



Eurasian Economic Integration: Between Absolute and Relative Benefits

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Introduction

The Eurasian Economic Union (EAEU) is in many respects a unique project as it has been created by means other than ‘iron and blood’. Eurasian integration is an example of a rational choice in favour of an advanced intergovernmental cooperation aimed to strengthen national sovereignty. Therefore, the formation and further promotion of the Eurasian integration is voluntary, rational, and economically motivated cooperation between sovereign states. This is the only scientific framework and political reality for the Eurasian integration to be examined. The main purpose of the integration is to contribute to the strengthening of the member states’ national sovereignty.

Eurasian economic integration is a process that did not emerge all at once, nor did it come into being as a consequence of a political decision related to some external or internal circumstances. Despite an upcoming milestone – the fifth anniversary of the EAEU Treaty (to be marked in 2019) – it would be a distortion to reduce analysis of Eurasian integration to this alone. The EAEU is based on a comprehensive effort to promote the cooperation and co-development agenda in the Eurasian space. This work began 25 years ago and has consistently embraced ever new lines in cooperation.

History of Eurasian integration

1994 – President Nursultan Nazarbaev of Kazakhstan suggests establishing a practical, economically interconnected union of states in the Eurasian space;

1995 – The Republic of Kazakhstan, the Republic of Belarus, and the Russian Federation sign the Agreement on the Customs Union (CU) aimed at removing obstacles to free economic interaction between the parties’ businesses;

1996 – The troika countries and the Kyrgyz Republic sign the Treaty on Deepening Integration in Economic and Humanitarian Areas;

2001 – The Eurasian Economic Community (EurAsEC) is established;

2003 – The Agreement on Forming Common Economic Space is signed;

2007 – Treaty on the Establishment of the Single Customs Territory and Formation of the Customs Union is signed;

2010 – The Customs Union starts to operate;

2012 – Common Economic Space is established;

2012 – The Eurasian Economic Commission (EEC) is launched;

2014 – Treaty on the Eurasian Economic Union (EAEU) is signed;

2015 – The EAEU is launched.

The past five years have seen Eurasian economic integration climb to a qualitatively new level and accumulate a number of achievements, if no fewer problems. These achievements and problems require a rethinking, and later an upgrade of the integration project, both on the everyday integration agenda and the Eurasian integration strategy level. This will be a look into the EAEU member states' ability to respond promptly to internal and external challenges, considering that the external challenges and internal needs of the Eurasian Five are dynamic and changeable.

The Main Road Fork in Eurasian Integration

A collision of interests is always part of any integration process, growing more dramatic and multidimensional the more comprehensive an integration endeavour becomes. This is particularly clear from the record of the most advanced integration project in history, the European Union, which saw periods of 'eurosclerosis', direct sabotage by member countries (e.g. a six-month boycott of the European Commission in 1965–1966 by France), and the failures of the constitutional referendum in the Netherlands and France in May 2005. The main fork in the road for Eurasian integration today is the lack of convenient 'integration scales': a deeper integration implies more heated conflicts, and it becomes more difficult to gauge the effects of integration decision-making. However, the main advantage of the existing situation is that it is natural.

It is important to understand that states involved in an integration process will cooperate in any event, albeit focusing on either absolute or relative benefits. Participants in an integration plan are constantly choosing between absolute benefits (needed by and useful for all participants regardless of their contribution) and immediate relative benefits. If the focus is on relative benefits, the natural inclination is to get more than the other states (i.e. one's own gain is only measured against what is obtained by the others). If absolute benefits are prioritized, the aim is to gain more than with no integration at all. The former implies that conflicts are analysed in isolation from other processes (the use of discriminatory measures against partners), while the latter in essence implies putting a problem into a wider integration context (phytosanitary regulation vs signing a free-trade area (FTA) agreement on more lucrative terms as a member of a major common market).

