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Editor's Note

Over the past few months, Eurasian integration was marked by a series of significant developments. In August, Kyrgyzstan became a full member of the Eurasian Economic Union (EEU). Also in August, Russia made use of legal mechanisms within the framework of the EEU to ban the import of fish products by some Norwegian companies from the territory of Belarus and other Eurasian partners, even if they are processed first before entering the Russian market.

The broad public is growing increasingly interested in Eurasian integration processes, which appear to enjoy broader media coverage. In September, the country's leading Internet portal TUT.BY featured a [live program](#), where Andrei Yeliseyev, the Eurasian Review Editor, and Viktor Spasski, Director of the Department for the Promotion of Integration at the Eurasian Economic Commission, addressed numerous pressing matters of Eurasian integration.

The **Main Feature** of Eurasian Review No. 6 is the lobbying capabilities of Belarus in the Eurasian Economic Commission (EEC). Roman Kostitsin, Managing Partner at ARS Communications Agency, identified the main peculiarities of the EEC's communicative system, which bring about new lobbying opportunities for Belarus. The success of the Belarusian side in the development of the EEU technical regulation concerning alcoholic beverages demonstrates that Belarus needs to further foster the culture of the engagement between business and the state in order to benefit from the full use of business associations in the work of supranational Eurasian agencies.

In late May 2015, the EEU signed a Free Trade Agreement (FTA) with Vietnam, which will come into effect two months after ratification by its signatories. That was the EEU's first ever agreement of this kind. In this context, the **Highlights** section presents a review of FTA developments. Andrei Yeliseyev explains why an FTA between the EEU and the European Union is unfeasible in the foreseeable future and outlines the countries, with which FTA processes have been frozen, are ongoing, or may commence.

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MAIN FEATURE

Belarus's Lobbying Capabilities within the Eurasian Economic Commission

Roman Kostitsin

No economic alliances alternative to the EEU are offered to Belarus, while the country has no sufficient internal resources to successfully compete for international markets. This looks like a rather convincing motive for political and economic elites to take action and seek benefits and lobbying opportunities within the framework of the Eurasian Economic Union.

Regulatory framework for the relationship between the Belarusian state and business

The reciprocal interest of business and the authorities in effective engagement is the main prerequisite for successful communication in the system of Government Relations (GR), for which practical methods are now taking shape in the Republic of Belarus. Amid the ongoing economic crisis the authorities are making visible steps to engage in dialogue with business, as it happened in 2009–2010, when the state for the first time formulated its stance on the development of private initiative¹.

Anglo-Saxon countries are mostly characterized by the principles of institutional communication between business and the authorities, which is attributable to their well-developed regulatory framework. Belarus is only making its first steps in developing this sector of social relations. However, unlike Russia and even Kazakhstan with their numerous special interest groups, Belarus has a better chance of building such a system quite fast.

The country has already made certain progress in this area. Belarus previously adopted the law “On complaints by citizens and legal entities”², which pays close attention to complains by legal entities (i.e. official complaints filed by companies and business as a legal entity). Similar legislative acts in Russia and Ukraine fail to center on corporate entities and are dedicated exclusively to complains by citizens, whereas in Kazakhstan, the local law encompasses complaints by legal entities, but the law is not as detailed as the one developed by the Belarusian peers. The Belarusian parliament has recently been submitted the bill “On Public–Private Partnership.” As far as its definitive part is concerned, the law “On struggle against corruption” has also been developed in detail to delimit nonconventional lobbying techniques and civilized contacts between the authorities and business.

However, overall, the regulatory framework for the relationship between business and the state in Belarus still remains inadequate for us to speak about the stable institutionalization of these relations. Belarus must continue building up this regulatory framework, which should include efforts to elaborate and adopt the law “On lobbying.” The EEU partners have a negative track record in this area: the first bill “On lobbying” was developed in Russia a decade ago, but has never been adopted³. Pavel Tolstykh, a prominent researcher of the problem of lobbying in Russia, shares his insight on the reasons why the bill has never been adopted: “Any agreement between two parties (in our case, between society and the state) only makes sense when each party is independent and constitutes a real power. In our [Russian — author] case, society has been weakened, whereas the state, which has no serious controllers, whose functions could otherwise

1 Directive by the President of the Republic of Belarus No. 4 “Concerning the promotion of entrepreneurial initiative and encouragement of business activity” of 31.12.2010

2 Law of the Republic of Belarus “On complaints by citizens and legal entities” dated 18 July 2011. No. 300-Z, <http://www.pravo.by/main.aspx?guid=3871&p2=2/1852>

3 Bills on lobbying in the Russian Federation. Available at http://www.lobbying.ru/content/sections/pageid_11.html

be performed by representative bodies, big business, public organizations, business unions and media, is too strong"⁴. Belarus has a chance to become a legislative trend-setter for the other EEU member states, despite the fact that the current administrative model in the country can hardly be referred to as liberal.

