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A Word from the Publisher

Dear readers,

this issue of EEU Observer compares in various articles the European Union with the Eurasian Economic Union - which should be a very artificial comparison, despite Brexit and some other crisis elements. In the Eurasian Economic Union, it starts to be discussed in a dual way: once very positively about everything, from governments (in particular the Russian one) and the Eurasian Economic Commission, the other one from civil society. We have the first calls to leave the EEU from Kyrgyzstan, an extra conference was held in Armenia, and some other countries - Kazakhstan and Belarus - sometimes just do not follow the dedicated policy.

In this context, Putin's remarks on an EEU currency union merit a special look - see them in this issue. They show that some aspects of EEU policy follow the unreal, or the surreal? Many observers see these attempts, which are followed by him alone, as introducing a kind of hegemonial ruble zone in view of old times. Here it is rather seen as just not possible, at least not in a sustainable way and not in the present situation.

In the EU Observer from 27.9.2016, Sibren de Jong, a strategic analyst with The Hague Centre for Strategic Studies (HCSS) has finished a comment on the EEU as follows: "With prospective members having signed agreements with the EU and existing EEU members increasingly looking east to China's Silk Road, the Eurasian Economic Union looks destined to become the latest in a string of failed initiatives to bring about integration in the post-Soviet Space."

Last remark: We will hold in 2017 at least two seminars on the Eurasian Economic Union, in English and German language, in the EU. Responsible Europeans should know what happens before their door.

Best regards,

Hans-Jürgen Zahorka

Chief Editor, European Union Foreign Affairs Journal (EUFAJ)

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Chapter 1. The Eurasian Economic Union and its Challenges

The Eurasian Economic Union – Power, Politics & Trade

International Crisis Group, 21 Jul 2016, <https://www.crisisgroup.org/europe-central-asia/central-asia/eurasian-economic-union-power-politics-and-trade>

The Eurasian Economic Union (EEU), created in 2015 by Russia, Kazakhstan, Kyrgyzstan, Belarus and Armenia, claims to be the first successful post-Soviet initiative to overcome trade barriers and promote integration in a fragmented, under-developed region. Supporters argue that it could be a mechanism for dialogue with the European Union (EU) and other international partners. Critics portray a destabilising project that increases Russia's domination of the region and limits its other members' relations with the West. The EU views the project as a challenge to sovereign choices in its Eastern neighbourhood.

Positions hardened after Armenia's 2013 departure from the Association Agreement with the EU, including the Deep and Comprehensive Free Trade area, and Russia's annexation of Crimea.

On paper, the EEU is an economic, technocratic project that offers some benefits to members, particularly in easing cross-border trade and facilitating labour migration, but also poses economic risks by raising external tariffs and potentially orienting economies away from global markets. So far it has had little economic success, though access to Russia's labour market has been an important motivator and, on balance, a positive outcome for struggling post-Soviet economies. Beset by trade disputes, sanctions regimes and a regional economic crisis, trade inside the EEU fell by 26 per cent in 2015. But optimists argue that the legal status of labour migrants within the bloc has improved, and there will be long-term gains from harmonising customs and trade rules.

The main political tensions around the EEU, however, stem from its role in regional politics. Russia views it not only as an economic grouping, but also as a mechanism to institutionalise influence over its neighbours and as a building block in a new international order. This raises tensions with members and has led to a clash with other integration drivers in the EU's and Russia's shared neighbourhood, specifically the EU's Association Agreements, including a Deep and Comprehensive Free Trade area (AA/DCFTA). Moscow views these EU initiatives as encroachment into its sphere of influence. This clash between different regional projects contributed to the tensions and conflict in Ukraine in 2014, and while Moscow argued the

AA/DCFTA was harmful for its economy, EU officials saw the concern as political, stressing that EU standards are not a burden even for EU companies when exporting to Russia or cooperating with Russian companies. Both sides view the other as a rival, but EEU member states other than Russia have sought to deepen their relationships with the EU where they can.

Closer economic integration within the EEU should make conflicts between members (for instance, between Russia and Kazakhstan) less likely. Easier cross-border trade and movement could reduce tensions in Central Asia. Yet, if Russia uses the EEU to dominate the region politically and as a platform for confrontation with the West, other members are likely to view the organisation as a threat to their independence. Rival economic partnerships – whether with the EU or China – would then look more attractive, potentially creating tensions in relations between EEU members and Moscow.

The EEU's uncertain role and future and the standoff with Russia over Crimea and eastern Ukraine, make it difficult for the EU to develop a coherent policy toward it. Some Brussels officials and member states are opposed to any talks, fearing they would legitimise Russia's policies toward its neighbours and cut across bilateral relations between the EU and Armenia, Kazakhstan, Kyrgyzstan and Belarus – all of which have experienced new momentum in the past year and a half. Others argue that EU engagement with the EEU is a possible channel for a breakthrough in relations with Russia, or at least that it could help build bridges, or even take pressure off countries in the Eastern neighbourhood and Central Asia, some of whom have complained about being trapped between Moscow and Brussels.

Political engagement between the two blocs is hardly realistic at present, in particular until conditions such as implementation of the Minsk Agreement on the Ukraine conflict are met. While Moscow has repeatedly expressed an interest in formalising relations, many in the EU have concerns that such a step would produce a substantively empty process with an appearance of normal relations but minimal substantive gains.

If approached with full awareness of the above risks, low-level technical talks between EU and EEU officials could, however, help inform future strategies and offer some pragmatic short-term gains, at least in terms of defining substance for future discussions.

Higher-level engagement, however, should only follow serious shifts in Russian policy, both in Ukraine and in relation to other regional states, and this is highly unlikely in the short-to-medium term. The EU would also have to consider whether recognition of the EEU would enhance or undermine the ability of smaller EEU member states to define their bilateral relationship with Brussels.

Eurasian Economic Union; a European or an Asian Union? A rival or a possible partner of the EU?

OneEurope, 12 Jul 2016, <http://one-europe.info/eurasian-economic-union-a-european-or-an-asian-union>

It is known that the EEU was created under the auspices of Russia in order to bottle up the former Soviet states into a model similar to this of EU realising the vision of a Soviet Socialist Republics reunification. This attempt has brought about a geopolitical dilemma concerning the Eastern Partnership with the E.U, especially after the annexation of Crimea by the Russian Federation. Thereby a shift has been made in the bilateral relations between European Union and Russian Federation.

By the way, this dilemma hasn't faded away yet. Is the Eurasian Economic Union a model of engagement or a model of containment for the relations between E.U. and Russia?

Unfortunately, the European Parliament has been unofficially divided in two sides: those who support the model of containment and those who support the model of engagement.

EEU as a model of engagement

The main adherent of this model is the Socialism and Democratic Party. According to this Party, the EEU could turn out to be beneficial to the relations between E.U and Russian Federation. According to the S&D political agenda on foreign affairs, the creation of a common economic area "from Lisbon to Vladivostok" (Putin,2010) could democratically contribute to the amelioration of their relations, but only after the geopolitical problem of the illegal annexation of Crimea having been solved.

Additionally, even the European People's Party, the Committee on Foreign Affairs, believes that this enhancement can be proved essential. EU should make further efforts in order to build up the relations with its Eastern and Southern neighbors. That's why, the Committee stresses out the EU's external policies to go in this direction.

Also, the model of engagement finds a positive correspondence to the European United Left/Nordic Green Left group. This political group declares that both E.U. and Russia have to thin out their gloomy past and make up their relations negotiating in a peaceful environment.

EEU as a model of containment

To begin with, the Alliance of Liberals and Democrats for Europe (ALDE Group) insists on the European factor rather than the Asian one. The ALDE Group has been keen on the full integrity of EU and the full implementation of the Eastern Partnership Policy through the Association Agreements and the DCFTAs as well. Once the annexation of Crimea had been done, ALDE Group became sceptic towards the Russian foreign policy, estimating that Eurasian Economic Union may be used by Russia on purpose.

To the accompaniment of this view, the European Conservatives and Reformists Party makes a reference to the rule of law and democracy. They really believe in this agreement. Therefore, ECR declares that, the EU should approach the post-Soviet states located in Eastern frontiers giving them the opportunity to become E.U. members for fear of the speculation above.

Finally, there are voices talking about a geopolitical threat on behalf of Russia to intervene and control the E.U. from the East. In any case, EU should take into serious consideration the establishment of this economic cooperation. As for Russia, this country has to become more democratic as soon as possible.

The Eurasian Economic Union and the European Union

Hague Centre for Strategic Studies, 21 September 2016, <http://www.hcss.nl/news/the-urasian-economic-union-and-the-european-union/1677/>

Despite the observation that the creation of the Eurasian Economic Union (EEU) appears to have been primarily motivated by a Russian desire to reassert dominance over the region, the question of whether genuine cooperation can take place between the European Union (EU) and the EEU is a relevant one. Russia's economic downturn and the wider regional fallout have significantly eroded the EEU's attractiveness as a motor for economic integration. Moreover, Moscow's tendency to let geopolitics and foreign policy considerations trump economic cooperation causes friction among EEU members.

The growing signs that individual EEU states are disillusioned with how membership in the Union has turned out should mean that there will be more willingness on their part to pursue a distinctly multi-vector foreign policy that seeks greater cooperation with both the EU, as well as China. Doing so would also strengthen the EEU member states' ability to form a counterweight to Moscow's dominance of the Eurasian Union, as well as in other areas. Lastly, the lack of funds available from Moscow to drive economic integration also means that domestic reforms in EEU member countries will grow in importance as a motor for positive economic change. Europe and Sweden should consistently seek to emphasise this as part of the Eastern Partnership policy, as well as in their bilateral relations with EEU member states writes Sijbren de Jong in a Policy Brief for the Swedish Institute for European Policy Studies.

EU integration sets pattern for Eurasian Economic Union — Kazakh FM

TASS, Astana, April 22, <http://tass.ru/en/world/871819>

The integration processes in the European Union have become an example for creating the Eurasian Economic Union (EAEU), Kazakhstan's Foreign Minister Erlan Idrissov said on Friday speaking at the XIII Eurasian Media Forum in Astana.

"Our idea of the Eurasian economic integration was largely inspired by the model of the EU integration," he said during a debate on the EU's future.

According to the minister, the world has not yet created a better association model than the European Union, which "was able to establish economic and political integration to promote peace and prosperity on a vast territory with a population of more than 500 million people." Idrissov noted that for Kazakhstan relations with the EU hold a special place. He recalled that the country signed "the second-generation strategic cooperation agreement" with the European Union.

European Union will have to accept Eurasian Economic Union as an equal dialogue partner

Eurasian Development Bank, St. Petersburg, 22 August 2016, http://www.eabr.org/e/press_center/press-releases/?id_4=49509

According to the Centre for Integration Studies of Eurasian Development Bank (EDB) and the International Institute for Applied Systems Analysis (IIASA, Austria), it is essential to step up efforts to normalise and develop relations between the European Union (EU) and the Eurasian Economic Union (EAEU) with the aim to reach a comprehensive integration agreement in the long run. This conclusion is presented in their report "European Union and Eurasian Economic Union: Long-Term Dialogue and Perspectives of Agreement" based on the results of the joint project "Challenges and Opportunities of Economic Integration within a wider European and Eurasian Space".

The conceptual framework of the common economic space "from Lisbon to Vladivostok" has two planning horizons — a short-term and a long-term one.

In the short run, it is essential to take stock of EU-Russia relations. However, to launch an official dialogue between the two unions, it is equally important to get the EU recognise the Eurasian Economic Union and the Eurasian Economic Commission.

Addressing basic political issues is vital to bring the current conflict to an end. Such efforts though should be reinforced with conceptual analysis of developing EU-EAEU economic relations and search of practical approaches to achieving that goal.

The underlying assumption of the report is that in future, EU-Russia relations will be channelled into constructive frameworks with prospects for lifting mutual sanctions. EU-EAEU relations should be based on long-term visions and planning. According to experts of the EDB Centre for Integration Studies, an integration agreement between the two unions will become feasible by the mid-2020s. “To that end, steps are to be taken now to define the forward-looking agenda at the expert level and build an analytical foundation for future negotiations,” says Evgeny Vinokurov, Director of the EDB Centre for Integration Studies. “We have identified 20 promising areas for the negotiation process.”

The anticipated EU-EAEU cooperation agreement should be comprehensive and take into account a wide range of issues to be covered, the magnitude and structure of relations, and the degree of connectivity between the two unions. Such an agreement can cover many areas of cooperation ranging from trade in goods and services to free capital flows, from the visa-free regime to trans-border and transit infrastructure development, from technical regulations to intellectual property right protection.

