veritable change in business model: “If before we were used to having people come to Dordoi and buy someone else’s products – we were basically reselling something made elsewhere, we now need to boost entrepreneurship and compete to sell our own clothes, made in Kyrgyzstan.”

This is a message that the Association has been forcefully promoting as of late, in an effort to counter growing rumors that Dordoi is on the brink of shutting its doors. In two lengthy interviews to local papers in April, Damira Temirbekovna – Turbayeva’s boss – confidently declared that “it is obvious the future of Dordoi lies in the local apparel industry,” adding that the market can “look forward to a bright future as the country’s sewing center.”



A container up for sale. The sign reads: “Urgently selling container at below cost price.” Due to weak trade, many are selling their containers at Dordoi at a loss. Source: Elyor Nematov

To be sure, the “made in Kyrgyzstan” brand has long been known in Central Asia and the former Soviet space for its combination of good quality and competitive prices. An unpublished 2010 USAID study cited by the World Bank “estimates this industry’s output at \$1.5 billion, around one-third of Kyrgyz GDP.” But for now, the mood among entrepreneurs at the market fluctuates between caution and resignation.

One entrepreneur, who owns sewing workshops in and around Bishkek and sells the finished product at Dordoi, confirms that trade has halved in the last year, and so have her profits and the number of people working for her. However, she believes that the current crisis is indeed pushing entrepreneurs to innovate and modernize. “Those who kept doing the same stuff have

had to close shop, as fashion trends change fast and you need to adapt faster,” she says, adding: “buyers nowadays want more quality at even cheaper prices, so you have to compete to build your clientele.” She concedes though that creating a vibrant and competitive industry will take a long time, particularly because “more capital is needed, as well as training to improve workers’ skills, and the state isn’t helping.”

Others aren’t convinced, especially given the pervasive fall in demand from Russia. “Once we would sell up to a 100 pieces of clothing per day. Now we consider ourselves lucky if we sell 5 or 6,” three middle-aged businesswomen specializing in women’s wear tell me, as we chat under a big sign reading “Made in Kyrgyzstan.” “Buyers are simply not coming,” they add. “Can’t you see how many containers are closed or on sale? Our neighbor sold his for \$1,500 a week ago. That’s about a tenth of its price a few years back!”

During the market’s heyday, containers in the central lanes at Dordoi were valued at up to \$40-50,000 and it wasn’t uncommon to find ads in local papers offering to exchange one for an apartment in Bishkek. As more and more owners are putting their containers up for sale due to the lack of trade, prices have come crashing down. An acquaintance has been trying to sell his in a prime spot for \$6,000, with no success. The crisis is so acute that most owners of containers at the market’s edges have stopped asking for rent altogether.

Open for Business?

The three businesswomen point out that, apart from an increase in the price of fabrics and accessories following EEU accession, they have seen little benefits at the Kyrgyz-Kazakh border in terms of the free circulation of goods. The Kazakh government, they claim, is trying to protect its domestic market to weather its own acute economic crisis.

While such claims are difficult to independently verify, Kazakhstan did rush in new rules for the import of cars from Kyrgyzstan only a month before the latter joined the EEU, leaving people to wonder about the actual meaning of “free trade” within the bloc.

“We all thought that the economic union would usher in a common market, with no tariffs for imports between the member states, but we were wrong,” says Alek, an independent entrepreneur who used to import cars from Germany. He was among many who, ahead of EEU accession, imported cars in bulk from Europe and Japan predicting that they could then be sold for a handsome profit to Kyrgyzstan’s richer northern neighbors.

Due to the new measures, however, he now has to sell at a loss in the domestic market: “Cars worth \$30,000 are being given away for 20,000 or less. If you are lucky enough to sell, that is,” he laments. “The EEU for us has meant a 300 percent increase in import tariffs for vehicles. We should protect our own small market, like Russia and Kazakhstan do.”



Dordoi market. Made in Kyrgyzstan. Source: Elyor Nematov

An Uncertain Future

Some who lost their job at Dordoi and in the car market left to fill the ranks of Kyrgyzstani labor migrants in Russia, whose remittances have for years contributed up to 30 percent of the country's GDP. But with Russia still in the throes of recession, the knock-on effects for Kyrgyzstan's economy are pervasive. Due to the weak ruble, "remittances fell from approximately \$2.06 billion in 2014 to some \$1.38 billion in 2015," and the downward trend is set to last for the foreseeable future.

At the beginning of the year, Inter RAO and RusHydro – two Russian state-owned corporations – backtracked on a promised cumulative investment of approximately \$3.8 billion to build five hydropower plants in the country due to lack of funds. The Ministry of Economy recently reported that in the first quarter of 2016 overall foreign investments dropped by 16.2 percent compared to the same period the previous year, signaling that earlier statements by the Eurasian Economic Commission – the EEU executive – about investments in post-accession Kyrgyzstan having "more than doubled" may have been overblown.

As for Dordoi, while predictions of imminent closure are probably exaggerated for the foreseeable future, it would be similarly naive to expect the market to continue operating along the same business model that proved so successful in the past. At the same time, it is too early to ascertain whether the current crisis will spawn an innovative textile industry taking the "made in Kyrgyzstan brand" to new levels of quality and profitability with Dordoi market at its center, as the Association contends. For the time being, the empty lanes and closed containers at its edges seem to indicate that Dordoi will be downsizing in line with its declining volume of trade. Back at one of its central lanes, Rustam appears resigned. "People simply don't have money, so they don't buy," he remarks. "This year I won't go to China to stock up, as I first need to sell what I have. What else can we do? We need to keep the faith" he says with a brittle smile.



Présentation

Multipol est un réseau international et interdisciplinaire de chercheurs et d'experts en droit international et relations internationales, provenant de milieux professionnels tels que la justice internationale, la diplomatie multilatérale et bilatérale, la recherche et la formation, la fonction publique internationale.

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Chapter 3. The Eurasian Economic Union and its Internal Policies

The EAEU draft Customs Code to be signed before the end of October

Eurasian Economic Commission, 23.05.2016, <http://eec.eaeunion.org/en/nae/news/Pages/23-05-2016-3.aspx>

On May 20, in Yerevan, the regular session of the Eurasian Intergovernmental Council (the EIGC) addressed the issue of the preparation of the draft Customs Code of the Eurasian Economic Union (the EAEU). Following the discussion, the Prime Ministers of the Union countries adopted the Disposition, according to which the Eurasian Economic Commission, in cooperation with the Governments of the Member States of the Eurasian Economic Union, should ensure the completion of the draft Treaty on the Customs Code of the EAEU, in view of the need for its signing until October 28, 2016. As the Chairman of the Working Group responsible for drafting the document, the Member of the Board - Minister in charge of Customs Cooperation of the EEC Mukai Kadyrkulov said, at the time of the session of the EIGC, 57 issues from 1,500 disagreements received following the internal approval of the draft Customs Code of the EAEU remained unsettled. 32 of them are now additionally being worked out by representatives of the Customs Unit of the EEC and the experts from the Member States and the business community of the EAEU countries; 25 issues will be discussed in the near future at the session of the heads responsible for elaboration of the draft Customs Code of the EAEU from the ministries and departments of the EAEU Member States.

Eurasian Economic Union introduces Common Trademark Regulation

Eurasiatx, 11.05.2016, <http://eurasiatx.com/%D0%B5%D1%8D%D0%BA-%D0%BE%D0%B4%D0%BE%D0%B1%D1%80%D0%B8%D0%BB%D0%B0-%D0%B2%D0%BD%D0%B5%D0%B4%D1%80%D0%B5%D0%BD%D0%B8%D0%B5-%D1%82%D0%BE%D1%80%D0%B3%D0%BE%D0%B2%D0%BE%D0%B3%D0%BE-%D0%B7%D0%BD%D0%B0/>

The Council of the Eurasian Economic Commission (EEC) has approved “Draft regulation on Trademarks, Service Marks and Appellations of Origin of the Eurasian Economic Union”, reports the press service of the EEC.

The document regulates registration, legal protection and use of trademarks of the Eurasian Economic Union (EEU) and designations of origin. It includes:

- introduction of “a trademark of the Union” and “designations of origin of the Union” (NMPT) (the Union’s trademark is protected on the territories of all Member States);
- a single request submission for a trademark of the Union in any patent offices of the Member States;
- includes a single title of protection in the territory of the Union;
- “one window” principle, meaning that there is a single institute to present application to;
- introduction of a Unified Register of Trademarks of the Union and the Single Union Registry of the NMPT placed on the official website of the EEU;

Proposed Regulation of Trademarks will simplify procedures for registration of trademarks and designations of origin, as well as reduce related costs. The document will be valid on the territory of all Member States of the EEU and will encourage investments in innovation sector, thus contributing in modernization of the economies of the countries of the EEU and their reorientation to innovation.

