

**The Eurasian Economic Union: from an Historical
Examination to its Legal and Economic Analysis with
Particular Focus on the Development of Belarus**

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PREFACE

Since 2015 the Eurasian Economic Union (EAEU or EEU¹) between Armenia, Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation has begun to work concretely. The EEU represents a contemporary project of economic integration for the post-Soviet space and a tangible effort to determinate the economic future and development of the entire Eurasia.

Initially, the idea about the realization of a Eurasian community was elaborated by Kazakh President Nazarbayev during a speech at the Moscow State University in the year 1994. By his discourse, the Kazakh Head of State presented a simple and fascinating idea: to establish a functioning alliance of states that are unified by economic ties with the target to achieve stability and security in Eurasia.

Through this passage is possible to discover the nature of the actual integration project of the EEU, based on the idea by Nazarbayev, namely the realization of a cooperation of states, that are each other economic interdependent, in order to favorite better their trade, the improvement of their national economies and the coordinated development of their standards of production.

This proposal of economic cooperation as key of integration and collaboration between the post-Soviet nations was supported by Russian President Putin during the year 2011 formally. Specifically, Putin called for the institution of an economic union between the former Soviet-states, aimed to achieve economic stability in Eurasia against the challenges of the globalization, in response to the critic market and financial conditions that since 2008 are still generating trade economic shocks on the entire Eurasia. Exactly, the adverse economic situation of last decade for the former Soviet countries, as for example Belarus, strong dependent on Russia economically, can be delineated as principal reason that has favored the development of the Eurasian integration process.

The EEU must be framed as a direct evolution of the previous forms of integration of the post-Soviet space started since 1991 with the dissolution of the USSR and the foundation of the CIS. In this scenario, between the nineties and the early 2000s, were created different projects of cooperation, especially between Belarus, Russia and Kazakhstan (*the troika*²), to better define and improve their strong interdependent economic collaboration. Here, projects as the EURASEC (2000), the Customs Union (2010) or the Single Economic Space (2012) were already real attempts to restore the interaction of the post-Soviet countries in a system similar to the USSR, based

¹ The curtailment of Eurasian Economic Union will be used in the work between EAEU and EEU indistinctly.

² Vinokurov Evgeny (2017): "*Eurasian Economic Union: Current state and preliminary results*". In Russian Journal of Economics 3 (2017). P. 56

though on an economic basis. Concerning this last point, a fundamental aspect is the only economic nature of the actual project of the EEU. But, if from a side Nazarbayev and Lukashenka do not see any politic involvement of the Union other the economic cooperation, excluding de facto every possible form of limitation of their national sovereignty in favor of Russia – the predominant actor in the Union; from the other side, their Russian counterpart, although not explicitly, sees the EEU as instrument of geopolitical ambitious, to allow Russia to recover again a leader role in the region, increasing its position globally, proposing Moscow, as underlined by the Neo-Eurasianism, one of the poles of the modern world.

In a time line, the EEU Treaty, ratified on May 29, 2014 in Astana, is seen as a natural continuation of the Customs Union, with the expressed volition of its members to strengthen their economic interaction as condition to further develop their integration. The cooperation, opened to all those states that want and can bring benefits to the entire Eurasian community, must be conducted, as expressed in the preamble of the Treaty, guaranteeing equal sovereignty and solidarity between all the participants. In this regard, the EEU contract has the principal targets: to develop measures, as exchange of specialized personnel, that can favorite the integration and economic development of the member-states (article 23); to realize a common market with the removal of barriers and custom duties (article 28); to reduce the economic diversification between the national economies of the member-countries, improving the foreign trade policy of the Union and asserting its efficiency in the global economic scenario (article 33); to implement an agreed macroeconomic policy, through the utilization of common legal framework, aimed to achieve a balanced economic development within the Union (article 62); to ensure freedom of trade in services, incorporation, activities and investments within the Union (article 65); to coordinate the energy policy of the member-countries, forming gradually common energy markets (article 79); and to create an agreed policy in labor migration, which can allow a right and equilibrate involvement of the citizens of the Union for their employment in the different work sectors of the states of the Union (article 96).

Precisely, the abolishment of custom duties in the mutual trade, the creation of common energy markets and the possibility for the citizens of the Union to work in every country of the EEU legally, are the principal reasons that have mostly convinced Belarus, Kyrgyzstan and Armenia respectively to be part of this integration project.

Considering the targets of the EEU, namely the volition to create a solid mutual trade, guaranteeing the four fundamental freedoms (goods, services, capital and workers), its economic

overview of the biennium 2015-2016 shows a general decrease of its economic indicators especially in direct comparison with the year 2014: in 2016 the Gross Domestic Product of the Union was 1 485 422 USD billion against 2 404 881 USD billion of 2014.

The explanation of the economic course of the EEU touches different aspects, as the causes that stay on the basis of its stagnation. In this scenario is possible to identify external factors: as the consequences of the Russian geopolitical choices or the drop of the oil price; and internal factors: as the still presence of barriers, bilateral accords for the hydrocarbons market within the internal commerce of the member-states, or the volition of the participants to not loose they political autonomy towards Russia.

All these factors are nowadays playing a decisive role in the evolution of the EEU, which rests, especially in comparison to the European Union or USA, still a relative small economic organization. Hence, to further expand the position of the EEU in the global economy, the member-countries must: follow the mutual obligations of the Treaty; eliminate board controls, favoring the mutual trade; and utilize their technologies, specialists and infrastructure to act all compact in favor of the Union, as an economic block.

All these aspects, from the motivations that have conducted the actual participants to subscribe the Astana Treaty, to the provisions of the Treaty and the actual economic situation of the EEU's members, will be the object of the following analysis.

I Division of the work

The work, realized in cooperation between the University Rostock and the Academy of Public Administration under the Aegis of the President of the Republic of Belarus, will start the examination through an excursus about the geographical, cultural and historical significance of Eurasia. After that, the analysis will be centered on the inspection of the disposition of the contract of the EEU. Successively, will be researched and reported the economic situation of the member-states during the biennium 2015-2016 predominantly.

In detail, the entire work is subdivided in three macro-chapters and a final part where will be reported the results and conclusions of the study. The first chapter, entitled "*Historical excursus of the Eurasianism and the significance of the Eurasian Economic Union for its participants*", is divided in two principal sections. The first section deals with philosophical and political current of Eurasianism; while the second examines the impact of the Eurasianism on the national level of the current members of the Union, analyzing their expectaions of the Eurasian integration project.

In correlation with the Eurasian idea, will be proposed, after have defined the meaning of Eurasia by the concepts of Sir Mackinder geographically and strategically, an accurate examination of this theory: from the classical philosophical thought of Danilevsky and Trubetzkoy, inclined to the exaltation of the Eurasian culture and identity as unique one; to its modern conception of Neo-Eurasianism, specifically with the figure of Dugin and his strong emphasis on the nationalist character of the Eurasian civilization and of Russia as central pole of a modern multi-polar world.

The theoretical and philosophical explanation of the Eurasian idea will help us to understand the role that the Eurasianism has played in the evolution of the national culture of the participants of the EEU and thus of their character toward the principal economic and political Eurasian actor, the Russian Federation. Through this incipit, in the first chapter will be delineated the different positions of the actual EEU's participants, their targets and expectations from this community.

In the second chapter, *"Analysis of the Treaty of the Eurasian Economic Union"*, will be presented an illustration and explanation of all the entire legal corpus of the EEU. Theoretically, will be examined the functionalist aspect of the Union and the mutual obligations that the member-countries have agreed in order to favor their economic integration and trade. The analysis will cover all the 118 articles of the 28 sections of the Treaty with an overview about the most important Protocols of the 33 annexes that complete the legal framework of the Eurasian Economic Union.

The third chapter, *"Economic Analysis of the Eurasian Economic Union"*, will be dedicated to an economic research of the member-states and of the entire apparatus of the EEU. The economic study will be focused on the lecture and comment of the most important economic indicators as: the Gross Domestic Product, the investments, the exports and imports in mutual and extra trade, the industrial sector or the energetic market of the Union.

The final chapter, *"Results, Recommendations and Final Observations"*, will report the results of the research, giving a proper evaluation of the EEU, especially in economic terms, in the first years of its functioning and the impact that it is having on the national economies of the member-states. In order to offer a better comprehension about the different arguments of the research, was adopted the stylistic choice to subdivide the work in independent parts, where every chapter presents an own introduction, definition of targets, conclusion and bibliography.

II Objectives and methodology of the analysis

The target of the first chapter wants to define the term Eurasia, by the examination of the philosophical current of the Eurasianism and its cultural and politic impact on the Eurasian region. By the study of the different concepts of the Eurasian doctrine, from the classic to the modern, the successive aim of the first chapter is to discover the role that this movement has played in the national cultures of the diverse participants of the Eurasian Union in their process of cultural national-building. Specifically here, the objective is to understand the perception of Russia and the symbol of its civilization as predominant actor towards the other former Soviet countries. In connection with the Eurasianism and the leader-role of Russia in the region, the following question is to comprehend and explain the reasons and own aims that have attracted the actual participants of the Union to be part of this modern project of integration.

The second chapter has the principal aim to report the entire legal framework of the EEU, in order to have a clear idea about the mutual obligations of the member-states and to understand the economic theoretical nature of the Union. Through the analysis of all articles of the EEU treaty, the objective of this chapter is to discover which dispositions already are working between the member-countries and which steps still need to be implemented to achieve a proper integration.

In the third chapter, by a deep economic analysis of the participants of the Union, the main target is to understand the real development of the first two years of functioning of the EEU. In this context, will be analyzed and compared the economic conditions of all actual participants of the Union, in order to have a limpid image about their economic performance in these last years. The report and comparison of economic data is aimed to answer the question, if within the EEU is possible to talk of a real improvement of the national economies of the member-states, or if the Union on its whole and the interaction between the member-countries are nowadays in a phase of stagnation.

The analysis of the work will be conducted by an empirical-analytic approach based on the qualitative methodology of the political science.

Precisely, the analysis of the first chapter will adopt empiric-analytical approach, where, through the study and interpretation of the most important Eurasian philosophers and thinkers, from Sir Mackinder, Trubetzkoj, Danilevsky, Dugin, Nazarbayev and Putin, will be examined the cultural development of the Eurasianism towards the EEU's countries. The report and comment of scientific contributions of Eurasian experts as Kadri, Laruelle, Ostrovsky or Shekhovtsov will be essential in the analysis to offer a precise explanation about the diverse forms of Eurasianism.

The study of the second chapter, focused on the analysis of the legal framework of the EEU, will adopt the qualitative methodology, where, by a report and interpretation of the entire legal corpus of the Eurasian Economic Union, will explain the mechanisms and aims of the economic integration.

The economic examination of the third chapter will be articulated, following the qualitative method, through a descriptive research and interpretation of the economic indicators of the EEU. Here, the most significant references will be the official economic statistics of the Eurasian Economic Commission, the Eurasian Development Bank and the economic databases of the Trading Economics, the World Bank and of the Observatory of Economic Complexity. Even the scientific contributions of experts as Pastukhova, Vinokurov or Westphal will be determinant to have a clear image about the economic situation of the Union.

A further consideration regards the position of Belarus in the analysis. Indeed the Belarusian Republic will have the role to represent a concrete example in the explanation of the integration process of the EEU and to understand its effects on the national economy, especially during the biennium 2015-2016. In this concern, the analysis will deepen the consideration about the Belarusian economic indexes, will examine its partnership with the Russian Federation and will discuss the Belarusian expectations of the EEU. This investigation will be mainly conducted through the comments and official words of the Belarusian President, authorities and experts.

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CHAPTER I

**Historical Excursus of the Eurasianism and the
Significance of the Eurasian Economic Union for its
Participants**

List of abbreviations

CES: Common Economic Space

CIS: Commonwealth of the Independent States

CSTO: Collective Security Treaty Organization

CU: Customs Union

DGAP: Deutsche Gesellschaft für Auswärtige Politik

DPR: Donetsk People's Republic

EAEU: Eurasian Economic Union

EDB: Eurasian Development Bank

EEU: Eurasian Economic Union

EU: European Union

EURASEC: Eurasian Economic Community

EYU: Eurasian Youth Union

FTA: Free Trade Agreement

FTZ: Free Trade Zone

LPR: Lugansk People's Republic

NATO: North Atlantic Treaty Organization

OEC: Observatory of Economic Complexity

SCO: Shanghai Cooperation Organization

USD: U.S. Dollar

USSR: Union of Soviet Socialist Republics

WTO: World Trade Organization

I Subject and structure of the analysis

This chapter, divided in two sections, deals with the Eurasianism and the meaning of Eurasian Union amongst the founders of the Eurasian Economic Union.

Precisely, the first section of the chapter will be centered on theory of Eurasianism, its history, characteristics and development from the 1920 to the new millennium in the passage from classic Eurasianism to the concepts of the Neo-Eurasian authors.

The main notions that will be proposed during the theoretical excursus regard the importance of the landmass Eurasia, a region situated between Europe and Asia, and its geopolitical strategic position for the global economic and politic equilibrium.

In this scenario, the role of the Russian Federation, due on its territorial extension and durable economic influence on the Eurasian region, acquires a notable importance. From this point of view, must be stressed as the Eurasian integration is nowadays claimed to be the principal aim of Russia's foreign policy, where the volition of President Putin is to reconnect the entire former Soviet republics under the Russian control in the form of an economic community, namely the Eurasian Economic Union. From another point of view, the actual other members of the EEU (Armenia, Belarus, Kazakhstan and Kyrgyzstan) want to profit by the Union to improve their economic status by the elimination of economic barriers in their mutual cooperation.

This passage will be the introduction to the second section of the work, where will be discussed the ambitions of Russia and the other members that joined this integration project: Belarus and Kazakhstan have a more common vision about the target of this EEU which must involve only an economic dimension; while, it could be argued that Russia wants to obtain with this project a clear hegemony over Eurasia, to recapture that global power – lost already after the collapse of the Soviet Union. Regarding the Caucasian and Central Asian countries, as Armenia and Kyrgyzstan, these states have the aim to obtain economic and more important military assistance of Russia – especially Armenia for the Nagorno-Karabakh conflict.

Furthermore, the analysis will touch the political obstacles on the integration, as the case of the Ukraine that showed to the Eurasian panorama a limit of the integration process connected with the Russian geopolitical ambitious predominantly.

In the last part, the analysis will point out the necessary requirements that need to be satisfied, especially from Russia, as the adjustment to the challenges of the globalization and the establishment of a unique market without barriers and without custom duties for its participants

especially for the energetic sector, in order to attract more countries in the orbit of the Eurasian project successively.

II Objectives of the analysis

The two aims of this chapter, corresponding to the two sections respectively, are connected to the comprehension of the significance of Eurasianism ideologically; its impact on the political and economic choices of the Eurasian countries and the expectations of the EEU's countries.

Specifically, the first section proposes to analyze the Eurasian idea, the main schools of this concept and its development between the XX and XXI century. The hypothesis of this study would argue that the Eurasian integration is firstly moved by ideological feature for the Eurasian countries: the Slavic brotherhood, an equivalent culture, tradition and ideology. These facets represent the pillars to consolidate the integration of the countries situated in the Eurasian region. Although exists different interpretation of Eurasianism, from the classic with Trubetzkoy, Danlivesky, Savitsky, to the modern, Dugin or Putin, the common aim of all these authors is the necessity to unite all Eurasian countries to give stability to Eurasia, fighting against the effects of the globalization, as the world economic recession or the loss of the Eurasian identity, and contributing to the economic development of the region consequently. In connection with this target, the successive goal of the first section is to understand the cultural impact that the Eurasian theory, especially the contemporary current of the Neo-Eurasianism, based on the nationalistic idea of the Russian predominance in Eurasia, is nowadays playing in the Eurasian region.

The target of the second section of the first chapter wants to analyze the principal idea of Nazarbayev about the establishment of an economic Union, and as the presence of different states in the mechanisms of the EEU is dictated not only by economic issues but even from political and military targets. By the analysis of the actual members of the Union, the thesis which will be advanced in this part of study is that every EEU's member is pursuing a precise target, which escapes from the merely economic scope of the Union. In this direction, the EEU, if will be able to create in its first stage working and stable economic trades between its participants, could evolve its structure in a second stage, that can incorporate military and political issues, as desired especially by the Russian Federation.

III Methodology

The study will be conducted through an empiric-analytical approach by scientific academic contributions about Eurasia and its historical, political and economic aspects. Moreover, the works of the exponents of Eurasianism, from classic Danilevskiy, to the modern Dugin, will allow us to comprehend the different facets and its evolution from the XX century to the contemporary age. By the review and comment of Eurasian experts, this study proposes to demonstrate the principal thesis: the Eurasian idea as theoretical basis for the integration project of the Eurasian Economic Union.

There are three principal Eurasian schools: classic Eurasianism, West Geopolitical School and the Neo-Eurasianism. Their analysis will constitute the theoretical basis of this study.

The second section of the work deals with reception of the Eurasian idea in the actual members of the EEU and the possible future different implications of this community.

In this part, by an analysis of the historical facts, the scientific work of Nursultan Nazarbayev (the Strategy of the Independence, 2003) and the explanation about the meaning of the EEU from the Russian vision in the contribution of Vladimir Putin (New integration project for Eurasia – a future that is born today, 2011), will be presented a diversification about the significance of the Eurasian integration for every country of the EEU: from an only economic meaning to political and military.

Generally, the study of this section will be a purely hermeneutical analysis. The economic passages presented in this chapter will be reported through the data and comments of statistics and scientific articles.

SECTION I

Introduction to the Eurasianism

To properly comprehend the functioning of the Eurasian Economic Union, we must discover the ideological basis that stays on the fundament of this organization. Precisely, the EEU erects its pillars on the theory of the Eurasianism. Commonly, according to this theory, all Eurasian states should unite themselves under the Russian leadership, which has the target to coordinate all the interests of this geopolitical area, favoring its economic growth consequently.

According to this aspect, the analysis about the EEU must considerate different point of views: ideological, cultural, economic, politic and military.

To correctly perceive the significance of the Union, it is necessary to begin the study, analyzing the ideological fragment, because the EEU has the pivot of its behavior in the concepts of the Eurasianism.

In the panorama of the Eurasian idea, a notable contribution in the development of this doctrine was represented by the impact of the Union of Soviet Socialist Republics (USSR), the Commonwealth of the Independent States (CIS) and nowadays by the influence of the Eurasian Economic Union. The integration proposed by the EEU is a fundamental stage of Eurasianism, because confirms the connection of the Eurasian states as an ongoing process due on their acumination of equal traditions, values and culture. This passage makes understandable as the Eurasian Union, other to be an economic alliance, prefixes the aim to exalt the ideological roots of the entire Eurasia.

The three main targets about the clarification of the Eurasian doctrine that will be proposed in this work are: 1) the study of the diverse Eurasian interpretations; 2) the examination of the ideological background of Eurasia and 2) the research of the primary mechanisms that have pushed the actual members of the Union to create this coalition – vital for their commercial evolution.

Concerning the first point, the principal ideological prospects about Eurasia are fundamentally three: 1) Eurasianism (Evrazijstvo) developed by Russian emigrants during the 1920s and 1930s; 2) the Western geopolitical school, which emerged in the late nineteenth century; and 3) the Neo-Eurasianism, which was revived in Russia after the fall of the Communist ideology³.

³ Ostrovsky Max (2008): *"The idea of Eurasia"*. In Working Paper (Helmut Kohl Institute for European Studies), 64/2008. European Forum at Hebrew University, Marjorie Mayrock Center for Russian, Eurasian and East European Researcher. P. 4

According to the philosopher Nikolaj Berdjajev, the Eurasianism can be defined as the cultural-philosophical and political position of the Russian emigration of the twenty years of the XX century with its ideas nearly to the Totalitarianism, while in the explanation of Dr. Susi Frank it represents the popular vision of the Russian migrants that wanted to prevent the trauma of the loss of the Russian Empire⁴.

Basically, the Eurasianism in its classic vision asserts that the Eurasian region has its own values, culture and identity – different from the Western tradition. In reason of that, the Eurasians prefixed the aim to protect the Russian culture against the Western influence.

In this context, Russia has the main mission, due to its geographical and economic importance in this portion of globe, to guide under its leadership all the other Eurasian nations in order to guarantee stability and economic development in the region, protecting at the same time Eurasia from the ideological threat of the Westernization.

The Eurasians of the 1920s gave more resonance to the ideological aspects of Eurasianism. Successively, the more exquisite strategic politic and economic importance of Eurasia was underlined directly by the exponents of the Western geopolitical school and by the Neo-Eurasianism of the XXI century. In the Western geopolitical school, the ideas of Sir Mackinder assumed a notable notoriety, because through his studies, he was the first to emphasize the particularity of Eurasia – a region of the world with a unique Russian culture and a great economic potential that, due to its location, assumes a decisive position in the geopolitical scenario for economic, political and military interests.

The central aspects of the Eurasian theory – own identity, own economic resources, strategic position and Russian leadership – are in the present directly connected with the EEU and its mission to establish a strong association in the region, to guarantee the economic development of its associates and global competitiveness against the world wide powers, seen in the European and American model.

The concept of identity and the “*proud*” of the Russian civilization coincide with the start of the Eurasianism as thought by the *Russian émigré thinkers* during the 1920s. Mentioning the contribution of Dr. Eva Marlene Hausteiner, the motto of the Russian émigré was: “*The Russians*

⁴ Cf. Frank Susi K. (2003) “*Eurasianismus Projekt eines russischen „dritten Weges“ 1921 und heute*”, in: Europa und die Grenzen im Kopf. Klagenfurt. P. 198

and the peoples of the contemporary Russian world are neither Europeans nor Asians. We are not ashamed to call us Eurasians⁵”.

The essence of this thought wanted to propose in the XX century a new independent identity for Eurasia, with the target to create a unique culture in this macro-region of the world.

The concept was then reworked in 2001 by Alexander Dugin, maximal exponent of the Neo-Eurasianism, in the *Eurasian Manifest*, where he clearly supported the modern Russian foreign political choices.

In general, his ideas include an extensive process of strategic integration and the establishment of a Eurasian Union as model analogue to the USSR. Though, this new community must have a new ideological, economic and administrative basis, to respond to the modern threats and to overcome the challenges of the globalization correctly.

The Dugin's conception – more as part of the Russian nationalism than as an ideological grounding of Eurasia – takes side in the philosophical vision of the modern Eurasianism, which considers the Russian Federation the most important actor in Eurasia. Due to this reason, Russia has the principal task to unite all the former Soviet republics under its leadership, to guide them against the challenges of the globalization – e.g. the clash against the Atlanticism in order to not allow a Westernization of Eurasia, or the economic financial crisis of the last ten years.

Dugin's thought is more linked to the Russian predominance in Eurasia. Relying especially on the Soviet sentimentalism and nostalgia, his nationalistic ideas have reinforced the nationalistic spirit of the Russians, exalting the foreign political choices of Russian President Putin, as recently the Crimea annexation.

Concerning the other two principal members of the EEU, Belarus and Kazakhstan, a real Eurasian nationalistic idea, especially in Belarus, has not in their territory strongly consolidated. In fact, the Eurasian doctrine has found its location in these countries exclusively due to economic reasons that link these nations to the Russian Federation. For example, in Kazakh version of Eurasianism, possible to evince from the work of President Nazarbayev, the ideological and economical aspects are the decisive points that justify the Eurasian Union under the leadership of Russia, which must have an only solid economic coordinator role of the region.

Fundamentally, the Eurasian theory as ideological key-connection of the EEU's members must be explained through the importance and the necessity of Russia for the other Eurasian countries.

⁵ Hausteiner Eva Marlene (2014): “Next Stop: Eurasia? – Über die Untiefen der Analyse von Putins Politik“. In *theorieblog.de* 17.06.2014 <http://www.theorieblog.de/index.php/2014/06/next-stop-eurasia-ueber-die-untiefen-der-analyse-von-putins-politik/> (last view: 10.08.2016)

This reason justifies that, although the main reason of the Eurasian theory is based on the Russian main role in the region, it can be argued, that this concept can be accepted in all other Eurasian countries, where Russia can really have a decisive impact on their internal economic expansion, as for Armenia, Belarus or Kyrgyzstan.

The doctrine of Eurasianism has evolved firstly geographically and culturally, assuming with the time a political and economic character, aligning its course with the actual global challenges.

The concepts of the Eurasian theory, as the different schools of thought, the analysis of its actors and the strategic importance of Russia, will be the main objects of study in this section.

1 Mackinder and the geographical strategic importance of Eurasia

To define Eurasia from a common geographical and political point of view can be complicated, because of different interpretations about its significance. Indeed, quoting the Eastern Europe specialist Kadri Liik, it is possible to see the different interpretations of the term: *“Eurasia in terms of physical geography most often refers to the landmass that stretches from the Atlantic to the Pacific. In terms of political geography, however, things are more complicated. Other terms relating to the region are clearer: when they speak of “Central Asia”, Russians mean the former Central Asian republics of the Soviet Union; “Asia” means first and foremost China and East Asia; the “Far East” refers to Russia’s own south-eastern and Pacific territories. But “Eurasia” is harder to define. It is usually used to refer to the territory of the former Soviet Union with the exception of the Baltic States⁶”*.

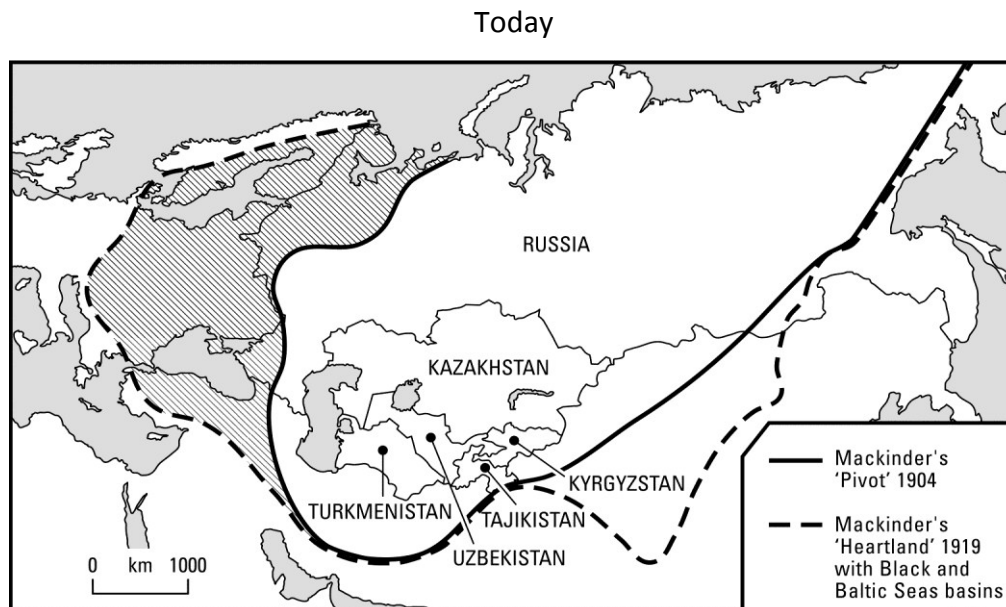
However, the classic perception of *“Eurasia”* is associated with the notion of *“Geo-Politic”*. Specifically, the Eurasian concept, correlated before to the term of *“Pivot”* (1904) and later to the conception of *“Heartland”* (1919), was coined by the Britain geographic Sir Halford Mackinder (1861-1947), who firstly accentuated the geographical and strategic prominence of this world regional zone and consequently its geopolitical relevance.

By his article *“The Geographical Pivot of the History”* (1904) Mackinder identified the enormous grandeur of the East-Urals as the Pivot of the Eurasian area and affirmed directly that the *“Pivot”*, or *“Heart-land”* of Eurasia — more of Russia and Central Asia — was the key to balance the

⁶ Cf. (Edit.) Kadri Liik (2014): *“Russia’s “Pivot” to Eurasia”*. Published by the European Council on Foreign Relations, May 2014. P. 6

powers of the world, stressing as that state which would have controlled this region, would be well-placed to dominate Eurasia and even the world⁷.

Figure 1: Halford Mackinder's Pivot and Heartland Designations, and the Central Asian Republics



Source: Megoran Nick and Sharapova Sevara (2005): *"Mackinder's "Heartland": A help or hindrance in understanding central Asia's international relations?"* CA&CC Press AB Publishing House (Sweden). http://www.ca-c.org/journal/2005/journal_eng/cac-04/02.megeng.shtml (last view: 12.08.2016)

The Britain geographic at the beginning of the XX century gave serious resonance to the strategic importance of this area, highlighting the possible implications that could derivate from the control of this zone for the global political and economic interests.

Mackinder's paper discussed the historical interplay and balance of power between Europe and Asia, arguing as the European expansionism and its primary way of transportation by sea was losing in the 1900 its importance due to two key-factors: 1) there were no more uncontrolled territories for the Europeans to explore and seize, and 2) the importance of the development of railways as instrument to connect territories quickly. Regarding the last point, Mackinder believed that the railways-system was more efficient than seaways in transporting of troops, swinging the mobility advantage back to land power⁸.

Exactly this last concept allows us to accentuate his main idea for the significance of Eurasia related to the transportation network. In fact, according to Mackinder, the project of the creation

⁷ Cf. Megoran Nick and Sharapova Sevara (2005): *"Mackinder's "Heartland": A help or hindrance in understanding central Asia's international relations?"* CA&CC Press AB Publishing House (Sweden). http://www.ca-c.org/journal/2005/journal_eng/cac-04/02.megeng.shtml (last view: 12.08.2016)

⁸ Ibid.

of the Trans-Siberian Railway, started in 1891 under the Emperor Alexander III, was one grandiose target in the transportation of people and manufacture, because changed the general modality of transport, characterized before just from a movement via sea: *“Trans-continental railways are now transmuting the conditions of land-power, and nowhere can they have such effect as in the closed heart-land of Eurasia, in vast areas of which neither timber nor accessible stone was available for road-making. Railways work the greater wonders in the steppe, because they directly replace horse and camel mobility. [...] The Russian railways have a clear run of 6000 miles from Wirballen in the west to Vladivostok in the east⁹”*.

Mackinder claimed as this system of transport assumes a particular character for Russia to control Eurasia and benefit of its market directly: *“A railway system would enable the incalculably great resources of the Russian Empire and Mongolia—population, wheat, cotton, fuel, and metals—to be properly exploited, leading to the inevitable development of a vast economic world outside the control of maritime powers. The resultant shift in the balance of power “would permit of the use of vast continental resources for fleet-building, and then the empire of the world would be in sight¹⁰”*.

Predominantly, the British geographer affirmed as the Euro-Asian zone, which has at his center Russia and consents an adequate overland transportation, represents the geopolitical core of the world. His analysis had the merit to emphasize the majesty and strategic position of Eurasia for economic and political interests.

In consequence of these considerations Mackinder assumed that the Eurasian concept has two significant dimensions: a geographical connotation and political-ideological-philosophical meaning¹¹.

The first significance contemplates the geographical position of Eurasia: an extended zone between the European and Asian continent that due to its central position occupies a meaningful role in the geopolitical scenario.

The second dimension is strictly connected with the evolution of Russia and its empire. Indeed, the importance of this world-zone found originally its confirmation during the period of 1720 under the Russian Empire of Peter the Great, who shaped Russia on the basis of the principles of Absolutism. This Empire, which collapsed during the February revolution of 1917, represented due

⁹ Mackinder H. J. (1904): *“The Geographical Pivot of the History”*. In the Geographical Journal. Vol. 23, N. 4. April, 1904. P. 434

¹⁰ Megoran Nick and Sharapova Sevara (2005): *“Mackinder's "Heartland": A help or hindrance in understanding central Asia's international relations?”* CA&CC Press AB Publishing House (Sweden). http://www.ca-c.org/journal/2005/journal_eng/cac-04/02.megeng.shtml (last view: 12.08.2016)

¹¹ Cit. Loc. Mackinder H. J. (1904). Pp. 436-437

to its geographical extension and the political changings adopted in its internal mechanisms the key of ideological changes within the Eurasian population and system.

In detail, the modernizing of Eurasia, through the adoption of an autocratic system, the development of the overland transportation for the economy and the vastness of the territory, showed at the beginning of the 20th century as this part of the world was moving the first significant steps to get a notable role in the global political and economic space.

Analyzing these reflections, stands out as the Russian empire represented the keystone of the Eurasian evolution, but, more important, as it was a fundamental step for the same Russia's development and the acquisition of a primary position in the region. Geographically, Russia became a Eurasian power since the 16th-17th century through the acquisition of the Central Asian region, Siberia and Far East. The Russian Empire undertook several campaigns to win the territories in the Caucasus region and Central Asia, with the handle of Georgia, Armenia and Azerbaijan from Turkish and Persian Empire. After that, the Russian Empire, by the contribution of the construction of the Trans-Siberian, which connected the whole territory, facilitated the trade among all parts of the Empire, with the result to increase its commerce and hegemony in Eurasia; and to assume a leadership position in the entire area consequently.

In 1919 Mackinder reviewed his work, introducing the concept of Heartland. Precisely, after the end of the First World War, he drew attention to the importance of the East Europe for the world dominance through his most famous phrase: *"Who rules East Europe, commands the Heartland; who rules the Heartland, commands the World-Island; who rules the World-Island, commands the world¹²"*. The importance of Eurasia as strategic territory, confirmed his thesis especially during the Soviet Union and Cold War, when Eurasia (and Russia) acquired a more intensified pivotal pawn in the geopolitical equilibrium.

2 The Eurasianism in its cultural and political construction

Principally, we can distingue two main epochs in the history of the classic Eurasianism: the geo-cultural period at the beginning of the 1921 and the politic phase in 1926/27.

The geo-cultural phase had the merit to emphasize as the culture and the geography are two complementary aspects in the formation of the identity of a community (in this case of Eurasia), which distingues itself from other civilizations exactly because of its geographic position.

¹² Mackinder H. J. (1919): *"Democratic Ideals and Reality"*. Baltimore, New York, 1962. P. 150

Retracing the analysis of Ostrovsky, the basic concept of Eurasianism, as expressed by Petr Savitsky (1895-1968), encloses the idea that Eurasia should be divided into three parts (Europe, Russia and Asia) instead of the traditional two (Europe and Asia). European Russia should be separated from the rest of Europe and integrated with Asian Russian as a Middle Continent or Eurasia, as the Eurasians called it¹³.

The intellectual Savitsky, as reported by Shendrikova, privileged the cultural component over the political in his explanation of Eurasia. He proposed two models of Empires: a continental one, forged by political relations that conveyed the model of Russian Empire, and maritime and economic one, based on the British model. For Savitsky, only the first model could be considered healthy, able to create a supranational culture and contribute to the progress of humanity¹⁴.

Specifically, according to the Eurasianists, Eurasia was a self-contained geographical entity whose boundaries coincided with those of the Russian Empire in 1914 roughly. Russia-Eurasia was neither European nor Asiatic and should be involved with neither Europe nor Asia. Its geopolitical destiny was to unite all of Eurasia under its authority, to recreate the empire of Genghis Khan¹⁵.

The classic Eurasian idea was formulated by the Russian émigré thinkers, "*the Eurasians*", during the XX century. Explicitly, the Eurasians can be defined as formulated by Dr. Frank: "*A group of Russian émigré scholar of the twenties and thirties years of the 20th century, who designated Eurasia as cultural-geographic world with a Russian cultural identity*"¹⁶". As is possible to evince from this passage, the Eurasians savants wanted to accentuate the geographic and cultural importance of Eurasia, influenced, ideologically, by the Russian mentality.

The discussion on Russia's civilization choice began in the middle of the XIX century out of the classic opposition between '*zapadniki*' (westernizers) and '*slavyanofily*' (slavophiles)¹⁷.

Chronologically, in the panorama of the Eurasianism, Georgy Vernadsky (1887–1973) can be identified as the pioneer that started to deepen the Russian history and the positive influence of the Eastern culture on the Russian ideology.

¹³ Cf. Ostrovsky Max (2008): "*The idea of Eurasia*". In Working Paper (Helmut Kohl Institute for European Studies), 64/2008. European Forum at Hebrew University, Marjorie Mayrock Center for Russian, Eurasian and East European Researcher. P. 6

¹⁴ Shendrikova Diana (2015): "*Going regional the Russian way: The Eurasian Economic Union between instrumentalism and global social appropriateness*". In Global Re-ordering: Evolution through European Networks. July 03, 2015. P. 7

¹⁵ Halperin Charles J. (1982): "*George Vernadsky, Eurasianism, the Mongols, and Russia*". In Slavic Review Vol. 41, No. 3 Autumn, 1982. P. 481

¹⁶ Frank Susi K. (2003) "*Eurasianismus Projekt eines russischen „dritten Weges“ 1921 und heute*", in: Europa und die Grenzen im Kopf. Klagenfurt. P. 197

¹⁷ Cit. Loc. Shendrikova Diana (2015). P. 5

Vernadsky, as described by Charles Halperin, presented the Mongol conquest of Russia as the pivotal development in the course of Russian history. He did not disagree with the usual view that the Mongols isolated Russia and that their conquest was a catastrophe. He stressed as the Mongols had profoundly transformed Russia's relationship with the steppe, and as in this action, they decisively shaped further the Russian migration, playing even a decisive role in the creation of the Russian statehood. The Mongols solved the problem of Russia's eastward expansion during the Kievan period. Vernadsky compared the eastward expansion of the East Slavs to the westward expansion of the Germanic peoples. He implied that no obstacle had impeded Germanic expansion westward. But Russia, European in culture and race, was geographically located in Asia, and thus East Slavic expansion during the Kievan period was stymied by the pastoral nomads of the steppe¹⁸.

From a purely cultural side, Vernadsky sustained that the collision of the Byzantium Empire and the Turkic-Mongolian cultural heritages generated the core of Russian culture, which in essence amounts to a "*Christianization of Turkishness*"¹⁹.

Quoting Halperin, Vernadsky anticipated a number of basic Eurasian axioms: that Russia was geographically as much Asian as European, that the Mongol conquest was the central event of Russian history, that the Mongol influence upon Russia was not entirely negative, and that Russian expansion eastward was one of the most important features of Russian history²⁰.

In 1920 Nikolaj S. Trubetzkoy (1890-1938) with his work "*Evropa I čelovečestvo*" (Europe and Mankind), laid the foundations for a new vision of Russia as an expression of the "*civilization of the steppes*", heiress of the empires of Genghis Khan and Tamerlane, with a significant positive formulation about the Tatar influence on Russia²¹. Prince Nikolaj Trubetzkoy, who wrote extensively about the pursuit of real Russian identity after the time of the Tsars, was one of the most important proponents of the Eurasian idea.

Though, the year 1921 represents the born of the construction of the Eurasian doctrine officially, when appeared in Sofia the anthology "*Ischod k Vostoku*" (The Exodus to the East), an opera containing the contributions of a group of Russian émigré thinkers: Petr N. Savitsky, Petr P. Suvčinskij, Georgij V. Florovskij and Nikolaj S. Trubetzkoy. The principal idea that these authors

¹⁸ Halperin Charles J. (1982): "*George Vernadsky, Eurasianism, the Mongols, and Russia*". In Slavic Review Vol. 41, No. 3 Autumn, 1982. P. 479

¹⁹ Shendrikova Diana (2015): "*Going regional the Russian way: The Eurasian Economic Union between instrumentalism and global social appropriateness*". In Global Re-ordering: Evolution through European Networks. July 03, 2015. P. 7

²⁰ Cit. Loc. Halperin Charles J. (1982). P. 480

²¹ Mutti Claudio (2005): "*Le tappe del pensiero eurasiatista*". In Coordinamento Progetto Eurasia. 1.09.2005
<http://www.cpeurasia.eu/460/le-tappe-del-pensiero-eurasiatista> (last view: 22.08.2016)

presented in this work wanted to propose a cultural-philosophical image of the Russian culture, with the aim to save Russia from the Bolshevism and from the diktat of the Western Universalisms. Here was elaborated the idea that Russia has its own cultural and historical identity, different from the individual and nationalist Europe²².

The migrants insisted mostly on the special nature of the Russian eastern path and its dominant ideological influence on the Eurasian region.

During the 1930s, the linguists of the Prague school, in the figures of Trubetzkoy and Roman Jakobson, stressed the closeness between Russia and Asia and their complex ethno-genesis nature through the ideological connection with the Finno-Ugric and Turk-Tatar population during the period of the Mongol Empire of the Golden Horde. These authors emphasized the cultural side of the Russian ideology, diversifying it from the West. The incipit of this discourse wants to lead to the main perspective of Eurasianism, namely that Eurasia, influenced culturally by the Russian vicissitudes and impact of the other populations in primis the Mongols, presents an unique culture, ideology and tradition, that de facto differs from the other world cultures.

Concerning the political dimension of the doctrine, the Eurasianism has assimilated the ideas of Bolshevism, developing its theory during the USSR only ranged with the Soviet thought.

According to Cohen Ariel, the concept of Eurasianism as political theory emerged firstly after the Russian Revolution of 1917: *"The Russian émigré thinkers formulated a third way for Russia between East and West and between capitalism and socialism. The idea never fully developed due to the predominance of Leninism²³".*

But, the Eurasian theory after the 1917, because of the more dominant ideas of the Bolshevism, did not deploy enough its geopolitical conceptions over the Eurasian region, acquiring only an incidental character among the Russian theoreticians of the USSR.

Here, there were two positions within the group of the Eurasians, as described by Trubetzkoy in *"my i drugie"* (we and the others, 1925): the *narodniki* (populists) and the Bolsheviks. From one hand the Bolsheviks criticized the Eurasianism because considered a movement that was embodying the European thought. From the other hand the populist condemned the Bolshevism, because considered the October Revolution as an excrescence of the Romano-Germanic culture²⁴.

²² Cf. Frank Susi K. (2003): *"Eurasianismus Projekt eines russischen „dritten Weges“ 1921 und heute"*, in: Europa und die Grenzen im Kopf. Klagenfurt. P. 200

²³ Cohen Ariel (2013): *"Russia's Eurasian Union Could Endanger the Neighborhood and U.S. Interests"*. In The Heritage Foundation. 14, June 2013. <http://www.heritage.org/research/reports/2013/06/russias-eurasian-union-could-endanger-the-neighborhood-and-us-interests> (last view: 24.08.2016)

²⁴ Cf. Cit. Loc. Frank Susi K. (2003). P. 214

Trubetzkoy, in this cultural spectrum, with his critic to the Western ideology, sided against the *egocentrism* of the West, introducing the concept of Nationalisms abstractly.

From 1927, the second stage of the evolution of Eurasianism, philosophers as Nikolaj Alekseev (1869-1964) and Lev Karsavin (1882-1952) refined the concept and its intersection with the Bolshevism, comprehending as the connection with this ideology was essential to maintain alive the Eurasian idea between the Russian thinkers. Indeed, they specified in the Parisian Journal "*Evrazija*" (Eurasian) and "*Evrazijskaja chronika*" (Eurasian chronicle) as there was any contrast between the two ideologies, theorizing as for the construction of a future state, the Soviet system had not to be detached, but renovated²⁵.

This political vision, connected with the strategic position between Europe and Asia and the apparent economic advantage over the other continents consequently, was united to the theory of the dictatorship of the proletariat of the Russian philosopher Plechanov and its elaboration of Lenin, where the Russian and thus Eurasian population should guide this part of the world, trying to elevate the Russian ideology on the eyes of the world.

Russia is for the Eurasian authors the sixth continent, separated from Asia and Europe, as a crucial node of a new world culture.

Furthermore, to differentiate more the distance between Eurasian culture and the European dominated by the Western tradition of the Roman Right, the Russian historic Lev Karsavin assumed the idea of an autocratic state under the guide of the Orthodox Church elevating the Orthodox spirit over the Christianity, which always have assumed in Europe the role of primary religion.

Basically, the essential idea of the Eurasians was to propose the centrality of Eurasia through the elevation of the Russian stateliness, elaborating an own idea of culture different from the secular Western ideology.

2.1 *The classic Eurasianism and the importance of Danilevsky*

Eurasia, as theorized by the Eurasians has own roots, ideology and must be separated from the rest of the world.

²⁵ Cf. Frank Susi K. (2003): "*Eurasianismus Projekt eines russischen „dritten Weges“ 1921 und heute*", in: Europa und die Grenzen im Kopf. Klagenfurt. P. 200

With this premise, in this section will be analyzed the main authors of classic Eurasianism that mostly have underlined the uniqueness of the Russian ideology against the Western, seeing Russia as the core of Eurasia, theorizing it as an independent part of the globe, a real continent.

The Russian cultural identity and its idea of superiority against the Western characterized mostly the Russian Slavophil current of the XIX century. The preeminence of the Russian ideology was traced by Aleksej Chomjakov (1804-1860), who, through the theological substantive “*sobornost*”, that designates the state of absorption of the individual and of his particular consciousness in the collective, wanted to trace the uniqueness of the Russians, as an ideological unique civilization²⁶.

Even the Russian philosopher Fyodor Dostoevsky (1821-1881), can be framed as eminent pre-Eurasianist. In his diary of 1881 advocated for Russia’s historic mission to bring about a higher level of civilization in Asia²⁷.

Though, the precursor of the Eurasianism can be identified in the figure of Nicolay Danilevsky (1822-1885), who firmly emphasized the centrality of Russia as the main actor in the Eurasian space and the specificity of the Slavic culture, as core of the union between all Slavic states to form an own politic and ideological body.

Danilevsky, the eminent creator of the Russian philosophy of history and main representative of the Pan-Slavism²⁸ in the second third of the 19th century, through his book “*Rossiya i Evropa*” (Russia and Europe, 1869) traced firstly the Eurasian antagonism to the Romano-Germanic culture, envisaging a war between the Romano-Germans of Western Europe and the Greek-Slavs of Eurasia. In his idea of Eurasia, he proposed a renewed Slavic-Orthodox civilization.

Specifically, with his work he wanted to take an outstanding position in the history of Eurasianism. According to Wiederkehr Stefan, with the opera *Rossiya i Evropa*, Danilevsky designed a philosophy of history, in which he rejected the idea of a unified humanity and the universal linear concept of progress of the enlightenment. Western Europe – in Danilevsky words, the “*European civilization*” or the “*Germano-Roman type of culture*” – embodies not the general human culture in the advanced stage of the world, rather it would represent the biological laws of growth and decay of the subjugated culture type. In this model of a multi-linear world history, the West loses its

²⁶ Cf. Frank Susi K. (2003): “*Eurasianismus Projekt eines russischen „dritten Weges“ 1921 und heute*”, in: Europa und die Grenzen im Kopf. Klagenfurt. P. 204

²⁷ Shendrikova Diana (2015): “*Going regional the Russian way: The Eurasian Economic Union between instrumentalism and global social appropriateness*”. In Global Re-ordering: Evolution through European Networks. July 03, 2015. P. 6

²⁸ Movement formed in the first half of the 19th century by West and South Slavic intellectuals that recognized a common ethnic background among the various Slavic peoples of Eastern and East Central Europe with the aim to unite all them compactly for the achievement of a common cultural and political unity.

ideological orientation and basis function on the Russian identity, because this belongs to the original Slavic culture type²⁹.

Danilevsky highlighted that individual cultural and historical types can be distinguished as old, middle and new histories; and as they appear in various stages of world development. His reasoning wanted to show that the European culture cannot be absolute between all ethnic groups and moreover that it was not the unique ideology in all different temporal spaces. Based on this concept, the Russian historian formulated five general principles, that are decisive for the development of cultural-historical types: *"1) the cultural-historical types are formed by language families; 2) in the independent development of a cultural-historical type, the political independence is a necessary condition; 3) the fundamental principles of civilization cannot be transmitted from one type to another; 4) the wealth and diversity of cultural and historical type of the variety of contained ethnographic elements depend from the fact that the political organization decentralize themselves into a federation or a state system; 5) the analogy between the process of development of cultural-historical types can be explained as a plant which makes blooms only once"*³⁰.

Throughout his studies Danilevsky came to the conclusion that Europe is not a geographical whole, since there is no geographical boundary that separates it from Asia clearly. He considered Europe nonetheless as cultural and historical unity, identifying it as the Romano-Germanic culture type. Consequently, Russia is not part of Europe, because it has no common roots with the European culture: *"It was not a part of the Supranational, European Holy Roman Empire of Karl the Great and his successors; it did not have the national and common European feudal system, also did not participate and was not involved in its resolution on behalf of the civil and political freedom. Russia has also accepted neither Catholicism nor Protestantism. Russia is neither due to his parentage nor by adoption to Europe"*³¹.

Europe and Russia are two different cultural worlds for Danilevsky. Europe is older and stronger than Russia. However, in his opinion Europe does not see Russia as a part of itself. Europe and Russia are opponents, they have their own interests³². According to him, Europe sees in Russia and even in the Slavs something that is totally foreign and, at the same time, something that can be

²⁹ Wiederkehr Stefan (2000): *"Der Eurasismus als Erbe N. Ja. Danilevskijs? Bemerkungen zu Einem Topos der Forschung"*. Studies in East European Thought Vol. 52, No. 1/2, Aspects of the Evrazijstvo Movement/Aspekte der Eurasier Bewegung. Springer, 2000. Pp. 121-122

³⁰ Ibid. P. 126

³¹ Cf. Danilevsky Nikolay J. (1871): *"Rossija i Evropa"*. Moskva Kniga, 1991. (Reprint St. Petersburg, 1871). P. 352

³² Cf. Markov Boris (2000): *"Das andere Europa – aus der Perspektive Rußlands"*. In Stegmaier Werner (Hrsg): *"Europa-Philosophie"* (2000). De Gruyter Berlin New York. P. 159

exploited as mere material to Europe's advantage: "*It (Europe) sees in Russia not only an alien, but a hostile power. Russia and the Slavs are hated by all European parties*³³".

The Russian philosopher used these assumptions to justify two main theses of his political theory. The first is the inevitable opposition of the political interests of Russia and Europe, between East and West, which would lead to a long historical struggle; a dispute that he called the "*Eastern Question*". In the fight against the West, which throughout the history has shown its aggressive character, the Slavic people need a political covenant definitely, a "*Slavic Federation*", to be able to contrast the Western impetus. This alliance introduces the second thesis of Danilevsky's political theory directly, namely that Germany, a relative young nation in comparison with the other European countries of the XIX century, due to its cultural and politic expansion, was playing in the 1800 a leading role in European politics. Following Danilevsky's opinion, the Germans were consequently the main threat for Russia and the Slavic world. In this context, he has not only seen a military threat from Germany, but also cultural. Specifically, he dreaded a *Germanization* of the Slavs. In response to the idea of Pan-Germanic, Danilevsky developed its Pan-Slavic conception and the thesis that the West-Slavic people, because of their dependence on Europe, were not able to organize their own political life. They needed the help of the Russians that, in his opinion, were the sole carriers of the political idea of Slavism.

Danilevsky was the first to propound the philosophy of history as a series of distinct civilizations. His main thesis, the differentiation of Russia and Europe culturally and politically, had a strong impact among the Russian thinkers of the Eurasianism, as Vladimir Lamansky (1833-1914), who directly supported his concepts, speaking about Russia, as a "*third world*", between the European and Asian culture³⁴, or Nikolaj Trubetzkoy and Konstantin Leontyev (1831-1891).

2.2 Trubetzkoy and Leontyev: the review of Danilevsky's thought

In the Eurasian school of the end 1800 early 1900, the Russian linguist Trubetzkoy has revived the ideas of Danilevsky about the Slavic culture as a different typology from the European identity. With this concept Trubetzkoy wanted to strengthen the importance of the Pan-Slavic ideology with its own attributes against the mythos of the European culture. In favor of this suggestion, the Russian philosopher formulated a distinction between the European and the Slavic tradition, arguing beside the dominance of the Europeans: "*The intelligence of the Europeanized peoples...*

³³ Cf. Danilevsky Nikolay J. (1871): "*Rossija i Evropa*". Moskva Kniga, 1991. (Reprint St. Petersburg, 1871). P. 352

³⁴ Cf. Frank Susi K. (2003): "*Eurasianismus Projekt eines russischen dritten Weges 1921 und heute*", in: Europa und die Grenzen im Kopf. Klagenfurt. P. 206

have to be ... recognize: ... that European culture is anything absolute, not the culture of all mankind, but merely the creation of a limited and specific ethnic or ethnographic group that has a common history; that European culture represents a standard for the ethnic group, that has created it; that it is not more perfect and 'higher' than any other culture that is created by another ethnographic group; because there is no 'higher' and 'lower', but only more or less similar to each other cultures and peoples; that on this account the appropriation of the Roman- Germanic culture by a people that did not participate in its creation, is not an absolute good and has no absolute moral force; that a perfect organic appropriation of Romano-Germanic culture (and indeed any foreign culture)... only to an anthropological absorption of the people in the Roman-Germanic is possible...; that consequently the Europeanisation for every not Roman-Germanic people is an absolute evil³⁵”.

In his book *“Europe and Mankind”* (1920) the Russian linguist openly criticized the *“European-Egocentrism”* that has in the history given a same linear course about all worldwide cultures, elevating the European culture as the highest one in the historical cultural evolution. The volition of the European culture to dominate all the other civilizations, did not allow the Russian identity to form itself properly, because it was hidden by the European values. Trubetzkoy motivated his thesis, connecting the cultural side with the geographical view, affirming as the Roman-Germanic culture was not absolute for all ethnographic communities, because every group, due to its location in diverse parts of the world, has simple different values and tradition.

The uniformity of the Russian ideology over Eurasia was confirmed by Trubetzkoy with the Revolution of 1917, where the formation of new state could acclaim the legacy of the Russian, since Russians had stopped being a dominant nation, becoming *“one people among the others³⁶”*. This passage wanted to justify from a side the union of all Slavic population among Russia; and from the other side wanted to find a compromise with the Bolshevism, seeing the two currents of thought not opposed but complementary.

Konstantin Leontyev described in his book *“Vizantizm i Slavjanstvo”* (Byzantinism and Slavism, 1875) the role of the state, religion and culture in the life of a community.

Generally, Leontyev affirmed as Danilevsky had undoubtedly a decisive influence on the construction of his ideas: *“Danilevsky was ... the first person who has observed the culture types.*

³⁵ Cf. Trubetzkoy N. S. (1920): *“Europe and Mankind”*. P. 104f. Cit. in Wiederkehr Stefan (2000): *“Der Eurasismus als Erbe N. Ja. Danilevskijs? Bemerkungen zu Einem Topos der Forschung”*. Studies in East European Thought Vol. 52, No. 1/2, Aspects of the Evrazijstvo Movement/Aspekte der Eurasier Bewegung. Springer. Pp.: 122-123

³⁶ Shendrikova Diana (2015): *“Going regional the Russian way: The Eurasian Economic Union between instrumentalism and global social appropriateness”*. In Global Re-ordering: Evolution through European Networks. July 03, 2015. P. 6

The old Slavophiles have the ideas, but to them it's all unclear ... while to the author of "Rossija i Evropa" all is very clear³⁷.

Leontyev has overhauled the political ideas of Danilevsky, encouraging nearer cultural bonds between Russia and the East against the revolutionary utilitarian influence of the West. In his thought, he rejected the idea of Pan-Slavism, replacing it with the idea of "Byzantine". Leontyev was intrigued by Byzantine, seeing it as a concrete principle, with its style and own historical roots; while, according to him, the Slavism as a principle did not represent anything concrete, as explained by Wiederkehr: "*Danilevsky specified the "Eastern Question" as a confrontation of Old Roman-Germanic culture type with the New Slavic culture type: Pan-Slavism is a striving on the alignment. It is the pan-European revolution. We need not Pan-Slavic ideas, Slavs-support or Slavs-caprice, but Slavic originality, Slavic creativity, and Slavic peculiarity*"³⁸.

Concretely, Leontyev saw Pan-Slavism has an ordinary national principle without any historical forms. In contrast to Danilevsky, Leontyev has never expressed a concrete enthusiasm about the Slavism. Indeed, according to him, it is incomprehensible as a principle and even harmful in political sense for Russia: "*Pan-Slavism is very dangerous, if not quite pernicious*"³⁹.

In his idea of "*Slavic Union*", under the leadership of Russia, he did not want to realize such union based on a Slavic basis, but, instead, according to the principle of cultural Byzantinism.

Leontyev discussed in detail which nation could be part of its "*Slavic Union*" and which should be excluded from it. For that, he stressed two criteria: 1) the risk of liberalism in the Slavic countries of Eastern Europe and 2) the importance of Orthodox Christianity. According to this attitude towards a future Union at the end of the XIX century, the Catholic Poland and the Germanized Czech Republic should not be part of this alliance; instead the Orthodox Greece should join it, because of its religious influence over the Slavic population.

While Leontyev agreed with the ideas of Danilevsky about Russia's role as the leader of a possible Eurasian Union, but accentuating more the role of religion instead of Pan-Slavism as cornerstone of the Slavic Union, the theologian Vladimir Solov'ev (1853 - 1900) critiqued expressly Danilevsky's view and Leontyev's opinion.

Solov'ev revisited the religion and philosophical thesis of Danilevsky and Leontyev, raising doubts about the Eurasian culture, as anything superior to the European.

³⁷ Cf. Leontyev Konstantin (1993): "*Izbrannoe*". Moskva: Rarog "Moskovskii rabochii". P. 240

³⁸ Cf. Wiederkehr Stefan (2000): "*Der Eurasismus als Erbe N. Ja. Danilevskijs? Bemerkungen zu Einem Topos der Forschung*". Studies in East European Thought Vol. 52, No. 1/2, Aspects of the Evrazijstvo Movement/Aspekte der Eurasier Bewegung. Springer, 2000. P. 148

³⁹ Cf. Cit. Loc. Leontyev Konstantin (1993). P. 336

The significance of the works of Solov'ev is to find in the philosophical mediation of religion. Unlike the Byzantinism of Leontjev, Solov'ev considered as a religious model the Catholicism, which is tightly organized and uniform, instead of the Russian Orthodox Church, too fragile for him to play an active role in the story.

Regarding his opinion, the Pope could be able to exercise a better control over a continent, because he was of the opinion that a strong religious person can coordinate in a proper way the population, exalting the value of their identity. Here he suggested the idea about a mystic Union between the Russian Orthodoxy and the Catholic Church⁴⁰.

In contrast to Danilevsky, Solov'ev argued that the Russian culture is an integral part of Europe, not independent and original.

In his ideas is visible as Catholicism and the old European school influenced his thought decisively. Moreover, through its concepts is possible to evince as he was contrary to the Slavic school of the 19th century, underlining the importance of European culture as the mother of all civilization even in the Eurasian region, accenting the idea of the Catholicism as guiding religion for the Slavs.

Summarizing, we can assert that Danilevsky opened with his philosophy and his book "*Russia and Europe*" the dialogue on the strength of the Slavic culture and Pan-Slavism in the Eurasian region. His doctrine was revolutionary because for the first time in Russia, the European culture was seen as not the only doctrine of world civilization. His ideas and the successive revisions by authors such Trubetzkoj and Leontjev about a cultural and political distance of Eurasia from European rules, introduced the idea about the considerable potential of Russia as the main leader of the Eurasian region, and fostered the birth of Russian nationalism.

3 The Western geopolitical school

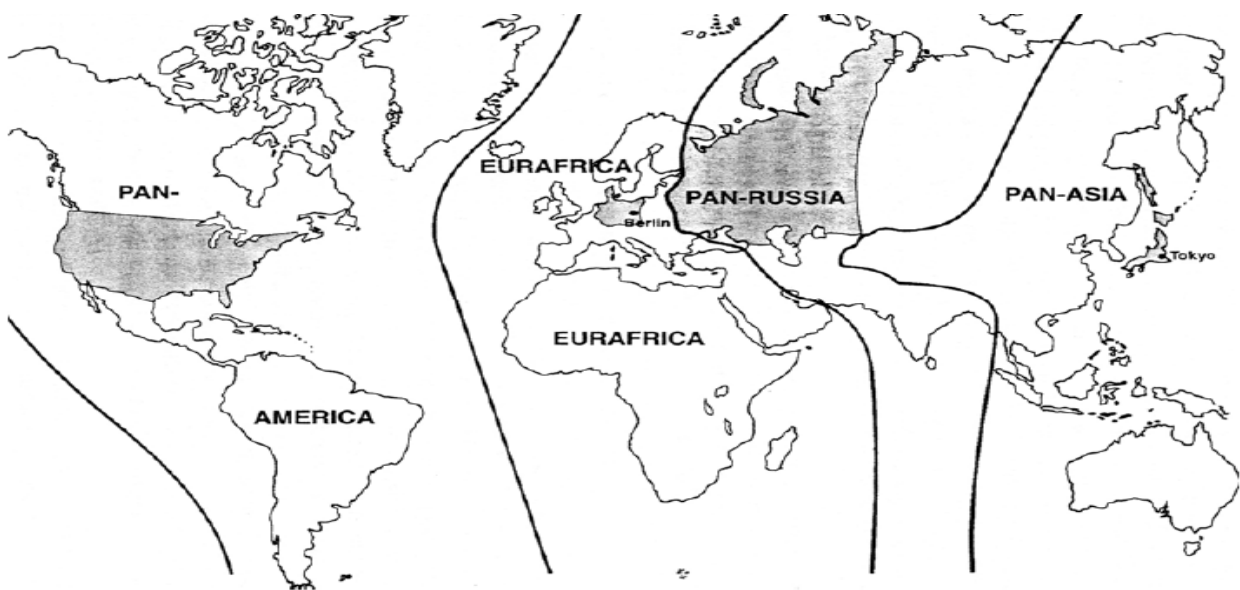
Eurasia, due to its position between Europe and Asia, was seen, especially since the beginnings of the XX century, as a strategic zone with a high economic, military and politic potential, able to determinate every geopolitical event.

In fact, the geographical vision of Eurasia, as elaborated by Mackinder, had the merit to emphasize the geo-strategic position of this region in the global chessboard. This idea of geopolitical center of Eurasia was successively particularized by the Western geopolitical school.

⁴⁰ Dizionario di Filosofia (2005): "*Solov'ëv, Vladimir Sergeevič*". In [treccani.it](http://www.treccani.it)
[http://www.treccani.it/enciclopedia/solov-ev-vladimir-sergeevic_\(Dizionario-di-filosofia\)/](http://www.treccani.it/enciclopedia/solov-ev-vladimir-sergeevic_(Dizionario-di-filosofia)/) (last view: 02.09.2016)

In this philosophical vision it is necessary to mention firstly the figure of Karl Haushofer (1869–1946), a German military general and geographer, who found the German school of *Geopolitik* and was its leader during the Weimar and Nazi periods. In his work *“Pan-Ideas in Geopolitics”* (1931) he discussed in detail the Russian Eurasianism in a chapter titled *“Pan-Asia – Eurasia – Pan-Europe”*. Haushofer adopted both Mackinder’s Heartland thesis and his view of the Russian-German alliance – the two actors that already Mackinder recognized as the major contenders for the control of Eurasia in the twentieth century. Haushofer suggested an alliance between the Soviet Union and Germany so that the vast resources of Eurasia could be used to support German ambitions on the world scene⁴¹. Moreover, the German general in reflection of the military strategies of the 1930s supported the idea that the German-Russian alliance should include Japan too.

Figure 2: Haushofer’s Pan-Regional Model



Source: Ostrovsky Max (2008): *“The idea of Eurasia”*. In Working Paper (Helmut Kohl Institute for European Studies), 64/2008. European Forum at Hebrew University, Marjorie Mayrock Center for Russian, Eurasian and East European Researcher. P. 15

The figure above shows the continents division as formulated by Haushofer, namely the partition of the global parts between the world powers. Considering his view, Central Asia was supposed to belong to the Soviet Union, as natural part of the Eurasian zone.

⁴¹ Ostrovsky Max (2008): *“The idea of Eurasia”*. In Working Paper (Helmut Kohl Institute for European Studies), 64/2008. European Forum at Hebrew University, Marjorie Mayrock Center for Russian, Eurasian and East European Researcher. P. 14

The thought of the German geographer, especially his subdivision of the regional world parts, constituted a fundamental aspect in the evolution of the geopolitical strategic significance of Eurasia. Indeed, his ideas and Mackinder's thought were the incipit for the development of the modern Eurasianism.

Both the vastness and strategic grandeur of Eurasia and the revision of the Mackinder's view represented reason of debate during the twentieth century between the Western thinkers, especially the Americans, who aimed to understand and stem the Russian influence.

The American admiral Alfred Thayer Mahan (1840–1914) can be recognized as the founder of the American geopolitical thought related to the Eurasianism. Mahan identified in his researches the Eurasian region from Asia Minor to Japan as a key area of the world. He acknowledged the countries of this portion of earth: Turkey, Persia, Afghanistan, China, Korea and Japan, positioned between the two major powers: Britain and Russia. Russia was that power that Mahan considered more threatening to the fate of Central Asia, because of the great position of Russia, favorable more than the Anglo-Saxon for a southward expansion⁴².

Quoting other exponents of this school, the American Nicholas Spykman (1893-1943) affirmed in his work *"America's Strategy in World Politics"* (1942) as the balance of Eurasian power was determinant to allow the American and Allied to win the Second World War: *"As long as Stalin's armies fight in Russia, Chiang Kai-shek's troops resist in China, and British sea power rules the Indian Ocean, the Eurasian land mass will remain balanced and ours will be the deciding role in the power struggle of the Old World"*⁴³.

Zbigniew Brzezinski (1928-2017), Jimmy Carter's national security adviser, following Mahan, Mackinder and especially Spykman, saw the Cold War as a geopolitical struggle for control over the Eurasian land mass: *"The Soviet Union would prevail if it could eject the West from the western and eastern fringes of Eurasia. The West would be preponderant if it contained the Soviet Union. Soon the West was preponderant and launched its strategic advance into the former Soviet sphere"*⁴⁴. In his work *"The Grand Chessboard: American Primacy and Its Geostrategic Imperatives"* (1997) Brzezinski attributed to Eurasia a crucial geostrategic significance and stressed the necessity for the United States to have a direct control over this part of the globe, creating an

⁴² Cf. Ostrovsky Max (2008): *"The idea of Eurasia"*. In Working Paper (Helmut Kohl Institute for European Studies), 64/2008. European Forum at Hebrew University, Marjorie Mayrock Center for Russian, Eurasian and East European Researcher. P. 11

⁴³ Spykman, N. J. (1942): *"America's Strategy in World Politics: The United States and the Balance of Power"*. Transaction Publishers New Brunswick and London.

⁴⁴ Cit. Loc. Ostrovsky Max (2008). P. 18

equilibrium in the region with the Americans as political arbiter, in order to contain the Russian dominance over the area.

The Western school had the merit to export worldwide the significance of Eurasia as determining factor for the global balances. Mackinder and Haushofer emphasized the grandiosity of this world region, the overland transportation and as a hypothetic German-Russian-Japanese alliance could create a strong power that could be able to influence all the global political and economic processes.

The American thinkers have assimilated the Mackinder's idea, eulogizing the strategic importance of Eurasia. From Mahan to Brzezinski the principal argument of discussion was to find a channel of insertion for the United States, trying to control Eurasia, in order to balance the Russian solidity in the region.

4 The binomial Eurasianism-Soviet Communism

From a hand the ideas about the strategic position Eurasia elaborated by the authors of the Western Geopolitical School had the merit to point out the geostrategic importance of Eurasia in the global equilibrium, arousing sensible interest among global politicians and philosophers. From the other hand, the classic Eurasianism encountered difficulties to find its position as principal doctrine among the Russian thinkers, affirming itself at the beginning of the XX century only through a related linkage with the Communism doctrine.

Although the two ideologies could be seen different for their principal ideas – the Communist class struggle and the Eurasian exaltation of the unique character of the Russian culture – the relationship between these two ideologies was positive to support the political, economic and cultural aspect of Eurasia and its population.

This reasoning drove to two focal consequences: 1) the possibility to consolidate the Eurasian idea among the Russian thinkers and in the region; and 2) the glorification of the Eurasian population and culture, with a decisive support to the Russian nationalism.

The Soviet Communism was not apparently in conflict or contradictory to the concept of Eurasianism, rather it was used to conquer and consolidate the Russian potency, influence and hegemony in the border areas.

Though, a definite ideological passage of the Eurasians to the side of the Soviet Union was not so rapid, but occurred only in the early 1940s⁴⁵.

This ideological alliance allowed the Eurasianism and the Soviet Union to find a same way of development, supporting the same principles of stateliness of Russia and the wealth of local resources (as oil and gas) as instrument to compete with the biggest world powers: USA and Europe.

The exaltation of Russia, its Slavic population and its identity as proposed by the Eurasians, united to the Soviet ideas of economic and military Russian predominance, supported the Soviet Union ideologically. A confirm of this thought can be found in the main exponent of the Soviet-Eurasianism Lev Gumilev (1912-1992), who endorsed and supported the creation of the Soviet Union enthusiastically, which firstly integrated the Central Asian and Caucasian regions and thereafter developed itself with emphasis in the Soviet - or better- in the Eurasian Empire. Through the term of "*Superethos*", defined as a common geo-climatic condition related to cultural identity, Gumilev identified the "*Russia-Eurasia*"⁴⁶. According to him, the Russian Eurasianism is based on the assumption that Russia is partly in Europe and Asia and that in terms of people, religion and geography has both Asian and European elements. Specifically, Gumilev supported the idea that Russia was the center of the "*Old World*" not only from a geographic sense, but also from a political-economic view. Moreover, Russia occupies a special place in the geopolitically-Eurasian region and as central power has the primary mission to balance the interests between Europe and Asia⁴⁷.

The compactness of the concept of Eurasianism, as a crucial element of the Soviet ideology, found its demonstration during the Perestroika and the last days of the USSR, where some Russian politicians and intellectuals tried to rely to the concepts of Eurasianism, as glorification and unity of the Slavic people, for saving the Union. In the 1990s, the Eurasian idea acquired a prestigious consideration among the Russian leaders, seen as an instrument to unite the Russian population due to the fragility of the Soviet Communist ideology.

⁴⁵ Cf. Le Monde Diplomatique (2014): "*Die Wiederentdeckung Eurasiens Putin erhebt eine alte Idee zur geopolitischen Doktrin von Jean-Marie Chauvier*". In Le Monde Diplomatique. 13.06.2014 <http://www.monde-diplomatique.de/pm/2014/06/13.mondeText.artikel,a0051.idx,14> (last view: 15.09.2016)

⁴⁶ Cf. Frank Susi K. (2003): "*Eurasianismus Projekt eines russischen „dritten Weges“ 1921 und heute*", in: Europa und die Grenzen im Kopf. Klagenfurt. P. 217

⁴⁷ Cf. Golam Mostafa (2013): "*The concept of 'Eurasia': Kazakhstan's Eurasian policy and its implications*". In Journal of Eurasian Studies. 19 March 2013. P. 162

This because the Soviet politicians by the Eurasian theory, that already at the end of the 1980s foresaw a political and cultural brotherhood between all Slav nations, wanted to justify the continuation of the Soviet Empire because of its role of political world superpower.

In fact, after the demise of the USSR, the Eurasian concept did not disappear; rather this ideology strengthened itself in the so-called "*Neo-Eurasianism*" and got new impetus and support of Russian nationalists that advocated for an aggressive policy towards Central Asia and South Caucasus, without forgetting the principal enemies: the Western ideology and America.

5 Eurasianism and Pan-Slavism, a consideration

In the study of Eurasianism and its development from classic to Neo-Eurasianism, its evolution should be analyzed even through its comparison with the Pan-Slavism.

Defining the Pan-Slavism, this cultural and political movement of the XIX century, recognizing a common ethnic background among the various Slav peoples of eastern and east central Europe, supports the integrity and unity of the Slavic peoples⁴⁸. The development of this ideology occurred mostly in those territories, as e. g. the Balkans, where non-Slavic empires, as the Byzantine Empire, Austria-Hungary, the Ottoman Empire, and Venice, had ruled the South Slavs for centuries.

Instead, the idea of Eurasianism, as proposed by Danilevsky and Trubetzkoy, is more connected with the cultural and identity exaltation of Russia and its civilization.

If from a side the Pan-Slavism exalts the concept of unity of all Slavic countries, from the other side the Eurasianism emphasizes the Russian identity, as unique culture for the Eurasian region. Thus, Eurasia is the notion which assumes a special connotation. Citing Matthew Schmidt, "*Danilevsky defined Eurasia as the vast unbroken landmass bounded on its edges by the high mountain ranges of the Himalayas, Caucasus, and Alps and the large bodies of water that made up the Arctic, Pacific, and Atlantic oceans, and the Black, Mediterranean, and Caspian seas. The gigantic, Rolling, low steppe in the center of this outline is the Eurasian plain that Mark Bassin has characterized as "an independent geographical world, self-contained and distinct from Europe as well as from Asia*"⁴⁹."

⁴⁸ The Editors of Encyclopædia Britannica (1998): "*Pan-Slavism*". <https://www.britannica.com/event/Pan-Slavism> (last view: 08.01.2017)

⁴⁹ Schmidt Matthew (2005): "*Is Putin Pursuing a Policy of Eurasianism?*" In Academic Journal Demokratizatsiya Vol. 13 Issue 1. P. 90

So, the denomination of Eurasia as a grandiose region for the classic Eurasians had the target to express the vastness and uniqueness of this region, in order to exalt its Slavic population and identity vigorously. Following this point, we can discover as the Pan-Slavism and the classic Eurasianism of the Russian emigrée had common elements about the exaltation of the Slavic identity: the unique Slavic culture and tradition; the role of Russia, seen as the guide-nation of all Slavic population; and the marked detachment of the Slavic culture from the West, seen in the Romano-Germanic culture primarily.

During the Soviet Union, on the East part of Europe, the notion of Eurasianism knew a tenuous development, limiting its role in an exaltation of the Russian and Slavic roots, emphasizing the Russian influence over the Soviet republics principally.

Generally, in the period of the USSR, the Eurasianism and the Pan-Slavism had mostly a common vision and played a same role in the formation of a solid Russian mentality.

A precise differentiation happened with the modern Eurasianism, where the philosophical current changed its aspect, concentrating more to the war between West (Atlanticism) and Russian world, detaching itself from the Pan-Slavism. In fact, if the Pan-Slavism as the classic Eurasianism, wanted to support the Slavic population against the not Slavic empires; the Neo-Eurasianism proposed the aim, mostly visible in the thought of Aleksandr Dugin, to give emphasis on the history and tradition of Russia, in order to raise its hegemony toward the other Slavic neighbors and worldwide, opposing the particular Eurasian character to the American one.

This conjecture underlines the passage from classic Eurasianism, similar to the exaltation of the Slavic identity of the Pan-Slavism, to the Neo-Eurasianism, which in its global aim exalts more the Russian identity, highlighting its sharp opposition and struggle against the West culture, identified in the American identity.

6 From the classic to the Neo-Eurasianism

At this point of the analysis, before introducing and examining the modern Eurasianism, is useful to recapitulate the principal features of the Eurasianism.

Citing the analysis of Dr. Sergey Kolchigin (2002), quoted in the study of Dr. Golam Mostafa (2013), can be traced the five primary characteristics of Eurasianism: a) it is an idea of cultural dialog between Europe and Asia, b) it is the definition of the super ethnic collectivity; c) it is a both ideological and political movement of the 1920s of the 20th century; d) it is an idea of regional

integration in the Eurasian territory; e) it is put forward in opposing to the encroachment of western civilization for the sake of the establishment of the Russian World Empire⁵⁰.

From the political side, the Eurasians were the first among the Russian thinkers to introduce the concept of geopolitic. The term, which retraces the political, cultural and ideological links between the civilizations and portions of the world, expressed in the vision of the Eurasian authors, especially in Trubetzky and Savitzky, the shift of the origins of the Russian State from Kievan Rus' to the Mongolian Empire vividly.

The Eurasianism identified Eurasia with Russia explicitly, targeting to consolidate the Russian integrity. Here, the Eurasian mission, as stressed by Ostrovsky, was to distinguish Russia from Europe and Asia clearly, ascertaining as it represents the sixth part of the world with an own unique culture⁵¹.

The classic idea of this ideology, connected with the Russian predominant role in the Eurasian region, opened the view to see Russia directly, due to its grandiosity, as guide-coordinator of the entire Eurasian area, to guarantee the economic and ideological majesty of this zone against the threat of the other world powers, Europe and America.

Reflecting about the statement of Europe and America as threats of Eurasia, we can identify the passage from Eurasianism to the Neo-Eurasianism. According to Max Ostrovsky, the classic Eurasians of the 1920s-1930s, wrote in a period when European power still held its sway over the world. Russia was "surrounded" by "European forts" and the "inevitable clash" was with "Europe"⁵².

Successively, after the Second World War and during the Cold war, America, due to its global successes, became the principal enemy for Russia, opening the way to the Neo-Eurasianism, as stressed by the Eurasian researcher Gordon Hahn: "From the early 1940s to the late 1980s, that is, the period from Eurasianism to Neo-Eurasianism, Europe declined and the United States rose to preeminence. After its spectacular series of triumphs in the international arena, culminating with that over the USSR in the Cold War, America became for the Neo-Eurasians the embodiment of evil,

⁵⁰ Golam Mostafa (2013): "The concept of 'Eurasia': Kazakhstan's Eurasian policy and its implications". In Journal of Eurasian Studies. 19 March 2013. P. 162

⁵¹ Cf. Ostrovsky Max (2008): "The idea of Eurasia". In Working Paper (Helmut Kohl Institute for European Studies), 64/2008. European Forum at Hebrew University, Marjorie Mayrock Center for Russian, Eurasian and East European Researcher. P. 10

⁵² Ibid. P. 21

absorbing into itself the former Eurasianist hatred of Romano-German peoples: "Neo-Eurasianist anti-Westernism is almost wholly anti-American"⁵³.

With the official Communist ideology gone, Neo-Eurasianism reached the *"level of a mainstream ideology"⁵⁴*.

Quoting the Russian researcher Shendrikova: *"The Eurasian thought, however, was not significantly widespread before the 1990s, when, with the fall of the Soviet Union and the communist ideology, the spiritual ties (duhovnye skrepy) between the peoples inside of the Russian Federation and its neighbors was left bereft of their ideological and institutional underpinning. It was then that the neo-Eurasianist movement arose, with Lev Gimilev and Alexander Dugin as its main ideologists"⁵⁵*.

The Neo-Eurasianism affirmed a new concept of the theory, bonding it to religious elements (stressing for a moral imperative Orthodox-Christian government), geopolitical features and Nationalism. In the 90's, the authors of the Western Geopolitical School, especially Mahan, Mackinder and Haushofer, that had not assumed enough notoriety on the eyes of the classic Eurasians, were translated in Russian, in order to strengthen, through their works, the politic and military importance of Eurasia for the strategic worldwide politics.

After the collapse of the USSR, The Neo-Eurasians had as first aim to revive the idea of a strong Russia as leader nation in the Eurasian area, exalting the Russian culture against the Western threat, identified in the USA.

Dr. Bassin traced the similarities and differences between classical Eurasianism and Neo-Eurasianism. According to him, both movements share a vision of Eurasia as a multi-national community of fraternal peoples united by a shared civilization. This shared vision dictates the second commonality between the two ideologies: the need of a geopolitical unity with the former imperial subjects/Soviet republics as the primary geopolitical imperative for Russia. However, he also noted that these commonalities are counterbalanced by three significant differences: 1) classical Eurasianism rejected Russian nationalism and imperialism, Neo-Eurasianism seeks to reestablish the leading position of ethnic Russians in the former Soviet space. 2) The classical Eurasianism was strongly isolationist, stressing the need to prioritize economic and political

⁵³ Hahn, Gordon M. (2002): *"The Rebirth of Eurasianism"*. In CDI Russia Weekly, <http://www.cdi.org/russia>, 14, (2002), P. 12. Cit. in Ostrovsky Max (2008): *"The idea of Eurasia"*. In Working Paper (Helmut Kohl Institute for European Studies), 64/2008. European Forum at Hebrew University, Marjorie Mayrock Center for Russian, Eurasian and East European Researcher. P. 22

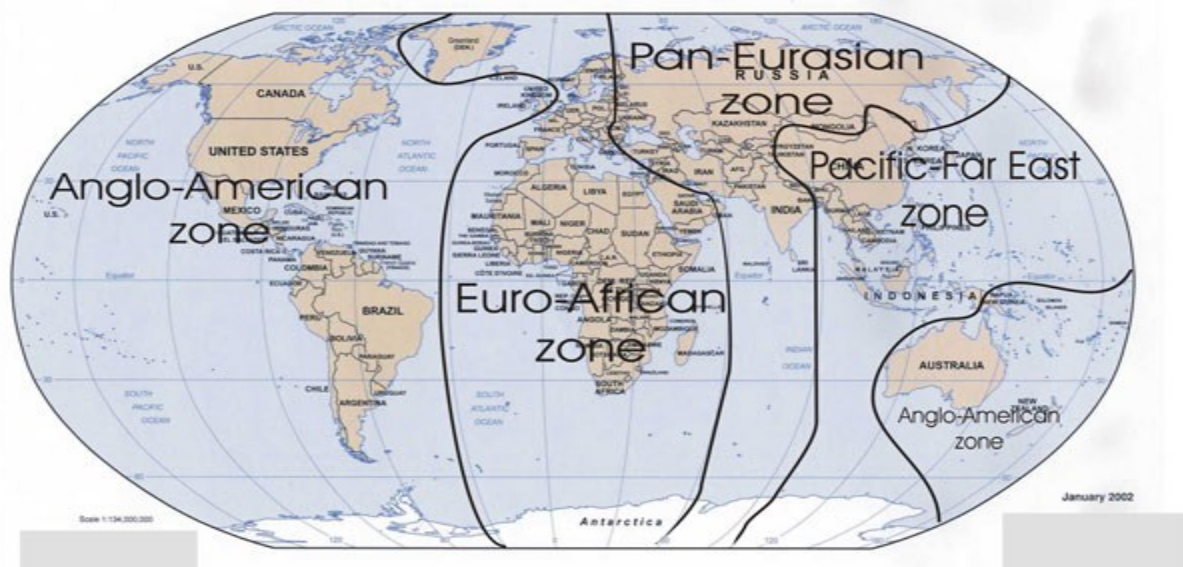
⁵⁴ Ibid. P. 20

⁵⁵ Shendrikova Diana (2015): *"Going regional the Russian way: The Eurasian Economic Union between instrumentalism and global social appropriateness"*. In Global Re-ordering: Evolution through European Networks. July 03, 2015. P. 8

integration of internal spaces, while Neo-Eurasianism promotes internal consolidation and directs attention externally. 3) Classical and Neo-Eurasianism differ in their perceptions of the West: while classical Eurasianism viewed the West as Russia's principal threat, neo-Eurasianism is more ambivalent, stressing Atlanticism as Russia's principal enemy⁵⁶.

Inside the Neo-Eurasianism is necessary to mention Aleksandr Dugin (1962), the principal exponent of the modern Eurasian idea, who formulated a new vision of the Eurasian concept, imaging it as a syncretism between socialism and religious orthodoxy, in contrast to the decadent Western liberal democracies. His main idea is linked to the role of Russia: a powerful nation that has more cultural features to Asia than to Europe and which represents the core of the geopolitical scene⁵⁷. Dugin's Neo-Eurasianism of the XXI century is essentially imperialist and anti-democratic; whose purpose is the establishment of an empire in the post-Soviet space under the leadership of Russia. This is justified by the fact that the Neo-Eurasians, reviewing the Pan-Regional model of Haushofer, identifies the world divided in four dimensions with four principal poles: Berlin, Moscow, Tokyo and Washington.

Figure 3: Neo-Eurasianism conception of multipolar world



Source: "The Eurasian Idea". In The Fourth Political Theory beyond left and right but against the center.

<http://www.4pt.su/en/content/eurasian-idea> (last view: 05.10.2016)

⁵⁶ Bassin Mark (2016): "A Century of Eurasianism: The Evolution of an Ideology." Conference Report : "The Evolution of the Eurasian Union: Economics, Politics, Geopolitics". February 5, 2016. Center for Eurasian, Russian and East European Studies. Georgetown University. <https://ceres.georgetown.edu/Eurasian%20Union%20Conference> (Last view: 27.09.2016)

⁵⁷ Cf. Gulshan, Roy (2014): "Eurasianism and its Discontents". In Le Mauricien. <http://www.lemauricien.com/article/eurasianism-and-its-discontents> (last view: 28.09.2016)

Regarding this global regional subdivision, the creation of a new *Empire* – the Eurasian Union – on the basis of the geopolitical triangle "*Kiev-Moscow-Astana*" is necessary to guarantee the stability of the Eurasian region⁵⁸. Moreover, according to Dr. Bassin, Dugin sees the Western Europe in the rejection of American values as a potential ally for Russia – an idea with no precedent in classical Eurasianism thought⁵⁹.

In view of these aspects can be stressed as the Eurasianism of the XXI century made the decisive step to acquire a more marked role of savior of geographic, ethnic and cultural integration of Russia. The Russian Federation is seen on the Neo-Eurasian vision as the ideological, political and economic principal actor of Eurasia and its objective is to unite all the former Soviet Republics under its leadership, in order to form a Eurasian Union that can compete against all the world powers.

6.1 *Historical stages of Neo-Eurasianism*

A general overview of Neo-Eurasianism presents this movement nowadays as a philosophical doctrine with political features of combination between the ideas of Eurasianism, Pan-Slavism and Nationalism, where the notion of Eurasian Empire under the Russian coordination is strongly marked.

The aim of this paragraph is to delineate the historical stages of the Neo-Eurasianism in order to understand the solid radicalization of the Eurasian idea in the region during the twenty-first century.

A salient consideration that must be firstly pointed out is that although Russian Communism, Nationalism and Eurasianism are three different currents of thought, they are united in the premise that Russia should regain a great-power status and should become a center of opposition to American unilateralism. Their connection is extremely important in order to comprehend the evolution and transformation of the Eurasianism.

According to Emre Erşen of Marmara University, "*Neo-Eurasianism has emerged in the 1980s and 1990s as a political opposition to Gorbachev's 'New Thinking' and to the pro-American shift in Russian foreign policy in the first few years of Boris Yeltsin's tenure. Neo-Eurasianism has been*

⁵⁸ Cf. Golam Mostafa (2013): "*The concept of 'Eurasia': Kazakhstan's Eurasian policy and its implications*". In Journal of Eurasian Studies. 19 March 2013. P. 162

⁵⁹ Bassin Mark (2016): "*A Century of Eurasianism: The Evolution of an Ideology*." Conference Report :"*The Evolution of the Eurasian Union: Economics, Politics, Geopolitics*". February 5, 2016. Center for Eurasian, Russian and East European Studies. Georgetown University. <https://ceres.georgetown.edu/Eurasian%20Union%20Conference> (Last view: 27.09.2016)

*gaining increasing influence in Russia, especially since the 1993 parliamentary elections, putting forward the idea of Eurasian empire, as a third way between the Communists and Nationalists*⁶⁰.

The period 1993-1998 was signed by an active development of Neo-Eurasianism among the Russian thinkers and politicians. The reasons of that can be traced in three determinant political and economic events that the Russian Federation had to figure out after the collapse of the USSR: 1) the Chechen War 1994-96, where the Russian troops were repelled by the Chechen, pushing Yeltsin to declare a ceasefire, generating a climate of tension between the opponents of the war and the Yeltsin's regime. 2) The negative economic consequences of the hyperinflation in Russia in the 1990's due to the expansion of the money supply by the central bank of Russia; and of the ruble crisis of 1998, where the Russian inflation rate was 84.4% and at the end of January 1999 and the price of Russian crude oil was roughly 11 USD per barrel, down from 16 USD per barrel at the beginning of the same month⁶¹. The effects of this crisis had negative consequences on the former Soviet states too, making Russia losing its economic leadership among the Eurasian countries. 3) The Yeltsin's resignation in the year 1999, generated exactly by the Chechen war and the economic crisis, urged Russia for a drastic changing with the target to stand out again the Russian splendor in the Eurasian and world scenario.

Exploiting this situation, the Neo-Eurasian movement tried to influence the new Russian political class to base their action following the ideology of a nationalistic Eurasianism.

However, the sharp commutation of Neo-Eurasianism in a political movement happened during the first years of 2000s. Exactly in 2002 was created the social and political movement "*the Eurasia Party*" with a clear support on the ambitious policy of Vladimir Putin.

The main exponent of the movement, Dugin, created in 2003 the Non-Governmental Organization "*International Eurasian Movement*" with branches in 22 countries, included countries of Europe and America, with a tentative to support the Eurasian idea worldwide.

By the analysis of the Eurasian Manifesto of Dugin's movement, we can comprehend better the principal ideas of the Neo-Eurasianism: 1) the common struggle for multipolar world, based on the cooperation of different people, civilizations and cultures for the peace and mutual prosperity; 2) the close partnership between the European and Asiatic countries with the special role reserved for Russia as main mediator of this process; 3) the integration of post-Soviet space up to the point

⁶⁰ Erşen Emre (2004): "*Neo-Eurasianism and Putin's Multipolarism in Russian Foreign Policy*". In Turkish Review of Eurasians Studies 2004-4. P. 135

⁶¹ Mete Feridun (2004): "*Russian Financial Crisis of 1998: An Econometric Investigation*". In International Journal of Applied Econometrics and Quantitative Studies Vol.1-4 (2004). Pp. 119; 121

of creation of united *“Eurasian Alliance”* in the cultural, economic, informational, strategic and political levels; 4) the active and multilateral dialog of the traditional confessions and ethnos of Eurasia, mutual understanding and esteem of Eurasian elites and societies; 5) the conservation cultural, religious, ethnic identities of every people, development of national uniqueness and originality; 6) the strengthening of peace and order basing on the Eurasian principles – Pax Eurasiatica; 7) the opposition to the negative tendencies – unipolar and one-dimensional globalization, cultural degradation, terrorism, narco-traffic, absence of social justice, ecological and demographic catastrophes⁶².

In 2005, in the framework of the International Eurasian Movement, was formed the All-Russian youth political organization – *“Eurasian Youth Union”* (EYU), based explicitly on the ideology of Neo-Eurasianism with marked populist ideas.

Since 2006, the Neo-Eurasian newspaper *“Eurasian invasion”* was published for the first time and was created the Internet TV *“Eurasia-TV”*. The aims of these projects were to give more visibility to the Eurasian idea, trying to connect not only Russian people, but all the population of the former Soviet Union.

Nevertheless, the action of the modern Eurasianism, seen prevalently as a radical movement, has nowadays faced different geopolitical issues, especially the marked exaltation of Dugin for the military intervention of Russia in the armed conflict between the separatist self-proclaimed republic of South Ossetia in 2008 and recently with the explicit ideological support of the Ukrainian separatists in 2014.

Generally, Neo-Eurasianism, mostly in the figure of Dugin, even advisor of the State Duma speaker Gennadiy Seleznyov, has influenced the internal and external policies of contemporary Russia, especially in the idea to relive the Russian hegemony among the post-Soviet republics.

6.2 Neo-Eurasianism: the opponent of the Atlanticism

Citing the analyst about radical right-wing parties Anton Shekhovtsov: *“Neo-Eurasianism is based on a quasi-geopolitical theory that juxtaposes the “Atlanticist New World Order” (principally the US and the UK) against the Russia-oriented “New Eurasian Order”.* Taken for granted, Eurasia is perceived to suffer from a severe ethnic, biological and spiritual crisis and is to undergo an organic cultural-ethnic process under the leadership of Russia that will secure the preservation of Eurasian

⁶² *“International Eurasian Movement”*. In Evrazija Informazionno – Analititschesky Portal. <http://evrazia.org/modules.php?name=news&file=article&sid=1915> (last view: 29.09.16)

nations and their cultural traditions. Already by the end of the 1990s, Neo-Eurasianism took on a respectable, academic guise and was drawn in to scientifically support some anti-American and anti-British rhetoric of the Russian government⁶³”.

Neo-Eurasianism is fervent opponent of Atlanticism as is possible to evince from the core of the Eurasian Idea: *"Eurasianism absolutely rejects the universalism of Atlanticism and Americanism. The pattern of Western-Europe and America has many attractive features that can be adopted and praised, but, as a whole, it is merely a cultural system that has the right to exist in its own historical context along with other civilizations and cultural systems. The Eurasian Idea protects not only anti-Atlantic value systems, but the diversity of value structures. It is a kind of "poliversum" that provides living space for everyone, including the USA and Atlanticism, along with other civilizations, because Eurasianism also defends the civilizations of Africa, both American continents, and the Pacific area parallel to the Eurasian Motherland. The term of Atlanticism deserves a clarification about its meaning on the eyes of the Neo-Eurasians⁶⁴"*.

For the Neo-Eurasians the concept of "Atlanticism" is not based on the idea of universalism, but on the concept of Westernization that combines two cultures and civilizations – American and European –, identifying these two cultures as equivalent. Proponents of this school do not agree with Francis Fukuyama's notion of "End of History", because the Western democracy is not, according to them, the last point of the story or the unique world ideology. Indeed, they propose that an alliance between the Eurasian nations, as in the form of the Eurasian Union, can be an ideal project, to be a valid alternative to Atlanticism and to the challenges of the globalization. For them Neo-Eurasianism, unlike globalism, provides a living space for everyone, defending and promoting language, culture, religion and civilizations of all geographical areas including Africa and the Asian-Pacific region⁶⁵ .

In difference to the classic Eurasians, that have underlined the incompatibility of the Romano-Germanic European culture with the Russian, the ideologically dispute moved with the Neo-Eurasianism further, replacing the Romano-Germanic rival with the Atlanticism. Precisely, the Western world is differentiated by Atlantic USA, England and Continental Europe, where in Neo-Eurasian vision continental Europe is seen now, in comparison to the classic Eurasianism, as a

⁶³ Shekhovtsov Anton (2009): *"Aleksandr Dugin's Neo-Eurasianism: The New Right à la Russe"*. In Religion Compass, Vol. 3, No. 4 (2009). Journal Compilation Blackwell Publishing Ltd. P. 697

⁶⁴ *"The Eurasian Idea"*. In The Fourth Political Theory beyond left and right but against the center. <http://www.4pt.su/en/content/eurasian-idea> (last view: 05.10.16)

⁶⁵ Cf. Golam Mostafa (2013): *"The concept of 'Eurasia': Kazakhstan's Eurasian policy and its implications"*. In Journal of Eurasian Studies. 19. March 2013. P. 162

neutral geopolitical zone, while the real threat for the Russian order is prevalently seen in the geostrategic force of USA.

According to Erşen Emre, the Neo-Eurasianists put their emphasis on the idea of an inescapable war between the Atlantic empire led by the United States and the Eurasian empire led by Russia⁶⁶. Against the Anglo-American attempts to create a Unipolar world order, the Neo-Eurasianists believe that Russia should establish a Eurasian bloc comprising of the countries of East-Europe and Asia united under the leadership of a new form of Russian-Eurasian empire, that should firstly encompass the lands of the former Soviet Union⁶⁷.

6.3 Centrality of the Russian ideological recognition

The Eurasianism of the XXI century has assumed a merely radical way of Right-Nationalism, opposing the Slavic culture, suffering from the Western influence, to the Atlanticism. Russia, due to its glorious history, economic and geographic position has the task to guide the Eurasian countries against the Western threat.

But, the leader position of Russia can be consolidated just if all the Eurasian states would recognize its power and are ready to create a coalition together in order to give prestige to the entire Eurasia. To achieve this aim, they should let the Russian Federation to guide them in a political and economic way.

This passage defines clearly the idea of Eurasian Union on the Russian prospective and as the modern Eurasianism sees in the Russian Federation the guide-pillar of the entire Eurasia. Indeed, according to the Neo-Eurasians: *“Russia is a “cosmos,” it takes smaller “solar systems” under its wing to create a loose federation of allied nations and states. In some instances, it rejects the very notion of “nation-statism” in that a true civilization can be only a federation, not a state⁶⁸”*.

This concept summarizes the idea of Neo-Eurasianism’s foreign policy that retracts the Russian geopolitical space as a “cosmos” that takes smaller “solar systems” (in referring especially to the post-Soviet states) under its arm to create a federation of allied nations.

⁶⁶ Erşen Emre (2004): *“Neo-Eurasianism and Putin’s Multipolarism in Russian Foreign Policy”*. In Turkish Review of Eurasians Studies 2004-4. P. 136

⁶⁷ Ibid. P. 137

⁶⁸ Johnson Matthew. R. (2014): *“Russian Nationalism and Eurasianism”*. In news, analysis and forecasting on Geopolitics. 25.06.2014 <http://www.geopolitica.ru/en/article/russian-nationalism-and-urasianism#.VI2wTnvkqm0> (last view: 08.10.2016)

Precisely, it refers to the concept that, although Russia occupies the center of Eurasia and its leader position is given due to its geographical dimension, the central position for Russia must be maintained and supported through its universal recognition by all Eurasian neighboring nations. Here the target of Neo-Eurasianism is the ideological consolidation of all Eurasian members around the centrality of Russia through a strong criticism and differentiation of all those values that come from the West and that denigrate the Slavic culture. After the achievement of an ideological recognition of the Russian leadership, the political and economic acknowledgment of Russia will be a natural consequence.

The ideological recognition and consolidation of Russia and its position represents the core of the Eurasian integration. This position is good explained by the Russian philosopher Petr Bitsilli (1879-1953), who in *"Tragedija russoj kul'tury"* (Tragedy of Russian Culture), proposed to differentiate the Eurasian culture from the Western tradition, claiming as the Eurasian region formed its own identity from its myth and culture over the centuries.

For the historian Bitsilli, as reported in the work of Johnson Matthew, the culture is the *"self-assessment"* of the personality of the mass. It is the overcoming of history in the sense that it persists through the time⁶⁹. In his point of view, Russia should be, because of its centrality, not only an agent-actor between the peripheries of the Eurasian continent, but an arena in which all values of the Eastern tradition should meet together, to be propagated. The division and consolidation of equal values between the whole Eurasia will create a Eurasian culture, which, then over time, can expand itself between all the Eurasian countries⁷⁰.

For Bitsilli, the beginning of XX century represented the time of fragmentation, the separation of the Western values from the Eastern and the fortification of the Eurasian identity with the awareness for the Eurasian people to feel themselves, ideologically, more Asian than European⁷¹.

6.4 *The Neo-Eurasians authors*

Neo-Eurasianism has in its internal configuration different characteristics, from ideological to political aspects. Citing Marlene Laruelle the three most influential Neo-Eurasianists are: the orientalist Lev N. Gumilev (1912-92) with his *"the theories of ethnogenesis"*; the fashionable

⁶⁹ Johnson Matthew. R. (2014): *"Russian Nationalism and Eurasianism"*. In news, analysis and forecasting on Geopolitics. 25.06.2014 <http://www.geopolitica.ru/en/article/russian-nationalism-and-eurasianism#.VI2wTnvkqm0> (last view: 08.10.2016)

⁷⁰ Cf. Dodonov R.A. (2013): *"Kritika P.M. Bitsilli filosofii istorii evraziistva"*. In Gumanitarniy Visnik ZDIA. 2013. N. 52. P.222

⁷¹ Ibid. P. 224

theorist Aleksandr Dugin (1962) with *“the fascistic geopolitics”*; and the philosopher Aleksandr Panarin’s (1940-2003) with *“defense of a multipolar world”*⁷².

Gumilev shared with the Eurasians their perception of key aspects of Russian history such as the European influence and the relation with the Mongols. However, he put forward a more radical interpretation of these aspects of Russian history, in particular regarding Russian relations with the Mongolian state⁷³. The Soviet historian, although did not develop a real political theory, denied explicitly the Western ideas and liberalism, especially by a strong critic of the Europocentrism, in the vision as ideological proponent of all the civilizations. Gumilev developed an original theory of *“ethnogenesis”*, based on the concept of organic nature of the ethnic groups. Through this concept, explained in his book *the rhythms of Eurasia*⁷⁴, he attempted to explain the regularities of the historical process from the point of view of natural sciences.

Gumilev stressed mostly the determining influence of landscape on the culture and political system of the ethnic group – a peculiar basis of the Eurasianism. In his thought the Turanian⁷⁵ (Mongol-Turkic) had an incredible positive contribution on the Russian culture and people. In accordance with the Eurasians, Gumilev showed the positive role that the Mongolian played in order to preserve the Russian identity culture.

According to Alexander Titov of University of London, *“Gumilev’s relation to Eurasianism had several aspects. First, he accepted many important Eurasian ideas, especially those dealing with the geographical nature of Eurasia and its history, and continued to develop these ideas in a more thorough and comprehensive way. For example, he brought into focus Russia’s relations with the Eurasian nomads in much greater detail than the Eurasians themselves. Second, Gumilev shared with the Eurasians the perception of such key aspects of Russian history as the European influence and relations with the Mongols. The radicalism of Eurasian views on Russian history was a reaction to the events of Russian history which they lived through”*⁷⁶.

The affinity with the classic Eurasians was based on a rejection of Western reforms, an emphasis on non-occidental influences on Russia and development of the traditional sentiment of Russian

⁷² Laruelle Marlene (2008): *“Russian Eurasianism: An Ideology of Empire”*. Washington, D.C.: Woodrow Wilson Press/Johns Hopkins University Press. P. 2

⁷³ Titov A. S. (2005): *“Lev Gumilev, Ethnogenesis and Eurasianism”*. University College London School of Slavonic and Eastern European Studies. March 2005. P. 222

⁷⁴ Gumilev L. N. (1993): *“Ritmy Evrazia”* (The rhythms of Eurasia). Moscow: Progress Publishers.

⁷⁵ A nationalist cultural and political movement born in the 19th century that advanced the idea of a strict cooperation between the peoples of Inner Asian origin.

⁷⁶ Cit. Loc. Titov A. S. (2005). P. 229

conservative nationalist thought. In the case of Gumilev the alternative to the West was the nomadic influence⁷⁷.

Aleksandr Panarin was in the Yeltsin era a promoter of *“people’s capitalism”* and in the Putin era an advocate of *“the restoration of both Orthodox spirituality and Stalinist statehood”*⁷⁸.

From a political and economic side, Panarin accentuated several distinctions between classical liberalism and neo-liberalism. According to him, classical liberalism, demanded liberty to work without hindrance, and the right to benefit from one’s own labor. This certainly had benefits for society, and was not incompatible with a life centered on the values of family, church, and nation. Contemporary neo-Liberalism, however, in his vision, has a very different agenda: it seeks *“emancipation”* for the individual, and an excessive formalization of the citizen’s relations with fellow citizens and the state. Panarin argued, as reported by the study of Alexander-Davey Ethan, that: *“The advance of neo-Liberalism is bringing about the slow death of civilization “for emancipation means not liberty to work, but freedom from all hardship, which inevitably comes to be understood as a right to complete self-gratification. What is far worse, emancipation signifies freedom from the constraints of religious and cultural traditions, which have furnished societies with the norms and prohibitions without which civilized life would be impossible”*⁷⁹.

Generally, Panarin supported the idea that the liberals in their struggle to eradicate the traditional bases of civilization, they do not only endanger the political order of their countries; but they also doom their national economy to an eventual collapse.

Retracing the analysis of Ethan from Cambridge University, Panarin stressed in line with the other Eurasians the necessity to mark the difference between the West and the Eurasian ideology. The research for a third way, between the Western universalism and the particularism of the non-European world represented the main idea of his thought. Panarin’s work was focused on the research for a third way, between the West’s egalitarian universalism and the ethnic particularism of the non-European world. One of the intriguing ideas of Panarin, visible in his work the *“Orthodox Civilization in a Global World”*, is the need for a combination of the Eurasian religions

⁷⁷ Titov A. S. (2005): *“Lev Gumilev, Ethnogenesis and Eurasianism”*. University College London School of Slavonic and Eastern European Studies. March 2005. P. 230

⁷⁸ Laruelle Marlene (2008): *“Russian Eurasianism: An Ideology of Empire”*. Washington, D.C.: Woodrow Wilson Press/Johns Hopkins University Press. Pp. 87-88

⁷⁹ Ethan A. D. (2006): *“The Rebirth of Russian Conservatism”*. In the University Bookman. Volume 44, Number 4 (Fall 2006). Online Posted: March 19, 2007. <http://www.kirkcenter.org/index.php/bookman/article/the-rebirth-of-russian-conservatism/> (last view: 12.10.2016)

into something, what he called the “*Great Tradition*”⁸⁰. His first vision of Eurasian religion wanted to combine the Orthodox Christianity and Islam. This idea was later abandoned in favor of an Orthodox supremacies and a renewed pan-Slavism, due to the bombardment of Serbia⁸¹ by the North Atlantic Treaty Organization (NATO).

Some elements of the Dugin’s thought, as the ideological war against the Atlanticism or his radical character are already been introduced in the previous paragraphs transversely.

The figure of Dugin, the most controversial exponent between the Neo-Eurasians, reflects properly the modern ideas and the radical changing of the Eurasianism after the dissolution of the Soviet Union. For this reason the next paragraph wants to offer an overview about the principal ideas of this contemporary Russian philosopher.

6.5 Alexander Dugin, between Eurasianism and Nationalism

Fundamentally, inside the Neo-Eurasianism can be identified two schools: the Modernizers and the Expansionists. The Modernizers, combining elements of Socialism and Nationalism, supports the principle that the end of the Cold War signed the decline of both America and Russia. Following this assumption, the advocates of this current as the Russian journalist Aleksandr A. Prokhanov (1938), claim that Russia must concentrate its potential on economic and technological improvements instead to enter in a hypothetic war against the United States of America.

Instead, the Expansionists continue supporting the idea that the world is divided in two block, Eurasian and Atlanticism, a reason because Russia must expresses worldwide its force of great power. In this group the prominent figure can be identified in Aleksand Gele'vic Dugin⁸².

Dugin, a Russian nationalist, has become popular in Russia, due to his radical ideas about a Slavic Union and the Russian Nationalism. In support of that, he founded the International Eurasian Movement on the 30th of May 2002 and was appointed professor at the Moscow State University in 2008.

In his geopolitical ideas, as expressed by Ostrovsky Max, contained in the book “*Osnovy Geopolitiki*” (Foundations of Geopolitics, 1997), the Russian philosopher combined the theories of his two favorite geopolitical authors, Mackinder and Haushofer. From the former he adopted the

⁸⁰ Cf. Laruelle Marlene (2008): “*Russian Eurasianism: An Ideology of Empire*”. Washington, D.C.: Woodrow Wilson Press/Johns Hopkins University Press. P. 98

⁸¹ Ibid. P. 100

⁸² Erşen Emre (2004): “*Neo-Eurasianism and Putin’s Multipolarism in Russian Foreign Policy*”. In Turkish Review of Eurasians Studies 2004-4. P. 137

Heartland idea, which would form the nucleus of the Eurasian alliance; and from the latter the notion of the Eurasian Bloc, along which would be united the very anti-hegemonic Alliance⁸³.

In an ideological and historical analysis of a continent, for Dugin assumes the cultural aspect and the context a key-role in understanding the precise evolution of every singular global region and its population. In fact, he openly stresses as there is not only the European culture which has made the whole world, but exist many other cultures with proper identities which can be created only by the people that share same values in a specific context – as Eurasia.

Next to the culture, the context has a particular valence in Dugin's thought, because things can assume their real meaning only in relation to the environment and the precise historical time.

Though, Dugin's intention is not to deny the importance of Western culture in the history of civilization, but to separate the Western and American culture from the Slavic, in order to distinguish the differentiation between the civilizations of the world clearly. This main idea is traced in his book "*The Fourth Political Theory*" (2012), where the Russian contemporary Philosopher stated principally the Eurasianism as the theory of Slavic civilization and Russia's role as the political and economic leader of the Eurasian space⁸⁴.

Generally, Eurasia differs from the Western ideology, because the Slavic culture, as has already been highlighted by Danilevsky, has its own roots and symbols in the Pan-Slavic tradition. Specifically, the Panslavism and Western culture do not reject each other; rather in the historical evolution of the cultures, the Slavic accepted the main elements of Western philosophy, implementing them with its own characteristics. The result of this process is that the two cultures are dominated by same elements, proposed but in a different way with different facets.

In the Western civilization Dugin identified not the classic European culture, but the politic and economic sphere of influence of USA, an ideology marked by Capitalism and Individualism. To preserve the Russian spirituality, "*duchovnost'*", should be built an alliance between the Eastern cultures against the threat of the Atlanticism⁸⁵.

Dugin, following Mackinder's ideas, believes that the Anglo-American alliance constitutes one pole in the world of today against the continental pole, which Russia is accustomed to establishing for centuries. According to Dugin, the modern Russian task is to form such a continental bloc against

⁸³ Cf. Ostrovsky Max (2008): "*The idea of Eurasia*". In Working Paper (Helmut Kohl Institute for European Studies), 64/2008. European Forum at Hebrew University, Marjorie Mayrock Center for Russian, Eurasian and East European Researcher. P. 24

⁸⁴ Dugin Alexander (2012): "*The Fourth Political Theory*". Arktos Media Ltd. London

⁸⁵ Cf. Frank Susi K. (2003): "*Eurasianismus Projekt eines russischen „dritten Weges“ 1921 und heute*", in: Europa und die Grenzen im Kopf. Klagenfurt. P. 220

the Atlantic power by making use of the vast strategic and demographic potential of the Eurasian region. Since the Russians are in control of the Eurasian 'Heartland' and because of a geopolitical necessity and reality, the Eurasian bloc, that include the territories of the former Soviet Union, should be founded under the leadership of the Russians⁸⁶.

Regarding the Eurasian bloc, thus the former Soviet republics principally, Dugin underlines the necessity for Russia, mostly after the Cold War that showed as Russia alone could not confront itself against the Atlantic bloc, to have a close alliance between all the Eurasian states – "*the Rimland*" as defined by Spykman –, in order to create an *Eurasian Empire* that could contrast the American hegemony⁸⁷. Following the model of Haushofer about an alliance "*Mittel Europa - Eurasia - Japan*", as instrument to contrast the Continental bloc, the Dugin's project of the axis "*Berlin-Moscow-Tokyo*", would establish the own "*Grossraum*" or pan-region along the Pan-American one – the framework of the desired and forthcoming multipolar world⁸⁸.

Dugin has grounded through his work the Neo-Eurasianist aversion to the US and the Anglo-Saxon world.

According to Alexander Höllwerth, "*Dugin's thought in his Eurasian vision appears esoteric, as it was influenced by the philosophical view of Plato on the nation as a civilization. The esoteric nature of Dugin is apparently in his work, because he claims that the ancient symbols of East and West show two types of civilization: the sea (Anglo-America) and the land (Eurasia). Eurasia means rise, while sea decline*⁸⁹".

In his interpretation about Eurasia, the Russian nationalist Dugin started from the incipit that the Eurasian idea collides against a globalized and universal identity; because Eurasianism has its own Pan-Slavic roots and history. In addition, he criticized the secularism of Catholicism and the characteristics of American culture, which, has prevailed throughout the world, especially after the Second World War. Here, Eurasianism has, according to Dugin, a multipolar prospective, that refuses the unipolar American hegemony: "*The pole in this multipolar approach neither a nation state nor an ideological block as a large area, which is connected from the borders of a common society strategically. The typical large rooms are: Europe, USA, Canada, Mexico, Latin America, the*

⁸⁶ Erşen Emre (2004): "*Neo-Eurasianism and Putin's Multipolarism in Russian Foreign Policy*". In Turkish Review of Eurasians Studies 2004-4. P. 139

⁸⁷ Cf. Ostrovsky Max (2008): "*The idea of Eurasia*". In Working Paper (Helmut Kohl Institute for European Studies), 64/2008. European Forum at Hebrew University, Marjorie Mayrock Center for Russian, Eurasian and East European Researcher. P. 25

⁸⁸ Ibid. P. 26

⁸⁹ Cf. Höllwerth Alexander (2007): "*Das sakrale eurasische Imperium des Aleksandr Dugin*". Eine Diskursanalyse zum postsowjetischen Rechtsextremismus. Soviet and Post-Soviet Politics and Society, Vol. 59. Stuttgart 2007. P. 735

Great China, India and Eurasia. Eurasia is the area of the old tsarist empire of Russia and the Soviet Union. We call it "the Great Russia (Bolshaya Rossia)", or even Russia as Eurasia. Because of that, to ensure the independent pole, we must unite different countries in a geopolitical, economic and centralized unit, so that we, the Eurasian civilization, can describe ourself as an equal community not only for the Russians and Slavs, but also for the Turks and the indigenous people of Central Asia, Siberian and Caucasians⁹⁰."

The Great Russia is according to Dugin a political unit, which is based on the similarity between the history of civilization and culture of different ethnic groups and peoples: *"Sometimes is common to think that the Soviet Union was a communist creation and states as Ukraine, Kazakhstan and Azerbaijan were before the Soviet Union independent and were conquered by the Bolsheviks. The fact is that these nations have never really existed and were during the Soviet time only corporate districts without a real political or historical sense. These countries have been created in their present borders only after the collapse of the Soviet Union as result of its collapse"⁹¹.*

Dugin's Neo-Eurasianism implies a very specific type of nationalism, namely the nationalism of the New Right, and can itself be considered a Russian version of the broad pan-European movement, called the European New Right⁹². Indeed, citing Anton Shekhovtsov, *"The analysis of Dugin fully agrees with the European New Right concept of organic nations, and defines the 'ethnos' as an 'immediate identity of an individual of the traditional society, from which he draws everything - language, customs, psychological and cultural attitudes, life program, and system of age-related and social identifications [...] Dugin believes the nature of an ethnic community to be superior to, and deeper than, that of a state, Neo-Eurasianism refutes the idea of a modern nation-state, even the Russian one, and promotes the concept of a 'Eurasian empire' built on the principles of 'Eurasian federalism'. According to the concept, all the political units of this 'empire' should be established in accordance with cultural, historical, and ethnic identifications rather than simple administrative division⁹³."*

Considering the actual project of the EEU, Dugin stressed in an interview of May 2015 that the idea of the Eurasian Union does not want force any independent country into the Russian sphere of influence, but in reality it wants, through an integration to Russia, to prevent the inevitable

⁹⁰ Cf. *"Capire Putin, capire la Russia. Intervista a Alexander Dugin"*. Interview an Alexander Dugin in Online-Portal of Millenium.org. (24. May 2015), reported in Arianna Editrice http://www.ariannaeditrice.it/articolo.php?id_articolo=48586 (last view: 11.10.2016)

⁹¹ Ibid.

⁹² Shekhovtsov Anton (2009): *"Aleksandr Dugin's Neo-Eurasianism: The New Right à la Russe"*. In Religion Compass, Vol. 3, No. 4 (2009). Journal Compilation Blackwell Publishing Ltd. P. 698

⁹³ Ibid. P. 703

collapse of the former Soviet republics, as already happened in 2008 with the splitting of Georgia or 2014 with Crimea⁹⁴.

In his book, *the Foundations of Geopolitics*, he outlined his political and ideological vision of Russia's place in the world, as well as revisionist and expansionist foreign policy, hailing the ascent of Vladimir Putin. Here, as underlined by Shekhovtsov, it is possible to recognize obvious similarities between Dugin's and Putin's narratives: anti-Westernism, expansionism and rejection of liberal democracy⁹⁵.

By the words of Dugin, we can feel his strong nationalist spirit and support to the Eurasian integration with the Russian leader role greatly. This concept results even more clear when Dugin emphasizes that Putin should unite all the nations that were part of the Soviet Union at that time, again, to prevent their collapse. Their integration in Eurasia can protect the Slavic society and all the states neighbors of Russia that all together – due to their same identity – can cooperate in a better way.

At this point, after having analyzed the main idea of Dugin, we have to recognize as his position appears very nationalist and radical. In fact, for example the filo Russians and Separatist in Ukraine were inspired by his idea of a "*Bolshaya Rossia*" (Great Russia).

Resuming the Dugin's thought, it can be synthesized in two concepts: 1) Russia as a solution for the demise of the former Soviet republics and 2) the Eurasian ideology as bond of the Eurasian nations, in contrast to the Western and American culture.

6.6 Dugin's economic theory

Dedicating attention to Dugin's economic theory, the principal idea of the Russian philosopher is that the West replaced the natural law with markets. The markets took the science and made it as an annex to the commercial dominance. The concept of the pure mechanism of the Renaissance was: *"A world whose meaning was reduced to something artificially as a machine, without the establishment of the meaning of things in a social context. That represents the essence of the capitalism. Capitalism is based on the basis of egocentrism, the denial of private property (with the*

⁹⁴ Cf. *"Capire Putin, capire la Russia. Intervista a Alexander Dugin"*. Interview an Alexander Dugin in Online-Portal of Millenium.org. (24. May 2015), reported in Arianna Editrice

http://www.ariannaeditrice.it/articolo.php?id_articolo=48586 (last view: 11.10.2016)

⁹⁵ Cf. Shekhovtsov Anton (2015): *"Aleksandr Dugin's Neo-Eurasianism"*. In Bundeszentrale für politische Bildung. 12.3.2015. <http://www.bpb.de/veranstaltungen/dokumentation/202690/anton-shekhovtsov-aleksandr-dugins-neo-urasianism> (last view: 15.10.2016)

exception of a few), and, perhaps most important, that the morale and culture have no place in the "rational" economy⁹⁶.

The economy, if it is related to the historical context properly, plays a crucial role in the attachment of power, which, according to Dugin, allows to obtain a consolidated position in the geopolitical scene. This gives the opportunity to exercise pressure and power over the various parts of the world.

Connecting his economic reasoning to the Eurasianism, the Eurasian idea is subordinated on the common good of the community. Both competition and cooperation occupy an important place in the Eurasian economic mechanisms that make the production more efficient.

In this context, the Eurasian Economic Union has the task nowadays to coordinate the Eurasian economy properly, allowing the creation of a unique market that can be competitive with the rest of the world. Here, it is important the figure of Russia that, as predominant nation in Eurasia, must synchronize the internal economies of the diverse participants of the Union, so that the internal development of every state can improve and be strong enough to be competitive in the worldwide scenario.

7 Mongolian Eurasianism

Between the different interpretations of Eurasianism, this paragraph will be dedicated about to the Mongolian Eurasian vision.

Historically, it was around 1219 when the Mongols first entered the areas nearest Kievan Russia. The Mongols organized Russia as they did their own state in order to introduce into the country law, order, and prosperity. As a result of this policy the Mongols gave the conquered country the basic elements of future Muscovite statehood: autocracy, centralism and serfdom⁹⁷.

Principally, the Mongol impact in the Russian territory let two contrasting ideological views, that emerged during the Bolshevik Revolution: 1) the Soviet historians, as Vasily Bartold, who have stressed the negative aspects of the Mongol conquest and argued as the Tatar rule delayed the development of a unified Russian culture, economy and national state. And 2) The Eurasian school of Russian émigrés that considered the Russia's unification under Moscow as the direct outgrowth

⁹⁶ Matthew. R. J. (2014): *"Russian Nationalism and Eurasianism The Ideology of Russian Regional Power and the Rejection of Western Values "*. In Center for Syncretic Studies. 2.08.2014

⁹⁷ *"The Mongol impact"* <http://www2.stetson.edu/~psteeves/classes/mongolimpact2.html> (last view: 12.01.2017)

of Mongol rule: "*The Russian state was the heir, successor, and continuer of Chingis-khan's historic work*⁹⁸".

Concentrating on the vision of the Russian émigrés, the Mongol impact proved highly beneficial to the Russians: "*The Tatars defended Russia from Europe, sparing it from conquest by the West. After the conquest Mongols and the people of Rus coexisted in harmony and peace. From their conquerors the Rus adopted typical Turanian character traits: steadiness, conviction, strength, and religiosity, all of which promoted the development of the Muscovite state*⁹⁹".

Among the Eurasian authors, Trubetzkoy dedicated particular emphasis on the Mongolian influence in the Russian and Soviet history. Precisely, in the opera "*the legacy of Genghis Khan: a perspective on Russian history not from the west but from the east*" he affirmed as almost all the territories of the USSR were a part of the Mongolian empire founded by the Great Genghis-Khan¹⁰⁰. De facto in his analysis the Russian philosopher proposed to consider the empire of the Mongols as the predecessor of the Russian state. According to Trubetzkoy, the importance of Genghis-Khan in Eurasian history was underscored by the fact that the Emperor of the Mongol Empire fulfilled the unification of Eurasia. Thus, in the historical analysis of Trubetzkoy, Genghis-Khan had a profound historical importance because his actions helped to realize the "systemic" nature of the Eurasian region in the form of a single state. Specifically, the great Mongol warrior, according to Trubetzkoy's analysis, professed precise ideas that corresponded to what the Eurasianists called "ideocracy" (the rule of a powerful idea that transcended particular realms of culture, scholarship, religion, or politics).

Summarizing, Trubetzkoy, concerning the Mongolian impact in the Russian historical development, affirmed its positive significance for the Russian evolution, equating the processes of transformation of Moscow under the impact of the Mongols to the course of changing described by the Eurasian authors for the transformation of Russia under the impact of the Bolsheviks.

The same point of view was affirmed by George Vernadsky, who stressed as the Mongol cultural impact was considerable and occupied a central place in the Russian history. For Vernadsky also the Tatar influence on Muscovite administrative and military affairs was very profound.

Commonly, the Mongolian impact was considered by Eurasians as a notable fact for the Russian historical and administrative transformation.

⁹⁸ "The Mongol impact" <http://www2.stetson.edu/~psteeves/classes/mongolimpact2.html> (last view: 12.01.2017)

⁹⁹ Ibid.

¹⁰⁰ Glebov Sergei (2010): "*The Mongol-Bolshevik revolution: Eurasianist ideology in search for an ideal past*". In *Journal of Eurasian Studies*. P. 111

Deepening the analysis, it is important to underline the purely Mongolian view about Eurasianism. The Eurasian vision from the Mongolians is visible in the figure of Erendzhen Khara-Davan (1883-1942), who with his ideas gave originality about Russia's origins, stressing the Asian nature of Russia.

Khara-Davan was a Kalmyk national democrat and enlightenment figure. In 1920 he emigrated along with the Russian White Army and settled in Yugoslavia where he earned his living as a doctor and wrote articles and books. In his vision of Eurasianism he stressed principally the Asian nature of Russia and its evolution connected with the Mongolian empire. According to the theoretician Pavel Pryanikov, Khara-Davan was certain that before Peter I, Moscovy (the country that in Peter's time started to be called Russia) had nothing in common with Europe but was part of Asia and that the Mongol horde created Muscovy and Russian centralization for its convenience¹⁰¹.

In the examination of the Russian evolution, Khara-Davan underlined as the uniqueness of Russia is connected to the fact that it until the 16th century did not have social strata like the European feudalism. In his book *"Chingiz Khan the Great Conquerer"* (1928), as reported by Goble Paul, Khara-Davan argued: *"There was no feudalism in Kyivan Rus"*. *The feudalization of Rus took place in the Mongol period. "It involved primarily the Moscow principality, which transferred from the Horde into the service of the prince with many Tatars who brought with them a special eastern feudalism, based on the Turkic instate of tarkhanism". [...] The organization of Russia which was the result of the Mongol yoke was undertaken by the Asian conquerors of course not for the good of the Russian people and not for the elevation of the Moscow grand principality but for the Mongols' own interests and the convenience of administering a large conquered territory*¹⁰²."

Thus, according to Khara-Davan, the Mongols have had a decisive impact for the Russian culture and have established something like an administrative hierarchy which prepared the ground for the establishment of a centralized state. It has the meaning that the Mongolians have played a decisive role in the historical evolution of Russia. For that the Mongolian Eurasianism supports the idea about the Asian roots of Russia and its well administrative organization due to the Mongolian presence.

¹⁰¹ Goble Paul (2015): *"Russia and Russian nation owe their existence to the Mongols, Kalmyk émigré Eurasianist argued"*. In Euromaidan Press. <http://euromaidanpress.com/2015/04/07/russia-and-russian-nation-owe-their-existence-to-the-mongols-kalmyk-emigre-urasianist-argued/#!prettyPhoto> (last view: 09.01.2017)

¹⁰² Ibid.

8 Turkish Eurasianism and view about the Eurasian Union

An original vision of Eurasianism between the Eurasian ideas is connected with the Turkish interpretation of Eurasia.

Starting the analysis from a brief historical background, the Turks are descendant from the Huns, who decided to leave the area around Lake he Baikal and present Mongolia-Northern China in order to avoid submission to Chinese rule more than 2000 years ago. In the year 1071 a large branch of the nomadic Turks entered in Anatolia through the Caucasus and won the battle of Manzikert against the Byzantine Empire. Over the centuries they more or less lost their Eurasian roots and characteristics, became highly affected by the Islamic culture, mixed with the local Anatolian and Middle Eastern populations and thus lost their links with the other Turkic people that today habit Central Asia, Tataristan and other parts of Eurasia¹⁰³.

From this historical view is possible to advance the meaning of Eurasia conferring to the Turkish perspective.

According to the interpretation of Dr. Golam, in the Turkish academic debates, Eurasia is considered of those areas and regions where mainly the Turkic peoples are settled, including the areas of modern day Turkey, the Balkans, part of the former USSR, Central Asia, the regions of Volga and Afghanistan¹⁰⁴. In other words, citing the geopolitical expert Ali Külebi, Eurasia is: *The vast region that encompasses the entirety of Europe and Asia from Atlantic to Pacific; Lisbon to Vladivostok. It is the region stretching towards the west and the east of the Ural Mountains. It is the region that has sheltered the Turkish and Slavic peoples – Turkish, Mongolian, Slavic, Hungarian and Finnish – for centuries. And finally, in its narrowest sense, Eurasia can be defined as the region the Turkish states, in other words, the Turkish world, inhabit*¹⁰⁵.