The report summarises the results of discussions focused on these potential areas of EU-EAEU cooperation and some preliminary proposals formulated in the framework of six high-level round tables, which brought together representatives of the European Commission, Eurasian Economic Commission, and government bodies, as well as leading experts from EU-EAEU member states. In particular, the round table discussions covered the following issues:

Trade regime: for the agreement to be beneficial for all the contracting parties, it should not be confined to creating a free-trade area as such (lifting or bringing down import duties). The logic is structured in the following way: a “classical” free-trade area is not favourable for either Russia or Kazakhstan as both countries export mainly primary commodities. Taking into account the structure of their trade flows, Russia and Kazakhstan are not interested in establishing a free-trade regime with the EU in its narrow sense—and the same applies to Armenia, Belarus, and Kyrgyzstan, although to a lesser extent. Concessions in the area of trade in goods should be balanced with counter concessions and progress in other areas. Special attention should be given to non-tariff barriers—the effects of lifting such barriers can significantly exceed those of reducing import duties.

Energy sector: the issue of energy security is fundamental for both the EU and the EAEU. In the case of the EU, it is the matter of ensuring uninterrupted energy supply (reliable energy sources and transit infrastructure, fair and predictable prices), while in the case of Russia and Kazakhstan, it is the matter of stable demand (financial and economic security, fair and predictable prices), and in the case of transit countries, it is about stable incomes and deliveries. All the stakeholders are also interested in ensuring environment safety and energy system sustainability.

Transport and infrastructure: it is obviously critical to modernise and facilitate further development of main Eurasian (automobile and railway) transport corridors by 2030. There is a wide range of technical solutions for integrating the 1520 mm rail system with the 1435 mm ones. There is also a tremendous potential for developing common electricity markets and transcontinental fibre optic communication lines. In both cases, the key focus should be on regulations, safety, and investments.

The mobility of people: in the long run, the ultimate objective is to introduce a visa-free regime. In addition, there are real prospects for organising large-scale academic exchange and addressing the issues of mobility of trans border pension flows. However, it is premature to raise the issue of labour migration in the context of EU-EAEU relations at this stage.

Techniques of estimating economic effects of EU-EAEU integration: the expert community should go beyond estimating short-term direct effects for trade and analyse long-term and indirect effects of entering into such an agreement, especially those related to non-tariff barriers. Modern techniques of analysis and modelling would be needed to adequately estimate such effects.

The report is prepared based on the results of the first stage of the international project “Challenges and Opportunities of Economic Integration within a Wider European and Eurasian Space”. As of today, this project is a unique independent platform for a regular dialogue between the European Commission and the Eurasian Economic Commission. The second stage of the project is to be launched in 2017. It will be focused on a wide array of studies aimed at bringing the EU and EAEU positions closer, while taking into account relations with China and other major Asian partners.

Putin's Adviser: Why Eurasian Union is a Better Deal Than the European Union

Rustem Falyakhov

Fort Russ, September 17, 2016, <http://www.fort-russ.com/2016/09/putins-adviser-why-eurasian-union-is.html>

Interview with Russian President's adviser Sergey Glazyev

— *Sergey, you took part in the St. Petersburg's economic forum — what was most important?*

- The most important is the confirmation of the course for the openness of the economy and Russia's readiness for wide international cooperation, which the president voiced in several

ways. The most interesting of them, and I think that's the main theme, is the creation of a great Eurasian economic space.

— *What's new?*

— There is Eurasian integration, our home integration in the post-Soviet space, and now **wider integration was announced, a common space, which would encompass almost all countries of Eurasia.**

Talks about it are not new, but for the first time at the top political level, it was announced as a serious geopolitical project. I believe that this is the most important political news.

— *Let us then take a closer look at it. By 2025, it is desirable to create a single Eurasian energy market and a single financial market. Possible?*

— These goals are included in our plans of creating single energy, financial, hydrocarbons markets. And this time frame is determined in order to move on to common markets in these areas, which are highly monopolized and difficult to integrate.

— *Regarding the single financial market — are we talking about the single EEU currency?*

— No, the president did not talk about it. He underlined those goals, which were agreed on and which are now being implemented. As for the supranational currency, there are many talks about it, but so far there are no international agreements and specific plans in the framework of the Eurasian Union. And I think that until we stabilize the ruble, we cannot talk about it. That is, in order to move towards some kind of monetary union, greater monetary integration, we must first to agree on stabilization of the exchange rate among our currencies. This was the first thing the Europeans did, there was a "currency snake" - European states have committed themselves to maintain a stable exchange rate, in order not to cause shocks in mutual trade and the so-called "currency wars", when the government devalues the currency in order to raise the competitiveness of their producers.

— *You mean to stabilize within the Union the rate relative to the national currencies of the Eurasian countries? Or are we talking about the rate of the ruble against the major currencies, the dollar and the Euro?*

— Well, at least internal. Because you see, otherwise there is a spontaneous oscillatory motion. When the ruble went down, it pulled all the other currencies of the members of the Union. Because otherwise there is a very strong distortion of trade. This state of instability is very bad for mutual trade, investment cooperation. So, before we talk about a monetary union, we must stabilize national currencies, at least relative to each other. But this subject was not discussed at the forum.

- *But was there a hint?*

— Indirectly, perhaps, this theme is present in conversations about joint investment projects, attraction of investments. As any investment project requires long-term forecasting, it requires a stable exchange rate...

— *And then the transition to single currency?*

— The single currency will be some other currency that will be created by another emission center, and what policy will this emission center choose, we do not know. For example, the European Central Bank prints euros backed by the debts of euro member states. When they switched to the single currency, monetary union, it became clear that different states have different options for pulling the emission resource. For example, Greece began a more active issue of state obligations than allowed by its economic condition. In the end, the Central Bank was forced to buy Greek debt, Greek bonds, to issue Euros, which was in favor of Greece. But Greece today was forced, so to speak, to return to a state of tight monetary discipline, and it got even worse. The transition to a monetary union involves, firstly, the unification of the fiscal system; second, the unification of the debt policy, because the money printed is backed by debt.

State debt or corporate debt, one way or another, the foundation of money issue are debts, and the money today is backed only by debt if you take global currencies. Accordingly, if we hypothetically assume that we will have a new currency, respectively, it will be issued, if we follow the example of Europeans, under the state obligations of the members of the Eurasian Economic Union. But it is too early to talk about this, because our integration today is strictly defined by the establishment of common markets of goods, services, capital and labor. And this work on creation of common markets will be completed only by 2025. And only then we can speak about a new stage of integration, which may be accompanied by increased integration of functionality on issues of fiscal policy, tax and public debt.

— *And do you have an idea, which countries could join the Eurasian Union, which now includes five countries? In the long list previously mentioned there were almost 12 countries — from Israel to Peru... Is this fantasy?*

— The President's speech emphasized that the broad Eurasian integration, or Greater Eurasia, involves the concept of multi-speed integration, which we used in the framework of the CIS. Countries that were more focused on integration, created the Customs Union. At first, only three states: Russia, Belarus, Kazakhstan. Today there is also Armenia and Kyrgyzstan.

In parallel, we have a large number of economic agreements within the CIS, including the free trade area, which includes all the CIS States. And the same model is offered by our president for the greater Eurasian integration. Within this model, there are clusters of more cohesive countries, such as a single economic space, for example, of the Eurasian Union.

— *Such as the old Europe and Eastern Europe?*

— There is the ASEAN zone [Association of Southeast Asian Nations], then there is ASEAN plus China. That is, in the East they also have their own integration systems. Free trade zone is the mildest variant of such an integration, when you only remove import duties. And this is what was agreed with Vietnam and there are negotiations with India.

— And how about China?

- With China's there is emphasis on joint investment projects, which is why, in fact, China initiated the establishment of an international infrastructure investment bank. Within BRICS, too, there is emphasis on joint investment projects and on helping each other in macroeconomic stabilization, if needed. This is a complex integration model, which takes into account the diversity of the states located in Eurasia, recognizes their unique interests, eliminates interference in the internal affairs of each other and is based on consensus. This is the difference of the approach of our president from the American model of integration, where everyone is forcibly driven into the same model.

- *But European leaders see the risks in different speed of integration of new EU member countries.*

— Why, they were integrated at once. You know, the European model is the Imperial model. They force new EU members to live by the rules of the Empire, that is, of Brussels. And integration is total. You cannot enter the European Union in part. You have to take on a lot of commitments and, plus, promise to comply with all the directives of the European Union. This is why today in Ukraine there is an economic disaster, even though they are not members of the European Union, they were offered some flaky form of association with the European Union. But even within this transitional quasi-integration Ukraine was deprived of the ability to conduct independent economic and trade policy. And EU member states — they lost sovereignty in the field of trade and economic relations, and monetary, too, if they belong to the Euro zone. Therefore, the difficulties of European integration are just due to the fact that everyone is forced into a very rigid model with a large number of regulatory documents amassed over the years of EU existence, and new countries must follow all these rules, developed over decades, immediately, without exception.

Books in International Politics and Economy



Sergej Metelev & Svetlana Efimova (Eds.): The Development of Tourism: The Case of Siberia and the Omsk Region - LIBERTAS Paper 82, LIBERTAS - Europäisches Institut GmbH, Rangendingen (Germany), March 2016, 96 p.; ISBN 978-3-946119-77-7 (Print), 15,00 EUR; ISBN 978-3-946119-78-4 (pdf), 4,99 EUR; ISBN 978-3-946119-79-1 (epub), 4,99 EUR; ISBN 978-3-946119-80-7 (MobiPocket), 4,99 EUR.

Ofelya Sargsyan & Hans-Jürgen Zahorka: Organisation for Security and Cooperation in Europe (OSCE): Idea, History, Challenges (with documents) - LIBERTAS Paper 81, Rangendingen (Germany), December 2015, 112 p.; Print version: ISBN 978-3-946119-73-9 (15,00 EUR); eBook/PDF: 4,99 EUR.

Ofelya Sargsyan: Selected EU Foreign Policy Areas and Instruments - LIBERTAS Paper 80, Rangendingen (Germany), July 2015. 148 p.; e-book: ISBN 978-3-946119-02-0 (4,49 EUR). Print version: ISBN 978-3-946119-00-5 (15,00 EUR).

Sergej Metelev (Ed.): IV. Manyakinskie Readings: Contemporary Challenges and National Security - Past, Present, Future. Dedicated to the 70th Anniversary of the Victory and the End of World War II. / IV Маньякинские Чтения: «Проблемы и Обеспечение Национальной Безопасности: Прошлое, Настоящее, Будущее» (Посвящается 70-летию победы и 70-летию окончания Второй Мировой Войны) (in Russian language) - Omsk / Rangendingen, April 201; 612 pages; eBook: ISBN 978-3-937642-54-7 (25,00 EUR).

Sourajit Aiyer: Flying with the Winged Elephant - Niche Opportunities for Global Businesses that May Emerge in India - LIBERTAS Paper 79, Rangendingen (Germany), October 2014, 104 pages; eBook: ISBN 978-3-946119-14-2 (9,99 EUR). Print version: ISBN 978-3-937642-54-3 (15,00 EUR).

Ofelya Sargsyan: Pleading For Armenia's Accession To The European Union - Rangendingen (Germany), March 2014, 228 pages; eBook: ISBN 978-3-946119-04-3 (9,99 EUR). Print version/Paperback: ISBN 978-3-937642-50-5 (19,99 EUR).

Gohar Yeranyan: Acemoglu's Model and the Reality - Dynamics of Economic and Political Power in the Former Soviet Union Countries - LIBERTAS Paper 78, Rangendingen (Germany), October 2013, 48 pages; eBook: ISBN 978-3-946119-13-5 (4,99 EUR). Print version: 978-3-937642-46-8 (15,00 EUR).

Morsal Rahiq: Zur Funktion von Rating-Agenturen. Die Marktmacht der „Großen Drei“– Ihre Fehler in der Vergangenheit und eine europäische Lösung (in German language) - LIBERTAS Paper 73, Rangendingen, Januar 2013, 65 Seiten; eBook: ISBN 978-3-946119-12-8 (9,99 EUR). Print version: ISBN 978-3-937642-26-0 (15,00 EUR).

Gulnaz Baiturova: Local Traditions in Kyrgyzstan and the Rule of Law - LIBERTAS Paper 77, Rangendingen (Germany), July 2013, 81 pages; eBook: ISBN 978-3-946119-10-4 (9,99 EUR). Print version: ISBN 978-3-937642-43-7 (15,00 EUR).