Anticrisis measures in Eurasian Economic Union's macroeconomic policy for 2016-2017 Economy

BelTA, 31.05.2016, <http://eng.belta.by/economics/view/anticrisis-measures-in-eurasian-economic-unions-macroeconomic-policy-for-2016-2017-91746-2016/>

The main guidelines of the macroeconomic policy of the Eurasian Economic Union member states for 2016-2017 are designed to tackle the crisis. Chairman of the Board of the Eurasian Economic Commission Tigran Sargsyan made the statement after the session of the Supreme Eurasian Economic Council in Astana, Kazakhstan on 31 May, BelTA has learned.

According to the source, during the session of the Supreme Eurasian Economic Council the presidents approved the main guidelines of the macroeconomic policy of the Eurasian Economic Union member states for 2016-2017. “The document is an anticrisis one. It specifies the most important short-term and medium-term tasks that the economies of our countries face,” said Tigran Sargsyan. In his words, the measures the countries implement will be systematically monitored. “It will allow us to find bottlenecks as well as the joint

measures that need to be implemented in order to realize the main principles laid down by the Eurasian Economic Union Treaty,” noted Tigran Sargsyan.

The official specified that efforts within the framework of the macroeconomic policy's implementation are coordinated to reach three main goals relating to inflation levels, the budget deficit size, and the state external debt. “Monitoring efforts allow detecting deviations from the targeted parameters specified by the union treaty. The main guidelines of the macroeconomic policy that we have discussed today and that are adopted allow the countries to pursue a coordinated policy for the sake of minimizing deviations from targeted parameters,” added the Chairman of the Board of the Eurasian Economic Commission.

EAEU set task of import substitution on common market of food products

TASS, Minsk, 07.06.2016, <http://tass.ru/en/economy/880593>

The countries of the Eurasian Economic Union (EAEU) set the task of import substitution on their common market of food products, Belarus’ Agriculture Minister Leonid Zayats said on Tuesday. He was speaking before a section meeting at the 3rd Forum of regions of Russia and Belarus. The forum is attended by representatives of 43 regions and 12 governors

"Our task today - this concerns the whole market of EAEU including Belarus and Russia - is to do our best to protect the products which are imported to our common market," Zayats said.

He added that currently products worth \$45 bln are imported to the EAEU market.

According to him, Belarusian and Russian food markets should complement each other.

"The heads of Russia and Belarus signed documents that make it possible to promote products to the market without any restrictions," the minister said.

According to Russia’s Deputy Agriculture Minister Sergey Levin, one of the important tasks for the future is to agree on balances of the supply of food products between the two countries. "We are currently working in market conditions, but over the years forecast balances have proven to be reliable. It is a very reliable tool in order to plan production in our countries, to balance the market and keep the situation stable," he said.

This year, Belarus food supplies to the Russian market will include 390,000 tonnes of meat and meat products, 4 million tonnes of milk and dairy products.

"If in the future it is necessary to increase the supply at the request of the Russian Federation, we will do this. Just like it was done when an embargo on the delivery of European goods was imposed," the Belarusian minister said.

Russian President Vladimir Putin on Deeper Eurasian Integration

Sputnik, 09.06.2016, <http://sputniknews.com/politics/20160609/1041031542/russia-belarus-eurasian-integration.html>

Moscow and Minsk are cooperating to deepen integration in Eurasia, notably by implementing advanced technology programs, Russian President Vladimir Putin said Wednesday.

The EEU is an economic integration bloc on the post-Soviet space succeeding the Customs Union of Russia, Belarus and Kazakhstan in January 2015. Later in 2015, Armenia and Kyrgyzstan joined the EEU. The bloc coordinates policies of its member states in key industries.

"In a collaborative effort, Russia and Belarus work to deepen integration processes in Eurasia. As members of the Union State, we are carrying out about 40 programmes and are jointly developing advanced technology programmes, primarily, for the aerospace industry, satellite navigation, geological exploration, and agriculture," Putin said as he spoke at the Third Forum of Russian and Belarusian Regions.

"We are forming the Eurasian Economic Union's common market for goods, services, capital, and labour, thereby facilitating sustainable economic growth of the member countries and enhancing the competitiveness of our producers on domestic and foreign markets," Putin said.

Belarus displeased with lack of progress in Eurasian Economic Union

Belarussian TV Channel CTV, 02.06.2016, <http://en.ctv.by/en/1464716746-belarus-displeased-with-lack-of-progress-in-eurasian-economic-union>

Day of big integration in the capital of Kazakhstan. The summit of the Supreme Eurasian Economic Council in Astana approved the concept of the single market of oil and oil products. This is one of the results of May 31 talks in the Kazakh capital. In total, there were 14 issues on the agenda. The presidents of Belarus, Russia, Kazakhstan, Armenia and Kyrgyzstan also spoke about deepening of Eurasian Economic Union's (EEU) relations with

third countries and international associations, and paid attention to the problems of the integration community.

The Belarus President began his visit to Kazakhstan on May 30 and that day met with his Kazakh counterpart Nursultan Nazarbayev. May 31, Nazarbayev met with Vladimir Putin in the same room. The three leaders were the progenitors of the EEU.

The EEU is becoming attractive for global players such as the EU and China. Experts say that 40 states are interested in concluding agreements with the association. EU candidate Serbia and Vietnam want to trade freely with the EEU countries. The EEU can by the way benefit from Belarus' experience in cooperation with these countries.

May 31, Alexander Lukashenko signed a free trade agreement with Vietnam. Initially zero duties will apply to 50% of goods in which the parties to the agreement trade and in 2025 the figure will reach 90%.

Nursultan Nazarbayev, President of Kazakhstan: Today, it is safe to say that the Eurasian Economic Union is a full-fledged integration association. Now the convergence of our economies is taking place in accordance with the plans and deadlines we set in the EEU agreement. We know that there is a growing interest around the world in our economic union, which is more and more intensively developing international contacts. In this regard, at my suggestion as the chairman of our organization, this year was declared the year of deepening economic relations of the Eurasian Economic Union with third countries and key integration associations.

It was Belarus President Alexander Lukashenko who first paid attention to the possibility of integration of integrations. Today, speaking at an enlarged meeting, other presidents also talked about the Union of Unions - Eurasian and European. Alexander Lukashenko boldly raised some unresolved domestic issues.

Alexander Lukashenko, President of Belarus: Firstly, we should get rid of internal exemptions and restrictions in mutual trade. Our association has evolved from a customs union and the single economic space to the Eurasian Economic Union, but the number of these exceptions and limitations has not changed and remained at about 600. A level playing field for the EEU member states and a barrier-free environment have not yet been established. Moreover, after signing of the agreement our internal turnover has been falling. In 2012-2013, it was at \$65 billion and ended up at only \$45 billion in 2015.

Secondly, we have not yet implemented the initiative on the development of mechanisms of the EEU's functioning when one of the members applies unilateral market protection measures against third countries.

Third, in September 2015, the meeting of the Eurasian Intergovernmental Council adopted the guidelines of industrial cooperation. We decided on the parameters of the agreed measures to support domestic producers, set cooperation benchmarks in the development of industrial exports. Now we have to actively proceed with the practical realization of these tasks.

Fourth, we have made the first steps towards integration in the energy sector. We have developed and approved the concept of building a common energy market. Today, we reviewed the same plans for gas, oil and oil products. But the path from concepts to their implementation is sometimes very long. And it is we who are the reason for that.

And we need everything I've said in order to confidently engage in dialogue with external partners. To do this, we need to generate our own highly developed single market. We need to be strong ourselves and in every way strengthen the alliance. Then it will be easier for us to conduct a dialogue with the European Union, with China, and with others. Then we will be strong and will speak with one voice. For now we don't see that.

The head of Kyrgyzstan supported the Belarusian side.

Almazbek Atambayev, President of the Kyrgyz Republic: Despite the positive aspects of integration, in particular the abolition of customs controls at the border with the Republic of Kazakhstan, improved situation with migrant workers in Russia and other EurAsEC member countries, I would like to mention and support Alexander Lukashenko in the fact that there is still a lot of different barriers between our countries.

Supporting the format of such cooperation, I would urge that we continue to refrain from measures that could jeopardize the achievement of the main goals and objectives of integration, and direct our forces to the elimination of such barriers, which may discredit the very idea of union.