This definition resumes aspects of the Mackinder's vision about the greatness of this global region and its strong characterization by the variegated Slavic population. Reporting this vision to the notion of Turkish Eurasianism, we can evince as it is closely connected with the Slavic identity and with the theory based on Turkish-Slavic unification. Within this approach, as the orientalist Alexander Kadirbayev emphasized, the ideal of a stronger Eurasia lies in the unification of the

¹⁰³ "Turkey and Eurasianism". In Evraziyskoe Dvishenie Rossiyskoe Federazii. <http://eurasian-movement.ru/archives/547> (last view: 02.02.2017)

¹⁰⁴ Golam Mostafa (2013): "The concept of 'Eurasia': Kazakhstan's Eurasian policy and its implications". In Journal of Eurasian Studies. 19 March 2013. P. 163

¹⁰⁵ Külebi Ali (2006): "The forgotten option: Turkish Eurasianism". In Daily News. <http://www.hurriyetdailynews.com/the-forgotten-option-turkish-eurasianism.aspx?pageID=438&n=the-forgotten-option-turkish-eurasianism-2006-08-23> (Last view: 04.01.2017)

Turkish and Slavic peoples. According to Kadirbayev, as stressed in the work of Külebi Ali, *“Eurasianism is grounded on the steppe and forest, in other words on the unification of the Turkish and Slavic peoples. Expansionism, crossing borders and foundation of mighty states are all results of the steppe culture. This is how the Turkish character was formed”*¹⁰⁶.

For Dr. Golam Turkish Eurasianism is mainly a plan of creating commonwealth of Turkic states and the idea was more active and popular during the early 1990s after the collapse of the USSR when the five independent Central Asian states were created, having close links with Turkey (except Tajikistan) historically, culturally and ethno-linguistically. Here, the discourses of Turkish Eurasianism can, according to Özgür Tüfekçi, be classified into three separate types: nationalist Eurasianism, multiculturalist Eurasianism, and Westernist Eurasianism¹⁰⁷.

By this analysis the mayor components of Eurasianism are attributable to the religion, Islam, and to the prominence of the primary role attributable to Turkey in Eurasia. In its connection with the religious aspect, the Turkic-Muslim understanding of Eurasianism is propagated and supported by the Turkic-Muslim population in Russia that believe as Russia can be a Eurasian power only by the recognition of its Muslim population. However, this vision is mainly limited in academic and intellectual debate and discussion, where mostly is assumed that will be hardly any scope and support for a separate Eurasianism based only on the solidarity of Turkic-Muslim ideology¹⁰⁸.

Actually, regarding a possible entrance of Turkey in the Eurasian Economic Union, the tree groups have a diverse vision about its role. The most ambitious one comes from the nationalists that see Turkey as the leader of the Union. While the multiculturalists argue that Turkey and Russia might share the leadership, or the Westernists that propose as Turkey might be one of the significant players in the Union¹⁰⁹.

It is mostly because Turkey, like Russia, has Caucasian, Balkan, Middle Eastern, and European identities and different interests at stake in all of these regions – something that has inevitably influenced the regional Turkish policy and its role in the Eurasian region¹¹⁰.

¹⁰⁶ Külebi Ali (2006): *“The forgotten option: Turkish Eurasianism”*. In Daily News.

<http://www.hurriyetdailynews.com/the-forgotten-option-turkish-eurasianism.aspx?pageID=438&n=the-forgotten-option-turkish-eurasianism-2006-08-23> (Last view: 04.01.2017)

¹⁰⁷ Özgür Tüfekçi (2014): *“Ahmet Davutoğlu’s Foreign Policy Understanding: A Blend of Westernist and Multiculturalism Eurasianism”*. The Arab World Geographer: September 2014, Vol. 17, No. 3. P. 277

¹⁰⁸ Golam Mostafa (2013): *“The concept of ‘Eurasia’: Kazakhstan’s Eurasian policy and its implications”*. In Journal of Eurasian Studies. 19 March 2013. P. 163

¹⁰⁹ Cit. Locl Özgür Tüfekçi (2014). P. 279

¹¹⁰ Gerald Marius S. (2012): *“Russian Eurasianism vs. Turkey’s Eurasia?”* Ministerul Finantelor Publice Bucuresti. P. 6

This point of view is confirmed by Professor Ramazan Ozey of Marmara University, with the approach "*The Theory of Center Domination by Turks.*" Anatolia is the "*World Fortress*" (Dunya kalesi in Turkish, or the Heartland in classical sense), and the ruler-country in Anatolia, Turkey, possessing this acropolis, has an opportunity to take control over the regions of the "*Internal circle*"¹¹¹.

In a comparison with the Russian Eurasianism, the most important difference of the Turkish approach, as expressed by Turkish foreign Prime Minister Ahmet Davutoglu, is linked to the rejection of the conflict with Western civilization, positioning instead Turkey as a bridge between Western and Muslim civilization. While Eurasians attribute importance to the geopolitical location of Russia, Davutoğlu puts forward the uniqueness of Turkey and its position¹¹² "*Turkey holds an optimal place in the sense that it is both an Asian and European country and is also close to Africa through the Eastern Mediterranean. A central country with such an optimal geographic location cannot define itself in a defensive manner. It should be seen neither as a bridge country which only connects two points, nor a frontier country, nor indeed as an ordinary country, which sits at the edge of the Muslim world or the West*"¹¹³.

From a political side, the Eurasianism in Turkey affirmed itself after the dissolution of the Soviet Union, when the Turks discovered their kinship with this geographic region, allowing the arising of the pan-Turkish sentiment. Former Turkish president Süleyman Demirel spoke often of a "*Turkish World from the Adriatic Sea to the Great Wall of China.*" By this, he meant almost all territories of Turkic states in the Caucasus and Central Asia, but also former Ottoman territories in the Balkans, and possibly the Arab peninsula. In 1990s the Turkish left and right wing thinkers and politicians, as well as representatives of a number of pro-Islamic and pan-Turkist political forces, elaborated a model of Turkey's Eurasian policy, as a complete alternative to the pro-Western foreign political strategy. This approach is based on the idea of cooperation of the most important powers of Eurasia, Turkey, Iran and Russia, against the "*Western imperialism*"¹¹⁴. After 1991, intellectuals,

¹¹¹ Gerald Marius S. (2012): "*Russian Eurasianism vs. Turkey's Eurasia?*" Ministerul Finantelor Publice Bucuresti. Pp. 6-7

¹¹² Özgür Tüfekçi (2014): "*Ahmet Davutoğlu's Foreign Policy Understanding: A Blend of Westernist and Multiculturalism Eurasianism*". P. 284

¹¹³ Davutoğlu, Ahmet (2008): "*Turkey's foreign policy vision: An assessment of 2007*". Insight Turkey 10(1). P. 78. Cit. in Özgür Tüfekçi (2014): "*Ahmet Davutoğlu's Foreign Policy Understanding: A Blend of Westernist and Multiculturalism Eurasianism*". The Arab World Geographer: September 2014, Vol. 17, No. 3. P. 285

¹¹⁴ Cit. Loc. Gerald Marius S. (2012). P. 7

entrepreneurs, scholars, and institutions started to use “Eurasia” instead of “the Turkish World,” because it sounded more politically neutral¹¹⁵.

But, from the Russian perspective, especially in the Neo-Eurasian vision of Dugin, the role of Turkey in the Eurasian Union or in an alliance with Moscow was at the beginning of the 2000s strongly criticized because of its partnership with the NATO: “As a national state and NATO member, Turkey is inimical to the Eurasian project. Its selective assistance to the Chechen separatists, the permanent old Turkish- Armenian dispute, its supporting of an anti-Moscow atmosphere in Baku, and all issues connected with the construction of Baku-Tbilisi-Ceyhan oil pipeline, evidently suits the pro-Atlantic and anti-Eurasian strategies of Ankara¹¹⁶”.

Although this vision was reviewed by Dugin in last years, the role of Turkey rests emblematic for its possible joining of the Eurasian Union. Indeed, the Russian volition to integrate Turkey in its system is dictated by the fact to diminish Turkish contacts with the European Union, avoiding in the same time the possible political and military approach of the USA in Turkey and thus near the Russian borders. For that Russia’s desire is to give a particular emphasis to Eurasianism in the Turkish ideological approach, exalting the *own* Eurasian culture and tradition, in order to strengthen the Eurasian identity in the country, consolidating the idea of USA as an extern agent, incompatible with the Eurasian region.

9 Caucasian and Central Asian conception of Eurasianism

Concluding the section dedicated to the study of the diverse Eurasian thinkers, is necessary to mention the Caucasian and Central-Asian authors that externalized a dissimilar idea about the central role of the Russian Federation in Eurasia.

On the whole, the exponents of Eurasianism can be divided into two main categories: the authors that emphasize the dominance of Russia and its strength in the Eurasian region; and the thinkers that deny the idea of the Russian leadership within the Eurasian space.

Analyzing the first group is immediately patent, that the authors of this current share totally the idea about the main role of Russia as a leader state in the Eurasian context. Belonging to this vision are the Eurasian classical and neo-classical writers. The principal fact that must be considered here is that these authors, as Danilevsky, Trubetzkoy, Savitsky, Gumilev or Dugin, have

¹¹⁵ Devlet Nadir (2012): “When Russian Eurasianism Meets Turkey’s Eurasia”. In the German Marshall Fund of the United States. March 8, 2012. P. 3

¹¹⁶ Dugin Aleksandr (2010) “*Rus Jeopolitiği. Avrasyacı Yaklaşım*”. 7th ed., Istanbul: Küre Publication, 2010, pp. xvii-xviii. Cit. in Devlet Nadir (2012): “When Russian Eurasianism Meets Turkey’s Eurasia”. In the German Marshall Fund of the United States. March 8, 2012. P. 2

mostly East-European and Russian origins and, although lived in different epochs, commonly, have given emphasis on the strategic position of Russia in the Eurasian continent. In fact, according to these thinkers, Russia can be identified as the center of Eurasia and therefore has the natural right and power to control the entire Eurasian region, playing de facto a dominant role in this region.

In opposition to this flow of thinkers there is a category of writers that criticized the strict dominance of the Russian leadership in Eurasia. Authors of this group, as Osmanov, Simavoryan, Matikeeva, Sengupta, Tolipov, Shrielman, Ivanov¹¹⁷, for the truth agree with the conception about the Russian central position in the region, according to the fact that due to geographical aspects, the Russian Federation occupies a special and privileged role in Eurasia. But, in contradiction to the Russian centralism, these thinkers believe that Russia is not the only dominant nation and core of the Eurasian space. Indeed, this controversial current supports the idea that the Eurasian center would be in China, or in Central Asia or in the Caucasus.

However, here must be considered as the authors of this particular vision have Caucasian and Central-Asian origins, and that their point of view is inspired by the ideological collision with the Russian strong position.

Moreover, is essential to note that they do not have any individual or coherent theory of Eurasianism, rather they challenge the idea of the leader position of Russia, arguing that the concept is controversial and divisive.

In their elaboration of Eurasian Union, their fundamental criticism on such association is related to the absence of a solid political and economic base, which does not allow Russia and the other members of the Union to create a community that can compete with other nations or unions of the world. The problem lies exactly in the role of Russia, a nation that has a too marked dominant position in the Eurasian context in comparison with the other Eurasian states – something which makes difficult to determine a proper division of responsibilities between its various political actors and that represents the still ongoing problem of the EEU nowadays. Basically speaking, these Eurasian thinkers have noticed and recognized that, from political and economic view, Russia has the most important role in the organization of Eurasia. But, in this context of disparities between the different actors would be difficult to create an organization of states that can be yes united from an ideological view, but that from an economic and political basis, will be always subordinated to its principal entity, seen exactly in the force of Russia.

¹¹⁷ Golam Mostafa (2013): “*The concept of ‘Eurasia’: Kazakhstan’s Eurasian policy and its implications*”. In *Journal of Eurasian Studies*. 19 March 2013. P. 161

First section conclusion

The analysis of the first section was conducted to discover the theory of Eurasianism, its facets and development. We evinced that this ideology during the XX century, especially by authors as Danilevsky, Trubetzkoy and Savitsky, affirmed the particular character of the Eurasian identity, as diverse from the Romano-Germanic culture.

Such dogma however encountered difficulties to affirm itself among the Russian thinkers of the 1920s, due to the predominant theory of that epoch: the Bolshevism. Though, the Eurasian idea was able to survive between the Russian philosophers by the fact of its similitudes with the Soviet ideology, mostly in the exaltation of the Russian culture and the role of Russia towards the Eurasian scenario, as coordinator state of the region.

But, the concrete consolidation of Eurasianism was visible during the years of the Perestroika and during the 1990s after the dissolution of the Soviet Union, where the Russian politicians tried to save the union, referring to the Eurasian ideas, in order to compact the Soviet republics under the leadership of Moscow ideologically.

Although the scope to save the Soviet Union was not reached, the theory of Eurasianism survived or rather consolidated its ideas among the Russian thinkers. The opportunity to develop its notions towards the Eurasian states was dictated by the ideological defeat of Communism that opened the way for the affirmation of the Eurasian idea as primary ideology in Russia and Eurasia. Precisely, the period 1980-1990s, confirmed the acknowledgment of the Eurasianism in Eurasia and contemporarily its evolution from the classic vision in the modern, with the consequence of the mutation of the ideology as simple theory of cultural exaltation in a populist movement.

In this panorama, it is important to note as the affirmation of the Eurasian idea is even connected with the Western geopolitical school, especially in the figures of Mackinder and Haushofer, who underlined the political and economic importance of the Eurasian landmass. Specifically, they emphasized the particular character of this part of the world for its economic resources, as oil and gas, and the military strategic role of this region world, pivotal for the world political and economic equilibrium.

The Western geopolitical school played a decisive role in the evolution of Eurasianism, moving its axis to a more radical way. The reviews of authors such Mackinder and Haushofer after the collapse of the Soviet Union, was the decisive step to the consolidation of Eurasianism as ideology of Eurasia and to its passage to the form of Neo-Eurasianism.

Exactly here, the main exponent of Neo-Eurasianism, Aleksandr Dugin, with its *Eurasian Manifesto* conferred to the ideology a more radical character. Through the Neo-Eurasians authors, the theory changed its cultural approach, seeing as the first Eurasian threats the globalization and the American influence. Explicitly, the events of the Second World War and the vicissitudes of the Cold War showed the global strength of USA in the world scenario as threat for Russia and its force. In this scenario, the ideological conflict was moved from the clash between the Slavic and Romano-Germanic culture, to the war between Eurasian and Atlanticism. By this point, we can evince the particular physiognomy of Eurasianism of the XXI century: a populist movement that exalts the Russian hegemony against the American threat. For the Neo-Eurasians, in order to win the ideological and economic struggle against the USA, all the Eurasian states need to be united and solid against the Western threat, establishing the Eurasian Union under the leadership of the most prominent country of the region – the Russian Federation.

According to the modern interpretation of the Eurasianism, the Eurasian Union assumes its fundamental significance of integration: only a united Eurasia under the leadership of a strong nation (Russia) can be able to contrast the effects of the globalization and revive the Russian predominance worldwide, exalting in the same time the Eurasian culture globally.

The connection between Neo-Eurasianism and the Eurasian process of integration, justifies the choice of this section to dedicate more emphasis to the analysis of the modern vision of this theory, because it, with its peculiarities, represents the conceptual pillar of the actual Eurasian Economic Union.

The expression of this thesis is connected with the fact, that the Neo-Eurasianism, through the exaltation of the uniqueness of the Russian culture and the necessity for the Eurasian states to be unified in order to develop a strong Eurasian community and market economy, gives a solid ideological basis not only to Russia but to all the actual participants of the Union, that feel themselves as an unique coalition, exalting the Slavic brotherhood against the extern threats concretely.

However, regarding this thesis it is necessary to make two considerations: 1) from a side we must assert that the evolution of Eurasianism in its modern vision assumed a too strong radical character.

2) From the other side, we can affirm that the direct Neo-Eurasianism ideological support of the Slavic population and the concrete volition to assure stability in the region, especially economic, attest as the Eurasian idea represents that ideological pillar of the Eurasian Union, that can

favorite the internal integration and the expansion of the Union, if, however, the leadership of Russia will be accepted by the other counterparts of Eurasia – especially non Russian people and states.

SECTION II

Eurasianism as ideological basis of the Eurasian Economic Union, an introduction

The analysis about the origins of the Eurasianism and the specificity of the three major schools (classic, geopolitical and modern) of this movement, have had the merit to underline the geopolitical importance related to the Eurasian region.

The integration between the former Soviet states and their connection with Eurasianism has embraced two principal epochs: 1) the period from 1920 to the end of the USSR, where the classic Eurasians as Trubetzkoy and Savitsky accentuated clearly a cultural legacy between the Eurasian states against the Westernization of the society. Here, the classic Eurasians wanted to affirm the necessity of alliance between all the Eurasian countries and thus to create a community united by same identity roots, culture and values. In their vision, they auspicated a change of the Soviet Union into the Eurasian Union, replacing the Bolshevism and Communism with the Eurasianism. The Eurasians, however, did not success to develop this idea in that period of time, because the Russian thinkers were literally entranced by the Bolshevik thought.

2) The period after the collapse of the Soviet Union and the new millennium where due to the revision of the Neo-Eurasians, the movement assumed a radical vision, giving to the Russian Federation the task to embrace all the former Soviet countries under its wings in order to protect them against the American threat, and in same time to give Russia again a role of strong nation worldwide.

The main idea of Eurasia as independent ideological region of the world and the accentuation about the leadership of Russia as primal coordinator of the entire Eurasian space allowed the Russian Federation after the end of the Soviet Union to maintain a precise control over the former Soviet countries and advanced the idea about the possibility to create an Eurasian Union.

Concretely, the idea of the Eurasian Union was formulated after the end of the USSR, as necessity for the new republics to unite themselves in order to guarantee internal stability and development. However, at the end of 20th century, the dissolution of the Soviet Union and the declarations of the West Geopolitical Schools about the strategic position of Eurasia opened the way to the Neo-Eurasianism to consolidate its populist ideas in the post-Soviet scenario.

Chronologically, an embryonic project of Eurasian Union was proposed already in 1989 by the Soviet dissident Andrei Sakharov (1921-1989). In a reunion of the Democratic MPs about the sorts of the Soviet Union, Sakharov, fielded against the Communist Party of the USSR, affirming

distinctly as the Empire of the Soviet Union could not be long preserved and thus was necessary to replace it with a new legacy. By this situation, Sakharov proposed the idea of a Eurasian union and began drafting its constitution¹¹⁸. His idea of Eurasian Union wanted to be a method to unite the Soviet space through "*a Constitution of the Union of the Soviet Republics of Europa and Asia*"¹¹⁹.

The project of Sakharov wanted to pursue the aim to establish a federation of Eurasian states, in order to replace the Soviet Union and its political contradictions, especially in the marked difference between center and periphery.

Since the 1991 by the creation of the Commonwealth of the Independent States was attended to form a space of integration between the former Soviet republics. Though, this association was formed as an interstate organization, where, however, the fields of integrations and cooperation, mostly security and economic partially, were definitely weak.

Generally, inside the different schools about Eurasianism, the establishment of a union is considered an integration of independent states which should allow them to strengthen their security, to guarantee stability and to modernize in economic terms the post-Soviet space completely.

Due to the feeble integration of the CIS, seen more as forum of discussion than as very institutional organ of decision, during the end of the XX century and the beginning of the 2000s, the Eurasian projects of integration were established on the mechanisms of bilateral accords and specific regional programs between the different Eurasian states. In this scenario, it is necessary to underline as the goals of the Eurasianism were followed even in the regional projects. It is explained by two factors: 1) the former Soviet republics have always needed Russia, because of their strong economic dependence on Moscow, underlining, even after the end of the USSR, as the Russian position occupies the leader position of the continent. 2) The Russian Federation, especially since the new millennium with the ascent of Vladimir Putin, is pursuing the target to reestablish its hegemony over Eurasia.

To obtain the target of enlargement of integration in Eurasia, the Russian strategy, after the end of the USSR, focused on the economic and security vectors. The Customs Union (CU), The Eurasian Economic Community (EEC), the Collective Security Treaty Organization (CSTO), as well as the

¹¹⁸ Popov Gavril (2014): "*25 years after his death, Andrei Sakharov's political ideas remain relevant*". In *Russia Beyond the Headlines*. December 14, 2014.
https://rbth.com/opinion/2014/12/14/25_years_after_his_death_andrei_sakharovs_political_ideas_remain_rele_422_29.html (last view: 21.10.2016)

¹¹⁹ Helleiner E. and Pickel A. (2005): "*Economic Nationalism in a Globalizing World*". Cornell University Press. Ithaca and London. P. 56

Shanghai Cooperation Organization (SCO), aimed to pursue economic prosperity and stability in Central Asia¹²⁰, represents the most relevant projects of Russian foreign policy in the first years of the 2000s, with the scope to reestablish its control over the territory of the former Soviet Union.

With the growing economic crisis of 2008 and the necessity for the former Soviet countries to reach internal economy stability, the idea about a deeper cooperation, seen as economic necessity to cooperate all together in Eurasia, was always more concrete.

In follow of that, in the year 2011 the Republic of Belarus, Russian Federation and Kazakhstan signed a declaration of establishment of a Eurasian Union.

Consecutively, this embryonic integration assumed an economic connotation and since January 2015 Lukashenka, Nazarbayev and Putin started the Eurasian Economic Union.

In this context, is useful to remember as among the most influencing authors of the Eurasian Union and thus such thinkers that are supporting nowadays the integration of the post-Soviet space are the same leaders of the EEU. Precisely, mostly the ideas of Nazarbayev and Putin are today representing the two principal distinct views about the meaning of the Eurasian Union.

In the following paragraphs the analysis will be concentrated about the significance of Eurasian Union for the Presidents of the three founding states of the EEU, proposing their own aims within this organization. For the members as Armenia and Kyrgyzstan will be proposed an explanation about the necessity and advantages that these states want to reach through their membership. In addition will be analyzed some determinant facts, as the Ukrainian civil war or the role of China, to understand their impact on the further development of the integration.

10 Kazakh vision of Eurasian Union: an Economic Union

The Kazakh President Nursultan Nazarbayev formulated for the first time the idea about the establishment of the Eurasian Economic Union in spring 1994, when, during a speech in a Scientific Council of the Moscow State University, manifested the volition to create a new association in the CIS space with the aim to integrate further all Eurasian countries. This idea was embodied in the draft of the "*Eurasian Union*" (1997)¹²¹.

The basic concept of Nazarbayev, as practical implementation of the Eurasianism, was imprinted to the creation of a single economic space for the mutual and internal development of Eurasia.

¹²⁰ Cf. Kobrinskaya Irina (2014): "*Russian Foreign Policy: Traditional Vectors in a New Geopolitical Situation*". In Ponars Eurasia Policy Memo No. 340 September 2014. Pp. 2-3

¹²¹ Vasilyeva N. A. and Lagutina M. L. (2016): "*The Russian Project of Eurasian Integration*". Geopolitical Prospect. Lexington Books. P. 93

The project of the Kazakh President was formally addressed to the former Soviet republics, with the possibility to open the integration to all those states that would like to join the cooperation for a mutual benefit: the so called “*practical Eurasianism*”.

According to Nazarbayev, to achieve the target of integration and mutual benefit must be established a strong community with a supranational power which determines a proper allocation and respect of the competences among all the members.

In addition, reflecting about the official Kazakh position about the Eurasian Union, a complete union between all Eurasian countries would be possible due to the common feature of sharing a common territory and a same culture, history and tradition. The Kazakh sense of belonging to Eurasia and its culture is even possible to evince from the words of Dr. Mostafa: “*For Kazakhstan, Eurasia is a unique region where all ethnic, cultural and religion groups live and co-exist peacefully through centuries of mutual trust, belief and understanding. [...] Geographically, Kazakhstan is an Asian country and only about 10% of its territory is located in Europe but geo-politically, geo-economically and geo-historically it considers itself as a Eurasian state*¹²²”.

These contemplations reflect the thought of Nazarbayev, which is centered on the concepts of identity and ethnicity, as necessary aspects to create a solid cooperation – especially economic – among the Eurasian countries in order to reach a common stability.

Indeed, in a precise territory, characterized by homogeneous values, the economic resources can be better organized between the different actors; and in the same time the population of this territory can properly and fully draw benefits from them.

But, exactly the not precise homogeneity between the Eurasian countries – where the countries are not yet on a same economic level – is seen by Nazarbayev as the modern problem of the Eurasian integration.

In his book of 2003 “*the Strategy of the Independence*¹²³”, Nazarbayev gave his definition of what the Eurasian Union should be: “*Eurasian Union is a union of equal independent states aiming at the realization of national state interests of each participating country and existing total integration potential. The requirements for members of Eurasian Union include a mutual*

¹²² Golam Mostafa (2013): “*The concept of ‘Eurasia’: Kazakhstan’s Eurasian policy and its implications*”. In Journal of Eurasian Studies. 19 March 2013. P. 164

¹²³ Nazarbayev N. A. (2003): “*Strategija Nezavisimosti*”. Almaty: Altamura, 2003.

*recognition of existing institutions of the participating countries, borders and territorial integrity, waiving of pressure and armed conflicts*¹²⁴”.

In the idea of the Kazakh President, the Eurasian Union, which should not be a reincarnation of the USSR, must be instead a regional organization able to offer to its participants the preconditions to be part active of the organization, to mitigate the economic problems of the region due to the collapse of the Soviet Union and to resolve the internal conflict as result of the modernization and thus of the globalization¹²⁵.

Specifically, the President of Kazakhstan emphasized in his work that the obstacles for each community and its functioning, are associated with the lack of a common strategy. Therefore, the Eurasian Union must have a solid management base and must define strategic plans for the economic and political commitments between all the members¹²⁶.

Moreover, in the Kazakhstan’s view must be specified that the Eurasian Union is: 1) an economic project, not a political one. In fact, in Kazakh President’s vision of Union it must be built on economic pragmatism. 2) The Union must be based on the principles of equality, mutual respect for sovereignty and not interference into domestic affairs¹²⁷.

These two points are extremely important to understand the actual Kazakh position – similar to the Belarusian – about the meaning of the project of the Eurasian Economic Union.

Looking in detail these two points, the first concept has the signification that Kazakhstan has nowadays joined the project of the Eurasian Economic Union exactly to obtain economic benefits through the cooperation between the other Eurasian states (especially to facilitate its trade with Russia), by the creation of common markets and thus by the abolishment of custom duties in the mutual trade. The second statement describes the fear of Nazarbayev about a possible politic engagement of the Union, where Russia, due to its centrality and territorial greatness, could limit the internal sovereignty of the other participants, constituting a threat for the national independence of all the other participants to the project.

¹²⁴ Baktugul Dzhaambaeva, Akmaral Syrgakbaeva: "*Nazarbayev’s Idea of Eurasianism*". Kazakh National al-Farabi University. Web Papier-Work. P. 3. (last access 14.10.16)

¹²⁵ Cf. Nazarbayev N. A. (2011): "*Evrasiyskiy Sojuz: Ot Idei k Istorii Budushchego*". In *Izvestija*. 25.10.11 <http://izvestia.ru/news/504908> (last view: 23.10.2016)

¹²⁶ Cf. Johnson Matthew. R. (2014): "*Russian Nationalism and Eurasianism*". In news, analysis and forecasting on Geopolitics. 25.06.2014 http://www.geopolitica.ru/en/article/russian-nationalism-and-eurasianism#.V72vU_mLTIU (last view: 08.10.2016)

¹²⁷ Cf. Golam Mostafa (2013): "*The concept of ‘Eurasia’: Kazakhstan’s Eurasian policy and its implications*". In *Journal of Eurasian Studies*. 19 March 2013. Pp. 164-165

As reported by Marlene Laruelle, we can evince as the Kazakh President is definitely against a possible development of the Union into a political dimension: *“If the rules which were previously established in the treaty are not fulfilled, then Kazakhstan has the complete right to end its membership in the Eurasian Economic Union. Astana will never be in an organization which represents a threat to the independence of Kazakhstan”*¹²⁸.

Summarizing the thought of Nazarbayev through the analysis of Dr. Golam, the principal characteristics and tasks of the Eurasian Union are: 1) it must be a competitor in global economic space. 2) It must be developed as part of the Europe Atlantic and Asian areas of development and economically it should be a bridge between the dynamic developments in the EU, East, South East and South Asia. 3) The Eurasian Union should be formed as a self-sufficient financial body which will be a part of the new global financial system. 4) Geo-economically and geo-politically the Eurasian integration should follow a special, evolutionary and voluntary path in future. 5) Such a Union can only be achieved through wide participation and support of the society¹²⁹.

The most important passage in the Kazakh vision of Eurasian Union is the maintaining of the independence of the entire Central Asia, excluding through a Eurasian Union the possibility for Russia to control the territory politically. In accordance with that, the Eurasian Economic Union must propose exclusively economic engagement for its members, affirming their national independence.

Historically, the idea of Nazarbayev did not consolidate immediately in the Post-Soviet Space due to the lack of interests from the CIS members in a so ambitious process. However, the Eurasian Economic Union (2015) results nowadays the final stage of the three biggest economic integration steps: the Eurasian Economic Community (2000), the Customs Union (2010) and the Common Economic Space (2012). Here, the principal participants of these associations, Belarus, Kazakhstan and Russia (*the troika*), incarnate precisely the spirit of ideological brotherhood as imagined by the Eurasians and underlined from Nazarbayev in his Eurasian idea.

¹²⁸ Laruelle Marlene (2015): *“Kazakhstan’s Posture in the Eurasian Union: In Search of Serene Sovereignty”*. In Russian Analytical Digest. No. 165, 17 March 2015. P. 8

¹²⁹ Golam Mostafa (2013): *“The concept of ‘Eurasia’: Kazakhstan’s Eurasian policy and its implications”*. In Journal of Eurasian Studies. 19 March 2013P. 165

11 *Eurasianism as ideological justification for the Russian foreign politic in Eurasia*

In order to understand the Eurasianism in its connection with the Russian idea of Eurasian Union properly, it is necessary to reflect about the conjunction of this doctrine with the Russian ideology and its politic aims primarily.

First of all, must be stressed as the Russian Constitution does not indicate an official national ideology. In fact, the first two points of the article 13 of the 1° Chapter affirm: 1) in the Russian Federation ideological diversity should be recognized. 2) No ideology may be established as state or obligatory one¹³⁰.

This path has the meaning, that the Russian Federation does not present an official ideology constitutionally. Here, can be argued, that the acceptance of Eurasianism, especially the Neo-Eurasianism, as prominent Russian ideology after the end of the USSR was justified from three principal factors: 1) from Danilevsky to Dugin, the main exponents of the Eurasianism – classical and modern – had Russian origins. 2) Since its beginning, the principal target of the Eurasian doctrine was to exalt the Russian civilization and territorial dimension. 3) The same Eurasians recognized Russia as Eurasia. These three motives can already explain as this theory has evolved itself as part of the Russian ideology, because of the intent of the Eurasians to glorify the image of Russia not only in the region but worldwide.

The consolidation of this theory happened specifically during the 1980s, at the sunset of the Soviet period, when the Russian thinkers started to utilize the concepts of Eurasianism, glorifying the Soviet population and the image of Russia, with the target to solidify the fragile union between the Soviet republics.

The effects of this phenomenon, although did not save the Soviet Union, started to be visible during the end of the twentieth century, allowing to reinforce the political and ideological position of Russia within the Eurasian scenario.

Exactly in this context, the Eurasian assumptions have continued to justify the Russian foreign politic after the end of the USSR in the Post-Soviet space ideologically, exalting its role of coordinator of the entire Eurasia.

During the 1990s, with the collapse of the Soviet Union and the hyperinflation of 1997, the same Russian Federation needed a solid theoretic basis which could emphasize its leadership, to legitimate a non-existing military, economic and politic control over the former Soviet republics

¹³⁰ "The Constitution of the Russian Federation" (1993). <http://www.constitution.ru/en/10003000-02.htm> (last view: 29.10.2016)

within the CIS. Regarding the military aspect, the Russian foreign politic was addressed, due to the economic problems during the end of the 1990s, to the military sector of the post-Soviet space. The effects of this politic had its implication in the creation of the Collective Security Treaty Organization, signed on 15 May 1992, between Russia, Armenia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and since 1994 Azerbaijan, Belarus, and Georgia. The Russian aim by this alliance, supported by the idea of Eurasianism, wanted to emphasize the necessity of Russia to protect its population still living in the former Soviet countries, reestablishing a solid Russian presence in the entire Soviet scenario.

Through this affirmation, it is important to underline as the Eurasian idea became the principal instrument in support of the Russian interventions in the post-Soviet space, as attested also from Dr. Jens Fischer: *“Eurasianism streamed inside the political spectrum of the Russian Federation, with the aim of supporting its campaigns of foreign policy in Eurasia. Eurasian foreign policy means in this context a focus on the states of the CIS, but not on the whole Eurasian continent's foreign policy in this regard¹³¹”*.

Though, this passage explains as Eurasianism, after the collapse of the Soviet Union, wanted to be used by Russian politicians and philosophers to move towards the former states of the USSR, trying to legitimate the Russian impact on their territories with a solid ideological basis.

Furthermore, the ideas of the Neo-Eurasians have legitimated the Russian foreign politic concretely, presenting the country as guide-nation and protector of the entire Eurasia against the Western threat. A reason that has allowed from a theoretical side for the former Soviet countries to see the Russian Federation as a necessary partner to guarantee stability and progress in the region, protecting simultaneously Eurasia from the world threats as the American one.

The Neo-Eurasianism gives exactly emphasis about the central role of Russia and the Eurasian culture as significant pillars in the creation of the Eurasian Union. According to the historian Petr Bitsilli, *“Russia should, because of its centrality, be not only an agent-actor between the peripheries of the Eurasian continent, but an arena in which all values of the Eastern tradition should meet, to be propagated. The division and consolidation of equal values between the whole Eurasia will*

¹³¹ Cf. Wagner Hartmut (2002): *“Eurasismus: eine Option russischer Außenpolitik?”*. In Eurasisches Magazin. 22.07.2002 <http://www.eurasischesmagazin.de/artikel/Eurasismus-eine-Option-russischer-Auszenpolitik/309> (last view: 30.10.2016)

create a Eurasian culture, which, then over time, can expand itself and holding between all the Eurasian countries¹³²”.

The idea of the Neo-Eurasians about a union of Eurasian countries retraces the primary idea of the conflict with the Atlanticism, where the former soviet countries must form a coalition against the American threat.

Specifically, “*Hard-core Eurasianists*” inspired by Dugin and traditional left-wing nationalist thinkers see the Eurasian Union project as a long-overdue attempt to challenge Euro-Atlantic civilization and to drive the West out from the Eurasian world. For others such as Dr. Vinokurov, the Eurasian Union project is actually an opportunity to create a common economic space with the European Union¹³³. This passage describes as the EU, although the actual embargo due to the Ukrainian crisis, remains Russia’s largest trading partner and principal foreign partner of the associates of the EEU, a reason that makes clear to understand as, from the economic side, Russia cannot renounce to such important economic partner and testifies the necessity for an expansion of the Union to cooperate even with the Western countries.

Besides, the Neo-Eurasians auspicate for an association that must have not only economical but even political connotations under the leadership of Russia. These concepts reflect perfectly the Neo-Eurasian vision, where Putin, Neo-Eurasian exponent, in his Eurasian idea sees the Eurasian Union as instrument to revive the political dominance of Russia in the region.

11.1 The concept of Russkiy Mir

Together with the nationalistic ideas supported by the Neo-Eurasianism, especially the exaltation of the Russian ideology, and mostly with the actual Russian foreign policy, visible in the Russian expansionism of last years in the example of Ukraine, is linked the concept of “*Russkiy Mir*” (the Russian World).

In our analysis about the Eurasianism and the Eurasian Union, this term assumes a particular connotation in its investigation with the modern current of Eurasianism, and in the actual foreign policy adopted by the Kremlin in order to reestablish a Russian political control toward those countries that were parts of the USSR – and thus have had a deep Russian influence in the development of their national culture – through the actual mechanisms of the EEU.

¹³² Cf. Dodonov R.A. (2013): “*Kritika P.M. Bitsilli filosofii istorii evraziistva*”. In Gumanitarniy Visnik ZDIA. 2013. N. 52 P.222

¹³³ (Edit.) Kadri Liik (2014): “*Russia’s “Pivot” to Eurasia*”. Published by the European Council on Foreign Relations, May 2014. P. 9

Chronologically, the concept of the Russian World emerged for the first time during the Minsk negotiations in the period 1990-1991, when, in the political meeting between the Russian exponents and national popular fronts of the former Soviet countries, among the different issues (as the Baltic-Black Sea energy collector), the representatives of the former Soviet countries discussed about the need to create an information axis from Tallinn to Kyiv. In this context another subject gradually surfaced by the Russian politicians – the '*Ruskiy Mir*'¹³⁴.

With this concept the Russian representatives wanted exactly to intend that the Russian presence in former Soviet territories will be always justified in those nations where there are economic, politic and especially cultural roots linked to Russian interests and culture.

Historically, we cannot deny as this vision has its basis in the Eurasianism that from the classic to its modern view, has always had the aim to exalt and protect the Russian civilization against the threat of the Westernization. Therefore, the support of the Russian culture, considered as a unique by the Eurasians, must be protected and promoted in all the Eurasian countries, especially in the former Soviet countries, that have known their cultural evolution connected with the Russian and Soviet ideology. In conformation of this idea, according to the analysis of Victor Chenryshuk, in the Minsk negotiation of 1990 was clearly outlined by Moscow that "*The boundaries of Eurasia coincide and will always coincide with the boundaries of 'Ruskiy Mir'*"¹³⁵.

Already Boris Yeltsin used this term, speaking about the Russian minorities and the necessity to protect them, as instrument of political influence and propaganda to reestablish Russian ties in the former Soviet countries by the use of a cultural justification.

During the period 1995-2000, the concept and its particular adoption in determinate fields was devised by intellectuals, academics and journalists close to the Kremlin. Afterward, it was introduced into political discourse by Putin in 2001 publicly, in order to legitimate the domestic and foreign Russian politics¹³⁶.

To accentuate more the importance of the Russian culture in the world, President Putin instituted in the year 2007 a foundation with the name of "*Ruskiy Mir*", aimed to promote the Russian language and culture abroad, especially in the post-Soviet states. Recently, this organization obtained during the year 2015, due to the economic crisis, just around 60% of the planned 750

¹³⁴ Chernyshuk Victor (2014): "*How the 'Russian world' concept propels Russian aggression in Ukraine*". In Euromaidanpress. 10.04.2014 <http://euromaidanpress.com/2014/10/04/ruskiy-mir-russian-world-implanted-in-ukrainian-cage/> (last view: 15.01.2017)

¹³⁵ Ibid.

¹³⁶ Cf. "*Ruskiy Mir: 'Russian World' On the genesis of a geopolitical concept and its effects on Ukraine*". In Deutsche Gesellschaft für Auswärtige Politik e.V. 03/05/2016. <https://dgap.org/en/node/28188> (last view: 16.01.2017)

million rubles (ca. 10.5 million euro)¹³⁷, testifying however its importance in the Kremlin's plans. This importance finds a confirmation by the nationalistic and patriotic ideas of the chairman of the Russkiy Mir Foundation, Viacheslav Nikonov, who claimed that the whole project is inherently trans-ethnic, since Ukrainians, Belarusians, and Jews can be part of the "Russian world." He underlined the bio-political core of the concept by arguing that "we need to aggregate people, not lands". Highlighting the "objective" and allegedly neutral character of the Russian world, he asserted that "it is about justice and truth, not nationality"¹³⁸. Consequently, we can understand the binomial dimension of the concept: cultural and political. Trying to give an explanation of the term Russkiy Mir precisely, it can be useful to cite the contribution of the DGAP's expert Wilfried Jilge: "The concept consciously relativizes the borders between nation states and is used to justify the "protective" role of the Russian Federation toward Russian-speaking minorities abroad, especially in the states of the former Soviet Union. [...] "Speaking Russian" is thereby equated with "acting like a Russian" and "thinking like a Russian," which goes hand in hand with tendencies to exclude in nationalist terms"¹³⁹.

From this statement we can evince as the cultural aspect and the Russian language want to allow Russia to justify its even political presence in those territories that presents Russian ideological elements, as instrument to protect its interests and population.

A contribution about this explanation we can observe from Victor Chenryshuk: "Russkiy Mir' begins and ends wherever the "Russian tongue" is understood as well as or even better than the mother tongue"¹⁴⁰.

For Anton Shekhovtsov, "In foreign policy, this concept means two things. First of all, as a diaspora, "Russkiy Mir" is supposed to be an agent of Russian soft power in the West in general and Europe in particular. Second, as a geopolitical concept, "Russkiy mir" refers to East European countries that Russia wants to keep in its orbit and where it can intervene in case they prefer a

¹³⁷ Cf. Schimid Ulrich (2016): "Russki Mir". In Dekoder <http://www.dekoder.org/de/gnose/russki-mir> (last view: 17.01.2017)

¹³⁸ Makarychev Andrey (2015): "Reassembling Lands or Reconnecting People? Geopolitics and Biopower in Russia's Neighborhood Policy". In Eurasian Visions Integration and Geopolitics in Central Asia. Ponars Eurasia Policy Perspectives September 2015. P. 9

¹³⁹ "Russkiy Mir: "Russian World" On the genesis of a geopolitical concept and its effects on Ukraine". In Deutsche Gesellschaft für Auswärtige Politik e.V. 03/05/2016. <https://dgap.org/en/node/28188> (last view: 16.01.2017)

¹⁴⁰ Chernyshuk Victor (2014): "How the 'Russian world' concept propels Russian aggression in Ukraine". In Euromaidanpress. 10.04.2014 <http://euromaidanpress.com/2014/10/04/russkiy-mir-russian-world-implanted-in-ukrainian-cage/> (last view: 15.01.2017)

*different foreign policy*¹⁴¹". Jilge explains also from a geopolitical side the meaning of Russkiy Mir with the Russian diaspora: "Geopolitically Russkiy Mir was conceived as a Russian "diaspora empire," with particular importance continually placed on the "Russian enclaves" in its "near abroad" – that is, on the European countries of the former Soviet Union, such as Ukraine and the Republic of Moldova¹⁴²".

The potential of this term can be more marked citing Shekhovtsov: "Pyotr Shchedrovitsky wrote that "Russkiy Mir", could be a potent source of Russia's modernization. For him, the existence of "Russkiy Mir" implied the availability of "Russian capital" defined as "an accumulation of cultural, intellectual, human and organizational potentials expressed in the linguistic thinking and communication (humanitarian) resources of the Russian language¹⁴³".

Politically, in the panorama of the Eurasianism, we can associate the concept of Russkiy Mir to the exaltation of Russian culture in his Neo-Eurasian vision as opposition of Eurasian values to the Western, which can validate the Russian dominance over Eurasia as support of its mythos and ideology.

Indeed, a precise confirmation of this concept in supporting of the Russian foreign policy and expansionism is possible to retrace analyzing the contemporary case of Ukraine. Precisely, in the analysis of Jilge: "President Vladimir Putin justified the annexation of Crimea by evoking the concept of a "Russian World". He spoke of Russians as living in a "divided nation" and highlighted the "aspiration of the Russian world, of historic Russia, for the restoration of unity." He also stressed the existence of a "broad Russian civilization," which has to be protected from external forces (particularly from the West) and which he defines as the sphere of Russian interests¹⁴⁴".

By these words we can observe as Putin is actually using the notion of Russian World – and thus the cultural union of Eurasia under the Russian leadership – to justify the Russian ambitious to unify the Eurasian region, formed culturally by a solid Russian ideology, and to intervene in internal issues. It has the clear significance as the Russian intentions through the actual integration project of the EEU cannot have only an economic level, but even a political dimension, underlining also as Russia should cover a leader position within the Union.

¹⁴¹ Shekhovtsov Anton (2014): "The "Russian World" will destroy Russia". <http://anton-shekhovtsov.blogspot.de/2014/08/the-russian-world-will-destroy-russia.html> (last view: 19.01.2017)

¹⁴² "Russkiy Mir: "Russian World" On the genesis of a geopolitical concept and its effects on Ukraine". In Deutsche Gesellschaft für Auswärtige Politik e.V. 03/05/2016. <https://dgap.org/en/node/28188> (last view: 16.01.2017)

¹⁴³ Cit. Loc. Shekhovtsov Anton (2014).

¹⁴⁴ Cit. Loc. "Russkiy Mir: "Russian World" On the genesis of a geopolitical concept and its effects on Ukraine".

Applying the term to the Russian domestic policy, the Russian World has the target to differentiate the character of the particular Russian civilization against the Western clearly. Exactly, the rejection of the western values from a hand retakes the contraposition between Eurasianism and Atlanticism. From another hand it expresses the importance of Ruskiy Mir inside the Russian Federation on the eyes of the population as instrument to consolidate and legitimate the political choices – necessary to protect and elevate the role and the Russian culture inside the Eurasian borders, exalting the Russian political choices in order to express its dominance among Eurasia.

11.2 The religious character of Ruskiy Mir

The political conception of Ruskiy Mir was differentiated and critiqued by the Orthodox Church, which has always underlined the only spirituality character of the term. According to Professor Andrey Makarychev, *“The religious vision of the Russian world claims that the boundaries of the Russian world coincide with the canonical boundaries of the Church. Geographically, this concept embraces Russia, Ukraine, and Belarus; sometimes Moldova and Kazakhstan are also mentioned. The religious conceptualization assumes that in civilizational terms the “real” Russia is more than the current Russian Federation. The religious discourse insists that it is not language, contrary to the political vision, but Orthodoxy that determines the boundaries¹⁴⁵”*.

Also in the analysis of Wilfried Jilge is possible to notate as in his point of view the idea of Ruskiy Mir is exalted by Russian-orthodox and Slavophil tendencies. The Russian Orthodox Church has established itself as an important dispenser of Ruskiy Mir ideology, focusing its rhetoric on the *“sacred”* East Slavic orthodox community of Russians, Ukrainians, and Belarusians, conveying the impression that Russians and Ukrainians are basically the same nation¹⁴⁶.

Indeed, from a religious dimension, the identification of Russian World is not a purely amalgamation of all societies formed by the Russian civilization to the control Russian Federation, but simply an unification of all those societies that share common values in an unique population, as a brotherhood.

Accurately, the Orthodox Church through the Moscow and Russian Patriarch Kirill, emphasized the importance of the Russian world, where nowadays, due to the globalization challenges and thus loss of own identity, it is important to preserve a unified spiritual and cultural world of the eastern

¹⁴⁵ Makarychev Andrey (2015): *“Reassembling Lands or Reconnecting People? Geopolitics and Biopower in Russia's Neighborhood Policy”*. In Eurasian Visions Integration and Geopolitics in Central Asia. Ponars Eurasia Policy Perspectives September 2015. P. 10

¹⁴⁶ *“Ruskiy Mir: “Russian World” On the genesis of a geopolitical concept and its effects on Ukraine”*. <https://dgap.org/en/node/28188> (last view: 16.01.2017)

Slavs: *“Russia is distinguished from other countries in the presence of many nationalities, different religions; but most importantly, what distinguishes Russia from other countries, is its history, tradition and system of values, which are preserved in this country by the grace of God¹⁴⁷”*. In his definition of Russkiy Mir, the Moscow Patriarch notes as, *“Russian world it is not the world of the Russian Federation or of the Russian Empire. Russian world is a special civilization, to which belong all people who today call themselves by different names: Russian, Ukrainians and Belarusians. By this world we can include people who do not belong to the Slavic world, but that perceived cultural and spiritual component of the world as their own¹⁴⁸”*.

By the interpretation of the Orthodox Church, the concept assumes a spiritual connotation instead of a political feature. Precisely, during a religious intervention on 18, July 2015 the Orthodox Primate expressed his regression in connection with the attempts of certain circles to politicize the concept of Russkiy Mir: *“Russian world is not exclusively the Russian Federation’s world. Russian world - is both the Ukrainian and Belarusian world. It is a world that is created through baptism in the river; it is the world of Prince Vladimir, a system of values, which penetrated into the culture, into the life of our people. [...] Open the " Tale of Bygone Years ", at the beginning of this work are the words" from which went to the Russian land. "There is no mention of Ukraine, Russia or Belarus - there is a Russian land¹⁴⁹”*.

In contraposition to the political interpretation of Russian World, that exalts mostly the Russian language as determinant component belonging to the Russian civilization; from the religious view, the Church underlines the spiritual connotation of the term, where to be part of Russian World means to identify the own conscience with the Russian culture and consequently with all parts of its world.

The religious interpretation of the Russian World wants to put emphasis about the conjunction between all the populations that are part of the Russian civilization. The legacy of the population, as Belarusian or Ukrainian, is necessary in order to prevent the dissolution of common values of these societies. This passage is testified by the words of Patriarch Kirill, *“The religious dimension of the Russian world is a source of peace of our people. It is not easy today to store these values. But we must understand that without these values will not be any Russian, Ukrainian or Belarusian*

¹⁴⁷ Cf. *“Svyateyshiy Patriarkh Kirill: Russkiy mir — osobaya tsivilizatsiya, kotoruyu neobkhodimo sberech”*. In Russkaja Pravoslavnaja Zerkov'. 8.09.2014 <http://www.patriarchia.ru/db/text/3730705.html> (last view: 24.01.2017)

¹⁴⁸ Ibid.

¹⁴⁹ Cf. *“Svyateyshiy Patriarkh Kirill: «Net nichego boleye dalekogo ot istiny, chem otozhdestvlyat' Russkiy mir isklyuchitel'no s Rossiyskoy Federatsiyey»”* In Russkaja Pravoslavnaja Zerkov'. 18.07.2015 <http://www.patriarchia.ru/db/text/4164499.html> (last view: 24.01.2017)

*people, and all would be melted in a certain pot of civilizations. Saving civilization, including the Russian world - it is our common task*¹⁵⁰”.

Generally, the religious aspect of Russian World wants to exalt its spiritual character, stressing as the Russian culture is a fundamental aspect to unite all the populations that were ideologically formed by the Russian civilization, without any regional distinction. In this discourse is not only the language to identify all Slavic population as part of the Russkiy Mir, but exactly the sense of belonging to a precise society because of the share of equal values.

11.3 *Putin and the Russian perspective of Eurasian Union*

The concepts of the Neo-Eurasianism and the interpretation of Russkiy Mir are fundamental aspects to understand the Russian significance of the Eurasian project and the targets of this modern form of integration for the Russian President Vladimir Putin.

Since the 2000s, through the radical ideas of Dugin and the rise to power of Putin, the Neo-Eurasianism has consolidated its ideas among the Russian politicians strongly.

Citing the Eurasian experts Bordachev and Skriba, Russia’s new Eurasian policy since the late 2000s can be described in the following terms: 1) the creation of new institutions that give proper weight to Russian interests and make Russia’s partners respect concluded agreements. 2) An emphasis on the economic dimension of cooperation. 3) Adherence to the principle of equality. In the Eurasian Economic Commission – the supreme regulatory body of the Customs Union and the Common Economic Space – all the member-states have equal number of votes. There is no guarantee though that with the deepening of integration this principle will not be altered. 4) Preserving subsidies and other economic and commercial preferences for the countries participating in Eurasian integration, in exchange for reciprocal economic, diplomatic or military concessions. 5) Placing economic pressure on states that adopted an anti-Russian stance (*‘energy wars’* with Ukraine in 2008-2009, limited trade with Georgia from 2008-2013) or that refused to participate in Eurasian integration (trade limitations for Ukraine in 2013, Kyrgyzstan in 2009). Prices for Russian resources to these countries have been increased to market level, while their access to the Russian market was limited and tightened¹⁵¹.

¹⁵⁰ Cf. “*Svyateyshiy Patriarkh Kirill: Russkiy mir — osobaya tsivilizatsiya, kotoruyu neobkhodimo sberech*”. In Russkaja Pravoslavnaja Zerkov’. 8.09.2014 <http://www.patriarchia.ru/db/text/3730705.html> (last view: 24.01.2017)

¹⁵¹ Bordachev T. V., Skriba A. S. (2014): “*Russia’s Eurasian Integration Policies*”. Publication in IDEAS (London School of Economics), London. P. 20

In this prospect, a political project of Eurasia found obstacles to his realization, because of the volition of the former Soviet republics to be not merely subjects of the Kremlin's decisions. In this way the idea of Eurasian Union has assumed in the Russian prospective the necessity to be economic union – although on the Russian eyes a future political conformation is not excluded – as solution to increase the Russian predominance in the Eurasia.

Putin's vision of Eurasian Union finds nowadays its basis on the amalgamation of the Eurasian roots and economic interests among the Slavic countries, presenting it as a meaningful project that foresees a unity between all former Soviet countries to further tie Eurasia with the EU and China: *“We are proposing a model of a powerful, supranational association capable of becoming one of the poles of the modern world [...] to play an effective bridge role between Europe and the dynamic Asia-Pacific Region¹⁵²”*.

Fundamentally, Eurasianism is perceived in Russia as a balance against the West and the creation of a common, geographical and cultural space with the other former Soviet nations. This notion refigures the ideological basis of the Eurasian Union in a Russian perspective.

Vladimir Putin delivered his concept of Eurasian Union during a speech at the Munich security conference in February 2007, underlining the possibility to create an *“economic region from Lisbon to Vladivostok¹⁵³”*.

Through his discourse, the Russian President accentuated firstly the volition to follow a new economic step of integration in the Post-Soviet space, in a framework of trade cooperation with the European Union.

Afterwards, Putin elaborated his notion of Eurasian Union carefully, declaring openly the necessity of a solid cooperation in the Eurasian space, especially after the global economic crisis of 2008. The result of this process is possible to evince in his article for the Izvestija on 4 October 2011: *“Noviy integracionniy proekt djla Evrazii — Budushcheye, kotoroe roshdaetsja segodnja”* (New integration project for Eurasia – a future that is born today), where the Russian President talked about the necessity to create a Eurasian Union, as mechanism to facilitate the global growth and civilization progress of the post-Soviet space, in order to achieve a common success and prosperity in the entire region.

¹⁵² Golam Mostafa (2013): *“The concept of ‘Eurasia’: Kazakhstan’s Eurasian policy and its implications”*. In Journal of Eurasian Studies. 19 March 2013. P. 163

¹⁵³ Halbach Uwe (2012): *“Vladimir Putin’s Eurasian Union A New Integration Project for the CIS Region”*. In Stiftung Wissenschaft und Politik German Institute for International and Security Affairs. January 2012. P. 2

Examining in detail the article of Vladimir Putin, the Russian President retraced the fundamental economic integrative steps that have conducted to solidify the idea about the Eurasian Alliance: *"The specific experience of the CIS has permitted us to run a multi-level and multi-speed integration of the post-Soviet space, making appropriate formats such as the Federal Government of the Russian Federation and Belarus, the Organization of the Collective Security Contract, the Eurasian Economic Society, the Customs alliance and, finally, the single economic space¹⁵⁴".* Already the Eurasian Economic Community and the Customs Union, created a huge market with more than 165 million consumers, with unified legislation, free movement of capital, services and labor, representing the decisive step to the creation of a Single Economic Space. In the words of Putin, the single Economic Space between Russia, Belarus and Kazakhstan represents a *"Project, which, without exaggeration, is a historic landmark not only for three of our countries, but for all the countries of the former Soviet Union¹⁵⁵".*

The volition of the Russian President, as explained in his article, is centered into the creation of a fully Eurasian integration, in order to enhance the Eurasian economy as primary objective. According to Putin, this target can be realized through the project of the Eurasian Economic Union that already in its previous economic forms of regional integration, as the CU of 2010, has manifested positive results. The advancing of the project must be connected with the abolishment of barriers and obstacles in the business between the participants: *"For people removing migration, border and other barriers so called "labor quota" shall mean the opportunity, without any limitation, to choose where to live, get education and work¹⁵⁶."*

In the realization of this concept, Putin was obviously influenced by the development of the European Union. In fact, as already underlined by Nazarbayev, the EEU should take as model the experience of the EU. Putin agreed with this concept in his theoretical formulation of Eurasian Union, talking but that the Eurasian economic integration is moving faster than the European Union: *"At the time, the Europeans took fourth years to move from the European Coal and Steel Community to the modern European Union. The formation of the Customs Union and Common Economic Space is even more dynamic, because it takes into account the experience of the European Union and other regional organizations".* Although the economic data of the first two years of the EEU were negatively and the integration has not yet consolidated due to the still

¹⁵⁴ Cf. Putin Vladimir (2011): *"Noviy integracionnyy proekt djla Evrazii — Budushcheye, kotoroe roshdaetsja segodnja"*. In Izvestija. 3. October 2011 <http://izvestia.ru/news/502761> (last view: 05.11.2016)

¹⁵⁵ Ibid.

¹⁵⁶ Ibid.

existence of barriers in the trade of the member-countries, President Putin believes in the system of the Union as instrument to unite the Eurasian countries culturally and economically.

Considering the EU, its impact for the organization of the EEU is visible analyzing its institutional structure: the Supreme Eurasian Economic Council, Eurasian Intergovernmental Economic Council, Eurasian Economic Commission and the Court of the Eurasian Economic Community – all institutions based on the model of their European counterparts.

Furthermore, the project of the EEU, according to Putin, does not want to recreate the Soviet Union – the Eurasian Union is far removed from “*any sort of resurrection of the Soviet Union*” - or replace the Commonwealth of the Independent States. But, more important, Putin stresses as this alliance is an open source project. It means that all the partners and members of the CIS are welcomed in the Union and that the decision to join or not the organization must be a country's sovereign decision.

Summarizing the thought of Vladimir Putin about the Eurasian Union, his volition is to tie more all the Eurasian countries, creating firstly economic links between them, in order to offer economic facilitations, and to develop then a system of mutual work between all the countries of Eurasia in political and economic areas. Based on this concept, Putin treats the Eurasian Union as “*Powerful supra-national union*” of sovereign states “*that is capable of becoming a pillar in today's world*”¹⁵⁷. This point of view is connected with the concept of multipolar world, where the world is divided in different centers that influence and administrate their own global regions. Here, Russia is the main actor of Eurasia and must guide, through a compact cooperation with the other countries, the entire region to its development. The Eurasian Union constitutes the center of multi-structuralized intercourse and interaction of a multitude of Eurasia's people¹⁵⁸.

Generally, the Russian project retraces the Kazakh vision about economic integration with the volition to create an organization focused on energetic, industrial and technological policies, which should establish a common trade area, ensuring free movements of people, capitals, services and goods among all the members, similar to the European Schengen zone.

The step of the Customs Union of Russia, Belarus and Kazakhstan was decisive, because created a huge market that consequently laid the basis for a higher level of integration, seen exactly in the Eurasian Economic Union.

¹⁵⁷ Halbach Uwe (2012): “*Vladimir Putin's Eurasian Union A New Integration Project for the CIS Region*”. In Stiftung Wissenschaft und Politik German Institute for International and Security Affairs. January 2012. P. 1

¹⁵⁸ Vasilyeva N. A. and Lagutina M. L. (2016): “*The Russian Project of Eurasian Integration*”. Geopolitical Prospect. Lexington Books. P. 98

12 *The Eurasian Union on the Kazakh and Russian eyes, a comparison*

Before to continue our analysis, is necessary to make some considerations about the Kazakh and Russian vision of Eurasian Union.

Regarding the Eurasianism and the project of the Eurasian Union, we can affirm that it was and it is still a common theoretical phenomenon of all countries of the Commonwealth of Independent States, although the idea of Eurasian Union was mostly marked in last decade by Nazarbayev and Putin.

Principally in the Russian vision of Eurasianism, this ideology is treated as an anti-Western ideology that underlines the exclusiveness of a “*special way for Russia*¹⁵⁹”.

In the Kazakh idea of Eurasianism, this current is seen as a special regard of interaction between the Eurasian states, with the target to allow every country of this macro-region to cooperate together in order to obtain economic facilitations and internal stability.

In consideration of this fact, we can notate as the Kazakh prospect of Eurasianism retraces the characteristics of the Central-Asian and Caucasian concept, where the core of Eurasia is not definitely centered on the Russian leadership in the area. In opposition to this vision, the Russian Eurasianism expresses the position of the Neo-Eurasians, amplifying the central role of Russia in Eurasia as political and economic coordinator of the entire region.

The reflexes of these two points of view, Russian and Kazakh, are visible nowadays in the idea of Eurasian Union – seen in two different prospects. Indeed, for Nazarbayev the Eurasian Union must be a confederation of states, where must be respected the national independence and every state must occupy the same role in the community without distinction from center or periphery.

For Putin the Eurasian Union is seen as a regional project of integration of the former Soviet republics, where Russia, due to its centrality and leadership in the region, must represents the regional power of the organization.

While the Kazakh President sees the Eurasian Union as a community where all the participants must be on a same level and recover an identic role, the project of the Russian President is connected with the Russian hegemony in the Eurasian space, where Russia must assume a more centralized position in comparison to the other Eurasian countries, due properly to its leader role in the area dictated by a stronger economy and larger territory in the area. The aim of Putin, influenced by the Neo-Eurasianism, is connected to acquire internal profits for Russia with its

¹⁵⁹ Vinokurov Evgeny (2013): “*Pragmatic Eurasianism*”. In *Russia in Global Affairs*. 30. June 2013. <http://eng.globalaffairs.ru/number/Pragmatic-Eurasianism--16050> (last view: 7.11.2016)

brother countries and enlarge its economic partnerships toward Asia, with countries as India, China, and Europe, in order to contrast the Atlanticism in the classic confrontation against the force of America.

13 Approach of Eurasianism in Belarus

In the case of Belarus is difficult to find a general idea of Eurasianism or generally to discover the roots of this ideology in the Belarusian identity.

To ascertain this assertion is necessary to consider two elements of the Belarusian culture and history: 1) the Belarusian identity is the result of a combination between the Slavic culture, the European influence and the harmonious meeting of the Catholicism and Orthodoxy. 2) The Belarusian culture was in the centuries dominated by the strong influence of two identities: the Polish and the Russian.

The first aspect is possible to discover in the modern Belarusian society and in its political and economic orientation, where Belarus is an open country, which conducts a friendly foreign politic, cooperating with all the countries that can offer benefits to the country, especially economically. Already this point can justify as the ideas of Eurasianism, especially in the Neo-Eurasianism's radical vision of conflict with the West, is complicated to root on the Belarusian identity – historically opened to a multilateral politic orientation between all parts of the world. This orientation is still nowadays perceptible in the Belarusian politic approach. Here, President Lukashenka defines Belarus as *island of stability*, stressing the concept as Belarus is an open friendly country: *“Our doors are always open for good people. The Old World and the New World begin to realize it. Belarus has never been a troublemaker in Europe”*¹⁶⁰.

Concentrating on the second point, through an historic overview about the Belarusian history, we can evince that, although a real Eurasianism has not evolved in Belarus, the country and its ideology has moved, especially since the XX century, aligned with Russia and its culture.

To explain this point, is useful to conduct an historical cultural overview of Belarus. Before the Russians, the Polishes played a dominant cultural role in the Belarusian territory. Indeed, the Union of Liublin in 1569 enforced the dissemination of Polish culture in Belarus, having a strong effect on the society, where all became subject to the Polish influence. But after the suppression of the

¹⁶⁰ “Belarus named 'an island of stability' today”. In Belta 17.11.2016 <http://eng.belta.by/president/view/belarus-named-as-one-of-islands-of-stability-on-the-planet-96376-2016/> (last view: 19.11.2016)

national liberation uprisings in Poland, Belarus and Lithuania in 1830-1831 and 1863-1864, the Polish influence was replaced by Russian dominance¹⁶¹.

Just in the Nineteenth Century was visible in Belarus a real national rebirth and self-identification, with a separation from the hitherto dominant Russian and Polish cultures. The declaration of the Belarusian People's Republic in 1918 and the Belarusian Soviet Socialist Republic in 1919 gave rise to the political and state self-identification of Belarusians. In the 1920s a process of "*belarusianization*" was conducted in Soviet Belarus through the entering of the Bolsheviks in its territory, although the development of Belarusian culture began in the late 1980s, during the crisis of the Soviet Union and its dominant ideology.

Therefore, for Belarus the unrelated state tradition refers to the Grand Duchy of Lithuania, Polish–Lithuanian–Belarusian Commonwealth, to tsarist Russia, and to the Soviet Union.

However, the impact of the Soviet regime and Communism had a deep influence on the national building of the Belarusian identity with the consequence that nowadays its political and economic aspects cannot be separated from the Soviet structure. The extraordinary Soviet influence could develop in Belarus openly, mostly because, as stressed by Belarusian expert Yury Shevtsov: "*The Polish impact in the territory due to its massive altering of all aspects of the society caused negative repercussions on the population. In such situation the Bolsheviks were seeing as liberators*"¹⁶² and by Belarusian historian Usievalad Ihnatouski (1831-1931), who wrote in 1921: "*When the 1917 Bolshevik revolution abolished all social distinctions, for the Belarusians this outcome amounted to national liberation because the class and the national composition of Belarusians almost coincided with each other*"¹⁶³.

This point confirms the thesis of the first section of the analysis, where the Eurasianism during the years of the Soviet Union encountered difficulties to affirm its ideas as the mainstream of Eurasia, due on the strong *Sovietization* of Eurasia. In the example of the Soviet Belarus, the Bolshevism was identified as the main ideology of the country because of its liberation action against the Polish influence.

¹⁶¹ "Historical Background of Belarus". Archives of Belarus. <http://archives.gov.by/eng/index.php?id=493530> (last view: 07.11.2016)

¹⁶² Interview with Yury Shevtsov - Lecturer of Department of the Oriental Linguistic and Country Studies. Minsk 14.06.2016

¹⁶³ Usievalad Ihnatouski (1921): "*Bielaruskaie natsiional'naie pytanne i Kamunistychnaia partyia Tezisy*," Volny Sciah 6, December 25, 1921. Cit. in Bekus Nelly (2010): "*the Official and the alternative Belarusiannes*". Open Edition books 2013. <http://books.openedition.org/ceup/604> (last view: 6.11.2016)

In follow of this aspect, must be notated, as the process of the post-Soviet “*nation-building*” was extreme complicated in Belarus, because there was and there is a deep union between the Soviet, Russian and the Belarusian identity¹⁶⁴.

Furthermore, according to the Belarusian analyst Siarhei Bohdan, it is extremely hard to identify nowadays an ideological affiliation of the Belarusian rulers. Some write about socialism in Belarus, and others call Lukashenka “*a spontaneous socialist*” or even a social democrat¹⁶⁵.

Quoting Siarhei, “*Belarus does not have any serious proponents of Eurasianism as far as the projects ideas of Slavic-Turkic cooperation are concerned. If Lukashenka ever had an ideology, it was that of Soviet restoration. He has little affinity for Eurasian ideas. Belarusian and Russian leaders follow different geopolitical visions and hold different worldviews*”¹⁶⁶.

Taking into account these facets, a real current of Eurasianism is today not really visible in Belarus. Rather, we can affirm, that the Belarusian identity conformed itself with the time to the Russian ideology and its politic orientation followed in the years the Russian orientation.

13.1 Significance of Eurasian Union for Belarus

Belarus has participated in all the integration processes led by Russia since the dissolution of the Soviet Union, trying to always keep a very solid interaction with Moscow, as since 1996, where the Belarusian President Lukashenka together with the Russian counterpart Yeltsin advanced even an idea of building a Union State¹⁶⁷. Moreover, the regional integration projects within the CIS, as the EURASEC, the CSTO, the CU, the SES, and recently the EEU in the year 2015 are all programs – developed by Russia to exert its sphere of influence on the former Soviet area – joined by Belarus. The same language, the culture, the Slavic identity and the energetic market make Moscow the first geopolitical partner for Minsk. The solidity of this relationship between Russia and Belarus was further stressed by President Lukashenka at the press conference for the Russian regional

¹⁶⁴ Cf. Smayr Wolfgang Hrsg. Unter Mitarbeiter von Markus Soldner und Ansgar Bovet (2002): “*Die politischen Systeme Osteuropas*”. Leske + Budrich, Opladen. P. 410

¹⁶⁵ Siarhei Bohdan (2012): “*The European Myth of Belarusian Socialism*”. In Belarus Digest, 12. June 2012. <http://belarusdigest.com/story/european-myth-belarusian-socialism-9665> (last view: 08.11.2016)

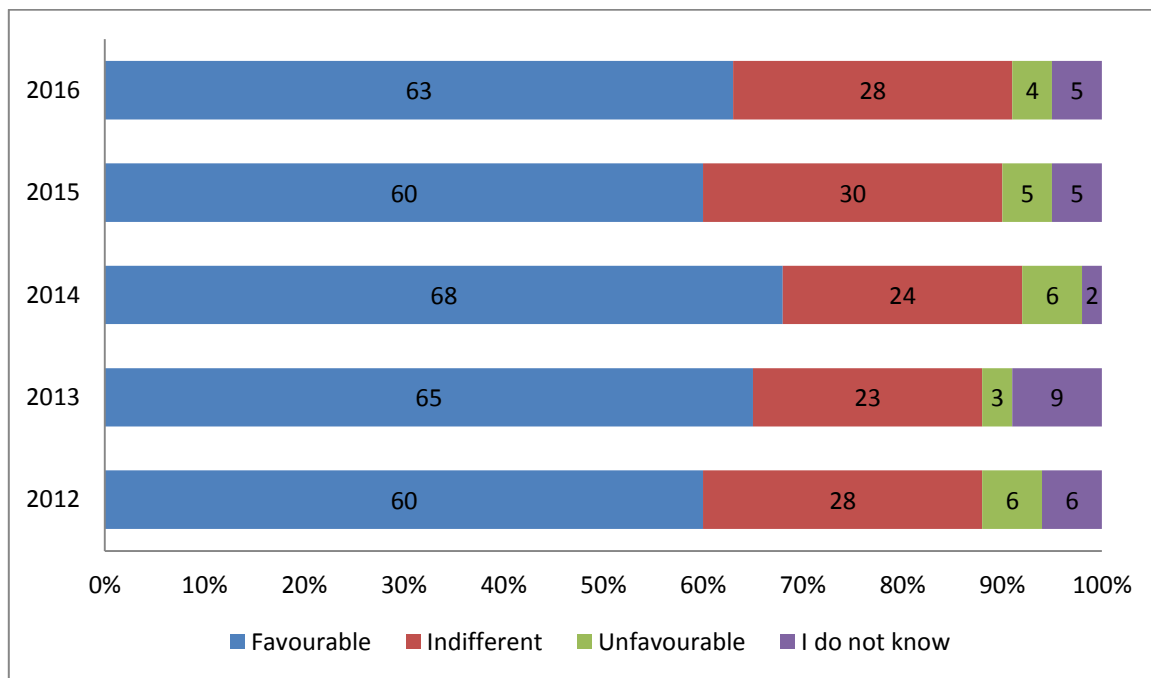
¹⁶⁶ Ibid.

¹⁶⁷ Astapenia Ryhor (2015): “*Belarus and the Eurasian Economic Union: The view from Minsk*”. In European Council on Foreign Relations. 7, January 2015. http://www.ecfr.eu/article/commentary_belarus_and_the_eurasian_economic_union_the_view_from_minsk (last view: 18.11.2016)

mass media on 17 November 2016, affirming as: *“The Russian Federation was and remains not only a strategic partner but also a brotherly state for us¹⁶⁸”*.

Advancing the study from the solid relationship between Moscow and Minsk to the Eurasian Economic Union, this project is supported nowadays by the Belarusians enthusiastically.

Figure 4: Opinion of Belarusians about the Eurasian Economic Union



Source: (Edit.) Vinokurov Evgeny (2016): *“EDB Integration Barometer – 2016 (Fifth Wave of the Survey)”*. Eurasian Development Bank, Centre for Integration Studies. Saint Petersburg 2016. P. 20

Indeed, a general confirmation of that is possible to reveal from the Belarusian public opinion, where the joining of the EEU is considered positive and supported by the population, as showed by a survey of the Eurasian Barometer that attested in 2016 as the 63% of Belarusian opinions were positive about the membership in the EEU¹⁶⁹.

In relation to the project of the Eurasian Economic Union, Lukashenka firmly supports the Eurasian Integration, as affirmed during the signing of the Treaty: *“This document gives us great hopes and*

¹⁶⁸ *“Lukashenko: Russia was and remains a brotherly state for Belarus”*. In Belta 17.11.2016 <http://eng.belta.by/president/view/lukashenko-russia-was-and-remains-a-brotherly-state-for-belarus-96375-2016/> (last view: 19.11.2016)

¹⁶⁹ (Edit.) Vinokurov Evgeny (2016): *“EDB Integration Barometer – 2016 (Fifth Wave of the Survey)”*. Eurasian Development Bank, Centre for Integration Studies. Saint Petersburg 2016. P. 20

*we believe we can have a great position, to articulate our goals and objectives within the framework of the Eurasian Integration*¹⁷⁰”

In detail, the accession of Belarus in the EEU and its personal aims within this organization are connected with the economic facilitations that the country can obtain from Russia. In fact, a high dependent market, as the Belarusians from the Russian Federation, is the principal reason that explains the volition of Belarus to be part of the Union.

This discourse can bring us easily to the thesis that the primary Belarusian aim inside the Eurasian Union is economic. Precisely, the expectation of the Belarusian authorities from the EEU is the realization of a regional market on equal economic conditions for its members without any barriers and customs duties in the circulation of goods, especially for the energetic sector¹⁷¹. Connecting with the fact that Belarus is mostly economic dependent on Russian raw materials; should but be underlined as this factor must not be misleading about the role of Belarus in front of Russia. In fact, if from a side it is truth that Russia has a great impact on the Belarusian authorities, from another side, the Belarusian government has showed in the years that may play pressure on the Russian counterpart – e.g. the gas war of the 2007 and the pivotal Belarusian position of transitory channel for the export of Russian gas to the West Europe. The strategic role of Belarus finds its confirmation in the words of the analyst Dr. John Daly: *“Belarus has one negotiating card with Russia— its Soviet-era “Druzhba” oil pipeline, which transits nearly half of Russian oil exports to Central and Western Europe, over 70 million tons annually. [...] Belarus is an important purveyor of Gazprom gas, transmitting more than 44 billion cubic meters annually. In return, through subsidized oil and gas supplies, Belarus receives from 15-18 percent of its gross domestic product from Russia every year*¹⁷²”.

Moreover, the actual ruble crisis, with the strong deprecation of the Russian ruble in comparison on the dollar and euro, does not allow Russia to make its pressure on domestic economic choices of the country as in the past. Also, in the Eurasian space, Belarus can count on the bilateral trade with China, as attested by the reinforcement of the partnership between Lukashenka and during the visit of the Belarusian President in China in October 2016.

¹⁷⁰ *“Eto dokument, s poyavleniyem kotorogo my svyazyvali bol'shiye nadezhdy, i Belarus' vsegda zanimala zdes' otkrytuyu pozitsiyu, chetko formulirovala svoi tseli, zadachi v ramkakh yevraziyskoy integratsii”*. In Yevraziyskiy ekonomicheskiy Soyuz (2014): *“Arkhitektura budushchego godovoy otchet”*, 2014. P. 3

¹⁷¹ *“Lukashenko urges to create equal economic conditions, lift barriers in EEU”*. In Belta 31.05.2016 <http://eng.belta.by/president/view/lukashenko-urges-to-create-equal-economic-conditions-lift-barriers-in-eeu-91732-2016/> (last view: 11.11.2016)

¹⁷² (Edit.) Cornell S. E. and Starr F. S. (2014): *“Putin’s Grand Strategy: The Eurasian Union and Its Discontents”*. Central Asia-Caucasus Institute & Silk Road Studies Program. P. 86

In consideration of these aspects, Lukashenka's vision of Eurasian Union is: a union which must have only an economic aspect, facilitating and modernizing the internal market of the Eurasian countries without causing prejudice on their national sovereignty. From this aspect we can immediately illustrate that for Belarus, as for Kazakhstan, the EEU must not intact the political sector and thus the national independence of the Eurasian countries, but must be an instrument of integration of Eurasia in order to respond compact to the modern economic challenges.

Furthermore, the Eurasian Union, according to the Belarusian President, must follow the model of the European Union and be good as this community¹⁷³.

Following the vector of the friendly foreign politic of Belarus, the EEU in the Lukashenka's vision, should expand itself worldwide, giving economic advantages to its members even in their internal trade with other external countries. In response of that, the Belarusian authorities, since the beginning of the EEU in 2015, have initiated to try an expanding-process of the Eurasian market worldwide, e.g. with countries as Slovakia, Pakistan or Indonesia, in order to make the organization an instrument to obtain economic benefits for the Belarusian foreign trade.

14 *Advantages of the Eurasian Union for Armenia*

Armenia joined the EEU on 1st January 2015, making the Caucasian republic the fourth founder of the Union.

The Armenian choice of Eurasian Union arrived officially on 3 September 2013 after the negotiations between Armenian President Serzh Sargsyan and his Russian counterpart Putin. The decision to be part of the Eurasian integration instead of European association is connected with three principal aspects: 1) the identity roots of the Armenian population connected with the Eurasian culture – confirmed by the research of the Gallup International poll in October 2013 that was showed as the 64% of Armenians was favorable to join the union¹⁷⁴. From a historical side, the enthusiastic Armenian support of the EEU is directly connected with the consolidated legacy Moscow-Yerevan, as expressed by the researcher Diana Shendrikova, *“Russia and Armenia have very strong historical and cultural ties, strengthened by common Orthodox faith of the majority of its population. The two countries’ shared cultural and spiritual identity has always played an important role in their bilateral relations and now has gained a central role in Eurasian rhetoric,*

¹⁷³ “Lukashenko: The Eurasian Economic Union should be at least as good as the European Union”. In Belta 24.03.2016 <http://eng.belta.by/president/view/lukashenko-the-eurasian-economic-union-should-be-at-least-as-good-as-the-european-union-89945-2016/> (last view: 15.04.2016)

¹⁷⁴ Almasian Mher (2014): “Why Armenia Chose the Eurasian Economic Union”. In The Armenite. December 03, 2014. <http://thearmenite.com/2014/12/armenia-chose-eurasian-economic-union/> (last view: 15.11.2016)

*which implies the Eurasian peoples' common cultural background, resulting from mutual contamination and interaction throughout their historical development*¹⁷⁵”.

2) Armenian strong dependence on Russian energy market, as remarked in the Moscow Times by the economist Alexander Knobel who reported specifically as Armenia turned away from European integration after Russia offered it the budget price of 170 USD to 180 USD per 1,000 cubic meters on its all-important natural gas imports¹⁷⁶.

3) The military alliance with Russia formed in 1997 and extended in 2010, in order to defend its borders against Turkey during the Artsakh War and Azerbaijan in the territorial dispute over the Nagorno-Karabakh. Due on the economic blockades of Baku against Yerevan in response to its occupation of the area, the Armenian President Sargsyan was pushed to find a military and economic solution through the help of Moscow in the Eurasian Union. Already the former Armenian President Levon Ter-Petrossian in the period 1991-98 underlined as that Russia's benevolence and support were indispensable for the Nagorno-Karabakh conflict.

Explicitely, according to the expert Armen Grigoryan, Armenian entrance in the EEU is dictated by the Russian pressure, including threats to cancel security guarantees and an increase of the gas price among other leverages¹⁷⁷.

Reflecting about the accession of Armenia, it can have a positive but also a negative side for the progress of the Union. Specifically, the Armenian membership has the advantage to expand the Union as auspicated by Nazarbayev and Putin to consolidate Eurasia economically and ideologically. But from the specific integration view, it must be pointed out that the conflict for the territorial dispute with Azerbaijan can weaken the solidity of the entire community. In fact, Azerbaijan, although is not yet a member of the EEU, has a solid economic relationship with Kazakhstan. Armenia is directly involved in the territorial dispute with Azerbaijan; something that can cause a conflict of interest in the role of the alliances among the same participants, with the consequence that these kind of issues could decelerate the decision-make process of the Union and the integration process seriously. A concrete example of it, we can find in the meeting of the EEU's leaders on April 8 2016 in Yerevan, where Kazakhstan planned to skip the EEU meeting in

¹⁷⁵ Shendrikova Diana (2015): *“Going regional the Russian way: The Eurasian Economic Union between instrumentalism and global social appropriateness”*. In Global Re-ordering: Evolution through European Networks. July 03, 2015. P. 17

¹⁷⁶ *“Armenia Joins Russia-Led Eurasian Economic Union”*. In The Moscow Time. January 2, 2015.
<https://themoscowtimes.com/articles/armenia-joins-russia-led-eurasian-economic-union-42666> (last view: 16.11.2016)

¹⁷⁷ (Edit.) Cornell S. E. and Starr F. S. (2014): *“Putin's Grand Strategy: The Eurasian Union and Its Discontents”*. Central Asia-Caucasus Institute & Silk Road Studies Program. P. 98

order to avoid the pretense of endorsing the Armenian side in the ongoing Nagorno-Karabakh conflict¹⁷⁸.

Taking into account the example of Armenia, can be stressed as from a hand as the possible conflicts between the actual and possible future members of the Eurasian Union, like Azerbaijan, can have the consequence to hinder the Eurasian integration-process with negative results on the economic decisions of the entire Union. Though, from the other hand, the membership of Armenia can be seen as a positive feature for the Eurasian members in order to show to the international scenario the force of this organization to solve regional conflicts – a thing that could even attract other Eurasian countries to join the union.

By the example of Armenia, we can confirm the thesis advanced by Putin in his vision of Eurasian Union, namely a union with economic but even with possible political and military implications. Indeed, the Eurasian Union on the Armenian eyes cannot only have an economic target, but even a security and political nature. In fact, the relationship with Moscow within the EEU's system should provide economic advantages for Yerevan, but mostly should guarantee the protection of its territory against the neighbors as Turkey and Azerbaijan – something that the European Union Association Agreement would not provide. For that the Eurasian integration acquires a special meaning for Armenia, especially through the reinforcement of its cooperation with Russia, in order to be not alienated in the Eurasian scenario economically but more important militarily.

15 Kyrgyzstan and the Eurasian Union: a necessary integration

After the collapse of the Soviet Union Kyrgyzstan joined the Commonwealth of the Independent States and signed up the Collective Security Agreement on May 1992, remaining after the end of the USSR in the Moscow's orbit. A further confirmation of that was successively visible first during 1996 with the joining of the Eurasian Custom Union and later in the year 2002 when the Kyrgyz government agreed to the establishment of the Collective Security Treaty Organization as a military alliance.

Nowadays, precisely on 21 May 2015, Kyrgyzstan completed its accession to the EEU, making this central Asian country the fifth member of the Eurasian Economic Union.

From a theoretical side, Kyrgyzstan knew an identity building process based on the assumptions of the Soviet Union, developing a specific culture based on the Soviet assessments complementary.

¹⁷⁸ Putz Catherine (2016): "The Eurasian Economic Union's Armenia Problem". In The Diplomat. April 06, 2016. <http://thediplomat.com/2016/04/the-eurasian-economic-unions-armenia-problem/> (last view: 16.11.2016)

In addition, the position of Kyrgyzstan in central Asia – that momentarily shares its borders only with Kazakhstan in the panorama of the EEU – makes difficult the possibility for the Kyrgyz government to be part of other integration processes – a part the active cooperation with Beijing.

It has the significance that, President Almazbek Atambaev had the only opportunity to choose the Eurasian project instead of the European Integration (as for example did Ukraine), because of the geographical position of Kyrgyzstan in the heart of Asia, accentuating the fact that the Eurasian Economic Union is the only practicable way for the Kyrgyz government.

From the public opinion's side the Eurasian Economic Union membership is supported by 70% of the population of Kyrgyzstan¹⁷⁹ and is consolidated between the good relationship between Moscow and Bishkek.

Reflecting about the position that this country can have in the EEU, we must assert that Kyrgyzstan, the poorest country within the Eurasian Union with a GDP of 6,572 billion USD in 2015¹⁸⁰, can just assume a merely theoretical connotation in favor of the numeric enlargement of the Union; but from economic side, it can bring a low contribution to the growth of the EEU. This concept is explained by the fact that the Kyrgyz economy is partially dependent on imports and remittances from labor migrants.

Moreover, we have to consider the fact, that the EEU for Kyrgyzstan can even have internal economic disadvantages. Precisely, according to the researcher Johan Engvall, the Eurasian Union membership would hit certain economic sectors in the country: *“Kyrgyzstan has successfully turned into an entrepôt for the import and re-export of consumer goods from neighboring China to other CIS countries. This bustling economic activity has developed thanks to the low import tariffs between WTO members Kyrgyzstan and China. The two major bazaars in Central Asia are both located in Kyrgyzstan—the Dordoi market just outside of the capital Bishkek and the Kara-Suu market outside of the southern city of Osh. The Membership in the Customs Union will eliminate Kyrgyzstan’s import advantage, since it would mean complying with the Customs Union’s higher external tariffs¹⁸¹.”* The effects of this policy could cause a strong unemployment in the country – with the intensification of the migration process to the other members of the EEU that could generate an increase of inflation and of the costs of life for the Kyrgyz population successively.

¹⁷⁹ Shendrikova Diana (2015): *“Going regional the Russian way: The Eurasian Economic Union between instrumentalism and global social appropriateness”*. In *Global Re-ordering: Evolution through European Networks*. July 03, 2015. P. 17

¹⁸⁰ *“Kyrgyz Republic.”* In the World Bank. <http://data.worldbank.org/country/kyrgyz-republic>. (Last view: 19.11.2016)

¹⁸¹ (Edit.) Cornell S. E. and Starr F. S. (2014): *“Putin’s Grand Strategy: The Eurasian Union and Its Discontents”*. Central Asia-Caucasus Institute & Silk Road Studies Program. P. 113

The same Kazakhstan showed its perplexity about the role of Kyrgyzstan in the Union, stating as Kyrgyzstan's entrance may expose the domestic textile manufacturing to foreign competitors, especially from lower labor cost of Kirghizstan¹⁸².

Despite all, the official vision of Bishkek is, as explained in the analysis of Rehm Sophia, however positive about the participation in the EEU for the achievement of benefits as: 1) simplified visa and employment requirements for the approximately 500,000 Kyrgyz migrant workers in Russia and Kazakhstan; 2) the opportunities of joining a unified market of 175 million people; 3) the advantage for Kyrgyz farmers, that will be able to sell their products at a profitable price in the territory of the Union¹⁸³.

Though, we must stress that, the accession of Kyrgyzstan will not concede special economic benefits to the other participants of the Union that share a tenuous mutual trade with Kyrgyzstan. Here, the participation of Kyrgyzstan in the economic mechanisms of the Union can be interpreted as merely numerically that economically, because the Asian country nowadays does not have an internal economic level which could contribute to elevate the economic status of the EEU positively.

Regarding the possibility of employment in the territory of the Union without barriers, we have to underline a possible problematic connected with the fact of the Kyrgyz migrant workers in Russia and Kazakhstan, that due on the visa facilitation of the EEU, could work regularly and cheaper in these countries of the Union. This phenomenon could have the predictable consequences to decrease the cost of work in the countries of the EEU, contributing to the growth rate of the internal unemployment of the Eurasian countries simultaneously.

In relation of Kyrgyzstan, the theoretical component of geopolitical strategy is the most reasonable facet that explains as the choice of Kyrgyzstan to join the Eurasian community was dictated de facto from Moscow, to consolidate the route of mutual cooperation in economic and military sector. Truly, from an economic point of view the economic importance that Kyrgyzstan can assume on the eyes of Russia is minimal, but from a military perspective the significance of the country can already have a better connotation, allowing from an hand Russia to maintain a control

¹⁸² Shendrikova Diana (2015): *"Going regional the Russian way: The Eurasian Economic Union between instrumentalism and global social appropriateness"*. In *Global Re-ordering: Evolution through European Networks*. July 03, 2015. P. 17

¹⁸³ Cf. Rehm Sophia (2015): *"As Kyrgyzstan Joins Russia's Eurasian Economic Union, Not Everyone's Happy"*. In *The Moscow Times*. May 6, 2015. <https://themoscowtimes.com/articles/as-kyrgyzstan-joins-russias-eurasian-economic-union-not-everyones-happy-46367> (Last view: 20.11.2016)

over the area and from the other hand assures Bishkek to have Moscow as security guarantor against the potential Uzbek aggression.

After these statements about the role of Kyrgyzstan, the conclusion is that the participation of this country is moved from Moscow which wants to attempt to review its political and military control over the central Asia, exploiting the fact of the economic dependence of this area from Russia and its military implications.

16 Possible accession of Mongolia to the EEU, a convenient step?

Citing the work of the Mongolian researcher Chintushig Boldsukh, during the 95th anniversary of establishing diplomatic ties between Mongolia and Russia, the Mongolian Ambassador to Russia B. Delgermaa expressed Mongolia's interest in possibly joining the EEU, which could have a large impact on the country's future economic outlook and foreign relations¹⁸⁴.

From a military and political side, the Mongolia's joining of EEU would allow Russia to further consolidate its border security and presence in the territory, with the consequence for the Mongolian country to distance itself from NATO member-countries.

Considering this aspect, is necessary to stress as Mongolia since 1990s is pursuing an opened foreign policy in the meaning to establish a dialog and alliance not just with the close neighbor countries. According to this political choice, Mongolia is not inclined to sing up a precise military and political alliance with any country, resting balanced between West and East. Thus, a possible access of Mongolia to the EEU, must be underlined, could even have other than an economic dimension even political and military facets, that could be interpreted from the West as a clear alignment with Russia.

From the economic side, according to the Mongolian analyst Chintushig Boldsukh, is comprehensible as the accession of Mongolia in the EEU would bring economic benefits and offer more stability for Mongolia's trade, opening up markets in EEU territory and facilitating an increase in both the volume and variety of exports. The idea of a unified currency could also be beneficial to Mongolia, as the country would not have to shoulder the management of its primary currency. An EEU membership would also help quell Mongolia's dependence on China and create more balanced trade turnover¹⁸⁵.

¹⁸⁴ Boldsukh Chintushig (2016): "Is the Eurasian Economic Union right for Mongolia?" In The UB Post November 9, 2016. <http://theubpost.mn/2016/11/09/is-the-eurasian-economic-union-right-for-mongolia/> (last view: 12.01.2017)

¹⁸⁵ Ibid.

Moreover, from an historic view, already the Soviet Union played a reasonable role in the Mongolian economy. Indeed, in the late 1980s Mongolia's foreign economic relations were defined primarily with the Council for Mutual Economic Assistance (Comecon) members and other socialist countries. The Accession into Comecon was a great advantage to Mongolia's economic development, permitting it to secure increased amounts of foreign investment, assistance, and technical cooperation; to expand foreign trade markets; and to promote product quality to international standards¹⁸⁶. This passage shows as Mongolia and Russia have had close economic ties since long time and have maintained during the years a stable work interaction.

But, economically, must be noted as that the accession to the EEU can present even some repercussion for the Mongolian internal market. In fact, if from a side the Russian Federation, according to the data of the OEC, with its 1.46 bn. USD¹⁸⁷ is one of the top export destination for the Mongolian economy and is the most significant economic partner in comparison to the other members of the Union (e.g. Russia in 2013 constituted the 13% while for example Belarus was the 2.45% of all Mongolian imports¹⁸⁸), from another side must be pointed out as the actual Western sanction against Russia – and thus their consequences to the market of the EEU – cannot guarantee that: 1) the market of the Mongolia through the EEU will know a development, and 2) no guarantees that the trade with Eurasian members will increase.

In consideration of these facts, the actual best choices for Mongolia would be the continuation of its neutral foreign policy without a clear alignment with Russia, trying however in the same time to strengthen its cooperation with the EEU's countries by for example the establishment of a Free Trade Zone, in order to see if the EEU's market could contribute to create an economic profit and stabilization of the Mongolian internal market. If the results of this possible cooperation would be positive for the country, it could lead to the conclusion that Mongolia in future – and when the system of the EEU would work properly in all its aspects – could have economic advantages from a possible accession to the Eurasian Economic Union.

17 Obstacles to the integration: the case of Ukraine

If for Kyrgyzstan the EEU was an obligated choice due to its geographical position, the situation for Ukraine is quite different.

¹⁸⁶ "Foreign Economic Relations and Comecon" <http://countrystudies.us/mongolia/57.htm> (last view: 25.01.2017)

¹⁸⁷ Mongolia. In OEC. <http://atlas.media.mit.edu/en/profile/country/mng/> (last view: 14.01.2017)

¹⁸⁸ Otgonsaikhan N. (2015): "The Current Situation for Mongolian Foreign Trade and Cooperation with Northeast Asian Countries". Erina Report, No.127 2015 December. P. 9

The Ukrainian political instability, the Russian annexing of Crimea and the civil war in the Donbas region are direct effects of the collision for Kiev between the European and Eurasian integration.

From the Moscow side, the incorporation of Ukraine into the EEU is a determinant passage, in order to reconstruct the Russian influence in its neighborhood stably. From a theoretical and historical side this concept is confirmed both in the Eurasian theory and in the Russian World's strategy where Ukraine was and is still nowadays a crucial area. This country's symbolic value, as stressed by the researcher Shendrikova, is amplified by its having been home to *Kiev Rus'* (a medieval East-Slavic State hold to be the ancestor of Slavs)¹⁸⁹.

Although the historical basis let us to connect directly Ukraine to the Russian sphere of influence, we must assert that the Ukrainian population has always tried to opt for the European association (for example in September 2014, only 17% of Ukrainians were in favor of Ukraine joining the Eurasian Union, while 59% supported the European integration¹⁹⁰).

In premise of these facts, the Russian pressure on Kiev's government to decide for the Eurasian integration instead of the European converged in the *Euromaidan* protest, opening the crisis of Yanukovych's cabinet, culminating in his resignation on 22 February 2014, after his contested decision to suspend the signing of the Ukraine - European Union Association Agreement.

As result of this action, the pro-European integration movements acquired a determinant position on the Ukrainian political spectrum, deterring from a side the contacts between Ukraine and Russia progressively; and from another side opening the conflict of the East-Ukrainian separatists in Donetsk and Luhansk, culminating in the Russian annexation of Crimea.

The separatist conflict was in response of the volition of East Ukrainian people to not lose their economic advantages of cooperation with Russia. The Russian nationalism, the Slavic culture and the view of a united people between the Russian and Ukrainian are the principal values that are supported by the separatists in this civil war. The Neo-Eurasianism, especially through the figure of Dugin, supported since 2014 the action of the separatists, insisting on the importance of Ukraine for the completion of the Eurasian integration and thus for the geopolitical checkerboard.

Regarding the Crimea, the peninsula was annexed by Russia after a referendum¹⁹¹ on 18 March 2014.

¹⁸⁹ Shendrikova Diana (2015): *"Going regional the Russian way: The Eurasian Economic Union between instrumentalism and global social appropriateness"*. In *Global Re-ordering: Evolution through European Networks*. July 03, 2015. P. 18

¹⁹⁰ Eberhardt Adam (2014): *"Dialogue with the Eurasian Union on Ukraine – an opportunity or a trap?"*. In *OSW Commentary*, Nr. 154, 01.12.2014. P. 1

¹⁹¹ Around 95.5% of voters in Crimea have voted in favor to join Russia.

According to Diana Shendrikova, *“The practical importance of Crimea for Russia is hard to overestimate. It hosts Russia’s Black Sea Fleet, providing to Russia a warm port and an access to the Black Sea and important strategic defense asset. While it may lack modern vessels, the Black Sea Fleet remains capable of addressing naval threats and defends Russia’s interests within in the region. The annexation of Crimea came at the cost of the participation of Ukraine as a whole in the Eurasian project, which today remains bereft of the third ‘natural’ pillar of Russian World¹⁹²”*.

Thus, for Russia and Neo-Eurasianism, Ukraine has a notable importance in order to revive the Russian hegemony over Eurasia. But the Crimea’s annexation and the Ukraine civil war were condemned by the other members of the EEU, especially Belarus and Kazakhstan.

So, we can affirm that the consequences of Crimea had negative impact on the actual members of the Eurasian Union – something that can have the negative potential to undermine the compactness of the entire Union: *“In the eyes of Kazakhstan, Crimea’s annexation was an announcement that Russia does not respect the sovereignty of post-Soviet states,”* was affirmed by Nargis Kassenova of Kazakhstan’s KIMEP University’s Central Asian Studies Center¹⁹³.

Lukashenka tried with the Minsk Protocol, signed on 5 September 2014 between the representatives of Ukraine, the Russian Federation, the Donetsk People's Republic (DPR), and the Lugansk People's Republic (LPR), to agree about a ceasefire in East Ukraine; and with the Summit in Minsk on 11 February 2015, between the leaders of Ukraine, Russia, France and Germany to agree to a package of measures to alleviate the ongoing war in the Donbas region.

However, reflecting a moment about these actions, we can note as these decisions were the result of a political strategy of Lukashenka, who from a hand wanted to convict the Russian invasion and expansion towards the post-Soviet space. And, from the other hand, this plan was addressed to emphasize the friendly character of Belarus in order to engage itself in first person to achieve the peace in Ukraine, supporting the idea of national sovereignty in the entire Eurasia. Exactly this second concept had for Belarus the aim to reduce the political tension with West Europe, giving a particular contribution in the consolidation of the multi-vector Belarusian foreign policy.

In a general overview about the EEU, Ukraine and Crimea have generated in the political debate serious doubts about the possibility of a further expansion of the Union, because the Ukrainian

¹⁹² Shendrikova Diana (2015): *“Going regional the Russian way: The Eurasian Economic Union between instrumentalism and global social appropriateness”*. In Global Re-ordering: Evolution through European Networks. July 03, 2015. P. 19

¹⁹³ Standish Reid (2015): *“Putin’s Eurasian Dream Is Over Before It Began”*. In Foreign Policy, January, 06 2015 <http://foreignpolicy.com/2015/01/06/putins- Eurasian-dream-is-over-before-it-began/> (last view: 22.11.2016)

example showed as Russia is seen not as a coordinator country, rather as a dominator of the entire area.

Consequently, the case of Ukraine is showing the limits that the Union could have, namely if are present tensions between the participants of the EEU these could have the effects: a) to block the actions of this organization, and b) to create difficulties in the successive integration of other Eurasian countries, hindering the target of a united Eurasia.

After these reflections, is possible to evince in the political debate as between the analysts the significance of Ukraine and its connection with the Eurasian Union is be valuated differently: some specialists argues that Russia's annexation of Crimea was the end of the Eurasian Union project. Others, however, point out that Russia is now likely to need the Eurasian Union even more than before¹⁹⁴.

The essence of this passage wants to underline as Russia needs to integrate the Central Asian countries quickly, to obtain the necessary support on its project of integration before it can fail.

Here, can be argued that, without Ukraine the EEU should move in an Asian direction, trying to get the consensus of those countries, as Uzbekistan or Tajikistan, that really see the Russian-Eurasian integration as the only one possible for their economic development.

18 Russia and China, the control over Central Asia

A further expansion of the Eurasian Economic Union should consider the incorporation of the Central Asian states. In this context, the binomial China-Russia represents the principal economic, political and military combined actor of Eurasia.

Russia has been exerting its influence on the area since tsarist time, while China is showing its economic power on the region since the new century.

From the historical side, the new borders that emerged after the dissolution of the USSR have shaped Beijing's foreign policy toward Central Asia, especially because this region has strong ethnic and cultural linkages to China's westernmost province of Xinjiang. Economic growth in China has enabled large investments in Xinjiang, which was declared a priority following the victory of the Communist Party in 1949. Central Asia was initially considered to be Russia's

¹⁹⁴ (Edit.) Kadri Liik (2014): *"Russia's "Pivot" to Eurasia"*. Published by the European Council on Foreign Relations, May 2014. P. 13

playground, while Chinese investments focused on Xinjiang. The Chinese approach was non-confrontational toward Russian interests, instead looking to improve diplomatic relations¹⁹⁵.

Although these two nations are still nowadays the economic and political core of Eurasia, their influence as large and super-power countries, was always accepted by both countries, because of common interests in the area and the shared volition to establish a peaceful climate of cooperation.

Specifically, the Chinese presence is identified in the economic sector, while the Russian in the political, cultural and military sector.

Beijing and Moscow have deployed together in their expansion and control over the area. Pursuing the aim of not belligerency, the adopted nature of collaboration was in the art of bilateral agreements, exactly to not interfere on the interests of the other counterpart.

To understand this strategy of not collision from the Russian side, we must considerate the fact that nowadays, due to the recent Russian economic recession, China is becoming more attractive for the Central Asian countries. In this context China is acquiring a role of Eurasian's pole. Moscow, to not decrease its presence in the area, has the task to intensify the strategic economic and political cooperation with China, using the partnership with Beijing as solid canal of interaction with the Asian countries.

The result of this strategy wants: a) to allow stable economic cooperation for the Eurasian countries between both Russia and China; b) to protect the Chinese and Russian interests in Central Asia; and c) to avoid a possible European and American influence in the area.

However, according to Dr. Slavomír Horák, *"In Central Asia, the Eurasian Union can only slow down, but not stop, the growth of Chinese influence in the region, as local states in fact consider Russia a counterbalance to their growing dependence on China"*¹⁹⁶. The confirmation of this aspect is visible in the regional integration, which has brought possible candidates of the EEU, as Uzbekistan or Tajikistan, to prefer the economic support of China instead of the Russian, due to the higher quotas of investments from China.

Though, to attest that the Russian presence is still stable in the area, is sufficient to consider that from the Central Asian countries Russia is seen the guarantor of military stability in the region, a reason that make these countries supporting the Russian role and a their possible future integration in the system of the EEU.

¹⁹⁵ (Edit.) Cornell S. E. and Starr F. S. (2014): *"Putin's Grand Strategy: The Eurasian Union and Its Discontents"*. Central Asia-Caucasus Institute & Silk Road Studies Program. P. 168

¹⁹⁶ Ibid. P. 172

Directly, China wants to conduct only an economic policy in the area, alighting its business with neighbor countries. All the other interests, from political to cultural, are let to the Russian interventions. This statement is supported by the volition of China to develop bilateral cooperation in the region, as for example with the Shanghai Cooperation Organization.

In fact, the Russian volition is through the EEU to consolidate even the partnership with China, favoring the commerce of Beijing with the Eurasian countries, in order to attract them more to its integration project. But, it must not be forgotten as Belarus, Kazakhstan and Kyrgyzstan have already a consolidated economic relationship with China. Thus, Russia must present its project still more interesting for all the members, even the actual, achieving results of improvement for the development of the national economies and for the mutual trade principally.

However, the EEU is a project that between its aims has even the possibility to intensify the Russian influence on Asia towards China. According to the Eurasian researchers Vassily Kashin and Pavel Salin, *“The Eurasian Union is a project related to Asia and above all to China. They see the Eurasian Union as part of a Russian response to the eastward shift of the world’s economic center of gravity. Since Russia would be a dramatically weaker junior partner in any relationship with China, it needs the Eurasian Union to enable it to balance China¹⁹⁷”*.

This wish was expressed by President Putin, who in the year 2015 together with the Chinese leader Xi Jinping signed a decree on cooperation in tying the development of the Eurasian Economic Union with the *“Silk Road”* economic project. The importance of this agreement is possible to evince from the words of Putin: *“The integration of the Eurasian Economic Union and Silk Road projects means reaching a new level of partnership and actually implies a common economic space on the continent¹⁹⁸”*.

This strategy wants to be an instrument: a) to bound more China to the project of the Eurasian countries; and as consequence of that b) to allow countries as Tajikistan or Uzbekistan to choice for the Eurasian Integration, seeing it as a system that will not intact their commerce with China – rather a system which would favorite it more.

To achieve this target Russia can even count on the stronger immigration force from the Central Asian countries (as Kyrgyzstan) – that will have better condition of work in Russia – and the Russian minorities present in these territories, supporting the ethnic and cultural integration,

¹⁹⁷ (Edit.) Kadri Liik (2014): *“Russia’s “Pivot” to Eurasia”*. Published by the European Council on Foreign Relations, May 2014. P. 9

¹⁹⁸ *“Russia, China agrees to integrate Eurasian Union, Silk Road, sign deals”*. In RT business. 10 May, 2015. <https://www.rt.com/business/256877-russia-china-deals-cooperation/> (last view: 24.11.2016)

based on Eurasianism and on the political significance of Russian World about the Russian predominance in the area.

19 Public opinion about the EEU

After have examined the ambitious of every single participant of the Union and understood as each country is pursuing the realization of individual aims by the system of the EEU – from economic to politic and military –, the purpose of this paragraph is to offer an actual overview about the valuation of the Eurasian Economic Union from the citizens of the member-countries schematically.

According to the survey of the Eurasian Development Bank (EDB), conducted in April-June 2016, with the exception of Armenia, the share of positive opinions in EEU member-states regarding the Eurasian integration during the year 2016 was greater than 60%, ranging from 63% in Belarus to 81% in Kyrgyzstan. These preliminary data testify as the citizens of the member-countries, especially the inhabitants of Belarus and Kyrgyzstan, believe still nowadays, despite the economic recession, in the possibility of economic development and integration through the mechanism of the EEU. However, the financial crisis, the devaluation of the Russian rubles and the still lack of real integration of the member-states are problems that have impacted on the positive evaluation of the Union negatively. Specifically, comparing the years 2015 and 2016, at the question about the positivity of the integration based on the system of the EEU, was recorded a sensible decline in public support for participation in the Eurasian Economic Union for Russia from 78% (2015) to 69% (2016) and Armenia from 56% (2015) to 46% (2016)¹⁹⁹. If Armenia has chosen the EEU despite the integration process of the European Union is especially to obtain a free labor market for its workers (especially a legal possibility for those Armenians that move to Russia for economic reasons) and the necessity to have in Russia a solid military ally. But, the slow effects of the EEU in the national economy (the mutual trade of Armenia diminished by -4.95% between 2014 and 2016) has not enthused the Armenian population that, as is possible to evince from the results of the EDB survey, rests skeptical about the positive impact of the Union. Considering Russia, can be argued that the Russian population, due to the economic recession of last years, is losing its expectation to recover their national economy through the system of the EEU. Moreover, the mutual obligations of the Union (as the common tariff regime of the EEU that must take into

¹⁹⁹ Eurasian Development Bank (2016): *“EDB Integration Barometer – 2016 (Fifth Wave of the Survey)”*. Report 40, April-June 2016. P. 7

account the economic diversities of the member-countries) could disadvantage the Russian economy, the strongest in the panorama of the entire Union, generating a distorted effect even on the public opinion consequently. In addition, we have to considerate the fact that the Ukrainian implications have showed the difficulty to revive a total political control over the post-Soviet countries (Russia wants to obtain a leadership in the region and the effects of integration for Russia are more political than economic), another reason that can explain the drop of belief in the EEU from Russian inhabitants.

Another index to analyze in the panorama of the EEU regards the free movement of citizens within the territory of the Union with the possibility to work, conduct business and take up residence in every country of the Union without restrictions. The 87% of the Kyrgyz respondents was favorable to the opportunity to work in the territory of the member-states. The explication of this high favorable rate (followed by Armenia with 78% in favor of the free movement provided by the EEU) is connected with the fact, that the accession of Kyrgyzstan to the EEU has the aim to favorite its flow of worker-migrants, especially to the Russian Federation without obstacles²⁰⁰.

The objective to guarantee the four free movements as provided by the EEU's Treaty (article 96) can be achieved thanks to the good relationship between the member-countries. Indeed, in 2016, an average of 82% of the population of Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia believed as their neighboring countries in the CIS region are friendly. For their part, Russians see their friendliest countries in Belarus (65%), Kazakhstan (51%), China (41%), and Armenia (35%)²⁰¹. An exception is represented by Ukraine. Indeed, already a survey of the Lewada Centre in 2014 after the beginning of the conflict attested as less than 10% of the Russian respondents had a positive attitude to Ukraine²⁰².

Centering about Russia and Belarus, the good climate between Moscow and Minsk is even economically confirmed from the goods consumption and their origin: both countries had approximately the same level of preference for goods imported from the European Union and the "rest of the world" (the percentage of respondents choosing the countries in these blocs varies from 44% in Russia to 51% in Belarus). However, the population of Belarus is slightly more oriented toward buying products produced in CIS countries. Thus, in Belarus, 33% of respondents

²⁰⁰ Eurasian Development Bank (2016): "EDB Integration Barometer – 2016 (Fifth Wave of the Survey)". Report 40, April-June 2016. P. 9

²⁰¹ Ibid. P. 10

²⁰² "Umfragen: Russland und die Eurasische Wirtschaftsunion". In Bundeszentrale für Politische Bildung. <http://www.bpb.de/internationales/europa/russland/192854/umfragen-russland-und-die-eurasische-wirtschaftsunion> (last view: 31.08.2017)

prefer Russian goods, and in Russia 25% of respondents prefer Belarusian goods (in both cases, slightly greater preference was given to goods from Germany).²⁰³ This last fact lets us to considerate another point about the citizens of the EEU, namely their positivity about the possible conclusion of a Free Trade Agreement (FTA) between the EEU and the EU. Precisely the Kyrgyz and Armenian people with 82% and 79% respectively, expressed their favorable position about the cooperation between the EEU and the EU; while only the 68% of the Russian respondents in 2016 is favorable to a FTA with the European Union – which reflects the Russian geopolitical controversial position to the EU explicitly, due on the Russian embargo and Ukrainian crisis²⁰⁴.

In general, despite the economic difficulties of last years, the citizens of the member-states, especially Kyrgyz and Belarusian, rest favorable to the economic cooperation within the system of the EEU. The Russian difficulties as well the stagnant economic situation with the EU have had effects about the effectiveness of the Union towards the Russian, that however still believe in the possibility to obtain again a leadership position in the region through the EEU.

20 The phenomenon of globalization and its impact on the Eurasian space

A principal target of the Eurasian Economic Union is to create a compact community against the secular challenges of the Globalization, in order to avoid the loss of an equal identity in the region and to create a system that can be equated to the modern economic settings excellently.

Analyzing the phenomenon of the globalization in Eurasia, we have to refer to the Neo-Eurasians, that have not only advanced the threat of the Westernization of the society as risk for the Eurasian ideology, but in their prospective, especially in Dugin, the globalization is another element that must be fought through an alliance between all the Eurasian states in order to protect the region economically and culturally. In this perspective, the globalization assumes a negative connotation, as stressed by the Eurasian Movement: *“We Eurasianists consider liberal unipolar Globalization to be the absolute worst evil and the greatest existential threat to every living person on the planet simply because the hyper-genocidal processes of Globalization deprive entire nations, peoples, and cultures of their inherent right to pursue their own traditional and unique ways of life independent of American control; in other words, we recognize Globalization to be a stealthy and highly specialized genocidal scheme which, unlike all other systems of genocide, deprives entire peoples of their true identities and thus cancels out – yes, exterminates! – the inherent ethno-cultural*

²⁰³ Eurasian Development Bank (2016): *“EDB Integration Barometer – 2016 (Fifth Wave of the Survey)”*. Report 40, April-June 2016. P. 11

²⁰⁴ Ibid. P. 24

dignity of every precious and irreplaceable segment of humanity; Globalization is therefore an attack on true autonomy – since true autonomy can only exist within a multipolar context – and thus it is an affront to the collective dignity of all mankind²⁰⁵”.

Through this statement is clearly as globalization for the Neo-Eurasians is connected mostly with the Westernization of the society as a danger for the region to lose its personal way of thinking. In this vision the main threat of globalization assumes a particular cultural connotation.

In its complex, Eurasia is a secular dimension which nowadays, as all the other world regions, is experiencing the various characteristic phenomena of global development. In-between is the globalization a sign of social evolution of people and their identity, impacting too on the Eurasian zone.

The consequence of that was visible in the years after the dissolution of the Soviet Union by the different projects created inside the Eurasia: from the CIS to the actual EEU – all projects made with the aim to adapt the area to the changings of the modernity.

In order to define the term of globalization properly, must be first asserted that in the sociological and economic panorama is difficult to find a common interpretation of globalization, because this current phenomenon of the XXI century is seen between the scientific disciplines differently: with a negative impact for the economy and with a positive feature for the social development. Considering the social side, can be useful to quote the interpretation of the sociological Anthony Giddens, who has defined globalization as a growing social interaction across the distances: *“An intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice-versa²⁰⁶”*.

Furthermore, explaining the globalization from an economic side can be convenient in our analysis to consider this phenomenon in correlation with the communist ideology. In fact, retracing the thought of Marx and Engels, we can discover as these two economists introduced already in 1800 the evolution and generalization of the production in relation to the capitalism, referring thus to the concept of economic globalization indirectly. Specifically, this notion is possible to evince in the *"Manifest of the Communist Party"* of 1848, where the two philosophers asserted: *"The need of a constantly expanding market for its products chases the bourgeoisie over the whole globe. (...)*

²⁰⁵ Pisarenko C.: *"The Ideological Platform of the Eurasian Movement"*. In News, Analysis and Forecasting on Geopolitics. <http://www.geopolitica.ru/en/article/ideological-platform-eurasian-movement#.WBsVtC3hDIV> (last view: 30.11.2016)

²⁰⁶ Cf. Giddens Anthony (1990): *"The consequences of Modernity."* P. 64. In Kessler Johannes und Steiner Christian (Hrsg.) (2009): *"Facetten der Globalisierung zwischen Ökonomie, Politik und Kultur"*. Verlag für Sozialwissenschaften. P. 35

*The bourgeoisie has created through its exploitation of the world market a cosmopolitan production and consumption of every country. (...). In the place of old local and national self-sufficiency and seclusion occurs an intercourse in every direction, a universal interdependence of nations*²⁰⁷“.

The two authors stressed already in XIX century the mutation of the commerce and the rapprochement of peoples and cultures – an aspect nowadays defined with the term globalization schematically.

Successively, about the relationship between Eurasia and globalization, Dugin has analyzed this concept in his book *"The fourth political theory"* (2009), explaining how the contemporary age with all its changes created a fourth theory, which fully commits itself to the globalization. Indeed, according to the Russian philosopher, the XX century, the century of the ideology, is already finished and one global and technological age has begun. Here, Dugin reports the three main theories of the XX century: 1) Liberalism (right and left); 2) Communism (including together with Marxism both socialism and social-democracy); and 3) Fascism (including National-Socialism and other variants of the Third Way, the National Syndicalism of Franco, Justicialism of Peron, the regime of Salazar, etc)²⁰⁸.

In this classification, Dugin adds a fourth political theory that characterizes our present age: the globalization and its logistical and technological basis: *"The Fourth Political Theory will not happen by itself. It might appear, but it might not. The premise of its appearing is disagreement: disagreement with post-liberalism as a universal practice, with globalization, with post-modernity, with —the end of history, with the status quo, with the inertial development of the cardinal civilizational processes at the start of the 21st century*²⁰⁹“.

From the economic side, for Dugin the production and the trade are elements always connected to each cultural specific scene. But, nowadays this situation has changed because of globalization that has standardized the methods of production. Consequently, the task of the different nations is: to unite and create their own particular societies, together with those states with which have common values and tradition. This mechanism can prevent on the globalization of the economy, respecting the regional differences.

²⁰⁷ Cf. Friedrich Engels und Karl Marx (1848): *"Der Manifest der Kommunistischen Partei"*. P.465f. In Trinczek Rainer (2002): *"Globalisierung – in soziologischer Perspektive"*. In soziologischer Perspektive (sowi-onlinejournal). P. 4

²⁰⁸ Dugin Alexander (2014): *"Excerpts from the Fourth Political Theory by Alexander Dugin"*. P. 3

²⁰⁹ Ibid. P. 5

According to Shekhovtsov, *“Dugin sees today's globalization as a process, in which the Western (first of all, Anglo-Saxon, American) cultural approaches become universal, while different socio-political, ethnic, religious, and cultural aspects are often violently or artificially reduced to a single pattern. Within the terms of Neo-Eurasianism, the globalization and universalism of the Western liberal model led to the decomposition of ethnic communities into autonomous individuals²¹⁰”*.

For Dugin, as reported by Johnson Matthew, the globalization has a negative connotation because is seen as profit of western ideology, which defines itself as a perfect science. Therefore, the Western ideology does not show the reality, because it considers itself as a proper science and does not let to be influenced by the social context.²¹¹

Concentrating about the Eurasia in economic view, the globalization and its modifications on the socio-economic sector must be analyzed in the commercial sector of raw materials. By this scenario, must be considered the role of Russia and its economic power related to the gas and oil sector. It is because Russia dominates the economic scene and, due to these commodities, retains its leading position in the Eurasian context.

The requirements of economic development pushed in the last decade to a reconsideration of the geopolitical context and to determinate new priorities for the economic sector of Eurasia as the need to modernize the energy links between the major economic Eurasian powers, Russia and China. Exactly the energetic sector dominates the Eurasian scene and for that needs a faster connection between the countries. In a context of modernization, the globalization and all its challenges take absolute priority in the reorganization of the structures in order to organize all structures for the modern era functionally, allowing for states as Russia and even China to maintain their strong position in the area (although nowadays the Russian position for the energetic sectors is undermined by the fall of the oil price which has altered its economic dominance towards the Eurasian countries).

Refers to modern Eurasia, globalization and its challenges are based on the Eurasian Union, because Russia justifies its leadership within the Union as a coordinator of Eurasian space against the effects of modernity. The desire of protection, economically and ideologically, can explain as the current members of the EEU have decided to be part of this organization exactly to defend their economic interests under the protection of Russia.

²¹⁰ Shekhovtsov Anton (2009): *"Aleksandr Dugin's Neo-Eurasianism: The New Right à la Russe"*. In Religion Compass, Vol. 3, No. 4 (2009). Journal Compilation Blackwell Publishing Ltd. P. 704

²¹¹ Johnson Matthew. R. (2014): *„Russian Nationalism and Eurasianism“*. In news, analysis and forecasting on Geopolitics. 25.06.2014 http://www.geopolitica.ru/en/article/russian-nationalism-and-eurasianism#.V72vU_mLTIU (last view: 08.10.2016)

According to Russian expert Timofei Bordachev: *“Russia needs more than ever to base its national development strategy on the macro trends of global development: the globalization of economies and information, political democratization, and regulatory regionalization. In the coming years, the implementation of Russia’s foreign policy will be influenced by these major global development trends [...].A central part of this globalization is the growing importance of the Asia-Pacific region as compared to the Euro-Atlantic world in the global economy, in world politics, and soon in cultural influence as well²¹²”*.

The success of the Eurasian Union and thus of the leadership of Russia among the other members of the Union is bounded to the fact that the primary mission of this association is: 1) to consolidate the identity roots of the Eurasian ideology against the fear of loss of a territorial identity; 2) to expand the integration process to the Asian-Pacific region; and 3) to regulate a common market that can overcome the challenges of globalization as the international financial crisis since 2008 easily.

If Russia will create within the Eurasian Economic Union a stable market, especially in the oil and gas sector, it can be a successful instrument that could increase the ideological alliance with the other participants, calling for a consequential expansion of the Union.

20.1 Advantages of the Eurasian Union as result of modernization of internal economy

In a general way, Armenia, Belarus, Kazakhstan and Kyrgyzstan have the primary interest to obtain economic advantages in their relationship with Russia. In this scenario the Russian promise by the most recent project of integration is the enlargement of the economic space of Eurasia, with the possibility to create a market without customs duties between its members and with those third countries, that through their cooperation with the Union by the creation of a FTZ, can bring economic benefits to the common good of all the participants.

To create these mechanisms and allow the Eurasian integration to evolve itself properly, is important to consider the success of Russia in creating an economic market without customs duties, especially for the energetic sector, and in facilitating the engagement of every member, making all of them active in the decisional process.

More essential is the volition of Russia to invest in the countries of the Union, favoring the internal economic productivity with the target to modernize the internal market of every country of the

²¹² (Edit.) Kadri Liik (2014): *“Russia’s “Pivot” to Eurasia”*. Published by the European Council on Foreign Relations, May 2014. P. 25-27

EEU. An expressed goal of this process is the Russian wish to afford the necessary reforms in the national dimension of every member-country to allow a standardization of the national production in concordance with the conjectures of the World Trade Organization (WTO), assuring from a side the international recognition of the Union and from the other side an equalization of the different national economic status of the participants of the EEU.

Based on these presuppositions, the Eurasian Economic Union assumes thus a positive connotation in the post-Soviet space because it prefixes the aims of: 1) to create a stable and efficient intern development of the members, where Russia through a financial support, the integration in its market and the possibility to cooperate without barriers, will favorite the increment of the quotas for import and export of the member-countries. In this way, although the existence of diverse common legal frameworks in the members of the Union, the approval of the draft for the customs code of the EEU on 16 November 2016 during the meeting of the Eurasian Intergovernmental Council in Gorky is showing the real intention of the Eurasian Union to move progressively to create a unique market.

2) The development of the economic sector will have effects on the Eurasian population, with the creation of standard equal conditions of work for all the different countries – one of the principal targets that the Kyrgyz migrants would reach for their permanence in Russia and Kazakhstan.

3) The solidification of the Slavic roots, ideology and culture, will consolidate more the Eurasian population, making it strong on the eyes of the EU and USA. The effect of this phenomenon can be the economic recognition of this organization on the eyes of the world powers, as a structure to do business with.

4) From a geopolitical side the EEU, favoring the process of integration, can have the advantage to resolve regional conflicts, as the Nagorno-Karabakh conflict, opening the possibility of cooperation to the neighboring countries, as Tajikistan or Uzbekistan.

However, to reach all these objectives Russia must work first on its own structures, modernizing its internal market, resolving the problems of the economic recession; and agreeing about a resolution of the Ukraine conflict and the tension with the European Union politically.

In addition, if Russia will show its role of coordinator and not of dominator of Eurasia, the integration process would move rapidly, favoring the economic expansion of the Union to the Asian-Pacific region.

The results of that will be visible for the entire Union, where Russia, through the financial investments in all the Eurasian members and the creation of a custom market, from a side could

achieve its leadership in the region; and from the other side the other members can know an economic expansion, modernizing their markets in order to be competitive worldwide.

Second section conclusion

The analysis of the second section was dedicated on the impact of the Eurasian idea on the principal members of the Eurasian Economic Union and on the discovery of the own aims of every participant connected with the Eurasian integration. Here, we have revealed as the reception of the Eurasianism has assumed different connotations in every single state of the EEU. If from a side Russia is supporting the Neo-Eurasianism approach, which clearly exalts the Russian leadership in the region; from the other side Kazakhstan has a vision of Eurasianism centered on the support of the economic integration of the Eurasian countries based on the sharing of a same culture, values and identity, without distinctions between center and periphery. In Belarus, although the society and President Lukashenka are supporting the integration process mostly for the internal development of the country, especially in obtaining advantages from a common energetic market, a marked conception of Eurasianism is not really visible, mostly because of the Belarusian historical roots, that has known an identity process mostly influenced by the Bolshevism and the polish culture.

The same discourse is possible to conduct in the analysis of the general integration process in the post-Soviet space, which has known in its entire after the end of the Soviet Union different grades of involvement for every nation.

In consideration of these aspects, we can assert as among all the former Soviet states, Belarus, Kazakhstan and Russia are without doubts the three states that principally have manifested a real volition after the dissolution of the USSR, to move together politically and economically. In response of that, they have been actively engaged in all the post-Soviet projects of integration: the CIS, the EURASEC, the Customs Union, the Single Economic Space and nowadays the EEU.

But, for Belarus and Kazakhstan the integration in these regional projects has always meant the possibility to obtain economic facilitations from Russia, while the pursued Russian policy was diversely oriented, namely to reestablish its hegemony in the post-Soviet space.

This approach is retraceable today in the role of the EEU: economic for Belarus, Kazakhstan and Kyrgyzstan; military and economic for Armenia; economic, politic and military for Russia.

In addition, the integration has even showed the lack of unanimity among the former Soviet republics on concerns of deep integration and vectors of development, because of their economic disparity and different political orientation.

These discrepancies, united to the strongest role of Russia, because of its territorial dimension and economic resources, have slowed down the integration course and opened doubts about the real possibility of this community to give solidity to the entire Eurasia and thus to expand its role worldwide.

The Russian annexation of Crimea, expressly condemned by Belarus and Kazakhstan, because seen as an act of violation of the national sovereignty of Ukraine; or the financial economic crisis and the drop of the oil price with the deflation of the Russian ruble, that exalted the economic pole of China strongly, are all examples that are undermining the Russian role and its project of hegemony in the Eurasian region.

Furthermore, these facts can destabilize as well the Russian target to include political elements in the organization successively. The same integration can have troubles to a further development because of the existence of regional conflicts that can influence the decision making process of the Union negatively, creating disagreements among the same Presidents of the EEU.

In this scenario is important for Moscow to make attractive the Eurasian Union in order to maintain its internal equilibrium stable and give a real opportunity to the organization to integrate more countries.

To achieve this aim, the Putin's orientation, visible in his work "*New integration project for Eurasia – a future that is born today*", is to generate economic stability in the region with the creation of an unique market without customs duties and direct Russian investments in all the participants of the Union, in order to exalt the Russian position and values in Eurasia against the threats of the Westernization, seen in the struggle with the Atlanticism, and the phenomenon of the globalization.

But, the financial crisis of last years had signed the economies of the member-states and especially of Russia negatively, determining from a side a fall of the Russian investments in the territory of the Union, and from the other side, created a sense of growing perplexity of the member-countries about a real further development of the Union. It means that only the next years, when, the economy of the Union will be stabilized through the removal of barriers and the creation of common markets, the real potential of the EEU could be demonstrated.

Following that, we can come to the conclusion that the evolution of the EEU depends on the creation of a real working economic market and, more important, to the Russian strategy and setting. In connection with this last point, it implies that a further integration of the Central Asian countries and the development of the organization even in a political dimension depend on the approach that Russia decides to follow towards the other participants. To reach this objective, namely the solidity of the Union and its progressive evolution, the EEU has the priorities: 1) to create an energetic market without custom duties; 2) to invest in the internal economies of the other states, modernizing their economies according to the WTO²¹³ standards; 3) to coordinate the area economically without interfering in the domestic policies of the Eurasian states, and 4) to guarantee an equal role in the decisional process for all the members in a democratic way. Assuring these preconditions and moving by a solid shared cultural basis, the Union could evolve itself decisively, incorporating more states and solidifying the Russian role in the region and on the eyes of the other world powers.

²¹³ Armenia acceded to the WTO in the year 2001; Kazakhstan in 2015; Kyrgyzstan in 1998; and Russia in 2012. Belarus is still in the phase of accession, but not a member.