Erick Behar Villegas / Thomas Schwartz (Hrsg.): Interkulturelles Management im deutsch-französischen Umfeld - Theoretische und empirische Beiträge (in German language). Mit Beiträgen von: Benjamin Ammon, Andreas Fischl, Fabienne Gloger, Sarah Gräbel, Bruno Hartig, Mai Tram Ho, Denis Jeanson, Efflam Jestin, Léo Maksud, Florian Schnitzler, Miriam Schumacher, Thomas Schwartz, Erick Behar Villegas - Rangendingen, Oktober 2012, 406 pages; eBook: ISBN 978-3-946119-07-4 (14,99 EUR). Print version: ISBN 978-3-937642-17-8 (29,80 EUR).

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Chapter 2. The Eurasian Economic Union and its Member States

Putin and Sargsyan in Moscow: Hying Armenia's Joining the Eurasian Economic Union

Seda Hergnyan

Hetq.am, Yerevan, Armenia, August 11, 2016, <http://hetq.am/eng/news/69948/putin-and-sargsyan-in-moscow-hying-armenias-joining-the-eurasian-economic-union.html>

Many in the know were more than slightly amazed when yesterday, in Moscow during a meeting with visiting Armenian President Sargsyan, Russian President Valdimir Putin remarked that Armenia's GDP had grown by 10% since becoming a member of the Eurasian Economic Union in January of 2015.

“It's a pleasure for me to note, and I want to thank you on the occasion. I've looked at last year's figures. Armenia's GDP, as the data shows, has risen 10% since joining the Eurasian Economic Union. Of course, this is a very positive number,” said Putin.

How Putin came up with 10% is a question that remains unanswered.

Armenia has never registered such growth since the international financial crisis. According to the country's National Statistical Service, Armenia's GDP rose 3% in 2015 and 3.5% in 2014.

Tooting his own horn at the meeting, President Sargsyan announced that Armenia's trade volume had increased by 12% over the last six months.

“I would like to satisfactorily note that, despite international and regional economic problems, out trade numbers have increased by 12% over the past six months, and Armenian exports to Russia have grown by 90%. This is naturally due to the possibilities extended by the Eurasian Economic Union,” Sargsyan said.

However, let's take a sobering look at Armenia's recent trade figures.

In 2015, Armenia - Russia dropped by 18%. Armenian exports to Russia fell by 26.7%. The drop occurred during the very year Armenia joined the Russian-backed Eurasian Economic Union.

Over the past five years, Armenian exports to Russia peaked in 2013, at US\$334.2 million. The number dropped to \$308.2 in 2014, and 225.9 in 2015.

Based on official data, Armenian exports to Russia are up 87.4% during the first half of 2016 over the same period in 2015.

It goes without saying that the “positive” numbers noted by Putin and Sargsyan are designed to justify Armenia’s last minute decision not to sign an EU Association Agreement in favor of joining the EEU.

How they came up with these figures remains a mystery. Then too, what would have happened if Armenia never joined the EEU? Would the country have fared better?

The Eurasian Economic Union Fails to Bring Belarus Closer to Big Brother

Valeria Kostyugova

Emerging Europe, June 20, 2016, <http://emerging-europe.com/voices/voices-economy/the-urasian-economic-union-fails-to-bring-belarus-closer-to-big-brother/>

Valeria Kostyugova is a political analyst and strategist. She is the head of the Agency of Policy Expertise at the Belarusian Institute of Strategic Studies (BISS) and has served as the head of the Agency of Social and Political Expertise (Vilnius, Lithuania), since 2013. She is Editor of Nashe Mnenie, the website of Belarus’s expert community, editor of the analytical digest Belarusian Yearbook and the author of the study Russian-Belarusian Relations: Terms, Status, Prospects and a number of other publications.

Belarusian President Alexander Lukashenko and members of the Belarusian Government have repeatedly and harshly criticised Moscow’s trade policy with its allies, during recent integration summits: the Eurasian Economic Union (EEU) Summit in Astana, the Forum of Regions in Minsk and in bilateral meetings with the Russian leadership.

Lukashenko’s reproaches are not groundless. Not one single economy that joined the EEU projects has reaped the benefits to which it is entitled. Russia made three promises when it established the Eurasian Economic Union (and consequently this set Belarus’s expectations when it acceded to the EEU). They were: a harmonised customs’ policy, access to the Russian market for Belarusian commodities and services (i.e. a free flow of goods and services) and an expansion in two-way trade, as a result of the above two promises. However, reality turned out to be something different.

Firstly, the allies are unable to agree on generalised two-way trade rules for the entire product range. The EEU Treaty was signed but it was subject to numerous exclusions and limitations.

It became clear, even before the document was signed in late May 2014, that there would be no concerted customs policy in the new bloc and that things would continue in the same way as usual from the time before the EEU, the Eurasian Economic Community (EurAsEC), the Customs Troika of the EurAsEC, and the others.

The main reason for this is Moscow's trade sanctions against the West, which were imposed without the approval of its EEU partners. Furthermore, since the EEU became operational, Moscow has introduced additional trade sanctions against Ukraine and Turkey. Although Belarus never joined the Russian Federation's sanctions officially, it is assumed that it will ensure their implementation as it is the EEU's western customs' border.

Secondly, Russia applies certain additional discriminatory measures to Belarusian goods, alongside a slew of protectionist 'tricks' designed to create non-competitive advantages for Russian manufacturers in the Russian domestic market. These limitations apply to Belarus's key exports to Russia: mechanical engineering products, farm machines and food. For its part, Belarus also restricts the access of Russian goods to its domestic market.

Thirdly, in the wake of falling oil prices, depreciation of the Russian rouble and the above 'anti-sanctions' and discriminatory policies, two-way trade shrank by 26.3 per cent in 2015 (the first year of the operation of the EEU), from the level reported for 2014, and it continues to fall. In 2015, Belarus's export deliveries to Russia dropped by 31.6 per cent year-on-year to \$10.38 billion and export supplies from Russia went down by 22.8 per cent to \$17.1 billion. Two-way trade remains asymmetrical — Russia's key exports to Belarus include raw materials, whereas Belarus supplies finished products.

Although the year 2015 saw global oil and natural gas prices dropped quickly, Russian rates for crude oil, natural gas and electricity, for Belarus, fell a lot more slowly than the prices of the Belarusian engineering products and food that were delivered to Russia.

In other words, since the EEU has become operational, the terms for two-way trading have deteriorated rather than improved, for Belarus, contrary to the country's original expectations. Lukashenko's criticism predictably is made in the quest for equal trading terms. The Government, including Belarus's representatives in EEU institutions, has been set the same task.

As a result of effective lobbying within the EEU institutions, the negative elements of two-way trade slowed in 2016, but Belarus still remains underprivileged. Trade between Belarus and Russia fell by 12 per cent year-on-year in the January–April 2016 period and exports from Belarus to Russia edged down by 6.4 per cent, while imports from Russia dropped by 15 per cent. Notwithstanding this slight improvement, when it comes to equal access for Belarusian and Russian commodities into the Russian market, this is likely to remain a problem for a long time.

The deterioration of the terms for two-way trading, since the launch of the EEU project, is further exacerbated by the challenges that the two countries are facing in their bilateral contacts over some of the issues that are critically important to Belarus. Primarily these concerns the gradual loss of the price advantages in purchases of Russian natural gas and crude oil, which also causes tensions between the two allies.

The benefits to Belarus, from its economic integration with Russia, keep narrowing but so does its dependence on its “big brother.” Belarus is one of the three founding states of the EEU and is, essentially, the western ‘show country’ for the Russian integration initiative. Without Belarus the EEU will become a virtually pointless project for Moscow. For this reason, Belarus’s weight in the EEU is greater than its actual advantages as an ally. The Kremlin will have to put up with Minsk’s official criticism until this balance changes.

Will Kyrgyzstan Leave the Eurasian Economic Union? First “Brexit” from the European Union, then “Kyrexit” from the EEU?

Christopher Schwartz

Diplomat, 9 Aug. 2016, <http://thediplomat.com/2016/08/will-kyrgyzstan-leave-the-eurasian-economic-union/>

Could Kyrgyzstan one day go down the path of the United Kingdom and choose to depart from the Eurasian Economic Union (EEU)?

On the one hand, macroeconomic troubles, shifting geopolitical sands, and social anxieties point to a very real situation of rapidly diminishing returns and hence the groundwork for an eventual divorce. On the other hand, public opinion data and strategic calculations point to the necessity of a continued inconvenient marriage of convenience.

A Surprising Parallel

An interesting parallel exists between the world’s premiere island democracy and Central Asia’s “island of democracy.” Both countries became members of their respective regional blocs without direct consultation with the electorate: Edward Heath’s government took the United Kingdom into the European Economic Community without a vote on January 1, 1973, as did Almazbek Atambayev’s government with the EEU Kyrgyzstan on December 23, 2014.

Gallup polls taken in 1973 initially found the British public almost evenly divided on the decision. However, by 1974, there was a two-to-one majority believing the country had been wrong to join, and by 1975, Gallup found that 41 percent of people said they would vote to

leave in an immediate referendum and only 33 percent to stay in. Perhaps June 23, 2016 proved a long-overdue reckoning with a government that, in retrospect, shockingly seems to have been intent upon ignoring its electorate.

Yet, in the lead-up to the Brexit referendum, seasoned analysts had expected economic realities to trump symbolic concerns over immigration and foreign competition for jobs. The United Kingdom is far too integrated with the Continent, especially in terms of financial markets, to just walk away. By upending over 40 years of diplomatic history, according to the London School of Economics, over 100 trade agreements must now be renegotiated – a Herculean diplomatic challenge, possibly the largest the world has faced since the collapse of the Soviet Union.

In the wake of the 52-48 percent Leave-Stay result, these same analysts are now realizing that the symbolic discourse over immigration and jobs should not have been downplayed. Although fears of “Islamicization” have doubtlessly been exaggerated, it nonetheless signals the English working-class’s genuine anxiety over the changing religious landscape of British society. There is also a genuine feeling of being left behind by European integration in very real bread-and-butter terms.

By contrast, Kyrgyzstan is a country in which analysts are much more aware of the intricate ways in which the economic and the symbolic are intertwined.

Kyrgyzstan’s various conflicts – the border conflict with Tajikistan, the water conflict with Uzbekistan, the situation between Kyrgyz and Uzbeks in Osh, and the rise of nationalistic and Islamic extremism – “are all *symbolically* connected,” says Meerim Maturaimova, a lead specialist with the Research Center on the Religious Situation under the State Commission of Religious Affairs.

“All of these are not just material disagreements, but are really competitions over whose *group*, and hence whose *culture*, can control space, territory and resources.”

The Case for Kyrexit

Arguably, EEU membership is exasperating these problems in Kyrgyzstan.

On the economic front, according to the National Statistical Committee, in the period January-May 2016, compared to the same period last year, imports fell by 8.2 percent, exports by 29.3 percent, and the most damning statistic: trade with other EEU member-states amounted to \$770.3 million, a reduction of 21.6 percent. In general, Kyrgyzstan’s GDP decreased by 2.3 percent during the first half of 2016.

It thus comes as no surprise that in the International Republican Institute (IRI)’s most recent public opinion poll, published on May 9, 49 percent of respondents said that job creation and unemployment are the most important issues facing the country.

Although Kyrgyzstan was never an employment utopia, EEU membership is certainly a major factor in the country’s latest economic woes. Membership imposes a high tariff system

upon Kyrgyzstan's trade with non-EEU countries, which complicates trade with China, which for 14 years fueled much of this tiny mountainous republic's economy.

The EEU has thus diminished economic activity in Kyrgyzstan's important system of bazaars and increased its dependency upon Russia and Kazakhstan. Meanwhile, both of these countries have been in an economic tailspin since 2014.

Meanwhile, China has experienced a meteoric rise as potentially the most important long-term economic power in Central Asia. This divergence between reality and policy has not been lost to the leadership of Kyrgyzstan, who are already considering a pivot back toward China, according to a well-placed anonymous source within the Ministry of Foreign Affairs.

On the symbolic front, there are creeping concerns about how EEU membership may also be negatively impacting Kyrgyzstan's societal composition, especially its religious landscape.

The India-based Tablighi Jamaat is a controversial Islamic movement that Central Asian security agencies worry serves as a gateway into radicalism. According to an anonymous source close to the Kyrgyzstani government, when the movement was banned in Kazakhstan in 2013, it exploited Kyrgyzstan's lax border policies to move its activists into the country, and it may now be exploiting the slightly-more relaxed travel regulations of the EEU to entrench its position here. Indeed, according to Maturaimova, the Research Center recently learned of a large number of complaints of door-to-door Islamic proselytization connected to Tablighi Jamaat, either by its official missionaries or former members.

