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EAEU Among Other Regional Integration Organizations: Comparative Analysis

As concerns the 'universe' of regional integration organizations, the EAEU is a new kid on the block. As such, it should be compared with other regional and sub-regional organizations. A correct and realistic assessment of its successes and problems is often impeded by its direct and exclusive comparison with the paragon of regional integration — the European Union. However, for a more objective analysis of the EAEU's structural features, successes, and failures, it is useful to compare it with other major regional integration associations — NAFTA, MERCOSUR, Cooperation Council for the Arab States of the Gulf, ASEAN, and the South African Customs Union.

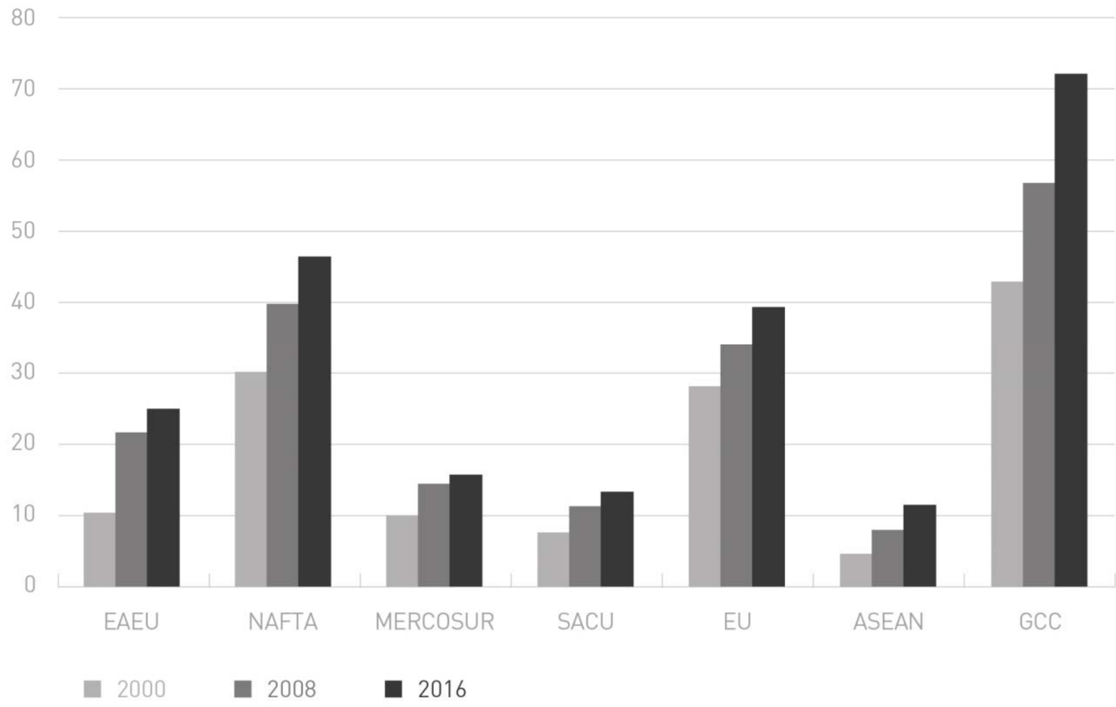
Then everything falls into place. On the one hand, the Eurasian Economic Union is not a flawless "success story". After an initial phase of rapid growth, it hit a certain ceiling by 2016. On the other hand, it has managed to achieve quite a lot. The treaty and institutions are working. The common market for goods is functional, albeit with a number of exemptions. The common labour market is already operational — a huge and often underappreciated achievement. There has been substantial progress in developing common technical regulations, etc.

Overall, the EAEU should be viewed not as an exception to the rules, but rather as one of the existing 'customs unions +' with its own achievements and problems.[1] Its structural features are certainly important, but they are not unique — even those that seem so at first sight. Russia's economic dominance in the EAEU matches South Africa's weight in the South African Customs Union, which is even greater. Besides, the United States economically dominates NAFTA. Exports' orientation toward oil and gas is certainly pronounced in the EAEU, but the oil's role is even greater in GCC, and the exports from MERCOSUR are mainly raw materials. Trade conflicts began to appear within the EAEU, just like in MERCOSUR, ASEAN, or NAFTA. Hence, both the EAEU's achievements and its failures are comparable to other regional integration organizations. In the remainder of this section, we provide a few relevant comparisons.

In terms of GDP per capita, EAEU is in the mid-range of the reference group (figure 6.11).

[1] Vinokurov, 2017.

