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This working paper has been prepared by the Russian International Affairs Council (RIAC) as part of the project entitled “Eurasian Economic Integration: Effective Models of Experts’ Interaction.” The aim of this publication is to present the views of experts on the development of the EAEU up until 2025. The paper considers promising areas of integration: transport and logistics; agro-industrial policy; the free movement of goods, labour and education in the EAEU space; and the prospects for the EAEU’s international ties up to 2025. This, of course, is not an exhaustive list of possible areas for integration. It is, however, feasible given the national priorities and expectations of the EAEU member states, an analysis of which has been included as a separate section of this working paper. An understanding of these priorities and expectations is essential to the elaboration of promising areas of integration.

The articles included in this paper have been written by young experts who took part in the joint RIAC–Eurasian Economic Commission schools in 2015–2016 entitled “Eurasian Economic Integration: Priorities, Prospects and Tools” and “The EAEU: Integration for All. Effects and Prospects until 2025.”

The views and opinions expressed by the authors herein do not necessarily state or reflect those of the Russian International Affairs Council.

The full text of this working paper is available on the RIAC website. You can download it or leave a comment via this direct link – russiancouncil.ru/en/paper-eaeu2025

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Introduction

The Eurasian Economic Union (EAEU) is a young, dynamically developing integration project that was first proposed back in 1994 by the President of Kazakhstan Nursultan Nazarbayev during an event at Lomonosov Moscow State University. A long period of preparation ensued. These preparations included the formation of the Eurasian Customs Union (EACU) and the Eurasian Economic Community (EurAsEC) and concluded with the signing of the Treaty on the Eurasian Economic Union on May 29, 2014 in Astana (Republic of Kazakhstan) by the leaders of Belarus, Kazakhstan and Russia. The Union was joined in 2015 by the Kyrgyz Republic and the Republic of Armenia.

On January 1, 2015, the process of forming a common market on the basis of four freedoms –the free movement of goods, services, labour resources and capital – was set in motion.

The EAEU member states entered 2015 with different levels of economic development, different economic structures and different priorities for their national development – priorities that were geared towards the specifics of the labour markets and the socio-political structures of the respective countries. However, the common goal of the EAEU member states was to ensure the development of the national economies and increase their competitiveness through the creation of an integration association, namely, an economic union. Today, it is widely believed across the EAEU that integration gives their economies additional possibilities that would not have been available outside of the integration project. All the member states have drawn up a list of priorities and interests that they seek to implement through the use of the mechanisms and instruments of integration.

At the same time, there is no getting around the fact that there have been certain difficulties in the implementation of the integration project. Part of these difficulties can be put down to the specifics of the internal development of the member states, the disparities in their economic interests, and the desire to protect their respective domestic markets and production bases. This is a natural process that occurs within any integration association – the European Union and European integration processes are a prime example. Another part of the problem is related to the specifics of economic turbulence in the global economy, the high level of volatility of the financial and energy markets and the complex foreign policy situation, which is particularly painful for developing economies in the context of increasing interdependence. The formation of the EAEU came precisely during such a period of global instability and the growth of crisis phenomena in global and regional politics in 2015–2016.

This notwithstanding, the EAEU member states have set themselves a number of ambitious goals in terms of economic integration. The EAEU's

plans up until 2025 include: eliminating the remaining barriers to the movement of goods, services, capital and labour; creating a common energy market; developing coordinated industrial and agricultural policies; developing a common digital space; coordinating foreign economic relations across the EAEU; and creating a common transport and logistics infrastructure.

In this working paper, we present expert views on the following promising areas of integration: transport and logistics; agro-industrial policy; the free movement of goods, labour and education in the EAEU space; and the EAEU's international relations. This, of course, is not an exhaustive list of possible areas for integration. It is, however, feasible given the national priorities and expectations of the EAEU member states, an analysis of which has been included as a separate section of this working paper. An understanding of these priorities and expectations is essential to the elaboration of promising areas of integration.

The articles included in this paper have been written by young experts who took part in the joint RIAC–Eurasian Economic Commission schools in 2015–2016 entitled “Eurasian Economic Integration: Priorities, Prospects and Tools” and “The EAEU: Integration for All. Effects and Prospects until 2025.” Thus, not only does this publication reflect the desire of the Eurasian Economic Commission (EEC) and young experts to develop an active dialogue on issues of Eurasian economic integration, but it also presents the views of a new generation of researchers on the future of the EAEU, which they themselves may have to realize.

The EAEU by 2025: Priorities and Expectations of the Member States

Elena
Alekseenkova

The main goal of the creation of the EAEU was envisioned by the member states as the provision of the conditions for developing their respective economies and improving their competitiveness within the global and regional economic system. The expectation was that the participation of the member states in integration processes would be carried out, among other things, with the aim of making their products competitive on the global markets and improving the business climate at home to make it more attractive to investors.¹ For the purposes of integration, we are talking about four freedoms – the free movement of goods, services, labour resources and capital.

In 2015, the Supreme Eurasian Economic Council determined the main areas of the EAEU's economic development up until 2030, which included the following:

1. *Ensuring macroeconomic sustainability.* This means achieving stability in terms of macroeconomic indicators, predictability of current economic policy, raising the technological level of the member countries, diversifying production and export, maintaining a sustainable balance of payments and reducing the external debts of the individual member states.
2. *Creating conditions for increased business activity and investment attractiveness,* which is necessary in light of the continued strengthening of international competition and the restriction of access to markets.
3. Raising the scientific and technical potential inside the member states, developing knowledge-intensive industries innovative development and modernization, and increasing the share of hi-tech exports, all of which are necessary in order to achieve *innovative development and the modernization of the economy.*
4. *Ensuring the availability of financial resources and the formation of an effective financial market for the EAEU.* Major problems in this area that are to be addressed include: harmonizing national legislation and its practical application; improving regulation of the securities markets; integrating stock exchanges; resolving issues related to credit provision for the real sector of the economy; and reducing the level of state participation. These harmonization processes must be completed by 2025, and a supranational regulatory organ for the financial markets must be set up. On the whole, financial integration is expected to help make the markets more resilient to manifestations of crisis phenomena.

¹ Decision No. 28 of the Eurasian Economic Commission "The Main Areas of the EAEU's Economic Development until 2030" dated October 16, 2015 // EEC Website. URL: http://www.eurasiancommission.org/ru/act/integr_i/makroec/dep_makroec_pol/seminar/Documents/%D0%B1%D1%80%D0%BE%D1%88%D1%8E%D1%80%D0%B0_%D0%9E%D0%9D%D0%AD%D0%A0%20%28%D1%84%D0%B8%D0%BD%D0%B0%D0%BB%2005.05.2016%29.pdf

5. Recognizing that *infrastructural development and achieving transit potential* are critical to the successful functioning of the common market and for guaranteeing the four freedoms. It emphasizes the need to harmonize transport legislation, become integrated into the global transport system, increase participation in major international transport projects and create a common market for transport services.

6. *Developing human resource potential*, which is caused by the need to transition to an innovative economy and the development of hi-tech sectors in the face of shortages of highly skilled labour resources. The plan is to create a system for monitoring the movement of labour and develop cooperation on issues relating to the effective functioning of the labour market.

7. *Cooperating in the cost-effective use of resources and increasing energy efficiency*, which is associated with stricter requirements in terms of the quality of goods produced and the need for competitive access to the domestic market and to the markets of third countries, as well as in terms of the goal to reduce the burden on the environment.

8. *Developing the regions (inter-regional and cross-border cooperation)*. A shift from bilateral cross-border cooperation to multi-lateral regional cooperation has been proposed, which will facilitate the exchange of experience, stimulate growth in terms of the mutual significance of EAEU member states markets, the establishment of production ties and the creation of jobs in small and medium-sized enterprises.

9. *Achieving foreign trade potential*, which is dictated by the need to diversify trade flows in the face of growing competition, reduce transaction costs and minimize the influence of the foreign political environment on the economic development of countries. This area of cooperation will be expanded through the signing of preferential and non-preferential trade agreements, as well as through dialogue interaction.

A number of common markets and trade areas are set to be developed within the framework of the EAEU by 2025:

- the creation of common energy markets, specifically a common gas market and a common oil and oil-product market, as well as the formation of a common EAEU electricity market;²
- a common transport space;³
- a coordinated agro-industrial policy;⁴

² Mansurov, T. The Creation of Common Energy Markets in the Eurasian Economic Union // EEC Website. URL: <http://www.eurasiancommission.org/ru/nae/news/Documents/Статья%20Т%20А%20Мансурова%20в%20Энерго-рынок.pdf>

³ The Transport Potential of the Eurasian Economic Union // EEC Website. URL: <http://www.eurasiancommission.org/ru/Documents/%D0%A2%D1%80%D0%B0%D0%BD%D1%81%D0%BF%D0%BE%D1%80%D1%82.pdf>

⁴ Coordinated Agro-Industrial Policy of the Eurasian Economic Union // EEC Website. URL: http://www.eurasiancommission.org/ru/act/prom/_agroprom/dep_agroprom/agroprom/Pages/default.aspx

- the elimination of existing barriers to the movement of goods and labour;
- the formation of a single EAEU financial market.⁵

The existence of a single EAEU document that lays out development plans until the year 2030 is a clear indication that the EAEU member states all share a common vision of the prospects for the Union's development at the current stage. It is highly desirable for all EAEU member states to resolve each of the abovementioned tasks (improving competitiveness, coordinating macroeconomic regulation, attracting investments and developing human resource potential) if they are interested in developing their own economies.

Due to the various features of their economic development, the EAEU member states each have their own scale of priorities and relevant objectives within the framework of Eurasian economic integration.

At the same time, due to the various features of their economic development, the EAEU member states each have their own scale of priorities and relevant objectives within the framework of Eurasian economic integration. Taking the abovementioned areas of EAEU integration development up to the year 2030 into account, and on the basis of an analysis of official and expert discourse within the EAEU countries themselves, it is possible to identify integration development priorities for each of the member states within the framework of the EAEU and pinpoint the factors that will influence their perception of integration processes in the medium term.

Republic of Armenia

The perception of Eurasian integration and the assessment of its development in Armenia in the short- and medium-term will be determined by the following factors:

1. Whether or not the emerging single EAEU market for energy resources will influence prices for energy products in Armenia's favour.
2. Whether or not the EAEU can help Armenia overcome its transport isolation, realize its transport potential and build an infrastructure that would allow it to integrate into regional trade systems (the creation of free economic zones, or FEZs).
3. Whether or not the EAEU can help Armenia expand its exports and implement a multi-vector foreign trade policy (primarily with the European Union, Iran and other neighbouring countries).

⁵ EEC to Present Concept of the Single EAEU Financial Market by Mid-2017 // EEC Website.
URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/28-10-2016-6.aspx>

Let us look at each of these factors in greater detail.

1. Creating a Single EAEU Market for Energy Resources and Making Energy Resources Cheaper for Armenia.

One of the key factors influencing the perception of Eurasian integration in Armenia is the cost of energy resources. The main expectation of the majority of the Armenian population when joining the EAEU would have been reduced prices for Russian gas. It is reasonable to assume that the creation of a unified EAEU energy market could provide a competitive environment for Armenian businesses, as it could for businesses in all member states. The idea is that it will help stabilize energy prices and ensure a reliable energy supply to the national economies. In a single energy market, Armenian companies, according to EAEU documents, will receive the same non-discriminatory opportunities to do business as companies from other EAEU member states.

On the whole, the implementation of the EAEU's plans to form a single energy market will help electricity companies in Armenia become competitive participants in the common EAEU market and realize the existing potential in the transit and export of electric energy.

Moreover, Armenia has great opportunities to develop energy exports outside the EAEU, in particular to Iran. However, this potential is currently limited by the throughput capacity of inter-state electricity transmission lines and the lack of ties between the energy systems of Armenia and those of other EAEU countries. At present, the power grids of Iran and Armenia are synchronized, as are those of Georgia and Russia, although they are not all synchronized with each other. This construction of 400-kW overhead power lines between Iran and Armenia and Armenia and Georgia is intended to solve this problem. The first of the two projects is scheduled for completion in 4Q 2017, while the second will be ready a year later.⁶ Armenia also wants to modernize the obsolete Metsamor Nuclear Power Plant, which provided 40 per cent of Armenia's electricity production and whose service life has been extended to 2026 in connection with the complexity of building a new nuclear power plant.⁷ Armenia and Russia have signed an agreement under which the Armenian government will receive a loan of \$270 million plus a grant of \$30 million in order to finance the modernization of the nuclear power plant.⁸ On the whole, the implementation of the EAEU's plans to form a single energy market will help electricity companies in Armenia become competitive participants in the common EAEU market and realize the existing potential in the transit and export of electric energy.

⁶ Iran's Sunir Wants to Complete Construction of the Iran–Armenia Overhead Power Line by September 2017 // 1News.az
URL: <http://www.1news.az/world/armenia/20161223113945149.html>

⁷ Armenian Nuclear Power to Start Operations of November 26 // Sputnik Armenia, October 12, 2016.
URL: <https://www.ru.armeniasputnik.am/economy/20161012/5139397/Armenia-atomnaya-zapysk.html>

⁸ Baku is Concerned about the Situation with the Metsamor Nuclear Power Plant in Baku // Russia Today, February 9, 2017.
URL: <https://www.ria.ru/atomteco/20170209/1487528933.html>

2. Overcoming Transport Isolation and Developing Infrastructure and Transit Potential.

Armenia expects integration within the EAEU to contribute to the implementation of two major projects, both of which have been talked about at length for several years now in Yerevan. Specifically, we are talking about the Armenia–Iran railway and the construction of a free economic zone on the border with Iran, which also has strategic significance for Armenia.

The construction of the Armenia–Iran railway is important for Yerevan as a means overcoming the country's transport isolation and realizing its transit potential.⁹ It is also important for the EAEU as a whole, as part of the project to link the EAEU and the One Belt and One Road (OBOR) initiative and facilitate access to Iran and neighbouring countries.

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The establishment of the Syunik FEZ in Meghri, Syunik Province in Armenia was discussed at a meeting of the presidents of Russia and Armenia in Moscow in the middle of March 2017. Around 100 to 120 companies could become residents of the FEZ. It will cost Armenia \$32 million to build the (necessary) infrastructure.¹⁰ According to estimates by the Ministry of Economic Development and Investments of the Republic of Armenia, investments in the FEZ could reach \$350–400 million within ten years. The average annual volume of goods produced in the FEZ is expected to be around \$80–100 million per year.¹¹ The functioning of the FEZ has already been written into the Customs Code of the EAEU, which was set to enter into force on July 1, 2017. Goods produced in the FEZ are expected to be exported to Iran, other EAEU countries, the Middle East, Turkmenistan and elsewhere. A simplified tax regime for businesses has been proposed. According to the media, a number of large Iranian and Chinese companies have expressed their desire to become residents of the FEZ.

The successful implementation of plans to create an FEZ will have great significance for Armenia and the entire EAEU.

The successful implementation of plans to create an FEZ will have great significance for Armenia and the entire EAEU. For Yerevan, this will mean building trade and economic relations with Iran and other countries in

⁹ An Iran–Armenia Railway? // Regnum.ru, October 17. URL: <https://www.regnum.ru/news/polit/2193409.html>

¹⁰ Armenian FEZ Will Bring Russian and Iran Closer Together // Gazeta.ru, March 16, 2017. URL: <https://www.gazeta.ru/business/2017/03/15/10577363.shtml>

¹¹ Ibid.

the region, receiving foreign investments, creating jobs, increasing the share of hi-tech production and shaping Armenia's role as a bridge between the EAEU and Georgia and, more importantly, between the EAEU and the European Union. For EAEU countries it is also a window of opportunity to enter the Iranian, Georgian and EU markets, and many more besides. "... We proceed from the premise that our membership in the Eurasian Economic Union in no way prevents the development of deep relations with the European Union in terms of political dialogue or in terms of furthering economic ties. Today, Armenia benefits from the EU preferential trade scheme GSP+, and this gives Armenian manufacturers unhindered access to the European markets. There are manufacturers in Russia who understand that it is easier to get their products into the European markets by producing their goods in Armenia. We are developing a close dialogue with Iran," Defence Minister of the Republic of Armenia Vigen Sargsyan noted during a visiting session of the Valdai Discussion Club in Yerevan.¹²

3. The Expansion of Exports to the EAEU and Third-Country Markets, the Subsequent Cancellation of Remaining Exemptions and Restrictions and the Consistency of Foreign Trade Policy.

Armenia dramatically increased mutual trade with EAEU countries in 2016 (by 53 per cent).¹³ Belarus and the Kyrgyz Republic, who have also demonstrated positive dynamics in this respect, are nevertheless several times behind Armenia (2.2 and 4.4 per cent, respectively). At the same time, the share of agriculture in the Armenian economy is higher than that of any other EAEU country, at 16 per cent. Armenian agricultural producers have significantly increased the volume of exports to the EAEU market, although there is concern within the expert and business communities that this could turn out to be a fleeting trend brought about by the Russian ban on the import of agricultural products from Turkey. It is important to note that, according to the Armenia Development Strategy for 2014–2025, membership in the Customs Union is extremely important to the country in terms of promoting export growth.¹⁴

Armenia's assessment of the trade and economic effects of Eurasian integration will also depend on the development of trade relations with third countries

Armenia's assessment of the trade and economic effects of Eurasian integration will also depend on the development of trade relations with third countries. Immediately after Armenia joined the EAEU, some experts

¹² Armenia is Building a Free Economic Zone on the Border with Iran // Армения строит свободную // Strategic Culture Foundation, March 17, 2017. URL: <http://www.fondsk.ru/news/2017/03/17/armenia-stroit-svobodnyu-ekonomicheskuyu-zonu-na-granice-s-iranom-43687.html>

¹³ Foreign Trade among EAEU Member States in 2015–2016 // Сайт ЕЭК. URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/Pages/default.aspx

¹⁴ Armenia Development Strategy for 2014–2025 // European External Action Service. URL: https://www.eeas.europa.eu/sites/eeas/files/armenia_development_strategy_for_2014-2025.pdf

noted a hike in prices for a number of goods imported from non-EAEU countries, a consequence of implementing a unified policy with regard to customs tariffs for goods coming in from third countries. There was also a noticeable squeezing out of quality products produced by partner countries (non-EAEU members) by those produced inside EAEU member states, which resulted in less variety on the market, poorer quality of goods and increased prices for goods imported from third countries.

The European Union is a key trading partner for Armenia. Armenia benefits from the EU preferential trade scheme GSP+, which allows it to export more than 6000 domestically produced branded products to EU countries at zero, or significantly reduced, customs duties. The European Union is Armenia's biggest trade partner (according to 2015 data, the European Union accounted for 29.9 per cent of Armenia's total exports and 24 per cent of its imports). What is more, the European Union is the largest donor to Armenia, providing as much as 170 million euros in financial and economic assistance in 2014–2017 alone.¹⁵ In this connection, the sanctions war between Russia and the West causes a certain amount of anxiety in Yerevan and uncertainty with regard to foreign trade relations. According to Armenian experts, such conflicts are not conducive to building economic cooperation with foreign partners and is an obstacle to economic development.

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The Kyrgyz Republic

The Kyrgyz Republic's accession to the EAEU was a rather painful process for the country's citizens and the business community. Among the undeniable positive effects of integration for the Kyrgyz Republic were the opening up of the labour market, while the negative effects included the loss of business, which was unable to swiftly redirect from re-exporting Chinese goods and supply competitive products to the EAEU market, as it came up against a number of obstacles.¹⁶ Experts note that the Kyrgyz Republic was not sufficiently prepared to join the EAEU; it was incapable of equipping its laboratories for carrying out quality control of products, adapting to the product certification system and setting up the proper customs infrastructure. Some of these problems have been resolved, while others require additional efforts.

¹⁵ Minasyan S. Armenia–EU: Preparation of a New Framework Cooperation Agreement // RIAC. URL: http://www.old.russiancouncil.ru/inner/?id_4=8802#top-content

¹⁶ Interview with K. Rakhimov, Chairman of the Chamber of Commerce and Industry Committee of the Kyrgyz Republic on Issues of Industrial Policy, Export, Infrastructure and Public-Private Partnerships on October 13, 2016.

It would seem that the perception of Eurasian integration in the Kyrgyz Republic and the assessment of its current and medium-term development will be determined by the following factors:

1. the expansion of opportunities to export Kyrgyz products to the common EAEU market;
2. the ability of the EAEU to help the Kyrgyz Republic realize its transit potential;
3. the ability of the EAEU to ensure the coordination of the industrial policies of its member states, including coordination of the agro-industrial complex;
4. the ability of EAEU countries to coordinate macroeconomic regulation;
5. the formation of a coordinated policy among the EAEU member states concerning the development of human capital and a common labour market;
6. the ability of the emerging unified EAEU energy market to influence decisions with regard to the issue of hydroelectricity in the Kyrgyz Republic.

Let us look at each of these factors in greater detail.

1. The Ability of the EAEU to Eliminate Existing Restrictions in EAEU Trade (including Non-Tariff Restrictions) and Promote the Expansion of Kyrgyz Exports to the EAEU Market.

The main criticism of the EAEU that can be heard in the Kyrgyz Republic is that while the EAEU member countries have formally opened their markets to Kyrgyz products, a number of barriers and discriminatory measures have in fact been put in place. Many experts in the Kyrgyz Republic blame the other EAEU member countries for this; however, most people understand that the country was not fully prepared to enter the Union.

In 2017, chairmanship of the EAEU's bodies was transferred to the Kyrgyz Republic. "The Kyrgyz Republic sees deepening economic integration and removing barriers to mutual trade among the EAEU member states as the main goal of its chairmanship of the Union."¹⁷

The Kyrgyz Republic sees deepening economic integration and removing barriers to mutual trade among the EAEU member states as the main goal of its chairmanship of the Union.

Domestically, the Kyrgyz Republic's accession to the EAEU is often regarded a defeat for Kyrgyz manufacturers, opening the country's market to more competitive products from the other EAEU member states. For example, many media outlets and experts in the Kyrgyz Republic see the

¹⁷ Remove Trade Barriers: Kyrgyzstan of its Chairmanship of the EUEU // Sputnik Kyrgyzstana, January 13, 2017.
URL: <https://www.ru.sputnik.kg/economy/20170113/1031239161/kyrgyzstan-v-ehomgodu-predsedatelstvet-v-eaehs.html>

actions of Kazakhstan to introduce additional barriers for Kyrgyz goods at border crossings as nothing more than an attempt to prevent cheaper and higher quality products from penetrating the Kazakhstan market from the Kyrgyz Republic. What is more, Kazakh products have turned out to be more competitive on the Kyrgyz market than Kyrgyz products traditionally sold in Russia and Kazakhstan.

To participate fully in the activities of the EAEU, the Kyrgyz Republic promised to fit out the laboratories that are responsible for certifying foodstuffs produced in the country for export to other EAEU countries with up-to-date equipment. Bishkek failed to keep its promise, however, citing insufficient funds. As a result, Kazakhstan has refused to move veterinary and phytosanitary control from its border crossing points.

As of the time of writing, certain EAEU countries have started to gradually lift these restrictions on Kyrgyz goods. The subsequent removal of these restrictions and the expansion of supplies to the EAEU market will have a dramatic impact on the attitude of the Kyrgyz people to Eurasian economic integration.

As of the time of writing, certain EAEU countries have started to gradually lift these restrictions on Kyrgyz goods. Specifically, the Belarus announced its intention to abolish the 10-per cent VAT rate on crop farming, bee farming, cattle breeding and fish farming on its territory from July 1, 2017. Meanwhile, Kazakhstan has allocated additional funds for equipping laboratories, and in 2016, it expanded its list of Kyrgyz goods allowed for import.¹⁸ On October 27, 2016, Kazakhstan abolished phytosanitary control at its border crossing points, a decision that was implemented in full on this occasion. The issue of veterinary control has still not been resolved, however.

Kyrgyz experts note that small and medium-sized businesses have suffered the most because of this, as they have lost the opportunity to profit from re-exporting Chinese goods and at the same time have not been granted free access to the EAEU markets, and they were unable to reorient their business in time. Clearly, the subsequent removal of these restrictions and the expansion of supplies to the EAEU market will have a dramatic impact on the attitude of the Kyrgyz people to Eurasian economic integration.

2. The Ability of the EAEU to Help the Kyrgyz Republic Realize its Transit Potential, Create a Transport and Logistics Infrastructure That Would Allow the Country to Integrate into the Regional Economy and China's International Initiatives.