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CHAPTER II

Analysis of the Treaty of the Eurasian Economic Union

List of Abbreviations

APEC: Asia Pacific Economic Cooperation
ASEAN: Association of Southeast Asian Nations
CET: Common External tariff
CIS: Commonwealth of the Independent States
CU: Customs Union
EAEU: Eurasian Economic Union
EDB: Eurasian Development Bank
EEC: Eurasian Economic Commission
EEU: Eurasian Economic Union
EIC: Eurasian Intergovernmental Council
EU: European Union
EURASEC: Eurasian Economic Community
ESDF: Eurasian Stabilization and Development Fund
FTZ: Free Trade Zone
GATT: General Agreement on Tariffs and Trade
GDP: Gross Domestic Product
ICAO: International Civil Aviation Organization
IMF: International Monetary Fund
NAFTA: North American Free Trade Agreement
NTBs: Non-Tariff Barriers
RTA: Regional Trade Agreement
SEEC: Supreme Eurasian Economic Council
SES: Single Economic Space
SPS: Sanitary and Phytosanitary Measures
USD: U.S. Dollar
USSR: Union of Soviet Socialist Republics
USTP: Unified System of Tariff Preferences
VAT: Value Added Tax
WTO: World Trade Organization

Background of the Eurasian Economic Union, an introduction

The Eurasian Economic Union with its primary purpose to establish an economic entity, provided by supranational bodies, as firstly presented by President Nazarbayev in March 1994 during his speech at the Moscow State University, has a background longer than twenty years and reflects the project to institute de facto a stable and compact regional cooperation between the former Soviet republics, that historically have been united each other by an high economic interdependence. Following this aspect, is useful to trace the phases that have contributed to the creation of this contemporaneous stage of Eurasian integration schematically.

The process of the Eurasian integration lays its basis on the period immediately after the collapse of the USSR. The economic and politic ties of the Soviet time had influenced for almost seventy years of history the Eurasian scenario deeply. For this reason, the Belarusian, Russian and Ukrainian authorities, in order to avoid a drastic disruption of the entire Soviet system with catastrophic consequences among the internal economies of the new independent states, established officially on December 8, 1991 the Commonwealth of the Independent States aimed, among other objectives, to support their commercial interaction principally. The priority of this form of cooperation was addressed to the volition to build a common economic space based on a free trade zone and to create principles of cooperation that could be coordinated by recognized institutions in order to guarantee the independence of the young republics and their national sovereignty. Exactly, the institution of the CIS had the principal target to maintain alive the numerous economic ties of the former Soviet republics, especially in the crucial sectors of industry, agriculture, transport and energy. On the basis of the Eurasian culture, thus of a mutual cultural understanding between those states that constituted the Soviet Union, and of the predictable economic sustenance of Moscow for all former Soviet countries, it was understood as the economic requirement and development could be exercised only maintaining a compact economic bond with the Russian Federation in a solid Eurasian network.

However, the impact of the CIS in post-Soviet space produced during the last two decades just tenuous effects on the economic integration and on the creation of a free trade area.

Generally, it could be argued that the CIS due on: 1) the economic crisis of the Soviet countries caused by the dismemberment of union; 2) the loss of economic importance of Russia because of the hyperinflation of the 1990s; 3) the Russian volition to maintain a military and political dominance on the former countries after the dissolution of the USSR; and 4) the absence of a supranational institution in the Commonwealth; had only a formal consultation role instead of a

real decisional body, evidencing the difficulties to unify a so vast territory and to accept for the young republics the renovated tentative of Russian dominance on the post-Soviet territory.

The lack of results of the Commonwealth conducted the former Soviet countries to adopt new strategies for their economic development based on bilateral agreements. In follow of that, countries as Belarus, Kazakhstan and Russia – that have matured a more consolidated economic partnership in the Eurasian scenario –, decided firstly to establish a Free Trade Zone during the year 1994 and then during 1995 to launch a Customs Union (joined in the year 1996 from Kyrgyzstan and Tajikistan), in order to facilitate their reciprocal trade. In 1996 Belarus, Kazakhstan, Kyrgyzstan and Russia decided to increase their cooperation in the economic and humanitarian fields. In this scenario they created a common market of goods, services, capital and labor establishing a transport and energy system.

The creation of a common market without barriers between its members represented the first embryonic stage of the actual EEU that is nowadays pursuing the objective to set up a system of market exchange without duties. The stable evolution of these agreements conduced Belarus, Kazakhstan, Russia, Kyrgyzstan and Tajikistan during the year 1999 to sign the Treaty on the Customs Union and the Single Economic Space.

A year after, Belarus, Kazakhstan, Russia, Kyrgyzstan and Tajikistan established the Eurasian Economic Community, joined by Uzbekistan in 2006. Through the EURASEC the participants prefixed the central aim to deepen their cooperation economically, promoting their integration simultaneously. To achieve this purpose, the countries intended to set a common external tariff in respect of third countries and harmonize their non-tariff barriers. But, this plan showed immediately the economic discrepancies between the associates due to their different grade of economic development (a common problem still actual in the EEU).

In 2007 was officially settled by these countries the difficulty to heal their economic differences.

In consequence of that, it was decided to implement regional integration initiatives by the Regional Trade Agreement (RTA) at diverse speed and different levels, i.e. Belarus, Kazakhstan and Russia planned to set a common external tariff and to create a Customs Union, while Kyrgyzstan and Tajikistan decided to stay in the first level of the integration, namely in the FTZ²¹⁴.

Subsequently, was signed in October 2007 between Belarus, Kazakhstan and Russia the Treaty on the Establishment of the Common Customs Territory and Formation of the Customs Union.

²¹⁴ Cf. Kirchner R., Tochitskaya I. (2014): *“Belarus’ membership in the Eurasian Economic Union: An Assessment”*. German Economic Team Belarus IPM Research Center. Policy Paper Series [PP/05/2014]. P. 5

As it possible to evince from these phases, the three countries that since the dissolution of the USSR have decided to move closer are exactly the founders of the Economic Eurasian Union, namely Belarus, Russia and Kazakhstan. This partnership has brought profits reciprocally: Belarus and Kazakhstan can count on the Russian economic support, while Moscow, through the support of Astana and Minsk, can expand its political and economic leadership in Eurasia.

The decisive turning, which conducted these three states to intensify more their interaction, arrived after the year 2008, when the global financial crisis led the states to minimize the economic risks, granting in the same time a continue development. In this context, the regional project of integration found its development in June 2009, when were defined the integration stages and timeline about the creation of a single custom area. Specifically, on November 27, 2009 the Interstate EURASEC Committee (the supreme body of the Customs Union) approved a Customs Code and a Common External Tariff (unified external duty rates), reaching an agreement on the creation of a Customs Union that came into effect on January 1, 2010.

Furthermore, in order to promote their integration in a successive step and enlarge it to new proponents in the Eurasian area, the Presidents of Belarus, Kazakhstan and Russia established the Single Economic Space on the basis of the Customs Union, précising as this apparatus had to move successively in the creation of the Eurasian Economic Union. The primary aim of this new stage of integration wanted to create a vaster environment of integrations with other regional organizations, as the European Union, and other countries worldwide, in order to promote the economy of the entire Eurasia globally.

On November 18, 2011 the Presidents of Belarus, Kazakhstan and Russia signed the Declaration on Eurasian Economic Integration to escalate the success of the CU; and elaborated an agreement on the Eurasian Economic Commission. This Commission became since February 2, 2012 to work as permanent supranational regulatory body of the CU and of the SES.

As final point, since January 1, 2015 the Eurasian Economic Union started to work, continuing the process of integration of Eurasia with the aim to favorite the economic expansion and global competitiveness of the Eurasian countries through the modernization of their national markets. Indeed, the development of the EEU is aimed to create: 1) a common space, where goods, services, capital and work force can move in freedom and without barriers; and 2) a space of interaction, where the member-states may follow a coordinated policy in key sectors as economy, energy, industry, agriculture and transport. Here, the Treaty of the EEU has exactly the target to regulate the economic spheres of interaction between the members of the Union, creating a

common legal framework, in order to obtain the harmonization of their macroeconomic, monetary, trade, investment and taxation policies.

I The EEU Treaty, methodology and objectives of its analysis

The Treaty on the EEU (composed by 118 articles, divided in 28 sections and completed by 33 annexes) was executed in the city of Astana on May 29, 2014 between the Russian Federation, the Republic of Belarus and Kazakhstan; registered, as provided by the article 116 of the Treaty of the EEU, with the Secretariat of the United Nations in accordance with Article 102²¹⁵ of the Charter of the United Nations; and entered into force on January 1, 2015.

The organization was joined by Armenia and Kyrgyzstan successively, expanding the Union and the Eurasian integration process.

Figure 1: Actual members of the Eurasian Economic Union

| Country | Date of ratification |
|------------------------------|----------------------|
| Armenia | 10 October 2014 |
| Belarus (Founder) | 29 May 2014 |
| Kazakhstan (Founder) | 29 May 2014 |
| Kyrgyzstan | 23 December 2014 |
| Russian Federation (Founder) | 29 May 2014 |

The Treaty is divided into four parts. In the first part are contained the provisions that have general applications, and the categories and areas of the Eurasian Economic Union’s competence. In the second part are listed the provisions concerning the functioning of the Customs Union, circulation’s regulation of medicines and medical devices, customs regulation inside the Union, the areas and principles of foreign trade policy and consumer protection, as well as coordinated policy in the field of technical regulations, sanitary, veterinary, and quarantine sanitary measures. The third part of the Treaty refers to the Single Economic Space. It contains 14 sections that discipline areas as macroeconomic and currency policies, trade in services, establishment and implementation of investment activities, regulation of financial markets, taxes and taxation,

²¹⁵ The article 102 of the Charter of the United Nations provides that: 1) every treaty and every international agreement entered into by any Member of the United Nations after the present Charter comes into force shall as soon as possible be registered with the Secretariat and published by it. 2) No party to any such treaty or international agreement which has not been registered in accordance with the provisions of paragraph 1 of this Article may invoke that treaty or agreement before any organ of the United Nations.

general principles and rules of competition, natural monopolies, energy, transport, government procurement, intellectual property, industry and agro-industrial complex, and labor migration. The last part of the Treaty deals with its transitional and final provisions.

In consideration of the contents of the Treaty of the Eurasian Economic Union can be explicitly affirmed, as this organization has in the core of its mechanisms an exclusively economic function. But, in addition to this statement, is important to stress as every participants of this association is however trying to pursuit an own target: a more political and military aims from the Kremlin position to an only economic desire of development and facilitation of business from the Belarusian and Kazakh side. Though, done this consideration, the EEU is officially an Economic Union. Consequently, its analysis will be conducted in this section only in an economic dimension, where, through a deep descriptive analysis of the Astana Treaty, will be observed and explained the legal framework of its regulation, institutions and mechanisms. The study of the sections of the Treaty has the aim to offer a complete knowledge of the entire mechanisms of the EEU and of its working.

The following analysis, adopting the qualitative methodology by a report, interpretation and analysis of the legal framework of the Economic Eurasian Union, will examine the entire Treaty of the EEU, quoting and commenting all the articles of the Treaty. To the most significant sections, especially those in connection with the basic functioning of the Union and the regulation of the economic mechanisms, will be dedicated special critic considerations and observations (mostly from a Belarusian outstanding), examining the actual development and real application of the norms of the Treaty. In the study will be dedicated attention even to the annexes to the Treaty of the EEU. It is good to specify that the analysis of the annexes will be, for the aim of this work, partially, namely only a report and comment of the most important parts of the Protocols that are useful to complete the explanation of the discipline listed in the sections of the Treaty.

1 The meaning of the Eurasian Economic Union

The first step to understand the aims of the Eurasian Economic Union is to comprehend the necessity of this regional organization in the global economic space. By the words of Viktor Khristenko, former Chairman of the Board Eurasian Economic Commission, is possible to delineate the reasons that have conducted the member-countries to build a coalition together for the development of a new economic project: *“We live in a time of major change. A new global economic architecture is emerging that is set to define development trends for decades to come.*

The recent crises prompted a global quest for new patterns of strategic development, and today a number of countries are looking to form and consolidate regional unions. The Eurasian space is becoming such an area of consolidation. We are witnessing and participating in events that are destined to transform the world economic landscape²¹⁶."

Therefore, the actual economic crisis, the regional subdivision as form of better development (on the example of the EU) and the volition to move economically together, favoring the economic expansion of the entire Eurasia, are the official principal targets of the EEU.

Moreover, the decision to codify the Treaty of the Eurasian Economic Union was dictated by the requirement to create a precise, compact and simple legislative framework, in substitution of the regulatory legal framework of the Customs Union and the Single Economic Space, formed by over hundred international treaties signed between 1995 and 2012. Concerning the CU, must be underlined as its positive impact favored the development of the Eurasian integration and represented a decisive passage for the formation of the EEU, as testified in the analysis of Eurasian specialists Dragneva and Wolczuk, *"The most evident progress in the Eurasian project has been in relation to the CU. This development was made possible to a large extent by the adoption of an improved legal framework. A range of international agreements containing the various elements of common customs regulations were signed, the most important being the Customs Code of the CU adopted in November 2009²¹⁷"*.

So, considering the positive impact of CU, whose system allowed for example Russia in August 2012 to access in the World Trade Organization, and the successive creation of the Single Economic Space, which codified the trade area of Belarus, Russia and Kazakhstan; the consecutive step was thus to simplify and coordinate the Eurasian integration properly, through a unique and efficient document. In fact, the realization of the Treaty of the EEU was promoted in order to achieve a systematic regional development and a more coordinated cooperation in macroeconomic areas, finance, trade and investment, transportation and energy, industry and agro-industry. The necessity to promote the mutual trade is dictated by the fact to establish a common development through an increment and diversification of mutual trade; and the creation of facilities for the growth of high value-added production.

²¹⁶ Library of the Eurasian Economic Commission (2014): *"Eurasian Economic Integration: Facts and Figures"*. P. 5 http://www.eurasiancommission.org/en/Documents/broshura26_ENGL_2014.pdf (last view: 06.02.2017)

²¹⁷ Dragneva R. and Wolczuk K. (2014): *"Eurasian Economic Integration: Institutions, Promises and Faultlines"*. In *The Geopolitics of Eurasian Economic Integration*. London, 2014. P. 9

Furthermore, the organization was formulated openly with the target, visible in the article 108 of the Treaty of the EEU, to allow other Eurasian states that would be part of the association and share same objectives, to access to the Union without particular restrictions. Indeed, a further expansion and possibility to embrace all Eurasia is what mostly the participants, especially the Russian Federation and Kazakhstan, are expecting through this organization.

A successive confirmation of this target, as well the realization of a free market, can be discovered in the Belarusian perspective by the official speech of Belarusian President Lukashenka on January 2015 during his addressing of chairmanship of the Supreme Eurasian Economic Council: *“Our state considers the Eurasian Economic Union as the major integration association that promotes economic and social stability in the region. We welcome the consistent increase in number of participants of the Eurasian integration; we support the open and equitable dialogue of the EAEU with other countries, international organizations and international integration associations. [...] At all stages of preparing the Treaty on the Eurasian Economic Union, the Belarus party consistently declared the need of maximum liberalization of the conditions for economic activity under the EAEU. We still believe that the Eurasian Economic Union shall be founded on complete elimination of exemptions and restrictions in the movements of goods. [...] Our common objective is consistent elimination of restrictions and exemption with further development of single markets in as many areas as possible, including in construction and transportation. We believe that the development of a common market of transport services, including the development of program for phased liberalization of cabotage transportation, is one of the major components of competitiveness of our products both on internal and foreign markets. [...] I believe that our close cooperation will be a guarantee of the most effective implementation of the set plans and successful establishment of the Eurasian Economic Union as an independent center of sustained economic development²¹⁸”*.

The words of Lukashenka had the merit at the beginning of the institutional life of the EEU to point out the importance of the global partnership as key to obtain a regional stability against the treaties of the globalization and the pressing financial crisis. The stage of the regional integration is even seen as possibility to establish a solid structure over Eurasia which could be able to cooperate worldwide with the major organizations, as the EU, the North American Free Trade Agreement (NAFTA), the Asia Pacific Economic Cooperation (APEC), or the Association of Southeast Asian Nations (ASEAN). Indeed the European Union and the Asiatic market represent

²¹⁸ Eurasian Economic Commission (2015): *“Address by the Belarus President Aleksandr Lukashenko to the member states of the Eurasian Economic Union”*. January 21, 2015
<http://www.eurasiancommission.org/en/nae/news/Pages/21-01-2015.aspx> (last view: 10.02.2017)

the two decisive key-economies where the EEU would (and should) address its market. Another decisive point to notice in the Lukashenka's discourse is the fundamental necessity to eliminate every kind of restrictions and barriers in the common market of the Union, in order to promote the four fundamental economic freedoms of the Union (goods, services, capital and labor) and to allow a correct shape of the common markets of electric energy, gas, oil and oil products. Exactly this last point and the creation of equal conditions for economic entities of all the EEU member-states, with the complete elimination of exemptions and restrictions in the movements of goods, represents the significant pillar of the functioning of the EEU. This passage is possible to evince by the words of Belarusian Energy Minister Vladimir Potupchik who talked about the necessity to create a same level of prices, in order to develop the market of the Union on an equivalent level for all the participants of the Union: *"In order to create the common electricity market by 1 July 2019 and the common gas market by 1 January 2025 (of the EAEU) we should level gas prices as much as we can, and this is what we are doing today. All the arrangements that we reached were announced by Belarus' Vice Premier Vladimir Semashko and Russia's Vice Premier Arkady Dvorkovich. All the future steps will depend on the political decisions adopted at the highest level"*²¹⁹.

In addition, is important to refer as the concept of integration and development of the markets are two principal characters of the EEU. This passage was already expressed by President Lukashenka during his speech in the Peking University on September 2016, where the most significant Belarusian authority articulated the importance of integration and worldwide cooperation for the EEU as instrument to strengthen its global economic impact: *"Belarus is deeply convinced that the Eurasian Economic Union's cooperation with the Shanghai Cooperation Organization, the Association of Southeast Asian Nations, the European Union and other regional associations could produce substantial benefits for securing our trade, economic and investment interests"*²²⁰.

Thus, summarizing these concepts, the Eurasian Economic Union has the aims: 1) to favorite the integration of Eurasian country in an Eurasian regional project similar to the model of the European Union; 2) to promote an equal cooperation and development of the members market

²¹⁹ *"Decisions on Russian gas for Belarus taken, to be approved at political level"*. In Belta, 24.02.2017. <http://eng.belta.by/economics/view/decisions-on-russian-gas-deliveries-to-belarus-reached-98987-2017/> (last view: 26.02.2017)

²²⁰ *"Belarus supports integration of Eurasian Economic Union with Silk Road project"*. In Belta 30.09.2016 <http://eng.belta.by/president/view/belarus-supports-integration-of-eurasian-economic-union-with-silk-road-project-94977-2016/> (last view: 10.02.2017)

through the elimination of any kind of restrictions; 3) to develop the internal economies of the members, equalizing their systems with the standards of the WTO; 4) to favorite the free movements of goods, services, capital and labor; and 5) to be an opened organization with the meaning to favorite the access of new participants to its mechanisms and to cooperate with other international organizations.

From a pure economic side, the volition to create a further project of integration through the Eurasian Economic Union reflectes the economic global problems that Belarus, Kazakhstan and Russia were suffering during the last years due to geopolitical tensions and the global financial crisis.

Figure 2: Mutual trade between the founders of the EEU in USD million

| | 2011 | 2012 | 2013 | 2014 |
|------------|-----------|-----------|-----------|----------|
| Belarus | | | | |
| Turnover | 40 798.6 | 44 750.5 | 40 697.1 | 38 804.5 |
| Balance | -10 432.8 | -10 570.5 | -5 280.3 | -6 356.7 |
| Kazakhstan | | | | |
| Turnover | 23 029.3 | 24 626.3 | 24 603.7 | 19 665.2 |
| Balance | -8 822.7 | -10 950.7 | -12 736.5 | -9 250.6 |
| Russia | | | | |
| Turnover | 62 322.4 | 67 686.0 | 63 591.3 | 56 541.5 |
| Balance | 19 307.0 | 21 622.8 | 18 164.7 | 15 492.7 |

Source: Vinokurov Evgeny (2017): "Eurasian Economic Union: Current state and preliminary results". In Russian Journal of Economics 3 (2017) P. 61

The effects of this phenomenon were visible in the situation of economic stagnation and decrease of the turnovers of the troika, which in a comparison between 2013 and 2014 registered a complementary economic diminution of its turnover – mostly significant for Kazakhstan and Belarus, whose economies depend in primis on the relationship with the Russian Federation.

In the foreign trade of the member-countries, the economic situation registered even passivity: the total of exports dropped from 64 520.0 million USD of the year 2013 to 57 448.3 million USD during 2014²²¹. This decrease of -10.96% was sensible and a determinant clue that explained the necessity for the countries of the CU and SES to provide a further integration in order to

²²¹ Vinokurov Evgeny (2017): "Eurasian Economic Union: Current state and preliminary results". In Russian Journal of Economics 3 (2017). P. 61

strengthen their economies together by the formation of a common regulated market and implement of investments as necessity for the modernization of their domestic markets - exactly the targets of the Eurasian Economic Union.

2 The Treaty of the EEU, a neo-functional approach

The Astana Treaty, as conceived by its founders, wants to favorite an economic integration in the post-Soviet area, creating common markets, favoring the mutual trade and equalizing the economic levels of its participants. Thereby is possible to ascertain as the EEU has in its principal aim the promotion of the regional economic integration between its members by the creation of an environment for a stable development of the national economies. This aim wants to raise the competitiveness and cooperation between the Eurasian states under the conditions of the global economy.

With this incipit and before examining the EEU Treaty, the target of this paragraph is to determinate the theoretical nature of the EEU and of its legal framework.

Theoretically, by the intention of the founder members, the integration of the Eurasian states in a coordinated entity is the main target proposed by the Treaty of the EEU. In order to have a clear comprehension of the meaning of integration within the Union, can be useful to consider the theoretical models that better can frame the schema of the EEU, namely the liberal-intergovernmentalism model and the neo-functionalism.

In detail, according to Andrew Moravcsik, the process of integration is successful when there is a full interaction of three factors: 1) the economic interests "*pattern of commercial exchange*"²²² – the strongest factor; 2) the relative negotiation power of national governments; and 3) the incentive to increase the credibility of the international commitments²²³.

Taking into account these three factors and connecting them to the example of the EEU, it can be observed as the economic interests between the member-countries represent the keystone of the entire Eurasian integration. The negotiation between the national governments assumes in the *politics* of the Union a notable character, because the EEU is not provided of a supranational power, but the final decisions are committed to the Supreme Eurasian Economic Council, formed by the Head of State of every member-country, that (effectively) decide according to their national

²²² Moravcsik, Andrew (1998): "*The Choice for Europe. Social Purpose and State Power from Messina to Maastricht.*" Ithaca, N.Y. 1998. P. 3

²²³ Moravcsik Andrew (1998): "*Preferences and Power in the European Community. A Liberal Intergovernmentalist Approach*". In: *Journal of Common Market Studies* 31, 4. Pp. 473-524. P. 480

interests. The third point underlined by Moravcsik can be connected in the theoretical analysis of the Treaty of the Union about its international legal personality, as provided by the article 116. The meaning of a recognized international character can allow from a side the other states of Eurasia to join the Union, recognizing the dispositions of the Treaty, and from the other side affirms the legal certainty of the entire framework of the association on the eyes of the international community, providing thus for a predictable expansion worldwide.

Considering these facets of the liberal-intergovernmentalism model as proposed by Moravcsik in his explanation about the European Integration, this theory gives emphasis on the national states, represented by the governments that are the central actors in the decisional process, with a driving force centered on the economic interests. The integration process is controlled by national actors, where the supranational institutions are only performers of these actions without an own operational autonomy. Moreover, this theoretical model assumes the fact that the integration is a political and not a technocratic process²²⁴.

Now, applying further this model on the Eurasian integration can be noted as the Heads of the State of the participants of the EEU represents the central actors for the decisional process, and as the aim of upgrading the national economies is the principal factor supported within the Union. Besides, the EEU, not doted of a supranational power (which excludes a federalist character of the Union), has its decisional core exactly in the interests supported by the Presidents of the member-countries. In relation to this model, a concept which must be analyzed is the *"bargaining"* between the different members of the Union, where the states, pursuing their national interests, try to find a negotiation to solve their dispute, reaching agreements with positive effects for both parts. However, must be considered that this phenomenon can have in the EEU only an economic effect, because a political dimension of the Union, as provided in the Treaty, is excluded. But, must be underlined as the effects of this phenomenon could be traceable in the EEU because the interests of the parts are mostly individual and the national egoism of the member-states can prevail: Russia wants to use the Union for its geopolitical ambitious of domain in Eurasia, while Belarus or Kazakhstan wants to reach better economic facilitation in their market with Russia. Additionally, in contrast with the model of Moravcsik, the integration of the EEU cannot be defined as only political but even technocratic. Indeed, as underlined in the Treaty for the macro-area of cooperation, the coordination and together working of the member-states, especially for

²²⁴ Cf. Kemmerling Achim, Andrej Stuchlík Andrej (2003) *"Einführung in die politische Ökonomie am Beispiel der Europäischen Union"*. Freie Universität Berlin, Jean Monnet Centre of Excellence. P. 5

the creation of technical guidelines for the markets of the Union, should be performed by special technical commissions of experts that better can create the conditions of cooperation and harmonization between the parts. Here is not excluded that every part in the achievement of the harmonization of the sectors can pursue its national interests, creating conditions of bargaining.

These considerations bring us to make a step further to better define the theoretical model of the EEU, namely the neo-functionalism.

In the neo-functionalist model, as presented by authors as Haas, Mitrany, Lindberg and Scheingold, is present in the foreground a strong cooperation between the members of an association. The integration has here a technocratic character and arises as consequence of the spread of the internal market, which allows an advanced expansion on other areas of cooperation between the parts²²⁵.

In consideration of the neo-functionalism to the case of the EEU, it can be stressed, as the cooperation and integration of the member-countries of the Union has a solid basis: 1) the EEU is a continuation of the Customs Union of 2010; and 2) the cooperation especially between Belarus, Kazakhstan and Russia goes back to the year 1991 since the creation of the CIS.

Further, the technocratic aspect is central in the EEU Treaty, where i.e. the meeting between specialists of every member-state should better form the economic area of cooperation in the economic key area of cooperation, as the creation of the energetic markets. However, in connection with the thought of the neo-functionalist, must be asserted as in this vision, through the initial decision of integration connected with the economic sector, there would be an expansive dynamics that would lead to the interdependence of various sectors and, hence, to further levels of integration that can overcome the economic aspect²²⁶. But, as before underlined, the EEU excludes in its Treaty every political aspects; so it can be argued that the *spillover* effect of the neo-functionalist should be excluded in the mechanisms of the EEU.

After these reflections, it can be observed as the Astana Treaty wants to provide the four fundamental freedoms, to pursue a coordinated energy policy and to form common energy markets, creating perfect conditions of cooperation between all the participants. In order to realize it, the Treaty wants to reach a coordinated harmonization of the rules of competition between the members, placing them all on the same level. In this schema, the neo-functionalist

²²⁵ Cf. Kemmerling Achim, Andrej Stuchlík Andrej (2003) "*Einführung in die politische Ökonomie am Beispiel der Europäischen Union*". Freie Universität Berlin, Jean Monnet Centre of Excellence. P. 4

²²⁶ Cf. "*Neofunzionalismo*" In Simone Dizionario Online

<http://www.simone.it/newdiz/newdiz.php?action=view&dizionario=11&id=908> (last view: 19.08.2017)

theory applicable to the process of the EEU can explain the volition of full economic integration of the participants of the Union, overcoming the national borders exclusively for an economic scope. In fact, if we considerate Belarus, which strongly depends on Russia, the Eurasian Economic Union is a meaningful choice, because thanks to the increased socioeconomic interdependence and the regulation of the national economic sector on the prevision of the Treaty, economic tasks and objectives can be solved and achieved better in regional context than in the national context – exactly as is possible to evince from the neo-functional theory.

But, the reality of the first years of working of the Union is showing power-asymmetries between the member-states – especially if we considerate a comparison between Russia and Kyrgyzstan; and as the different national aims of the countries of the Union can have different effects on the evolution of the EEU, from economic to politic and military.

These asymmetries explain as the background theory of the Union has thus a functionalist character, where every state is trying to use the system of the Union to obtain a personal target.

A final consideration must be expressed about the volition of the states to not renounce to their national sovereignty, excluding any political influence on the integration process – although Russia would expand its control over Eurasia even through a political dimension. But, if Russia will be able in next years to expand its predominance within the Union and over Eurasia is still unpredictable and depends on different factors, as geopolitical decisions – first of all the resolution of the conflict in Ukraine.

3 Theoretical interpretation of economic integration

Theoretically, an economic union, established by those countries that share common ideas and want to eliminate trade and policy barriers in their commerce, has the purpose, through an economic integration, to increase the welfare of its associates efficiently. This purpose is exactly the scope which the Eurasian Economic Union wants to reach. Precisely, the EEU, by a together working of its participants in the establishment of common markets has the target to achieve welfare gain for its associates, creating, through the harmonization of national legal frameworks, a development of the internal economies of the member-countries. Thus, a progressive economic integration by the formation of customs union with application of a harmonized legal framework is the basic idea about the institution of the EEU.

Academically, the integration economic theory as independent discipline finds its first decisive contribution in the study of Jacob Viner (1950)²²⁷, who firstly introduced the concepts of trade creation and trade diversion in the examination of the effects that the economic union can generate in term of welfare gain. Viner argued as the effects of the establishment of a trade bloc can be positive for the intra-trade of associates with even progressive consequences on the extra-trade of the member-states. According to the Canadian economist, the effects of a trade bloc in term of welfare increasing depend upon the relative magnitudes of trade creation and trade diversion. Specifically, following the analysis of Snorrason Thomas, trade creation is the replacement of domestic production by lower cost imports from a partner (considered by Viner beneficial because it does not affect the rest of the world); while trade diversion is the replacement of lower cost cheaper imports from the world market by more expensive imports from a partner (considered harmful). Viner stresses that the relative strength of these two effects determines whether or not a trade bloc is welfare enhancing or not²²⁸.

Viner, together with Jaroslav Vanek (1965), in the economic debate were the two authors that distinguished trade blocs as customs unions involving internal free trade and a common external tariff. While, other contributors, as James Meade (1955), used the term customs union more loosely, involving internal free trade, but with application of original tariffs level in the extra-trade. By this notion, the term bloc assumes the significance of customs union and free trade areas indistinctly. Meade stressed that the relative magnitudes of trade creation and trade diversion alone are insufficient to determine the welfare effect of a bloc on world welfare because the benefits of preferential liberalization depend not only upon the extent of trade creation but also on trade costs. Similarly, losses are determined not just by the amount of trade diversion but also by the magnitude of the increase in costs due to trade diversion. Explicitly, Meade, in the explanation of his theory, constructed a multi-commodity model with complementary and substitutive goods and concluded that a high degree of complementarity between the goods of the customs union and those of the third countries increases the probability of positive welfare effects, since the welfare-reducing trade diversion is less. Simplified, it means that a customs union between two similar states has rather positive effects than a union of very different states. In the case of the substitutability of the goods of a customs union's country and those of a third

²²⁷ Beckmann R., Hebler M., Kösters Wim and Neimke M. (2000): "*Theoretische Konzepte zum Europäischen Integrationsprozeß: Ein aktueller Überblick*". Ruhr-Universität Bochum. P. 6

²²⁸ Snorrason Thomas S. (2012): "*Asymmetric Economic Integration Size Characteristics Economies, Trade Costs and Welfare*". Physica-Verlag, 2012. P. 14

country, the probability of positive welfare effects for the customs country will be reduced since the trade expansion in the customs union is compensated by a reduction in trade with the cheaper third country²²⁹. Therefore, the customs union implies positive benefits for the member-states because, if it is assumed that the participants of the union share a same idea and have similar economic models, their complementarity in the production and trade without the application of customs duties can bring an increase of their welfares. The common trade without implications of commerce distortions can have a positive impact in the economies of the member-states that replace their trade with third countries, which involves extra-costs as customs duties, with a common market with a tariff-regulation aimed to a complementary increment of welfare. Applying this passage on the EEU, must be asserted as although the principal idea of the member-states is the increment of their mutual trade and improvement of their national economies, their economic dimension, their level of production and the still presence of barriers in their trade (as the lack in the harmonization of national normative acts or necessity to apply technical regulations for the production from the member-states unequivocally) represent obstacles that are nowadays contracting their economic integration. These barriers, as provided in the Astana Treaty, must be eliminated in order to favorite a full cooperation.

After these initial considerations, is useful now to explain the idea of economic integration theoretically.

Analyzing the concept of economic integration, a universal definition of this notion in the international trade is not present. For example the economist Bela Belassa (1962) defines economic integration as both a process and a state of affairs. Here integration is intended as a process that removes trade discriminations between the member-states, while a state of affairs in the sense that the integration provides the absence of any form of discrimination.

The fundamental term is the removal of obstacles that prevent the free trade. Already Ricardo and Smith underlined as a free trade market and the movements of goods without distortions are the principal factors for a best policy of integration²³⁰.

For Peter Robson (1987), the integration assumes the meaning of an efficient use of the resource. The absence of discrimination, as for Belassa, and the free movement of goods are the necessary conditions for the integration²³¹.

²²⁹ Beckmann R., Hebler M., Kösters Wim and Neimke M. (2000): "*Theoretische Konzepte zum Europäischen Integrationsprozeß: Ein aktueller Überblick*". Ruhr-Universität Bochum. P. 10

²³⁰ Cf. Snorrason Thomas S. (2012): "*Asymmetric Economic Integration Size Characteristics Economies, Trade Costs and Welfare*". Physica-Verlag, 2012. P. 15

Willem Molle (1990) indicates through the economic integration the gradual elimination of barriers between the member-states: from a liberalization of the trade among the partners to a coordination of national policies. The concept of removal of discriminatory barriers in order to establish a limpid cooperation between the member-states is advanced even by Ali El-Agraa (1994). As for Molle, also for Jacques Pelkmans (2006), the removal of frontiers for the free circulation of goods, is the explication about the economic integration²³².

The common market has the advantage that from a side is guaranteed the freedom of good movement and from the other side that all existing non-tariff barriers (as technical and fiscal regulations) in the mutual trade are eliminated. Considering the second point, the elimination of barriers in the trade of the participants is the priority to set in the union, in order to have positive welfare effects in the national economies. As highlighted by Ian Wooton (1988), the setting of common external tariff (CET) is important too to reach positive welfare effects: *“A customs union will always benefit from increasing its production efficiency, as long as it adjusts its CET structure appropriately”*²³³.

Other effects to considerate in the economic integration are the long-term effects that the union can create within its associates. The consideration of the long-term effects of integration shows that it is necessary to adapt and extend the forms of cooperation in all sensible areas. In order to achieve an extended collaboration between the associates of the union is necessary to develop and exchange technical knowledge through a united training of the workforce between the countries of the Union. Liberalization in the area of intermediate product production, on the other hand, is associated with an increment in the incentives for innovation, which also has a positive long-term trading effect and can favorite the growth rate in the area of integration.

A final aspect that must be considered is the distribution of economic-policy competences between supranational and national levels. For example, in the customs union the establishment of the common customs duties, the supervision of the free movement of people in the common market, and the monetary policy should be carried at a supranational level through the subsidiarity principle, in order to take into consideration all economic aspects of every member.

Synthesizing, the economic integration starts from a regime of free trade between the member-states to arrive to a full economic union gradually.

²³¹ Cf. Snorrason Thomas S. (2012): *“Asymmetric Economic Integration Size Characteristics Economies, Trade Costs and Welfare”*. Physica-Verlag, 2012. P. 13

²³² Ibid. P. 14

²³³ Beckmann R., Hebler M., Kösters Wim and Neimke M. (2000): *“Theoretische Konzepte zum Europäischen Integrationsprozeß: Ein aktueller Überblick”*. Ruhr-Universität Bochum. P. 20

Figure 3: Stages of economic integration between national economies

| Forms | Free trade between member countries | Common Customs Tariff | Mobility of production factors | Harmonization of economic policies | Unification of the whole economic policy |
|---------------------|-------------------------------------|-----------------------|--------------------------------|------------------------------------|--|
| Free Trade | ● | | | | |
| Customs Union | ● | ● | | | |
| Common Market | ● | ● | ● | | |
| Economic Union | ● | ● | ● | ● | |
| Full Economic Union | ● | ● | ● | ● | ● |

Source: Hitiris, Theo (1994): *"European Community Economics"*, 3. Aufl., New York 1994. P. 2 Cit. in Beckmann R., Hebler M., Kösters Wim and Neimke M. (2000): *"Theoretische Konzepte zum Europäischen Integrationsprozeß: Ein aktueller Überblick"*. Ruhr-Universität Bochum. P. 4

According to the model above, the abolition of economic restrictions starts on the commodity markets, with a gradual growing economic policy cooperation between the participants of the Union through free or preferential trade agreements. Precisely, the economic integration begins through the establishment of a free-trade zone with the abolishment of mainly import duties and quantitative import restrictions in the trade of the member-states. The further creation of the customs union brings the participants to the creation of common tariffs even in the commerce with third countries, in order to unify their tariff systems in a unique entity. Moreover, the common market, through the abolishment of non-tariff trade barriers, as technic limitation or social standard, favorites the liberalization of trade in goods and services. Further, for the citizens of the common market, this means that they can freely establish themselves in each participating country, open trades and carry out transactions on the same basis of the residents of that country. Finally, there is the creation of a monetary union which consists of a common market and currency. In general, every level of economic integration needs an adequate minimum political

consensus that is necessary to the expansion of the areas of cooperation²³⁴. Regarding the EEU, it can be stressed, that the economic integration means an integration of regional economies by reducing both tariff and non-tariff trade barriers; as well as restrictions on the free circulation of production factors (capital and work) and of citizens in the territory of the Union. Although the EEU's Treaty explicitly provides to harmonize the legal framework of the member-states, for their cooperation between the exchange of qualified personnel, for the creation of a common market without the presence of any kind of barriers, the actual stage of the EEU can be classified in the second stage of economic integration, namely in the creation of the Customs Union. However, as underlined for example by Belassa and Wooton, a deeper integration depends on the elimination of economic distortion in the mutual trade and the perfect adjustment of common tariffs. These passages for the EEU, as the harmonization and unification of the national policies, are determinant to create in future a full working economic union.

4 Principles and objectives of the Eurasian Economic Union

Starting the analysis about the Treaty of the EEU is essential to discover the fundamental values of this organization.

As is possible to evince in the preamble of the document, the solidarity and the necessity to cooperate economically in favor of a sustainable integration are the basic principles of the EEU. Indeed, through an examination of the introductory part of the contract, stand out the principles of: 1) equal sovereignty of all members, as need for unconditional respect for the rule of constitutional rights and freedoms of people; 2) the solidarity principle in the cooperation as basis to respect the culture, history and tradition of every member; 3) the conviction of a further economic Eurasian development as necessary for the common development of all the counterparts; 4) the volition to cooperate together in order to solve common problems properly, improving and modernizing the competitiveness of national economies within the framework of the global economy; and 5) the confirmation to further strengthen mutually beneficial and equal economic cooperation with other countries, international integration associations, and other international organizations, according to the WTO's rules and conforming to the United Nations Charter and other universally recognized principles and regulations of international law.

²³⁴ Cf. Beckmann R., Hebler M., Kösters Wim and Neimke M. (2000): "*Theoretische Konzepte zum Europäischen Integrationsprozeß: Ein aktueller Überblick*". Ruhr-Universität Bochum. Pp. 5-6

These key aspects introduce the article 1 of the Treaty: 1) *The Parties hereby establish the Eurasian Economic Union (hereinafter “the Union”, “the EAEU”) ensuring free movement of goods, services, capital and labor within its borders, as well as coordinated, agreed or common policy in the economic sectors determined under this Treaty and international treaties within the Union.*

2) *The Union must be an international organization of regional economic integration and must have international legal personality*²³⁵.

From this first aspect, we can evince the international legal personality of the Union, its exclusive economic nature and its principal aim to guarantee the free movement of goods, services, capital and labor among the territories of its members.

After a presentation and explanation of terms and definitions contained in the Treaty and explained in the article 2; in the second section of Treaty, is confirmed in the article 3 as the Union should conduct its action in the total respect of the principles of the international law, the sovereign equality of the member-states and their political structures. The meaning of this segment wants to affirm as every participant should have same position and significance within the organization. Specifically, taking into account the granting of the sovereign equality established by the Treaty, this mechanism was coined to avoid the lack of decision that every applying state for the accession to the EEU could have regarding the position of Russia, which, due to its primary economic dominance, would dominate the entire Union. The same reasoning is possible to apply in the reinterpretation of the respect of the political structure and special features of every single country. A concept that underlines cooperation based on the mutual equality. In this context is stressed, always in the article 3, as every state must give its efforts to properly create favorable conditions for the right work of the Union.

The article 4 of the Treaty explains the main objectives of the Union: *“1) to create proper conditions for sustainable economic development of the member-states, in order to improve the living standards of their population; 2) to seek the creation of a common market for goods, services, capital and labor within the Union; and 3) to ensure comprehensive modernization, cooperation and competitiveness of national economies within the global economy*²³⁶”.

The objectives of the EEU embrace the volition of the Union leaders about the creation of an organization that can be competitive in the global economy through an alliance of all Eurasian countries in a regional community. The first step is to assure a modernization of the internal

²³⁵ Treaty on the Eurasian Economic Union. P. 2

²³⁶ Ibid. P. 6

economies through the creation of a unique commercial area, on the basis of the Single Economic Space, and provide successively to develop the EEU's trade with all most important world organizations. This is presented as a necessary assumption to overcome the challenges of the globalization and the global financial crisis of last decade.

To reach these aims is defined in the article 5 of the Treaty, as the jurisdiction of the EEU is limited within the scope included in the treaty and other international treaties recognized by the Union. This statement confirms the possibility of the EEU to influence and determinate the economic decisions of the participants, as reported in the second comma of the article 5, where the *"Member-States must seek to implement coordinated or agreed policy in accordance with the basic principles and objectives of the Union"*²³⁷.

Regarding the international treaties and their relationship with the Treaty of the Economic Eurasian Union, the article 6 delineates as the entire law of the Union is constituted of: the Treaty of the EEU; the international treaties within the Union and the international treaties of the Union with third party; and the decisions and dispositions of the Supreme Eurasian Economic Council, the Eurasian Intergovernmental Council, and the Eurasian Economic Commission.

The most important observation, which is provided from the same Treaty in the second and third comma of article 6, is the necessary not contradiction of international treaties with third parties and the contents of the Treaty of the Union; and the prevalence, in case of conflicts, of the dispositions of the EEU's document over the international treaties. Moreover, in the fourth comma of article 6 is delineated as in case of conflict between decisions of the Supreme Eurasian Economic Council, the Eurasian Intergovernmental Council, or of the Eurasian Economic Commission, that the decisions of the Supreme Eurasian Economic Council prevail over decisions of the Eurasian Intergovernmental Council and the Eurasian Economic Commission. In the same matter, the decisions of the Eurasian Intergovernmental Council prevail over decisions of the Eurasian Economic Commission²³⁸.

Through this point is easy to understand as the Supreme Eurasian Economic Council, formed by the Presidents of the member-states, plays the most important decisional role regarding the problematic and most decisive choices about the operation of the EEU. The article 7 of the Treaty confirms the prestigious role of the Supreme Eurasian Economic Council, that determinates the

²³⁷ Treaty on the Eurasian Economic Union. P. 6

²³⁸ Ibid. P. 8

procedure for the international cooperation of the Union, as the negotiations on draft international treaties of the Union with a third party.

5 The body of the Union and appointment of its officials

In the article 8 of the EEU's Treaty is delineated the entire body of the Union: the Supreme Eurasian Economic Council (SEEC) – *“the Supreme Council”*; the Eurasian Intergovernmental Council (EIC) – *“the Intergovernmental Council”*; the Eurasian Economic Commission (EEC) – *“the Commission”* or *“the EEC”*; and the Court of the Eurasian Economic Union – *“the Court of the Union”*. In the fourth comma of article 8 is defined the duration of the role of the Chairmanship of the Supreme Council, the Intergovernmental Council and the Commission, that are arranged on a rotational basis for one calendar year without the possibility to prolong. Through this act, the Legislator wants to assure the equivalence of every state and their opportunity to occupy an important role in the system of the organization. Besides, the impossibility to extend the mandatory of every office has the double meaning of 1) to not blockade the decisional process; and 2) the volition of every state to set precise targets of their own mandate, trying to achieve them rapidly in order to guarantee a constant progress of the Union.

Furthermore, the article 9 of the Treaty establishes clearly as the charges of the officials of the permanent bodies of the Union must be chosen by the member-states on national level among qualified people and with a special education appropriated to recover the institutional roles in the body of the EEU.

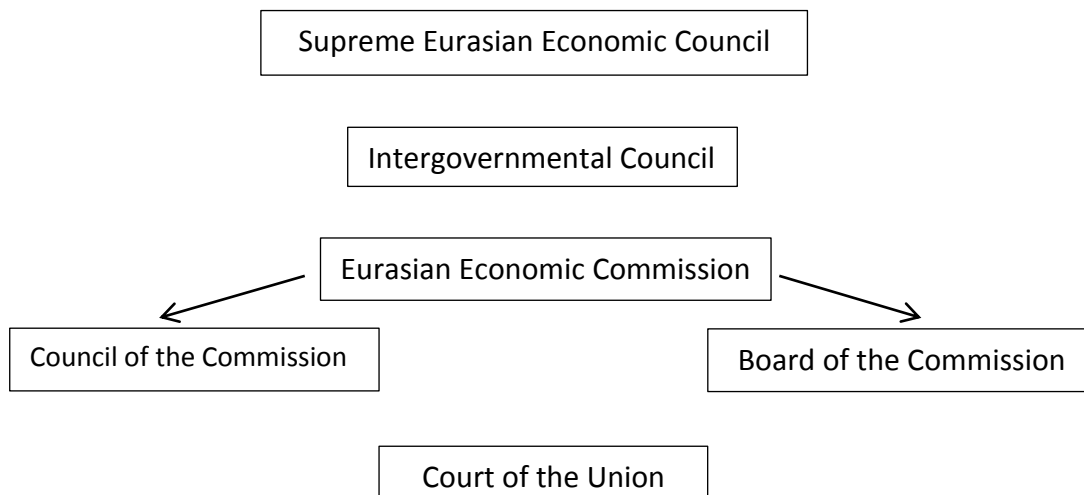
In addition, an important passage which demonstrates the volition of transparence and equality of the Legislator in the organization of the Commission of the Union is demonstrated in the second comma of article 9: *“The officials of a Department of the Commission may not be nationals of the same state. Candidates for these positions shall be selected by the EEC Competition Commission with regard to the principle of equal representation of the Parties²³⁹”*.

The equality and impartiality can be testified from the possibility to have heterogeneous officials in the department of the Commission. The selective process is granted by the Competition Commission of the Union, which decides on a competitive basis. The selection of candidates from the Competition Commission, as expressed in the comma fourth of article 9, is composed by all members of the Board of the Commission, excluding its chairman. The Board of the Commission decides in form of recommendations by a majority vote. After that, if the Chairman of the

²³⁹ Treaty on the Eurasian Economic Union. P. 10

Commission decides contrarily to the recommendation of the members of the Commission, the Chairman of the Board of the Commission must refer the issue to the Council of the Commission, which will take the final decision.

Figure 4: Principal Bodies of the Eurasian Economic Union



6.1 *The Supreme Eurasian Economic Council*

The article 10 of the Treaty defines as the Supreme Council, formed by the Heads of the state of the participants of the Union (Armenian President Sargsjan; Belarusian President Lukashenka; Kazakh President Nazarbayev; Kyrgyz President Atambayev and Russian President Putin), is the supreme Body of the EEU. Following, the article 11 itemizes the convocation of the Supreme Council for minimal one time per year. For urgent cases or for initiatives of a member-state, the Council can be convened extraordinarily. The same article provides that the Chairman of the Supreme Council must organize the meetings and the work of this apparatus. In the case the Chairman should terminate his mandate early, the procedure determinates that the new chosen member of the Supreme Council of the presiding member-state should exercise the powers of the Chairman of the Supreme Council in the remaining period²⁴⁰. To guarantee the transparency of the decisional process, is even established that the meetings of the Supreme Council may be attended by members of the Council of the Commission, Chairman of the Board of the Commission, and other invited persons. By this aspect the Legislator wanted to create a mechanism of perfect cooperation between all the institutions of the Union, allowing the possibility for the other bodies

²⁴⁰ Treaty on the Eurasian Economic Union. P. 12

of the Union to interact with the Supreme Council, assuring more limpidity in all the final decisions of the Council.

This last aspect leads us to define the powers and tasks of the Supreme Council. Here, the article 12 defines in the first paragraph as the Supreme Council must: consider the main issues of the Union's activities, define the strategy, directions and prospects of the integration development and make decisions aimed at implementing the objectives of the EEU.

The second paragraph of article 12 lists in 23 subparagraphs all the basic powers of the Supreme Council. Between the most important powers herein we can mention: the determination of strategy, directions and prospects for the formation and development of the Union; to make decisions aimed at implementing the objectives of the Union; the approval of the composition of the Board of the Commission, distributing responsibilities among Board of the Commission members and terminating their powers; the approval of the Rules of Procedure of the Eurasian Economic Commission; the approval of the Budget of the Union, the Regulation on the Budget of the Eurasian Economic Union and the report on implementation of the Budget of the Union; the determination of the amount (scale) of contributions of the member-states into the Budget of the Union; the making of requests to the Court of the Union; the determination of the procedure for admission of new members to the Union and termination of membership in the Union; the approval of the Procedure for International Cooperation of the Eurasian Economic Union; the decision on negotiations with a third party on behalf of the Union; or the decision on the establishment of the auxiliary bodies in the relevant areas²⁴¹.

The article 13 provides that the Supreme Council takes its actions through decisions and dispositions, adopted by consensus. In the case e.g. about the decision of a member to leave the Eurasian Economic Union, the principle of decision is the consensus minus. By this mechanism the Legislator prefixed the aim that the EEU must be formed by all those states that share same principles and have the awareness to reach determinate targets for the common development. According to this principle, the decision of those states that do not feel anymore to be part of the project must be not contradicted, avoiding the creation of internal feud within the Union that could block the entire decision making process.

²⁴¹ Treaty on the Eurasian Economic Union. Pp. 13-15

5.2 *The Intergovernmental Council*

The article 14 of the Treaty defines the Intergovernmental Council. It is composed by the Heads of governments of the member-states, specifically the Armenian first Prime Minister Sargsjan, the Belarusian Kobyakov, the Kazakh Sagintayev, the Kyrgyz Jeenbekov and the Russian Medvedev.

The Intergovernmental Council must be hold minimal twice per year, in comparison to the Supreme Council that despite must be convoked minimal once a year. Moreover, every member-state as well the Chairman of the Intergovernmental Council may convene an extraordinary session of the Council in case to solve urgent cases. The Chairman must organize and prepare the works of every session, which can be attended even by members of the Council of the Commission, Chairman of the Board of the Commission, and other invited persons, reinforcing the principle of transparency in the decision process of the entire working of the Union.

In hierarchical order the Intergovernmental Council finds its location under the Supreme Council and has the following powers as contemplated in the article 16: *“1) to ensure implementation and control the performance of this Treaty, international treaties within the Union and decisions of the Supreme Council; 2) to consider, on the proposal of the Council of the Commission, any issues for which no consensus was reached during decision-making in the Council of the Commission; 3) to issue instructions to the Commission; 4) to present candidates for members of the Council and the Board of the Commission to the Supreme Council; 5) to approve the drafts, the regulation and the report on Implementation of the budget of the Union; 6) to approve the Regulation on the audit of financial and economic activity of the Eurasian Economic Union’s Bodies, standards and methodology for conducting audits of financial and economic activities of the Bodies of the Union, to decide on the execution of audits of financial and economic activities of the Bodies of the Union and to determine their time periods; 7) to consider, when proposed by a member-state, any issues relating to the cancellation or amendment of a decision issued by the Commission, or, in case no agreement is reached, to refer them to the Supreme Council; 8) to decide on suspension of decisions of the Council or the Board of the Commission; 9) to approve the procedure for verifying authenticity and completeness of information on the income, property and property obligations of members of the Board of the Commission, officials and employees of the Commission and their family members; 10) to exercise other powers provided for by this Treaty and international treaties within the Union²⁴²”.*

²⁴² Treaty on the Eurasian Economic Union. Pp. 18-19

The analysis of the tasks of the Intergovernmental Council allows us to understand as this body of the Union has principally a role of: a) control over the real operation of the organization and respect of the members about their obligation within the rules of the Union; b) to review the decision of the Commission that have not found a consensus, with the possibility to consider about the cancellation of decisions and amendments of the Commission; and economically c) to approve drafts, regulation and report on implementation of the budget of the Union.

The article 17 enunciates as the decision process of the Intergovernmental Council must be reached in form of decisions and dispositions and adopted by consensus. Reflecting about the mechanism of consensus it possible to evince that the Legislator in the contemplation of the Treaty wanted to assure the principle of mediation between all the members, in order to obtain that every choice can be evaluated as the best formulation between all the exponents of the Intergovernmental Council, reflecting thus the homogeneity of the member-states in adopting solutions and, on the whole, marking the compactness of the entire Union.

5.3 *The Commission of the Union*

The article 18 of the Treaty defines the Eurasian Economic Commission, located in Moscow, as a permanent Body of the Union. In the working process, the Commission agrees by decisions, dispositions and recommendations. Here, we distinguish between decisions, dispositions and recommendations of the Council of the Commission internally – reached through consensus; and the decisions, dispositions and recommendations of the Board of the Commission – taken by a qualified majority (two-third of votes) or consensus.

Regarding the issues where the Board of the Commission decides by consensus, is the Supreme Council that compiles a list of different matters where the Board must express its decision through the formula of consensus.

A further explanation about the powers, structure and working of the Commission is contained in the Annex 1 to the EEU's Treaty "*Regulation on the Eurasian Economic Commission*". This document, completing the article 18 of the Treaty, defines in its first section the general provisions of the Commission: 1) to enable the functioning and development of the Union; and 2) to develop proposals in the sphere of economic integration within the Union²⁴³.

The principles upon which the Commission bases its activities are: the mutual benefit, equality and respect for the national interests of the member-states; the economic justification of its action

²⁴³ Annex 1 to the Treaty on the Eurasian Economic Union. P. 1

with the scope to provide a reasonable investment of the resources for the economic development of the participants; and transparency, publicity and objectivity.

Analyzing further, the basic objectives are listed all the spheres of intervention of the Commission, namely all economic areas as e.g.: customs tariff and non-tariff regulation; transfer and distribution of import customs duties; statistics of foreign and mutual trade; macroeconomic policy; energy policy; natural monopolies; mutual trade in services and investments; transport and transportation; monetary policy; financial markets (banking, insurance, the currency market, the securities market).

From this simplified list we can ascertain as the Commission represents the decisional motor of the Union for all its economic decision in the macro-economic areas, from monopolies to regulation of industrial, agricultural and energetic sector. The importance of this organ of the EEU, which has the right of a juridical person, is confirmed by the fifth comma of the general provisions that makes the Commission the depository of international treaties within the Union and of decisions of the Supreme Council and the Intergovernmental Council. Moreover, in the sixth paragraph is provided explicitly as the Supreme Council may vest the Commission of the power to sign international treaties on matters within the competence of the Commission.

The Commission is even responsible for the preparation of the budget of the Union and by its powers must adopt decisions, that essentially, apart the decisions containing restricted informations, take effect at least 30 calendar days after their official publication, with regulatory and binding effect for the member-states.

The decisions of the Commission are adopted through the vote of its two branches: the Council and the Board of the Commission. The vote procedure, as expressed by the paragraph 21 of the general provisions, is so divided: *"In the Council of the Commission, a single vote of the Council member should be equal to one vote; in the Board of the Commission, a single vote of the Board member should be equal to one vote²⁴⁴".*

It is important to affirm as the activities of the Council of the Commission and the Board of the Commission must be supported by the Departments of the Commission, which consist of officials and employees. To the Head of every department, in order to better coordinate their actions, there are the directors of departments of the Commission. The directors and their deputies should be appointed by the Chairman of the Board of the Commission on the basis of recommendations of the competition commission for a term of 4 years.

²⁴⁴ Annex 1 to the Treaty on the Eurasian Economic Union. Pp. 5-6

5.4 *The Council of the Commission*

The principal task of the Council of the Commission, as expressed in the paragraph 22 of the Annex 1, is to define the principal and general regulations of integration processes in the Union and of the general management of the Commission's activities. Regarding its composition, the paragraph 23 affirms as the Council of the Commission must be composed of one representative, the deputy Head of the Government, for every member-state. This passage stresses more the basic principle of the Union, namely the equality between all its participants. In confirmation of that is possible to note as between the tasks of the Council of the Commission, this apparatus, in order to ensure observance of the national rights of the member-countries in the employment-system of the departments of the Commission, must establish the Commission of Ethics with the approval of its regulation.

Summarizing the main functions and powers of the Council of the Commission, this body of the Union must: improve legal regulation of activities of the Union; submit for the approval of the Supreme Council main integration directions within the Union; consider the cancellation of the Commission's decisions taken by the Board of the Commission; approve qualification requirements to officials and employees of the Commission; and create and develop an integrated information system of the Union.

The meetings of the Council of the Commission can be proposed by any of its members that may initiate a meeting of the Council of the Commission and make proposals on the agenda. Its validity is ascertained if attended by all members of the Council of the Commission, as well by the Chairman of the Council of the Commission. In consideration of the Chairman, this figure must manage the issues that will be submitted during the discussion; determine the agenda; and open and close every meeting, giving in this way to his position a central role in the organization of the work.

As reported above, the Council of the Commission should adopt decisions, dispositions and recommendations by consensus. If the negotiation through consensus is not obtained, the procedure provides that the successive examination and decision will be entrusted to the Supreme Council or the Intergovernmental Council in order to not block the decisional process.

Furthermore, the Council of the Commission, as every of its members, has the possibility within 15 calendar days from the date of publication of a decision of the Board of the Commission to submit a proposal to the Board of the Commission for its cancellation or amendment. In case of successive disagreement about the reviewed proposal between the Council and the Board of the

Commission, the decision will be subjected to consideration of the Supreme Council or the Intergovernmental Council. This last passage illustrates as the Council of the Commission recovers hierarchically a higher position in comparison to the Board of the Commission.

5.5 *The Board of the Commission*

According to the Paragraph 31 of the Annex 1 on the Treaty of the EEU, *“The Board of the Commission, comprised of representatives of the Member States based on the principle of equal representation of the Member States, shall be the executive body of the Commission. The allocation of responsibilities and the number of the Board’s members must be decided by the Supreme Council²⁴⁵”*.

In the analysis of this segment is possible to note the presence of the principles of equal representation and professionalism because the choice of the members must follow precise requirements as a special training and at least seven years of experience for official duties, including at least one year in a senior management position at a public authority of a member-state.

The Supreme Council, after have examined the proposals of each member-state for their candidates for membership in the Board of the Commission, appoints both the members of the Board for a term of four years (with the possibility to prolong their mandate) and the Chairman for a term of four years too (excluding in this case the opportunity of a prolongation). In case of non-approval of a candidate for the Board of the Commission by the Supreme Council, the member-state must nominate a new candidate within thirty calendar days.

Besides, the Legislator prefixed for the members, officials and employees of the Commission, the duty to work in the Commission on a permanent basis, excluding from a side possible conflicts of interests between the member-countries and the legislation of the Union; and assuring from the other side the principle of impartiality in the conduction of the work of the Board of the Commission in the exercise of the executive power of the EEU. Guaranteeing transparency and impartiality in the exercise of their function, the Legislator provided too in the paragraph 36 the exclusion for the members of the Board of the Commission to own any kind of business activity or be part of the management body of a commercial entity. Through this mechanism the volition of the Legislator is to exclude for the members of the Board of the Commission cases of

²⁴⁵ Annex 1 to the Treaty on the Eurasian Economic Union. P. 11

impeachment, avoiding that the members of the Board may use their power to reach proper targets that could afflict the working of the Union negatively or in favor of a single member-state. The article 43 of the Annex 1 lists the functions and powers of the Board of the Commission, that we can summarize as the most significant: *“To develop own proposals and compiling proposals submitted by the member-states in the field of integration within the Union; to adopt decisions, dispositions and recommendations; to implement decisions and dispositions adopted by the Supreme Council and the Intergovernmental Council and decisions adopted by the Council of the Commission; to monitor and control the implementation of international treaties in the legal system of the Union; to submit annual progress reports for consideration by the Council of the Commission; to develop recommendations on issues relating to the formation, functioning and development of the Union; to assist the member-states in the settlement of disputes within the Union before applying to the Court of the Union; to interact, within its powers, with public authorities of the member-states; to develop a draft Budget of the Union and draft reports on its implementation, ensuring implementation of the budget estimates of the Commission: to draft international treaties and decisions of the Commission adopted by the Council of the Commission, as well as other documents required for the exercise of powers by the Commission”²⁴⁶.*

In the exercise of its function and to reach its aims properly, the Board of the Commission can establish advisory bodies, composed of authorized representatives of public authorities of the member-states. The advisory bodies under the Board of the Commission may, within their powers, issue recommendations for the Commission on matters within their competence.

In order to assure stability and coherence in the achievement of its objectives, the Board of the Commission, as established at the paragraph 49 of the Annex 1, must hold a meeting at least once a week. The preparation and the organization of the meetings are entrusted to the Chairman of the Board of the Commission, who must set up the agenda with all issues that will be discussed. Other to have a principal role in the organization of the work of the Board of the Commission, the Chairman of the Board of the Commission exercises other important functions as: to determine operation procedure for the Departments of the Commission and matters within their competence; to participate in the meetings of the Council of the Commission; to represent the Board of the Commission in the Council of the Commission; to act on behalf of the Commission as the administrator of the Budget of the Union; to manage funds within the budget estimates of the Commission and financial resources of the Commission; to conclude civil law contracts and appear

²⁴⁶ Annex 1 to the Treaty on the Eurasian Economic Union. Pp. 14-16

in court; to approve regulations on the Departments of the Commission; and to ensure verification of facts specified in a request of a member-state to revoke a member of the Board of the Commission.

To conclude, the paragraph 52 of the Annex 1 lists the responsibilities of a member of the Board of the Commission: *“Prepare proposals on matters within his/her competence; report at meetings of the Board of the Commission and the Council of the Commission on matters within his/her competence; coordinate and control activities of the supervised Departments of the Commission; prepare draft decisions, dispositions and recommendations of the Board of the Commission on matters within his/her competence; monitor the implementation by the member-states of international treaties that form the Union law on matters within his/her competence; monitor the enforcement by the member-states of Commission decisions on matters within his/her competence; prepare draft expert opinions; cooperate with public authorities of the member-states on matters within his/her competence; ensure the drafting of international treaties, decisions, dispositions and recommendations of the Commission adopted by the Council of the Commission, as well as other documents required to exercise the powers of the Commission on matters within his/her competence; ensure due participation of the supervised Departments of the Commission in regulatory impact assessment procedure; submit to the Board of the Commission proposals for the establishment of advisory bodies under the Board of the Commission on matters within his/her competence²⁴⁷”*.

5.6 The Court of the Union

The article 19 of the EEU Treaty, completed with the annex 2 *“Statute of the Court of the Eurasian Economic Union”*, delineates the Court of the Union, located in Minsk, as a permanent and juridical body of the Union. The objective of the Court, according to the paragraph 2 of the first chapter of the annex 2, *“Must ensuring, in accordance with the provisions of this Statute, uniform application by the Member States and Bodies of the Union of the Treaty, international treaties within the Union, international treaties of the Union with a third party and decisions of the Bodies of the Union²⁴⁸”*.

²⁴⁷ Annex 1 to the Treaty on the Eurasian Economic Union. Pp. 21-22

²⁴⁸ Annex 2 to the Treaty on the Eurasian Economic Union. P. 1

Essentially the role of the Court is to maintain equilibrium and resolve possible disputes between the provisions of the Treaty, the internal legislation of the states and assure the accordance between the norms of the EEU and the international treaties.

The Court, as provided by the Chapter II of the Annex 2, should include in its composition two high qualified judges, with a term of nine years, from each member-country. The judges, endowed all by equal status, are appointed by the Supreme Council on the proposals of the member-states. In the Treaty is guaranteed the principle of impartiality of the judges, affirming their impossibility in participation of activities incompatible with the office of judge. In this case, as for example if the judge has no longer the status of citizenship of an EEU state or in case of serious misconduct incompatible with the high status of a judge, can be dismissed by his function. In confirmation of the impartiality and the possibility of conflicts of interest of the judges, the article 18 of the Annex 2 explicates as, *“The judges may not represent the interests of any state or interstate authorities and organizations, businesses, political parties and movements, as well as territories, nations, nationalities, social and religious groups and individuals²⁴⁹”*.

The articles 14 and 15 of the Annex 2 provide that all activities of the Court should be managed by the Chairman of the Court. The Chairman of the Court should have a Deputy Chairman, elected by Court judges for duration of three years among the judges of the Court in accordance with the rules of procedure subject to approval by the Supreme Eurasian Economic Council²⁵⁰. To assure the principle of impartiality is established that the Chairman of the Court and the Deputy Chairman may not be citizens of the same member-state. Between their major tasks, they deal with organization of the work of the Court; approval of the structure and activities of the Court and judges; or appointment and dismissing of employees and officials of the Court in accordance with the procedure envisaged in the EEU Treaty.

Analyzing in detail the tasks of the Court, in the article 39 of the Chapter IV of the Annex 2 is indicated that the Court must resolve disputes arising in connection with the implementation of the Treaty, international treaties within the Union and/or decisions of the Bodies of the Union, at the request of a member-state or at the request of an economic entity²⁵¹. In the exercise of justice, the article 50 of the Annex 2 explains as the Court must apply: *“1) the generally recognized principles and regulations of international law; 2) the Treaty, international treaties within the*

²⁴⁹ Annex 2 to the Treaty on the Eurasian Economic Union. P. 4

²⁵⁰ Ibid. P. 3

²⁵¹ In accordance with the legislation of the Treaty of the EEU, an economic entity is referred to a juridical person registered under the legislation of a Member State or a third State or a natural person registered as an individual entrepreneur in accordance with the legislation of a member state or a third state.

Union and other international treaties to which the states that are parties to the dispute are participants; 3) decisions and dispositions of the Bodies of the Union; and 4) the international custom as evidence of the general practice accepted as a rule of law²⁵²”.

The article 53 of the Chapter V of Annex 2 delineates the principles of the Court in the performance of its functions specifically: independence of judges; transparency of proceedings; publicity; equality of the parties to the dispute; competitiveness; collegiality. In addition, the Court respects the principles of the international treaty in the processing of its actions. The work of the Court, as established by the Legislator, must resolve the disputes that could appear in the decision and disposition of the other apparatuses of the EEU. Tough, the Court should not suspend any Treaty or decision that is placed in dispute before the last decision, assuring to not block the working process of the Union.

The section 3 of the Chapter V of Annex 2 elucidates the composition of the Court for the examination of the cases. Here is expressed that the Court is composed for the explication of its functions of the Grand Panel of the Court, the Panel of the Court and the Appeals Chamber of the Court. The Grand Panel, which includes all judges of the Court, should examine in its session, valid only if all judges are present, the procedural matters prescribed by the rules of procedure. The Panel of the Court should include at least one judge from each member-state participating alternately by the names of the judges. The session is considered valid if at least one judge of every member-country is present, guaranteeing the principle of representation in the act to take the final decision. The Appeals Chamber of the Court is formed for the task to examine appeals against the decisions of the Panel of the Court. The Appeals Chamber of the Court includes judges of the Court from those member-states that did not participate in the proceedings of the results in the decision of the Panel of the Court in question. The validity of the acts of the Appeals Chamber is reached when at least is present one judge representing each involved member-state. In order to achieve the principle of transparency and professionalism completely, the Legislator provided too, that the Chamber should be formed by very qualified personal in situation of particular disputes concerning e.g. the provision of industrial subsidies or agricultural state support measures, confirming the technocratic nature of the integration.

The Chapter VII of Annex 2 in the article 95 prefixes that *the Court* should, within the time limits of the rules of procedure, adopt judgments on procedural matters of the Court, including judgments on: 1) admission or rejection of an application; 2) suspension or resumption of proceedings; 3)

²⁵² Annex 2 to the Treaty on the Eurasian Economic Union. P. 10

termination of proceedings²⁵³. After 90 days of the date of receipt of an application, the Court should issue its decision and provide an advisory opinion following a request for clarification.

The decisions of the Court will bind the parties that have brought on its attention the dispute. However, here is appropriate to make some consideration related to the limitation of the jurisprudence of this body of the EEU. Indeed, the Court may not extend its decisions beyond the issues stated in the application and may not alter and/or override the effective rules of the Union law and the legislation of the member-states. This point confirms as the volition of the member-countries for a deeper integration, renouncing to their sovereignty in term of jurisdictional competence within the Union is still limited.

As provided by the Legislator, the Grand Panel of the Court should issue decisions on: 1) an appeal lodged by a member-state regarding compliance of an international treaty within the Union or its certain provisions with the Treaty; 2) an appeal lodged by a member -tate regarding observance by another member state of the Treaty; 3) an appeal lodged by a member-state regarding compliance of a decision of the Commission; 4) an appeal lodged by a member-state challenging actions (omissions) of the Commission; 5) an appeal lodged by an economic entity on compliance of a decision of the Commission or its certain provisions directly affecting the rights and legitimate interests of the economic entity in the sphere of business and other economic activities with the Treaty and/or international treaties within the Union; 6) an appeal lodged by an economic entity on compliance of a decision of the Commission or its certain provisions directly affecting the rights and legitimate interests of the economic entity in the sphere of business and other economic activities with the Treaty and/or international treaties within the Union.

Regarding the decisions of the Court to the Commission, the article 113 and 114 of the Annex 2, provide that, *“The Commission should execute the effective decision of the Court, establishing nonconformity of the disputed actions (omissions) of the Commission to the Treaty and/or international treaties within the Union and violation thereby of the rights and legitimate interests of economic entities envisaged in the Treaty and/or international treaties within the Union, within a reasonable time not exceeding 60 calendar days from the date of entry into force of the respective decision of the Court, unless a different term is specified in the decision of the Court. In case of failure to execute the decision of the Court, the respective Member State shall be entitled to apply to the Supreme Eurasian Economic Council for measures required for its execution^{254”}.*

²⁵³ Annex 2 to the Treaty on the Eurasian Economic Union. P. 16

²⁵⁴ Ibid. P. 21

For this last segment is important to report a reflection. In order to not intact the process of the Union, if the Commission, bounded to follow a determinate choice of the Court but without obtaining a real explication of this issue, may bring the decision to the attention of the Supreme Council. In this case the Council, examining the controversy, will adopt a solution in order to solve the dispute. This point lets us to confirm more the primary importance of the Supreme Council, which may hold between its powers even the jurisdictional competence.

5.7 Observations about the bodies of the Union

The bodies of the Eurasian Economic Union retraces the framework of the Customs Union and, as imagined by its founders, are inspired to the schema of the European Union – although the EEU presents a four-tiered governance structure that is more pyramidal than the more diffuse decision-making processes of the EU.

Summarizing the organogram of the Eurasian Economic Union, the highest body is the Supreme Eurasian Economic Council, which is composed of the Presidents of the member-states. The SEEC is reunited minimally once a year and takes its decisions by consensus. The Supreme Council is responsible to determinate prospects, strategies and directions to develop and reach the objectives of the Union, to regulate the domestic market.

A step lower in the institutional hierarchy of the Union there is the Eurasian Intergovernmental Council, composed by the Heads of Government of the member-states. The EIC reunites itself at least twice a year, takes its decisions by consensus and is responsible to determinate all the issues that were not decided because the absence of a consensus during the decision process of the SEEC.

The permanent regulatory body of the Eurasian Economic Union is the Eurasian Economic Commission – which in a comparison with the structure of the European Union would correspond to the European Commission. It consists of 15 members (three for every member) and is formed by the Council of the Commission, consisting of 5 members; and the Board of the Commission, consisting of 10 members, including Chairman (two for member-state), that takes its decision by qualified majority (two thirds of the Board members' voices) and by consensus in case the question is related to the list of sensitive questions determined by the SEEC. The decisions of the Board are adopted by two-thirds majority on matters not related to the competence of the Council. The Council, which oversees the executive, has the authority to cancel or reconsider any decision of the Board. The mayor tasks of the Commission, guided nowadays by Armenian Tigran

Sargsyan, are regarded to the correct functioning of the Union and to the development of proposals in order to favorite better the economic integration within the EEU. The Chairman of the EEC Board is appointed by the Supreme Eurasian Economic Council for four-year tenure on a rotational basis without the right of prolongation. In comparison to the Custom Union Commission, where the votes between the parties were divided: Belarus 21.5%, Kazakhstan 21.5% and Russia 57%; in the EEC each member of the Commission Council and the Commission Board has one vote²⁵⁵. It means that the decision-making mechanism in the EEC excludes the dominance of any state, exactly to guarantee the supranational power of the Commission which must be neutral among all participants. In confirmation of this fact, is possible to add that the EEC's main executive body, the Board, comprises 10 members (ministers), where each member-state is represented by 2 of these ministers. Such a representation scheme diminishes Russia's role as the region's leading state in EEU affairs: despite being responsible for 87% of the Union's total Gross Domestic Product (GDP), Russia has only 20% of its total voting power²⁵⁶. The volition to institute such mechanism was arbitrary, exactly to avoid that the participants of the Union could be overwhelmed by the Russian powerful.

Finally, the judicial branch is represented by the Court of the Union, which ensures the application of the EEU's Treaty as other international treaties among the other bodies of the Union and the states.

Reflecting on the EEU in general, this organization represents nowadays the successive integration step to the Custom Union because is structured neutrally in order to protect all the interests of the member-countries. But, from another point of view must be underlined two aspects: 1) in the organization fails an internal Parliament. In fact the EEU has not elected body. All the ministers are appointed by the Head of States of every member-country – highlighting in the same time the only economic aspect of the Union, excluding political levels. In addition, the multilayered architecture of the Commission (lower layer – international officers as European Commissioners, upper one is made of states representatives) shows that the architects had no intentions to make the EEU politically influential: any of its decision can be blocked by its upper layer. However the idea to have a Parliament is possible to realize. At the moment the states are mitigating this issue harmonizing their national legal framework in all the fields of the Treaty.

²⁵⁵ Revera Consulting Group (2012): *"The Common Economic Space: the history of creation, institutional framework and the scope of coordinated spheres of activities"*. P. 9

²⁵⁶ Vinokurov Evgeny (2017): *"Eurasian Economic Union: Current state and preliminary results"*. In Russian Journal of Economics 3 (2017). P. 57

2) The Russian power of decision will be always greater in comparison to the other members. It is because of the Russian territorial dimension and population density that represent the 2/3 of all the EEU. However, in order to attract more countries in the EEU's organogram, the Russian objective is to have a balance of the decision process between all the participants. This aspect does not exclude that the Russian Federation in the decision process will have a mayor impact, but an aspect moderated by the same Russian volition to attribute equal power to all members, showing the volition to give parity inside the Union. It can be argued, that this passage is a coherent vision of Putin's target: from a side to offer to the members an equal vote in the structure of the Union in order to attract more Eurasian states. From the other side, Russia knows that due to the economic dependence of the Eurasian members from its market, the decisions, as thought by the Russian counterparts in the body of the EEU, will take in power without many obstacles.

Despite the matter of the Russian possible dominance in the decisional process, the institutions of the Eurasian Economic Union in their complex should exercise first of all a monitor control that make the legal instances of the Treaty to be observed correctly. But, as reminded by the Belarusian President at the session of the Supreme Eurasian Economic Council in Bishkek on 14 April 2017, this function of control is not yet implemented totally and must be improved: *"It is necessary to set a moratorium on the adoption of new laws that might discriminate the member states. The Eurasian Economic Commission shall monitor the observance of the rule. The Eurasian Intergovernmental Council and the Eurasian Economic Commission need to devote more attention to removing exemptions, barriers and restrictions on the EAEU domestic market"*²⁵⁷.

In general the bodies of the Union have the tasks to regulate and coordinate the economy of the organization reflecting the necessities of the member-states. In this purpose must be considered the economic differences of the participants of the Union and the primary objective of the bodies of the Union to harmonize the entire system process of the EEU, achieving the respect of an equal legal framework between all the participants.

6 Information exchange within the EEU

The EEU Treaty in the Section IV at the article 20 defines as every activity of the Union must be funded from the Budget of the Union – determined and approved by the Supreme Council in

²⁵⁷ "Belarus suggests measures for EAEU further development". In Belta. 14.04.2017

<http://eng.belta.by/president/view/belarus-suggests-measures-for-eaeu-further-development-100449-2017/> (last view: 16.04.2017)

Russian rubles for every fiscal year. Following, the articles 21 and 22 list as: “1) *the financial and economic activities of the Bodies of the Union must be audited at least once every 2 years in order to oversee the implementation of the Budget of the Union; and 2) the institution of a group of inspectors must control the efficiency management and disposal of the funds of the budget of the Union, reporting their research to the Supreme Council*²⁵⁸”. This mechanism allows a direct financial control about all the activities of the Union, with the aim that all invested funds in the EEU are really used by every body of the Union correctly.

In the V section, part two of the Treaty about the Customs Union, the article 23 underlines the importance of developing measures that can favorite and support the integration process of the members. Exactly here we can find a confirmation of the targets of the EEU, namely the necessity and volition to implement actions and channels, especially in the form of informatics and electronic communication, to exchange useful information between the participants, creating a system of sharing of notices and facts relevant for the Union in order to strengthen the basis of trustiness among the EEU.

The annex 3 of the Treaty “*Protocol on Information and Communication Technologies and Information Exchange within the Eurasian Economic Union*” explores the subject of the article 23, setting up the basic principles of information exchange and coordination of communications within the Union and establishing the procedure for the creation and development of an integrated information system. Principally, this Protocol in the paragraph 3 provides the importance to create an integrated information system in specific areas: “1) *customs tariff and non-tariff regulations; 2) customs regulations; 3) technical regulations, application of sanitary, veterinary-sanitary and phytosanitary quarantine measures; 4) transferring and distribution of import customs duties; 5) transferring and distribution of anti-dumping and countervailing duties; 6) statistics; 7) competition policy; 8) energy policy; 9) monetary policy; 10) intellectual property; 11) financial markets (banking, insurance, the currency market, the securities market); 12) support for the activities of the Bodies of the Union; 13) macroeconomic policy; 14) industrial and agricultural policy; 15) circulation of medicinal products and medical devices; 16) other matters within the powers of the Union*²⁵⁹”. The volition of the Legislator to form a system for exchange information for the markets, financial sectors and different economic sectors of interaction of the EEU is to provide a better integration of the national levels of the member-states in the common

²⁵⁸ Treaty on the Eurasian Economic Union. Pp. 21-22

²⁵⁹ Annex 3 to the Treaty on the Eurasian Economic Union. Pp. 4-5

dimension of the EEU dispositions, trying too to reach the harmonization of the diverse internal legal frameworks of every member, conforming them to the provisions of the Treaty.

Going further in the examination of the annex 3, the paragraph 4 reports the objectives for the creation of an integrated system of communication within the Union: *“a) to create and maintain a single system of regulatory and reference data of the Union based on the unified system of classification and coding; b) to determinate an integrated information structure for the interstate exchange of data and electronic documents within the Union; to establish information resources common to all the member-states; c) to ensure information exchange under the provisions of the Treaty to enable the formation of common information resources, information support of authorized authorities exercising state control, as well as the implementation of common processes within the Union; d) to provide access to the texts of international treaties and acts constituting the law of the Union; e) to establish and maintain a common infrastructure for documenting information in electronic form²⁶⁰”*.

This system wants to allow creating a perfect channel of distribution and communication of issues connected with the work of the EEU through central and informatics database, respecting the principle of transparency between all members of the organization that by the system of the EEU and the direct contact with the local authorities of every member-state can provide relevant informations for the economic actions of the Union among the participants equally. Reflecting about this last statement, is possible to evince as the aim of this mechanism is connected with the other principal target of the EEU, namely the volition to bring all members to a same level of development, in order to synchronize better their actions and thus the evolution of the Union totally. In this context, the EEC has the task to create, coordinate and control the electronic code and system of exchange of information between both the members of the Union and the third states, executing a function of control through dispositions and obligations with the target to allow the exact exchange of issues, excluding in the same time the inappropriate use of relevant documents.

In order to achieve a complementary exchange of all issues regarding the Union and to ensure its efficient functioning and development, the article 24 of the Treaty of the EEU provides the necessity to collect official statistics within the Union, according to the principles of professional independence; scientific validity and comparability; completeness and accuracy; relevance and timeliness; transparency and accessibility; cost-effectiveness; and statistical confidentiality. The

²⁶⁰ Annex 3 to the Treaty on the Eurasian Economic Union. Pp. 5-6

Legislator through these principles affirms the importance of communication and exchange of information as instrument to reach a coordinate growth of the work of the participants of the Union, moving forward to the consolidation of their integration.

7 Functioning of the Customs Union

In the section VI of the Treaty is explained the functioning of the Customs Union. Precisely, in the article 25 are delineated the principles about the working of the CU: “1) *an internal market for goods must be in place; 2) the common customs tariff of the Eurasian Economic Union and other common measures regulating foreign trade with third parties must be applied; 3) a common trade regime must be applied to relations with third parties; 4) common customs regulations must be applied; 5) free movement of goods between the territories of the member-states must be ensured without the use of customs declarations and state control (transport, sanitary, veterinary-sanitary, phytosanitary quarantine), except as provided for by the Treaty*²⁶¹”.

Analyzing this article, the Legislator provides the creation of an internal market for goods for the Eurasian states, where will be applied a common system of regulated measures between the participants and for those third countries that cooperate with the Union – although this mechanism should be implemented because, especially in the trade with third countries, the member-countries are still applying their tariffs based on bilateral accords. For that, the objective of the Union is firstly the realization of common measures in the mutual trade of the participants of the EEU and then in the extra-trade of the Union, in order to achieve a coordinated development and a regulation of the common trade.

The article 26, completed by the annex 5 of the Treaty “*Protocol on the Procedure for Transfer and Distribution of Import Customs Duties*” defines as the import customs duties must be transferred and distributed between the budgets of the member-states in order to assure an equal distribution of the costs. This Protocol agrees the procedure for transfer and distribution of the amounts of import customs duties between the participants of the Union under the obligations to pay for goods imported into the customs territory from September 1, 2010.

Specifically, the paragraph 3 of the Annex 5 specifies that the amounts of import customs duties must be transferred to the single account of the authorized authority in the national currency of the member-state in which they are payable in accordance with international treaties and acts constituting the law of the Union that govern the customs legal relations. In order to fix the quotas

²⁶¹ Treaty on the Eurasian Economic Union. P. 25

effectively, respecting thus the equality of the internal system and financial situation of the member-states, the Protocol fixed that the amounts of import customs duties should be refunded (offset) in accordance with the internal legislation of the member-states, unless otherwise provided by international treaties and acts constituting the law of the Union and governing customs legal relations, with account of the provisions of the annex 5²⁶².

In follow of that, the paragraph 12 of the Annex 5 illustrates the distribution ratios for the amounts of import customs duties of the *troika* of the Eurasian Economic Union, based on their territorial dimension and economic significance in the Union: the Republic of Belarus 4.70%; the Republic of Kazakhstan 7.33%; the Russian Federation 87.97%²⁶³. With the accession of Armenia and Kyrgyzstan, the tariffs were so redistributed: Russia — 85.32%; Kazakhstan — 7.11%; Belarus 4.55%; Kyrgyzstan — 1.9%; and Armenia — 1.11%.

The monitoring control about these activities are led by the State Control Committee of the Republic of Belarus, the Accounts Committee for Control over Execution of the Republican Budget of the Republic of Kazakhstan, and the Accounts Chamber of the Russian Federation that must annually verify observance of the provisions of this Protocol by authorized authorities of the member-states. Internally, the power of control is entrusted to the Commission, which should submit annual reports to the Intergovernmental Council regarding the transfer and distribution of import customs duties.

The article 28 of the Treaty affirms as the Union should adopt measures to ensure the functioning of the internal market in accordance with the provisions of the Treaty. Precisely, the internal market should be formed by the economic space, where must be guaranteed the free movement of goods, persons, services and capital. Explicitely, the comma 3 of the article 28 represents the core of the Union, establishing the abolishment of any duty in the mutual trade of the members: *“Within the functioning of the internal market, the member states must not apply import and export customs duties (other duties, taxes and fees having equivalent effect), non-tariff regulatory measures, safeguard, anti-dumping and countervailing measures in mutual trade, except as provided by this Treaty*²⁶⁴”.

The creation of the internal market within the Union and thus the abolishment of duties for the export, but especially for the import of goods of the energetic sector, is one of the principal

²⁶² Cf. Annex 5 to the Treaty on the Eurasian Economic Union. P. 3

²⁶³ Ibid. P. 7

²⁶⁴ Treaty on the Eurasian Economic Union. P. 27

targets of the members of the Union, as Belarus, that through this system could import for example gas from Russia without the payment of duties.

Moreover, a still actual big issue of the EEU is the necessity to remove the non-tariff barriers (NTBs) in the mutual trade, in order to create a better interaction without obstacles.

However, a regime of restrictions in mutual trade between the member-states is not excluded and must be applied in regime of special cases. In fact, the article 29 of the Treaty justifies the possibility to adopt restrictions in the mutual trade for reasons of: protection of human life and health; protection of public morals and public order; environmental protection; protection of animals, plants, or cultural values; fulfillment of international obligations; national defense and security of a member state. Thus, the Legislator proved that this procedure must be followed only for the restrictions expressed above, avoiding any kind of unjustified discrimination on the mutual trade between the participants of the Union.

8 The Sections VII and VIII of the Treaty

The articles 30 and 31 of the Treaty of the EEU establish respectively a common market of medicines and medical products (medical devices and equipment) within the Union in compliance with the relevant standards of good pharmacy practice based on the following principles: 1) harmonization and unification of the legislation of the member-states in the sphere of circulation of medicines; 2) ensuring the uniformity of mandatory requirements for the quality, effectiveness and safety of circulation of medicines on the territory of the Union; 3) adoption of common rules in the sphere of circulation of medicines; 4) development and application of identical or comparable research and monitoring methods to assess the quality, effectiveness and safety of medicines; 5) harmonization of the legislation of the member-states in the field of control (supervision) over circulation of medicines; 6) exercising licensing and supervisory functions in the sphere of circulation of medicines by the relevant authorized authorities of the member-states²⁶⁵.

The article 100 of the Treaty completes the legislation about the common market of medicines and medical products, affirming its beginning since January 1, 2016, in accordance with the international treaties in order to establish common recognized principles for the circulation of medicine.

The section VIII of the Treaty deals with Custom Regulations. Precisely the article 32 affirms as the Union must apply common customs regulations in accordance with the customs code of the

²⁶⁵ Treaty on the Eurasian Economic Union. P. 29

Eurasian Economic Union, international treaties and acts constituting the law of the Union and governing customs legal relations in accordance with the provisions of this Treaty.

Considering this sector, the formation of a pharmaceutical market represents the first concrete step about the creation of a system of common regulated markets within the legal framework of the Union. This market, in function since the 1th January 2016, assumes a notable significance because inside the territory of the EEU operate many pharmaceutical companies and the implementation of common rules in this market can really show if the agreement and rules of the EEU work between the members properly in order to coordinate their economic activities even in the other sectors.

9 The Foreign Trade Policy of the EEU

The target of the Union is addressed to embrace from a side the entire Eurasia and those countries that share equal values within this global region and from the other side to expand itself in the world economy, cooperating with those countries and international entities that could bring economic benefits in the evolution of the Union, and thus of the internal economies of its participants. Exactly this aim is possible to discover in the article 33 of the Treaty, where is indicated as the goal of the foreign trade policy of the Union wants to promote sustainable economic development for the member-states, economic diversification, innovative development, improvement of structures, acceleration of the integration process, favoring principally the efficiency and competitiveness of the organization in the global economic scenario.

Here, is possible to underline as the members of the EEU have the target to create an efficient economic system within the Union. To achieve this aim, it is important to reach for them an equal level of development – an objective however still in 2017 difficult to obtain – that could improve more the economic importance of the Union. Though, the achievement of stable development of the internal economies of the participants is a requirement that must be obtained, in order to be able to reach a second internal target of the Union, namely the configuration of its members to the standards of the WTO, a thing that would give the advantage for the countries of the EEU to equalize their economic system to the WTO rules, improving better their cooperation with states worldwide consequently.

This digression is directly connected with the principles of the foreign trade policy of the Union expressed in the comma 2 of the article 33. In this paragraph is enunciated as the application of measures and mechanisms for the implementation of foreign trade policy must be exercised by

the participants only to achieve the objectives of the Union. For that, the principles of validity, objectivity and publicity must be respected in the development and adoption of measures and mechanisms for the implementation of the EEU's foreign trade policy. Through these principles, the Legislator prefixed the target to protect the rights and interests of the member-states in consideration of the aggregated foreign trade, which must be regulated by the bodies of the Union and conducted by the signing of treaties and accords with third states only in the specific case that the possible adopted system would not create any damage to the member-countries and to their national economic production.

Furthermore, the article 34 enunciates the most favored nation treatment, indicating as this treatment for the foreign trade must be applied within the meaning of the General Agreement on Tariffs and Trade (GATT) of 1994, in the cases provided by the international treaties of the Union with third countries. Besides, the article 35 expresses as the free trade regime of the Union within the meaning of GATT with a third country must be completed with the provisions of the article 102 of the EEU Treaty, which expresses as *"The member states may unilaterally grant preferences in trade with a third party on the basis of an international treaty concluded by the respective member state with such a third party before January 1, 2015 or an international treaty to which all the member states are participants"*²⁶⁶.

In order to guarantee equal development, the second paragraph of the article 102 prefixes as the member-states should unify all preferences treaties. The aim of promoting improvement of the economic situation between the developing and least developed member-states is expressed in the article 36 of the Treaty, *"The Union may grant tariff preferences in respect of goods originating from developing countries using the common system of tariff preferences of the Union and/or least developed countries using the common system of tariff preferences of the Union"*²⁶⁷. In this direction, the Legislator, to promote the CU and a systematic improvement of the economic markets of the member-states efficiently, defined two rates import customs duties for the developed and least developed countries of the EEU. Specifically, the paragraphs 2 and 3 of article 36 provides that for the preferential goods imported into the customs territory of the Union and originating from developing countries using the common system of tariff preferences of the Union, the rates of import customs duties should amount to 75% of rates of the import customs duties of the Common Customs Tariff of the Eurasian Economic Union, while for the least developed

²⁶⁶ Treaty on the Eurasian Economic Union. P. 124

²⁶⁷ Ibid. P. 33

countries the rate should be zero. It has the significance that the developing states should contribute more to the market of the EEU, giving in the same time to the less developed countries the opportunity to participate and contribute to the economic working of the EEU equally.

The procedure is completed with the provisions of the second comma of the article, which explains as all measures adopted in respect of goods imported into the customs territory of the Union must be applied until the expiration of the period determined for them by the appropriate decision of the Commission. Continuing, the paragraph 3 enunciates the task of the Commission, which with its decision must determinate the conditions for the application and procedure for the common system tariff preferences of the Union. Before the decision of the Commission to implement the article 36, the Protocol applied was the Common System of Tariff Preferences of the Customs Union of December 12, 2008.

Ongoing on the examination of the articles of the Treaty about the foreign trade of the Union, the article 37 provides as common rules must be applied for the determination of the origin of goods imported into the EEU. The Commission with its decisions, through the collection of statistics, determinates the rules for this subject. In case of repeated violations by a third party of the rules for determining the origin of goods, the Commission may decide to suspend the acceptance of documents confirming the origin of goods by customs services of the member-states. The fourth and fifth commas of the article 102 complete as well the discipline of the article 37: *“Prior to the entry into force of a Commission’s decision determining the rules for identification of the origin of goods stipulated in paragraph 2 of Article 37 of this Treaty, the Agreement on the common rules for determining the country of origin of goods of January 25, 2008, should be applied. Prior to the entry into force of a Commission’s decision determining the rules for identification of the origin of goods stipulated in paragraph 3 of Article 37 of this Treaty, the Agreement on the rules for determining the origin of goods from developing and least developed countries of December 12, 2008 shall be applied²⁶⁸”*.

The article 38 provides as the member-states are responsible in the coordination of trade services with third parties, assuring freedom of interaction and decision with third countries in respect of the provisions of the Treaty.

The article 39 in order to promote the expansion of the Union worldwide prefixes the abolishment of restrictive measures in the trade with third parties. In this context, the Commission of the Union must render assistance in the accession to the Eurasian market for third countries that express

²⁶⁸ Treaty on the Eurasian Economic Union. P.125

their volition to cooperate with the Union. In case of dispute for the existence of sanctions between a member-state and a third part, the Commission should conduct consultations with the respective third part and the member-state, in order to find a solution.

In the case of existence of restrictive measures provided by an international treaty within the Union with a third country, the article 40 prefixes that the Commission decides about the possibility to impose those measures in the territory of the Union. If an international treaty signed before January 1, 2015 between a member-state and a third country impose restrictive measures, the member-state may unilaterally apply such response measures as increased import customs duties in excess of the Common Customs Tariff of the Eurasian Economic Union, as well as unilaterally suspend tariff preferences provided that administration mechanisms of such response measures do not violate any provisions of the Treaty²⁶⁹.

The article 41 in accordance with the legislation and rules of the international Treaty and the WTO indicates the possibility for the Union to apply joint measures as: insurance and export credits, international leasing, promotion of the concept of “*good of the Eurasian Economic Union*”, introduction of a common system of labeling for the Union, exhibition, fair and exposition activities, advertising and branding activities abroad. The application of these measures has the aim to promote the export of goods originating from the member-states to foreign markets, improving the conditions of production of the Eurasian goods and thus the image of the Eurasian Economic Union in its global aspect on the worldwide eyes.

10 Customs Tariff Regulation and Non-Tariff Regulation

In the article 42 of the Treaty is indicated as the single commodity nomenclature of foreign economic activities of the EEU and its common customs tariff, which must be approved by the Commission, must be applied on the territory of the Union, representing the instrument of the trade policy of the EEU. The main objectives connected with the application of Common Customs Tariff are: “*To enable efficient integration of the Union into the global economy; to streamline the commodity structure for goods imported into the customs territory of the Union; to maintain a rational correlation between export and import of goods on the customs territory of the Union; to enable progressive changes in the structure of production and consumption of goods within the Union; to support for various economy sectors of the Union*”²⁷⁰.

²⁶⁹ Treaty on the Eurasian Economic Union. P. 36

²⁷⁰ Ibid. Pp. 37-38

As it possible to evince from these objectives, the Legislator, through the system of the common tariffs, prefixed the aim to reach a stable system of import and export within the custom territory in order to expand in a second moment, by this mechanism, the structure of investments of the Union in the global trade, favoring its accession and consolidation in the relationship with the world market.

Following the analysis, the subparagraph 3 of the article 42 lists the diverse types of import customs duty rates: ad valorem rates expressed as a percentage of the customs value of goods; specific rates determined depending on the physical characteristics in kind of taxable goods (quantity, weight, volume or other characteristics); and combined rates with elements of the first two types. By this system, the Legislator wants to guarantee a better control within the territory of the Union, assuring in the same time the possibility for the member-countries to apply seasonal custom duties for a maximal of six months. Every state that has acceded to the system of the EEU is obligated to not apply import duties in the trade with the other member-states, in order to guarantee equality in the internal trade market of the Union. However, the article 43 provides the possibility to adopt tariff exemptions in respect of good imported into the Custom Union. The accordance about the tariff exemptions are provided by the Annex 6 of the Treaty of the EEU, *“Protocol on Common Customs Tariff Regulation”*.

The section II of the Annex 6 lists the goods that are imported in the territory of the Union subjected to exemption from import custom duties: *“1) goods that represent contributions of foreign founders into the authorized (share) capital (fund) within the time limits determined in the founding documents for the formation of such capital (fund). The procedure for the application of tariff exemptions in respect of such goods must be determined by the Commission. 2) Goods imported within the international cooperation in the field of exploration and use of outer space, including the provision of services to launch spacecraft, in accordance with the list approved by the Commission. 3) Products of deep sea fishing of vessels of the member-states, and vessels leased (chartered) by juridical persons and/or natural persons of the member-states. 4) Currencies of the member-states, currencies of third countries (except for those used for numismatic purposes), and securities in accordance with the legislation of the member-states. 5) Goods imported as humanitarian aid and/or in order to eliminate the effects of natural disasters, accidents or catastrophes. 6) All goods, except for excisable goods, except for passenger cars specially designed*

*for medical purposes, imported by third countries, international organizations and governments for charitable purposes*²⁷¹”.

The article 44 of the Treaty of the EEU provides the possibility, through a decision of the Commission, to set tariff quotas in respect of certain types of agricultural goods originating from third countries and imported into the customs territory of the Union. In this regard, in the annex 6 is indicated as the Commission must set the tariff quota for a certain period; notify the quotas assigned to the interested third countries; and publish the duration, volume and information of the tariff quotas applied. Within the Union, the distribution of the tariff quota volume between the participants of foreign trade activities of a member-state should be based on their equal rights in respect of obtaining the tariff quota and non-discrimination on the grounds of the form of ownership, place of registration or market position²⁷².

The article 45 of the Treaty delineates the powers of the Commission on Customs Tariff Regulations. This body of the EEU should: maintain the single commodity nomenclature of foreign economic activity and the common customs tariff of the Eurasian Economic Union; determine the rates of import customs duties, the cases and conditions for granting tariff exemptions; set out the application procedure for tariff exemptions; specify the conditions and application procedure for the common system of tariff preferences of the Union, approving: 1) a list of developing countries and developed using the common system of tariff preferences of the Union; 2) a list of goods originating from these countries; and a 3) list of sensitive goods in respect of which the import customs duties may only be changed by decision of the Council of the Commission shall be approved by the Supreme Council²⁷³.

Furthermore, in consideration of the tariff quota volume between the member-states, the annex 6 provides their distribution between the countries, taking in account their difference between the volumes of production and consumption, in order to guarantee fairness between the members regarded to their economic potential.

The article 46 provides the non-tariff regulatory measures in trade with third countries: prohibition of import and/or export of goods; quantitative restrictions on import and/or export of goods; exclusive right to export and/or import of goods; automatic licensing (surveillance) of export and/or import of goods; authorization-based procedure for import and/or export of goods. These measures, as indicated in the Treaty, must follow the principles of transparency and non-

²⁷¹ Annex 6 to the Treaty on the Eurasian Economic Union. Pp. 2-3

²⁷² Ibid. P. 5

²⁷³ Treaty on the Eurasian Economic Union. Pp. 40-41

discrimination. The legislation for this subject is completed by the Annex 7, "*Protocol on Non-Tariff Regulatory Measures in Relation to Third Countries*". In the second section of the Annex 7, is established as the Commission may adopt, even by proposal of member-states, drafting a list of good, decisions on the introduction, application, extension and cancellation of common non-tariff regulatory measures.

In order to guarantee the principle of non-discrimination of internal market of the Union and thus of the participants, the section III of the Annex 7 establishes the possibility to introduce commercial bans in exceptional cases as temporary quantitative restrictions on export in order to prevent or reduce any critical shortage in the internal market of food products or other goods that are essential for the internal market of the Union²⁷⁴. For this subject, it is essential, that in the application of a restriction, the Commission must decide taking in account the impact of the quantitative restrictions that can have in the internal market of the member-states. Moreover, the section VII of the annex 7 at the article 38 explains that, with regard to the import and/or export of certain types of goods, special measures may be introduced if: "1) *required to comply with public morality or public order*; 2) *required to protect human life and health, the environment, animals and plants*; 3) *related to the export and/or import of gold or silver*; 4) *used for the protection of cultural values and cultural heritage*; 5) *required to prevent the exhaustion of non-renewable natural resources*; 6) *related to a restriction of export of goods originating from the territories of the member-states in order to ensure a sufficient supply of such goods for the domestic manufacturing industry during periods of low domestic prices for such goods as compared to the world prices*; 7) *required for the acquisition or distribution of goods in cases of their general or local short supply*; 8) *required for the fulfillment of international obligations*; 9) *required for ensuring national defense and security*; 10) *required to ensure compliance with legal acts related to the application of customs legislation, environmental protection and intellectual property protection*²⁷⁵".

Reflecting about the provisions of these measures, it is possible to understand as the central aim of the Legislator is the protection of the internal market and of the economies of its members, in order to guarantee the not discrimination of the EEU trade. The expansion of the Union is a target to reach through the development of the local economies that must be supported in their

²⁷⁴ Annex 7 to the Treaty on the Eurasian Economic Union. P. 5

²⁷⁵ Ibid. Pp. 12-13

evolution. After that the progress of the national economies should have the consequence to expand and favorite the evolution of the Union market worldwide.

In consideration of that, the section VIII of the annex 7, *“External Financial Status Protection and Ensuring Balance-of-Payments Equilibrium”*, affirms, as in the only specific case of critical balance of payments, exceptional measures may be introduced for certain type of goods, through a proposal of a member-state and the decision of the Commission, which must evaluate every single case in order to not block from a side the process of evolution of the Union and from the other side to not prejudice the internal trade of the participants.

In this case, the article 47 of the Treaty of the EEU, completed with the article 50 of the section X of the Annex 7, provides the possibility for a member-state in trade with third countries to impose temporary measures unilaterally. Here is the Commission which will take a decision, indicating the period of application of the temporary measure.

The article 48 underlines too the importance for the Union to promote the market of its internal members. In this part is explicitly affirmed that: *“In order to defend economic interests of producers in the Union, trade remedies may be imposed on products originating in third countries and imported into the customs territory of the Union in the form of safeguard, anti-dumping and countervailing measures, and in the form of other measures in cases provided for in Article 50 of this Treaty²⁷⁶”*. The Commission, through an investigation, decides for this subject, adopting decision on application, modification, revocation or non-application of a safeguard, anti-dumping or countervailing measure, as defined in the Annex 8, *“Protocol on the Application of Safeguard, Anti-Dumping and Countervailing Measures to Third Countries”*, of the Treaty of the EEU, which sets up provisions pertinent to the application of safeguard, anti-dumping and countervailing measures to third countries with a view to defend economic interests of producers in the Union. In a brief analysis of this Protocol in the article 3 is defined as the application of safeguard, anti-dumping or countervailing measure on imports of a product may only be imposed if, through an investigation conducted on the basis of international treaties and acts that constitutes the law of the Union, is determined the existence of increased imports into the customs territory of the Union that causes or threatens to cause serious injury to the domestic industry of the member-states²⁷⁷. The same discipline of investigation of the Commission is applied in the case of determination of serious injury or threat to the domestic industry of the member-states caused by

²⁷⁶ Treaty on the Eurasian Economic Union. P. 42

²⁷⁷ Annex 8 to the Treaty on the Eurasian Economic Union. P. 7

the increased imports into the customs territory of the Union. Besides, the article 15 of the Annex 8 provides that in critical circumstances where delay would cause damage to domestic industry of the member-states which it would be difficult to repair, the Commission until the completion of appropriate investigation may take a decision on application of a provisional safeguard duty for a period not exceeding 200 calendar days²⁷⁸.

Connected with this discipline, the article 49 of the Treaty in the subparagraph 6 establishes that: *“A safeguard measure may be applied to a product if, pursuant to an investigation, the investigating authority determines that such product is being imported into the customs territory of the Union in such increased quantities, and under such conditions as to cause or threaten to cause serious injury to the domestic industry of the Member States.”*²⁷⁹

A Safeguard measure, which should not exceed a period of four years of application if is not provided an extension, is defined in the article 23 of the Protocol. This measure is applied by the decision of the Commission in the amount necessary to prevent or remedy serious injury or threat to the domestic industry of the member-states, and to facilitate the adjustment of the domestic industry of the member-states to the changing economic conditions.

The article 49 of the Treaty of the EEU in the subparagraph 7 defines: *“An anti-dumping measure may be applied to the product that is considered to be dumped if, pursuant to an investigation, the investigating authority determines that imports of such product into the customs territory of the Union cause or threaten to cause material injury to a domestic industry of the member states or materially retard the establishment of a domestic industry of the member state”*²⁸⁰.

The section IV of the annex 8 at the article 40 explains as a product is considered as being dumped if its export price is less than its normal value. Summarizing the excursus about the role of the Commission, the investigative role of the Commission must research the country of origin for the determined product, determining the export price during the investigation based on the value of the EEU, and in a positive conclusion, may apply a restrictive measure to the interested part, in order to prevent injury to the domestic industry of the member-states. In case of application of anti-dumping duty, the article 100 provides that this measure is applied to the dumped product that is supplied by all exporters, and causes injury to the domestic industry of the member-countries, except for the product supplied by those exporters²⁸¹.

²⁷⁸ Annex 8 to the Treaty on the Eurasian Economic Union. P. 11

²⁷⁹ Treaty on the Eurasian Economic Union. P. 43

²⁸⁰ Ibid. P. 43

²⁸¹ Cit. loc. Annex 8. P. 36

The subparagraph 8 of the article 49 of the Treaty of the EEU defines: *“A countervailing measure may be applied to an imported product that was granted a specific subsidy from an exporting third country on the manufacture, production, export or transportation of the product if, pursuant to an investigation, the investigating authority determines that imports of such product into the customs territory of the Union cause or threaten to cause material injury to a domestic industry of the member states or materially retard the establishment of a domestic industry of the member-states²⁸²”*.

The countervailing measures are described in the annex 8 at the article 121: *“A financial contribution by the granting authority that gives additional benefits to the recipient of subsidies, rendered within the territory of the exporting third country in the form of: direct transfer of funds (including grants, loans, purchases of shares) or obligations to transfer such funds (including loan guarantees)²⁸³”*.

Continuing the analysis, the discipline of investigation is even applicable for the imposition of provisional countervailing duties, as explained in the article 143 of the annex 8. Here is indicated that if the Commission, prior to the termination of the investigation, sustains the existence of subsidized imports and material injury to the domestic industry of the member-states caused by such imports should take a decision on the application of a countervailing measure in the form of provisional countervailing duty, that should remain in force for up to 4 months to counteract the injury to the domestic industry of the member-states caused by the subsidized imports. For the principle of transparency, the article 199 of the annex 8 provides that prior to the decision on the initiation of an investigation, within thirty calendar days the investigating authority should notify the exporting third country in writing of the receipt of an application for the imposition of an anti-dumping or countervailing measure. Here, the article 217 provides that the duration of the investigation should not exceed: *“1) 9 months from the date of initiation of the investigation on the basis of safeguard measure application. This period may be extended by the investigating authority, but not more than for 3 months; 2) 12 months from the date of initiation of the investigation on the basis of anti-dumping or countervailing measures application. This period may be extended by the investigating authority, but not more than 6 months²⁸⁴”*.

For the anti-dumping investigation, the articles 222 prefixes that the investigation should be terminated without imposition of an anti-dumping measure in cases where the investigating

²⁸² Treaty on the Eurasian Economic Union. Pp. 43-44

²⁸³ Annex 8 to the Treaty on the Eurasian Economic Union. P. 46

²⁸⁴ Ibid. P. 77

authority determines that a margin of dumping is *de minimis*, or that the volume of dumped imports, actual or potential, or the material injury, or threat of material injury, or material retardation of the establishment of the domestic industry of the member-states caused by such imports, is negligible²⁸⁵.

For the countervailing duty investigation, the article 225 provides that *“After the application is accepted and before a decision to initiate an investigation has been taken the investigating authority should suggest the government of the exporting third country, from which the subject product is exported, to enter into consultations with the aim of clarifying the situation as to the existence of a subsidy, its amount and consequences of granting an alleged specific subsidy and arriving at a mutually agreed solution”*²⁸⁶.

Generally, as provided by the article 239, after the decision to initiate an anti-dumping or a countervailing duty investigation has been adopted, the investigating authority sends to known exporters and (or) producers of the product subject to investigation a questionnaire which must be completed by them. Then, within 10 business days, the investigating authority must publish on the official website of the Union on the Internet the following notice of the decisions taken in the course of investigation: of the initiation of investigation; of the imposition of provisional safeguard, provisional anti-dumping or provisional countervailing duty; a short description of the evidence of increased imports to the customs territory of the Union and of serious injury to the domestic industry of the members of the Union. However, as established in the article 272 of the annex 8, the Commission on the results of the investigation may decide not to apply safeguard, anti-dumping or countervailing measures, even if the application of such measure meets the criteria set forth in this Protocol. Such decision may be taken by the Commission if the investigating authority, based on the analysis of all the information provided by the interested parties, comes to the conclusion that the application of this measure may affect the interests of member-states.²⁸⁷

Finally, the article 50 of the EEU Treaty, in order to advantage and protect the internal market of the Union, provides that an international treaty, establishing a free trade regime between the Union and a third part, may impose bilateral trade defense instruments through the imposition of a measure of the Commission.

²⁸⁵ Annex 8 to the Treaty on the Eurasian Economic Union. P. 79

²⁸⁶ Ibid. P. 80

²⁸⁷ Ibid. 99-100

11 Technical regulation of the EEU

The section X of the Treaty deals with technical regulation of the Union. Exactly in the article 51 are listed the principles of the technical regulation, that can be summarized as follow: *“Determination of mandatory requirements to products or to products and product-related requirements to design, manufacture, construction, installation, commissioning, operation, storage, transportation, sale and disposal; determination of common mandatory requirements in technical regulations of the Union or national mandatory requirements in the legislation of the member-states to the products; compliance of technical regulations within the Union with the level of economic development of the member-states and the level of scientific and technological development; uniformity of researches rules and methods and all measurements during mandatory conformity assessment procedures; inadmissibility of any restrictions of competition in conformity assessments; state control (supervision) over the observance of technical regulations of the Union based on the harmonization of the legislation of the member-states; harmonization of interstate standards with international and regional standards; uniformity of rules and procedures for mandatory conformity assessments; implementation of agreed policy for ensuring uniformity of measurements within the Union²⁸⁸”.*

Through an examination of these principles, we can understand the volition of the Legislator in the determination of the technical regulation of the Union to establish common measures between the member-states aimed to improve the cooperation, uniformity of the legislation, the control and the development of a coordinated policy that can better favorite their integration within the Union. This fundamental aspect is possible to connect with the principal target of the Union to create standard recognized procedures among its participants, in order to harmonize the entire legislation, contributing to the growth of the Union in its entire, and respecting the international treaties – as basic presupposition for its interaction with the other countries worldwide.

The article 51 is completed by the annexes 9 *“Protocol on Technical Regulation within the Eurasian Economic Union”* and 10 *“Protocol on Agreed Policy for Ensuring Uniformity of Measurements”*.

The annex 9 determines the rules and procedures of technical regulation within the Union. This Protocol indicates as the technical regulations of the Union, in accord with the approved recommendations on the content and structure of typical technical regulations of the Union from the Commission, based on the relevant international standards, should determine mandatory

²⁸⁸ Treaty on the Eurasian Economic Union. Pp. 45-46

requirements to subjects of technical regulation, as well as for identification rules, conformity assessment forms, processes and procedure²⁸⁹. The development, the adoption as well the modification or cancellation of technical regulations must follow the procedure approved by the Commission. The subparagraph 4 of the annex 9 indicates as the Commission, in order to meet the requirements of technical regulations of the Union, should approve a list of international and regional (interstate) standards and, in their absence, a list of national (state) standards, voluntary application of which should ensure observance of technical regulations of the Union. Following, the comma 5 affirms as the conformity assessment procedure determined for subjects of technical regulation in the technical regulations of the Union should be held in the form of registration (state registration), testing, conformity assessments, and examination and/or in any other form²⁹⁰. In order to guarantee transparency in its proceeding is provided that the Commission should create a system of information in the field of technical regulation as part of the integrated information-mechanism of the Union.

The annex 10 determinates the principles of agreed policy of the member-states in ensuring the uniformity of measurements in order to provide comparability of measurement results and outcomes of assessment of conformity of products to technical regulations of the Union, as well as of quantitative measurements of products²⁹¹.

This Protocol provides as the member-countries, in order to establish equality in their activities, must conduct an agreed policy to ensure uniformity of measurements through the harmonization of the legislation. For this scope, the participants must: a) establish a mechanism of mutual recognition of the results of activities to ensure uniformity of measurements; b) use standards measuring instruments: provide exchange of information; and c) apply an agreed procedure. The results of activities in ensuring the uniformity of measurements should be recognized with regard to measuring instruments manufactured on the territories of the member-states²⁹².

The aim of the Legislator through this mechanism is to favorite the cooperation between the members of the Union, creating a system of standard values by the exchange of information between the participants. For that, the paragraph 7 of the annex 10 indicates that the regulatory legal acts of the member-states (regulatory and international documents, international treaties of the member-states in ensuring the uniformity of measurements, certified measurement methods,

²⁸⁹ Cf. Annex 9 to the Treaty on the Eurasian Economic Union. Pp. 6-7

²⁹⁰ Ibid. Pp. 7-9

²⁹¹ Annex 10 to the Treaty on the Eurasian Economic Union. P. 1

²⁹² Ibid. P. 5

measuring instruments in fields regulated by the member-states, information on unit standards and value scales, approved types of standard samples as well of measuring instruments) should form the data funds of the associates of the Union in ensuring the uniformity of measurements²⁹³. As coordinator of the agreed policy, the Commission has the role to approve documents regarding the list of system units for the measurements; the rules of mutual recognition of the results and in generally the procedure for the approval of the entire process. For this aim, the role of the Commission must guarantee the uniformity of the proceeding between the member-states.

The article 52 of the Treaty of the EEU explains the scope of the technical regulations of the Union, which must be adopted only for the purposes of: protection life and health of people, animal and plants; property; environment; preventing consumer misleading actions and ensuring energy efficiency and resource conservation in the Union²⁹⁴.

The Commission has the task to determinate the procedure for the development and adoption of the technical regulations that must be applied exclusively to those products included in the common list approved always by the Commission.

The article 53 of the Treaty deals with circulation of products and validity of technical regulations of the Union. In this paragraph is affirmed as every released product within the Union must be safe. It means that must be ascertained for the products that can circulate inside the custom territory that they have completed the required conformity assessment procedures as determined by the technical regulations of the Union. The control must be exercised by the Commission and as expressed in the comma 4 of article 53 together with the supervision of the state control of the member-states and their procedure. Analyzing this statement is possible to evince the aim of harmonization of the legislation of the participants in the sphere of control, where the Legislator, by the dispositions of the Treaty, wants to create a mutual system of control for the Union on the basis of the internal legislation of the member-countries, using their provisions as well for the supervision of the duties of the bodies of the Union – in this case of the Commission.

The article 54 explains the accreditation within the Union that must occur on the basis of these principles: *“Armonization of rules and approaches in the field of accreditation with international standards; ensuring voluntary accreditation, transparency and accessibility of information on accreditation procedures, rules and results; ensuring objectivity, impartiality and jurisdiction of accreditation authorities of the member-states; ensuring equal accreditation conditions for all*

²⁹³ Annex 10 to the Treaty on the Eurasian Economic Union. P. 5

²⁹⁴ Treaty on the Eurasian Economic Union. P. 47

applicants and confidentiality of information obtained during the accreditation; inadmissibility for a single authority of a member-state to combine the accreditation powers with the powers of state control (supervision); inadmissibility for a single authority of a member state to combine the accreditation and conformity assessment powers²⁹⁵”.

The above mentioned principles want to respect the equality between the authorities of the member-states, excluding every form of discrimination from state to state. This form has the purpose to reinforce the compactness of the participants and their further integration in the system of the Union. The concept is underlined by the commas 2 and 4 of the article 54, where is explained as the participants through their internal legislation must assert conformity on the assessment of the accreditation, in order to achieve equivalence of all applied procedures. The discipline about the accreditation is completed by the annex 11 “*Protocol on Recognition of Results of Accreditation of Conformity Assessment Authorities*”. This Protocol determines the conditions for mutual recognition of the results of accreditation of conformity assessment authorities. The member-states are called to harmonize their legislation in the sphere of accreditation mostly through the adoption of international standards and the exchange of information on the principles of openness of information, gratuitousness and timeliness²⁹⁶.

In conclusion of this section about the technical regulation of the Union, must be enunciated the article 55, which provides the elimination of technical barriers in the mutual trade of the Eurasian Economic Union with third countries. The elimination of barriers should be conducted through the conditions of an international treaty within the Union. The choice of the Legislator is for this point to expand the market of the Union and allow third parts to invest without barriers in the EEU market, simplifying the procedure of external cooperation.

12 Sanitary, Veterinary-Sanitary and Phytosanitary Quarantine Measures in the EEU

The section XI of the EEU Treaty explains the discipline about the sanitary quarantine measures within the Union. In the article 56 of the Treaty is indicated that the applied sanitary, veterinary-sanitary and phytosanitary quarantine measures must be based on scientifically justified principles (as international and regional standards, guidelines, and recommendations) and only to protect life and health of humans, animals and plants. In order to achieve these measures, must be conducted an agreed policy, implemented through adoption and implementation of international

²⁹⁵ Treaty on the Eurasian Economic Union. Pp. 50-51

²⁹⁶ Annex 11 to the Treaty on the Eurasian Economic Union. P. 2

treaties and acts of the Commission between all the participants. However, in order to guarantee security, the comma 4 of article 56 provides that every member-state should have the right, in occurrence of special events, to develop and apply temporary sanitary, veterinary-sanitary and phytosanitary quarantine measures.

The discipline of the article 56 is completed with the annex 12 of the Treaty of the EEU: *“Protocol on Application of Sanitary, Veterinary-Sanitary and Phytosanitary Quarantine Measures, which determines the principles and procedures for applying sanitary, veterinary-sanitary and phytosanitary quarantine measures”*.

The article 57 of the Treaty indicates that sanitary measures should be applied to people, vehicles, and products subjected to sanitary and epidemiological supervision (control) included in the common list of products (goods) subjected to state sanitary and epidemiological supervision (control) in accordance with acts of the Commission, which approves, in concordance with the authorized authorities in the field of sanitary and epidemiological welfare of the member-states, the procedure for developing, modifying and applying common sanitary, epidemiological and hygienic requirements and procedures²⁹⁷.

The praxis, as prefixed in the second section of the Annex 12 of the Treaty, establishes that the member-states should arrange sanitary and quarantine stations at checkpoints designed for the transportation of products (goods) subject to state sanitary and epidemiological supervision (control) across the customs border of the Union and take steps to conduct all the required sanitary and anti-epidemic activities²⁹⁸. The control of member-countries must occur through the instructions of the Commission, completed by their internal legislation. Precisely, the member-state should: 1) take agreed measures to prevent the importation, distribution and elimination on the customs territory of the Union of infectious diseases and mass non-infectious diseases (poisoning) hazardous to human health, consequences of emergencies, as well as acts of terrorism involving biological agents, chemical and radioactive substances; and 2) conduct sanitary and anti-epidemic activities to prevent the importation into the customs territory of the Union and circulation of products subjected to state sanitary and epidemiological supervision that are hazardous to human life, health and living environment.

The article 58 deals with application of veterinary-sanitary measures, that must be applied to goods included in the common list of goods subjected to veterinary control approved by the

²⁹⁷ Treaty on the Eurasian Economic Union. P. 54

²⁹⁸ Annex 12 to the Treaty on the Eurasian Economic Union. P. 9

Commission, as well to items subjected to veterinary control, imported and moved among the territory of the Union. The common veterinary requirements are disposed by the Commission, applied in the veterinary stations by the authorized authorities of the member-states, in order to prevent the entry and spread of contagious animal diseases in the Union.

The comma 6 of article 58, in order to assure safeguard on the circulation of the products within the territory of the Union, indicates as goods subjected to veterinary control should be transported from the territory of one member-state to the territory of another participants in accordance with the common veterinary requirements. These goods must be accompanied by a veterinary certificate, unless otherwise determined by the Commission²⁹⁹.

The same procedure of the sanitary measures is applied for the exercise of veterinary control, as indicated in the third section of the annex 12. The member-states, through their authorized authorities, should conduct a control on the goods in order to avoid the importation and spread of any infectious agent on the territory of the Union. In case of detection of an infection, the member-state must send all the relevant information to the Commission and provide mutual scientific, methodological and technical assistance on the issue. The article 58 in the comma 8 provides even the possibility for the member-states to develop and implement temporary veterinary measures in case of official information received by relevant international organizations.

The article 59 explains as the phytosanitary quarantine measures should be applied to products included in the list of quarantineable products subject to phytosanitary quarantine control at the customs border of the Union and on the customs territory of the Union.

To complete this discipline, the article 18 of the annex 12 provides that the phytosanitary quarantine control (supervision) at the customs border of the Union and on the customs territory of the Union should be exercised in the manner approved by the Commission³⁰⁰. At checkpoints designed for transportation of quarantineable products, the member-states should establish plant quarantine stations, to exercise the control as provided by common rules and standards approved by the Commission. In case of detection and spread of quarantine items on the customs territory of the Union, the member-state must send respective information, as well as information on phytosanitary quarantine measures in act, to the integrated information system of the Union.

²⁹⁹ Treaty on the Eurasian Economic Union. P. 56

³⁰⁰ Annex 12 to the Treaty on the Eurasian Economic Union. P. 15

13 Consumer Protections

The section XII of the Treaty of the EEU is dedicated to the consumer protection. Specifically, the article 60 assures as the Treaty, together with the legislation of the member-states, must guarantee and protect the rights of the consumers within the market of the Union. Applying the principle of equality in all the associates of the Union, the Legislator indicates as every citizen should benefit of the same legal protection and defense procedure in the field of consumer protection in every member-states without distinction between national citizen of a country and other individual of another member of the Union – stressing more the volition to create a compact integration without barriers. Following that, the article 61 stresses as the member-states should conduct agreed policy in the sphere of consumer protection to safeguard the citizens of the Union against dishonest economic activities, harmonizing thus their procedure in defense of the consumers.

The agreed policy, as provided by the Treaty of the EEU, must follow the principle and discipline of the annex 13 *“Protocol on Agreed Policy in the Sphere of Consumer Protection”*. The section 3 of the annex 13 specifies that the agreed policy for consumer protection must be implemented through: *“1) provision of timely and reliable information on goods (works, services) and manufacturers (sellers, contractors) to consumers, state authorities and consumer public associations; 2) measures to prevent the activities of mala fide economic entities and sales of low-quality goods (services) on the territories of the member-states; 3) creating conditions for consumers encouraging freedom of choice of goods (works, services) through the development of legal literacy and legal awareness of consumers; 4) implementation of educational programs in the field of consumer protection as an integral part of national education in educational systems of the member-states; 5) involvement of the media, including radio and television, in the promotion and systematic coverage of consumer protection issues; 6) approximation of the consumer protection legislation of the member-states³⁰¹”*.

To offer more transparence in the production of goods and their distribution, protecting the rights of consumers, the third section of the annex 13 provides as the member-states should facilitate the work of independent consumer public associations and their participation in the formulation of the agreed policy for this subject. In the implementation of the consumer protection the authorized authorities of the member-states must interact together through exchange of

³⁰¹ Annex 13 to the Treaty on the Eurasian Economic Union. P. 3

information; and conduction of analytical studies and cooperation in the prevention, detection and suppression of violations for the discipline of consumer protection. Near the work of the authorities of the member-states, the Commission, as explained in fifth section of the annex 13, has the task to: *“1) issue recommendations to the member-states on the application of measures aimed at improving the efficiency of interaction between authorized authorities in the sphere of consumer protection; 2) issue recommendations to the member-states on the procedure for implementing the provisions referred to in this Protocol; and 3) create advisory bodies for the protection of consumer rights in the member-states³⁰²”*.

14 Macroeconomic Policy of the EEU

In the section XIII of the Treaty is disciplined the macroeconomic policy of the Union. In the article 62 is explained that the member-states should implement an agreed macroeconomic policy to achieve the aim of a balanced economic development. Through this passage is possible to see the volition to equalize the internal economies of the single states united to the aim to obtain a coordinated economic development for all the participants.

Specifically, in the comma 3 of the article 62 are expressed the main directions of the agreed policy: *“1) to ensure sustainable development of the economies of the member-states using the integration potential of the Union and competitive advantages of each member; 2) to establish common operation principles, ensuring their effective interaction; 3) to create conditions to increase internal sustainability of the economies of the member-states; and 4) to develop common principles and guidelines to predict social and economic development of the member-states³⁰³”*.

The provisions about the determination of the agreed macroeconomic policy within the Union are explained in the Annex 14 *“Protocol on Implementation of Agreed Macroeconomic Policy”*. Here is underlined that the member-states should: 1) agree on measures to use the integration potential of the Union and competitive advantages of the member-states in the most feasible spheres and sectors of economy; 2) take into account the main directions of economic development of the Union and the main benchmarks on macroeconomic policy of the member-states; 3) develop official forecasts of the socio-economic development of the member-states; 4) conduct agreed macroeconomic policy within the quantitative values of macroeconomic indicators referred to in Article 63 of the Treaty when determining the sustainability of economic development; 5) develop

³⁰² Annex 13 to the Treaty on the Eurasian Economic Union. P. 5

³⁰³ Treaty on the Eurasian Economic Union. P. 60

and implement, with the participation of the Commission, measures, including joint measures, when macroeconomic indicators determining the sustainability of economic development of a member state do not meet the quantitative values determined by Article 63 of the Treaty; and 6) hold consultations on issues related to the current economic situation in the member-countries in order to develop proposals aimed at stabilizing the economy³⁰⁴.