But these are only the internal nuances. In the international arena, the credibility of the Eurasian Economic Union is growing. The abbreviation EEU is alongside with such multinational unions as the SCO, the EU and ASEAN.

Vladimir Putin, President of the Russian Federation: We support Kazakhstan chairmanship's proposal to focus on the further deepening of economic ties of the union with other countries and integration associations. First of all with the states of the Shanghai Cooperation Organization and ASEAN. In this direction have already done a lot: we set up a free trade zone with Vietnam, we are preparing a list of specific projects supporting ideas of pairing the Eurasian Economic Union with the Chinese initiative Silk Road.

Moscow will host the next meeting of the Supreme Eurasian Economic Council. In December, new agreements can be signed.

The EEU agreement is now two years old. At this age, a person is just beginning to confidently stand on feet. In the EEU format, a fifth of the population of the land is moving along common economic path.

The Chairman of the Board of EEC Tigran Sargsyan and the Chairman of the Board of Gazprom Alexey Miller discussed the formation of a common gas market in the EAEU

Eurasian Economic Commission, 17.06.2016, <http://eec.eaeunion.org/en/nae/news/Pages/18-06-2016-1.aspx>

On June 17, a working meeting of the Chairman of the Eurasian Economic Commission Tigran Sargsyan and the Chairman of the Board of Gazprom Alexey Miller was held in St. Petersburg on the St. Petersburg International Economic Forum-2016.

Alexey Miller congratulated Tigran Sargsyan on the appointment to the high position of the Chairman of the Board of the EEC. During the meeting the parties discussed the conceptual issue of the formation of the common gas market of the Eurasian Economic Union (EAEU). We remind that on May 31 Presidents of the EAEU Member States approved the concept of forming the common gas market of the EAEU.

In this regard Tigran Sargsyan proposed to hold systematic meetings with representatives of Gazprom in order to move forward towards the creation of a common gas market.

Customs duties in Belarus after the redenomination of the currency to be rounded in a new way

Eurasian Economic Commission, 22.06.2016, <http://eec.eaeunion.org/en/nae/news/Pages/22-06-2016-4.aspx>

On June 21, the Board of the Eurasian Economic Commission held a session where attendees decided to make technical amendments to the instructions related to the mathematical rounding of customs value of goods and amounts of customs duties, which are declared in boxes 12, 45, 47 and "B" of the goods declaration and the adjustment form of goods declaration. (It concerns the Instructions on the procedure of completing the goods declaration approved by Decision of the Commission of the Customs Union No. 257 dated May 20, 2010 and the Instructions for completing the adjustment form of the goods declaration approved by Decision of the Board of the Eurasian Economic Commission No. 289 dated December 10, 2013).

Changes were caused by the redenomination of national currency of the Republic of Belarus in accordance with Decree of the President of the Republic of Belarus No. 450 dated

November 4, 2015 "On redenominating the official currency of the Republic of Belarus". According to the Decree, since 1 July this year the official currency of the Republic of Belarus will be redenominated, and circulating banknotes will be replaced at a ratio of 10,000 Belarusian roubles in the currency units of 2000 to 1 Belarusian rouble in the currency units of 2009. The EEC Board decision implies that now when filling out the Declaration for goods in the Republic of Belarus, Customs values, and amounts of customs duties will be rounded to two decimal places. The Decision will come into force in the Republic of Belarus as of July 1 this year.

The Board of the EEC approved a draft Agreement on conducting joint audits on compliance with the procedure of calculation and distribution of amounts of import customs duties and their transfer to the budgets of the EAEU Member States

Eurasian Economic Commission, 15.06.2016, <http://eec.eaeunion.org/en/nae/news/Pages/15-06-2016-6.aspx>

On 14 June, the Eurasian Economic Commission hosted a session of the Board where attendees approved a draft Agreement on conducting joint audits on compliance with the procedure of calculation and distribution of amounts of import customs duties (other duties, taxes and charges having an equivalent effect), and their transfer to the budgets of the Member States of the Eurasian Economic Union (EAEU).

The document will be sent to the countries of the Union for the internal approval necessary to sign it.

According to the draft Agreement, the aim of the annual joint control activities carried out by the Control Chamber of the Republic of Armenia, the State Control Committee of the Republic of Belarus, the Accounts Committee for Control over Execution of the Republican Budget of the Republic of Kazakhstan, the Chamber of Accounts of the Kyrgyz Republic and the Accounts Chamber of the Russian Federation (supreme financial control bodies) is to check and control the calculation by the authorized body of a Member State of the amount of import customs duties that are transferred to the single account to be distributed among the budgets of the countries and the completeness and timeliness of their transfer to the budgets of the Member States in compliance with the prescribed normative acts regarding the distribution of duties.

The draft Agreement defines the items subject to joint audit, the procedure of carrying out audits, the registration of results, the mechanism that eliminates any violations that may arise and the implementation of proposals made by the supreme financial control bodies.

In cases of failure, incomplete and (or) late performance of obligations to transfer funds from the distribution of import duties, interest will be charged on the arrears in accordance with the Protocol on the procedure of calculation and distribution of amounts of import customs duties (other duties, taxes and charges having an equivalent effect), and their transfer to the budgets of the EAEU Member States (appendix No. 5 to the Treaty on the EAEU), and penalties (disciplinary, administrative) will apply as established by the legislation of the Member State in whose territory such

Eurasian Economic Union on the move

RT, 08.06.2016, <https://www.rt.com/op-edge/345872-eurasian-economic-union-russia/>

May 31, 2016. A restricted meeting of the Supreme Eurasian Economic Council at the level of heads of state in Astana. © Alexei Druzhinin / Sputnik

On May 31, 2016, Presidents of Russia, Kazakhstan, Belarus, Armenia and Kyrgyzstan – members of the Supreme Eurasian Economic Council of the Eurasian Economic Union – met in Astana to mark the second anniversary of the signing of the EAEU Treaty.

The leaders of the EAEU member-states confirmed their commitment to building a closer relationship with the view of raising each other's competitiveness and involvement in global economy.

The governments and businesses of the Eurasian Economic Union are now gaining experience in working together. Collaboration within the Union offers an opportunity to consolidate resources and create favorable conditions for joint economic development, while economic integration requires a higher level of mutual macroeconomic coordination.

Within this context great importance is attached to continuous implementation of the main macroeconomic goals set by the EAEU member-states for 2016–2017 and development of new effective mechanisms aimed at harnessing our joint economic potential. This helps the member-countries stabilize their economies and overcome the consequences of negative economic developments. The internal issues of our cooperation have been largely settled and regulated.

This year the EAEU countries will form a common market in the socially important area of drugs and healthcare products. They expect to build a common electricity market by 2019, which will provide the member-states with a \$7bn GDP increase. A common hydrocarbons

market is to be put in place by 2025, the cumulative effect of which may exceed \$1bn for gas and \$8bn for the oil industry. We are looking to harmonize legislation regulating construction and design, scientific research and tourism.

The EAEU gives a high priority to liaisons with other countries and important integration associations, including the Shanghai Cooperation Organization and ASEAN. The Union has a growing network of international contacts. Last year the EAEU signed its first free trade zone agreement with Vietnam. The Eurasian Commission has signed Memoranda of Understanding with the Governments of Mongolia, Peru and Chile, one with Serbia is to follow. Cooperation agreements with South Korea, Ecuador and MERCOSUR are also in the pipeline. We welcome the outline of a legal framework for cooperation with ASEAN member-states Cambodia and Singapore and similar documents (altogether more than twenty) signed with national governments and international organizations. Other countries that have expressed an interest in establishing closer ties with the EAEU include Egypt, India, Iran, and Israel.

At the same time, the EAEU has been looking into the possibility of developing trade and economic ties with the European Union. We believe that cooperation between the two integrations should be aimed at achieving common goals with regard to free movement of goods, labor, services and capital. This should contribute to building a common space from Lisbon to Vladivostok with no dividing lines. In this regard we welcome the recent statement by German Chancellor Angela Merkel in favor of the eventual creation of a common economic zone between Russia and the EU.

It is clear that the EAEU is gradually gaining ground as a modern economic integration project committed to cater for economic developmental needs of its member-countries and networking in a wider international environment.

Experts analyze EEU summit in Astana

Belarussian TV Channel CTV, 02.06.2016, <http://en.ctv.by/en/1464870755-experts-analyze-eeu-summit-in-astana>

The EEU summit, held in Astana on May 31, is being analyzed by experts and politicians. The Presidents of Belarus, Russia, Kazakhstan, Kyrgyzstan and Armenia expressed their opinions on the future of Eurasian integration. Two years ago, in Astana, three presidents (Belarusian, Kazakh and Russian) signed a treaty establishing the EEU. After 24 months, Integration is growing and partners of dozens of countries are interested in expanding cooperation with this entity.