A Balance of Absolute Benefits in the Eurasian Integration Context

On May 29, 2014, the Treaty on the Eurasian Economic Union was signed. Over almost five years, the EAEU has travelled a long way and came into its own as an international integration bloc. Under the EAEU Treaty, the Union provides for the free movement of goods, services, capital, and workforce as well as for a coordinated, agreed upon, or unified economic policy. This means that the Treaty is aimed at modernizing the cooperation environment for the member states as a source of integration benefits.

The key obstacle to this is the 'sovereignty trap' inherent in any integration platform, where EAEU countries, while creating and consolidating institutions, are afraid of losing the final say on strategic decision-making. In fact, the Union has proven to be a potent means helping to strengthen the member states' sovereignty. First, smaller countries can veto decisions falling within the Union's purview, that is, decisions related to a much more powerful partner, Russia. Second, the EAEU member states can rely on their combined might while dealing with outside partners like China, the EU, the US, ASEAN, etc.

It is also a clear and absolute priority for all members to increase the capacity of the common market through integration. For example, the combined volume of trade, one of the most representational indicators in any integration project, grew in the EAEU member states by 9.2% to \$59.7bn in 2018 over 2017. A number of industries contributed to the growth, including mineral resources (up 14%), textiles (13.6%), engineering products, equipment and vehicle manufacturing (12.1%), metals (8.6%), agriculture (5.2%), and chemicals (4.7%). Compared with GDP growth rates (1.9%) and industrial production growth rates (3.2%) in the EAEU zone, the dynamics of integration cooperation is clearly ahead of national economic dynamics. This means that the EAEU is a real growth booster for the member states. Internal trade growth rates are also ahead of GDP and industrial production growth rates in each EAEU country. These dynamics are explained by the logic of the integration process as defined by the EAEU Treaty.

Each member country has received benefits since the moment it joined the integration process, but at the first stage these were not often viewed as relative, i.e. none of the countries had the aim of gaining more than its partners at any cost. For example, the positive consequences of EAEU membership for Russia were that Kazakhstan accepted its high import tariffs; an additional positive spinoff came from Armenia and Kyrgyzstan, which also accepted Russia's import tariffs. Although this impact is limited, it will expand along with the growth of the internal market.

If the focus is on relative benefits, the natural inclination is to get more than the other states. If absolute benefits are prioritized, the aim is to gain more than with no integration at all

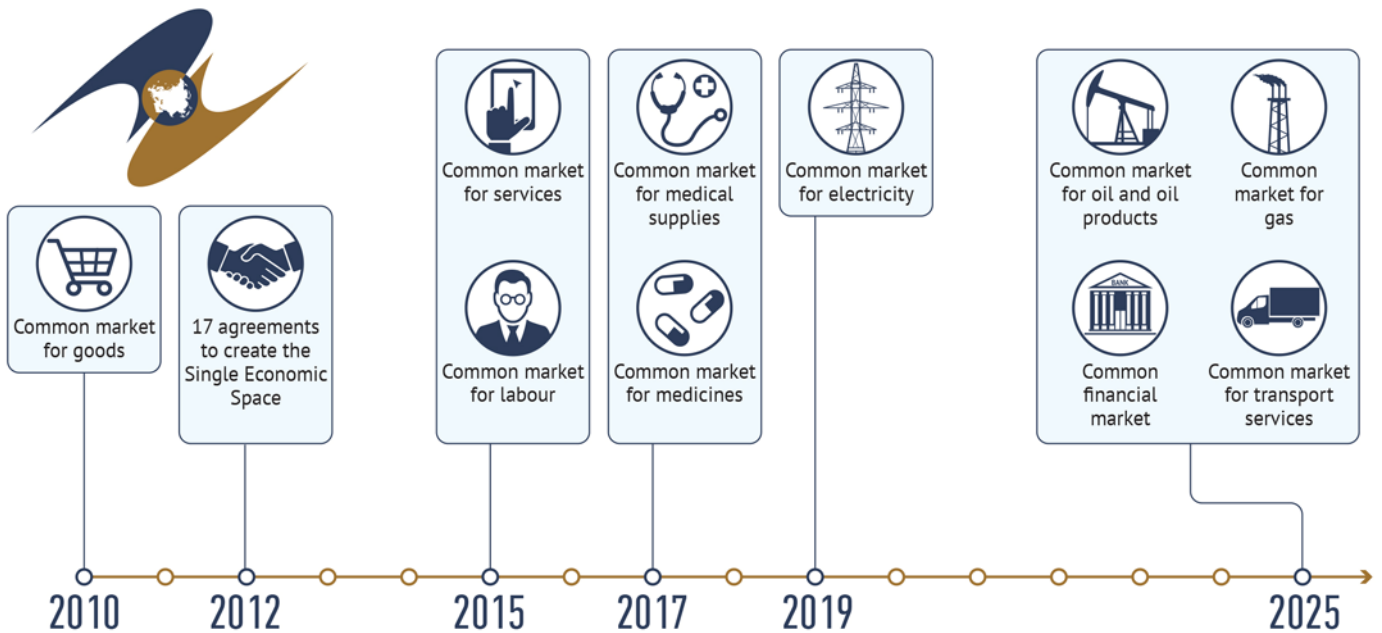
In the case of Belarus, the positive short-term economic effect in trade proved less important because, from the Belarusian point of view, the EAEU does not exceed the Union State's potential by much. Nevertheless, Minsk received certain other benefits from Russia through various instruments under its accession to the EAEU. Specifically, Belarusian businesses were allowed to access state procurement in Russia and the EAEU as a whole.