The Kyrgyz Republic is also counting on its interests and transit potential being realized within the framework of the project to join the EAEU and OBOR initiatives. Specific plans as part of the project include the construc-

¹⁸ Kazakhstan–Kyrgyzstan: Veterinary Control and Free Trade // InoZpress, April 20, 2017.
URL: <http://www.inozpress.kg/news/view/id/50835>

tion of a railway line between China, the Kyrgyz Republic and Uzbekistan, which will connect the north and south of the Kyrgyz Republic and open up access for the supply of goods to Western Asian markets. According to the Minister of Transport and Roads of the Kyrgyz Republic, the China–Kyrgyzstan railway line will help make it possible to transport upwards of 12 million tonnes of freight per year, which will bring \$150–200 million to the state budget annually. And that is just during the first stage.¹⁹ The government could end up getting around \$500 million per year from the transit of goods along the line.

3. The Ability of the EAEU to Ensure the Coordination of the Industrial Policies of Its Member States, Including Coordination of the Agro-Industrial Complex.

The share of agriculture in Kyrgyz GDP is second among EAEU countries, behind Armenia, and stands at 13.8 per cent. Moreover, 2015–2016 saw this industry grow by 6.2 per cent and 3.0 per cent, respectively. Special attention is paid in the National Sustainable Development Strategy for the Kyrgyz Republic for the period of 2013–2017 to the agro-industrial complex, ensuring food security and establishing agro-based clusters. Developing export opportunities for agricultural products will have great significance when it comes to improving the perception of Eurasian integration inside the Kyrgyz Republic.

The share of agriculture in Kyrgyz GDP is second among EAEU countries, behind Armenia.

The Kyrgyz Republic also anticipates an influx of investments into and an expanded market for its mining and light industry products.²⁰ On February 20, 2015, the Government of the Kyrgyz Republic approved the “Strategy for the Development of the Mining Industry in 2015–2035.”²¹ The strategy covers the modernization of the industry based on best global practices; the creation of regulatory norms that follow international standards; job creation; attracting foreign investments; and the use of modern and safe technologies for finding, exploring and developing deposits.

The Kyrgyz Republic anticipates an influx of investments into, and an expanded market for its mining and light industry products.

The Kyrgyz Republic’s strategic documents pay great attention to light industry and manufacturing. The programme for the development of light

¹⁹ The China–Kyrgyzstan–Uzbekistan Route Map Proposed by Kyrgyzstan // Tazabek.kg, February 4, 2017.
URL: <https://www.tazabek.kg/news:1358874>

²⁰ IAC Kabar: The Kyrgyz Mining Industry: Problems and Prospects. URL: <http://old.kabar.kg/kabar/full/44876>; Kyrgyzstan Plans to Increase Investments into its Mining Industry // International Centre for Trade and Sustainable Development. URL: <http://www.ictsd.org/bridgesnews/мосты/news/кыргызстан-планирует-повысить-инвестиции-в-горнодобывающую-отрасль>

²¹ The “Strategy of the Government of the Kyrgyz Republic for the Development of the Mining Industry in 2015–2035” has been Approved // Website of the Government of the Kyrgyz Republic. February 20, 2015.
URL: <http://www.gov.kg/?p=50721&lang=ru>

industry and manufacturing, for example, aims to diversify the country's economy and increase exports. Certain shifts towards increased supplies of light industry goods from the Kyrgyz Republic to EAEU have already been observed.

4. The Ability of EAEU Countries to Coordinate Macroeconomic Regulation.

There is also demand in the Kyrgyz Republic for the coordination of macroeconomic regulation. The Kyrgyz Republic joined the EAEU during a period of economic crisis in Russia and negative global trends, which had a massive impact on the country's monetary and financial positions, led to negative economic dynamics and significantly influenced the perception of the EAEU within the expert community and among the general public.

5. The Formation of a Coordinated Policy Among the EAEU Member States Concerning the Development of Human Capital and a Common Labour Market.

There are mixed feelings inside the Kyrgyz Republic towards the opening of the Russian market for Kyrgyz labour.

There are mixed feelings inside the Kyrgyz Republic towards the opening of the Russian market for Kyrgyz labour. On the one hand, remittances from Kyrgyz nationals living and working in Russia account for around 30 per cent of the Kyrgyz Republic's GDP, and easing employment conditions for them has undoubtedly had a hand in increasing wellbeing within the average Kyrgyz household, thus supporting the country's economy and furthering social stability. On the other hand, however, this approach has come under fire for depriving the Kyrgyz Republic of the young, well-educated and highly competitive segment of its society. In many respects, the attitude of the Kyrgyz Republic towards this issue in the medium term will depend on the extent to which the free EAEU labour market contributes to upgrading the skills of Kyrgyz labour migrants and on whether educational programmes aimed at preparing competence specialists that are in demand on the common labour market will be created. The extent to which multilateral cooperation among the EAEU labour markets is successfully achieved will be just as important, as will success in training the required number of personnel to the expected level within the framework of the EAEU's industrial policy, the unified services market, etc. The functioning of the social welfare and social security systems will also be important for within in the EAEU.

The extent to which multilateral cooperation among the EAEU labour markets is successfully achieved will be just as important, as will success in training the required number of personnel to the expected level within the framework of the EAEU's industrial policy, the unified services market, etc. The functioning of the social welfare and social security systems will also be important for within in the EAEU.

6. The Ability of the Emerging Unified EAEU Energy Market to Influence Decisions with Regard to the Issue of Hydroelectricity in the Kyrgyz Republic.

Hydroelectricity has traditionally been one of the most important and at the same time most troubled sectors of the of the Kyrgyz economy. People in the Kyrgyz Republic saw accession to the EAEU as being linked with Russian investments into the construction of a hydroelectric power station. Russia's reasons for renegeing on the project were not seen as objective or financially motivated. This has had a negative impact on how the Kyrgyz people view the EAEU. This is why the expectation remains inside the Kyrgyz Republic that the EAEU will help solve the country's hydroelectricity problem. More than this, it is seen as a duty bound to do so.

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The Tegirmentinskaya Small Hydropower Plant in the Kyrgyz Republic's Chuy Region, which was built using investments from the Russian Kyrgyz Development Fund, commenced operations on February 16, 2017. It is the first small hydropower plant financed by the Russian Kyrgyz Development Fund and is intended to supply electricity to the entire Kyrgyz electricity network. It is also the first small hydropower plant built and put into operation in the Kyrgyz Republic since it gained independence. According to the Ministry of Justice of the Kyrgyz Republic, there are currently 12 small hydropower plants operating in the country. Yet only 10 per cent of its hydroelectric potential is being harnessed.²² The National Sustainable Development Strategy for the Kyrgyz Republic for the period of 2013–2017 pays special attention to the issue of hydroelectricity. The EAEU's contribution to realizing this potential will without a doubt be a factor that influences the perception of the Eurasian Economic Union in the medium term.

The Republic of Kazakhstan

Kazakhstan follows a multi-vector approach in both its foreign policy and its foreign economic relations. Cooperation with Russia, the European Union, China and other countries is of paramount importance. For Astana, the issue of national sovereignty is particularly sensitive. Throughout the post-Soviet period, Kazakhstan has consistently implemented its own programmes of socioeconomic development and foreign economic inter-

²² In terms of hydroelectric resources, the Kyrgyz Republic boasts 268 rivers, 97 major canals and 18 reservoirs, the combined potential of which equates to some 143 billion kWh of power generation per year. At present, around 10 per cent of this potential is being used – that is, roughly 14 billion kWh of power generation are used on an annual basis. The hydroelectric potential of the country's small rivers and streams is about 5–8 billion kWh per year, less than 1 per cent of which is harnessed by the Kyrgyz Republic. URL: <https://www.hpip.info/news/view/2460.htm>

action. The country views its participation in integration projects exclusively in relation to its own national priorities and tasks.

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An analysis of official and expert discourse inside Kazakhstan reveals that the perception of European integration and the assessment of its current and medium-term development will be determined by the following factors:

1. the expansion of export opportunities for Kazakhstani products;
2. the assistance provided by the EAEU to help Kazakhstan realize its foreign trade potential with non-EAEU states;
3. the ability of the EAEU to help Kazakhstan realize its transit potential;
4. the development of macroeconomic regulation within the EAEU;
5. the creation of conditions for the growth of business activity within the EAEU and increasing the Union's investment attractiveness;
6. the formation of a single EAEU financial market and the creation of an EAEU financial centre in Kazakhstan.

Let us look at the influence of each of these factors in greater detail.

1. The Ability of the EAEU to Assist in the Expansion of Export Opportunities for Kazakhstani Products to the Internal EAEU Market.

A year after the EAEU was established, a part of the expert community and the general public in Kazakhstan shared the opinion that the formation of a common EAEU market had entailed greater regulation and red tape, with additional informal barriers to the movement of Kazakhstani goods to the Russian and Belarusian markets being created. On top of this, there was disappointment with the price hikes on imported goods and the fact that Kazakhstani products were being driven out by Russian and Belarusian alternatives.²³ The opening of the borders with Russia and Belarus was seen in Kazakhstan as a “one-sided game” in which the Kazakhstani market was made available for imports from the more competitive EAEU countries, while the reverse was not true. Many economists and politicians insist that, economically speaking, Kazakhstan lost more than it gained when it joined the Customs Union. They argue that Kazakhstani businessmen involved in the re-export of Chinese goods (primarily automobiles) have suffered and that the country is severely discriminated against on the alcoholic beverages and confectionary markets, as Russian law does not permit the import of all products.

²³ Interview with S. Akimbekov, Director of Institute of World Economics and Politics (IWEP) under the Foundation of the First President of the Republic of Kazakhstan on October 13, 2016; Interview with R. Burnashev, Professor at the Kazakh-German University on October 17, 2016; Interview with I. Chernykh, Chief Scientific Officer at the Kazakhstan Institute for Strategic Studies on October 24, 2016.

The problem of expanding the presence of Kazakhstani products on the domestic EAEU market will be of great importance when it comes to the perception of Eurasian economic integration until 2025. The problem of increasing the competitiveness of Kazakhstani businesses is closely connected with this.

It is clear that the problem of expanding the presence of Kazakhstani products on the domestic EAEU market will be of great importance when it comes to the perception of Eurasian economic integration until 2025. The problem of increasing the competitiveness of Kazakhstani businesses is closely connected with this, and if positive dynamics can be successfully demonstrated in this respect, then the chances of consolidating positions on the domestic and foreign markets will increase.

2. The Contribution of Integration Processes within the EAEU to help Kazakhstan Realize Its Foreign Trade Potential.

Critics of Eurasian integration inside Kazakhstan argue that trade with the rest of the world has fallen, and this leads to a decrease in tech imports from the more advanced European Union and other countries, which could bring about a loss of productivity in the long term. At the same time, the European Union continues to be Kazakhstan's leading trade partner, and trade with it decreased at a much less drastic pace in 2016 (-20.4 per cent) than it did in 2015 (-39 per cent).

It is clear that in the medium term, Kazakhstan will seek to maintain and increase its foreign trade with the European Union. And the extent to which this will affect its membership in the EAEU will in one way or another influence the perception of Eurasian integration.

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3. The Ability of the EAEU to help Kazakhstan Realize its Transit Potential and Create a Transport and Logistics Infrastructure that would Allow it to be Integrated into International Trade and China's Global Initiatives.

In November 2014, the "Nurly Zhol – The Path to the Future" state infrastructural development programme for 2015–2019 was adopted as an addendum to the existing "New Silk Road" (2012) project to connect China and Europe via Kazakhstan.²⁴ The programme involves the creation of logistics hubs and the construction of roads, railways and a maritime infrastructure in the western part of the country.

²⁴ "Nurly Zhol – The Path to the Future" State Infrastructural Development Programme for 2015–2019.

URL: <http://www.kfm.gov.kz/ru/activity/strategy-and-program/state-program-on-infrastructure-development-nurly.html>

As far as Kazakhstan is concerned, its best bet for realizing its transit potential is the development of the Chinese Silk Road Economic Belt initiative. The country's most important transport corridor is the Western Europe–Western China (WE–WC) Highway, which is being built by China, Kazakhstan and Russia and which will make up the northern part of the Silk Road Economic Belt. Another route runs along the Ürümqi–Dostyk–Omsk–Moscow–EU line. The maritime route of the OBOR also passes through Kazakhstan, with access to the Caspian and Black seas: the first route runs from Ürümqi through Aktau International Sea Commercial Port in Kazakhstan and on the European Union via ports in Georgia; the second travels from Ürümqi via Kazakhstan and Central Asia to Iran and Turkey. A network of transport and logistics hubs will be created to serve these routes. Kazakhstan is interested in reducing transport costs, de-bureaucratizing transport procedures throughout the EAEU, and the possibility of providing equal access to Russian pipelines and ports in the Baltic.

As far as Kazakhstan is concerned, its best bet for realizing its transit potential is the development of the Chinese Silk Road Economic Belt initiative.

As a landlocked country, the process of realizing Kazakhstan's transit potential means that it will be able to overcome its isolation. So far, cooperation between Kazakhstan and China to implement these transport projects has been conducted on a bilateral basis. However, work on OBOR-related projects in the EAEU countries is gradually moving to the supranational level, to the purview of the EEC. In this regard, the perception of Eurasian economic integration will depend directly on the extent to which it facilitates or hinders the implementation of transport and infrastructure projects in Kazakhstan.

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4. Coordinated Macroeconomic Regulation within the EAEU.

Global economic turbulence and the economic crisis in Russia, which have been reflected more glaringly than anything else in the devaluation of the rouble, have had a negative impact on the Kazakhstani economy and the country's main macroeconomic indicators. The lack of coordination in terms of devaluation methods in Russia and Kazakhstan has led to a sharp drop in sales inside Kazakhstan, thus damaging small and medium-sized enterprises.

Coordinating the efforts of member states in order to reduce the negative consequences of economic turbulence and increase the stability of the macroeconomic situation in the EAEU will be a significant factor in terms of shaping Kazakhstan's attitude towards the Eurasian Economic Union.

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5. The Creation of Conditions for the Growth of Business Activity within the EAEU and Increasing the Union's Investment Attractiveness.

The Kazakh leadership sees increasing the country's investment attractiveness as one of the main instruments of its future development. As early as 2014, the Ministry of Economy and Budget Planning of Kazakhstan identified increasing investment attractiveness as one of the most important goals in the creation of the Customs Union and the Eurasian Economic Space.²⁵ Prior to this, in 2011–2012, the Organisation for Economic Co-Operation and Development (OECD) conducted a review of Kazakhstan's investment policy using the Policy Framework for Investment.²⁶ Twelve recommendations for improving the investment climate in Kazakhstan were developed on the basis of this review. A number of measures have been adopted since then to facilitate the implementation of these recommendations. Specifically, legislative changes were introduced in the regulation of intellectual property, tax and customs administration and public-private partnerships. The Commercial Code of the Republic of Kazakhstan was adopted, which provided new incentives for investors and an investment ombudsperson mechanism. In addition, new standards for corporate governance were introduced, state participation in the private sector was reduced, the visa regime was simplified and ten FEZs supporting 150 projects, 24 of which are being implemented with foreign involvement, were created. Separate legal proceedings are to be established for settling investment disputes. And the International Arbitration Centre is set to open in Astana in 2018; it will operate similarly to that of Dubai (United Arab Emirates).

As a result of these reforms, Kazakhstan is, according to United Nations Conference on Trade and Development (UNCTAD) research, among the 25 countries that have improved their investment policies. According to the Doing Business 2016 report, Kazakhstan is in the top ten countries in terms of the number of reforms being carried out to make doing business easier, and is number one country in the region in this regard. In addition, the country ranks 25th in "Protecting Minority Investors."²⁷

²⁵ Increasing the Investment Attractiveness of Kazakhstan – One of the Goals of Setting up the Eurasian Economic Space // Rhythm of Eurasia, May 13, 2014. URL: <http://www.ritmeurasia.org/news--2014-05-13--povyshenie-investicionnojprivlekatelnosti-kazahstana-odna-iz-celej-sozdanija-eep-12699>

²⁶ Information on Investment Cooperation with the OECD // Ministry for Investments and Development of the Republic of Kazakhstan, Investment Committee. URL: http://www.invest.mid.gov.kz/ru/kategorii/organizaciya-ekonomicheskogo-sotrudnichestva-i-razvitiya-oesr?theme_version=mirm

²⁷ New Investment Policy // Kapital. Business Information Centre. URL: <https://www.kapital.kz/finance/53413/novaya-investicionnaya-politika.html>

Despite the global economic turbulence, which has a negative impact on developing economies in terms of attracting foreign direct investment (FDI) and which is even more destructive when it comes to the amount of money invested abroad, investments within the EAEU have remained relatively stable.²⁸ According to Eurasian Development Bank data, Kazakhstan received \$7.129 billion in FDI from EAEU countries in 2015 (Russia accounted for \$7.095 billion of this figure),²⁹ and \$14.8 billion total.³⁰ And this is in an economic climate where investments dropped by 37 per cent in 2015.³¹ It is clear that, for Kazakhstan, integration within the framework of the EAEU will also be perceived in the medium term on the basis of how it affects the flow of foreign investments into the country and how it influences the formation of the business climate. However, when analysing the results, it is extremely difficult to identify which parameters would be affected by EAEU integration and which would be affected by other factors.

For Kazakhstan, integration within the framework of the EAEU will also be perceived in the medium term on the basis of how it affects the flow of foreign investments into the country and how it influences the formation of the business climate.

6. The Formation of a Single EAEU Financial Market.

Kazakhstan holds fairly high expectations for the future of the single EAEU financial market. Speaking at an expanded summit-level meeting of the Supreme Eurasian Economic Council back in 2014, President of Kazakhstan Nursultan Nazarbayev noted: “From 2025, Almaty will be home to a supranational body for regulating the EAEU’s financial markets. I suggest that we do not wait for the creation of a financial regulator for the EAEU and set about work to position Almaty as the financial centre of the Eurasian Economic Union.”³² According to Kazakhstani leadership, however, this cannot entail the creation of a monetary union or a single currency.

The Astana international financial centre is set to commence operations in 2018. It will function according to the model developed by leading global financial centres and on the principles and norms of English law. To this end, all paperwork and record keeping, including legal proceedings, shall be carried out in English.

Thus, it is clear that Kazakhstan is taking concrete steps to realize its ambition to become the region’s financial centre. Kazakhstan’s assess-

²⁸ Vinokurov E. Eurasian Economic Union: Current State and Preliminary Results // Russian Journal of Economics, # 3 (2017). P. 54–70. URL: http://www.eabr.org/general/upload/articles/RUJE_2017_no1_Vinokurov_EAEU_Current_state.pdf

²⁹ Ibid.

³⁰ Foreign Direct Investment into the Kazakhstan Economy // Forbes.kz, December 16, 2016. URL: https://www.forbes.kz/finances/investment/pryamye_inostrannyye_investitsii_v_ekonomike_kazhastana

³¹ Ibid.

³² Nazarbayev Proposes Making Almaty the Financial Centre of the EAEU // Kazinform.kz, May 26, 2014. URL: http://www.inform.kz/ru/n-nazarbaev-predlozhit-pozicionirovat-almaty-kak-finansovyycentr-eaes_a2662928

ment of the EAEU's prospects will largely depend on the speed at which these plans are implemented, as well as on the dynamics of the country's integration in the Union's financial sphere.

It is clear that Kazakhstan is taking concrete steps to realize its ambition to become the region's financial centre.

The Republic of Belarus

Public officials and the expert community as a whole in Belarus continue to stress the need to preserve the exclusively economic character of integration and guarantee the full national sovereignty of the EAEU member states.

Unlike the other EAEU member states, there was a slight increase in public support for EAEU integration in Belarus over the past year, from 60 per cent to 63 per cent.³³ According to this research, over 50 per cent of respondents believe that the country's foreign policy is clearly oriented towards Russia and the EAEU, and two-thirds of these people approved this course of development.³⁴

At the same time, the Belarusian authorities and a part of the expert community are becoming increasingly critical of integration as a whole, as well as of Russia's policies within the EAEU. Criticism is also being directed at other EAEU members that the Belarusian authorities believe tend to pursue their own narrow interests to the detriment of the interests of the Union.

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What are Belarus' national priorities in the EAEU? What factors could affect its perception of Eurasian economic integration up to 2025? The following factors can be considered key:

1. coordinated macroeconomic regulation at the EAEU level;
2. expanding the export of Belarusian products to the EAEU market and other non-EAEU markets;
3. the formation of a single energy market;
4. eliminating the remaining obstacles to the movement of goods and labour;
5. coordinating industrial policy within the EAEU.

³³ Eurasian Barometer – 2016 // Eurasian Development Bank Center for Integration Studies.
URL: http://www.eabr.org/research/centre/projectsCII/projects_cii/index.php?id_4=49596&linked_block_id=0

³⁴ Belarus between the European Union and the Eurasian Economic Union: Research into the Perception, Preferences and Values of the Belarusian People, 2016. URL: http://www.by.odb-office.eu/files/national_values_survey_brief_belarus_ru.pdf; Integration Barometer 2016 / Eurasian Development Bank Center for Integration Studies.
URL: http://www.eabr.org/research/centre/projectsCII/projects_cii/index.php?id_4=49596&linked_block_id=0

Let us look at the influence of each of these factors in greater detail.

1. Coordinated Macroeconomic Regulation in the EAEU Space.

A number of Belarusian experts and part of the general public were critical of attempts by the EAEU member states to overcome the economic crisis phenomena caused by the negative conditions on the global markets by themselves. In their opinion, by trying to ensure a positive balance of payments in conditions of falling prices and lower demand on the external markets, some EAEU member states have, without consulting the other members, devalued their national currencies and introduced a number of mutual restrictions on the domestic markets. Russia has launched several import substitution programmes in which manufacturers from other EAEU countries are not allowed to participate.

The growing interdependence brought about by integration means that the economic turbulence caused by exchange rate fluctuations in the EAEU member states, the impact of the sanctions and the fall in oil prices are all felt more intensely now in Belarus than ever before.

Belarus is acutely aware of the falling living standards in the country and the unduly high expectations of the business community, both of which have come about as the result of negative economic trends in other EAEU countries. The growing interdependence brought about by integration means that the economic turbulence caused by exchange rate fluctuations in the EAEU member states, the impact of the sanctions and the fall in oil prices are all felt more intensely now in Belarus than ever before. According to experts, Belarusian exporters were faced with the threat of a several-fold drop-off in supplies in December 2014 when the Russian market contracted sharply, revenues from energy exports dropped significantly and the Russian rouble halved in value. Thus, a number of experts in Belarus believe that when EAEU member states pursue a unilateral foreign policy and foreign economic activity, this significantly harms the future of the Union. The formation of effective mechanisms aimed at coordinating macroeconomic policy will obviously impact the perception of the EAEU within Belarus moving forward.

Thus, a number of experts in Belarus believe that when EAEU member states pursue a unilateral foreign policy and foreign economic activity, this significantly harms the future of the Union

2. The Ability of the EAEU to Assist Belarus in Expanding Exports to the EAEU market and Trade with Third Countries.

In the opinion of the Belarusian business and expert communities, Eurasian integration really does remove barriers to the movement of goods produced by small and medium-sized businesses and opens up opportunities for export, although these opportunities are limited by the level of competitiveness of Belarusian products.

Exports of Belarusian goods and services have been on a steady decline since 2013. Exports for 2013 totalled \$44 million, down not only from 2012, but also from 2011. That number fell to \$43.3 million in 2014 on the back of a worsening situation on the external markets, and then to \$32.9 million in 2015, or just 75.9 per cent of the previous year's total.³⁵ Exports fell by another 12 per cent in 2016.³⁶

The National Program of Support and Export Development of the Republic of Belarus for 2016–2020 was developed in accordance with the provisions of the Social and Economic Development Program of the Republic of Belarus for 2016–2020 (approved by Protocol No. 2 of the Council of Ministers of the Republic of Belarus on April 9, 2016).³⁷ The programme calls for a set of measures to support export aimed at “minimizing foreign economic threats through effective participation in the international division of labour, taking advantage of the country's competitive advantages, using the mechanisms of international integration associations and reducing dependence on traditional export positions and markets by diversifying commodity nomenclature.” Among the factors standing in the way of Belarus increasing its exports are: the high commodity and geographical concentration of exports (39.5 per cent of exports went to Russia in 2015); the slow development of new market niches; and the low level of competitiveness of products from Belarus.³⁸

The plan is to diversify exports among three markets – the EAEU, the European Union and third countries, including those in the “far arc” (countries in Asia, Oceania, Africa, the Middle East and Latin America) – so that the ratio of exports to each is equal (one-third each) by 2020.