In this process, the third section of the annex 14 defines the role of the Commission, which briefly can be summarized in the task of monitoring and coordination of the execution of the agreed macroeconomic policy by the member-countries.

The section IV of the annex lists the indicators that must be used to determinate the level of integration: 1) the volume of national investments into the economy of each member-state, including direct investments; 2) the volume of investments into the national economy from each member-state, including direct investments; 3) the share of each member-state in the total export of the member-state; 4) the share of each member in the total import of the participants; and 5) the share of each member-state in the total foreign trade turnover of the other associates. Moreover are listed in the paragraph 6 of section IV of the annex 14 the indicators to use to determine the level and dynamics of economic development: 1) the growth rate of GDP; 2) the GDP per capita at purchasing power parity 3) balance-of-payment current account balance; and 4) index of the real effective exchange rate of the national currency, calculated on the basis of the consumer price index³⁰⁵.

The participants, as prefixed in the paragraph 8 of the annex, should agree on interval quantitative values for the following external forecast parameters for a period of 3 years. Concluding, the Supreme Council, as explained in the paragraph 10 of the annex, may decide to revise external forecast parameters used in the development of official forecasts of socio-economic development of the member-states.

Technically, the article 63 of the Treaty indicates the main economic spheres that determinate the sustainability of the Union development. Here is précised that the member-states should conduct their economic policy using the quantitative values provides by the EEU, namely: a) annual deficit of the consolidated budget of a state-controlled sector should not exceed 3% of the gross domestic product; b) debt of a state-controlled sector should not exceed 50% of the gross domestic product; c) inflation rate (consumer price index) per annum (December to December of

³⁰⁴ Annex 14 to the Treaty on the Eurasian Economic Union. P. 3

³⁰⁵ Ibid. P. 5

the previous year, in percent) should exceed the inflation rate in the member-state with the lowest value by not more than 5%³⁰⁶. In consideration of this aspect, the third section of the annex 14 underlines as the development and implementation of macroeconomic indicator must be carried by the member-countries taking in account the recommendations of the Commission³⁰⁷. Here, in case of a member-state should exceed the quantitative values of the macroeconomic indicators, the Commission, through the development of recommendations, has the task to control the respect of the economic sustainability of every participant of the Union.

This regulation is established in order to achieve a mutual and balanced sustainability of the economic situation and stable development of the member-states.

15 *Monetary Policy*

The section XIV in the article 64 lists the objectives and principles of the monetary policy of the Union. Here is outlined that the member-states, in order to reach the targets of the cooperation, namely the guaranteeing of the four free movements within the Union and the strengthen of the economic integration, should conduct an agreed monetary policy based on the principles of: 1) harmonization and convergence of approaches to the formation and implementation of their monetary policy; 2) establishment of the required organizational and legal conditions at the national and interstate levels for the development of integration processes in the monetary sphere; inapplicability of any actions in the monetary sphere that may adversely affect the development of integration processes; and 3) implementation of economic policy aimed at increasing confidence in the national currencies of the member-states³⁰⁸.

The legislation about the discipline of the monetary policy is completed by the annex 15 "*Protocol on Measures Aimed at Implementation of Agreed Monetary Policy*", which determinates the measures that must be adopted by the participants in order to conduct agreed monetary policy. For this aim, the section II of the annex 15 indicates the provisions that must be taken by the participants, namely to coordinate the policy on the exchange rates of their national currencies. This point is connected directly with the subparagraph 3 of the article 64 of the Treaty which provides that the exchange rate policy must be coordinated by an independent body formed by the Heads of national (central) banks of the member-states.

³⁰⁶ Treaty on the Eurasian Economic Union. P. 60

³⁰⁷ Annex 14 to the Treaty on the Eurasian Economic Union. P. 4

³⁰⁸ Ibid. P. 61

Listing the other measures that the member-states should apply, we can summarize them in: 1) ensure convertibility of their national currencies for the current and capital balance of payment items; 2) enable direct mutual quotations of national currencies of the member-states; 3) improve the mechanism for payment and settlements relations between the member-states through the increased use of national currencies in mutual settlements between residents of the member-countries; 4) prevent multiplicity of official exchange rates hindering mutual trade between residents of the member-states; 5) ensure regular exchange of information on the status and development prospects of the foreign exchange market; 6) form an integrated currency market of the member-states; 6) and develop trade in national currencies in organized markets of the member-states, making it accessible to foreign exchange market participants³⁰⁹.

In order to achieve an equivalent legislation in the monetary sphere, the paragraph 4 of the second section of the annex 15 lists the duties of the member-states, as for example: a) gradual elimination of currency restrictions; b) to identify agreed approaches to the procedures of opening or maintenance of accounts of third-country residents in banks located on the territories of the member-states; c) to determine the necessary amount of rights and obligations of residents of the member-countries in the implementation of foreign exchange transactions; d) to ensure the free circulation by residents and non-residents of the member-states of funds and monetary instruments within the customs territory of the Union; and e) to guarantee harmonization of requirements to accounting and control of foreign exchange operations³¹⁰.

The Legislator for the aim to reach a coordinated monetary policy, respecting the principle of transparency, indicates in the section III of the annex 15 the importance of exchanging information between the authorities of the member-states; their coordination on the organization of currency control; and cooperation in the prevention, detection and suppression of violations of the legislation. To grant a properly agreed policy, the authorities should conduct studies, analysis and give each other assistance through the exchange of statistical information on currency regulation and control, implemented by the development of guidelines and the organization of meetings.

The Protocol 15 of the Treaty provides in its fifth section, the possibility in exceptional cases for the member-state to introduce own currency restrictions for a period not exceeding 1 year. This mechanism was contemplated by the Legislator in order to not give any financial problems to the

³⁰⁹ Cf. Annex 15 to the Treaty on the Eurasian Economic Union. Pp. 3-4

³¹⁰ Cf. Ibid. Pp. 4-5

participants that have acceded into the Union. Indeed, in case of deterioration of the economic and financial situation in a member-state or in the situation that the implementation of liberalization measures may damage the security interests of a the national situation of a participant, it is provided the introduction of restrictions measures that must be however notified to the other members and to the Commission within fifteen days from their introduction.

In addition, the comma 4 of the article 64 of the Treaty, underlines as the approaches to the regulation of the monetary policy must be determined under an international treaty within the Union, in order to give legal recognition in the global relationships of the EEU. In general, the monetary and financial policy of the EEU rests nowadays still an objective hard to be implemented, especially because of the devaluation of the Russian ruble and the high inflation rate of the member-countries, specifically Belarus, whose economy is tightly connected to Russian and has suffered mostly by the global financial crisis since 2008, reaching a peak of inflation in 2013 by 23.08%³¹¹.

16 Trade in services, incorporation, activities and investments

The section XV of the Treaty regulates the services, activities and investments within the Union. Precisely, the article 65 of the Treaty stresses the purpose of this section, namely to ensure freedom of trade in services, incorporation, activities and investments within the Union. The measures of the article 65 and its corresponding Protocol, the annex 16, "*Protocol on Trade in Services, Incorporation, Activities and Investments*" are applied to those measures regarding the delivery and receipt of services, as well as incorporation, activities and investments. Here, are excluded principally the services and activities that are governed by the other section of the Treaty and the functions that are carried out by the state governments. Moreover, the Legislator in the comma 6 of the article 65 précises as the discipline provided in this section must be not: a) contrary to interests or elements of the member-states which could preclude the national security; b) intervene against military interests of the participants; or c) prevent from taking any action required to fulfill the obligations of the member-state under the Charter of the United Nations in order to maintain international peace and security. Equally, the provisions of this section must not prevent the member-states to adopt different measures in order to protect

³¹¹ "*Belarus Inflation rate*". In Trading Economis. <http://it.tradingeconomics.com/belarus/inflation-cpi> (last view: 30.04.2017)

public moral or maintain public order; to protect life of people, animals and plants; and in general the security and privacy of the citizens of the participants of the Union.

The paragraphs 9 and 10 of the article 65 explains the possibility to exclude the discipline of this section for a member-state when exist restrictions from a member-state in respect of a third state and when the extension of the provisions of this section would lead to circumvention or violation of these prohibitions and restrictions. Same procedure of exclusion is possible to apply from a member-state to an individual of another member when it is proven that the considered person of another state does not conduct any significant business operations on the territory of the mentioned member-state³¹².

The discipline above is completed by the annex 16 which determines the legal basis for regulating trade in services, incorporation, activities and investments in the member-states. The section III of the Protocol defines as every member-state should cancel and not introduce new restrictions on transfers and payments in connection with trade in services, incorporation, activities and investments, in particular with regard to: income, funds, salaries and other remuneration received by investors and nationals of other member-states allowed to perform investment-related activities on the territory of the recipient state³¹³.

Every measure explained in this section, as explained in the paragraph 9, must not affect the rights of the member-states for obligations that are not included for the scope of the Union. The possibility to impose on payment and transfers restrictions from the member-states are provided, as delineated in the section IV of the annex 16, in the cases of deterioration of the balance of payments, a significant reduction in foreign exchange reserves or sharp fluctuations of the national exchange rate. However, the restrictions may be applied only in the case that these not create discriminations or damages to the other members of the Union. Furthermore, their application should comply with the articles of Agreement of the International Monetary Fund of July 22, 1944 and must be communicated immediately to the other member-countries, in order to not vitiate the working process of the Union.

The section VI of the Protocol, regarding the national treatment for trade in services, incorporation and services, underlines in the article 21 that the treatment of every single state for

³¹² Treaty on the Eurasian Economic Union. P. 65

³¹³ Annex 16 to the Treaty on the Eurasian Economic Union. Pp. 8-9

this subject should be no less favorable³¹⁴ than that regime accorded under the same (similar) circumstances to its own same (similar) services, service suppliers and service recipients. Continuing, the article 22 indicates as every state may perform obligations through the provision of formally similar or formally different treatment to services, suppliers and recipients of services of any other member-state as compared to the treatment accorded by that member-state to its own same (similar) services, or suppliers or recipients of services³¹⁵.

With respect of trade in services, incorporation and activities is provided that the participants of the Union should not apply any restrictions to citizens of the Union and other member-countries. The only possibility for the member-states to introduce restriction is for the provisions disposed in the Annex 2 of the Protocol on Trade in Services, Incorporation, Activities and Investments: *"List of "Horizontal" Restrictions Retained by the Member States for All Sectors and Activities"*.

This procedure is confirmed in the paragraph 32 of the annex 16, where, in order to guarantee the free circulation of services is provided that: *"No Member State shall be entitled to introduce or apply the following additional requirements to persons of the member states and persons incorporated thereby as conditions for their incorporation and/or activities: 1) on exportation of all manufactured goods or services or any part thereof; 2) on importation of goods or services; 3) on the purchase or use of goods or services originating from a Member State"*³¹⁶.

The free circulation of workers in other states of the Union without restrictions is stressed in the article 35 of the annex 16, where is outlined that the member-state should not impose in its territory any restrictions on employment of workers for activities of juridical people, branches or representative offices created, acquired and/or controlled and individual entrepreneurs registered³¹⁷.

Following the analysis, the article 38 of the Protocol defines the common market of services, where is indicates as every person of the member-states has the right to supply and receive services without any restrictions, exceptions and additional requirements – except for the conditions and restrictions provided in Annex 2 to the Protocol 16.

The article 67 of the Treaty contemplates as the liberalization of trade in services, incorporation, activities and investments should be conducted accounting to the international principles and

³¹⁴ Formally in correspondence with the provisions of the Treaty, a subject is considered less favorable if it modifies the terms of competition in favor of services, service suppliers and/or service recipients of that member state as compared to the same (similar) services, service suppliers and/or recipients of any other member state.

³¹⁵ Cf. Annex 16 to the Treaty on the Eurasian Economic Union. P. 13

³¹⁶ Ibid. P. 16

³¹⁷ Ibid. P. 17

standards through the harmonization of the legislation of the member-states and their mutual cooperation. In order to achieve the liberalization, the member-states should follow the subsequent principles: 1) to optimize the regulations, eliminating and simplifying the market of services and its procedures; 2) to harmonize proportionality between the parts the market and the legislation in order to favorite the mutual administrative cooperation; 3) to ensure mutual benefits for the sharing of benefits and obligations between the members; 4) coherence in the adoption of measures that must not deteriorate the condition of mutual access in the activities of the market with gradual reduction of restrictions, exemptions, additional requirements and conditions; and 5) to guarantee economic feasibility for the creation of a common market of services within the Union, as stipulated in paragraphs 38-43 of Annex 16³¹⁸.

Referring to the last point and conducting an excursus on the mentioned paragraphs of the Annex 16, must be underlined as the common market of services refers to a particular economic sector where each member-state grants to people of any other member-state the right to supply and receive services without any restrictions, exceptions and additional requirements (except for some conditions and restrictions provided in Annex 2 to this Protocol). The common market of services within the Union should operate in the service sectors approved by the Supreme Council on the basis of proposals agreed by the member-states and the Commission. On this basis, the participants, in order to encourage the liberalization, have the aim to spread, on a reciprocal basis, the rules of the common market of services into the maximum number of service sectors through gradual elimination of exceptions and restrictions provided by national lists³¹⁹.

Therefore, in order to improve the integration and to favor better the business conditions, the member-states should allow to every citizen of the Union to conduct his commerce in the sphere of service, eliminating all barriers, and liberalizing the market. For this aim is provided the development of a liberalization plan which should ensure harmonization of procedures through mechanisms that contemplates the national procedure with the legislation of the Union. Though, the removal of barriers is still nowadays an ongoing process, but the possible realization of free common markets for service can have the advantage to further expand the mutual trade of the associates.

Generally, in the discipline of the internal regulation for services, as provided by the article 57 of the annex 16, every member-state should ensure that all measures are applied in a reasonable,

³¹⁸ Treaty on the Eurasian Economic Union. Pp. 67-68

³¹⁹ Annex 16 to the Treaty on the Eurasian Economic Union. P. 18

objective and impartial manner. For those states that are not conformed on the discipline as provided by the Treaty, there is the obligation to conform their mechanisms to the common structure of the other participants of the Union.

The section VII of the annex 16 deals with investments within the EEU. Exactly, the article 68 of the Protocol affirms: *“Each member state should ensure on its territory fair and equitable treatment to investments and investment-related activities conducted by investors of other member states³²⁰.”* It has the meaning that the principles of impartiality and respect of every state of the Union must be guaranteed in the investments that are conducted in the territory of the Union. Specifically, every member-country must ensure the not discrimination of the investor of another member-country, as expressed in the article 79 of the Protocol: *“Investments of investors of a member state made on the territory of another Member State should not be subject to direct or indirect expropriation, nationalization and other measures with consequences equivalent to those of expropriation or nationalization, except in cases where such measures are taken for the public benefit in the procedure determined by the legislation of the recipient state, are not discriminatory and involve prompt and adequate compensation³²¹”*.

Concisely, in the case of a dispute, the discipline provides that every discussion should be – at least tried – to be resolved by negotiations and compensation of the injured part.

The article 68 of the Treaty of the EEU stresses the importance of cooperation of the member-states, affirming as the participants should assist each other, ensuring efficient cooperation between their authorities. For this aim, the principal passage, as defined by the Legislator, for the cooperation must be the exchange of information between the authorities of the member-states. This last statement introduce the comma 2 of the article 68, where are defined the aspects included in the administrative cooperation of the Union: a) prompt information exchange between competent authorities of the member-states with regard to both entire service sectors and specific market participants; and b) establishment of a mechanism to prevent violations of the rights of service providers and legitimate interests of consumers as well as the public interest³²².

In the third comma is provided when a member-state has the right to require information to the other authorities of another member-state, namely: 1) for people of such other member-state that have incorporated or are supplying services on the territory of the first member-state and, in particular, information confirming that such people are actually incorporated in their territories

³²⁰ Annex 16 to the Treaty on the Eurasian Economic Union. P. 26

³²¹ Ibid. P. 28

³²² Treaty on the Eurasian Economic Union. P. 68

and that, are allowed to engage entrepreneurial activities; 2) for issue of permits; and 3) for administrative measures, criminal and legal sanctions and insolvency (bankruptcy) recognition decisions adopted by the competent authorities in relation to respective people and directly affecting the jurisdiction or professional reputation of such people³²³.

The administrative cooperation must be carried out in order to create an efficient system that can protect the rights of the beneficiaries of one state in the delivery of services to another member; to execute tax and other obligation in the entire territory of the Union for its citizens; to guarantee concurrence, eliminating unfair business; and to grant a prospect through statistics about the amounts of service of a member-state.

In case of existence of a service of a member-country that can cause damage on the health or safety of people, animals, plants or the environment on the territory of a member-state, the member-state that has discovered it must inform the Commission, which has the task to resolve the issue. The same Commission should help the member-states in the creation of a system of administrative information within the Union and must control the member-states about their right conformation with the previsions of this article.

For the purpose of the appropriate regulation of the trade in services, incorporation, activities and investments in the Union, the article 69 of the Treaty of the EEU, underlines as each member-state should ensure transparency and availability of its legislation on this discipline. It means that in addition to a common cooperation, all the decisions and information must be published online, using the network channel for the communication within the Union, to assure perfect transparency within the Union.

In order to exclude that any regulator acts can preclude or intact personal interests and rights of the Eurasian citizens, the member-states should ensure preliminary publication. For this subject, the participants should post on the Internet all information regarding the procedures for filing individual comments and suggestions to such acts as well as information on the duration of public discussion of draft regulatory legal acts in order to enable all interested persons to send their comments and suggestions. Draft regulatory legal acts should be generally published within 30 calendar days before the date of their adoption, while all comments and/or suggestions received by the competent authorities of the member-states during public discussions should be taken into account to the extent possible when finalizing draft regulatory legal acts³²⁴.

³²³ Treaty on the Eurasian Economic Union. P. 69

³²⁴ Ibid. P. 71

In this procedure the member-states should create an informatics mechanism of interaction and response to the electronic requests of any person who can be regarded by a regulator legal act. Additionally, to promote the transparency of the activities within the Union for its citizens is even provided as the associates of the Union should ensure consideration of appeals from people from all the countries of the Union.

17 The financial markets of the Union

The section XVI of the Treaty provides the regulation of the financial markets of the Union. Specifically, the article 70 lists the principles that the member-states should follow for the regulation of the financial markets: *“1) to deep their economic integration in order to create a common financial market within the Union; 2) to ensure protection of the rights and interests of the consumers in the financial sphere; 3) to enable mutual recognition of licenses in the banking and insurance sectors; 4) to identify approaches to risk management in the financial markets of the member-states in accordance with international standards; 5) to fix requirements for banking and insurance activities and activities in the securities market; 6) to determinate the procedure for exercising supervision over the activities of financial market participants; and 7) to assure transparency in the financial activities of the Union³²⁵”*.

In this direction, to enable free movement of capital in the financial market, the member-states should: 1) exchange all the information between authorized authorities; 2) to carry out mutual consultation; and 3) to favorite the cooperation in financial activities and market security generally. The discipline of the article 70 is completed with the Article 103 and the Annex 17, *“Protocol on Financial Services”*.

The article 103 of the Treaty indicates the necessity for the member-states to have completed the harmonization of their legislation in the financial sphere by the data 2025. After that, the states should establish a supranational authority, located in the Kazakh city of Almaty, conferring precise powers and functions for the regulation of the financial market.

To give a precise explanation of this subject, the financial services and activities of financial suppliers where is applicable the discipline of the article 70, are listed in the annex 17. Here, as financial services are defined: insurances, banking services, financial leasing and services in the security market.

³²⁵ Treaty on the Eurasian Economic Union. P. 73

In the annex 17 is specified, that the member-states should apply for financial service suppliers the national treatment and the most favored nation treatment in respect of the provision of the article 70 of the Treaty for these financial services: 1) insurance of risks relating to international marine transportations and commercial air transportations, commercial space launches and freight; 2) reinsurance and auxiliary insurance services such as consultancy, actuarial services, risk assessment and settlement of claims; 3) provision and transfer of financial information, processing of financial data and related software of suppliers of other financial services; and 4) consultancy and other auxiliary services, including the provision of reference materials³²⁶.

The member-states should allow every supplier carrying a financial service to conduct it according to the most favored national treatment without distinctions from the national citizens. Besides, is provided in the Protocol, that any member-state should be allowed to apply or impose on its territory the following restrictions in respect of financial service suppliers of another member in connection with their incorporation and/or activities: restrictions on the forms of incorporation, including the organizational legal form of a juridical person; restrictions on the number of incorporated juridical people, branches or representative offices in the form of quotas; restrictions on the volume of purchased shares in the capital of the juridical person; restrictions on transactions of incorporated juridical people, branches or representative offices³²⁷. In order to assure impartiality in the treatment is established that every country of the Union should ensure that all measures of every participants affecting trade in financial services are applied in a reasonable, objective and impartial manner. For the aim to not create barriers in the financial trade, the member-states should develop a common system of rules that must be based on objective and transparent criteria, facilitating the procedure without restrictions. Equally, the member-states should not apply licensing or qualification requirements and technical standards that may invalidate or reduce benefits specified in the individual national lists in Annex 1 to the Protocol 17. Restrictions are provided in the case to protect interest of investors, depositors, policyholders, beneficiaries, or measures required to ensure the integrity and stability of the financial system.

The paragraph 21 of the annex 17 provides that the participants of the Union, on the basis of international principles and standards, should create an harmonized system in the financial sectors of: 1) bank – where they should harmonize requirements for the regulation and

³²⁶ Cf. Annex 17 to the Treaty on the Eurasian Economic Union. P. 7

³²⁷ Ibid. P. 9

supervision over credit institutions; 2) insurance sector – where the member-states should harmonize requirements for the regulation and supervision over professional participants of the insurance market guided by the international best practices and principles; and 3) service sector in security market – where the countries of the Union should harmonize the requirements for the regulation of and supervision over the securities market guided by international best practices and principles of the International Organization of Securities Commissions. To favorite the entire process, the participants should develop mechanisms of interaction between the authorities in the sphere of regulation, control and supervision of activities in their financial markets, including exchange of confidential information in financial sector. Besides, the paragraph 30 provides that, In order to prevent systemic risks in the financial markets, the legislation of the financial sector of the member-states should be harmonized with regard to the requirements for activities of rating agencies in compliance with the principles of transparency, accountability and responsibility³²⁸. It has the meaning that the Treaty of the Union wants to create a recognized financial system, where all the members can apply a same procedure without discrimination, equalizing their legislation, submitting the mutual obligations of the Treaty.

17.1 *The Financial market and economic development of the EEU*

At this point of the analysis we can make some observations about the importance of the financial market of the EEU and the significance of its coordination for the positive economic development of the Union.

The regulation of the common financial market within the Union has the advantages to develop a system and implement financial policies in the Union, as underlined by Tigran Davtyan, Director of the financial policy Department of the EEC: *“Among the most important vectors for the development of the common financial market is the creation of favorable conditions for the establishment and implementation of activities on the financial markets of EAEU, free movement of capital within the Union (removal of barriers), stimulation of the development of competition, growth of investment attractiveness of the EAEU States, reducing administrative barriers and costs³²⁹”*. The volition of the development of a common infrastructure for the common financial market and its institutional framework has the target to coordinate the activities of the Union in

³²⁸ Cf. Annex 17 to the Treaty on the Eurasian Economic Union. P. 20

³²⁹ Eurasian Economic Commission (2016): *“Formation of the common financial market of the Eurasian Economic Union was discussed at the Eurasian Week Forum & Expo”*. 28.10.2016
<http://www.eurasiancommission.org/en/nae/news/Pages/28-10-2016-14.aspx> (last view: 14.04.2017)

the field of financial markets, development of administrative cooperation with the interaction of national regulators on issues of regulation, and supervision in financial sectors. The success of this system is connected with the proper regulation of the financial markets of the member-states, where the fundamental step is the equalization of their national standards to the provisions of the article 70 of the Treaty and its annex 17. Precisely, in order to guarantee the investments, must be developed a mutual bank and insurance sector through the coordination of the national agencies of the participants of the EEU in a common exchange space of the Union.

According to Dr. Vinukorov, the financial mechanisms of Eurasian integration are realized within the framework of the Eurasian Development Bank (EDB) and the Eurasian Stabilization and Development Fund (ESDF). The EDB (6 member-states, paid-in capital of 1.5 USD billion, current investment portfolio ca. 2.2 USD billion) is a functioning regional international financial institution. Over 10 years, it cumulatively invested ca. 4.85 USD billion, while prioritizing projects promoting mutual trade and mutual investments. The ESDF, which can be defined as a *regional IMF*, with capital of 8.5 USD billion and the same six member-states acts primarily as the lender of last resort in extending public budget loans³³⁰.

Figure 5: Socioeconomic development indicators of the Eurasian Economic Union (2015)

| Indicator | Armenia | Belarus | Kazakhstan | Kyrgyzstan | Russia |
|-------------------------------------|---------|---------|------------|------------|--------|
| GDP Nominal, \$ billion | 10.5 | 55.0 | 184.4 | 6.5 | 1331.1 |
| Purchasing power parity, \$ billion | 23.1 | 164.3 | 399.6 | 18.5 | 3402.9 |
| Nominal per capita, \$ | 3515.0 | 5754.5 | 10508.3 | 1112.8 | 9054.9 |
| Population, million people | 3.0 | 9.5 | 17.7 | 6.0 | 146.5 |
| Foreign trade, \$ billion | 4.7 | 57.0 | 75.9 | 5.7 | 526.3 |

Source: Vinokurov Evgeny (2017): "Eurasian Economic Union: Current state and preliminary results". In Russian Journal of Economics 3 (2017). P. 58

³³⁰ Vinokurov Evgeny (2017): "Eurasian Economic Union: Current state and preliminary results". In Russian Journal of Economics 3 (2017). P. 58

As is possible evince from the table above, the Eurasian Economic Union has already produced an aggregate GDP of approximately 2 USD trillion, where the two most important economies of the association are represented by Russia and Kazakhstan.

Thus, the priority to create a common market with a same regulated system in the exchange of products and services assumes a priority for the members of the EEU. Indeed, in the precise case of the financial service, the increment and distribution of services as well the coordination of the providers is linked to the realization of a precise scheme of harmonization and interaction of the national agencies on the basis of the dispositions of the Treaty of the EEU, through the involvement of the Eurasian Development Bank and the Eurasian Stabilization and Development Fund.

18 Taxes and Taxation within the Union

The section XVII of the Treaty deals with the taxation system inside the Eurasian territory. The article 71 specifies that all goods imported from a member of the Union to another should be subjected to indirect taxation. It means that the application of taxes in mutual trade by a member-state in its commerce with another Eurasian country must be commiserated and applied under the same circumstances in respect of products originating from its territory. Through the setting of tax system, the volition of the Legislator is that every country can profit from the investments in the territory of the Union, having the opportunity to match its goods to those of the country where are imported without paying excessive taxes that could prevent its investment. Thus, to achieve this aim, the member-states should harmonize their legislation in order to prevent any violation of terms of competition and interference with the free movement of goods, works and services at the national level or at the level of the Union, including: convergence of excise tax rates for the most sensitive excisable goods; and improvement of the system of collection of value added taxes in mutual trade³³¹.

Following, the article 72 indicates as the member-states in the mutual trade must apply in collection of taxes a zero value added tax rate and/or exemption from excise duty on the export of goods and indirect taxation on import. This passage represents a vital point of interaction between the associates, because confirms the necessity to eliminate taxes in the mutual trade as decisive precondition for the establishment of common markets and for the possibility to allow even the less developed economies of the EEU, as Armenia or Kyrgyzstan, to invest and export in the

³³¹ Treaty on the Eurasian Economic Union. P. 74

territory of the Union without additional costs. This discipline is completed by the Annex 18, *“Protocol on the Procedure for Collection of Indirect Taxes and the Mechanism for controlling their Payments on Export and Import of Goods, Performance of Works and Provision of Services”*. The annex 18 in the third paragraph specifies that in the situation of exporting goods from the territory of a member of the Union to another, on the taxpayer who is exporting the good, should be applied a zero VAT rate and/or exemption from excise taxes upon submission to the tax authority of the following documents in electronic form within 180 calendar days from the date of shipment of goods: 1) agreements (contracts) concluded with a taxpayer of another member-state; 2) a bank statement confirming the actual receipt of proceeds from the sale of exported goods at the account of the exporting taxpayer (in case of a cash-payment or of export of goods under a lease agreement, the taxpayer must submit to the tax authority a bank statement confirming the deposit of amounts received by the counterpart; 3) a statement of import of goods and payment of indirect taxes executed in the form provided by an international interagency treaty and marked by the tax authority of the member-state to the territory of which the goods are imported indicating the payment of indirect taxes; 4) transport (shipping) and/or other documents required by the legislation of the member-state and confirming the movement of goods from the territory of a member to another; and 5) other documents confirming the validity of a zero VAT rate and/or exemption from excise taxes provided for by the legislation of the member-state from the territory of which the goods are exported³³².

Through the presentation of the documents above listed, the tax authority verifies the validity of the application of a zero VAT rate and/or exemption from excise taxes. If the information submitted by a taxpayer does not correspond to the data obtained within the exchange of information determined between tax authorities of the member-state, the tax authority should recover indirect taxes and penalties in the procedure and amount provided for by the legislation of the member state from the territory of which the goods were exported. This procedure has the target to regulate properly the validity of the documents, preventing the unequal redistribution and payment of taxes between the members in their imports and exports.

The section III of the annex 18 indicates the technique for collection of indirect taxes on import of goods, explaining in the thirteen paragraph as the indirect taxes on goods imported into the territory of a member-state from another country of the Union should be levied by the tax authority of the member state into the territory of which the goods were imported.

³³² Cf. Annex 18 to the Treaty on the Eurasian Economic Union. Pp. 4-7

Continuing, the fourteen paragraph of the Protocol disciplines the determination of the tax on the purpose of the VAT payment, which is fixed on the date of registration of the taxpayer's imported goods on the basis of the cost of purchased goods (including goods produced under a manufacturing agreement), as well as goods received under a credit on goods (commercial loan, material loan) agreement (contract), tolling goods and excise taxes payable on excisable goods³³³. To respect the discipline and assure transparence, is further affirmed as in order to ensure complete payment of indirect taxes, the legislation of the member state governing the pricing principles for taxation purposes may be applied.

Regarding the indirect taxes on the performance of works and provision of services, these, as explained in the second paragraph of the article 72 of the Treaty, should be collected in the territory of the member, which is recognized as the place of sale of these works and services.

As for the import of goods, even for the performance of works and provision of services is applied a zero VAT rate, if it is provided by a contract between taxpayers of the member-states; and documents that confirm the execution of the work and the export of the goods.

Generally, to assure non-discrimination and equality in the taxation system, the authorities of the countries of the Union should exchange all information required to ensure complete payment of indirect taxes in accordance with an international interagency treaty, which should determine the procedure for information exchange, the application form for import of goods and payment of indirect taxes.

For the regulation, the Treaty specifies in the comma 4 of the article 72 that when a member-state imports good from another member the praxis specifies that indirect taxes must be levied by tax authorities of the member-state to the territory of which goods are imported³³⁴.

The exclusion of collection of indirect taxes is determined for: a) those goods, that according to the legislation of the member-state, are not subject to taxation; b) goods imported from citizens into the territory of another member for personal use and not for business; and c) for goods imported into the territory of a member-state from another in connection with their transfer within a single juridical person.

The article 73 defines the jurisdiction of personal income taxes. Here is précised that a member-country, in accordance with its legislation and the provisions of international treaties, may levy

³³³ Annex 18 to the Treaty on the Eurasian Economic Union. P. 14

³³⁴ Cf. Treaty on the Eurasian Economic Union. P. 76

income taxes from a tax resident citizen of another member-state in connection with his employment, starting the taxation from his first day of employment in its territory.

19 Rules of competition of the EEU

In the section XVIII of the Treaty are defined the principles and rules of competition within the Union, with the purpose to avoid and eliminate, as underlined in the first comma of the article 74, anti-competitive behaviors and actions that can produce negative impact on the competition in the mutual trade between the participants. The article specifies as the rules and principles must be connected to the implementation of competition (antitrust) policy within the Union and to relations with economic entities (market participants) of the member-states, in order to avoid the existence of adverse effects on competition in trans boundary markets on the territories of two or more members of the Union. To ensure a fair competition in the territory of the EEU, the member-states, as underlined in the third comma of article 74, may adopt further prohibitions according to their legislation, with the regard to the prohibitions defined in the article 75 and 76. Specifically, the article 75 establishes that the members of the Union must determinate in their legislation prohibitions of: 1) agreements between state government authorities, local authorities and other agencies or organizations exercising their functions or agreements between them and economic entities, if such agreements result or can lead to any prevention, restriction or elimination of competition; and 2) provision of state or municipal preferences³³⁵.

Overall, the member-states should ensure efficient control over the economic sector to prevent any kind of unfair concurrence. For that the authorities of every country must implement and reinforce the antitrust policy monitoring and preventing violations. The sixth comma of the article 75 establishes for this aim, that the member-states should determinate in their legislation penalties (calculated on the basis of the income generated by the violator in selling goods) for the market participants that overdriven the rules of the competitions (anti-competitive agreements, abuse of dominance by economic entities) based on the principles of efficiency, proportionality, security, inevitability and certainty.

Moreover, the member-states, in order to give transparency on their antitrust policy, must publish information on the activities of their authorities in the media and online.

Through these considerations, it is easy to understand that the Legislator has the purpose to make the market of the Union stable and accessible to all the associates without any prejudice. This aim

³³⁵ Cf. Treaty on the Eurasian Economic Union. Pp. 78-79

can be achieved through the participation and the cooperation between all the member-states through a together harmonization of their competition-system. In this context the authorities of all the countries of the Union should interact and communicate in order to exchange information and in case of dysfunction of the market they are called to work together in order to prevent any effect against the unfair concurrence.

In connection with this last point, must be mentioned the article 76, which establish the general rules of competition. Principally, the article 76 defines that every action or omission that prevents, eliminates or restricts competition should be prohibited. The article lists the actions and omissions that are not allowed: *“1) to set and maintain monopolistically high or low prices of goods; 2) withdrawal of goods from circulation resulting in an increase in the price of such goods; 3) forced imposition of any economically or technologically unjustified contract conditions to a counterpart; 4) economically or technologically unjustified reduction or cessation of production of goods, if the goods are in demand or orders for their delivery have been placed and their production is feasible; 5) economically or technologically unjustified refusal to enter or evasion from concluding agreements with individual customers; 6) economically, technologically or otherwise unjustified setting different prices (tariffs) for the same products, thus creating discriminatory conditions; and 7) creating barriers to entry into the commodity market or exit from the commodity market for other economic entities (market participants)³³⁶”*.

The article 76 underlines as the unfair competition must be prohibited in all its forms within the market of the Union including for example the dissemination of false, inaccurate or distorted information, which may inflict damage to an economic entity; or misleading to the nature, method, nature of the good and its place of manufacture.

Furthermore, are prohibited agreements between economic entities of the member-states if these entities are competitors operating in the same product market and such agreements may lead to setting or maintaining prices, discounts, allowances or extra charges; increasing, decreasing or maintaining prices in tenders; dividing the commodity market in the territorial principle, by the volume of sales or purchases of goods; reduction in or cessation of the production of goods; and refusal to conclude agreements with certain sellers or buyers³³⁷.

³³⁶ Cf. Treaty on the Eurasian Economic Union. Pp. 80-81

³³⁷ Ibid. P. 82

Even the vertical agreements³³⁸ between economic entities should be prohibited, if they can produce distorting effects on the price of goods or when such agreements obligate the buyer to not sell goods of any economic entity that is a competitor of the seller.

However, according to the comma 6 of the second section of the Annex 19, "*Protocol on General Principles and Rules of Competition*", vertical agreements are permitted if: 1) they constitute commercial concession agreements; and 2) the share of each economic entity that is a party to such an agreement in the commodity market of the goods covered by the vertical agreement does not exceed 20%³³⁹.

Returning to the examination of the article 74 of the Treaty and to complete its analysis, in the fourth comma is précised the possibility of the member-states to conduct agreed antitrust policy in relation to actions of economic entities of third countries if these affect the competition of the Union negatively. Moreover, the article 74 underlines as the previsions of this section may not prevent the single members of the Union to take personal initiatives in order to protect national security. In addition is reported too that the predispositions of article 74 are applied even to the natural monopoly.

Continuing the report of the section XVIII of the Treaty, the article 77 introduces the state price regulation. This discipline as well of the entire section is implemented by the annex 19.

Precisely, the section III of this Protocol explains the control over compliance with the rules of competition. Here is stressed that the authorities of the member-states are in charge for the suppression of the violations committed by the economic entities in follow of the principles listed in the article 76 of the Treaty; while the Commission is in charge for the suppression of the violations committed by the economic entities if such violations may have an adverse effect on competition in trans-boundary markets. Regarding the role of the Commission, this body of the Union should briefly for the subject of the section XVIII: 1) to review statements (materials) on the presence of signs of a violation of the general rules of competition; 2) to initiate and review cases of violations of the general rules of competition; 3) to issue rulings, adopt decisions binding for economic entities, including application of penalties to the market participants of the member-states in the cases provided in the Section XVIII of the Treaty; 4) to request and receive information from state government and local authorities, other authorities or organizations of the

³³⁸ Vertical agreement, as indicated in the annex 19 of the Treaty of the EEU, means an agreement between economic entities under which one of them acquires goods or is a potential purchaser thereof, and the other provides goods or is a potential seller thereof

³³⁹ Annex 19 to the Treaty on the Eurasian Economic Union. P. 9

member-states exercising their functions, juridical persons and natural persons, including confidential information required for the exercise of powers to control compliance with the general rules of competition in trans-boundary markets; 5) to submit to the Supreme Council the annual reports on the competitive situation in trans-boundary markets and measures taken to suppress violations; 6) to post decisions on reviewed cases of violations of the general rules of competition on the official website of the Union; and 7) to exercise other powers required for the implementation of the provisions of Section XVIII of the Treaty and this Protocol³⁴⁰.

The entire procedure for the examination of the violations as well for the procedure for investigation should be approved by the Commission, which must specifically approve: methods for assessing the competitive situation; for determining monopolistically prices; and for calculation the amount of penalties. Besides, the investigative task is operated by an unit of the Commission "*the authorized structural unit of the Commission*", which during its investigations and examinations, can require all the needed documents and information to state government authorities, local authorities, other authorities or organizations of the member-states, juridical and natural persons. The annex 19 provides for the counterparts that the acts and actions of the Commission in the sphere of competition and its decisions should be contested in the Court of the Union.

As well, the Commission should impose penalties for violations for non-submission or late submission of requested data to the Commission or for submission of knowingly false information to the Commission. The penalties provided should be transferred to the budget of the member-state of registration of the offender (for juridical people) or of the member-state of permanent or temporary residence of the offender (for natural people)³⁴¹.

The annex 19 in its fifth section stresses the importance of the cooperation between the participants of the Union in order to implement the law enforcement activities of the Union for the protection of competition. The member-states should communicate each other through: the notification of acts; sharing of information about the existence of entities that can prejudice the fair concurrence with the Union; and the exchange of information and methodological assistance, in order to create agreed antitrust policy.

Additionally, the article 50 of the Protocol assures the possibility for the member-states that if a participant finds that any anti-competitive practice conducted on the territory of another member

³⁴⁰ Cf. Annex 19 to the Treaty on the Eurasian Economic Union. Pp. 10-11

³⁴¹ Cf. Ibid. P. 17

adversely affect its interests, it may notify the fact to that member-state, with the explicitly request to this state to initiate appropriate law enforcement actions aimed to suppress the anti-competitive practices³⁴². Here, the notified member-state should decide on the initiation of the law enforcement actions or extension of those previously initiated law enforcement actions in respect of the anti-competitive practices specified in the notification.

The Commission and the authorized authorities of the member-countries should interact and cooperate together during the examination of violations on general rules of the competition in order to assure cooperation between the institutions and harmonization of the entire legislation, through the organization of meetings. The decision to refer the statement on a violation of the general rules of competition for examination to the Commission may be taken by the authorized authority of a member-state at any stage of its examination. In the same way, the Commission, during the investigations, can submit to the authorities of the member-states requests for information and documents.

Finally, the article 81 of the Protocol 19 indicates as the member-states should introduce state price regulation in commodity markets that are not in a situation of natural monopoly, exceptional cases, including emergencies, natural disasters, national security matters, provided that the problems that have emerged may not be eliminated through any measures having a less negative impact on the competitive situation³⁴³. As an interim measure, may be introduced from the members a state price regulation for certain types of socially relevant goods on certain territories for a determined period, which must not extend ninety days in a year. These provisions are however excluded for goods such: gas (natural and liquefied); electric energy; alcoholic beverages; pharmaceutical and tobacco products.

In the process about the establishment of price regulation of a member-state, the Commission, if another member proves the negative impact of a regulation in assuring fair concurrence, may adopt a decision to delete the state price regulation in the cases it can create barriers for the accession to the market or when it can reduce the numbers of economic entities in a determined market. If the Commission establishes to cancel a state price regulation of a member and that country is not agree with the decision, the matter will be committed to the Supreme Council, which will adopt a resolute decision.

³⁴² Annex 19 to the Treaty on the Eurasian Economic Union. P. 26

³⁴³ Ibid. P.38

20 Natural monopolies

The section XIX of the Treaty of the EEU, precisely at the article 78, disciplines the sphere of the natural monopolies within the Union. The subject is completed by the annex 20: *“Protocol on Common Regulation Principles and Rules for Activities of Natural Monopoly Entities”* and its two corresponding annexes: 1) *“Spheres of Natural Monopolies in the Member States”* and 2) *“Spheres of Natural Monopolies in the Member States”*.

According to the article 78, the member-states should seek to harmonize all spheres of natural monopolies, presented in the annex 1 and 2 of the Protocol 20, through their reduction and identification for a transitional period.

Figure 6: Annex 1 to Protocol 20: Spheres of Natural Monopolies in the Member-states

| Item. No. | The Republic of Belarus | The Republic of Kazakhstan | Russian Federation |
|-----------|---|--|--|
| 1 | Transportation of oil and petroleum products via main pipelines. | Services to transport oil and/or petroleum products via main pipelines. | Transportation of oil and petroleum products via main pipelines. |
| 2 | Transmission and distribution of electricity. | Services for the transmission and/or distribution of electricity. | Services for the transmission of electricity. |
| 3 | ----- | Services for technical dispatching of supply and consumption of electricity; services for balancing the output and consumption of electricity; Services to ensure availability of electric power for the load (January 1, 2016). | Services for operational dispatch management in the electric power industry. |
| 4 | Services provided by railway transport communications ensuring the traffic of public transport, management of railway traffic and rail transportations. | Services of main railway networks. | Railway transportations. |

Figure 7: Annex 2 to Protocol 20: Spheres of Natural Monopolies in the Member-States

| Item. No. | The Republic of Belarus | The Republic of Kazakhstan | Russian Federation |
|-----------|---|---|---|
| 1 | Transportation of gas via main and spur pipelines. | Storage services, transportation of marketable gas via connecting and main pipelines and/or gas distribution systems, operation of group tank units, as well as transportation of raw gas via connecting pipelines. | Gas transportation via pipelines. |
| 2 | Services of transport terminals, airports; Air navigation services. | Services of air navigation; Services of ports and airports. | Services at transport terminals, ports and airports. |
| 3 | Public telecommunications and public postal services. | Telecommunications services, in the absence of a competitive service provider due to the technological impossibility or economic infeasibility of the provision of these types of services, except for universal telecommunications services; services for property lease (rent) or charter of cable ducts and other fixed assets technologically related to connection of telecommunication networks to the public telecommunications network; public postal services. | Public telecommunications services and public postal services. |
| 4 | Transmission and distribution of thermal energy. | Services for the production, transmission, distribution and/or supply of thermal energy. | Services for the transmission of thermal energy. |
| 5 | Centralized water supply and disposal. | Water supply and/or disposal services. | Water supply and disposal using centralized systems and utility infrastructure systems. |
| 6 | ----- | ----- | Services for the use of the inland waterway infrastructure. |
| 7 | ----- | Railway services using railway transport under concession contracts. | ----- |
| 8 | ----- | Approach route services. | ----- |
| 9 | ----- | ----- | Icebreaker support of vessels in the waters of the Northeast Passage. |

The seventh comma of the article 78 delineates that the natural monopolies listed in the annexes 1 and 2, may be expanded: a) in accordance with the legislation of the member-states, if a

participant of the Union intends to include in the sphere of natural monopolies a sector rated as a natural monopoly in another member; b) or by a decision of the Commission if the monopoly is not indicated in the list of the two annexes.

The section about the natural monopolies of the Treaty however, as defined by the same article 78, should be not applied in the bilateral international treaties between the member-states. Through this passage, the Legislator underlines from a hand the volition to regulate the monopolies within the Union properly; but from another hand the volition to not create conflict with this discipline for the international bilateral accords of the member-states, aimed to not prejudice their trade.

Overall, the discipline of the natural monopolies is formalized in the annex 20, which has the aim to create a legal framework for the application of common principles and general rules for the regulation of activities of natural monopoly entities of the member-states in the spheres specified in Annex 1³⁴⁴.

In regulation and control over activities of natural monopoly entities, the member-states should be guided by principles as: maintenance of a balance of interests of consumers and natural monopoly entities ensuring availability of services and their appropriate quality for consumers; improvement of the efficiency of the sector and consequently reduction of the number of natural monopolies to develop competition; use of flexible tariff regulation of natural monopoly entities taking into account indicators as industry specifics, scope of their activities, market conditions, medium-term (long-term) macroeconomic and industry forecasts; introduction of regulation when an analysis of the respective domestic market detects that the market is in a state of natural monopoly; application of regulation of activities of natural monopoly entities, ensuring independence of decisions, continuity, openness, objectivity and transparency; protection of interests of consumers, including with respect to various violations of natural monopoly entities associated with the use of tariffs for regulated services³⁴⁵.

The procedure of the Treaty must be completed through the legislation of the member-states, that, other to set common tariffs, must determinate the rules of regulation, ensuring access to services of natural monopoly entities. The rules of ensuring consumer access to services of natural monopoly entities should include: the essential terms of contracts and procedure for their conclusion and execution; the procedure for determining the availability of technical capabilities;

³⁴⁴ Annex 20 to the Treaty on the Eurasian Economic Union. P. 1

³⁴⁵ Ibid. 3-4

the procedure for submitting information on services provided by natural monopoly entities, their cost, access terms, potential sales volumes, technical and technological capabilities of providing such services; the conditions for obtaining public information, in order to allow to the interested person to compare the terms of access; and the procedure for handling complaints and claims³⁴⁶. In connection with that, the authorities of the member-states are entitled to regulate and control activities of natural monopoly entities. Here they must set, according to the internal legislation: 1) the tariff regulation of services rendered by entities of natural monopolies; 2) the regulation to access to the services; to protect interests of consumers; and 3) in general to control the activities of the entities through examinations of their work.

For the natural monopolies, the Commission has the tasks, other to adopt a decision on expansion of spheres of natural monopolies when a member intends to include in the sphere of natural monopolies, to: a) analyze and suggest methods to coordinate the development and implementation of decisions of national authorities relating to the spheres of natural monopolies; b) promote harmonization for the regulation measures of natural monopolies; c) submit for consideration to the Supreme Council the results of ongoing work; and d) control the implementation of the entire discipline of the section XIX³⁴⁷.

20.1 *The natural monopolies, a reflection*

Analyzing the section of the natural monopolies, it can be argued that the regulation of the natural monopolies and an anti-trust policy can be a key to facilitate the access to the market of the national producers of the member-states, which will facilitate the competition within the Union consequently. However, there are sectors, as the production of public good as transmission of electric and thermal energy, railroad transportation, centralized water supply and sanitation, the maintenance of transport terminals, ports, communication facilities, where the existence of monopolies are supposed to guarantee a better organization in providing services with a containment of the costs for the state and its public spending.

According to the analysis of the Belarusian researcher Moskalevitsch, the natural monopolies of the members of the Economic Eurasian Union are respectively: 1) in Russia: RAO UES of Russia, Gazprom and the Ministry of Railways, Transgaz, Silvinit and Uralkali (which are the only potassium producers in Russia), etc. 2) In Belarus: Gomeltransneft Druzhba, Polotsktrans-Neft

³⁴⁶ Annex 20 to the Treaty on the Eurasian Economic Union P. 7

³⁴⁷ Ibid. Pp. 9-10

Druzhba, Gazprom transgaz Belarus, Beltelecom, Belposhta, Belaeronavigatsia, Minsk National Airport, Belorusskaya Zheleznaya Doroga and others (a total of 27 subjects). 3) In Kazakhstan: Kazakhstan Electricity Grid Operating Company KEGOC, KazTransOil, Intergas Central Asia, North-Western Pipeline Company Munai Tas, Kazaeron-Vigatsiya, Transtelecom, Mezhregionenergotransit and other. 4) In the Kyrgyz Republic: Alfa Telecom, Electric Stations, National Company Kyrgyz Temir Jolu, Kyrgyztelecom, Gazprom Neft Asia, etc³⁴⁸.

As is possible to evince from the list above, the sphere of natural monopolies of the EEU includes mostly energetic and communication sectors. In this system, the work of the Eurasian Economic Commission – which takes decisions regarding the expanding of the scope of natural monopolies – is addressed to the implementation of the subjects and activities of the natural monopolies and its consequent harmonization.

The aim of the EEU in its complex is to create a stable equilibrium between the members and their economic situation – although the actual economic situation of the participants of the Union nowadays rests considerably diversified. However, to regulate the economic systems, creating a situation of equilibrium, the countries of the Union are entitled to submit to the Commission proposals to the regulator of activities of subjects of natural monopolies on issues which may affect their activities and legal status.

In follow of that, the regulation of the natural monopolies must be conducted between the national law of the member-states and the provisions of the EEU's Treaty. According to their corresponding national law for natural monopolies, the member-states are not entitled to: 1) under the laws of the Russian Federation: to refuse to conclude an agreement with individual consumers for the production (sale) of goods in respect of which regulation is applied in accordance with this Federal Law, if the natural monopoly entity has the opportunity to produce (sell) such goods. 2) Under the legislation of the Republic of Belarus: to take actions that lead or may lead to the impossibility of rendering services related to the sphere of natural monopolies or to replace them with other services; to refuse to conclude an agreement with individual consumers for rendering services related to natural monopolies, provided they have the technical ability to provide such services; to charge for the services rendered a fee exceeding the amount established by the regulatory body for the activities of natural monopoly entities or by another state body authorized by the acts of the President of the Republic of Belarus; to impose conditions

³⁴⁸ Moskalevitsch Galina N. (2016): "*Estetvennaja monopolija v Evraziyskom Ekonomitscheskom Sojuze: ponjatie, sushchnost', vidy i sfery deljatel'nosti*". In Traektorija Nauki. Elektronnyi nauchnyi shurnal 2016 Nr. 4 (9). P. 11

on consumers for access to services related to the sphere of natural monopolies; and to commit other actions (inaction) leading to infringement of consumer rights and (or) contrary to the law. 3) Under the legislation of the Republic of Kazakhstan and the Kyrgyz Republic: to charge for regulated services (goods, works) a fee exceeding the amount established by the authorized body; to impose conditions for access to regulated services (goods, jobs) of natural monopoly entities or perform other actions leading to consumer discrimination; to refuse to provide regulated services (goods, works) to bona fide consumers due to non-payment by dishonest consumers of used volume of regulated services (goods, works); to include in the tariffs (prices, fee rates) or their limit levels for regulated services (goods, works) costs not related to their provision; to allow non-targeted use of funds provided for in investment programs (projects) approved in accordance with the established procedure; to demand payment for the supplied regulated services (goods, works) that do not meet the quality requirements of the regulated services (goods, works) established by the state bodies within their competence; to subsidize the production and supply of goods (works, services) carried out on a competitive basis, at the expense of revenues derived from activities related to public regulation; to export of goods (works, services) with insufficient satisfaction of demand in the domestic market; and to alienate property intended for the production and sale of regulated goods (works, services), except for cases of transfer of property to state ownership³⁴⁹.

In general is possible to consider that the maintenance of natural monopolies may have advantages as the reduction of costs for production of a unit of production; the adoption of the best techniques of scientific and technological progress or the use of intra-company hierarchy and a system of contractual relationships that allow to reduce losses associated with risk and uncertainty. But on the contrary monopolies can have even the negative significance to set higher prices for tariffs and goods, to give excessive power to determined companies and to eliminate the concurrence mostly.

Thus, the states, as expressed objective of the EEU, should preserve competition in the sphere of natural monopolies, for example, by nationalizing the road and budget financing of its operation costs or through the setting of the price for transportation of oil through the pipeline.

In connection with this theme, the representatives of the authorized authorities of the countries of the Union, during a table of discussion of the Eurasian Commission in December 2016, exchanged views about the legislative regulation and introduction of energy-efficient technologies

³⁴⁹ Moskalevitsch Galina N. (2016): "*Estetvennaja monopolija v Evraziyskom Ekonomitscheskom Sojuze: ponjatie, sushchnost', vidy i sfery deljatel'nosti*". In Traektorija Nauki. Elektronnyi nauchnyi shurnal 2016 Nr. 4 (9). Pp. 12-14

by natural monopoly entities of the member-states. The participants of the meeting reviewed issues related to the harmonization of the laws and practices of regulation in the field of natural monopolies in the territory of the EEU; and discussed the abilities to study integrated approaches, perspectives and prospects, competitiveness and sustainable development factors in this area³⁵⁰. Moreover, the consolidation of a roadmap for the regulation of the natural monopolies tends to allow the member-states to have a better harmonization of their rules in order to create an equal legal framework for the key sector of the EEU as the energetic and infrastructural one that can move the development of the Union further even in the global economic space.

21 Energy Industry of the Union

The member-states, as provided in the article 79 of the Treaty, should coordinate their energy policy and gradually form common energy markets within the EEU. The aim of the Legislator in this point is the volition to utilize the different energy resources of the member-countries accurately – oil, gas, electrical and petroleum products – in order to develop a coherent energy market, which could expand its investments worldwide, bringing benefits to the entire Eurasian economy. According to the article 79, the creation of common efficient energy markets within the EEU must be based on the follow principles: *“1) to ensure market pricing for energy resources; 2) to guarantee development of competition in the common markets of energy resources; 3) to avoid the application of technical, administrative and other barriers to trade in energy resources, equipment, technology and related services; 4) to develop transport infrastructures for the energy markets; 5) to create non-discriminatory conditions for economic entities of the member-states in the common markets of energy resources; 6) to develop favorable conditions for attracting investments in energetic sectors; and 7) to harmonize the national rules and regulation in the energetic sphere of all the participants^{351”}.*

The importance of the last point about the harmonization is underlined in the second comma of article 79, which indicates as the member-states should regulate through their regulation all the relations of economic entities that operate in the energetic sphere and that are not contemplated in the Treaty. In regard of that, the priority of harmonization of all the national legislations of the participants assumes a priority, also because the energetic market of the Union represents the

³⁵⁰ Eurasian Economic Commission (2016): *“The EEC discusses energy efficiency issues in natural monopolies”*. 20.12.2016. http://www.eurasiancommission.org/en/nae/news/Pages/20-12-2016-1_en.aspx (last view: 04.04.2017)

³⁵¹ Treaty on the Eurasian Economic Union. P. 86

economic core of the EEU and its success is essential for the impact of the Eurasian trade in the global scenario.

Specifically, regarding the sectors of gas, oil and petroleum products, in the article 80 of the Treaty is stressed as the participants of the Union should utilize in the best way their aggregate energy potential and optimize the interstate energy suppliers. To achieve this aim, the authorities of the member-states should develop: 1) an indicative (projected) gas balance of the Union; 2) an indicative (projected) oil balance of the Union; and 3) an indicative (projected) balances of petroleum products of the Union³⁵².

In the development of the balances above mentioned, the member-states should cooperate with the Commission, following the methodology of calculation, according to the paragraph 1 of the article 104 of the Treaty: *“In order to ensure the development of indicative (projected) balances of gas, oil and petroleum products of the Union, contributing to the efficient use of the aggregate energy potential and optimization of interstate supplies of energy resources, authorized authorities of the Member States shall draft and approve the methodology for preparing indicative (projected) balances of gas, oil and petroleum products before July 1, 2015³⁵³”*.

The volition to coordinate all the energetic markets of the members is successively underlined in the article 81 of the Treaty, where is defined that the participants should establish a common electric power market of the Union gradually, taking in account the provisions of article 104 in its second paragraph: *“In order to create the common electric power market of the Union, the Supreme Council should approve its concept prior to July 1, 2015, and the program for its creation before July 1, 2016, providing a time frame for the implementation of the program until July 1, 2018³⁵⁴”*; and 3: *“upon completion of the program for the creation of the common electric power market of the Union, the Member States shall conclude an international agreement within the Union on the establishment of the common electric power market of the Union, including the common rules of access to the services of natural monopoly entity in the electrical power sector, and shall ensure its entry into force no later than on July 1, 2019³⁵⁵”*.

³⁵² Treaty on the Eurasian Economic Union. P. 87

³⁵³ The meeting was held on 12, February 2015 chaired by Deputy Director of the Eurasian Economic Commission Sergey Kolobanov. The stipulated draft Agreement was submitted for the consideration of the Consulting Committee on Oil and Gas by the Board of the Commission on February 25, 2015, which gave time to the authorities of the member states to adopt it until 1, July 2015.

³⁵⁴ On 30, November 2016 at a session of the EEC Council in Moscow, the Council adopted the draft decision of the Supreme Eurasian Economic Council *“On the Program for the formation of the common electricity market of the Eurasian Economic Union”*.

³⁵⁵ Cit. loc. Treaty on the Eurasian Economic Union. P. 126

The plan of development of a common electric market must be programmed by the authorities of the member-states and approved by the Supreme Council. Consequently, in order to guarantee objectivity of the discipline, as explained in the comma 3 of article 81 and paragraph 3 of article 104, the members should conclude an international treaty within the Union for the establishment of the common power market that includes the provisions decided between the member-states and approved by the Supreme Council.

Furthermore, the article 82 defines as the member-states, in the development of power market, should ensure free access to the services of natural monopoly entities in the electric power sphere, in order to regulate primarily the electric market for the domestic needs of the members of the Union, based on the principles of equality, in respect with the internal legislation of ever member, assuring proper technical condition of electric power facilities.

The article 82 and its rules and principles are completed by the annex 21 *“Protocol on Ensuring Access to Services of Natural Monopoly Entities in the Electric Power Sphere, including Fundamental Pricing and Tariff Policy.”*

In the Protocol is underlined as the member-states should cooperate and interact in the sphere of electric power following determinate principles: 1) to use technical and economic advantages of the member-states in the conduction of parallel activities; 2) to avoid to create damages in the parallel operations; to create gradually a common economic market of the Union, based on equality, mutual benefit and avoidance of economic damage to any member; 3) harmonization of technical standards and regulations, using mechanisms based on market relations and fair competition; and 4) to ensure easy access to services of natural monopoly entities in the electric power sphere³⁵⁶.

In order to guarantee unhindered interstate transmission of electricity (power) via electric power systems of the member-states, authorized authorities of the members should apply the common Methodology, contained in the annex to the Protocol 21, *“Methodology for Interstate Transmission of Electricity (Power) between the Member States”*.

For the determination of tariffs and prices for services of natural monopoly entities in the electric power sphere, the comma 9 of annex 21 explains as their conduction should be in compliance with the legislation of the members of the Union. These, however, should not exceed similar domestic tariffs for subjects of their domestic electricity markets. By this statement the Legislator wants to

³⁵⁶ Annex 21 to the Treaty on the Eurasian Economic Union. Pp. 3-4

create an equal system for the power market of the Union, where the member-states may apply same tariffs in their national territories, based on same tariffs and rules.

Continuing in the analysis, the Treaty of the EEU provides, next to the realization of a common electric market, the establishment of a common gas market, as précised in the article 83. The development of the program for the realization of the gas market of the Union should be done by the member-states and successively approved by the Supreme Council. After that, as for the power market, the member-countries should conclude an international treaty within the Union on the establishment of the common gas market based on the provisions of the approved concept and program of the Supreme Council, with the purpose to assure its efficacy.

The comma 4 of the article 83 provides as the member-states, taking in account their technical capabilities, should unhindered access for economic entities of the other members to gas transportation systems located on the territories of the participants to enable gas transportation on the basis of common principles, conditions and rules³⁵⁷.

The fourth comma of the article 104 provides, as for the electric market, even for the gas sector, the creation of a common gas market of the Union, whose program for its creation must be approved before January 2018 and implemented until January 2024. Also, in the fifth comma of the article 104 is established that the member-states, in order to create a gas market, should conclude an international treaty within the Union, ensuring its entry into force no later than on January 1, 2025.

This discipline of the article 83 is completed by the annex 22, *“Protocol on the Rules of Access to Services of Natural Monopoly Entities in the Sphere of Gas Transportations Using Gas Transportation Systems, including Fundamental Pricing and Tariff Policy”*.

The annex 22 has the target to establish the framework of cooperation in the gas sphere, setting the principles of collaboration and the fundamental provisions of pricing and tariff policies, for meeting the demands of the member-states.

The principles that must be followed by the participants of the Union, in order to create a common gas market and a unified system of transportation, are indicated in the subparagraph 3 of the annex 22, namely: 1) the not application in mutual trade of import and export customs duties; 2) give priority in supply the domestic demands for gas of the member-states; 3) to set prices and tariffs for gas transportation services in accordance with the legislation of the member-states; 4)

³⁵⁷ Treaty on the Eurasian Economic Union. P. 89

to unify gas norms and standards of the member-states; 5) to ensure environmental safety; and 6) to exchange data based on the information including data on domestic gas consumption³⁵⁸.

The Protocol establishes even the possibility to access in the gas sphere by natural monopolies entities, only after the implementation of the member-states, coordinated by principles as: the establishment of an information exchange system based on the information including data on domestic gas consumption; unification of gas-related norms and standards; and maintaining market prices to ensure commercial profitability of gas sales on the territories of Union.

Another important point of the Protocol is the paragraph 6, where is précised as the member-states should achieve equal-netback pricing on the territories of all member-states, obtaining a same gas price in the entire Union.

Following, the member-states to achieve common rules in the gas market should develop long-term mutually beneficial cooperation in areas such: gas transportation; construction, reconstruction of gas pipelines and other gas-related infrastructure; provision of services required to meet domestic gas demands of the member-states.

Through these provisions, the Legislator fixed the aim to create a common and unified gas market for the Union, with the aim to develop an efficient system which can respond correctly to the personal demands of every member and that can equalize their tariffs in the gas regulation and transportation among the Union.

The article 84 of the Treaty provides that the member-states, developing a common program, which must be approved by the Supreme Council, should establish a common market of oil and petroleum products of the EEU.

This prevision is précised together with the article 104, which underlines, in its subparagraphs 6 and 7, that the program for the creation of a common market of oil and petroleum products within the Union must be approved before January 2018 and implemented until January 2024. For the aim to create a common market of oil and petroleum products, the member-states should conclude an international treaty within the Union, ensuring its entry into force no later than on January 1, 2025.

The procedure of the entire discipline is completed through the annex 23: *“Protocol on Organization, Management, Functioning and Development of the Common Markets of Oil and Petroleum Products”*.

³⁵⁸ Annex 22 to the Treaty on the Eurasian Economic Union. P. 3

This Protocol – developed taking in account the measures for the establishment of a common energy market of the Eurasian Economic Community of December 12, 2008 – determines the framework for cooperation in the oil sphere, the principles of establishing of the common market of oil and petroleum products of the Union, as well as the principles of access to services of natural monopoly entities in the sphere of transportation of oil and petroleum products.

Fundamentally in the annex 23 is explained, as for the previous Protocols for the power and gas markets, that the member-states should not apply export custom duties in the mutual trade of oil products.

In order to create a common oil market of the Union, the member-states should be guided by precise measures: 1) creation of an information exchange system based on customs information, including information on the supply, export and import of oil and petroleum products by all modes of transport; 2) establishment of control mechanisms to prevent violation; 3) unification of norms and standards of the member-states regarding oil and petroleum products³⁵⁹.

Moreover, to implement in the best way the mechanism of the oil market, the authorities of the member-states should develop methodologies and determinate rules in the framework of the respective international treaties.

The tariffs for services and for transportation of oil and petroleum products should be set from the member-states. For that, the paragraph 9 explains as the internal markets of oil and petroleum products of the member-states should be regulated by the national authorities of the member-states. They should take in act measures to liberalize their markets for oil and petroleum products in accordance with the legislation of each member.³⁶⁰

Concluding the discipline of the Treaty of the Economic Eurasian Union regarding the energy sphere of the Union, must be mentioned the article 85 which delineates the tasks of the Commission in this sphere. Precisely the Commission should monitor all the implementations of this section, guaranteeing control and assuring efficiency of all the measures adopted for the right working of the energy industry of the EEU.

³⁵⁹ Cf. Annex 23 to the Treaty on the Eurasian Economic Union. P. 3

³⁶⁰ Ibid. P. 5

21.1 Considerations about the common energy market of the EEU

Before to continue with the analysis of the Treaty, is important to examine the energetic market of the Union, underlining the most important passages and objectives that have been planned and want to be reached by the participants of the EEU.

Citing the analysts Pastukhova and Westphal, *"A common energy market in the EEU would have a significant influence not only on its own member-states, but also on the European Union, on the Energy Community (which exports the energy-related Acquis Communautaire to the EU neighborhood and to which the Balkan states, Moldova and Ukraine also belong), and on the common neighborhood in the Black Sea and Caspian regions. The market would also reverberate on China's Silk Road initiative³⁶¹".*

From this reasoning is clear as the establishment of a common market of the EEU in the energetic sphere is essential for the development of the Union and its members in the global economic area, especially in the relationship with the European Union and for its effects on the Silk Road project.

Regarding the common electricity market, whose concept was approved on 8 May 2015 by the Supreme Eurasian Economic Council, will be realized in 2019. According to the analysis of Pastukhova and Westphal, the only new elements in the concept for the electricity sector are the introduction of a trading platform at the international level and the commitment to grant all EEU's states nondiscriminatory access to national transmission grids³⁶². The tariffs for EEU-wide long-distance transmission, as underlined in the article 82 Treaty of the EEU and corresponding annex 21, will be fixed in order to not exceed the national level.

On 12 February 2016, during the session of the Council of the Eurasian Economic Commission in Moscow, the Council approved the concept for the development of the common gas market of the Eurasian Economic Union. The importance of the approval of this concept was remarked by the Minister of Energy and Infrastructure of the EEC Danil Ibrayev: *"This Concept has become an important decision, as, for the first time, we will facilitate an entry into the competitive market and market trading principles in a specific commodity such as natural gas. This is especially important given that key players and regulators of the gas market have agreed the provisions of the Concept, which confirms the correctness of the course of actions at the supra-national level. The common gas market is intended to ensure free movement of gas within the territory of the Union, access to*

³⁶¹ Pastukhova M. and Westphal K. (2016): *"A Common Energy Market in the Eurasian Economic Union. Implications for the European Union and Energy Relations with Russia"*. Stiftung Wissenschaft und Politik German Institute for International and Security Affairs. February 2016. P. 2

³⁶² Ibid. P. 2

*gas transmission infrastructure, stabilization of gas prices, uninterrupted gas supply for the economies and population, and enhancing the level of gas supply for the population in our countries. This should directly contribute to the processes of industrialization and improvement of the positions of industrial gas consumers which is very important for the growth of the real sector*³⁶³.

With the approval of the document, successively was elaborated by the Supreme Council a program for development of the common gas market, which includes provisions as: development of full-scale stock exchange markets and rules of mutual trade, including common rules for access to gas pipeline systems; and establishment of an information exchange system. All these features, in order to give efficiency to the realization of the common gas market, must be implemented by January 2024.

On 6 June 2016, the session of the Advisory Committee for Oil and Gas of the Eurasian Economic Commission approved the structure of the Common Gas Market Program of the Eurasian Economic Union. As underlined by the Eurasian Economic Commission, the implementation of this structure will help to remove cross-border barriers, to ensure a phased transition to common market mechanisms for gas pricing, creation of favorable conditions for fair competition among participants of the common gas market of the Union³⁶⁴.

In a general consideration of the gas and oil markets, these sectors, based on the agreements of the Customs Union of year 2010, will be successively implemented in 2024 and 2025 respectively, recovering the infrastructure of Soviet period, through the dismantling of their infrastructure, commercial and regulatory barriers. The elimination of the barriers, as précised in the Treaty, wants to allow the harmonization of the legislations of the participants in order to guarantee a barrier-free access to transport infrastructure. The advantage of this system – that represents the purpose of the EEU regarding the energetic sector – is the possibility to modernize the energetic sphere of the member-states, favoring in the same time the liberalization of the sector and the competition within.

Taking into account the oil market, the most sensitive question regard the setting of price for crude oil and oil products. A common market price should be applied to oil, while the tariffs for pipeline transport will be nationally regulated.

³⁶³ Eurasian Economic Commission (2016): *“EEC Council approved Concept of common gas market development in EAEU”*. <http://www.eurasiancommission.org/en/nae/news/Pages/12-02-2016-2.aspx> (last view: 07.03.2017)

³⁶⁴ Eurasian Economic Commission (2016): *“The structure of the Common Gas Market Program approved at the session of the Advisory Committee for Oil and Gas”*. <http://www.eurasiancommission.org/en/nae/news/Pages/07-06-2016-6.aspx> (last view: 07.03.2017)

However, the energetic market shows as the members of the Union still have controversial positions and interests.

In fact, in the oil sector, Russia and Kazakhstan are interested above all in modernizing their refineries and petrochemical industries, in order to boost value added. In 2015 Moscow initiated a reform tax of the oil sector, which is shifting the financial burden from export tax to extraction tax. But, this mechanism is meeting troubles because of the devaluation of ruble and due of the EU' sanctions for the Ukraine case. Thus, in order to generate hard currency, Russia is exporting crude oil at high level as in the period after the Soviet Union. This system is however generating problems to the Belarusian interests, which is heavily dependent on refining and exporting Russian crude. Here we can see the two discordant interests of the counterparts in the EEU: from a side Minsk needs access to cheap oil, to preserve its strong refinery sector and processing industry; while, from the other side, Moscow wants a pricing mechanism that takes into account the specifics of the national markets. In this context, Belarus argues for a uniform oil price no higher than that determined by the international agencies, minus the transport and transit costs and customs duties³⁶⁵ incurred in export to third countries. In consideration of these arguments, the Belarusian authorities hope that the common market will provide access to cheap and reliable supplies of natural gas from Russia.

The energetic market represents a decisive point of interest of the EEU that better can explain for example the position of Minsk to be part of this association and of its mechanisms. Indeed, in the EEU scenario, the trade between Belarus and Russia is unique, because the export volume between these two countries for energetic market is the highest in the EEU. Specifically, according to Pastukhova and Westphal, in 2014 it amounted to 23.3 million tons of crude and 20.3 billion cubic meters of natural gas (representing 10.4% and 9.5% of Russian entire oil and gas exports). Moreover 90% of the electricity supply for Belarusian industry is generated from Russian gas; while Belarusian refineries process almost exclusively Russian crude with the products largely also re-exported to Russia³⁶⁶.

Basing on these data, it is easy to understand as the regulation of the energetic market must be a priority in the system of the Eurasian Union (decisive key for the economic development of Belarus), in order to asset the entire mechanism correctly, reflecting and taking into account the

³⁶⁵ Cf. Pastukhova M. and Westphal K. (2016): "*A Common Energy Market in the Eurasian Economic Union. Implications for the European Union and Energy Relations with Russia*". Stiftung Wissenschaft und Politik German Institute for International and Security Affairs. February 2016. P. 4

³⁶⁶ Cf. Ibid. P. 4

interests of all participants, assuring first of all equality in their trade and expansion of the intra-trade within the Union.

22 Transport Policy within the EEU

The section XXI of the Treaty deals with transport policy of the Union. Precisely the article 86 provides as the Union should conduct coordinated transport policy with the aim to ensure and facilitate the economic integration based on the principle of competition, transparency, security, reliability, availability and sustainability.

Through the transport policy, the Legislator prefixed the aim to develop a consolidated system of exchange within the Union. In accordance with this reasoning, the transport policy is consequently connected from an hand to the volition to guarantee easily movement of goods and services in the territory of the Union, and from the other hand to allow the member-states to export without obstacles in the territory of the EEU and worldwide goods and service, being efficiently integrated with the global transport system.

According to this purpose, the article 86 in its second comma, proposes the objectives of the coordinated agreed policy in the sphere of transport between the participants of the EEU: 1) establishment of a common market of services transportation; 2) adoption of common measures to ensure general benefits for the members of the Union in the transportation sphere; 3) integration of the transport system of the Union into the global one; 4) efficient use of the transit potential of the member-states; 5) improving the quality of transport; 6) ensuring safety in the transportation; 7) reduction of harmful effects generated by transport on the environment and human health; and 8) creation of favorable investment climate.

The priorities of the coordinated transport policy, as underlined in the Treaty, should be: the realization of a common transport space, in order to process goods and services rapidly and through common regulation; establishment and development of Eurasian corridors to allow a better and coordinated import and export policy with the partners of the member-states; implementation of the transit channel of the Union to process every service properly; development of a coordinated transport infrastructure; establishment of common logistic center in the territory of the Union to optimize the transportation process; involvement, development and equal use of the workforce of the member-states; and development and use of new technologies for the transport³⁶⁷.

³⁶⁷ Treaty on the Eurasian Economic Union. P. 92

The transport policy should be developed together by the member-states, whose implementation must be determined by the Supreme Council. A further control of that is entrusted to the Commission, which exercises a monitor task to the effective realization of the designed executions.

Further in the analysis, the article 87 provides the area of application of the transport policy, namely to road, air, water and rail transport. In order to establish a precise policy in this sphere, the member-states should grant a gradual liberalization of transport services, assuring and respecting safety requirements in respect of the conditions of the international treaties. This legislation is completed with the annex 24: "*Protocol on Coordinated (Agreed) Transport Policy*".

In the Protocol are diversified and explained the different areas of transport, where must be implemented a coordinated policy. Regarding the road transport, the member-states had to develop until the term of July 2015 a program of gradual liberalization of carriage of goods by road between locations on the territory of another member³⁶⁸. In order to favorite a coordinated policy, the member-states have to introduce precise measures in order to eliminate barriers that could damage the system transportation of the Union.

For the air transport, the member-states should develop an agreed policy which establishes a common system of air transport. Here, the members must apply standards and recommended practices of the International Civil Aviation Organization (ICAO). The realization of the common market of air transport services should be based on the following principles: 1) ensuring compliance with international treaties and acts constituting the law of the Union, regulations and principles of the international law in the field of civil aviation; 2) harmonization of the legislation of the member-states in accordance with the principles of international law in the field of civil aviation; 3) ensuring fair and honest competition; 4) facilitating fleet renewal, modernization and development of the ground infrastructure; 5) ensuring flight safety and aviation security; 6) ensuring non-discriminatory access of aviation companies of the members to the aviation infrastructure; 7) expansion of air services between the participants of the Union³⁶⁹.

However, in the Protocol is even specified that every country has its own sovereignty over the airspace above its territory, which must be recognized by all the other members.

³⁶⁸ On May 8, 2015 the Heads of the members of the Union approved the Program of Gradual Liberalization of Cargo Transportation carried out by Carriers registered on the Territory of one of the EEU member state between points located on the territory of another member for the period from 2016 to 2025.

³⁶⁹ Cf. Annex 24 to the Treaty on the Eurasian Economic Union. Pp. 3-4

For water transportation the members should develop a coordinated policy, in order to: harmonize the water transport legislation of the member-states; draft proposals on water transport liberalization and establishment of common water transport market; and to ensure a free passage of the ships of the member-countries in the territory of every other participant of the Union.

Regarding the rail transportation, the member-states should follow the principles as: 1) gradual establishment of a common market of transport services in the sphere of rail transport; 2) ensuring access of consumers of the member-states to rail transport services in transportations on the territory of each member on the terms no less favorable than the terms established for consumers of that member-state; 3) maintaining a balance between the economic interests of consumers of rail services and the economic interests of rail transport organizations of the member-states; 4) enabling access of rail transport organizations of one member state to the domestic market of rail transport services of another member; 5) enabling access of carriers to infrastructure services of the member-states³⁷⁰.

The procedure provided in the annex 24 is completed in its corresponding annexes: Annex 1 to the Protocol on Coordinated (Agreed) Transport Policy Procedure for Transport (Road) Control at External Border of the Eurasian Economic Union; Annex 2 to the Protocol on Coordinated (Agreed) Transport Policy Procedure for Regulating Access to Rail Transport Services, including Tariff Policy Framework; Annex 1 to the Procedure for Regulating Access to Rail Transport Services, including Tariff Policy Framework Rules for Access to Rail Transport Infrastructure within the Eurasian Economic Union; Annex to the Access Rules to the Rail Transport Infrastructure within the Eurasian Economic Union. Application for Access to Rail Transport Infrastructure within the Eurasian Economic Union; Annex 2 to the Procedure for Regulating Access to Rail Transport Services, including Tariff Policy Framework Rules for the Provision of Rail Infrastructure Services within the Eurasian Economic Union; and Annex to the Rules for the Provision of Rail Infrastructure Services within the Eurasian Economic Union List of Rail Infrastructure Services³⁷¹.

22.1 Advantages of the common transport system

Through the section XXI is possible to evince that the aim of the participants of the Eurasian Economic Union is to establish a common transport policy in order to develop a functional

³⁷⁰ Annex 24 to the Treaty on the Eurasian Economic Union. P. 5

³⁷¹ The annexes to the protocol 24 of the Treaty will not be object of exam in this study.

transport area, as instrument intended to improve the mutual trade of the participants. For that assumes priority the gradual liberalization of transport services between the member-states, as stressed by President Lukashenka, for the development of the member-countries: *“Our mutual aim is gradual elimination of restrictions and exceptions followed by establishment of single markets in all possible sectors, including transport. We consider that introduction of a common market for transport service is one of the most important prerequisites for our countries’ goods to be competitive on the internal and external markets³⁷²”*. This reasoning can be explained considering the potentiality of the Union in term of transport, which is really significant: on a territory of more than 20 million square km with a population of over 182 million there are: 1.6 million km of road; 108 thousand km of railways (46% electrified); 107.5 thousand km of inland waterways in use; 793.5 thousand km of air routes³⁷³.

The potential of the common transport of the Union is fundamental even in the relationship of the Union for its investments with the global partners. In this scenario, the development and consolidation of an Eurasian agreed transport policy and the building of the transport channel of the EEU in the establishment of the *“Western Europe – Western China”* international road corridor, would create 1) a land link connecting Europe and Asia, especially with the Silk Road project, as supported by Kyrgyz President Atambayev, and 2) to provide full range of competitive transport and logistics services. A further confirmation of that is possible to find in the words of President Nazarbayev: *“We recognize the importance of the implementation of objectives set by Heads of States concerning the joint partnership between the Eurasian Economic Union and the «Silk Road Economic Belt» project in the field transport and infrastructure. The Eurasian Transcontinental Corridor, a new high-speed multimodal transport route, is to become a key element of the revived Silk Road³⁷⁴”*.

Generally, we can assert as the purpose of this project is to create a stable and safe transport system, which can diminish the costs and assure rapidity in the movement of the goods of the EEU in its intra and extra trade.

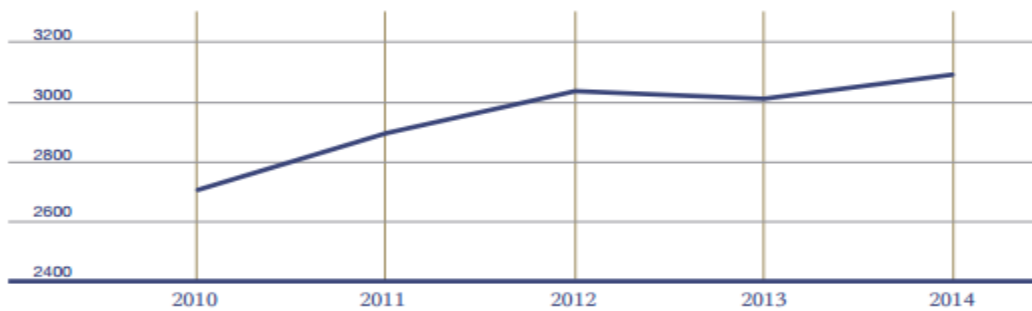
Economically, the share of transport in gross value added in the EEU is about 8% and gross fixed capital formation – more than 1/5.

³⁷² Library of the Eurasian Economic Commission (2015): *“Transport Potential of the Eurasian Economic Union”*. P. 2 http://www.eurasiancommission.org/ru/Documents/transport_eng.pdf (last view: 12.03.2017)

³⁷³ Ibid. P. 4

³⁷⁴ Ibid. P5

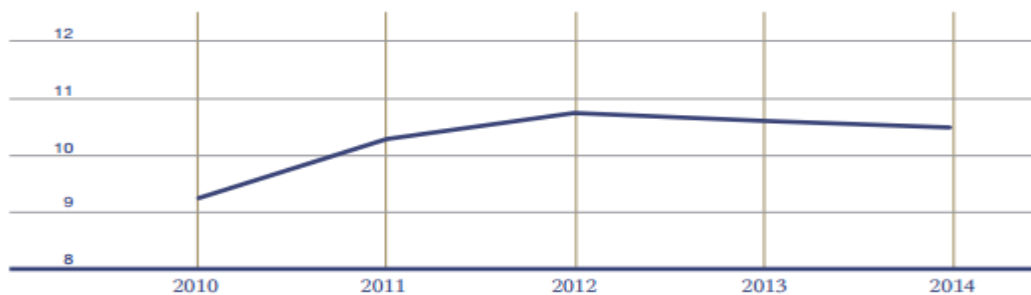
Figure 8: Cargo turnover (excluding pipelines) in the EEU, in bln tkm



Source: Library of the Eurasian Economic Commission (2015): “*Transport Potential of the Eurasian Economic Union*”. P. 8 http://www.eurasiancommission.org/ru/Documents/transport_eng.pdf (last view: 12.03.2017)

According to the official data of the Economic Eurasian Union, from 2010 to 2014 the cargo turnover for all types of transport (excluding pipelines) increased by 13% to 3 107 billion tons kilometers. While in the period from January to September 2015 turnover of all modes of transport (excluding pipelines) decreased by 2.3% and amounted to 2 295 billion tons kilometers.

Figure 9: Cargo transportation (excluding pipelines) in the EEU, in billion tons



Source: Library of the Eurasian Economic Commission (2015): “*Transport Potential of the Eurasian Economic Union*”. P. 9 http://www.eurasiancommission.org/ru/Documents/transport_eng.pdf (last view: 12.03.2017)

The graphic above shows as in the EEU from 2010 to 2014 the volume of cargo transportation by all types of transport (excluding pipelines) increased by 15% to 10.7 billion tons. While, from January to September 2015 comparing to the same period 2014, the volume of cargo transportation by all types of transport (excluding pipelines) decreased by 4.4% to 7.4 billion tons. These data bring us to the result that, in consideration of the cargo market, after 2015, the transport market did not get a very increase, rather knew a slight decrease. In follow of that, the institution of a common transport market, as stressed by Lukashenka and from the other Heads of States of the EEU, is a priority in the working process of the Union in order to create a common

system of transport and modernize the channels of interaction between the members for their mutual trade and for their foreigner trade. For that, as provided in the annex 24 of the Treaty, on May 8, 2015 the Presidents of the member-countries approved the program of gradual liberalization of cargo transportation between points located on the territory of the EEU for the Period from 2016 to 2025. The aim of the Program is to facilitate the access for the EEU road freight transport to the Common Transport Market, regardless of nationality or the state of registration, through an establishment of a roadmap for the member-states, in order to share transport consumer costs, cut down the number and distance of empty runs and promote fair competition.

Following, on March 31, 2016 in Bishkek the Consultative Committee on Transport and Infrastructure considered the preparation of the policy document of the EEU "*Main Directions and Stages of the Coordinated (Agreed) Transport Policy of the EAEU Member States*". During the session, the participants agreed on the fundamental areas of integration by means of transport, discussed the issues related to the introduction of instruments and mechanisms, as well as defined milestones for the practical implementation of the transport policy. As proposed by Minister of the EEC Danil Ibrayev, was decided to support the establishment of a Scientific Expert Council at the Consultative Committee on Transport and Infrastructure, which would ensure the effective work in the promotion of the integration processes on the basis of analytical research and current practice³⁷⁵. Through the formation of this Committee, the member-states want to reach and create a system that can be stable and competitive in the world scenario. The investments in term of imports and exports are the core of the economy of the EEU, which can allow the development of the internal economies. Moreover a direct expansion of the Union worldwide, thus through the achievement of new economic and strategic partner, is dictated by economic factors, where the transport and the solidity of its system are prerogatives to the correct evolution and vision of the EEU in the world area.

Thus, the member-states should make efforts in order to establish and conduct a coordinated transport policy, which gradually should form a common transport area. The objectives that the common area wants to reach in the long term can be summarized in three macro-areas: economy, population and business. For the economic side, the purposes are: to ensure a long-term sustainable economic development; to increase transport services share in GDP; to ensure

³⁷⁵ Eurasian Economic Commission (2016): "*The EEC considered the Main Directions and Stages of the Coordinated (Agreed) Transport Policy of the EAEU Member States*". <http://www.eurasiancommission.org/en/nae/news/Pages/06-04-2016-2.aspx> (last view: 09.03.2017)

cargo flows growth in mutual and foreign trade by providing better transport services; to perform major transport infrastructure projects and to create new industries and jobs. For the population this system would: to improve mobility and transport accessibility; to improve reliability and quality of transport services; to reduce negative impact of transport on human health; and to ensure transport tariffs transparency. The effects that would be reached for the business are: to reduce transport costs; to create competitive environment on the common transport market; to ensure fair access to the transport market; to develop multimodal logistics centers; to develop multimodal transport; to harmonize transportation rules and conditions; and to introduce long-term tariffs policy to transport services³⁷⁶.

However, the establishment of a common transport area for road, air, maritime and railway system should have first of all the priority to modernize the transport system of every member-states, in order to equalize all the infrastructures of the countries, creating a coordinated system of transport exchange within the Union and to regulate the monopolies in the transport system through the application of an uniform tariff methodology which will provide to eliminate barriers and to ensure equal rights of consumers in the common area.

23 State Municipal Procurement

The section XXII of the Treaty, precisely in the article 88, delineates the objective and principles regarding the sphere of state (municipal) procurement. As reported in the article 88, the regulation of the procurements must be conducted through the legislation of the member-states and their international treaties, in order to ensure the use of resources dedicated to the procurement in a right manner, providing in the same time to the participants of the Union a national treatment in this sphere. The aim of that is to assure disclosure and transparency of the procurement, ensuring unhindered access of potential suppliers and suppliers of the member-states to the participation in procurement procedures and availability of competent regulatory and supervisory authorities of the member-state in the sphere of procurement. Through this mechanism of interaction between the members of the Union, the Legislator wants to assure the development of an equal system of regulation which from a side determinates liability for violation of the procurement legislation; and from the other can promote the competition, as well as the fight against corruption and other abuses in the sphere of procurement.

³⁷⁶ Library of the Eurasian Economic Commission (2015): "*Transport Potential of the Eurasian Economic Union*". P. 25 http://www.eurasiancommission.org/ru/Documents/transport_eng.pdf (last view: 12.03.2017)

However, the article 88 explains as this procedure should not apply for the details of procurement which constitute secret of state and for those procedures carried out by national (central) banks of the member-states, assuring thus a special tutelage for these institutions. Regarding the national banks, the Treaty indicates that these institutions should carry out procurement procedures for administrative and economic purposes, as well as for construction and repairs, in accordance with their internal procurement rules, "*the procurement clause*". The procurement clause should not be contrary to the purposes and principles set out in the article 88. In particular, the regulations should ensure equal access for potential suppliers of the member-states³⁷⁷.

To guarantee more transparency in the Union is even provided in the Treaty as the procurement clause and all the procedure regarding the national banks should be posted by the member-states in the website of their respective national banks.

The procedure described in the article 88 is completed through the annex 25 "*Protocol on the Procedure for Regulating Procurement*", which determinates the procedure for procurement regulation.

In the second section of the Protocol is explained as the procurement in the member-states should be conducted using: an open tender; request for pricing; request for proposal; open electronic auction; exchange trading; and procurement from a single source or a single supplier.

The tender-based procurement; the procurement based on request for pricing; the procurement based on requests for proposals, the auction-based procurement should be conducted taking into account the requirements in the annex 1 "*Requirements to the Organization and Conduct of Tenders, Request for Pricing (Request for Quotations), Request for Proposals, Auctions and Procurement from a Single Source or a Single Supplier (Executor, Contractor)*"; the annex 2 "*List of Cases Requiring Procurement under the Request for Proposals Process*"; the annex 3 "*List of Cases Requiring Procurement from a Single Source or a Single Supplier (Executor, Contractor)*"; the annex 4 "*List of Goods, Works and Services Procured using the Auction Process*" to this Protocol.

Generally, for this discipline, the member-states are entitled to determine in its procurement legislation a wider range of goods, works and services to be procured through the auction procedure. Also, they have the right to specify in its legislation the commodity exchanges allowed for procurement purposes and may, according to the paragraph 11 of the annex 25, unilaterally determine in its procurement legislation any specific features of the regime related to the need to

³⁷⁷ Treaty on the Eurasian Economic Union. P. 94

maintain confidentiality of information on potential suppliers before the end of the procurement process³⁷⁸.

Furthermore, in order to tutelage the Union in its entire, the procurement legislation of a member-state should provide for the formation and maintenance of a registry of mala fide suppliers, containing information on: potential suppliers avoiding the conclusion of procurement agreements; suppliers non-performing or improperly fulfilling their obligations; suppliers non-performing or improperly fulfilling their obligations under procurement agreements (contracts); and suppliers with those the customers have unilaterally terminated the procurement agreements, because the supplier did not provide all the requested documentation and information. Moreover, as explained in paragraph 15 of annex 25, the member-states should limit the participation in procurement by determining, in accordance with their procurement legislation, any additional requirements to potential suppliers and suppliers in the procurement of certain types of goods, works and services³⁷⁹.

The subparagraph 29 of article 88 underlines that the member-states should ensure information openness and transparency of procurement, including: *“1) the creation of a web portal by each member state; 2) publications on the web portal of procurement-related information and the registry of mala fide suppliers; 3) publication on the web portal of regulatory legal acts of the member-state in the sphere of procurement; 4) identification of a limited number of electronic trading platforms and/or a web portal as a single point of access to information on procurement in electronic format; 5) organizing free of charge and unhindered access to procurement-related information, the registry of mala fide suppliers and regulatory legal acts of the member-state in the sphere of procurement published on its website, as well as ensuring the widest possible search possibilities for such information, registry and acts^{380”}.*

Every member-state should respect in this sphere the national legislation of every other participants of the Union and their suppliers for good and service. In exceptional cases and as determined in its procurement legislation, a member-country may unilaterally introduce exemptions from such national treatment for a period not exceeding 2 years. Here, the controlling authority should notify to the Commission and to each participant in writing form about adoption of such act, providing a rational explanation for its adoption. After the examination, the Commission may decide on the need to cancel the act establishing any exemptions adopted by the

³⁷⁸ Annex 25 to the Treaty on the Eurasian Economic Union. P. 5

³⁷⁹ Ibid. P. 7

³⁸⁰ Ibid. Pp. 11-12

member-state. If the Commission decides to cancel the above act, the member-state having adopted the act should ensure the introduction of respective changes into the act (its invalidation) within two months³⁸¹.

In the section IV of the annex 25 is stressed as each member-state is responsible to take measures to prevent, detect and stop violations of its procurement legislation, in order to protect the interest of national people and consumers. For this purpose, every member of the Union should ensure the availability of authorized regulatory and/or controlling authorities in the sphere of procurement. In this case, these functions may be performed by a single authority having the following powers: 1) control in the sphere of procurement (including through inspections); 2) examination of claims and applications against decisions and actions (omission) of customers; 3) prevention and detection of violations of the procurement legislation of the member-state; 4) establishing and maintaining the registry of mala fide suppliers³⁸².

The member-states should try to improve and harmonize their legislation about procurement. This objective should be reached through a public control and discussion of procurement; involvement of experts to organize better the common working and generally through a standardization of the national discipline.

24 Intellectual Property within the Union

The section XXIII disciplines the treatment of the intellectual property³⁸³ rights inside the EEU. Specifically, the article 89 provides that the member-states should follow a correct cooperation in the sphere of protection and enforcement of the intellectual property rights.

The participants of the Union, in order to offer guarantee for the respect of the intellectual rights, must harmonize their legislation and cooperate in areas as: 1) support for scientific and innovative development; 2) improvement of the mechanisms of use of intellectual property; 3) creation of a favorable common environment for copyright; 4) introduction of a registration system for trademarks and service marks of the Eurasian Economic Union; 5) protection of intellectual property rights even on internet; 6) ensuring effective customs protection of intellectual property rights, including even a common customs registry of intellectual property of the member-states;

³⁸¹ Annex 25 to the Treaty on the Eurasian Economic Union. P. 13

³⁸² Ibid. P. 15

³⁸³ The intellectual property, according to the Treaty and its annex 26, refer to works of science, literature and art, programs for electronic computers, phonograms, performances, trademarks and service marks, geographical indications, appellations of origin of goods, inventions, utility models, industrial designs, selection achievements, integrated circuit topologies, production secrets (know-how), as well as other intellectual property entitled to legal protection in accordance with international treaties.

and 7) implementation of coordinated measures to prevent and combat trafficking in counterfeit goods³⁸⁴.

To assure a complete control for the discipline of intellectual property, the article 89 provides also that the Commission should organize consultations between the participants of the Union, whose proposals will be examined and resolved for the correct working of the EEU.

Thus, the member-states should coordinate and harmonize their legislation regarding the intellectual property. It has the consecutive significance, as reported in the article 90, that every citizen of the Union must be protected and guaranteed for the rights concerning the intellectual property in all the countries of the Union equally. The only exceptions that may be provided from the national legislation of the member-states must be commiserated in respect of juridical and administrative proceedings. Moreover, as expressed in the second comma of article 90, the participants of the Union, in order to assure a stronger higher treatment of the intellectual rights, may provide in their legislation any rules ensuring a higher level of protection and enforcement of intellectual property rights.

The Legislator for the scope to give complete resonance to the discipline and to equalize the provisions of the Treaty to the international standards provides explicitly in the third comma, that the member-states should conduct their activities in the sphere of intellectual rights in accordance with the existing international treaties³⁸⁵.

All the relations subject of protection and special features of treatment connected with the intellectual rights are disciplined in the annex 26 "*Protocol on the Protection and Enforcement of Intellectual Property Rights*".

In the second section of the Protocol is explained the copyright and related rights, that should be applied to works of science, literature and art. Here the member-states should ensure compliance with the periods of protection of the exclusive rights to works of an author, the exclusive rights to works of joint authorship, and the exclusive rights to works published after the author's death. The

³⁸⁴ Treaty on the Eurasian Economic Union. P. 96

³⁸⁵ Berne Convention for the Protection of Literary and Artistic Works of September 9, 1886; Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure of April 28, 1977; World Intellectual Property Organization Copyright Treaty of December 20, 1996; World Intellectual Property Organization Performances and Phonograms Treaty of December 20, 1996; Patent Law Treaty of June 1, 2000; Patent Cooperation Treaty of June 19, 1970; Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms of October 29, 1971; Madrid Agreement Concerning the International Registration of Marks of April 14, 1891, and the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks of June 28, 1989; International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations of October 26, 1961; Paris Convention for the Protection of Industrial Property of March 20, 1883; Singapore Treaty on the Law of Trademarks of March 27, 2006

protection of the right of author provided by the Protocol regards as well the programs for electronic computers, composite works (encyclopedias), derivative works (e.g. translations, adaptations or arrangements of music), cinematographic works and rights of performing activities (artistic work of e.g. actors or musicians).

The third section of the annex 26 deals with trademarks, that should refer to a designation protected in accordance with the legislation of the member-state and its international treaties. The right holder of a trademark has the exclusive rights to use the trademark (valid after the registration for a period of 10 years) in accordance with the legislation of the member-country and to prevent other persons from using its trademark.

In order to define the goods of the EEU properly, is provided in the section 8 of the annex 26 the discipline regarding the appellation of origin of goods: *“A legally protected appellation of origin of goods shall refer to a designation representing or containing contemporary or historical, formal or informal, full or abbreviated name of a country, urban or rural settlement, locality or other geographical object as well as a designation representing a derivative thereof that has become known as a result of its use in relation to goods the special properties of which are exclusively or mainly determined by any natural conditions and/or human factors specific to such a geographical area³⁸⁶”*. Regarding this point, the member-states should set precise legal remedies to prevent the false designation and geographical area of the original production of a good; and to avoid an unfair competition for the goods of the Union.

Summarizing, the Protocol disciplines the patent rights (invention, utility model or industrial design), protected respectively: 20 years for inventions, 5 years for utility models and 5 years for industrial designs; and the production secrets (know-how), which refer to industrial, technical, economic information and data.

To complete the section XXIII of the Treaty of the EEU, must be mentioned the article 91, which provides that the member-states should take enforcement measures to ensure effective protection of intellectual property rights in accordance with the customs code of the EEU, and with international treaties and acts constituting the law of the Union and governing customs legal relations. Moreover, the authorities of the associates of the EEU should collaborate together in order to coordinate precisely their actions of prevention and detection of possible violations in the field of intellectual property.

³⁸⁶ Annex 26 to the Treaty on the Eurasian Economic Union. P. 8

25 Industrial policy of the EEU

The section XXIV delineates the manufacturing industry of the Union. In the article 92 is précised as the member-states, regarding the industrial cooperation, should independently develop and implement a national industry policy by the adoption of common industrial measures that successively should determinate precise ways and forms of the subsidies that are not in contradiction with the disposition of the article 93 of the Treaty³⁸⁷.

Developing the industrial policies, the member-states should shape it through the implementation of a coordinated industrial cooperation, which, in order to be equal between all the members, must be approved by the Intergovernmental Council in consultation with the Commission. In the realization of this scope, the member-states should be guided by the principles of: equality and respect for the national interests of all members; mutual benefit; fair competition; non-discrimination; transparency.

The aim of the industrial policy, as prefixed by the Legislator, is the coordination in the development of a common industrial policy which can contribute to the improvement of the industrial sectors of the participants of the Union. This point reflexes exactly one of the mayor targets of the EEU, namely the modernization of the economic sectors of the Eurasian countries. For that the cooperation in industrial sector should be addressed to guarantee effective assistance between every participant, promoting innovation and new technologies of production through the elimination of all possible barriers in the industrial sphere. In order to achieve these objectives of the industrial policy, as indicated in the comma 4 of the article 92, the member-states should: “1) *inform each other about their plan of developments; 2) hold regular consultations between their authorities for the implementation of the industrial policy; 3) develop and implement coordinated programs for the development of priority economic activities for industrial cooperation; 4) develop and agree on a list of sensitive goods; 5) implement joint projects aimed to improve efficiency of industrial policy and deepen their cooperation in the industrial sector; 6) develop process-related and information resources for the purposes of industrial cooperation; 7) conduct coordinated researches to promote high-tech industries; and 8) implement other measures with the purposes to remove barriers and develop mutually beneficial cooperation*³⁸⁸”.

In the Treaty is even stressed, that in necessary cases, to guarantee equality and efficiency, the implementations above can be developed by a decision of the Intergovernmental Council.

³⁸⁷ Treaty on the Eurasian Economic Union. P. 99

³⁸⁸ Ibid. P. 100

Moreover, this organ of the Union must approve the “*main directions of the industrial cooperation*” developed by the member-states. The Commission, inherent to the subject of this section, exercises a role of annual monitoring and analysis about the results of the main directions. The importance of the industrial policy within the Union is strongly affirmed in the seventh comma of article 92, where is indicated as the member-states for the development of any measures and the agreed policy in the principal spheres of trade, customs tariffs, competition, state procurement, technical regulations, business development, transportation, infrastructure, must take into account the common interests of industrial development. This statement confirms the priority that the Legislator has given in the development of the industrial policy, which is considered the significant sector for the economic development of the Union and thus of the improvement of the mutual trade of the participants of the EEU.

Considering the treatment of sensitive good in consideration of the industrial policy, is affirmed as the member-states should inform each other of all planned implementation areas for the approved list of sensitive good and hold consultations for mutual consideration of their positions prior to the adoption of any industrial policy measures regarding this sector.

Furthermore, the member-countries to achieve the aim of a common industrial cooperation within the Union should use some instruments as: a) the promotion of mutually beneficial industrial cooperation in order to create high-tech, innovative and competitive products; and b) the developing of common programs, projects and technological platform for their mutual benefit. Generally, we can notice as the scientific research, the coordination of the national plans through the holding of consultation and the implementation of common measures for mutual advantages are the cornerstones prefixed by the Legislator regarding the industrial policy within the Union. In addition, the members may create new instruments or documents that must be valued by the Commission, which, to achieve a better coordination in this discipline, provide consultations and coordination, to deepen more the cooperation.

The discipline of the article 92 is completed by the annex 27 “*Protocol on Industrial Cooperation*”, which deals with tasks of the Commission for the industrial policy.

Precisely, in the second paragraph of the Protocol are listed the powers of the Commission for the purpose of consultation and coordination of the activities of the member-states in the industrial sphere, that can be summarized as: 1) assistance in the exchange of information; holding of consultations and discussion of issues related to the development of the main directions of industrial cooperation; development of proposals to deepen the cooperation between the

members in the implementation of industrial policy within the Union. 2) Submission to the member-states of recommendations on further development of industrial cooperation; monitoring and analysis of implementation of the Main Directions of Industrial Cooperation within the Union; review of the international experience in industrial development in order to identify industrial development methods relevant for the member-states. Through a decision of the Intergovernmental Council, the Commission should: prepare draft provisions on the development, financing and implementation of common programs and projects; identify and eliminate administrative and other barriers in contrast with the development of industrial cooperation; monitor and analyze generally the industrial development of the member-states³⁸⁹. These tasks can however be extended by a decision of the Intergovernmental Council.

26 Industrial subsidies

The article 93 of the Treaty provides that, in order to enable stable and efficient development of the economies of the members of the Union, and to promote their mutual trade on the basis of fair competition, should be applied in the territory of the Union common rules for granting subsidies for industrial goods³⁹⁰. Here is important to stress as the discipline of the article 93 is related exclusively on the relationships between the members of the Union, excluding the correlation of a member-state with a third country.

In the paragraph 3 of the article 93 is explained the concept of subsidy referring to the provisions of the Treaty, namely: a) financial contribution provided by a subsidizing authority of a member-state, used for generating benefits and carried out through: direct transfer of funds, acquisition of a share in the authorized capital or an increase thereof, or an obligation to transfer such funds; and b) provision of goods or services, purchase of industrial good by: any other form of income or price support reducing the importation of industrial goods from the territory of any member-state or increasing the exportation of industrial goods into the territory of any member with advantage results³⁹¹.

The subsidies are conceded by the prefixed authority or any other organization which must be designated by the corresponding subsidizing authority. The acts of the Heads of a member-state aimed to provide subsidies are considered as actions of the subsidizing authority.

³⁸⁹ Annex 27 to the Treaty on the Eurasian Economic Union. Pp. 2-3

³⁹⁰ Treaty on the Eurasian Economic Union. P. 102

³⁹¹ Ibid. P. 103

In the sixth paragraph of the article 93 is defined the role of the Commission, which should ensure control for the discipline, exercising the powers: 1) to monitor and conduct comparative legal analysis of the legislation of the member-states for compliance with the provisions of this Treaty in respect of subsidies. 2) To facilitate the organization of consultations between the members in order to harmonize and unify their legislation on the provision of subsidies. 3) To adopt binding decisions for the member-states as: a) adoption of decisions on the admissibility or inadmissibility of specific subsidies in accordance with paragraph 6³⁹² of Annex 28 to the Treaty; b) holding a hearing on provision of specific subsidies and adoption of related binding decisions in cases determined by the international agreement within the Union stipulated in paragraph 7³⁹³ of Annex 28; and c) resolution of disputes on matters relating to implementation of the provisions. 4) To request and obtain information on subsidies granted in the procedure and on the terms determined under an international treaty within the Union stipulated in paragraph 7 of Annex 28³⁹⁴, completed by the first paragraph of article 105 of the Treaty³⁹⁵.

In the case of a dispute concerning the subsidies and its measures, the Treaty provides that the member-states should resolve it through consultations and negotiations, applying thus the principle of friendly resolution. But, if the negotiations did not bring a solution within sixty calendar days, the claimant is entitled to apply to the Court of the Union. In case that the Court of the Union responds positively to the request, the claimant state is entitled to take proportionate response measures. From the other side, the counterpart has a period of five years to challenge the decision of the Court of its violation against the provisions of the article 93 and its annex.

The discipline of the article 93 is completed with the annex 28 "*Protocol on the Common Rules for granting of Industrial Subsidies*" and its corresponding annex "*List of measures not subject to the provisions of the Protocol on the Common Rules for the Provision of Industrial Subsidies*".

³⁹² A member-state is entitled to apply to the Commission in order to agree on its provision of a specific subsidy. [...] If a member-state has grounds to believe that provision of a specific subsidy by another member may damage a sector of the national economy, he is entitled to initiate respective proceedings by the Commission. If the results of the proceedings confirm the presence of damage to the sector of the national economy, the Commission may decide that the member state that provides such specific subsidy is obliged to eliminate the conditions leading to the damage.

³⁹³ The member states should determine under an international treaty within the Union: the procedure for the voluntary agreement with the Commission of specific subsidies and adoption by the Commission of relevant decisions; the procedure for the Commission to hold the proceedings; the criteria for the Commission to adopt decisions on admissibility or inadmissibility of specific subsidies; and the procedure and terms for the Commission to request information on subsidies provided.

³⁹⁴ Cf. Treaty on the Eurasian Economic Union. Pp. 104-105

³⁹⁵ The member-states should ensure the entry into force of the international treaty within the Union referred to in paragraph 7 of the Protocol on the common rules for the provision of industrial subsidies on January 1, 2017.

In the second section of the Protocol 28 are indicated the specific subsidies: a subsidy, which use is limited to certain enterprises located within a designated geographical region forming a part of the territory of operation of the subsidizing authority, should be deemed specific³⁹⁶. Here is précised, that the subsidies can specific for an industrial enterprise or an industrial sector or for a group of industrial enterprises or industrial sectors.

In the third section are determined the prohibited subsidies: export subsidy and a replacement subsidy. However, if the provision of a specific subsidy by a member-state results in damage with a sector of the national economy of another member, such subsidy should be prohibited. The same discipline is applied to the specific subsidies that may be prohibited if their provision leads to a serious infringement of the interests of any member-state. The Commission should not approve any prohibited subsidies as permissible. In the case a member-state has a reason to believe that the subsidizing authority of another state introduces a prohibited subsidy, has the right to apply to the counterpart, requesting an investigation and consultations on the cancellation of prohibited subsidies or measures³⁹⁷.

All other subsidies, as explicated in the paragraph 19 of annex 28, that are not prohibited and do not represent specific subsidies according to the Protocol, should be recognized as permissible subsidies, if these, in addition, do not distort the mutual trade between the member-states³⁹⁸.

The terms and the discipline presented in the Protocol as in the Treaty regarding the subsidies, is précised that must not prevent any member from taking any action it deems necessary to protect its essential security interests or any action in pursuance of its obligations under the Charter of the United Nations to preserve the world peace and international security.

Finally, in the second comma of the article 105, transitional provision correlated to the section XXIV, is defined that the previsions of article 93 and annex 28 must be not applied to subsidies granted on the territory of the Union according to the predispositions of January 1, 2012.

³⁹⁶ Annex 28 to the Treaty on the Eurasian Economic Union P. 6

³⁹⁷ Subsidies as support for research activities carried out by economic entities, as well as universities and research institutions on a contractual basis with economic entities, should not be regarded as the grounds for the introduction of any compensatory measures, provided that such support covers not more than 75% of the cost of industrial research or 50% of the cost of developments at the pre-competitive stage.

³⁹⁸ Cit. Loc. Annex 28. P. 15

27 Agricultural sector of the EEU

The section XXV of the Treaty delineates the agricultural sector. The article 94 underlines as the member-states, in order to ensure the development of the rural areas of the Union in the interests of the population, must promote an agreed agricultural policy within the EEU according to the mechanisms of the Treaty and of the international treaties of the Union in the agricultural sphere. The main objective of the coordinated agricultural policy, as précised in the second paragraph of the article 94, is the effective use and implementation of the resource potential of the member-states in order to strengthen the agricultural and food markets of the Union with the aim to increase the exports of this sector worldwide. For that, the agreed policy should: 1) balance the development of the food and agricultural products ensuring equality between the participants of the Union; 2) allow fair competition within the EEU and equal access to all the members in the agricultural market; 3) unify the regulation and requirements for the circulation of agricultural and food product in the territory of the Union; and 4) protect the interests of the manufactures of the member-states in the intra and foreign trade.

Generally, the Legislator through the article 94 prefixes the aim to realize an agreed agro-industrial policy which can implement the agricultural resources of the Union efficiently, optimizing from a side the competitiveness of the agrarian products within the Union and from the other side, increasing the economic investments of the agrarian sector in the global economy. Following the analysis, the article 95 lists the main directions that must be implemented for the agreed agricultural policy: forecasting in the agricultural sector; state support for agriculture; common agricultural market regulation; common requirements for the production and circulation of products; development of export of agricultural and food products; scientific and innovative development of the agricultural sector; and integrated information support of agriculture³⁹⁹. In order to achieve these purposes, the Commission should organize regular consultations between the members of the Union.

Moreover, the Legislator provides that the participants of the Union in the realization of the agreed policy must take in account, other their industrial and agricultural significance, even the morphological, structural and climatic differences from their territories.

In case of disputes between the member-states in the agricultural sphere, the Treaty provides that the states in conflict must settle their controversies through negotiations and consultations. If in

³⁹⁹ Treaty on the Eurasian Economic Union. P. 107

the period of sixty calendar days by the notification of a member-state to another for a disputation, this could not be resolved, the claimant is entitled to apply to the Court of the Union, which will decide on the issue.

In the paragraph 7 of the article 95 are indicated the tasks of the Commission for the target of implementation of the agreed policy: *“1) to develop, coordinate and implement the main directions of the agreed agricultural policy together with the member-states; 2) to coordinate the activities of the member-states in preparation of joint development forecasts for the agricultural sector, supply and demand for agricultural and food products; 3) to coordinate mutual presentation by the member-states of development programs for the agricultural sector and its branches; 4) to monitor the development of agricultural sectors of the members of the Union; 5) to monitor prices and analyze competitiveness of products manufactured based on the nomenclature agreed upon by the member-states; 6) to assist in the organization of consultations and negotiations on the harmonization of legislation of the member-states in the sphere of agricultural sector; 7) to monitor and conduct comparative legal analysis of the legislation of the member-states in the field of state support for agriculture in terms of its compliance with the obligations assumed within the Union; 8) to prepare and submit to the member-states reviews of the state policy in the sphere of agricultural sector and state support, including recommendations on improvement of its efficiency; 9) to assist the member-states on issues related to the calculation of the amount of state support for agriculture; 10) to prepare recommendations on coordinated actions aimed at developing the export potential in the sphere of agricultural sector; 11) to coordinate the implementation by the member-states for scientific and innovative activities in the agricultural sector; 12) to coordinate the development and implementation by the member-states of the standardized requirements regarding the conditions of import, export and movement of products within the customs territory of the Union; 13) coordinate the development and implementation of the standardized requirements in the sphere of testing crop types and seeds, as well as coordinate mutual recognition by the member-states of documents certifying the varietal and sowing seed quality; and 14) to assist in ensuring equal competitive environments within the main directions of the agreed agricultural policy⁴⁰⁰”.*

The discipline about the agricultural sector of the Union is completed through the annex 29 of the Treaty *“Protocol on Agricultural State Support Measures”*.

⁴⁰⁰ Cf. Treaty on the Eurasian Economic Union. Pp. 109-110

In the second section of the Protocol are indicated the state measures that the participants of the Union should develop to support the agricultural sector, namely all those measures that do not produce distorting effects⁴⁰¹ on the mutual trade between the member-states in the agricultural sphere.

In the third section are defined the measures with no trade-distorting effect implemented in the interests of manufacturers of agricultural goods that should have the following basic criteria principally: 1) the support should be provided from the budget, including under state programs, but not at the expense of consumers' funds. Unclaimed revenues should refer to the amount of mandatory payments rejected by the member-state permanently or temporarily; and 2) the support should not result in the maintenance of manufacturers' prices⁴⁰².

In the subparagraph 14 is prefixed by the Legislator that state programs for the provision of general services should provide for allocation of budget funding for the provision of services or benefits to the agriculture or rural population. State programs can be carried out in areas such: scientific research; pest and disease control; staff training; dissemination of information; inspection services; services for marketing and promotion of agricultural products; infrastructure services.

The fourth section of the annex 29 deals with measures with the most trade-distorting effect: 1) effecting direct payments to specific manufacturers; 2) sale or offer for export to the territory of another member-state of non-commercial stocks of agricultural goods at prices lower than the prices for similar goods offered to purchasers in the domestic market of the member-state; 3) effecting payments for export to the territory of another member of agricultural goods funded with support from the government, at the expense of state funds and other funds, including payments financed from the proceeds of levies on agricultural product or agricultural product used as the basis for the manufacture of product exported to the territory of another member; 4) provision of state support to reduce the cost of marketing and promotion of agricultural goods for export to the territory of another member-state; 5) setting domestic tariffs for transportation of agricultural goods intended for export to the territory of another member on more favorable terms than determined for the transportation of agricultural goods intended for domestic

⁴⁰¹ In case of violation of a participant of the Union through the introduction of measures with the most trade-distorting effect or measures with trade-distorting effect provided in excess of the permitted amount, the member state must pay to the other member a compensation equal to the amount of measures with the most trade-distorting effect or the amount of measures with trade-distorting effect exceeding the permitted amount.

⁴⁰² Annex 29 to the Treaty on the Eurasian Economic Union. P. 7

consumption; and 6) provision of state support for agriculture depending on the inclusion of agricultural goods in the list of products intended for export to the territory of another member⁴⁰³. In the fifth section of the annex 29 to the Treaty is defined the calculation of the volume of state support for agriculture. Explicitly, in the calculation of the volume of state support for agriculture, should be taken into account: 1) direct transfer of funds; 2) provision of performance guarantees (e.g., loan guarantees); 3) acquisition by the state of goods, services, securities, companies (property complexes) or a part thereof, stakes in the authorized capital of a company (including the acquisition of shares), other property, intellectual property rights, etc., at prices exceeding the market prices; 4) full or partial waiver of the collection of payments due to the state budget and the budgets of administrative-territorial entities; 5) preferential or free provision of goods or services; and 6) price support combining measures aimed at maintaining the level of market prices.⁴⁰⁴

In case of a direct transfer of funds, the amount of state support for the agriculture should correspond to the amount of funds provided free of charge. In the comma 29 is précised that, if funds are provided on a repayment basis on more favorable terms than those in the available market, the amount of the support should be determined as the difference between the amount that would be required to pay for the use of these funds if received in the market and the actual amount paid. Successively, in the paragraph 30 is indicated that, *“The amount of state support for agriculture under a provided performance guarantee should be determined as the difference between the amount that would be payable on the basis of the tariff for the insurance risk for a default of the corresponding obligations on the available insurance market and the amount payable for the provision of the guarantee to the subsidizing authority^{405”}.*

The successive comma defines that in case of acquisition by the state of goods, services, securities, companies (property complexes) or a part thereof, stakes in the authorized capital of a company (including the acquisition of shares), other property, intellectual property rights, etc., at prices exceeding the market prices, the amount should be calculated as the difference between the amount actually paid for the assets acquired and the amount that would be required to pay for these assets at prices prevailing in the market. While in the comma 32 is indicated that in case of a full or partial waiver of collection of payments due to the budgets of the member-states and administrative-territorial entities, the amount should correspond to the amount of outstanding

⁴⁰³ Annex 29 to the Treaty on the Eurasian Economic Union. P. 15

⁴⁰⁴ Ibid. P. 16

⁴⁰⁵ Ibid. Pp. 16-17

financial obligations of the manufacturer to the budget, including liabilities that might arise in the absence of such support.

Besides, the comma 33 précises that in case of preferential or free of charge provision of goods or services, the amount should be calculated as the difference between the market value and the amount actually paid for the acquisition of the goods or services. Finally, in the comma 34 is defined that the amount of price support combining measures aimed at maintaining the level of market prices shall be calculated as the product of the amount of a particular type of agricultural goods in respect of which the price regulation was implemented or measures to control prices were applied by the difference between the domestic regulated price and the reference world price adjusted to the quality and the degree of processing of the goods (e.g., basic milk fat)⁴⁰⁶.

Regarding the state support for agriculture, the discipline of the annex 29 and section XXV of the Treaty, is determined even through the article 106 of the Treaty. Specifically, the first paragraph of this article provides that had to be established a transitional period until 2016 for Belarus, during which this participant of the Union had to reduce the allowed amount of state support for agriculture as follows: in 2015 – by 12 percent; and in 2016 – by 10 percent. Continuing, the third comma précises that the obligations stipulated in favor of state support for agriculture should enter into force for Belarus not later than on January 1, 2025.⁴⁰⁷

In order to give transparency to the agricultural activities of the Union, every member should notify to the other participants and to the Commission all programs of state support for agriculture planned in the current year, including information on the amount and procedure for the provision of the state support for agriculture.

27.1 Objectives of the agricultural sphere of the EEU

As indicated in the article 94, the development of coordinated agricultural policy, aimed to ensure balanced development of agricultural products and fair competition between the member-states, should be conducted through the disposition of the EEU's Treaty and other international treaties within the Union in the sphere of agricultural sector by the submission, effectuated by every member-state, to the other countries of the Union and to the Commission of a manufacture development plan for each sensitive agricultural good originated by the member-states. In relation to the implementation of a common agricultural policy, the member-countries should hold

⁴⁰⁶ Annex 29 to the Treaty on the Eurasian Economic Union. Pp. 17-18

⁴⁰⁷ Treaty on the Eurasian Economic Union. P. 129

consultations in order to provide the application of interstate cooperation efficiently, as indicated in the first paragraph of article 95.

The existing regulation of the agricultural sector as expressed in the articles 94 and 95 is the result of the Eurasian economic process of integration in the agricultural sphere began already at the end of the 1990s. Indeed, the actual discipline provided in the Treaty is only the last step of a procedure started with the *“Treaty on the Customs Union and the Common Economic Space”* of February 1999; *“the Agreement on the Unified Rules of state support of agriculture”* dated December 2010; the *“Concept of an Agreed Agro-industrial Policy”* approved by the Presidents of Belarus, Kazakhstan and Russia on 29 May, 2013; and the Action Plan for its implementation decided by the Supreme Eurasian Economic Council in November 2014.

Regarding the concept of the agreed agro-industrial policy, this document, with the precise aims to harmonize the economies of the participants of the Union, as well their coordination in the international level, defines nowadays the basis for the legislation of the Treaty of the Eurasian Economic Union in the agricultural sector.

Generally, the different documents reflex the fact that the discipline of the agrarian policy of the Union was built in the time principally by the three founders of the EEU – Belarus, Russia and Kazakhstan – and stresses the necessity of its continuing implementation and coordination for the further improvement of this key sector of the member-states. For that, in the organogram of the Union this complex matter is hold by the Consultative Committee for the Agro-industrial Complex divided in departments (Division of Agro-industrial Policy, International Programs and Projects; Division of Agricultural Subsidies; Division of Monitoring and Analysis of the Development of Agro-industrial Complexes; and Division of Interaction on Issues of Agro-industrial Policy) with precise tasks of development, implementation, coordination and monitoring of the decisions of the Commission and their exact application by the member-states in the territory of the EEU. In fact, only a constant application of the mutual obligations by the participants can really bring benefits for the development of the Union.

Concentrating about the article 95, in order to achieve the regulation and development of the agreed agro-industrial policy, in this segment are defined the interstate cooperation of the member-states in the agricultural sphere: forecasting in the agro-industrial policy; state support of agriculture; common agricultural market regulation; establishment of the unified requirements for circulation of products; development of export of agricultural and food products; scientific and innovative development; integrated information support of the agro-industrial policy.

Through the forecasting system, the Commission together with the member-states can evaluate the mutual market and the specific demand of every participant, establishing security mechanisms and adequate solutions during the importing of food stuffs and agricultural products.

However, the most significant area of the Agreed Agro-industrial Policy is the creation of rules for granting the state support, fixed in the *“Agreement on the Unified Rules of State Support of Agriculture”* developed on 9 December 2010 within the system of the Customs Union, and approved by decision No. 94 of the Supreme Eurasian Economic Council on 21 November 2014.

This *“Agreed Agro-industrial Policy”* has exactly the aim to adopt certain limits for state support of agriculture that may distort the competition within the Union.

Precisely, the objective of the member-countries is to ensure free movements of goods and freedom in the conduction of economic activities, allowing a correct and fair functioning of the market of the Union, without any kind of distortions. For that, the agreed agro-industrial policy has the scope to limit and reduce the amount of support, banning the use of export and import subsidies that could undermine the competition in the market of the Union. In accordance with the regulations of the Treaty, a calculation methodology for the permitted level of the state support for agriculture having a distorting effect on mutual trade in agricultural goods between the members was developed on 18 October 2016 by the Council of the Eurasian Economic Commission with the decision Nr. 163⁴⁰⁸. The methodology defines the format and approaches to establish obligations for member-states in the field of state support for agriculture on the measures affecting mutual trade, defining from a side the assessment of the performance of these obligations, and specifying from the other side the procedure for calculating individual support indicators. The adoption of the methodology ensures that the Union has a unified calculation method of the volume and level state support measures for agriculture⁴⁰⁹.

Examining this document specifically, in the comma 5 is expressed that the calculation of the distorting measures are calculated in relation with the paragraph 10 of the methodology taking into consideration the relationship between the national value and the US dollar⁴¹⁰.

⁴⁰⁸ *“The EEC Council adopted the technical regulations of the Eurasian Economic Union on fish, attractions and dangerous substances in electrical and electronics products”*. In Eurasian Economic Commission. 19.10.2016 <http://www.eurasiancommission.org/en/nae/news/Pages/19-10-2016-1.aspx> (last view: 25.08.2017)

⁴⁰⁹ Eurasian Economic Commission (2016): *“The EEC Council approved new Methodology for calculating State Support for Agriculture”*. 19.10.2016 <http://www.eurasiancommission.org/en/nae/news/Pages/19-10-2016-3.aspx> (last view: 19.03.2017)

⁴¹⁰ Cf. Yevraziskaya Ekonomicheskaya Kommisiya (2016): *“Metodologiya rascheta razreshennogo urovnya mer gosudarstvennoi podderzhki sel'skogo khozyaystva, okazyvayushchikh iskazhayushcheye vozdeystviye na vzaimnuyu trgovlyu gosudarstv - chlenov Yevraziyskogo Yekonomicheskogo Soyuzu sel'skokhozyaystvennymi tovaram”*. 18 Oktyabrya 2016 g. n. 163. P. 2

Before to retrace the comma 10, in the paragraph 8 is indicated as the allowable threshold level of the Union is calculated as the ratio of the volume of support measures distorting trade associated with a specific agricultural commodity, which amount to the total cost of good-production, which in turn is calculated on the cost of the process of production to the value of the corresponding type of agricultural item. In the comma 9 is defined that an allowable threshold level should be decided through negotiations of the member-countries, but it cannot be less than 5%.

The comma 10 reports that when it is calculated the threshold of price support, it is used as reference the world price and fixed value (before the approval of the obligations of the member state for the allowed level of support it is equal to the value for the reporting period). A fixed reference world price is the average price on the terms of delivery of the FOB (Free on Board) of an agricultural commodity in the base period if the state-member is the net exporter of that commodity; or the average price on the terms of the CIF (Cost, Insurance and Freight) delivery of the agricultural product in the base period if the member-state is a net importer of that good; or taking into account other conditions of delivery in accordance with the data of customs statistics of the member-states. Successively, the comma 11 affirms that if the quantity of agricultural goods in respect of which price support is applied is not established in the legal act of the member-state, on the basis of which such support is provided, then the price support is calculated in relation to the total output of this agricultural commodity. Finally, in the paragraph 12 of the methodology is observed that the absolute value of the permitted level of support measures distorting trade is fixed in national currency or in US dollars⁴¹¹.

Synthesizing, the member-countries can use without restrictions only state support measures that do not produce distorting effects on the agricultural trade of the other member-states. This methodology, in accordance with the criteria adopted by the WTO, provides that the authorized level of state support for agricultural is calculated as a percentage of the amount of state support for agriculture to the gross value of agricultural commodities produced in the whole and must not exceed 10 per cent⁴¹².

⁴¹¹ Cf. Yevraziskaya Ekonomicheskaya Kommisiya (2016): *"Metodologiya rascheta razreshennogo urovnya mer gosudarstvennoi podderzhki sel'skogo khozyaystva, okazyvayushchikh iskazhayushcheye vozdeystviye na vzaimnyuyu trgovlyu gosudarstv - chlenov Yevraziyskogo Yekonomicheskogo Soyuz a sel'skokhozyaystvennymi tovaram"*. 18 Oktyabrya 2016 g. n. 163. P. 2. Pp. 3-4

⁴¹² Kireyeva Elena F. (2016): *"Tax Regulation in Agriculture: Current Trends, Selection of a State Support Forms"*. In Journal of Tax Reform, 2016, vol. 2, no. 3, pp. 179–192. P. 189

Figure 10: Obligations regarding the permitted levels of the state support which distorts the trade

| Countries | Permitted level |
|------------|---|
| Belarus | 10% |
| Armenia | in accordance with the terms of WTO membership: 5% |
| Kazakhstan | in accordance with the terms of WTO membership: 8.5% |
| Kyrgyzstan | in accordance with the terms of WTO membership: 5% |
| Russia | in accordance with the terms of WTO membership should reduce the maximum size from \$9 bn. to \$4,4 bn. in 2018 |

Source: Kireyeva Elena (2016): "Tax Regulation in Agriculture: Current Trends, Selection of a State Support Forms". In Journal of Tax Reform, 2016, vol. 2, no. 3, pp. 179–192. P. 189

According to the article 106 of the Treaty of the EEU, in respect of the first indent of paragraph 8 of the annex 29 on the Treaty, Belarus (not yet WTO member), in order to equalize its position to the other members of the Union, had to reduce firstly for the year 2015 its amount of state support in correlation to the gross value of agricultural output for agriculture by 12% and successively for the next year by 10%.