Nursultan Nazarbayev, President of Kazakhstan: The Eurasian Economic Union has become a full-fledged integration association.

The Belarusian side, however, raised some problems.

Alexander Lukashenko, President of Belarus: We need to form our own highly developed single market. We need to be strong ourselves; we must strengthen the union in every possible way.

The Belarusian side has long stood for the cancellation of all the exemptions and limitations in mutual trade. The President has even called the number: about 600 obstacles should be removed once and for all. Freedom of movement of goods, services, capital and labor is above everything else. On the other hand, no one can cancel national interests. In general, one needs to find a compromise.

Viktor Valyushitsky, chairman of the standing committee on economic policy of the House of Representatives of the National Assembly of the Republic of Belarus: Let us work out the common rules of work. Now we are solving each problem separately. There are plans to remove some exemptions in the coming 10-15 years. But in today's age such pace of work is simply incomprehensible. Goods and services must move quicker and at a larger scale: in the last two years, the EEU domestic trade has fallen by almost \$20 billion to \$45 billion.

Viktor Valyushitsky, chairman of the standing committee on economic policy of the House of Representatives of the National Assembly of the Republic of Belarus: Belarus is the country that is the most integral part of the EEU, so to speak. We have more than 60% of the total foreign trade in EurAsEC countries. Kazakhstan has 15% and Russia only 7%. Of course, Belarus is the side that is the most interested in the dynamic development of this community. Common energy and oil markets are still only on paper. This paper will not turn into currency notes automatically.

Elena Semak, Ph.D., associate professor of the international relations department of the Belarusian State University: From the point of view of economy, of course, now that calculation gives an increase of almost \$8 billion for all countries of the EEU. Of course, this is an objective thing, but for now we see only a concept. Imagine that for now the countries have agreed that we will build a house. But no one has the exact project documentation.

The EEU is already operating a free trade zone with Vietnam, with Serbia next in line. Plus Chinese projects that will bind the entire continent with red threads. The People's Republic of China has now started to create free trade zones with all countries that want this. The same is now being done by the USA, which is why the EEU's intention to create free trade zones are now a worldwide trend.

Putin spoke more about geopolitics. The EEU's foreign political and economic priorities include cooperation with the Shanghai Cooperation Organization and ASEAN. Belarus has long been an expert in matters of multi-vector policy and multi-vector export.

Valentin Starichyonok, political scientist: This is a platform, a platform that allows us to gain a foothold there, and to further develop economic relations with them. Be it the EEU or Belarus alone.

The next meeting of the Supreme State Council of the EEU will be held within six months.

Chapter 4. The Eurasian Economic Union, its External Policies and Potential

EAEU development potential and positioning in foreign markets were discussed in SPIEF-2016

Eurasian Commission, 17.06.2016, <http://www.eurasiancommission.org/en/nae/news/Pages/20-06-2016-3.aspx>

The roundtable on “EAEU and partners: common economic space” was held on 16 June in Saint Petersburg as part of the St. Petersburg International Economic Forum-2016. The moderator of the event was the Chairman of the Board of the Eurasian Economic Commission Tigran Sargsyan.

The event was attended by Tatyana Valovaya, the Member of the Board - Minister in charge of integration and macroeconomics of the EEC, Christian Friis Bak, the Executive Secretary of the UN Economic Commission for Europe, Tiziana Bonapace, the head of the ESCAP subregional office for North and Central Asia, Alexey Likhachev, First Deputy Minister of Economic Development of Russia, Dmitry Pankin, Chairman of the Board of the Eurasian Development Bank (EDB), Philippe Pegorier, President of Alstom in Russia and Chairman of the Board of the Association of European Businesses (AEB), Igor Petrishenko, Ambassador Extraordinary and Plenipotentiary of the Republic of Belarus to the Russian Federation, Grigory Rapota, State Secretary of the Union State of Russia and Belarus, Alexander Shokhin, President of the Russian Union of Industrialists and Entrepreneurs (RUIE), Vladimir Yakunin, ex-President of Russian Railways OJSC and President and Founder of the world public forum "Dialogue of Civilizations", Antonio Fallico, Chairman of the Board of Directors of Banca Intesa and President of the Conoscere Eurasia Association.

Tigran Sargsyan invited the participants of the roundtable to answer the question whether the regionalization would lead to the formation of a sounder global economy or whether countries would unite as "closed clubs", which, as a consequence, would cause the fragmentation of trade and economic space.

The Chairman of the Board of the Commission proposed to discuss this issue in three aspects:

- internal potential for development and positioning for interaction with third countries and economic associations;
- existing infrastructural investment programmes and projects for establishing relations with potential partners;

- possible attraction of investment to the EAEU.

The First Deputy Minister of Economic Development of the Russian Federation Alexey Likhachev told about some aspects of the Eurasian integration. He noted that the growth in trade, non-primary export and an increase of its quality at the level of the Eurasian Economic Union (EAEU) are the most effective trends for Russia. A. Likhachev emphasized that this year the proportion of the trade turnover with the EAEU Member States increased from 7% to almost 9%. At the same time, this figure is greater than the total turnover between Russia and the countries of Africa, Latin America, Arab States of the Persian Gulf, and the ASEAN countries combined. According to the Deputy Minister, "this underlines the quality and volume of our trade and economic cooperation. In 2012-2015 Russia's trade with the EAEU in roubles showed positive dynamics: according to the results of 2015, the foreign trade turnover increased by 22% against 2012 and reached 2.6 trillion roubles. (+18% vs 2014).

The First Deputy Minister of Economic Development of the Russian Federation told about the free trade zone agreement between EAEU and Vietnam. The document provides for the terms of tariff liberalization of trade in goods between the Member States of the Union and Vietnam. "We are going to continue to promote this model together with our partners in the EAEU with a number of trade associations and major countries," said Likhachev.

The Ambassador Extraordinary and Plenipotentiary of the Republic of Belarus to the Russian Federation Igor Petrishenko noted that the future of the Eurasian Economic Union will largely depend on the ability of Member States to find the balance of domestic and global interests to achieve the common goals of development, and there is potential for deepening the integration. "But this work is impossible without strengthening of the role of the Eurasian Economic Commission and expansion of its powers. Only a strong supranational body can find ways to solve the existing problems," said Igor Petrishenko.

The Ambassador expressed his confidence that such a policy would inevitably have a positive impact on the relations with the external circuit, as it will contribute to the creation of a stable, predictable economic environment, and hence the attraction of investment resources to the region, new technologies, as well as, eventually, the creation of competitive joint products on the domestic and foreign markets.

The State Secretary of the Union State of Russia and Belarus Grigory Rapota spoke upon problems of the foreign economic interaction of the EAEU and the EU.

The Chairman of the Board of the Eurasian Development Bank (EDB) Dmitry Pankin stressed in his speech that any integration projects were lifeless without infrastructure projects. "EDB is engaged in funding such projects in different spheres and sectors of the economy," he said.

This idea was continued by Tigran Sargsyan, who proposed to think about the diversity of financing instruments and institutions that were involved.

Vladimir Yakunin, President and Founder of the world public forum "Dialogue of Civilizations", noticed that the EAEU was not an isolated structure, "it should be integrated

into the world system." According to him, the competitive advantages of the Eurasian Union are the unity of cultures and language of communication. In addition, the Silk Road Economic Belt is "a quite concrete economic project that should be filled with content. This could be the Trans-Eurasian development zone," said Vladimir Yakunin.

Alexander Shokhin, President of the Russian Union of Industrialists and Entrepreneurs (RUIE) told about an interest of the business community in the activities of the EEC and welcomed the fact that the Eurasian Commission actively addresses the issue of integrating the Eurasian Economic Union and the Silk Road Economic Belt. In his view, it is important to have projects implementing this concept and a single regulatory framework for implementation of these projects. "That's why we are ready to work with the Eurasian Commission very closely in this area," concluded the speaker. Shokhin also noted the importance for businesses of the work of the Commission to address internal exceptions and limitations. He said that EAEU Business Council was established in Astana a year ago in order to maintain a continuous cooperation with the Commission among other things.