For Armenia, Kazakhstan, and Kyrgyzstan, the expected positive effects (better access to markets in member countries, a surge in exports within the EAEU) were also the most significant, given the size of their economies and the lack of bilateral integration formats with Russia in previous years. Even though they have yet to reach their plenitude, the existing EAEU barrier identification mechanisms and decision-making mechanisms already serve to accelerate and consolidate these countries' trade and investment ties with Russia and Belarus, defend their national interests, and build up their competitive advantages, primarily with an eye to promoting joint exports.

Armenia received the most notable financial benefits after joining the EAEU, primarily due to better conditions for trade with Russia (minus export tariffs on gas and diamonds). At this point, the country is showing confident growth rates in trade and cooperation with other EAEU member states as well. In 2018, Armenia's exports to the other EAEU countries increased by over 20% as compared to 2017.

Kazakhstan's current priority is to attenuate the consequences of the upcoming global economic slow-down predicted by leading institutions. In 2018, the EAEU demonstrated high economic development rates and

COMMON MARKETS OF THE EAEU



a surge in trade, both inside and outside the Union. The Eurasian Economic Commission (EEC) has established 14 industrial platforms and selected over 100 joint projects that are already in progress. Thus, possible negative effects for Kazakhstan could be minimized based on cooperation under EEC auspices.

Prior to joining the EAEU, Kyrgyzstan analysed the possible consequences of this step for its macroeconomic indices. The forecasts were positive, but its accession occurred at the same time as a plunge in oil prices that entailed a dramatic decline in economic indicators in the partner countries. Nevertheless, the forecast figures proved correct even under those circumstances. Moreover, it has become clearer over time that an almost optimistic scenario is being implemented. Kyrgyzstan has boosted light industry production, manufacturing, mining and other industries. The country's accession to the EAEU involved tariff preferences on 166 export commodities, promoting positive dynamics and the launch of investment projects. The Russian–Kyrgyz Development Fund is noted for high performance. Kyrgyzstan's politicians say that its accession to the EAEU has changed foreign trade regulation procedures and mechanisms and promoted contacts between businesses in partner countries. The accession-related effects and expected dividends from participation in the EAEU have been expressed in the growth of exports to the EAEU countries (by 5% in 2018) and a real improvement in living standards resulting from cooperation in the common labour market.