Lobbying and peculiarities of the EEC's communicative system

Belarus's integration in international economic unions, primarily the Eurasian Economic Union, will inevitably cause GR to evolve to the supranational level. Belarusian business started developing systemic contacts in this area back in late 2011, when the Commission of the Customs Union was established, which was later renamed the Eurasian Economic Commission (EEC), the permanent supranational body of the Eurasian Economic Union. The EEC is essentially a government institution with the Supreme Economic Council, comprising the presidents of the EEU member states, at its helm.

The structure of the EEC is organized in a such a way that each country is represented in its Board by respective board members, or ministers⁵. Currently each country has three board members, except for Kyrgyzstan, the most recent addition to the bloc, which has appointed only two board. Board members are elected for a term of four years with next rotation scheduled for 2016. This period is short for a functionary to develop a network of lobbyist connections and contacts during his or her duty.

The clear structure and principles of the operation of the EEC⁶, which are similar to those of the European Commission, form a new unique communication environment for domestic business. Its uniqueness lies in the use of the Anglo-Saxon approach to the development of regulations that is uncharacteristic of any of the EEU member states. This approach is based on the *pluralistic* model of access to the state authorities, as opposed to the *corporatist* model⁷, which envisages the prevalence of the influence of large corporations and interest groups over that of smaller stakeholders⁸. The pluralistic model is characteristic of countries which historically encourage individualism and the cult of personal success, which cannot be said of any of the EEU member states.

The main peculiarities of the EEC's communicative system that bring about new lobbying opportunities for Belarus are as follows:

1. At the EEC, the mechanisms of internal unconventional lobbying that exist in the EEU member states are virtually inoperative. Neither the central office of the EEC nor its agencies incorporate bodies that include representatives of a single country. All of the activities by the EEC are carried out publicly, and all of its decisions are thoroughly recorded. This prevents any attempts of unconventional lobbying of interests of some national group. As a result, some lobbyists from Russia are unable to employ their usual toolkit, which for the most part includes "personal connections" and financial leverage, within the EEC.

2. The clear structure of the EEC and the strong expert capacity of its central office contribute to the scrutiny of issues at a sufficiently high level. The Commission engages the most competent specialists from the member states. Each board member (minister) is entitled to form their own team of trusted specialists, which enables them to ensure high-quality rapid examination of the substance of issues under consideration.

4 Pavel Tolstykh. Practice of lobbyism in the State Duma of the Federal Assembly of the Russian Federation. M.: Kanon, 2006, p. 197 [in Russian].

5 <http://www.eurasiancommission.org/en/Pages/structure.aspx>

6 Treaty on the Eurasian Economic Commission of 18.11.2011. Available at http://www.eurasiancommission.com/ru/act/integr_i_makroec/dep_stat/Documents/4%20%D0%94%D0%BE%D0%B3%D0%BE%D0%B2%D0%BE%D1%80.pdf [in Russian]

7 Liudmila Ilyicheva. Lobbyism and Corporatism. M.: Ekonomika, 2002, pp/ 9-10 [in Russian]

8 Pavel Tolstykh. Practice of lobbyism in the State Duma of the Federal Assembly of the Russian Federation. M.: Kanon, 2006, p. 280 [in Russian].

3. The internal legislation of the EEU member states is secondary to the supranational legislation. Sometimes the differences in the national legislations are so substantial that a long adaptation period is called for in order for certain uniform rules to come into effect. This factor makes it possible to artificially delay the approval of some documents by the EEC and their subsequent adoption. Another problem is that such a delay can prove to be very long. Some of the technical regulations, complete and approved, have been frozen for more than 24 months in the EEC under various pretexts.

4. The position of each country is perceived based upon the entirety of its opinions. A consolidated position of each party is preferable for the process of consideration. The EEC has well-tuned procedures for considering complaints. Heads of the EEC institutions authorized to consider such complaints are by default oriented towards reaching a consensual decision as a result of consideration. Therefore, when addressing issues, experts often find themselves in a situation when certain advantage is enjoyed by the party, whose experts (both governmental and non-governmental) have succeeded in reaching a concerted consolidated position and mutual agreement.