In addition, it was not lost upon the general public that a crucial element of a purported terrorist cell killed in a shoot-out with police on July 16, 2015, were Kazakhstani citizens. Nor has it been lost upon them that Kazakhstan has experienced an uptick in purported terrorist attacks, including one recently in Almaty, on July 18.

The Case for Staying

All that being said, according to Alisher Khamidov, an analytical consultant with the World Bank, Kyrgyzstan's fate may be inexorably tied to the EEU for demographic and strategic reasons.

On the demographic front, anywhere between half and one million Kyrgyzstani citizens – or between 8-16 percent of Kyrgyzstan's population of approximately six million – are currently working in other EEU member-states, especially Russia, which constitutes 85 percent of the country's entire remittance inflow and approximately one-third of its GDP, according to calculations by various international observers.

"I see Kyrgyzstan as the most stable of the Central Asian republics, ironically in part precisely because of its dependency upon Russia," explains Khamidov. "There are a lot of young men up there working hard, feeling productive, and not being here in Kyrgyzstan, *not* working and getting angry."

No matter how difficult it may get in Russia, Kyrgyzstan's migrant laborers do not really have any viable alternative destination. Western countries have stricter immigration rules, Turkey is increasingly unstable, and China is the example *par excellence* of labor surplus.

Moreover, even if the value of the money Kyrgyzstan's labor migrants are able to send back decreases as the Russian economy continues to decline, it is nonetheless a lifeline for those they who have stayed behind, Khamidov adds.

The EEU is thus a kind of safety valve for Kyrgyzstan, a country which has experienced two political revolutions and an inter-ethnic conflict: it releases the steam of unemployment and discontent. "Bishkek knows this, and it is depending upon this as a key to Kyrgyzstan's medium-term stability," says Khamidov. "It is obviously not the greatest solution, but it can work for a long enough time for the country to peacefully develop – and it can develop in part because of those remittances."

Indeed, the IRI found that as of this past March, despite Kyrgyzstan's struggles with political corruption and its battered economy, 65 percent of respondents to its public opinion poll believe the country is headed in the right direction. Moreover, 36 percent and 42 percent "strongly" and "somewhat" support the EEU, respectively, which is more or less the same as the responses nine months, before in July 2015 (38 percent and 44 percent). Perhaps in Kyrgyzstan, to paraphrase the English proverb, necessity is the mother of optimism

Russia Gives Kyrgyzstan \$30M Lifeline

Eurasianet.org, 6 March 2016, <http://www.eurasianet.org/node/77676>



Kyrgyz President Almazbek Atambayev meets with his Russian counterpart, Vladimir Putin, in Moscow on March 2, 2016.

Russia has thrown Kyrgyzstan a bone — albeit not a particularly large one — in the form a \$30 million grant to help cover budget shortfalls.

Economic news website Tazabek cited Kyrgyzstan's presidential administration on March 6 as saying the money would go in part toward completing construction of social housing for military and police personnel.

News of the pledged assistance followed a meeting between President Almazbek Atambayev and his Russian counterpart, Vladimir Putin, in Moscow on March 2.

Atambayev's working visit was transparently motivated by a desire on both sides to seek clarity about the state of bilateral relations, which have been tested by the failure of Russian companies to complete essential energy-related projects in Kyrgyzstan.

Putin spoke reassuringly.

"There is no need to talk about the nature of our relations," Putin said, before going on to talk about the nature of the countries' relations. "Kyrgyzstan is a reliable partner with which we have truly strategic relations. Since Kyrgyzstan joined the Eurasian Economic Union, the opportunities for cooperation have increased. I think this will be reflected not only in indicators, but also in real life, and in the development of our economic and social spheres."

Atambayev was similarly positive, while his office hinted strongly that talks touched upon the stalled hydroelectric plant projects that Kyrgyzstan sees as key to its economic survival.

"During the meeting, the heads of state discussed current issues in Kyrgyz-Russian cooperation, progress in the completion of joint projects, and prospects for future collaboration in various spheres and in the development of Eurasian integration," Atambayev's office said in its statement.

All well and good, but that sheds little light on what exactly is going to happen to the Upper Naryn and Kambarata hydropower projects.

The Kambarata-1 hydropower plant was expected to cost \$2 billion to complete and eventually generate around 4.4 billion kilowatt hours annually. Upper Naryn, which is intended to be composed of four staggered hydropower plants, was designed to have an annual production of 942.4 million kilowatt hours. It is essential that those plans come to fruition if Kyrgyzstan wants to live up to dreams that it could one day become a net power exporter.

In January, however, parliament voted overwhelmingly cancel deals with the Russian companies leading the projects, citing lack of progress in work. Atambayev suggested hopefully that alternative investors could be found, but that appears to have been an expression of deluded optimism given the many factors to consider — first and foremost being that it is hard to think of which international investors would want to go anywhere near the projects.

Complicating matters was the fact that Kyrgyzstan now apparently owes Russian state energy company RusHydro, which was servicing the Upper Naryn project, \$40 million for work done to date.

Another spoiler in relations is the mounting perception among Kyrgyz entrepreneurs that last year's accession to the Eurasian Economic Union has done little to advance their interests.

Seeking to dispel those concerns, Russian state television presaged Atambayev's visit with a glowing report hailing the achievements of the EEU.

The director of a sewing factory, Chynybek Azhibekov, was shown explaining how easier access to EEU markets — ostensibly Kazakhstan and Russia for Kyrgyzstan's purposes — had helped boost turnover.

Another speaker was bullish about another oft-cited concern.

“What they used to say before — that after Kyrgyzstan's entry into the Eurasian Economic Union, the large markets that used to re-export Chinese goods would stop working — is absolutely incorrect. They continue to work as before,” said Zhumakadyr Akeneyev, chairman of the For the Union of Kyrgyzstan With Russia and Belarus society.

Anecdotal evidence suggests that latter assertion is a flagrant falsehood, and although border controls have indeed been substantially relaxed, reports of delays on the Kazakh frontier are still commonplace.

The television report on state-owned Vesti was patently aimed as a palliative for Kyrgyz viewers, many of whom rely on Russian television for their perspective on international events.

Until Moscow stumps up serious cash, which it is hardly at liberty to do for now given its parlous economic position, these attempts at bolstering broad enthusiasm for its geopolitical projects are doomed to struggle.

The EEC has summed up the results of the first year of the Kyrgyz Republic membership in the EAEU

EEC, 12 Aug. 2016, <http://www.eurasiancommission.org/en/nae/news/Pages/12-08-2016-1.aspx>

August 12 marks the first anniversary of the Kyrgyz Republic's accession to the EAEU Treaty. Over this period the country has increased its industrial output and agricultural production, access of Kyrgyz products to the markets of other Member States became easier. It has become easier and more comfortable for migrants from Kyrgyzstan to temporarily reside and work in the Member States.

“In total, the first year of the Republic in the EAEU has been positive, all further measures will contribute to the recovery of the State's economy and welfare of citizens,” said the

Chairman of the Eurasian Economic Commission (EEC) Board Tigran Sarkisyan. “The Union increases the investment attractiveness of Kyrgyzstan as a part of the Eurasian market. Companies from the EAEU and third countries now have an additional incentive to invest in the country.”

Over the past year, a lot of work was done, which now is bringing real results. The opening of customs borders allowed Kyrgyzstan companies to significantly reduce the time needed for delivery of its goods to markets of the other Union countries. Therefore, many manufacturers have become able to considerably increase export of their products. Additional benefit is the fact that the EAEU has legally enshrined and successfully implemented a simplified procedure for customs declaration for international transportation with vehicles registered in the EAEU Member States.

The EAEU creates favourable conditions for the development of trade industries and agro-industrial complex of Kyrgyzstan. According to the EEC, the agricultural production in the Kyrgyz Republic increased by 2.9% and industrial output by 8.6% in January through June 2016 as compared to the same period of 2015.

The Republic also obtained simplifications for customs clearance - there is no need for it in the EAEU; the goods are freely imported and exported. Payment of indirect taxes can be postponed for up to 50 days. An importer receives a right for postponed payment when importing goods into the territory of Kyrgyzstan. Previously it would have to pay taxes immediately at the border.

The tax burden for business has been reduced: before joining the Union the VAT was calculated on the basis of the value of the goods plus the cost of expenses related to the transportation of these goods; today, according to the EAEU rules the tax is charged only for the contract value of the goods. Individuals are also exempt from double VAT taxation upon importation of goods of personal consumption from the EAEU countries.

Another positive side is the fact that Kyrgyzstan became part of the single market of services, which operates in 43 sectors. Such sectors include the following services: construction and engineering; agriculture and forestry; wholesale and retail trade; franchising, renting of machinery and equipment without operators, and many others. As a result, the Kyrgyz entrepreneurs can operate in these areas in the EAEU markets without additional establishment of a legal entity. *Permissions on these activities and professional qualification of service providers received in the Kyrgyz Republic are recognized automatically.*

By joining the EAEU, Kyrgyzstan has accessed the common labour market. New conditions have essentially changed the legal status of Kyrgyz migrants in the territory of the Union. Now, the citizens of the Republic have equal rights with residents of the other Member States for employment; there is no quota agreement with employers. There is no need to obtain additional permits. For example, in Russia, citizens of the Republic do not have to pass exams in Russian language, history and legal basics of the Russian Federation.

It is also important that the Kyrgyz citizens coming to the Union states to work, are released from the obligation of registration with state bodies within 30 days from the date of entry, they register later for the duration of their labour or civil law contract.

Citizens of Kyrgyzstan, like other citizens of the Member States, shall not fill in migration cards when crossing the border of other Union states, provided that the period of their stay will not exceed 30 days from the date of entry.

Citizens of Kyrgyzstan are now able to carry out activities not only under a labour but also civil law contract, which significantly expands spheres of their possible employment. Before, they could only work in Russia for two years provided that they have a patent. Now, the duration of their stay is defined by their labour and civil law contract. Thus, there is no need any more to periodically leave the employment country and then re-enter again to prolong the stay.

Today, workers from Kyrgyzstan in Russia pay income tax from the first day of work at the same rate as residents: 13% instead of 30%. They have got the right for social insurance and health care in any country of the Union. Workers' children have the right to attend pre-school institutions and obtain education in accordance with the laws of the employment state.

The EAEU Treaty provides for mutual recognition of diplomas for the purpose of employment by the absolute majority of specialties. This significantly simplifies the search of work and improves the mobility of labour resources.

The Pension Agreement is now being worked on. After its adoption, the citizens of Kyrgyzstan, as well as citizens of other EAEU countries will be able to receive pensions for their employment in the EAEU Member States.

The Union membership gives impetus to the development of the national economy. It is worth noting that the Russian-Kyrgyz Development Fund, established for the purpose of successful integration of Kyrgyzstan in the EAEU, has financed 113 enterprises for an amount over 16 million dollars just in seven months of the membership in the Union.

Within the Union, Kyrgyzstan became a party to agreements on free trade area (FTA), the first of which was concluded with Viet Nam. The FTA agreements allow countries to engage in global production and supply chain, enhance the competitiveness of domestic producers, increase exports and foreign exchange earnings.

Another format of the international activities of the Eurasian Economic Union also has some benefits for the Kyrgyz Republic - the conclusion of memoranda of understanding between the Eurasian Economic Commission and Governments of third countries. They provide an expansion of international contacts of the Member States.

The Kyrgyz Republic has also received new positive economic effects from integration projects, which will be launched soon. In particular, this year it is planned to adopt the EAEU Customs Code. Entrepreneurs will have the common set of rules. This document envisages a number of innovations which will considerably save resources of businesses - customs

formalities will be simplified, customs procedures will become less time-consuming, which equals the minimized communication with officials and, therefore, an improved business climate in the EAEU Member States.

Is Kazakhstan Getting Eurasian Union Blues?

Eurasianet.org, March 9, 2016, <http://www.eurasianet.org/node/77731>



Leaders of the five member countries of the Eurasian Economic Union meet in Moscow in mid-December 2015. Kazakh President Nursultan Nazarbayev recently suggested that the EEU attempt closer integration with both China's Silk Road Economic Belt concept and the European Union. (Photo: Russian Presidential Press Service)

Tough times for the Eurasian Economic Union are causing disillusionment among its members — Kazakhstan most notably — although Russia seems indisposed to pay heed to such misgivings. Instead, the Kremlin has become embroiled in a series of diplomatic dust-ups, leaving its closest partners in the five-nation trade bloc hostage to Moscow's economic and geopolitical policies.