Some Examples of Absolute Benefits Generated by Eurasian Integration

One of the most important changes concerned customs procedures, introduced into the Customs Code, which came into effect on January 1, 2018. First, this eased customs procedures, no longer requiring documents to fill out a customs declaration. Second, e-document management has replaced paper. An e-declaration is envisioned by default, but on certain occasions declarations need to be submitted in writing. Some cases in point are goods sent by international mail, personal effects, customs transit, or vehicles used for international carriage. Third, it takes less time to clear goods, the maximum timeframe for export clearance being four hours after a customs declaration is registered (instead of 24 hours under the earlier arrangement).

Generally, the new EAEU Customs Code (effective January 1, 2018) has provided additional opportunities for business cooperation between the five countries, given that its logic is suggested by respective national interests, EAEU goals, and the interests of businesses that already find it easier to engage in foreign economic activity, including interaction with EAEU partners.

A new feature, which is of particular importance to consumers, is the EAEU pilot programme for a warning system on unsafe products, or products that are at variance with EAEU technical regulations. This system was conceived as part of the EAEU integrated information system. Identified unsafe products or products manufactured outside the technical regulations can be withdrawn from distribution, including across the whole EAEU territory. The pilot programme is based on five EAEU technical regulations.

Some other achievements are positive shifts within EAEU common legislation. For example, in late 2018 the EEC Collegium approved a number of decisions on customs cooperation, technical regulation, and economic

In fact, the Union has proven to be a potent means helping to strengthen the member states' sovereignty

digitalization. A consistent effort is made in the regulatory, certification, and standardization areas, with over 25 Eurasian regulations introduced to date. The EEC has established the first venues for business communities to discuss various issues within the framework of existing formats, including the Business Council, Business Dialogue, and online formats.

Overall, it is clear that the EAEU is working to implement its goals in a somewhat reserved, if logical, way. There is consensus on the premise that it is more beneficial and safe to compete cooperatively in external markets. Therefore, joint ventures, industrial cooperation, access to infrastructure and financial resources within the EAEU are potentially a major competitive advantage for all members both inside and outside the organization.

The External Dimensions of Eurasian Integration

Despite its young age, the EAEU is today the world's second strongest regional union in terms of integration depth and Greater Eurasia's sixth most populous market. This is the longest single customs zone in the world and home to all main land routes between Western Europe and Asia. At the same time, under the EAEU Treaty, its main executive body, the EEC, has a mandate for all trade negotiations, which means that not a single bilateral FTA agreement can be signed by a member in circumvention of the EAEU. Accordingly, EAEU membership is a competitive advantage for any national infrastructure or logistics project that is orientated towards transcontinental transit based on barrier-free access to EAEU neighbours.

As of now, the EAEU has signed one FTA agreement with Vietnam (2015), which will take about seven more years to be implemented in full. In the meantime, trade liberalization negotiations could be launched with ASEAN based on this agreement, given compliance with certain EAEU conditions. Talks with Serbia were completed in April 2019 and an FTA agreement is expected to be signed in October of this year (2019). A similar deal with Singapore is at the final stage. Several other countries, with which the EAEU is establishing economic ties, are

waiting their turn. It should be noted that cooperation with foreign partners has gone beyond the trade agenda. Since 2015, it is the EEC that has been building up alignment between the EAEU and China's Silk Road Economic Belt initiative, which implies coordination in infrastructure, transport, and other spheres.

The last five years have seen the EAEU and its five members strengthen their international status by establishing official relations with foreign countries, integration blocs, and international organizations. For example, memorandums of understanding have been signed with MERCOSUR (Southern Common Market, a South American trade bloc), the General Secretariat of the Andean Community of Nations, the Latin American and the Caribbean Economic System, and ASEAN. The EEC has been promoting cooperation with the UN and World Trade Organization (WTO). It also regularly attends G20 meetings and has granted the observer status to Moldova.

The EAEU is working to implement its goals in a somewhat reserved, if logical, way

Thus, much progress in terms of Eurasian integration has been achieved during the first five-year period, which has made it possible to strengthen the sovereignty of the member states and scale up their international positions by promoting multilateral cooperation formats. Nevertheless, the new economic and institutional integration environment has not eliminated infighting between national governments over relative benefits, infighting that often has nothing to do with market competition and is a Eurasian integration 'spoiler'.

