Belarus and the Declining Eurasian Economic Union

The first year of the Eurasian Economic Union (EEU) has highlighted how differently Russia and Belarus see this integration project.

While Russia tries to create something resembling for the external audience the European Union and for the internal audience Soviet Union, Belarus has failed to gain additional benefits from the project. Reduction of a large number of trade tariff exemptions has been slow and Belarus’ trade within members of the EEU fell by a third.

On 24 November, the Russian newspaper Kommersant wrote that the Eurasian Economic Union may soon abolish duty-free export of cars produced on the territory of the EEU. This will hit Belarus the most and may undermine the whole idea of the existing assembly lines of Geely, Peugeot and Citroen cars in the country.

Union for Russia’s Ambitions?

The first year of the Eurasian Economic Union showed that Russia wanted to make the project look like the European Union. Armenia and Kyrgyzstan became members alongside Belarus, Kazakhstan and Russia. The EEU has signed a mutual free trade agreement with Vietanam, and according to Putin’s article published on 17 November on the web site of Chinese news agency Xinhua, currently about 40 countries are considering having an FTA with the Eurasian Economic Union.

Some ideas look EU-inspired, such as the desire to abolish roaming within the EEU and working on a common identity. At the beginning of the year, the Speaker of the Higher Chamber
of Russia’s Parliament, Valentina Matvienko highlighted the need to "strengthen information work to grip the masses with Eurasian ideas."

But it seems that only Russia thinks about the Union in this way. Belarus looks at it differently.

So Little of the Economy and So Much of Politics

The first year of the Eurasian Economic Union brought poor economic results for Belarus. Moreover, falling oil prices and declining Russian economy has hit the integration project hard.

In the first six months of 2015 the trade between Belarus and other EEU countries was $2.5 billion less than in the first half of 2014. This means that Belarusian trade with the Eurasian Economic Union dropped by a third this year. According to data of the Eurasian Economic Commission, only Belarus and Armenia experienced a similar decline.

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<tr>
<td>Belarus</td>
<td>7 991,20</td>
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<td>Russia</td>
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<td>Kyrgyzstan</td>
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The year 2015 failed to bring trade liberalisation. This may sound weird for Belarus, as the country usually sticks to protectionist policies, but Belarus actively promotes the removal of restrictions on trade between EEU member countries.
Belarus tries to reach out to important markets such as gas and oil. However Russia plans to liberalise them at last, but only in 2025. This will allow other countries' companies to buy Russian resources under the same conditions as Russian companies.

During 2015, it seems all Belarusian top officials advocated the reduction of restrictions. On 12 July, Uladzimir Makei, the Minister for Foreign Affairs, complained that "the EEU should not be a toy" hinting that the Kremlin sees the union this way. According to Andrei Kabiakou, the Prime Minister of Belarus, the list of exemptions in mutual trade began to increase in February 2015.

The greatest problem of the Eurasian Economic Union has little to do with the economy, at least in terms of what people usually understand as the economy. Trade wars, despite previous agreements, have continued. The Eurasian Economic Union began its life against the background of the Belarus-Russia food war. Throughout the year, the conflict flared up when Russia accused Belarus of re-exporting Western products. Therefore Russia banned the import of goods and reinstalled customs checks at the Belarusian-Russian border.

Continued trade wars indicate that the Kremlin perceives the EEU as a political project. Moreover, now almost every issue has become politicised.

On 24 November, the Russian newspaper Kommersant published an article according to which Kazakhstan and Russia propose to remove preferences for foreign car manufacturers who assemble cars in the Eurasian Economic Union. If that happens, foreign companies could stop the assembly of Geely, Peugeot and Citroen in Belarus. This summer Belarus signed a contract with General Motors, which could also be reviewed if the EEU cancels the free zone benefits.

In December, the heads of the Eurasian Economic Union may make
a decision on removing the trade preferences. It seems that all countries except Belarus support this move.

The Two Inertias of Eurasian Integration

Despite the fact that Belarus in many respects appears no closer to the other countries of the EEU this year, the Eurasian Economic Commission, the technical body of the Union, made a few steps forward in integration. In September, the Commission announced that it had adopted a number of agreements on the energy, agricultural and infrastructure sectors. The next year the liberalisation of the drug market should occur, and in 2017 there will be a common foreign exchange market.

However, political inertia remains dominant, which causes disintegration. Russia perceives the EEU as a political project promoting their own hegemony. Therefore many other countries fear Eurasian integration.

Moreover, some countries remain reluctant to see the Eurasian Economic Union as only an integration project in itself. On 24 November, Kazakhstan completed the ratification of documents related to accession to the World Trade Organisation. A significant portion of tariffs agreed between Kazakhstan and the WTO appeared lower than those adopted in the EEU.

Moreover, the economic decline, particularly in Russia, undermines incentives of countries to integrate further. Under such conditions the first year of Belarus membership in the Eurasian Economic Union has shown rather poor results. Eurasian integration remains more about hype than substance.