Through the adoption of the methodology of 2016, we can assess that the EEU is making first sensible steps in direction to harmonize the legislation of the member-states. In fact, the document ensures that the Union has a unified common calculation method of the volume and level state support measures for agriculture, banning the most distorting effects on mutual trade in agricultural goods and limiting the distorting effects. The forms of notification are the same as those used in the framework of the WTO (stressing even the compatibility of the EEU with the international standards) and ensure the comparability of the data provided by member-states on state support for the sector⁴¹³. This methodology recalls the provisions of the year 2013 of the level for state support for agriculture established in the Customs Union. Specifically, remanding to

⁴¹³ "The EEC Council approved new Methodology for calculating State Support for Agriculture". In Eurasian Economic Commission. 19.10.2016 <http://www.eurasiancommission.org/en/nae/news/Pages/19-10-2016-3.aspx> (last view: 25.08.2017)

the provisions of 2013, the level of the state support of agriculture in Belarus is 7.4% (2.0 USD billion), and in Kazakhstan to 2.8% (677 USD million), while the aggregated measurement of support in Russia accounts to 3.0% (6.9 USD billion)⁴¹⁴. The goal of the EEU is the assessment of the level of state support taking into account the different conditions of economic production and development of the member-countries, in order to ensure competitiveness within the Union without penalizing the economically minor countries of the Union. In this schema, the authorities of the Commission have the primary role to supervise and render assistance in ensuring equal competitive conditions within the framework of the main directions for the agreed coordinated agricultural policy. Explicitly, the expressed volition to maintain stability in the mechanisms of the EEU finds a juridical confirmation in the sixth comma of the article 94, which defines that in case of dispute, this should be primarily settled through negotiations and consultations between the involved countries conducted with the participation of the Commission. If the resolution cannot occur by consultations, the claimant state is entitled to apply to the Court of the Union, which will decide the entity of the compensation.

Hence, the regulation of the agricultural sector within the EEU presupposes harmonization and coordination about the application of state regulation measures of the market in order to maintain principally: a) equal competitive conditions; b) balanced development of agricultural production and agricultural markets; c) fair competition between the member-states, including equal access to the common agricultural market; d) protection of agricultural producers of the Union; and e) promotion of the development of exports of agricultural products⁴¹⁵. Although nowadays we cannot talk about a complete competition between the member-states or about a balanced level of production within the Union, the EEU through the fixing of standards, as the state supports, is moving in the right direction.

Summarizing, according with the XXV section of Treaty of the EEU, the development of a coordinated agricultural policy has the principal target to increment the internal production of the members countries with the containing of the costs of production and elimination of market distortions; and in consequence of that, the growth, through the setting of domestic tariffs, of the export quotas of agrarian and food products in mutual trade and with third states. Nowadays these conditions (although the realization of the methodology for common calculation) rest still difficult to realize, especially for the economic diversities of the member-countries and their

⁴¹⁴ Cf. (Edit.) Sidorskiy Sergey (2015): "*Agroindustrial Policy of the Eurasian Economic Union*". P. 36

⁴¹⁵ Cf. Kirchner Robert and Tochitskaya Irina (2014): "*Belarus' membership in the Eurasian Economic Union: An Assessment*". In German Economic Team Belarus IPM Research Center. Policy Paper Series [PP/05/2014]. P. 10

system of productions. However, the realization and putting into practice of these conditions in next years will show the real possibility of the Union to evolve its system in the direction of equalization of the level of production of its members.

After this explanation can be noted as the principal purposes of the agreed agro-industrial policy of the Eurasian Economic Union are: 1) the mutual working; 2) the expenditure of the agrarian economy of the Union; and 3) the improvement of exports and its general reinforcing within the EEU. A confirmation of this statement is possible to evince, as reported in the study of Kirchner and Tochitskaya, from the words of President Lukashenka: *"The Eurasian Economic Union should work for the welfare of its citizens. Conceptual solutions for its efficient functioning have been adopted. Today, it is exceptionally important that each of the Parties maintains a reasonable balance between their national priorities and international obligations. It is undoubtedly important to strengthen existing partnerships in the Eurasian space and further cooperation at all levels of business cooperation, working together towards a specific aim. Cooperation between our countries in the agricultural sector is crucial, since food security is dependent on its implementation. Promising areas of cooperation in the Agro-industrial Complex are livestock, seed production, and fisheries"*; and from President Putin: *"The countries of the Eurasian Economic Union have extensive experience of cooperation in the Agro-industrial Complex. Together we are launching new joint projects, including the assembly of tractors and other agricultural machinery. We are paying particular attention to the production of fertilizers and food. We foresee large reserves in expanding mutual supplies of food. It is hardly logical to import vegetables, fruit, milk, and meat products from distant countries, placing orders with foreign suppliers when our own producers are ready and willing to work and enter a common Eurasian market with products that are not inferior and, in fact, often superior in quality"⁴¹⁶.*

To achieve the objectives expressed by Lukashenka and Putin, as well the predisposition of the articles 94 and 95 of the Treaty, the agricultural market of the Union and thus the internal agrarian sector of the member-states must be improved through the development of new technological instruments applied to the agricultural sphere that could improve the production of the participants of the Union, favoring a better competition in the Eurasian market.

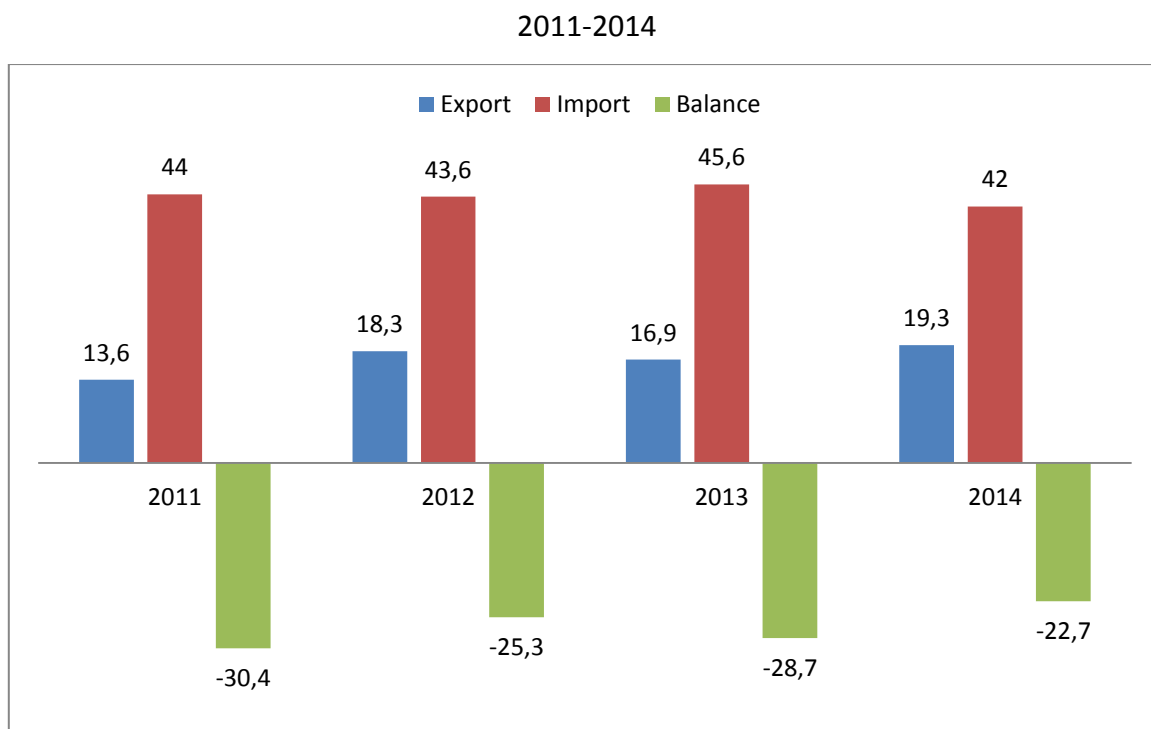
The purposes of modernization, expansion and coordination of the agricultural market as delineated in the section XXV of the Treaty and its annex 29 demonstrate the importance of the

⁴¹⁶ Kirchner Robert and Tochitskaya Irina (2014): *"Belarus' membership in the Eurasian Economic Union: An Assessment"*. In German Economic Team Belarus IPM Research Center. Policy Paper Series [PP/05/2014]. Pp. 3; 6.

agreed agro-industrial policy as a key pillar of the Eurasian Economic Union. The significance of this sector for the economic structure of the Union is easier to understand through the data of the Eurasian Commission, as reported by the Minister for Industry and Agro-industrial Complex of the EEC Sergey Sidorskiy: “by the production of wheat, milk and dairy products, the EAEU countries are the 4th largest in the world, by the production of potatoes – 3rd largest in the world; by the production of oats, barley and rye – 2nd largest in the world, by the production of sugar beet and sunflowers – 1st largest in the world⁴¹⁷”.

Regarding the aim of the export system development for the agricultural and food products, this objective is central for the evolution of the trade of the EEU, which is still dominated by a strong import quota from third countries for agrarian items.

Figure 11: Foreign trade of agricultural raw materials and food of the member states in percentage



Source: (Edit.) Sidorskiy Sergey (2015): “*Agroindustrial Policy of the Eurasian Economic Union*”. In the Library of the Eurasian Economic Union. P. 23 http://www.eurasiancommission.org/ru/Documents/APK_ing_n.pdf (last view: 11.04.2017)

As is visible in the graphic, in the period 2011-14 the imports accounted for mostly the double of the exports, reaching in the period before the creation of the EEU a negative balance, which diminished sensibly just in 2014 (-22.7%).

⁴¹⁷ (Edit.) Sidorskiy Sergey (2015): “*Agroindustrial Policy of the Eurasian Economic Union*”. In the Library of the Eurasian Economic Union. P. 20 http://www.eurasiancommission.org/ru/Documents/APK_ing_n.pdf (last view: 11.04.2017)

In 2014 the countries of the Union exported agricultural and food products for 19.3 USD billion. However, only three groups of products (cereals – 42%, fish – 14.8%, and fats and oils of animal or vegetable origin – 11.6%), constitute the fundamental part of exports (2/3 of the total), where the main consumers of EEU products are the CIS countries (20.3%), the European Union (14.8%), Turkey (12.6%), Egypt (7.2%), and China (6.3%)⁴¹⁸. In the year 2016, agricultural exports from the Eurasian states to third countries increased by 4.0% (USD 16,941 million); while imports of agricultural products from third countries into the EEU declined by 8.6% (USD 26,491.6 million in 2016). Some progresses for the developing of the agricultural sector of the Union are nowadays even visible – although in lower way in comparison to the extra-trade, in the mutual trade of the EEU. Indeed, the share of agricultural products and food trade in the total mutual trade was 16.1% in 2016 (USD 6,847.2 billion)⁴¹⁹ in comparison to 15.5% of the previous year.

In its complex, the system of the Union, although slowly, is trying to reach the purposes to improve the mutual trade within the Union and to diminish the amount of the import (4%) in favor of an increasing of the exports (8.6%) of the agrarian items related to the trade with third countries.

Lastly, must be even stressed that the EEU wants to guarantee a sustainable development and improvement of the competitiveness of its products abroad as symbol of quality through a modernization and introduction of innovative technologies for agricultural and food productions.

An equal discourse can be applied in relation to the purpose about the realization of an integrated information support for the agricultural sphere, which should improve the efficiency and quality of management decisions, ensuring transparency and openness of information management for all interested parts.

28 The labor migration within the Union

The article 96 of the Treaty of the EEU provides the cooperation between the members of the Union in the sphere of labor migration. Precisely, the participants of the Union should create an agreed policy which can allow a right and equilibrate involvement of the citizens of the Union for their employment in the different work sectors of the member-states.

⁴¹⁸ (Edit.) Sidorskiy Sergey (2015): “*Agroindustrial Policy of the Eurasian Economic Union*”. In the Library of the Eurasian Economic Union. P. 49 http://www.eurasiancommission.org/ru/Documents/APK_ing_n.pdf (last view: 11.04.2017)

⁴¹⁹ (Approved by) Vanderberg Rachel (2017): “*Eurasian Economic Union Ag Times No. 1 of 2017*”. In FAIRS Subject Report. 7.3.2017. P. 8

The cooperation between the states of the Union must be conducted through the interaction between the authorized authorities of every member-state.

Here, as delineated in the paragraph 3 of the article 96, the cooperation should have principally the forms of: *“1) agreement of common principles and approaches in the sphere of labor migration; 2) exchange of regulatory legal acts; 3) exchange of information; 4) implementation of measures aimed at preventing the spread of false information; 5) exchange of experiences, internships, seminars and training courses; and 6) cooperation in the framework of advisory authorities⁴²⁰”*.

Continuing in the examination of the provisions about the labor migration, the article 97 provides explicitly the possibility for the enterprisers and customers of works to employ workers from the territory of the Union without any restriction. This point stresses the freedom of work without limitation for the citizens of the EEU within the territory of the Union. Considering the article 97, its construct is a clear regulation of the migration work force of countries as Kyrgyzstan and Armenia for their workers especially in the Russian Federation.

To reinforce this statement, in the second comma is précised that the member-states should not apply any restriction for the protection of their national labor market, if not clearly specified in the Treaty or only in the case if it is necessary to protect their national security.

Furthermore, the third comma underlines as, in order to allow every employer of the Union to conduct economic activities in the territory of the EEU, the organization of education must be equalized between the participants of the Union through a common recognition of the education certificates, avoiding every kind of discrimination. To guarantee transparence in the entire process, the employers are entitled to ask translated documents of the certificates to every aspirant, in order to verify the verity of the title of education.

The fifth comma of the article 97 disciplines the period of temporary stay of a worker of a member-state in another country of the Union, namely for the entire duration of the contract of work with the need of registration of the laborer in the country of occupation if the permanence will extend thirty calendar days. Concerning the extension of the thirty days of stay, every citizen of the Union, in the moment that enters in the territory of another state of the EEU, must use his migration card and exhibit a valid document for the board control. By this system of registration and showing of valid documents, the Legislator wants to avoid a massive and unregulated migration process of citizens moving in another member of the Union without a real place of work.

⁴²⁰ Treaty on the Eurasian Economic Union. P. 111

However, the ninth comma provides that in the case of a contract which should early terminate before ninety day, the worker has the right to rest in the territory of residence and find a new employment contract or a civil law contract within fifteen days.

The article 98 enounces the rights and obligations of the worker, who is entitled to engage professional activities according to his qualification and specialization. The tutelage of the Treaty for the workers and his family establishes their rights of: possess, use and dispose of their property; protection of property; and free transfer of funds.

The workers and their families in a state of the Union must be inserted in the social system of the state where they are employed for the obtaining of a social security on the same conditions of the national workers of that country of the Union. The pension benefits of workers and their family members should be governed by the legislation of the state of permanent residence.

The fourth comma of the article 98, in accordance with the annex 30 "*Protocol on Provision of Medical Treatment of Workers of the Member States and their Family Members*", deals with right of workers of the member-states and their family members to receive emergency medical care and other types of medical treatment. Precisely the paragraphs 3 and 4 of the annex 30 underline as: 1) the state of employment should provide medical treatment to workers of another member-state and members of their families in accordance with the procedure and under the conditions that are determined by the legislation of the state of employment and by international treaties. 2) The member-states should grant to workers of and their family members the right to receive free emergency medical care and rescue emergency care in their territories in accordance with the same procedure and under the same conditions as to the nationals of the state of employment⁴²¹.

Returning to the examination of the article 98, the sixth comma indicates the right for the worker to require to the authorized authority of the state of employing all the information and conditions regarding his employment. In the same matter, the seventh comma indicates as the employer, due to a request of a worker of a member-state, should provide: certificate and documents that indicate the profession, the period of employment and wages within the terms determined by the legislation of the state of employment.

In order to favorite the integration of the foreigner workers of a member-state in the territory of another member and in same time the respect of the culture of the country, the eighth and ninth paragraphs underline as the children of the workers are entitled to attend school in the country of

⁴²¹ Annex 30 to the Treaty on the Eurasian Economic Union. P. 2

the father's employment and that the family members are required to comply with the legislation of the state of employment, the culture and traditions of the people of the state of employment. Finally, the tenth comma provides that the salary of the worker is taxable in accordance with international treaties and legislation of the state of employment subject to the provisions of the Treaty of the EEU.

29 Transitional Provisions of the EEU

The part four of the Treaty is divided in the sections XXVII and XXVIII – transitional and final provisions.

The article 99 indicates the general transitional provisions: 1) the international treaties signed by the member-states before January 2015 in the legal framework of the Customs Union and the Single Economic Space constitute part of the law of the Union. 2) Decisions of the Supreme Eurasian Economic Council, the Supreme Eurasian Economic and the Eurasian Economic Commission executed before the entry into force of the Treaty that may remain in force if are not inconsistent with the provisions of the Treaty.

This passage testifies the volition of the Legislator to maintain effective the provisions and decisions that the authorities of the member-states before the entry in force of the Treaty of the EEU have stipulated, in order to give continuation to the Eurasian process started already with the CU and CES.

In consideration of the provisions entered in force after the 1th January 2015, the third comma of article 99 provides that all functions and powers of the Supreme Eurasian Economic Council and the Supreme Eurasian Economic Council effective in accordance with the Treaty on the Eurasian Economic Commission of November 18, 2011 should be carried out by the Supreme Council and the Intergovernmental Council.

Moreover is précised that: the Eurasian Economic Commission established in accordance with the Treaty on the Eurasian Economic Commission of November 18, 2011, should operate in accordance with the Treaty; members of the Board of the Commission, directors and Deputy directors, appointed prior to the entry into force of this Treaty, should continue their work until the expiration of their official term of office⁴²².

Successively the fourth comma establishes that the respective international treaties listed in Annex 31 *“Protocol on the Functioning of the Eurasian Economic Union within the Multilateral*

⁴²² Treaty on the Eurasian Economic Union. P. 118

Trading System” should apply within the Union: all corresponding relations should be governed by the Treaty on the Functioning of the Customs Union within the Multilateral Trading System of May 19, 2011⁴²³.

The article 100, which completes the discipline of the section VII of the Treaty, has been already analyzed during the examination of the corresponding parts of the document.

The article 101, connected with the section VIII of the Treaty (customs regulations), establishes that, prior to the entry into force of the Customs Code of the Eurasian Economic Union, the customs regulations within the Union should be in accordance with the Treaty on the Customs Code of the Customs Union of November 27, 2009, and other international treaties of the member-states concluded in the establishment of the legal framework of the CU and the Common Economic Space governing the customs relations and forming part of the Union law in accordance with Article 99 of the Treaty⁴²⁴. Referred to this paragraph and its application, the third comma of the article 101 lists the restrictions that may be applied in the CU: non-tariff regulatory measures, technical regulation measures, export control measures and measures for military products, as well as sanitary, veterinary-sanitary and phytosanitary quarantine measures and radiation requirements applied in respect of goods transported through the customs border of the Union. The exclusion of such measures is provided in in the movement of goods across the customs border of the Union, including goods for personal use, and/or in customs clearance of goods.

Summarizing, the successive paragraphs of the article 101 completes the discipline of the Customs Code of the CU (as e.g. the safeguard, anti-dumping, and countervailing duties), analyzing its admissibility and correlation in connection with some parts of the Code.

The following transitional provisions were already analyzed in connection with their corresponding section and articles of the Treaty: article 102 with the articles 35, 36 and 37; article 103 with the disposition of the article 70; article 104 in connection with the section XX (energy industry); article 105 with the section XXIV (manufacturing industry) and article 106 with the section XXV (agricultural sector).

⁴²³ Annex 31 to the Treaty on the Eurasian Economic Union. P. 1

⁴²⁴ Treaty on the Eurasian Economic Union. P. 120

30 Final Provisions of the Treaty

The section XVIII concludes the legal framework of the Astana Treaty with the final provisions.

The article 107 refers to the social guarantees, privileges and immunities of the authorities of the member-states, indicating that on the territory of the Union all members of the Council of the Commission and Board, judges of the Court of the Union, officials and employees of the Commission and the Court of the Union should have all social guarantees, privileges and immunities required for the implementation of their powers and service duties⁴²⁵.

This discipline is completed with the annex 32 of the Treaty “*Regulation on Social Guarantees, Privileges and Immunities within the Eurasian Economic Union*”.

In the second comma of the first section of the Protocol is stressed the principle of transparency within the Union, underlining as the members of the Board of the Commission, judges of the Court of the Union, officials and employees in the exercise of their official service duties, should not seek or receive instructions from state government authorities or officials of the member-states, as well as from authorities of any state that are not members of the Union. They should refrain from any action incompatible with their status of international public servants⁴²⁶.

Generally, in the Protocol are reported the immunities of the authorities of the Union during the exercising of their powers in the entire territory of the Union, as the exemption from taxes, duties, fees and other charges collected in the host state.

The privileges and immunities of the authorities of the EEU cease at the time of the departure from the host state and with the end of their service.

The article 108 disciplines the accession to the Union, stressing the opened nature of the Union to all the countries that share its objectives and principles on the terms agreed upon by the member-states.

When a state decides to candidate for the accession to the EEU, must send a corresponding appeal to the Chairman of the Supreme Council. The decision about the possibility of candidature of a state is then decided by the Supreme Council by consensus. After that, based on the decision of the Supreme Council, must be formed a working group consisting of representatives of the candidate state, the member-states and Bodies of the Union (working group) for examining the degree of preparation of the candidate to assume the obligations resulting from the law of the Union. In the procedure they will draft an action program for accession of the candidate state to

⁴²⁵ Treaty on the Eurasian Economic Union. P. 130

⁴²⁶ Annex 32 to the Treaty on the Eurasian Economic Union. P. 2

the Eurasian Economic Union. Further, must be drafted an international agreement on the accession of the state to the Union, which should determine the extent of the rights and obligations of the candidate state, as well as the format of its participation in the work of the bodies of the Union. The action program for the accession of a candidate state must be approved by the Supreme Council. The working group should regularly submit to the Supreme Council a report on the implementation of the action program by the candidate. When the working group concludes that the candidate has fulfilled the obligations, the Supreme Council must adopt a decision on the signing an international agreement of accession to the Union. After the ratification, the candidate state will become a member of the Union effectively.

Thus, the Eurasian Economic Union is an organization opened to the admission of new members. This point reflects the aim of the integration and expansion of the Union, which would like to embrace the entire Eurasian scenario. A successive proof of this target is possible to evince by the analysis of the article 109, which provides the possibility for every state to demand the status of observer country of the Union, through a request to the Chairman of the Supreme Council. The final decision about the grant or refuse of the observer status is taken by the Supreme Council, which must take in account in its decision the interests of integration, development and targets of the Union in its complex.

In order to favorite the integration and the evaluation of the admissibility of an observer state, its authorized authorities, as expressed in the third comma of the article 109, may take part at the meetings of the bodies of the Union and obtain, through invitation, documents of the EEU (excluded documents that contain any confidential information).

However the observer status, as stressed in the Treaty, from a side does not allow the observer state to take any action in the decisional process of the Union; and from the other side obligate the state to not commit any action which could be against the interests of the Union and of its participants.

Continuing in the report of the final provisions, the article 110 marks the official working language of the Union, namely the Russian language. All the international treaties stipulated between the member-states within the Union and the decisions of the Commission, as expressed in the second paragraph of the article 110, must be adopted in Russian, which a following translation into the national language of every member-state, if it is provided by the Commission.

In connection with the second paragraph, the third comma explains as: in case of conflicts between versions of international treaties and decisions referred to the second paragraph of the article 110 with regard to their interpretation, the Russian version must prevail⁴²⁷.

The article 111 disciplines the access and publication of international treaties within the Union and the decisions of the Commission that must be officially posted on the official website of the Union in the procedure determined by the Intergovernmental Council. The entering in force of a decisions and a document within the Union starts from the moment of its publication.

In the third comma of the article 111 is underlined that every decision of the bodies of the Union must be forwarded to the member-states within 3 calendar days from the decision. Besides, the bodies of the EEU must ensure preliminary publication of draft decisions on the official website of the Union (on internet at least) thirty calendar days prior to the planned adoption date. This procedure allows that before the official publication all interested people may submit to the bodies of the Union their comments and suggestions.

In the sixth and seventh commas are explained the exceptions to the rules of publication: the decisions of the Court of the Union, that their entry into force and publication are governed by the Statute of the Court of the Eurasian Economic Union (Annex 2 to the Treaty); and for all those decisions where preliminary publication of drafts decisions may prevent their execution or is otherwise contrary to the public interest⁴²⁸.

In case of dispute about the interpretation and/or application of the predispositions of the Treaty, the article 112 refers as these must be resolved through consultations and negotiations. If within three months after the official request to settle a dispute any results have been reached between the parts, the issue may be referred to the Court of the Union for a final decision.

The article 113 set the entry in force of the Treaty of the EEU. Upon to the 1th January 2015, official data of the start of the Eurasian Economic Union, this article provided all international treaties concluded within the establishment of the Customs Union and the Common Economic Space had to be terminated, according to Annex 33 to this Treaty "*Protocol on the Termination of the International Treaties Concluded within the Formation of the Customs Union and the Common Economic Space in Connection with the Entry into Force of the Treaty on the Eurasian Economic Union*".

⁴²⁷ Treaty on the Eurasian Economic Union. P. 132

⁴²⁸ Ibid. P. 134

The objective of the Legislator by the termination of all previous international treaties concluded within the establishment of the Customs Union and the Common Economic Space had the priority to begin through the EEU a successive step of integration. This aim can be reached through the settlement of a new progressive system of interaction and decision in order to allow the participants of the Union to cooperate through same rules, developing their economies gradually and arriving in an equal level of development.

But, the EEU Treaty, as expressed in the article 114, does not exclude the possibilities for its participants to conclude international treaties that are not inconsistent with the objectives and principles of the Union, letting them even a grade of autonomy for their accords with third countries.

Though, concerning the bilateral international accords and treaties stipulated by the members of the Union that may provide for the interested part any additional benefits, these may be concluded only if do not affect the rights and obligations of the other participants of the Union. This mechanism wants to prevent any actions of a member state that can preclude the interests of the counterparts within the Union, asserting the principle of equality of the EEU.

Concluding the analysis about the Treaty, the article 115 provides the possibility to amend and supplement the Treaty through Protocols which must be considered integral part of the Treaty; the article 116, as underlined at the beginning of this analysis, affirms the necessity to register the Treaty with the Secretariat of the United Nations in accordance with Article 102 of the Charter of the United Nations; and the article 117 explains as any reservation to the Treaty must be allowed. Finally, the article 118 provides the possibility for the member-states to withdraw from the Treaty. In case of withdrawal, the member of the Union must send a written notice of its intention to the depositary of the Treaty. The effect of the Treaty in respect of that state will cease after 12 months from the date of receipt of the notice by the depositary. In the second comma of the article 118 is however provided for the state which expressed its volition to withdraw from the Treaty, the obligation to settle all financial obligations incurred in connection with its participation in the Treaty. These obligations will remain in force even after the withdrawal until their full implementation⁴²⁹.

The withdrawal from the Treaty by a member state means the termination of membership in the Union and from all international treaties within the Union automatically.

⁴²⁹ Treaty on the Eurasian Economic Union. P. 136

31 *Observations about barriers and obstacles of the Union*

After the report of all the provisions of the Astana Treaty and understood the scope of economic integration that the participants want to achieve through their cooperation, it is now essential to discover which mechanisms are working and which not in the actual scenario of the EEU.

One the most important issue of the EEU is the gradual unification and removal of non-tariff barriers in mutual trade in goods and services, aimed to increase efficiency of the common market. Nowadays are still present barriers in the mutual trade that have not yet allowed a serious development of the mutual trade – in the first two years, the mutual trade of the Union registered low values especially in comparison with the extra-trade: for 2016 the mutual trade had a turnover of 14.2% against 85.8% of the trade with foreign countries⁴³⁰.

Thus, the development of the EEU is firstly connected with the regulations of customs control, the abolishment of trade barriers in mutual trade and the application of technical regulation for the production of the member-states that could incentive the competitiveness within the territory of the Union. The purpose of this paragraph wants to give an overview about the progresses of the EEU in the regulation sector.

Chronologically, from July 1, 2011, the customs control at the internal borders between Belarus, Kazakhstan and Russia has been fully removed and the introduction of single customs territory was completed. The paid duties were distributed into the state budgets of the triad in compliance with following agreed breakdown: Belarus — 4.7%; Kazakhstan — 7.33%; Russia — 87.97% (same values confirmed and reported in the Annex 5, section 2, paragraph 12 of the EEU Treaty in the distribution of the amounts regarding the import custom duties). On July 16, 2012 the Council of the Eurasian Economic Commission approved a new edition of the Commodity Nomenclature of the External Economic Activity and the Common Customs Tariff of the Customs Union with regard to terms of Russia's joining the WTO, in order to simplify better the movement of goods within the territory of the Union⁴³¹.

Successively, Belarus, Kazakhstan and Russia on May 29, 2014 signed the Treaty establishing the EEU, which, with the following accession of Kyrgyzstan and Armenia, revised the quota of the tariff income, forming an acceptable ratio for all the members: Russia — 85.32%; Kazakhstan — 7.11%;

⁴³⁰ Yevraziskaya Ekonomicheskaya Kommissiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 150

⁴³¹ Cf. Library of the Eurasian Economic Commission (2016): *“Eurasian Economic Integration: Facts and Figures”*. P. 22 [http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20\(%D0%90%D0%BD%D0%B3%D0%BB\).pdf](http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20(%D0%90%D0%BD%D0%B3%D0%BB).pdf) (last view: 23.04.2017)

Belarus 4.55%; Kyrgyzstan —1.9%; and Armenia —1.11%.⁴³² The revision of the tariffs was thought in order to distribute the costs towards the member-countries unequivocally, allowing a unified economic improvement of the region. In this context, must be considered even the possible effects of Russian accession to WTO (2012), which, according to Shepotylo and Tarr, has the potential to significantly boost the positive impacts of the Union in the region. In fact, the Russian applied tariffs in average will reduce to 7.6% level by 2020⁴³³, falling thus by about 40 to 50%.

The Treaty also stipulated that in the internal market the member-states can trade freely with each other without the application of tariffs, non-tariff barriers, other protective measures and internal customs controls (articles 25 and 28). Here, the Treaty on the basis of annex 7 provides for a harmonized system of non-tariff trade regulation. Limitations may be applied exclusively for preservation of life and health; protection of government morality, law and order; preservation of the environment, animals and plants; preservation of cultural values; compliance with international obligations; and ensuring national defense and security. In these cases is possible, as provided by Annex 7, the introduction of non-tariff measures on imports and exports as: bans and quantitative restrictions; exclusive rights; automatic licensing; and authorizations. This choice of the Legislator in the addition of limitations is connected to the fact that the system of the EEU has as principal target the improvement of the national economies of its participants, for that its mechanisms were found by the three founders in order to not prejudice the national trade.

Though, the accession to the EEU means even for every member responsibilities towards the other participants. Indeed the application of limitations should not constitute object of unjustifiable discrimination or disguised restriction on trade, because the other principal aim of the EEU is the correct application of competitiveness within its territory.

The member-states have established general principles of technical regulation, and identified its order, rules and procedures (Annex 9), and general principles governing sanitary, veterinary-sanitary and phytosanitary quarantine measures (Annex 12)⁴³⁴.

After the listing of these facts, regarding the intra-trade of the Union, we can considerate that complications arise into the elimination of domestic regulatory and other non-tariff barriers to mutual trade, due especially to the fact that the member-countries present a different internal

⁴³² Zigu Li (2016): *"Eurasian Economic Union: Achievements, Problems and Prospects"*. In China Institute of International Studies, 19.08.2016. http://www.ciis.org.cn/english/2016-08/19/content_8975486.htm (last view: 15.9.2017)

⁴³³ Mazhikeyev Arman & Edwards Huw (2015): *"Consequences of Asymmetric Deeper Eurasian Economic Integration"*. UCD Dublin, 30.01.2015. P. 7

⁴³⁴ Yevraziyskaya Ekonomicheskaya Komissiya (2016): *"Bar'yery, iz'yatiya i ogranicheniya Yevraziyskogo Ekonomicheskogo Soyuz"*. Doklad. Pp. 13-14

legislation system, which explains the difficulties to apply a common legal framework for all the members. The harmonization of technical regulations is however a decisive stage for the integration of the member-states – e.g. companies operating in the territory of the Union are still subject to national-level inspection and certification of their produce, a thing that decelerates the trade-process overall.

Quoting Dragneva and Wolczuck, *“It is widely recognized, that the non-tariff barriers – such as technical standards, sanitary and phytosanitary measures (SPS), competition and public procurement issues – hinder free trade and pose the biggest challenge for any integration project”*. *Removing such barriers requires consensus amongst the member states for the Commission to decide on the process stipulating which barriers and when should be tackled. Non-tariff barriers form a strong impediment to free trade in the EEU. The ad valorem equivalents of such barriers range from 10–30 per cent of some countries’ export value*⁴³⁵, for that their gradual regulation is a decisive step for the economic success of the Union.

In a classification of the NTBs from the list of the Eurasian Economic Commission, it was found that the greatest number of NTBs in the Customs Union and Single Economic Space are for SPS measures, technical barriers, price control measures and measures affecting competition.

According to the analysis of the Russian researcher Vikunorov, the non-tariff barriers of the EEU can be divided into two groups. The first group includes such NTBs as sanitary and phytosanitary measures, technical barriers to trade, quotas, bans, and quantitative control measures. The second group comprises price control measures and measures that affect competition (special importers, restrictions on marketing and public procurement, subsidies). The barriers of the second groups should be eliminated because hinder the movement of goods and can have the most negative impact on trade⁴³⁶. In addition, estimates by the Eurasian Development Bank reveal that NTBs account are 15% of the value of intra-union trade flows. The effect of deep integration in the EEU will be even greater if any spillovers effect reducing NTBs for EEU’s major trading partners are present⁴³⁷.

⁴³⁵ Dragneva R. and Wolczuck K. (2017): *“The Eurasian Economic Union Deals, Rules and the Exercise of Power”*. In Chatam House. Research Paper, May 2017. P. 19

⁴³⁶ Cf. Vinokurov Evgeny (2017): *“Eurasian Economic Union: Current state and preliminary results”*. In Russian Journal of Economics 3 (2017). P. 60

⁴³⁷ Tarr D. and Turdyeva N. (2016): *“Non-Tariff Barriers and Trade Integration in the EAEU”*. In Free Network 29.02.2016 <http://freepolicybriefs.org/2016/02/29/non-tariff-barriers-and-trade-integration-in-the-eaeu/> (last view: 2.09.2017)

A survey realized by the EEC and the EDB⁴³⁸, involving enterprises from Belarus, Kazakhstan and Russia, found that NTBs account for 15% to 30% of total export value. In other words, each dollar's worth of export goods traded between EEU countries still includes 15 to 30 cents of NTB-related costs as of 2014. In the medium term, Belarus could, according to the forecasts of Dr. Vinokurov, benefit mostly from the reduction of NTBs: its real GDP may increase by 2.8%, and its wealth could rise by 7.3% on a cumulative basis. In Kazakhstan, wealth would rise by 1.3%, while real GDP may increase by 0.7%. The effects on Russia may be less impressive: wealth would rise by 0.5% on a cumulative basis, while real GDP would rise by 0.2%. This is attributable both to the large size of the Russian economy and to the fact that Russia relies on trade within the EEU less than it does on trade with the rest of the world⁴³⁹.

Regarding this survey, it is possible to list the various recommendations aimed at reducing technical barriers, derived from the respondents answers, that can be a beginning for the EEU in order to gain positive welfare effects: 1) development and implementation of new standards and technical regulations in the CU; 2) adoption of international standards; 3) mutual recognition of conformity assessment procedures for products not covered by technical regulations of the CU; 4) harmonization/convergence of rules and regulations for marking, packaging and labeling within the CU; 5) development of standardized requirements and rules for handling goods; 6) other ways to reduce barriers related to standards and technical regulations⁴⁴⁰.

In this direction, during 2016, the Commission, with the member-states, started to make progress in the removal of NTBs in the mutual trade. Here was developed and implemented a methodology to eliminate obstacles in the mutual trade in order to increase the effectiveness to identify obstacles, monitoring the observance of the legal framework of the Union law from its participants⁴⁴¹. On November 30, 2016 all exemptions and restrictions were processed by the EEC in a comprehensive manner in the list of obstacles entitled "*the White Paper*" which contains 60 obstacles, of which 17 are exemptions, 34 are restrictions, and 9 barriers⁴⁴². Precisely, according to the terminology of the EEC, barriers mean the obstacles in violation of the EEU legislation; restrictions mean the obstacles caused by lack of legal regulation of economic relations, the

⁴³⁸ Eurasian Economic Commission and Eurasian Development Bank (2015): "*Assessing the impact of non-tariff barriers in the EEU: Results of the enterprise surveys*". Report Nr. 30 Saint Petersburg, 2015

⁴³⁹ Vinokurov Evgeny (2017): "*Eurasian Economic Union: Current state and preliminary results*". In Russian Journal of Economics 3 (2017). P. 60

⁴⁴⁰ Cit. Loc. Eurasian Economic Commission and Eurasian Development Bank (2015). P. 39

⁴⁴¹ Cf. Yevraziyskaya Ekonomicheskaya Komissiya (2016): "*Bar'yery, iz'yatiya i ogranicheniya Yevraziyskogo Ekonomicheskogo Soyuz*". Doklad. P. 10

⁴⁴² Ibid. P. 11

development of which is envisaged by the Union’s legislation; and exemptions mean the exceptions (departures) provided by the EEU legislation for non-application by a member-state of common rules for functioning of the domestic market of the Union⁴⁴³.

Figure 12: Number of obstacles applied by member-states

| Member states | Barriers | withdrawals | Limitations | Σ |
|---------------|----------|-------------|-------------|----|
| Armenia | 2 | 6 | 33 | 41 |
| Belarus | 3 | 7 | 33 | 43 |
| Kazakhstan | 3 | 8 | 33 | 44 |
| Kyrgyzstan | 0 | 7 | 33 | 40 |
| Russia | 6 | 8 | 34 | 48 |

Source: Yevraziyskaya Ekonomicheskaya Komissiya (2016): “*Bar'yery, iz'yatiya i ogranicheniya Yevraziyskogo Ekonomicheskogo Soyuz*”. Doklad. P. 12

The barriers and obstacles detected and listed in the document include for example: 1) lack of harmonized approaches between the member-states in the application of national (state) standards and interstate standards. 2) Contradictions in the provisions of the transport and customs legislation of the Union regarding the prohibition on the use of temporarily imported vehicles of international transport for the carriage of goods, passengers and (or) luggage when performing internal transportation within the customs territory of the Union⁴⁴⁴. 3) Lack of procurement information in Russian language (EEU’s official language) on the website of the public procurement of the Ministry of Finance of Armenia. 4) In Armenia was detected that certain normative legal acts do not correspond to Article 88 of the Treaty (Armenia is now working on the placement of information on public procurement in the amount established by the Treaty). 5) The obstacle of Russia for the software suppliers from other member-states that have no access to the information about public procurement (the Russian government is already working on the development of softwares that allowsother companies from the member-states to participate in the procurement procedures). 6) The necessity to eliminate barriers caused by the collection of a rent tax imposed on coal exports from Kazakhstan to the other members. Here, the Commission has found that the said tax was an equivalent to export duties that should not be applied in the

⁴⁴³ “EEC published “White Paper” with information about agreed barriers in EAEU domestic market”. In Eurasian Economic Commission, 3.04.2017 <http://www.eurasiancommission.org/en/nae/news/Pages/3-04-2017.aspx> (last view: 16.09.2017)

⁴⁴⁴ Cf. Yevraziyskaya Ekonomicheskaya Komissiya (2016): “*Bar'yery, iz'yatiya i ogranicheniya Yevraziyskogo Ekonomicheskogo Soyuz*”. Doklad. P. 18

domestic market of the EEU, informing Kazakhstan to respect the rights of the Union. 7) The lack of free access for the vessels flying flags of the EEU's members to the inland waterways of the Russian Federation was also recognized as a restriction (this problem is expected to be solved by adoption of a Shipping Agreement). 8) The lack of unified norms and rules for plant quarantine in the Union was also recognized as a restriction because it results in a number of challenges in selling the goods, in particular in selling vegetables and fruits⁴⁴⁵.

The removal of barriers is thus a priority of the EEU in order to harmonize the legal framework of the member-countries. For that, through the work of 2016, the EEC eliminated a number of the most significant obstacles as: 1) the restriction caused by lack of the unified methodology for calculation of the authorized scope of state support of the agriculture, which had a distorting effect on the trade, eliminated on April 19, 2017 in order to protect the prices of manufacturers. 2) The barrier associated with the non-recognition by the Russian Federation of the equivalence system of inspections of the objects of veterinary control (supervision) of Armenia. 3) Barrier in public procurement related to the access of goods of member-states to public procurement in the Russian Federation for the needs of the state defense order. Aimed to remove this barrier, was adopted by the Commission the Decision No. 31 of April 12, 2016: "*On Recognizing the Violation by the Russian Federation of the Obligations Under Section XXII of the Treaty on the Eurasian Economic Union of May 29, 2014*", identifying the necessity to remove this barrier concretely. 4) The barrier in the field of labor migration associated with the problems of recognition in Kazakhstan of documents on the education of citizens of the member-states⁴⁴⁶. 5) Kazakhstan was maintaining a phytosanitary control in the Kazakh-Kyrgyz part of the state border. By the Decision of the Supreme Eurasian Economic Council No. 6 of May 8, 2015, "*On the abolition of sanitary-quarantine, veterinary-sanitary and quarantine phytosanitary control (supervision) in the Kyrgyz-Kazakh sector State border*", the barrier was eliminated. 6) Kyrgyzstan was requested to fill out a coupon on the passage of goods at the internal border between member-states. The Commission determined that the measures applied by the Kyrgyz Republic were contrary to the provisions of Articles 25 and 28 of the Treaty. The decision of the Board of the Commission of September 27, 2016 No. 106 "*On the fulfillment by the Kyrgyz Republic of its obligations within the framework of the functioning of the internal market of the Eurasian Economic Union*" was adopted and the

⁴⁴⁵ "EEC published "White Paper" with information about agreed barriers in EAEU domestic market". In Eurasian Economic Commission, 3.04.2017 <http://www.eurasiancommission.org/en/nae/news/Pages/3-04-2017.aspx> (last view: 16.09.2017)

⁴⁴⁶ Yevraziyskaya Ekonomicheskaya Komissiya (2016): "*Bar'yery, iz'yatiya i ogranicheniya Yevraziyskogo Ekonomicheskogo Soyuz*". Doklad. P. 11

barrier eliminated. 7) The Russian Federation was not ensuring to the temporarily staying workers of other member-states in its territory to receive medical assistance on an equal basis with Russian citizens. A barrier eliminated due to its contrast with the dispositions of the Treaty about the same treatment of the EEU's citizens within the territory of the Union⁴⁴⁷. The Commission has thus started a progress regulation and elimination of barriers. The successive step to unify the system of the Union passes through the development of "Road maps" for elimination of exemptions and restrictions on the internal market of the Union, as stipulated by the decree of the Council of the Commission of October 18, 2016 No. 29 "On the progress in identifying and eliminating barriers, exemptions and restrictions On the domestic market of the Eurasian Economic Union"⁴⁴⁸, where the task of the Commission, together with the member-countries, is to find obstacles that can hinder the EEU trade. In follow of that, other obstacles were identified and eliminated as: a) in Belarus was introduced, in addition to the requirements of technical regulations of the EEU, a sanitary and hygienic examination procedure that were not provided in the Treaty. It is mandatory for food products, children's products, perfume and cosmetics, oral hygiene products, construction raw materials and materials, home appliances, automotive components, etc. b) The identification of a lack of uniform rules of charging a security payment in sale of alcoholic. Security payment is applied in all the member-states, except Armenia. While in Russia, it is higher for foreign suppliers than for domestic ones, in Belarus and Kazakhstan, it is charged only from foreign sellers, in Kyrgyzstan – only from suppliers from the EEU countries. This restriction was creating discriminatory conditions for exporters, for that was eliminated⁴⁴⁹.

Regarding the commerce with third states, the EEU's countries have concluded a separate accord concerning export duty rates to third countries, containing special rules on export duties. Precisely, every member state establishes its own list of certain goods in respect of which export duties may apply, which is communicated to the EEC. On that basis, the Commission maintains a consolidated list of products subject to export duties for all the EEU's countries. The member-states retain the power to adopt and amend the export duty rates applied on export of goods, contained in the consolidated list and originating in their territories. Similar rules are reflected in the Customs Code of the Customs Union. Export duty rates are subject to periodic amendments by

⁴⁴⁷ Yevraziyskaya Ekonomicheskaya Komissiya (2016): "Bar'yery, iz'yatiya i ogranicheniya Yevraziyskogo Ekonomicheskogo Soyuzu". Doklad. Pp. 11-13

⁴⁴⁸ Ibid. P. 15

⁴⁴⁹ "In the EAEU, three more obstacles will be eliminated". In Eurasian Economic Commission, 28.04.2017 <http://www.eurasiancommission.org/en/nae/news/Pages/28-04-2017-2.aspx> (last view: 16.09.2017)

decisions of the governments of the member-states – although there is not an official public database at the EEU level where up-to-date export duty rates can be consulted⁴⁵⁰.

This system allows every member-country to pursue an own commerce with third countries without special barriers. The target of this mechanism is to maintain a freedom in the extra-trade of the member-countries, in order to not compromise their position in the world trade.

In detail, concerning the extra-trade of the Union, the article 36 provide the granting of tariff preferences in respect of goods originating from developing countries and/or least developed through the use of a common system of tariff preferences of the Union. Thus, to promote economic growth and welfare in developing and least developed countries, the EEU applies a Unified System of Tariff Preferences (USTP)⁴⁵¹ that grants tariff preferences for goods originated in developing countries and imported into the customs territory of the EEU. The articles 36 and 37 of the EEU Treaty specify tariff preferences granted to developing countries (75 per cent and zero per cent of the most-favored nation rate, for developing and least developed countries, respectively) and refers to preferential rules of origin applied to such imports⁴⁵².

The article 39, to promote the worldwide economic expansion of the Union, provides the abolishment of restrictive measures in the trade with third parties. Here, the existing most prominent trade restrictions are of sanitary and phytosanitary nature, including bans on import of poultry and meat from the United States owing to a bird flu epidemic or because of zero-tolerance policy on residues of antibiotics and steroids. Other goods subject to extensive safety controls and requirements in the EEU include pork and other meat products from the European Union due to the alleged African swine fever outbreaks, certain wine and spirits from Georgia, cheese, certain detergents and confectionery from Ukraine, and other items. Parallel to this, all members of the Union make extensive use of stringent import licensing regimes for alcohol and pharmaceuticals⁴⁵³.

The spillover effects of the NTBs reduction could have positive effects in the extra-trade too, especially in direction of the EU (first economic partner of the EEU). Indeed, according to a study conducted by Alexander Knobel in 2016, was simulated a 50% decrease in technical NTBs inside the EEU and a 20% spillover effect of reduction NTBs toward either the EU and USA or China.

⁴⁵⁰ Borovikov E., Evtimov B. and Danilov I. (2017): "*The Eurasian Economic Union*". In Getting the Deal Through. <https://gettingthedealthrough.com/area/51/article/29132/trade-customs-eurasian-economic-union> (last view: 31.08.2017)

⁴⁵¹ The actual approved lists of goods came into force on 28.08.2017 by the Decision No. 8 of the Council of the Eurasian Economic Commission, dated 13.08.2017.

⁴⁵² Cit. Loc. Borovikov E., Evtimov B. and Danilov I. (2017)

⁴⁵³ Ibid.

According to Tarr and Turdyeva, the reduction of NTBs in trade with the EU and the USA dominates the comparable reduction of NTBs with China for all countries of the EEU in terms of the welfare gain. Armenia's welfare gain with a spillover effect towards the EU is 1.1% of real consumption compared to 1.02% with a spillover effect towards China. Growth in welfare in Belarus will be 2.7% with EU spillover versus 2.5% with a spillover effect towards China. Kazakhstan's gain in real consumption is also greater in the first (EU+USA) case: 0.86% versus 0.66% (with spillover towards China). Russia's gain in real consumption in the case of a spillover effect with the EU is 2.01% versus 0.63% in the case of China⁴⁵⁴.

Generally, despite the intensive work of the Commission in detecting and eliminating barriers, still problems persist. Indeed, according to Dragneva and Wolczuck: *"The progress in eliminating existing barriers is undermined by the explosion of new obstacles to free trade within the EEU. Most visible have been the "trade wars" such as the "milk and meat wars" between Russia and Belarus or the "potato wars" between Kazakhstan and Kyrgyzstan, where exemptions to free trade on the basis of alleged violations of food safety standards have been invoked. The effect of these "trade wars" by the back door is not easy to quantify, not only do they signal a continuous lack of predictability in intra-union trade relations but also result in the unraveling of previous achievements. For example, Belarus retaliated against Russia's bans of its products by the re-introduction of internal customs border controls in December 2014. The standing disputes have been aggravated by the wider dynamics of relations between Russia and Belarus in relation to gas prices and border controls, resulting in the unilateral re-introduction of a stronger border protection regime on the Belarusian–Russian border by Russia in February 2017"*⁴⁵⁵.

Nowadays that the removal of barriers and the necessity to create an harmonized legislation for the further cooperation of the member-countries is a target and a priority of the EEU, as even underlined by the Belarusian foreigner minister Makei during 2017, that called for efforts focused on the eliminations of restrictions in the mutual trade between the members of the Union: *"We believe that we should pay more attention to deepening the integration. We should focus on the restrictions that persist in our mutual trade hampering our effective participation in this organization and our effort to create a single economic space. [...] We believe that we should pay*

⁴⁵⁴ Tarr D. and Turdyeva N. (2016): "Non-Tariff Barriers and Trade Integration in the EAEU". In Free Network 29.02.2016 <http://freepolicybriefs.org/2016/02/29/non-tariff-barriers-and-trade-integration-in-the-eaeu/> (last view: 2.09.2017)

⁴⁵⁵ Dragneva R. and Wolczuk K. (2017): "The Eurasian Economic Union Deals, Rules and the Exercise of Power". In Chatam House. Research Paper, May 2017. P. 20

*more attention to removing the barriers and restrictions in our internal trade within the single economic space*⁴⁵⁶.”

In this direction we can affirm as the work of the Eurasian Commission, focused on the identification and elimination of the barriers, especially in the intra-trade, must still better performed (the *White Report* of 2016 is the first sensible step that is showing the real working of the EEU and its volition to equalize the commerce within the territory of the Union). Here, it is essential the cooperation of the authorities of the member-states through their report of obstacles and barriers to the Commission, in order to remove them and move forward for a deeper integration.

⁴⁵⁶ “*Call for focused effort to remove barriers, restrictions in EAEU market*”. In Belta 14.04.2017.
<http://eng.belta.by/economics/view/call-for-focused-effort-to-remove-barriers-restrictions-in-eaeu-market-100461-2017/> (last view: 16.04.2017)

Conclusion

After the examination of the legal framework of the Eurasian Economic Union, we can trace some conclusions about its targets and operating.

The preamble of the Treaty delineates the principles of interaction and cooperation on the basis of the economic integration: equal sovereignty; solidarity between all the members with respect on the national culture; volition to strengthen the economic interaction as condition to successive develop the integration; and the awareness that a common pacific cooperation is the basis to obtain a consolidated integration for further economic improvement.

In this direction the Astana Treaty, intended as sequential step of economic interaction after the stage of the Customs Union, brings nowadays the actual member-states to a further level of integration that economically presupposes the principal objective to favorite the free movement of goods, services, labor, and capital within the territory of the Union.

Considering its institutional conception, the EEU operates through supranational and intergovernmental institutions, where the Commission, the single states and national governments are the principal actors of the integration process. This hybrid character assumes its composition modeled on the system of the European Union similarly, which is dominated by a permanent executive body – the Eurasian Economic Commission. The Commission, however, in the exercise of its functions must abide by the resolutions of the Eurasian Intergovernmental Council and, in turn, it must abide by the decisions of the Supreme Eurasian Economic Council. The organogram is completed by the Court of the EEU, which resolves the possible disputes between the members. From an economic point of view, must be considered that the foundation of the EEU is based on the Customs Union and Single Economic Space, thus naturally predicated on the elimination of internal customs barriers, and the adoption of a common tariff level for trade with third countries. All that had to be achieved in some form of balance with the provisions of the World Trade Organization⁴⁵⁷.

The economic integration presupposes a full economic cooperation of the member-states without the presence of any barrier that could hinder their trade (within the participants there is still a persistent lack of harmonized legislation as in the mutual comparative assessments where procedures are different or there is a diverse application of principles as e.g. interstate standards

⁴⁵⁷ Cf. Pozo-Martin Gonzalez (2015): *“The Eurasian Economic Union: Ambitions – Analysis”*. Elcano Royal Institute, October 13, 2015. <http://www.eurasiareview.com/13102015-the-eurasian-economic-union-ambitions-analysis/> (last view: 17.04.2017)

for customs tariffs and non-tariff regulations). The Union must thus achieve the perfect coordination of its participants. For that the strongholds of the EEU Treaty are: the harmonization of economic policies in the sphere of industry, agriculture, energy, transport, taxation, finance, through the application of non-tariff measures in mutual trade.

To reach these targets, is necessary a total participation and acceptance of mutual obligation by the member-countries. According to this point, the Legislator in the article 23 stresses the importance to create measures that can facilitate the communication and integration process, as the creation of informatics channels, electronic communication through the national authorities of the member-states, or the creation of a database of the Union that can make easier the system of sharing of the Union. The members of the EEU are working on the share of information sensibly, especially because a deeper cooperation can reinforce the sense of confidence within the system of the Union. In fact the annex 3 of the Treaty *“Protocol on Information and Communication Technologies and Information Exchange within the Eurasian Economic Union”* confirms the priority to create an integrated information system of the Union in specific areas as customs tariff and non-tariff regulations; customs regulations; or technical regulations.

Hence, the Union wants to favorite the economic integration of its members eliminating all trade-barriers in the mutual trade (customs duties, non-tariff regulatory measures, safeguard, anti-dumping and countervailing measures), as explicated in the comma 3 of the article 28. Although in the two first years of working, the mutual trade, due on the economic recession of the members, firstly Russia, has not yet showed a real increment, the objective of the Union is its regulation by the elimination of non-tariffs barriers and the application of technical regulations. It has the meaning that the member-countries, characterized by economic diversities in their national system, could through their economic interaction improve their economic status. Therefore, the Legislator, conscious of the economic diversities within the EEU, prefixed the objective to equalize the economic production by exchange of technologies, qualified personals and creation of infrastructure of connection, trying to incentive the competition between the member-countries. Actually, we must considerate as the steps in this direction in the first two years moved very slowly. Indeed, if from a side the *“White Report”* of the year 2016 started to identify and remove barriers in the mutual trade, from the other side rests still difficult to believe that companies of Kyrgyzstan could be competitive with their Russian counterparts.

However, the Astana Treaty indicates the principles of the technical regulation, as precised in the article 51: determination of mandatory requirements to products and product-related

requirements to design, manufacture, construction, installation, commissioning, operation, storage, transportation, sale and disposal; determination of common mandatory requirements in technical regulations of the Union or national mandatory requirements in the legislation of the member-states to the products; compliance of technical regulations within the Union with the level of economic development of the member-states and the level of scientific and technological development; uniformity of researches rules and methods and all measurements during mandatory conformity assessment procedures; harmonization of interstate standards with international and regional standards; uniformity of rules and procedures for mandatory conformity assessments; implementation of agreed policy for ensuring uniformity of measurements within the Union. These objectives, still to be achieved, could start favoring a real economic coordination as basis for an increment of the national production in the next years.

To favorite the competition and produce on a same equal basis is however the main point that the Treaty underlines as fundamental step for the integration. For that the article 62 affirms as the member-states should implement an agreed macroeconomic policy to achieve the aim of a balanced economic development by the establishment of common operation principles and the assurance of their effective interaction. Furthermore, the same Treaty in the article 63 indicates the main economic spheres that determinate the sustainability of the Union development. Here is précised that the member-states should conduct their economic policy using the quantitative values provides by the EEU, namely: annual deficit of the consolidated budget of a state-controlled sector should not exceed 3% of the gross domestic product; debt of a state-controlled sector should not exceed 50% of the gross domestic product; inflation rate (consumer price index) per annum (December to December of the previous year, in percent) should exceed the inflation rate in the member-state with the lowest value by not more than 5%. In this direction, progresses of the Union were made for the maintaining of lower inflation rate. For example, in 2017 Belarus received by the Commission Board the recommendation *“on proposals of the Eurasian Economic Commission on measures aimed at reducing the level of inflation (consumer price index) in the Republic of Belarus”*, finalized to reduce the growth of consumer prices in the country, as the reduction of the cost of producing and selling consumer goods and development of competitive consumer market, due to the fact that Belarus exceeded the quantitative threshold of the inflation

rate (in 2017 the inflation in Belarus reached 107%, which higher by 2.2% points than the value specified in the Treaty⁴⁵⁸).

The regulation of economic sectors is thus essential in the development of a macroeconomic politic of the member-states. Specifically, the article 70 indicates the principles that the member-countries should follow in the regulation of their financial sectors, as e.g. the necessity to create a common financial market within the Union (which will be realized just in 2022–2025), or to enable mutual recognition of licenses in the banking and insurance sectors.

Therefore, in order to achieve progress and in the EEU, the member-states should: a) seek to harmonize all spheres of natural monopolies listed in the annexes 1 and 2 of article 78 (as transportation of oil and petroleum products via main pipelines or distribution of electricity, which harmonization seems however not an easy aim to reach because its harmonization could collide with the oligarchs interests especially in Russia); b) establish a common energetic market of the EEU (article 79), which but will be completed just in 2025 (electric market – 2019; oil market – 2024; and gas market – 2025); c) create a coordinated transport policy with to ensure and facilitate the economic integration based on the principle of competition, transparence, security, reliability, availability and sustainability (in 2016 was but detected a barrier consisting of the prohibition on the use of temporarily imported vehicles of international transport for the carriage of goods, passengers and luggage when performing internal transportation within the customs territory of the Union, hindering thus the movement of goods); d) develop and implement a national industry policy by the adoption of common industrial measures (article 92); promote an agreed agricultural policy within the EEU (article 94) in order to ensure the development of the rural areas of the Union (the approval of the methodology of 2016 regulating the value of the state support for agriculture having distorting effects, trying to improve the competitiveness within the Union is a first concrete step in this direction); and e) provide the cooperation between the members of the Union in the sphere of the labor migration (article 96), creating an agreed policy that allow all citizens of the Union to move and work without barriers in the territory of the member-states (a system until 2016 not perfectly integrated, because the discovery of a barrier for example in Kazakhstan about problems of recognition of documents on the education of citizens of other member-states).

⁴⁵⁸ Eurasian Economic Commission (2015): *“The Eurasian Economic Commission recommended measures for the Republic of Belarus to reduce inflation.”* 15.03.2017 <http://www.eurasiancommission.org/en/nae/news/Pages/15-03-2017.aspx> (last view: 05.06.2017)

But, the harmonization of the frameworks of the member-states for the creation of common markets through the removal of persistent barriers and the realization of the energetic markets rest still the two biggest priority of the Union. Despite the common market of medicines launched on May 2017, the Union is however still far from the realization of an integrated common economic policy, especially in its most important sector, the energetic.

In the development of common markets, the integration passes naturally through the application of same tariffs, abolishment of custom duties, and implementation of coordinated programs that respect the different economic levels of the participants of the Union and ensure a fair concurrence in the territory of the Union. The achievement of these targets can realize a determinant aim of the Union, namely the improvement of the internal trades of the Eurasian states in the worldwide economy.

Considering the expansion of the EEU in the global scenario, the article 33 indicates as the foreign trade policy of the Union wants to promote sustainable economic development for the member-states, economic diversification, innovative development, improvement of structures, acceleration of integration process, favoring principally the efficiency and competitiveness of the organization in the global economy. For that, as indicated in the article 36, the Union may grant tariff preferences in respect of goods originating from developing countries using the common system of tariff preferences of the Union and/or least developed countries using the common system of tariff preferences of the Union.

Taking into account these considerations, from a side can be confirmed as the EEU represents the highest and institutionally most comprehensive stage of economic integration within the geography of the former Soviet Union; but from the other side this new level of integration, due especially on diverse national legal frameworks and different aims of its member-states (more political for Russia), has not yet known sensible steps.

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Economic Analysis of the Eurasian Economic Union

List of Abbreviations

ASEAN: Association of South-East Asian Nations
BYN: New Belarusian Ruble
CIS: Commonwealth of the Independent States
CNPC: China's National Petroleum Corporation
CU: Customs Union
EAEU: Eurasian Economic Union
EAP: Eastern Partnership
EBRD: European Bank for Reconstruction and Development
EDB: the Eurasian Development Bank
EEC: Eurasian Economic Commission
EEU: Eurasian Economic Union
ENP: European Neighborhood Policy
FEZ: Free Economic Zone
FTZ: Free Trade Zone
GCC: Cooperation Council for the Arab States of the Gulf
GDP: Gross Domestic Product
IBRD: International Bank for Reconstruction and Development
JRS: Joint Research Group
NAFTA: North American Free Trade Agreement
NID: Nordic Investment Bank
OEC: Observatory of Economic Complexity
OECD: Organization for Economic Cooperation and Development
PCA: Partnership and Cooperation Agreement
SACU: South African Customs Union
SCO: Shanghai Cooperation Organization
SES: Single Economic Space
SREB: Silk Road Economic Belt
USD: U.S. Dollar
VAT: Value Added Tax
WTO: World Trade Organization

Introduction

The principal scope of the Eurasian Economic Union is the promotion of the regional economic integration between its members: Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. The creation of a mechanism of economic regional coordination is seen nowadays as a necessity to respond to the slowdown of the global economy of last ten years. For this reason, the EEU has the aim to develop the national economies of its members, integrating them in a great economic entity that can in the best way afford the economic modern challenges, as the economic and global financial crisis started in 2008, trying to become one of the greatest commercial blocs of the world as the EU, NAFTA and ASEAN⁴⁵⁹. Effectively, the EEU has the right economic potential to be competitive in the worldwide economy, if we considerate the fact that, in 2015, the aggregated economic potential of the EEU's members was first ranked in the world for the extraction of crude oil (14.2%), second for natural gas (16.6%); fourth for electricity output (5%); and sixth for coal production (6%)⁴⁶⁰.

In order to avoid delimitation and tension effects between the regional integration of the member-countries, and for the purpose to promote the involvement of the EEU in the global trade, the Treaty that instituted the Union was prepared according to the rules of the World Trade Organization on the previous acquainted agreement of the Customs Union and Single Economic Space. Thus, the EEU proposes itself as a continuation of the previous forms of cooperation in the post-Soviet space.

Taking into account the mutual sphere of the member-countries, in comparison to the CU and SES, with the EEU for the first time for example the parties agreed to pursue an agreed policy in the sphere of consumer protection on the territory of the Union. This policy is aimed at creating equal conditions for the member-states' citizens, protecting their interests from unfair activities of business entities operating within the Union. It has been determined that the citizens of the member-states of the Union should enjoy the same legal protection in the field of consumer protection on the territory of other member-states as the citizens of every member-country⁴⁶¹.

⁴⁵⁹ Cf. Sökmen Aşkın İnci (2015): "*Eurasian Economic Union's Effect on Global Politics and the World Economic System*". İstanbul Arel University, İstanbul, Turkey. International Relations and Diplomacy, October 2015, Vol. 3, No. 10, 699-714. P. 704

⁴⁶⁰ Library of the Eurasian Economic Commission (2016): "*Eurasian Economic Integration: Facts and Figures*". P. 13 [http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20\(%D0%90%D0%BD%D0%B3%D0%BB\).pdf](http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20(%D0%90%D0%BD%D0%B3%D0%BB).pdf) (last view: 23.04.2017)

⁴⁶¹ Cf. Library of the Eurasian Economic Commission (2014): "*Eurasian Economic Integration: Facts and Figures*". P. 33 http://www.eurasiancommission.org/en/Documents/broshura26_ENGL_2014.pdf (last view: 28.01.2017)

Observing the EEU in its specific economic significance, the member-countries want: 1) to guarantee free movement of goods, services, capital and labor within the territory of the Union; 2) to pursue a coordinated energy policy and common energy markets (electric energy, gas, oil and oil products); 3) to implement a coordinated agricultural policy; and 4) to create an agreed policy about the modernization and liberalization of transport carriages of the Union.

The first already working market within the Union is the pharmaceutical common market of medicines, active since January 2016; while, referring to the energetic sphere of the Union, the single market of electric power will be completed in 2019, and the single market of mineral resources will be started in the year 2025.

Regarding the transport sector, the Astana Treaty defines the main priorities of transport policy within the territory of the Eurasian Economic Union in the long term. Here, the member-states will conduct coordinated (agreed) transport policy aimed at ensuring economic integration, using a common transport space.

In consideration of the industrial policy of the EEU, the aim of the Treaty is focused on joint development by the member-states of new types of export-oriented products, including by deepening cooperation, increasing localization of production and promoting import substitution; creation of new production chains and innovative industrial sectors; production modernization in traditional industries; and building-up jointly manufactured high-tech products export⁴⁶².

Another important passage defined in the Treaty is the macroeconomic policy, which provides for the development and implementation of joint actions of the EEU's participants with the target to achieve balanced economic development.

In respect of taxes and taxation, it is provided in the Treaty that the associates of the Union should define areas of cooperation in the tax policy for harmonization and improvement of tax legislation, including the mechanism for collection of indirect taxes in performance of works, rendering services, convergence of rates on the most sensitive excisable goods. The entire procedure is based on the principle of non-discrimination, which lies at the heart of the arrangements. It will have the scope to prevent unfair price competition in mutual trade in goods and services⁴⁶³.

⁴⁶² Cf. Library of the Eurasian Economic Commission (2016): *"Eurasian Economic Integration: Facts and Figures"*. Pp. 28-29

[http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20\(%D0%90%D0%BD%D0%B3%D0%BB\).pdf](http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20(%D0%90%D0%BD%D0%B3%D0%BB).pdf) (last view: 23.04.2017)

⁴⁶³ Ibid. P. 30

Observing the actual financial situation of the Union, the EEU's members have started to conduct consultations on the creation of an EEU financial regulator by 2022–2025, a supranational financial institution that would be responsible for enforcing common standards in the Union's financial markets and for providing proper regulation and supervision⁴⁶⁴.

On the whole, the EEU represents the last step of the economic integration of the Eurasian countries initiated since 1991 with the Commonwealth of the Independent States. By the words of Tigran Sargsyan, Chairman of Board of the Eurasian Economic Commission, can be more stressed the possibility to unite through the Union a consistent market under a coordinated agreed policy: *"The Eurasian integration makes the domestic market more transparent and clear for businessmen and investors, within the Union, a market is being created with a population of more than 180 million people living mainly under common transparent rules, with a common system of technical regulation and common customs and tariff regulations"*⁴⁶⁵.

It can be asserted that the energetic sector is without doubt the most representative key of development of the Eurasian Economic Union. In fact, the EEU is an *"energy superpower"*, and exactly to the right definition of the commerce of raw materials is connected the future evolution of the Union. In confirmation of this affirmation can be useful to add the words of Belarusian lecturer Yury Shevtsov and its expectations about the sectors of the Union: *"Oil and Gas will be the most important sectors that will be improved and will give advantages for all the members. The military industry is another sector that could get advantages. It is already developed in Russia. The transport sector, that is very important for Russia and for all Eurasian countries especially for the connection with China. Agriculture sector is not developed everywhere in Eurasia. In Belarus it is very developed. In the agricultural sector, Belarusian exports consist mostly from dairy products and meat, while Russia exports mostly grain and bread that could be a potential investment for all the Union"*⁴⁶⁶.

In its complex, the Eurasian Economic Union must have the priority to consolidate and improve the economic relationships of its members, favoring the modernization of their national

⁴⁶⁴ Cf. Vinokurov Evgeny (2017): *"Eurasian Economic Union: Current state and preliminary results"*. In Russian Journal of Economics 3 (2017). P. 59

⁴⁶⁵ Cf. Library of the Eurasian Economic Commission (2016): *"Eurasian Economic Integration: Facts and Figures"*. P. 2 [http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20\(%D0%90%D0%BD%D0%B3%D0%BB\).pdf](http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20(%D0%90%D0%BD%D0%B3%D0%BB).pdf) (last view: 23.04.2017)

⁴⁶⁶ Interview with Yury Shevtsov - Lecturer of Department of the Oriental Linguistic and Country Studies. Minsk 14.06.2016

economies and a concrete increase of their mutual trade. This must be the priority of the Union to develop successively its market worldwide.

Therefore, we can summarize that the principal goal of the member-states through the mechanisms of the EEU is the development of their domestic economies and then to use their own capacities to expand the economic potential of the Union in the global scenario.

I Methodology and objectives of the analysis

In order to measure the economic efficiency of the EEU in the first years of its functioning, the following paragraphs will be dedicated to the analysis of the most important economic indicators of the Union and its members as: economic growth in term of Gross Domestic Product, poverty index, industrial sectors, investments, exports and imports in mutual and external trade, government budget and a final international comparison of the Union with the most performing world economies through a compared analysis of their GDPs⁴⁶⁷.

Precisely, the study will be conducted through an accurate economic comparison between the members of the Eurasian Economic Union, with a focus on the Republic of Belarus. In this regard Belarus will be contextualized in the work as principal example in the explanation of the economic asset of the Union.

The economic examination of the member-states will be articulated following the qualitative method about the analysis of the economic – and potentially even political – effects of the EEU through a descriptive research, which will consist of an analytic examination of the official economic statistics of the Eurasian Economic Commission (EEC), the report of the Eurasian Development Bank data and of the principal economic online databases as the Trading Economics, the figures of the World Bank and the data of the Observatory of Economic Complexity (OEC).

In detail, the principal confrontation of the member-states will follow the official statistics of the EEC. The choice to use as principal source the economic data of the EEC is dictated by the volition to value the model of the Union through the official reports of the Commission, in order to illustrate the economic ongoing development of the Union and its members from the internal perspective of this primary organ of the EEU. However, in order to present a complete economic overview, the data of the World Bank and of the OEC will give a clear impression and an effective comparison about the economic status of the member-countries.

⁴⁶⁷ The economic analysis and comparison will be conducted principally measuring the economic performances of the member-countries in terms of turnover in USD.

The use of this methodology, through a data collection from different analytic texts and statistics, has from a side the scope to contextualize the economic situation of the Eurasian Economic Union and from the other side to confront the most determinant macroeconomic indicators of the member-countries. By the analysis of these elements, can be explained the actual economic status of the EEU, obtaining a pure imagine about the progress of the Union and about the economic diversifications, performances and growth of its participants unequivocally.

The economic bloc of the EEU is a direct evolution of the CU of 2010. For that, in order to give uniformity, the period of examination of the economic indicators and confrontation between the internal economies of the member-states will be framed in the segment of time included in the period 2012-2016. For some economic aspects, where the official data of the EEC were not yet available⁴⁶⁸, will be considered the period 2011-2015. Regarding precise economic considerations, the research will be especially deepened in a direct comparison between the internal economies of the EEU's countries in the period of time 2015-2016, with some clarifications for the first quarter 2017. The choice of this period of time has the objective to give an accurate evaluation of the development of the Union since its beginning to the first years of its functioning.

Through this analysis, the objective to reach is to propose a detailed overview about the actual economic significance of the EEU and economic performance of its participants. This purpose will help us to understand which aspect is really working in the Union, how the trade of this Union is developing and, if the EEU can really play a predominant role in the global economic prospect.

1 The Gross Domestic Product of the EEU and its members

Before observing the Gross Domestic Product and the other economic statistics of the Eurasian Economic Union, a vital aspect that must be *in primis* considered is the Russian role. As was already during the Soviet Union or within the system of the CIS and the CU, even the EEU has is dominant economic actor in the Russian Federation. In an economic lecture, this aspect conduces our analysis to two leading considerations: 1) from a side the trade of the EEU depends on the Russian investments in the territories of the Union predominately – bringing liquidity to the target to modernize and develop the internal economies of the member-countries; and 2) from the other side can be argued that the economic trends of this organization are dependent on the effects of the Russian economic tendency and depend from its choices of international politics primarily, as e.g. the Ukrainian crisis. Consequently, in the global lecture and examination of the statistics of the

⁴⁶⁸ The collection of the economic data and the writing of this work were realized during April-July 2017.

Eurasian Economic Union, two issues that will be determinant during the work to comprehend the actual economic difficulties of the Russian Federation, fulcrum of the EEU, and its direct effects on the other member-states, especially Belarus, is the drop of the oil price since June 2014 and the Russian embargo against the EU and USA. Concerning the fall of the oil price – 56 USD in 2016 against the government price of 96 USD decided initially – this matter created difficulties for the Russian economy (oil and gas account for 70% of Russian export incomes), already in an stagnation phase since the global financial crisis of almost ten years ago, with the consequence of the devaluation of the Russian ruble, the increment of inflation (12.9% in 2015) and the general reduction of its GDP since 2013 constantly. Russia represents the economic core of the EEU and the other participants have in Moscow their principal economic partner. Thus, based on this observation, the report of the EEU statistics and its common actual (negative) economic status must be read through the direct influence of the actual Russian economic difficulties in Eurasia transversely.

Figure 1: Gross Domestic Product in USD billion

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|------------------|------------------|------------------|------------------|------------------|
| Armenia | 10 619 | 11 121 | 11 610 | 10 529 | 10 547 |
| Belarus | 65 428 | 74 761 | 78 536 | 55 317 | 47 165 |
| Kazakhstan | 208 002 | 236 633 | 221 418 | 184 387 | 135 005 |
| Kyrgyzstan | 6 606 | 7 335 | 7 469 | 6 678 | 6 552 |
| Russia | 2 154 067 | 2 231 827 | 2 085 848 | 1 372 117 | 1 286 153 |
| EAEU | 2 444 722 | 2 561 677 | 2 404 881 | 1 629 028 | 1 485 422 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Yevraziyskiy Ekonomicheskii Soyuz v Tsifrah”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 53

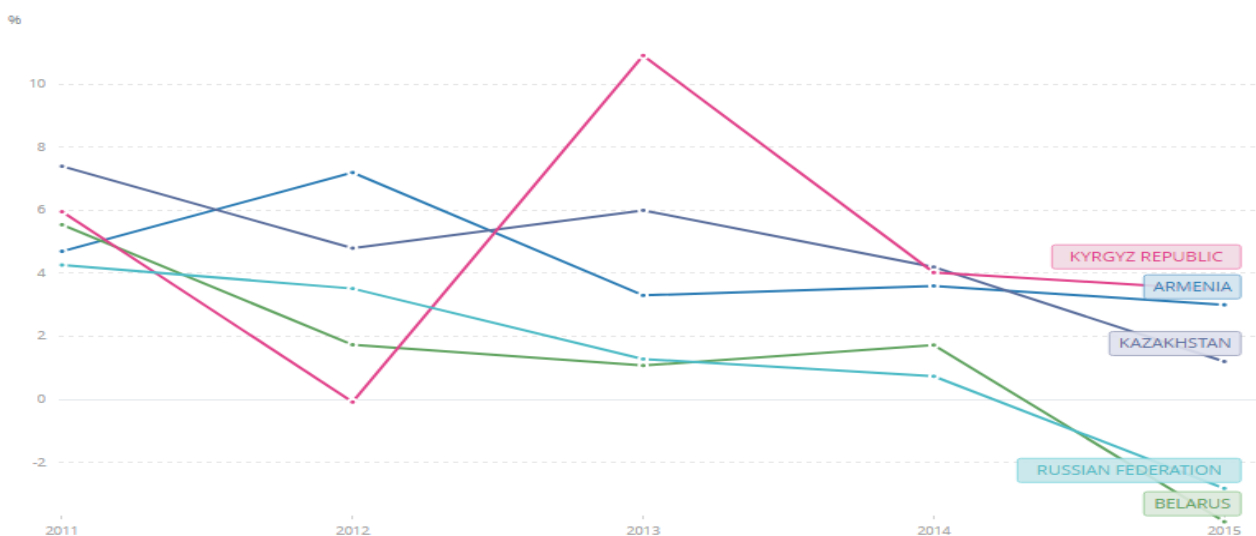
Detecting the table above, the first aspect that rises is the marked economic diversities in term of GDP between the member-countries, e.g. 2016 the Russian GDP totalized 1 286 153 USD bn. while the Kyrgyz was 6 552 USD billion, manifesting a strong gap between these countries and in general within the system of the Union. Even between Belarus 47 165 USD bn. and Kazakhstan 135 005 USD bn. is possible to mark a strong difference, stressing as within the Union the economic differences between its participants are evident and considerable. The lecture of this data leads us to considerate a first aspect, namely as the objective of the EEU for the equalization of the national economic structures will be in the next years difficult to achieve. Subsequently, the

economic divergences of the member-countries bring us to considerate a second aspect, that the sensible economic differences can involve a diverse weight in the decisional process of the Union between each participant, where stronger countries as Russia for example will always have a major impact on the decisional making process of the entire organization.

Seeing the GDP of the EEU, it amounted for the year 2016 to 1 485 422 billion USD and decreased in comparison to the year 2015 (1 629 028 USD) by 0.1%. This deprecation was however more noticeable in a confrontation between 2015 and 2014 (2 404 881 USD), when the decline was 2.3%⁴⁶⁹.

Taking in analysis the GDP of the member-states in relation to the period of time 2012-2016, can be observed as their amounts in the considered period are really different. Indeed, considering Belarus, we can evince that the world economic financial crisis and the strong inflation rate of last ten years – which reached a peak of 23.08% in the first quarter of 2013⁴⁷⁰ – had negative effects about the fluctuation of its GDP, especially from 2014 to 2015, with a decline of -29.56%; and during 2015-2016, when the Belarusian GDP registered a notable reduction of -14.74%.

Figure 2: GDP growth annual rate of the member-states 2011-2015 (in percentage)



Source: "GDP growth annual rate". Economic data of the World Bank:

<http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2015&locations=AM-BY-KZ-KG-RU&start=2010&view=chart> (last view: 25.05.2017)

⁴⁶⁹ Cf. Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Ob osnovnykh sotsial'no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuzu". Yanvar' 2017 g. Analiitscheskiy obzor 10 marta 2017 g. P. 3

⁴⁷⁰ "Belarus Inflation rate". In Trading Economics. <http://it.tradingeconomics.com/belarus/inflation-cpi> (last view: 30.04.2017)

The GDP growth rate of the countries of the Union declined during the period 2010-2015 commonly. Considering the case of Kyrgyzstan, the Central Asian Republic recorded in 2013 a growth rate of 10.9% against the -0.1% of 2012. Although its growth rate is nowadays in expansion – mainly with the achievement of a surplus by 7.80% in the first quarter of 2017 over the same quarter of the previous year⁴⁷¹, Kyrgyzstan remains the weakest economic force within the Union. Differently from the economic Kyrgyz growth, the Armenian economy shrank 1% year-on-year in the fourth quarter of 2016, following downwardly revised 0.1% contraction in the previous year⁴⁷². Belarus, after 2015 and 2016 characterized by economic recession – reaching a negative peak of GDP growth by -4.4% in December 2015 – expanded its economy by 0.3% during the first quarter of 2017⁴⁷³. The positive economic trends about the GDP growth rate for 2017 of the EEU members are confirmed also in the case of Kazakhstan, whose economy advanced 3% year-on-year in the first quarter of 2017, compared to 0.2% contraction of the previous year⁴⁷⁴. Taking into account the Russian Federation, in the first quarter 2017 the Russian GDP advanced 0.5% year-on-year. These data show as: 1) the Russian economy returned to growth after a two-year recession that was mainly caused by low oil prices and sanctions imposed on Russian individuals and businesses in response to the annexation of Crimea⁴⁷⁵; and 2) that, commonly, the member-countries, after the economic difficulties caused by the general economic stagnation and financial crisis of last ten years, benefiting even from the Russian economic recovery, have started to know the first positive effects of their integration, testified in the economic surplus in term of GDP for the first quarter of the year 2017.

However, the situation rests still complicated to talk about a real economic improvement within the Union, especially if we consider the time frame before the starting of the EEU, characterized by an economic depression strongly. Indeed, in a further lecture of the GDP growth rate of the member-states, the most sensible decline in the period 2011-2015 is represented by Belarus and the Russian Federation that show a parallel flow of their economic growth, principally since the year 2014. A possible explication of the negative tendency of GDP growth can be discovered in the

⁴⁷¹ “Kyrgyzstan GDP Annual Growth Rate”. In Trading Economics <http://www.tradingeconomics.com/kyrgyzstan/gdp-growth-annual> (last view: 25.05.2017)

⁴⁷² “Armenia GDP Annual Growth Rate”. In Trading Economics <http://www.tradingeconomics.com/armenia/gdp-growth-annual> (last view: 25.05.2017)

⁴⁷³ “Belarus GDP Annual Growth Rate”. In Trading Economics <http://www.tradingeconomics.com/belarus/gdp-growth-annual> (last view: 25.05.2017)

⁴⁷⁴ “Kazakhstan GDP Annual Growth Rate”. In Trading Economics <http://www.tradingeconomics.com/kazakhstan/gdp-growth-annual> (last view: 25.05.2017)

⁴⁷⁵ “Russia GDP Annual Growth Rate”. In Trading Economics <http://www.tradingeconomics.com/russia/gdp-growth-annual> (last view: 25.05.2017)

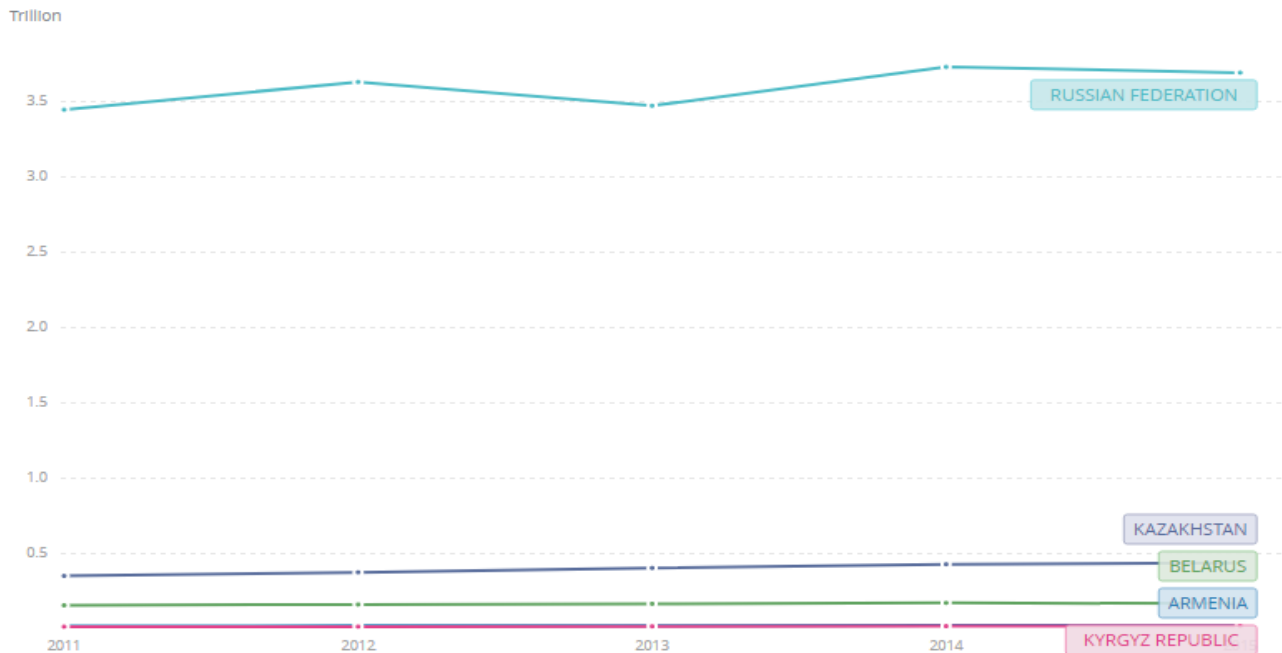
Russian geopolitical choices that have caused effects on its internal economy, chiefly for the market of raw materials, with the devaluation of its currency. Belarus, which economy depends from Russia largely, suffered from the Russian economic troubles directly, recording a diminution of its GDP growth. Concerning the other members of the Union, we can assert as they registered a less marked decrease of their indexes, because from a side their economy is more connected with the Asian region and its economic development is especially linked to China (according to the data of the OEC, for example during the year 2015 China represented the first top destination of Kazakh exports with 5.4 USD billion, while the same amount to Russia was of 4.6 USD billion⁴⁷⁶); and from the other side because they have a less involvement, specifically of Armenia and Kyrgyzstan, in the world trade, with the consequence to be subjected in a lesser way to the effects of the global economy.

On the whole, these indicators, although the slow economic recovery of the first quarter 2017, confirm however as the Eurasian Economic Union in its complex is still facing on a hard situation of economic crisis. Therefore, the priority of the Union, as expressed objective in the Astana Treaty, is to harmonize the economic areas of cooperation properly, in order to expand the collaboration between the Eurasian states. A deeper cooperation, which can be reached through the establishment of agreed policies on the economic areas of interaction of the EEU, must have the target to favorite the modernization of the internal economies of the member-countries. Truly, the cooperation within the Union should considerate the actual challenges of the EEU and namely the economic difficulties of its principal member, the Russian Federation. Through the vision of the GDP data and as initially underlined, Russia is the first economic force of the Union and its implications have direct effects on the entire Union. Considering this aspect, the member-countries should concentrate more their cooperation in the stabilization and improvement of the internal market of the Union, aimed to develop a compact intra-trade, which could overcome the recession of last years. This aim can be achieved by the intensification of their mutual trade and elimination e.g. of additional costs in the transportation of goods or in border controls. Now, reflecting about this possibility, can be argued, as this facet assumes a particular significance, because from an hand brings the countries of the Union to develop more their economic internal mechanisms of interaction; and from another hand the intensification of the intra-trade instead of e.g. the choice to extend the Union in the world trade can be interpreted as the intention of the

⁴⁷⁶ The Observatory of Economic Complexity: "Kazakhstan". <http://atlas.media.mit.edu/en/profile/country/kaz/> (last view: 23.08.2017)

member-countries to directly support the Russian economy, with the purpose to contrast the impacts of the actual economic sanctions against Russia – economic motor of the EEU.

Figure 3: GDP, PPP of the member-countries 2011-2016 in USD



Source: "GDP by purchasing power parity". Economic data of the World Bank:

<http://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD?locations=AM-BY-KZ-KG-RU> (last view: 25.05.2017)

As it is possible to evince from the graphic above, the index of the GDP adjusted by purchasing power parity is almost equal in all the countries of the EEU with the exception of Russia that is greater than the other countries. Precisely, in the year 2015 this index amounted: in Armenia to 25 405.30 USD million; in Belarus to 168 350.66 USD million; in Kazakhstan to 439 390.50 USD million; in Kyrgyzstan to 20 454.09 USD; and in Russia to 3 687 406.32 USD million.

Figure 4: Gross Domestic Product of the EEU by type of economic activity in USD billion

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Gross Domestic Product | 2 444 722 | 2 561 677 | 2 404 881 | 1 629 028 | 1 485 422 |
| Gross value added (total of sectors): | 2 122 928 | 2 239 005 | 2 105 425 | 1 470 694 | 1 341 923 |
| Agriculture, forestry and fisheries | 85 453 | 93 087 | 92 317 | 71 096 | 66 938 |
| Mining and quarrying | 216 084 | 219 002 | 198 597 | 142 896 | 126 961 |
| Manufacturing | 288 676 | 304 119 | 283 438 | 201 981 | 185 129 |

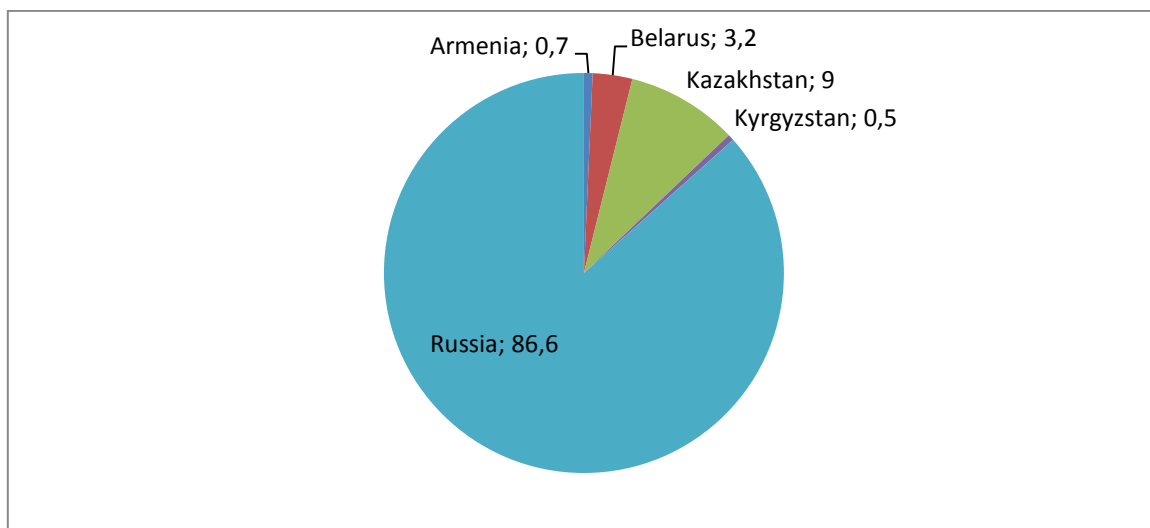
| | | | | | |
|---|---------|---------|---------|---------|---------|
| industry | | | | | |
| Electricity, gas, steam and air conditioning; water supply; sewage system, control over Collection and waste distribution | 64 052 | 67 675 | 59 824 | 42 877 | 41 487 |
| Construction | 157 087 | 158 420 | 146 213 | 95 737 | 83 908 |
| Commerce | 360 638 | 364 701 | 341 817 | 243 004 | 215 746 |
| Accommodation and food services | 19 575 | 20 946 | 18 922 | 13 125 | 11 900 |
| Transport and storage; Information and communication | 175 628 | 188 065 | 173 526 | 122 798 | 110 894 |
| Financial and insurance activities (including indirectly measured financial intermediation services) | 84 354 | 98 327 | 92 451 | 56 940 | 58 662 |
| Transactions with real estate; professional, scientific and technical activities; administrative activities and additional services in this field | 358 560 | 373 272 | 358 572 | 249 006 | 225 688 |
| State administration and defense, Compulsory social insurance | 138 041 | 152 651 | 153 578 | 102 428 | 96 303 |
| Education | 58 870 | 64 823 | 58 694 | 40 332 | 36 643 |
| Health and social services | 68 930 | 78 926 | 76 990 | 51 710 | 48 569 |
| Other economic activities | 46 980 | 54 991 | 50 486 | 36 764 | 33 095 |
| Taxes on products | 321 794 | 322 672 | 299 456 | 158 334 | 143 499 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. Pp. 64-65

Analyzing in the specific the GDP of the Eurasian Economic Union for economic activities, must be stressed as between the years 2014 and 2015 for all economic sectors of the member-countries was registered a general decrease. Accurately, the aggregate gross value of all economic activities of the EEU amounted in the year 2014 to 2 105 425 USD billion; while in the year 2015 the same value was of 1 470 694 USD billion, with a difference of 634 731 USD million (-30.15%) between the last two years. Equal negative trend, although lower, was registered between 2015 and 2016 with a minus of 128 771 USD million (-8.76%).

Examining in detail some key sectors of the EEU, in the period between 2015-2016 the most sensible differences can be recognized especially in the sectors of: a) agriculture 66 938 USD bn. in 2016 with a -5.85% in comparison to 2015 (71 096 USD billion); b) the manufacturing industry with 185 129 USD bn. (2016) in comparison to 201 981 USD bn. of 2015 (-8,34%); c) construction sector with 83 908 USD bn. in 2016 against 95 737 USD bn. in 2015, with a sensible decline of -12.36%; d) transport and communication with 110 894 USD bn. in 2016 in comparison to 122 798 USD bn. of 2015 (-9.69%); or e) the health and social services with a value of 48 569 USD bn. in 2016 against 51 710 USD bn. in 2015 (-6.07%).

Figure 5: Contribution of the member-states to the GDP of the EEU for the year 2016 (percentage of the total)



Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): *“Ob osnovnykh sotsial'no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuza”*. Yanvar' 2017 g. Analiitscheskiy obzor 10 marta 2017 g. P. 3

The decisive importance of the Russian Federation for the future growth of the Union can be confirmed taking into exam the proportion between the contribution of the Russian Gross

Domestic Product to the aggregate GDP of the EEU. For example, according to the official data of the EEC, in the year 2016 the Russian Federation totalized a GDP of 1 286 153 USD billion, constituting de facto the 86,6% of the total GDP of the EEU (1 485 422 USD bn.).

Figure 6: Gross domestic product per capita in USD billion

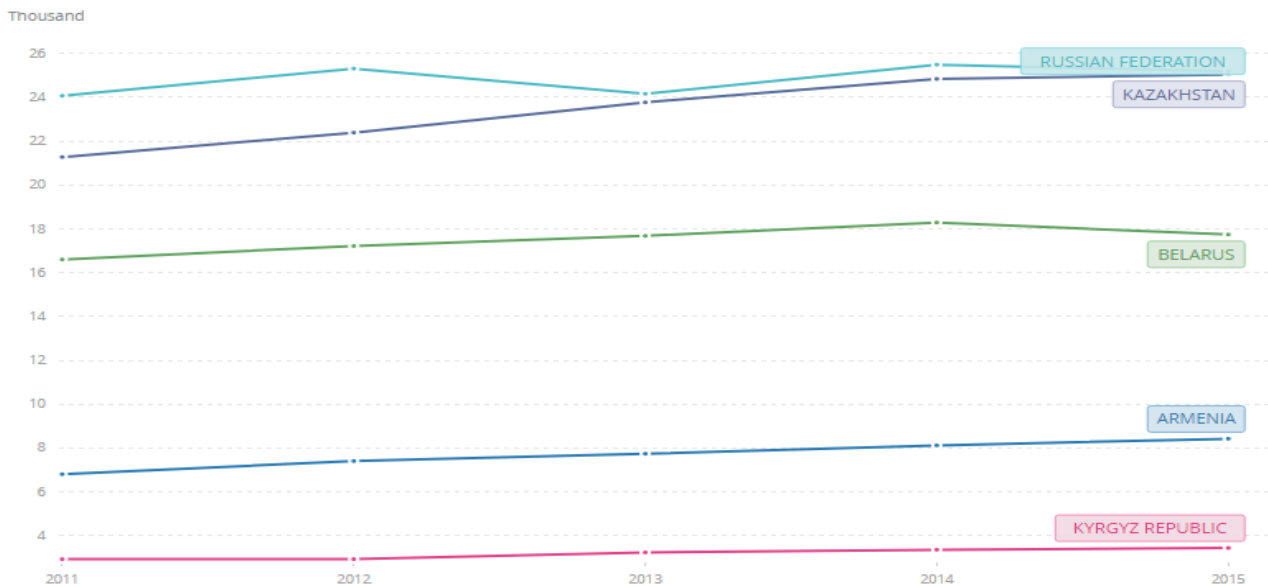
| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|---------------|---------------|---------------|--------------|--------------|
| Armenia | 3 512 | 3 680 | 3 852 | 3 504 | 3 525 |
| Belarus | 6 913 | 7 898 | 8 289 | 5 829 | 4 964 |
| Kazakhstan | 12 387 | 13 891 | 12 807 | 10 510 | 7 509 |
| Kyrgyzstan | 1 234 | 1 342 | 1 338 | 1 171 | 1 078 |
| Russia | 15 042 | 15 552 | 14 278 | 9 372 | 8 769 |
| EAEU | 13 728 | 14 331 | 13 235 | 8 931 | 8 115 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 81

Reflecting about the data of the GDP per capita, namely the GDP indicator divided for the number of population, this index can give us a clearer overview about the contemporary economic situation of the member-countries. Specifically, in a confrontation of the period 2015-2016, was recorded a general decrease of the GDP per capita for almost all the members of the Union – excluded Armenia which performed a tenuous increase of the value between 2015 (3 504 USD) to 2016 (3 525 USD) by 0.60%. In consideration of the depreciation of the GDP per capita, the most accentuated index is visible in Kazakhstan with a total of 7 509 USD bn. in 2016 against 10 510 USD bn. in 2015 (-28.55%).

In general, the aggregated GDP per capita of the EEU, registered a marked decrease between the last five years: 13 728 USD bn. (2012) and 8 115 USD bn. (2016) with a difference of -40.89%, testifying the financial and economic difficulties that the members of the Union are facing since especially last decade.

Figure 7: GDP per capita, PPP of the member-countries 2011-2016 in USD



Source: “GDP per capita by purchasing power parity”. Economic data of the World Bank:

<http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?end=2015&locations=AM-BY-KZ-KG-RU&start=2011> (last view: 25.05.2017)

According to the data of the World Bank, the GDP per capita by purchasing power parity of the member-countries in relation to the year 2015 was respectively: Armenia – 8 418.7 USD; Belarus – 17 740.5 USD; Kazakhstan – 25 044.9 USD; Kyrgyzstan – 3 433.7 USD; Russia – 25 186.2 USD. In the period 2011-2015 all the countries of the EEU performed almost positively, increasing slowly their index and maintaining a stable situation approximately – the biggest increase between the years 2011-2015 was recorded in Kazakhstan by 17.70% – showing some positive data about their economic tendency.

2 Economically active population and unemployment rate of the EEU

The EEU covers a surface of 20 million square km (the 14% of the world land surface) and comprises a population of 183 362.3 people (2017), whose biggest percentage is constituted by the Russian population 146 804.4 (2017)⁴⁷⁷, which in turn represents the two-third of the entire Union’s population.

⁴⁷⁷ Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskij Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2016. P. 27

Figure 8: Number of permanent residents in the member-countries (beginning of the year; thousands people)

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------|------------------|------------------|------------------|------------------|------------------|
| Armenia | 3 026,9 | 3 017,1 | 3 010,6 | 2 998,6 | 2 986,5 |
| Belarus | 9 463,8 | 9 468,2 | 9 480,9 | 9 498,4 | 9 504,7 |
| Kazakhstan | 16 909,8 | 17 160,8 | 17 417,7 | 17 670,5 | 17 926,5 |
| Kyrgyzstan | 5 663,1 | 5 776,6 | 5 895,1 | 6 019,5 | 6 140,2 |
| Russia | 143 347,1 | 143 666,9 | 146 267,3 | 146 544,7 | 146 804,4 |
| EAEU | 178 410,7 | 179 089,6 | 182 071,6 | 182 731,7 | 183 326,3 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 27

Taking into account the number of residents in the countries of the EEU, can be observed as Kazakhstan in term of population has the second biggest percentage calculated on every thousand people of the Union with 17 926.5 inhabitants; while Armenia represents the member with the smallest number of citizens living in its territory – 2 986.5 people.

Considering the Union in its aggregate, another statistic that can be detected is its demographic trend, which registered a continuous growth rate of 2.76% in the last five years.

Figure 9: Number of economically active population in the age of 15-65 (beginning of the year; thousands people)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------|
| Armenia | 1.440,9 | 1.418,3 | 1.388,4 | 1.375,7 | 1.316,4 | 1.227,5 |
| Belarus | 4.722,7 | 4.640,6 | 4.601,8 | 4.572,8 | 4.537,3 | 4.450,3 |
| Kazakhstan | 8.774,6 | 8.981,9 | 9.041,3 | 8.962,2 | 9.074,9 | 8.964,1 |
| Kyrgyzstan ⁴⁷⁸ | 2.490,1 | 2.496,8 | 2.468,7 | 2.504,4 | 2.544,3 | ... |
| Russia | 75.779,0 | 75.676,1 | 75.528,9 | 75.428,4 | 76.587,5 | 76.636,1 |
| EAEU | 93.207,3 | 93.213,7 | 93.029,1 | 92.843,5 | 94.060,4 | ... |

Source: "Economically active population at the age 15-65". Data elaborated through the official statistics of the Eurasian Economic Commission

http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/econstat/Pages/labor_market.aspx (last view: 02.05.2017)

⁴⁷⁸ No available data of the Eurasian Economic Commission for Kyrgyzstan in relation of the year 2016.

The EEU has in its complex a relative active economic population in proportion to the number of its inhabitants. For example, Belarus during the year 2016 censused 9 498.4 permanent residents in its territory, whose 4 537.3 were employed citizens, registering an index of 47.7% of employed people in proportion to the total of its population. However, due to the financial difficulties of 2011, in all the member-countries was registered a decrease of the number of active population (especially from 2012 to 2014).

Instead, in the period comprised between 2014 and 2015 was recorded a regrowth – although very restrained – of the employment, showing a positive signal against the current economic recession. For example, the Russian Federation had an increase between 2014 (75 428.4) and 2015 (76 587.5) of 1.54%.

Same results are visible in consideration of the Eurasian Economic Union as a whole, with a decrease between the year 2013 (93 029.1) and 2014 (9 843.5) firstly; and a sensible increase in the year 2015, when the number of employed population of the Union increased slightly (0.9%) compared to 2014, amounting to 88.9 million people⁴⁷⁹.

These data reported by the Eurasian Economic Commission symbolize that the countries of the EEU, after the difficult economic trends of last years, slowly are increasing again their economic capacities, incrementing the demand of work, that even thank to the launching of cooperation and harmonization of their structures in the territory of the Union could in future bring a better development of the employment. In terms of gender confrontation, according to the analytic statistics of the EEC, in the year 2015, the economically active population included 48.6 million men (51.6% of the total economically active population) and 45.6 million women (48.4% of the total economically active population)⁴⁸⁰.

In general, the number of people employed in the Union during the course of 2015 was 26.0% of the average number of employees in large and medium-sized enterprises. The highest turnover of personnel was observed in Kazakhstan and Russia: 49.2% and 57.6% of the average number of employees respectively. Regarding the flow of workers attracted from other countries, this index in Belarus decreased by 16.1% compared to 2014 and amounted to 31.8 thousand people; in

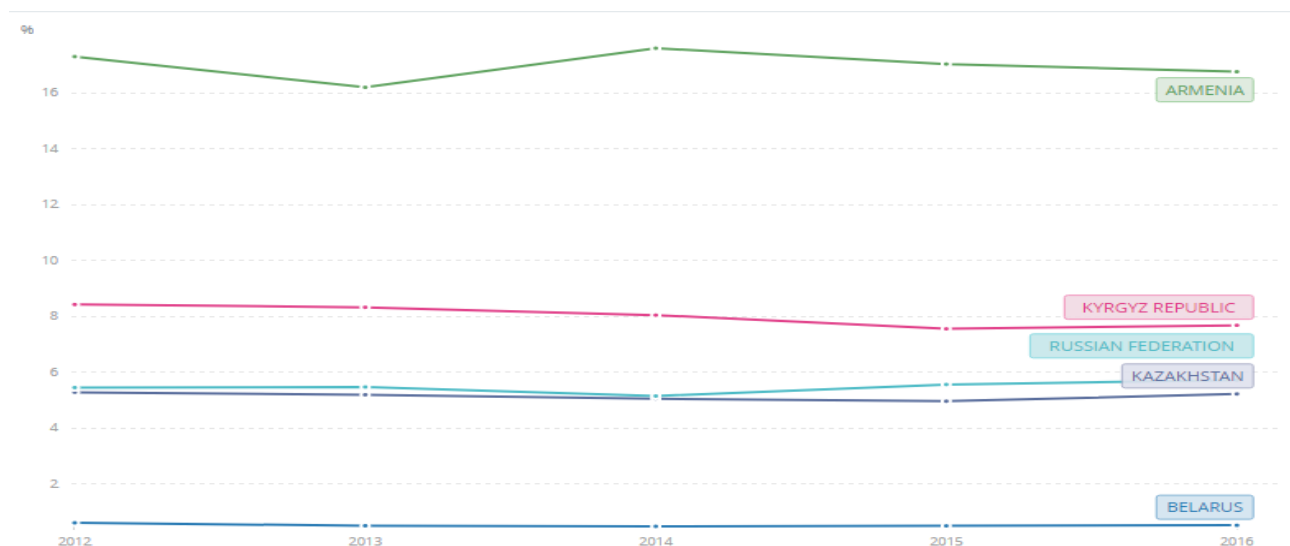
⁴⁷⁹ Yevraziskaya Ekonomicheskaya Kommisiya (2016): *“O rynke truda v Yevraziyskom Ekonomicheskoy Soyuze”*. Analiitscheskiy obzor 31 Oktjabra 2016 g. P. 2

⁴⁸⁰ Ibid. P. 1

Russia – by 43.5% (1 868.7 thousand people); while in Kazakhstan Increased by 14.6% (37.9 thousand people)⁴⁸¹.

With regards to the different sectors of activities of the EEU’s countries in the year 2015, can be analyzed the data of active citizens in the key sectors of the member-states: Armenia reached its peak of 120.8 active population in industrial sector; Belarus 1 051.0 in the same sector: Kazakhstan recorded its maximum with 1 553.4 workers in the sector of agriculture, forestry and fisheries; Kyrgyzstan recorded 689.3 employees in the agricultural sector; and Russia totalized its maximum of employment with 14.183 workers in the industrial sector⁴⁸².

Figure 10: Unemployment rate in the countries of the Eurasian Economic Union 2012-2016 (% of total labor force)



Source: “Unemployment rate”. Economic data of the World Bank:

<http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?end=2016&locations=BY-AM-KZ-KG-RU&start=2012&view=chart> (last view: 07.05.2017)

According to the International Labor Organization, the unemployment rate of the Eurasian Economic Union for the year 2015 was 5.7%, increasing of 0.3% in comparison to the previous year. However, the unemployment rate of the EEU’s members in 2015 was restrained for almost all countries of the Union (with the exception of Armenia which recorded a negative index of

⁴⁸¹ Yevraziskaya Ekonomicheskaya Kommissiya (2016): “O rynke truda v Yevraziyskom Ekonomicheskom Soyuze”. Analiitscheskiy obzor 31 Oktjabra 2016 g. Pp. 5-6

⁴⁸² “Different sectors of activities”. Official statistics of the Eurasian Economic Commission http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/econstat/Pages/labor_market.aspx (last view: 04.5.2017)

18.5%). Kazakhstan performed in 2015 better than the other members, maintaining its unemployment rate by 5%.

In the year 2016, the unemployment rate of the Union attested on the rates of the previous year nearly. Armenia performed in 2016 a decrease of its unemployment rate (16.76%) in comparison to the preceding year, while the other members did not registered any considerable changing of their unemployment index: Belarus (0.53%); Kazakhstan (5.23%); Kyrgyzstan (7.69%); and Russia (5.72%)⁴⁸³.

Figure 11: Number of unemployed registered in state employment services (at the end of the year; thousands people)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|----------------|----------------|----------------|----------------|----------------|
| Armenia | 62,4 | 56,0 | 65,9 | 77,0 | 80,5 |
| Belarus | 24,9 | 21,0 | 24,2 | 43,3 | 35,5 |
| Kazakhstan | 34,6 | 30,0 | 33,4 | 34,6 | 37,5 |
| Kyrgyzstan | 60,4 | 58,4 | 58,2 | 56,0 | 55,6 |
| Russia | 1 064,7 | 917,7 | 883,3 | 1 001,1 | 894,6 |
| EAEU | 1 247,0 | 1 083,1 | 1 065,0 | 1 212,0 | 1 103,7 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 43

In the territory of the Eurasian Economic Union, the rate of the unemployment based on the number of unemployed registered in state employment services increased from 2014 (1 065.0) to 2016 (1 103.7) by 3.63%. This index at the end of December 2016 amounted to 1 103.7 people (1.2% of the economically active population of the EEU). In a precise comparison of the same values with December 2015, the unemployment rate of the Union knew an increment of 4.5%⁴⁸⁴.

However, in a confrontation with the other most developed world economies, must be asserted that the EEU has in its law unemployment rate a point of force and not distant from the values of other world economies: e.g. Germany 3.9% (November 2016); Greece 23.0% (October 2016);

⁴⁸³ "Unemployment rate" Economic data of the World Bank: <http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?end=2016&locations=BY-AM-KZ-KG-RU&start=2012&view=chart> (last view: 07.05.2017)

⁴⁸⁴ Cf. Yevraziskaya Ekonomicheskaya Kommisiya (2017): "O bezrabortitse v Yevraziyskom Ekonomicheskom Soyuze". Dekabr' 2016 goda. Ekspress-informatsiya 30 yanvarya 2017 g. P. 1

Poland 8.3% (December 2016); the United States 4.7% (December 2016); France 9.5% (November 2016) or Japan 3.1% (November 2016)⁴⁸⁵.

These data assume a better connotation if compared with the percentage of unemployed citizens inscribed in the state employment service. In fact, according to the unemployment rate calculated on the basis of the number of unemployed registered in the state employment services, in January 2017 this percentage was: 0.9% in Belarus, 0.6% in Kazakhstan, 2.2% in Kyrgyzstan and 1.2% in Russia. As a whole, the percentage of registered unemployment in the Union was 1.2% of the economically active population. As response to the economic regrowth of the Union of the current year, must be underlined as always in January 2017 the number of free jobs declared by enterprises and organizations in the employment services of the population increased by 10.2% in comparison to January 2016⁴⁸⁶, demonstrating an increase of job-places in the Union.

Figure 12: Poverty level within the Union⁴⁸⁷ (percentage)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------|------|------|------|------|------|
| Armenia | 35,0 | 32,4 | 32,0 | 30,0 | 29,8 |
| Belarus | 7,3 | 6,3 | 5,5 | 4,8 | 5,1 |
| Kazakhstan | 5,5 | 3,8 | 2,9 | 2,8 | 2,7 |
| Kyrgyzstan | 36,8 | 38,0 | 37,0 | 30,6 | 32,1 |
| Russia | 12,7 | 10,7 | 10,8 | 11,2 | 13,3 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2016): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah".

Statisticheskii Yezhegodnik. Moskva, 2016. P. 60

To frame better the unemployment rate, this index must be read together with the value of poverty of the members of the Union. Specifically, agreeing with the statistics of the EEC, between the years 2011 and 2015, the level of poverty in the member-states decreased generally. Though, in the years 2014-2015 this index increased for Belarus, Kyrgyzstan and Russia. For example, in the Russian Federation the growth was very high by 18.75% from 2014 to 2015; while decreased in Armenia and Kazakhstan – e.g. in Armenia was registered a diminution of poverty rate by -0.67%.

⁴⁸⁵ Yevraziskaya Ekonomicheskaya Kommisiya (2017): "O bezrabortitse v Yevraziyskom Ekonomicheskom Soyuze". Dekabr' 2016 goda. Ekspres-informatsiya 30 yanvarya 2017 g. P. 2

⁴⁸⁶ Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Ob osnovnykh sotsial'no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuz". Yanvar' 2017 g. Analiitscheskiy obzor 10 marta 2017 g. Pp. 39-40

⁴⁸⁷ Assessing the level of poverty in Armenia, the share of the population with consumption below the uppermost poverty line was used; In Belarus - with disposable resources below the subsistence minimum; In Kazakhstan - with incomes below the subsistence minimum; In Kyrgyzstan - with consumer spending below the poverty line; In Russia - with cash incomes below the subsistence minimum.

3 Labor migration of the EEU

The articles 96 and 97 of the EEU's Treaty discipline the labor migration of the Union. Here is concretely affirmed that the member-countries should cooperate together in order to create an agreed policy which establishes a single labor market for all the workers of the Union. Moreover, is stressed the freedom of the citizens of the Union to move within the territory of the EEU and work on the same conditions of the native citizens of every member-state without restrictions.

Thus, we can interpret the labor market of the Union as a fundamental step for the integration, as asserted by EEC Minister Karine Minasyan: *"The best answer to the question, what the Eurasian integration gives to citizens of the Union, is the removal of barriers in the labour market"*⁴⁸⁸.

Economically, the implementation of this system is especially one reason that attracted Kyrgyzstan in the mechanism of the EEU. In fact, according to the data published by Kyrgyz Natstatscom, as reported in the Eurasian Development Bank, in 2011 the migrant workers of Kyrgyzstan amounted to 457,000, whose 416,000 (92%) were working in Russia⁴⁸⁹. Consequently, we can confirm as the volition of Kyrgyzstan, through its accession in the EEU, is to stabilize its flow of workers especially to Russia and Kazakhstan, in order to achieve for these employees the same conditions of work as for the other citizens of the Union. Therefore, we can explicitly affirm as for countries as Kyrgyzstan or Armenia, the establishment of a coordinated and free movement of workers, is one key-condition that has conducted these countries to be part of the integration project of the EEU.

Figure 13: International population migration⁴⁹⁰ (number of people registered with the internal affairs agencies after the changing of the permanent place of residence, people)⁴⁹¹

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------|------|------|--------|-------|------|
| Armenia | | | | | |
| Arrived | ... | ... | 13 022 | 2 160 | ... |
| Left | ... | ... | 4 267 | 3 041 | ... |
| Belarus | | | | | |

⁴⁸⁸ "The EEC Minister, Karine Minasyan: *"The best answer to the question, what the Eurasian integration gives to citizens of the Union, is the removal of barriers in the labour market"*. In Eurasian Economic Commission. 11.05.2017 <http://www.eurasiancommission.org/en/nae/news/Pages/11-05-2017-1.aspx> (last view: 20.06.2017)

⁴⁸⁹ Eurasian Development Bank: (2013): *"Labor Migration and Human Capital of Kyrgyzstan: Impact of the Customs Union"*. EDB Centre for Integration Studies Saint Petersburg 2013. P. 4

⁴⁹⁰ The statistics of the Commission for the migration regarding the member-countries refer to the international migration, thus to migrants from all over the world.

⁴⁹¹ No available data for Armenia (2012 and 2013) and Kazakhstan (2013).

| | | | | | |
|------------|---------|---------|---------|---------|---------|
| Arrived | 18 040 | 19 435 | 24 941 | 28 349 | 21 038 |
| Left | 8 712 | 7 792 | 9 219 | 9 855 | 13 098 |
| Kazakhstan | | | | | |
| Arrived | 28 296 | 24 105 | 16 784 | 16 670 | ... |
| Left | 29 722 | 24 384 | 28 946 | 30 080 | ... |
| Kyrgyzstan | | | | | |
| Arrived | 5 532 | 4 349 | 3 928 | 3 559 | 3 160 |
| Left | 13 019 | 11 552 | 11 685 | 7 788 | 7 125 |
| Russia | | | | | |
| Arrived | 417 681 | 482 241 | 578 511 | 598 617 | 575 158 |
| Left | 122 751 | 186 382 | 308 475 | 353 233 | 313 210 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 30

Taking into account Belarus and its statistics concerning all migrants that entered in the country, during 2015 arrived in its territory 28 349 people. Precisely, considering the migration flow of this amount, 7.225 Chinese, 2.209 Russians, 1.707 Uzbekistanis and 657 Turks came during 2015 to Belarus⁴⁹². While, in the year 2016, 21 038 people arrived in the country (7 311 less than in 2015), against 13 098 people that left the country. These data help us to reflect, that Belarus, although is not one of the first powers of the Union, in comparison for example to Kazakhstan (16 670 arrivals for the year 2015), has known especially during 2014 and 2015 an increase of the numbers of migrants arriving in its territory. In strengthening of this point, must be asserted as near the economic migrants, another factor that had an enormous impact on the migration statistics of Belarus was the Ukrainian civil war. In fact, according to Astapenia Ryhor, between 2014 and 2015 more than 100,000 Ukrainians made their way to Belarus, increasing the country's population by more than 1%⁴⁹³. In a lecture of these data, we can assert as Belarus, despite the economic difficulties of last ten years, rests an attractive pole for Eurasian migrants.

Considering Kyrgyzstan, the number of people that have left the country since 2012 has constantly decreased, passing from 13 019 (2012) to 7 125 (2016) with a diminution by -45.27%. This reduction is attributable to the Russian economic difficulties of the last year principally. However,

⁴⁹² Dzesiatava Galina (2016): "Migration and National Security in Belarus". In Belarus Digest, 4.5.2016 <http://belarusdigest.com/story/migration-and-national-security-in-belarus/> (last view: 23.08.2017)

⁴⁹³ Astapenia Ryhor (2015): "Migrants From Eastern Ukraine Put Pressure On Belarus". In Belarus Digest, 03.08.2015 <http://belarusdigest.com/story/migrants-eastern-ukraine-put-pressure-belarus-22949> (last view: 03.06.2017)

despite the Russian economic recession of last years, the accumulative number of people that have set their residence in Russia since 2012 (417 681) to 2016 (575 158) increased generally. As in Belarus, even in Russia, the increase in relation of the year 2014 and 2015 is possible to conduct to the flow of Ukrainians from the Donbass region to the Russian Federation, due to the internal Ukrainian instability.

Figure 14: Balance of international migration (people)⁴⁹⁴

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------|---------|---------|---------|---------|---------|
| Armenia | -9 400 | -24 400 | -21 800 | -25 900 | ... |
| Belarus | 9 328 | 11 643 | 15 722 | 18 494 | 7 940 |
| Kazakhstan | -1 426 | -279 | -12 162 | -13 466 | ... |
| Kyrgyzstan | -7 487 | -7 203 | -7 757 | -4 229 | -3 965 |
| Russia | 294 930 | 295 859 | 270 036 | 245 384 | 261 948 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 31

In contemplation of the year 2015, from a hand Armenia, Kazakhstan and Kyrgyzstan recorded a negative balance in proportion between people that have come to the country and those citizens that have left the state. From another hand, in examination of the same period of time, Belarus and Russia registered a surplus of people that arrived in the country, 18 494 and 245 384 respectively.

Retracing the Treaty of the EEU in regard of the labor migration, the article 96 stresses the importance of the participants of the Union to cooperate in order to assist the organized recruitment and involvement of workers of the member-states for their employment in the territory of the Union, encouraging their possibility to occupation in different areas of work without barriers. Similar opportunity is expressed in the free movement of capital that should allow the national enterprisers of the member-states to settle their company in other regions of the Union. It would mean even the relocation of national personal in another member of the Union, with the consequence to increase the migration flow. Unfortunately, in the first years of the EEU, due to the economic recession, this system, especially in the investments and movement of capital, has not yet developed concretely.

⁴⁹⁴ In Armenia the data refers to an evaluation based on the results of the Integrated Household Living Conditions Survey. No available data for Armenia and Kazakhstan in consideration of the year 2016.

4 Wages and pension retributions in the countries of the EEU

The migration process within the Union can be better comprehended through the analysis of the amount of salaries and pensions in the countries of the Eurasian Economic Union. Here, the aim of this paragraph is to show the differences between the members of the Union and to have a clear image about the incomes of its population.

The diversification of the population of the member-states generates different effects on the amounts of the incomes and social costs inside the single societies of every participant, where, although the objective of the leaders of the Union is the damping of the diversities of the population of the EEU, the differences for each country, especially in the value of salaries, remain nowadays still marked.

Figure 15: Average nominal monthly wage in USD

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------|------|------|------|------|------|
| Armenia | 282 | 358 | 381 | 359 | 393 |
| Belarus | 439 | 564 | 590 | 413 | 361 |
| Kazakhstan | 679 | 717 | 675 | 568 | 416 |
| Kyrgyzstan | 228 | 234 | 229 | 209 | 207 |
| Russia | 857 | 936 | 856 | 561 | 549 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 35

The nominal wage of the EEU’s members had in 2016 its maximal value in the Russian Federation (549 USD) and the minimal index in Kyrgyzstan (207 USD). A significant aspect to considerate is the trend of the nominal monthly wage of the countries of the Union, which has known in the period of time between 2014 and 2016 a sensible decrease in all the member-countries – excluded Armenia that in the considered period recorded an increment by 3.5%.

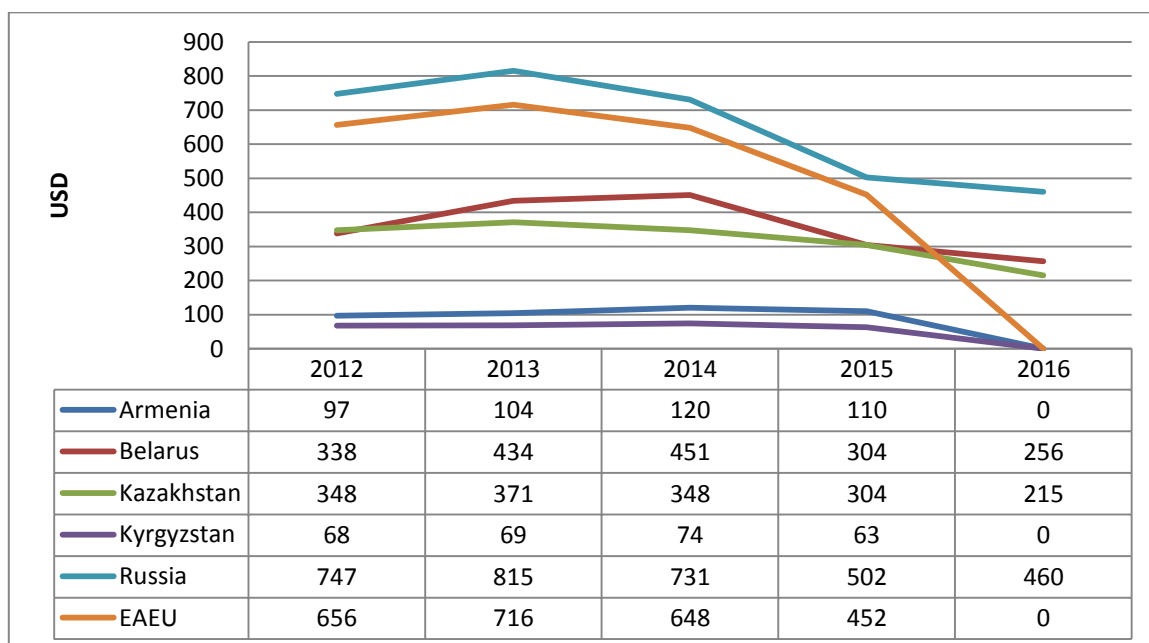
Reflecting about the Russian Federation, this country, due on the depreciation of the ruble in December 2014, registered economic and financial problems, that had direct impact on the nominal monthly wage – the difference between 2014 (856 USD) and 2015 (561 USD) testifies the Russian difficulties precisely. Indeed, quoting Eberhardt and Menkiszak, the devaluation of the Russian currency generated in the national economy losses in the import-dependent branches of the economy that were mainly selling in the domestic market (such as the machine building

industry). Besides, energy giants as Gazprom and Resent decreased their capitalization respectively by more than 50% (to less than 60 USD bn.) and by 38% to 50 USD billion. Financially, even the capitalization of banks decreased, for example Russia’s largest state-owned bank, Sberbank, reported a decline for 2014 of nearly 70%⁴⁹⁵.

This deteriorating economic situation had direct consequences in the decreasing of the monthly nominal wage by -35.86%, followed by an increment of the consumer prices in the country with an average inflation rate by 15.5% in 2015⁴⁹⁶.

Though, confronting the period 2012-2016, we can observe as the member-countries are obtaining progresses in the balancing of their average wages mostly, reaching, as expected by the system of the EEU for the target of level equalization of the internal economies, light differences of month salary in the year 2016: Armenia – 393 USD; Belarus – 361 USD; Kazakhstan – 416 USD; Kyrgyzstan 207 USD; and Russia – 549 USD.

Figure 16: Monetary income per capita (per month) in USD⁴⁹⁷



Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 35

⁴⁹⁵ Cf. Eberhardt A., Menkiszak M. (2015): “The economic and financial crisis in Russia. Background, symptoms and prospects for the future”. Centre for Eastern Studies, Warsaw. February, 2015. Pp. 17-18

⁴⁹⁶ “Inflation Russia 2015”. In Inflation.eu. <http://www.inflation.eu/inflation-rates/russia/historic-inflation/cpi-inflation-russia-2015.aspx> (last view: 26.05.2017)

⁴⁹⁷ No available data for Armenia, Kyrgyzstan, and for the common aggregate of the EAEU in consideration of the year 2016.

In view of the year 2015, the average income earned pro person in the countries of the Union, although continues to be extreme diverse in a direct a comparison between i.e. Kyrgyzstan (63 USD) and the Russian Federation (502 USD), for countries such Belarus and Kazakhstan was equal, recording for both countries 304 USD. Still, through this value can be underlined as inside the territory of the EEU, the differences of standard of living of the member-countries changed in the last 4 years vividly. In fact, taking into account the example of the Belarusian Republic, we can underline as the fluctuation of the monetary income during the period 2012-2016 was changeable: increasing from 2012 (338 USD) to 2014 (451 USD); and decreasing from 2015 (304 USD) to 2016 (256 USD) – suffering as well by the course of the Russian economy.