In order to resolve these problems, the National Program proposes expanding the geographic coverage of exports while at the same time introducing measures to increase exports to the traditional markets. The plan is to diversify exports among three markets – the EAEU, the European Union and third countries, including those in the “far arc” (countries in Asia, Oceania, Africa, the Middle East and Latin America) – so that the ratio of exports to each is equal (one-third each) by 2020. The methods being used to achieve this goal include: continued economic integration within the EAEU; developing cooperation with regional associations and international economic organizations; getting the sanctions imposed against Belarusian organizations by the European Union and the

³⁵ National Program of Support and Export Development of the Republic of Belarus for 2016–2020. URL: https://www.google.ru/url?sa=t&rct=j&q=&esrc=s&source=web&cd=11&ved=0ahUKewjch-Wd2rzTAhXEFywKHcpQC7g4ChAWCCeWAA&url=http%3A%2F%2Fbelarp.by%2Fmedia%2Ffra%2Fdoc%2Fpredprinimatelstvo%2FFPSM604.docx&usq=AFQjCNEgrtEtrTwE6_WbcfMomNUjjcmwTA

³⁶ Main Foreign Trade Indicators // National Statistical Committee of the Republic of Belarus. URL: http://www.belstat.gov.by/ofitsialnaya-statistika/makroekonomika-i-okruzhayushchaya-sreda/vneshnyaya-torgovlya_2/osnovnyye-pokazateli-zaperiod-s-__po-___gody_10/osnovnyye-pokazateli-vneshnei-torgovii

³⁷ Ibid.

³⁸ Ibid.

United States lifted, and ensuring that these sanctions are not interpreted loosely; promoting an “export culture” by instilling in the Belarusian people the idea that export is important for the country’s development.³⁹

The Road Map for implementing the National Program entails: ensuring compliance on the part of Belarusian products with established norms and standards; creating alliances with major manufacturers in the region and becoming part of international production chains alongside them; carrying out major infrastructure projects abroad; using Silk Road Economic Belt initiatives to modernize and expand the transport and logistics system and ensure at least \$1.5 billion in exports to China by 2020; creating favourable conditions for the organization of container transit traffic between China and the European Union; and setting up bilateral commissions, committees and councils on trade, economic, scientific, technical and cultural cooperation.

The development of export opportunities is a priority development tool for Belarus, and EAEU integration is seen as one of the instruments that can help achieve this goal.

It is thus clear that the development of export opportunities is a priority development tool for Belarus, and EAEU integration is seen as one of the instruments that can help achieve this goal. As for the development of integration within the EAEU, the Belarusian Road Map assumes the following measures will be taken:

1. measures to achieve the goals set out in the Treaty on the Eurasian Economic Union of May 29, 2014;
2. measures to remove barriers, restrictions and exemptions in trade (primarily in relation to energy products, assembly materials and other sensitive positions within the EAEU), liberalize road transport, and ensure that legal entities have equal access to procurements created with the participation of the state;
3. measures to ensure the conceptual positioning of the Republic of Belarus as an export hub for the EAEU;
4. measures to ensure the transition to a coherent industrial policy;
5. measures to help the creation of equal conditions for the goods and services of EAEU member states when developing import substitution programmes and initiatives to stimulate exports;
6. measures to improve the infrastructure for carrying out quality control, testing and conformance evaluation of products and introducing cutting-edge quality management tools;
7. measures to harmonize intellectual property legislation.⁴⁰

However, the EAEU is just one of three areas of development for Belarusian exports, so any assessment of how Eurasian integration impacts Belarus’

³⁹ Ibid.

⁴⁰ Ibid.

export opportunities cannot be based solely on export volumes to EAEU countries. Such an assessment must also take into account the extent to which the regulatory measures that have been adopted within the framework of the EAEU will affect trade with the European Union and the “far arc” countries. In this regard, it should be noted that the prospects of a free trade area between the EAEU and third countries, as well as the prospects of joining the EAEU and the OBOR are viewed entirely positively inside Belarus. Today, the Belarusian people expect Eurasian integration to expand the opportunities for the country to participate in OBOR projects and develop economic cooperation with China, as well as third countries, in the free trade format. The extent to which these hopes are justified will have a significant impact on how the Belarusian people view the EAEU in the medium term.

The EAEU is just one of three areas of development for Belarusian exports, so any assessment of how Eurasian integration impacts Belarus’ export opportunities cannot be based solely on export volumes to EAEU countries. Such an assessment must also take into account the extent to which the regulatory measures that have been adopted within the framework of the EAEU will affect trade with the European Union and the “far arc” countries.

3. The Formation of a Single Energy Market.

The Belarusian government approved two key energy documents in 2016: the “Comprehensive Plan for the Development of the Electrical Power Industry until 2025, taking into Account the Introduction of the Belarusian Nuclear Power Plant in Account”;⁴¹ and the “Sectoral Programme for the Development of Electrical Power Industry for the Period 2016–2020.”⁴²

Belarus has long been waiting for the creation of a common electrical power market and a common oil and gas market. The hope has always been that producers will enjoy equal conditions across the board.

The main aim of the ongoing modernization of the electrical power industry is to ensure that Belarusian enterprises are competitive within the Eurasian Economic Union and at home, according to the Minister of Energy of the Republic of Belarus, “in order for the real sector of the economy to feel at ease and at the very least enjoy the same conditions as our neighbours.”⁴³ Belarus has long been waiting for the creation of a com-

⁴¹ Comprehensive Plan for the Development of the Electrical Power Industry until 2025, taking the Introduction of the Belarusian Nuclear Power Plant in Account // Official Site of the Ministry of Energy of the Republic of Belarus. URL: <http://www.minenergo.gov.by/wp-content/uploads/%D0%9A%D0%BE%D0%BC%D0%BB%D0%BF%D0%B5%D0%BA%D1%81%D0%BD%D1%8B%D0%B9-%D0%9F%D0%BB%D0%B0%D0%BD.pdf>

⁴² Sectoral Programme for the Development of Electrical Power Industry for the Period 2016–2020 // Official Site of the Ministry of Energy of the Republic of Belarus. URL: <http://www.minenergo.gov.by/wp-content/uploads/%D0%9E%D0%A2%D0%A0%D0%90%D0%A1%D0%9B%D0%95%D0%92%D0%90%D0%AF-%D0%9F%D0%A0%D0%9E%D0%93%D0%A0%D0%90%D0%9C%D0%9C%D0%90-%D0%AD%D0%9B%D0%95%D0%9A%D0%A2%D0%A0%D0%9E%D0%A%D0%9D%D0%95%D0%A0%D0%93%D0%95%D0%A2%D0%98%D0%9A%D0%98-2020.doc>

⁴³ Belarusian Telegraph Agency Interview with the Minister of Energy of the Republic of Belarus, Vladimir Potupchik // Official Site of the Ministry of Energy of the Republic of Belarus. URL: <http://www.minenergo.gov.by/beloruskujuju-jenergosistemuzhdet-masshtabnaja-reforma-pered-zapuskom-obshhih-jenergorynkov-v-eajes>

mon electrical power market and a common oil and gas market. The hope has always been that producers will enjoy equal conditions across the board, and that Belarus would be able to export electricity to the single EAEU market and third countries. In addition, Belarus expects the common energy market to help bring investors into the country and give them the opportunity to compete with existing companies, as Belarusian legislation in the electrical power industry will be harmonized with that of the other EAEU member states.

4. Eliminating the Remaining Obstacles to the Movement of Goods and Labour.

According to the Belarusian leadership and other experts, preserving a large number of exemptions and restrictions on the markets of the EAEU member states will limit opportunities for Belarusian exporters.⁴⁴ What is more, scandals connected with accusations of the Belarusian side illegally re-exporting “sanctioned products” that continued throughout 2015 and 2016 had a negative impact on EAEU-related discourse. Heads at all levels of government came out with critical comments regarding the issue, which must surely have influenced public opinion of the EAEU. The country’s politicians and part of the expert community are convinced that bans and restrictions are being deliberately placed on Belarusian goods.

As far as the Belarusian leadership is concerned, it is necessary to regulate issues relating to the functioning of the EAEU in the context of any one member state adopting unilateral measures to protect the market against third countries.⁴⁵

The speedy elimination of remaining trade exemptions and restrictions is a priority for Belarus and will be a significant factor in terms of the perception of the EAEU in the medium term.

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5. Coordinating industrial policy within the EAEU.

Belarus has always seen industrial cooperation within the EAEU as a priority task of integration, and one of its main criticisms of the EAEU as a whole has been weak cooperation in this area.⁴⁶

One of this arguments supporting this contention is the fact that industrial production in Belarus dropped by 6.6 per cent in 2015. In monetary terms, industrial production amounted to \$40.2 billion, which is less than both the crisis-hit year of 2009 (\$46.2 billion) and 2007 (\$45.2 billion) and only

⁴⁴ Astapenya, R., Bolkunets, D. Russia–Belarus Relations against the Background of the Ukrainian Crisis // Ostrogorski Centre, August 1, 2016. URL: <http://www.belarusdigest.com/papers/belarus-russia-relations-ru.pdf>

⁴⁵ President of Belarus Alexander Lukashenko Met with the Heads of the Government Delegations of the EAEU and the CIS // Embassy of the Republic of Belarus in the Russian Federation. URL: <http://www.embassybel.ru/news/8824c12fdac5.html>

⁴⁶ *Ibid.*

slightly higher than 2006 (\$38.6 billion). In other words, industrial production in Belarus in 2016 was approximately on the same level as 2006–2007.⁴⁷ Belarusian officials often talk about attempts by partner countries to protect their markets and about discrimination against Belarusian suppliers.⁴⁸ The dynamics of forming mechanisms for coordinating a unified industrial policy will no doubt influence perception of the EAEU in Belarus.

The Russian Federation

Official and expert discourse in the Russian Federation views Eurasian integration primarily as a resource for economic development and a way to stimulate development in neighbouring countries.

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The Concept of the Long-Term Socioeconomic Development of the Russian Federation for the Period Until 2020 identifies strengthening Russia's leadership in integration processes in the Eurasian space and turning the country into a centre of world economic relations, including a global financial centre, as its target goals.⁴⁹ In accordance with the Concept, the transition from an export- and raw materials-oriented model of economic growth to an innovative model of economic growth, which is to be achieved by 2020, is being carried out, among other things, through the expansion and strengthening of Russia's foreign economic positions, as well as through increasing the effectiveness of Russia's participation in the global division of labour. Specific tasks in this direction include “the gradual formation of an integrated Eurasian economic space for joint development.”

The updated Foreign Policy Concept of the Russian Federation (2016) noted Russia's intention to “make active use of the opportunities offered by regional economic and financial organizations to develop the national economy, while paying special attention to organizations and structures that reinforce Eurasian integration processes” (Paragraph 40 of the Concept).⁵⁰

⁴⁷ 2016 Belarusian Industrial Results // BDG Delovaja Gazeta, January 26, 2017.
URL: <http://www.bdg.by/news/authors/itogi-2016-go-v-promyshlennosti-belarusi>

⁴⁸ Semashko Believes Work on Formation of Common EAEU Industrial Policy Falls Short // Belta, May 3, 2016.
URL: <http://www.belta.by/economics/view/semashko-schitaet-needostatochnoj-rabotupo-formirovaniiju-edinoj-promyshlennoj-politiki-v-eaes-192032-2016>

⁴⁹ Concept No. 1662-r of the Long-Term Socioeconomic Development of the Russian Federation for the Period Until 2020 dated November 17, 2008 // URL: <http://www.consultant.ru/cons/cgi/online.cgi?req=doc&base=LAW&n=212832&fld=134&dsl=100007,0&rnd=0.3493980231266951#0>

⁵⁰ Foreign Policy Concept of the Russian Federation. Approved by President of the Russian Federation Vladimir Putin on November 30, 2016 // Official Site of the Ministry of Foreign Affairs of the Russian Federation. URL: http://www.mid.ru/foreign_policy/official_documents/-/asset_publisher/CptlCk6BZ29/content/id/2542248

Deepening and expanding integration within the framework of the EAEU is seen in this document as a means of achieving stable development, completely overhauling the technological infrastructure, stimulating cooperation, increasing the competitiveness of the EAEU member states and improving living standards for the general population. Another task of the EAEU as set out in the Concept is to take a leading role in harmonizing integration processes within Europe and Eurasia and establishing “a common economic and humanitarian space from the Atlantic to the Pacific by harmonizing and aligning interests of European and Eurasian integration processes, which is expected to prevent the emergence of dividing lines on the European continent” (Paragraph 63).

The economic concept of Eurasian integration is at the forefront of Russian academic and expert discourse. Integration is a “way of developing economic processes that can be used by countries as an opportunity to develop.” It is a “common market and a coordinated economy” and “trade and investment openness.”⁵¹ That is, integration is first and foremost an open economy and a common market.⁵² It is a chance for development.⁵³ The EAEU is seen as one of the possible mechanisms for overcoming the economic crisis and attracting new resources and mechanisms for ensuring economic development. In the opinion of Russian experts, Russia’s neighbours are its natural partners. And it would be short-sighted to ignore the possibility to expand sales of Russian goods in conditions where they are not particularly high.

Integration is a “way of developing economic processes that can be used by countries as a chance for development.” It is a “common market and a coordinated economy” and “trade and investment openness.”

In this regard, medium-term assessments of the effectiveness of Eurasian integration processes in Russia will be influenced by the following factors:

1. expanding markets for domestically produced goods and diversifying trade and economic relations;
2. establishing a common financial market and turning Russia into a global financial centre.
3. expanding opportunities for foreign economic activity;
4. the degree to which the country’s transport potential has been realized and the development level of the transport and logistics infrastructure;

⁵¹ Interview with Head of the Post-Soviet Countries’ Economic Development Section at the Institute of Economics of the Russian Academy of Sciences Elena Kuzmina, Chief Economist at the Eurasian Development Bank (EDB) Yaroslav Lissovnikov, Leading Research Fellow at the Post-Soviet Countries’ Economic Development Section at the Institute of Economics of the Russian Academy of Sciences Aza Migranyan and Director of the Centre for Integration Studies at the Eurasian Development Bank Evgeny Vinokurov.

⁵² Ibid.

⁵³ Alekseenkova, E., Timofeev, I. The Eurasian Aspect of Russia’s Foreign Policy: Interests, Possibilities and Limitations // IFRI. URL: https://www.ifri.org/sites/default/files/atoms/files/ifri_mv_89_timofeev_alekseenkova_rus_dec_2015_protege_0.pdf

5. increasing access to the labour force of EAEU member states and developing human resource potential;
6. creating a common electrical power market.

Let us look at each of these factors in greater detail.

1. The Ability of the EAEU to Facilitate the Expansion of the Markets for Domestically Produced Goods and the Diversification Trade and Economic Relations.

2016 turned out to be one of the least successful in recent years for Russian foreign trade. In value terms, imports and exports fell to their lowest level for five years. This was caused by the unfavourable foreign economic situation (falling oil prices, the devaluation of the rouble, the contraction of foreign markets as a result of the sanctions and counter-sanctions, etc.) and the shortcomings of the Russian economy, which made it difficult to respond quickly to the changes in the external environment (poor diversification, the economy's dependence on resources, etc.).

According to Federal Customs Service data, Russia's foreign trade turnover for 2016 fell 11.2 per cent from the previous year. Meanwhile, exports dropped by 17 per cent in value terms during the same period, although they actually rose in real terms.⁵⁴ The Russian Federation's export flows are gradually being reoriented under the influence of the foreign economic situation and the conflict with western states, with the European Union's share dropping from 44.8 per cent to 42.8 per cent. The main beneficiaries of this shift are APEC countries, and China in particular, which have seen their share rise from 28.1 per cent to 30 per cent.

The share of CIS countries in the overall volume of Russian exports has remained relatively stable (contracting by 0.5 per cent in 2016). Belarus is Russia's largest EAEU trading partner.

The share of CIS countries in the overall volume of Russian exports has remained relatively stable (contracting by 0.5 per cent in 2016).⁵⁵ Belarus is Russia's largest trading partner within the EAEU, totalling \$26.3 billion in 2016, down 5 per cent year-on-year. Trade turnover with Kazakhstan fell by 16.3 per cent in 2016 due to the decrease in the supply of oil products, automobiles and ferrous metals, as well as to the active import substitution policy and reduced purchases. The only country to improve its foreign trade indicators was Armenia, which increased supplies to Russia by 6 per cent to \$1.34 billion. Armenia is increasing exports of fish, fruits and vegetables, alcohol, textiles and footwear to the Russian and EAEU markets.

Russian experts note that insufficient progress has been made in eliminating and unifying non-tariff barriers, further overcoming non-tariff

⁵⁴ Russian Foreign Trade in 2016: Numbers and Facts // PROVED, February 14, 2017. URL: <http://www.xn--b1ae2adf4f.xn--p1ai/analytics/research/40407-vneshnyaya-topgovliya-possii-v-2016-godu-tsify-i-fakty.html>

⁵⁵ Ibid.

restrictions and removing exemptions. At present, national protectionist measures remain with respect to a number of categories of goods and industries. Insufficient progress has also been made in the legalization of “grey” imports and shadow trade mechanisms.⁵⁶

Thus, Russia is very interested in expanding its exports to the unified EAEU market, ensuring the unimpeded penetration of domestically produced goods to the final consumer in the member states, increasing the share of non-resource exports and eliminating the remaining trade barriers and restrictions. Russia’s assessment of the EAEU’s effectiveness will to a great degree depend on whether or not the common EAEU market will have realized its potential for expanding Russian exports by 2025.

Russian experts note that insufficient progress has been made in eliminating and unifying non-tariff barriers, further overcoming non-tariff restrictions and removing exemptions. At present, national protectionist measures remain with respect to a number of categories of goods and industries. Insufficient progress has also been made in the legalization of “grey” imports and shadow trade mechanisms.

2. Establishing a Common Financial Market and Turning Russia into a Global Financial Centre and the Leading Financial Hub in the Eurasian Space.

The Concept of the Long-Term Socioeconomic Development of the Russian Federation for the Period 2008–2020 identifies the task of making Russia an international financial centre, turning the rouble into the region’s main reserve currency, expanding use of the rouble in foreign trade and achieving leading positions on the Eurasian financial markets.

The desire for Russia to become the financial centre in the Eurasian space continues to be relevant.

Even before the Treaty on the Eurasian Economic Union formally entered into force in March 2015, Vladimir Putin had put forward an initiative to form a monetary union between Russia, Belarus and Kazakhstan. The plan was also mentioned in the Draft Declaration on Eurasian Economic Integration with the remark “the Kazakhstani side opposes the proposal put forward by the Russian side.”⁵⁷ According to the EEC, the issue of a common EAEU currency cannot be raised before the common financial market is established in 2025. It sees expanding the use of national currencies in mutual trade a more important issue.⁵⁸ The desire for Russia to become

⁵⁶ Interview with the Director of the Centre for Integration Studies at the Eurasian Development Bank (EDB), Evgeny Vinokurov, October 19, 2016.

⁵⁷ Declaration on the Formation of the Eurasian Economic Union (Draft). URL: http://www.tsouz.ru/MGS/MGS-15/Documents/P_88.pdf

⁵⁸ The Issue of Introducing a Common EAEU Currency is not being Considered // Kapital. Business Information Centre. March 28, 2017. URL: <https://www.kapital.kz/finance/58561/vopros-o-vvedenii-edinoj-valyuty-v-eaes-ne-rassmatrivaetsya.html>

the financial centre in the Eurasian space continues to be relevant, however.

3. Expanding Opportunities for Foreign Economic Activity.

Russia is interested in the formation of free trade areas with neighbouring countries in the Eurasian space, as well as with countries further afield. Creating free trade areas not only expands opportunities for Russian exporters, but it also allows for the diversification of goods entering the Russian market, which is important during this period of economic sanctions and food import embargoes.

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Russia believes that the formation of the EAEU and the deepening of Eurasian integration can help create a region that is attractive to other economic players. An agreement on a free trade area has already been signed with Vietnam (2015), for example. Negotiations are under way on the possibility of setting up a free trade area with Egypt; mutual trade between Russia and Egypt is growing and close partnership relations are being developed in terms of investments and the construction of large infrastructure facilities. Talks are also ongoing with Iran, Singapore, India and Serbia.⁵⁹ Russia hopes that Eurasian economic integration will help restore relations with the European Union.

4. Expanding Opportunities to Realize the Country's Transport Potential and Develop its Transport and Logistics Infrastructure.

The idea of realizing Russia's transport potential was discussed by government officials and the expert community before the announcement on connecting the Silk Road Economic Belt and the Eurasian Economic Union was even made. Specifically, it was back on October 13, 2014 that the Ministry of Transport of the Russian Federation, Russian Railways, the National Development and Reform Commission of the People's Republic of China and China Railway signed a Memorandum of Cooperation on high-speed transport for the creation of the High-Speed Eurasian Transport Corridor between Moscow and Beijing. Russia was hoping to modernize and increase passenger flow on the Trans-Siberian Railway and reinvigorate the transport and logistics possibilities of the Far East region. The Trans-Siberian Railway was indeed later incorporated into the Chinese Silk Road Economic Belt initiative, and functioning (Grodokovo–Suifenhe, Zabaykalsk–Manzhouli) and potential (Nizhneleninskoye–Tongjiang, Blagoveshchensk–Heihe) border crossings were brought up.⁶⁰ Russia was

⁵⁹ *Kommersant* Interview with the Minister for Trade of the Eurasian Economic Commission Veronika Nikishina: "If We Want to Open the Markets of Partner Countries, We Must Pay Reduced Duties" // EEC Website. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/14-02-2017-110151.aspx>

⁶⁰ Timofeev, O. The Central Asian and Trans-Siberian Routes of the Silk Road Economic Belt are Not Competitors // RIAC. URL: <http://russiancouncil.ru/analytiks-and-comments/analytiks/tsentralnoaziatskiy-i-transsibirskiy-marshrutypshp-ne-konk>

hoping that the use of this route would have a positive effect on the socio-economic situation in the Far East region of the country and that the development of the transport infrastructure would be followed by the development of the logistics infrastructure. Moreover, Russia hoped that the Free Port of Vladivostok would give new impetus to the development of relations with China and other Southeast Asian countries, that new points of growth would be created and that Russian businesses would be able to increase exports and trade with the countries in the region.

However, at present China is interested in three routes within the framework of the Silk Road Economic Belt, none of which involve the Russian Far East:

- The Northern Route (China – Central Asia – Russia – European Union);
- The Central Route (China – Central Asia – the Persian Gulf and the Mediterranean);
- The Southern Route (China – Southeast Asia – South Asia – Indian Ocean).

Right now, Russia's involvement in Silk Road Economic Belt projects is limited to the construction of the Moscow–Kazan High-Speed Railway. According to experts, official discourse in China regarding the creation of a land bridge between China and Europe is dominated by the idea of developing Central Asian transport routes. In other words, Russia's transit potential is seen exclusively in terms of the exploitation of its central regions (Ürümqi – Almaty – Orenburg – Kazan – Moscow – St. Petersburg – Europe), or in term of the construction of a potential transport corridor connecting China, Mongolia and Russia.⁶¹ As it stands, Russia is modernizing the Trans-Siberian and East Siberian railways by itself. According to Russian Railways, investments into the development of the East Siberian Railway infrastructure totalled 34 billion roubles in 2016. Of this sum, 29.9 billion roubles was spent on developing the Baikal–Amur Mainline and the Trans-Siberian. A total of 42.3 billion roubles have been earmarked for the development of infrastructure in 2017, with around 35.6 billion going to the modernization and development of the Baikal–Amur Mainline and the Trans-Siberian.⁶²

In March 2017, the Eurasian Economic Commission announced that it had compiled a list of priority projects to be implemented by the EAEU countries and which would support the formation of the Silk Road Economic Belt. Some 39 of these concern the construction of new (or the modernization of existing) roads, the creation of transport and logistics centres and the development of key transport hubs.⁶³ Specifically, the

⁶¹ Fenenko, A. "The Trans-Siberian Railway: A More Realistic Version of the SREB // RIAC. URL: http://www.old.russiancouncil.ru/inner/?id_4=7013#top-content

⁶² Russian Railways to Invest 35.6 Billion Roubles into the Modernization of the Baikal–Amur Mainline and the Trans-Siberian Railway in 2017.

⁶³ The Joining of the EAEU and the SREB is Starting to Take Shape: List of Infrastructure Projects Agreed // Eurasian Economic Commission, March 1, 2017. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/2-03-2017-1.aspx>

Moscow–Kazan High-Speed Railway (with speeds of up to 400km/h and a journey time of 3.5 hours) is set for completion. Mechanisms are currently being worked out to attract Chinese investments into the project. Other potential projects include the construction of the China – Kyrgyz Republic – Uzbekistan railway and the development of the Armenia–Iran line, which will give Armenia rail access via Iran to Kazakhstan, China and beyond.

In addition to developing its own territories and realizing its transit potential, Russia is interested in making sure that EAEU–Silk Road Economic Belt alignment projects are also carried out in other EAEU member states and that these projects become an additional tool for the countries grow and improve the level of their socioeconomic development.

In addition to developing its own territories and realizing its transit potential, Russia is interested in making sure that EAEU–Silk Road Economic Belt alignment projects are also carried out in other EAEU member states and that these projects become an additional tool for the countries grow and improve the level of their socioeconomic development. The hope is that implementing this initiative will help form the necessary level of transport and logistics connectivity in the region – the kind of coherence that is absolutely essential for the future development of the common EAEU market. Russia thus holds high expectations for the project to align the EAEU and the Silk Road Economic Belt by 2025.