Opportunities for Belarusian business

The main opportunity that the communication environment of the EEU's supranational bodies offers Belarus is the use of the capacity of business associations and promotion of the culture of the relationship between business and the state in Belarus. Compared to a separate company, a business association as a mouthpiece of collective interests has a much better chance of having its complaints paid close attention to by the authorities, establishing respective advisory councils and other platforms for dialogue, and is capable of initiating contacts with the authorities that can take various forms. The objective of this endeavor is to form a unified position of the state and business as a stance of the Belarusian side during supranational negotiations.

The EEU partners – who have been making repeated jokes about powdered milk⁹ – already had a chance to experience the power of the Belarusian economic lobby. Anyway, Belarus has so far managed to effectively promote its interests in the EEC (see the description of a characteristic example below), and the practice of expert dialogue with business in this context is becoming strategically important for the country's national economic interests.

It often happens so that when presenting a unified consolidated position the Belarusian side gains advantage only because the rest of the parties have no such position. In other words, the communicative model of Belarusian GR appears to have an obvious edge. Therefore, the promotion of the practice of expert consultations between business and the authorities with a view to working out a convincing consolidated position is a way to maximize benefits for Belarus from its engagement in the Eurasian Economic Union. Among other reasons, it is the absence of the country's own energy resources and raw materials that pushes the interaction between business and the authorities towards the market-based liberal model.

Success story: work on the technical regulation on alcohol

Within the EEC, the development of technical regulations is based upon mutual approvals of the parties' positions, whereas differences are normally settled through negotiations and consultations. As a rule, one of the parties, represented by a specific agency, develops a draft document, which at a later stage is discussed at public hearings and submitted for interstate approvals to the member states.

At the public hearings stage, the Technical Regulation of the Customs Union (hereinafter TR CU) "On the safety of alcohol-containing products" received more than 400 comments and remarks, some of which pertained to beer. Public hearings can be attended by concerned agencies, expert and business communities, as well as all stakeholders, as long as this pluralistic approach is enshrined in the EEC Treaty.

⁹ Belarus president responds to criticism of Belarusian milk, BelTA. Available at <http://eng.belta.by/president/view/belarus-president-responds-to-criticism-of-belarusian-milk-84911-2015>

Because the TR CU was originally developed by the Russian side represented by the Federal Service for the Regulation of the Alcohol Market (hereinafter the FSR), the text of the document reflected some of the peculiarities of the Russian legislation, which partially ran counter to Belarusian regulations. Specifically, lobbyists of Russian manufacturers of strong drinks had been successfully “working with beer” for a few years in the context of the applicable legislation and fiscal policy, so that transnational companies had to shut down a dozen new state-of-the-art breweries across Russia, and the beer market had contracted by a third from the record high reported in 2008.

In Belarus, as in most of the EU member states, beer is not considered to be an alcoholic beverage, and the approach to the regulation of the beer industry appears to be quite liberal. This position by the Belarusian authorities is appreciated by transnational companies, which had purchased three Belarusian breweries. As a result, the Belarusian beer market is a good model for the interaction between the state and investors – non-market regulation has been minimized in exchange for investments, jobs, modernization, and assistance in import substitution.

Russian “anti-beer” lobbies have been actively involved in the public hearings of the TR CU since 2011 in order to assert their interests. Two positions became the stumbling block: the ban on the use of plastic containers in beer production and the formulation, namely, the initiative of the Russian side to limit the use of non-malt ingredients in beer brewing to 20% and of sugar, to 2%. Both positions could have affected the Belarusian side, because:

- 1) Plastic is the main material for beer containers in Belarus, which accounts for up to 80% of the country's combined beer output, and a large portion of it is exported, hence a strategic advantage of the industry as seen by the Belarusian authorities;
- 2) The change in the formula would automatically categorize some beer varieties, such as wheat beer, as well as some internationally popular brands (Hoegaarden, Miller, Corona , etc.) and some new Belarusian brands, as so-called “beer beverages,” which would make them less appealing to consumers.

