

A light gray outline map of Belarus is centered in the background of the slide.

Customs Union Troika: goals and perspectives of the Eurasian economic integration

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AGENDA

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Stages of economic integration

- **Free Trade Area**
- **Customs Union**
 - FTA + Common External Tariff
- **Common Market**
 - CU + 4 Freedoms + supranational institutions
- **Economic Union**
 - CM + coordination of economic policies

Towards Eurasian Economic Union

• **1 January 2010** – Russia, Belarus and Kazakhstan launched **Customs Union**

- Common external tariff
- Common Customs Code

• **9 December 2010** – 17 agreements establishing **Common Economic Space** are signed (CES came into force in January 2012)

- Coordination of macroeconomic policy, agricultural and industrial policies, energy markets, competition etc.
- Supranational institutions
- Free movement of goods, services, capitals and people

Towards Eurasian Economic Union

- **18 November 2011** – Declaration on Eurasian Economic Integration signed. Decision to establish **Eurasian Economic Union** by 2015 is taken
- **Expectations from the EuAEU:**
 - Common energy market and infrastructure
 - Unification of technical standards and regulations
 - Supranational institutions
 - Common currency

Towards Eurasian Economic Union

- **Treaty on the Eurasian Economic Union** is to be signed by 1 may 2014 – **no real changes are foreseen**
 - 17 agreements establishing Common Economic Space will be replaced by **34 protocols** to the EuAEU Treaty
 - Protocols are **subject to negotiations**

Institutions of the Customs Union

- **Higher Eurasian Economic Council** (analogue of the European Council)
- **Eurasian Economic Commission**
 - **Council** of the Commission (analogue of the Council of Ministers)
 - **Board** of the Commission (analogue of the European Commission)
- **Court of the Eurasian Economic Community**

Goals of Russia, Belarus and Kazakhstan

- **Russia:**

- Geopolitical interests
- Skilled labor force and natural resources
- Control over “strategic infrastructure”
- Elimination of the competition on internal market through mergers and acquisitions
- Increase of export potential

Goals of Russia, Belarus and Kazakhstan

- **Kazakhstan**

- To counterbalance Chinese influence in the region
- To remove the barriers for Kazakh products
- To get the access to Russian transit infrastructure and technologies

Goals of Russia, Belarus and Kazakhstan

- **Belarus**

- To preserve Russian political support and restore energy subsidies to Belarusian economy
- To preserve Belarusian exports to Russia
- To get an additional leverage in negotiations with Russia

Potential for successful economic intergation

- **Background conditions**
 - **Formation conditions**
 - **Process conditions**
- Model by Steven Blockmans, Hrant Kostanyan and Ievgen Vorobiov (2012)

Potential for successful economic intergation

- **Background conditions**
 - **Seize of the economies**
 - Russian GDP accounts for **84%** of EuAEU's GDP
 - **Distance between economic centers**
 - Moscow-Minsk: **717 km**
 - Moscow-Astana: **2700 km**
 - **Rate of transactions with CES countries (2012)**
 - Russia: **7%**
 - Kazakhstan: **17,5%**
 - Belarus: **48,8%**

Potential for successful economic intergation

- **Formation conditions**
 - **Implementation of common policies** (elimination of trade barriers):
 - More than **300 exclsions** from CES
 - **Non-tarif barriers**
 - **Role of supranational institutions:**
 - Commission
 - without **own resources**,
 - no clearly stated right to **negociate international agreements**
 - weak ability to **supervise and control**
 - Court:
 - supremacy and direct effect
 - **6 month of delay** for infringement procedures

Potential for successful economic intergation

- **Process conditions**

- **Trade creation/trade diversion effects**

- Imports are **more expensive but stable**

- No stable growth in **intra-community trade**

- **Decision-making process:**

- supranational/intergovernmental

Conclusions

- **EuEU is unlikely to become a highly integrated economic entity and unlikely to give a strong impetus for trade and economic growth.**
- **Reasons:**
 - **Potential** for trade growth is low.
 - **Differences in economic structures** and different economic systems
 - **Poor legal culture** and weak supranational institutions
 - Political controversies and **lack of trust**
 - EuEU project is unable to attract **new technologies** and investments

Conclusions





Thank you for attention!

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