5. Removing Barriers to the Movement of Labour and Developing Human Resource Potential.

The loss of national labour resources brought about by the rapidly ageing population threatens to put a brake on the Russian economy’s development. In this regard, the migration resource has taken on a role that it has never had before. Russia is interested in the influx of labour from neighbouring countries – countries with which it has a long history of coexistence within the framework of a unified state and with which it has formed a kind of social and cultural commonality. At the same time, the need to reindustrialize the country and develop an innovative economy put special requirements to the quality of human capital crossing the border. The task of developing human resource potential is, therefore, just as important as that of attracting foreign labour to the country.

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The creation of a single EAEU labour market came about as the result of the overall realization of the role that labour migration plays in the region’s

countries. The unified EAEU labour market opens up a number of opportunities:

- 1) the opportunity to distribute the available cumulative labour resources more rationally according to the needs of the economies of the member states;
- 2) great employment and social mobility opportunities for EAEU citizens, which, in turn, will improve the social wellbeing of the families of migrant's in their home countries;
- 3) the opportunity for labour migrants to have access to the social security system in the host country;
- 4) the existence of preconditions for reducing illegal migration and unregistered employment;
- 5) the opportunity for migrants to realize their professional potential (the mutual recognition of academic qualifications);
- 6) reducing corruption by cutting down the number of documents required in order to work in the EAEU member states;
- 7) eliminating discrimination against migrants in the recruitment process in the host countries.

As a following step, a thorough and detailed study of the labour markets in the EAEU space is urgently needed in order to form a programme for the development of human resource potential that corresponds to the needs of the common market. And this is a task facing all the countries in the region that supply foreign labour, not just Russia as the main destination of foreign migrant workers, since the quality of the declining labour pool and the returning human capital, and the qualifications and competencies they acquire directly determine the economic development potential of the donor countries.

6. Creating a Common Electrical Power Market.

Russia currently has a net surplus of electrical energy and is interested in selling its excess electricity to other EAEU member states, as well as to the external markets.⁶⁴ However, the demand for Russian electricity inside the EAEU is quite low. There is a slight shortage of electrical energy in Belarus, Kazakhstan meets its own requirements almost completely. The situation in Armenia and the Kyrgyz Republic is different. The Kyrgyz Republic is a generator of electrical power; however, the conflict with Uzbekistan over access to water means that it has been forced in recent years to reduce the amount of water used for electricity generation. A direct consequence of this is that the once export-oriented Kyrgyz Republic has now become an importing country and has been forced to purchase electricity from Kazakhstan for the past two years.

⁶⁴ Migranyan, A. A. The Common EAEU Electrical Power Market: Birth Pangs // Materik. Information and Analytical Portal of the Post-Soviet Space. URL: <http://www.materik.ru/problem/detail.php?ID=21820&print=Y>

Russia is interested in selling its excess electricity to other EAEU member states, as well as to the external markets

Armenia produces a surplus of electrical energy (taking into account the nuclear power plant, which produces around 40 per cent of the country's electricity). However, the plant's operational lifetime is rapidly coming to a close, and the issue of whether to continue operations there or build a new power plant is currently being addressed. Armenia is not in a position to finance the construction of a new nuclear power plant by itself and is counting on investments from Russia. As it currently has a net surplus in its energy production, Armenia could theoretically export these surpluses to Iran, although Iran's needs are far greater than could be provided through the unified energy system alone.

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Thus, Russia and the other EAEU member states are all interested in creating a common electrical power market that would allow all the countries involved to export electricity surpluses to third countries while at the same time meeting their own needs. Russia produces 10–30 times the amount of electricity as the other EAEU member states. Domestically, the country needs only 5 of the 12 gigawatts it produces. This is why Russia calls for the creation of a common electrical power market, the hope being that it will be an additional tool for GDP growth in all EAEU countries in the medium term.

Conclusions

1. The expectations of the EAEU member states with regard to the future of the Eurasian Economic Union up until 2025 are closely linked to the goals of domestic economic development and the resolution of pressing problems that differ from country to country. This is due to the fact that the member states have different priorities when it comes to integration. Sometimes these differences in priorities are actively exploited at the official and expert levels: an emphasis is placed on the fact that the EAEU member states have different economies, which means that their goals and objectives also differ, thus impeding full integration and slowing down progress in this direction. On the whole, however, there is an understanding that this is an essential part of any integration process that by definition involves the participation of

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different economies. This is precisely what happened during the formation of the European Union, for example.

2. In the medium term, we can say that all member states expect the following general results: increased competitiveness of national business and domestically produced goods; increased investment attractiveness; the realization of the EAEU's transit potential and the development of its transport infrastructure; reindustrialization and the development of industrial cooperation; the elimination of remaining trade barriers and restrictions; and the formation of human resource potential for the common labour market.

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3. In a number of member states there is the expectation that the EAEU will help resolve specific national goals and implement concrete projects (for example, the construction of railways, hydroelectric power stations, nuclear power plants, etc.). Thus, in addition to the expected long-term benefits of integration, there are also "momentary benefits" that are expected to have been obtained upon accession to the EAEU; if this does not happen, then there is a certain degree of disillusionment with the effects of Eurasian economic integration.

There has been a noticeable drop-off in almost all EAEU member states in terms of the expectations of both the general public and the expert community with regard to Eurasian economic integration. Removing subsequent barriers, eliminating exemptions and coordinating policies in more sensitive sectors can lead to conflicts among the economic entities and leaders in the member states, which can subsequently provoke serious criticism of the Eurasian Economic Union as a whole.

4. There has been a noticeable drop-off in almost all EAEU member states in terms of the expectations of both the general public and the expert community with regard to Eurasian economic integration, as demonstrated by sociological surveys and expert interviews.⁶⁵ This is largely due to the fall in domestic and foreign trade and the crisis phenomena in the economies of all the member states (falling GDP, devaluation of the national currencies, etc.). The national economies have become more vulnerable as a result of their increased interdependence within the framework of the EAEU, and there is a sense that the pace of integration is

⁶⁵ Eurasian Barometer 2016 / Eurasian Development Bank Center for Integration Studies. // EDB.
URL: http://www.eabr.org/r/research/centre/projectsCII/projects_cii/index.php?id_4=49596&linked_block_id=0

slowing down. However, a number of experts see these negative dynamics as being primarily due to external factors. As for the slowdown in the pace of integration, this can be explained by the following reasons. The barriers that could be removed relatively easily and which would have a powerful impact in terms of the movement of goods were lifted during the first phase of integration. This means that the more difficult, laborious, painstaking and time-consuming work on the more sensitive aspects of integration still had to be done. Removing subsequent barriers, eliminating exemptions and coordinating policies in more sensitive sectors can lead to conflicts among the economic entities and political elites in the member states, which can subsequently provoke serious criticism of the Eurasian Economic Union as a whole.

In a number of member states there is the expectation that the EAEU will help resolve specific national goals and implement concrete projects.

5. One of the stable common expectations of all EAEU member states is that it will offer increased opportunities to expand trade with third countries and integration associations. The EAEU member states call for coordinated foreign policy and foreign economic decisions on issues that affect their interests. There is an expectation that the list of countries and blocs with which preferential and non-preferential agreements have been signed will expand and that trade with the European Union and China will increase. In addition, many are of the opinion that the integration association will, in the medium term, be able to increase the attractiveness of the common market for external partners and raise the EAEU's profile in the foreign political and foreign economic spheres.

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Transport and Infrastructure in the EAEU up to 2025

Egor Pak

Objectively, expanding and deepening EAEU integration is impossible without a modern transport and logistics infrastructure. The development of the EAEU transport and logistics infrastructure will contribute to the creation of new production facilities and labour mobility and the growth of transit traffic throughout EAEU territory with the establishment of East–West and North–South international transport corridors (ITCs). Developing infrastructure will also allow portfolios to be created for other sectors of the economy, which in the long term will facilitate the “intertwinement” of the EAEU member states’ economic systems.

Section XXI of the Treaty on the Eurasian Economic Union signed on May 29, 2014, entitled “Transport” states that the EAEU will conduct a coordinated (agreed) transport policy “aimed at ensuring economic integration, consistent and gradual formation of a common transport space based on the principles of competition, transparency, security, reliability, availability and sustainability.”⁶⁶ The following priority areas of the coordinated (agreed) transport policy have been determined: 1) the creation of a common market of transport and logistics services; 2) the establishment and development of Eurasian transport corridors, including measures to realize the region’s transit potential; 3) the establishment of unified approaches to the development of the region’s transport and logistics infrastructure, including through the creation of modern logistics centres.

At a meeting of the Supreme Eurasian Economic Council on December 26, 2016, the presidents of the EAEU countries approved the main areas and stages of the implementation of the coordinated (agreed) transport policy, with the complete removal of restrictions for all means of transportation within the EAEU by 2025. It is expected that the Road Map containing the specific stages, activities and timeframes for achieving the goals set with regard to road, rail and maritime transport will be presented to the Eurasian Intergovernmental Council for consideration by December 31, 2017, with a similar document regarding air transport to be delivered by June 1, 2017.⁶⁷

It is expected that the Road Map containing the specific stages, activities and timeframes for achieving the goals set with regard to road, rail and maritime transport will be presented to the Eurasian Intergovernmental Council for consideration by December 31, 2017, with a similar document regarding air transport to be delivered by June 1, 2017.

⁶⁶ Treaty on the Eurasian Economic Union dated May 24, 2014.
URL: http://www.consultant.ru/document/cons_doc_LAW_163855/

⁶⁷ The EAEU presidents approved the main areas of the coordinated transport policy// Eurasian Economic Commission. December 28, 2016. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/30-12-2016.aspx>

Today, the transport and logistics sector, as one of the areas of Eurasian economic integration, is primarily regulated at the inter-governmental, rather than the supranational (Eurasian Economic Commission) level. Nevertheless, the coordinated (agreed) transport policy has achieved real results. In terms of the level of synchronization of regional integration in transport and logistics, the EAEU is second only to the European Union, where a full-fledged unified transport policy is in effect for all modes of transport, while the ASEAN, MERCOSUR and NAFTA countries limit themselves to make declarative statements about the need to establish such integration.⁶⁸

In terms of the level of synchronization of regional integration in transport and logistics, the EAEU is second only to the European Union, where a full-fledged unified transport policy is in effect for all modes of transport, while the ASEAN, MERCOSUR and NAFTA countries limit themselves to make declarative statements about the need to establish such integration.

The greatest progress in terms of integration within the EAEU has been in rail and road transport, which is a reflection of the significance of these sectors for the economies of the member states. This integration consists of:⁶⁹

- a single (unified) rail tariff for EAEU countries on goods transported within the EAEU or exported to/imported from third countries via EAEU seaports;
- the establishment of a corridor of marginal tariff changes for rail freight within the EAEU;
- determining the principles for providing EAEU rail carriers with access to the infrastructure of other carriers within the EAEU;
- the establishment of the largest rail operator in the EAEU – the United Transport and Logistics Company (UTLC);
- border control of goods transported internationally by road, which is carried out on the external borders of the EAEU;
- permit-free domestic and international road haulage for EAEU shippers operating within the territory of the EAEU;
- the adoption of a programme to gradually liberalize coastal *autocabotage* in the EAEU in 2016–2025.⁷⁰

Unified principles for regulating freight transport by air and water in the EAEU are still at the negotiation stage. Thus, the agreement on maritime

⁶⁸ Pak, E. V. The Prospects of Developing Transport and Logistics Cooperation in the Eurasian Economic Union: Ph.D. Dissertation (Economics) / MGIMO under the Ministry of Foreign Affairs of the Russian Federation. Moscow, 2017, pp. 103–105.

⁶⁹ Transport in the EAEU // Eurasian Economic Commission, 2015. URL: <http://www.eurasiancommission.org/ru/Documents/%D0%A2%D1%80%D0%B0%D0%BD%D1%81%D0%BF%D0%BE%D1%80%D1%82.pdf>

⁷⁰ *Autocabotage* is the process of transporting freight by transport and logistics enterprises registered in an EAEU member country between any destinations located within the EAEU, including international freight to-from the EAEU.

shipping, which sets out the procedures for implementing bilateral and transit shipments on the inland EAEU waterways, has been sent to the Eurasian Economic Commission for final approval.⁷¹

Liberalizing the EAEU air carriage market largely depends on whether or not Russia and Kazakhstan can achieve the relevant agreements, while the current restrictions on transporting goods by air between Russia and Belarus and Russia and Armenia need to be removed completely.

One of the main factors standing in the way of carrying out a coordinated (agreed) transport policy in the EAEU is the fact that the Union's transport and logistics infrastructure is poorly developed.

One of the main factors standing in the way of carrying out a coordinated (agreed) transport policy in the EAEU is the fact that the Union's transport and logistics infrastructure – which is understood as the totality of the transport, warehousing, customs and administrative components – is poorly developed. It would seem that, in its current form, the EAEU transport and logistics infrastructure is not fully capable of ensuring an increase in the overall effectiveness of the integration process in the transport and logistics sector.

The transport component includes a fixed element (existing transport routes, ports and railway stations) and a mobile element (cars, railway carriages, locomotives, ships and aeroplanes) and is characterized by a high degree of moral and technical wear and tear, sometimes up to 70 per cent.⁷²

The warehousing component (the system of warehouses) is primarily oriented towards distribution, rather than consolidation. According to the present author's estimations, the proportion of Class A higher infrastructure warehouses, which provide a comprehensive range of freight services (from receipt at the warehouse through processing, consolidation, packing, marking and final shipment), make up less than 30 per cent of the total number of warehouses in the EAEU (which reflects the predominance of raw materials and industrial semi-finished products in the EAEU trade structure), while this figure is around 70–80 per cent on average in EU countries.⁷³

The customs component (that is, the organizational level of customs clearance of goods on the external borders of the EAEU) is characterized by the underdeveloped practice of authorized economic operators (AEOs) and the

⁷¹ EAEU Experts Finalize Draft Agreement on Maritime Shipping // Eurasian Economic Commission. December 28, 2016. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/05-02-2016-1.aspx>

⁷² Pak E.V., Polyanova, T.N. The Unified Transport Policy of the European Union: An Example for the Eurasian Economic Union // MGIMO University Bulletin, 2015, No. 3 (42), p. 205; Podberyožkina, O.A. Transport Corridors in Russian Integration Projects (the Example of the EAEU) // MGIMO University Bulletin, 2015, No. 1, 2015, p. 58.

⁷³ Pak E.V. Prospects for the Development of Transport and Logistics Cooperation in the Eurasian Economic Union: Ph.D. Dissertation (Economics) (manuscript) / MGIMO under the Ministry of Foreign Affairs of the Russian Federation. Moscow, 2017, p. 117.

lack of universal electronic document management. Around 600 AEOs currently operate in the EAEU, which is 18 times lower than in the United States, 28 times lower than in the European Union (8 times lower than in Germany alone) and 5 times lower than in China.⁷⁴ Thus, it would appear that, in order to boost the effectiveness of the transport and logistics infrastructure and subsequently increase transit traffic in the EAEU, it is necessary to at least triple the number of AEOs operating in EAEU territory.

In order to boost the effectiveness of the transport and logistics infrastructure and subsequently increase transit traffic in the EAEU, it is necessary to at least triple the number of AEOs operating in EAEU territory.

The AEO institute is designed to ensure the effective interaction of participants in foreign economic activity with the customs authorities of EAEU countries and will help simplify, and to speed up customs procedures when exporting/importing goods out of/into EAEU countries and when transiting through EAEU territory via road or rail. It would seem that the practice of using AEOs will create the conditions for reducing the EAEU economies' share of transport and logistics costs and, consequently, increasing the overall effectiveness of Eurasian economic integration.

The administrative component (that is, the degree of integration of the transport and logistics services provided) is characterized by the prevalence of 1PL and 2PL logistics providers in the EAEU's transport and logistics market,⁷⁵ which make up as much as 95 per cent of the market.⁷⁶ The underdeveloped nature of the management component is also due to the limited number of multimodal transport and logistics centres in the EAEU that provide a wide range of transport and logistics services that involve two or more modes of transport.⁷⁷ According to the present author's calculations, the existing network of multimodal transport and logistics centres consists of around 30 regional centres. For the sake of comparison, there are over 100 in the European Union.⁷⁸ This also hinders the development of non-resource cargo flows inside the EAEU and the growth of land transit through EAEU territory along the East–West and the North–South ITCs.

⁷⁴ Khapilin, S.A. The Development of Eurasian Economic Integration on the Basis of Modernizing Customs Regulation Mechanisms: Ph.D. Dissertation (Economics) (08.00.14) / Rostov State University of Economics. Rostov-on-Don, 2015, p. 287.

⁷⁵ First-party logistics providers (1PL) work locally and provide a limited range of services, often using their own means of transport. Second-party logistics providers (2PL) transport goods internationally using their own vehicles and offer a broader range of services. Third-party logistics providers (3PL), often referred to as transport operators, provide their own logistics services and also coordinate the activities of outsourced contractors, offering a full (comprehensive) range of services. Fourth-party logistics providers (4PL) carry out all the functions of 3PL providers while also providing logistics management services, that is, they optimize the process in terms of cost, speed, safety, service and stability.

⁷⁶ The 2013–2014 Express Delivery Market and Forecasts for 2017 // RBC. Moscow, 2015, pp. 16–17.

⁷⁷ Multimodal transport is a special type of transportation that is carried out by two or more modes of transport under a single contract, transport document and tariff imposed by a multimodal transport operator.

⁷⁸ Pak E.V. Prospects for the Development of Transport and Logistics Cooperation in the Eurasian Economic Union: Ph.D. Dissertation (Economics) (manuscript) / MGIMO under the Ministry of Foreign Affairs of the Russian Federation. Moscow, 2017, p. 118.

The project to align the EAEU and the One Belt One Road Initiative (OBOR) promoted by China is a promising area of international cooperation in the development of the EAEU's transport and logistics infrastructure. The OBOR is still not a fully formed initiative, but it would seem that the alignment project could be beneficial to both sides, as both the EAEU and China are interested in forming an effective transport and logistics infrastructure in the region, which boasts a freight route from the Asia Pacific to the European Union.

China sees its contribution to regional integration as financing large-scale infrastructure projects, which the EAEU sorely needs, while the role of the EAEU is to create favourable conditions for transporting goods through its territory in terms of cost, speed, safety, service and stability. Thus, the level of transport and logistics cooperation already achieved in the EAEU along the East–West ITC allows goods to be transported by land from China to the European Union around 3 to 3.5 times faster on average than via the Southern Sea Route. The chances for successfully aligning the EAEU and OBOR are increased by the fact that the main line of the OBOR – the Eurasian Transport Highway and its northern, southern and sea routes – coincide with the Eurasian East–West and North–South ITCs.

China sees its contribution to regional integration as financing large-scale infrastructure projects, which the EAEU sorely needs, while the role of the EAEU is to create favourable conditions for transporting goods through its territory in terms of cost, speed, safety, service and stability.

At the same time, China's financing of infrastructure projects in EAEU territory as part of the alignment project only provides a new and more up-to-date version of the existing fixed element of the EAEU's infrastructure; work to modernize rolling stock and improve the level of integration of transport and logistics services provided in the EAEU will have to be done independently. It would appear that the EAEU needs to address the following tasks in order to create an effective transport and logistics infrastructure by 2025.

EAEU member states should make a clear distinction between the regulatory powers of the Eurasian Economic Commission and those of the EAEU governments.

First, the section of the Main Directions of EAEU Economic Development on the Union's coordinated (agreed) transport policy indicates that the EAEU member states should make a clear distinction between the regulatory powers of the Eurasian Economic Commission and those of the EAEU governments, making interaction transparent and inclusive, and also pay special attention to the creation of an effective mechanism for ensuring non-discriminatory access for EAEU shippers to the markets of the member countries, and to the Russian market first and foremost.⁷⁹

⁷⁹ Main Directions of EAEU Economic Development until 2030 // Eurasian Economic Commission. Moscow, 2015.
URL: <http://www.eurasianeconomic.org/pdf/analiz02.pdf>

It is important to implement qualitative changes to the structure of the EAEU transport and logistics market in order to step up the level of interaction of the services provided.

Second, it is important to implement qualitative changes to the structure of the EAEU transport and logistics market in order to step up the level of interaction of the services provided. This can be done by increasing the share of 3PL and 4PL providers from 5 per cent currently to 20–25 per cent and creating a backbone network of 50 to 70 multimodal transport and logistics centres on the EAEU's external borders, as well as at transport hubs inside the Union.

Third, if the EAEU member states are to have up-to-date fleets of vehicles, then the process of creating a unified industrial policy needs to be accelerated.

Third, if the EAEU member states are to have up-to-date fleets of vehicles, then the process of creating a unified industrial policy needs to be accelerated. The supranational nature of such a policy will make it possible to accumulate the necessary resources for deepening cooperation in automobile and railway vehicle manufacturing, where, in the opinion of the present author, significant integration results have already been achieved.

The approaches of EAEU countries to achieving the region's transit potential through the use of the East–West and the North–South ITCs need to be better coordinated.

Fourth, the approaches of EAEU countries to achieving the region's transit potential through the use of the East–West and the North–South ITCs need to be better coordinated in terms of multimodality, speed, safety and a high degree of integration of transport and logistics services. It would seem that the development of multimodal delivery options within the EAEU's system of ITCs largely depends on increasing the profitability of road transport, which could be achieved by reducing the difference between the costs of road and rail transportation within the EAEU from the current 2–2.5 times to 1–1.5 times.

Thus, transport and logistics cooperation in the EAEU is an important factor in the development of Eurasian economic integration. The implementation of a comprehensive strategy to modernize the existing logistics infrastructure by 2025 could help increase coherence among the countries undergoing integration, initiate a multiplier effect for all sectors of the EAEU economy and create the conditions for the EAEU economy's incorporation into global value chains that operate on the East–West and North–South trade routes.

Development of Integration in Agriculture in the EAEU up to 2025

Aleksandra
Osinina,
Inna
Glotova

The agro-industrial complex is one of the most important strategic sectors of the Eurasian Economic Union's member states. Despite the ongoing economic crisis and the volatility of the global commodities markets, there have been positive trends in the EAEU's agrarian sector.

The increase in the production of grain, oilseed, sugar beet and livestock products such as chicken and pork has meant that the index of physical agricultural production volume in the EAEU has been on the rise since 2013. To illustrate, the figure was 104.5 in 2016, compared to 95.3 in 2012 (Fig. 1). At the same time, the share of agricultural production in the EAEU's GDP is also demonstrating positive dynamics, increasing from 4 per cent in 2012 to 5 per cent in 2015.⁸⁰

There have been positive trends in the EAEU's agrarian sector. At the same time, the share of agricultural production in the EAEU's GDP is also demonstrating positive dynamics, increasing from 4 per cent in 2012 to 5 per cent in 2015.

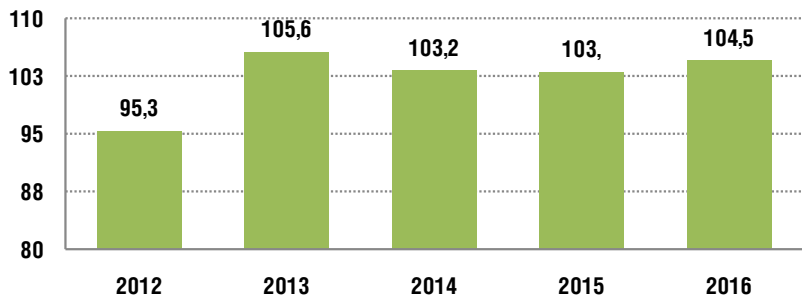


Figure 1. Dynamics of the index of actual agricultural production volume in the EAEU. Source: Review of Agro-Industrial Complex Production Indicators of EAEU Member States for 2015–2016.⁸¹

The volume of agri-food exports from the EAEU increased by 4 per cent to \$16.9 billion in 2016 compared to 2015. The share of food products and agricultural raw materials in the total export of EAEU member states to third countries totalled 5.5 per cent in 2016, which represents an increase of 1 per cent from the previous year.

⁸⁰ Figure calculated on the basis of data published by the EEC: Eurasian Economic Union in Figures. Brief Statistics Yearbook // Eurasian Economic Commission, 2016. URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/econstat/Documents/Brief_Statistics_Yearbook_2016.pdf

⁸¹ Review of Agro-Industrial Complex Production Indicators of EAEU Member States for 2015–2016 // Eurasian Economic Commission URL: http://www.eurasiancommission.org/ru/act/prom_i_agroprom/dep_agroprom/monitoring/Documents/Обзор%20произв.показателей%20_2015-2016.pdf

What is more, agricultural exports rank fourth in the overall export structure of EAEU member states behind mineral products, metals and chemicals.⁸²

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At the same time, imports from third countries have been falling consistently since 2014 – from \$42.6 billion in 2014 to \$26.5 billion in 2016.