Figure 17: Average monthly nominal wages by main types of economic activity in 2016⁴⁹⁸ (as percentage of the national average wage)

| | Armenia | Belarus | Kazakhstan | Kyrgyzstan | Russia |
|--|---------|---------|------------|------------|--------|
| National average | 100 | 100 | 100 | 100 | 100 |
| Agriculture, forestry and fisheries | 63,7 | 70,3 | 63,5 | 64,9 | 58,4 |
| Mining and quarrying | 193,1 | 157,5 | 128,1 | 183,0 | 189,6 |
| Manufacturing industry | 94,2 | 106,4 | 91,2 | 93,0 | 94,6 |
| Electricity, gas, steam and air conditioning | 150,3 | 114,6 | 64,8 | 185,7 | 107,8 |
| water supply; Sewage system, control over the collection and distribution of waste | 100,5 | 89,4 | 49,3 | 83,6 | ... |

⁴⁹⁸ No available data for Russia in consideration of some activity sectors.

| | | | | | |
|--|-------|-------|-------|-------|-------|
| Construction | 111,9 | 105,8 | 100,5 | 98,4 | 87,6 |
| wholesale and retail trade; Repair of motor vehicles and motorcycles | 79,9 | 96,3 | 71,1 | 108,6 | 80,4 |
| Transport and storage | 83,4 | 109,8 | 84,4 | 146,3 | 113,7 |
| Accommodation and food services | 65,8 | 74,8 | 85,8 | 77,5 | 60,1 |
| Information and communication | 207,8 | 300,2 | 88,5 | 187,0 | ... |
| Financial and insurance activities | 217,9 | 178,6 | 117,1 | 219,4 | 213,1 |
| Real estate transactions | 83,7 | 77,6 | 83,0 | 85,6 | 119,8 |
| Professional, scientific and technical activities | 97,0 | 138,7 | 71,1 | 113,3 | 174,3 |
| Administrative activities and additional services in this field | 75,2 | 75,1 | 94,0 | 90,9 | ... |
| Public administration and defense; Compulsory social security | 120,7 | 115,8 | 74,7 | 120,4 | 118,7 |
| Education | 65,8 | 70,7 | 60,1 | 75,3 | 76,5 |
| Health and social services | 74,8 | 79,0 | 68,1 | 66,5 | 81,2 |
| Art, entertainment | 60,8 | 76,9 | 52,2 | 62,8 | 98,8 |

| | | | | | |
|-------------------------|------|------|------|------|-----|
| and recreation | | | | | |
| Other types of services | 76,5 | 77,8 | 54,2 | 91,6 | ... |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 37

Through the table above, we can see that the sectors of extraction of raw materials (193.1% in Armenia), the transport (146.3% in Kyrgyzstan), as well the information and communication (300.2% in Belarus) are the economic sectors that better provide to the population of the member-countries a higher salary in comparison to the other economic activities.

Figure 18: Minimum wage in USD (at the end of the year)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------|------|------|------|------|------|
| Armenia | 80 | 111 | 108 | 114 | 114 |
| Belarus | 136 | 162 | 167 | 121 | 122 |
| Kazakhstan | 116 | 121 | 110 | 66 | 68 |
| Kyrgyzstan | 16 | 17 | 15 | 13 | 15 |
| Russia | 150 | 158 | 100 | 86 | 121 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 39

Analyzing the minimal salary of the countries of the EEU, it is possible to evince that the differences between Belarus and Russia in comparison e.g. with Kyrgyzstan in the year 2016 are more marked, respectively 122 USD, 121 USD and 15 USD. The most important facet visible in the course of the minimum wage is the extreme fluctuation between 2014 and 2016 for countries as Kazakhstan or Belarus. In consideration of this last country, the trend of the minimal salary for the Belarusian citizens decreased from 167 USD of 2014 to 122 USD of 2016, registering a difference of -45 USD in three years.

Figure 19: Average amount of pension in USD (at the end of the year)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------|------|------|------|------|------|
| Armenia | 74 | 71 | 86 | 85 | 84 |
| Belarus | 220 | 233 | 240 | 156 | 151 |
| Kazakhstan | 197 | 207 | 198 | 121 | 127 |
| Kyrgyzstan ⁴⁹⁹ | 90 | 92 | 81 | 65 | ... |
| Russia | 302 | 300 | 197 | 158 | 291 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 40

The pension system of the EEU reflects likewise the equal values of the minimum wages. During 2016 the average pension in Russia was 291 USD (the highest in the panorama of the Union), while Belarus had 151 USD, Kazakhstan 127 USD, Armenia 84 USD and Kyrgyzstan 65 USD (2015).

On the whole, these statistics reveal the still existing economic problematic of the member-countries and the difficulties to increase the minimal and average salary in last years. The EEU’s states present still marked difference in the amount of salaries and pensions (Kyrgyzstan is the most emblematic case). In this context, although first progresses are been achieved in last five years, the complete equalization of salaries and pensions rests still a priority within the Union, as precondition to reach the harmonization of the internal economic status of all participants.

5 Industrial Production of the Union

The industrial field of the Eurasian Economic Union is a key sector of production for the development of the internal economies of the member-countries and for the entire evolution of the community in the global economy. Indeed, the purposes of the EEU, as expressed in the article 92 of the Treaty, is the creation of a common industrial policy through the harmonization of the national policies and their implementation for the achievement of targets such: 1) a coordinated policy for the modernization of the industrial sectors by the promotion of new technologies of production; and 2) the abolishment of barriers in the industrial sphere of production between the participants of the Union in order to increase the concurrence in the internal market of the EEU.

In consideration of the volume of the industrial production, the measurement of this index from the EEU, that will be used in this analysis, includes the volume of industrial products of the

⁴⁹⁹ No available data for Kyrgyzstan in consideration of the year 2016.

member-states, which is formed by large, medium, small (including microenterprises and organizations), individual entrepreneurs and households engaged in the production of products (works and services) In the field of industrial manufacture.

Figure 20: Structure of industrial products by types of economic activity
(at current prices, as a percentage of the total)

Armenia

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|------|------|------|------|------|
| Industry | 100 | 100 | 100 | 100 | 100 |
| Mining and quarrying | 17,2 | 15,8 | 15,0 | 16,4 | 17,9 |
| Manufacturing industry | 62,3 | 62,6 | 65,7 | 62,5 | 61,9 |
| Electricity, gas, steam and air conditioning | 18,9 | 20,2 | 17,9 | 19,5 | 18,6 |
| water supply; Sewage system, control over the collection and distribution of waste | 1,6 | 1,4 | 1,4 | 1,6 | 1,6 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 85

Armenia has in the manufactory sphere the most important sector of its entire industrial production – 61.9% in 2016. The mining and quarrying, as well the energy sector represented for the year 2016 respectively 17.9% and 18.6% of the Armenian industrial production. Nowadays, in relation of the first quarter 2017, Armenia registered a general increased of its industrial production by 17.20%⁵⁰⁰.

Belarus

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------|------|------|------|------|------|
| Industry | 100 | 100 | 100 | 100 | 100 |
| Mining and quarrying | 1,3 | 1,4 | 1,3 | 1,2 | 1,3 |
| Manufacturing | 90,5 | 89,3 | 88,6 | 87,1 | 86,6 |

⁵⁰⁰ “Armenia Industrial Production”. In Trading Economics <http://www.tradingeconomics.com/armenia/industrial-production> (last view: 10.05.2017)

| | | | | | |
|--|-----|-----|-----|------|------|
| industry | | | | | |
| Electricity, gas, steam and air conditioning | 6,7 | 7,6 | 8,3 | 10,0 | 10,4 |
| water supply; Sewage system, control over the collection and distribution of waste | 1,5 | 1,7 | 1,8 | 1,7 | 1,7 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 85

As Armenia also Belarus has in the manufacturing industry the core of its industrial production, which in the year 2016 represented the 86.6% of its entire industrial sector.

Analyzing the contemporary Belarusian industrial production, this sector, according to the statistics of the trading economics, increased generally by 4.3% year-on-year from January to March 2017, compared with a 4.3% drop in the same period of the previous year. Manufacturing output grew 5.1%, mainly due to increases in production of chemical products (23.5%), machinery and equipment (9.8%), and basic metals, fabricated metal products, except machinery and equipment (5.6%); while output of coke and petroleum products continued to contract sharply (-32%). Meanwhile, mining and quarrying went up 2.1% and electricity, gas, steam, hot water and conditioning supply rose 1.8%; while water supply, waste management and remediation activities fell by 3.5%⁵⁰¹.

Kazakhstan

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|------|------|------|------|------|
| Industry | 100 | 100 | 100 | 100 | 100 |
| Mining and quarrying | 60,8 | 60 | 59,7 | 50,4 | 50,1 |
| Manufacturing industry | 32,3 | 32,8 | 32,9 | 40,0 | 41,5 |
| Electricity, gas, steam and air conditioning | 5,9 | 6,3 | 6,5 | 8,4 | 7,4 |
| water supply; Sewage | 1,0 | 0,9 | 0,9 | 1,2 | 1,0 |

⁵⁰¹ “Belarus Industrial Production”. In Trading Economics <http://www.tradingeconomics.com/belarus/industrial-production> (last view: 10.05.2017)

| | | | | | |
|---|--|--|--|--|--|
| system, control over the collection and distribution of waste | | | | | |
|---|--|--|--|--|--|

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 85

The Kazakh industrial production is based principally in the mining and quarrying sector 50.1% (2016), as well in the manufacturing industry 41.5% (2016).

In the first quarter of 2017, the industrial production in Kazakhstan rose by 8.3% in comparison to the previous year. Especially in a direct comparison between February and March 2017, the growth rate was in its complex of 4%, divided by: mining and quarrying (10% in March from 2.3% in February); manufacturing (6.8% from 6.5%); electricity, gas, steam and air conditioning (6.8% from 2.7%) and water supply and sewerage system rebounded (0.4% from -2.5%)⁵⁰².

Kyrgyzstan

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|------|------|------|------|------|
| Industry | 100 | 100 | 100 | 100 | 100 |
| Mining and quarrying | 4,4 | 3,0 | 3,3 | 4,4 | 5,6 |
| Manufacturing industry | 77,3 | 83,2 | 82,0 | 77,7 | 78,2 |
| Electricity, gas, steam and air conditioning | 17,4 | 13,0 | 13,8 | 17,0 | 15,4 |
| water supply; Sewage system, control over the collection and distribution of waste | 0,9 | 0,8 | 0,9 | 0,9 | 0,8 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 86

The most important contribute to the industrial production for Kyrgyzstan arrived in year 2016 from the sectors of manufacturing industry (78.2%) and the electricity, gas, steam and air conditioning (15.4%). Kyrgyzstan registered in comparison to the other EEU’s members the most

⁵⁰² “Kazakhstan Industrial Production”. In Trading Economics <http://www.tradingeconomics.com/kazakhstan/industrial-production> (last view: 10.05.2017)

sensible increase of its industrial production in the first years of 2017 by 60%. For the Kyrgyz Republic it was the strongest increase since October 2013, as production rose at a faster pace for manufacturing (65.2% in March from 8.8% in February); mining and quarrying (68.6% from 66.5%) and electricity, gas, steam and air conditioning (29.2% from 13.1%). In contrast, output fell for water supply and sewerage (-2.4% from -2.2 %) ⁵⁰³.

Russia

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|------|------|------|------|------|
| Industry | 100 | 100 | 100 | 100 | 100 |
| Extraction of minerals | 23,4 | 22,7 | 22,0 | 22,8 | 23,1 |
| Manufacturing industry | 65,7 | 66,2 | 67,3 | 67,4 | 66,7 |
| Production and distribution of electricity, gas and water | 10,9 | 11,1 | 10,7 | 9,8 | 10,2 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh". Kratkiy

Statisticheskii Sbornik. Moskva, 2017. P. 86

The manufacturing sector of the Russian Federation constitutes the basis of its industrial production 66.7% (2016). But, in comparison to the other countries of the EEU, the Russian industrial production knew in first quarter 2017 only a tenuous increase by 0.8% (March 2017), recovering from a 2.3% drop in the previous month, but missing market expectations of 1.2% gain and confirming its actual economic troubles. Though, by the report of the Trading Economics, the growth rate of the industrial sectors in a direct comparison between February and March 2017 was: manufacturing (1% in March from -5.1% in February): distribution of water, sewage (3.4% from -19.3 %); production and distribution of electricity and gas rose by 0.4%; and mining output edged up 0.2% (after showing no growth in February) ⁵⁰⁴.

⁵⁰³ "Kyrgyzstan Industrial Production". In Trading Economics <http://www.tradingeconomics.com/kyrgyzstan/industrial-production> (last view: 10.05.2017)

⁵⁰⁴ "Russia Industrial Production". In Trading Economics <http://www.tradingeconomics.com/russia/industrial-production> (last view: 10.05.2017)

Eurasian Economic Union

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|------|------|------|------|------|
| Industry | 100 | 100 | 100 | 100 | 100 |
| Mining and quarrying | 25,2 | 24,7 | 23,8 | 23,6 | 23,7 |
| Manufacturing industry | 64,4 | 64,6 | 65,7 | 66,4 | 66,1 |
| Electricity, gas, steam and air conditioning; water supply; sewage system, control over the collection and distribution of waste | 10,4 | 10,7 | 10,5 | 10,0 | 10,2 |

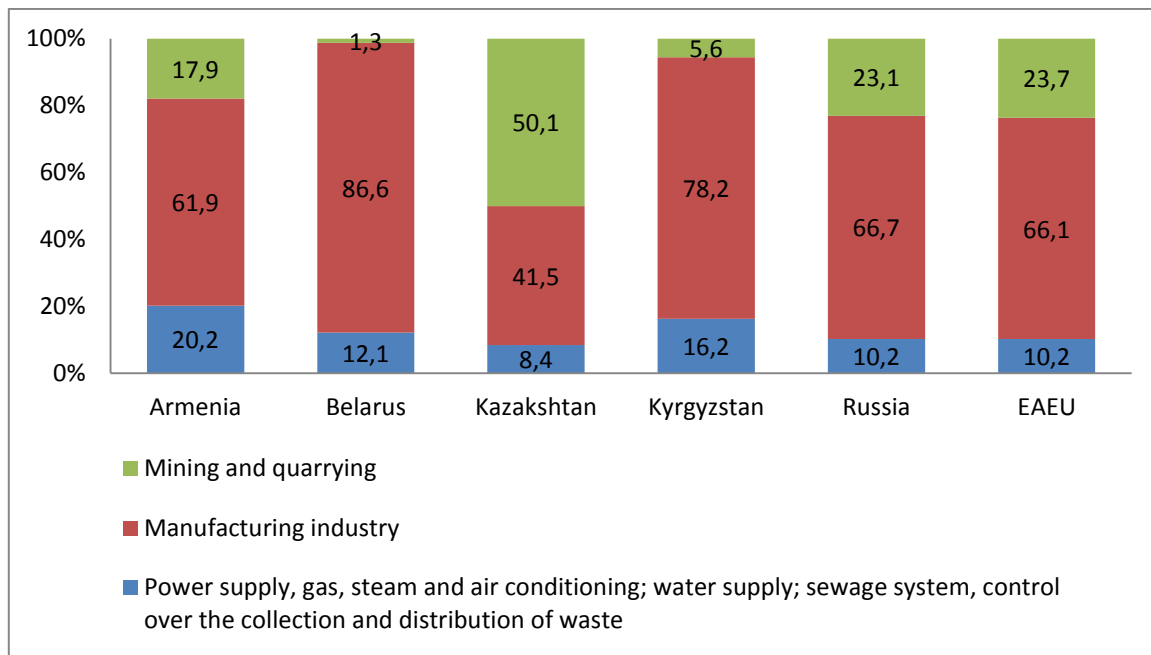
Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh". Kratkiy

Statisticheskiy Sbornik. Moskva, 2017. P. 86

The manufacturing industry 66.1% (2016) is the primary sector of the industrial production of the Eurasian Economic Union.

In general in the panorama of the EEU after a recession of the industrial production between 2014 and 2015, in the year 2016 and in first quarter 2017 the industrial sector of the Union is now in a slow phase of regrowth.

Figure 21: Structure of industrial production in 2016 (in current prices, as a percentage of the total)



Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): “Yevraziyskiy Ekonomicheskii Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 87

In figures, taking into account the development of the industrial production of the Union, according to the data of the EEC, the volume of industrial production of the Union in January 2017, compared to January 2016, increased by 2.7% (in January 2016 compared to January 2015 was recorded a decrease of 1.2%). Specifically, in January 2017 Russia accounted for 88.3% of the total industrial production of the EEU’s members, while Kazakhstan – 6.7%; Belarus – 4.4%; and both Armenia and Kyrgyzstan – 0.3%⁵⁰⁵.

In an effective comparison between January 2017 and 2016 of the structure of industrial production of the EEU, in January 2017 the largest share was occupied by the manufacturing industry (58.4%). Its share decreased by 2.6% compared to January 2016. The share of mining and quarrying amounted to 28% (increased by 5.3%). The share of electricity, gas, steam and air conditioning was 12.2% (a decrease of 2.5%). The water supply; sewage system, control over collection and distribution of waste decreased by 0.2% and amounted to 1.4% in January 2017⁵⁰⁶.

Nowadays, considering the industrial production of the Eurasian Economic Union, the manufacturing sector rests the primary resource of the economic development of the Union. In a

⁵⁰⁵ Yevraziskaya Ekonomicheskaya Kommissiya (2017): “Ob osnovnykh sotsial’no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuz”. Yanvar’ 2017 g. Analiitscheskiy obzor 10 marta 2017 g. Pp. 4-5

⁵⁰⁶ Ibid. g. P. 6

direct study of the member-countries, after the general decrease of internal industrial production in the period 2014-2015 (the first initial stage of the Union), in the period 2015-2016, the participants of the Union have known a tenuous economic recovery of their industrial production, which had increased further during the first quarter 2017 (especially for Kyrgyzstan by 60%). On the other hand, the Russian Federation had in comparison to the other members just a very sensible increase at the beginning of 2017, registering a growth rate by 0.8%.

We can assert as the further improvement of the industrial production of the Union would be possible through the application of economic subsidies in the production of industrial goods, as provided by the article 93 of the Astana Treaty. Indeed, the direct concessions of subsidies to the member-states can favorite in the next years the expansion of the production of the entire Union and have a positive impact in the mutual trade between the participants of the EEU. Moreover, the conduction of an agreed policy within the Union could improve in better terms the entire production of the participants, with positive consequences in the modernization of their economic apparatus, as the upgrading of their infrastructures and instruments of production.

5.1 *Electric and oil market*

The article 79 of the Treaty précises as the member-states should coordinate their energy policy and gradually form common energy markets within the Union.

Observing the industrial production of the Union, two principal parts of it require a consideration: the common electricity market of the EEU – which should be realized in 2019 – and the markets for oil and gas – that should work from 2024 and 2025 respectively. The choice of these periods provides the previous realization of new modern technological infrastructures as pipelines and electric systems; the progressive dismantling of commercial and regulatory barriers; and the realization of a better integration and coordination of the participants in terms of system harmonization.

Examining the electric market of the Union, in the article 81 of the Treaty is defined that the member-states should gradually establish a common electric power market of the Union. Exactly, as underlined by Pastukhova and Kirsten, *“The framework of the EEU is based on existing (from the Soviet era) infrastructure and on agreements dating from 2010, signed in the context of the CU. The only new elements in the concept for the electricity sector in the framework of the EEU are: a) the introduction of a trading platform at the international level and the commitment to grant all EEU’s states non-discriminatory access to national transmission grids; and b) the not exceeding of*

the EEU's tariffs for wide long distance transmission to those at national level. These objectives are also relevant for third countries, because, according to Pastukhova and Westphal, a quasi EEU-wide grid could contribute not only to the development of an electricity market within the region, but also to its transit potential⁵⁰⁷”.

Figure 22: Production of electricity (Billion kWh)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|----------------|----------------|----------------|----------------|----------------|
| Armenia | 8,0 | 7,7 | 7,8 | 7,8 | 7,3 |
| Belarus | 30,8 | 31,5 | 34,7 | 34,1 | 33,1 |
| Kazakhstan | 90,6 | 92,6 | 94,6 | 91,6 | 94,5 |
| Kyrgyzstan | 15,2 | 14,0 | 14,6 | 13,0 | 13,1 |
| Russia | 1 069,3 | 1 059,1 | 1 064,2 | 1 067,5 | 1 087,1 |
| EAEU | 1 213,9 | 1 204,9 | 1 215,9 | 1 214,0 | 1 235,1 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 93

The electric market capacity of the Union amounted for the year 2016 to 1 235.1 kWh bn., increasing from the previous year (1 214 kWh bn.) by 1.74%. In a general comparison between the member-countries, since 2012 all the actual participants of the EEU improved their electric production. For example Belarus managed a light improvement by 2.3 kWh bn. between 2012 (30.8 kWh bn.) to 2016 (33.1 kWh billion).

On the whole, the electric market of the Union can be more implemented through the creation of equal conditions for commercial entities that consequently could allow the possibility for the member-countries to sell electricity in the common market under the framework of a competitive system and successively to expand the sale of electricity to third countries. This purpose finds a confirmation in the words of Belarusian Energy Minister Vladimir Potupchik, who asserted: “If we create a common market and we have equal conditions, very good prospects of selling electricity on the common market of the Eurasian Economic Union and to third countries will open up before us. Naturally, we will grab the opportunity since the performance factor of our power-generating

⁵⁰⁷ Cf. Pastukhova Maria and Westphal Kirsten (2016): “A Common Energy Market in the Eurasian Economic Union. Implications for the European Union and Energy Relations with Russia”. In German Institute for International and Security Affairs Comments 9 February 2016. P. 2

installations has improved substantially, including taking into account the commissioning of the Belarusian nuclear power plant⁵⁰⁸".

Thus, Belarus, that is developing now a nuclear power plant, hopes that the guideline under a common regulation of the electric power could increase its trade about the export of energy in the mutual trade within the Union and in the commerce with third countries under the regulation of the Free Trade Zones of the EEU.

The article 84 of the Treaty provides that the member-states, through the agreement on a common program of development, should establish a common market of oil and petroleum products within the Union. Already in September 2015 an agreement on the methodology for preparing indicative balances for oil and gas products in the Union was approved by the Eurasian Economic Commission. Though, the realization of the common market for gas and oil needs a precise regulation about price liberalization and the determination of the competition in the sector. According to the analysis of Pastukhova and Westphal, *"the central question – alongside the creation of joint infrastructure – is the pricing method for crude oil and oil products. Market prices are to apply to crude oil and oil products, while tariffs for pipeline transport will be subject to national regulation, with the pricing question remaining a matter of controversy – price formation is to be based on market mechanisms and fair competition, but will take national conditions into consideration. Another point of dispute, which shows the not yet absolute compactness of the internal market of the EEU, is the harmonization of quality standards and norms for crude oil and oil products. Belarus and Kazakhstan regard this as necessary, while Russia believes it to be unrealistic. Furthermore all technical and administrative trade barriers are to be dismantled, while commercial exchange and physical infrastructure are to be expanded. While favorable conditions for investment are also to be created. Indicative balances of consumption, production and transmission are to be harmonized and shared⁵⁰⁹".*

⁵⁰⁸ "Belarus looks forward to common energy markets in Eurasian Economic Union". In Belta. 29.12.2016 <http://eng.belta.by/economics/view/belarus-looks-forward-to-common-energy-markets-in-eurasian-economic-union-97598-2016/> (last view: 28.05.2017)

⁵⁰⁹ Cf. Pastukhova Maria and Westphal Kirsten (2016): "A Common Energy Market in the Eurasian Economic Union. Implications for the European Union and Energy Relations with Russia". In German Institute for International and Security Affairs Comments 9 February 2016. P. 3

Figure 23: Extraction of certain types of minerals in the EEU

Coal (million tons)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|--------------|--------------|--------------|--------------|--------------|
| Armenia | - | - | - | - | - |
| Belarus | - | - | - | - | - |
| Kazakhstan | 120,5 | 119,6 | 114,6 | 107,3 | 102,4 |
| Kyrgyzstan | 1,2 | 1,4 | 1,8 | 1,9 | 1,8 |
| Russia | 356,8 | 353,2 | 357,0 | 372,1 | 385,4 |
| EAEU | 478,5 | 474,2 | 473,4 | 481,3 | 489,6 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 87

The coal production of the EEU reached for the year 2016 489.6 million tons against the 481.3 million tons of 2015, knowing an increment of 8.3 million tons more.

Crude oil, including gas condensate (million tons)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|--------------|--------------|--------------|--------------|--------------|
| Armenia | - | - | - | - | - |
| Belarus | 1,7 | 1,6 | 1,6 | 1,6 | 1,6 |
| Kazakhstan | 79,2 | 81,8 | 80,8 | 79,5 | 78,0 |
| Kyrgyzstan | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 |
| Russia | 518,7 | 521,7 | 526,1 | 533,7 | 548,6 |
| EAEU | 599,7 | 605,2 | 608,6 | 614,9 | 628,3 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 87

Russia is the primary force of the Union for the production of oil and gas condensate with 548.6 million tons in 2016. Since 2012, Russia performed an increase of its oil production, improving it in last five years by 29.9 million tons. The results are visible in the aggregated amount of the EEU which totalized in 2016 a production of 628.3 million tons. Nowadays, unfortunately, due on the drop of the oil price, Russia is suffering economically, registering not only an internal economic recession, but even a diminishing of its economic force in the global scenario.

Natural gas, billion m³

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|--------------|--------------|--------------|--------------|--------------|
| Armenia | - | - | - | - | - |
| Belarus | 0,2 | 0,2 | 0,2 | 0,2 | 0,2 |
| Kazakhstan | 40,3 | 42,4 | 43,4 | 45,5 | 46,6 |
| Kyrgyzstan | 0,03 | 0,03 | 0,03 | 0,03 | 0,03 |
| Russia | 654,7 | 667,6 | 642,2 | 633,6 | 639,4 |
| EAEU | 695,2 | 710,2 | 685,8 | 679,3 | 686,2 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 88

The production of natural gas of the EEU reached 686.2 billion m³ in 2016, improving slightly in comparison with 2015 (679.3 billion m³) by 1.02%. Russia represents even for the natural gas, the most important force of the Union with a production in the year 2016 of 639.4 billion m³ – an amount that improved in the period of time 2015-2016 by 0.92%.

Iron ore concentrate (million tons)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|--------------|--------------|--------------|--------------|--------------|
| Armenia | - | - | - | - | - |
| Belarus | - | - | - | - | - |
| Kazakhstan | 14,1 | 14,7 | 14,9 | 11,6 | 10,1 |
| Kyrgyzstan | - | - | - | - | - |
| Russia | 104,0 | 102,0 | 101,7 | 101,0 | 101,4 |
| EAEU | 118,1 | 116,7 | 116,6 | 112,6 | 111,5 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 88

The iron ore production of the Union amounted to 111.5 million tons in 2016, declining from 2012 (118.1 million tons) to 2016 by -6.6 million tons.

Before to complete the paragraph is useful make a consideration about the energetic sector and trade between two founders of the EEU: Belarus and Russia. Precisely, reflecting about the role of Belarus in accordance with the gas and oil sector of the Union, an aspect that must be stressed is the participation of Belarus in the mechanism of the Union as aim to achieve advantages in its

trade with Russia, obtaining low-priced Russian oil for the Belarusian petroleum refineries, and facilitations for the import of Russian gas with diminishing of the price paid to Russia.

According to Tochitskaya and Kirchner, *“The participation of Belarus in the EEU will entail benefits extended beyond preferential prices on oil and gas. It is also important for Belarus that in the framework of the creation of a common oil and gas market, the member-states – within the existing and available technical capacities – should provide unrestricted access of EEU economic entities to gas and oil transport systems for transit purposes. It will expand Belarus’ oil and gas import opportunities in the future⁵¹⁰”*.

Concerning the gas market, Belarus pays nowadays to Russia 132.77 USD per 1000 cubic meters. However, the biggest issue that remains is the Belarusian gas debt with Russia. As stated by Gazprom, reported in the Reuters portal: *“In late May 2016, Belarus’ debt for gas totalized 250 USD million. Minsk denied the debt, and demanded to change the calculation formula and to half the gas price, due to the fall in oil prices on the world market. By reducing oil supplies to Belarus, Russia anticipates to get a refund for underpayment for gas supply to Belarus. But, if Russia reduces oil supplies by 5 million tons, Belarus’ GDP fall will accelerate. Belarusian oil industry is likely to reduce production by 22%, instead of the projected growth at 3-4%. Given the high proportion of oil processing in industrial production, a further decline in industrial output indicators is likely to follow – by at least 3% compared with the current situation. Oil products attribute to about 40% in the wholesale trade, the influence of which on GDP is estimated at 7%-8%. The reduction in oil supplies will lead to a drop in pipeline and railway transport performance⁵¹¹”*.

In April 2016, the Russian Deputy Prime Minister Arkady Dvorkovich asserted as Belarus has agreed to pay Russian gas firm Gazprom more than 720 USD million in arrears for gas supplies, that as Russia renewed oil supplies to Belarus of 24 million tons a year and that Gazprom would give Belarus discounts on gas supplies in 2018 and 2019⁵¹². Nowadays, as stressed by Belarusian Vice-Premier Vladimir Semashko after the talks in Moscow with Russian counterpart in April 2017, *“the price for the Russian gas for Belarus will be 129 USD per 1,000 cubic meters in 2018 and 127*

⁵¹⁰ Kirchner Robert and Tochitskaya Irina (2014): *“Belarus’ membership in the Eurasian Economic Union: An Assessment”*. In German Economic Team Belarus IPM Research Center. Policy Paper Series [PP/05/2014]. P. 11

⁵¹¹ *“Kremlin to avoid full-scale oil and gas war with Minsk”*. In Belarus in Focus. 25.07.2016
<https://belarusinfocus.info/international-relations/kremlin-avoid-full-scale-oil-and-gas-war-minsk> (last view: 05.06.2017)

⁵¹² *“Belarus will pay Russia over \$720 million gas debts: Russian official”*. In Reuters. 03.04.2017
<http://www.reuters.com/article/us-russia-belarus-meeting-gazprom-idUSKBN175275> (last view: 05.06.2017)

USD in 2019⁵¹³”, showing however the volition of both parts to continue the purchase of gas in favorable conditions, giving even a concrete signal of economic integration within the Union.

6 The agricultural sector

In a brief analysis of the article 95, it is possible to observe as the regulation in the sphere of agro-industrial production is aimed at creating conditions for the sustainable development of agriculture, agricultural market stability, food security, support and protection for the agricultural producers of the country. A standardization of the requirements in the sphere of the circulation of seeds of agricultural plants and livestock for breeding is the way to create equal conditions for the economic entities' access to the common agricultural market and the development of mutual trade.

Thus, the objective of the member-countries is to ensure free movements of goods and freedom in the conduction of economic activities, allowing a correct and fair functioning of the market of the Union, without any kind of distortions.

In the economical complex of the Eurasian Economic Union, the agricultural turnover of the member-states includes about 300 million hectares of land in a common market of 182.1 million consumers. For that the agricultural sphere is automatically a vital sector for the trade of the Union that must be regulated and expanded through the investments and coordination of the member-states.

Specifically, in the period 2010-2014 the average share of agricultural production in the Gross Domestic Product was: Armenia – 20%; Kyrgyzstan – 15%; Belarus – 8%; Kazakhstan – 4.5% and the Russian Federation – 3.5%⁵¹⁴.

Considering the mutual trade for the agricultural products and agricultural raw materials during the year 2015, it accounted just for 15.5% of the mutual trade⁵¹⁵ and in 2016 by 16.1%⁵¹⁶. It means that the agrarian market between the member-countries is not yet a really developed sector within the Union (during 2016 its percentage in the mutual trade was inferior to the raw material

⁵¹³ “Belarus to pay \$129 for Russian gas in 2018, \$127 – in 2019”. In Belta 17.04.2017 <http://eng.belta.by/politics/view/belarus-to-pay-129-for-russian-gas-in-2018-127-in-2019-100492-2017/> (last view: 05.06.2017)

⁵¹⁴ (Edit.) Sidorskiy Sergey (2015): “Agroindustrial Policy of the Eurasian Economic Union”. In the Library of the Eurasian Economic Union. P. 20 http://www.eurasiancommission.org/ru/Documents/APK_ing_n.pdf (last view: 11.04.2017)

⁵¹⁵ Vinokurov Evgeny (2017): “Eurasian Economic Union: Current state and preliminary results”. In Russian Journal of Economics 3 (2017). P. 62

⁵¹⁶ Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskii Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 150

market – 27.1% and the machinery sector – 17.5%) and shows in the same time the large dependence of the Union for agricultural items from third countries. Indeed, for the year 2014 the amount of imported agricultural products of the EEU exceeded 42 USD billion. In this period, the Russian imports of agricultural products amounted to 85.5% of the total volume of the Union, the Belarusian imports to 8.3% and the Kazakh imports to 6.2%⁵¹⁷. Regarding the year 2016, the EEU-trade with third states related to agrarian items amounted for the 5.5% of the entire exports of the Union, while the import quota of agricultural products from third countries amounted to 13.2%⁵¹⁸. This unbalanced relationship between the import and export quota underlines the strong dependence of the members of the Union from third countries (thus from imports). According to the statistics of the EEC, the EEU, in order to diminish this value and to develop better the internal market of the Union, for the successive years has the aims: 1) to increase its grain exports to 34.6 million tons; and 2) to decrease its imports of meat and meat products to 1.5 million tons, and milk and sugar to 5.9 million tons and 0.1 million tons respectively. Consequently, the Union countries should strive to increase production of basic foodstuff, increase the volume of mutual trade and reduce import content⁵¹⁹.

Figure 24: Production of agricultural items in USD million

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|----------------|----------------|----------------|----------------|----------------|
| Armenia | 2 095 | 2 243 | 2 388 | 2 095 | 1 889 |
| Belarus | 11 553 | 11 790 | 12 788 | 8 329 | 7 631 |
| Kazakhstan | 13 406 | 15 685 | 14 108 | 14 915 | 10 568 |
| Kyrgyzstan | 3 562 | 3 545 | 3 647 | 3 057 | 2 819 |
| Russia | 107 531 | 115 873 | 113 750 | 85 158 | 84 096 |
| EAEU | 138 147 | 149 136 | 146 681 | 113 554 | 107 003 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 95

Focusing on the agrarian products of the EEU, we can observe as the effects of the economic crisis are nowadays visible in the production of the countries of the Union. In fact, in a direct

⁵¹⁷ (Edit.) Sidorskiy Sergey (2015): “Agroindustrial Policy of the Eurasian Economic Union”. In the Library of the Eurasian Economic Union. P. 26 http://www.eurasiancommission.org/ru/Documents/APK_ing_n.pdf (last view: 11.04.2017)

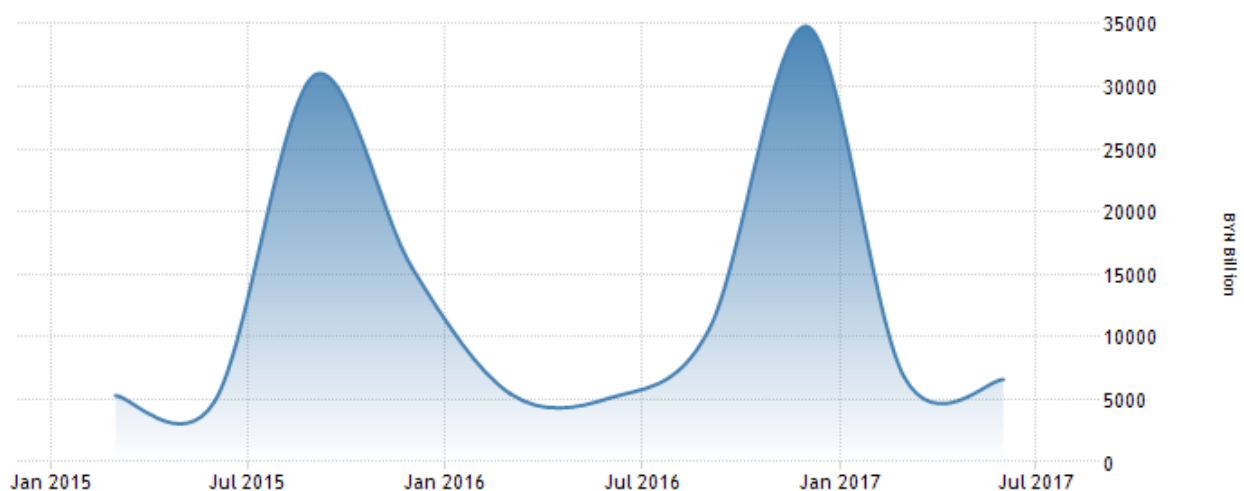
⁵¹⁸ Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017). P. 148

⁵¹⁹ Cit. Loc. (Edit.) Sidorskiy Sergey (2015). P. 30

comparison between the years 2015 and 2016, all the countries registered a decrement of their production: Armenia -9.83%; Belarus -8.38%; Kazakhstan -29.15%; Kyrgyzstan -7.79%; and Russia -1.25%.

Same negative results are possible to evince in the annual turnover of the EEU for the production of agricultural items (107 003 USD million during the year 2016) in decline by -5.77% in confrontation with the previous year (113 554 USD million).

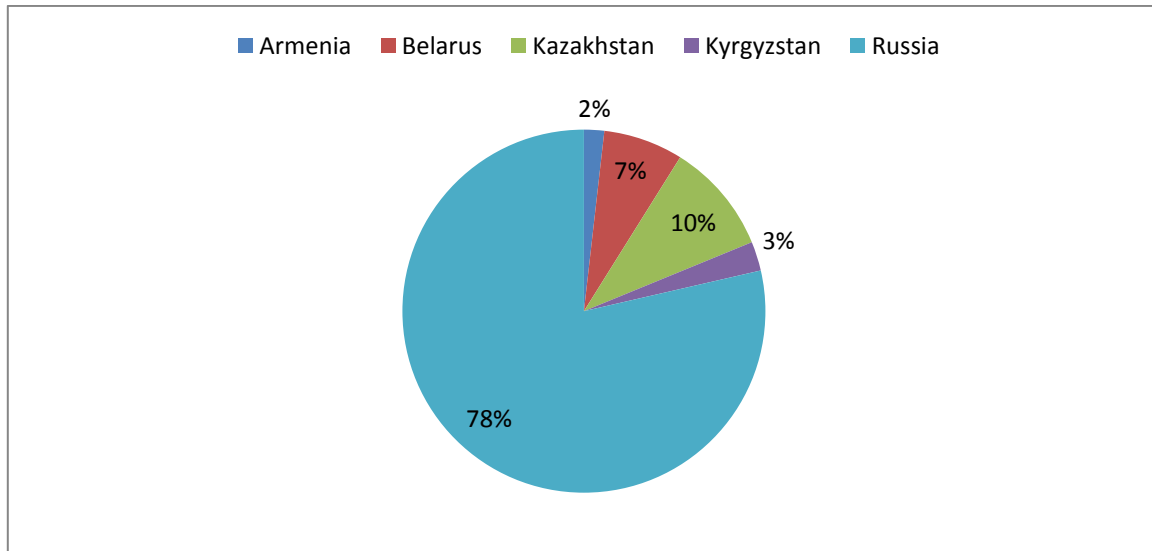
Figure 25: Belarus GDP from Agriculture, Forestry and Fishery



Source: "Belarus GDP from Agriculture, Forestry and Fishery". In Trading Economics <https://tradingeconomics.com/belarus/gdp-from-agriculture> (last view: 20.10.2017)

Regarding the negative data of the last two years, we can take into account the concrete case of Belarus. Here, through the data of the Trading Economics based on the statistics of the National Statistical Committee of the Republic of Belarus, we can observe that its GDP from agriculture, forestry and fishery between 2015 and 2016 reached its positive peaks in October 2015 with 30 858 BYN bn. and in October 2016 with 10 549 BYN billion. In a direct comparison between these two months Belarus knew a diminishing of its index by -65.81%, attesting the economic difficulties of last years. Nowadays, the situation is improving, with a recording for Belarus in January 2017 an index of 34 774 BYN billion.

Figure 26: National contribution of the member-states to the volume of the agricultural production of the EEU 2016 (as a percentage of the total)



Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 96

The Russian Federation with the biggest percentage (78%), followed by Kazakhstan (10%) and Belarus (7%) contributes mostly to the agricultural production of the Eurasian Economic Union. In detail the principal agricultural items of production of the EEU are: grains and legumes that amounted for the year 2016 by 151 215 thousand tons with the principal producer Russia – 120 672 thousand tons; sugar beet (fabric production) – 56 695 thousand tons, where for example Belarus totalized a production of 4 278 thousand tons in 2016; sunflower (in grain) – 11 798 thousand tons, whose Kazakhstan had a national production of 755 thousand tons during 2016; potatoes that amounted to 42 760 thousand tons in 2016, contributed for example by Kyrgyzstan by 1 388 thousand tons; fruits and berries – 4 758 thousand tons, where Armenia produced 243 thousand tons during 2016; and vegetables that amounted to 24 029 thousand tons during 2016⁵²⁰.

⁵²⁰ Cf. Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. Pp. 100-103

Figure 27: Yield of main crops of the countries of the EEU 2016 (all categories of farms; quintals per hectare)

| | Armenia | Belarus | Kazakhstan | Kyrgyzstan | Russia |
|---------------------|---------|---------|------------|------------|--------|
| Cereals and legumes | 31 | 32 | 13,5 | 30 | 26,0 |
| Sugar beet | 173 | 446 | 286 | 623 | 425 |
| Sunflower | 16 | 15 | 9,3 | 12 | 15,1 |
| Potatoes | 215 | 205 | 190 | 166 | 153 |
| Vegetables | 304 | 276 | 250 | 194 | 227 |
| Fruits and berries | 66 | 84 | 72 | 49 | 85,6 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskii Soyuz v Tsifrah”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 103

Although in the year 2016 was registered a general decline of the agrarian production, must be underlined as in the first half of 2016 the agricultural production of the Union increased at constant prices by 2.7% if compared to the first half of 2015. The biggest growth was observed in Armenia and Belarus by 3.3%. The increase in Kazakhstan was 2.7%; in Kyrgyzstan 2.9% and in Russia 2.6%. In the first half of 2016, production of major livestock products also increased. In the same period, the turnover of livestock and poultry increased by 5.4% (more than 8 million tons); milk by 0.6% (22.5 million tons); and eggs by 2.3% (26.6 million tons)⁵²¹.

Figure 28: Number of cattle (on farms of all categories, at the beginning of the year, thousands of heads)

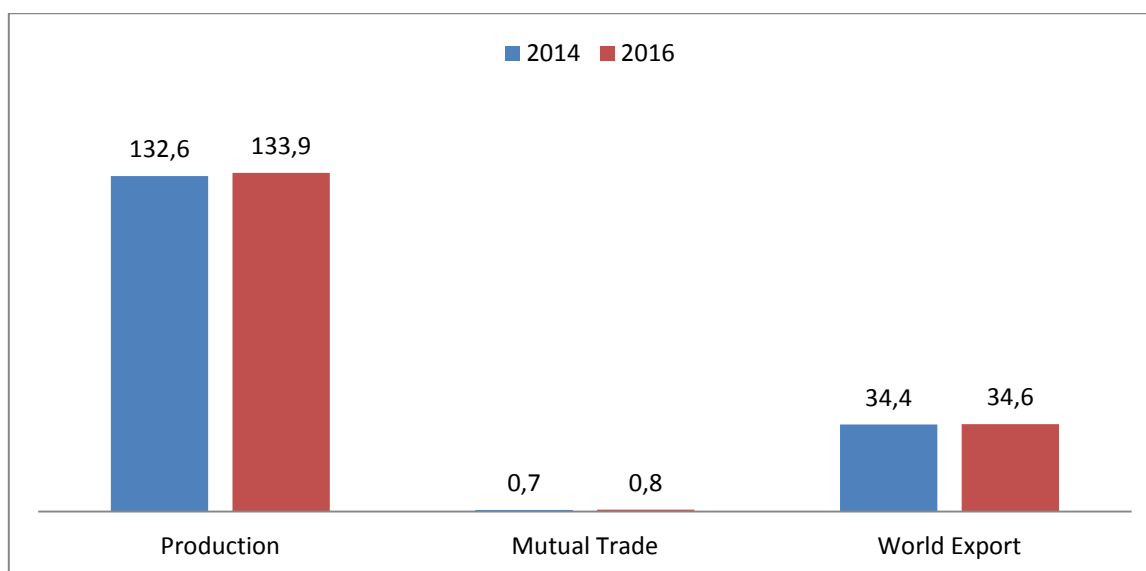
| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Armenia | 661,0 | 677,6 | 688,6 | 701,5 | 702,5 |
| Belarus | 4 367,0 | 4 321,2 | 4 363,7 | 4 356,5 | 4 302,4 |
| Kazakhstan | 5 690,0 | 5 851,2 | 6 032,7 | 6 183,9 | 6 247,2 |
| Kyrgyzstan | 1 367,5 | 1 404,2 | 1 458,4 | 1 492,5 | 1 527,8 |
| Russia | 19 930,4 | 19 564,0 | 19 264,3 | 18 992,0 | 18 686,9 |
| EAEU | 32 015,9 | 31 818,2 | 31 807,7 | 31 726,4 | 31 466,8 |

⁵²¹ Cf. Eurasian Economic Commission (2016): “Eurasian Economic Integration: Facts and Figures”. Library of Eurasian Integration. P. 19

The cattle in the EEU demonstrate also the importance of this sphere in the total of the agrarian production of the Union. In fact, in the year 2016 the Union in its entire totalized an elevate livestock amounting to 31 466.8 thousands heads.

However, we can assert that the agrarian production represents one of the economic pillars of the Union. This is possible to evince e.g. in the production of milk which amounted to 45 443 thousand tons during 2016 and whose highest percentage was constituted mostly by the Russian Federation with a production of 30 724 thousand tons; and eggs production with an amount of 53 090 million pieces during 2016⁵²².

Figure 29: EEU production, trade and consumption of grains in million tons

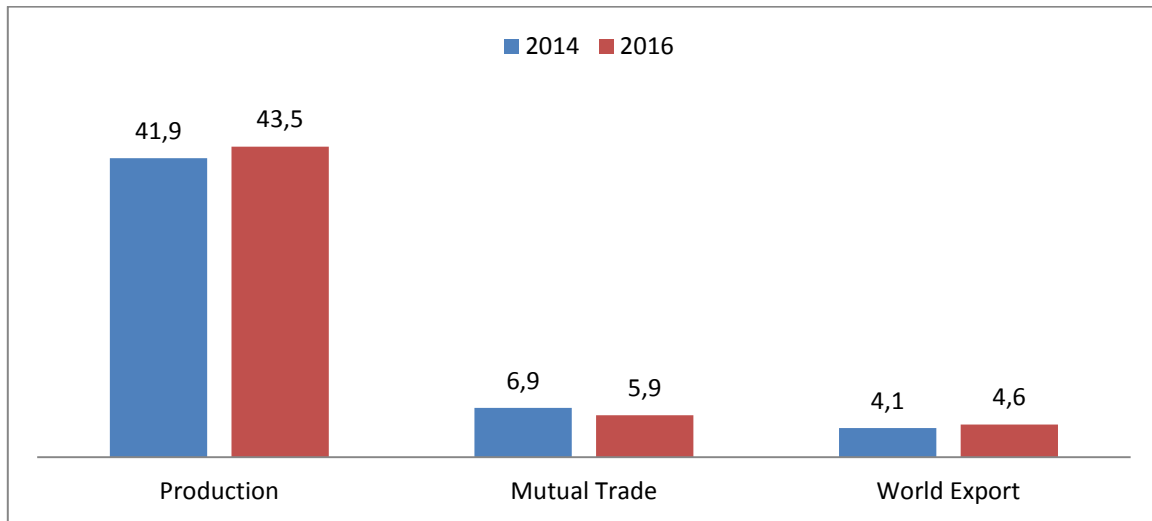


Source: (Edit.) Sidorskiy Sergey (2015): "Agroindustrial Policy of the Eurasian Economic Union". In the Library of the Eurasian Economic Union. P. 32 http://www.eurasiancommission.org/ru/Documents/APK_ing_n.pdf (last view: 11.04.2017)

Observing the production of grains of the countries of the EEU, between 2014 and 2016, was registered an increment of the production from 132.6 million tons to 133.9 million tons. The positive increase in 2016 is visible even: in the mutual trade (0.8 million tons in 2016) and in the exports of grains (34.6 million tons).

⁵²² Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. Pp. 106-107

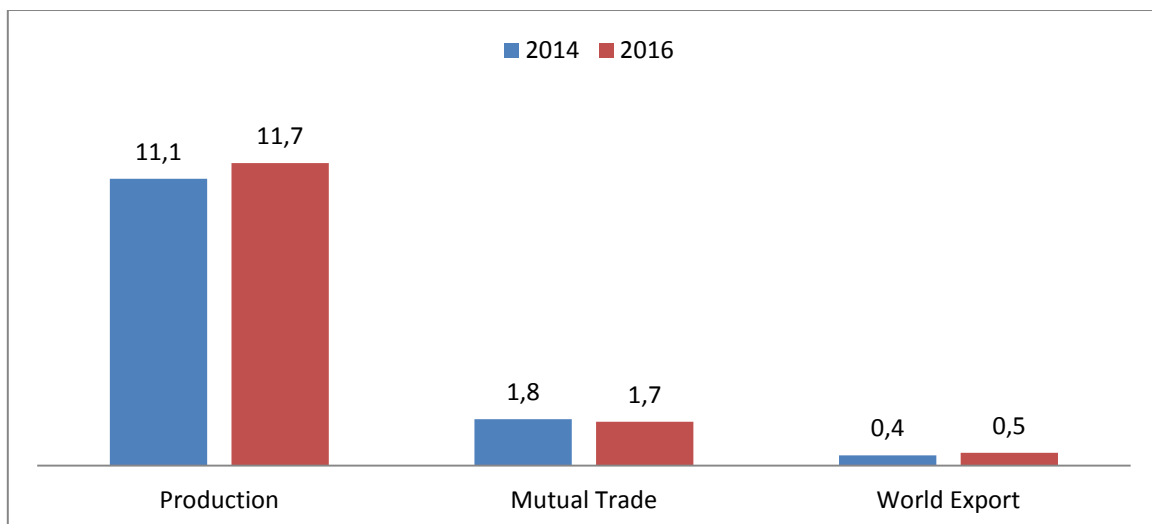
Figure 30: EEU production, trade and consumption of milk and dairy products in million tons



Source: (Edit.) Sidorskiy Sergey (2015): “*Agroindustrial Policy of the Eurasian Economic Union*”. In the Library of the Eurasian Economic Union. P. 32 http://www.eurasiancommission.org/ru/Documents/APK_ing_n.pdf (last view: 11.04.2017)

The dairy production knew a growth too during the years 2014-2016. Especially, the production increased from 41.9 million tons in 2014 to 43.5 million tons in 2016. The negative trend was registered in the mutual trade, where was recorded a slight decrease by -1% between 2014 (6.9 million tons) to 2016 (5.9 million tons).

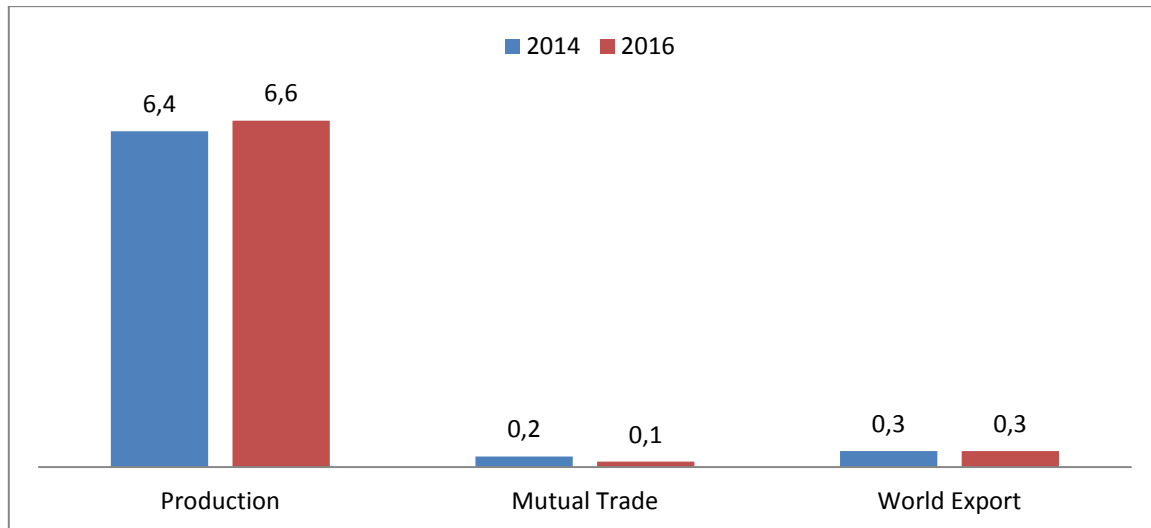
Figure 31: EEU production, trade and consumption of meat and its derivatives in million tons



Source: (Edit.) Sidorskiy Sergey (2015): “*Agroindustrial Policy of the Eurasian Economic Union*”. In the Library of the Eurasian Economic Union. P. 33 http://www.eurasiancommission.org/ru/Documents/APK_ing_n.pdf (last view: 11.04.2017)

The production of meat increased too in the period 2014-2016. Precisely, the members of the EEU totalized a production of 11.7million tons in 2016; a mutual trade of 1.7 million tons and an increment of exports from 0.4 million tons in 2014 to 0.5 million tons in 2016.

Figure 32: EEU production, trade and consumption of sugar in million tons



Source: (Edit.) Sidorskiy Sergey (2015): “*Agroindustrial Policy of the Eurasian Economic Union*”. In the Library of the Eurasian Economic Union. P. 33 http://www.eurasiancommission.org/ru/Documents/APK_ing_n.pdf (last view: 11.04.2017)

The agrarian production in the EEU between 2014 (6.4 million tons) and 2016 (6.6 million tons) increased by 0.2%. A tenuous decrease was recorded in the mutual trade, which totalized during the year 2016 an amount of 0.1 million tons.

As a whole, according to the official data of the EEC, in January 2017 the production of agricultural, forestry and fishery products of the EEU was 3.7 bn. USD and increased in constant prices by 0.8% compared to January 2016. Specifically, for the countries of the Union, in January 2017, in comparison with January 2016, the Russian share in the total output of agriculture of the EEU increased by 2.9%; while the share of Belarus, Kyrgyzstan, Kazakhstan and Armenia decreased by 1.5%; by 0.6%; and by 0.4% (Armenia and Kazakhstan) respectively⁵²³.

In a general consideration, we must stress as until now however the system of the EEU related to the agrarian market of the member-states has not brought any decisive effects for their development: a) the production in 2016 was 107 003 USD million, decreasing by -16.12% in comparison to the previous year (113 554 USD million); and b) the trade with foreign countries is

⁵²³ Yevraziskaya Ekonomicheskaya Kommisiya (2017): “*Ob osnovnykh sotsial'no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuzha*”. Yanvar' 2017 g. Analiitscheskiy obzor 10 marta 2017 g. Pp. 11-12

more developed in comparison to the intra trade of the member-states, which registered in 2016 a turnover of 6.8472 billion. As positive fact, we can underline as the EEU is trying to decrease the imports from third countries in favor to favorite the exports, which in 2016 represented respectively 4% and 8.6%.

Examining the GDP from agriculture, forestry and fishery of the member-states, we can discover as the first two years of the EEU were marked by a sensible decline of this index for all the participants. It means that the system of the Union must still be developed for a better expansion of the agrarian sector.

Explicitely, the increment of the agrarian turnover can be better pursued through the improvement of new technologies of production in the territory of the EEU principally. In addition, the harmonization of the different systems of production and elimination of barriers in the mutual trade of the member-states will provide for a better development of the agricultural production in the entire Union.

Summarizing, according to the XXV section of Treaty of the EEU, the development of a coordinated agricultural policy has the principal target to increment the internal production of the members countries with the containing of the costs of production and elimination of market distortions; and in consequence of that, the growth, through the setting of domestic tariffs, of export quotas of agrarian and food products in mutual trade and with third states. Nowadays, these conditions rest still difficult to realize, especially for the economic diversities of the member-countries and their system of productions. However, the realization and putting into practice of these conditions in next years will show the real possibility of the Union to evolve its system in the direction of equalization of the level of production of its members.

7 Investments in the EEU

The investments of the member-states in the territory of the Union are finalized from a side in the contribution to the economic growth of the local economies of the other participants; and from another side these are addressed to the reinforcement of regional ties between the associates of the Union, with the aim to cooperate together in the modernization of the internal economic structures through e.g. the creation of new technological equipment of production. These passages represent parts of the principal targets of the integration, namely the equalization of the level of productions of the EEU's members and a sensible reduction of their economic differences that can contribute to the improvement of their trade consequently. Indeed, the achievement of

the harmonization and modernization of the markets of the Union is possible thanks to the investments of national and international enterprisers, organizations, banks and state apparatus that, through the input of capitals, can recover the initial costs of the creation and modernization of fixed assets as: new construction, expansion, reconstruction and modernization of structures in the internal territory of the EEU.

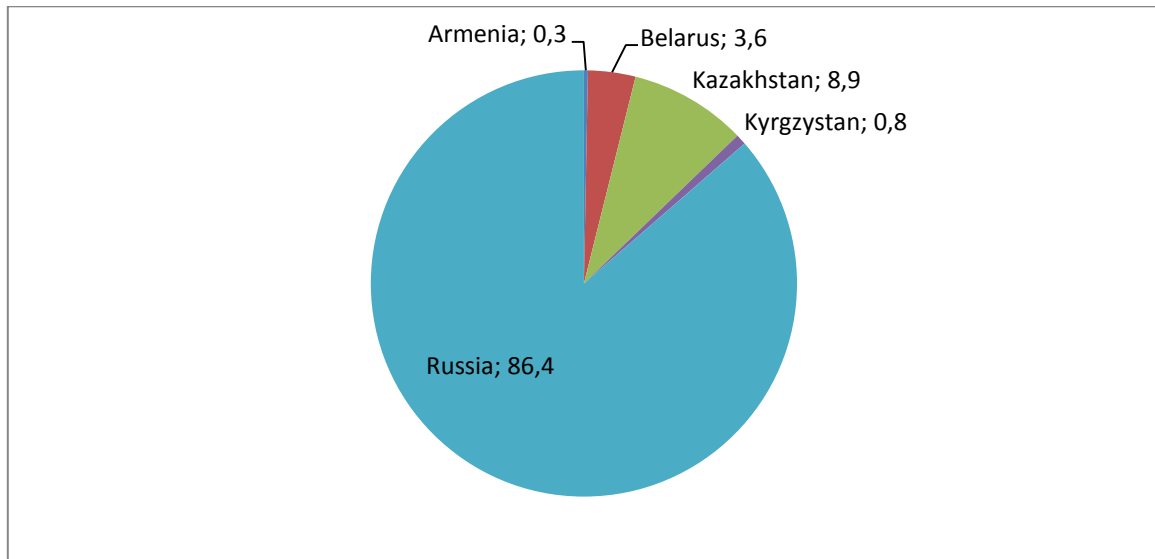
Figure 33: Investments in fixed assets in USD Million

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|----------------|----------------|----------------|----------------|----------------|
| Armenia | 1 193 | 1 107 | 1 115 | 957 | 828 |
| Belarus | 18 453 | 23 361 | 21 956 | 12 745 | 9 038 |
| Kazakhstan | 36 706 | 39 918 | 36 785 | 31 681 | 22 559 |
| Kyrgyzstan | 1 558 | 1 711 | 2 011 | 1 975 | 1 908 |
| Russia | 405 088 | 422 698 | 366 148 | 229 100 | 218 832 |
| EAEU | 462 998 | 488 795 | 428 015 | 276 458 | 253 165 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 109

Analyzing the table above can be argued that the effects of the global financial crisis initiated since 2008, and the Ukrainian crisis since 2014 with its repercussions to the Russian economy, had played in last five years a notable impact in the investments of the EEU’s members, especially in the period 2014-2015. Here, the most striking example is possible to evince in Belarus: 21 956 USD million during 2014 and 12 745 USD million in the year 2015, recording a decrease of investments by -41.95%. Same situation is visible in Russia, where the difference between 2014 and 2015 was by -37.43%. In 2016 the investments of the Eurasian Economic Union amounted to 253 165 USD million, that in a confrontation with 2012, registered a sensible decline by -45.32%.

Figure 34: Contribution of the member-states to the investments in fixed assets of the EEU 2016



Yevraziskaya Ekonomicheskaya Kommissiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 110

In the year 2016 the Russian Federation accounted for 86.4% of the total investment in the fixed capital of the EEU; Kazakhstan – 8.9%; Belarus – 3.6%; Kyrgyzstan – 0.8%; and Armenia – 0, 3%.

Figure 35: Investments in fixed capital per capita in USD

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|--------------|--------------|--------------|--------------|--------------|
| Armenia | 395 | 366 | 370 | 318 | 277 |
| Belarus | 1 950 | 2 468 | 2 317 | 1 343 | 951 |
| Kazakhstan | 2 186 | 2 343 | 2 128 | 1 806 | 1 267 |
| Kyrgyzstan | 278 | 299 | 345 | 332 | 314 |
| Russia | 2 829 | 2 945 | 2 506 | 1 565 | 1 492 |
| EAEU | 2 600 | 2 735 | 2 356 | 1 516 | 1 383 |

Yevraziskaya Ekonomicheskaya Kommissiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 111

The value of acquisitions of new or existing fixed assets by the business sector and governments of the member-countries for the year 2016 amounted to 1 383 USD. The Russian Federation with 1 492 USD and Kazakhstan with 1 267 USD had the highest indexes of the Union. The investments in fixed capital per capita knew a marked depreciation in last five years in all the countries of the EEU: 2 600 USD (2012) and 1 383 USD (2016) with a difference of -1 217 USD (-46.81%).

According to the statistics of the ECC, the main financing sources of investments in the EEU's countries for the year 2016 were: 1) budgetary funds that amounted e.g. in Russia for 1 750,4 milliard Russian rubles; 2) personal funds of enterprises and organizations that totaled e.g. in Kazakhstan to 4 172,4 milliard Kazakh tenge; 3) contribution of the population that accounted e.g. in Belarus to 2,4 milliard Belarusian rubles; and 4) loans of banks and borrowed funds of other organizations that amounted e.g. in Armenia to 59,8 milliard drams⁵²⁴.

Figure 36: Structure of investment in fixed assets by types of economic activity in the EEU (in current prices, as a percentage of the total)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|------|------|------|------|------|
| Investments in fixed assets | 100 | 100 | 100 | 100 | 100 |
| including: | | | | | |
| Agriculture, forestry and fisheries | 4,3 | 4,3 | 4,0 | 4,0 | 4,3 |
| Industry | 38,6 | 39,2 | 40,3 | 42,0 | 41,6 |
| Construction | 2,6 | 3,0 | 3,1 | 2,6 | 2,8 |
| Commerce | 3,6 | 3,8 | 3,9 | 3,7 | 4,1 |
| Accommodation and food services | 0,4 | 0,7 | 0,8 | 0,7 | 0,8 |
| Transport and storage; information and communication | 25,5 | 23,9 | 20,8 | 17,5 | 18,5 |
| Financial and insurance activities | 1,5 | 1,5 | 1,8 | 1,8 | 1,5 |
| Transactions with real estate; professional, scientific and technical activities; administrative activities and additional services in this field | 15,5 | 16,1 | 19,1 | 22,1 | 20,3 |
| Education | 1,8 | 1,8 | 1,9 | 1,9 | 1,6 |

⁵²⁴ Cf. Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Ob osnovnykh sotsial'no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuzu". Yanvar' 2017 g. Analiitscheskiy obzor 10 marta 2017 g. P. 111

| | | | | | |
|----------------------------|-----|-----|-----|-----|-----|
| Health and social services | 2,1 | 1,8 | 1,6 | 1,5 | 1,5 |
| Other economic activities | 4,1 | 3,9 | 2,7 | 2,2 | 3,0 |

Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P.118

The three principal sectors of the Eurasian Economic Union mostly subsided during the year 2016 were the industry (41.6%); the professional, administrative and technical activities (20.3%); and the transport and communication system (18.5%).

Generally, in January-December 2016, 253.2 USD bn. were invested in fixed assets, that in constant prices is 1% below in proportion to the level of January-December 2015 (2015 compared to 2014 was 8.7% less)⁵²⁵.

Observing the investments in the EEU, another statistic to take into examination is the number of organizations in the territory of the Union with participation of foreign capitals of the other member-states that contribute to the local investments of the country-members.

Figure 37: Number of organizations with participation of capital of the member-states (units; at the end of the year)⁵²⁶

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------|-------|-------|-------|-------|-------|
| Belarus | | | | | |
| Armenia | 21 | 52 | 63 | 69 | 64 |
| Kazakhstan | 13 | 23 | 31 | 35 | 38 |
| Kyrgyzstan | ... | 4 | 4 | 2 | 3 |
| Russia | 2 117 | 2 670 | 2 746 | 2 712 | 2 556 |
| Kazakhstan | | | | | |
| Armenia | 20 | 20 | 25 | 101 | 114 |
| Belarus | 53 | 68 | 73 | 158 | 170 |
| Kyrgyzstan | ... | 337 | 368 | 364 | 375 |
| Russia | 2 626 | 2 648 | 3 201 | 5 649 | 5 853 |
| Kyrgyzstan | | | | | |

⁵²⁵ Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Ob osnovnykh sotsial'no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuza". Yanvar' 2017 g. Analiitscheskiy obzor 10 marta 2017 g. P. 16

⁵²⁶ No available data for Kyrgyzstan in relation of Belarusian investment for the year 2013; and for the Kazakh investments in Kyrgyzstan for the year 2013.

| | | | | | |
|------------|-----|-------|-------|-------|-----|
| Armenia | 4 | 4 | 5 | 6 | 6 |
| Belarus | 14 | 8 | 8 | 6 | 8 |
| Kazakhstan | 399 | 401 | 438 | 474 | 454 |
| Russia | 555 | 561 | 581 | 629 | 667 |
| Russia | | | | | |
| Armenia | 142 | 153 | 177 | 204 | 78 |
| Belarus | 894 | 1 726 | 3 230 | 3 283 | 931 |
| Kazakhstan | 505 | 469 | 542 | 535 | 206 |
| Kyrgyzstan | 56 | 57 | 71 | 62 | 51 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2016): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah".

Statisticheskii Yezhegodnik. Moskva, 2016. P. 303

The lecture about the organizations with participation of capital of the member-countries inside the territory of the Union demonstrates as the Russian Federation is the principal investor in the EEU. Specifically, taking into account the Belarusian-Russian number of organizations, the Republic of Belarus for the year 2015 had 2 556 units of organizations with a Russian capital investing in its territory. In the same year, Russia had 931 organizations with Belarusian capital. However, the biggest amount of organizations with Russian capital is possible to discover in Kazakhstan where at the end of 2015 there were 5 853 of Russian organizations. These data illustrates two fundamental arguments about the EEU: 1) the involvement of the *troika* in their respective territories is higher than Kyrgyzstan and Armenia; 2) Russia is the principal investors in the entire territory of the Union, a reason which confirms more as the economic trend of the EEU depends on the Russian economic choices straightly.

Still, considering the investments of the member-countries in Russia is possible to discover as their amount is very narrow. In fact, by January 2014, the members invested less than 2 USD billion in Russia, accounting for only 0.35% of the total of the investments. According to Ziguu Li, this phenomenon can be explained mostly because: "1) *Russia and Kazakhstan are both resource producers; Russia, Belarus and Kazakhstan are energy and chemical producers and exporters. All countries have the need for trade on raw materials, but the manufactures are of the same kind rather than complementing each other; 2) big countries as Russia and Kazakhstan are short of money. They have neither the funds for foreign investment, nor the spare capacity for outward transfer. 3) Resource producers are more willing to do processing locally, rather than doing it in*

other countries. And 4) generally, all member-states are technology-importing countries, which need technical cooperation with external countries rather than other EEU members⁵²⁷”.

If from a side the mutual investments are not so considerable, from the other side the foreign investors of the EEU are nowadays increasing in the Union definitely, especially due to the possibility of the containment of the costs for the investors in the territory of the EEU (an aspect that can be even read as direct consequence mostly because of the devaluation of the ruble of last years). In a practice example we can considerate the field of foreign investments in relation of Belarus. The Belarusian regulation provides foreign companies with a wide range of preferences as the introduction of special commercial conditions for doing business on the territory of one of six special economic zones (0% profit tax for 5 years; 10% VAT). Here, the establishment of special zones – the High-Tech Park (where both VAT and income tax make up 0% for first 15 years); or the Belarusian-Chinese Industrial Park (with income tax for first 10 years is 0% as well)⁵²⁸ – wants to have the aim to help the foreign companies that have decided to produce in Belarus to success in their business. This key has already allowed Belarus to attract investors in its territory, contributing to the development of the country. Moreover, this strategy can cope in future, if the mutual investors of the EEU should continue to diminish due to the economic troubles as was especially during the period 2014-2015, the modernization of Belarus through international investments. Observing the actual status of Belarus in term of investors, nowadays there are several companies investing in the country as: Heineken, Velcom, EPAM Systems, Raiffeisen Bank. In detail, the group of companies Kronospan is realizing nowadays three projects (production of chip boards, hard boards, medium density fiberboards, oriented strand boards, resins, floor covering, wood chips and fuel biomass) in the area of wood processing estimated at about 980 USD million. The Holding “VMG” created vertically integrated wood processing complex, including three plants: chip boards production, veneer and bent glued details, furniture under IKEA trade mark (investments are estimated at about 117 Euro million). Chinese company “Geely” in cooperation with Belarusian companies since 2012 have been implementing the project on organization of motor cars assembly with the total amount of investment of 369 USD million. Austrian company “Kapsch TrafficCom AG” is realizing a project on creation and operation of

⁵²⁷ Cf. Ziguu Li (2016): “Eurasian Economic Union: Achievements, Problems and Prospects”. In China Institute of International Studies, 19.08.2016. http://www.ciis.org.cn/english/2016-08/19/content_8975486.htm (last view: 15.9.2017)

⁵²⁸ “Investment potential of Belarus”. In Belarus Facts. Foreign mission of Belarus. Possibilities for business cooperation. http://belarusfacts.by/en/belarus/economy_business/business_opportunities/open_investors/ last view (29.05.2017)

electronic fee collection system in the mode of free multiband traffic, applied for vehicles on certain roads of the Republic of Belarus (“*ETC-Systems*”) on the sum of 267 USD million. The Swiss company Stadler Rail AG organized railway and municipal passenger electric transport production; the amount of investments has been estimated at about 50 USD million. Specifically, Belarus for its investments uses credits, obtained from foreign banks by the Government and under the Government’s guarantees for investment projects realization with total amount of 17.05 USD billion, including such large projects as Belarusian nuclear power station construction – 10.82 USD billion, cellulose manufacture plant – 0.65 USD bn. and rolled steel production – 0.16 USD billion⁵²⁹.

In a general way, the investments in the territory of the Union must be implemented in a historical period of economic crisis as nowadays through the attraction of foreign investors as is doing Belarus; and by the share of capital between local companies of the member-states. In fact, the improvement of the investments results to be important for the development of the Union in its complex and for the reduction of the economic differences of its participants. The attraction of foreign capitals, as the Chinese, could represent an important step in order to achieve more investments e.g. in the modernization of the infrastructure structure and better realization of technological instruments of production for the member-countries.

8 The construction sector of the Union

The development of new mechanisms of production and the modernization of infrastructures are decisive steps for the creation of a common system of interaction between the EEU’s members. In the sector of building, as reported by the official statistics of the EEC, are included work performed by organizations as reparation, reconstruction, modernization of residential and non-residential buildings and engineering facilities, connected primarily with the economic activities of the associates of the Union. The overview about the building sector of the member-states has the target to observe the expansion of the Union in terms of construction and infrastructures.

⁵²⁹ The MFA of Republic of Belarus (2015): “*Belarus’ Presidency in the EAEU bodies in 2015. 40 frequently asked questions*”. Pp. 15-16

Figure 38: Volume of completed construction works in USD Million

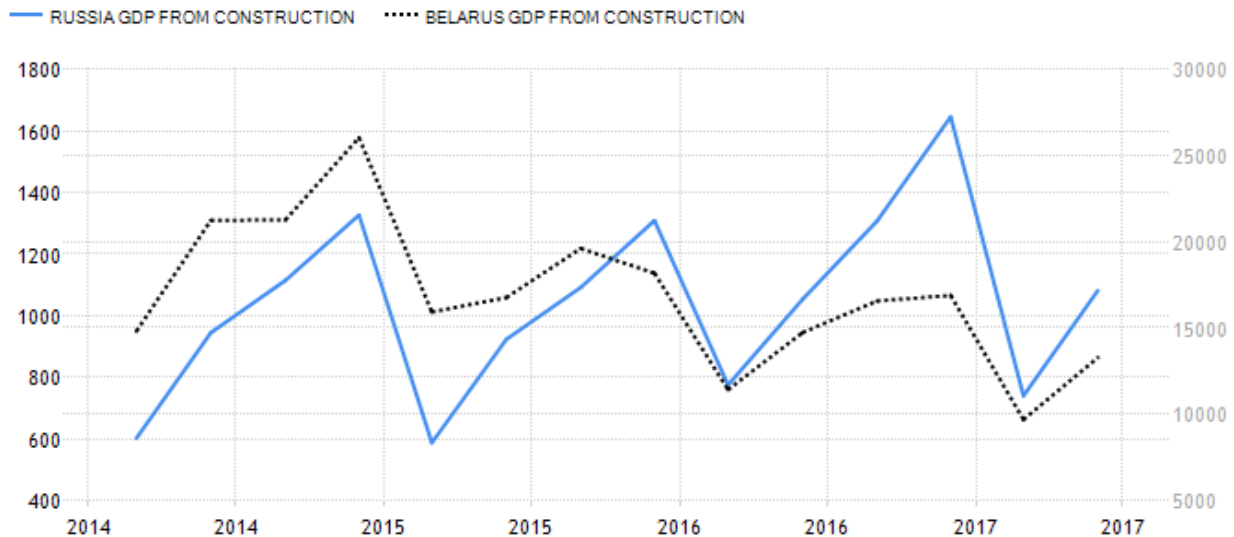
| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|----------------|----------------|----------------|----------------|----------------|
| Armenia | 501 | 471 | 479 | 379 | 326 |
| Belarus | 8 212 | 10 588 | 10 283 | 5 676 | 3 853 |
| Kazakhstan | 5 202 | 16 035 | 14 885 | 12 903 | 9 451 |
| Kyrgyzstan | 609 | 756 | 780 | 777 | 989 |
| Russia | 183 911 | 189 174 | 161 317 | 101 358 | 92 442 |
| EAEU | 208 435 | 217 024 | 187 744 | 121 093 | 107 061 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 120

In the period 2015-2016 all the countries of the EEU registered a decrease of the volume of building sector, e.g. Belarus by -32.12% or Kazakhstan by -26.75%.

In overview of the Union, the marked connation of this decline for the aggregated volume of the member-states is visible in the comparison between the year 2012 (208 435 USD million) and the year 2016 (107 061 USD million) with a notable difference of -48.64%.

Figure 39: Belarus and Russia GDP from Construction in Belarusian and Russian rubles

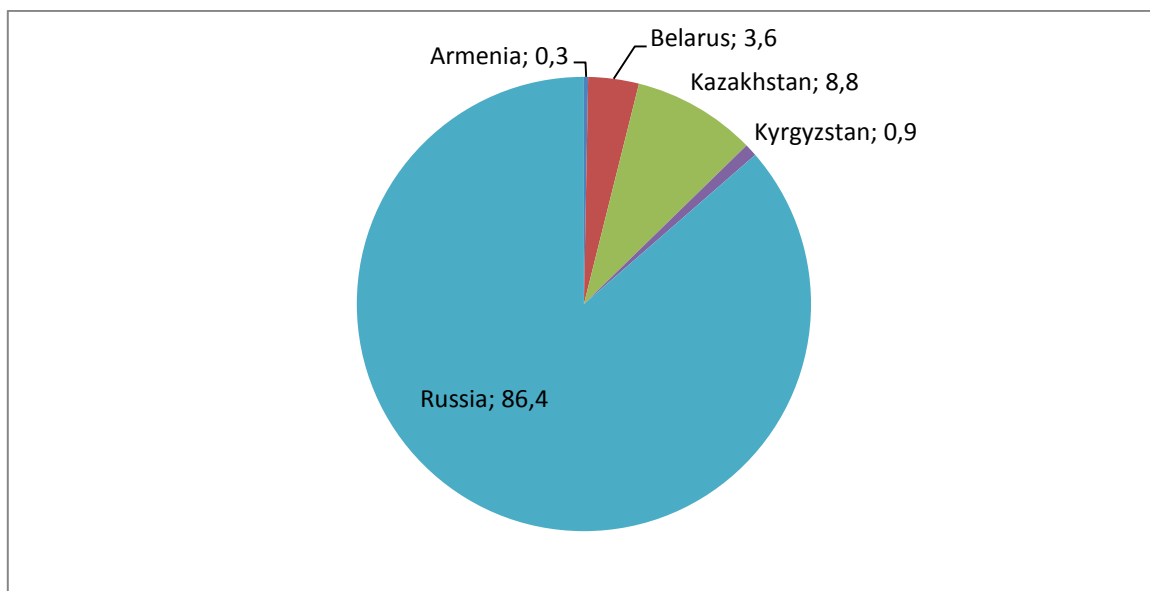


Source: "Belarus Russia GDP from Construction". In Trading Economics <https://tradingeconomics.com/belarus/gdp-from-construction> and <https://tradingeconomics.com/russia/gdp-from-construction> (last view: 22.10.2017)

The graphic above, apart to marks the correlation between Belarus and Russia, shows as these two countries experienced together a same fluctuation in last three years: after a positive first quarter

for Belarus with a peak of 260242.5 BYN billion, followed by a serious decrease in second quarter 2015; While Russia, which experienced in 2015 and 2016 negative values as well, knew its regrowth of GDP for construction just in fourth quarter 2016 by 1646.20 RUB billion. The improvement of the situation arrived for Russia in second quarter 2017 with 1082.10 RUB billion from 739.60 RUB billion in the first quarter of 2017. Same positive results of increment are visible even in Belarus, GDP from construction increased to 13285 BYN billion in the second quarter of 2017 from 9686 BYN billion in the first quarter of 2017.

Figure 40: Contribution of the member-states to the volume of completed construction works of the EEU in 2016 (as a percentage of the total)



Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 121

The Russian Federation with 86.4% contributed in the year 2016 to the volume of completed construction of the Union largely, followed by Kazakhstan (8.8%) and Belarus (3.6%). The lowest indexes were represented for the same period of time by Kyrgyzstan (0.9%) and Armenia (0.3%), confirming their weakest role within the system of the EEU.

Figure 41: Volume of completed construction works by types of ownership for the year 2016 in USD Million

| | Armenia ⁵³⁰ | Belarus | Kazakhstan | Kyrgyzstan | Russia |
|---|------------------------|---------|------------|------------|----------|
| volume of completed construction works by forms of: | 325,6 | 3 853,1 | 9 450,7 | 988,5 | 92 442,4 |
| State | ... | 666,8 | 33,0 | 45,8 | 2 171,9 |
| Private | ... | 3 126,8 | 6 498,6 | 942,2 | 29 704,2 |

Source: Cf. Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. Pp. 122-123

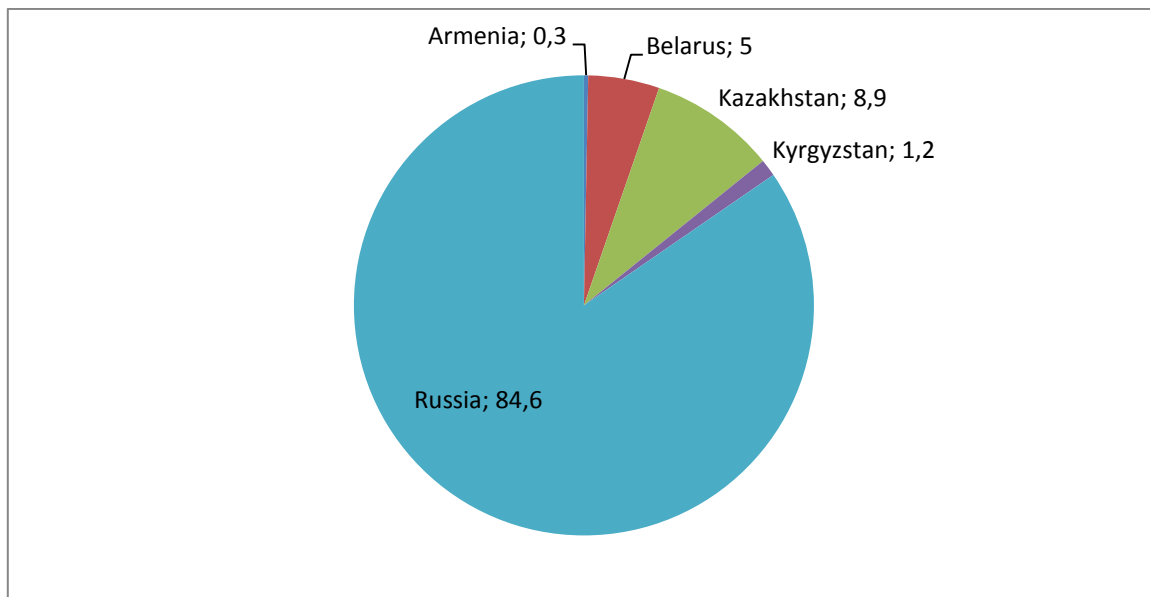
During the year 2016, the aggregated volume of building of the member-countries totalized 107 060.3 USD million. Specifically, the private enterprisers contributed to the volume of the construction in all countries of the EEU decisively (e.g. in Russia it amounted to 29 704.2 USD million against 2 171.9 USD million of the state investments).

Considering the actual situation of the Union, in January 2017 the volume of construction works amounted to 4.9 USD billion, which is 4.2% less than in January 2016 (January 2016 compared to January 2015 was -7.9% less). In January-October 2010, 6.1 million square meters of the total area of housing was commissioned in the EEU, which corresponds to 9.7% less than in January 2016⁵³¹.

⁵³⁰ No available data of the Eurasian Economic Commission for Armenia in specific consideration of the State and Private sector.

⁵³¹ Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Ob osnovnykh sotsial'no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuz”*. Yanvar' 2017 g. Analiitscheskiy obzor 10 marta 2017 g. P. 14

Figure 42: Contribution of the member-states to the total of the commissioned house of the EEU
2016 (as percentage of the total)



Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 124

In the year 2016, Russia accounted for 84,6% of the total housing commissioned by the members of the Union, Kazakhstan – 8,9%, Belarus – 5%, Kyrgyzstan – 1,2%, Armenia – 0.3%.

Through the lecture of these data is possible to note that the situation of expansion of the Union in terms of construction is nowadays in a phase of stagnation, with a diminution of the commissioned area of building. It can be argued that the problems connected with the decrease of the building sector within the Union is an effect of the economic troubles of the global economic crisis of last ten years, that have declined especially the number of private investors in the construction sector of the member-countries.

9 Transport sphere of the Union

The improvement of the transport sphere plays a decisive role in the system of communication of the EEU since it is seen as decisive step for the integration of the member-countries and for the proper development of their mutual trade. In fact, the coordination of the transport sector, defined in the article 86 of the Treaty, is the basis to achieve the target of ensuring a more distinct economic integration. Specifically, in the Annex 24 to the EEU Treaty, as reported by Kirchner and Tochitskaya, are précised the objectives of the transport sector: “1) creation of a single transport space; 2) development of Eurasian transport corridors; 3) development of the transit potential of

member-states; 4) coordination of the development of transport infrastructure; 5) creation of logistics centers and transport organizations providing transportation process optimization; 6) promotion innovation on transport; and 7) liberalization of transport services between member-states⁵³²”.

Consequently, a common transport policy within the Union wants to guarantee the possibility for its members, through the establishment of a common market of services transportation (the single transport space), to increase their mutual trade in terms of export and import; and successively, to expand their commerce with other world economic partners, that could profit too of a coordinated and efficient transport system of the Union, in order to simplify their business with the EEU’s participants.

Furthermore, in the relationship between the Union and third countries, the development of a coordinated transport policy (Eurasian transport corridors) and the modernization of the transport channels within the Union have the potential to unite the Economic Eurasian Union with the West (especially with the European Union) and the East (as reviewing the Silk Road), reaching the aim to create a bridge between Lisbon to Vladivostok. A statement which underlines the world significance of the EEU, as stressed by Russian Foreign Minister Sergey Lavrov: “A serious element of a bridge between Europe and the Asia-Pacific Region⁵³³”.

The priority about the formation of common policy for transport is actual in the panorama of the Union, as confirmed by the meeting of the Eurasian Council on May 8, 2015, when was approved the program of gradual liberalization of cargo transportation between points located in the territory of the EEU; and on March 31, 2016 when was prepared the document containing the directions and stages for the decision about the fundamental areas and mechanisms of integration connected with the transport field.

Figure 43: Cargo transportation by pipeline (million tons)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------|-------|-------|-------|-------|-------|
| Armenia | 1,8 | 1,7 | 1,7 | 1,6 | 1,6 |
| Belarus | 137,4 | 134,2 | 130,6 | 132,5 | 126,1 |
| Kazakhstan | 213,2 | 225,9 | 225,0 | 215,4 | 205,4 |
| Kyrgyzstan | 0,3 | 0,2 | 0,2 | 0,2 | 0,2 |

⁵³² Kirchner Robert and Tochitskaya Irina (2014): “Belarus’ membership in the Eurasian Economic Union: An Assessment”. In German Economic Team Belarus IPM Research Center. Policy Paper Series [PP/05/2014]. P. 10

⁵³³ Dobbs Joseph (2015): “The Eurasian Economic Union: a bridge to Nowhere?” European Leadership Network. P. 2

| | | | | | |
|-------------|----------------|----------------|----------------|----------------|----------------|
| Russia | 1 096 | 1 095 | 1 078 | 1 071,0 | 1 088,0 |
| EAEU | 1 448,7 | 1 457,0 | 1 435,5 | 1 420,7 | 1 421,3 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 128

The pipeline streaming occupies a reasonable role for the transportation sphere of the Eurasian Economic Union, amounting for the year 2016 to 1 421.3 million tons. In comparison to the year 2015 (1 420.7 million tons), there was a very tenuous increase of the index by 0.04%, that however interrupted the decrease registered from 2013 (1 457 million tons) to 2015, when the difference was by -2.49%.

Figure 44: Cargo transportation by railway (million tons)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|----------------|----------------|----------------|----------------|----------------|
| Armenia | 3,5 | 3,3 | 3,1 | 2,5 | 2,6 |
| Belarus | 153,7 | 140,0 | 141,4 | 131,4 | 126,8 |
| Kazakhstan | 294,8 | 293,7 | 390,7 | 335,1 | 332,3 |
| Kyrgyzstan | 1,1 | 1,4 | 1,5 | 1,3 | 1,7 |
| Russia | 1 421 | 1 381 | 1 375 | 1 217,9 | 1 227,0 |
| EAEU | 1 874,1 | 1 819,4 | 1 911,7 | 1 688,3 | 1 690,3 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 128

The cargo transportation through railway system of the EEU amounted to 1 690.3 million tons during the year 2016, knowing a positive index of 0.12% in comparison to the previous year (1 688.3 million tons). Though, in a direct confrontation between 2015 and 2016, Belarus and Kazakhstan registered a depreciation of cargo transportation by railways, respectively by -3.50% and -0.84%.

Figure 45: Cargo transportation by automobile (million tons)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------|---------|---------|---------|---------|---------|
| Armenia | 6,8 | 7,3 | 5,4 | 6,9 | 16,2 |
| Belarus | 189,3 | 192,5 | 191,7 | 180,2 | 175,3 |
| Kazakhstan | 2 718,4 | 2 983,4 | 3 129,1 | 3 174,3 | 3 181,1 |
| Kyrgyzstan | 38,4 | 39,4 | 27,2 | 28,2 | 29,3 |

| | | | | | |
|-------------|----------------|----------------|----------------|----------------|----------------|
| Russia | 5 842 | 5 635 | 5 417 | 5 040,6 | 5 138,2 |
| EAEU | 8 794,9 | 8 857,6 | 8 770,4 | 8 430,2 | 8 540,1 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 128

The transportation by vehicles within the Union constitutes the biggest amount related to the transport sphere in comparison to the other types of transportation with 8 540.1 million tons during 2016. These data confirm the necessity for the member-countries to modernize their streets and to create new infrastructure in order to offer a better efficiency in the road transportation. Considering the vehicles transportation, it was registered between 2015 (8 430.2 million tons) and 2016 (8 540.1 million tons) an increment by 1.30%.

Figure 46: Cargo transportation by air (million tons)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------|----------------|---------------|---------------|----------------|----------------|
| Armenia | 12,3 | 10,4 | 10,4 | 10,2 | 18,3 |
| Belarus | 14,0 | 11,0 | 40,9 | 38,8 | 56,6 |
| Kazakhstan | 22,0 | 23,9 | 19,1 | 17,0 | 18,1 |
| Kyrgyzstan ⁵³⁴ | 0,7 | 0,5 | 0,2 | 0,2 | ... |
| Russia | 1 234,4 | 1 210,2 | 1 256,9 | 1 064,2 | 974,1 |
| EAEU | 1 283,4 | 1256,0 | 1327,5 | 1 130,4 | 1 067,1 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 128

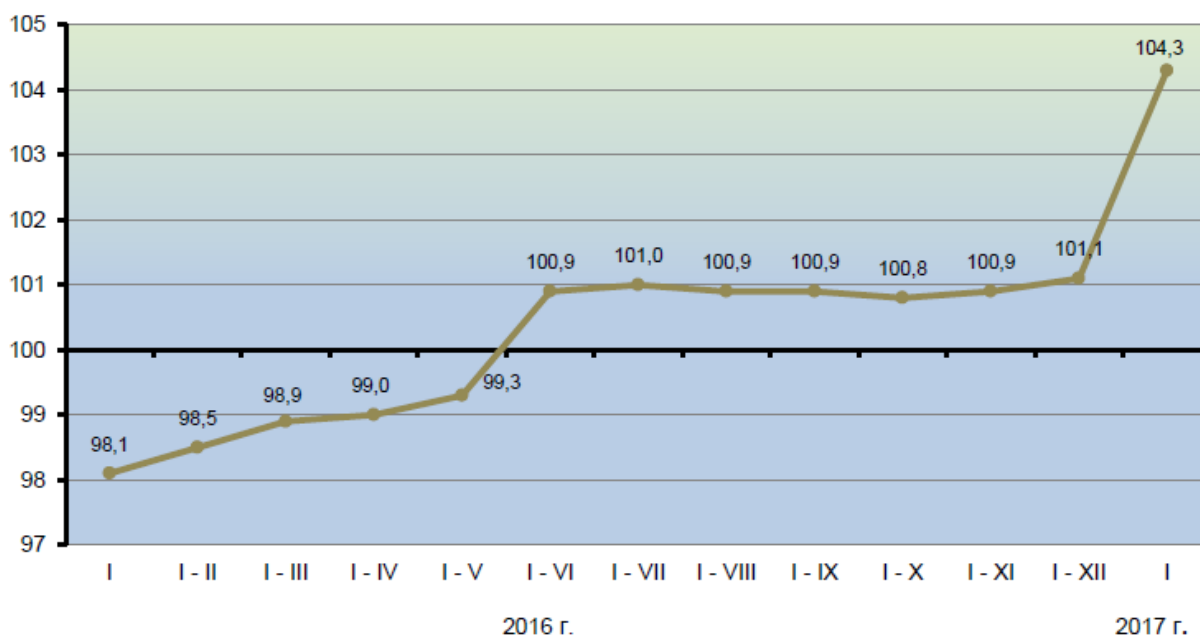
The air transport is the lowest part of the transportation system of the Union with 1 067.1 million tons for the year 2016. In a direct comparison between the years 2015 and 2016, the total amount registered a difference by -5.60%.

Overall, the aggregated sum of all kind of transports within the EEU for the year 2016 amounted to 11 796.4 million tons, formed specifically by: Armenia – 20.5 million tons; Belarus – 430.4 million tons; Kazakhstan – 3 722.6 million tons; Kyrgyzstan – 31.2 million tons; and Russia - 11 796.4 million tons⁵³⁵.

⁵³⁴ No available data for Kyrgyzstan in relation to the year 2016.

⁵³⁵ Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 128

Figure 47: Dynamics of cargo transportation (without pipeline transport) of the EEU (as percentage of the corresponding period of the previous year)



Yevraziskaya Ekonomicheskaya Kommissiya (2017): “Ob osnovnykh sotsial’no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuza”. Yanvar’ 2017 g. Analiitscheskiy obzor 10 marta 2017 g. P. 19

Referring to the actual situation, in January 2017, according to the EEC, the volume of goods transported by the member-states amounted to 839.2 million tons, registering an increase by 3.8% in a comparison to the same period in 2016. The volume of cargo transportation (without pipeline transport) for January 2017 period increased by 4.3% and amounted to 700.2 million tons.

Figure 48: Transportation of passengers by all types of transport (Millions of passengers)

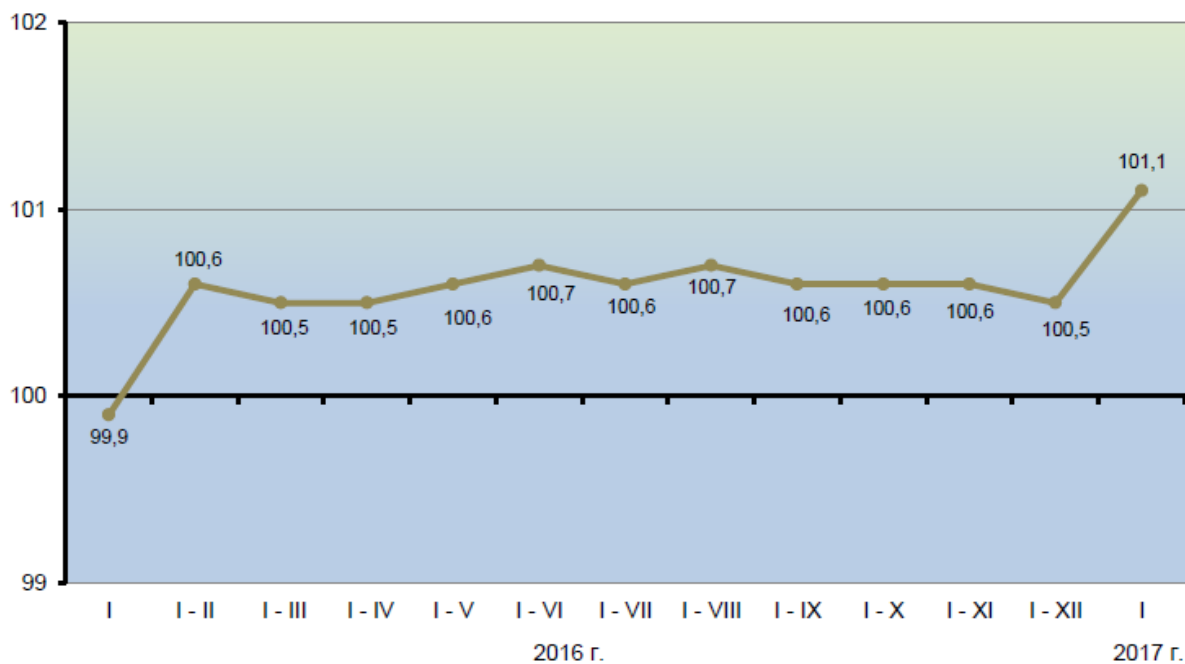
| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Armenia | 248,5 | 241,3 | 225,8 | 208,9 | 206,1 |
| Belarus | 2 453,2 | 2 451,2 | 2 255,4 | 2 094,0 | 1 963,4 |
| Kazakhstan | 18 484,6 | 20 004,3 | 21 281,2 | 21 839,1 | 22 338,2 |
| Kyrgyzstan ⁵³⁶ | 603,1 | 619,0 | 638,6 | 653,1 | 682,2 |
| Russia | 21 370 | 19 652 | 19 558 | 19 122 | 12 226,4 |
| EAEU | 43 159,4 | 42 967,8 | 43 959,0 | 43 917,1 | 37 416,3 |

Yevraziskaya Ekonomicheskaya Kommissiya (2017): “Yevraziyskiy Ekonomicheskii Soyuz v Tsifrah”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 135

⁵³⁶ No available data for Kyrgyzstan in relation to the year 2016

The potential of the transport system of the Union is also visible through the analysis of the number of passengers of the EEU in last years: 43 917.1 million of passengers (2015) and 37 416.3 million of passengers (2016), with the biggest contribution totalized by Kazakhstan with 22 338.2 million of passengers during 2016.

Figure 49: Dynamics of passenger transportation of the EEU (a percentage of the corresponding period of the previous year)



Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): *“Ob osnovnykh sotsial'no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuznaya”*. Yanvar' 2017 g. Analitscheskiy obzor 10 marta 2017 g. P. 23

In January 2017, by the statistics of the Eurasian Commission, the passenger traffic amounted to 3 billion people, which was 1.1% more than January 2016. The increase of passengers and movement within the territory of the Union in first quarter 2017 can be read as the first concrete working of the freedoms of movement within the EEU. An increment of people moving from a member-country to another could incentive even for example the tourism sector of the Union with positive effect on its entire trade.

Generally, the further development of the economic integration in the transport sphere should be conducted by the Eurasian Economic Commission, as provided in the XXI section of the Treaty through principally: 1) development of proposals for legislation harmonization of member-countries; 2) implementation of the Coordinated (Agreed) Transport Policy by the member-states; 3) elimination of exemptions, limitations and barriers to the functioning of the internal Union

transport market; 4) monitoring the performance of treaties and the Union legal acts by the members of the Union; 5) assessing the regulatory impact of the draft Union legal instruments; 6) interacting with the member-states public authorities regarding transport, infrastructure and natural monopolies; and 7) investigating violations of railway cargo tariff changes within marginal levels (price caps)⁵³⁷.

10 *Small business and retail trade within the EEU*

In this paragraph will be examined the trade of the member-states concerning the sale of consumer goods operated inside the territory of the Union through small enterprisers, aimed at obtaining a clear overview about the actual situation for the aim of improvement of the national economies that are in large measure represented by small enterprisers.

In detail, according to the Eurasian Economic Commission, the biggest number of small enterprisers and micro-organization of Armenia⁵³⁸ for the year 2015 was recorded for the sectors of: wholesale and retail trade; and reparation of cars and motorcycles – 16 844 units; manufacturing industry – 2 286 units; and accommodation and food services – 1 818 units⁵³⁹. In Belarus⁵⁴⁰ in the same year was registered the most consistent number of small enterprisers in the sector of: trade, repair of cars, household goods and personal items – 40 429 units; manufacturing industry – 14 658 units; and transactions with real estate, renting and provision of services to consumers – 14 283 units⁵⁴¹. In 2015 Kazakhstan⁵⁴² had the biggest amount of the small organization in the sectors of: wholesale and retail trade; repair of cars and motorcycles – 54 236

⁵³⁷ The tasks of the EEC for the developing of a coordinated transport policy are indicated in the section XXI of the Treaty of the EEU. The points here underlined are summarized by the EEC, as reported in the document of 2015 of the Library of the Eurasian Economic Commission: “*Transport Potential of the Eurasian Economic Union*”. P. 19 http://www.eurasiancommission.org/ru/Documents/transport_eng.pdf (last view: 12.03.2017)

⁵³⁸ In Armenia small-scale, commercial organizations and individual entrepreneurs include those enterprisers whose average number of employees does not exceed five people; small commercial organizations and individual entrepreneurs include those companies whose average number of employees does not exceed: in industry and other branches of material production - 50 people; in the field of construction and energy - 25 people; in the field of science and education - 25 people; and in the field of transport, trade and services - 15 people.

⁵³⁹ Yevraziskaya Ekonomicheskaya Kommissiya (2016): “*Yevraziyskiy Ekonomicheskii Soyuz v Tsifrah*”. Statisticheskiy Yezhegodnik. Moskva, 2016. P. 295

⁵⁴⁰ Small business in Belarus include: Individual entrepreneurs registered in the Republic of Belarus; microorganizations registered in the Republic of Belarus with an average number of employees for a calendar year up to maximal 15 people; small organizations registered in the Republic of Belarus with an average number of employees for a calendar year from 16 to 100 people.

⁵⁴¹ Cit. Loc. Yevraziskaya Ekonomicheskaya Kommissiya (2016). P. 296

⁵⁴² Small business in Kazakhstan are: individual entrepreneurs without the formation of a legal entity with an average annual number of employees of not more than fifty people; and legal entities that carry out private business, with an average annual number of employees of not more than fifty people and an average annual value of assets for the year not exceeding sixty thousandths of a monthly calculation index.

units; building – 31 023 units; and professional, scientific and technical activities – 14 852 units⁵⁴³. For Kyrgyzstan⁵⁴⁴ in the same year the three most important sectors of small business were: wholesale and retail trade; repair of cars and motorcycles – 3 401 units; industry – 2 134 units; and manufacturing industry – 1 610 units⁵⁴⁵. The most consistent part of Russian small business⁵⁴⁶ was formed by: wholesale and retail trade, repair of motor vehicles, motorcycles, household products and personal items – 80.5 thousand units; transactions with real estate, renting and provision of services to consumers – 46.2 thousand units; and manufacturing industry – 33.9 thousand units⁵⁴⁷. Through these data we can evince that the small business in the countries of the Union is mostly conducted for the retail of vehicles and manufacturing industry.

Figure 50: Turnover of small enterprisers in USD Million

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------|----------------|----------------|----------------|----------------|----------------|
| Armenia | 2 608 | 2 201 | 2 423 | 2 311 | 2 186 |
| Belarus | 17 660 | 18 865 | 20 449 | 20 349 | 13 804 |
| Kazakhstan | 9 857 | 10 371 | 12 299 | 44 686 | 46 002 |
| Kyrgyzstan | 1 374 | 1 866 | 1 821 | 1 737 | 1 542 |
| Russia | 770 366 | 755 188 | 778 806 | 695 130 | 285 078 |
| EAEU | 801 865 | 788 491 | 815 798 | 764 213 | 348 612 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2016): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”*.

Statisticheskii Yezhegodnik. Moskva, 2016. P. 300

The turnover of the small producers of the EEU knew its peak of growth during the year 2013 (815 798 USD million) and a drastic decrease during the year 2015 (348 612 USD million), with a difference between 2013 and 2015 of -467 186 USD million. Examining the member-countries, during 2015 Kyrgyzstan recorded the lowest turnover of the entire Union with 1 542 USD million. Instead, Kazakhstan with 46 002 is the country of the Union that mostly made the biggest turnover

⁵⁴³ Yevraziskaya Ekonomicheskaya Kommissiya (2016): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”*. Statisticheskii Yezhegodnik. Moskva, 2016. P. 297

⁵⁴⁴ The classification of small enterprises in Kyrgyzstan is carried out according to the prevailing form, i.e. whose share is the largest in the annual volume of turnover or the annual volume of revenue for the previous year.

⁵⁴⁵ Cit. Loc. Yevraziskaya Ekonomicheskaya Kommissiya (2016). P. 298

⁵⁴⁶ Small businesses in Russia are entities (including temporarily suspended economic activity for a period of not more than 2 years), whose average number of employees is up to 100 people; and effectuate the sale of goods (works, services) for the previous year Without VAT - with no more than 400 million rubles. Microenterprises are distinguished among small enterprises for a number of employers up to fifteen people.

⁵⁴⁷ Cit. Loc. Yevraziskaya Ekonomicheskaya Kommissiya (2016). P. 299

between the participants of the Union for the year 2015: 46 002 USD million with a sensible increment in comparison with 2014 (44 686 USD million) of 1 316 USD million.

Figure 51: Retail trade turnover in USD Million

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|----------------|----------------|----------------|----------------|----------------|
| Armenia | 3 542 | 3 669 | 3 662 | 2 816 | 2 666 |
| Belarus | 24 172 | 29 876 | 31 003 | 21 364 | 18 102 |
| Kazakhstan | 30 633 | 35 984 | 35 338 | 29 567 | 22 392 |
| Kyrgyzstan | 4 085 | 4 624 | 4 902 | 4 558 | 4 394 |
| Russia | 688 591 | 744 372 | 694 183 | 453 975 | 420 614 |
| EAEU | 751 023 | 818 525 | 769 088 | 512 280 | 468 168 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 141

Regarding the retail trade, the EEU totalized during the year 2016 a turnover of 468 168 USD million, knowing a sensible decrease in comparison with 2015 (512 280 USD million) by -8.61 and a more marked difference in a direct confront with 2014 (769 088 USD million) by -39.13%. The sensible turnover decline of the internal demand of goods is a clear index of the economic difficulties that the countries of the Union in last two years had to deal with. In a general overview of the member-countries, in the period included between the years 2014-2016 was registered a common decrease, especially for Belarus -41.61% and Russia -39.41%. All these aspects led us to considerate as the small enterprisers are nowadays suffering from the economic difficulties of last ten years sensibly. In this concern, a development of the national economies with the basis to improve the local companies rests for the EEU still an objective to be realized.

Figure 52: Retail trade turnover per capita (USD)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------|-------|-------|-------|-------|-------|
| Armenia | 1 171 | 1 214 | 1 215 | 937 | 891 |
| Belarus | 2 554 | 3 156 | 3 272 | 2 251 | 1 905 |
| Kazakhstan | 1 824 | 2 112 | 2 044 | 1 685 | 1 258 |
| Kyrgyzstan | 728 | 808 | 840 | 765 | 723 |
| Russia | 4 809 | 5 187 | 4 752 | 3 101 | 2 867 |

| | | | | | |
|-------------|--------------|--------------|--------------|--------------|--------------|
| EAEU | 4 217 | 4 579 | 4 233 | 2 809 | 2 557 |
|-------------|--------------|--------------|--------------|--------------|--------------|

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 141

The data of the turnover retail per capita show as in the year 2016 the aggregate sum of the members of the Union amounted to 2 557 USD. Russia had the biggest value with 2 867 USD, followed by Belarus with 1 905 USD.

Looking in detail the structure of the turnover of the retail of the member-countries, for the year 2016 in consideration of food items and non-food products, the Armenian turnover was 41.1% for the non-food products and 58.9% for food product; Belarus totalized 48.6% for non-food products and 51.4% for food items; while Kazakhstan 64.3% for non-food items and 35.7% for food products, being the only country of the five members of the EEU that had a very marked turnover for non-food products in the subdivision of the total. Kyrgyzstan had a turnover of 49.6% and 50.4% for non-food products and food items respectively. The Russian turnover was 51.3% for non-food items and 48.7% for food products. The general turnover of the retail of the Eurasian Economic Union for the year 2016 was 51.7% for not-food items and 48.3% for food products⁵⁴⁸.

In January 2017 the turnover of retail trade (through all sales channels) of the member-states of the EEU amounted to 40.3 billion USD. In confrontation to the corresponding period of 2016, the volume of retail sales decreased by 2.1%⁵⁴⁹.

11 *Mutual trade of the member-states*

The leading target of the EEU is the promotion and increase of the regional trade between the Eurasian countries. For this reason, the countries of the Union, under the framework of the EEU, pursue the objective to improve their economic investments, through an agreed policy, which has the task to abolish the customs duties in the import and export of goods and services in the mutual trade by the adoption of a privileged tariff system. The successive target, after the unification of the system of economic interaction without barriers, is the assessment of the investments within the Union, which acquires a notable significance as goal to increase the concurrency inside the territory of the EEU – equal conditions of work may allow all countries to produce and export their goods on same standards, reducing the diversities of their economic

⁵⁴⁸ Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 142

⁵⁴⁹ Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Ob osnovnykh sotsial'no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuz”. Yanvar' 2017 g. Analiitscheskiy obzor 10 marta 2017 g. P. 26

levels. Moreover, the possible growth of mutual trade, through the abolishment of export and import customs duties, can increase the demand of work in the member-countries, that consequently have the basis to create more places of work in their territories and thus contribute to the internal economic development of the Union directly. These targets find their confirmation exactly in the third comma of the article 28 of the EEU Treaty, which explicitly provides the abolishment of duties (taxes and fees having equivalent effect), non-tariff regulatory measures, safeguard, anti-dumping and countervailing measures) in the mutual trade of the participants of the Union. The elimination of barriers in the mutual trade would have the effect to simplify the commerce of the member-states, with the aim to achieve two principal targets: a) the creation and solidification of a strong trade between the member-countries that can represent a further step in the process of regional integration; and b) the deepen of the economic cooperation within the EEU with the effects to intensify the competition in the mutual trade and consequently the possibility to increase the national capital of the member-states, investing in the modernization of the internal economies.

Figure 53: Volumes of mutual trade in goods (USD Million)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Armenia-Belarus | 45,4 | 41,0 | 38,3 | 34,6 | 36,1 |
| Armenia-Kazakhstan | 4,5 | 8,1 | 7,3 | 4,8 | 6,3 |
| Belarus-Kazakhstan | 898,7 | 928,7 | 940,8 | 578,6 | 395,6 |
| Belarus-Kyrgyzstan | 153,1 | 110,8 | 95,3 | 61,0 | 52,0 |
| Kazakhstan-Kyrgyzstan | 1 035,9 | 1 054,0 | 1 206,5 | 752,6 | 651,2 |
| Kazakhstan-Russia | 23 096,6 | 23 847,0 | 20 196,2 | 15 413,8 | 12 936,1 |
| Kyrgyzstan-Armenia | 0,9 | 1,1 | 0,5 | 0,6 | 1,0 |
| Kyrgyzstan-Russia | 1 853,2 | 2 182,1 | 1 856,8 | 1 460,3 | 1 164,9 |
| Russia-Armenia | 1 194,5 | 1 332,1 | 1 397,0 | 1 295,8 | 1 328,2 |
| Russia-Belarus | 43 861,1 | 39 744,3 | 37 374,0 | 26 003,2 | 25 965,0 |
| EAEU | 72 143,9 | 69 249,2 | 63 112,7 | 45 605,3 | 42 536,4 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 149

The mutual trade of the EEU's members was influenced, especially in last two years, by the reduced demand in the main export market, Russia, which has led to a sharp reduction in the

supply of goods from Armenia, Belarus and Kazakhstan. In consequence of that, observing the evolution of the mutual trade of the participants of the Union since the last five years is possible to notice that the market of the Eurasian Economic Union is still affronting an intensive economic decrease. Clearly, considering the exports and imports of the *troika*, their amounts registered a sensible diminution mostly between the years 2014-2016: Belarus-Kazakhstan 545.2 USD million (-57.95%); Belarus-Russia 11 409 USD million (-30.53%); and Kazakhstan-Russia 7 260.1 USD million (-35.95%). According to Dr. Vinokurov, in relationship to the mutual trade between Kazakhstan and Russia, an aspect to be considered is that: *“The Russian ruble’s devaluation in 2014 caused a “mirroring” of the structure of mutual trade between Russia and Kazakhstan, and temporarily reinforced Kazakhstan’s status as a raw-materials supplier in the EAEU. This situation persisted for approximately one year until Kazakhstan put its currency under a floating exchange rate regime*⁵⁵⁰.”

Commonly, the mutual trade of the member-states for the period 2012-2016 is a concrete proof that the members of the Union diminished their mutual imports and exports, mainly in a direct confrontation between the year 2014 (69 249.2 million) and 2016 (42 536.4 USD million) with a difference of -32.60%. These data have the concrete significance that nowadays, due mostly to the economic recession, the countries of the Union are still facing on problems to the development of their mutual trade.

Taking into examination the turnovers of the member-states, can be observed that the EEU has its principal investors in Russia and Kazakhstan. Belarus occupies also a notable position in the intra-trade of the Union; while Armenia and Kyrgyzstan are the weakest parts of the entire territory – a reason which confirms as their accession to the EEU has a more geopolitical strategic connotation than economic.

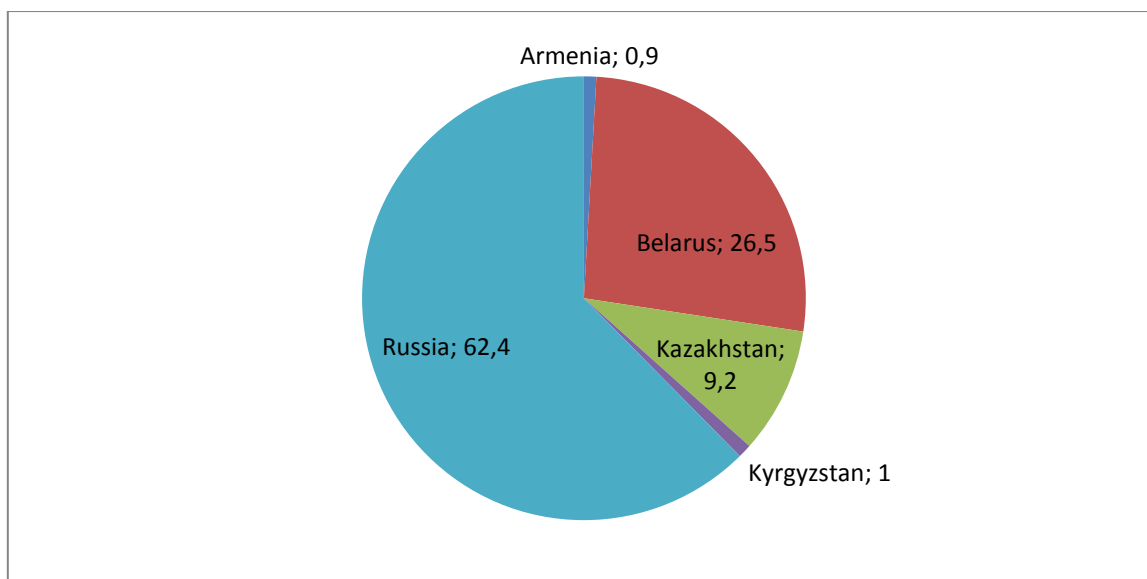
But, regarding Kyrgyzstan, according to the EEC, in 2015 it was the only country that increased its supply to the Russian market. Indeed, according to the EDB, A significant increase in exports to Russia was noted for such groups as: goods like footwear, plastics and articles thereof, and chemical products. However, Kyrgyzstan's total exports decreased by 10.4%, where without gold the fall was even more significant and amounted to 21%⁵⁵¹.

⁵⁵⁰ Vinokurov Evgeny (2017): *“Eurasian Economic Union: Current state and preliminary results”*. In Russian Journal of Economics 3 (2017). P. 61

⁵⁵¹ Yevraziyskiy Bank Razvitija (2017): *“Kolebaniya Valyutnykh Kursov v Yeaes v 2014-2015 Godakh: Analiz i Rekomendatsii”*. Doklad Nr. 44. Sankt Peterburg, 2017. P. 20

In the year 2016, the most important trades were registered between Russia-Kazakhstan (12 936.1 USD million) and Belarus-Russia (25 965.0 USD million); while the other internal trades of the Union registered only 3635.3 USD million of the total turnover of the Union that amounted to 42 536.4 USD million.

Figure 54: Share of the total volume of exports in the mutual trade of goods between the countries of the EEU for 2016 (as a percentage of the total)



Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 149

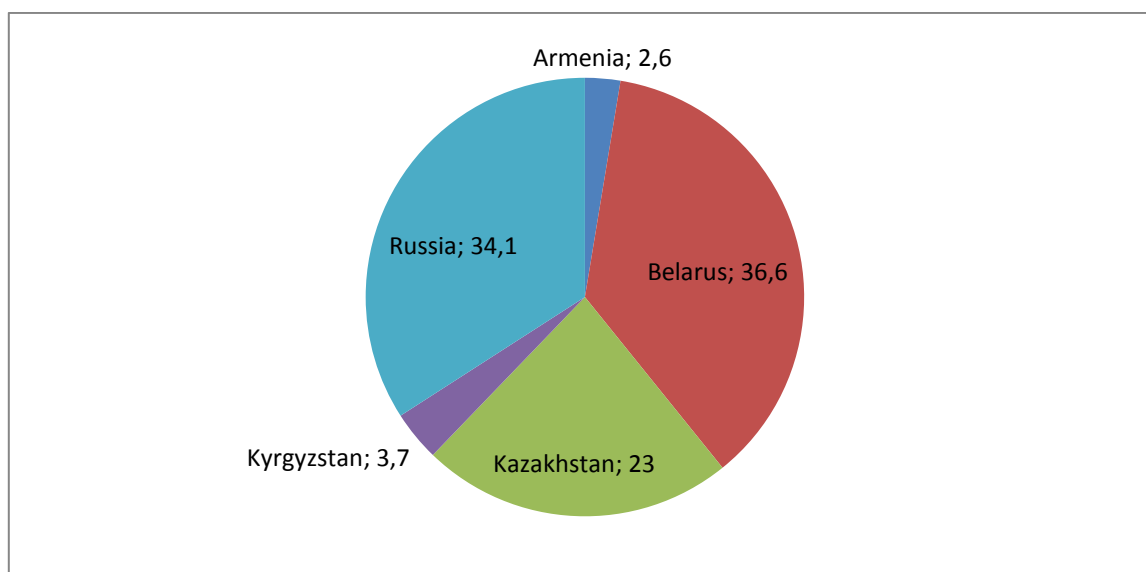
Russia (62.4%) confirmed its first place during 2016 as principal exporter of goods in the internal market of the EEU. Belarus, thanks to the exports of food items and dairy products particularly, contributed to the 26.5% of the total amount of the exports of the Union – e.g. in the year 2016 Belarus exported to Russia meat and meat byproducts for 678 USD million; and milk and dairy products for 1 745.4 USD million⁵⁵².

Accurately, concerning the volume of export supplies in the bilateral trade for the year 2016, the countries of the EEU totalized respectively: Armenia – 74.8 USD million; Belarus – 4 991.8 USD million; Kazakhstan – 1 803.7 USD million; Kyrgyzstan – 104.3 USD million; and Russia – 11 904.9 USD million. In its total, the export volume of the EEU intra-trade was 18 979.5 USD million⁵⁵³.

⁵⁵² “Belarus-Russia trade economic cooperation”. In Belta. 31.03.2017 <http://eng.belta.by/infographica/view/belarus-russia-trade-and-economic-cooperation-2082/> (last view: 01.06.2017)

⁵⁵³ Eurasian Economic Commission (2016): “Eurasian Economic Integration: Facts and Figures”. Library of Eurasian Integration. P. 15

Figure 55: Share of the total volume of imports in the mutual trade of goods between the countries of the EEU for 2016 (as a percentage of the total)



Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 149

Observing the imports of the EEU, Belarus (36.6%) imported in largest measure from the other countries of the Union during the year 2016. The figures confirm the high dependence of Belarus especially from Russia – connected with the import of crude oil (3 958 USD million, 2016) and natural gas (2 547 USD million, 2016)⁵⁵⁴. According to these statistics, an evaluation that can be asserted is that the EEU for Minsk represents a right economic choice for the development and coordination of its economy in a proper way through the economic facilitation mostly in its commerce with Moscow. Especially the elimination of customs duties in the intra-trade of the Union, that for a country as Belarus – that holds the highest percentage of imports in mutual trade from the Russian Federation (15.3 USD bn. – 55.5% during 2016) – could have in the future positive effects to improve its internal economic status. However, the data shows even as Russia amounted during the year 2016 for a consistent quota (34.1%) of the EEU members’ imports, especially for the imports of food items from Belarus (in 2016 Belarus exported 10.8 USD bn. of goods to Russia), demonstrating as the Russian commerce (also in consideration to the European and American embargo) depends also on the trade with its neighboring states consistently.

⁵⁵⁴ “Belarus-Russia trade economic cooperation”. In Belta. 31.03.2017 <http://eng.belta.by/infographica/view/belarus-russia-trade-and-economic-cooperation-2082/> (last view: 01.06.2017)

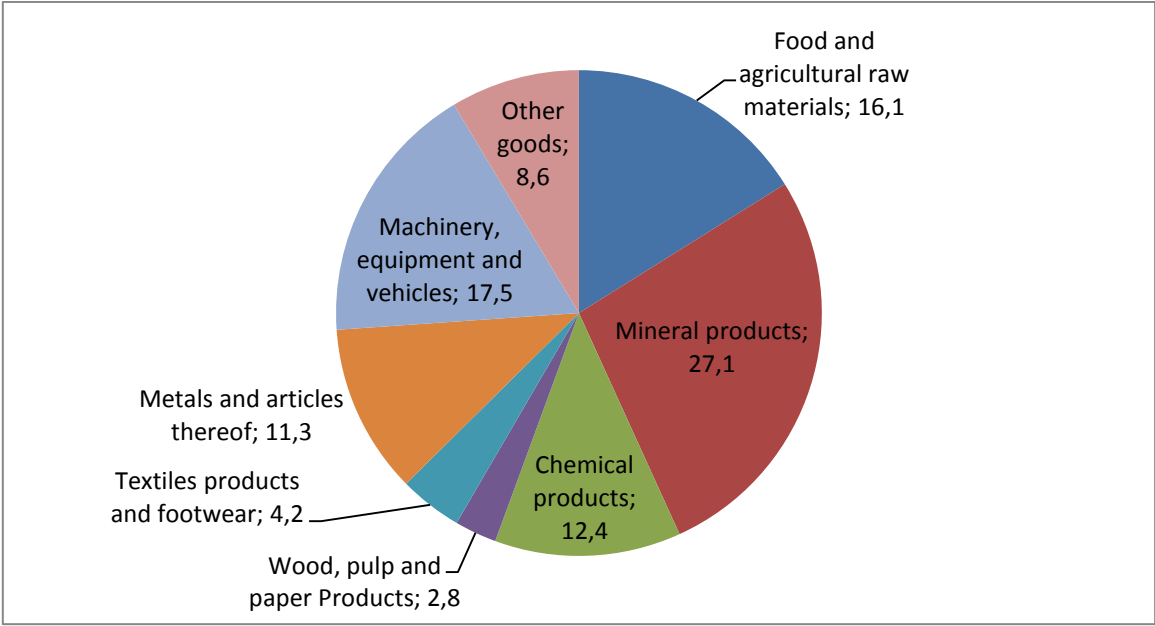
Figure 56: Structure of the member-states in the mutual trade of the EEU by commodity aggregate
2016 (Million USD)

| | EAEU | Armenia | Belarus | Kazakhstan | Kyrgyzstan | Russia |
|--|-----------------|--------------|-----------------|----------------|--------------|-----------------|
| Total of exports, consisting of: | 42 536,4 | 392,1 | 11 255,1 | 3 917,6 | 417,5 | 26 554,1 |
| Mineral products | 11 521,0 | 4,1 | 298,1 | 1 309,0 | 115,1 | 9 794,7 |
| Machinery, equipment and vehicles | 7 462,9 | 18,4 | 3 125,3 | 208,8 | 25,6 | 4 084,8 |
| Food products and agricultural raw materials | 6 847,3 | 260,7 | 3 594,0 | 423,6 | 108,4 | 2 460,6 |
| Chemical products | 5 288,1 | 9,5 | 1 350,1 | 743,2 | 11,8 | 3 173,5 |
| Metals and articles thereof | 4 826,1 | 3,1 | 761,6 | 1 007,0 | 4,6 | 3 049,8 |
| Textiles products and footwear | 1 777,8 | 48,5 | 933,6 | 156,3 | 126,0 | 513,4 |
| Wood, pulp and paper products | 1 175,9 | 0,4 | 332,9 | 18,3 | 3,9 | 820,4 |
| Other goods | 3 637,3 | 47,4 | 859,5 | 51,4 | 22,1 | 2 656,9 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Ob osnovnykh sotsial'no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuz". Yanvar' 2017 g. Analiitscheskiy obzor 10 marta 2017 g. P. 32

Generally, the exports of mineral products totalized 11 521.0 USD million in the mutual trade of the countries of the EEU during the year 2016, constituting de facto the chief sector for the intra-trade of the Union. Armenia and Belarus exported mostly food products, respectively 260.7 USD million and 3 594.0 USD million – profiting expressly from the Russian embargo against the EU to export food items to Russia; Kazakhstan (1 309.0 USD million) and Russia (9 794.7 USD million) exported raw materials principally; while Kyrgyzstan has its economic fulcra in the textile sector with an amount of 126.0 USD million in 2016.

Figure 57: Structure of mutual trade by commodity aggregate in 2016 (as a percentage of the total)



Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 150

Overall, the raw materials (27.1%), the machinery and vehicles (17.5%), and the agrarian products (12.4%) constituted the three principal categories of the mutual trade of the EEU in terms of exports and imports for the year 2016, and represent also the pivot areas for the progressive development of the Union on its whole.

Considering the first two years of the EEU, we must assert as this period of time was characterized by a defined falling of the mutual trade between its participants, opening serious doubts about the possibility of the Union to real improve the trade of its participants. But, the first quarter 2017 has started to show as this tendency is changing and the member-countries are nowadays registering an economic recovery and a slow improvement of their mutual trade: for example the volume of mutual trade in goods of the EEU for January-March 2017 amounted to 11 765.9 USD million, which, if compared with the index of January-March 2016 of 8 963.1USD million, shows a surplus of 2 802.8 USD billion. According to the statistics of the EEC, this increment of the volume of mutual trade in the first quarter of 2017 by 31.3% was recorded due to the growth of average prices for goods (by 19.5%) and by a clear rise in the physical volume of trade (by 9.9%)⁵⁵⁵. In

⁵⁵⁵ Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Ob itogakh vzaimnoy trgovli tovarami Yevraziyskogo Ekonomicheskogo Soyuz". Yanvar' – mart 2017 goda. Analiticheskiy Obzor 25 maya 2017 g. Pp. 1-2

detail, it is possible to see as the countries of the EEU, according to the data of the EEC, in the period January-March 2017 have increased their mutual trade in a direct confrontation to January-March 2016: Armenia-Belarus from 5.9 USD million (2016) to 6.6 USD million (2017); Armenia-Kazakhstan from 0.5 USD million to 1.0 USD million; Armenia-Kyrgyzstan from 0.1 USD million to 0.2 USD million; Armenia-Russia from 283.7 USD million to 359.3 USD million; Belarus-Kazakhstan from 70.6 USD million to 126.8 USD million; Belarus-Kyrgyzstan from 11.5 USD million to 13.8 USD million; Belarus-Russia from 5 548.8 USD million to 6 987.6 USD million; Kazakhstan-Kyrgyzstan from 155.8 USD million to 173.1 USD million; Kazakhstan-Russia from 2 603.8 USD million to 3 712.0 USD million; and Kyrgyzstan Russia from 282.4 USD Million to 385.5 USD million⁵⁵⁶.

