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The World HandCOV'd: EAEU: new/old post-COVID-19 strategy

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Key takeaways

- The COVID-19 pandemic, in combination with its aftermath, has identified new challenges for the EAEU that the bloc appears to be institutionally and functionally unprepared to address.
- Mechanisms to curb the pandemic have been developed and implemented at the level of nation states with the minimal involvement of the EAEU institutions.
- Throughout the pandemic, the incompleteness of the single economic space and inefficiency of its institutions proved to be quite painful for the EAEU.
- The plunge in oil prices, curtailment of consumption, market contraction, unbalanced development of industries, increasing need for enhanced resources to ensure healthcare and economic security, and complex political processes in the member states have all threatened the sustainability of the EAEU.
- In the post-COVID-19 period, the EAEU will maintain its chief development priorities that have emerged in recent years; at the same time, the pandemic and its implications have given rise to both challenges and opportunities for technological breakthroughs.
- The alignment between the EAEU and other post-Soviet integration projects needs to be revisited. Specifically, an important task for the bloc and its member states is to maintain the necessary "balance" between integration groups.
- A main task on the external contour is for the EAEU to be better prepared for tougher competition between individual states and economic associations.

EAEU at six

The Eurasian Economic Union has marked its sixth anniversary at quite a difficult time. It is currently the most dynamic integration project in the post-Soviet space and its economic essence corresponds to the liberal–market paradigm. The fundamental documents of the EAEU are altogether in line with contemporary globalization and integration trends and include international best practices of integration associations, as well as the experience of previous attempts of post-Soviet integration.

In spite of the twenty-five-year track record of Eurasian integration (it was originally institutionalized back in January 1995, when Belarus, Kazakhstan and Russia signed an agreement on the Customs Union), only the basics of an economic union have been formed within the EAEU so far: a customs union is operational (with limitations), the main principles of the single economic space are being put in place, and mechanisms for engagement with other integration associations and states are being formed. The Customs Code of the EAEU, which came into effect on 1 January 2018, draws on contemporary international standards, and its application has made it possible to accelerate and simplify export/import operations by the member states. The EAEU is implementing digitalization programs, has introduced a transition model for the common electricity market, and is working to form common industry markets.

Some challenges persist, though: unbalanced development of the economies of the member states; low share of mutual commodity trade in the EAEU's combined foreign trade and large share of raw materials in mutual trade; barriers, exemptions and limitations that still remain in the common market. The common market for natural gas, crude oil and oil products is an issue that hardly makes any progress. Russia and Kazakhstan are the two major energy exporters; Armenia, Belarus and Kyrgyzstan rely heavily on crude oil and natural gas imports, which brings about one of the fundamental contradictions within the EAEU.

> The supranational powers of the EAEU institutions are a debatable issue. Difficulties in the evolution of the EAEU reflect a variety of imbalances and controversies inherent in the region as a whole and are not critical for the integration trend.

Priorities of the Belarusian Presidency and the pandemic

The Belarusian presidency in the EAEU in 2020 pursues ambitious goals, which are projected to form the action plan for the next five-year development period. The agenda proposed by Belarus focuses on:

- Activities designed to move over to a single/common policy on manufacturing, agriculture, energy, and transport;
- Establishing common energy, financial and transport markets;
- Ensuring a level playing field for businesses;
- Implementing an efficient social policy.

One of the declared priorities was the complete elimination of barriers, minimization of exemptions and limitations in the EAEU markets, as well as the prevention of new types of obstacles.

The toolkit to address the planned targets comprises improvements in the institutional structure in the context of enhanced supranational authorities of the Union's agencies; development of contemporary technical regulations; implementation of a state-of-the-art digital agenda; intensified collaboration between the EAEU and other states and regional associations.

> The COVID-19 pandemic has made it clear that the bloc is unprepared (and so are other associations and states, anyway) for challenges of this kind.

Country-level tactics aimed at overcoming the pandemic prevailed within the EAEU, which were poorly coordinated at the interstate level and had different implementation patterns. The leadership of the Russian Federation, Kazakhstan and Armenia decided to impose strict quarantine measures, including border closures. Belarus placed emphasis on the system of highly specific controls deciding against mass quarantine arrangements. Border closures in order to curb human mobility and attempts to close markets – which are the cornerstones of integration – hurt the image of the EAEU, whereas differences in the approaches of its member states to countering COVID-19 caused additional difficulties for the bloc's operation.

In parallel with the pandemic, and eventually as one of its consequences, a tangle of problems emerged, triggered by the drop in oil prices due to disagreements between the parties to the OPEC+ deal and the decline in consumption. This produces a severe impact on the economic interests of EAEU members, primarily Russia. Under these circumstances, there is a risk that the Russian leadership will implement a national action plan that will objectively run counter to the interests of other members of the association, first and foremost those that depend on Russian crude oil and natural gas supplies (Armenia and Belarus). The said difficulties may lead to the postponement of the establishment of the common oil and gas markets in the EAEU.