Meanwhile, the significance of mutual trade for EAEU member states is growing. Thus, the share of mutual trade in the production of agricultural goods, as well as in the overall trade turnover for agricultural products and foodstuffs increased during the period 2012–2016 (Fig. 2).

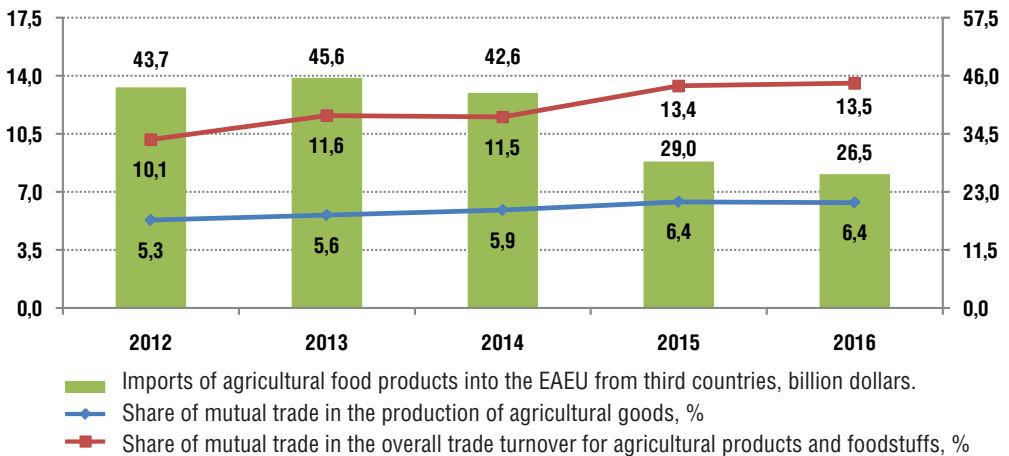


Figure 2. Dynamics of Relative and Absolute Indicators of Agri-Food Production in the EAEU

Source: Compiled using data from the EEC publication “Eurasian Economic Union in Figures. Brief Statistics Yearbook, 2016”.⁸³

Functioning within the format of an economic union gives the five EAEU member states a range of general economic advantages. For example, ensuring equal access to the common agricultural market, the possible creation of new jobs in various sectors of the agro-industrial complex – including through the formation of joint enterprises – and increasing the volume of mutual investments.

⁸² Foreign Trade with Third Countries. January–December 2016 // Eurasian Economic Commission. URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/tables/extra/Pages/2016/12.aspx

⁸³ Eurasian Economic Union in Figures. Brief Statistics Yearbook // Eurasian Economic Commission, 2016. URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/econstat/Documents/Brief_Statistics_Yearbook_2016.pdf

The establishment of assembly line production of agricultural machinery by Rostselmash and Concern Tractor Plants, as well as the EuroChem joint ventures that focus on the production of mineral fertilizers are prime examples of mutually beneficial cooperation between Russia and Kazakhstan in this area.⁸⁴

Among the projects being implemented as part of joint Russia–Kyrgyz initiatives are enterprises involved in the production and storage of canned fruit and vegetables and the purchase of new agricultural equipment. What is more, the Russian Kyrgyz Development Fund has signed an agreement with several Kyrgyz banks on the allocation of funds for small and medium-sized businesses, and on agricultural enterprises in the Kyrgyz Republic.⁸⁵ The share of projects approved by the Russian Kyrgyz Development Fund in the agro-industrial complex is an impressive 28 per cent (as of April 28, 2017).⁸⁶

An important result of deepening economic integration in the agrarian sector of the EAEU is that trade barriers are removed and the markets open up, leading to increased volumes of mutual trade in agricultural products.

Simplifying customs regulation, complying with the uniform rules of veterinary and phytosanitary control and adopting technical regulations helps save time and money when carrying out transactions, ensuring the quality and safety of agricultural products produced in the EAEU for consumers and promoting import substitution.

An important result of deepening economic integration in the agrarian sector of the EAEU is that trade barriers are removed and the markets open up, leading to increased volumes of mutual trade in agricultural products. For example, sales of food and agricultural products from Armenia, which joined the EAEU in 2015, grew by 39 per cent compared to 2015, reaching \$261 million (Table 1).

The rational distribution of resources and the natural advantages of the agro-industrial complex of all the EAEU member states means that a high level of agri-food self-sufficiency can be achieved in the EAEU as a whole, and exports to foreign markets can be increased.

Thus, the rational distribution of resources and the natural advantages of the agro-industrial complex of all the EAEU member states means that a

⁸⁴ Putin and Nazarbayev to Discuss Bilateral Ties and EAEU Processes and Attend Regional Forum // Rambler.ru, September 16, 2015.

URL: https://www.news.rambler.ru/politics/31336186/?utm_content=news&utm_medium=read_more&utm_source=copylink

⁸⁵ Prospects for the Development of Russia–Kyrgyz Relations Following the Accession of the Kyrgyz Republic to the EAEU // ICTSD. URL: <http://www.ictsd.org/bridges-news>

⁸⁶ 12 Naïve Questions about the Work of the Russian Kyrgyz Development Fund and Answers to Them // Russian Kyrgyz Development Fund, April 14, 2017. URL: http://www.rkdf.org/ru/novosti/smi_o_nas/411_12_naivnih_voprosov_o_rabote_rossiysko_kirgizskogo_fonda_razvitiya_i_otveti

Table 1. Indicators of Mutual Trade in Agri-Food Products within the EAEU

EAEU State	Member	Volume of Mutual Trade, million USD			Primary Exports	Primary Markets	EAEU
		2015	2016	2016 to 2015, % change			
Armenia		187.3	260.7	139.2	Spirits, fruit and vegetables, cheese and curd cheese, tobacco products and mineral water	Russia, Kazakhstan, Belarus	
Belarus		3866.0	3594.0	93.0	Meat and dairy products	Russia, Kazakhstan, Armenia, Kyrgyz Republic	
Kazakhstan		474.3	423.6	89.3	Wheat, tobacco products, mineral water and sweetened carbonated water, confectionary, flour, chicken meat	Russia, Kyrgyz Republic	
Kyrgyz Republic		105.2	108.4	103.0	Dried beans, dried fruit, mixed nuts, potatoes, cheese and curd cheese, fruit	Kazakhstan, Russia	
Russia		2422.1	2460.6	101.6	Sunflower oil, chocolate, bread and baked goods, tobacco products	Kazakhstan, Belarus, Armenia	

Source: Compiled using EEC data.⁸⁷

high level of agri-food self-sufficiency can be achieved in the EAEU as a whole, and exports to foreign markets can be increased.

The following measures can be taken in order to ensure that the mutually beneficial interests of all the member states are satisfied and that a synergistic effect from integration in the agrarian sector is obtained, with the Eurasian Economic Commission (EEC) taking a coordinating role.

The first systemic document in this area was adopted on May 29, 2013, namely the Concept of a Coordinated (Agreed) Agro-Industrial Policy of the Member States of the Customs Union and Eurasian Economic Space (the Concept), with the aim of forming an institutional and legal basis for the integration of the agro-industrial complex in the EAEU.⁸⁸ The Treaty on

⁸⁷ Foreign and Mutual Trade Statistics // Eurasian Economic Commission.

URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/tables/intra/Pages/2016/12.aspx

⁸⁸ Decision No. 35 of the Supreme Eurasian Economic Council "On the Concept of a Coordinated (Agreed) Agro-Industrial Policy of the Member States of the Customs Union and Eurasian Economic Space" date May 29, 2013 // Eurasian Economic Commission. URL: <http://www.eurasiancommission.org/ru/Lists/EECDocs/635055949507925323.pdf>

the Eurasian Economic Union (EAEU Treaty) was signed a year later, on May 29, 2014. Articles 94–95 of Section XXV of the EAEU Treaty set out the objectives and goals of the Agreed (Coordinated) Agricultural Policy of the EAEU member states, while Annex 29 to the EAEU Treaty outlines agricultural state support measures.

In accordance with the EAEU Treaty, the member states carry out interstate cooperation in seven main areas: 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 agriculture.⁸⁹

The Action Plan on the Implementation of the Coordinated (Agreed) Agro-Industrial Policy of the Member States of the Customs Union and Eurasian Economic Space was adopted on November 29, 2014 in order to implement the provisions detailed in the Concept.⁹⁰ The Action Plan includes 17 measures to be implemented between 2014 and 2017.

A number of recommendations were adopted in order to implement the Plan. These recommendations concern issues of forecasting the supply and demand of EAEU member states for various agricultural products, raw materials and foodstuff, coordinating their sales and marketing policies, developing the expert potential of agri-food products, etc.

In addition, draft agreements on the handling of plant seeds and animal breeding were signed. A draft international agreement on the unified rules of warehouse certificates for grain and other agricultural products is set to be developed in 2017.

A list of research and development (R&D) works for the agro-industrial complex was drawn up in 2015 in order to coordinate R&D in this area in EAEU member states.⁹¹ At present, draft procedures for carrying out joint scientific research in the EAEU have been prepared.

The list of promising joint R&D projects among the EAEU member states includes 14 topics pertaining to the development of technologies for selecting grain and feeding crop, the application of crop protection agents, the development of diagnostic systems and complex biologically active medicines for treating livestock, the creation of resource- and energy-saving technologies for the deep processing of grain crops and the production of milk, etc.

The EAEU member states are currently involved in research work on the development of promising areas and mechanisms for the development of

⁸⁹ Treaty on the Eurasian Economic Union // Eurasian Economic Commission.
URL: http://www.eurasiancommission.org/ru/act/prom_i_agropr/ml/dep_agropr/ml/SiteAssets/XXV_apk.pdf

⁹⁰ Decision No. 94 of the Supreme Eurasian Economic Council dated November 21 // Eurasian Economic Commission.
URL: <http://www.eurasiancommission.org/ru/Lists/EECDocs/635524547561768166.pdf>

⁹¹ Recommendation No. 14 of the Eurasian Economic Commission Collegium dated July 8, 2015 // Eurasian Economic Commission. URL: http://www.eurasiancommission.org/ru/act/prom_i_agropr/ml/dep_agropr/ml/agropr/ml/Documents

the coordinated agricultural policy within the EAEU, including interstate cooperation and import substitution.

Special note should be made here of the fact that the EEC Council approved the methodology for calculating the permitted level of agricultural state support measures, which distort mutual trade in agricultural products in the EAEU countries and the forms of notification about state support for agriculture.⁹²

EAEU member states currently enjoy duty-free trade in goods within the unified customs territory. In addition to this, the member countries have eliminated a number of non-tariff barriers – the increased VAT rate in Russia on juice for babies imported in boxes larger than 0.35 litres, for example. The category of “special importers” (exclusive rights for the state to import certain goods) for fish and fish products in Belarus has also been abolished.⁹³

Additionally, technical regulations have been adopted that establish mandatory requirements for products. For instance, technical regulations on the safety of grain, food products, fat and oil products, food additives, artificial flavouring and processing aids, milk and dairy products, meat and meat products, etc., have been in force since 2012.⁹⁴ All this helps to make sure that higher quality and safer agri-food products are coming into the EAEU market.

The Eurasian Economic Commission, together with the EAEU member states, are drawing up and implementing a range of documents that will serve as a basis for the further synchronization of the EAEU’s agricultural policy.

Thus, the Eurasian Economic Commission, together with the EAEU member states, are drawing up and implementing a range of documents that will serve as a basis for the further synchronization of the EAEU’s agricultural policy.

Separate mention should be made here of the desire of EAEU member states to establish cooperation by transferring a part of their national trade authorities to the supranational level, taking into account the fact that the formation of trade and economic relations between the EAEU and third countries is progressing at a rapid pace. So, despite the fact that the EAEU is a relatively young integration association (as an economic union, it has operated for just two years), around 50 countries had expressed a desire to work with it by early 2017.⁹⁵

⁹² Decision No. 163 of the EEC Council dated October 18, 2016 // Eurasian Economic Commission.

URL: http://www.eurasiancommission.org/ru/act/prom_i_agroprom/dep_agroprom/sxs/Documents

⁹³ The Prospects for Eliminating Non-Tariff Barriers in the EAEU // ICTSD website, September 3, 2015.

URL: <http://www.ictsd.org/bridges-news/мосты/news/перспективы-устранения-нетарифных-барьеров-в-еаэс>

⁹⁴ Technological Regulations that Have Entered into Fore // Eurasian Economic Commission.

URL: <http://www.eurasiancommission.org/ru/act/txreg/deptexreg/tr/Pages/TRVsily.aspx>

⁹⁵ Sergey Lavrov: Around 50 Countries Want to Cooperate with the EAEU // Soyuznoe Veche. January 25, 2017.

URL: <https://www.souzveche.ru/articles/politics/35309/>

In April 2017, the Supreme Eurasian Economic Council welcomed the intention of the Republic of Moldova to apply for observer status in the EAEU at the presidential level.

The Free Trade Agreement between the Eurasian Economic Union and Vietnam (the Agreement) entered into force on October 5, 2016. The Agreement primarily provides for the abolition of trade duties, including duties on several types of agricultural products, raw materials and foodstuffs (Table 2).⁹⁶

Table 2. Change in Customs Duties on EAEU Agricultural Products Imposed by Vietnam

Period in which customs duties for agri-food products dropped	Name
No transitional period	Wheat and meslin, flax and rapeseed, onion, milk and dairy products, beef cattle (fresh, chilled)
3 years	Processed meat products, processed fish products, canned goods, caviar
5 years	Poultry meat, canned fruit and nuts (partially), frozen fish (not including fish fillet), chocolate (partially), sugar confectionary (partially)
10 years	Molasses, canned fruit and nuts (partially), chocolate and other ready-made foods (partially), sugar confectionary (partially)

Source: Compiled using EEC data.⁹⁷

What is more, in accordance with the Agreement, the EAEU member states receive quotas for the supply of poultry eggs: 96,000 eggs until 2018 with a five-per-cent increase in this number per year, after which duties will be rest to zero.⁹⁸ Meat and dairy exports from the EAEU to Vietnam are expected to grow, as are exports of wheat and flour. In turn, Vietnam will increase its exports of fish, rice, fruit, vegetables and nuts. The cost of exporting food from the EAEU to Vietnam is already demonstrating positive dynamics, with foreign exchange earnings growing 3.5 times from 2015 to 2016, exceeding \$74 million.

The EAEU is holding active negotiations with India, Iran, Egypt and Israel on the conclusion of free trade agreements. Moreover, China is also inter-

⁹⁶ Free Trade Agreement between the Eurasian Economic Union and its Member States on the One Hand and the Socialist Republic of Vietnam on the Other // Eurasian Economic Commission. May 29, 2015. URL: http://www.eurasiancommission.org/ru/act/trade/dotp/sogl_torg/Documents/EAEU-VN%20FTA_rus.pdf

⁹⁷ List of Individual Goods Subject to Customs Duties in Accordance with the Free Trade Agreement between the Eurasian Economic Union and its Member States on the One Hand and the Socialist Republic of Vietnam on the Other, dated May 29, 2015. URL: http://www.eurasiancommission.org/ru/act/trade/dotp/sogl_torg/Documents/Приложение%20к%20Решению%20№%2036%20на%2004-03-2017%20%201.pdf

⁹⁸ Analysis of Barriers Blocking Access to Agricultural Products in Southeast Asian Markets // Eurasian Economic Commission. URL: http://www.eurasiancommission.org/ru/act/prom_i_agroprom/dep_agroprom/monitoring/Documents/Барьеры%20в%20Юго-Восточной%20Азии.pdf

ested in establishing trade and economic cooperation with the EAEU. The EAEU member states are attracted to the markets of these countries as they can help increase supplies of various agri-food products, as list of which is given in Table 3.

Table 3. Agri-Food Products in the EAEU that Have Export Potential for the Markets of Third Countries

Country	Name of Agri-Food Products
India	Vegetables, oilseed
Iran	Cereals, vegetables, oilseed, food residue and waste, animal feed, tobacco, meat and dairy products
Egypt	Cereals, animal and vegetable fats, vegetables
Israel	Cereals, animal and vegetable fats, processed vegetable products, fruit, nuts, alcoholic and non-alcoholic beverages, ready-made meat and fish products
China	Meat and dairy products, fish, flour and cereal products, oilseed, animal and vegetable fats, confectionary, alcoholic and non-alcoholic beverages, food residue and waste

Source: Compiled using data from <http://www.trademap.org>

Despite efforts made to implement a coordinated policy in the development of agriculture and the regulation of a common agro-market, the EAEU member states face a number of issues that require additional measures if they are to be resolved.

Each of the EAEU member states implements its own economic mechanism for the functioning of the agricultural market, which includes such key elements as: lending, subsidies, price controls, insurance, taxation, etc. At present, the functioning of these subsystems in the EAEU member states differs. At the same time, the EAEU member states are not always ready for equal competition, which leads to the construction of protective administrative barriers, exemptions and restrictions in mutual trade. The issue of the different levels of state support for agriculture in EAEU member states continues to be a bone of contention.

Each of the EAEU member states implements its own economic mechanism for the functioning of the agricultural market, which includes such key elements as: lending, subsidies, price controls, insurance, taxation, etc. At present, the functioning of these subsystems in the EAEU member states differs. National instruments of state regulation affect the dynamics of production, pricing, investment and, consequently, the conditions of competition on the common agricultural EAEU market. At the same time, the EAEU member states are not always ready for equal competition, which leads to the construction of protective administrative barriers, exemptions and restrictions in mutual trade. The issue of the different

levels of state support for agriculture in EAEU member states continues to be a bone of contention.

The inconsistency of the actions of EAEU member states towards third countries has a negative impact on the achievement of deeper integration.

Production and technical cooperation in the agro-industrial complex among the EAEU member states has not been sufficiently developed. Around 3500 Russia–Belarus and 5000 Russia–Kazakhstan joint ventures have been set up in recent years, although very few of them are involved in the agricultural sector.

At the same time, the unfavourable global situation has had a positive effect in certain cases.

The inconsistency of the actions of EAEU member states towards third countries has a negative impact on the achievement of deeper integration. The most striking example of this were the counter-sanction measures taken by Russia in the agricultural sector against the European Union, the United States, Ukraine, Turkey and other countries. The result of this unilaterally imposed embargo was that banned agri-food products were reimported to Russia via EAEU member states.

At the same time, the unfavourable global situation has had a positive effect in certain cases. For example, the almost simultaneous devaluation of the national currencies of the EAEU member states in relation to the U.S. dollar (Fig. 3) led, on the one hand, to a fall in total trade value. On the other hand, it allowed the EAEU member states to increase their competitiveness on the global market in terms of the prices of most agri-food commodities, thus leading to higher export earnings.

The processes of harmonizing and unifying legislative norms in the regulation of this sphere needs to be stepped up.

In order to solve existing issues hindering the transition to a deeper level of agro-industrial integration in the EAEU member states, the processes of harmonizing and unifying legislative norms in the regulation of this sphere needs to be stepped up, bearing in mind the uniform requirements for insuring agricultural products, the lending and taxation practices in the industry, and the elimination of existing exemptions in the agricultural products, raw materials and foodstuff markets.

Moving forward, it would be wise to expand the powers of the Eurasian Economic Commission in order to improve the effectiveness of national regulation, particularly in agriculture.

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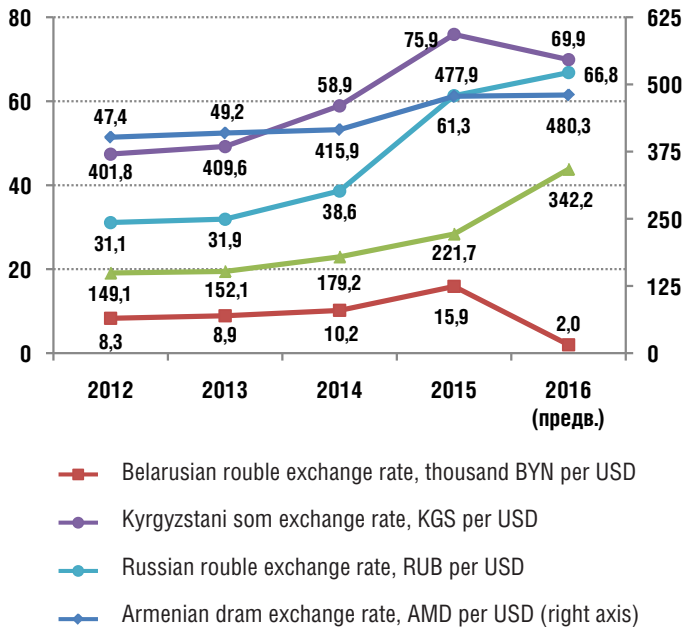


Figure 3. Changes in the Exchange Rates of the National Currencies of the EAEU Member States against the U.S. Dollar in 2012–2016*

*The 2016 figure for Belarus is calculated at 1 Belarusian rouble to 1 U.S. dollar, following the redenomination of the national currency

Source: Calculated according to the average exchange rates of the national (central) banks of the EAEU member states

regulation, particularly in agriculture. At present, the basic documents – the EAEU Treaty and the Concept – are conceptual in nature, and 10 of the 17 measures envisaged by the Action Plan on the implementation of the Concept are little more than recommendations put forward by the EEC Collegium; the EAEU member states are under no obligation to implement them.

When assessing the medium-term prospects for the development of integration among the EAEU member states in agriculture it is important to note that all the EAEU countries already have strategic legal and regulatory documents on the agro-industrial complex (Table 4).

The development of biotechnologies, organic produce and agricultural products with high added value could become promising areas of cooperation among the EAEU member states in the near future, as could joint research on adapting to global climate change and the use of genetically modified organisms.

In this connection, it is necessary to systemize and harmonize existing areas, instruments and mechanisms for the development of the agricul-

Table 4. Strategic Legal and Regulatory Acts on the Agro-Industrial Complex Adopted by the EAEU Member States

EAEU Member State	Name of the Regulatory Document
Armenia	Strategy of Sustainable Agricultural Development of the Republic of Armenia for the Period 2010–2020
Belarus	State Programme for the Development of the Agrarian Business in the Republic of Belarus for the Period 2016–2020
Kazakhstan	The State Programme “Agricultural Development Programme for 2013–2020”
Kyrgyz Republic	Programme and Plan on the Transition of the Kyrgyz Republic to Sustainable Development for the Period 2013–2017
Russia	State Programme on Agricultural Development and Regulation of Agricultural Products, Commodities and Food Markets, 2013–2020

Source: Compiled on the basis of EEC data: http://www.eurasiancommission.org/ru/act/prom_i_agro-prom/dep_agroprom/Pages/National-production-plans.aspx

tural sector in the EAEU member states with the aim of forming a unified development strategy for the agri-food market in the member countries. EAEU sectoral programmes for the agro-industrial industry also need to be developed.

Import substitution and actualizing the export potential of the EAEU member states will continue to be important issues, as will the matter of avoiding competition on the agri-food market.

Along with this, the development of biotechnologies, organic produce and agricultural products with high added value could become promising areas of cooperation among the EAEU member states in the near future, as could joint research on adapting to global climate change and the use of genetically modified organisms.

Development of the EAEU Single Market for Goods: Prospects and Stumbling Blocks

Vladimir
Morozov

The formation of a single market for goods, services, labour and capital is a key condition for the deep economic integration of countries in the modern world. In turn, the freedom of movement and a common commodities market for member states if such associations is the basis for the formation of a single market, as well as for increasing the competitiveness of national economies. The present paper investigates the current state of the single EAEU market for goods and the factors affecting its development, with due account of the plans of the five member states with regard to deepening integration within the Union.

The Eurasian Customs Union provides freedom of movement and a single market for goods for its member states. It envisages the removal of internal customs barriers between the member states, the introduction of customs control on the EAEU's external borders, the elimination of tariff and non-tariff barriers and other obstacles to the movement of goods between participating countries and unified rules for trading with third countries. The principles, procedures and mechanisms of the functioning of the Customs Union are set forth in the Treaty on the Eurasian Economic Union, as well as in the Customs Code and other acts that make up the legal framework of the EAEU.

In accordance with Part Two of the Treaty on the Eurasian Economic Union, within the Customs Union of the Member States: 1) an internal market for goods shall be in place; 2) the Common Customs Tariff of the Eurasian Economic Union and other common measures regulating foreign trade with third parties shall be applied; 3) a common trade regime shall be applied to relations with third parties; 4) common customs regulations shall be applied; 5) free movement of goods between the territories of the Member States shall be ensured without the use of customs declarations and state control (transport, sanitary, veterinary-sanitary, phytosanitary quarantine), except as provided for by the Treaty.⁹⁹ The internal EAEU market is understood as a common economic space that provides for the free movement of goods, labour, services and capital. Thus, it does not, with regard to the mutual trade of goods, provide for the application of customs and other duties, taxes and charges, or the implementation of non-tariff regulation and special protective anti-dumping and compensatory measures, with the exception of certain cases where such measures are used with if required for:

1. protection of human life and health;
2. protection of public morals and public order;

⁹⁹ Treaty on the Eurasian Economic Union dated May 29, 2014, p. 25.
URL: http://www.consultant.ru/document/cons_doc_LAW_163855

3. environmental protection;
4. protection of animals, plants, or cultural values;
5. fulfilment of international obligations;
6. national defence and security of a Member State.¹⁰⁰

At present, the single market for goods is the most developed and successful measure of integration within the EAEU, the regulation of which is generally carried out at the supranational level.