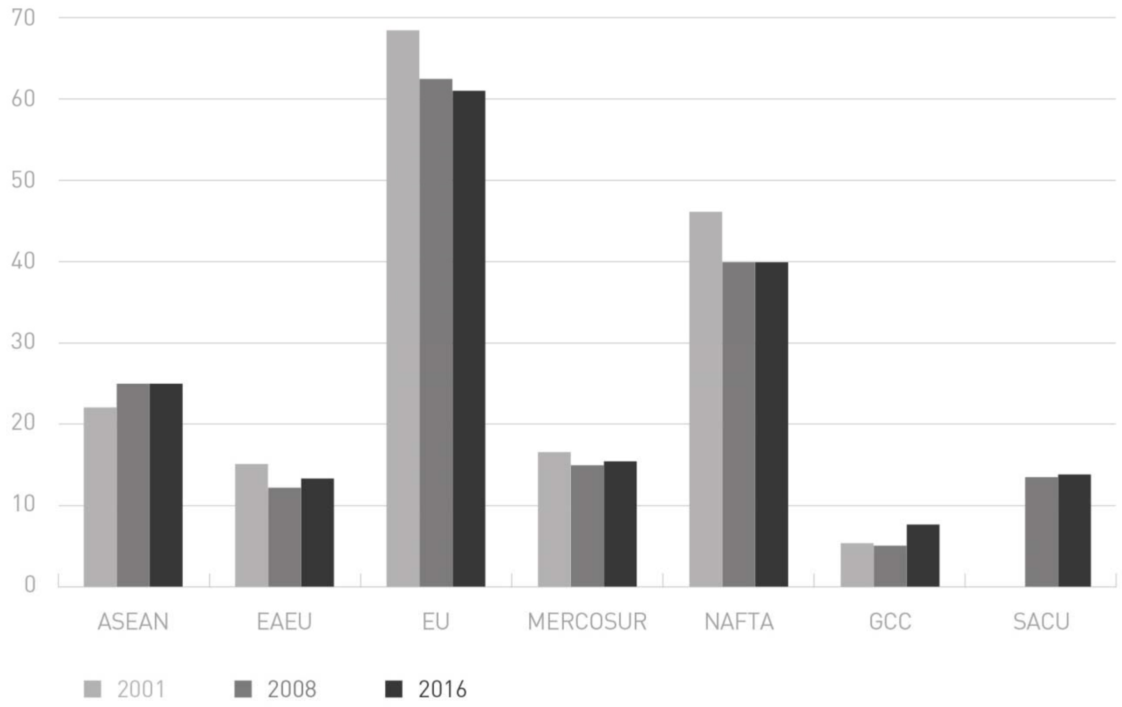
Figure 6.1. GDP Per Capita at purchasing power parity, $



Source: calculations based on IMF data.

The share of intraregional trade in total trade is indicative of the degree of interaction between member countries. It is often used to analyze the effects produced by the establishment of preferential trade agreements, and by regionalization processes. Figure 2 demonstrates that the highest intraregional trade levels were achieved by the EU (61%) and NAFTA (40%). The lowest value of the indicator was observed in the GCC (7.6% in 2016). In the EAEU, the MERCOSUR, and the SACU, it stood at comparable levels of 14-15% (fig. 6.2).