A part of the roundtable was devoted to ideas of the external partners of the Eurasian Economic Union and its economic potential. The Executive Secretary of the United Nations Economic Commission for Europe (UNECE) Christian Friis Bak stressed that his organization had supported the development of regional integration since it was founded in 1947. One of the key objectives of the UNECE is to unite the countries from the Atlantic to the Pacific in a single economic space. In his opinion, the countries of Europe, Central Asia and North America have all the necessary tools for economic convergence, among which he specially noted agreements in the area of technical regulation. Concluding his speech, Christian Friis Bak spoke in support of the idea of the President of Belarus Alexander Lukashenko about the "integration of integrations".

The head of the subregional office for North and Central Asia of the Economic and Social Commission for Asia and the Pacific (ESCAP) Tiziana Bonapace said that her organization shared the value orientations of the UNECE. ESCAP brings together an even greater number of countries from Europe to South Asia and Oceania. Tiziana Bonapace suggested that the world had entered a phase of slow economic growth and slow development of international trade. In her opinion, one of the methods, using which countries adapt to the negative economic environment, is the development of regional economic integration, a successful example of which is the EAEU. Tiziana Bonapace especially noted the high rate of integration into the Union and shared her ideas on possible trajectories of the development of the association. She stressed a high importance of the coherent and coordinated policies in various areas of economy within the Union.

Philippe Pegorier, Chairman of the Board of the Association of European Businesses (AEB) and President of Alstom in Russia noted in his speech that the European Union remains the largest investor in the economies of the Eurasian Economic Union Member States. In this regard, he stressed the need for building a dialogue between the EAEU and the EU, which could lead to the establishment of a free trade zone between the unions. He also noted the need for further convergence of technical standards of the two unions, because the technical

regulation is “the language spoken by the industry”. According to Philippe Pegorier, foreign business has already managed to feel advantages of Eurasian economic integration, which facilitated it access to the markets of the five countries.

The President of the Conoscere Eurasia Association, the Chairman of the Board of Directors of Banca Intesa, Antonio Fallico, compared EU, EAEU and other integration blocks with “storks standing on one leg.” He stressed that the unions had to develop cooperation “to stand on both legs” and regain stability. In his view, the establishment of a single economic space from Lisbon to Vladivostok and Singapore is the optimal format of the harmonious economic development of the Eurasian continent. He stressed that compatible, if not unified rules of doing business should act in this space. Antonio Fallico also commented on the possible introduction of a single currency in the EAEU. According to him, this measure could increase mutual trade turnover of the countries of the Union by 50%, but at the same time, the introduction of the single currency would mean abandoning of a part of their sovereignty by the EAEU Member States.

EAEU to Focus on Relations with Non-Member Countries in 2016

Aiman Turebekova

Astana Times, Astana, 23.05.2016, <http://astanatimes.com/2016/05/16570/>

Improving the Eurasian Economic Union’s (EAEC) relationships with outside countries will be among the organisation’s 2016 priorities, according to a press release from the Kazakh Prime Minister’s press service.

“[This year, 2016, is the] year of deepening the Eurasian Economic Union’s economic relations with third countries and key integration associations,” said Prime Minister of Kazakhstan Karim Massimov during a May 20 meeting of EAEU heads of government in Yerevan, Armenia. Kazakhstan is EAEU chair for 2016. “Kazakhstan has always been a supporter of attracting new members to the ‘orbit’ of Eurasian integration. Our Union is formed as an open economic community. Meanwhile, we need to put emphasis on cooperation with technologically developed and investment-attractive countries and unions.”

Dialogue and cooperation between the EAEU and the European Union, Massimov said, could play a crucial role for economic growth on the continent.

“Establishment of a common economic space from the Atlantic to the Pacific oceans should become a long-term goal of cooperation between the unions. This was said repeatedly by

Presidents Nursultan Nazarbayev and Vladimir Putin,” the Kazakh prime minister stressed. He added that Kazakhstan considers the integration process an opportunity for EAEU countries to become a bridge between the East and West and a competitive part of the world economy.

The May 20 Eurasian Intergovernmental Council meeting also addressed issues, such as a concept for common markets of oil and its products of the EAEU, distribution of import customs duties between the budgets of EAEU member states in 2015 and preparations of the Customs Code Agreement. The council also agreed to meet Aug. 12 in Sochi and Oct. 28 in Minsk and continue work on the customs code.

Eurasian Economic Commission’s Minister of Trade Veronika Nikishina said the EAEU might sign a free trade agreement with Israel in 2017. She added that the EAEU Commission would like to create a schedule with non-member countries on possible free trade pacts. The commission is considering China, Iran and Israel as the most attractive partners and is studying the deals with India and Egypt. During the meeting, Russian Prime Minister Dmitry Medvedev said EAEU countries should not lose the opportunity to cooperate with Asian countries. In the framework of the meeting, the Eurasian Intergovernmental Council prime ministers met with Armenian President Serzh Sarkisian.

“We all have joined the Eurasian Economic Union, proceeding from our economic interests. It is important for the adopted decisions to be tangible to the business environment, consumers of all goods and services. I think most important here is the elimination of technical obstacles that hamper the free transportation of goods and services and diminish the economic efficiency of economic processes,” the Armenian President said. He also highlighted the importance of the security component in developing EAEU member state economies and presented the latest developments on the Karabakh issue. The council first met in 2016 in Moscow on April 13.

Bridging of EU and Eurasian Economic Union

Asel Isakova

Joint Vienna Institute (JVI), 15.04.2016, <http://www.jvi.org/public-lectures/2016/bridging-of-eu-and-urasian-economic-union.html>

On April 15, the Joint Vienna Institute hosted a debate on the prospects of integration between the long-established European Union and the recently founded Eurasian Economic Union (EAEU), currently consisting of five former members of the Soviet Union: Russia, Belarus, Kazakhstan, the Kyrgyz Republic, and Armenia.

The panel of four experts from a variety of institutions represented a range of expertise on international economic integration. The moderator of the panel was Mr. Franz Nauschnigg of the OeNB (Austrian National Bank).

Mr. Vladislav Maslennikov of the Ministry of Foreign Affairs of Russia noted that the recent integration of EAEU members is showing tangible benefits. Recent statistics of the EAEU suggest that trade between the EAEU countries increased after the EAEU was established. In the medium perspective, the EAEU envisages the creation of a common market for medical goods, electric energy, and oil and oil products. He stressed that EAEU members are open to deepen economic ties with partners, including European partners.

Mr. Peter Havlik of the Vienna Institute for International Economic Studies (wiiw) presented findings of some joint research with the International Institute for Applied Systems Analysis (IIASA) on the prospects and challenges involved in the process of integrating the two unions. He noted that a number of neighborhood countries still aspire EU membership despite all the challenges the EU has faced recently. Notwithstanding the potential benefits of a closer integration, the ongoing integration of EAEU has increased the dependence of its members on what happens in the Russian economy. The EAEU integration is being adversely affected both by the crisis in Russia and its unilateral trade restrictions.

Mr. Tore Grønningsæter from the European Free Trade Association (EFTA), explained how EFTA was set up to promote free trade and economic integration for its four member states (Iceland, Liechtenstein, Norway, and Switzerland), reviewed the EFTA experience of integration with the EU. In his view, elements of the cooperation between the three EFTA States Iceland, Liechtenstein and Norway and the EU in the European Economic Area (EEA) could serve as a model for strengthening relations between the EU and the EAEU.

Looking forward, Mr. Gregor Woschnagg, former permanent representative of Austria to the European Union, suggested that a number of political and diplomatic issues between the EU and the EAEU will need to be resolved. He identified the challenges related to the modernization of the Russian economy, lower trade barriers, and facilitating cooperation between research institutions as being important for further collaboration between EU countries and those in the EAEU.

The debate that followed brought a number of questions from the audience, particularly in relation to Russia's recent economic crisis and the effects of sanctions and countersanctions. The audience represented a variety of views on current political and economic developments in the region. There was widespread agreement that the dialogue between the parties should continue and both would benefit economically from closer cooperation.

Tigran Sargsyan: "We must build bridges and not walls with all partners, including with the European Union"

Eurasian Economic Commission, 20.06.2016, <http://eec.eaeunion.org/en/nae/news/Pages/17-06-2016-2.aspx>

On 16 June at the grand opening of the 20th St. Petersburg International Economic Forum, Chairman of the Board of the Eurasian Economic Commission Tigran Sargsyan spoke in support of building relationships that will take into account both the business interests of the countries of the Eurasian Economic Union (EAEU) and those of its partners. "We are willing to build up relations with the European Union," said Chairman of the Board of the EEC.

The Forum was opened by the Deputy Prime Minister of the Russian Federation - Chief of staff of the Government of the Russian Federation, and Chairman of the Forum Organising Committee, Sergey Prihodko.