At present, the single market for goods is the most developed and successful sphere of integration within the EAEU, the regulation of which is generally carried out at the supranational level. It is at the supranational level that issues of customs and tariff regulation arise, including:

- 1) maintaining the Single Commodity Nomenclature of Foreign Economic Activity of the Eurasian Economic Union and the Common Customs Tariff of the Eurasian Economic Union
- 2) determining the rates of import customs duties;
- 3) determining the cases and conditions for granting tariff exemptions;
- 4) setting out the application procedure for tariff exemptions;
- 5) specifying the conditions and application procedure for the common system of tariff preferences of the Union
- 6) setting tariff quotas, distributing tariff quota volumes between the Member States, and specifying the method and procedure for the distribution of tariff quota volumes among the participants of foreign trade activities.¹⁰¹

Success factors in terms of integration in this area include the existence of a well-developed regulatory and practical framework that has been in place since the times of the EurAsEC Customs Union, as well as paying attention to the experience of similar integration associations abroad (primarily the European Union and the creation of the EU common market). Also important is the fact that the issue of regulating the movement of goods within a given integration association is the first step towards integration in other areas.

In addition to the existing Common Customs Tariff and the Single Commodity Nomenclature of Foreign Economic Activity, the Customs Code of the EAEU was set to enter into force in July 2017, replacing the Customs Code of the Customs Union. Among the main changes to be introduced in the Customs Code of the EAEU are:

¹⁰⁰ Ibid., p. 29.

¹⁰¹ Treaty on the Eurasian Economic Union dated May 29, 2014, p. 45.
URL: http://www.consultant.ru/document/cons_doc_LAW_163855

1. including 16 of the 21 international agreements signed by EAEU member states in the Customs Code of the EAEU;
2. taking due account of international conventions and the obligations of EAEU member states within the framework of the World Trade Organization (WTO);
3. taking due account of the level of IT development (priority of electronic declaration and the use of written declarations in certain cases);
4. the possibility of submitting customs declarations without supporting documents (under the Customs Code of the Customs Union, customs declarations can only be submitted with commercial and transport documents);
5. automatic fulfilment of customs operations by the information system, etc.¹⁰²

The Customs Code of the EAEU, along with the Single Commodity Nomenclature of Foreign Economic Activity and the Common Customs Tariff, in addition to the predominantly supranational regulation, should ensure the functioning of the common goods market in the short term.

Thus, the Customs Code of the EAEU, along with the Single Commodity Nomenclature of Foreign Economic Activity and the Common Customs Tariff, in addition to the predominantly supranational regulation, should ensure the functioning of the common goods market in the short term.

The existing EAEU barriers, exemptions and restrictions negatively affect development of a common EAEU commodities market.

At the same time, in addition to the factors that aid the development of a single market for goods in the EAEU, we should highlight a number of instances that currently impede the development of free movement. We are talking, first and foremost, about the negative influence that existing EAEU barriers, exemptions and restrictions have on the development of a common EAEU commodities market.¹⁰³ Barriers are understood as impediments to the free movement of goods, services, capital and labour within the framework of a functioning internal market that do not comply with EAEU laws. In particular, a number of existing non-tariff measures – specifically sanitary barriers, quotas, import and export bans, quality control methods, price controls and measures that influence competition – can all be considered barriers.¹⁰⁴ According to experts at the Eurasian Deve-

¹⁰² Customs Code of the Eurasian Economic Union. Annex No. 1 to the Agreement of the Customs Code of the Eurasian Economic Union. URL: http://www.consultant.ru/document/cons_doc_LAW_215315

¹⁰³ Report "Barriers, Exemptions and Restrictions of the Eurasian Economic Commission, 2016. URL: http://www.eurasiancommission.org/ru/act/dmi/internal_market/Documents/Доклад%20барьеры,%20изъятия%20и%20ограничения%20Евразийского%20экономического%20союза.pdf

¹⁰⁴ Eurasian Development Bank, 2015. URL: http://www.eabr.org/general/upload/CII%20-%20izdania/2015/%D0%9D%D0%A2%D0%91-30/doklad_30_ntb_2_preview.pdf

development Bank, overcoming non-tariff barriers within the EAEU will require more serious efforts than those spent on the negotiations on the Common Customs Tariff and issues relating to customs and tariff regulation because of the need to harmonize the much wider range of factors that determine the application of non-tariff measures.¹⁰⁵

On the other hand, EAEU exemptions are derogations from the application by a member state of the general rules that govern the functioning of the Union's internal market and are incorporated into EAEU law. Restrictions are obstacles that are caused by the absence of the legal regulation of economic relations, the development of which is provided for in EAEU law. In other words, exemptions and restrictions are the natural limits of integration.

Thus, if eliminating restrictions does not require a significant portion of the documents that constitute EAEU law to be revised or agreed upon anew, then exemptions, if they are not associated with the transitional period of integration for the two "new" countries in the common economic space (Armenia and the Kyrgyz Republic), require serious work if they are to be eliminated.

The second group of economic factors hampering the development of the EAEU common goods market concerns the structural and macroeconomic imbalances within the Union itself.

The second group of economic factors hampering the development of the EAEU common goods market concerns the structural and macroeconomic imbalances within the Union itself. The following factors play a key role here: the insufficient diversification of the economies of the EAEU states; the significant share of minerals and other raw materials in mutual trade; the resulting dependence on the global economic situation; and the high exchange rate volatility of the national currencies. Despite the fact that the share of mineral raw materials in mutual trade among EAEU member states dropped significantly in monetary terms (from 74 per cent in 2014 to 40 per cent in 2015 and 27.1 per cent in 2016),¹⁰⁶ this was due in large part to the fact that global energy prices fell during that period, and to a much lesser extent to the growth in the share of non-resource goods in the overall mutual trade.

According to Eurasian Economic Union estimates, the additional long-term effect of integration for the manufacturing industry up to 2030 will be just 0.3 per cent on average.¹⁰⁷ This makes the issue of diversifying

¹⁰⁵ Interview with the Director of the Centre for Integration Studies at the Eurasian Development Bank, Evgeny Vinokurov, October 20, 2016.

¹⁰⁶ Report "On the State of Mutual Trade among Eurasian Economic Union Member States in 2015–2016." Eurasian Economic Commission, 2017. URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/analytics/Documents/report/Report_2015-2016.pdf

¹⁰⁷ Long-Term Forecast of Economic Development of the Eurasian Economic Union until 2030 / Eurasian Economic Commission, 2015, p. 68. URL: [http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_makroec_pol/economyPrognoz/Documents/Долгосрочный%20прогноз%20\(краткая%20версия\).pdf](http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_makroec_pol/economyPrognoz/Documents/Долгосрочный%20прогноз%20(краткая%20версия).pdf)

the economies of the EAEU member states (primarily those of Russia and Kazakhstan, as raw materials take up a larger share of these countries' exports) one of the main constraints to the development of a common market for goods in the EAEU. However, such diversification should to a great degree be carried out by expanding production cooperation and forming a uniform value added chains throughout the EAEU. If the Union relies solely on national strategies, there is a threat that individual countries could impose restrictions on the import of goods – not only from third countries, but also from other EAEU member countries. And this could lead to competition with domestic producers, which is exactly what is happening right now.¹⁰⁸

Diversification should to a great degree be carried out by expanding production cooperation and forming a uniform value added chains throughout the EAEU. If the Union relies solely on national strategies, there is a threat that individual countries could impose restrictions on the import of goods – not only from third countries, but also from other EAEU member countries.

Another obstacle to the development of a single market for goods in the EAEU is the preservation and possible strengthening of the imbalance between the scales and structures of the economies of the EAEU member states. Russia is the biggest supplier of goods to the common EAEU market, providing 62.4 per cent of the Union's exports. It is also the second largest consumer of goods within the EAEU (accounting for 34.1 per cent of imports). This speaks to the high degree to which the internal EAEU market depends on the dynamics of the Russian market's development, leading to a situation whereby negative economic trends in one member state may be transferred to another.

Another obstacle to the development of a single market for goods in the EAEU is the preservation and possible strengthening of the imbalance between the scales and structures of the economies of the EAEU member states.

Finally, it should be noted that political factors influence the dynamics of the development of a common goods market in the EAEU in the medium and long term. One external factor that has impacted the EAEU is the aggravation of relations between Russia and the West brought about by the Ukrainian crisis. Russia has imposed a food embargo in response to the sanctions imposed by the European Union, the United States and various other countries. As the other EAEU member states did not support the ban on these goods from entering their territories, a situation arose whereby foodstuffs that have been banned in Russia are delivered to other EAEU countries (usually Belarus) and then re-exported to the Russian Federation as Belarusian products.

¹⁰⁸ Eurasian Development Bank Report "Assessment of Non-Tariff Barriers in the EAEU: Results of a Survey Conducted at Enterprises." URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_makroec_pol/developDocs/Documents/EAEU_survey.pdf

It should be noted that political factors influence the dynamics of the development of a common goods market in the EAEU in the medium and long term.

This practice has created serious tensions among the partners in the EAEU, and if the situation escalates any further, there is a danger that the member states could become disillusioned with the common EAEU market, which is being used against their foreign policy interests in this instance. A possible solution to this problem is the further improvement and harmonization of the rules for determining the origin of goods and the development of an independent supranational monitoring system, as well as the certification of goods and the resolution of trade disputes (through the Court of the Eurasian Economic Union).

In the period up until 2025, the successful development of EAEU integration in terms of a single commodities market will depend on a number of conditions. Eliminating existing exemptions and non-tariff barriers, increasing the effectiveness of the Court of the Eurasian Economic Union, and harmonizing industrial and macroeconomic policies could clear the way for the formation of a real single EAEU market. At the same time, should continued interaction fail – a loss of interest among the member states and their respective political elites in the further development of Eurasian economic integration, or the lack of desire to make mutual concessions and reasonable compromises – the future of the common EAEU market and the project to integrate the Eurasian space at a deep level appears ambiguous.

Freedom of Movement of Labour Resources in the EAEU up to 2025

Alexei
Starostin

The Treaty on the Eurasian Economic Union (EAEU) came into force on January 1, 2015. As the EAEU is about the free movement of goods, services, capital and labour, and also about a coordinated or uniform policy as applied to the different sectors of the economy, the member states have amended their migration and labour legislation sufficiently to meet these criteria. In the two years that have passed since the Treaty came into effect, serious migration-related changes have taken place need to be analysed in order to make any kind of forecast for the future.

Legal Groundwork for the Movement of Migrants within EAEU

The EAEU Treaty and the associated documents contain a number of provisions aimed at ensuring the freedom of movement of EAEU workers and their families within the EAEU member states. These provisions can be summarized as follows:

1. EAEU nationals wishing to work in another EAEU member state, along with their families, may initially stay in that state for up to 30 days without registration. After that, they need to be registered at their place of abode for the period stated in their employment contract.
2. When crossing the border of an EAEU member on a foreign travel passport, citizens of other EAEU members state do not need to fill out a migration card, provided that their stay in the country of entry does not exceed 30 days. A border crossing stamp is entered into the foreign travel passport.
3. EAEU nationals do not need to apply for a work permit in another EAEU member state. They may work on the strength of an employment contract or a civil law contract.
4. All EAEU member states mutually recognize academic degrees and qualifications. Nostrification of academic degrees is not required. This provision is contained in Paragraph 3, Article 97 of the EAEU Treaty dated May 29, 2014. However, the same paragraph specifies that EAEU citizens wishing to be employed in another EAEU member state in the teaching, legal, medical or pharmaceutical professions need to undergo nostrification procedures under the laws of the employment country and prove that they may be employed in the aforementioned roles under that country's laws. Furthermore, the earnings they accrue in the country of employment shall be taxed on an equal basis as those of the nationals of that country.
5. For social security purposes, labour relations take the employee's prior work record (including their pension insurance record) into account.

6. The children of EAEU citizens have the right to attend preschool institutions under the host country's laws;
7. EAEU citizens and their families residing in another member state have the right to urgent medical care free of charge under the same procedures and on the same conditions as the citizens of the host country, irrespective of whether they have medical insurance.¹⁰⁹

Migration Policy Regulation Authorities

The Eurasian Economic Commission (EEC) is a permanent supranational regulatory authority set up for the purpose of ensuring the efficient operation and continued development of the EAEU. It includes the EEC Council and the EEC Collegium, whose operations are guided by the corresponding regulation. Labour migration is the remit of the EEC Department of Labour Migration and Social Protection, which is overseen by EEC Minister in Charge of Economy and Financial Policy Timur Zhaksylykov. The department supervises the labour resources and migration divisions. Labour migration is also supervised by the Migration Advisory Committee under the EEC Collegium, and by the Advisory Committee on Social Security, Medical Provision, and Professional Activity under the EEC Collegium. Both committees are also chaired by EEC Minister in Charge of Economy and Financial Policy Zhaksylykov.

The aforementioned bodies supervise the implementation of EAEU legislation on labour migration, counteracting illegal immigration, and controlling the development and introduction of planned bilateral agreements in this field. They also carry out information and educational campaigns to inform foreign workers about their rights and obligations.¹¹⁰

Analysis of the Current Migration Situation in the EAEU

The EAEU was set up and became operational in its current format in 2015, which was a difficult year marked by financial crisis and economic recession in the former Soviet space caused by the decline in hydrocarbon prices and the sanctions introduced against Russia by a number of Western countries. While many sectors of the economy went into recession, labour migration demonstrated steady growth. It was thanks to this growth that the majority of EAEU member states managed to mitigate the serious consequences of economic decline, with migrant remittances partially offsetting the losses incurred by dwindling exports of commodities and raw materials. The 2016 statistics provided by the Central Bank of Russia, and the data available from international money transfer systems, indicate that money transfers from Russia to Uzbekistan and

¹⁰⁹ Ivanchak, A. I. Legal regulation of EAEU Migrant Workers // *Pravo i Upravlenie: XXI vek*. 2015, No 3. pp. 84–90; Davletgildeyev R. S. International Legal Cooperation among CIS Member States in Labour Migration at the Modern Stage // *Russian Juridical Journal*. 2013, No. 5; Aliyev S. B. Labour Migration and Social Security of Workers in the Eurasian Economic Union. Eurasian Economic Commission, 2016, pp. 9–19.

¹¹⁰ Aliyev S.B. Labour Migration and Social Security of Workers in the Eurasian Economic Union. Eurasian Economic Commission, 2016, pp. 9–19.

Tajikistan shrank, whereas those to the Kyrgyz Republic and Kazakhstan increased.¹¹¹ Kazakhstan led the growth with 43 per cent (up from the 2015 figure of \$318 million through money transfers), followed by the Kyrgyz Republic (up 37.8 per cent from \$1.083 billion), Tajikistan (up 33.7 per cent from \$1.278 billion) and Uzbekistan (up 13.5 per cent from \$2.37 billion). The volume of transfers to Turkmenistan halved from \$16 million in 2015 to \$8 million in 2016.¹¹²

While many sectors of the economy went into recession, labour migration demonstrated steady growth.

It should be noted that the greatest rate of growth in money transfers was demonstrated by Kazakhstan and not the Kyrgyz Republic, whose economy is heavily dependent on labour migration. Over 500,000 Kazakh citizens either run their own business, are employed or permanently reside in Russia, and they send part of what they earn back home. This, despite the fact that Kazakhstan itself attracts a certain share of labour migrants from neighbouring countries (around 300,000 in 2016).¹¹³

The greatest rate of growth in money transfers was demonstrated by Kazakhstan and not the Kyrgyz Republic, whose economy is heavily dependent on labour migration.

The statistics provided by the Federal Migration Service (FMS of Russia) and the Main Directorate for Migration of the Ministry of Internal Affairs of the Russian Federation also indicate a serious increase in the number of migrants from the Kyrgyz Republic and Armenia, whose citizens have rushed to use the privileges granted by the EAEU Treaty. At the same time, natives of other Central Asian countries have also increased their presence on the Russian labour market: this goes for citizens of Tajikistan, Uzbekistan and Turkmenistan (even though their numbers are not especially high). The number of labour migrants from Ukraine and Belarus has decreased considerably, while the number of labour migrants from Azerbaijan, Georgia, Moldova and Kazakhstan has largely remained at the same level.

Many migrants from Uzbekistan and Tajikistan (who are mostly employed in construction, transportation and services), who are forced to spend significant sums on their permits, would like to have access to the same privileges as labour migrants from the Kyrgyz Republic, and are waiting eagerly for their respective countries to join the EAEU.

¹¹¹ According to a report by the Central Bank of Russia, the volume of money transfers from Russia to Central Asian countries amounted to \$6.98 billion in 2016. This is \$1.915 (24.7 per cent) higher than the 2015 figure, when \$5.065 billion was transferred. Uzbekistan led the region with \$2.741 billion, at \$279 per transaction on average. The top five also included Tajikistan (\$1.929 billion, \$101 per transaction), Kyrgyzstan (\$1.743 billion, or \$221 per transaction), Kazakhstan (\$559 million, \$201 per transaction) and Turkmenistan (\$8 million, or \$385 per transaction).

¹¹² Money Transfers from Russia to Central Asia Grew to \$6.98 Billion in 2016 // Migrant.ferghana.ru. March 21, 2017.
URL: <http://www.migrant.ferghana.ru/newslaw/chronicle/в-2016-году-объём-денежных-переводов-из-ро.html>

¹¹³ Labour migration statistics for Kazakhstan in 2016 // Central Asian Portal, February 16, 2017.
URL: <http://www.ca-portal.ru/article:33206>

Table 1. Number of Citizens of the Former Soviet States Registered with the FMS of Russia in 2014 and 2016

EAEU Member States	2014	2016
Armenia	514,663	631,746
Belarus	498,878	345,801
Kazakhstan	575,400	545,676
Kyrgyz Republic	552,014	826,640
Other post-Soviet states (excluding the Baltic states)	2014	2016
Uzbekistan	2,335,960	3,354,389*
Tajikistan	1,105,500	1,892,404*
Turkmenistan	24,899	60,406
Moldova	586,122	585,937
Azerbaijan	610,327	594,902
Ukraine	2,651,109	1,933,825
Georgia	30,718	41,603

* This figure should be treated with caution: for example, the previous FMS report (for April 2016) reveals that there were 3,821,685 citizens of Central Asian countries residing in Russia as of early April 2016, including 1,755,781 Uzbek citizens. It appears unlikely that this figure shrank by one half during the six months that followed. The new report obviously does not imply that all the 3.3 million Uzbek citizens were staying in Russia at the same time; rather, it implies that they were registered with the FMS during that year. It should be noted that many of these would be registered more than once during their stay in the country. The same applies to Tajik citizens, for example.

The statistics provided by the Federal Migration Service of the Russian Government (FMS of Russia) and the Main Directorate for Migration of the Ministry of Internal Affairs of the Russian Federation also indicate a serious increase in the number of migrants from the Kyrgyz Republic and Armenia, whose citizens have rushed to use the privileges granted by the EAEU Treaty.

The aforementioned trends reflect the serious changes that have taken place in EAEU-wide labour migration in the past two years. This can be explained by the fact that Russia remains the primary centre of attraction for migrants in the post-Soviet territory. For this reason, the changes that have been taking place in Russia – partly as a result of the EAEU Treaty coming into force – are having a serious impact on the formation of migration flows in the post-Soviet territory.

The HR departments of companies that employ foreign labour have started switching their focus to migrants from EAEU member states.

First and foremost, the EAEU Treaty's coming into force, and the Kyrgyz Republic's accession to the Union on August 12, 2015, split Central Asian

citizens – who account for the largest share of migrant inflow into Russia – into two legal categories. Kazakh and Kyrgyz citizens now do not have to apply for permits (or patents) to work in Russia, whereas the migration rules for Uzbek and Tajik citizens have become stricter, and the price of accompanying permits has gone up. To be able to work in Russia, CIS citizens must now apply for a patent, the price of which varies depending on the region. Moreover, obtaining a patent involves registering with the tax service, purchasing an insurance policy, and sitting exams in the language, history and law of Russia.

In addition, in the run-up to the 2014 Winter Olympics in Sochi, Russia introduced so-called blacklists. Foreign citizens who fail to observe the maximum period of stay in Russia (90 days per six months), do not obtain a patent and have been found to have been employed illegally, now must leave the country and will be denied entry for three, five, or ten years, depending on the graveness of their offence. These new rules do not affect EAEU citizens, so it is only logical that the HR departments of companies that employ foreign labour have started switching their focus to migrants from EAEU member states, which give them much less headache.

The Migration Interests of EAEU Member States and the Influence of Migration on their Economies

As the third largest country in terms of migrants after the United States and Germany, **the Russian Federation** is interested in attracting qualified workforce. In the 2010s, the total number of foreign citizens staying in Russia was around 10 million people on average (from 9.7 million in 2011 to 11.9 million in 2015).¹¹⁴ In 2013, former Chairman of the Public Council under the FMS Vladimir Volokh, who holds a Ph.D. in Political Science, estimated that migrants generated around 7 per cent of the country's GDP.¹¹⁵ Head of the Center for Strategic Research Alexei Kudrin stated on April 11, 2017 that Russia's able-bodied population would shrink by 10 million in the next 15 years. Kudrin also warned that the number of pensioners would increase, and that the share of the working-age population would go down, so Russia would be unable to cope without using foreign labour.¹¹⁶ This means that there will be an ongoing need for foreign labour. However, following the terrorist attack in St. Petersburg in April 2017 and the uncovering of several terrorist cells made up of natives of Central Asian countries,¹¹⁷ the government has been seriously mulling the introduction of tougher migration laws. The main question is how these two trends, namely,

¹¹⁴ The Central Muslim Spiritual Directorate of Russia's Policy for Sociocultural Adaptation of Migrants // islam.ru, December 26, 2011. URL: http://www.old.islam.ru/content/analitics/politika_dum_rosii_po_sociokulturnoy_adaptacii_migrantov; Russia Has Third Largest Number of Migrants in the World. URL: <http://www.newsru.com/russia/19apr2016/migrants.html>

¹¹⁵ Migrant Labour Accounts for up to 8% of Russia's GDP // rusfact.ru, August 15, 2013. URL: <http://www.mail.rusfact.ru/node/11271>

¹¹⁶ Russia May Not be Able to Sustain All its Pensioners. "Migrants are the Only Hope" // ura.ru, April 11, 2017. URL: <https://www.ura.news/news/1052284936>

¹¹⁷ FSS Director Bortnikov Makes Announcement on Terrorists in Yekaterinburg // Argumenty i Fakty, May 17, 2011. URL: http://www.ural.aif.ru/society/situation/direktor_fsb_bortnikov_sdelal_zayavlenie_o_terroristah_v_ekaterinburg

the economy's need for migrants and the security considerations, will co-exist, and how this will affect the EAEU integration project.

The main question is how these two trends, namely, the economy's need for migrants and the security considerations, will co-exist, and how this will affect the EAEU integration project.

Belarus has the highest level of integration with Russia among the former Soviet republics. This multi-tier integration begins with the Union State of Russia and Belarus, and continues in the framework of other military and economic integration projects between the two states. The economies and cultures of the two countries are intertwined, even though certain crisis situations do develop between them, including with regard to migration issues. The latest such incident was caused by the signing by President of Belarus Alexander Lukashenko, of Decree No. 8 “On the Introduction Visa-Free Travel for Foreign Citizens” on January 9, 2017, which introduced visa-free entry into Belarus via Minsk National Airport for citizens of 80 countries, for a maximum of five days.¹¹⁸ One month later, on February 7, 2017, the Federal Security Service of the Russian Federation established a border zone in Pskov, Smolensk and Bryansk regions on the border with Belarus in order to prevent third-country nationals from entering Russia. This move met with mixed reactions in Belarus.¹¹⁹

The development of the Belarusian economy suggests that it will hardly become an active host country for foreign labour any time soon.

