

Heading to the Customs Union of Belarus, Kazakhstan, and Russia with European values



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The crisis of the political thought

On September 3rd it became clear that Armenia was to adopt the course of the Customs Union and subsequently, of the Eurasian Union. The aftermath was the palpable realization of the acute crisis of the current political thought in Armenia. No well-argued evidence was ever provided to support the vision of connecting Armenia's economic future with Russia, Belarus and Kazakhstan. The whole series of events actually emphasized the fact that Armenia has not had an economic policy.

Evidence-based arguments and clearly formulated economic policies were lacking when Armenia was joining CIS as well. The organization was still emerging, and no one really had any proper idea of what it really was. The only argument at the time was that it was to be. Later on, Armenia's economic direction became more tangible with time, and clearly it was no different from any other policy of any transitional country: liberalization, market relations, competition. Armenia became one of the most liberal countries in terms of export and import. The country joined the World Trade Organization, which became the critical foundation for starting negotiations with the European Union regarding the Deep and Comprehensive Free Trade Area Agreement (DCFTA). Incidentally, it was Azerbaijan's and Belarus's reluctance to join WTO that impeded the start of a similar process in these countries. Armenia was at the negotiations table for four years, and all this time it behaved as an excellent student. When it was only a few steps away from its goal, the leadership of the country put on hold the process of economic development and announced: "We are heading towards the Customs Union. We have to. It is a security issue".

Combining the incompatible

Yerevan announced that it wants to walk on two paths at the same time, i.e. to be a member in the economic club of Russia, Belarus and Kazakhstan, and have permission to access the European economic "garden". At first sight, this seems to be a dilemma, technically, a 'mission impossible'.

Customs Union

There are numerous customs unions in the world. There are also unions which have been loudly declared, and silently impaired, unions which never managed to develop beyond the good will of the members and step up to operability. In such cases a number of countries which are quick to realize their common interests, start to actively seek for ways to jointly address those. Such an example is the Arab Customs Union. The European economic area did not develop in a day, because unification of economic interests of different countries is a complex and at times quite a painful process. And in this regard, Russia's haste to establish a customs union is rather surprising. The primary and secondary objectives of the Customs Union are rather interesting. The overall goal of this recent Union is apparently border control, introduction and implementation of tariff and non-tariff barriers. On the surface, this seems quite a nice goal, as, for instance, the Union intends to restrict the access of goods not matching quality standards to its market. However, the market itself is only secondary for the Union, as a unified economic area. All the signatories of the Union, Russia, Belarus, Kazakhstan, and Armenia, are transitional economies, and all aspire for economic relations offered by the European Union.



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What did DCFTA have to offer to Armenia? In contrast to the Customs Union, it is not only about removing tariff and non-tariff barriers, but includes also a negotiated reform package, which takes into account the interests of both sides. Implementation of these reforms would have transformed the Armenian market into a more liberal and competitive one, where the interests of both the consumers and businesses would have been protected. This was the price Europe had been asking from Armenia in exchange for integration with its market.

Armenia

Perhaps it will not be surprising to claim that the liberal economic policy of Armenia has evolved by inertia. With the exception of the initiatives of individual politicians with liberal values, the actual policy was simply a self-replication exercise from one document to another, from one strategy to another and from one law to another. We actually labelled this very inertia as the economic policy of the country. Signing DCFTA with Europe would mean that the inertia should continue. However, the process has been hampered, and the implication is that the economic policy of Armenia has been put on hold. To replace it with the package offered by the Customs Union is impossible, as all it does is to shield the Armenian market from the world. What would be happening inside is not difficult to guess: it will suffice to study a number of indexes, characterizing corruption, governance, property rights, protection of consumer rights, economic and business environments in the member-countries of the Customs Union. By wrapping ourselves in the suggested 'shield', we can at least ask: "And where are we going wrapped up like this?" It is actually the answer to this question that will empower us to combine the Customs Union with the European economic values.

The answer is within us

Though Armenia claims about its readiness for an "and/and" politics, it fails to demonstrate any internal movement towards it. The internal discourses remain confined to efforts that aim to light up the torch of praising relations with Russia. The European torch was ignored, and instead, an inadequate but strong anti-European sentiment started to kindle the pro-Russian fire. In this situation the Armenian authorities have one solution only, which is in addition to being the sole one seems to be utopian as well. For already two decades the political agenda of the country tops with issues such as elimination of corruption, drastic change in the current quality of governance, protection of the market from monopolies, and its transformation into a more liberal and accessible one, introduction of effective mechanisms of protecting consumer rights and generally, modernization of the country. The key to the success of the "and/and" politics is in addressing these issues. We need to actually keep all the promises we have made to Europe relying on ourselves only. Solutions to these issues are in Armenia, but implementing these solutions with our own resources alone requires transformation of the current political-administrative system. Is there a political will for such transformation? Europe is awaiting for the answer to this question. No progress can be observed yet, whereas a tangible first step could be the change in the government staff.

The paper is elaborated based on the opinions passed by the participants of the discussion "Armenia on the crossroads of integration", which took place on September 14, 2013. The roundtable discussion was attended by independent analysts, government officials, and representatives of the international organizations.

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