Kazakhstan's septuagenarian leader, Nursultan Nazarbayev, presides over an economy roughly one-tenth the size of Russia's, but more than twice the size of the economies of the other EEU members — Armenia, Belarus and Kyrgyzstan — combined. He has cut a particularly frustrated figure in the group in recent times. In a February 11 appeal to EEU heads of state, Nazarbayev outlined the argument for closer integration with both China's Silk Road Economic Belt concept and the European Union, where Russia's ties remain frazzled by its adventures in Ukraine. "We see the Eurasian Economic Union as an open economic association, relatively integrated into the global economic system as a reliable bridge between Europe and a rising Asia," he wrote, in a call to make 2016 "the year to deepen the economic relations of the Union with third countries and key trade blocs." That desire to branch out is understandable. Kazakhstan's overall external trade turnover fell by 37 percent in 2015, and by 29 percent within the EEU. The national currency, the tenge, has lost half its value against the dollar since the national bank scrapped a costly trading band last

August. Indicators for the bloc across the board were not much better. Intra-EEU trade tumbled 26 percent and members spent an average of 10-15 percent of their sovereign reserves defending national currencies that are wilting under the pressure of falling oil prices and Russia's souring economy. And even though the EEU was meant to usher in a new era of trade harmony, the reality has been less rosy. Both Belarus and Kazakhstan have found themselves engaging in periodic trade conflicts with Russia to protect strategic areas of the economy from currency volatility — a problem Moscow offered to mitigate through the formation of a single currency for the bloc.

"It is very difficult to point to any concrete benefits of EEU membership in the past year," Zach Wiltin, a Eurasia analyst at the Washington DC-based Eurasia Group told EurasiaNet.org.

"EEU membership might have made the situation worse for other member states by intensifying exposures to Russia," said Wiltin, noting Russia had "largely failed to secure Belarusian and Kazakh cooperation" in enforcing counter-sanctions against Brussels.

Pro-government media in Russia conspicuously ignored Nazarbayev's appeal, despite it appearing on the EEU's official website. The question of how to open what Russia regards as a traditional sphere of influence to much-needed trade and investment from major non-bloc economies is likely to define the EEU's viability. Last year, the bloc signed a Free Trade Area agreement with Russia's ally in Southeast Asia, Vietnam, and is reportedly negotiating similar deals with India, Israel and Egypt. Russian economy minister Alexey Ulyukaev has said that over 40 countries and organizations have expressed interest in cooperation with the EEU. But it is the EEU's relationship with China, which views Kazakhstan as a key point of entry for huge infrastructure and trade investments that will take precedence for Astana. Russia has so far played it cool over Beijing's calls for a free trade area within the Shanghai Cooperation Organization (SCO) and resisted the creation of an SCO development bank that would be funded largely with Chinese capital. Brussels is, in turn, dangling the carrot of closer ties between the two trade blocs, but such an offer is likely intertwined with negotiations surrounding Ukraine and Syria, and conditioned on concessions that may not be palatable for Russian President Vladimir Putin. Turkey is also a solid trade partner for Kazakhstan and "was once considered as a partner of the Union" but any agreement became "impossible for political reasons" after Ankara shot down a Russian military jet last November, Nikita Mendkovich, an analyst at the Russian International Affairs Council told EurasiaNet.org.

Although Nazarbayev appeared to edge towards Moscow following the shoot-down of the jet, he admitted the standoff had created "big problems" for Kazakhstan when Turkish Prime Minister Ahmet Davutoglu visited Astana in February.

Kazakhstan's sulking is not lost on the Kremlin, which is aware that Nazarbayev's ambitions as a statesman go beyond the narrow confines of the "Russian World" practiced Eurasianists are fond of referring to.

As the Central Asian state prepared to become a full member of the World Trade Organization in November, an op-ed written by Russian pundit Grigori Trofimchuk and circulated across pro-government media dwelled on whether Russia might “lose Kazakhstan” after the accession, possibly as a result of Ukrainian-style political turbulence. In a typically Russian reading of events in Ukraine, Trofimchuk wrote that countries like Kazakhstan could, at a time of growing uncertainty connected to Nazarbayev’s age and the unresolved issue of succession, fall prey to “something like the Euromaidan in Kiev” involving “resignation...by force, with weapons in the hands of militants.” To avoid such a scenario and a subsequent lean towards the West on Astana’s part, Trofimchuk called Moscow to “further strengthen integration relationships” with the country and others in its near abroad.

But for the moment, it seems Kazakhstan is looking for more integration without, rather than within.

In the last year, Kazakhstan “has given clear examples of anxiety” over Russia’s bid to introduce European Union-like institutions into the Eurasian space, according to Rilka Dragneva-Lewers, an expert on the Eurasian Economic Union at the University of Birmingham in Britain. In particular, that anxiety relates to “serious disagreements about widening, both in economic terms, towards a monetary union, and political terms, over the inclusion of institutions such as a parliament, that might signal a political agenda,” Dragneva-Lewers told EurasiaNet.org by email.



Présentation

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Chapter 3. The Eurasian Economic Union and its Internal Policies

Putin does not rule out introduction of single currency within EAEU in future

TASS, Moscow, April 14, <http://tass.ru/en/economy/869729>

Russian President Vladimir Putin does not rule out introduction of a single currency of the Eurasian Economic Union (EAEU) (Russia, Kazakhstan, Belarus, Armenia, Kyrgyzstan) in future. However, doing this will be possible only after the economies of the EAEU members are equal. "Perhaps once it will become possible, but at that stage, when the level of economic development and economic structure of the countries belonging to the Eurasian Economic Union is equal," the head of state said during his annual televised Q&A session officially known as "The Direct Line with Vladimir Putin."

In his opinion, Russia should not repeat the mistakes of the European Union. "We should by all means avoid the mistake the European Union made when it introduced the single currency and the levels of the economies greatly differed from each other," Putin said. In his opinion, that error causes "such difficulties as with Greece", when there are handouts from the common pot, but these handouts do not contribute to the development of economy, he said. "In our Union we should take into account all these concerns and move step by step. And, of course, this is a voluntary thing [introduction of the single currency], we should have a full consensus when we all want it - Russia and our partners in the EAEU," the Russian leader said.

Eurasian Economic Union's First External FTA to Come into Force

The Diplomat, September 21, 2016, <http://tribunecontentagency.com/article/eurasian-economic-union039s-first-external-fta-to-come-into-force/>

The Eurasian Economic Union and Vietnam finally have a solid date for the enforcement of their free trade agreement. While the EEU will tout the agreement as its first trade pact

outside the union's members, the fact of the matter is that the EEU inherited the negotiations. When negotiations began in 2013, Vietnam was in discussions with the Russia-Belarus-Kazakhstan Customs Union. The EEU launched formally on January 1, 2015.

The trade agreement was signed in May 2015 after eight rounds of negotiations. In May 2016, both Vietnamese and Russian authorities seemed hopeful that the agreement would go into full force in June.

"The government of Vietnam welcomes the fact that the president of Russia has already signed the law ratifying the free trade agreement between the Eurasian Economic Union and Vietnam. I think that the agreement will become fully operational this June and I am fully confident that the implementation of this agreement will create a surge in our relations," Vietnam's Prime Minister Nguyen Xuan Phuc said in May.

Andrei Slepnev, minister of trade of the Eurasian Economic Commission, said in April that the agreement would come into force 60 days after ratification.

Four months later, a new date has been floated: October 5.

The enthusiasm for a summer launch did not factor into consideration the EEU's many members. Kazakhstan ratified the agreement first, followed by Russia in early May. Belarus and Kyrgyzstan ratified by the end of May and Armenia ratified in mid-June.

The new date was announced by the Vietnamese Ministry of Industry and Trade. Russia's First Deputy Prime Minister Igor Shuvalov confirmed the date. Per TASS, Shuvalov said, "We've discussed the most important and complicated issue of the launch of the free trade zone agreement between the EAEU and the Republic of Vietnam. All domestic procedures in the EAEU member-states and Vietnam have been finalized and we realize and confirm that the agreement in coming into force starting from October 5 of this year."

When the agreement was signed in 2015 then-Chairman of the Board of the Eurasian Economic Commission Viktor Khristenko said the comprehensive agreement was expected to boost trade between Vietnam and Eurasia to more than US\$10 billion by 2020 from its present level around \$4 billion.

For Vietnam, the trade agreement is expected to open new markets in Eurasia for a range of goods: farm products, seafood, textiles, footwear, and processed food. EEU members—particularly Russia—are looking to sell technology, mineral resources and cars. While the agreement will reduce and in some cases eliminate customs duties on 87 percent of goods traded between the two parties, the benefits may be unevenly spread across the members of the EEU.

Russia and Vietnam look set to best capitalize on the deal. For example, an article in *Russia Beyond the Headlines* highlights the opportunities for Russia's automakers and for Vietnamese garment and food product exporters. The benefits for smaller EEU members, like Kyrgyzstan, are less clear. Kyrgyzstan's exports to Vietnam are negligible, as are its imports. An optimist would say, "There's room for growth then!" But a pessimist would point to the

likely flood of cheaper Vietnamese products on Kyrgyz shelves as not quite the benefit Bishkek would hope for.

Eurasian Union Hunts For Silver Linings

Eurasiannet.org, 1 June 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.

The constitutional framework of power distribution within the Eurasian integration process: bellum omnium contra omnes

Maksim Karliuk

Verfassungsblog, 28 Jun 2016, <http://verfassungsblog.de/tag/eurasian-economic-union/>

After the fall of the Soviet Union, many post-Soviet countries pursued integration among themselves, leading to various regional arrangements. Those had little success for an array of

reasons stemming from considerable differences among the many integrating states. Eventually, an understanding came along, that in order to make things work, a change in approach is needed. Among others, such a change would require an efficient legal framework and stronger regional institutions capable of upholding it. These features were played with on the way to the creation of the Eurasian Economic Union (EAEU), which was obviously inspired by certain narratives about the EU integration process, and eventually launched in 2015.

“The strong do what they can and the weak suffer what they must.”[1]

After the fall of the Soviet Union, many post-Soviet countries pursued integration among themselves, leading to various regional arrangements. Those had little success for an array of reasons stemming from considerable differences among the many integrating states. Eventually, an understanding came along, that in order to make things work, a change in approach is needed. Among others, such a change would require an efficient legal framework and stronger regional institutions capable of upholding it. These features were played with on the way to the creation of the Eurasian Economic Union (EAEU), which was obviously inspired by certain narratives about the EU integration process, and eventually launched in 2015.

However, as integration projects are also about power, the process of fine-tuning of the new features has been influenced considerably by the power play. The major issue is that there is a member state, which clearly holds a dominant position over the others – Russia. The tensions between member states that ensue turn the integration project into a battlefield with different actors either trying to reinforce the power position, to shield from power, or to make a claim to power through various means, including the constitutional framework.

In fact, a constitutional framework can be used for power concentration through its institutionalization, reinforcing the features of dominance. This, naturally, brings about resistance of weaker states. For example, this has led to reluctance of some states to engage in a formal political integration (refusal of the proposed name “Eurasian Union” in favor of “Eurasian Economic Union” is revealing). Further, decision-making no longer operates upon a weighted voting system corresponding to the financial contributions of each state, which made it impossible to take any decision without having Russia on board. Therefore, the weaker member states were able to rearrange the formal power structure somewhat in their favor. However, still, the hegemon uses other instruments to project its power, including, but not limited to, informal influence (e.g. the majority of employees in the regulatory institution are Russian) and legal means (e.g. subduing regional legal framework to the national one, see later below).

The idea of having stronger institutions also introduces a risk of institutions becoming a power of their own, challenging the states, the weaker ones and the hegemon alike. The Commission has indeed been gaining more power, and the official EAEU website now describes it as “a supranational regulatory body”. Not entering into the whole supranationality debate, the role of the Commission is, however, limited. Even if it wanted to

make a claim to power, it is deterred by the decision-making system informally called the “Belarusian elevator” (the system was proposed by Belarus and eventually agreed to by others). In the current system any decision adopted at a lower level of the institutional structure can potentially be challenged at a higher level of the institutional ladder controlled by member states. To be fair, however, the current system is still an improvement upon previous post-Soviet systems, where decisions were subject to obligatory approval of the highest institution.

An important new feature that has been introduced is the direct applicability of Commission decisions. However, this feature is quite ineffective without supremacy of EAEU law. National constitutional provisions of EAEU member states vary considerably in this respect. The integration process has seen movements in opposite direction, with examples of the least international law-friendly states ameliorating their stance, while the more international law-friendly states doing the opposite. Thus, in Belarus, previously, the constitutional court could make decisions of any international institution inapplicable upon pronouncement on their incompatibility even with national laws and presidential decrees. However, recent legal changes have seen a departure from this ultimatum-like provision. Now, relevant state authorities are allowed to first take measures to introduce changes in such decisions. It is a plausible development, but it falls short of changing the dependency direction, where Commission decisions could be effectively treated lower than both constitution and national legislation.