Fighting to Gain Relative Benefits

Although the EAEU countries have announced deeper Eurasian integration and the organization of barrier-free common markets involving minimal number of restrictions and exemptions as their priorities, there is a clear trend towards stepping up the protection of national segments within the common market. This is due, among other things, to country-specific development priorities

included in strategic planning documents that concentrate on promoting exports and increasing the share of national exporters to external markets, including the EAEU market.

An additional factor that aggravates the situation is the weak diversification of the EAEU states' trade nomenclature. As of today, mutual trade is based on three categories of goods – minerals, machines and transport vehicles, and food – which account for over 62% of trade within the Union. This limited pattern of trade leads to internal rivalry. There is nothing wrong with rivalry per se. On the contrary, rivalry creates opportunities for market development and fills the market with reasonably priced high-quality goods. But all economies differ in size and this is a factor that often prompts national governments to use various discriminatory measures, something that entails trade disputes within the EAEU, which have been recorded in all neighbouring EAEU countries. In the majority of cases, contention surrounds agriculture products and processed food, and therefore bans imposed by related monitoring bodies are the most frequent tool used to erect a barrier.

One example is the milk and meat wars between Russia and Belarus, which gained notoriety after 2014, when the Russian embargo on Western products made it possible for Belarus to build up its own exports. There are similar meat trade problems between Russia and Kazakhstan, with both countries imposing restrictions or bans on imports. The main reasons, apart from product quality, are the possibility of identifying the origin of a raw material and production sites in Kazakhstan as well as the fact that the Kazakhstani digital veterinary certification system is not integrated with Russia's MERCURIUS State Information System.

Achieving particular attention was a customs dispute between Moscow and Minsk in 2017, when Belarus confiscated a consignment of household appliances being transited from Kaliningrad, Russia. Acting on a Russian suit, the EAEU Court ruled that Belarus 'failed to implement in full the treaty on free movement of goods'. The fact that the two countries referred their dispute to the EAEU Court, the first and so far the only case of this kind in EAEU history, was a test of sorts for the institutional mechanism of checks and balances. Passing a ruling in favour of Russia was an uphill struggle. Belarusian judges wrote

dissenting opinions insisting that the court lacked jurisdiction in the dispute and that, accordingly, the final decision was made *ultra vires* (adopted without legal authority).

Thus, the EAEU lacks effective mechanisms for solving customs and trade disputes, mechanisms that make it possible to prevent protectionism with regard to producers from one country. If the current institutional and legal vacuum as well as interstate differences persist, the Eurasian Five risk straying from their original goal of achieving an absolute gain in the interest of all integration parties.

Risks of Abandoning ‘Absolutism’

Although, at first sight, relying on immediate relative benefits is a rational approach, an integration project is doomed to collapse if absolute advantages (often implying deferred benefit) are not taken into consideration. In the game theory, this is a classic example of how maximizing benefits at the moment ultimately leads to an irrational result, with all participants gaining fewer benefits at the end of the entire decision-making cycle.

The problem for the participants in Eurasian integration is that in a situation where the international economic system is rapidly falling into regional megablocs, the putative failure of the Eurasian integration project will put all countries, even large countries like Russia, in an extremely vulnerable position. Abandoning Eurasian integration principles in favour of a ‘Eurasian stand-alone’ stance will soon end any chance of upholding national economic interests in relations with third countries and blocs, primarily China and the EU. It will increase cooperation costs, reduce the ability to participate in devising trade standards and rules, and dramatically curtail diversification of international cooperation.

A solution favourable for the Eurasian Five might be the parallel use of the two foreign economic strategies that have proved their value as effective profit maximizing tools, specifically, balancing for profit and voluntary institutional binding.

Balancing for Profit

The balancing for profit (BFP) strategy is an extension of some countries' policy to diversify economic and diplomatic ties in order to avoid an asymmetric dependence on a more powerful partner, to leave room for foreign policy manoeuvres, and thus maintain national sovereignty. In this case, the profit maximization policy, as applied to small and medium-sized countries, can be most effectively implemented through their involvement in large-scale economic initiatives, projects and megaregional trade agreements (MRTA). A case in point is Australia engaged in an act of active balancing between the US and China, Canada, Chile, Brazil, and a number of other nations.

