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Conclusion

The Eurasian Economic Union is there to stay. It is certainly not a flawless "success story". After an initial phase of rapid growth, it hit a number of problems which will occupy the organization and its member states for several years. On the other hand, it has managed to achieve quite a lot. It is a viable and active organization. The treaty and institutions are working. The common market for goods is functional (albeit with a number of restrictions). The overall labour market is already operational — a huge and often underappreciated achievement. There is progress in developing common technical regulations.

The EAEU is not an exception to the rules, but rather one of the existing active regional organizations with a substantial agenda. It has its own share of achievements and problems.ⁱ It is 'normal' in the sense of Shleifer and Treisman's hypothesis of Russia as a 'normal country' that can be compared and should not become the subject of a special scientific sub-discipline.ⁱⁱ The hypothesis of these Harvard economists has been an object of critique. Nevertheless, we believe that its application to the EAEU is fully justified. The Eurasian Union is a 'normal' regional integration organization. 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? South Africa's weight in the South African Customs Union is even greater, and the United States economically dominates NAFTA. Exports' orientation toward raw materials? The oil's role is even greater for the Cooperation Council for the Arab States of the Gulf, and the exports from MERCOSUR are mainly raw materials. Initial trade and economic conflicts inside the union? The histories of MERCOSUR, ASEAN, NAFTA, and other regional organizations are full of similar conflicts. Both the EAEU's achievements and its failures are "normal".

There are *several lessons that the EAEU may draw from the international experience of regional integration organizations*. Vinokurov and Libman (2017) compiled a database of regional organizations (RO) and studied the experience of more than 60 regional organizations around the world, mostly with an economic orientationⁱⁱⁱ. ROs are highly nuanced in how they evolve and reach (or fail to achieve) their established goals. A well-developed typology reflects this variety. In addition to "Active" regional organizations, we distinguish other common RO types such as "Alternative Path" (the RO changes its goals), "Discussion Forum" (the RO's usefulness to member states lies in the possibility of contacts and discussions), "Integration Rhetoric" (used by member states to achieve domestic and foreign policy goals that differ from those officially declared), "Zombie" (makes a lot of noise, but does nothing), and "Coma" (exists only in name). Econometric analysis allows us to make several conclusions directly related to the development of the Eurasian Economic Union:

1. An organization grows more stable with time. In other words, an organization is more vulnerable at the early stage of its development. The longer the EAEU exists as an "Active RO", the more likely it is that it will continue to do so.
2. The key to an association's success is the success of the national growth policies implemented by the integration participants. Stable long-term economic growth helps build demand for an effective regional organization. Long-term economic development must take precedence over the formation of day-to-day trade and economic relations between countries, which will produce a positive effect only in the short term. The main question is how the EAEU itself can help form such growth policies: by effectively regulating the single economic space, exchanging "best practices", and interacting with extra-regional players (building relations with the EU, creating a network of

free trade area, connecting with the infrastructure projects of the Belt and Road).

3. In order for the EAEU to remain active as an RO, the accountability and transparency of its structure are crucial. The clearer the EAEU's tasks, functions, budget and organization are to the general public and decision-makers, the less likely it is that the organization's future will be determined purely by bureaucratic inertia. For Eurasia, this also means that economic entities will more frequently use EAEU institutions (for example, the Court of the EAEU) to achieve their goals. This, in turn, will strengthen the Eurasian integration project.

4. An integration organization should not 'expand for the sake of expansion'. Such a course will ultimately reduce the effectiveness of a regional organization.

Economic integration is a systemic and fundamental process. Not all effects are immediately apparent — most require years. To maximize the EAEU's positive effect, *the agenda for the next five to ten years covers the following major steps:*

- ◆ Complete the single market for goods and services, eliminating existing exemptions. The focus is on common markets for electricity, financial services, oil, oil products, and gas. The plans for these markets are spelled out in the EAEU Treaty (see Sections 4.1 and 4.3).
- ◆ As much as possible, eliminate and/or unify non-tariff barriers within the Union. In practice, non-tariff barriers hamper trade more than import duties themselves. Therefore, they must receive constant and close attention from integration institutions, government bodies, and business. Unlike import duties, non-tariff barriers are "eternal": as you abolish or unify some, others will appear. Countries will always practice protectionism to a certain extent, so there is no alternative to continuously working to minimize NTBs (see Section 4.4).
- ◆ Coordinate macroeconomic policies, including monetary and financial issues, and thus prevent the economic union from 'tearing apart'. Setting up a common market is not enough. An effective macroeconomic environment where it can function without interruption must also be maintained (for more details, see section 4.7). Imagine a situation where a country devalues its national currencies by 50%, while the other states' currencies hold steady. Manufacturers in the first state can produce goods far less expensively and flood the markets of neighbouring countries with these goods. This is fertile ground for a trade war. This situation is by no means hypothetical. In the Customs Union's brief history, it has already occurred at least twice — in 2011 in Belarus and in late 2014 - early 2015 in Russia. In both cases, the result was conflict.
- ◆ Establish a network of free trade areas and agreements on trade and economic cooperation, including with two key trade and investment partners, the EU and China (Sections 5.3 and 5.4).
- ◆ Effectively coordinate the development of transport and electric power network to raise overall efficiency of cross-border flows.

Addressing these tasks and implementing initiatives in more specific areas (industrial policy, cooperation in agriculture, labour market, a single pension space, scientific and educational cooperation, etc.) will maximize the effect of integration.

As the Eurasian Economic Union and its member states pursue this course, they will face a host of problems and stumbling blocks. In particular, Russian countersanctions and the obligations assumed by Kazakhstan upon accession to the WTO in 2015 are obstacles to the elimination of exemptions from the common market. Common markets for oil, oil products, and gas will be established in conditions where hydrocarbons are exceptionally important to national budget revenues, and the creation of a common electricity market promises to be challenging. Eliminating/unifying non-tariff barriers and effectively coordinating macroeconomic policies will be complicated by the resistance of national bureaucracies and the difficulties of interstate communication. Finally, the relationship crisis between Russia and the collective West remains a serious obstacle to the creation of many necessary free trade areas and, above all, a deep and comprehensive agreement with the European Union.

Let us summarize several ideas running through the entire book:

- ◆ The EAEU's establishment is a major achievement for its member states after the several 'integration false starts' of the 1990-2000s. The Eurasian Economic Union is the new institutional reality in which businesses, states, and people live and work.
- ◆ A combination of political considerations (which vary depending on the member state) and rather weighty economic factors form the foundation of the Eurasian integration's ideology. It is the pragmatic approach to goal-setting and building institutions that has ensured the EAEU's successful establishment after 20 bleak years of 'rhetorical integration'.
- ◆ A comprehensive and generally adequate system of integration institutions has been set up — the Supreme Eurasian Economic Council, Eurasian Intergovernmental Council, Eurasian Economic Commission, Court of the EAEU, Eurasian Development Bank and Eurasian Fund for Stabilisation and Development.
- ◆ After a series of rapid initial successes, Eurasian integration faced a number of problems and challenges in 2015-2016. Amid the deteriorating external situation, solving these problems will be much more difficult than before. We can predict much slower progress in the coming years, and an increase in the number and intensity of trade and economic conflicts. In these conditions, the next few years will be critical for the organization's long-term future. Member countries would be wise to protect the EAEU in every possible way in the coming years, not sparing their political leaders' time, personnel, and financial resources.

ⁱ Vinokurov, 2016b.

ⁱⁱ Shleifer and Treisman, 2004.

ⁱⁱⁱ Vinokurov and Libman, 2017.