Russia’s constitution, on the other hand, is more international law-friendly. However, the country has seen a movement in an opposite direction. A clear example is the law to allow the Russian constitutional court to recognize as unenforceable decisions of international courts, and, basically, set aside international obligations. This law has followed the ruling of the Russian constitutional court regarding decisions of the European Court of Human Rights, but, of course has much wider ramifications, both to Russia’s international obligations in general, and the EAEU Court’s decisions in particular.

This brings us to the EAEU Court as the main loser of the power play. Initially, the Court had quite impressive competences and tried to make use of them to assert its power through activism. The Court was eventually punished for that, and one episode illustrates it perfectly. The preliminary ruling procedure was once invoked by a national supreme court, which, for some reason, almost immediately withdrew the request. The Court decided to open the proceedings nevertheless and delivered the ruling, which it had a right to. The reaction of member states was quite astonishing – they removed the preliminary ruling procedure altogether. Therefore, the Court was left without, arguably, the most important type of proceedings to be able to ensure uniform application of EAEU law.

There are many other limitations that the Court has suffered, including the differences in approaches that the Russian constitutional court has already voiced and, together with the Commission, it can no longer prosecute member states. Therefore, the Court is not capable of becoming a real actor in the Eurasian integration process anymore and is wary about its next actions. To conclude, the ‘war of all against all’ is obviously an allegory about weaker states

fighting the hegemon, the hegemon fighting weaker states, and them together, eventually, fighting the institutions. This leads to a paradoxical situation, where a desire to create a functioning constitutional framework leads to a fight against it bringing about the first losers – the institutions, especially the Court. The question now is who will be the winner(s), if there is such an option at all.

[1] Thucydides, *The Peloponnesian War* (TE Wick ed, Modern Library, 1982), p. 351.

Medical Device Regulations in Russia and Eurasian Union

Alexey Stepanov

30.06.2016, <https://medicaldevicesinrussia.com/2016/06/30/three-things-you-should-know-about-medical-device-regulations-in-russia-and-the-eurasian-economic-union-june-2016/>

Traditionally, summertime is not a very hot season for regulatory updates, so I am glad to share these three important highlights for medical devices in Russia and the Eurasian Economic Union (EEU):

Update on Eurasian Medical Device Regulatory Model

On 2 June 2016 the Eurasian Commission published final versions of two second-level pieces of legislation for the harmonized Eurasian medical device regulatory system:

Rules for Biocompatibility Testing of Medical Devices (link in Russian)

List of Medical Devices with Measuring Function (link in Russian)

As at the end of June 2016, ten out of thirteen final versions of the Eurasian medical device regulations have been published. The final versions of two of the most crucial documents – “Eurasian Medical Device Registration Rules” and “Guidance for a Quality Management System for Medical Device Manufacturers” are still under discussion between member states and are expected within the near future.

Recall that although the Agreement on Common Principles and Rules of Circulation of Medical Devices formally came into force at the beginning of 2016, the new system is still not working.

Discussions around price registration for medical devices

Some implantable medical devices (i.e. intended for fixation, delivery or extraction of implants or preparation for implantation procedure) may be removed from the “List of

Implantable Medical Devices for Medical Aid Provided to Citizens under the Programme of State Guarantees of Free Medical Care” and exempted from the mandatory requirement of price registration. In June the draft law (link in Russian) was prepared and sent to the Russian parliament for discussion and approval.

In this context it should be recalled that 15 July 2016 is the deadline set by the Russian medical device regulator Roszdravnadzor for manufacturers of implantable devices to provide the regulator with information about the prices of their products.

Clear identification of the medical device is critical for proper registration

In June, the Russian press loudly reported a story illustrating an example from current Russian medical device regulatory practice. Because of revealed discrepancies in the Russian registration certificate, Roszdravnadzor deemed the medical devices as non-[properly]-registered, and after that banned products of the UK manufacturer and one of the market leaders in its segment (read more in English).

Over the last few years Roszdravnadzor has increased controls on medical devices and requires notifying about any changes in product name or technical parameters of a registered device to ensure consistency between the registration certificate and the previously submitted registration file. Moreover, in contrast to previous registration rules, which allowed common “family” or “umbrella” registrations, clear identification of the brand name and model of the medical device is mandatory for proper medical device registration.

Agricultural production to grow by 8% within the Eurasian Economic Union, mutual trade by 15%, and exports by 19% in 2016-2017

EEC, 7 Sep. 2016, <http://www.eurasiancommission.org/en/nae/news/Pages/07-09-2016-2.aspx>

On September 6, by disposition of the Board of the Eurasian Economic Commission (EEC), the task of joint forecasts of the development of the Agroindustrial Complex as well as consolidated forecasts of the supply and demand for the main types of agricultural products and foodstuffs in the Eurasian Economic Union countries in 2016-2017 has been approved. The forecasts will be considered at the next session of the Council of the Commission.

In accordance with the prepared document, the growth in agricultural production for the forecast period is to comprise 8%, exports– 19%, and mutual trade – 15%. In 2017, the mean value of the self-sufficiency in terms of major agricultural goods is to increase by up to 94%.

Sergey Sidorskiy, Member of the Board -Minister in charge of Industry and the Agroindustrial Complex of the Eurasian Economic Commission, emphasized that joint forecasts facilitate the assessment of the trends and directions of development in agriculture, the investment climate of the economic sectors, with regard to common market capacity within the Union, the food security conditions, and the economic position of the AIC sectors. The minister highlighted the fact that “the formation of the consolidated supply and demand forecast allows to provide for the interdependence of the need for agriculture products, raw and food products and the capacity of national producers, and assess the prospects of mutual trade in terms of import-substitution with products from third countries.”

The document presents analysis of the production, economic, international trade and social welfare aspects of the development of the Agroindustrial Complex. More specifically, the current situation in the AIC of the countries of the EAEU, the forecasts of the development of the AIC in the Union as a whole and according to each member state are considered. Forecast balances according to each major agricultural product and food products are conducted and conclusions and proposals are presented by the Commission for further development of the Agroindustrial Complex.

Eurasian Economic Union (EEU) Modernizing Trade Facilitation with New Customs Code

CTstrategies, August 19, 2016, <http://ct-strategies.com/eurasian-economic-union-eeu-modernizing-trade-facilitation-with-new-customs-code/>

After hammering out a draft agreement in Minsk this week, the EEU is expected to sign a finalized Customs Code at its December 2016 Supreme Council meetings. Made up of Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, and the Russian Federation, the EEU will be creating a comprehensive, codified international treaty governing customs regulations in a unified manner across the region.

The new Code represents a significant step in facilitating the automated processing of trade data. The EEU says it will be “fully based on electronic document circulation in customs matters: electronic declaration, automated registration of a customs declaration, automatic release of goods, and application of an one-stop shop principle.”

This cooperative step in customs modernization has wide-ranging benefits. Advancements in automation and harmonized procedures across an economic region are vital to competing with economic or customs “blocks” like the European Union, North America, and East Asia in the globalized 21st century economy. Simplifications for the trade industry and reduced

filing of separate documents means more efficient trade and ultimately greater economic stimulus.

The economy of the EAEU States has demonstrated positive dynamics

EEC, 10 Aug. 2016, <http://www.eurasiancommission.org/en/nae/news/Pages/10-08-2016-2.aspx>

In the first half of 2016, the EAEU Member States demonstrated positive dynamics of selected macroeconomic indicators.

The agricultural production increased by 2.7% in January-June, the turnover increased by 1.2%, industrial production by 0.1%.

The consumer price index for goods and services in the EAEU amounted to 103.4% in June 2016 as compared to December 2015.

Such data are contained in the analytical review by the Eurasian Economic Commission "On basic social and economic indicators of the Eurasian Economic Union" for January-June 2016.

The analytical review "On basic social and economic indicators of the Eurasian Economic Union" briefly describes the social and economic development of the EAEU Member States as a whole. It includes official statistics on gross domestic product, industrial and agricultural production, construction and investment in fixed capital, transport, retail trade, foreign and mutual trade in goods, prices, labour and wages, exchange rate of national currencies.

Some Policies Still under Discussion

EEC Minister Karine Minasyan: "Development of final proposals for the formation of the Eurasian Economic Union's digital space is starting"

EEC, 16 Sep. 2016, <http://www.eurasiancommission.org/en/nae/news/Pages/16-09-2016.aspx>

On September 16, experts and participants of the energy industry discussed digital transformation of the energy sector in a sectoral and cross-sectoral dimension in the fields of the Eurasian Economic Commission.

The event was attended by representatives of state bodies, energy companies, organizations from other sectors of the economy, including scientific centres and business associations of the Eurasian Economic Union member states.

Opening the discussion, the Member of the Board –Minister in charge of domestic markets, informatization, information and communication technologies Karine Minasyan said that three focus areas were allocated when considering proposals for the formation of the EAEU digital space. First, digital transformation of industries. It is necessary to define industries, where the agreed digitalization will bring the maximum effect, and to create digital Eurasian industry platforms and standards.

Second, creation of a single digital market. The third one is connected directly with the integration: it is necessary to run common digital processes, create end-to-end management to remove the obstacles for both digital and physical goods. “We talk about projects such as goods labelling, the “single window”, and goods traceability, these are the first destinations, and the list is open, we are ready to extend it,” explained Karine Minasyan.

The participants noted that the energy sector is particularly important for the development of the economy, its efficiency will have an impact on agriculture, industry, transport, etc. The Union plans to create common markets of electric power, gas, petroleum and petroleum products, and to ensure their full operation, digital models and end-to-end processes will inevitably be needed.

Karine Minasyan noted that the work was moving on to a new phase: “In three months we’ve held nine sessions on digital agenda, where we discussed a wide range of issues. Now we need to sum up all the information and define the main directions for further steps on the level of five EAEU member states. We need an ambitious reference model of the digital transformation of the economy up to 2025.”

Discussion of the main directions of the formation of the digital space is planned for September 30 during the Coordinating meeting of the working group. Its final version will be discussed at the Exhibition forum “The Eurasian week” to be held on October 27 at Skolkovo.

EEC brings up for discussion the development of international road communication in the EAEU member states

EEC, 16 Sep. 2016, <http://www.eurasiancommission.org/en/nae/news/Pages/16-09-2016-5.aspx>

On September 15, the Subcommittee on road transport of the Eurasian Economic Commission (EEC) discussed issues of the development of international road communication within the framework of the Eurasian Economic Union and endorsed studies on this subject.

The meeting, chaired by the Deputy Director of the Department of transport and infrastructure of the EEC Sergey Negrey, was attended by representatives of the EEC and a number of authorized departments of the Union member states in the field of transport, ASMAP, IRU, “BelNIIT Transtekhnika”, Rosalkogolregulirovanie.

During the meeting the topic of scientific study “Analysis of the conditions of economic activities of road carriers of the EAEU Member States and recommendations for harmonization of the laws of the concerned states to ensure fair competition and increased road transport efficiency” was agreed upon. The study will ensure full assessment of the existing transportation possibilities of the road transport in the Union and offer innovative schemes of interaction of transport enterprises of the Eurasian integration association in order to improve their effectiveness.

Participants also discussed issues in the road transport sector, which are on the list of barriers, exemptions, and limitations. The meeting resulted in joint proposals for their gradual elimination. Today there are over 17 different obstacles, which require an integrated approach and the participation of representatives of various agencies and organizations of all the Union member states.

Moreover, the parties agreed to submit proposals for amendments and additions to the EAEU Treaty regarding issues of road transport and (road) transport control to the EEC Department of transport and infrastructure development.

The participants also stressed the need to work together on the formation of the unified digital space of the Union in the field of transport.

The EEC generalizes experience of creating industrial and innovative facilities

EEC, 16 Sep. 2016, <http://www.eurasiancommission.org/en/nae/news/Pages/16-09-2016-3.aspx>

On September 15, the industrial block of the Eurasian Economic Commission held a session of the expert subgroup for development of cooperation in the field of innovation. The draft Recommendation of the EEC Board “On the distribution of best practices in terms of creation and operation of industrial and innovative infrastructural objects in the EAEU member states” was discussed.

The meeting was attended by representatives of government agencies, research organizations, institutions, industrial development and innovation institutes of the Eurasian Economic Union, as well as the Russian Association of clusters and industrial parks.