The location of Belarus in the geographic centre of Europe makes it a convenient transit corridor between the EAEU and the European Union. This explains the large number of foreigners crossing the country's border. In the first six months of 2016, 4.7 million people entered and 4.7 million exited Belarus (compared to 2.093 and 2.026 million, respectively, for the first half of 2015). The fact that the number of foreigners crossing the Belarusian border has grown 1.5 times is believed to be due to the fact that Ukrainian labour migrants prefer to enter Russia via Belarus these days, now that direct flights between the two countries have been suspended. In fact, there are not that many foreigners permanently residing in Belarus, with the figure for the first half of 2016 being just 54,000. The number of labour migrants holding work permits was even lower, at 11,541, and these are mainly citizens of China, Ukraine and Uzbekistan.¹²⁰

¹¹⁸ Why Lukashenko “Opened Up” Belarus // *Parlamentskaya Gazeta*, January 10, 2017.
URL: <https://www.pnp.ru/politics/2017/01/10/dlya-chego-lukashenko-otkryl-belorussiyu.html>

¹¹⁹ What does Steeping up Control at the Russia–Belarus Border Mean? // 360.tv.ru, February 2, 2017.
URL: <http://www.360tv.ru/news/chto-oznachaet-usilenie-kontrolya-na-granice-rossii-i-belorussii-90986>

¹²⁰ The Migration Situation in the Republic of Belarus in 2016 // CIS Internet Portal.
URL: <http://www.e-cis.info/page.php?id=25701>

The number of Belarusian citizens working abroad – in Russia and the European Union – is much higher. Uladzimir Valetka, who is an expert with the social and economic research centre CASE Belarus, estimates that Belarusian migrants send around \$950 million home per year, or nearly 2 per cent of the country's GDP.¹²¹ Surveys indicate that one in four Belarusian households has a relative working abroad, amounting to between 600,000 and 1 million people. There are between 200,000 and 300,000 Belarusian nationals working in Russia alone. These are mainly qualified specialists, and this certainly depletes the intellectual potential of the donor country, but it also protects the country from social upheavals.¹²² The development of the Belarusian economy suggests that it will hardly become an active host country for foreign labour any time soon.

The Kyrgyz Republic is a classical donor country of labour resources. In 2016, money transfers from compatriots working abroad accounted for 30 per cent of the country's GDP.¹²³ When the country joined the EAEU, this prompted many of its citizens to leave. The number of Kyrgyz nationals entering Russia and Kazakhstan thus grew. In 2015, there was a total of 502,000 Kyrgyz citizens living in Russia, down 58,000 from early 2014. The economic crisis and the devaluation of the partner countries' currencies resulted in it being unprofitable for migrants to work there, so by the end of the year many of them had decided to return home. However, after the Kyrgyz Republic joined the EAEU, with all the benefits that came with this, the number of Kyrgyz migrants started to grow again. A total of 826,640 Kyrgyz migrants were living in Russia as of 2016. The only migrant group to demonstrate growth in terms of their overall numbers 2015 were those from the Kyrgyz Republic, whereas the number of citizens of other states was dwindling.

After the Kyrgyz Republic joined the EAEU, with all the benefits that came with this, the number of Kyrgyz migrants started to grow again. A total of 826,640 Kyrgyz migrants were living in Russia as of 2016.

According to official Kyrgyz statistics released at the roundtable discussion "The Kyrgyz Republic: Results of the First Year in the EAEU and Prospects for the Future" held in Bishkek on May 24, 2016, the number of Kyrgyz migrant workers within the EAEU had grown by 8 per cent in the nine months since the country's accession to the EAEU. At the same time, the number of labour migrants from Uzbekistan and Tajikistan decreased by

¹²¹ The Total Amount of Remittances by Belarusian Migrant Workers Grows Annually // Energocentre, November 9, 2013.
URL: <http://www.energocentre.by/economics/4574-summa-denezhnyh-perevodov-ot-belorusskih-gastarbayerov-narodinu-ezhegodno-uvlichivaetsya.html>

¹²² How Labour Migrants from Belarus are Saving the Country's Economy.
URL: <http://www.shumilina.by/rus/rus/новости/общество/133>

¹²³ Money Transfers into Kyrgyzstan Account for 30% of its GDP.
URL: <http://www.kyrtag.kg/economy/denezhnye-perevody-v-kyrgyzstan-sostavlyayut-30-vvp>

16–18 per cent over the same period.¹²⁴ According to the Deputy Consul at the Kyrgyz Embassy in Russia, Samat Toktobolotov, the certain migration decrease with regard to Tajik and Uzbek citizens was apparently to do with deportations and the introduction of stricter legalization procedures, including the issuance of patents and work permits and the need to pass a series of tests.

In addition, the number of Kyrgyz citizens in Russia and Kazakhstan has been growing due to the fact that the country's accession to the EAEU was accompanied by a downward revision of the list of individuals temporarily banned from entering Russia. As of early 2014, the blacklist included 194,000 Kyrgyz citizens. This number had decreased by 76,000 by the end of the year. Meanwhile, the blacklists for other former CIS countries grew.¹²⁵

However, a difficult consequence of labour migration for the Kyrgyz Republic – one that became apparent back in 2000–2010, when a simplified citizenship procedure was still in place between Russia and the Kyrgyz Republic – is that qualified specialists have been leaving the country. Medical personnel, qualified engineers and intellectuals have been moving to Russia or Kazakhstan, thus bleeding the country of its intellectual potential. There are shortages of medical professionals and teachers in rural areas. There is a growing clericalism in society, in which Islamist activity is threatening EAEU security. The outflow of Kyrgyz citizens from the country is expected to continue in the future.

A difficult consequence of labour migration for the Kyrgyz Republic is that qualified specialists have been leaving the country. Medical personnel, qualified engineers and intellectuals have been moving to Russia or Kazakhstan, thus bleeding the country of its intellectual potential.

Armenia is also an exporter of labour. Official statistics and the 2011 census indicate that there were 2,998,600 people permanently living in the country as of January 1, 2016, or 12,000 fewer than the number registered on January 1, 2015. The country's population had shrunk by 35,900 people in the previous five years, and by 634,700 people since the declaration of independence in 1991. Demographic analyst Ruben Yeganyan believes that the demographic situation in Armenia is drastic: "The birth rate is on the decline. It is not just about social conditions, but also about the fact that the reproductive population at present is represented by the depleted generation born in the 1990s, which was a difficult decade for Armenia."

¹²⁴ The Kyrgyz Republic Obtained Numerous Benefits in its first nine months in the EAEU. URL: http://www.vb.kg/doc/340374_politolog_za_9_mesiacev_v_eaes_kyrgyzstan_priobrel_mnojestvo_preimyshevstv.html; Migration in the EAEU: Has the Flow of Migrants from the Kyrgyz Republic Increased following its Accession? URL: <http://www.kg.akipress.org/news:1327830?from=portal&place=last>

¹²⁵ On the Status of Kyrgyz migrants in Russia and Kazakhstan following the Country's Accession to the EAEU // Islam i Obschestvo, June 2, 2016. URL: http://www.islamio.ru/news/policy/o_polozhenii_kyrgyzskikh_migrantov_v_kazakhstan_e_i_v_rossii_posle_vstupleniya_v_eaes

The demographic situation in Armenia is drastic.

Despite the fact that Armenian people continue to marry on the basis of family traditions, which remain strong, the average age at which they enter into wedlock has increased. This, therefore, reduces the reproductive period of couples. “Migration remains a big problem,” Yeganyan points out. “Based on a three-year research of the migration situation in Armenia, which has not been completed yet, there have been no positive migration trends. A total of 40,000 people leave the country annually, amounting to 1–1.5 per cent of the country’s overall population.”¹²⁶ An analysis of the results of sampling studies indicates that eight out of every ten people leaving the country seek employment abroad.¹²⁷ According to the Ministry of Internal Affairs of the Russian Federation, a total of 631,746 Armenian nationals were registered with the migration service in 2016 alone. This is over one quarter of the current population of Armenia.¹²⁸

Remittances from Armenian nationals living abroad account for 21 per cent of Armenia’s GDP.

Remittances from Armenian nationals living abroad are a serious support mechanism for the Armenian economy, accounting for 21 per cent of the country’s GDP.¹²⁹ An inflow of tourists has been another upside of the country’s accession to the EAEU. A total of 1.26 million tourists visited the country in 2016, with Russian citizens making up around 500,000 of this number.¹³⁰ However, researchers do not believe this influx of money is capable of overcoming the negative demographic trends: they fear that the long-term consequences of population depletion due to migration will be catastrophic.¹³¹

Kazakhstan has viewed the state regulation of migration processes as a primary aspect of its policy ever since the country gained independence. In 1997, the country adopted the Law on Migration and the Migration Policy of the Republic of Kazakhstan for 2001–2010. The documents are primarily aimed at strengthening the country’s security, ensuring sustainable socio-economic and demographic development, and creating an environment for the implementation of migrants’ rights. The Concept of the Migration Policy in the Republic of Kazakhstan for 2007–2015 aimed to improve existing regulations and introduce qualitatively new policies to manage migration

¹²⁶ Demographic Specialist: A Critical demographic situation is developing in Armenia // Novosti-Armenia, July 11, 2016.

URL: <http://www.newsarmenia.am/news/armenia/v-armenii-slozhilas-kriticheskaya-demograficheskaya-situatsiya-demograf>

¹²⁷ Migration Situation in the Republic of Armenia in 2016 // CIS Internet Portal. URL: <http://www.e-cis.info/page.php?id=25699>

¹²⁸ Migration Situation Statistics in Russia for the 12 Months of 2016 by Region // Ministry of Internal Affairs of the Russian Federation, January 30, 2017. URL: <https://www.xn--b1aew.xn--p1ai/Deljatelnost/statistics/migracionnaya/item/9359228>

¹²⁹ India Receives the Greatest Amounts of Money Transfers at \$70 billion // DemoscopeWeekly, May 4–17 2015.

URL: <http://www.demoscope.ru/weekly/2015/0641/barom03.php>

¹³⁰ Armenia Looking Forward to More Tourists from Russia // mediarepost.ru, March 5, 2017.

URL: <http://www.newsarmenia.am/news/armenia/v-armenii-slozhilas-kriticheskaya-demograficheskaya-situatsiya-demograf>

¹³¹ Yakubov, Y. Migration Catastrophe in Armenia as a Consequence of the Conflict // Kavkaz i Globalizatsiya, vol. 6, Issue 4, 2012, pp. 86–91.

processes, including through a selective policy of attracting migrants with high educational, innovative, financial and investment potential.

Regulating ethnic migration is central to Kazakhstan's migration policy.

Regulating ethnic migration is central to Kazakhstan's migration policy. In 1998, the government adopted a resolution On the Concept of the Repatriation of Ethnic Kazakh to their Historical Homeland, which was primarily aimed at the repatriation of ethnic Kazakhs (or the *Oralman*, as they are known), including their organized resettlement and the creation of conditions for them to live and work comfortably in Kazakhstan.¹³² In the 15 years starting in 1991, a total of 957,764 ethnic Kazakhs returned to Kazakhstan. The majority of these (61.5 per cent) relocated from Uzbekistan; 14.3 per cent came from China; 9.3 per cent from Mongolia; 6.8 per cent from Turkmenistan; 4.6 per cent from Russia; and 3.5 per cent from other countries. In other words, the major countries from which Kazakhs repatriated in 1991–2005 were Uzbekistan (285,409), Mongolia (71,507), Turkmenistan (41,787), China (22,117) and Russia (18,632).¹³³ Repatriates receive Kazakhstani citizenship, irrespective of how long they have lived in the country. Kazakhstan has an employment programme for returnees in place, which covers job postings, professional training and self-employment in small businesses. For quicker assimilation, special adaptation courses are organized where repatriates can learn Kazakh, Russian and the fundamentals of the country's legislation.

Kazakhstan also receives workers from neighbouring countries.

Kazakhstan also receives workers from neighbouring countries. According to the Ministry of Social Protection and Labour of the Population of the Republic of Kazakhstan, local employers in 2016 mostly hired labour from China (12,699 people), Turkey (3,502), Uzbekistan (1,564), the United Kingdom (1,474) and India (1,388). Another 210,000 foreigners obtained permits for work with Kazakh households in 2016.¹³⁴

On January 1, 2017, Kazakhstan introduced a simplified procedure for hiring foreign workers that involved shorter waiting times for work permits and the cancellation of administrative requirements for employers. In return, employers are now obliged to pay a tax levy of between 137 and 250 monthly calculation indices (one MCI is equal to 2,269 tenge,

¹³² The Return of the Oralman to Kazakhstan as the Restoration of Historical Justice // zakon.kz, September 12, 2016.
URL: <http://www.zakon.kz/64134-vozvrashhenie-oralmanov-v-kazakhstan.html>

¹³³ Kabul'dinov, Z. E. Migration of Ethnic Kazakhs to their Ancestral Lands // Materials for the International Roundtable Discussion "The Main Trends of Migration and Immigration in European and Central Asian Countries: Problems and Possible Solutions." Odessa, 2011. pp. 8–17.

¹³⁴ Labour Migration Statistics for Kazakhstan in 2016 // Central Asian Portal, February 16, 2016.
URL: <http://www.ca-portal.ru/article:33206>

or \$6.80), or 290,000 to 530,000 tenge, depending on the industry and category of foreign worker.¹³⁵

In terms of migration, it was mainly the Russian-speaking population that reaped the benefits of the free movement of labour, as they actively left for Russia as labour migrants and were later granted temporary residence permits, or left under the repatriation programme.

Given the outflow of Russian and Russian-speaking citizens from Kazakhstan in 1990–2010 (the share of Russians in the country has shrunk from 37 per cent at the time independence was declared to the current 23.7 per cent, and now stands at 3,644,529 people), the influx of ethnic Kazakhs and the increase in the nationalist sentiments, the current trend is towards a gradual transformation of the country into a mono-ethnic state.¹³⁶ In terms of migration, it was mainly the Russian-speaking population that reaped the benefits of the free movement of labour, as they actively left for Russia as labour migrants and were later granted temporary residence permits, or left under the repatriation programme. As of 2015, over 400,000 people had come to Russia under the resettlement programme – 34 per cent of which were Kazakh citizens.¹³⁷ Given the aforementioned trends (Kazakhstan's decision to switch from the Cyrillic alphabet to the Latin alphabet), it is fairly difficult to make any definite forecasts as to whether the country will continue to integrate within the EAEU after President Nursultan Nazarbayev leaves his post.¹³⁸

Prospects of Labour Market Integration and the EAEU Plans to Develop Freedom of Movement up to 2025.

Provided that the current number of EAEU member states does not change in the future, we may assume that migration flows, which are mainly oriented towards Russia as the main foreign labour market on the post-Soviet space, will continue to transform in the same direction. In other words, the share of migrants from EAEU member states working in Russia will gradually increase, and the share of migrants from the other post-Soviet states will decrease. This is a short-term trend, as the demographic capacities of the Kyrgyz Republic, Armenia and the Russian-speaking diaspora of

¹³⁵ Ibid.

¹³⁶ Russian Exodus. Will Kazakhstan become a Mono-Ethnic State? // stanradar.com, May 10, 2016. URL: <http://www.stanradar.com/news/full/20720-russkij-ishod-stanet-li-kazahstan-monoetnicheskim-gosudarstvom.html>

¹³⁷ FMS of Russia: Over 400,000 People Have Moved to Russia thanks to the Resettlement Programme // Russkiy Vek, November 26, 2015. URL: <http://www.ruvek.info/?action=view&id=10143&module=articles>

¹³⁸ Russian Exodus. Will Kazakhstan become a Mono-Ethnic State? // stanradar.com, May 10, 2016. URL: <http://www.stanradar.com/news/full/20720-russkij-ishod-stanet-li-kazahstan-monoetnicheskim-gosudarstvom.html>; The Oralman: Realities, Problems and Prospects // zona.kz, October 7, 2010. URL:

Kazakhstan are limited. For this reason, migrants from Tajikistan, Uzbekistan, Ukraine and Moldova will continue to comprise a significant share of the foreign labour market in Russia. In particular, the share of Ukrainian and Moldovan labour migrants will most likely shrink, owing to the re-orientation of migration flows from those countries to the European Union.

The share of migrants from EAEU member states working in Russia will gradually increase, and the share of migrants from the other post-Soviet states will decrease. This is a short-term trend, as the demographic capacities of the Kyrgyz Republic, Armenia and the Russian-speaking diaspora of Kazakhstan are limited.

The EAEU still has much to do in terms of further improving its migration legislation. For example, there are plans to extend the period of stay in the member states without registration to 90 days. A treaty is under development on the mandatory payment of pension instalments and the export of pensions, which will allow migrants to work without interruptions to their careers. At present, the EAEU member states have different pension systems and apply different approaches to the funding of their respective pension systems and the distribution of pension funds. The pension age also differs, as does the size of pensions and their sources. The problem of retaining pension rights when moving to a different country has not been solved yet. A treaty on pension security has been developed which should ensure equal pension rights across the EAEU and protect the pension rights of citizens. Cooperation in pension security is also being developed among the member states. At the same time, the pension systems of the member states should not be changed drastically, seeing as the draft treaty calls for labour migrants to participate in the pension system of the host country, and for their pension rights to be transferred when moving from one country to another.¹³⁹

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Work is ongoing on a number of interstate agreements between the EAEU member states that are aimed at implementing and unifying EAEU legislation regarding cross-border migration, including the introduction of simplified border crossing procedures. The possibility of waiving the requirement for EAEU citizens to fill in migration cards when crossing the border is being actively discussed. For example, there are plans to organize dedicated priority border crossing lanes for EAEU citizens at border crossing points and at airports. Work is also being carried out on expanding the list of travel identity documents that EAEU citizens could use to enter, exit, move around and

¹³⁹ Pension Security in the EAEU Member States // Eurasian Economic Commission. URL: http://www.eurasiancommission.org/ky/act/finpol/migration/social_security/Documents/%D0%BF%D0%B5%D0%BD%D1%81%D0%B8%D0%BE%D0%BD_%D0%BE%D0%B1%D0%B5%D1%81%D0%BF.pdf

transit through the EAEU member states. For example, until February 23, 2017, Russian citizens could only enter Armenia with foreign travel passports, whereas their internal documents were invalid for that purpose. The problem was solved thanks to the introduction of an interstate agreement.¹⁴⁰

A treaty on pension security has been developed which should ensure equal pension rights across the EAEU and protect the pension rights of citizens. Cooperation in pension security is also being developed among the member states.

The European Union has detailed migration laws, both with regard to the movement and employment of EU citizens within the union and with regard to third-country citizens entering the European Union for various purposes. The EAEU should definitely be moving in the same direction by unifying migration legislation with regard to third-country citizens. As things stand, the migration policies of the EAEU member states differ in this respect.¹⁴¹

It is also necessary to improve cooperation and increase coordination of the EAEU and the Collective Security Treaty Organization with regard to the fight against extremism and terrorism, which unfortunately accompany labour migration.

It is also necessary to improve cooperation and increase coordination of the EAEU and the Collective Security Treaty Organization with regard to the fight against extremism and terrorism, which unfortunately accompany labour migration.

¹⁴⁰ Armenia for Russians 2017, Latest News: Russian Citizens Can Now Enter Armenia with Their Internal Passports // ftimes.ru, February 24, 2017. URL: <http://www.ftimes.ru/trends/strany-trends/109771-armeniya-dlya-rossiyan-2017-poslednie-novosti-grazhdanam-rf-otkryt-vezd-po-vnutrennim-pasportam.html>

¹⁴¹ Khlgatyan, A. G. Migration and Integration Associations (the example of the EU and the EAEU) // Eurasian Legal Portal, December 21, 2015. URL: http://www.eurasialegal.info/index.php?option=com_content&view=article&id=4906:2015-12-21-06-23-02&catid=1:eurasianintegration&Itemid=2

Prospects for Education Integration in the EAEU up to 2025

Sergei
Yun

The Treaty on the Eurasian Economic Union signed on May 29, 2014 calls for the creation of common markets for goods, services, capital and labour, as well as for the implementation of a uniform policy in different sectors of the economy.¹⁴² For profound economic integration projects such as the EAEU, education is an encompassing topic that touches upon a variety of aspects of interaction. In a number of instances, common standards and mechanisms of cooperation on education are a basic conditions for the integrations, while in others they could be the drivers of the integration.

Setting up a common labour market requires the harmonization of educational and professional standards and the mutual recognition of academic credentials, degrees and titles.

In particular, setting up a common labour market requires the harmonization of educational and professional standards and the mutual recognition of academic credentials, degrees and titles. Effective planning and development of the common labour market as a factor of economic growth is impossible without scientific, technological and manufacturing foresight, which would inform a long-term vision for the common market's need of personnel and support mechanisms for the appropriate renewal of personnel in the economies.

A common market of education services needs to be set up with common standards and equal competition. This market should ultimately be aimed at increasing the quality of human potential and the competitiveness of the member states.

Taking into account that education is another service, a common market of education services needs to be set up with common standards and equal competition. This market should ultimately be aimed at increasing the quality of human potential and the competitiveness of the member states. One instance of this, and a requirement for higher education and professional training systems, is the training of personnel (customs specialists, experts on technical regulation and so on, as well as managers, advisers, analysts and experts) needed both for the operation of the economic union's institutions and for the government authorities in the member states, as well as for assisting business in the use of the development opportunities in the new legal and economic framework of integration. The experience of the European Union demonstrates how significant an agreed policy and investment from the common budget into the formation

¹⁴² See Article 1 of the EAEU Treaty dated May 29, 2014 // Consultant-Plus Reference Legal System. URL: <http://www.consultant.ru/cons/cgi/online.cgi?req=doc&base=LAW&n=203268&fld=134&dst=1000000001,0&rnd=0.8327479851817134#0>

of a common education space are when it comes to strengthening of the union's economic competitiveness.

The experience of the European Union demonstrates how significant an agreed policy and investment from the common budget into the formation of a common education space are when it comes to strengthening of the union's economic competitiveness.

However, owing to the differing approaches of the EAEU member states to interaction on education, this topic was not included in the EAEU Treaty, even though back on December 11, 2009, the member states of the EAEU's predecessor, the Eurasian Economic Community, signed an agreement on cooperation in the sphere of education under which the parties agreed to "take coordinated measures to consistently expand cooperation in the field of education in order to create a single EAEC education space."¹⁴³ Nor was education included in the list of service sectors to be covered by the EAEU single market. The only thing that the EAEU member states agreed on as applied to the common labour market was the mutual recognition of academic credits without the need for nostrification (with the exception of pedagogic, legal, medical and pharmaceutical degrees), and also on the right of the children migrant workers to receive an education in the host countries (Articles 97 and 98 of the EAEU Treaty). Under the Treaty, academic degrees and titles need to undergo the recognition procedure in accordance with the host country's laws. In practice, this means that the agreement on mutual recognition of certificates of academic degrees and titles only applies to the relations between Russia and Belarus.¹⁴⁴

The only thing that the EAEU member states agreed on as applied to the common labour market was the mutual recognition of academic credits without the need for nostrification.

The Kazakhstani authorities are the most restrained when it comes to educational integration. As is known, it was Kazakhstan that opposed including humanitarian integration in the EAEU Treaty. The position of Belarus has also grown more cautious in the past few years: the country did not support a number of proposals voiced by the Ministry of Education and Science of the Russian Federation aimed at increasing bilateral cooperation. The concerns of these two countries are caused by the significant flow of prospective students and academic staff to Russia. This is especially true for Kazakhstan: according to Rosstat, around 65,000 Kazakhstani citizens were studying at Russian higher education establishments of all types as of the beginning of the 2015/16 academic year, including

¹⁴³ Agreement on Cooperation in Education among the Member States of the Eurasian Economic Community // Consortium "Kodeks": Electronic Fund of Legal and Regulatory Documents. URL: <http://www.docs.cntd.ru/document/902312974>

¹⁴⁴ Agreement between the Government of the Russian Federation and the Government of the Republic of Belarus on the Mutual Recognition and Equivalency of Education Credentials, Academic Degrees and Titles dated February 27, 1996 // Federal State Budgetary Institution "Main State Centre for Education Evaluation." URL: http://www.nic.gov.ru/docs/foreign/confirmation/tdokb_3247_225515

30,000 students studying on an intramural basis,¹⁴⁵ while there were only 217,000 students enrolled at universities in Kazakhstan.¹⁴⁶

It would appear that the historical closeness of the education and science systems in the EAEU member states, and their direct or indirect participation in the Bologna Process,¹⁴⁷ would preclude the necessity for harmonizing their education systems. However, there exist significant differences between the national strategies of reforms. As for the EAEU's three leading economies, Russia has replaced the specialist's degree with bachelor and master's levels (or cycles, as they are known in the Bologna terminology), whereas Kazakhstan has three levels (including the Ph.D. level) and has abolished the degrees of candidate and doctor of sciences. Belarus is only planning to introduce the bachelor and master's levels *en masse*. There are also other differences in the countries' approaches. Russia, for example, treats Master of Business Administration programmes as additional postgraduate education, while Kazakhstan views them as professional postgraduate education programmes, with an MBA degree awarded at the end.

After the EAEU Treaty came into force, Russia initiated the creation of a cooperation mechanism for education outside the framework of the treaty.