Nonetheless, despite these encouraging results, the years 2015 and 2016 have not showed significant results for a real improvement of the mutual trade as expected by the participants of the Union. It means as the mechanisms of the EEU for the mutual trade must still be refined through the abolishment of barriers in the internal trade of the Union and with the institution of the common markets, especially for the energetic sector.

11.1 *The effects of the Russian embargo and American sanctions on the mutual trade*

Concerning the intra-trade of the member-states, a further aspect to take in analysis is the Russian import ban on EU's products established since 2014 due on the Ukrainian dispute. The annex 7 of the EEU's Treaty provides as every member may also adopt sanctions and embargoes at the national level for the protection of national security interests, in cases of balance of payments difficulties and on other reasons similar to general exceptions of the WTO Agreements as well as in exceptional situations, that are not clarified further in the EEU Treaty. The application of the embargo should be accepted and tolerated by the other member-countries⁵⁵⁷. Chronologically, the Russian embargo was introduced through the Presidential decree No. 560, dated 6 August 2014 "*On the application of certain special economic measures to ensure the security of the Russian Federation*"⁵⁵⁸. This unilateral measure instituted a ban on import into the Russian

⁵⁵⁶ Yevraziskaya Ekonomicheskaya Kommisiya (2017): "*Ob itogakh vzaimnoy trgovli tovarami Yevraziyskogo Ekonomicheskogo Soyuzu*". Yanvar' – mart 2017 goda. Analiticheskij Obzor 25 maya 2017 g. P. 2

⁵⁵⁷ Cf. Borovikov E., Evtimov B. and Danilov I. (2017): "*The Eurasian Economic Union*". In Getting the Deal Through. <https://gettingthedealthrough.com/area/51/article/29132/trade-customs-eurasian-economic-union> (last view: 31.08.2017)

⁵⁵⁸ European Commission (2017): "*Russian import ban on EU products*". https://ec.europa.eu/food/safety/international_affairs/eu_russia/russian_import_ban_eu_products_en (last view: 03.07.2017)

Federation of agricultural products, raw materials and food⁵⁵⁹, originating from the United States, the countries of the European Union, Canada, Australia and Norway. The embargo – planned at the beginning for only one year – was then extended until 5 August 2016 by the Russian government decision No. 625, dated 25 June 2015. In addition, this decree extended the ban on other products as meat, fishes, milk and dairy products and vegetables. Successively, by the Russian Presidential Decree No. 305 of 29 June 2016, was decided a further prolongation of the embargo until the 31 December 2017.

Examining the impact of the embargo in the scenario of the EEU, Belarus reacted to these developments immediately. Precisely, on 7 August 2014 the Deputy Minister of Agriculture Leanid Marynič said in an interview with RIA Novosti that Belarus was ready to replace the banned products for Russia. The head of the Russian Agricultural Control Agency Sergei Dankvert arrived in Minsk on 12 August and urged Belarus to increase agricultural exports to Russia. Dankvert reported that Belarus would be allowed to process EU food products and export them to Russia. In consequence of that, as underlined by expert Vadzim Smok, EU businesses started to demonstrate renewed interest in investing into Belarus as channel of trade to export in Russia. Indeed, several EU producers have offered Belarus to cooperate in processing and selling EU goods to Russia, which was permitted by Moscow⁵⁶⁰. Though, as underlined by Dr. Libman, *"The introduction of the sanctions started comorting a massive increase of smuggling activity from the EU to Russia, using Belarus as the point of entry. Russia attempted to limit these informal and semi-formal imports, re-introducing checks at the Belarus border, calming it to be particularly concerned with the transit of goods from Belarus to Kazakhstan"*⁵⁶¹.

In economic terms, the immediate effect of these measures was the increment of food items export from Belarus to Russia. In fact, the Belarusian exports of food products to Russia amounted during the first five months of 2015 around 916.400 tons in comparison with the 568.300 tons in the same period of 2014⁵⁶², registering an increment of 348.1 tons.

⁵⁵⁹ The list of products banned was issued through the Russian government decision No. 778, dated 7 August 2014.

⁵⁶⁰ Smok Vadzim (2014): "Belarus Smuggles EU Food To Russia Despite Sanctions". In Belarus Digest, 26. 9. 2014. <http://belarusdigest.com/story/belarus-smuggles-eu-food-russia-despite-sanctions-19427> (last view: 08.07.2017)

⁵⁶¹ Libman Alexander (2015): "Ukrainian Crisis, Economic Crisis in Russia and the Eurasian Economic Union". In Munich Personal RePEc Archive. P. 9

⁵⁶² Deryabina Anna, Malysheva Yelena (2015): "Which countries have benefited from Russia's food embargo?" In Russia Beyond the Headlines. August 18, 2015. https://www.rbth.com/business/2015/08/18/which_countries_have_benefited_from_russias_food_embargo_48587.html (last view: 05.07.2017)

This trend for Belarus is still nowadays confirmed by an observation of its actual situation for food export in its aggregate intra-trade with the other participants of the Union. Indeed, the total of the Belarusian export within the Union concerning food and agricultural products amounted in the period January-March 2017 to 982.6 USD million, corresponding to an increment by 129.1% in confrontation to the same period of the previous year⁵⁶³. Through this data of the EEC, it can be argued that Belarus, as principal exporter of food and agricultural items to Russia, is mostly profiting from the Russian ban, increasing its export quota within the territory of the Union consequently. The same reasoning in the panorama of the EEU is possible to apply to the other countries of the Union: Armenia, whose exports of food and agricultural material in first quarter 2017 amounted to 66 USD million, with an increment in comparison to same period of previous year of 139%; Kazakhstan with 96.6 USD million (103.8%) and Kyrgyzstan with 39.4 USD million (166.7%)⁵⁶⁴. This tendency finds corresponding attestation in the import of Russia for food and agricultural items in the mutual trade of the EEU. Indeed, Russia during the first quarter 2017 imported food products for 990.7 USD million, corresponding to an increase by 129.1% in confrontation to January-March 2016⁵⁶⁵.

Through these statistics can be stressed as the member-countries in the first quarter 2017 have increased the amount of their exports for food items generally. This affirmation can be explained as the ban introduced by Russia for European food and agricultural products contributed to the increment of its import from the participants of the Union. Moreover, analyzing the situation from the Russian side, the decision to ban the imports of EU's products could have a positive meaning in a politic lecture as well. Indeed, we can argue that the embargo allows Russia to pursue its geopolitical strategy against the West, attesting as the other members of the Union can cope better its requirements for import of food and agricultural material.

Regarding the economic sanctions introduced by the USA as measure to punish Russia by invading the sovereignty of Ukraine, these were principally addressed to Russia's energy sector – the most vulnerable sector of the country – with a special targeting on the three major state oil firms: Rosneft, Transneft and Gazprom Neft, the oil unit of gas giant Gazprom⁵⁶⁶, generating since 2015 a drop of the oil price and slowdown of Russian economy. Indeed, as stressed by the analysis of

⁵⁶³ Yevraziskaya Ekonomicheskaya Kommissiya (2017): "*Ob itogakh vzaimnoy torgovli tovarami Yevraziyskogo Ekonomicheskogo Soyuz*". Yanvar' – mart 2017 goda. Analiticheskiy Obzor 25 maya 2017 g. P. 10

⁵⁶⁴ Ibid. P. 9

⁵⁶⁵ Ibid. P. 10

⁵⁶⁶ Cf. "*How far do EU-US sanctions on Russia go?*" In BBC news, 15.09.2014 <http://www.bbc.com/news/world-europe-28400218> (last view: 07.07.2017)

Starr Terrell Jermaine, *“The result of sanctions and low oil prices generated a contraction of Russia’s GDP by 3.7% in 2015, forcing Moscow to make budget cuts in last two years⁵⁶⁷”*. Thus, the American sanctions have generated a diminishing of the economic growth rate of Russia in the biennium 2015-2016, when the GDP growth rate recorded a passivity by -2.8% in January 2015, reaching a negative peak in July 2015 by -4.5%, and knowing a regrowth just in January 2017 by 0.3%⁵⁶⁸.

Considering these facts, we can observe that from a side the Russian embargo against the EU can have a positive effect in the increment of the mutual trade within the EEU of the member-countries in their trade with Russia (as for Belarus in its food export). But, from another side the American sanctions against Russia have had a serious impact on the Russian economic growth, with a serious decrease of its GDP. Specifically, seeing this facet and that the Russian economy is the principal power in the scenario of the EEU, the consequences of its negative status have had naturally repercussions on the economic growth of the other members of the Union that depends from Russia principally. In addition, the Russian embargo and the American measures against Russia can have also a negative impact on the enlargement and global ambitious of the EEU to cooperate economically worldwide. Truly, the European countries and the USA can be considered the two most important economic blocs in the global economy and undoubtedly a further expansion of the economic trade of the Union in next years must take into consideration a dialogue with United States of America and the European Union.

12 Foreign trade of the Union with third countries

Parallel to the internal development of the member-countries, the Union has the aim to implement its expansion in the global economy. To achieve this scope, the objective of the member-states, under the legal framework of the Union, is to create a unique system of cooperation that could deal with all principal world economies. In order to reach this goal, the five members of the EEU want to increase, through the establishment of Free Trade Zones, their trade regime with those third countries, that are interested to cooperate with the EEU, facilitating their investments by a reduction of the costs for export and import for goods and services.

⁵⁶⁷ Cf. Starr Terrell Jermaine (2017): *“The American Sanctions Against Russia, Explained”*. In Foxrothalpa, 2.03.2017 <http://foxtrotalpha.jalopnik.com/the-american-sanctions-against-russia-explained-1791938454> (last view: 07.07.2017)

⁵⁶⁸ *“Russian GDP Annual Growth Rate”*. In Trading Economics <https://tradingeconomics.com/russia/gdp-growth-annual> (last view: 25.05.2017)

In fact, the successive stage of the development of the internal economies of the member-states is connected with the increment of the profits that the Union could reach in its global trade with third countries. This volition is confirmed in the article 33 of the Treaty, where is expressed that the EEU wants to favorite the efficiency and competitiveness of its associates in the global economic scenario, developing their trade worldwide through a direct interaction with third countries.

Figure 58: Volumes of foreign trade of goods with third countries in USD Billion

Armenia

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------|------|------|------|------|------|
| Turnover | 4,3 | 4,4 | 4,5 | 3,4 | 3,6 |
| Export | 1,1 | 1,1 | 1,2 | 1,2 | 1,4 |
| Import | 3,2 | 3,3 | 3,3 | 2,2 | 2,2 |
| Balance | -2,1 | -2,2 | -2,1 | -1,0 | -0,8 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 145

According to the data of the EEC, during the period 2012-2016 Armenia maintained its turnover of extra trade stable, registering a drop from 2014 to 2015 of -24.44% and an upturn of 5.88% from 2015 to 2016.

Figure 59: Armenian exports in USD million



Source: “Armenia Exports”. In Trading Economics <https://tradingeconomics.com/armenia/exports> (last view: 25.10.2017)

The Armenian exports in the period 2015-2016, increased constantly, reaching a peak of almost 159 USD million in June 2015 and in November 2016 a maximum of around 170 USD million. The positive increment is visible even in 2017, where the aggregated Armenian exports increased, especially in March 2017 by 10.6% to 168.80 USD million from 152.20 USD million in February 2017, with a peak of 199.60 USD Million in August of 2017.

Figure 60: Armenian imports in USD million



Source: "Armenia Imports". In Trading Economics <https://tradingeconomics.com/armenia/imports> (last view: 25.10.2017)

The imports of Armenia had their maximum in December 2015 with an amount of 335.7 USD million and in November with 343.6 USD million. In May 2017 was reached a peak of 405 USD million, testifying the high necessity of Armenia to import from third countries.

Giving a general overview about the country trade, and according to the data of the Observatory of Economic Complexity (OEC), the top exports of Armenia are: copper ore (326 USD million), gold (196 USD million), rolled tobacco (170 USD million), aluminum foil (101 USD million) and hard liquor (93.3 USD million). While the Armenian top imports are: petroleum gas (389 USD million), refined petroleum (185 USD million), cars (117 USD million), packaged medicaments (93.7 USD million) and diamonds (90.1 USD million). Apart Russia which with 230 USD million represents the first Armenian exporter, the Caucasian state exports principally to: Canada (211 USD million), China (172 USD million), Germany (145 USD million) and Iraq (USD 130 million). Regarding the import quota, after the Russian Federation (230 USD million), the top world Armenian partners for

imports are: China (306 USD million), Iran (185 USD million), Germany (184 USD million) and Georgia (151 USD million)⁵⁶⁹.

The balance of the Armenian investments registered a negative trend in last five years, with a slight increase between 2015 (-1.0 USD bn.) to 2016 (-0.8 USD billion).

Belarus

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------|------|------|------|------|------|
| Turnover | 47,5 | 39,4 | 38,1 | 28,8 | 24,4 |
| Export | 28,8 | 19,4 | 19,9 | 15,7 | 12,2 |
| Import | 18,7 | 20,0 | 18,2 | 13,1 | 12,2 |
| Balance | 10,1 | -0,6 | 1,7 | 2,6 | 0,0 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 145

As is possible to evince from the table above, during the period 2012-2016 Belarus knew a gradual decline of its turnover, totalizing in the year 2016 a value of 24.4 USD bn. against a turnover of 47.5 USD bn. during 2012, with a sensible difference of -23.1 USD billion. Comparing the exports and imports of Belarus, in the period 2012-2016 the exports decreased sensibly from 2014 (19.9 USD billion) to 2016 (12.2 USD billion); while the imports in the considered period had a decline of -32.97%. However, Belarus, according to the data of the EEC, achieved in the year 2016 a balanced trade of its investments.

Figure 61: Belarusian exports in USD million



Source: "Belarus Exports". In Trading Economics <https://tradingeconomics.com/belarus/exports> (last view: 25.10.2017)

⁵⁶⁹ The Observatory of Economic Complexity: "Armenia". <http://atlas.media.mit.edu/en/profile/country/arm/> (last view: 14.05.2017)

During June 2015, Belarus totaled 2 640.6 USD million of exports, reaching with this amount its peak for the year 2015. In 2016, Belarus knew its highest value in terms of exports during June 2016 with 2 195.7 USD million, recording a depreciation of its maximal value between June 2015 and 2016 by -16.85%. Observing the contemporary situation in the Belarusian Republic, the total amount of its exports increased to 2 348.30 USD million in March 2017 from 1 956.40 USD million in February of same year. On May 2017, Belarus reached a peak of exports of 2 539.6 USD million, showing an economic recovery for its foreign trade.

Figure 62: Belarusian imports in USD million



Source: "Belarus Imports". In Trading Economics <https://tradingeconomics.com/belarus/imports> (last view: 25.10.2017)

In November 2015 Belarus recorded a maximal index of imports for 2 661.8 USD million. Approximately on the same value, the Belarusian Republic reached a peak of imports during December 2016 with 2 588.5 USD million. Nowadays, precisely in August 2017, Belarus reached its maximal value of imports by 2 731.3 USD million, maintaining its import quota in last three years stable.

In detail, in line with the data of OEC, the structure of exports of Belarus is constituted by refined petroleum (6.76 USD bn.), potassium-fertilizers (2.7 USD bn.), cheese (638 USD million), crude petroleum (579 USD million) and delivery trucks (578 USD million). After Russia with an aggregated of 10.1 USD billion of exports in 2015, the world top export destinations of Belarus are: the United Kingdom (2.95 USD bn.), Ukraine (2.53 USD bn.), the Netherlands (1.15 USD bn.) and Germany (1.12 USD bn.). While, the Belarusian top imports are: crude petroleum (5.6 USD bn.), petroleum gas (2.63 USD bn.), apples and pears (540 USD million), refined petroleum (477 USD million) and packaged medicaments (395 USD million). The top import origins are – after Russia

with 15.5 USD bn. in 2015 – China (2.05 USD bn.), Germany (1.39 USD bn.), Poland (1.19 USD bn.) and Ukraine (888 USD million)⁵⁷⁰.

Kazakhstan

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------|-------|-------|------|------|------|
| Turnover | 107,9 | 107,9 | 98,6 | 60,2 | 48,3 |
| Export | 79,6 | 78,1 | 72,3 | 40,8 | 32,8 |
| Import | 28,3 | 29,8 | 26,3 | 19,4 | 15,5 |
| Balance | 51,3 | 48,3 | 46,0 | 21,4 | 17,3 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 145

In its foreign trade with third countries, Kazakhstan totalized in the year 2016 a turnover of 48.3 USD billion, resulting in the panorama of the EEU the second biggest economy of the Union after the Russian Federation. Though, as for the other countries of the Union, in the period 2012-2016, also Kazakhstan registered a decrement of the amount of its exports: 79.6 USD bn. (2012) against 32.8 USD bn. (2016) with a difference of 46.8 USD billion. The same discourse is applicable for its imports: 28.3 USD bn. (2012) and 15.5 USD bn. (2016), with a depreciation of 12.8 USD billion. But, referring to the year 2016, the Kazakh balance between export and imports was positive – although in diminution in comparison to the previous years – accounting to 17.3 USD billion.

Figure 63: Kazakh exports in USD million



Source: “Kazakhstan Exports”. In Trading Economics <https://tradingeconomics.com/kazakhstan/exports> (last view: 25.10.2017)

⁵⁷⁰ The Observatory of Economic Complexity: “Belarus”. <http://atlas.media.mit.edu/en/profile/country/blr/> (last view: 15.05.2017)

During January 2015 was registered for the Kazakh exports a maximal value of 4 803.4 USD million. The situation in 2016 showed a firm decrease of exports, where, but, the peak of the year was reached only in December 2016 with 3 986.7 USD million. Referring to the beginning of 2017, exports in Kazakhstan increased in February to 3629 USD million from 3276.40 USD million in January, reaching a peak in May 2017 of 4 151.1 USD million.

Figure 64: Kazakh imports in USD million



Source: "Kazakhstan Imports". In Trading Economics <https://tradingeconomics.com/kazakhstan/imports> (last view: 25.10.2017)

In the year 2015 Kazakhstan reached its peak of imports in June with an index of 2 859.1 USD million, knowing after a general decrease of its imports from third countries. In 2016, a sensible increase of imports was visible from July, reaching a maximal value in December with 2 543.6 USD million. In the actual scenario, imports increased in February to 2 051.80 USD million from 1 987.20 USD million in January of 2017, reaching a peak in May 2017 with an amount of 2 667.7 USD million.

In a precise outline about the Kazakh exports and imports, the country exports mostly crude petroleum (19.8 USD bn.), refined copper (2.54 USD bn.), petroleum gas (2.5 USD bn.), radioactive chemicals (2.42 USD bn.) and ferroalloys (1.4 USD bn.); while the top imports consist of large iron pipes (1.17 USD bn.), refined petroleum (1.13 USD bn.), packaged medicaments (916 USD million), cars (868 USD million) and planes, helicopters, and/or spacecraft (556 USD million). The top export destinations of Kazakhstan are (apart Russia with 4.66 USD bn. for the year 2015): China (5.53 USD bn.), the Netherlands (3.55 USD bn.), France (3.01 USD bn.) and Italy (2.93 USD billion). While the

top import origins (after Russia with 10.5 USD bn.) are: China (5.61 USD bn.), Germany (1.74 USD bn.), the United States (1.37 USD bn.) and France (1.21 USD billion)⁵⁷¹.

Kyrgyzstan

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------|------|------|------|------|------|
| Turnover | 4,2 | 4,8 | 4,4 | 3,1 | 3,4 |
| Export | 1,3 | 1,5 | 1,3 | 1,1 | 1,1 |
| Import | 2,9 | 3,3 | 3,1 | 2,0 | 2,3 |
| Balance | -1,6 | -1,8 | -1,8 | -0,9 | -1,2 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 145

Kyrgyzstan, the weakest economy of the EEU and the 141st largest export economy in the world, totalized in the year 2016 a turnover of 3.4 USD billion, divided between 1.1 USD bn. of exports and 2.3 USD bn. of imports.

Figure 65: Kyrgyz exports in USD million

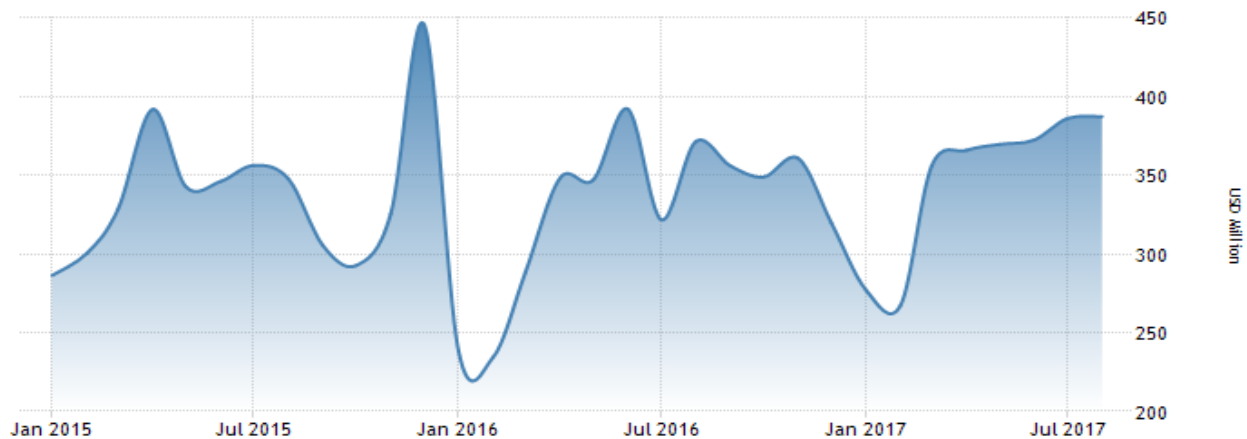


Source: "Kyrgyzstan Exports". In Trading Economics <https://tradingeconomics.com/kyrgyzstan/exports> (last view: 25.10.2017)

Between the last two years, the course of the Kyrgyz exports was characterized by a situation of strong fluctuation, obtaining a maximal index first in December 2015 with 182.7 USD million and then during December 2016 with 205.2 USD million. In the first quarter of 2017 exports increased to 143.80 USD million (February) from 89.70 USD million (January). In March 2017 Kyrgyzstan achieved a maximal turnover of 119.8 USD million, showing a sensible growth of the national economy.

⁵⁷¹ The Observatory of Economic Complexity: "Kazakhstan". <http://atlas.media.mit.edu/en/profile/country/kaz/> (last view: 23.08.2017)

Figure 66: Kyrgyz imports in USD million



Source: "Kyrgyzstan Imports". In Trading Economics <https://tradingeconomics.com/kyrgyzstan/imports> (last view: 25.10.2017)

The Kyrgyz economy, especially due on its geographic position in central Asia, depends mostly on imports. In the year 2015, specifically in December 2015, Kyrgyzstan reached a peak of 445.7 USD million of imports. The situation in 2016 was really high between April and November, with a peak of 392.2 USD million in June of the import quota. Although in the first quarter of 2017 imports in Kyrgyzstan decreased to 255 USD million in February from 263.90 USD million in January, this index rests very high in comparison to the value of the exports, where Kyrgyzstan reached a maximal value of 387.3 USD million during August 2017.

Based on these observations, we can assert that the negative balance of Kyrgyzstan between exports and imports from 2012 (-1.6 USD bn.) to 2016 (-1.2 USD bn.) principally, confirms from a side its scarcity of resources and from the other side its necessity to import for the development of its internal economy. Precisely, Kyrgyzstan for the year 2015 imported mostly: refined petroleum (676 USD million), light mixed woven cotton (215 USD million), packaged medicaments (130 USD million), synthetic filament yarn woven fabric (102 USD million) and rubber footwear (86.5 USD million). As exports, the resources that Kyrgyzstan mostly exports are: gold (547 USD million), refined petroleum (69.4 USD million), dried legumes (46 USD million), planes, helicopters, and/or spacecraft (38.9 USD million) and vehicle parts (31.5 USD million). The top export destinations of Kyrgyzstan are: Switzerland (441 USD million), Kazakhstan (204 USD million), the United Arab Emirates (97.8 USD million), Turkey (95.9 USD million) and Uzbekistan (95 USD million). While the top import origins (apart Russia with 1.27 USD bn. and Kazakhstan with 535

USD million in 2015) are: China (1.67 USD bn.), Turkey (216 USD million) and the United States (119 USD million)⁵⁷².

Russia

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------|-------|-------|-------|-------|-------|
| Turnover | 774,9 | 781,1 | 727,5 | 483,8 | 430,0 |
| Export | 481,9 | 486,4 | 460,9 | 315,0 | 260,9 |
| Import | 293,0 | 294,7 | 266,6 | 168,8 | 169,1 |
| Balance | 188,9 | 191,7 | 194,3 | 146,2 | 91,8 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 145

Even though Russia is the economic power of the EEU, between the years 2012-2016 its turnover of exports and imports decreased considerably by -44.51%. The most marked difference in the export sector was registered between 2014 (460.9 USD bn.) and 2015 (315.0 USD billion), with a difference of -145.9 USD billion, confirming the Russian economic decrease, due especially to the economic financial crisis and the costs of the Ukrainian conflict. These data find a confirmation even in the balance of the Russian Federation for the year 2016: 91.8 USD bn. against the 146.2 USD bn. of 2015 with a minus of 54.4 USD billion.

Figure 67: Russian exports in USD million



Source: "Russia Exports". In Trading Economics <https://tradingeconomics.com/russia/exports> (last view: 25.10.2017)

⁵⁷² The Observatory of Economic Complexity: "Kyrgyzstan". <http://atlas.media.mit.edu/en/profile/country/kgz/> (last view: 15.05.2017)

In 2015 Russia reached its maximal value of export in March with 32 894 USD million. The year 2016 was characterized by a strong stagnation of the Russian exports, reaching a peak only in December by 31 295 USD million. During the first quarter 2017, Russia reached a peak of exports in March with an amount of 31 328 USD million, showing a tenuous increase of Russian exports. In general, Russia during 2015-2016 decreased its exports, due to the European embargo and especially because of the decline in oil price (the oil prices for 2016 was set to 56 USD pro barrel⁵⁷³ against the initial price decided by the Government for 2016 to 96 USD⁵⁷⁴). Regarding the import quota, in a direct comparison between last two years, this index registered a same amount approximately: 168.8 USD bn. in 2015 and 169.1 USD bn. in 2016, attesting China (31.1 USD bn.) as the first importer partner of Russia, and Belarus (15.5 USD bn.), especially considered to agricultural items, as principal partner within the EEU. However, the most drastic change for the Russian trade is visible in the comparison between the biennium 2014 and 2015, where the exports decreased by -31.66% and the imports by -36.68%, as direct effects of the reduction of oil price and the embargo against the EU.

Figure 68: Russian imports in USD millions



Source: "Russia Imports". In Trading Economics <https://tradingeconomics.com/russia/imports> (last view: 25.10.2017)

The imports for the year 2015 were stable with a maximal value in December of 17 428 USD million. After a flexion of imports in the first quarter 2016, due especially on the EU's embargo and American sanctions, from August 2016 the index of the imports restarted to rise, reaching a peak

⁵⁷³ Mauldin John (2016): "Low Oil Prices Will Make Russia More Aggressive In 2017". In Forbes, 27.12.2016. <https://www.forbes.com/sites/johnmauldin/2016/12/27/low-oil-prices-will-make-russia-more-aggressive-in-2017/#97aabe17367c> (last view: 30.08.2017)

⁵⁷⁴ Grushevenko Ekaterina (2015): "The Effects of Lower Oil Prices on Russia". In NBR, 14.05.2015 <http://nbr.org/research/activity.aspx?id=561> (last view: 30.08.2017)

in December with 19 476 USD million (almost complimentary to December 2015). In July 2017 Russia reached a peak of 22 354 USD million, increasing its import quota in comparison to the previous period of time overall.

Russia represents, according to the OEC, the 13th largest export economy in the world. In 2015, the top exports of Russia amounted in goods such: crude petroleum (90.1 USD bn.), refined petroleum (57.5 USD bn.), petroleum gas (25.4 USD bn.), coal briquettes (10.4 USD bn.) and raw aluminum (7.02 USD bn.). While the top imports are represented by: cars (7.73 USD bn.), packaged medicaments (7.01 USD bn.), vehicle parts (5.05 USD bn.), computers (4.05 USD bn.) and planes, helicopters, and/or spacecraft (3.45 USD billion). Although the embargo with the European Union, the top export destinations of Russia rest currently: the Netherlands (32.2 USD bn.), China (31.1 USD bn.), Germany (18.5 USD bn.), Italy (15.5 USD bn.) and in the panorama of the EEU, Belarus with 15.5 USD billion. While, the top import origins are: (apart Belarus with 10.2 USD bn. in 2015): China (34.5 USD bn.), Germany (22.4 USD bn.), the United States, despite the economic sanctions (10.2 USD bn.), and Italy (7.71 USD billion)⁵⁷⁵.

However, nowadays in Russia, as evinced even in the other members of the EEU, started since 2017 an improvement of the economic situation, where the in the first quarter 2017, was registered a sensible increase of the Russian exports to third countries: 37.2% (27.3 USD bn.) in March from 28.5% in February. Almost equal positive trend is possible to see in the trade with CIS countries, which was 24.6% in February and 23% in March 2017. According to the data of the Russian Customs Statistics, Russian exports rose mainly for: fuels and energy products (46.8% to 19 USD bn.) followed by metals (37.8% to 3.8 USD bn.); chemical products (18.8% to 2.4 USD bn.); foodstuffs and raw materials (40.8% to 2 USD bn.); and machinery and equipment (1.2% to 1.7 USD billion)⁵⁷⁶. Regarding the imports, these went up 21.8% to 18.7 USD bn. in March 2017 from 15.4 USD bn. compared to one year earlier. Imports from non-CIS countries climbed 20.1% to 16.6 USD bn. (from 18.8% in February) and those from CIS countries advanced by 36.6% to 2.1 USD billion. The imports rose for: machinery and equipment (21.5 % to 8.1 USD bn.) followed by chemical products (22.7% to 3.5 USD bn.); foodstuffs and raw materials (15.9% to 2.4 USD bn.); textiles and footwear (26% to 1.1 USD bn.) and metals (30.3% to 1.2 USD billion)⁵⁷⁷.

⁵⁷⁵ The Observatory of Economic Complexity: "Russia". <http://atlas.media.mit.edu/en/profile/country/rus/> (last view: 15.05.2017)

⁵⁷⁶ "Russia Exports". In Trading Economics <http://www.tradingeconomics.com/russia/exports> (last view: 25.10.2017)

⁵⁷⁷ "Russia Imports". In Trading Economics <http://www.tradingeconomics.com/russia/imports> (last view: 25.10.2017)

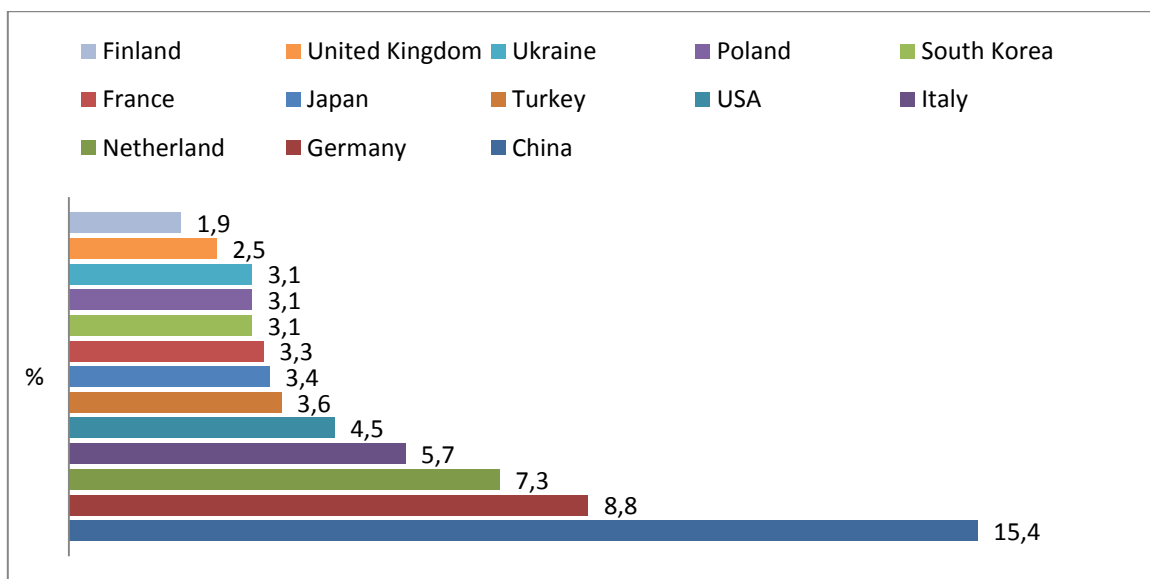
Eurasian Economic Union

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------|-------|-------|-------|-------|-------|
| Turnover | 938,8 | 937,6 | 873,1 | 579,3 | 509,7 |
| Export | 592,7 | 586,5 | 555,6 | 373,8 | 308,4 |
| Import | 346,1 | 351,1 | 317,5 | 205,5 | 201,3 |
| Balance | 246,6 | 235,4 | 238,1 | 168,3 | 107,1 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 145

In its complex, the EEU reflects the tendency of the member-countries of last five years: a general decrease of its turnover of export and import with the third countries in the period 2012-2016, with a marked difference of -33.65% in a direct comparison between the turnover of the years 2014 (873.1 USD bn.) and 2015 (579.3 USD billion). Also in a comparison between 2015 and 2016, is possible to notice the strong decrease of the exports (-17.50%) and the light diminution of the imports (-2.04%) with a balance for the year 2016 of 107.1 USD bn. against the same index of the previous year that amounted to 168.3 USD bn. (-61.2 USD billion). The clear deteriorating of the exports, most visible in the period 2014-2016, is an index of the difficult economic situation of the member-countries, started already since the global economic crisis of 2008 and as consequence from the sharp decline in hydrocarbon prices principally.

Figure 69: Principal foreign trade partners of the EEU 2016 (in percentage)



Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 147

Though, despite the economic difficulties of last years, the Eurasian Economic Union wants to compete with the most developed economies of the world, in order to enhance its economic importance in the global scenario and facilitate the commerce with third countries through a system of Free Trade Zone.

According to this target, we can list the principal trade partners of the EEU. Accurately, the three top partners of the Union are: China (15.4%), Germany (8.8%) and the Netherland (7.3%). According to the data of the EEC, in terms of export and import, the EEU exported to China during the year 2016 32.9 USD bn. and imported 45.7% USD billion. This segment allows us to stress as China is one of the most strategic economic partner of the Union and as the successive expansion of the Union must take into account the cooperation with China in direction Far East. Specifically, during the year 2016 the EEU totalized a trade balance respectively: Germany (22.6 USD bn. of exports and 22.5 USD bn. of imports); the Netherland (33.5 USD bn. and 3.5 USD bn.); Italy (19.5 USD bn. and 9.4 USD bn.); USA (10.1 USD bn. and 12.9 USD bn.); Turkey (14.7 USD bn. and 3.9 USD bn.); Japan (10.0 USD bn. and 7.4 USD bn.); France (6.6 USD bn. and 9.5 USD bn.); South Korea (10.3 USD bn. and 5.7 USD bn.); Poland (10.4 USD bn. and 5.4 USD bn.); Ukraine (10.1 USD bn. and 5.5 USD bn.); United Kingdom (8.9 USD bn. and 4.0 USD bn.); and Finland (6.8 USD bn. and 2.7 USD billion)⁵⁷⁸.

Considering the foreign trade of the EEU and its regime of FTZ, we can list the other key partners of the Union, according to the foreign trade volume totalized by the countries of the Union for the year 2015: India (8.8 USD bn.); Vietnam (4.3 USD bn.); Egypt (4.3 USD bn.); Singapore (3.2 USD bn.); Israel (2.8 USD bn.); Iran (2.3 USD bn.); and Chile (0.8 USD bn.).

In consideration of the international associations, the EEU had for the 2015 its principal partners in: the European Union with a foreign trade volume of 283.1 USD billion; MERCOSUR (Argentina, Brazil, Paraguay, Uruguay and Venezuela) with an index of 8.2 USD billion; and ASEAN (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) with a turnover of 15.1 USD billion⁵⁷⁹.

⁵⁷⁸ Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Yevraziyskiy Ekonomicheskii Soyuz v Tsifrakh". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 147

⁵⁷⁹ Library of the Eurasian Economic Commission (2016): "Eurasian Economic Integration: Facts and Figures". P. 61 [http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20\(%D0%90%D0%BD%D0%B3%D0%BB\).pdf](http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20(%D0%90%D0%BD%D0%B3%D0%BB).pdf) (last view: 23.04.2017)

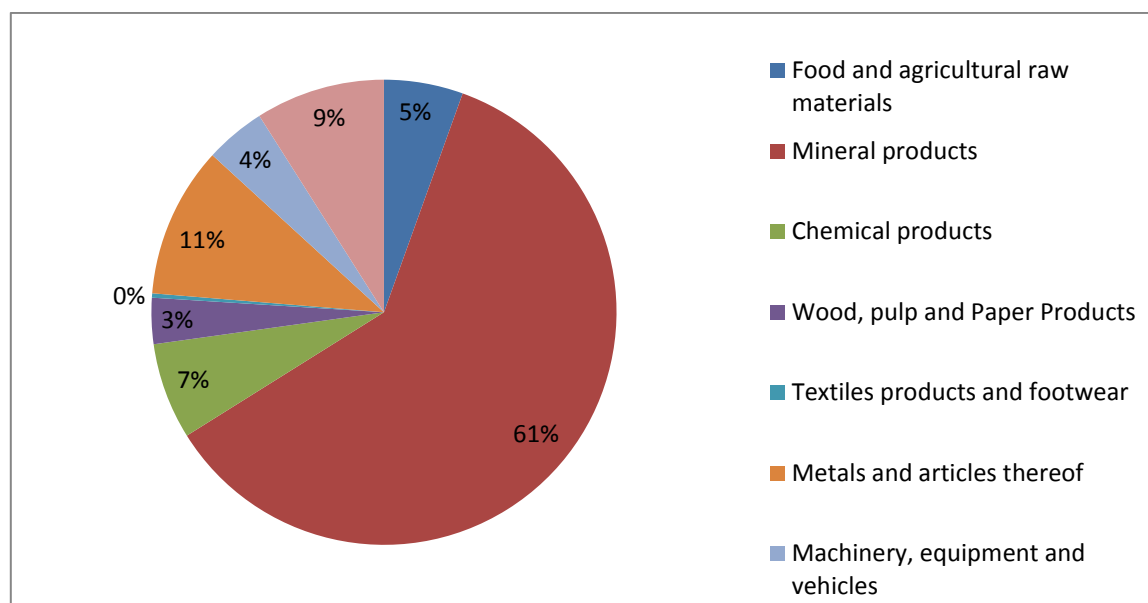
Figure 70: Structure of exports of the member-states in foreign trade with third countries by commodity aggregate 2016 (USD Million)

| | EAEU | Armenia | Belarus | Kazakhstan | Kyrgyzstan | Russia |
|--|------------------|----------------|-----------------|-----------------|----------------|------------------|
| Total of exports, consisting of: | 308 444,9 | 1 390,8 | 12 162,5 | 32 858,0 | 1 126,0 | 260 907,6 |
| Mineral products | 187 055,6 | 466,8 | 4 759,2 | 22 579,3 | 97,8 | 159 152,5 |
| Metals and articles thereof | 32 279,1 | 217,6 | 853,2 | 5 148,8 | 33,1 | 26 026,4 |
| Chemical products | 20 583,9 | 17,1 | 3 087,4 | 1 910,8 | 19,2 | 15 549,4 |
| Food products and agricultural raw materials | 16 941,1 | 262,9 | 310,8 | 1 705,7 | 77,8 | 14 583,9 |
| Machinery, equipment and vehicles | 13 007,3 | 27,7 | 1 179,4 | 415,4 | 103,4 | 11 281,4 |
| Wood, pulp and paper products | 9 885,1 | 2,7 | 680,2 | 229,9 | 0,4 | 8 971,9 |
| Textiles products and footwear | 837,8 | 47,5 | 305,1 | 79,9 | 19,5 | 385,8 |
| Other goods | 27 855,0 | 348,5 | 987,2 | 788,2 | 774,8 | 24 956,3 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Ob osnovnykh sotsial'no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuzu". Yanvar' 2017 g. Analiitscheskiy obzor 10 marta 2017 g. P. 28

For the year 2016 the biggest contribute for the exports of the EEU was connected with the mineral sector (308 444.9 USD million): Armenia – 466.8 USD million; Belarus – 4 759.2 USD million; Kazakhstan – 22 579.3 USD million; Kyrgyzstan – 97.8 USD million; and the Russian Federation with the biggest value – 159 152.5 USD million.

Figure 71: Structure of exports of the EEU with third countries by commodity aggregate in 2016 (as a percentage of the total, rounded up by excess)



Source: Cf. Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Yevraziyskiy Ekonomicheskii Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 148

The three principal goods that the EU exported during the year 2016 were: mineral products (60.6%); metals and its derivatives (10.5%); and chemical products (6.7%).

Figure 72: Structure of import of the EEU by commodity aggregate with third countries in 2016 (USD Million)

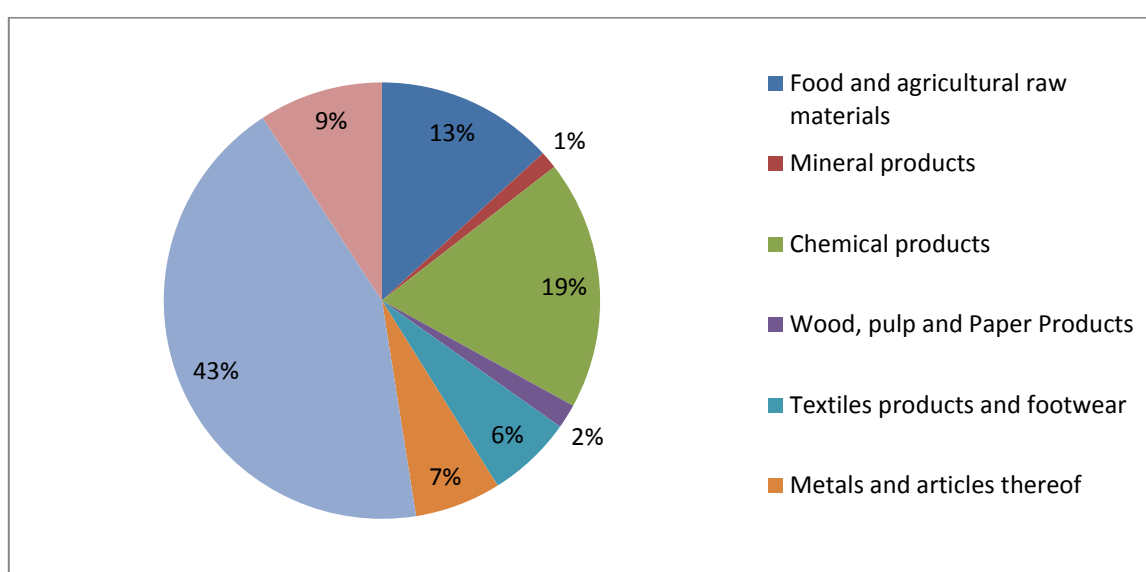
| | EAEU | Armenia | Belarus | Kazakhstan | Kyrgyzstan | Russia |
|-----------------------------------|------------------|----------------|-----------------|-----------------|----------------|------------------|
| Total of imports, consisting of: | 201 344,6 | 2 169,7 | 12 205,9 | 15 508,9 | 2 374,4 | 169 085,7 |
| Machinery, equipment and vehicles | 87 117,2 | 536,0 | 3 992,3 | 6 802,4 | 684,4 | 75 102,1 |
| Chemical products | 37 260,1 | 354,7 | 2 292,7 | 2 451,7 | 317,2 | 31 843,8 |
| Food products and agricultural | 26 491,6 | 414,1 | 3 094,1 | 1 693,0 | 159,1 | 21 131,3 |

| | | | | | | |
|--------------------------------|----------|-------|-------|---------|-------|----------|
| raw materials | | | | | | |
| Metals and articles thereof | 12 953,9 | 123,7 | 904,7 | 1 952,3 | 128,1 | 9 845,1 |
| Textiles products and footwear | 12 722,0 | 244,5 | 839,0 | 691,3 | 801,6 | 10 145,6 |
| Wood, pulp and paper products | 3 724,0 | 79,5 | 246,6 | 257,0 | 34,1 | 3 106,8 |
| Mineral products | 2 558,7 | 155,5 | 123,0 | 662,6 | 18,9 | 1 598,7 |
| Other goods | 18 517,1 | 261,7 | 713,5 | 998,6 | 231,0 | 16 312,3 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Ob osnovnykh sotsial'no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuz". Yanvar' 2017 g. Analiitscheskiy obzor 10 marta 2017 g. P. 29

In relation of the import quota of the member-countries for the year 2016, the machinery, equipment and vehicles constituted the main sector of imports of the EEU (201 344,6 USD million): Armenia – 536,0 USD million; Belarus – 3 992,3 USD million; Kazakhstan – 6 802,4 USD million; Kyrgyzstan – 684,4 USD million; and Russia – 75 102,1 USD million.

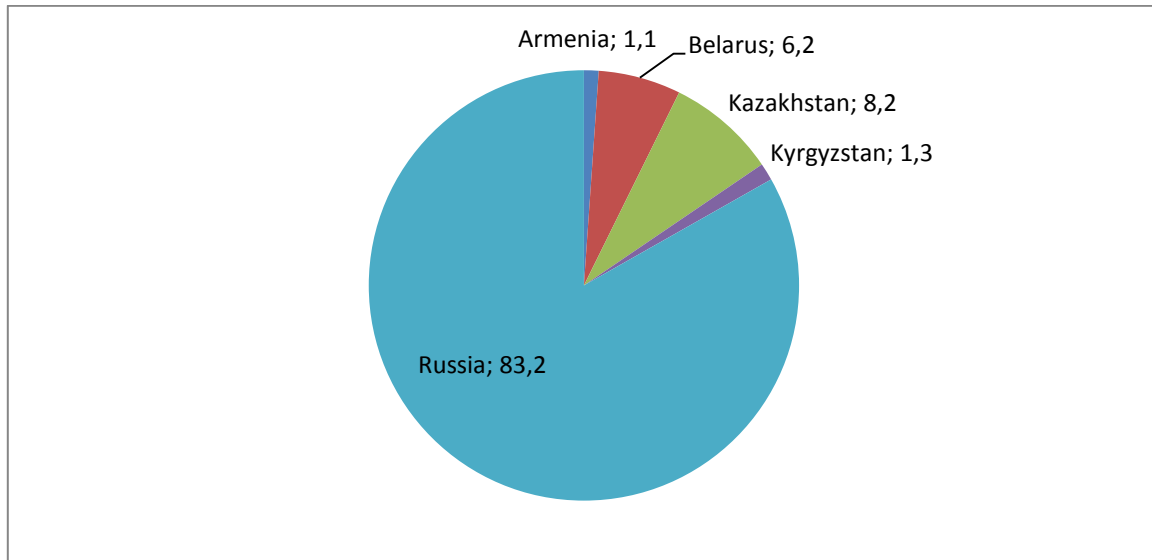
Figure 73: Structure of imports of the EEU by commodity aggregate with third countries in 2016 (as a percentage of the total, rounded up by excess)



Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskii Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 148

The top three goods that the EEU imported during the year 2016 were: machinery, equipment and vehicles (43.3%); chemical products (18.5%); and food and agricultural raw materials (13.2%).

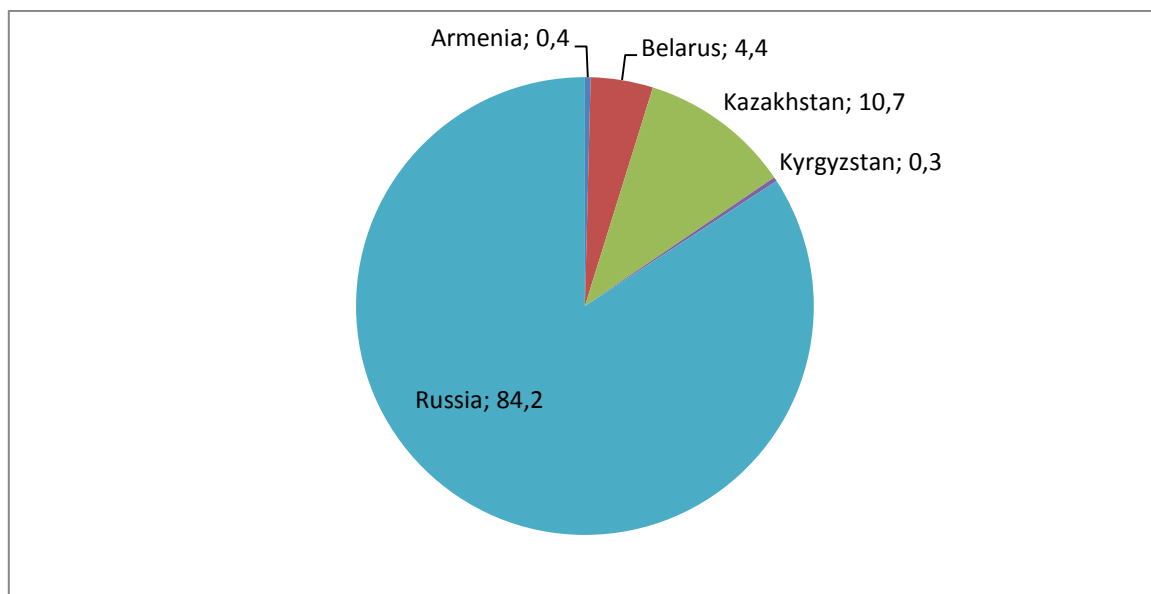
Figure 74: Contribution of the EEU members to the import with third countries in first quarter 2016 (as percentage of the total)



Source: Eurasian Economic Commission (2016): “*Eurasian Economic Integration: Facts and Figures*”. Library of Eurasian Integration. P. 16

Considering the first quarter 2016, The Russian Federation was the first country of the Union for the quota of imports with third countries (83.2%). The other members of the EEU contributed to the imports of the Union respectively: Armenia – 1.1%; Belarus – 6.2%; Kazakhstan 8.2%; and Kyrgyzstan – 1.3%.

Figure 75: Contribution of the EEU members to the export with third countries in first quarter 2016 (as percentage of the total)



Source: Eurasian Economic Commission (2016): “*Eurasian Economic Integration: Facts and Figures*”. Library of Eurasian Integration. P. 16

After the lecture of the figures about the extra-trade of the Union, the principal element that stands out is that the Russian Federation (84.2% in first quarter 2016) represents the core of the export of the entire Union. It explains, because its economic trends have direct influence on the other countries of the EEU. Indeed, during the first quarter 2016 the other member-states contributed to the export quota of the Union with third countries in comparison to Russia slightly: Kazakhstan – 10.7%; Belarus – 4.4%; Armenia – 0.4; and Kyrgyzstan – 0.7%. This passage means that the resolution of the economic challenges of last years must be a priority for the governments of the member-states in order to improve their internal economy and consequently of the Union entirely.

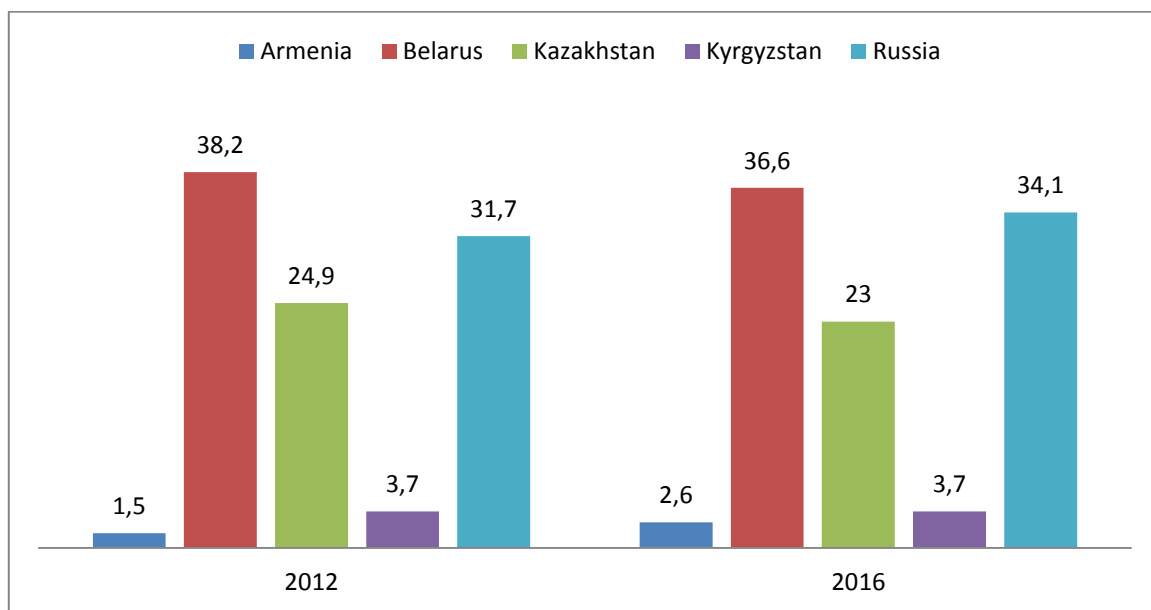
12.1 Considerations about the mutual trade of the Union and trade with third countries

After have examined the statistics of the intra and extra trade of the EEU, the following aim is to understand if the mechanisms of the Union are really working, and if in the first two years the member-countries have known positive effects in their mutual trade.

As thought by the three founders of the EEU, the Union, through the establishment of common markets, has the main target to modernize the national economies of the member-states and to improve their commerce, increasing the intra-trade of the Union directly. But, taking into account

the data of the EEC, the EEU has not yet developed a consolidated system of interaction between its associates and the import and export quotas in the mutual trade rest lower than the values of the extra-trade. In consideration of these aspects, the aim of this paragraph, through the examination of precise figures, wants to demonstrate the actual slow influence of the EEU on the internal trade of its members.

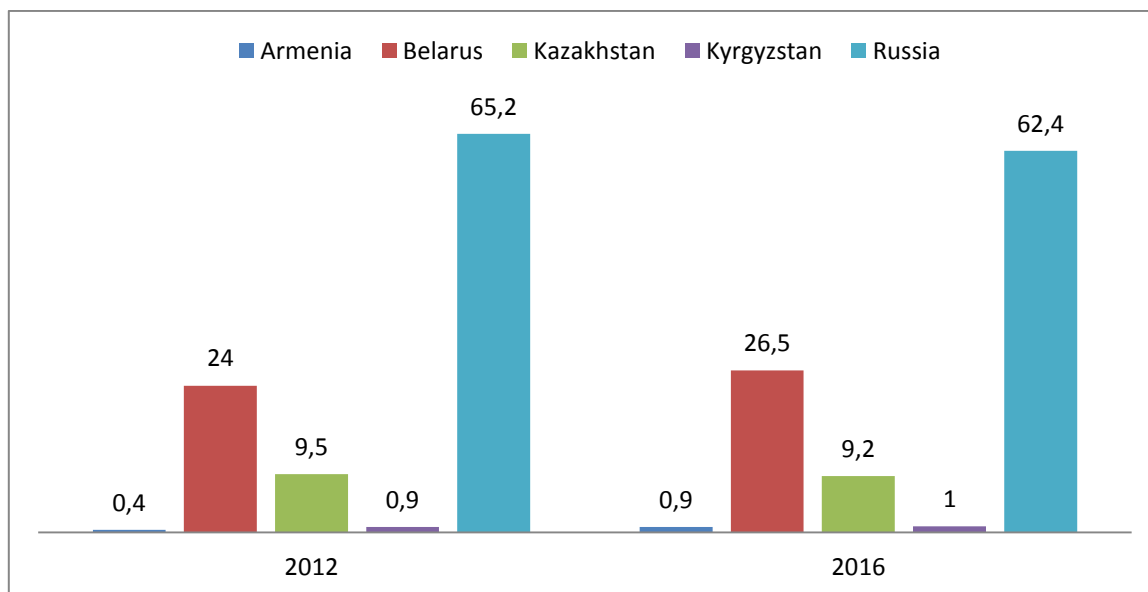
Figure 76: Percentage of the shares of the member-states in the total volume of imports in the mutual trade of goods 2012-2016



Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 149

The imports of the member-countries in the period 2012-2016 have not identified special changes in their mutual trade – only a tenuous increment in Armenia from 1.5% (2012) to 2.6% (2016) and Russia from 31.7 (2015) to 34.1% (2016). Instead, Belarus and Kazakhstan have diminished their import quotas from the other participants of the Union, registering in the period 2012-2016 a difference by -1.6% and -1.9% respectively.

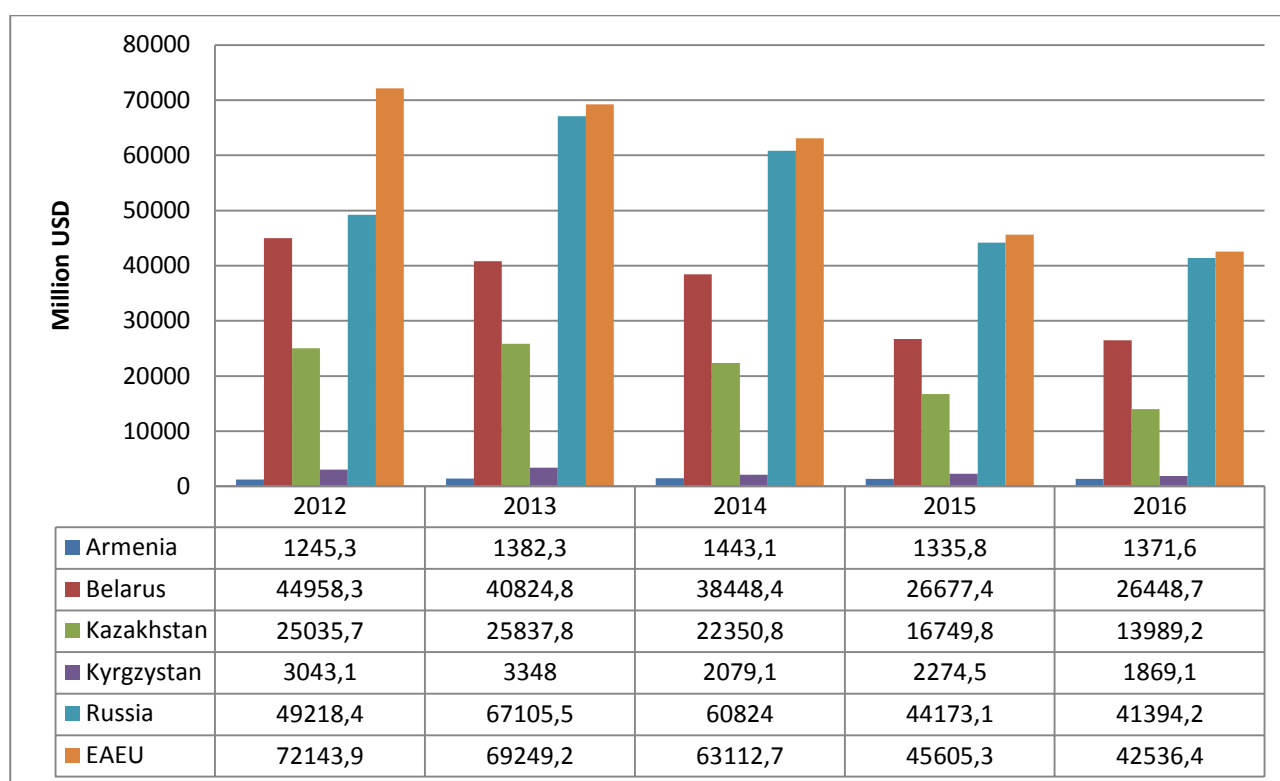
Figure 77: Percentage of the shares of the member-states in the total volume of exports in the mutual trade of goods 2012-2016



Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 149

That the EEU’s internal market has met difficulties in its development, is even possible to discover in the volume of exports between the period 2012-2016, where only Belarus registered an increment of its exports in the territory of the Union from 24% (2012) to 26.5% (2016). A part Belarus, whose slow increment can be justified because of the re-export of agricultural items to Russia due to the Russian economic embargo against the EU, the other members of the Union have diminished their export quotas within the Union – significant is the value of Russia, that, due to the economic shocks of last years, decreased its export quota from 65.2% (2012) to 62.4% (2016).

Figure 78: Mutual trade of the member-countries for goods in million USD 2012-2016



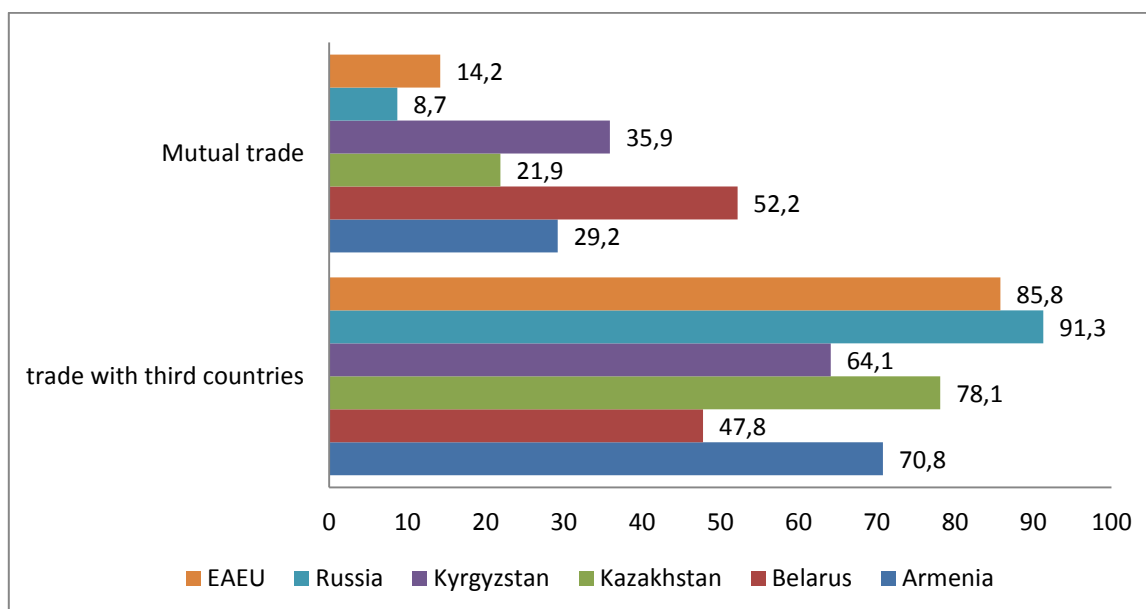
Source: own calculation through the data of the Eurasian Economic Commission as reported in: Yevraziskaya Ekonomicheskaya Kommissiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 149

In figures, this negative trend, especially since 2013, is confirmed observing every country of the EEU (even for Belarus which economy is connected to Russia predominantly) and analyzing the aggregated volume of mutual trade of the Union for goods, that from 2012 to 2016 recorded a progressive drop of its turnover: from 72 143.9 USD million (2012) to 42 536.4 USD million (2016) with a decrease by – 29 607.5 USD million.

Concerning these data, we can make two considerations: 1) the statistics of the EEC show as the intra-trade between the country-members is almost inexistent – especially if we considerate the turnover of the year 2016 for trade between Armenia-Belarus (36.1 USD million), Belarus-Kyrgyzstan (52 USD million) or Kyrgyzstan-Armenia (1 USD million); and 2) the tenuous progresses about the improvement of the mutual trade is a proof that the economic integration between the member-countries is moving slowly – instead to enhance their mutual trade in the first years of the functioning of the Union, the member-states have known an increment of their trade with foreign countries. In fact, in the first two years of work of the EEU, the Union has not known an increment of the export quotas of its members in the mutual trade, confirming consequently the

necessity for the Union to import from third countries – a factor that still marks the market of the EEU subordinated to the other world economies.

Figure 79: Distribution of intra and extra trade for goods of the EEU in 2016 (as a percentage of the total)



Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 150

Taking into analysis the year 2016 and confront the intra and extra trade of the Union, it can be immediately notated the enormous difference between the aggregated volume of the mutual trade of the EEU (14.2%) and the trade with foreign countries (85.8%). This fact demonstrates as the member-countries depend on imports from third countries largely and consequently as the actual participants have not profited from the internal market of the Union seriously. In confirmation of these assertions, can be reported the thesis advanced by Professor Zagorsky: *“The amount of reciprocal trade between the member states of the EEU is not particularly significant. The lion’s share of economic exchange between EEU members falls to third countries⁵⁸⁰”*. This affirmation can be explained considering the fact that within the Union are still present obstacles that hinder the economic cooperation between its members, penalizing their mutual trade subsequently. It means that there are barriers that must be eliminated. In a classification of these obstacles, the *“White Report”* of the year 2016 has already detected numerous barriers, and the

⁵⁸⁰ (Ed.) Hett F. and Szkola S. (2015): *“The Eurasian Economic Union. Analyses and Perspectives from Belarus, Kazakhstan and Russia”*. In Friedrich Ebert Stiftung, February 2015. P. 5

Commission has started its work of removal consequently. In general, quoting the analysis of Li Ziguo, we can identify the principal obstacles in the mutual-trade: "1) "quota limit". Belarus looks forward to the complete elimination of limits to the quota of tariff-free oil supplied by Russia as soon as possible. But the energy producer insists that the quota system should be kept until 2025. 2) "Technical barriers". For example, Kazakhstan is a large alcohol producer. But the protection of their own wine markets by Russia and Belarus makes it difficult for its alcohol products to be exported in large quantities to the two countries. And Kyrgyzstan complains that its quarantine certificate is not recognized by other countries. 3) "Connected but not smooth". To prevent sanctioned Western goods from entering Russia through Kazakhstan and Belarus, Russia has strengthened its border checks. Due to Russia's sanctions on Turkey, goods exported from countries like Kazakhstan cannot travel through Russia⁵⁸¹".

Considering these data, it can be argued that the EEU since 2015 has not played a decisive role on the economic development of its associates. A partial justification can come from the adverse world economic conditions of last years, as the drop of oil price or the Russian embargo against the EU, that have caused an economic stagnation on all the member-countries, limiting their economic expansion because their direct linkage to the Russian market.

The first conclusion that we can trace is the circumstance that the EEU during 2015-2016 has known a slow process of unification of the legislations of the member-states that, in addition to the economic recession, has affected the mutual trade negatively, bringing any considerable effect in the development of their mutual commerce in the first biennium of the Union. In consequence of that, we should ascertain that the EEU has still the core of its commerce in the extra-trade, testifying a strong dependence of imports to exports – a reason that gives serious doubts about the possibility of the Union to occupy a determinant place in the world market in next years.

13 *The expansion of the EEU through the Free Trade Zones*

Before continuing the economic examination of the Eurasian Economic Union is essential to considerate the necessity for the Union to cooperate with third countries economically, because the extra-trade, still representing the most consistent part of the commerce of the member-countries, is thus essential for the economic growth of the Union in the world economy. Indeed, as underlined by Dr. Vinokurov: "The EAEU with a GDP of \$2 trillion (just the 3.2% of global GDP) and

⁵⁸¹ Ziguo Li (2016): "Eurasian Economic Union: Achievements, Problems and Prospects". In China Institute of International Studies, 19.08.2016. http://www.ciis.org.cn/english/2016-08/19/content_8975486.htm (last view: 15.9.2017)

*a population of 182 million people (including 93 million gain fully employed people) is not a self-sufficient market*⁵⁸². For this reason the Union requires to cooperate economically with the other world economies in order to promote the expansion of its trade worldwide. To achieve this target, the EEU is moving through the creation of free trade zones that have the advantage to form a network of interaction with foreign countries by the introduction of agreed economic facilitations by the utilization of a facilitated fiscal regime and reduction or elimination of custom duties.

Institutionally, the negotiations about the realization of a free trade zone are conducted both by the EEC and any of the member-states that may initiate negotiations between the Eurasian Economic Union and a third country. A potential partner may also make a proposal to start negotiations. The initiator of such negotiations should provide a statement of reasons, indicating the possible advantages for the establishment of a FTZ Agreement. After receiving the statement, the EEC makes an expert assessment and collects the opinions of the participants. If all members agree that the prospects of the agreement are interesting, they form a joint research group (JRS) comprising the representatives of the EEU's countries, the EEC, and the interested partner. The work carried out by the JRS is the preparation for negotiations; here, experts study the economies of the parties and the parameters of their external and mutual trade, and search for the areas that are of mutual interest for the participants. After that, their task is to develop a draft scheme of future arrangements. Following the results of its work, the JRS presents a detailed report about the feasibility of negotiations regarding the FTZ. On the basis of this report, the Presidents of the EEU's countries decide on the launch of negotiations. If the decision is positive, the EEC Council approves the directives for negotiations at the level of vice prime ministers. Then, the representatives of the EEC, the member-states and the future FTZ partner elaborate the text of the agreement and decide on future obligations and concessions. The negotiation process itself is a good background for the development of mutual trade on a bilateral basis by the participating states. Based on the expected simplification of market access, the entrepreneurs start to actively establish business contacts and elaborate establishing a distribution network in order to be the first ones to take the advantages of the free trade⁵⁸³.

⁵⁸² Vinokurov Evgeny (2017): *"Eurasian Economic Union: Current state and preliminary results"*. In Russian Journal of Economics 3 (2017). P. 66

⁵⁸³ Library of the Eurasian Economic Commission (2016): *"Eurasian Economic Integration: Facts and Figures"*. P. 64 [http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20\(%D0%90%D0%BD%D0%B3%D0%BB\).pdf](http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20(%D0%90%D0%BD%D0%B3%D0%BB).pdf) (last view: 23.04.2017)

In this direction, the first concrete accomplishment is represented by Vietnam, whose FTZ was ratified in November 2015⁵⁸⁴. From the side of the EEU, according to the former Chairman of the Board of the Eurasian Economic Commission Viktor Khristenko, the comprehensive agreement, which will reduce and in some cases eliminate customs duties on 87% of goods traded between the two parties, is expected to boost trade between Vietnam and Eurasia to more than 10 USD bn. by 2020 from its present level around 4 USD 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. The EEU members, particularly Russia, are looking to sell technology, mineral resources and cars in Vietnam⁵⁸⁵, with the intent to expand their technological market. Legally, the agreement provides that by 2025 the average customs tariff rate in the EEU will decline from 9.7% to 2%; and in Vietnam from 10% to 1%. According to the agreement, the import duties are slashed to zero for approximately 60% of mutual trade positions. After the transition period until 2020, the share of zero-duty items will have increased to 88%⁵⁸⁶.

Nowadays, according to Veronika Nikishina, Minister in charge for Trade of the EEC, the trade between the EEU and Vietnam, is developing constantly: *“Over just five months of 2017, the total goods turnover between the EEU and Vietnam amounted to almost USD 2 billion, demonstrating 26.6% growth⁵⁸⁷”*. In consequence of that, we can evaluate positive the first FTZ of the EEU.

Figure 80: Ongoing work on EEU trade and economic agreements as of November 1, 2016

| | |
|---|--|
| Active FTA | Vietnam (November 2015) |
| Negotiating mandates | China (mandate for a non-preferential treaty granted in May 2016); Iran and Israel |
| Potential candidates (work teams, expression of interest, memorandums) | Egypt; India; Cambodia; Mongolia (joint research group in operation); Peru; Singapore; Chile; South Korea (joint research group in operation); New Zealand (advanced negotiations cancelled in 2014) |

Source: Vinokurov Evgeny (2017): “Eurasian Economic Union: Current state and preliminary results”. In Russian Journal of Economics 3 (2017). P. 66

⁵⁸⁴ On May 30, 2015, in Kazakhstan, the EAEU and Vietnam signed an agreement establishing a free trade area (FTA), stipulating, inter alia, special operating procedures applicable to joint production facilities located in that country.

⁵⁸⁵ (Edit.) Hans-Jürgen Zahorka (2016): “Eurasian Economic Union”. LIBERTAS - Europäisches Institut GmbH / EEU Observatory. Issue 3 / 2016 (3rd quarter 2016). P.33

⁵⁸⁶ Cf. Vinokurov Evgeny (2017): “Eurasian Economic Union: Current state and preliminary results”. In Russian Journal of Economics 3 (2017). P. 65

⁵⁸⁷ “Development of free-trade zones with Vietnam, India and Iran will be discussed at the Eurasian Week Forum”. In Eurasian Week <http://www.eurasianweek.org/news4-eng.html> (last view: 01.09.2017)

In general, the system of the FTZs of the EEU works together with the free trade zones and territories with privileges of the member-states, aimed to attract more foreign companies. These areas provide investors with tax and customs privileges, allowing saving up to 25-30% of expenses on the stage of project's realization. The business regulation in FTZs, except for customs regulation, is referred to the national competence of the EEU's member-states. It means application of different sets of privileges and preferences in the national territory. Belarus for example, through its facilitated tax regimes for foreign investors, already started to adopt initiatives on facilitating the investment conditions actively: 1) tax free profits on all goods and services for five years, then a 50% discount. The discounted rate cannot exceed 12%; 2) 50% discount on VAT – this does not extend to the VAT at a preferential rate of 10 (9.09) % and 0%; 3) no customs duties and taxes on imported equipment and goods to be used within the FEZ (Free Economic Zone). The manufactured goods are freely exported; 4) preferential terms of land lease; and 5) free disposition of currency earnings⁵⁸⁸. Nowadays, practically all the Belarusian territory is the complex of successfully functioning preference zones with these favorable investment conditions, i.e.: FEZs⁵⁸⁹, industrial park "Great Stone" and other zones including those located in small towns and countryside⁵⁹⁰.

In the panorama of the Union, the creation of a preferential agreement network to ensure beneficial trade relations with partners in different regions of the world is a priority task in the area of the EEU's trade policy, as instrument to expand its commerce worldwide. Indeed, In accordance with the initiative of the President Nazarbayev, the year 2016 was declared the "Year of Deepening Economic Relations of the Union with Third Countries and Key Integration Associations." The meaning of this concept is that the Eurasian Economic Union should become an open economic community, organically integrated in the global economic system as a reliable bridge between Europe and advancing Asia⁵⁹¹.

This idea, as proposed by Nazarbayev, would have the goal to create a favorable integration of third countries in their economic cooperation with the EEU easily. Unfortunately, such system of

⁵⁸⁸ "Free Economic Zones (FEZ)". In Ministry of Economy of the Republic of Belarus.

<http://www.economy.gov.by/en/cez-en/> (last view: 01.09.2017)

⁵⁸⁹ FEZ Brest (1996), FEZ Vitebsk (1999), FEZ Gomel-Raton (1998), FEZ Grodno invest (2002), FEZ Minsk (1998) and FEZ Mogilev (2002).

⁵⁹⁰ Cf. The MFA of Republic of Belarus (2015): "Belarus' Presidency in the EAEU bodies in 2015. 40 frequently asked questions". P. 16

⁵⁹¹ Library of the Eurasian Economic Commission (2016): "Eurasian Economic Integration: Facts and Figures". Pp. 62-63 [http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20\(%D0%90%D0%BD%D0%B3%D0%BB\).pdf](http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20(%D0%90%D0%BD%D0%B3%D0%BB).pdf) (last view: 23.04.2017)

open economy rests still nowadays difficult to reach. Principally because it requires, as underlined even by the Kazakh President, the adjustment of the internal regulation of the Union, as the improvement of the customs regulations in the Union's Customs code, the simplification of customs administration procedures for participants of foreign economic activity, or the creation and implementation of "single window" mechanisms for export and import transactions. Thus, agreeing with Nazarbayev, the still present problem of the member-states for their national and world expansion is the lack of use of tools as technical, customs and tariff regulation that could facilitate the diversification of the economies of the member-states, in full conformity with the WTO rules⁵⁹². Consequently, we can assert as the system of the EEU rests still incomplete for its expansion world-wide because of the still existing diversification of the national economies and legislation of the participants of the Union. The Belarusian economy for example, remains mostly state controlled (the 70%⁵⁹³); while for example in Russia the interests of the oligarchs could collide with a facilitated import and export tariff with third countries, that could be contrast with their economic monopolies (especially for the energetic market) in the country and in all Eurasian region.

However, this volition to maintain a differentiated regime in the trade with third countries finds a direct confirmation in the article 102 of the Treaty, which expresses as "*Notwithstanding the provisions of Article 35 of this Treaty, the Member States may unilaterally grant preferences in trade with a third party on the basis of an international treaty concluded by the respective Member State with such a third party before January 1, 2015 or an international treaty to which all the Member States are participants*"⁵⁹⁴". These provisions give thus preference to bilateral accords between every member-state and a third country. A justification of the Legislator for this arraignment can be explained as the volition to not collide with the own interests of the member-countries in their foreign trade, without prejudicing them by a rapid application of a general regulation that could bring negative effects for their trade with foreign countries, but instead to allow them to continue the concession of preferences in their commerce with third countries in order even to not demotivate their accession and participation to the Union.

⁵⁹² Cf. "Message from Nursultan Nazarbayev, the President of the Republic of Kazakhstan, to heads of the Member States of the Eurasian Economic Union. In *Eurasian Economic Commission*". 20.02.2016

<http://www.eurasiancommission.org/en/nae/news/Pages/10-02-2016-2.aspx> (last view: 02.09.2017)

⁵⁹³ "Belarus". In Index of Economic Freedom 2017. <http://www.heritage.org/index/country/belarus> (last view: 02.09.2017)

⁵⁹⁴ Treaty on the Eurasian Economic Union. P. 124

Though, the aim of the EEU is to expand its economic apparatus compactly and to create FTZs in order to further enlarge its role in the world scenario. For that the Commission is trying to encourage the member-states to renegotiate existing bilateral trade agreements and conclude new ones according to the interests of the EEU, intended as an economic block.

In this direction another example is represented by Iran, whose Free Trade Zone agreement should be finalized at the end of 2017. Specifically, the FTZ with Iran, which will apply lower import duties on a number of agricultural goods from Iran – including pistachio nuts, dates and raisins –, as stressed by Zamir Kabulov, head of the second Asian department of Russia's Foreign Ministry, could give a serious impetus to the development of bilateral economic ties between Iran and the EEU⁵⁹⁵. In August 2017 Iran and Armenia, in the context of the EEU, have signed a memorandum of understanding to broaden cooperation between Iran's Aras and Armenia's Meghri free trade zones. According to the report from Arka, as reported in the article of Lee John, the establishment of the free economic zone in the southern Armenian Meghri, near the border with Iran, is estimated to cost 32 USD million, of which 28 USD million is capital expenditure. The free economic zone is expected to create 2.500 new jobs and increase Armenian exports by 30%⁵⁹⁶. From its side Iran hopes too that through the FTZ with the Union its agricultural market, especially in direction of Russia, exploiting the actual Russian embargo against the EU, could increase positively, creating a solid link in the axis Moscow-Tehran. In fact, as stressed by Foy Henry, the Iranian country represents even an important pawn for the geopolitical strategy of Moscow. Nowadays, the two countries co-operate on a number of geopolitical issues, most notably in the war in Syria. Moreover, they have sought to deepen their relationship since the EU and US imposed sanctions on Moscow in 2014⁵⁹⁷. In this sense, Iran can play a double role in the scenario of the EEU: from a hand can expand the partnerships of the community, and from the other side can be a solid ally of Russia for its geopolitical ambitions and an economic reliable partner.

Also Indonesia, as confirmed by Indonesian Minister of Foreign Affairs Retno Marsudi during his speech with the Belarusian Ambassador Extraordinary and Plenipotentiary Vladimir Lopato-Zagorsky in July 2017, expressed its volition to access in the preferential economic system of the

⁵⁹⁵ "Iran, Eurasian Economic Union discuss details of free trade zone agreement". In TASS, Russian News Agency. <http://tass.com/economy/930080> (last view: 02.09.2017)

⁵⁹⁶ Lee John (2017): "Armenia and Iran Cooperate on Free Trade Zones". In Iran Business News, 23.08.2017. <http://www.iran-bn.com/2017/08/23/armenia-and-iran-cooperate-on-free-trade-zones/> (last view: 02.09.2017)

⁵⁹⁷ Foy Henry (2017): "Eurasian Economic Union close to free-trade deal with Iran". In Financial Times, 29.05.2017. <https://www.ft.com/content/e2d7da8c-3ee8-11e7-9d56-25f963e998b2?mhq5j=e1> (last view: 15.07.2017)

EEU, quoting Belarus as a key partner of Indonesia among the other members of the Union⁵⁹⁸. Belarus shares with Indonesia a trade turnover of 101.2 USD million, with 83.9 USD million of exports in 2016⁵⁹⁹. A possible negotiation of FTZ with Indonesia would be hence promoted from Belarus according to the agricultural market, creating a privileged tariff for the imports and exports of agricultural items between the two countries principally. For the entire EEU the accession of Indonesia – with a GDP of 932.259 USD bn. and a population of 261 million inhabitants⁶⁰⁰ – could have a positive significance too in order to have a new economic trade-partner and to further expand its trade in direction Southeast Asia.

13.1 *The cooperation with the European Union, possible to achieve?*

A deep and stable economic integration with the European Union would be extremely important for the Eurasian Economic Union, especially in consideration of the fact, that a consistent part of the economic partners of the Union are European countries: in 2015 the EEU-EU foreign trade recorded a volume of 283.1 USD billion, accounting the EU for over 50% of total exports and over 40% of total imports of the EEU⁶⁰¹.

Concerning a possible cooperation between these two organizations, we must reflect about the relationship between Russia and the EU firstly. In this background, is possible to observe, that, apart the Partnership and Cooperation Agreement (PCA), which entered into force in December 1997 and wanted to provided Russia the perspective of participation in the EU's internal market through sectorial agreements in the fields of steel, transit, energy and textile; and the strategy of June 1999 "*Common strategy of the EU towards Russia*", to try inserting Russia in the European social economic space; the relationship between the two parts did not develop significantly. Rather the contacts between the two parts knew moments of tensions as: during Russian intervention in Georgia in August 2008, seen from Brussels as a tentative of Russian aggression to Georgia; or the gas crisis between Russia and Ukraine in 2009 that led to a level of mistrust within the EU about the reliability of Moscow as an energy supplier. From the European side, the launch

⁵⁹⁸ "*Indonesia names Belarus key partner in EAEU*". In Belta, 20.07.2017 <http://eng.belta.by/economics/view/indonesia-names-belarus-key-partner-in-eaeu-103479-2017/> (last view: 24.07.2017)

⁵⁹⁹ "*Trade and Economic Relations with the Republic of Indonesia*". In Embassy of the Republic of Belarus in the Republic of Indonesia. http://indonesia.mfa.gov.by/en/bilateral_relations/trade_economic/ (last view: 03.09.2017)

⁶⁰⁰ "*Indonesia*". In the World Bank <https://data.worldbank.org/country/indonesia> (last view: 03.09.2017)

⁶⁰¹ Library of the Eurasian Economic Commission (2016): "*Eurasian Economic Integration: Facts and Figures*". P. 68 [http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20\(%D0%90%D0%BD%D0%B3%D0%BB\).pdf](http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20(%D0%90%D0%BD%D0%B3%D0%BB).pdf) (last view: 23.04.2017)

of the European Neighborhood Policy (ENP) and the Eastern Partnership (EAP) in 2009 for six countries of the former Soviet Union (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine), with the aim to promote democratic, human rights, rule of law and market oriented reforms, was seen from Moscow, according to the study of Schäffer, as an European tentative to encircle Russia in the post-Soviet area⁶⁰².

Politically, it means, that, starting from a presupposition of contrast between the EU and Russia and the volition of Russia to occupy a consolidated leadership in the Eurasian Region without external obstacles that could weaken its position towards the post-Soviet states, the relationship of Moscow to Brussels rests still nowadays distant (i.e. the ENP and the EAP have never found an application in Russia); and the relationship Russia-EU is maintained for economic interests exclusively (Russia is one of the EU's largest suppliers of energy. In 2013, it accounted for 39% of its natural gas imports⁶⁰³). Therefore, regarding these facts, can be confirmed that the realization of the EEU is a clear tentative of Russia to incorporate post-Soviet states in a mechanism similar to the EU, contrasting in the same time the possible interaction and involvement of the EU in the national systems of the Eurasian states, giving thus only Russia a straight domain over the post-Soviet region.

For the truth, must be even ascertained as the European implications through the EAP in the actual associates of the EEU, Armenia and Belarus, did not know during the last decade an extraordinary progress. Indeed, Armenia decided in September 2013 to not sign the Association Agreement with the EU, acceding afterwards to the Eurasian Economic Union, in order to have a military support from Russia for the ongoing Nagorno-Karabakh conflict. For Belarus, although the existence of a European financing in favor of the country connected with the ENP, in order to promote democracy and human rights, a serious development of the European-Belarusian relationship is not yet occurred. In fact, considering the European amount in favor of Belarus (from 5 million Euro of 2007 to 15.8 million Euro in 2013), programmed in the "*country strategy paper 2007-2013 and national indicative program 2007-2011*", just a very low part of the sum was used: specifically in favor of the civil society and to help the areas located in the south of the country, as Gomel oblast, contaminated after the Chernobyl-disaster. The problem with Belarus is a fundamental mismatch and contradiction in values, goals and instruments between the European

⁶⁰² Cf. Schäffer Sebastian (2011): "*The EU-Russia relations and the Eastern Partnership*". Presentation résumé for the conference "*The European Neighbourhood Policy: Aims and Impact*". University of Leicester, 18.06.2011. P. 6

⁶⁰³ "*Supplier countries of the European Union*". In the European Commission.

<https://ec.europa.eu/energy/en/topics/imports-and-secure-supplies/supplier-countries> (last view: 27.09.2017)

and the Belarusian side. Moreover, Minsk remains an historic ally of Moscow, another reason that has excluded an involvement of Belarus in the European politics and conduced Minsk to sign the Treaty of the Eurasian Economic Union.

In addition, Armenia and Belarus (the two countries geographically further West of the actual participants of the EEU and that could have a direct implication in the EU's policy), that, according to the World Bank, totalized in 2016 a GDP of 47.43 USD bn. and 10.547 USD billion respectively, rest two economic models still different from the European counterparts, a reason that justifies their accession to the EEU than a possible implication in European politics. Precisely, if from a side Belarus produces relatively stable (its GDP is e.g. higher than its neighbors: Lithuania 42.74 USD bn. or Latvia 27.68 USD bn.), from the other side must be stressed as the still Sovietized Belarusian system of production (more incline to Russian standards of production that to the Europeans) or the political misunderstandings between Minsk and Brussels (regarding especially democratic issues), are principal issues that are still blocking a further cooperation between Belarus and the EU – as even considered by the tenuous utilization of the European budget of the EAP in the country in the previous years. In the case of Armenia, its economic model, already with Kyrgyzstan the weakest in the context of the EEU, could thus meet difficulties in its integration with the European standards of production. In this direction, we can argue that the accession to the EEU, with the possibility to develop its market with Russia and the opportunity for its inhabitants to work in the Russian territory without barriers, can be interpreted as a suitable choice for Armenia, in order to obtain privileges in the Eurasian market especially from Russia.

Considering Russia, although the turbulent relationship between Moscow and Brussels, the two parts, specifically for their economic interests (despite the embargo, in 2016 the European Union exported goods for a total of 72.4 Euro bn. to Russia, which in turn exported goods for 116.7 bn. Euro to the EU⁶⁰⁴), need to find a compromise. Actually, as reported by Dr. Vinokurov, during the EU-Russia summit of January 2014, President Putin had advanced the idea about the establishment of a FTZ through the system of the EEU with the EU, underlining the important position of the European countries for the development of the EEU trade. This proposal was embraced in February 2014 by Nazarbayev, showing a direct interest of the EEU to institute a particular tariff regime with the EU. Successively, in September 2014, former European Commissioner for Enlargement and Neighborhood Policy, Štefan Füle, started to support the

⁶⁰⁴ "Trade with Russia". In European Commission <http://ec.europa.eu/trade/policy/countries-and-regions/countries/russia/> (last view: 04.09.2017)

possible negotiation of a free trade with the EEU officially, recognizing that the problems of Eastern partnership cannot be solved without the Russian participation⁶⁰⁵.

But, analyzing the current situation, the Ukrainian crisis has further mined the relationship between Moscow and Brussels, with the consequence that the economic expansion of the EEU toward the West Europe is nowadays in a stagnant phase. In fact, the last Russian geopolitical decisions were hardly criticized by Brussels. Precisely, Viktor Khristenko, during his charge of Chairman of the EEC, formally requested negotiations with the European Commission in October 2015. But, the European Commission President Jean-Claude Juncker responded with a letter to President Putin in November 2015 that held out the possibility of cooperation with the EEU under certain conditions. The most controversial points criticized by the European Union are: 1) the dispute over Crimea's status and the conflict in eastern Ukraine; 2) Russia's opposition to decisions by Ukraine, Moldova and Georgia to pursue political association and economic integration with the EU; and 3) the desire of non-Russian EEU members to maintain or enhance bilateral relations with the EU, rather than negotiate through the EEU⁶⁰⁶.

Reflecting about the Crimea annexation, as reported in the study of Hans-Jürgen Zahorka, this event has brought about an internal division in the geopolitical debate in the relationship EU-EEU between who sees the EEU as a model of engagement, as the Socialism and Democratic Party, that support the idea that the creation of a common economic area "*from Lisbon to Vladivostok*" could democratically contribute to the amelioration of their relations; and who, as the Alliance of Liberals and Democrats for Europe, that value the EEU as a model of containment for the relations between EU and Russia, that through a deeper economic cooperation could make further steps for the respect of democracy in Russia⁶⁰⁷.

Taking into account the desire of the EEU's members to maintain bilateral relations with the EU, Armenia has decided to cooperate within the mechanisms of the EEU for more military than economic reasons, but the EU remains Armenia's main trading partner, accounting for around 26% of Armenia's total trade. The EU continues to be Armenia's biggest export market with 29.6%

⁶⁰⁵ Cf. Vinokurov Evgeny (2014): "*Mega Deal Between the European Union and the Eurasian Economic Union*". In: Russia in Global Politics, No. 4.18 December, 2014. P. 1

⁶⁰⁶ Cf. International Crisis Group (2016): "*The Eurasian Economic Union: Power, Politics and Trade*". Europe and Central Asia Report N°240 | 20 July 2016. Pp. 19-20

⁶⁰⁷ Cf. (Edit.) Hans-Jürgen Zahorka (2016): "*Eurasian Economic Union*". LIBERTAS - Europäisches Institut GmbH / EEU Observatory. Issue 3 / 2016 (3rd quarter 2016). P. 7

share in total Armenian exports and 24% share in total imports⁶⁰⁸. For that, Armenia would like to continue cooperating through bilateral accords with the EU that represents, even due to the low influence of the EEU mutual trade on its national economy, a reliable economic partner. Same discourse and volition to conduct free bilateral accords with the EU is possible to apply for Belarus: the EU is Belarus' second main trade partner with almost a one third share in the country's overall trade⁶⁰⁹, and Belarus for that cannot renounce to its trade with the European countries. Moreover, Belarus, due to its geographical position, considered as bridge between the East and West, and its predisposition to organize events with European representatives (especially of economic interaction but even politic as host country for the pacific resolution of the Ukrainian conflict through the Minsk-Protocol), has become since last years an important platform to connect the EEU with the EU, as underlined by Tatyana Valovaya, Member of the Board for Integration and Macroeconomics of the Eurasian Economic Commission, *"Minsk is becoming an important point of the Union where major international events are arranged"*⁶¹⁰. Through this statement, can be ascertained, that the organization of events and the volition to cooperate with the European authorities could be a significant step for a better interaction not just for Belarus but even for the other member-countries with their European counterparts, promoting a direct economic collaboration.

The economic cooperation could be favorable also for the EU. In fact, observing the economic situation from the European side, the EU is the largest trade partner for Russia and Kazakhstan: more than one half of the Russian Federation's trade volume is attributable to the EU; and Russia, in turn, is the European Union's third largest trade partner.

Specifically, according to Dr. Vikokurov, for the EU a close economic cooperation with the EEU assumes a fundamental importance too: *"1) the EEU is the European Union's third-largest trading partner after the U.S. and China. 2) Security issues, including those of our shared neighborhood, can only be addressed within the scope of cooperation with EEU countries. 3) Ongoing structural dependence on Eurasian hydrocarbons. 4) In general, the free trade regime with the EEU will provide the EU producers with an opportunity not only to strengthen their competitiveness on this*

⁶⁰⁸ "EU-Armenia relations". In European Union External Action. Brussels, 27.02.2017.

https://eeas.europa.eu/headquarters/headquarters-homepage_en/4080/EU-Armenia%20relations (last view: 04.09.2017)

⁶⁰⁹ "Trade with Belarus". In European Commission <http://ec.europa.eu/trade/policy/countries-and-regions/countries/belarus/> (last view: 04.09.2017)

⁶¹⁰ "Minsk described as good platform for dialogue between European Union, Eurasian Economic Union". In Belta, 6.10.2017 <http://eng.belta.by/politics/view/minsk-described-as-good-platform-for-dialogue-between-european-union-eurasian-economic-union-105654-2017/> (last view: 09.10.2017)

important market but also to enhance terms of trade on the markets adjacent to the Eurasian Union. The combination of the EU and EEU competitive advantages will create a change to realize the 'double rent' – both technological rent for the EU and the resource rent for its Eurasian counterpart. This will lead to higher competitiveness of all economies adjacent to the Lisbon to Vladivostok framework⁶¹¹". In this direction, according to the Centre for Integration Studies of the Eurasian Development Bank and the International Institute for Applied Systems Analysis it is essential to step up efforts to normalize and develop relations between the European Union and the Eurasian Economic Union⁶¹².

Concluding, in consideration of these facts we can recognize that a possible cooperation EEU-EU would be profitable for both parts. Indeed the EU, through a FTZ with the EEU (by a reduction in non-tariff barriers, the removal of restrictions on trade in services, capital movement and labor flows or the application of trade facilitation policies principally) could increase its investments in Eurasia, playing a decisive role in modernizing the countries of the Eurasian integration project⁶¹³.

Nowadays Germany, the Netherland and Italy, represent a considerable part of the trade of the member-states of the EEU. Though, must be affirmed that at the moment the situation of further expansion rests blocked and not just because of the Ukrainian crisis or misunderstanding between Moscow and Brussels, but even because a complete negotiation between the EEU and the EU will be possible only when all the member-countries will be part of the WTO (thus after the accession of Belarus). Moreover, according to Dr. Vinokurov, a realistic estimate of the duration of EU-EEU negotiations would take from 5 to 8 years: *"In order to have a chance at toasting a signed agreement in the mid-2020s, it is vital to sit down to the negotiating table as soon as the political situation allows"*⁶¹⁴. In general the relationship between the two organizations would be profitable for both parts economically, although its realization is not yet easy to be achieved, at least in the short period.

13.2 The partnership with China

In consideration of the actual difficulties for the EEU to deal with the EEU, the most considerable relationship in the global economic scenario for the Union is actually represented by China.

⁶¹¹ Vinokurov Evgeny (2014): *"Mega Deal Between the European Union and the Eurasian Economic Union"*. In: Russia in Global Politics, No. 4.18 December, 2014. P. 3

⁶¹² (Edit.) Hans-Jürgen Zahorka (2016): *"Eurasian Economic Union"*. LIBERTAS - Europäisches Institut GmbH / EEU Observatory. Issue 3 / 2016 (3rd quarter 2016). P. 9

⁶¹³ Cf. Vinokurov Evgeny (2017): *"Eurasian Economic Union: Current state and preliminary results"*. In Russian Journal of Economics 3 (2017). P. 66

⁶¹⁴ Cit. Loc. Vinokurov Evgeny (2014). P. 7

Indeed, China has a great significance for the trade of the member-countries (15.4% of the EEU turnover is connected with China), so a straight cooperation can be profitable for both parts: China is already a particularly important partner for Belarus, Kazakhstan and Kyrgyzstan; while for China the Central Asian states are decisive for its economic plan to implement the *Silk Road Economic Belt*, which crosses Central Asia to Europe and has for this aim a budget of 40 USD billion of promised investments in infrastructure for trade routes from Western China through Central Asia and Russia to the Middle East and Europe⁶¹⁵.

Besides, according to Dr. Popescu, for China the partnership with the Union has at least positive effects to not perturb the status quo in Central Asia: *“Its calculation is that the EEU would not disrupt its projects and investments in the states of Central Asia – from acquisitions of raw materials to the building of gas pipelines, roads and railways – which are not subject to tariff restrictions. And the states of Central Asia, from either inside the EEU or outside, would continue hedging and navigating between Russia and China. [...] Thus, from a Chinese perspective the EEU is not necessarily seen as a positive development, but at the end of the day its effects are still manageable^{616”}.*

Comprehensively, the cooperation between China and the member-countries is developing since 2012 concretely, when were signed two Memoranda of Cooperation with the Chinese Ministry of Commerce on trade and cooperation in the field of anti-dumping, countervailing and safeguard measures. In 2013-2014, due to regular expert consultations, the parties managed to settle some disputable mutual trade issues at the initial stage. Furthermore, the interests of both manufacturers from the Union countries and Chinese exporters were taken into account. Since 2012, the Eurasian Economic Commission has been working on the arrangement of information exchange with China. In autumn 2013, Chinese President Xi Jinping announced the launch of *“Silk Road Economic Belt”* (SREB) project. The main objective of the project is cooperation in trade, transport and investment, reinforcing, modernizing and expanding transport infrastructure.

In practice, the functioning and development of international transport corridors, connecting Siberia with central and western regions of China as well countries of Central and South Asia, involve coordinated policy aimed at the elimination of administrative, technological, technical and economic burdens. For EEU members the SREB provides an inflow of investment in modernization

⁶¹⁵ Cf. Vinokurov Evgeny (2014): *“Mega Deal Between the European Union and the Eurasian Economic Union”*. In: Russia in Global Politics, No. 4.18 December, 2014. P. 18

⁶¹⁶ Popescu Nicu (2014): *“Eurasian Union: the real, the imaginary and the likely”*. In European Union Institute for Security Studies. Chaillot Paper Nr. 132 — September 2014. P. 25

of transport infrastructure to strengthen mutual trade between the countries of the Union and increase their investment attractiveness⁶¹⁷.

In May 2015, the Presidents of the member-states of the Eurasian Economic Union decided to negotiate with China an agreement on trade and economic cooperation for further progress in the area of trade simplification and elimination of non-tariff barriers. Successively, in June 2016, the EEC Minister in charge of Trade Veronica Nikishina and the Chinese Minister of Commerce Gao Hucheng signed a joint statement on the transition to the negotiation stage of the Agreement development, with the target to promote cooperation, and ensuring operation of the developed cooperation institutions on a broad cooperation agenda⁶¹⁸. Specifically, according to the words of Nikishina, "*The parties plan to comprehensively develop bilateral trade rules in a number of key areas, including technical regulations, customs regulations, intellectual property and others*"⁶¹⁹. In this regard, the aim of the EEU is to create a solid level of cooperation with China, in order to strengthen their trade.

In consideration of the Silk Road project, in the year 2015 Russian President Vladimir Putin and Chinese leader Xi Jinping have signed a decree on cooperation in tying the development of the Eurasian Economic Union with the Silk Road economic project. The importance of this agreement is possible to evince from the words of Putin: "*The integration of the Eurasian Economic Union and Silk Road projects means reaching a new level of partnership and actually implies a common economic space on the continent*"⁶²⁰. The positive side for the EEU connected with this project, is that China will invest 5.8 USD billion in the construction of the Moscow-Kazan High Speed Railway. The building of this infrastructure will have the positive meaning to facilitate the transport field of the Union and consequently its economic trade. To further stress the compact base of cooperation between Russia and China, can be mentioned the agreement between Gazprom and China's National Petroleum Corporation (CNPC) that in 2015 fixed the basic conditions of gas supplies from Russia to China through the Western route, determining the main technical and commercial

⁶¹⁷ Cf. Library of the Eurasian Economic Commission (2015): "*Transport Potential of the Eurasian Economic Union*". P. 43 http://www.eurasiancommission.org/ru/Documents/transport_eng.pdf (last view: 12.03.2017)

⁶¹⁸ Cf. Library of the Eurasian Economic Commission (2016): "*Eurasian Economic Integration: Facts and Figures*". P. 65 [http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20\(%D0%90%D0%BD%D0%B3%D0%BB\).pdf](http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20(%D0%90%D0%BD%D0%B3%D0%BB).pdf) (last view: 23.04.2017)

⁶¹⁹ "EAEU and China Ready to Move to Negotiations on Agreement on Trade and Economic Cooperation". In Eurasian Economic Commission, 27.06.2016. <http://www.eurasiancommission.org/en/nae/news/Pages/28-06-2016-1.aspx> (last view: 06.09.2017)

⁶²⁰ "Russia, China agree to integrate Eurasian Union, Silk Road, sign deals". In RT business. 10 May, 2015. <https://www.rt.com/business/256877-russia-china-deals-cooperation/> (last view: 16.05.2017)

parameters of supply along the prospective Power of Siberia 2 pipeline. Afterward, this agreement was completed on July 4, 2017, when Gazprom and CNPC signed a Supplementary Agreement to the Sales and Purchase Agreement for Russian gas supplies via the eastern route, defining the starting date for the deliveries. According to this document, gas supplies to China via the Power of Siberia gas trunk line will begin in December 2019⁶²¹.

From the financial side, to give exactly more a solid center to the relationship between Russia and China within the mechanisms of the EEU, in 2015 the Russian Sberbank – Russia’s biggest lender – signed a facility agreement with China’s Development Bank in the amount of 966 USD million⁶²². The consolidation of a Eurasian market with the help of China could even intensify the partnership through the EEU and the Shanghai Cooperation Organization (SCO). This could have the advantage to further expand the Union to the East, attracting other central Asian states, as Azerbaijan or Uzbekistan, for a possible accession to the Union. In consideration of this aspect, could be argued that the volition of China is to maintain an economic control over Eurasia, letting a more political integration of the Asian states under the control of Moscow. Indeed, the two parts do not want obstacle each other in Eurasia; rather their objective is to cooperate and embrace the Eurasian states together economically (China) and politically (Russia). The agreement with Gazprom for the Russian supply of gas to China, the Silk-road project and the negotiations for a Chinese FTZ with the EEU, are examples that show as the two countries want to collaborate in the heart of Eurasia without collisions.

In addition, the benefits of the Chinese partnership with the EEU and its importance for a further development of the member-countries can be attested analyzing their economic relationship with Beijing. Belarus, which met especially in last decade difficulties to create a politic dialogue with the Western due on the conditions of democracy imposed, found in China a reliable and less critic partner for the development of the country. Here, can be observed that also China has its own aims to invest in the territory of the Union, trying to invest its export credits in railway, highway construction and development of industrial zones principally, in order to create an environment of communication and economic channel of interaction to the West part of Europe. Regarding Belarus – next to the biggest opera about the creation of Chinese Industrial Park in Belarus – already in 2011, as attested by the reaserch of Prysmakova Palina, *“The Chinese Exlm Bank started to credit the Belarusian Railway for the import of Chinese electric freight locomotives and the*

⁶²¹ “China”. In Gazprom Export. <http://www.gazpromexport.ru/en/partners/china/> (last view: 06.09.2017)

⁶²² “Russia, China agree to integrate Eurasian Union, Silk Road, sign deals”. In RT business. 10 May, 2015. <https://www.rt.com/business/256877-russia-china-deals-cooperation/> (last view: 16.05.2017)

electrification of the railway on the sections Homieĺ-Źlobin- Asipovičy and Źlobin-Kalinkavičy. Further, in spring 2013, the Belarusian Ministry of Finance redirected the Chinese loan of more than 322 million US dollars from Export-Import Bank to its MahilioŹ Voblast's department "MahilioŹaŹtadar". The export credit has been used for reconstruction project of the highway M-5 / E 271 Minsk - Homieĺ on the site Babrujsk – Źlobin. In addition, Chinese and Belarusian parties signed a 102 USD million loan for Intelligent Transport System in Minsk, which involves improvement projects on M-2 highway that leads to Minsk National Airport and M-9 highway, which is a ring road around the capital⁶²³". The Chinese investments in Belarus can increase in successive years considerably, if would be even taken into consideration the future construction of the largest industrial park of Europe "Great Stone", with a Chinese investment of 5.5 USD billion. The project is aimed at the potential of Belarus as a communication link between the CIS and Europe, China and Europe with a prevision in the long term that the annual exports can reach 50 USD billion⁶²⁴.

Even the economic relationship between Kazakhstan and China is nowadays solid, concerning the fact that China is one of Kazakhstan's four major countries-trade partners (in 2016, trade turnover between the two countries constituted 16% of Kazakhstan's total foreign trade volume). In the period January-September 2016 the Chinese investment in the country amounted to 623.9 USD million – seven times higher than in 2015⁶²⁵. In confirmation of this positive trend, must be observed, as reported by Aliyeva Kamila, that the trade with China amounted to 1.313 USD billion in January-February 2017, including 717.553 USD million of Kazakhstan's exports and 595.631 USD million of Kazakhstan's imports⁶²⁶.

Nowadays, in order to increase the economic dialogue, the Kazakh and Chinese governments are planning to increase the capacity of international border crossings Dostyk-Alashankou and Altynkol-Khorgos. Moreover, the parts have agreed to construct a railway connecting the Altai and Tacheng counties. Besides, as explained by Omirgazy Dana, under the One Belt, One Road

⁶²³ Prysmakova Palina (2015): "Why Does China Invest in Belarus? Billions of loans From Perspective of Chinese Local Governments". In Belarusian Political Science Review Vol. 3 (2014–2015). Pp. 21-22

⁶²⁴ "Belarus, China into active phase of Great Stone project". In Belarusian Television Channel CTV. <http://en.ctv.by/en/1501668545-belarus-china-into-active-phase-of-great-stone-project> (last view: 07.09.2017)

⁶²⁵ Omirgazy Dana (2017): "Kazakh Economy Saw Sharp Increase in Chinese Investment in 2016". In The Astana Times, 31.01.2017 <http://astanatimes.com/2017/01/kazakh-economy-saw-sharp-increase-in-chinese-investment-in-2016/> (last view: 22.08.2017)

⁶²⁶ Aliyeva Kamila (2017): "Kazakhstan's main trade partners: Russia, EU and China". 18 April 2017. <https://www.azernews.az/region/111632.html> (last view: 22.08.2017)

initiative, the volition of the two parts is to establish more terminals in the international logistics zones at Lianyungang port, Inche-Burun station and Bandar Abbas port⁶²⁷.

Taking into account Kyrgyzstan, as underlined by First Deputy Prime Minister of Kyrgyzstan Mukhammetkaly Abulgaziev, China is among the main trade partners of Kyrgyzstan and Chinese investments have in the years contributed to the economic development of the country significantly. China is Kyrgyzstan's second-largest trading partner after Russia. Chinese investments in Kyrgyzstan amounted to 120 USD million in the first 8 months of 2016, 57.5% more compared to the same period in 2015. Among the Chinese investment projects in the country, can be underlined the Junda and Tokmok oil refineries in the Chui province, Taldybulak Levoberezhny deposit, construction of the North-South motor road, reconstruction of the Bishkek thermal power plant, rehabilitation of the street network in Bishkek, and construction of a hotel in Osh in the south of the country⁶²⁸ – all projects that demonstrate the strong Chinese engagement in the country.

In general, after the lecture of these data, is possible to assert, that China is a great investor in the countries of Eurasia with a constant increasing amount of its investments (as in Kazakhstan) yearly, exploiting from a side the Russian economic difficulties of last years, to exercise an economic domain in the region; and counterpoising from the other side the strong Russian position mostly toward the smallest countries of the Union, as Kyrgyzstan. Thus, China represents decisive partner for the economic development of the EEU. It is mostly because of: 1) the geographical position of China as direct neighbor partner of the Union; 2) the grandeur of the Chinese market as investor in the territory of the EEU; and 3) the volition of China to expand its economy using the channel of the Union to reach the Western market easily.

14 The Eurasian Development Bank and the banking sector of the member-states

Concerning the banking sector of the Union, must be before introduced and analyzed the Eurasian Development Bank and its role. The EDB, located in Almaty, was conceived by the Presidents of the Russian Federation and Kazakhstan and established in 2006 officially. Armenia, Belarus and Kyrgyzstan became full members of the Bank respectively in 2009, 2010 and 2011 (Tajikistan enjoyed the Bank too in 2009). In the first article of the Agreement establishing the Eurasian

⁶²⁷ Omirgazy Dana (2017): "Kazakh Economy Saw Sharp Increase in Chinese Investment in 2016". In The Astana Times, 31.01.2017 <http://astanatimes.com/2017/01/kazakh-economy-saw-sharp-increase-in-chinese-investment-in-2016/> (last view: 22.08.2017)

⁶²⁸ "China and Kyrgyzstan to Boost Trade, Investment". In China Invests Overseas, 17.10.2016 <http://www.china-invests.net/20161017/42111.aspx> (last view: 11.07.2017)

Development Bank, is précised the scope of this organization: *“The Eurasian Development Bank (hereinafter “Bank”) is hereby established to foster the strengthening and development of market economy in the member states of this Agreement and to enhance trade and economic integration among them by engaging in investment activities. The Bank shall promote international financial and economic co-operation through participation in the activities of other international financial and banking institutions and unions⁶²⁹”*.

Consequently, the aims of the Bank that can be read nowadays in relationship to the EEU are principally: 1) the financial coordination of the member-states in order to develop their internal economy; and 2) to favorite their economic integration.

The functions of the EDB are listed in the second article of the Annex to the Agreement Establishing the Eurasian Development Bank dated 12 January 2006: *“The Bank should have the following functions: engaging in investment activities for the benefit of socioeconomic development of the member states, by financing projects and programs, providing guarantees, and holding interest in authorized capital of other organizations, using for that purpose its own capital, funds raised on international or national financial markets, or other available resources; consulting the member states in matters related to economic development, efficient use of resources, and enhancing trade and economic ties, and collecting and analyzing information in the area of national and international finance; liaising with international organizations, states, national institutions and entities of the member states or other countries interested in financing economic development; and other activities not contradicting its purpose, as stated in the Agreement, bilateral agreements made between it and the member states or their central (national) banks or other authorized bodies, or international banking practices⁶³⁰”*.

On the whole, the Bank has a function of financing projects for the development of the countries of the Union, providing loans in hard currencies and the national currencies of the member-states. The Bank may provide loans jointly with international financial institutions, commercial banks, or other interested institutions. Moreover, it provides as banks guarantee and hold interest in authorized capital of other organizations.

In the article 5 of the Annex is indicated the capital of the Bank: *“The authorized capital stock of the Bank shall be one billion five hundred million (1,500,000,000) US dollars divided into one million five hundred thousand (1,500,000) shares having a par value of one thousand (1,000) US*

⁶²⁹ Agreement establishing the Eurasian Development Bank (Astana, 12 January 2006). P. 1

⁶³⁰ Annex to the Agreement Establishing the Eurasian Development Bank dated 12 January 2006. Pp. 1-2

dollars each. Each paid share shall confer the right to cast one vote⁶³¹. On May 2017, the cumulative investment portfolio of the Eurasian Development Bank was 5.604 USD billion, and its current investment portfolio amounted to 2.450 USD billion⁶³². Currently, the Bank's charter capital totals 7 USD billion, including 1.5 USD bn. of paid-in capital and 5.5 USD bn. of callable capital. The Bank has provided financing totaling more than 5.3 USD bn. to investment projects in its member-states⁶³³.

On 24 May 2016, the Bank's Council approved the EDB's revised strategy for 2013-2017 focused on projects with an integration effect, in particular in the industrial sector. The Bank will concentrate its efforts on financing two types of projects: 1) projects with a strong integration effect and 2) national development projects. The priority areas for the Bank's investments are: the power sector; mechanical engineering; the chemical sector; mining; oil and gas; and infrastructure. The Bank's current investment portfolio is expected to total 3.3 USD bn. at end of 2017⁶³⁴.

Nowadays, the current key projects of the EDB are: construction of Unit 3 at Ekibastuz GRES in Kazakhstan (361 USD million); construction of the Tikhvin Freight Car Building Plant in Russia (170 USD million); construction of the Western High-Speed Diameter road in Russia (PPP project; 176 USD million); construction of a rolling mill at Belarusian Steel Works in Belarus (154 USD million); enhancement of iron ore outputs with the reserves from the lower levels of KMAruda's Korobki in Russia (90 USD million); financing production expenses of the Sokolov-Sarbai Mining Production Association (SSGPO) (Kazakhstan, 95 USD million); and construction of hydropower plants Beloporozhskaya HPPs 1 and 2, in Karelia (Russia, 72 USD million)⁶³⁵.

⁶³¹ Agreement establishing the Eurasian Development Bank (Astana, 12 January 2006). P. 3

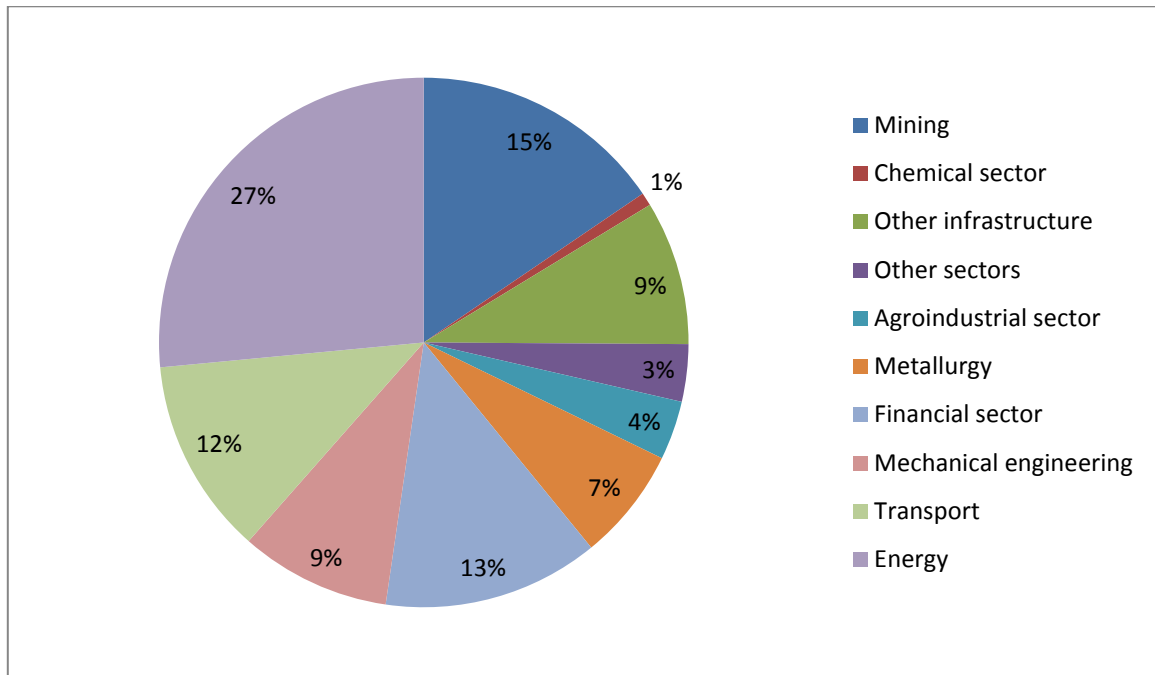
⁶³² Ibid. P. 5

⁶³³ "The Eurasian Development Bank". <http://www.eabr.org/e/about/> (last view 18.05.2017)

⁶³⁴ Eurasian Development Bank (2017): "Investing in Development and Integration". 01.05.2017. P. 4

⁶³⁵ Ibid. Pp. 6-7

Figure 81: Investment portfolio by sectors of the EDB



Source: Eurasian Development Bank (2017): *“Investing in Development and Integration”*. 01.05.2017. P. 9

The EDB provides even to guarantee protection from some of the risks resulting from changes in legislation and bank regulation in its member-states. Currently, according to the official data of the EDB, the investment portfolio of the Bank for the countries of the Union is so subdivided: Kazakhstan – 44.7%; Russia – 35%; Belarus – 17.6%; Armenia – 0.5%; and Kyrgyzstan – 0.2%⁶³⁶.

In consideration of the financial sector of the EEU, the participants of the Union determine the areas, forms and ways of harmonization of legislation related to taxes, affecting the mutual trade (first of all indirect taxes), including harmonization (convergence) of excise rates on most sensible excisable goods and further improvement of VAT levy system in mutual trade (including use of information technologies). Further, must be underlined as the improvement of the internal economies of the countries of the EEU depends even on their national banks and financial organizations.

⁶³⁶ Eurasian Development Bank (2017): *“Investing in Development and Integration”*. 01.05.2017. P. 8

Figure 82: number of banks in the member-states (at the end of the year, units)

Armenia

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------------------|------|------|------|------|------|
| Banks | 21 | 22 | 22 | 22 | 19 |
| Under foreign control | 15 | 15 | 14 | 13 | 9 |
| Bank branches | 477 | 485 | 509 | 522 | 523 |
| Representation of banks abroad | 2 | 3 | 3 | 3 | 3 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 154

Next to the Central Bank of Armenia, the bank system of Armenia is formed principally by: Armbusinessbank, ACBA-Credit Agricole Bank, Araratbank, Ameriabank, Ardshinbank, ArmEconBank, ArmSwissBank, Artsakhbank, Anelik Bank and Unibank. In the year 2016 Armenia had in its territory 19 official banks, with 523 branches. The banks under foreign control in the same year amounted to 9 and the Armenian banks in foreign countries were just 3. In a comparison between 2015 and 2016, the number of diverse banks presents in the Armenian territory decreased slightly, -3 banks; and -4 foreign banks.

Belarus

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------------------|------|------|------|------|------|
| Banks | 32 | 31 | 31 | 26 | 24 |
| Under foreign control | 23 | 22 | 20 | 16 | 14 |
| Bank branches | 105 | 94 | 65 | 41 | 39 |
| Representation of banks abroad | 8 | 8 | 9 | 9 | 8 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 154

With the National Bank of the Republic Belarus, the other principal banks operating in the Belarusian territory are: Belarusbank, Belinvestbank, BPS-Sberbank, Belagroprombank, Priorbank, Absolutbank, Alfa-Bank, Bank Moscow–Minsk, Bank of Investment Technologies, Bank of Reconversion and Development, Belagroprombank, Belarusian–Russian Belgazprombank, Belarusky Narodny Bank, Idea Bank, MTBank, Paritetbank, Trade Capital Bank, VTB Bank (Belarus) and Zepter Bank.

In the period 2012-2016 the numbers of banks in Belarus diminished constantly, passing from 32 banks in the year 2012 to 24 banks in 2016. However, the biggest decrease is visible in the branches of banks, that decreased from 2012 (105) to 2016 (39) by -66 banks. Focusing on Belarus, Russia is the biggest investor in the country and an important player in Belarus' banking sector. According to the Belarusian Statistics Committee, as reported by Astapenia and Balkunets, half of investments in the country come from Russia. Russian banks' finances played a significant role in the Belarusian economy especially at times of the economic crisis⁶³⁷, subsidizing the country in the period of austerity.

Kazakhstan

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------------------|------|------|------|------|------|
| Banks | 38 | 38 | 38 | 35 | 33 |
| Under foreign control | 19 | 17 | 16 | 15 | 14 |
| Bank branches | 362 | 378 | 395 | 346 | 343 |
| Representation of banks abroad | 13 | 12 | 11 | 8 | 6 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "*Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah*". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 154

The Kazakh bank sector is determined predominantly by: Kazkommertsbank, Halyk Savings Bank of Kazakhstan JSC, Bank Center Credit, ATF Bank, Eurasian Bank, Kaspi Bank, Subsidiary Bank "*Sberbank of Russia*", Citibank Kazakhstan, Nurbank, Tsesnabank, Fortebank, House Construction Savings Bank of Kazakhstan, Subsidiary Bank "*Alfa-Bank*", Kazinvestbank, Delta Bank, Subsidiary

⁶³⁷ Astapenia Ryhor and Balkunets Dzmitry (2016): "*Belarus-Russia Relations after the Ukraine Conflict*". In Belarus-Digest, Analytical Paper 5 | 1 August 2016. P. 13

Bank "Bank of China in Kazakhstan", Astana-Finance Bank JSC, Industrial and Commercial Bank of China in Almaty, AsiaCredit Bank, Shinhan Bank Kazakhstan and Qazaq Bank.

In a comparison between 2015 and 2016, the number of banks in Kazakhstan varied slightly: 35 (2015) against 32 (2016). The same tenuous changings are visible even in the number of foreign banks (-1) and in the bank branches (-3) present the Kazakh territory.

Kyrgyzstan

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------------------|------|------|------|------|------|
| Banks | 23 | 24 | 24 | 24 | 25 |
| Under foreign control | 9 | 11 | 11 | 13 | 11 |
| Bank branches | 278 | 287 | 293 | 314 | 324 |
| Representation of banks abroad | ... | 1 | 1 | 2 | 2 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 154

The National Bank of the Kyrgyz Republic or the local banks of Manas represent mostly the banking system of Kyrgyzstan. In detail between 2012 and 2016 for Kyrgyzstan there were not so many significant changings in the bank system, a part the diminishing of the bank branches (-10) from 2015 to 2016.

Russia

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------------------|-------|-------|-------|-------|-------|
| Banks | 956 | 923 | 834 | 733 | 623 |
| Under foreign control | 117 | 122 | 113 | 106 | 86 |
| Bank branches | 2 349 | 2 005 | 1 708 | 1 398 | 1 098 |
| Representation of banks abroad | 40 | 44 | 42 | 39 | 30 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 154

Between the numerous banks in Russia, the principal are: Sberbank, VTB, Gazprombank, Rosselkhozbank, Bank of Moscow, Alfa Bank, Nomos Bank, Unicredit, Rosbank, Promsvyazbank and Raiffeisenbank.

In the period 2012-2016 also the presence of banks in the Russian territory knew a drop, passing from 956 (2012) to 623 (2016) with a -333 institutes of credit. An important decrease in the considered period is possible to observe even in the foreign banks operating in the territory of Russia in 2016 (-31) and in the representation of the Russian banks abroad for the same period (-10).

EAEU

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------------------|-------|-------|-------|-------|-------|
| Banks | 1 070 | 1 038 | 949 | 840 | 724 |
| Under foreign control | 183 | 187 | 174 | 163 | 134 |
| Bank branches | 3 571 | 3 249 | 2 970 | 2 621 | 2 288 |
| Representation of banks abroad | ... | 68 | 66 | 61 | 49 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 154

The most consistent part of the banking system of the Eurasian Economic Union is represented by the Russian institutes of credit (especially the branches of Sberbank). Between the years 2015 (840) and 2016 (724), the decrease of banks in the Union was -116. In general during the year 2016 the foreign banks in the territory of the Union amounted to 134, the bank branches 2 288, with a representation in third countries of 49 banks.

Figure 83: Assets of the banks in USD billion

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------|------|------|------|------|------|
| Armenia | 6 | 7 | 7 | 7 | 8 |
| Belarus | 37 | 41 | 42 | 35 | 32 |
| Kazakhstan | 92 | 101 | 100 | 70 | 77 |
| Kyrgyzstan | 2 | 2 | 2 | 2 | 3 |

| | | | | | |
|-------------|--------------|--------------|--------------|--------------|--------------|
| Russia | 1 630 | 1 754 | 1 380 | 1 139 | 1 325 |
| EAEU | 1 767 | 1 906 | 1 532 | 1 253 | 1 445 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 155

In the year 2016 the assets of the banks in the EEU, e.g. cash and balances with treasury banks or net investments, totaled 1 445 USD billion, whose biggest part was represented from Russia with 1 325 USD billion, followed by Kazakhstan 77 USD billion, and Belarus 32 USD billion. Instead, Armenia with 8 USD bn. and Kyrgyzstan with 3 USD bn. are still confirming currently their weak role within the Union even for the bank asset.

Figure 84: Liabilities of the banks in USD billion

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|--------------|--------------|--------------|--------------|--------------|
| Armenia | 5 | 6 | 6 | 6 | 7 |
| Belarus | 32 | 36 | 36 | 31 | 28 |
| Kazakhstan | 79 | 87 | 87 | 63 | 68 |
| Kyrgyzstan | 2 | 2 | 2 | 2 | 2 |
| Russia | 1 429 | 1 539 | 1 239 | 1 075 | 1 170 |
| EAEU | 1 546 | 1 669 | 1 371 | 1 117 | 1 275 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 155

During the year 2016, the liabilities of the banks of the EEU, e.g. borrowings and deposits, registered 1 275 USD billion, increasing their passivity by 258 USD bn. in comparison to the previous year. In a general confrontation of the countries of the Union for the period 2015-2016, the member-states maintained constant values about their liabilities. The biggest changing was registered in Russia, passing from 1 075 USD bn. (2015) to 1 170 USD bn. (2016), with an increment of 95 USD billion.