The grand opening ceremony of the Forum was attended by United Nations Secretary-General Ban Ki-Moon, President of the European Commission, Jean-Claude Juncker, and President of the Republic of Guinea, Alpha Conde.

In his address to the Forum attendees, the Chairman of the Board of the EEC stressed that it was a great honour for him to attend SPIEF and represent the Eurasian Economic Commission and the Board - a supranational body established by five countries: Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia.

The representative of the Commission noted that the EAEU is a young organisation. Just two years ago, the participating countries signed a Treaty on the establishment of a new economic union - the Eurasian Union. Over the course of this short period, the EEC has succeeded in completing great work.

According to Tigran Sargsyan, the EAEU countries are constantly faced with the claim that "the establishment of the Eurasian Economic Union is an attempt to restore the Soviet Union."

"It seems to me that these opinions abound due to the fact that our opponents didn't have enough information about what base the Eurasian Economic Union has been built on, what underlies the Treaty on the Union," said Chairman of the Board of the EEC. "I want to inform you that our countries have equal representation in the Eurasian Union. Regardless of the size of the population of the Member countries, their gross national product, territory, level of socio-economic development, we are all represented in the Commission by two Ministers from each of the countries of the Union, and decisions are made by consensus."

Tigran Sargsyan said that the national governments have delegated some of their economic powers to the Commission. And that means that all member countries participate in making the important regulatory documents that govern economic activity throughout the entire Eurasian Economic Union.

The Chairman of the Board of the EEC noted that there are still people ignoring the EAEU. "It's probably those who didn't want Juncker to come to this Conference. But we know that there are also those who, on the contrary, advocate dialogue, and we had the opportunity to establish relations with economic associations and inform them of the activities of the Eurasian Economic Union," said Tigran Sargsyan.

In his opinion, "the establishment of the Eurasian Economic Union is a response to the global challenges and risks that exist in the world today. We agreed that it will be easier to overcome all these difficulties together."

Tigran Sargsyan's second point is that the EAEU is a young association that is in the process of formation. The citizens and businesses of the Union countries are already feeling the benefits facilitated by the single economic space.

The Commission will continue the work that is already under way on creating new regulatory legal documents that govern the activity of economic entities in the Union. However, according to Tigran Sargsyan, it is important that this process includes dialogue with business and potential partners. "I want to assure you that we are interested in establishing such ties," said the representative of the EEC.

The Chairman of the Board of the Commission explained that the Presidents of the Member countries had declared 2016 as the year of deepening trade and economic relations between the Eurasian Economic Union and third countries and economic associations. This means that it is vital to build up relations, taking into account the interests of countries of the Union, and the interests of third countries. "This requires dialogue. We are ready and willing to engage in it with the European Union, because our interest is great, and we will be glad to form contacts at any level. And as Ban Ki-moon rightly pointed out today, we must build bridges and not walls with all partners, including the European Union," said Tigran Sargsyan.

The Chairman of the Board of the EEC informed the Forum attendees that the Presidents of the Union countries had given the Eurasian Economic Commission the mandate to conduct negotiations on the development of trade and economic relations with the People's Republic of China. The representative of the Commission described this process as not just a building up trade and economic relations, but also their legislative provision that would take into account the interests of the countries of the Union and at the same time form solid and strong institutions. The purpose of the latter is to make the Eurasian economic space predictable. "This opens up new opportunities for regional integration," said the Chairman of the Board of the EEC.

"We currently have the chance to build a single economic space and new strong institutions that take into account global best practices, and we must take advantage of this. This is an

opportunity not only for our business, but also for European and American business," said the Chairman of the Board of the EEC.

Tigran Sargsyan told the Forum participants that there is rather active dialogue between third countries and the EEC at the level of the business community. Foreign businesses are currently very keenly interested in establishing relations with the Eurasian Economic Union. "We can see that our regional association may be the very institution that will allow us to jointly respond to new global challenges and threats," said the Chairman of the Board of the EEC.

Putin, Xi Jinping to start EAEU-Silk Road integration talks on June 25 — Kremlin

TASS, Moscow, 22.06.2016, <http://tass.ru/en/economy/883981>

The project implies creation of common economic space on the whole Eurasian continent

Russian President Vladimir Putin and China's President Xi Jinping will give a start to talks on integration of the Eurasian Economic Union (EAEU) and the Silk Road Project on June 25 in Beijing, Russian president's aide Yuri Ushakov said on Wednesday.

"Negotiations to prepare a trade and economic cooperation agreement between our integration projects will be formally started in Beijing. Achievement of a new partnership level is meant, implying the buildup of common economic space on the whole Eurasian continent," Ushakov said.

EAEU and Silk Road Economic Belt

On 8 May 2015, Russian President Vladimir Putin and Chinese President Xi Jinping signed an agreement on cooperation in the framework of the Silk Road Economic Belt project. The agreement envisages "linking" the Eurasian Economic Union and the Silk Road Economic Belt. "In fact, we are talking about entering the new level of partnership in the future that envisages common economic space on the Eurasian continent," Russian President Vladimir Putin said after talks.

The Silk Road Economic Belt is a project of creating a transport, energy and trade corridor between the countries of Asia and Europe. The idea of constructing the Silk Road was put forward by Chinese President Xi Jinping in September 2013.

The name of the project traces back to trade routes of medieval caravans that lay through the territories of modern Kyrgyzstan, Kazakhstan, Mongolia, India, Turkey, Iran and Greece. These routes were later called the "Great Silk Road."

Memorandum of Understanding between the EEC and WCO signed

Eurasian Economic Commission, 20.06.2016, <http://eec.eaeunion.org/en/nae/news/Pages/21-06-2016-1.aspx>

On June 17, in Brussels (Belgium), Member of the Board - Minister in charge of Customs Cooperation the Eurasian Economic Commission Mukai Kadyrkulov discussed formats of cooperation with the Secretary General of the World Customs Organization (WCO) Kunio Mikuriya.

During the meeting, the Parties signed a Memorandum of Understanding between the Eurasian Economic Commission and the World Customs Organization. In this regard, Mukai Kadyrkulov and Kunio Mikuriya reviewed the perspectives and forms of cooperation, including the sharing of open information and documents of mutual interest; the participation of the representatives of the EEC and WCO in the activities carried out by the Commission and WCO; and the arrangement of joint meetings, consultations, scientific and practical seminars and conferences on topical issues of customs administration.

According to Mukai Kadyrkulov, the signing of the Memorandum opens a new page in the relations between the EEC and WCO, as well as defines the legal framework for interaction and cooperation prospects between the organizations. As the Minister of the EEC said, it was very important that the meeting was held and that the agreements reached result in practical results in the development of integration processes in customs administration in the near future.

For reference

The Draft Memorandum of Understanding between the EEC and WCO was approved by Disposition of the Commission No. 64 dated May 17, 2016 "On the Draft Memorandum of Understanding between the Eurasian Economic Commission for Europe and the World Customs Organization".

Within the framework of the signed document, the Parties intend to cooperate on such areas as improving customs legislation based on international standards; developing effective and modern standards of customs administration; implementing best practices of customs

administration; optimizing and improving the utilization of the resources of the customs administrations; enhancing the efficiency of customs control; and developing customs infrastructure.

Singapore interested in free trade zone with EAEU — official

TASS, St. Petersburg, 16. 06.2016, <http://tass.ru/en/economy/882366>

Singapore is interested in creating a zone of free trade with the Eurasian Economic Union, the chairman of the Eurasian Economic Commission's Board, Tigran Sarkisian, told the St. Petersburg International Economic forum.

"We've started the dialog. Singapore's prime minister suggested quick transition to discussing the possibility of concluding a free trade zone agreement with Singapore," he said.

"Singapore is interested," he said. "I am pleased to inform you that the prime ministers of our countries (EAEU) discussed this question, too, and welcomed the idea."

At a meeting with Singapore's Prime Minister Li Hsian Loong in May Russian President Vladimir Putin said that the establishment of a EAEU-Singapore free trade zone would boost bilateral trade.

Putin said that Russia-Singapore relations were developing and mutual investment growing. Russia's investment in Singapore currently stands at \$2.5 billion, and Singapore's investment in Russia, at \$1 billion.

Putin recalled that Vietnam was the first of the ASEAN member-states to have signed a free trade zone agreement with Russia.