The draft document provides basic steps for cooperation in the field of innovation. In particular, the formation of the list of objects of industrial and innovation infrastructure and identification of the most advanced ones was envisaged. Then, representatives of the Union member states will share experience in this area. Also, the development of criteria for

qualification as an object of industrial and innovation infrastructure with due account of the best international experience is envisaged. The final result of the work can be the introduction of a voluntary certification system in the Union for objects of industrial and innovation infrastructure.

Experts from the Union Member States generally agreed on approaches to disseminate best practices on creation and operation of such infrastructure.

Representatives of the parties stressed that the formation of the system of voluntary certification for objects of industrial and innovation infrastructure will be a mechanism to stimulate their development. Introduction of modern tools to support innovation would reduce risks for investors and increase their interest.

The draft Recommendation of the EEC is to be introduced to the EEC Board before the end of this year.

Development of the EEC draft Recommendation “On dissemination of best practices for creation and maintaining objects of industrial and innovative infrastructure of the EAEU Member States” is established in the Main areas of industrial cooperation within the EAEU (Decision No. 9 of the Eurasian Intergovernmental Council of 08.09.2015) and the Plan for development of acts and activities to implement the main areas of industrial cooperation within the EAEU (Decision No. 17 of the EEC Council of 17.03.2016).

Objects of industrial and innovation infrastructure include an industrial (innovative) cluster, a technology (innovation) park (Technopark), an industrial park (zone), a scientific and technical (innovative) centre and others.

According to the EEC estimates, there are over 200 industrial parks, over 200 technoparks, over 200 business-incubators, over 50 innovative and industrial clusters, around 20 scientific cities, and over 200 centers of technical creativity in the EAEU member states. Moreover, there are more than four thousand organizations for research and development with more than 1 million scientists and researchers engaged.

The EEC invites the Union member states to intensify cooperation on renewable energy sources

EEC, 16 Sep. 2016, <http://www.eurasiancommission.org/en/nae/news/Pages/16-09-2016-1.aspx>

The Eurasian Economic Commission invited the EAEU member states to strengthen the cooperation on the development of renewable energy sources. “In the future this subject should be one of the main vectors of cooperation among the EAEU Member States,” said the EEC Member of the Board – Minister in charge of energy and infrastructure of Eurasian Economic Commission Adamkul Zhunusov.

In this regard, the Eurasian Economic Commission paid special attention to the Astana initiative and partnership program “Green bridge”, focused on the transition to the green economy at the vast area and in different regions of Europe, Asia and the Pacific ocean. The participants of the program today are the following EAEU member states: Belarus, Kazakhstan, Kyrgyzstan, and Russia.

On September 14, in Astana the Member of the EEC Board – Minister in charge of energy and infrastructure of the EEC Adamkul Zhunusov participated in the conference devoted to this initiative.

In his welcoming speech, the EEC representative outlined the importance of promoting the integration of states and collaboration of integration associations to develop common decisions on the transition to the green economy, transfer of knowledge, innovations and technologies. ”In the face of the worsening global environment, climate change and reduction of fuel and energy resources the issues of “green” growth, development of renewable energy sources and environmental security are of particular relevance, and integration of energy markets and consistent energy policy of the states contribute to the promotion and development of mechanisms to support renewable energy sources,” the EEC Minister said.

The EEC discussed questions in the sphere of tax policies and customs administration

EEC, 15 Sep. 2016, <http://www.eurasiancommission.org/en/nae/news/Pages/15-09-2016-1.aspx>



On September 14, at the roundtable of the Eurasian Economic Commission issues of tax policy and administration, as well as questions in the area of tax policy and customs administration were discussed.

The event was organized by the Department of financial policy of the EEC in conjunction with the International tax and investment Center (ITIC). The round table was attended by representatives of the EEC, ITIC and enterprises of the Russian Federation and the Republic of Kazakhstan, carrying out business activity in the Eurasian Economic Union.

Head of the Secretariat of the Member of the Board – Minister in charge of economics and financial policy Askar Kishkembayev outlined in his welcome speech the most pressing short-term issues of tax policy for the Member States. In particular, the discussion covered improving of VAT administration in mutual trade, double taxation conventions, analysis of the implementation of the OECD Action plan by the EAEU Member States to combat Base Erosion and Profit Shifting (BEPS Plan).

The EEC representative focused on promising directions of the EEC work. They include harmonization of the laws of Member States in the field of taxation, harmonization of excise duties for most sensitive excisable goods, establishment of a mechanism of administrative cooperation of authorized bodies of the Member States in order to prevent trafficking of illegal products, identification and removal of barriers of the tax nature in the Eurasian Union, analyzing the impact of tax aspects on formation of the infrastructure project “The Silk Road Economic Belt”, etc.

Employees of the Department of financial services answered questions raised by the representatives of the business community regarding the administration of indirect taxes in the EAEU, the order of filing out applications for imported goods and payment of indirect taxes, as well as its improvement options. *“The EEC and the Union Member States pay special attention to the administration of VAT payment, since it is one of the determining factors in the development of trade on the domestic market,”* said Askar Kishkembayev. In doing so, the exchange of information between the authorities of the Union member states on the importation of goods and payment of indirect taxes is required to ensure the completeness of the payment of indirect taxes. To improve it, it is possible to simplify VAT refund to the business community.

The participants drew particular attention to the problems related to the application of the provisions of conventions on avoidance of double taxation and tax evasion by the Member States. In particular, a problematic situation between the Republic of Kazakhstan and the Russian Federation was considered. Kazakhstan requires that the Russian taxpayers apostille a document confirming their tax residence. The EEC representatives noted that this problem has by now been almost solved on a bilateral basis under the coordination of the EEC.

Representatives of the Department of customs legislation and law enforcement told the participants of the round table about the progress in the preparation of the new EAEU Customs Code, and also answered questions from the business representatives on orders of prior and periodic declaring envisaged in the new Code. Since the draft Customs Code of the EAEU is at the stage of internal harmonization in the Member States, the proposals made by the representatives of the business community could be considered within this procedure in the Union member states.

Roundtable participants agreed that the direct dialogue between government authorities and businesses of the Member States will ensure a common understanding of the goals of tax policy in the Eurasian Union, as well as legislation on taxation and tax administration. This will ensure coherence in these areas, minimize the points of contention, and ultimately improve the quality of business environment in the EAEU.

During the round table it was agreed to continue and deepen the cooperation among the EEC, ITIC, and business communities of the Member States.

For Reference

The international tax and investment Center (ITIC) is an independent non-profit educational research organization assisting in the fiscal sector reforms and investment regime since 1993.

The mission of the center is to assist in carrying out tax reforms, capacity building and the implementation of public and private projects aimed at improving the investment climate and accelerate the economic growth in countries with transitional economies and developing countries.

ITIC ensures mutual understanding and trust between business and state through interaction in the format of ITIC “neutral round table”, where stakeholders meet to discuss the results of scientific analysis, policy research, and international best practices.

The EEC calls for harmonization of the digital infrastructure development programs

EEC, 8 Sep. 2016, <http://www.eurasiancommission.org/en/nae/news/Pages/08-09-2016-2.aspx>

On September 7, the Eurasian Economic Commission hosted a meeting with experts and market players where the interdependence of economic development, and digital assets’ formation were discussed. The discussion took place within the framework of the draft session of the working group for the development of proposals for the formation of the digital space of the Eurasian Economic Union.

The meeting was attended by representatives of public authorities, banks, telecommunications companies, organisations from the various fields of the economy, including scientific research centres and business associations from the Union member states.

According to Aleksandr Petrov, the EEC digital transformation project manager, digital assets should be formed and the digital infrastructure should be developed in order to implement digital transformation and form digital markets within the EAEU.

“It is important that we become participants in the end-to-end added value formation chains while using useful data”, Aleksandr Petrov believes. “It is expedient that conditions be established to provide for “smart mobility” and the seamless digital services’ environment.” In order to secure the maximum positive effect of the infrastructural improvements, including the building of data storage, highway communication channels, and so on, it is expedient to harmonise the digital infrastructure development programs and to agree on positions concerning the strategies of using the various data types within the Union’s digital space.

As experts noted, in Europe, Internet infrastructure and services already stand out as a separate sphere subject to regulation. Moreover, in the past, prime attention was paid to the protection of infrastructure facilities, whereas now, the provision of security and stability of the digital and “vitally important” services provided by that infrastructure has gained more value.

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

Why the Eurasian Union Will Never Be the EU

Stratfor, September 17, 2016, <https://www.stratfor.com/analysis/why-eurasian-union-will-never-be-eu>

Summary

Like the Customs Union before it, the Eurasian Economic Union was built with one goal in mind: to cement Russia's hold over the states in its periphery. With the promise of investment and protection, the Kremlin has done just that, bringing fellow bloc members Armenia, Belarus, Kazakhstan and Kyrgyzstan firmly under its influence.

But the Eurasian Economic Union has not reached the global status Moscow hoped it would. Rather than rivaling its biggest competitor, the European Union, the Russia-led organization has limped along, struggling to overcome the problems Russia's deteriorating economy has created for it. Though Europe's fragmentation could give the bloc a temporary boost, the persistent weakness of the Eurasian Economic Union's most important member will continue to hold the organization back, stuck in the shadows of its Western adversary.

Analysis

Despite having been established less than two years ago, the Eurasian Economic Union is not a new concept. Russia has a lengthy history of pulling smaller neighbors into its orbit — the Russian Empire and the Soviet Union are proof of that. Though its integration projects varied in size and scope, all rested on the same fundamental principle that guided Moscow's actions: Russia belongs to neither Europe nor Asia, and its periphery should not either. Instead, Russia's greatest imperative has been to insulate itself from continental empires by creating one of its own, surrounding the Russian heartland with buffers on its western, eastern and southern flanks.

EEU Member Countries

The Eurasian Economic Union consists of Russia, Belarus, Armenia, Kazakhstan and Kyrgyzstan.



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The Eurasian Economic Union is one way to do that, though the name belies the bloc's true nature. It is not simply about economics, just as its predecessor, the Customs Union, was not simply about trade. Russia, Belarus and Kazakhstan formed the Customs Union in 2010 with the intention of increasing cooperation among themselves in economics, politics and security. Though facilitating trade among the group's members was part of its agenda, the bloc's broader purpose was to become a comprehensive system equal to the European Union. The organization was also based on the unspoken assumption that Russia would become its undisputed leader.

The Customs Union did not rely on overt force to annex its members, as the Russian Empire and the Soviet Union did, but many countries had legitimate reasons to join it voluntarily. Some former Soviet governments, as well as large segments of their citizenry, did not consider Europe's liberal democratic model appropriate for their countries. Moreover, several states looked back on their Soviet history with a degree of fondness, primarily with regard to the stability, subsidies and paternalistic governance that characterized the Soviet era. Because many of these states continued to rely heavily on Russia to get by after the Soviet Union fell, they were willing to forgo ties with the West and Asia to maintain their relationship with Moscow.

EEU Member Populations (2015)

Collectively, the Eurasian Union has a population of 179 million people, with Russia accounting for the vast majority of this total with a population of 143 million people.

Population in millions



Source: U.N. Population Division

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A Lopsided Organization

Since the Customs Union's debut, it has tightened the links between its members' economies and expanded its base. The bloc passed a joint customs code in 2011 and common market in 2012. Two years later, Armenia and Kyrgyzstan applied for membership, and in January 2015, the five-member group became the Eurasian Economic Union. Collectively, the bloc now boasts a population of 179 million people and a gross domestic product of about \$1.9 trillion. Russia, however, accounts for the vast majority of those figures — 143 million citizens and a \$1.6 trillion GDP.