However, the most successful balancer among small and medium-sized countries is Vietnam. Despite periodic aggravations from political differences with China, Vietnam has no intention of joining formal alliances with the United States, which would jeopardize the benefits of its comprehensive strategic partnership with China and, primarily, the high level of bilateral economic cooperation. After all, China is Vietnam's key trade partner, with trade between them standing at \$146bn in 2018. At the same time, Vietnam, to avoid financial and economic dependence on China, has been building cooperation with other countries. Currently, the United States is Vietnam's second biggest trade partner after China (over \$60bn) and a key market for Vietnamese products (19% of its total exports).

South Korea and Japan are the biggest sources of direct foreign investment in Vietnam (\$15.5 and \$9.2bn, respectively, between 2013 and 2017). Japan is also the main donor of official development aid to Vietnam. According to the latest statistics released by the Japanese Ministry of Foreign Affairs, Tokyo granted Hanoi \$17.2bn in aid between 2012 and 2016, mostly (83%) in the form of preferential (subsidized) credit.

Moreover, among all small and medium-sized countries in the Asia-Pacific Region, Vietnam is the most active participant in multilateral economic initiatives and cooperation with integration blocs. For example, Hanoi is a member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11) and has already ratified the agreement. In parallel, Vietnam and a number of other countries are promoting a no less ambitious initiative, the Regional Comprehensive Economic Partnership (RCEP). Vietnam

is also involved in talks with the European Free Trade Association (EFTA) and has not backed away from its plan to link China's Belt and Road project with the one of its own – Two Corridors and One Economic Ring. Finally, a clear evidence of its balancing policy is the signing in 2015 of an FTA agreement with the EAEU and a similar agreement with the European Union (2018), now at the ratification stage.

Vietnam's case, like that of many other medium-sized powers, demonstrates that involvement of member states of a given integration bloc in various economic projects or initiatives is purely pragmatic in nature and presents no threat to the bloc's long-term development. In this case, the record of integration unions, primarily the EU, shows that a 'partnership of necessity', a tool for achieving short-term goals, may evolve into a 'partnership of choice' and accelerate integration processes.

'Partnership of necessity' vs 'partnership of choice'

The first stages of European integration provide a graphic example of how the 'partnership of necessity' concept can be used in practice. As is of common knowledge, its original aim was to avert another world war and close ranks to counter the growing influence of the USSR.

But the European Coal and Steel Community (ECSC) and its contemporary, the European Union, did not stop at that and managed to launch long-term cooperation based on rational benefits. The main reason for this smooth evolution towards a 'partnership of choice' was the use of economic national security mechanisms in contradistinction to military methods. For example, placing the coal and steel market under supranational control put to rest the centuries-old territorial disputes between Germany and France, while economic benefits laid the basis for a solid partnership between the former adversaries. It is this detail, in combination with the unifying pull of common European values, that introduced the element of a rationally balanced 'partnership of choice' into the forced 'partnership of necessity'.

Thus, a 'partnership of choice' can be seen as a rational and balanced decision by countries that would rate several alternative projects or partners and give preference to those meeting their long-term interests – rather than

short-term needs as in the case of a 'partnership of necessity' – to the greatest extent. For the European Union, long-term cooperation prospects were based on the realization of mutually shared absolute integration benefits derived from economic cooperation and political unity.

Analyses of international experience are of particular importance for neutralizing the EAEU fears that arise from the fact that certain countries choose a development path alternative to the EAEU. It is clear that the EAEU member countries, regardless of how far advanced the integration processes are within the Union, will seek to intensify ties with third countries. A welcome partner for Kazakhstan and Kyrgyzstan is China, for Russia – China, South Korea, Japan, India, and, of course, the European Union. Belarus will continue its balancing act between Russia and the EU. It is of fundamental importance for Armenia to preserve close ties with Iran and continue 'cutting the window' to Europe by implementing the Comprehensive and Enhanced Partnership Agreement with the EU.