Figure 6.2. Share of Mutual Trade in Total Trade Turnover, %

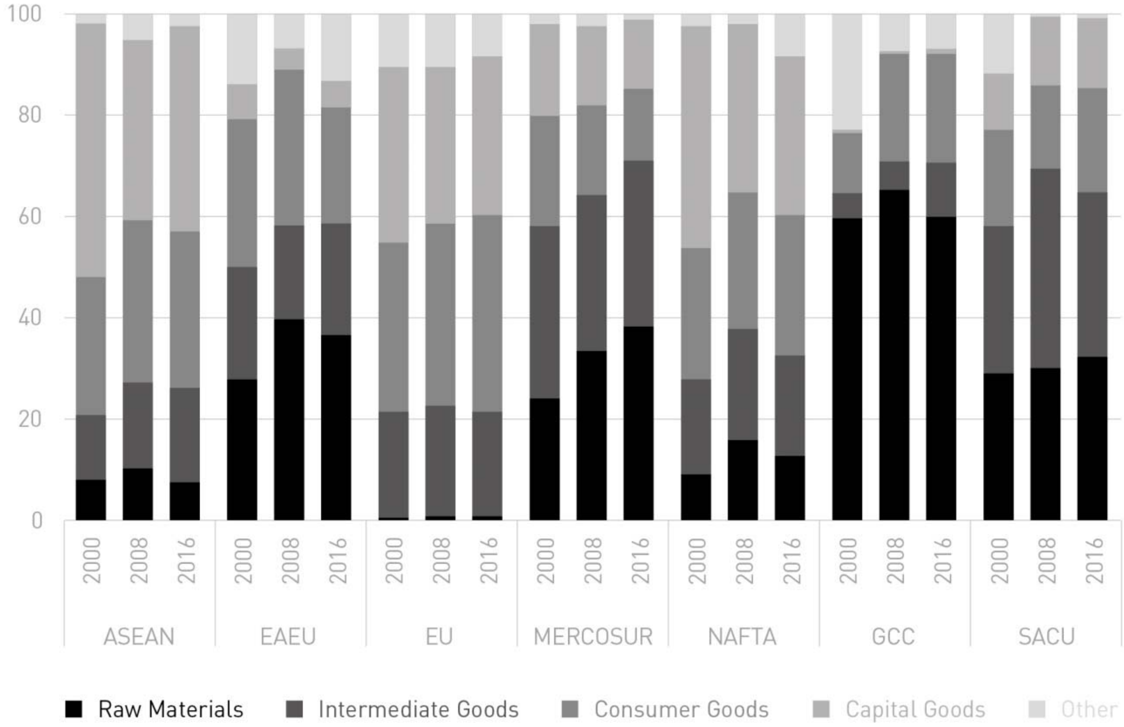


Note: ASEAN and NAFTA data for 2015, SACU data for 2010 and 2016.

Source: calculations based on Trade Map data.

Low complementarity index values were, in turn, attributable to the structure of exports, and to the high share of primary commodities in total exports (Figure 6.3). A breakdown of available data by broad economic categories shows that the share of raw materials in total exports amounted to 37-39% in the EAEU and the MERCOSUR, 65% in the GCC, but merely 12% in the NAFTA and 7.5% in the ASEAN. Consumer and capital goods dominated the structure of exports from the ASEAN, the EU, and the NAFTA. For example, in 2016 the share of capital goods stood at 32% of total exports from the EU and the NAFTA, and at 41% of total exports from the ASEAN. In the EAEU capital goods accounted only for 5.3% of total exports, in the MERCOSUR – for 13.8%.

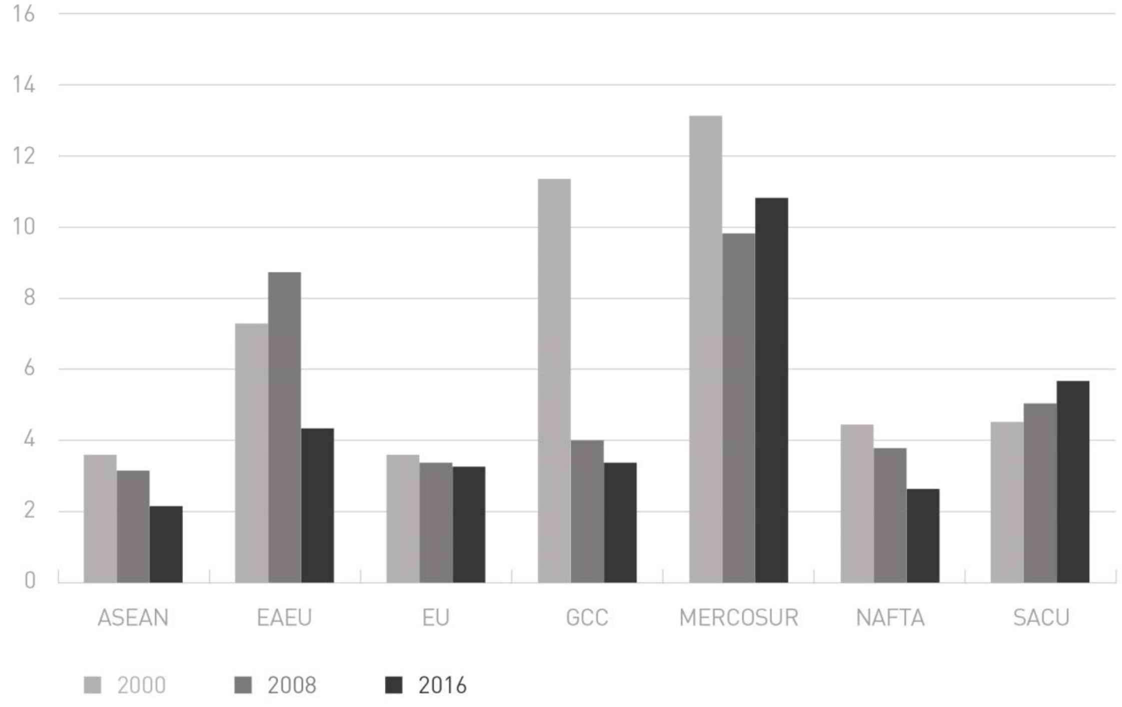
Figure 6.3. Structure of Exports with a Breakdown by Broad Economic Categories, %