Because the Belarusian and Russian parties were both quite concerned about the issues of plastic containers and formulation (some 50% of Russia's beer output is bottled in plastic containers, and the figure stands at 80% for Belarus; and non-malt ingredients are fundamental for innovations in the global brewing market) it was decided to join efforts of the Union of Russian Brewers, Belarusian Brewers Guild and the Union of Brewers of Kazakhstan. The joint campaign resulted in numerous research studies and examples from international practice proving the safety of the use of plastic bottles for beer and the forward-looking nature of the use of non-malt ingredients in brewing. Relevant documents were submitted to the Technical Regulation Department of the EEC.

In the meantime, the Brewers Guild was having consultations with concerned agencies in Belarus. The Russian side, represented by the FSR, repeatedly sought to push its position through the Belarusian state authorities, but to no avail. Timely exchange of information with counterparts from unions of brewers in Russia and Kazakhstan enabled the Guild to respond to the pressure from the FSR in coordination with concerned Belarusian agencies in a timely fashion.

Interestingly, given the results of studies and analyses, the initiatives put forth by the FSR were slammed by some Russian authorities as well. The Ministry of Economic Development of Russia and the Federal Antimonopoly Service were among the Russian authorities that criticized those moves. Brewers made use of this fact at the EEC, emphasizing that the position of the FSR did not represent a consolidated stance of the Russian side.

Owing to the transparent procedure for the approval of documents within the EEC and the practice of all-round evaluation of the legislative impact of draft regulatory acts, brewers managed to get the EEC to have a substantiated opinion that the TR CU must be adopted in the version proposed by the Belarusian side,

As a result, Belarus managed to achieve the following:

1. The text of the Technical Regulation of the Customs Union “On the safety of alcohol-containing products” with regard to brewing products successfully passed the interstate approvals procedure and is currently pending adoption in the version that suits the Belarusian side.
2. Belarusian brewers engaged in continuous dialogue with stakeholders in the Eurasian Economic Commission and some Russian authorities based upon the transparent positions of the two parties without a hint of corruption.
3. A model was developed for the achievement of a consolidated position of business and the state within the EEC, which incorporates a mechanism to neutralize destructive internal stakeholders.
4. A unique platform for the engagement between the industry associations of the three countries was created.
5. The communication channels established during the work on the TR CU boosted the reputational capital of the industry both in the EEC and inside the member states, thus strengthening the expert positioning of the business community.

Although interstate approvals were given long ago, the TR CU has not been adopted yet. The reason is the deliberate delay of the adoption process by the Russian side, represented by the FSR. The Belarusian side currently benefits from the delay, because as soon as the technical regulation has been passed, the business environment will formally become more demanding (beer will be categorized as alcohol, and certain unprecedented formulation limitations will be introduced).

The most difficult aspect of this work was the need to overcome the stereotype that reaching agreement between the state and business is impossible. This situation is typical of the former Soviet Union. However, pragmatic considerations and concerted interests of the state and business proved to be stronger than stereotypes and helped establish an effective model for the interaction between business and the authorities and unlock its lobbying potential.

Conclusion

In the current context, the EEU can and should be regarded by Belarus as a new opportunity for lobbying national economic interests. While promoting its position within the EEC, Belarus can benefit from an effective mechanism for working out a consolidated position of business and the state. It is conglomerates of experts representing the state, public organizations and business associations that should become the main driver in the furthering of Belarus’s positions, rather than state agencies. The Belarusian side should approach any negotiations at the EEC with a clear consolidated position resulting from debate by both sides (the state and business) held prior to negotiations. Further liberalization of the relationship between the state and business, elaboration of regulatory documents governing the engagement between the authorities and business, as well as accelerated development of the successful model of connections between business and the state administration are prerequisites for the political independence and stability of Belarus and an obvious imperative in the current economic situation.

HIGHLIGHTS

EEU and Prospective Free Trade Areas

Andrei Yeliseyeu

The Eurasian Economic Union (EEU) member states lag behind most developed countries when it comes to the number of Free Trade Agreements (FTAs) and their geography. So far, a single FTA has been signed with Vietnam, and it has not come into effect yet. Work is currently underway and is at various stages to conclude agreements on free trade areas with other countries. This article presents an overview of the bloc's progress in this area.