> Lower living standards, the change of public consciousness under the impact of the pandemic and reformatted employment have brought about long-term challenges for the elites of the EAEU member states, with efforts to overcome them in most cases seen as more of a national endeavor.

Initially, at the level of the EAEU institutions there has been a deficit of real activities to counteract the pandemic and attempts to coordinate the initiatives of the national governments. The statement by the EAEU leaders made in April was a political declaration, which confirmed the willingness to continue working together to remedy the negative consequences of the COVID-19 outbreak. The EAEU announced a package of measures aimed at preserving macroeconomic stability, meeting the vital needs of the population, maintaining mutual trade and freedom of the movement of goods, as well as creating a framework for economic recovery and further development.

The member states declared the need to assist each other, strengthen the healthcare systems and improve engagement in response to the epidemic. Decisions were made to impose a temporary ban on the export of personal protective equipment, disinfectants, medical products and materials and certain types of foods from the EAEU. At the same time, customs procedures for imported medical products and certain food categories were simplified.

The pandemic also coincided with major high-profile political developments in a number of member states. In Russia, public attention was centered on the referendum to amend the Constitution, whereas in Belarus the focus has been on the presidential elections. Integration issues under these circumstances were naturally pushed to the sidelines. Moreover, in many cases, integration-related issues were criticized in the course of political debate and even sacrificed for the sake of short-term benefits.

Areas for strategic development

In May, the leaders of the EAEU member states approved in substance the strategic priorities of integration development for the period to 2025, and thus sent a sufficiently clear message, in which they confirmed their commitment to the basic principles of Eurasian integration. The EAEU in the post-coronavirus period will seek to maintain the momentum that had been gained by 2020. At the same time, the member states will need to take a cautious approach to any new trends in the Union's activities. First of all, this concerns such initiatives as the strengthening of supranational institutions and having a common currency. The member states will likely try to find solutions to the economic predicament caused by the pandemic and other factors mostly within the national

frameworks. Such an approach is also due to the fact that the pandemic has exposed the limited capacity of the EAEU as a whole and of Russia as the locomotive of integration in assisting the partner countries in the face of the new challenges.

> The troubles caused by the pandemic, falling energy prices, contraction of the global and regional markets, and reformatting of the labor market – all of these will have an impact on the EAEU members and the bloc itself in terms of new development drivers, shift of the unilateral focus on raw materials, and advancement of high technologies.

It appears that the materialization of these trends amid the "division of labor" between supranational and national agencies will serve as an additional impetus to the development of the EAEU, enhancement of its efficiency and appeal.

Combining the EAEU with other integration projects in the post-Soviet space needs to be revisited; maintaining the necessary balance of integration groupings seems to be one of the important tasks of the association. The CIS as the framework post-Soviet structure has a well-established development trajectory and, given the attained level of economic integration in the form of a free trade area, effectively complements the EAEU.

The Union State of Belarus and Russia as a unique project and a sort of a "laboratory" of post-Soviet integration has certainly reached a certain point in its development. In September 2019, the heads of government of Belarus and Russia initialed an updated action plan to implement the provisions of the 1999 Treaty and approved a list of "road maps" outlining the main directions for the establishment of the Common Economic Area. The most heated discussions focused on the oil and gas price formation, removal of barriers to the access of commodities to domestic markets, terms of offering support to manufacturers, taxation policy, as well as the establishment of the supranational institutions of the Union State.

Throughout 2019, negotiations between Belarus and Russia were accompanied by a media campaign centered on the possible inclusion of Belarus into the Russian Federation. The media actively discussed the possible forms of the ultimate unification of the two countries – from the "power" scenario and "absorption" of Belarus to the creation of an integration association envisioned in the 1999 Treaty on the Union State. The possibility of Belarus's withdrawing from integration associations was not ruled out, either. In any case, in the foreseeable future, urgent tasks that will need to be addressed by integration projects in the post-Soviet space will include improvements in the economic and social efficiency and demonstration of opportunities to improve living standards.

> The incompleteness of the EAEU as an integration project and the difficulties of its operation due to the pandemic spawn restrictions not only for deeper integration, but also for the expansion of the union.

The decision of the Uzbek parliament to join the EAEU as an observer state can be viewed in this regard in two ways: as a prospect of joining as a full member, and as the establishment of an "advanced" partnership project with no membership ambition.

The post-COVID-19 world order is expected to be harsher and more heavy-handed; competition, primarily technological, will become fiercer. Under such circumstances, one of the development scenarios for individual states, especially smaller ones, is to seek stronger integration to form a sustainable regional market capable of ensuring the requisite level of economic security. In this context, the prospects of the EAEU are deemed optimistic. At the same time, the preparedness of the EAEU for the stiffer competition between states and economic organizations as a long-term trend is quickly moving up the agenda. Important tasks for the EAEU are to ensure a stronger position in the international scene, minimize negative factors in international relations, and mold a system of engagement with other actors.

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