Therefore, any attempt to immobilize or somehow impede this process will only raise another wave of conflicts between the countries. A logical question that has to be answered in this context is how to preserve the EAEU's viability and prevent the different and occasionally conflicting interests from splitting it into isolated bilateral tracks. One answer is a commitment to the voluntary institutional binding strategy that has proved effective in ASEAN.

Voluntary Institutional Binding

This strategy envisages two levels of cooperative measures: 1) strengthening the institutional integration mechanisms inside a bloc; and 2) establishing dialogue venues and promoting economic initiatives that bind together the significant partners.

The original effort to strengthen the integration mechanisms within ASEAN was aimed at inviting the direct foreign investment (DFI) needed to raise the member countries' socioeconomic development level, boost ASEAN competitiveness, and strengthen its bargaining position in trade talks with bigger regional partners. To achieve this, ASEAN members signed, as early as

1977, the ASEAN Preferential Trading Agreement and the ASEAN Free Trade Area agreement in 1992. In this context, the establishment of various related committees and ad hoc mechanisms geared to settling trade disputes and strengthening internal economic ties should be mentioned. The most significant integration event in Southeast Asia was the creation of the ASEAN Economic Community (2015) designed to strengthen ASEAN as the central element in the regional economic architecture.

In relation to third countries, the ASEAN institutional binding policy can be seen in the forming of privileged formats of bilateral and multilateral interaction, including full dialogue partnerships with the United States, China, Russia, and other countries, sectoral dialogue partnerships (Pakistan, Norway, etc.), development partnerships (Germany), economic dialogue venues (East Asia Summit), the ASEAN+3 strategic format (China, Japan, South Korea), bilateral FTAs with certain dialogue partners, and ASEAN-centric economic initiatives (RCEP). The existence of a diverse system of preferential and other trade agreements with outside partners reflects ASEAN's commitment to free and open trade, multilateralism, and the priority of closer integration with regional and global value-added chains.

As far as Eurasian integration is concerned, it must be admitted that on a standalone basis, the EAEU countries, for various economic and geostrategic reasons, are of limited interest to foreign partners. But as a major unified market of 183 million people with high industrial potential, the EAEU has emerged as an attractive and desirable partner for third countries and other integration blocs. This is evident from a series of agreements with Vietnam, China, Iran, and Serbia, and from FTA talks with a number of other states.

In this regard, the EAEU's long-term development prospects are directly dependent on the effectiveness of EAEU internal and external institutional binding, or, in other words, on its members' ability to overcome the 'national sovereignty trap', consistently develop the existing integration institutions, primarily the Eurasian Commission and the EAEU Court, and launch EAEU-centric privileged multilateral interaction formats that go beyond traditional FTA framework and that will be in high demand among regional partners.

EAEU countries, for various economic and geostrategic reasons, are of limited interest to foreign partners

EAEU: From Rational Manoeuvring to Rational Strategies

After four years of EAEU history, some describe it as a successful integration project, while others point to numerous and sometimes very poignant internal differences that affect efficiency. As of now, the arguments between EAEU optimists and EAEU sceptics go around in circles and are of a 'glass half full/half empty' nature. The sceptics tend to belittle or deny the positive effects of the integration, perceiving the EAEU project as a set of chaotic, uncoordinated foreign economic and foreign political manoeuvres. The optimists, in their turn, cannot shrug off the problems but emphasize that for its age the EAEU is in good shape, and therefore 'the glass is half (or more) full'. Given this modality, the debate inevitably goes to seed and loses strategic context.

There was a strategic vision underlying the EAEU at its inception. In looking back on how the future union was presented by Nursultan Nazarbaev and Vladimir Putin, the architects of Eurasian integration, the Russian President said in October 2011: 'We suggest a model for a powerful supranational union capable of becoming a pole in the modern world and playing the role of an effective "bond" between Europe and the dynamic Asia-Pacific Region.' This approach was echoed by Nursultan Nazarbaev: 'It [the Union] has every chance of becoming an organic part of a new global architecture that began taking shape under the impact of the most powerful global financial and economic crisis in history. [...] From the very start, the Eurasian Union must be created as a competitive global economic association.'