FTA with the EU: a matter of distant future

A free trade area is a grouping of countries within which tariffs and non-tariff trade barriers between the members are generally abolished but with no common trade policy toward non-members.. The Partnership and Cooperation Agreement (PCA) between Russia and the European Union, which came into effect back in 1997, envisions the establishment, in the long view, of a free trade area between Russia and the bloc. Following many years of discussions of this possibility within the framework of bilateral expert groups, work in this area was suspended. In 2006, the EU once again voiced the initiative to resume FTA negotiations as soon as Russia acceded to the World Trade Organization (WTO). However, because of the protracted negotiating process for Russia to join the WTO, as well as for political reasons, the parties failed to make any progress in their FTA endeavor. The idea of creating a free trade area spanning “from Lisbon to Vladivostok,” between the EEU and the EU, which has become increasingly relevant in the light of the promotion of Eurasian integration, is a matter of distant future for some technical, political, and economic reasons¹⁰.

First, any FTA negotiating process between major interstate associations normally takes many years. A free trade area presupposes the removal of excessive limitations in mutual trade, absence of discrimination, and approximation of the regulatory systems in the key areas, specifically in customs and technical regulations. To compare, work on the text of the Deep and Comprehensive Free Trade Area (DCFTA)¹¹ agreement between the EU and Ukraine took more than five years.

Second, for purely political reasons, there is no speaking about the commencement of the negotiating process. Following the annexation of Crimea and escalation of the conflict in Donbass, the relationship between the EU and Russia sharply deteriorated, while the FTA work calls for a favorable political environment. The normalization of the bilateral relations and restoration of trust will take many years. Because Belarus is part of the EEU, the European Union will have to reach the consensus on the Belarusian issue in order to ultimately conclude an FTA with the EEU. Since the freezing of the ratification process for the PCA between the EU and Belarus in 1996, the EU member states have not voiced any serious intention to resume the process. Inasmuch as the European Union may be more interested in the creation of a deep free trade area and simultaneously concluding a framework political agreement (similar to the EU–Ukraine Association Agreement), rather than in the formalization of the process, this would call for a dramatic change in the EU's policy on Belarus.

Third, the very structure of trade between the blocs challenges the feasibility of such an agreement and removal of protective barriers by the EEU. The thing is that energy products prevail in the EEU's export supplies to the EU, whereas the EU's export deliveries to Russia are mostly represented by industrial products,

¹⁰ See a more detailed article on the potential FTA between the EU and the EEU at <http://nmnby.eu/news/analytics/5842.html> [in Russian]

¹¹ Provides for the abolition of customs tariffs and quotas, as well as large-scale harmonization of laws, norms, and regulations in various sectors of the economy.

which are characterized by enhanced competitiveness. Another difference in the negotiating positions between the EU and Russia that will likely emerge as soon as the free trade area deal between the EEU and the EU has been placed on the agenda, is the terms and conditions of cooperation in the energy sector. The EU's priorities lie in the opening of access to Russian energy resources, their transportation and distribution. The position of the Russian side was that it believed the energy sector should not be singled out in the potential FTA¹².

In case of an expanded agreement on cooperation in the political sector and security between the EEU and the EU, unfriendly actions by one of the parties with regard to (the values of) the other party would be somewhat less likely. Regular meetings and consultations in various formats would contribute to building mutual trust and making more balanced decisions. However, in the cases, which can be perceived by either party as affecting exclusive national interests or interests of the interstate community, it would be naïve to hope for the complete elimination of conflicting activities.

FTA with Vietnam: the first robin

The FTA signed by the EEU and Vietnam on 29 May 2015 will come into effect two months after its ratification by all of the parties. It will likely become operational in early 2016. Because it is the first agreement of this kind for the EEU, it has a certain symbolic significance. The agreement can hardly be referred to as a breakthrough; it is rather a quite cautious deal.

First, the parties to the agreement will preserve the tariff protection of their most sensitive (i.e. least competitive) categories of goods and agreed transition periods and exclusions for up to 10–15 years. For example, the EEU will maintain its tariff protection of such categories of goods as textile coats, suits, and jackets. For less sensitive goods (shirts, blouses, dresses, trousers, skirts, underwear, sweaters, children's wear) it is planned to use a special trigger mechanism that allows imposing rates and duties at the level of the Single Customs Tariff of the EEU in case of a market threat. If zero-rated import duties had been applied to all categories of Vietnamese-made clothing, many textile producers in the EEU would suffer from a serious blow. Vietnam, for its part, also managed to preserve very high rates applied to selected categories of goods, including vehicle sets.

Second, the portions of the agreement pertaining to services, mutual investments, labor turnover, and exchange of technologies only apply to Russia and Vietnam, whereas the rest of the EEU member states may optionally join them in the future. So far, only the FTA part with regard to trade in goods will be binding on all of the EEU member states.