Source: calculations based on COMTRADE

RO actively protect their agricultural producers. In 2016, the MFN applied average-weighted tariff was 14.8% in the MERCOSUR, 10.8% in the EU, 9.3% in the SACU, and 8.1% in the EAEU. NAFTA and GCC implemented a drastic reduction of domestic market protections for this group of goods, reducing the tariff in 2000-2016 from 12.1% to 4.3% and from 13.4% to 3.2%, respectively. As regards industrial goods, in most regional associations under review, with the exception of the SACU, import tariffs have been going down, reaching 2-4% by 2016. In the EAEU, tariffs applied to consumer and industrial goods were more than halved in 2008-2016. The MERCOSUR was the only bloc where duties for those goods changed little (11.3%) (fig. 6.4).

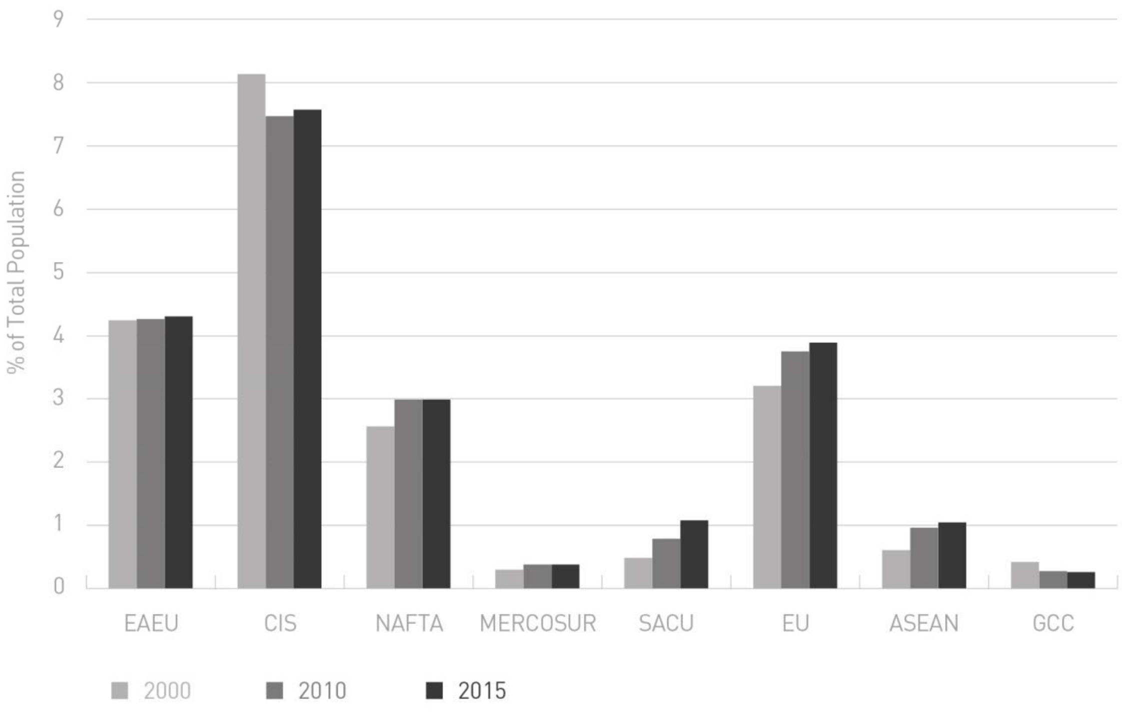
Figure 6.4. MFN Applied Average-Weighted Tariff



Source: TRAINS

EAEU, EU, and NAFTA are leading in terms of migration, labor migration and remittances (figure 6.4; CIS is also added for the sake of comparison). In these integration associations, migration is fueled by existence, within the respective blocs, of countries with different levels of income and development. Also, in the EU and EAEU alike these processed are facilitated by the respective common labor markets (in the latter, since 2015).

Figure 6.5. Share of migrants from within the RO in total population



Source: calculations based on UN data (international migration trends)