Thus, the idea was to take advantage of the economic and political trends that emerged after the global financial and economic crisis (2008–2009). The influence of traditional world leaders was on the wane, while that of the most successful developing countries was on the rise. Following the crisis, the developing countries increased their representation and influence in global governance institutions. But globalization itself 'stumbled' famously and the growth of protectionism was observed around the world. Under these

circumstances, regional integration unions were acquiring increased importance. Countries in the post-Soviet space had an opportunity to transition from 'catch-up development' (repeated and less than successful attempts to jump on the bandwagon of globalization) to a regional group that would be a full party among others in a transforming world. This union would both protect its members from the negative effects of globalization and provide greater opportunities for benefitting from its positive aspects.

During its first five years, the EAEU had to look for a balance between protectionism and openness, between a combination of globalization and regionalization variables in a situation where Russia and the collective West were on a collision course, swapping sanctions and countersanctions. Many debates on this complicated the EAEU's development. By now, it is clear that these debates have not only a practical and tactical dimension but also a strategic one embodied in a dilemma of absolute and relative benefits.

While eyeing globalization, the post-Soviet elites were usually orientated towards immediate relative benefits. Like other developing countries, they were only users of economic globalization. Development opportunities and terms were a given that they had to adjust to. Under these circumstances, there was neither a need nor a chance for devising their own stance on the absolute benefits of globalization. Neither was it necessary to contribute to their multiplication. At the same time, the priority growth rates observed in developing countries in the 2000s created a habitual pattern of thinking to the effect that for the deftest users the relative benefits of globalization were higher than for its guarantors. This 'consumer model' was largely applied to the Eurasian integration project as well. But a regional integration union cannot set its sights on a 'consumer model' alone.

After approving the decision to establish the EAEU, which in itself was only possible owing to the orientation to absolute benefits, the participants were quick to transition to the habitual 'consumer model'. In itself, this was rational behaviour. With common rules and capabilities in place, everyone seeks to use these to maximum effect in its own interests, that is, to gain relative benefits. In the long term, finding an optimal balance between absolute and relative benefits must become an important element in a rational EAEU strategy. In this regard, three circumstances should be taken into account.

First, it is unrealistic to ignore the relative benefits in an integration union, because this is something that can and must work in the future.

Second, rivalry for relative benefits should not take place at the expense of ruining or undermining the absolute benefits. The EAEU's supranational bodies are supposed to play the key role in preventing this. It is these bodies that arbitrate the rivalry for relative benefits and do not let it take on forms threatening destruction to the common good.

Third, the EAEU organization is yet to be finalized, which means that the crystallization of absolute benefits is still in progress and that all union members must contribute to the process. The leaders of the EAEU member states should play the key role in creating and expanding the common absolute benefits. This is a question of political will and strategic decision-making.

Today, the EAEU members are past masters at calculating and billing their relative losses, this being the topic that the media most willingly cover. At the same time, related meetings and news often fail to reach out to the absolute benefits of integration. In part, this imbalance is due to the fact that during the first five years, the main effort was concentrated on organizing the integration environment, which means creating the absolute advantages that by definition generate less news than the frequent scandals over relative benefits.

The EAEU's first five years has managed to demonstrate that the focus on gaining relative benefits leads to more and worse clashes of interests that slow down the integration processes. A course for absolute benefits, on the contrary, facilitates cooperation aimed at maximizing integration-related economic profits.

But it must be realized that the phenomenon of relative benefits is inevitable. There is just one tool with which to smooth and overcome these conflicts – to put decision-making on an integration stumbling block in the wider context of integration benefits and losses. In other words, it takes transiting from the calculus of relative benefits to ranking absolute and relative benefits of integration, something that should become a key vector in Eurasian integration in the long run.

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