Frozen Talks: New Zealand and EFTA

The negotiations between the EEU, on the one part, and New Zealand and the European Free Trade Association (Iceland, Lichtenstein, Norway, and Switzerland), on the other part, were frozen by the decision of the latter party following Russia's annexation of Crimea. It was the faraway island nation that was the first one to seek to promote the FTA idea with the Customs Union, having a fundamental interest: it is looking for ways to have more favorable conditions for the export of its dairy products to the Russian market.

Negotiations between New Zealand and the member states of the Customs Union of the Eurasian Economic Community (EurAsEC) started back in November 2010. The most recent of the eleven rounds of talks was held in Moscow in February 2014. The joint Roadmap for FTA negotiations included the deadline for experts to finalize the negotiations – late 2011¹³. It had been planned that, just like for the FTA concluded with Vietnam, the trade portion of the agreement would be binding on all of the Customs Union members, whereas when it came to trade in services, investments, workforce turnover, and intellectual property, Belarus and Kazakhstan would decide on their own whether to accede to the deal or not.

12 Sergey Kulik. Russia – European Union: on the divergence of the “strategic partnership.” Institute for Contemporary Development, June 2012 [in Russian]

13 Joint Report to the Ministers by the expert teams of Russia (MED) and New Zealand (MFAT), FTA Roadmap document, 5 October 2010, http://www.mfat.govt.nz/downloads/trade-agreement/rbk/NZ-RBK-FTA_Roadmap_document.pdf

The FTA negotiating process with New Zealand was at its final stage, when the project was frozen. In early March 2014, Minister of Trade of New Zealand, who had been working on the FTA arrangements for three years, was recalled from Moscow on the instruction of Prime Minister John Key, who said: *“The tragedy of that is we’ve been working on this . . . for three years and in fact, [Minister of Trade] Tim Groser had been in Moscow, negotiating the FTA and we’d been inching closer to a deal... But in the end I don’t think this would be the right time for us to be signing a free-trade agreement.”*¹⁴

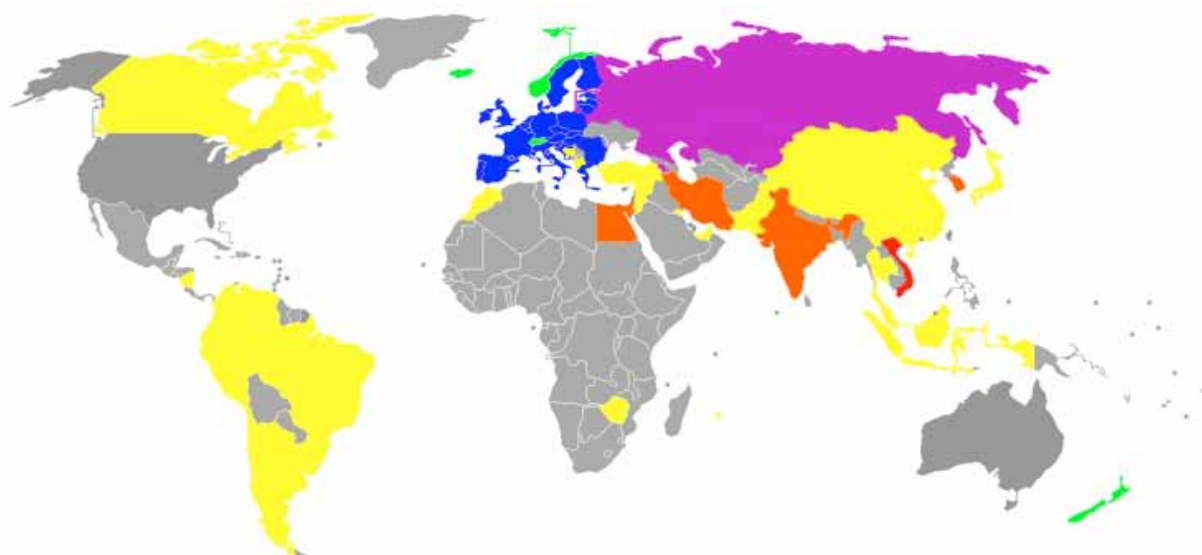
Dairy producers – both Russian and Belarusian – were the ones most concerned about the FTA with New Zealand. That country is the world’s largest exporter of dairy goods, and its dairy industry is the most effective on the planet. If the bloc and New Zealand reach a deal, Belarusian dairy makers will be faced with a much tougher competition in the Russian dairy market. Moreover, according to Vladimir Labinov, director of the animal breeding department at the Russian Ministry of Agriculture, Belarusian dairy producers will be at risk more than their Russian counterparts: *“Import shares will be redistributed, and New Zealand will have a larger market share, while Belarus will see its share dwindle, mostly in the segments of high-quality powder milk for the confectionary industry. It is Belarus, rather than Russia, that is threatened.”*¹⁵