Force of Attraction: The "Eurasian Magnet" Draws New Partners from Palestine to Mexico

Anna Garde

Fort Russ, 11.06.2016, <http://www.fort-russ.com/2016/06/force-of-attraction-eurasian-magnet.html>

The Eurasian Economic Union, although a fairly young integration association, is rapidly developing. In just the past year and a half of its existence, the project has literally transformed into a center of Eurasian gravity. On January 1st, 2015, the treaty on the established of the EAEU entered into force and on as soon as May 29th an agreement on establishing a free trade zone with Vietnam was signed. With each passing day, the number of countries announcing their desire to cooperate with the union is growing. Negotiations on establishing free trade zones are already underway with Egypt, Thailand, and Iran. Pakistan, India, China, and Singapore have also expressed their interest in the project. More and more countries are being added to this number.

Despite special relations with the United States and declarations that Russia will never replace such, relations between various countries and the EAEU are developing at an exponential rate.

A few days ago, negotiations on the establishment of a free trade zone between the EAEU and Israel were begun. It all started with Prime Minister Benjamin Netanyahu's routine visit to Moscow where he demonstrated his interest in the project. Last fall at a press conference, the ministry of immigrant absorption and strategic planning of Israel, Ze'ev Elkin, stated Israel's readiness to create a free trade zone with the EAEU. On this note, he stressed that such an agreement was planned to be concluded in the shorter possible time.

The frequent meetings of Netanyahu, the Israeli President Rivlin, and Putin are generally consistent with the statements of Israeli authorities. Abstract thoughts on the expansion of economic cooperation between the two countries have gradually moved into the sphere of concrete negotiations. And this is all thanks to the EAEU.

Following his meeting with his Israeli colleague Russian President Vladimir Putin remarked:

“I'm sure that the creation of a free trade zone between the EAEU and Israel would give impetus to the development of business relations. Recently, in Astana, I discussed this with colleagues of the EAEU and substantive negotiations on this matter are to be launched in this year.”

Putin also noted that Israeli agricultural producers will expand their share on the Russian market in the near future. Experts predict a possible rise in trade between Israel and the EAEU countries of 6-8%. Although these margins might not be so huge for Russia, the country nevertheless gains the opportunity to increase investments and improve the transfer of Israeli technology. First and foremost, we are dealing with agricultural technology, the pharmaceutical industry, and the aircraft industry.

Israel is where Palestine is

Following negotiations between Israel and Russia came the turn of Palestinian partners. On June 8th, the Minister of Foreign Affairs of the Russian Federation, Sergey Lavrov, stated following negotiations with his Palestinian colleague Riad al-Maliki that Palestine is also interested in the integration project. On this, Putin said:

“Among the promising spheres we discussed today was the possibility of establishing relations and cooperation between Palestine and the EAEU. Our Palestinian friends have expressed their interest and we will support them in this.”

One zone for two

Incentives for expanding the EAEU have arisen not only outside but also within the organization itself. At the meeting of the heads of the CIS states in Bishkek, Kyrgyz Prime Minister Sooronbay Jeenbekov proposed to consider the introduction of a full-scale free trade regime between the CIS and EAEU. In his words, this would help strengthen trade and economic relations between the CIS and EAEU countries.

Experts, however, are skeptical about such statements. As the first deputy director of the “Eurasians - New Wave” Foundation and expert on Kyrgyzstan, Denis Berdakov, has noted, this is most likely a populist statement since there will be no real results from such a merger.

The analyst emphasizes: “The CIS and EAEU are different-paced and different-oriented integrations. The CIS is more of a cultural-educational character and allows the post-Soviet space to be linked in one way or another. But the EAEU is to a larger extent an economic integration aimed at the creation of a customs space.”

In addition, it is difficult to explain Jeenbekov’s statement given that the CIS space already has a free trade zone.

Nevertheless, the unification of these projects could become an impulse for the expansion of ties in the EAEU as well as with countries outside of the organization which desire to improve the quality standards of their products. In addition, according to the expert, without an expansion of the union’s ties with countries outside of the CIS and Central Asia, the EAEU is doomed insofar as its market capacities’ further development and technologization are already insufficient.

Across countries and continents

The CIS is not the first integration association which has striven to work closely with the EAEU. In May 2015, negotiations began between the leaders of Russia and China on the conjugation of the Eurasian Economic Union and the “Silk Road Economic Belt.”

According to Putin, the linking of the EAEU and “Silk Road” projects means reaching a new level of partnership and essentially implies a common economic space on the continent.

But more than that, the EAEU is not planning to limit itself to the continent. In October 2015, the union established ties with two Latin American partners and memorandums were signed with Chile and Peru. In December, it became known that there are plans for the signing of a similar agreement with Mexico.

The force of attraction of the EAEU

Of course, it is too early to talk about the distant future of the EAEU as it has only recently come into existence. 1.5 years of integration is a kind of funny measurement. Nonetheless, the organization has already managed to display its strength.

Over the past year and a half, the EAEU has become one of the most successful integration projects in the post-Soviet space. In this time, the union has advanced a long way in the sphere of taxation. The main policy objective at the current stage is avoiding double taxation and preventing tax evasion on income and capital. Thanks to this policy goal, the participating countries have already introduced changes to the legislation on the income of entities. They have put forth equal taxation on income for work in any country of the EAEU.

Of course, experts have noted many problems on the path of integration. Among them are included the lack of enthusiasm of individual participants, an uncertainty of priorities, the choice between the EAEU and EU, the dominance of political interests in the framework of economic integration, and the underdeveloped demand for investment services. Nevertheless, these factors are not always critical.

This point of view has been supported by the Chairwoman of the Federation Council, Valentina Matvienko:

“The EAEU is a bit more than a year old. But in this short term, five states with different levels of economic development were able to effectively cooperate in one integration association without withdrawals. Time is needed.”

Indeed, time will tell. In an evaluation of the union, moreover, one has to take into account the crisis phenomena in the world economy which have also affected the integration of the EAEU. Nevertheless, the interest of new countries and other integration groups from the most distant continents clearly suggests that the union has good prospects.

Expert: Agreement on free trade zone with EAEU will be beneficial for Thailand

Paradorn Rangsimaporn

TASS, Bangkok, 10.05.2016, <http://tass.ru/en/economy/874711>

The agreement on creating a free trade zone between the Eurasian Economic Union (EAEU) and Thailand would be beneficial for the kingdom in several ways, Thailand's political analyst and author of the book on Russia's foreign policy in the Asia-Pacific "Russia as an Aspiring Great Power in East Asia" Dr. Paradorn Rangsimaporn told TASS on Tuesday.

"I personally believe it would be a good move for Thailand to seriously study this possibility and the implications of such an agreement. I think that such an agreement would not only provide Thailand with a new and large market encompassing 5 economies, but also an opportunity for Thais to engage more with countries that are traditionally distant from Thailand and that we don't know much of. So such economic engagement would also bring about political and socio-cultural dividends," Rangsimaporn said.

Earlier Russia's First Deputy Economic Development Minister Alexey Likhachev, who paid an official visit to Thailand's capital at the beginning of April, said that Moscow and Bangkok agreed to start talks on creating a free trade zone between EAEU and Thailand. "We agreed that we will initiate talks on creating a free trade zone. The scheme of work will be the same as in case with making a similar agreement with Vietnam," Likhachev said.

Thailand studying Russia's proposal on EAEU free trade zone - PM

TASS, Bangkok, 12.05.2016, <http://tass.ru/en/economy/875245>

Thailand is studying the possibility of participating in the free trade zone with member-countries of the Eurasian Economic Union (EAEU) and is ready to join the initiative in case it promotes better economic outcomes of the country, Prime Minister Prayut Chan-o-cha said in an interview with TASS ahead of his official visit to Russia. "I am grateful to Russia's government for the invitation. We have to study the potential joining to the EAEU (free trade zone). If everything turns out to be unambiguous and everyone only gains benefit no doubt we will join," he said.

According to Prayut Chan-o-cha, the Thai government is currently studying the proposals to join various economic blocs from the perspective of benefits for the country's people. "Things like that should not create additional barriers for people in their ordinary life, and this is what the government is concerned about, not the need to support some country," he added.

EAEU-Indonesia free trade zone may be set up after Jakarta files request

TASS Sochi, 19.05.2016, <http://tass.ru/en/economy/876649>

Work on establishing the free trade zone between the Eurasian Economic Union (EAEU) and Indonesia may start after Jakarta files a corresponding application, Russian First Deputy Economic Development Minister Alexey Likhachev told reporters on Thursday.

"The official process may start only after the Indonesian side files a corresponding request to EAEU," Likhachev said.