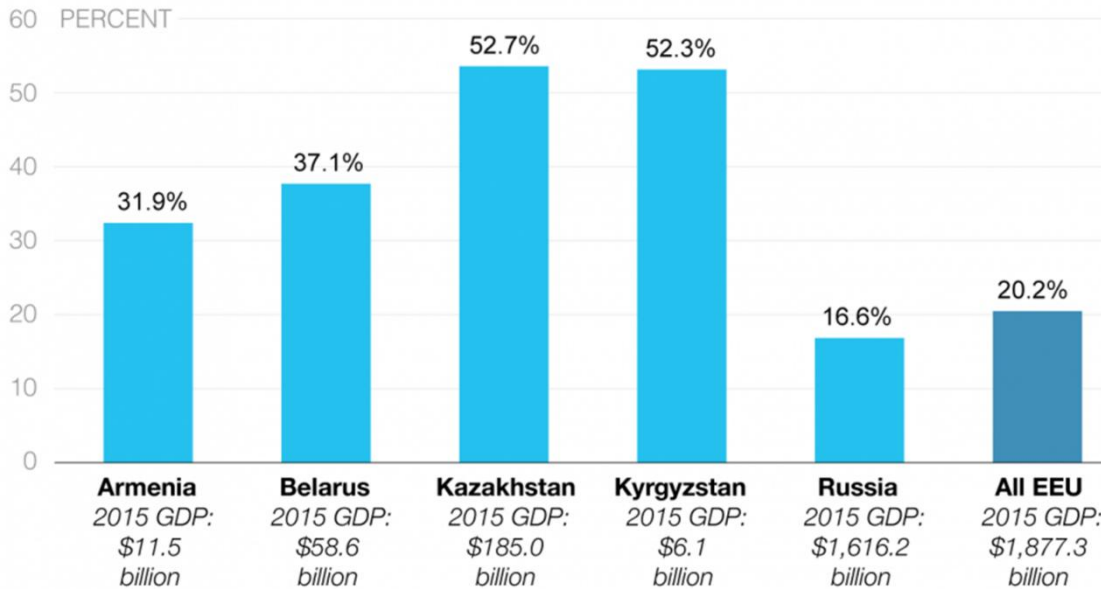
Russia's weight within the Eurasian Economic Union has caused trouble for the bloc in the past few years. Low oil prices and Western sanctions have put increasing strain on the Russian economy, and by the time Moscow unveiled the Eurasian Economic Union in 2015, the ruble had plunged to an all-time low. The same year, the Russian economy contracted by 3.7 percent.

EEU: Percent Change in GDP

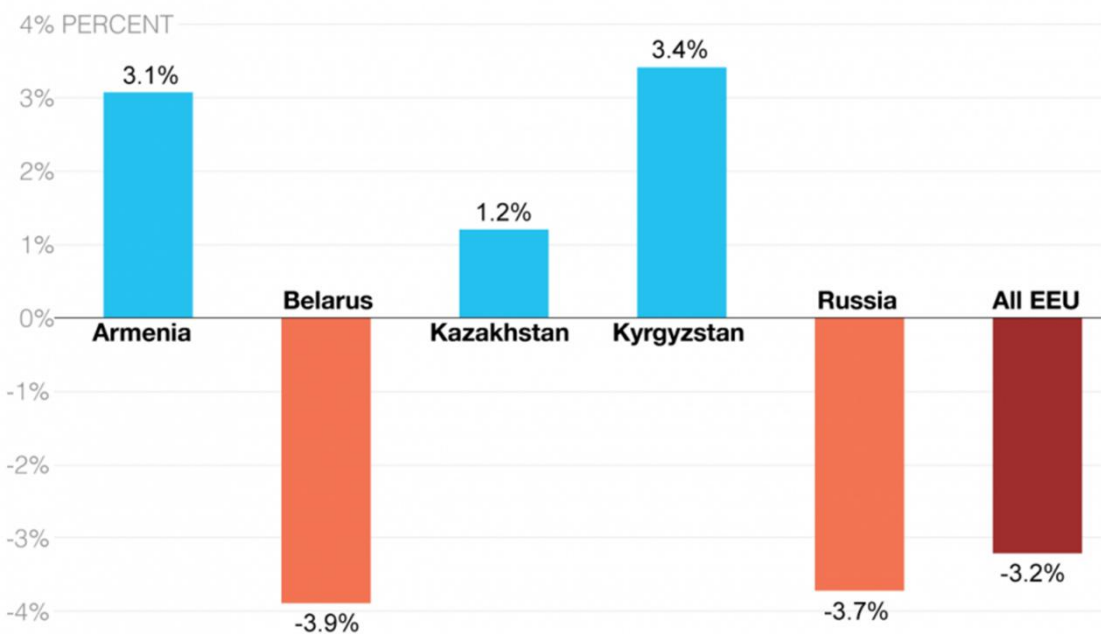
2010 constant USD

Over the past two years, low oil prices and Western sanctions have strained Russia's — and therefore other EEU members' — economies.

2006-2015



2014-2015



Source: IMF

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In aligning their customs controls with Russia's duties, the union's other states have become more vulnerable to economic downturns in Russia. Because Moscow's tariffs are higher than those of nearly all other bloc members, on nearly all goods, Eurasian Economic Union states have had to raise their duties across the board, effectively prioritizing trade with Russia over

trade with partners outside the organization. But now that Russia's economy has entered into a steep decline, it has dragged the rest of the bloc down with it. Regional currencies, remittances and trade have fallen while inflation has soared. Meanwhile, all of the bloc's members experienced low or negative growth last year. Belarus experienced a contraction of 3.9 percent, and growth in Kazakhstan, Armenia and Kyrgyzstan slowed to a respective 1.2, 3.0 and 3.5 percent.

The Eurasian Project Stagnates

Nevertheless, from these countries' perspective, the Kremlin's ability to provide financial and military support far outweighs the risk of tying their economies to Russia's. They will therefore likely stay committed to the Eurasian Economic Union in the coming years.

As a whole, however, the bloc will continue to fall well short of the Kremlin's expectations. When Russia launched the Customs Union, it was in the process of regaining its standing within the region. With the West distracted in the Middle East, Moscow had high hopes that the project would someday spread, enveloping much of the former Soviet Union. But five years later, when the Eurasian Economic Union came into being, Russia had been hit by a recession; had lost a key ally, Ukraine; and had persuaded only two countries to join the bloc. (Even then, those members had small, weak economies that did little to add to the bloc's international heft or prestige.) Over the same period, several of the organization's targets for membership, including Ukraine, Moldova and Georgia, instead sought closer ties with Europe.

EEU Trade

Trade among the countries that currently constitute the EEU expanded for several years after Russia established the Customs Union, but economic contraction in Russia has brought trade back down.



Source: TradeMap

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The European Union is facing its own problems, of course. The United Kingdom voted to leave the bloc, and economic and refugee crises continue to plague the Continent. The political and economic stress created by these issues has lent strength to nationalist and far-right political parties in the union's major member states, such as France and Austria. At the same time, countries such as Poland and Hungary have called for some of Brussels' powers to be repatriated to Europe's national parliaments. The weakening of the European Union could bolster the Eurasian Economic Union, not only by reducing the Continent's capacity to pursue new members in Eastern Europe but also by undermining its unanimity on sanctions against Russia.

Yet even if these things come to pass, they will not change the fact that Russia continues to grapple with its own economic and political challenges. These problems, so long as they go unresolved, make it unlikely that the Eurasian Economic Union will get much bigger or more tightly interwoven. As energy prices stay low, squeezing revenue, trade and remittances throughout Eurasia, the bloc will lose its appetite for greater connectivity — and its appeal to potential participants. Even now, the only country that has expressed interest in joining the union is Tajikistan, another fragile state.

And so, the Eurasian Economic Union will muddle along, without making any notable additions to its mission or membership in the next few years. The bloc will continue to act as a platform from which Russia can formalize its reach into the countries that surround it, but one that is far more modest than Moscow originally intended. The Eurasian Economic Union will not fall apart, but neither will its presence make much of an impression on the world outside its borders.

Tajikistan: The Eurasian Economic Union's Next Member?

Catherine Putz

Diplomat, July 19, 2016, <http://thediplomat.com/2016/07/tajikistan-the-eurasian-economic-unions-next-member/>

Tajikistan appears to be inching toward joining the Eurasian Economic Union. With Dushanbe long suggested to be considering membership, this news ought to be taken with a grain of salt. According to *Asia-Plus*, the head of the Customs Service, Abdufattoh Ghoib (who had previously headed the anti-corruption service before President Emomali Ramon's son took it over), told reporters on July 19 that they'd been studying the issue of entry and "The working group has prepared all necessary materials and submitted them for consideration to the government."

Earlier in July, Leonid Slutsky, a member of the Russian State Duma — chairman of the committee on the “Commonwealth of Independent States, Eurasian integration, and links with compatriots” — said that Tajikistan would soon announce its intention to join the EEU. Per *Asia-Plus*, Slutsky said, “I think Dushanbe will declare its wish within the next year — it [Tajikistan] seeks after this more than any other CIS nation.”

To put it kindly: the EEU is far from a perfect union and has failed to live up to the rhetoric stemming from Moscow and Astana regarding the economic benefits of membership. To be fair, the union’s launch coincided with the great oil and gas crash that has pulled down the union’s largest economies.

Tajikistan has likely been watching the progress of neighboring Kyrgyzstan, which joined the union last August. While Kyrgyz leaders haven’t publicly regretted the decision to join the EEU, they have been candid with their disappointment at the sluggish pace of integration.

In October 2014, a full year before Kyrgyzstan would eventually accede, President Almazbek Atambayev said, “We are choosing the lesser of two evils. We have no other option.”

“Better to be inside the union than outside,” I wrote in February, summing up the less than enthusiastic Kyrgyz arguments in favor of joining. Oleg Pankratov, the deputy prime minister, said at the time, “The effect of Kyrgyzstan’s accession to the Eurasian Economic Union turned out to be blurry.”

Blurry or not, the same logic applies to Tajikistan: there may be no option but to join. The crux of this issue for Dushanbe is the significant proportion of the Tajik population that migrates to Russia for work. The region-wide, but Russian-centric, economic crash in the past year has impacted both remittance values and migration numbers. But while remittance figures for 2015 declined across the board for Uzbekistan, Tajikistan, and Kyrgyzstan, only Uzbekistan and Tajikistan saw a decline in the number of workers going to Russia. Kyrgyzstan, according to March 2016 IWPR report, saw the number of workers going to Russia increased by 5.4 percent, “a likely result of the easing of employment restrictions due to its EEU membership.”

This is the benefit Tajikistan would be seeking with a membership bid. The effect may not be immediate in economic terms but the state’s language would likely tout accession as a growth in opportunity.

The World Bank, in its June update of the Global Economic Prospects report, revised Tajikistan’s GDP growth forecast for 2016 and 2017 downward. While revisions are typical when future forecasting is involved, the downward revision changed the Tajik economic narrative from one of recovery beginning in 2016 to at least one worse year. The January estimates predicted GDP growth in 2016 would rise from 2015’s estimated 4.2 percent to 4.8 percent. The June revision instead forecasts further decline, to 4.0, putting off the rise to 4.8 into 2017.

However, if Tajik state statistics are to be believed (they aren’t) the recovery has already arrived. *Asia-Plus* reported the government’s statistics agency as saying that GDP grew by

6.6 percent in the first six months of 2016 compared to the same time period in 2015, and “The government expects the GDP to rise 7.0 percent in a year to December 31, 2016.”

For Russia, the benefits of Tajik membership are decidedly more symbolic than economic. The country’s economy is among the smallest in the region (no matter whose statistics you consider), as is its population. Nonetheless, Tajikistan’s membership would add another piece to the puzzle of a more unified (at least symbolically) Eurasia. Even if Tajikistan’s progress toward joining is excruciatingly slow, periodic stories about the union’s growth reflect well on the organization — that is, if they are not examined closely.

With the European Union — on which the EEU was most certainly modeled — seemingly in crisis following the British vote to exit, Moscow is eager to toast the expansion and success of its own integration projects.

Putin Expects Talks on Iran’s Membership in Eurasian Economic Union in Coming Months

Tasnim News Agency, August, 09, 2016 , <http://www.tasnimnews.com/en/news/2016/08/09/1152862/putin-expects-talks-on-iran-s-membership-in-eurasian-economic-union-in-coming-months>

Speaking in a meeting with Iranian President Hassan Rouhani in the Azeri capital of Baku on Monday, Putin stressed the need to boost Tehran-Moscow cooperation in various areas, particularly in the area of economy, energy, and transportation. He further emphasized that his country backs Iran’s membership in the EAEU and closer cooperation between the two sides in free trade.

The Russian president also expressed the hope that talks on the issue would be held by the year’s end. Rouhani, for his part, said Iran and Russia are taking steps toward “strategic cooperation”, adding that Tehran welcomes efforts to deepen ties with Moscow.

During the meeting, the two presidents also pointed to the July 2015 nuclear deal between Iran and other world powers, known as JCPOA, and underlined the necessity for complete and strict implementation of the agreement.

The remarks come against the backdrop of a new wave of interest in ties with Iran after Tehran and the Group 5+1 (Russia, China, the US, Britain, France and Germany) on July 14, 2015 reached a conclusion over the text of a comprehensive 159-page deal on Tehran’s nuclear program and started implementing it on January 16.

The comprehensive nuclear deal, known as Joint Comprehensive Plan of Action (JCPOA), terminated all nuclear-related sanctions imposed on Iran

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