FTA talks with other countries

As is known, as of today, about 40 countries of the world have shown interest in establishing preferential trade regimes with the EEU. Once a corresponding application is submitted, the Eurasian Economic Commission forms an expert group, which conducts preliminary analysis of the feasibility of an FTA. If an FTA is deemed viable, joint research groups begin their work. This work is currently underway with Israel, Egypt, India, Iran, and South Korea.

The Eurasian Economic Commission has signed special memoranda envisaging joint work on free-trade agreements with some countries (Mongolia, Chile). When it comes to many other countries, the only available information is about either their preliminary intention or interest to investigate such a possibility.

Diagram 1. The EEU and prospective FTAs



¹⁴ Kirk S. Kiwis to Sochi, FTA on hold amid Ukraine crisis. Stuff.co.nz, March 4, 2014, <http://www.stuff.co.nz/national/politics/9785917/Kiwis-to-Sochi-FTA-on-hold-amid-Ukraine-crisis>

¹⁵ Fonterra does not undermine Russia’s reliance on its own dairy products. Dairy News agency, 6 February 2013, <http://www.dairynews.ru/processing/fonterra-ne-ugrozhaet-samoobespechennosti-rossii-m.html> [in Russian]

Map: blue – EU, violet – EEU, red – countries, with which the EEU has concluded an FTA (Vietnam), yellow – countries that have expressed their interest in having an FTA, orange – countries, with which joint research groups have been formed; green – countries, with which previous FTA talks have been frozen. Developed by the author

Apparently, for some countries, including Syria, a trade agreement with the EEU is more about politics than economics. In July 2010, during his visit to Minsk, President Bashar al-Assad for the first time voiced the idea of an FTA with the Customs Union of the EurAsEC. In the joint declaration by the heads of Belarus and Syria, Minsk supported *“the aspiration of the Syrian side to form a free-trade area between Syria and all of the member states of the Customs Union.”* The issue was discussed in February 2013 by the Syrian minister of economy and the Belarusian ambassador to Damascus.¹⁶

An FTA between Syria and the Customs Union would have little economic sense. They mostly cooperate in the military and technical sector, for which any change in tariffs within any free-trade areas is a pure formality. At the same time, trade in industrial goods is insignificant. According to BelStat statistical service, Belarus exports up to USD 40 million worth of goods to Syria annually. Non-alloy steel and non-alloy steel products account for most of the supplies. Syrian export to Belarus amounts to less than USD 10 million, and to Russia, less than USD 50 million. In other words, the abolition of tariffs in the two-way trade is unbeneficial for Syria, whereas benefits for Belarus and Russia are marginal.

For official Damascus, an FTA would mean an insignificant budget loss caused by a reduction or abolition of tariffs on some categories of imported goods; however, such a deal would boost its internal legitimacy, which is crucial amid the dragged-out civil war. For Russia such an accord would become an additional indirect form to express its geopolitical interests.

Conclusion

The EEU has so far made modest FTA progress: such a trade regime with Vietnam will only become operational in early 2016 at the earliest, whereas the rest of FTAs (probably with the countries, with which joint research groups have already started their work – Israel, Egypt, India, Iran, and South Korea) – will likely be launched no sooner than 2017. There is no chance the negotiations with New Zealand and the European Free Trade Association (Norway, Switzerland, Iceland, and Lichtenstein) will continue before the political relationship between Russia and the West fully normalizes, which can take many years. According to some forecasts, in a decade’s time, the lion’s share of the global economy (up to 80%) will be conducted within free-trade areas. In its struggle for a larger share of the world’s export the EEU needs to put more effort in removing trade barriers and concluding FTAs with foreign countries.

¹⁶ See a more detailed article on FTA prospects between Syria and the Customs Union: <http://nmnby.eu/news/analytics/5078.html> [in Russian]