After the EAEU Treaty came into force, Russia initiated the creation of a cooperation mechanism for education outside the framework of the treaty. With support from Russian universities and national Slavonic universities, the Ministry of Education and Science of the Russian Federation developed the concept of an EAEU Network University (later renamed the Eurasian Network University), the aims of which would be to form a system for training personnel in areas that are important for Eurasian integration and facilitate the development and implementation of advanced R&D programmes.¹⁴⁸ The Eurasian Network University was supposed to meet the EAEU's needs for specialist training and operate in close cooperation with EAEU institutions, as well as the business and academic communities.

However, as an intergovernmental cooperation project, this initiative was not supported by all the EAEU member states. As a result, the Eurasian Network University project as a framework initiative was only adopted at the university level. The members of the Eurasian Universities Association signed a memorandum of understanding to set up the Eurasian Network

¹⁴⁵ Calculations based on: Russia in Figures. 2016: Statistics in Brief / Rosstat. Moscow, 2016, pp. 150–151.

¹⁴⁶ Kazakhstan in 2015 // Ministry of National Economy of the Republic of Kazakhstan, Statistics Committee, p. 11.
URL: <http://www.stat.gov.kz/getImage?id=ESTAT193409>

¹⁴⁷ All the EAEU member states, with the exception of the Kyrgyz Republic, joined the Bologna Process at some point. While not a party to the process, the Kyrgyz authorities are conducting reforms in accordance with it. For example, in 2012, the Kyrgyz Republic introduced the two-tier bachelor/master education system.

¹⁴⁸ There are four such national educational establishments, one each in Armenia, Belarus, Kyrgyzstan and Tajikistan. The Ministry of Education and Science of the Russian Federation has no information as to which of these establishments took part in the development of the concept.

University in Moscow on April 12, 2016. The Ministry of Education and Science of the Russian Federation organized the first meeting of the ministers of education and sciences of the EAEU member states in Moscow on April 13, 2016. At the meeting, all the member states – with the exception of Kazakhstan – signed a memorandum on educational, scientific and technological cooperation in the Eurasian space.¹⁴⁹ The document calls for the forming of advisory boards on higher education and science. However, due to different circumstances, including the protracted reshuffles within the Russian Ministry of Education and Science, this process has not been completed yet.

Therefore, despite the obvious need for educational integration for the purpose of achieving the fundamental goals of EAEU economic integration, the absence of support from Kazakhstan means that this topic is within the remit of the EAEU only insofar as it relates to workers' rights within the common labour market. It would appear that the priority of the current Kazakhstani government's education policy remains integrating the country into the global English-speaking education space. This means that an EAEU-wide decision to introduce education as a subject of common policy or the common services market will hardly be made in the short- to medium-term.

Despite the obvious need for educational integration for the purpose of achieving the fundamental goals of EAEU economic integration, the absence of support from Kazakhstan means that this topic is within the remit of the EAEU only insofar as it relates to workers' rights within the common labour market.

Nevertheless, the need to set up an advisory board for higher education, even a rudimentary one, remains extremely relevant. Its operation as an intergovernmental institution that relies on the support of an expert group represented by members of the business community and university staff might play a key role in coordinating national education policies, harmonizing the legislative framework of cooperation on education, and devising measures of financial support for networking among the universities of the EAEU member states. It would be a mistake for the Russian authorities to fail to capitalize on the achievements of the previous administration of the Ministry of Education and Science.

The need to set up an advisory board for higher education remains extremely relevant.

Ensuring a long-term strategic vision of for the development of EAEU cooperation in education, including monitoring and foresight of the labour market, requires serious expert and analytical support. The Eurasian Economic Commission (EEC) cannot act as such a think tank owing to its

¹⁴⁹ Memorandum Signed on Educational, Scientific and Technological Cooperation in the Eurasian Space // Ministry of Education and Science of the Russian Federation, April 14, 2016. URL: <http://www.минобрнауки.рф/новости/8152>

legal restrictions. For this reason, the signatories to the memorandum of April 13, 2016 need to revisit the idea of setting up the Eurasian Network University, which would also test and replicate the best practices of scientific, technological and education cooperation among the EAEU member states. It would be logical for the EAEU Business Council, which includes a committee on science and education and also interacts with the EEC in the framework of a dedicated advisory board, to play an active part in this process.

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Giving the Eurasian Network University the status of an interstate educational institution is also important from the standpoint of supporting academic mobility, which would allow Russia to claim quotas for foreign students studying at its universities through the Federal Agency for the Commonwealth of Independent States, Compatriots Living Abroad and International Humanitarian Cooperation (Rossotrudnichestvo) (in the past few years, the declared number of quotas has stood at 15,000). There is no reason to expect the EAEU member states' education cooperation programmes to be funded from the EAEU budget.

It would be wise for Russia, as the driver of Eurasian integration, to consider the possibility of undertaking work on the issue. In particular, Russia could make a principled decision on redistributing, as part of the annual Rossotrudnichestvo quota, a certain number of budget-funded slots and channel them into education projects being carried out by the EAEU member states.

In this situation, it would be wise for Russia, as the driver of Eurasian integration, to consider the possibility of undertaking work on the issue. In particular, Russia could make a principled decision on redistributing, as part of the annual Rossotrudnichestvo quota, a certain number of budget-funded slots and channel them into education projects being carried out by the EAEU member states. As things stand, the opposite situation is true: in 2016, the Russian-Kyrgyz Consortium of Technical Universities, one of the few networking projects involving EAEU countries that is actually operational. It is also advisable to work on additional financial mechanisms, such as those supporting exchange programmes and continuing professional development courses for university tutors.

Theoretically, we could sit back and leave it for the market to react appropriately and regulate education processes and EAEU cooperation. This, however, will signify that the EAEU member states will always be several steps behind other leading countries and groups which are conducting an active and generously funded educational policy.

Theoretically, we could sit back and leave it for the market to react appropriately and regulate education processes and EAEU cooperation. This, however, will signify that the EAEU member states will always be several steps behind other leading countries and groups which are conducting an active and generously funded educational policy. Consolidating the restricted resources of the EAEU member states and developing institutional and financial integration mechanisms aimed at education that would ensure mutual benefit and thus mitigate the concerns of some of the EAEU member states, would be the optimal strategy amid the heated global competition.

The EAEU's International Ties up to 2025

Andrey
Devyatkov

Now that the EAEU has taken shape as an entity and its member states have reached a profound level of integration, the union faces the task of integrating into the global trade system. This system in question is currently experiencing fundamental upheavals, mostly because some countries and groups are striving, given the standstill in terms of the further liberalization of global trade within the WTO, to secure the most comfortable conditions on external markets, primarily by way of securing various agreements that would help dismantle tariff and non-tariff barriers for trade in commodities and services, help develop investment, scientific and technical cooperation and facilitate labour movement.

The EAEU Strategy and Formats of International Cooperation

The EAEU has three primary institutional formats for building relations with foreign partners:

The EAEU has the following primary institutional formats for building relations with foreign partners:

1. free trade area agreements;
2. non-preferential trade agreements;
3. memoranda on cooperation with third countries and international organizations.

1. Free trade area agreements. The EEC is guided by international practices and the expectations of foreign partners in its attempts to raise the issue of signing both classical free trade area agreements, which imply the dismantling of tariff barriers, as well as agreements that involve obligations related to trade in services, investment cooperation, state procurement, protection of intellectual property, etc.

2. Non-preferential trade agreements. These agreements do not involve any obligations to cancel import duties. As a rule, they concern cooperation on the dismantling of non-tariff barriers, customs regulation, and infrastructure projects.

3. Memoranda on cooperation with third countries and international organizations. These primarily imply sharing information. Foreign partners, for their part, wish to obtain information about the EAEU (its customs and tariff regulation, non-tariff barriers, etc.) because the union wields a market of over 180 million consumers.

The EAEU's international cooperation planning is performed as follows. The Supreme Eurasian Economic Council adopts annual documents entitled "On the Main Directions of the EAEU's International Activity,"¹⁵⁰ which describes the current interaction formats with a broad spectrum of states

¹⁵⁰ See, for example, Resolution No. 18 of the Supreme Eurasian Economic Council "On the Main Directions of the EAEU's International Activity for 2017." URL: <https://www.goo.gl/V2YkEA>

and trade blocs, and formulates the desired targets (free trade area agreements, trade and economic cooperation agreements, etc.). With the EAEU still in the relative nascence, the main idea is to build a system of partnerships, first and foremost on the basis of free trade area agreements, with those countries the Union has a healthy degree of political dialogue, and whose closer economic interaction with the Union would bring more benefits than potential risks.

The EAEU member states differ in their approaches to the formats – and the speed – in which the Union should be working on its international ties. There are also differences with regard to geographic priorities.

The EAEU member states differ in their approaches to the formats – and the speed – in which the Union should be working on its international ties. They strive to retain control over such domains as trade in services and investments, and this is hampering the conclusion of progressive free trade area agreements. Apart from creating organizational difficulties, this situation results in the member states being at different degrees of preparedness when it comes to undertaking agreed commitments on trade in services and investments. For example, Russia has so far been the only EAEU member state to undertake such commitments under the free trade area agreement with Vietnam (even though the document reads that the other member states may do the same in the future should they so desire).

There are also differences with regard to geographic priorities. In particular, Kazakhstan prioritizes partner ties with China and the European Union (its main trade partners, accounting for 50 per cent and 11 per cent of the country's total exports in 2016, respectively).¹⁵¹ Armenia favours cooperation with Iran, which is a promising partner for transportation and logistical services, and also the European Union. The Kyrgyz Republic has stated that any international contacts will only become interesting after the EAEU has created a functioning common market (the country is interested in this owing to the current sanitary and veterinary restrictions on the imports of its products to other EAEU states). Belarus, with its special economic structure, is potentially interested in exporting its engineering products, and is calling for various privileges for the particularly sensitive sectors of the domestic economy.

Free Trade Area Negotiations

Around 50 countries have expressed interest in signing free trade area agreements with the EAEU,¹⁵² including a number of nations that are normally considered to be developed markets. This necessitates prioritiza-

¹⁵¹ Analysis of the State of Kazakhstan's Foreign Trade. 2016.
URL: <http://www.export.gov.kz/storage/33/33c3540de58d42d4bb0f15317dc61057.pdf>

¹⁵² Sergey Lavrov: Around 50 Countries Want to Cooperate with the EAEU // Soyuznoe Veche. January 25, 2017.
URL: <https://www.souzveche.ru/articles/politics/35309/>

tion. An analysis by the national ministries and the EEC produced a short-list of priority countries.

Around 50 countries have expressed interest in signing free trade area agreements with the EAEU, including a number of nations that are normally considered to be developed markets.

The free trade area agreement signed between the EAEU and Vietnam in 2015 has already come into force, and similar talks are at different stages of completion with Singapore, Israel, Egypt, India, Iran and South Korea. Talks are also under way with Serbia (with which Russia, Belarus and Kazakhstan have bilateral free trade agreements) over unification of the trade regime.

The countries with which the EAEU is conducting or has already completed free trade area talks at the level of experts or official representatives can be divided into several groups. The first group comprises Vietnam, Egypt and Serbia – countries with which the EAEU (and Russia first of all) maintains solid political relations and mutually complementary trade that could be boosted without compromising the most sensitive economic sectors. Egypt, for example, is the largest importer of Russian grain and engineering products and a major exporter of fruit and vegetables to the EAEU markets.

The second group of countries, which includes India and Iran, also enjoys good political relations with the EAEU member states and is of great interest to Russian exporters, particularly with regard to hi-tech products. However, these countries are very protective of their markets, using all sorts of tariff and non-tariff barriers. This was one of the main reasons why the official talks on a temporary agreement with Iran, which would pave the way to the creation of a free trade area, have led to nothing so far, even though many observers expected a positive result following the meeting between the Russian and Iranian presidents in March 2017. India, for its part, is among the countries that apply the greatest number of restrictive measures to EAEU products (13 at present.)¹⁵³ In addition, there is a number of sensitive sectors in the EAEU's trade relations with Iran and India, India, for example, is the world's largest manufacturer of meat and dairy produce, and the EAEU member states are eager to protect their markets from such imports. Iran, for its part, has recently been protecting its domestic market from foreign grain, which is one of Russia's key exports.

The third group comprises Singapore, Israel and South Korea. These are the countries which the EAEU would be interested in cooperating with, not so much in terms of increasing commodity exports, but rather in terms of investment cooperation and trade in services. Talks with these countries

¹⁵³ Report on the Restrictive Measures Applied to the Commodities of EAEU Member States on the Markets of Third Countries in H2 2015. URL: <https://www.go.gov/OkNUXR>

are progressing slowly because the parties need to find the optimum balance. In the case of South Korea, the main idea is to lower duties within the free trade area agreement while not discouraging South Korean investors from opening assembly facilities in EAEU countries, primarily Russia and Kazakhstan.

The EAEU may also begin free trade negotiations with other dynamically developing countries in the near future, including Indonesia and Chile.

Potential Partnerships with the European Union and China

The EAEU is facing a serious challenge: it needs to devise approaches to its interactions with China and the European Union, the two major Eurasian players. In his 2012 article for the newspaper *Izvestia*, President of the Russian Federation Vladimir Putin viewed the EAEU as a bridge between Europe and the dynamic Asia-Pacific Region.¹⁵⁴ Nevertheless, the international situation has been developing in such a way that carrying out this priority task is now possible only in the long term.

The EAEU is facing a serious challenge: it needs to devise approaches to its interactions with China and the European Union, the two major Eurasian players.

The Ukrainian crisis, for example, has resulted in a political conflict with the European Union. Nevertheless, Russia, which is interested in cooperation with the EU on infrastructure, energy, investment, science, technology and visa liberalization, proposed a synergy between the European Union and the EAEU. Other EAEU countries have shown great support for the initiative, which called for a non-preferential agreement that would not bring trade liberalization beyond the level set by the WTO, while at the same time facilitating the development of cooperation in the aforementioned fields for the benefit of both the EAEU and the European Union. However, now that EU–Russia relations have soured, the European Union is dominated by forces that do not want to recognize the EAEU as a potential partner. Individual EU countries, such as Germany, view talks with the EAEU as a way to engage Russia, but this does nothing to change the overall situation.¹⁵⁵

In October 2015, the EEC addressed the European Commission with a proposal to establish official contacts and enter a dialogue on the creation of a common economic space.¹⁵⁶ The response came quickly, but it was addressed to Russia rather than to the EEC (and, by extension, to the EAEU).

In November 2015, President of the European Commission Jean-Claude Juncker sent the Russian leadership an official letter calling for the deve-

¹⁵⁴ Russia focusing: challenges we must respond to // *Izvestia*, January 16, 2012. URL: <http://www.iz.ru/news/511884>

¹⁵⁵ Exporte nach Russland brechen drastisch ein // *Welt*.
URL: <https://www.welt.de/wirtschaft/article136685503/Exporte-nach-Russland-brechen-drastisch-ein.html>

¹⁵⁶ Eurasian Union Invites EU to Open Dialogue on Formation of Common Economic Space // *TASS*, October 26, 2016.
URL: <http://www.tass.ru/ekonomika/2380019>

lopment of relations between the European Union and the EAEU. He noted that the European Commission was instructed to come up with proposals on potential aspects of cooperation, but stressed that a consensus decision was needed to be made by all the EU member states, and that it needed to be synchronized with the implementation of the Minsk agreements on Ukraine. Juncker's initiative was sharply criticized by Poland and the Baltic states. Russia, for its part, voiced its doubts as to the necessity of synchronizing the EU–EAEU dialogue with the Ukrainian settlement, pointing out that the implementation of the Minsk agreements largely depended on Kyiv.¹⁵⁷ Despite the fact that his original initiative fell through, Juncker took another symbolic step towards Moscow (which was also criticized by many within the European Union) when he attended the St. Petersburg International Economic Forum in June 2016. However, the talks did not progress beyond an exchange of opinions and general words of commitment to engaging in a dialogue.

Now that EU–Russia relations have soured, the European Union is dominated by forces that do not want to recognize the EAEU as a potential partner. Individual EU countries, such as Germany, view talks with the EAEU as a way to engage Russia, but this does nothing to change the overall situation.

As a result, the “alignment” of the European Union and the Eurasian Economic Union remains on paper only, despite the fact that the idea is very important in terms of the development of relations, not just between the unions, but also between Russia and a number of Eastern Partnership countries, such as Ukraine and Moldova. The European Union prefers to work individually with EAEU countries and sign bilateral agreements, the most successful of which have so far been with Armenia and Kazakhstan.

Eurasian Development Bank experts believe that by 2025, the European Union and the EAEU must – and this is entirely within the realm of possibility – not only reach a free trade area deal (which, taking into account the structure of the Russian and Kazakh economies, would not be particularly beneficial to either side), but also open the discussion of a complex agenda that would include such issues as lowering non-tariff barriers in trade, access to financial markets, regulation of intellectual property rights, visa liberalization, energy partnership, development of international transport corridors, etc.¹⁵⁸ However, this complex approach harbours multiple risks. First, creating free trade areas or visa-free spaces would require more than a resolution of the crisis in Ukraine: it would require a certain political rapprochement and the establishment of deep structural confidence between the European Union and Russia manifested

¹⁵⁷ EU Institutions Reach Out to Moscow // euobserver. URL: <https://www.euobserver.com/foreign/131193>

¹⁵⁸ European Union and Eurasian Economic Union: Long-Term Dialogue and Prospects of Agreement. Eurasian Development Bank Report No. 38, 2016.
URL: http://www.eurasian-movement.ru/wp-content/uploads/2015/11/EDB_Centre_2016_Report_38_EU-EAEU_RUS.pdf

in continuous gestures of political goodwill on both sides. The European Union's approach to Russia is based not so much on the idea of some sort of big deal as it is on the idea of gradually restoring trust with the help of pilot projects.

By 2025, the European Union and the EAEU must – and this is entirely within the realm of possibility – not only reach a free trade area deal (which, taking into account the structure of the Russian and Kazakh economies, would not be particularly beneficial to either side), but also open the discussion of a complex agenda that would include such issues as lowering non-tariff barriers in trade, access to financial markets, regulation of intellectual property rights, visa liberalization, energy partnership, development of international transport corridors, etc.

Second, in order to develop a partnership with the European Union, the EAEU needs to have both solid political grounds as well as an appealing economic basis. European business and policymakers will only start paying more attention to the EAEU if Russia and Kazakhstan manage to resume economic growth, achieve positive dynamics in terms of structural reforms, and boost the competitiveness and transparency of their economies. It is not so much about the eastern markets being attractive to the European Union as such as it is about a certain portion of the European elites trying to motivate Russia, politically, to cooperate with the West by offering a dialogue, including the one between the European Union and the EAEU.¹⁵⁹

In order to develop a partnership with the European Union, the EAEU needs to have both solid political grounds as well as an appealing economic basis.

If the Eurasian Economic Union and the European Union proceed from the European connectivity concept based on the Greater Europe idea, and use the current model of talks with China over the non-preferential agreement, they could, after settling the Ukrainian conflict in some way, discuss such issues as simplified customs and visa procedures, the dismantling of non-tariff barriers, the gradual opening of each other's financial markets, rapprochement on technical regulations and other standards, and the development of certain infrastructure projects, all based on individual sectoral agreements. By 2025, Russia and the European Union could develop and sign a renewed bilateral agreement that could, in the long run, be extrapolated to the entire EAEU.

Given the major deficit of EAEU countries in the trade balance with China, creating a free trade area with that country would present a major challenge to many national industrial and agricultural industries.

¹⁵⁹ Van der Togt T. How Should Europe Respond to Russia? The Dutch View // ECFR.
URL: http://www.ecfr.eu/article/commentary_how_should_europe_respond_to_russia_the_dutch_view311233

As for China – the EAEU’s main potential partner in the Asia-Pacific – it was back in 2013 Beijing that proposed the One Belt One Road Eurasian transport initiative. Simultaneously with that, China used the Shanghai Cooperation Organisation as a platform for proposing a regional free trade area. All the EAEU member states eventually concurred that, given their major deficit in the trade balance with China, creating a free trade area with that country would present a major challenge to many national industrial and agricultural industries.

Moscow is now striving to introduce the idea of closer partnership with China into the broader EAEU–SCO–ASEAN framework.

However, the opinions of the EAEU members diverged when it came to cooperation in investments and transport infrastructure. Russia, for one, is historically more cautious about expanding economic cooperation with China, fearing the possible geo-economic consequences. This is why Moscow is now striving to introduce the idea of closer partnership with China into the broader EAEU–SCO–ASEAN framework (as stated in the 2016 national foreign policy concept). The Kyrgyz Republic and Belarus, which have reaped all the benefits that their participation in the EAEU has brought them, are so far refraining from any serious involvement in the projects being proposed. Kazakhstan, for its part, which put forward the idea of turning the country into a Eurasian transit hub back in 2012, has decided to develop large-scale bilateral cooperation with China. Kazakhstan is an essential part to the majority of transport projects being proposed as part of the One Belt One Road initiative, including those that bypass Russia (such as the Trans-Caspian International Transport Route). The country has also signed bilateral agreements with China worth more than \$20 billion in total investments in a variety of sectors, including metallurgy, oil-and-gas processing and agriculture. Many of these transport and industrial projects are already being implemented. Kazakhstan’s activity in this field will most likely result in Siberia and the Russian Far East being left on the sidelines of the One Belt One Road project, as Astana will lay its hands on the majority of the transit flows.

Nevertheless, there is a number of preconditions that prompt the EAEU member states to seek a unified approach to participating in the Chinese initiative.

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To begin with, Russia is also interested in attracting Chinese investments to its major infrastructure and energy projects. What is needed here are mutually acceptable conditions for investments. Second, both Russia and Kazakhstan, as well as the other EAEU countries, are situated along the

transport routes that China is planning to develop as part of its initiative. This is why the countries need to coordinate their transport systems, their technological and regulatory aspects above all. Third, the EAEU states, primarily Kazakhstan, realize that it may be easier to protect their national interests in the dialogue with China if they act as a union. This is particularly important for Kazakhstan, where the population is growing increasingly sceptical about what many believe to be the country's excessively close courtship with China.

The EAEU has obviously built on its international prestige by stepping up its international relations, particularly with regard to talks on free trade areas with different countries. The EEC and the related national ministries and departments, for their part, have boosted their competencies in the field of international trade.

This is why, both within the Russia–China bilateral dialogue and at the EAEU–China level, the necessary institutional formats for the operation of working groups already exist, and serious results of their operation can already be seen. Back in June 2016, a joint statement was signed on the launch of talks on the development of a trade and economic cooperation agreement between the EAEU and China.¹⁶⁰ This non-preferential agreement should not imply lifting the tariff restrictions. In early 2017, the EEC published a list of priority projects to be implemented by the EAEU member states as part of the One Belt One Road initiative. Of these, 39 involve the construction of new roads and the modernization of existing ones, the creation of transportation and logistics centres, and the development of key transport hubs.¹⁶¹

Integration optimism primarily correlates with economic growth. The only way for Russia and the other EAEU member states to integrate with external partners more easily and more dynamically is if they manage to recover sustainable economic growth.

To conclude, one can say that the EAEU has obviously built on its international prestige by stepping up its international relations, particularly with regard to talks on free trade areas with different countries. The EEC and the related national ministries and departments, for their part, have boosted their competencies in the field of international trade. Nevertheless, it is still too early to say that the EAEU has fully implemented its potential in this area. For example, a number of experts believe that the free trade area with Vietnam does not hold any serious potential for boosting bilateral trade.¹⁶² It is, therefore, very important for the ongoing talks over potential free trade areas to bring not just political and reputational

¹⁶⁰ The EAEU and China are Prepared to Move Forward with Talks on a Trade and Economic Cooperation Agreement // Eurasian Economic Commission, June 27, 2016. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/28-06-2016-1.aspx>

¹⁶¹ Integration of EAEU and the OBOR Shaping Up with Adoption of Coordinated List of Infrastructure Projects // Eurasian Economic Commission, March 1, 2017. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/2-03-2017-1.aspx>

¹⁶² Document of the Day: How Will the EAEU and Vietnam Benefit from the Free Trade Area Agreement // Lenta.ru, June 29, 2015. URL: <https://www.lenta.ru/articles/2015/06/29/freesha>

gains, but also tangible economic benefits. Then we could tout them as truly breakthrough agreements demonstrating the EAEU's continuing integration into the global trade system.

Overall, it should be noted that integration optimism primarily correlates with economic growth. The only way for Russia and the other EAEU member states to integrate with external partners more easily and more dynamically is if they manage to recover sustainable economic growth. First, the foreign players will be more interested and, therefore, more eager to make concessions. Second, EAEU enterprises will have much greater access to finance and other types of resources. Plus, they will be more motivated to use the existing trade agreements and lobby for new ones to be signed.

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RIAC President Igor Ivanov, Corresponding Member of the Russian Academy of Sciences, served as Minister of Foreign Affairs of the Russian Federation from 1998 to 2004 and Secretary of the Security Council from 2004 to 2007.

Director General of RIAC is Andrey Kortunov. From 1995 to 1997, Dr. Kortunov was Deputy Director of the Institute for US and Canadian Studies.

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