Russian President Vladimir Putin said on Wednesday that he discussed establishing the free trade zone between EAEU and Jakarta with Indonesian President Joko Widodo.

A source in the Eurasian Economic Commission told reporters that no official request has yet been received from Indonesia.

Eurasian Economic Union

The Treaty on the establishment of the Eurasian Economic Union was signed by the presidents of Russia, Belarus and Kazakhstan on May 29, 2014 in Astana.

The agreement is the basic document defining the accords between Russia, Belarus and Kazakhstan for creating the Eurasian Economic Union for the free movement of goods, services, capital and workforce and conducting coordinated, agreed or common policies in key sectors of the economy, such as energy, industry, agriculture and transport.

The agreement stipulates the transition of Russia, Belarus and Kazakhstan to the next stage of integration after the Customs Union and the common economic space. Kyrgyzstan and Armenia also joined the EAEU.

Egypt to join EEU in 2016 – ambassador

02/06/2015, Armenia, www.panorama.am, <http://www.panorama.am/en/news/2015/06/02/egypt-eeu/39667>



Egypt intends to establish a free trade zone with the Eurasian Economic Union (EEU), comprising Russia, Kazakhstan, Belarus and Armenia, by the end of 2016, the Egyptian ambassador to Russia told [Sputnik](#).

A free trade zone deal between the sides was discussed in February during Russian President Vladimir Putin's visit to Cairo. Egypt sent an official request to establish a free trade zone with the EEU last year. "There is a kick-off already in the negotiation process and we estimate that it is going to take from 12-18 months," Mohamed Elbadri told Sputnik.

At this stage of negotiations, the envoy added, each party will study the benefits of mutual cooperation before entering into direct talks regarding the details of the agreement. The treaty should cover all trade in commodities between the countries.

Can the Eurasian Economic Union be a Part of a New Constructive EU-Russia Settlement?

Rilka Dragneva-Lewers

Dahrendorf Forum, 13.05.2016, <http://www.dahrendorf-forum.eu/can-the-eurasian-economic-union-be-a-part-of-a-new-constructive-eu-russia-settlement/>

The Europe-Russia Blog Series, "EU, Russia, and Ukraine: Managing and Moving Beyond the Stalemate", disseminates research, analysis and commentary on issues relevant to contemporary EU-Russia and Ukraine relations. Launched in April 2016, the series publishes contributions by members of the Dahrendorf Russia and Ukraine Working Group, as well as guest contributions from academics and practitioners. In the last post of the series, Dr. Rilka Dragneva-Lewers discusses "normalising" relations with Russia.

In 2015, a number of initiatives on cooperation between the European Union (EU) and the Eurasian Economic Union (EEU) were publicised. They were seen by some policy-makers and experts in the EU as a potential aid to 'normalising' relations with Russia, while helping secure peace in Ukraine, yet the feasibility and potential of such cooperation remains in question.

The Russian/Eurasian perspective

While the blame for rejecting EU-EEU cooperation is often levied at the EU, Russia's position in this matter – beyond general statements – has not been particularly clear or constructive. To start with, there are mixed signals as to what Russia wants from such cooperation. References to an inter-bloc free trade agreement have been made, and there has also been talk of upgrading the 'common spaces' framework developed between the EU and

Russia to the level of the EEU. Others have called more vaguely for ‘recognising’ the EEU and establishing ‘direct contacts’ between the two unions, without any further detail. At the same time, it is increasingly clear that for Russia, inter-bloc cooperation – as well as integration as such – is not necessarily about free trade. The limits to its willingness to liberalise trade have been demonstrated in the context of its WTO accession and the trilateral talks on the EU-Ukraine DCFTA, but also in the very development of the EEU. The EEU remains (and in fact is becoming ever more) a very limited free trade area and a partial customs union, with a variety of exemptions and proliferation of trade barriers.

As asserted by the Russian leadership, what matters is the recognition of the Eurasian structures as an equal partner to the EU. Such a partnership, it has been argued, cannot be on the EU’s terms (actual or perceived), and should respect the differences between the two partners and their interests. In this context, the problems around Ukraine have reflected Russia’s perception of its legitimate interests in the region, which the EU is asked to accept as a matter of right. Indeed, the Russian government has sought to decouple EEU-EU cooperation from the Ukraine crisis. For example, Putin’s Press Secretary Peskov recently noted that conditioning relations with the EEU on the implementation of the Minsk agreements is ‘hardly relevant and hardly possible’. Arguably, for the Kremlin, the slate should be cleared for a new relationship in which pragmatic interests prevail over values or identities questioned by Russia.

It is clear that for Russia, region-building has been highly important in terms of global ambition, but has also been perceived in zero-sum terms. More recently, Moscow has been concerned about the Trans-Pacific Partnership and its accompanying agreements, perceived as the United States’ new approach to the division of world power with the EU ‘in its pocket’. It remains to be seen how these calculations will affect Russia’s views on EU-EEU cooperation. Moscow has certainly explored a new ‘pivot to Asia’, including synergies between China’s ‘One Belt One Road’ initiative and the EEU, as well as considering a ‘economic continental partnership agreement’ between the EEU and the Shanghai Cooperation Organization. Indeed, some Russian commentators have argued that any ‘Lisbon to Vladivostok’ plans must now take into account China’s new Silk Road.

It is also noteworthy that members of Russia’s elite have – rhetorically or not – pointed to the EU’s uncertain future (and possible demise) as another variable in deciding on future cooperation. Consequently, it has been argued that it might be better for the EEU to develop relations with Berlin and Paris, not Brussels. At the same time, the Kremlin’s continued interest in the EEU cannot necessarily be presumed. Over the last 25 years, Moscow has demonstrated a strong propensity toward using a variety of regional structures, easily shifting between them. Regional organisations have had high instrumental values for the Kremlin. Indeed, there has been recent mention of turning the Collective Securities Treaty Organisation into a universal organisation, i.e. one also capable of assuming economic functions. Undeniably, a lot more institutional and political investment has been made in the EEU relative to its predecessors, yet keeping the EEU together has high economic costs for Russia. It is also telling that core measures to strengthen the inner effectiveness of the organisation, e.g. adopting a new Customs Code, have taken back seats relative to more

outward-oriented, geopolitical priorities, including ‘widening’ of the EEU and cooperation with partners, such as Vietnam, India, Syria and Hong Kong.

Finally, as has been clearly shown over the last year, what Russia wants is not necessarily what other members such as Kazakhstan and Belarus want. While cooperation between the EEU and EU is broadly supported by all, there are clear differences in the scope of parallel bilateral relations pursued with the EU, the nature of their WTO commitments, or indeed, their core vision as to what the EEU ought to be. Certainly, Russia’s partners have sought to revive their multi-vector policies. It is noteworthy that President Nazarbayev’s speech at Kazakhstan’s accession to the WTO failed to mention the EEU even once.

The options for the EU

The EU has so far failed to develop a clear policy on the EEU. In matters of trade, the EU has been reluctant to establish relations with the Eurasian Customs Union and its successor, the EEU. Apart from the lack of WTO membership of one of the EEU’s members, Belarus, there have been concerns about the institutional strength and economic relevance of the EEU, as well as its primary instrumental and geopolitical value to Russia. Many of the problems of Eurasian integration identified previously have only worsened. The image of the EEU as a WTO-compliant economic integration project, based on a clear division of institutional powers and predictable rules, is yet to materialise.

To the extent that relations have been considered, this has been in a foreign policy context – as an aide to securing peace in Ukraine and ‘normalising’ relations with Russia. The recent declaration of the EU Foreign Affairs Council makes any future developments subject to the implementation of the Minsk agreements. Agreement on this precondition is welcome, yet its realisation remains highly uncertain.

On balance, it can be argued that no ‘grand treaty’ between the EU and the EEU can realistically be expected. At the same time, it is questionable whether the EU should have no formal relations with the EEU at all. Regardless of its geopolitical underpinnings, the EEU has a commercial reality: EU businesses cross EEU customs borders and interact with EEU rules and institutions as well as Russian ones. Relations continue to be governed by an outdated framework, with disputes on ‘trade irritants’ destined for the WTO, which can be a slow and complicated process. While bilateral relations with the EEU member states need to be developed, and their interests should not be marginalised, it will be beneficial to maintain a certain minimum level of relations with the EEU. Such relations, it can be argued, should begin with small and selective actions and be flexible and gradual. It is essential that the EU (and its member states) invests in a better understanding of Eurasian integration processes (within the EEU as well as within the region more generally) and formulates with greater clarity the potential costs and benefits of its options for cooperation, including the necessary preconditions for economic relations to progress.

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