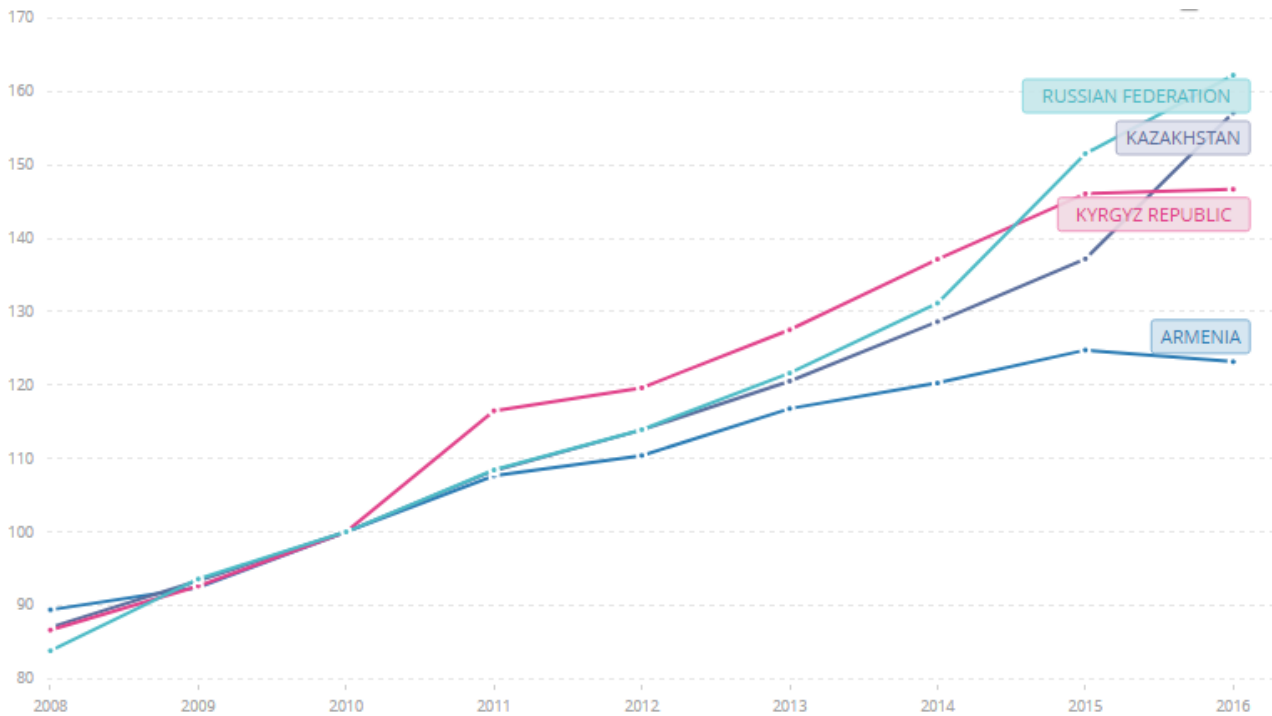
15 Prices, exchange rate and inflation in the EEU

Observing the monetary policy of the Union, it is crucial for EEU countries to pursue coordinated macroeconomic policies, in order to: 1) support macroeconomic stability; 2) contribute to the uniformity of principles governing the operation of the economy; and 3) ensure that the major

economic indicators are coordinated to boost sustainability and deepen the economic integration of the member-states.

The Astana Treaty provides the following three mandatory indicators: debt-to-GDP ratio, inflation rate, and budget deficit – although still nowadays the Union does not have a clearly defined mechanism that could be used to enforce these criteria⁶³⁸.

Figure 85: Consumer price index of the member-states 2007-2016⁶³⁹



Source: "Consumer price index (2010 = 100)". Economic data of the World Bank

<https://data.worldbank.org/indicator/FP.CPI.TOTL?end=2016&locations=AM-BY-KZ-KG-RU&start=2008&view=chart>

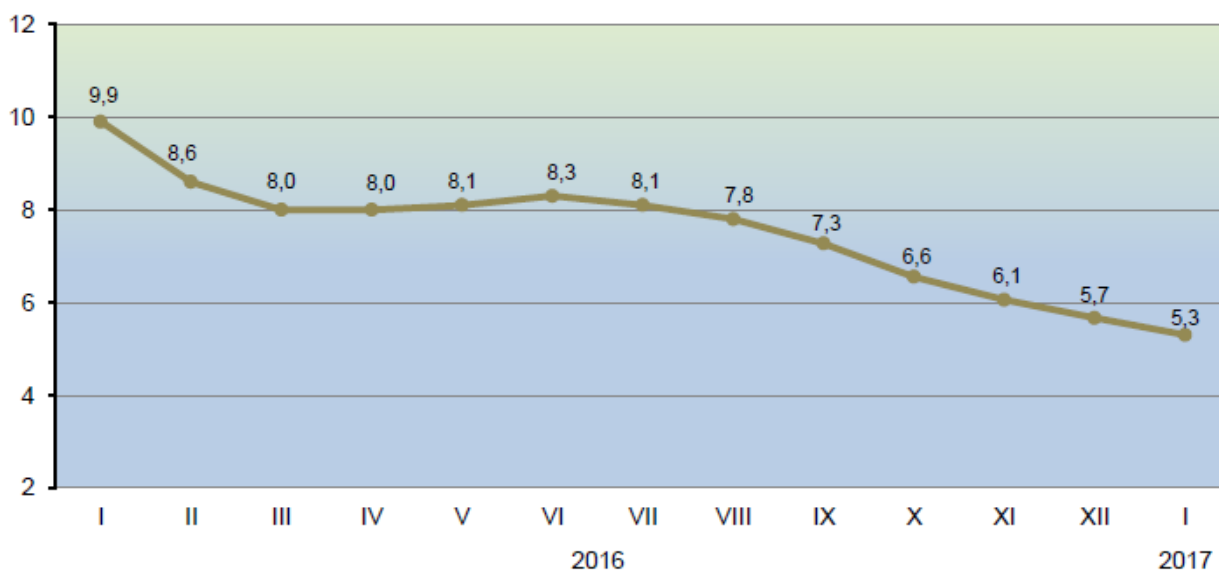
(last view: 07.09.2017)

According to the data of the World Bank, from the year 2008, corresponding to the beginning of the financial crisis, the prices within the territory of the Union knew a considerable growth, with a strong increase especially in Kazakhstan from 87% (2007) to 157.1% (2016) and in Russia from 83.8% (2008) to 162.2% (2016).

⁶³⁸ Cf. Vinokurov Evgeny (2017): "Eurasian Economic Union: Current state and preliminary results". In Russian Journal of Economics 3 (2017). P. 64

⁶³⁹ No available data for Belarus.

Figure 86: Trend of consumer prices of the EEU (as percentage to the corresponding month of the previous year)



Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Ob osnovnykh sotsial’no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuza”*. Yanvar’ 2017 g. Analiitscheskiy obzor 10 marta 2017 g. P. 33

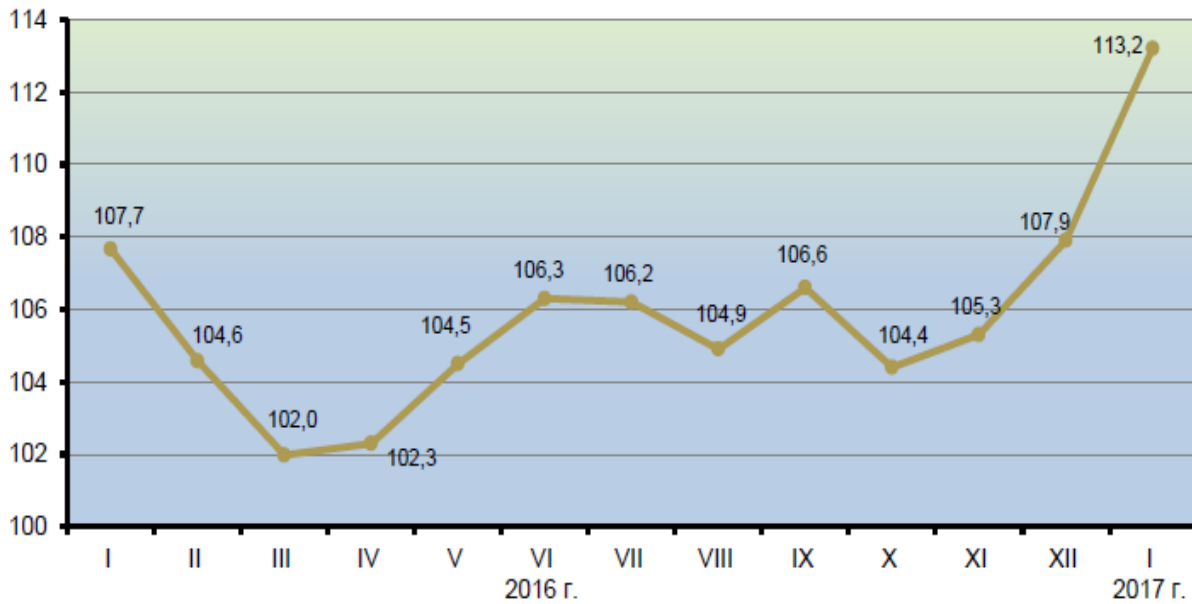
In the first years of the EEU, the index of the consumer prices has continued to grow constantly, especially in Armenia, Belarus and Kazakhstan. Precisely, according to the EEC, in January 2017, compared with December 2016, the largest increase in consumer prices in Armenia, Belarus and Kazakhstan accounted for food products (respectively, 6.7%, 1.2% and 1.2%) and in Kyrgyzstan for paid services (1.9%). Concerning Russia, the increase in consumer prices was very slight and accounted mainly for food products (0.9%)⁶⁴⁰.

Analog discourse is applicable to the manufacturers of industrial products, whose prices in last period increased for the Union generally: in January 2017 compared with December 2016 increased by 3.5%, from January 2016 by 13.2%⁶⁴¹.

⁶⁴⁰ Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Ob osnovnykh sotsial’no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuza”*. Yanvar’ 2017 g. Analiitscheskiy obzor 10 marta 2017 g. P. 33

⁶⁴¹ Ibid. P. 35

Figure 87: Trend of producer price of industrial products of the EEU (as percentage to the corresponding month of the previous year)



Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Ob osnovnykh sotsial’no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuza”. Yanvar’ 2017 g. Analiitscheskiy obzor 10 marta 2017 g. P. 36

According to the Eurasian Economic Commission, for January 2017, the growth rate of producer prices of industrial products was higher than in the same period of the previous year. The largest increase was observed in Kazakhstan – by 25.1% (in mining and quarrying – by 34.2%); Russia – by 12.7% (in extraction of minerals – by 25.2%); and in Belarus – by 9.8% (for water supply, sewage system, control over waste collection and distribution – by 22.1%; and in manufacturing industry – by 11.1%)⁶⁴².

Figure 88: Exchange rates of the Union 2012-2016 (per year, per unit of currency)

| | Armenian dram, average exchange rate | Belarusian ruble, average exchange rate | Belarusian ruble, weighted average rate | Tenge, average exchange rate | Som, average exchange rate | Russian ruble, average exchange rate |
|------|--------------------------------------|---|---|------------------------------|----------------------------|--------------------------------------|
| 2012 | | | | | | |

⁶⁴² Yevraziskaya Ekonomicheskaya Kommisiya (2017): “Ob osnovnykh sotsial’no-ekonomicheskikh pokazatelyakh Yevraziyskogo Ekonomicheskogo Soyuza”. Yanvar’ 2017 g. Analiitscheskiy obzor 10 marta 2017 g. P. 36

| | | | | | | |
|---------------|--------|-----------|-----------|--------|-------|-------|
| Russian ruble | 12,94 | 268,28 | 267,92 | 4,80 | 1,51 | – |
| USD | 401,76 | 8 335,86 | 8 369,71 | 149,11 | 47,00 | 31,07 |
| Euro | 516,38 | 10 713,07 | 10 777,94 | 191,67 | 60,44 | 39,94 |
| 2013 | | | | | | |
| Russian ruble | 12,88 | 278,85 | 278,40 | 4,78 | 1,52 | – |
| USD | 409,63 | 8 875,83 | 8 971,06 | 152,13 | 48,44 | 31,82 |
| Euro | 544,12 | 11 782,47 | 11 833,72 | 202,09 | 64,36 | 42,27 |
| 2014 | | | | | | |
| Russian ruble | 10,98 | 269,00 | 266,28 | 4,76 | 1,41 | – |
| USD | 415,92 | 10 215,50 | 10 260,18 | 179,19 | 53,65 | 37,97 |
| Euro | 552,11 | 13 574,50 | 13 220,30 | 238,10 | 71,27 | 50,46 |
| 2015 | | | | | | |
| Russian ruble | 7,89 | 260,57 | 262,37 | 3,61 | 1,06 | – |
| USD | 477,92 | 15 864,62 | 16 253,61 | 221,73 | 64,46 | 60,66 |
| Euro | 530,60 | 17 610,33 | 17 827,81 | 245,80 | 71,58 | 67,43 |
| 2016 | | | | | | |
| Russian ruble | 7,19 | 0,0297 | 0,0298 | 5,11 | 1,05 | – |
| USD | 480,49 | 1,99 | 2,00 | 342,16 | 69,91 | 66,90 |
| Euro | 531,85 | 2,20 | 2,20 | 378,63 | 77,39 | 74,06 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy

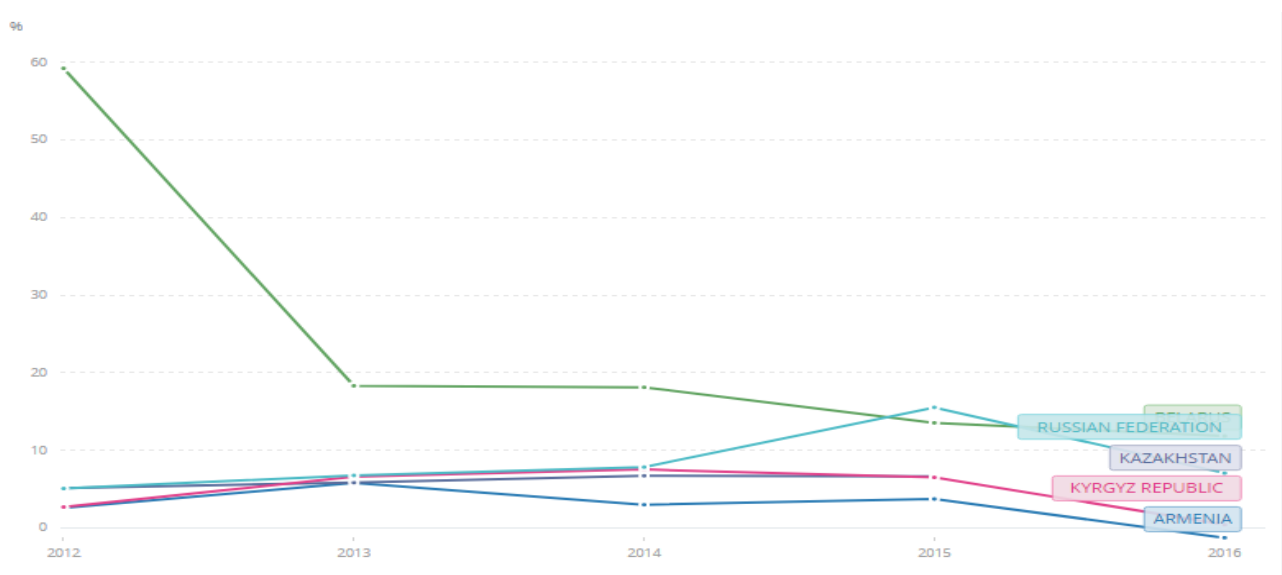
Statisticheskii Sbornik. Moskva, 2017. P. 163

In a general overview about the exchange rate of the EEU countries, the Russian ruble maintained a same value in the exchange rate of the other countries of the Union. A sensible change is perceivable in the Kyrgyz currency, where the exchange rate in proportion to the Russian ruble passed from 1.51 (2012) to 1.05 (2016). A marked change is possible to observe in Armenia, whose dram in relation to the Russian ruble had a fluctuation from 12.94 (2012) to 7.19 (2016). Russian detains the highest index of the Union, if compared to the other national currency of the other countries of the Union. It demonstrates from a side as the fluctuation of the prices in the member-

states depends from the course of the Russian ruble principally. For example in Kyrgyzstan, the negative output dynamics in Russia and devaluation of the Russian ruble led to the plunge of remittances in dollar terms by 25.8% in 2015, which in turn caused a decline in household consumption and private investment⁶⁴³. From the other side, the attenuation of the exchange rates of the EEU's countries in proportion to the Russian ruble can have the positive side to increment the mutual trade of the Union – especially the possibility for the smallest countries of the Union, as Armenia or Kyrgyzstan, to lead better their business with Russia.

Going further in the analysis, another statistic to examine is the inflation of the member-countries. These data have assumed since the global economic crisis of 2008 a notable negative significance within the Union, because of the devaluation of the Russian ruble, which comported in last years the stagnation and decreased of the diverse internal economies of the member-countries.

Figure 89: Inflation on consumer prices of the member-countries (%)



Source: "Inflation on consumer prices". Economic data of the World Bank

<http://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?contextual=default&end=2016&locations=AM-BY-KZ-KG-RU&start=2012&view=chart> (last view: 31.05.2017)

According to the data of the World Bank, in the period 2012-2016, the countries of the Union have decreased their inflation index sensibly, excluding Russia, which index passed from 5.1% in 2012 to 7.1% in 2016. The most marked decreased is visible in Belarus, that registered a changing of the index from 59.2% (2012) to 11.8% (2016).

⁶⁴³ Eurasian Economic Commission, Eurasian Development Bank (2016): "Economic Forecast for Member States of Eurasian Economic Union for 2016–2018". March 18, 2016. P. 8

As established in the EEU Treaty, the countries of the Union should implement the macroeconomic policy within the framework of indicators that define the sustainability of the economic development. In particular, according to the EEC, the inflation rate (consumer price index) per annum (December to December of the previous year) should exceed the inflation rate in the member-state with the lowest value by not more than 5%⁶⁴⁴.

Looking in detail the countries of the Union, in the last five years consumer price index dynamics in Armenia has been affected by a prolonged decline of energy and food prices, as well as an appreciation of the real effective exchange rate⁶⁴⁵. Armenia decreased its inflation rate from 2.6% (2012) to -1.3% (2016). However, nowadays consumer prices in Armenia increased 1.2% year-on-year in April of 2017, following a 0.1% drop in the prior month. It was the first rise in consumer prices since November of 2015, driven by higher cost of food and non-alcoholic beverages (5.9% from 3.4 percent in March 2017); transport (0.7 percent from -1%) and restaurants and hotels (0.2% from -0.6%)⁶⁴⁶.

Belarus experienced a high inflation rate from 2011 (53.2%) to 2012 (59.12), recording a firm decline only since 2013 (18.3%). These indexes confirm the high financial correlation of Belarus to Russia. Indeed, the high inflation rate in the Belarusian country can be read as a direct effect of the devaluation of the Russian ruble that comported a serious increment of the index of prices in Belarus. In 2015, the transition to the monetary targeting regime and flexible exchange rate facilitated the return of the real effective exchange rate to its equilibrium level. This helped to restore exports competitiveness, decreased inflation expectations and reduced current account deficit⁶⁴⁷. Now, consumer prices in Belarus increased 6.3% year-on-year in April of 2017, following 6.4% rise in the previous month. Exactly, inflation was steady for food (7.5%) and accelerated for services (8.3% from 7.7%)⁶⁴⁸. Regarding the Belarusian Republic, on 14 March 2017 the Commission Board adopted the recommendation *“On proposals of the Eurasian Economic Commission on measures aimed at reducing the level of inflation (consumer price index) in the Republic of Belarus”*. These recommendations, aimed to reduce the growth of consumer prices in

⁶⁴⁴ Eurasian Economic Commission (2015): *“The Eurasian Economic Commission recommended measures for the Republic of Belarus to reduce inflation.”* 15.03.2017 <http://www.eurasiancommission.org/en/nae/news/Pages/15-03-2017.aspx> (last view: 05.06.2017)

⁶⁴⁵ Eurasian Economic Commission, Eurasian Development Bank (2016): *“Economic Forecast for Member States of Eurasian Economic Union for 2016–2018”*. March 18, 2016. P. 3

⁶⁴⁶ *“Armenia inflation rate”*. In Trading Economics <https://tradingeconomics.com/armenia/inflation-cpi> (last view: 31.05.2017)

⁶⁴⁷ Cit. Loc. Eurasian Economic Commission, Eurasian Development Bank (2016). P. 4

⁶⁴⁸ *“Belarus inflation rate”*. In Trading Economics <https://tradingeconomics.com/belarus/inflation-cpi> (last view: 31.05.2017)

the country, as the decrease of the cost of producing and selling consumer goods and development of competitive consumer market, were developed due to the fact, that Belarus exceeded the quantitative threshold of the inflation rate, established by the EEU Treaty, which amounted to 112.8% in the 1st quarter of 2016, 112.1% in the 2nd quarter of 2016, 111.1% in the 3rd quarter of 2016, and 110.6% in the 4th quarter of 2016. Though, although a first drop of the inflation rate, the inflation in Belarus remains still high. Indeed, in February 2017 the inflation reached 107%, which is higher than the value specified in the Treaty by 2.2% points (p.p.)⁶⁴⁹.

The inflation in Kazakhstan passed by 5.1% (2012) to 8.5% (2016). Specifically, the tenge depreciation in the second half of 2015 and beginning of 2016 alongside transition to a floating exchange rate regime led to a spike in imported goods prices (especially of nonfood products). As result, inflation reached 11.9% in the fourth quarter of 2015⁶⁵⁰. Nowadays, consumer prices in Kazakhstan increased 7.5% year-on-year in April of 2017, following 7.7 % rise in March, staying however at its lowest level since September 2015 as cost rose at a slower pace for: household equipment (6.8% from 7.2% in March); clothing and footwear (7.6% from 8%) and transport (9.1% from 9.4 %) ⁶⁵¹.

Kyrgyzstan knew in the period 2012-2016 a decrease of its inflation rate, decreasing its percentage from 2.7% to 0.4% respectively. Observing the actual situation in the country, consumer prices rose by 3.8% year-on-year in April of 2017, compared to 2.8% increase in the previous month. It was the highest inflation rate since November of 2015, driven by higher prices of: non-alcoholic beverages (4.3% from 1.8% in March); transport (0.5% from 0.1%) and restaurants and hotels (1.7% from 1.6%)⁶⁵².

The negative trends of the Russian economies of last years – basically connected with the drop of oil price – had negative impact on the economic growth of the country as well on the inflation rate⁶⁵³, which rate increased from 5.1% (2012) to 7.1% (2016). Currently, consumer prices in Russia increased by 4.1% year-on-year in April 2017, easing from a 4.3% rise in the previous month

⁶⁴⁹ Eurasian Economic Commission (2015): “*The Eurasian Economic Commission recommended measures for the Republic of Belarus to reduce inflation.*” 15.03.2017 <http://www.eurasiancommission.org/en/nae/news/Pages/15-03-2017.aspx> (last view: 05.06.2017)

⁶⁵⁰ Eurasian Economic Commission, Eurasian Development Bank (2016): “*Economic Forecast for Member States of Eurasian Economic Union for 2016–2018*”. March 18, 2016. P. 6

⁶⁵¹ “*Kazakhstan inflation rate*”. In Trading Economics <https://tradingeconomics.com/kazakhstan/inflation-cpi> (last view: 31.05.2017)

⁶⁵² “*Kyrgyzstan inflation rate*”. In Trading Economics <https://tradingeconomics.com/kyrgyzstan/inflation-cpi> (last view: 31.05.2017)

⁶⁵³ Cf. Cit. Loc. Eurasian Economic Commission, Eurasian Development Bank (2016). P. 10

and below market expectations of 4.2%. It was the lowest inflation rate since May 2012, as prices increased at a slower pace for housing and utilities, clothing and footwear and transport⁶⁵⁴.

After the analysis of the consumer index prices that since 2008 have constantly increased within the Union, due principally to the economic Russian difficulties, and the strong dependence of the other members on the fluctuations of the Russian economy, can be ascertained, as the situation for the member-countries to reach an equal financial equilibrium within the EEU is still complex to be achieved. The increment of prices since 2008 has generated a consequential increment of the inflation rate, mostly in Belarus – which index started to decrease only since 2012, achieving however in 2016 always an elevated value of 11.8% and exceeding the provisions of the article 63 of the EEU Treaty. In result, the Eurasian Commission determined in 2017 measures for Belarus established to decrease the inflation-index through the reduction of the costs of production and selling of goods. Reflecting about this measure – as about the other recommendations for the other members of the Union: for Kyrgyzstan and Armenia to reduce the debt for public sector; while for Kazakhstan to reduce the level of inflation – in general they symbolize the efforts of the Union to equalize the economic production and to determinate sustainability of the economic development of the member-countries. But, if from a hand it underlines as the Commission is really trying to balance the economic level of all participants of the Union, and thus the attempt to refine the improvement of the EEU intra-trade; from the other hand, cannot be denied, that the not yet achieved equilibrium of the EEU parameters (as the still existing high inflation rate of Belarus or the not equilibrated exchange rate within the Union with a strong influence of the Russian ruble); and the necessity of the Commission consequently to dictate recommendations to the member-countries to respect the parameters, are factors that stress as the objectives of the Astana Treaty, as the harmonization of the economies of the member-states and the reaching of a fiscal equilibrium within the Union, are still currently far to be reached. These passages highlights as the EEU after two years of function is still in a static stage of growth.

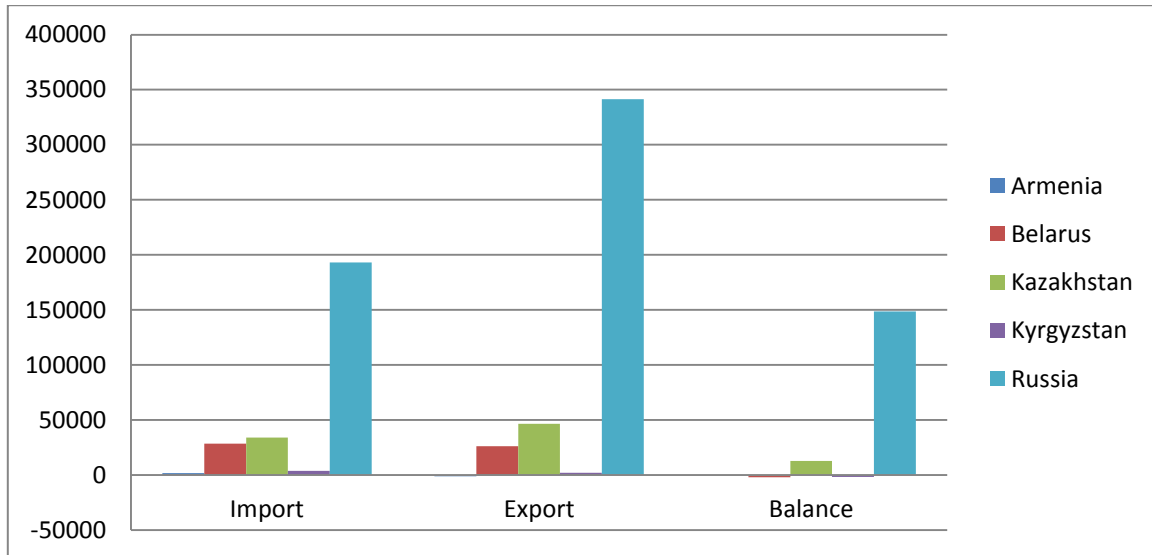
16 Government financial situations of the member-countries

To deepen the research in the internal economies of the countries of the EEU and have a more precise overview about the economic efficiency of the Union, this paragraph is dedicated to the

⁶⁵⁴ “Russia inflation rate”. In Trading Economics <https://tradingeconomics.com/russia/inflation-cpi> (last view: 31.05.2017)

report of the internal costs covered by the budgets of the member-states, with the aim to have a clear overview about the results of their transactions effectuated during the last five years.

Figure 90: Balance of trade goods of the member-states 2015 in USD Million

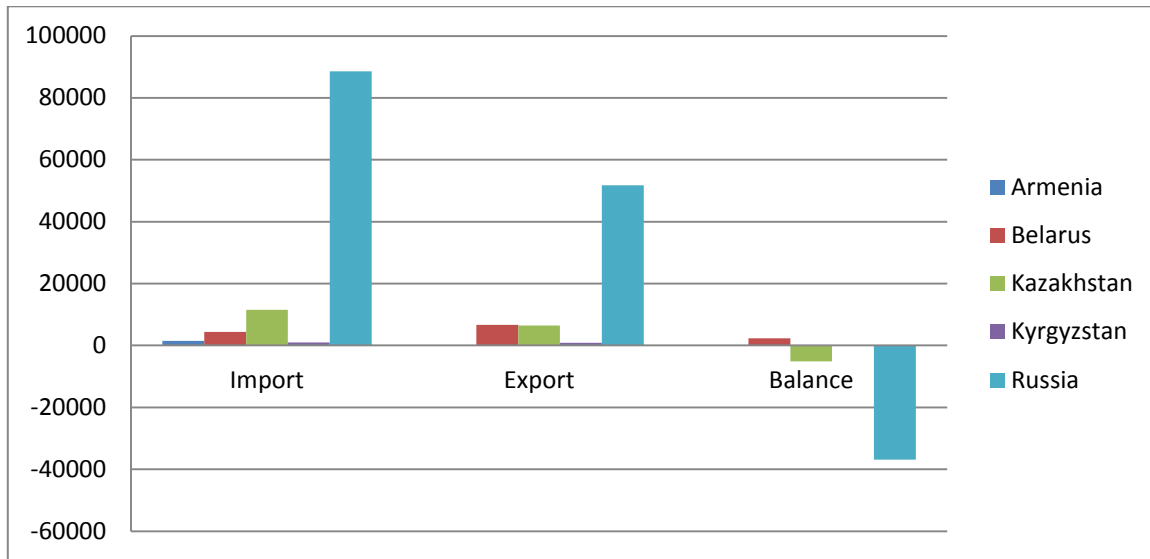


Source: Yevraziskaya Ekonomicheskaya Kommissiya (2016): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah".

Statisticheskii Yezhegodnik. Moskva, 2016. P. 336

Before analyzing the government budget, can be useful to have an image about the balance of the member-countries for the first year of the Union. Exactly, during the year 2015, Kazakhstan and Russia registered a positive balance of their trade in goods, respectively of 12 679.3 USD million and 148 512.7 USD million. In the same year Belarus recorded a balance of -2 142.5 USD million, composed by 26 164.3 USD million of exports and 28 306.8 USD million of imports. Armenia and Kyrgyzstan reported in 2015 a negative balance respectively of -1 186.4 USD million and -1 984.0 USD million.

Figure 91: Balance of service of the member-states 2015 in USD Million



Source: Yevraziskaya Ekonomicheskaya Kommissiya (2016): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”.

Statisticheskii Yezhegodnik. Moskva, 2016. P. 337

Observing the trade of service for the year 2015, between the members of the Union was registered a positive balance only for Belarus by 2 274.0 USD million, formed by 6 645.2 USD million of exports and 4 371.2 USD million of imports. Russia had the most negative balance -36 874.6 USD million; while Armenia recorded a negative balance of -94.5 USD million; Kazakhstan of -5 123.1 USD million; and Kyrgyzstan of -113.7 USD million, giving a further proof of the negative status of the EEU’s countries at the beginning of their economic integration.

Indeed, these data show as the first year of functioning of the EEU registered for the member-countries a passivity of balance especially for the service sector with effects on the state investments – confirming also the difficulties of the effectiveness of the Union in the development of the national economies.

Figure 92: Rendition of the government budget of the member-states⁶⁵⁵ (in billions of national currency units⁶⁵⁶)

Income

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------|----------|-----------|-----------|-----------|----------|
| Armenia | 946,2 | 1 071,4 | 1 144,8 | 1 167,7 | 1 155,0 |
| Belarus | 95 182,0 | 105 803,7 | 128 201,7 | 167 213,0 | 17,8 |
| Kazakhstan | 4 763,4 | 5 179,5 | 5 908,8 | 6 137,0 | 7 662,2 |
| Kyrgyzstan | 77,6 | 89,3 | 105,3 | 113,9 | 115,8 |
| Russia | 12 855,5 | 13 019,9 | 14 496,9 | 13 659,2 | 13 460,1 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 173

Generally, the government budget of the member-states, which accounts for all payments received by government (taxes and other fees) and the payments made by government (purchases and transfer payments), in relation of the income was almost stable for all the countries of the EEU in the period 2015-2016, registering a particular increase especially in Kazakhstan by 24.85%. In consideration of Belarus, since 2012 to 2016 was registered a gradual increase of the income, reaching a peak in the period between 2014 (128 201.7 bn. Belarusian rubles) and 2015 (167 213 bn. Belarusian rubles) with an increment of 39 011.3 bn. Belarusian rubles.

Costs

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------|----------|-----------|-----------|-----------|----------|
| Armenia | 1 006,1 | 1 142,9 | 1 235,1 | 1 409,0 | 1 325,5 |
| Belarus | 95 883,6 | 108 061,6 | 122 779,8 | 152 141,2 | 16,8 |
| Kazakhstan | 5 669,9 | 5 897,5 | 6 990,1 | 7 049,1 | 8 403,4 |
| Kyrgyzstan | 97,8 | 92,1 | 107,4 | 120,4 | 136,7 |
| Russia | 12 895,0 | 13 342,9 | 14 831,6 | 15 620,3 | 16 416,4 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 173

⁶⁵⁵ Concerning Belarus, in correspondence of the year 2016, the data are reported in the scale of prices effective from July 1, 2016 (with a denomination of 10 000 times).

⁶⁵⁶ Armenia - Armenian drams, Belarus - Belarusian rubles, Kazakhstan - tenge, Kyrgyzstan - soms, Russia - Russian rubles.

The payment effectuated by the central governments of the EEU's countries increased progressively from 2014 to 2016 in almost all the territory of the Union (a part Armenia which registered a diminution of the costs in 2016). The most considerable growth of the costs in consideration of the period 2015-2016 is visible in Kazakhstan by 19.21% and in Kyrgyzstan by 13.54% mostly. As was for the income, also the costs increased since 2012 for all the members of the Union gradually. Observing Belarus, the increment was more marked between 2014 (122 779.8 bn. Belarusian rubles) and 2015 (152 141.2 bn. Belarusian rubles) by 29 361.4 bn. Belarusian rubles.

Deficit / surplus

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------|--------|----------|----------|----------|----------|
| Armenia | -59,9 | -71,5 | -90,3 | -241,3 | -170,5 |
| Belarus | -701,5 | -2 257,9 | 5 421,8 | 15 071,8 | 1,0 |
| Kazakhstan | -906,5 | -718,0 | -1 081,2 | -912,1 | -741,2 |
| Kyrgyzstan | -20,2 | -2,8 | -2,1 | -6,5 | -20,9 |
| Russia | -39,4 | -323,0 | -334,7 | -1 961,0 | -2 956,3 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 173

Apart Belarus that in the period 2014-2016 totalized a surplus of its government budget, the other countries of the Union registered in the same period a deficit of their national budgets. Though, in a confrontation between the first two years of functioning of the EEU (2015 and 2016) Armenia decreased its deficit by -29.34%, and Kazakhstan by -18.74%. Conversely, in the same period of time, Russia increased its state deficit by 50.75%.

In detail, according to the data of Trading Economics, and referring to a comparison between the government budget and the internal GDP for the year 2015, Armenia recorded a government Budget deficit equal to 4.80% of the country's Gross Domestic Product⁶⁵⁷. While Belarus recorded a surplus of the government budget equal to 1.80% of the country's Gross Domestic Product of the corresponding year⁶⁵⁸. Referring to the year 2016, Kazakhstan recorded a government budget

⁶⁵⁷ "Armenia Government Budget". In Trading Economics <http://www.tradingeconomics.com/armenia/government-budget> (last view: 19.05.2017)

⁶⁵⁸ "Belarus Government Budget". In Trading Economics <http://www.tradingeconomics.com/belarus/government-budget> (last view: 19.05.2017)

deficit equal to 2% of the country's GDP⁶⁵⁹. While Kyrgyzstan recorded in the same year a deficit equal to 4.60% of the country's GDP⁶⁶⁰. Even Russia during 2016 recorded a government budget deficit equal to 3.70% of the country's GDP⁶⁶¹. Nowadays, the government debt of the Eurasian Economic Union amounts to 284.187 USD million, as aggregate sum of: Armenia – 4.530 USD million; Belarus – 29.873 USD million; Kazakhstan – 28.204 USD million Kyrgyzstan – 3.833 USD million; and Russia – 217.748 USD million⁶⁶².

Overall, the years 2015-2016 registered a situation of deficit for all the countries of the Union – excluded Belarus, which, according to the statistics of the EEC, in 2016 performed a surplus of 1 bn. Belarusian rubles. Regarding the common condition of deficit, it can be argued that the organization of the resources of the member-states and their use should be better consolidated in the system of the EEU, creating a common mechanism of distribution of the funds for the internal activities of the states. In this context, the countries of the Union should better use the intrinsic economic potential based on their governmental resources to improve their services, infrastructures and methods of production. The correct use of the governmental budget by the countries of the Union has the scope to be a determinant step in order to achieve the principal aim of the EEU, namely the modernization of their internal economies.

Figure 93: Revenues of the government budget of the member-states (in billions of national currency units)

Armenia

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------|-------|---------|---------|---------|---------|
| Income including: | 946,2 | 1 071,4 | 1 144,8 | 1 167,7 | 1 155,0 |
| Taxes on profits (income) | 118,7 | 124,6 | 103,6 | 103,7 | 127,2 |
| VAT | 369,7 | 401,9 | 440,4 | 423,9 | 391,1 |
| Excises | 49,3 | 52,1 | 50,6 | 49,0 | 59,7 |
| Income from | 43,0 | 46,3 | 48,4 | 61,5 | 55,4 |

⁶⁵⁹ "Kazakhstan Government Budget". In Trading Economics <http://www.tradingeconomics.com/kazakhstan/government-budget> (last view: 19.05.2017)

⁶⁶⁰ "Kyrgyzstan Government Budget". In Trading Economics <http://www.tradingeconomics.com/kyrgyzstan/government-budget> (last view: 19.05.2017)

⁶⁶¹ "Russia Government Budget". In Trading Economics <http://www.tradingeconomics.com/russia/government-budget> (last view: 19.05.2017)

⁶⁶² "EAEU – Eurasian Economic Union". In CountryEconomy.com. <http://countryeconomy.com/countries/groups/eurasian-economic-union> (last view: 14.07.2017)

| | | | | | |
|---------------------------|-------|-------|-------|-------|-------|
| foreign economic activity | | | | | |
| Others | 365,5 | 446,5 | 501,8 | 529,7 | 521,5 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 175

In the year 2016 Armenia registered an income of its state budget of 1 155.0 Armenian drams. In a comparison between 2015 and 2016, was registered an increase in taxes by 22.6% and excises by 21.84%.

Belarus⁶⁶³

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------------------|----------|-----------|-----------|-----------|------|
| Income including: | 95 182,0 | 105 803,7 | 128 201,7 | 167 213,0 | 17,8 |
| Taxes on profits (income) | 5 481,8 | 5 233,3 | 6 566,8 | 8 173,3 | 0,7 |
| VAT | 32 298,2 | 39 356,3 | 48 182,2 | 50 142,9 | 5,7 |
| Excises | 11 190,7 | 17 518,6 | 21 230,9 | 19 441,7 | 2,2 |
| Income from foreign economic activity | 25 474,9 | 23 327,5 | 18 415,1 | 39 186,4 | 3,4 |
| Others | 20 736,4 | 20 368,0 | 33 806,7 | 50 268,8 | 5,7 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 175

In the year 2016 Belarus had an income of 17.8 billion of Belarusian rubles. In a confrontation between 2015 and 2016 just the income from foreign economic activities decreased, totalizing in 2016 3.4 billion of Belarusian rubles.

Kazakhstan

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------|---------|---------|---------|---------|---------|
| Income including: | 4 763,4 | 5 179,5 | 5 908,8 | 6 137,0 | 8 881,9 |
| Taxes on profits (income) | 1 041,2 | 1 032,7 | 1 169,7 | 1 224,6 | 1 437,4 |

⁶⁶³ In correspondence of the year 2016, the data are reported in the scale of prices effective from July 1, 2016 (with a denomination of 10 000 times).

| | | | | | |
|---------------------------------------|---------|---------|---------|---------|---------|
| VAT | 914,4 | 1 327,6 | 1 198,2 | 944,4 | 1 495,7 |
| Excises | 25,9 | 33,6 | 45,7 | 60,8 | 77,8 |
| Income from foreign economic activity | 744,4 | 880,0 | 1 054,1 | 880,1 | 951,8 |
| Others | 2 037,4 | 1 905,4 | 2 441,3 | 3 027,0 | 4 919,2 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 175

Kazakhstan registered an income of 8 881.9 billion tenge in the year 2016. Comparing the years 2015 and 2016 all the resources of the government budget recorded an increment, especially visible in the increase of the VAT by 58.38%.

Kyrgyzstan

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------------------|------|------|-------|-------|-------|
| Income including: | 77,6 | 89,3 | 105,3 | 113,7 | 115,8 |
| Taxes on profits (income) | 4,1 | 4,3 | 4,3 | 4,1 | 3,7 |
| VAT | 25,8 | 30,1 | 32,7 | 33,2 | 39,3 |
| Excises | 2,8 | 4,1 | 6,3 | 7,8 | 9,1 |
| Income from foreign economic activity | 9,4 | 11,9 | 13,8 | 9,7 | 13,8 |
| Others | 35,5 | 39,0 | 48,2 | 58,9 | 49,9 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 175

The increment for Kyrgyzstan of its income in a comparison between 2015 (113.7 billion soms) and 2016 (115.8 billion soms) was by 1.85%. Especially the incomes from the foreign activities registered in the period above considered a very considerable increment by 42.27%, testifying a tenuous growth of the Kyrgyz economy.

Russia

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|------|------|------|------|------|
| | | | | | |

| | | | | | |
|---|----------|----------|----------|----------|----------|
| Income including: | 12 855,5 | 13 019,9 | 14 496,9 | 13 659,2 | 13 460,1 |
| Taxes on profits (income) | 375,8 | 352,2 | 420,5 | 491,4 | 491,0 |
| VAT | 3 545,8 | 3 539,0 | 3 931,7 | 4 233,6 | 4 571,0 |
| Excises | 395,3 | 524,4 | 592,4 | 581,9 | 694,2 |
| Income from foreign economic activity | 4 962,7 | 5 011,0 | 5 463,4 | 3 295,3 | 2 606,0 |
| Others | 3 575,9 | 3 593,3 | 4 088,9 | 5 057,2 | 5 097,9 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 176

In the scenario of the EEU, the Russian Federation is the only country which registered between the years 2015 (13 659.2 billion rubles) and 2016 (13 460.1 billion rubles) a slight decrease of its total income of the government budgets -1.46%. Mostly the part connected with the foreign activity recorded the lowest decrease in the period considered -20.92%, testifying the actual Russian economic problems in its trade especially with the West.

Figure 94: Government debt of the member-states (at the end of the year, in billions of national currency units)

Armenia

| | Total | Including | | In % of GDP |
|------|---------|-----------|----------|-------------|
| | | internal | external | |
| 2012 | 1 763,4 | 254,3 | 1 509,0 | 44,1 |
| 2013 | 1 860,3 | 278,7 | 1 581,6 | 40,8 |
| 2014 | 2 108,6 | 310,7 | 1 797,9 | 43,7 |
| 2015 | 2 455,4 | 367,4 | 2 088,0 | 48,8 |
| 2016 | 2 872,2 | 546,6 | 2 325,6 | 56,7 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 182

Armenia recorded a government debt in 2016 equal to the 56.7% of its Gross Domestic Product, showing the financial problematic of the country and confirming its difficulties to be able to make future payments on its debt. In the case of Armenia, the socio economic indicators of the country

are not growing and the economic situation of the country rests critical. In fact, for the year 2017, according to the data released by the Armenian Finance Ministry, the state debt of the country was 5 961.2 USD million in February, which increased by 35 USD million in March. About 5 478.3 USD million of the current total debt is the debt of the Armenian government – it has increased by 28.3 USD million since February 2017. Meanwhile, the external debt of Armenia was in May 2017 more of 7.9 USD million than it was compared to April 2017. In turn, the internal debt increased by 20.4 USD million⁶⁶⁴.

Belarus⁶⁶⁵

| | Total | Including | | In % of GDP |
|------|-----------|-----------|-----------|-------------|
| | | internal | external | |
| 2012 | 128 755,3 | 25 848,6 | 102 906,7 | 24,3 |
| 2013 | 154 008,6 | 35 696,3 | 118 312,4 | 23,7 |
| 2014 | 197 455,0 | 48 379,8 | 149 075,1 | 24,5 |
| 2015 | 328 558,9 | 97 443,3 | 231 115,5 | 36,5 |
| 2016 | 37,0 | 10,2 | 26,7 | 39,2 |

Source: Yevraziskaya Ekonomicheskaya Kommissiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 182

Belarus registered for the year 2016 an increment of its government debt in correspondence to the GDP by 39.2%. Observing in detail the contemporary situation in Belarus, in April 2017, the external state debt totaled 13.6 USD billion, down by 65.2 USD million (0.5%) from the beginning of the year. In January-March 2017, the external state borrowings totaled 169 USD million, including 111.3 USD million borrowed from the Russian government and banks, 28.1 USD million from Chinese banks, 27.3 USD million from the International Bank for Reconstruction and Development (IBRD), and 2.3 USD million from the European Bank for Reconstruction and Development (EBRD) and the Nordic Investment Bank (NID). In January-March 2017 Belarus spent 308.5 USD million to repay the external state debt, including 107.1 USD million paid to the Russian government, 98.9 USD million to Chinese banks, 13.3 USD million to the IBRD, 88.3 USD million to the Eurasian Fund for Stabilization and Development, 0.7 USD million to the U.S., 0.2 USD million

⁶⁶⁴ Shirinov Rashid (2017): “Armenia's state debt approaching \$6B”. In Azernews 10 April 2017.

<https://www.azernews.az/aggression/111236.html> (last view: 20.05.2017)

⁶⁶⁵ In correspondence of the year 2016, the data are reported in the scale of prices effective from July 1, 2016 (with a denomination of 10 000 times).

to the EBRD and the NID. As of 1 April 2017 Belarus' state debt totaled 35 bn. Belarusian rubles, 2 bn. Belarusian rubles (5.3%) down from 1 January 2017. The internal state debt amounted to 9.6 billion Belarusian rubles as of 1 April 2017, decreasing by 0.7 billion Belarusian rubles (6.4%) from the beginning of the year⁶⁶⁶.

Kazakhstan

| | Total | Including | | In % of GDP |
|------|----------|-----------|----------|-------------|
| | | internal | external | |
| 2012 | 3 828,3 | 3 098,6 | 729,7 | 12,3 |
| 2013 | 4 417,2 | 3 633,7 | 783,6 | 12,3 |
| 2014 | 5 655,4 | 4 220,4 | 1 435,0 | 14,3 |
| 2015 | 9 022,2 | 4 706,0 | 4 316,2 | 22,1 |
| 2016 | 11 436,6 | 6 816,0 | 4 620,6 | 25,0 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskii Soyuz v Tsifrakh". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 182

The increase of the state debt is visible even in the situation of Kazakhstan, which index in correspondence of the GDP for the year 2016 amounted to 25%. In 2016 Kazakhstan public debt was 28204 million dollars with a decrease of 12139 million since 2015⁶⁶⁷. Nowadays, the government debt in Kazakhstan decreased to 13757039 USD thousand in the second quarter of 2017 from 13830818 USD thousand in the first quarter of 2017⁶⁶⁸.

Kyrgyzstan

| | Total | Including | | In % of GDP |
|------|-------|-----------|----------|-------------|
| | | internal | external | |
| 2012 | 156,7 | 13,0 | 143,7 | 50,5 |
| 2013 | 167,4 | 11,9 | 155,6 | 47,1 |
| 2014 | 214,8 | 12,4 | 202,4 | 53,6 |
| 2015 | 288,8 | 15,5 | 273,3 | 67,1 |

⁶⁶⁶ "Belarus' external state debt down 0.5% to \$13.6bn in March". In Belta.

<http://eng.belta.by/economics/view/belarus-external-state-debt-down-05-to-136bn-in-march-100886-2017/> (last view: 20.5.2017)

⁶⁶⁷ "Debt decreased in Kazakhstan". In CountryEconomic.com <http://countryeconomy.com/national-debt/kazakhstan> (last view: 21.05.2017)

⁶⁶⁸ "Kazakhstan Government Debt". In Trading Economics <http://www.tradingeconomics.com/kazakhstan/government-debt> (last view: 21.05.2017)

| | | | | |
|------|-------|------|-------|------|
| 2016 | 281,5 | 22,3 | 259,1 | 61,5 |
|------|-------|------|-------|------|

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 182

Kyrgyzstan registered in 2016 the highest percentage between the member-countries in the correspondence between the state debt and the GDP of 61.5%, although decreased in comparison to the year 2015 (67.1%). In 2016 the size of the national debt of Kyrgyzstan amounted to 4 105 USD billion. In the same year the domestic public debt amounted to USD 322.7 million and the external to 3 782.74 USD billion⁶⁶⁹.

Russia

| | Total | Including | | In % of GDP |
|------|---------|-----------|----------|-------------|
| | | internal | external | |
| 2012 | 5 267,3 | 4 071,3 | 1 196,1 | 7,9 |
| 2013 | 5 885,4 | 4 432,4 | 1 453,0 | 8,3 |
| 2014 | 7 853,9 | 5 475,7 | 2 378,2 | 10,1 |
| 2015 | 8 351,9 | 5 573,1 | 2 778,8 | 10,3 |
| 2016 | 8 495,2 | 6 100,3 | 2 394,8 | 9,9 |

Source: Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 182

Between the years 2015 and 2016 Russia registered a decrease of its government debt in correspondence of the GDP respectively 10.3% and 9.9%. Concerning the external debt, thus owed to creditors outside the country, this value, according to the data of the database of Trading Economics, in Russia increased to 529.70 USD bn. in the first quarter of 2017 from 518.70 USD bn. in the fourth quarter of 2016⁶⁷⁰.

17 The EEU in the global economic scenario

At this point of the analysis can be asserted as the EEU, in the first two years of functioning, has economically moved slowly. Indeed, the common markets for raw materials that must be still realized, and an economic growth lower than the European counterparts, are demonstrating that

⁶⁶⁹ "Kyrgyzstan: state debt reaches \$4.1 billion in 2016". In Business World.

<http://smiraponitke.com/10/02/2017/kyrgyzstan-state-debt-reaches-4-1-billion-in-2016.html> (last view: 21.05.2017)

⁶⁷⁰ "Russia Total External Debt". In Trading Economics <http://www.tradingeconomics.com/russia/external-debt> (last view: 21.05.2017)

the EEU has not yet showed its entire economic potential in the global economy. In fact, worldwide the Union is still weak and the concrete possibility of its further expansion in the global scenario is connected with the increment of the trade volume between the member-countries mainly. In this context, a direct comparison with the European Union will show marked difference between the EEU and the EU, as is possible to evince by a confrontation: during 2016 the EEU recorded a GDP based on purchasing power parity of currencies of 4 104.2 USD bn. against the GDP of the EU-28 that was of 19 904.4 USD billion⁶⁷¹.

However, according to Dr. Vinokurov, *“If the bar of comparison is set lower, with the EEU 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, South African Customs Union — then a more adequate framework for analyzing the relative standing of the EEU becomes feasible⁶⁷²”*. In this regard, if it is for example considered the GDP of MERCOSUR for the year 2015, it was 2 485.7 USD billion against 1 629 028 of the EEU. Equal discourse is possible to apply regarding the ASEAN, that totalized a GDP of 2 033.9 during 2015⁶⁷³. This statement confirms as the Union, although the economic troubles and the fact that is a young organization, has the potential in next years to occupy a considerable position in the world economy.

In addition, the political issues that Russia – the principal force of the Union – is currently affronting with the West are not allowing a serious external development of the EEU and generally have produced a stagnation of the economy of the Union in its entire.

Generally, the aim of this paragraph is to compare the economic growth in term of GDP, unemployment and government debts of the member-countries with some of the best performance economies between the states that have signed the Convention on the Organization for Economic Cooperation and Development. The choice to confront the most performing countries of the OECD with the participants of the EEU has the purpose to show that: 1) if will be established an economic dialogue, especially with the EU, the Western countries could really contribute to the expansion of the Union worldwide; and 2) the target of the EEU is to become

⁶⁷¹ Yevraziskaya Ekonomicheskaya Kommissiya (2017): *“Yevraziyskiy Ekonomicheskii Soyuz v Tsifrakh”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. Pp. 186-187

⁶⁷² Vinokurov Evgeny (2017): *“Eurasian Economic Union: Current state and preliminary results”*. In Russian Journal of Economics 3 (2017). P. 55

⁶⁷³ Library of the Eurasian Economic Commission (2016): *“Eurasian Economic Integration: Facts and Figures”*. P. 60 [http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20\(%D0%90%D0%BD%D0%B3%D0%BB\).pdf](http://www.eurasiancommission.org/ru/Documents/%D0%91%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0%20%D0%A6%D0%B8%D1%84%D1%80%D1%8B%20%D0%B8%20%D1%84%D0%B0%D0%BA%D1%82%D1%8B%20%D0%B8%D1%82%20(%D0%90%D0%BD%D0%B3%D0%BB).pdf) (last view: 23.04.2017)

competitive with the greater global economies, as the EU. For that a comparison with the European bloc assumes a determinant meaning to measure the actual development of the Union.

Figure 95: Gross Domestic Products comparison between the EEU members and the most performing OECD countries in USD bn.

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------|----------|----------|----------|----------|----------|
| Armenia | 24,5 | 27,4 | 28,9 | 30,1 | 30,5 |
| Belarus | 168,0 | 172,3 | 177,9 | 172,9 | 170,5 |
| Kazakhstan | 371,6 | 400,3 | 424,4 | 433,8 | 443,8 |
| Kyrgyzstan | 20,7 | 23,3 | 24,7 | 25,9 | 27,3 |
| Russia | 3 625,4 | 3 656,6 | 3 722,0 | 3 470,2 | 3 432,1 |
| Great Britain | 2 387,3 | 2 502,1 | 2 630,4 | 2 720,3 | 2 812,9 |
| Germany | 3 503,7 | 3 647,8 | 3 810,9 | 3 920,9 | 4 046,2 |
| Italy | 2 157,5 | 2 176,3 | 2 206,3 | 2 262,5 | 2 301,5 |
| Canada | 1 464,6 | 1 550,3 | 1 602,4 | 1 584,7 | 1 630,3 |
| South Korea | 1 611,3 | 1 644,8 | 1 706,7 | 1 749,8 | 1 822,2 |
| Mexico | 1 985,0 | 2 039,3 | 2 151,6 | 2 165,3 | 2 262,9 |
| USA | 16 155,3 | 16 691,5 | 17 393,1 | 18 036,6 | 18 569,1 |
| France | 2 471,8 | 2 606,1 | 2 658,5 | 2 727,0 | 2 796,5 |
| Japan | 4 746,7 | 4 967,1 | 5 013,0 | 5 172,9 | 5 286,7 |

Source: Cf. Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrah". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. Pp. 186-187

Analyzing the course of the GPD, can be noted as in the period 2012-2016 all the biggest world economies and EEU's countries have performed positively and increased their indexes annually (excluded Russia and Belarus for the period 2015-2016). In a confrontation between Russia and Germany, for the period 2015-2016, the German Federation registered a growth of its GDP by 3.20%, while the Russian Federation recorded a decrease of -1.10%. However, Russia during 2016 had a GDP higher than Great Britain (2 812.9 USD bn.), Italy (2 301.5 USD bn.), Canada (1 630.3 USD bn.), South Korea (1 822.2 USD bn.), Mexico (2 262.9 USD bn.) and France (2 796.5 USD bn.), testifying as the Russian Federation has still a significant role in the world economy.

Confronting the members of the Union with other OECD countries that have an equal economic status, it is possible to observe, that: from an hand, Armenia totalized in 2016 a GDP of 30.5 USD

billion; and Kyrgyzstan by 27.3 USD billion, registering a value higher than e.g. Iceland (16.9 USD bn.) and similar to Estonia (39.2 USD bn.); while from another hand these indexes demonstrate their tenuous role not just within the EEU but even in the world economy. Considering Belarus, in 2016 the Belarusian GDP amounted to 170.5 USD bn. more than e.g. Slovakia (169.4 USD bn.) and similar to New Zealand (183 USD bn.). Kazakhstan, the second biggest economic power of the EEU, had in 2016 an index of 443.8 USD billion, more than e.g. Ireland (334.1 USD bn.), Norway (331 USD bn.) or Austria (438.8 USD billion)⁶⁷⁴.

Seeing the GDP per capita of the countries of the Union for the year 2015, Armenia performed 3 489.1 USD; Belarus 5 754.6 USD; Kazakhstan 10 510.0 USD; Kyrgyzstan 1 103.2 USD; and Russia 9 329.3 USD⁶⁷⁵. Though, in a comparison with the most developed economies, the values of the EEU's members are very weak: Germany — 41 178.5 USD; United Kingdom — 43 929.7 USD; USA — 56 115.7 USD. Even in a direct comparison with the other world countries on same level with the members of the Union in term of GDP, this value calculated per capita is still different and has higher values than the EEU's countries: e.g. Estonia 17 084.5 USD; New Zealand 37 808.0; or Slovakia 16 089 USD⁶⁷⁶.

Figure 96: GDP per capita based on purchasing power parity of currencies between EEU members and most performing OECD countries in USD

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------|--------|--------|--------|--------|--------|
| Armenia | 8 095 | 9 065 | 9 587 | 10 009 | 10 202 |
| Belarus | 17 745 | 18 204 | 18 773 | 18 223 | 17 944 |
| Kazakhstan | 22 131 | 23 496 | 24 549 | 24 727 | 24 933 |
| Kyrgyzstan | 3 688 | 4 073 | 4 228 | 4 350 | 4 482 |
| Russia | 25 317 | 25 481 | 25 477 | 23 703 | 23 400 |
| Great Britain | 37 475 | 39 030 | 40 719 | 41 779 | 42 898 |
| Germany | 43 564 | 45 232 | 47 058 | 47 999 | 48 908 |
| Italy | 35 757 | 35 885 | 36 294 | 37 255 | 37 964 |

⁶⁷⁴ Yevraziskaya Ekonomicheskaya Kommissiya (2017): "Yevraziyskiy Ekonomicheskii Soyuz v Tsifrakh". Kratkiy Statisticheskii Sbornik. Moskva, 2017. Pp. 186-187

⁶⁷⁵ "Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia GDP per capita (current US\$)". In the World Bank. <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?end=2015&locations=AM-BY-KZ-KG-RU&start=2010> (last view: 22.05.2017)

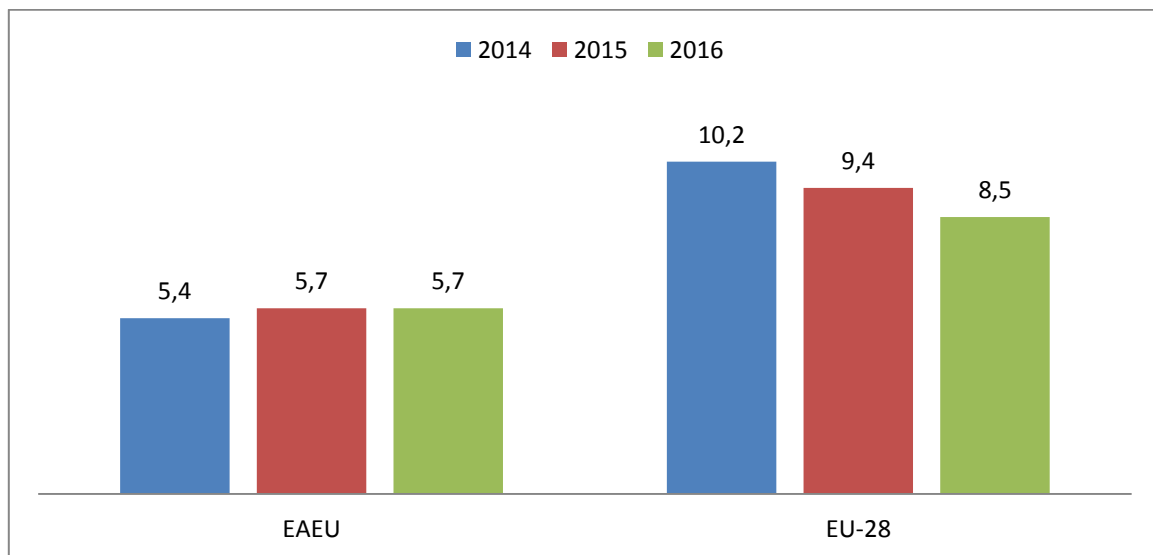
⁶⁷⁶ "Austria, Estonia, Germany, New Zealand, Slovak Republic, United Kingdom, United States GDP per capita (current US\$)". In the World Bank. <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?end=2015&locations=DE-GB-US-AT-EE-SK-NZ&start=2010> (last view: 22.05.2017)

| | | | | | |
|--------|--------|--------|--------|--------|--------|
| France | 37 671 | 39 531 | 40 142 | 41 005 | 41 945 |
| Sweden | 44 725 | 45 673 | 46 405 | 47 823 | 49 490 |

Source: Cf. Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. Pp. 190-191

Also equalizing the purchasing power of different currencies through the elimination of differences in price levels between the countries for a same quantity of specific goods or services, the GDP per capita based on PPP for the members of the Union results to be inferior to the other biggest powers of the world. The difference is mostly visible in the year 2016 in a direct confrontation between Russia and Germany, that performed respectively 23 400 USD and 48 908 USD. Always referring to the year 2016, Kazakhstan performed within the EEU the best outcome — 24 933 USD. Although this index results to be tenous in a comparison with best performing European Union countries, we can assert that Kazakhstan had in it complex a value similar to Poland — 27 587 USD; Estonia — 29 764 USD; or Latvia — 30 691⁶⁷⁷.

Figure 97: EU-28 and EEU unemployment comparison 2014-2016 (as a percentage of the economically active population)



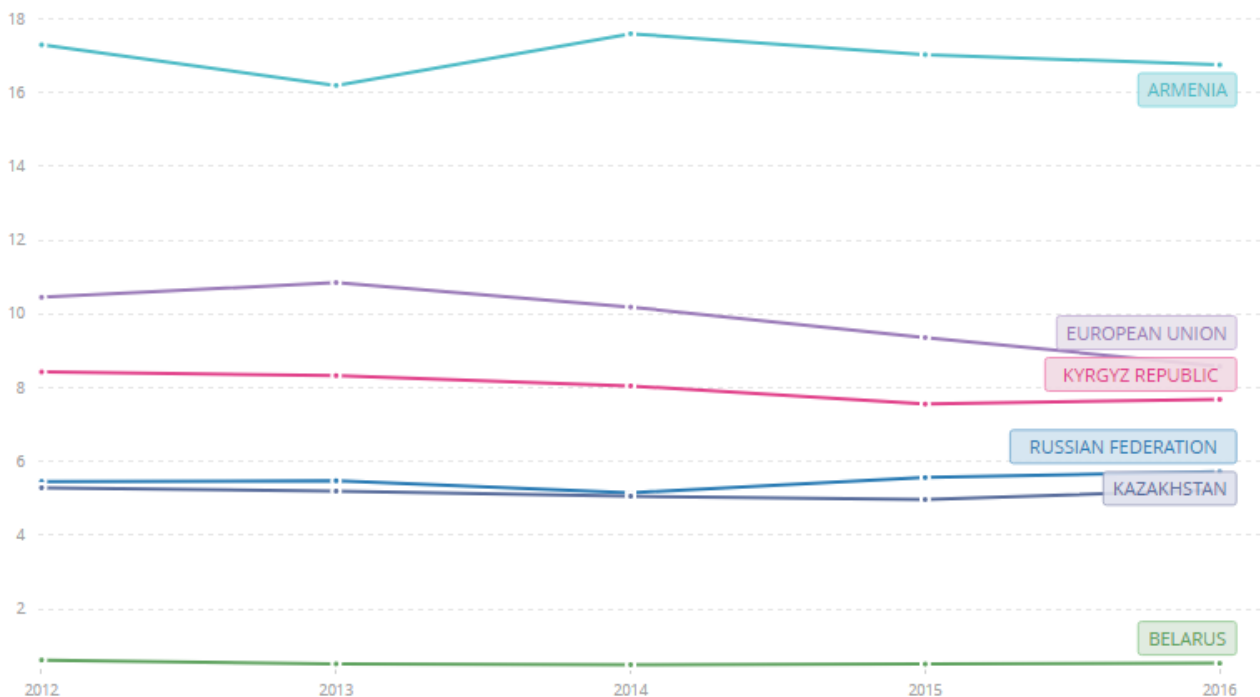
Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 194

Taking into consideration the unemployment rate, the Eurasian Economic Union performed better than the European Union in last three years, maintaining a stable rate around 5.7% against the

⁶⁷⁷ Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”*. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. Pp. 190-191

8.5% of the EU for the year 2016. Belarus for example in the year 2016 with its rate of unemployment by 5.8% recorded an index better than Austria (6%), Canada (7%) or France (10%)⁶⁷⁸.

Figure 98: Unemployment comparison between the EEU countries and the EU-28 (% of total labor force)

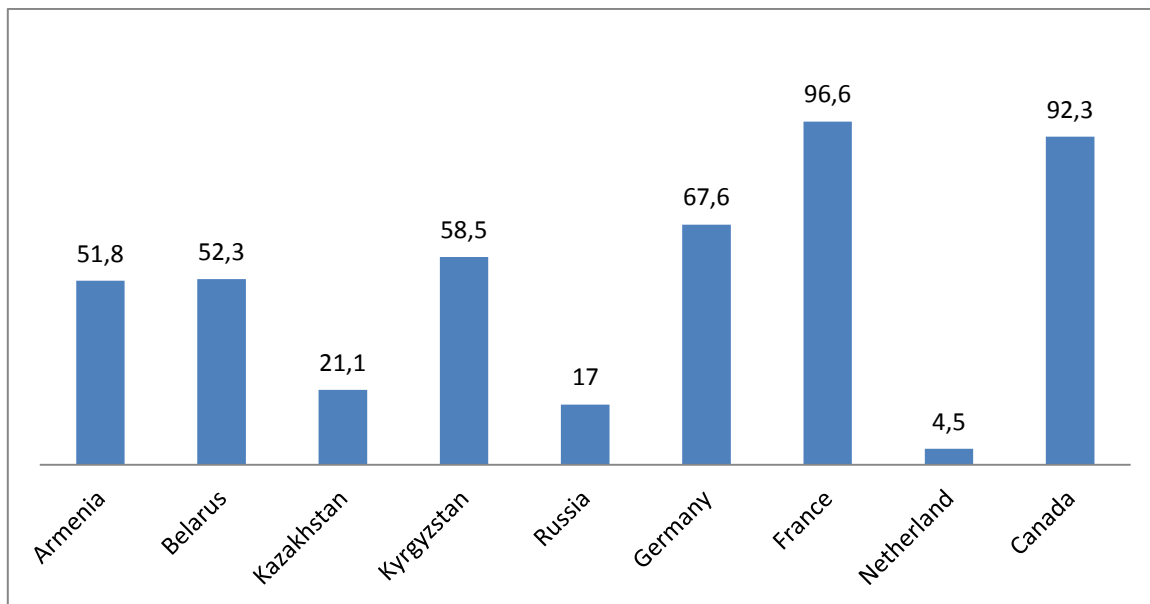


Source: "Unemployment, total (% of total labor force)". Economic data of the World Bank
<https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS> (last view: 07.09.2017)

In a direct evaluation between the single members of the EEU and the EU-28, according to the data of the World Bank, apart Armenia, that detains the highest unemployment rate within the Union by 16.8% (2016), the other countries of the Union have maintained, despite the economic crisis of last years, their indexes constant, with an amelioration for Kyrgyzstan from 8.4% (2012) to 7.7% (2016), recording, as even reported in the data of the Eurasian Commission, an aggregated index lower than the European Union's value.

⁶⁷⁸ Yevraziskaya Ekonomicheskaya Kommisiya (2017): "Yevraziyskiy Ekonomicheskii Soyuz v Tsifrakh". Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 194

Figure 99: Government administrative debt between the EEU's members and some most performance OECD countries 2016 (as a percentage of GDP)



Yevraziskaya Ekonomicheskaya Kommissiya (2017): “Yevraziyskiy Ekonomicheskiy Soyuz v Tsifrakh”. Kratkiy Statisticheskiy Sbornik. Moskva, 2017. P. 200

The debt of the member-states was approximately constant in 2016 and similar with the other world economies in term of percentage to the GPD as Germany (67.6%); and inferior to countries as France (96.6%) or Canada (92.3%).

On the whole, the data analyzed in this paragraph demonstrate that between the countries of the Union and the solidest economies of the OECD there are significant differences especially in terms of economic growth. Russia, the strongest force of the Union, is still inferior to economies as Germany or USA. Nevertheless, the slow economic regrowth of the first quarter 2017 after years of recession (industrial production restarted to grow by 1% y-o-y only in January 2016, although economy recovery is expected to start only in 2017–2018 and with the growth at a slower rate than in 2010–2011⁶⁷⁹), could allow Russia to play again in future a considerable and equal role with the other most performing economies of the world, contributing too in parallel to the improvement of the internal economies of the other member-countries, in order to better performance even with the most developed world economies.

⁶⁷⁹ Eurasian Economic Commission, Eurasian Development Bank (2016): “Economic Forecast for Member States of Eurasian Economic Union for 2016–2018”. March 18, 2016. Pp. 10-11

Conclusion

The economic data of the Union have showed as the EEU has met since its beginning in 2015 different troubles to improve the internal economies of the member-states and to affirm itself as economic bloc in the global scenario, due mostly to the economic slowdown in Russia caused in primis by the sharp currency devaluation of last years and the drop of the oil price.

In detail, according to the analysis of the Eurasian Development Bank, the economic decrease of the five Eurasian countries was primarily due to the worsening international economic climate. In December 2015, energy prices were down by 39.1% year-on-year. Prices also declined in metallurgy and agriculture (although the drop was much less severe). Metal prices fell by an average 28.4% and prices of agricultural produce by 12%. The most negative consequences of the economic shock were visible in the internal economy of Russia firstly, with successive repercussions to the other members. Here, the decline of oil price and the extended foreign trade and investment sanctions had the most noticeable and predictably negative effect on economic growth in Russia. In 2015, annual growth was -3.7% in Russia, compared to growth of 0.6% in 2014. For Kazakhstan, although the situation was better than in Russia with a GDP growth that remained positive at 1.2%, compared to 4.4% in 2014, the main supply-side negative was a reduction in oil and iron production and, on the demand side, lower consumption due to a decrease in real household incomes. States as Belarus and Kazakhstan that depend in large measure on Russian economy were afflicted by the depreciation of the Russian ruble negatively, with the result that investments were cut, remittance declined and foreign trade slowed. In addition, the central banks of Belarus and Kazakhstan had to tighten their monetary policies to support national currencies that were pegged to the US dollar more than the Russian ruble, which also affected their GDP growth. The devaluation of the rubles generated serious problems to the local currencies of the member-countries. For example, according to the EDB, in Belarus during 2015 declining investment and consumer spending created the deepest economic recession in the last decade. The country's GDP fell by 3.9% in 2015, compared to growth of 1.6% in the previous year⁶⁸⁰. These factors stress as real development of the EEU is not yet started; on the contrary the difficulties of market economy generated passivity for the economic growth, evolving de facto the economies of the Union negatively.

⁶⁸⁰ Cf. Eurasian Development Bank (2016): *"Eurasian Development Bank Strategy for 2013-2017 (revised)"*. P. 4

But, analyzing the actual statistics of the Eurasian Economic Commission, is visible in the first quarter 2017, after two years dominated by a strong economic recession (in 2016 the GDP of the Union totalized 1 485 422 USD bn. against 2 404 881 USD bn. of 2014, recording in two years a difference of 919 459 USD billion), a slow regrowth of the GDP of the member-states, e.g. Belarus – 0.3% or Russia – 0.2%.

Moreover, to confirm the intrinsic economic potential of the Union, can be stressed as the EEU has a gas production of 686.2 billion m³ (2016) and of crude oil by 628.3 million tons (2016), reasons that explain as the raw market of the Union is the key sector to further increase its position in the world economy in next years.

Though, referring to a possible development of the Union globally, we must ascertain that the EEU was not yet able to neutralize the negative external influence factors that are still acting on the economies of the member-states. For that the EEU is failing in the role of developer of internal economies of its associates and to expand its capability as economic bloc in the global scenario – especially if we considerate the fact that in 2016 the volumes of foreign trade of goods of the EEU with third countries registered a turnover of 509.7 USD bn. (export: 308.4 USD billion; import: 201.3 USD billion), inferior to the turnover of 873.1 USD bn. in 2014. The same data are visible also regarding the mutual trade between the member-countries that in a confrontation between 2014 and 2015 diminished sensibly: e.g. the turnover of Belarus-Russia for the period 2014-2016 registered a difference of -11 409 USD million (-30.53%), confirming from a side the difficulties of the system of the EEU to reach the objective to improve the mutual trade; and testifying from the other side as the Union rests still dependent on imports from third countries.

These observations come from the fact that the Union in its first two years has known different obstacles to the improvement of the regional trade and consequently to its extension in the world economy. The principal causes of the destabilization can be summarized in: 1) the economic and financial crisis started since 2008; 2) devaluation of Russian rubles; 3) drop of oil price; 4) effects of civil war in Ukraine with a deprecation on the investments in the territory of the Union; 5) Russian embargo against the agricultural and food products of the European Union; 6) American economic sanctions against Russia; 7) Russia's unilateral sanctions against Turkey in December 2015 in response to the abatement of a Russian plane on the Turkish-Syrian border; 8) lack of implementation for the necessary steps to deepen the economic integration, due to different economic levels; 9) internal systemic problems (e.g. corruption, protection of the respective national markets, nonpolitical and oligopoly structures, state influence on the economy); 10)

political reasons (as the containment of the Russian influence on the national level and the maintaining of the national sovereignty); and 11) general economic recession in all member-countries. These facets underline as the EEU is currently trapped in a situation of stagnation, expressly because its development depends on the Russian economic trend and on its geopolitical implications. Indeed, if is considered that for example in January 2017 Russia accounted for the 88.3% of the entire industrial production of the Union (Kazakhstan – 6.7%, Belarus – 4.4%, Armenia and Kyrgyzstan – 0.3%) and for the 78% of the agrarian production of the Union (Kazakhstan – 10%, Belarus – 7%, Armenia – 2%; and Kyrgyzstan – 3%), it is easy to understand as Russia from a hand dominates the entire EEU's market; and from another hand, all its economic troubles, as well the global political choices decided by the Kremlin, have direct consequences on the other countries-members. According to this statement, the economic stagnation of these years has not only undermined the role of the EEU, alimenting the perplexities of the member-countries about the effectiveness of this organization – due to the risk to be affected by the troubles of the Russian economy – but also has made more difficult for Moscow to provide the funds that made integration more financially attractive to poorer states⁶⁸¹. In fact, if is taken into account the fact that the fixed investment in 2016 decreased to 253 165 USD million against the 428 015 USD million of 2014; and that the building sector knew in the same period of time a deprecation from 187 744 USD million (2014) to 107 061 USD million (2016), these actual data are not attractable for those states (e.g. Tajikistan or Uzbekistan) that could join the system of the Union.

Considering the example of the Republic of Belarus, which economy depends in large measure from the Russian Federation, the two first years of the EEU has not brought considerable improvements to its internal economy – still in difficulty especially due to the economic recession caused by the global financial crisis, the high inflation rate and a general antiquated system of production. In fact the Belarusian GDP growth rate registered a decline from 2015 (-2%) to 2016 (-1.9%) and only a tenuous regrowth in the first quarter 2017 (0.3%)⁶⁸². In addition, the Russian economic and politic difficulties, specifically the disputable Russian geopolitical choices as the Crimea's annexation and the drop of the oil price, weakened the Russian investments in Belarus, where the number of Russian organizations investing in Belarus declined from 2 712 (2014) to 2

⁶⁸¹ International Crisis Group (2016): *"The Eurasian Economic Union: Power, Politics and Trade"*. Europe and Central Asia Report N°240 | 20 July 2016. P. 13

⁶⁸² *"Belarus GDP Annual Growth Rate"*. In In Trading Economics <https://tradingeconomics.com/belarus/gdp-growth-annual> (last view: 25.06.2017)

556 (2015). This segment, connected with the necessity for Belarus to obtain the abolishment of tariffs and customs duties for the hydrocarbons market, finalized to an increment of its import quota from Russia with a reduced price, has the significance as still the economic Belarusian expansion within the EEU is in a moment of immobility.

The EEU has in its first target the development and harmonization of the internal economies of the member-countries in order to increase their common trade and to modernize their economies. But, in consideration of this purpose, the Union had not yet achieved sensible steps in the achievement of national improvement for its participants. Indeed, the EEU turnover diminished from 769 088 USD million (2014) to 468 168 USD million (2016). Equal economic problems were registered inside the territory of the Union concerning the small enterprisers: sensible drop of small business from 764 213 USD million (2014) to 348 612 USD million (2015).

Although in this analysis was demonstrated as the two first years of functioning of the EEU were characterized by a strong recession, must be also ascertained as positive signals of economic regrowth for the member-countries started to arrive already during the first quart 2017. Indeed, as reported by Tigran Sargsyan, *"For the first time since 2014, economic growth was registered in all the five countries of the EEU. The volume of foreign trade of the Union countries in January - March 2017 increased by 29.6% compared to the same period of last year. The growth of mutual trade amounted to 31.1%⁶⁸³".* These optimistic signals are confirmed even from President Putin, who during the Supreme Eurasian Economic Council's session in Bishkek on 14 April 2017 stressed as from January 2017 the EEU is showing its first positive results: *"In January 2017 compared to January 2016 the mutual trade volume between the Union's member states increased by 38%, and the supplies of EAEU states to third countries increased by 37%; in 2016 EAEU agriculture field recorded a 4% growth; the trade turnover of agricultural goods between Armenia and Russia increased by 22%; thanks to the Union's market, a new field, machinery, is developing in Kazakhstan; Kyrgyzstan creates favorable conditions for the development of textile industry; the export of light industry products of Kyrgyzstan to the Union's market increased by 38% in 2016⁶⁸⁴".* Even if the EEU started in 2017 to show a first positive impact, as recognized from the Russian President, must be observed as the still existing barriers in the trade of the Union, as the lack of a harmonized customs controls by the member-states, represents a limit to deepen the economic

⁶⁸³ "The Chairman of the EEC Board, Tigran Sargsyan: "At the beginning of 2017, the EEA recorded significant economic growth in all the five countries". In Eurasian Economic Commission. 26.05.2017

<http://www.eurasiancommission.org/en/nae/news/Pages/26-05-2017.aspx> (last view: 22.06.2017)

⁶⁸⁴ "The trade turnover of agricultural goods between Armenia and Russia has considerably increased: Putin". In 168 hours news and analysis. 14.04.2017 <https://en.168.am/2017/04/14/17071.html> (last view: 19.09.2017)

integration. However, according to Putin, these barriers should be eliminated until the year 2025, in order to provide the full expansion of the Union.

In general, the evolution of the organization is connected with the aim to achieve an equalization of the economic differences between the member-countries (difficult nowadays to reach especially in consideration of the enormous economic disparity between Russia and Kyrgyzstan); and the accomplishment of their access to the World Trade Organization – with Belarus still negotiating its accession. Reflecting about these targets, it can be argued that the future establishment of a unique regulated market of the EEU with the abolishment of customs duties could be a concrete step in the contribution to the equalization of the economies of the participants of the Union – an objective which can be reached through: a) standardization and harmonization of the regulation of their trade; b) coordination and together work by the exchanging of ideas between specialists of all member-countries ; and c) the creation of favorable business conditions in the finance policy by the diminishing of administrative barriers and additional costs. Exactly from these elements of coordination and regulation of all economic sectors, through the establishment of an agreed policy between the participants, depend the success of the EEU in the creation of mechanisms that can allow: 1) progress in the mutual trade; 2) liberalization of the commerce; and 3) better competition between each country with consequently improvement of their standard of production.

To simplify, according to Dr. Vinokurov, *“The progress of Eurasian integration depends on the success of “bottom-up integration”— growth of mutual trade, mutual investments, and civilized labor migration. This requires that the “rules of the game” be uniform within the EAEU economy. The ultimate goal in the long term (until 2025) must be to increase the common market as much as possible. Elimination of exemptions in the single market is critical to the modernization and cooperation of EAEU economies⁶⁸⁵”*.

On the whole, it can be affirmed as the EEU in the two first years of its working has suffered from the financial and economic difficulties of the member-countries that have slowed down its development therefore. In this regard, is not possible to talk about a real development of the national economies of the member-states, rather must be observed, as in the last two years was recorded a common downgrade of the economic situation of every member. It means, that the obstacles to the integration, from external factors as the global financial crisis to internal as the

⁶⁸⁵ Vinokurov Evgeny (2017): *“Eurasian Economic Union: Current state and preliminary results”*. In Russian Journal of Economics 3 (2017). P. 58

lack of a serious political engagement of the member-countries, in order to not lose their national sovereignty, are still generating a situation of stagnation in the evolution process of the EEU. For that, as long as the necessary conditions of a functioning common market and the dissolution of internal discrepancies will be not achieved for systemic or political reasons, the EEU cannot achieve its self-imposed objectives. Here, the regional economic integration against the challenges of the globalization is the aim that the Union must pursue through the unification of trade regime and building of common markets – especially for the production and trade of raw material within the territory of the Union. A realization of an integrated mechanism of cooperation without any trade-barrier can further provide a development of the internal economies of the associates of the organization with the possibility to improve their trade, to equalize their economic levels and to reduce the costs of production.

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Results, Recommendations and Final Observations

List of Abbreviations

CU: Customs Union

EAEU: Eurasian Economic Union

EEU: Eurasian Economic Union

EU: European Union

FTZ: Free Trade Zone

GDP: Gross Domestic Product

IT: Information Technology

SES: Single Economic Space

SPS: Sanitary and Phytosanitary Measures

USD: U.S. Dollar

WTO: World Trade Organization

1 *The EEU, an economic union still to implement*

The process of the EEU integration is correlated with the concept of regionalism. Explaining the notion of regionalism, it intends the aggregation of particular states of a precise geographic region (in this case of Eurasia) that decide to cooperate together to achieve common purposes (as their national economic development). Consequently, the member-states build an economic zone in order to: a) obtain collective economic advantages; and b) to guarantee a progressive expansion of their integration through the establishment and use of social and political standards too.

From this assumption our research started to define the Eurasian region geographically, identified by Sir Mackinder in his article "*The Geographical Pivot of the History*" (1904) in the territory comprised between Russia and the Central Asia; and to analyze this portion of the world through the current of the Eurasianism culturally. The classic Eurasian idea, as presented by Trubetzkoj, Savitsky or Danilevsky in the XX century, emphasized the Eurasian and thus the Slavic culture as unique one with own facets and characteristics different from the Western identity. Through this resonance, the Eurasian thinkers wanted already in the last century to accentuate the grandeur of this world-zone and precisely of its pivot, Russia, with the objective to unite all Slavic people against the influence of the Westernization. The concepts of magnificence and strategic important of Eurasia were refined by the Geopolitical school from authors as Nicholas Spykman or Karl Haushofer, who e.g. in his work "*Pan-Ideas in Geopolitics*" (1931) underlined the military and political significance of Eurasia as sensible world region to determinate the strategic and military world equilibrium. Although during the Soviet Union the Eurasian doctrine did not prevail as primary cultural orientation, due to mostly the predominant ideology of Bolshevism, after the collapse of the Soviet Union, the Eurasianism started to affirm its ideas in the philosophical debate predominantly. At the beginning of the new millennium, the Eurasianism commuted its features, assuming a different connotation based on more radical and populist inclination. Here, in the modern vision of the Eurasian idea, the Neo-Eurasianism, authors as Dugin, accentuated the clash of the Slavic culture against the Atlanticism, stressing the necessity for the Eurasian countries, thus the post-Soviet young Republics, to tie their capacities together, in order to better overcome the challenges of the modernity, as the global economic financial crisis. In this context, as underlined by Dugin in his book "*The Fourth Political Theory*" (2012), Russia, due to its economic predominance and geographical dimension, represents the fulcrum of Eurasia and has consequently the role to guide and coordinate its neighboring countries economically and politically. Though, the Neo-Eurasianism exalts mostly the Russian Nationalism, giving to the

Russian Federation a chief role in the coordination of the post-Soviet space in an economic and politic form. Subsequently, this extreme exaltation of Russia, as proposed by the Neo-Eurasianism, did not find correspondence in countries as Ukraine, divided nowadays between Europe and Russia ideologically, or in consideration of the EEU members, in Belarus and Kazakhstan. In fact, Belarus has a friendlier predisposition to other ideologies and in general to the Westernization, as historical result of the embossment of its culture by diverse cultures (from the Polish cultural influence to the Bolshevism). Kazakhstan respects the Russian economic predominance in Eurasia as the strongest economy, but politically, as expressed by Nazarbayev in his work *"the Strategy of the Independence"* (2003), every Eurasian state must be sovereign to exercise its own choices. However, from the philosophical idea of Eurasianism in the exaltation of the Slavic culture and the role that must be assumed by the Russian Federation as economic guide, it is possible to find the roots of the modern integration process of Eurasia, namely the Eurasian Economic Union.

In this regard the EEU, formed by post-Soviet states, thus countries that share an equal cultural orientation, wants to favor an economic integration which can bring benefits for all its associates in terms of welfare gain. But, the Union is nowadays still in the phase to create a common economic platform, moving gradually in the harmonization of the different national legal framework of its associates. The removal of protective and discriminatory barriers through the introduction of common economic standard norms for all the countries (although the dimension and economic power of the EEU's members rest still too differentiated) can activate the further integration of all the participants. Precisely, an effective cooperation can create spillover effects on the member-countries, as for example through the exchange of qualified personnel, the transfer of technologies between the states of the Union or redistribution and reallocation of labor at the regional level, that can have positive impact in the development of the internal economies and in welfare gain.

The three EEU's founders, as underlined by Mazhikeyev Arman and Edwards Huw, have decided to move their regional expansion starting from the previous Custom Unions of the year 2010. With the Eurasian Economic Union they are moving further in their integration, beginning with the formation of a regional free trade area, then a customs union, a single market and the establishment of economic union with gradual enlargement⁶⁸⁶. Based on these purposes, an evaluation of the Eurasian Economic Union in the first years of its working, on the whole, must

⁶⁸⁶ Cf. Mazhikeyev Arman & Edwards Huw (2015): *"Consequences of Asymmetric Deeper Eurasian Economic Integration"*. UCD Dublin, 30.01.2015. P. 17

advance three important considerations: 1) the integration process is blocked because the lack of homogeneous basic legal framework and the removal of barriers by the Commission (a part the White Report of 2016) is moving slowly, affecting in negative the trade of the Union and bringing any considerable effects on the improvement of the national economies; 2) the role of the Russian Federation is too strong in comparison to the other participants, determining that the Union depends in positive and negative on the Russian economy; and 3) the mutual trade is still too tenuous, explaining as the creation of the common markets, especially for the energetic sectors, and abolishment of barriers in the trade must be achieved rapidly.

Statistically, the EEU in the year 2016 recorded a GDP of 1 485 422 USD billion, against the 2 404 881 USD bn. of 2014, with a negativity by -919 459 USD billion. A slow increment of the national GDP of the member-states is possible to see only in the first quarter of 2017, e.g. Belarus – 0.3% and Russia – 0.2%. As sectors, considering the agricultural area of the Union, a decrease is visible as well in the period 2014-2016, respectively 146 681 USD million and 107 003 USD million, with a passivity of -39 678 USD million. Same results in the building sector with a decrease of -80683 USD million in the period 2014-2016: 187 744 USD million (2014) and 107 061 USD million (2016). In addition, the sharp difference between the mutual and extra trade of the EEU, respectively 42 536.4 USD million and 509.7 USD billion for the year 2016, testifies the still high external dependence of the member-countries to export and import from third countries, in order to sustain their commerce.

Reflecting about the mutual trade, it assumes a decisive character in the lecture of the Union, because the main aim of the EEU is the development of the national economies, and thus to carry benefits in primis to the small enterprises of the member-countries. Unfortunately, the not positive tendency of this sector is even confirmed in the consideration of the small national companies, that recorded a turnover of 764 213 USD million (2014) and 348 612 USD million (2015), registering in the first year of the EEU a negativity by -415 601 USD million.

Regarding the not encouraging results of the Union in the first two years of its functioning, an explanation of this negative trend comes from the economic difficulties generated by the drop of the oil price (which began in July 2014 and amounted to the end of the year to more than 50%), that had a serious impact on all the states of Eurasian Economic Union, generating mostly an economic recession in their territories: 1) for Russia and Kazakhstan it had a negative impact on the exports of hydrocarbons (leader sector in the exports to foreign markets), with a reduction of the export-incomes. 2) Armenia and Kyrgyzstan, due to close ties with Russia and Kazakhstan, also

felt the influence of negative trends. 3) In turn, Belarus was influenced by the reduction in demand in Russia for basic export goods, and recorded a decrease in revenues from deliveries to external markets of oil products produced through the utilization of the Russian oil⁶⁸⁷.

The fall of oil price and in consequence even in the commodity prices, had consequences in the foreign trade of the EEU's participants: the export volumes of Belarus and Russia fell by 26.1% and 30.9% respectively; while in Kazakhstan they decreased almost by half (42.7%). In Belarus, this was due to both a drop in prices for primary commodities, oil products and energy, and a reduction in demand of the export of manufactured goods. While, in Kyrgyzstan and Armenia the supply of goods to foreign markets declined in relation to a lesser extent because the favorable economic situation in the main export markets of the EEU partners, as the European Union and China⁶⁸⁸.

The drop of the oil price, followed by the Russian embargo, implied the constant growth of economic uncertainty among the member-states, with an impact on the flows of mutual investment too. For example, Russia's direct foreign investment in Belarus in the form of participation in the capital declined in 2013-2015 by 3.7 times; to Kazakhstan – by 2.3 times; and to Armenia decreased in 2015 compared with 2014 by 38.5% after growth in 2013-2014 years⁶⁸⁹.

Even in consideration of the EEU's foreign market, the first two years of the Union have not showed a positive income for the organization on its whole, knowing a decline of its turnover by - 61.2 USD bn. as result of 2015 (168.3 USD bn.) and 2016 (107,1 USD billion).

In correlation with the EU-28, a comparison EEU-EU remains nowadays difficult to present, because their notable economic differences: in 2016 the EEU recorded a GDP based on purchasing power parity of currencies of 4 104.2 USD bn. against the European of 19 904.4 USD billion. It means that the EEU is still far to acquire a notable position in the world economy. Only the development of the mutual trade, the further expansion of the Union through the accession of new states, the accession of Belarus in the WTO and the realization of FTZs with third countries could improve in the next years the role of the EEU in the global scenario.

The negative trend of the EEU, characterized by an economic recession and a stagnant integration of its members, represented especially by their different structural economic systems, is even confirmed by the public opinion of the citizens of the Union. Specifically, according to the report of the Eurasian Development Bank, in the period 2012-2016, to the question about the favorable

⁶⁸⁷ Cf. Yevraziyskiy Bank Razvitija (2017): "*Kolebaniya Valyutnykh Kursov v Yeaes v 2014-2015 Godakh: Analiz i Rekomendatsii*". Doklad Nr. 44, Sankt-Peterburg, 2017. P. 14

⁶⁸⁸ Ibid. P.19

⁶⁸⁹ Ibid. P. 21

economic integration of the EEU and the creation of a single market for the five countries, the typology of answer of the EEU's citizens shows a firm contrast between the period before the creation of the Union and the time immediately after its beginning, underling as nowadays there is a climate of uncertainty in the Union and a rising negativity about the possible success of this integration project. In detail, the percentage of the respondents that have a positive opinion about the Union decreased in Armenia from 80% (2012) to 74% (2016); in Kazakhstan from 80% (2012) to 74% (2016) and in Russia from 72% (2012) to 69% (2016). Only Belarus and Kyrgyzstan registered an increment from 60% (2012) to 63% (2016) and 67% (2012) to 74% (2016)⁶⁹⁰ respectively, showing as the Belarusian and Kyrgyz still believe in the system of the EEU as a mechanism that could bring positive contribution in the improvement of their national economies. A proper answer about the positive manifestation for the EEU of Belarus and Kyrgyzstan comes from the fact, that the Belarusian economy is still high dependent on the Russian one and thus a close economic connection with Russia through the EEU apparatus is seen positive for the achievement of internal economic stability. For Kyrgyzstan the Union has a positive reconnaissance due because the legal recognized opportunity of free movement and equalization of the Kyrgyz works in the territory of the EEU, allowing their stay and employment for example in Russia legally.

So, in the accession to the EEU, the member-states committed themselves to a number of obligations across different areas of integration. But, the reality shows as the entire system, dominated firstly by Russia and by its geopolitical ambitious, was created through individual promises between Russia and the other member-states to reach individual objectives (e.g. Belarus to obtain raw materials without application of duties; Armenia to have a solid military ally and a free movement of labor; or Kyrgyzstan to have a legal free movement of workers) that reflect the specific priorities of the respective leaders. Indeed, with the accession in the system of the EEU, the participants agreed to formally participate to the economic of the Union, but without any genuine underlying of commitments to multi-faceted, deep economic integration. According to Dragneva and Wolczuk, *“With key decisions being taken in EAEU member states by powerful, largely unaccountable political leaders, little attention is dedicated to the technical aspects of compliance. Even if political leaders were fully committed, the sheer speed and scope of integration is jeopardized by the absence of systemic political, administrative and judicial reforms in member*

⁶⁹⁰ Eurasian Development Bank (2016): *“EDB Integration Barometer – 2016 (Fifth Wave of the Survey)”*. Report 40, April-June 2016. P. 8

states. Furthermore, the required modernization of domestic institutions to facilitate effective integration – such as, for example, dismantling the monopolies controlling the Armenian economy – would disrupt rent-seeking networks and impinge on the interests of those close to political leaders. The poor governance characterizing EAEU member states, including Russia, creates a formidable obstacle to the effective functioning of the union as a rules-based regime. To sum up, launching an economic union as the ultimate platform of integration implies an intention to strengthen a common regime⁶⁹¹.

It has the meaning that if the member-states want really to create a real economic integration, they must starting to respect mutual obligations and to eliminate obstacles in their tariff regime, applying the customs code of the Union, and beginning to cooperate each other by the exchange of technology, experts and modernization of infrastructure. Exactly here, the Astana Treaty affirms the intergovernmental integration, with the intention to give an equal position to the member-states in the decision process. It takes the advantage that in the decision-making process, the member-countries are doted by flexibility in the expression of their decisions. But, the necessity to implement key-sectors as the energetic, the application of harmonized customs code for the mutual trade or the elimination of barriers, applying an equal recognition of all citizens of the Union are the priority that still must be reached, in order to provide the successive steps of deeper integration for the common development of the Union.

2 Considerations and recommendations about the EEU

The Eurasian Economic Union, inserted in the framework of the post-Soviet projects of regional economic integration, was thought by its founders to strengthen their economic cooperation as an updated form of the CU of the year 2010 and the SES, established in 2012, creating in the same time a compact system, opened for a possible accession of other countries of the Commonwealth of the Independent States prevalently. The decision of Belarus, Kazakhstan and Russia to further expand their economic alliance through the ratification of the Astana Treaty in year 2014, reflects the progresses achieved within the CU. Precisely, according to the study of Wiśniewska, the *troika*, within the mechanisms of the CU obtained principally: “1) the application of common import tariffs – coinciding in 80% with the import duties that were in force in Russia. 2) The exclusion of export duties from the common customs tariff regime. 3) The achievement of common external

⁶⁹¹ Dragneva R. and Wolczuk K. (2017): “*The Eurasian Economic Union Deals, Rules and the Exercise of Power*”. In Chatam House. Research Paper, May 2017. P. 16-17

tariff in January 2010 with the removal of internal border controls. 4) the realization of the Common Customs Code in July 2010, which from a side introduced facilitations of the clearance of goods sent across the external borders of the Customs Union with a reduction about the duration and number of documents required for these operations; and from the other side abolished the customs clearance of goods, originating in the Customs Union states and third countries, that have been cleared by customs services of any Customs Union member. 5) The implementation of the free movement of labor workers within the territory of the Union⁶⁹²”.

Successively, quoting Sedik, the work of the Eurasian Economic Commission accomplished with the formulation of regulatory legislation, in order to realize the single market within the countries of the CU: “1) harmonization of agricultural support policy, setting the limits for overall support to agriculture; 2) harmonization of macroeconomic policy, coordinating the macroeconomic policies of the member-countries; 3) harmonization of competition policy, which provides the formation of a common competition policy to facilitate the free movement of goods and economic activities within the union; 4) harmonization of trade policy for agricultural goods and food; 5) development of mandatory technical specifications for goods; and 6) common SPS, veterinary, quarantine and pesticide and agrochemical rules to ensure an unified approach to veterinary issues, common principles and norms of veterinary control, quarantine rules, phytosanitary control and on the safe handling of pesticides, agrochemicals⁶⁹³”.

In this scenario, the EEU proposes nowadays as the logical continuation of the CU, comprising additional steps towards economic integration through e.g. unification of labor and trade legislation⁶⁹⁴. Here, the actual economic success of the Union is connected with the liberalization of the economies of its associates and the application of a common legal framework that could assure an equal economic surplus for all the EEU members. For that assumes a notable priority the removal of obstacles that could restrict the free movement of goods, services, labor and capital; as the necessity to uniform the standards and norms in production, due especially to the different grad of economic development, internal institutions and national infrastructures. In this direction, during 2016 the Commission with the publication of the *White Report* detected 60 obstacles, of which 17 are exemptions, 34 are restrictions, and 9 barriers, that were hindering the commerce

⁶⁹² Cf. Wiśniewska Iwona (2012): “*The Customs Union of Belarus, Kazakhstan and Russia: a way to strengthen Moscow’s position in the region*”. In Istituto per gli Studi di Politica Internazionale. No. 146, November 2012. P. 2

⁶⁹³ Sedik David (2014): “*The Eurasian Economic Commission and the Unified Market for Agricultural Commodities within the Customs Union*”. Seminar Background Studies Experiences of the European Union in Creating a Single Agricultural Market. Moscow, 23.01.2014. P. 5

⁶⁹⁴ Cf. Kubayeva Gulaikhan (2015): “*Economic Impact of the Eurasian Economic Union on Central Asia*”. In Central Asia Security Policy Briefs. Norwegian Institute of International Affairs. OSCE Academy. Bishkek February 2015. P. 4

within the Union, and started consequently to their removal as e.g.: 1) the adjustment of inspections measures for veterinary control; 2) the elimination of barriers in public procurement related to the access of goods of member-states; 3) the elimination of barriers in the labor migration with the complete recognition within all member-countries of the educational certificates of the different citizens of the Union; 4) the elimination of the barrier connected with restriction caused by lack of the unified methodology for calculation of authorized scope of state support in the agriculture sphere; or 5) the establishment of rules of charging a security payment in sale of alcoholic, eliminating inequalities in the security payment between the member-countries.

Though, despite these first progresses in the harmonization of the legal framework of the member-states, the actual economic results of the EEU are showing as the economic integration is going slowly, especially in consideration of the tenuous turnover of the mutual trade: 63112.7 USD – 2014; 45605.3 USD – 2015; 42536.4 USD – 2016. In this scenario, the technical regulations (as the elimination of border controls for imports and exports or the creation of common energetic market with the application of equal tariffs for import and export of raw material) represent a decisive key for the intra-trade development and for the harmonization of the national legal frameworks, in order to ensure competitiveness and increase the business within the territory of the Union. For that the elimination of all barriers in the trade, especially in small business, through the improvement of the legal framework of the Union and by provision of the common macroeconomic fiscal and monetary policies, must be the cornerstone of the Union to guarantee freedom in the movement of goods and for the establishment of a common market where all enterprisers from Russia to Kyrgyzstan can be competitive.

Therefore, we can assert, that the fundamental steps to real integrate the participants of the Union, as well to guarantee the success of the EEU in the next years, are firstly connected with: 1) the improvement of the standards of production of the member-countries through the modernization of infrastructure and instruments of productions (a decisive factor to reach the total freedom of movement for goods and services within the territory of the Union). 2) The definition of tariff regime, considering all the interests of the members – the actual adopted mechanism is mostly based on pre-existing Russian trade tariffs that were relatively high and therefore raised levies on imports for the more open economies of Kyrgyzstan, Kazakhstan and Armenia. For example the already accession of the Kazakhstan in the Eurasian Customs Union determined an increase of its average tariff rate by 78% (from 6.2% to 9.1%) in order meet the

tariff rates of Russia and Belarus, with the consequence for Kazakhstan to impose higher costs for its imports⁶⁹⁵. For countries as Kyrgyzstan, which had low tariffs on its consumer-goods trade with China, could mean higher prices on Chinese imports and difficulties for wholesale and re-export trade. 3) The increment of the production and concurrency, through an anti-trust regulation within the territory of the Union. 4) The equalization of the economic levels of every participants of the EEU (difficult nowadays to be reached for the economic disparities). 5) The affirmation of the EEU as economic bloc in the global economy (still far because of the economic recession of last years and the geopolitical Russian decisions that have affected the Russian economy negatively). These principal aims can be achieved through the realization of a common agreed macroeconomic policy in the Union and the increment of foreign investments of third countries through the application of facilitations based on the Free Trade Regime – especially with China that could facilitate the integration of Central Asian countries in the system of the EEU and the European Union (principal economic partner of the EEU's countries).

But, the progresses of the Union depend even on the Russian economic and politic choices undoubtedly. Exactly, the Russian Federation, as first economic force of the Union, dominates its entire economic area (Russia represents the 86.6% of entire GDP of the Union). However, although the Russian economic decisions have direct impact on the other countries of the Union, it does not mean that the other states agree with all Russian decisions (a reason that underlines as every member of the Union wants to maintain its political independence excluding any Russian implication into the national system). An example of that is connected with the Russian-Ukrainian dispute, an issue not approved by the other members of the Union. In fact, the other members showed their unwillingness to adopt the sanctions that Russia has imposed on Ukraine, continuing to conduct business with Ukrainian companies and generally with the European Union even despite the Russian embargo against European food items. The relationship between Kiev and Minsk for example is still economically developing (in 2016 the trade between the two parts came close to 4 USD billion, up by more than 10% over 2015) and Belarus and Ukraine will work to increase the trade up to 8 USD billion, continuing to further develop their partnership, as confirmed by President Lukashenka in July 2017 during his official visit in Ukraine: *"Today we continued the conversation, with the focus on economy. Belarus and Ukraine are interested in*

⁶⁹⁵ Mazhikeyev Arman & Edwards Huw (2015): *"Consequences of Asymmetric Deeper Eurasian Economic Integration"*. UCD Dublin, 30.01.2015. P. 6

expanding exports, developing industrial cooperation, joint projects for modernization of road transport infrastructure, introducing innovative technologies”⁶⁹⁶.

Through these considerations is possible to assert as: 1) the right climate of cooperation that must exist for a regional organization as the EEU has not yet been achieved; 2) in the Union still is missing a strong character of cooperation as the countries desire; and 3) the different political choices (as the Russian occupation of Crimea) can have a negative impact not just on the trade of the member-states but even on their personal integration.

In consequence of that, a significant concern that must be resolved in the Union is the achievement of a total sociopolitical cooperation between the member-states, in order to avoid misunderstanding and allow the realization of a more consolidated cooperation that would even help and simplify the decision making process of the Union.

Economically, the common market for raw materials and the abolishment of barriers and duties in the mutual trade of oil and gas (still subjected on the bilateral accords of the member-countries), are essential aims that the EEU must realize, in order to increase the internal commerce and to modernize and improve the single economy of every participant.

Considering the energetic market, there are obstacles that limit the development of mutual trade in energy resources. The main ones concern the restrictions established by bilateral agreements on the supply of oil, oil products and gas between the member-states.

Reflecting about the gas and oil sphere can be essential to understand the mechanisms of cooperation between the Union, reporting the example of the Russian-Belarusian relationship. In this context, the gas-price rests still nowadays a controversial matter between the two parts, especially because the Belarusian debt to Russia exceeded 700 USD million and Russia increased from January 2017 the price toward Belarus to 141.1 USD per 1.000 cubic meters of gas. In addition, due to the Russian economic crisis of last years, in 2016 the import of Russian oil to Belarus decreased by 20.8% to 18.2 million tons⁶⁹⁷, prejudicing from an hand the development of the Belarusian economy (opposite to the aims of the integration of the Astana Treaty), with Belarus forced to find alternative energetic sources outside from the Union, as with Iran or

⁶⁹⁶ “*Belarus, Ukraine to aim for \$8bn in bilateral trade*”. In Belta, 21.07.2017
<http://eng.belta.by/president/view/belarus-ukraine-to-aim-for-8bn-in-bilateral-trade-103519-2017/> (last view: 23.07.2017)

⁶⁹⁷ “*Lukashenko Goes To Russia To Meet Putin. 5 Hot Topics That Presidents Will Discuss*”. In BelarusFeed, April 2017.
<http://belarusfeed.com/lukashenko-putin-5-hot-topics/> (last view: 10.09.2017)

Azerbaijan⁶⁹⁸; showing from another hand the necessity about the realization of a common agreed energetic market within the EEU, as keystone for the further expansion of the Union.

Currently, the bilateral accords between the member-countries represent the basis of the raw material market. The Commission in *the White Paper* of 2016 reported that there are 13 obstacles in the agreed list of obstacles in the energy sector: 2 are exemptions and 11 are restrictions. Specifically, the main obstacles in the energy sector are: 1) the limitations and exemptions in the main oil, gas, electricity markets; the necessity to form free markets and accession to the infrastructures that is largely a natural monopoly; and 2) the dependence on the budgets of member-states for the development of the energy sector, that still remains under the state regulation⁶⁹⁹. In this regard, the EEU is however moving the first sensible steps to harmonize and optimize interstate supplies connected with energetic sector. In fact, since October 2016 the Commission started a development of indicative (forecast) balances of gas, oil and petroleum products of the Union with the purpose to better delineate the guidelines of harmonization before the creation of the common oil and gas market, expected in the years 2024 and 2025 respectively. The finalization of these aims will conduce to the other significant targets that the participants are awaiting from the Union, namely the harmonization of the national levels with the equalization of the tariffs to a standard level of the Union in concordance with the WTO standards.

As final consideration, we can emphasize that the EEU, as demonstrated through the economic analysis of the member-countries, has suffered in the first two years of its course from serious financial problems caused by a strong economic recession that has affected its macroeconomic indicators negatively with a direct impact on the internal economies of its participants.

Considering this aspect, to deepen the integration within the EEU can be problematic, because the troubles of Russian economy can be a controversial point for the countries, as Belarus or Armenia that through their accession wanted to improve their business exactly with the Russian Federation.

Observing the contemporary situation of the EEU, in the first quarter of 2017, were achieved first economic progresses for the member-states: 1) in January 2017 production of agricultural was 3.7 billion US dollars and increased in constant prices by 0.8% compared to January 2016, (in January 2016 compared to January 2015 – an increment of 2.9%); 2) the volume of mutual trade in goods

⁶⁹⁸ "Belarus Buys 600,000 Barrels Of Iranian Oil In Bid To Become Less Dependent On Russia". In BelarusFeed, February 2017. <http://belarusfeed.com/belarus-buys-first-iran-oil/> (last view: 10.09.2017)

⁶⁹⁹ Cf. Yevraziyskaya Ekonomicheskaya Komissiya (2016): "Bar'yery, iz'yatiya i ogranicheniya Yevraziyskogo Ekonomicheskogo Soyuzu". Doklad. Pp. 25-26

for January-March 2017, calculated as the sum of the value volumes of the export operations of the member in mutual trade amounted to 11.8 bn. USD, equivalent to 131.3% of January-March 2016 – generated prevalently by the growth in average prices for goods (by 19.5%) and the increment in the physical volume of trade (by 9.9%); 3) in comparison with January-March 2016, the relative weight of mutual trade slightly increased from 14.1% to 14.3%: in Armenia – from 29.8% to 31.1%, in Belarus – from 50.4% to 53.4%, in Kazakhstan – from 19.7% to 22.3%. In Russia, the amount remained unchanged by 8.8%, while Kyrgyzstan recorded a decrease from 41.9% to 39.8%⁷⁰⁰.

But, although these encouraging results, must be stressed, that an appropriate valuation of the Union can be effectuated after the realization and functioning of a financial regulator system (2022–2025); the establishment of common electricity market (2019); the creation of oil market (2024); and the realization of the common gas market (2025). Moreover, to improve the integration is provided that around 2018 all roaming charges for mobile communications should be canceled; around the 2020 an integrated market for tobacco and alcohol should take shape; and in 2025 a supranational institution in charge of financial supervision should be established in Almaty.

In this context, is extremely important the coordinated work of the Eurasian Economic Commission with the authorities of the member-states, which must be finalized to the achievement of a complete harmonization of all economic structures of the participants of the Union. It has the meaning of the realization of a real economic union. Unfortunately, the political contrasts of the member-states (especially the volition to maintain their sovereignty against a possible Russian implication on the national level) and diverse structural economic problems (as the Belarusian economy still based on Soviet system; or the oligarchs in Russian that do not want to renounce on their economic monopolies) show as the total acceptance of the EEU's rules is still complicated to realize.

Summarizing, this study wanted to emphasize as the Eurasian Economic Union is an ambitious project undoubtedly, which, though, in the first two years of its beginning has met economic difficulties, that have precluded an expansion, development and deep integration of its participants, giving therefore an negative evaluation. The work identified the global financial crisis, with the consequence of an increment of inflation, the drop of oil price and the recession of the

⁷⁰⁰ Yevraziskaya Ekonomicheskaya Kommisiya (2017): *“Ob Itogakh Vzaimnoy Torgovli Tovarami Yevraziyskogo Ekonomicheskogo Soyuzu Yanvar’ – Mart 2017 Goda”*. Analiticheskiy obzor 25 maya 2017 g. Pp. 1-3

Russian economy, as primary external reasons of stagnation of the economic integration. Within the system of the EEU, the internal causes that have generated a phase of economic uncertainty are connected with: a) the lack of a common legal framework between the states-members, accentuated by the still existing barriers in the mutual trade; b) the disparities of their economic levels; and 3) the still low self-sufficiency of the common market with a consequently high dominance of imports from third countries. In general, these causes prove as a real economic integration in the Union must be still achieved. Only a deeper economic integration, through the removal of barriers, and adjustment of the economies of member-states, by the respect of the mutual obligations as provided in the Treaty, could level the economic differences within the Union, bringing a concrete development of the member-countries. Thus, theoretically, the removal of discriminations in the trade, as underlined by the economist Belassa (1962), the promotion of the free movement of goods, (Robson, 1987) and the liberalization of the trade among the partners, coordinating their national policies (Molle, 1990) are fundamental steps in the direction of full economic integration. The Eurasian Economic Union must follow these passages gradually (in the two first years, the Union has showed too tenuous steps in direction of full integration), if really wants in the future to coordinate the economies of the member-countries efficiently and elevate its economic status worldwide.

In conclusion, economically, we can assert that a possible future success of the EEU could bring benefits for a further expansion of the Union in the region concretely. Firstly, it would have the consequence of a future enlargement of the Union in direction of the Central Asian States that, through their accession, could expand the Eurasian market easily, bringing benefits to the intra and extra trade of the entire Union. Secondly, the achievement of economic progresses within the EEU could give again to Moscow a leadership towards the Eurasian countries, increasing consequently its role in the geopolitical chessboard.

3 The EEU between economic and politic implications

Before concluding the analysis, it can be useful to retrace and make some observations about the motivations that have pushed the actual member-states to access to the system of the EEU. Indeed, if the economic reason is the main reason of the integration, cannot be exclude as the political implications can play, especially in the future, even an important role for the regional integration of the entire Eurasia. It means that a successive examination of the Union could not

analyze only the economic dimension, but even the political impact that the EEU could play in the regional and global scenario.

Through the conducted economic overview of the Union, was evinced that the economic position of the Russian Federation is without doubts massive in comparison to the other members. In this context, from a sidemm the Russian volition is addressed to complete by the system of the EEU that integration process of the post-Soviet countries initiated after the dissolution of the USSR with the formation of the CIS. From another side, the expectations of the other members of the Union, with an economic potential definitively inferior in comparison to Russia, are connected with the economic facilitations that they can achieve through the EEU from Moscow in the improvement of their trade principally.

In the example of Belarus, the EEU would expand its internal market, pushing the country to become a member of the World Trade Organization rapidly. To be a member of the WTO could have the meaning for Belarus to modernize its mechanisms of production, favoring its economic development directly and creating the conditions for Belarus to be more competitive in the global economy, especially in a confrontation with the European countries.

Historically, the relationship between Russia and Belarus has mostly showed a stable character and Minsk since the collapse of the Soviet Union has always followed Moscow in all its integration processes. This determinant role of Belarus in the integration processes in the post-Soviet area was stressed by Grigory Rapota, State Secretary of the Belarus-Russia Union State, who named Belarus as one of the key elements of all the integration processes in the post-Soviet area. He cited the interstate associations in which Belarus plays an active role: the Belarus-Russia Union State, the Commonwealth of Independent States, the Collective Security Treaty Organization, the Eurasian Economic Union. Belarus is an active associated member of the Shanghai Cooperation Organization, in particular in such essential matters as the development of the new Silk Road set to unite China and Europe⁷⁰¹. A passage which attests as: a) the mutual understanding between the two countries is really working; and b) Belarus recovers an important role as promoter of the Eurasian project.

But, a part the value of the ideological cooperation, economically, in connection with the adhesion to the mechanisms of the EEU, the Belarusian authorities await a concrete abolishment of all

⁷⁰¹ Rapota Grigory (2017): "*Belarus plays a key role in the integration processes in the post-Soviet area*". In Belta, 12.07.2017. <http://eng.belta.by/opinions/view/belarus-plays-a-key-role-the-integration-processes-in-the-post-soviet-area-5626/> (last view: 19.07.2017)

duties for the import of raw materials from Russia and consequently to obtain a mayor economic position in the Eurasian market with facilitations in the investments in the member-countries.

About the oil sector, the demand of Minsk – since the CU of 2010 - concerns the total abolishment of the duties on the import of the Russian crude oil to the Belarusian oil refineries (Russia provides Belarus already with around 23 million tons of duty-free oil on a yearly basis⁷⁰²). However, by the EEU, Belarus is awaiting complete free duties export and import in its commerce with Russia. Here, we can assert that generally the Eurasian Economic Union is profitable for Belarus because, through the combining and regulation of its market with the Russian, it can facilitate more the Russian investments in the country, consolidating their economic partnership, and have a solid contribution for the improvement of its national economy. Indeed, the modernization of the internal economy of Belarus passes through the Eurasian integration and the direct help of Moscow – for example the project to build nuclear power plant in the country is financed and supported through multi-billion loan from Russia. This passage explains the reason because Belarus decided to choose the Russian project instead of the Chinese or Japanese. Precisely here, the nuclear power plant is a project combining political, technological, scientific, economic aspects, where both sides, Minsk and Moscow, have challenges and benefits, and can be interpreted as evidence that testifies more intensively their stable association and volition to cooperate deeply.

Though, in this sublime context, we can be found two considerable points of dissatisfaction for Belarus connected with the EEU: a) the oil and gas tariffs and b) the Putin's volition to transform in the future the Union in a political organization at the same basis of the European Union.

Concerning the first point, the accession of Belarus in the EEU was dictated principally by the fact to obtain advantages in its trade with Russia for the supply of oil and gas. Exactly, the Belarusian volition is the abolishment of all quotas and longs, in order to liberalize of the oil and gas market, which would allow Belarus to purchase oil from Russia without having to return large sums in export duties to the Russian budget. But, according to the analysis of Astapenia and Balkunets, in consideration of the actual economic scenario, the importance of oil and gas has fallen in Belarus sharply. Precisely, if with the former high global hydrocarbon prices Belarus received a "*dotation*" (the difference between the market price and the price of shipment to Belarus) which amounted to as much as 10 USD bn. per year, then, after the sharp decline in oil prices since late 2014, the

⁷⁰² Zigu Li (2016): "*Eurasian Economic Union: Achievements, Problems and Prospects*". In China Institute of International Studies, 19.08.2016. http://www.ciis.org.cn/english/2016-08/19/content_8975486.htm (last view: 15.9.2017)

importance of Belarus' cheap access to Russian energy has lessened as prices for oil and gas in Belarus and the EU countries is equalizing gradually. This is a significant fall, if it is considered that energy subsidies from Russia exceeded 80 USD bn. in 2002-2015⁷⁰³. Regarding the second point, the Putin's target through the EEU is to restore the integration process similar to the Soviet Union in order to revive the Russian hegemony in Eurasia. From this point of view, the idea of Putin, assumes a patriotic character definitely, where his target is to give emphasis on Russia and its population, trying from an hand to affirm again the leadership of Moscow towards the post-Soviet Republics; and from the other hand to become a fundamental pole in a multi-polar world, as highlighted in the vision of the Neo-Eurasianism philosophically.

In relation to the politic facets that the EEU could assume, must be considered that the integration of post-Soviet countries has long been an ambition of Russia and the foundation of the Union wants nowadays to represent the culmination of the efforts to bring Russia' neighborhood again under the control of Moscow. Minsk is however already against a possible political involvement of the Union, because it would mean the loss of its national sovereignty in favor of one organization where the majority is expressed by the Russian authorities. Nevertheless, a political integration within the EEU for Russia and Belarus would be difficult because of different political aims based on diverse economic models: Belarusian manufacturing and Russian trading of raw materials. Despite these arguments, should even stressed as actually a general consolidated political cooperation between Belarus and Russia exists and is very strong since the institution of the CIS, expressing as the two states, also if there are some different political and economic visions, are each other very related.

Essentially, due to the economic problems of last years of Russia and thus of the Union entirely, that have undermined its position and economic credibility of development towards the other members, the future of the EEU is still uncertain. Truly, must be not excluded as the Eurasian Economic Union could just develop a market within the post-Soviet countries, continuing the same setting of the CU and CIS, but with more consolidated economic ties. It is a real possibility, if it is taken into account that already Kazakhstan after the loss of the possibility to have Ukraine as member in the Union – an important partner for a deeper integration of the Union – seems to want to use the EEU as an instrument to improve its personal commerce with Russia principally. But, the Kazakh critic to the EEU and precisely to Moscow is dictated by the fact, that Nazarbayev,

⁷⁰³ Astapenia Ryhor and Balkunets Dzmitry (2016): *"Belarus-Russia Relations after the Ukraine Conflict"*. In Belarus-Digest, Analytical Paper 5 | 1 August 2016. P. 12

equal as Lukashenka, is totally adverse about some political implications of the Union, which, in his prospective, must treat only economic aspects: *“The politicization of the newly-created union is unacceptable. Such matters as border control, migration, security and defense, as well as healthcare, education, culture, legal aid to citizens on matters of civil, administrative and criminal law, are not related to economic integration and cannot be brought into the framework of an economic union”*⁷⁰⁴. Shortly, Kazakhstan wishes just a functional economic union that delivers benefits to its members exactly in economic terms.

The economic integration can be reached through the adoption of common technical regulations. For that it is important that the member-states find a compromise between their political plans, national legislation and the provisions of the Astana Treaty, respecting and applying the mutual obligations of the Union. Only a uniform conformation to the regulation of the EEU can provide for a further expansion of the Union with the positive desiderated effects, as the improvement of the mutual trade and of the national economies.

For Kyrgyzstan its accession to the EEU could have the meaning to lift barriers in the movement of goods, services, capital and workforce; to implement new investment opportunities in the energy, transport and agriculture areas. But, mostly important, the Kyrgyz citizens get the right to be employed in any member-state of the Union on the same terms as the citizens of the state of employment – a central issue if we consider that in Russia lives more than 1 million of migrants of Kyrgyzstan and according to Russia’s Federal Migration Service up to 300 thousand citizens of Kyrgyzstan are now employed in the Russian Federation⁷⁰⁵. Therefore, the free movement of labor force between the EEU’s members is what Bishkek demands for its integration in the Union.

In addition, as underlined by Popescu, Kyrgyz president Atambayev would reach through the membership in the Union financial support for the creation of industries (to compensate people who might lose their incomes if will be a drastic reduction of re-export opportunities from China, applying the unique tariffs of the Union); and exemptions from the application of the EEU tariff levels for the import of equipment and machinery from countries such as Turkey or China⁷⁰⁶.

The Armenian economy is mostly determined by the Russian economic vicissitudes. In order to have more stability even the small Armenian enterprisers accepted the reality to be integrated to

⁷⁰⁴ Popescu Nicu (2014): *“Eurasian Union: the real, the imaginary and the likely”*. European Union: Institute for Security Studies. Chaillot Papers. September 2014. P. 21

⁷⁰⁵ *“Migrants Rejoice as Kyrgyzstan Joins Russia-Led Eurasian Economic Union”*. In Russia Insider. 9.11.2015 <http://russia-insider.com/en/politics/migrants-rejoice-kyrgyzstan-joins-russia-led-eurasian-economic-union/ri9627> (07.06.2017)

⁷⁰⁶ Loc. Cit. Popescu Nicu (2014). P. 22

the Russian plan instead to the Europeans. This decision was even dictated from the fact that the European economy results to be more competitive and difficult to match for the Armenian companies. Quoting Giragosian, *“The Eurasian integration will have the meaning of economic changes in the country, where Armenia will adopt more protectionist policies as the other members of the organization, sacrificing its traditionally opened economy – something that but could have repercussion to the most important and fastest-growing Armenian sector of the information technology (IT) which accounted in 2014 to 475 USD million⁷⁰⁷”*.

In general, the positive side of the EEU for Yerevan is connected with the possibility to increase its economic relationship without external costs in the mutual trade with the Russian Federation and the other members of the Union; namely the possibility of a price reduction for transporting Russian natural gas and rough diamonds, as well as the expectation that the Armenian rail network will be modernized with the help of Russian investments⁷⁰⁸. Furthermore, the role of Armenia in the EEU, with the help of Russian military support, would loosen the tensions in the Eurasian region, in order to provide further steps for a possible integration of other Eurasian countries. Especially the shared volition between all members to resolve the Nagorno-Karabakh conflict between Azerbaijan and Armenia would be a decisive step to integrate even Azerbaijan in the mechanisms of the Union, although this complex situation from a political side seems still nowadays difficult to be resolved. Considering this conflict, seems that the Armenian joining of the EEU is connected with the issue to have support from the Russian troops in the face of its conflict with Azerbaijan. However, the Nagorno-Karabakh is excluded from the arrangement of the Union, properly because the aims of the EEU are momentarily only of economic nature and not politic.

On the whole, nowadays a possible political implication of the EEU is however excluded. The Treaty does not provide for a political dimension of the Union. Moreover, states as Kazakhstan and Belarus are firmament against a possible connotation of the EEU which could implicate political decisions with limitation of their sovereignty in favor of the Russian Federation. Though, in a situation of economic crisis which has afflicted Russia seriously, diminishing its power in the region could even mean that Moscow can be ready to accept political compromises from other Eurasian states in order to not lose its volition of integration of the post-Soviet space.

⁷⁰⁷ Giragosian Richard (2014): *“Armenia and the Eurasian Economic Union: The view from Yerevan”*. In European Council on Foreign Relations. http://www.ecfr.eu/article/commentary_armenia_and_the_eurasian_economic_union_the_view_from_yerevan387 (08.06.2017)

⁷⁰⁸ Hett F. and Szkola S. (2015): *“The Eurasian Economic Union. Analyses and Perspectives from Belarus, Kazakhstan and Russia”*. In Friedrich Ebert Stiftung. P. 7

But, this analysis does not want to exclude at all a possible political dimension of the Union – essential for a more coordinated decision process within the Union in order to decide about economic plans appropriately. For that, we can argue that it would be possible if precise conditions are respected: a) if all countries can cooperate on a same level, without distinction between center and periphery; b) if all necessities of every country is discussed and solved through a common cooperation; c) if the EEU will ensure economic stability to the countries through abolishment of every custom duties and the modernization of the internal market; and d) if Russia will respect the guaranties about the democratic process of decision inside the Union. Though, this scenario represents nowadays only a hypothesis and difficult to be reached because of the complicated economic troubles of the EEU, which still needs to affirm its economic verve. Considering the functionalist character of the EEU, we have stressed as every country acceded to the system of the Union in order to achieve national aims, from economic, to politic and military. Here, the question is however that a full economic integration should touch national aspects of the member-states, as for example the volition to have a consolidated equal legal framework for all the countries of the Union or the necessity to respect the mutual obligations as provided by the Astana Treaty. These elements emphasize that the EEU, in order to achieve its aims of integration and therefore of economic expansion, should have both an economic and political form. But, if from a side a political implication could mean the creation of a general system of the Union, which could intervene even on the national political dimension, performing better and faster the provisions of the Treaty and developing consequently better the economic status of the member-countries; from the other side, political implications could mean the limitation of sovereignty for the member-states in favor of the biggest country of the Union, the Russian Federation. This point is not accepted firstly by Lukashenka and Nazarbayev that do not want to lose their national sovereignty. Besides, must not be excluded that a limited sovereignty could have an impact in the Eurasian countries similar to the Ukrainian crisis. These aspects, correlated to the slow economic improvement of the member-countries, show as the further development of the Union depends on the mutual approval and sharing of economic and political accords between all the EEU Leaders – a fundamental step to provide a serious and coordinated growth of the Union in next years.

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