Eurasian Economic Union: Current state and preliminary results

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Abstract

This paper assesses the current results of the establishment of the Eurasian Economic Union (EAEU). On the one hand, the EAEU has not been an impeccable “success story”. The EAEU’s progress has slowed after initial rapid progress. On the other hand, it has achieved much. The EAEU is best viewed not as an exception to general rules of regional economic integration, but rather as a functioning customs union with its own successes and stumbling blocks, enriched by several additional quite developed areas of economic integration. This paper reviews the state of Eurasian institutions, the single market for goods and services, the state of mutual trade and investment flows among member states, ongoing work to eliminate non-tariff barriers, problems pertaining to the efficient co-ordination of macroeconomic policies, progress toward establishing an EAEU network of free trade areas, the state of the common labor market, and the dynamics of public opinion relative to Eurasian integration in the five member states. © 2017 Non-profit partnership “Voprosy Ekonomiki”. Hosting by Elsevier B.V. All rights reserved.

Keywords: Eurasian Economic Union, regional integration, customs union, common market, non-tariff barriers, free trade area, foreign direct investments.

1. Introduction

The Eurasian Economic Union (EAEU) is a newcomer among regional integration organizations. It has been operating as a customs union since 2011, and as an economic union since 2015. In addition to geopolitical objectives, it is
based on a specific long-term economic agenda. In this context, the EAEU was established to help its member states make the most of intraregional economic ties, modernize their national economies, and forge an environment conducive to improving their global competitiveness. A single market for goods, services, capital, and labor is at the heart of the Eurasian integration process. The EAEU has already been reinforced with supplementary integration infrastructure, including the EAEU Court, the Eurasian Development Bank, and the Eurasian Fund for Stabilization and Development.

Establishing the EAEU was a major achievement for its members after they had repeatedly endured two integration “false starts” in the 1990s and 2000s (namely, the 1995 Customs Union and the 2003 Common Economic Space idea; see below), but they still have many obstacles to clear.

The Union is already a functioning entity. This statement does not raise any particular objections, unless the bar is set too high, and when compared to the European Union, the regional integration benchmark, expectations are set too high. However, if the bar is set lower, with the EAEU placed alongside other regional integration projects with varying levels of depth and success—NAFTA, MERCOSUR, ASEAN, Cooperation Council for the Arab States of the Gulf (GCC), South African Customs Union (SACU)—then a more adequate framework for analyzing the relative standing of the EAEU becomes feasible.

We maintain that the EAEU is best viewed not as an exception to the general rules, but rather as a functioning regional integration bloc with its own successes and problems. The Eurasian Union has major achievements, but it also has deeply embedded limitations. By 2016, the initial momentum had petered out, as we will show in our subsequent analysis. Now the integration bloc is entering its first wave of conflicts and challenges. Will it be able to continue its development? Or will it regress?

Our objective in this paper is actually quite modest. It aims to provide the reader with a very condensed descriptive analysis of the EAEU, covering as much data as possible. We think that such a “little primer” is sorely missed in the literature.

We will address the following topics. First, we will take a brief look at the current state of Eurasian institutions (not just the EAEU, but the entire Eurasian economic integration ecosystem) and their evolution. Second, we will consider the emergence of common markets for goods and services and the status of trade and investment flows between EAEU member states. Third, we will examine the progress towards eliminating and unifying non-tariff barriers. This work may have a very substantial effect, far exceeding the impact of eliminating tariff restrictions. Fourth, we will look at the behavior and structure of trade flows. Fifth, we will review the flows of mutual investments within the EAEU. Sixth, we will explore the content of the EAEU Treaty and the issues related to its implementation, particularly as they relate to the coordination of macroeconomic policies, including monetary matters. Seventh, we will analyze the ongoing efforts to set up free trade areas and sign trade and economic cooperation agreements, including those with two key trade and investment partners—the EU and China. Eighth, we will examine the common labor market already in operation. Finally, we will consider the changing public perception of Eurasian integration.
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