Chapter 4

An Analysis of Trade of the Eurasian Economic Union

Ahu Coşkun Özer
Marmara University, Turkey

ABSTRACT

After the creation of the Eurasian Economic Union in 2015, the Customs Union and the Common Economic Space between Russia, Belarus, and Kazakhstan represented two of the most important regional integration projects launched in the post-Soviet era. However, even though institutions, customs unions, and a common economic space have been established, it has become a matter of debate whether this union is effective in developing trade between the member countries. Russia has enormous power in terms of its share of the trade within the EEU. This shows Russia has economic dominance in the union. This is also the subject of debate about whether the union’s members, except Russia, benefit from the customs union. In this chapter, the answers to these questions have been investigated by evaluating the commercial activities and macroeconomic variables of the member countries of the Eurasian Economic Union.

INTRODUCTION

After the Second World War, trade liberalization and the elimination of barriers to world trade began. In the context of these developments, the General Agreement on Tariffs and Trade was signed in 1947. Initiatives have been created to shape trade unions among the countries of the European Union and the Eurasian Economic Union (EEU). These supranational bodies were formed by countries in the Eurasian region after the collapse of the Soviet Union.

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The customs union within the EEU has been established but it has been a matter of debate whether this union will function as the European Union and other similar trade associations do. According to research carried out, the EEU does not operate as effectively as other trade associations because the member countries' populations, land areas, and trade rates in the union are not homogenously distributed. The trade rates of the countries in the EEU vary between member states, but these ratios range from 45% to 55%. It is also a topic of debate whether the operation of the union has strong structures and standards.

In this study, the establishment history of the EEU, trade potentials of the EEU, and trade rates between the member countries of the EEU have been evaluated. A general assessment has been made on the effectiveness and potential in world trade of the EEU.

BACKGROUND

The scientific literature contains investigations of the aims of the Eurasia Economic Union and its impact on member states. Rivera and Garashchuk (2016) state that the EEU was created more as an economic rather than political union; however, the analysis of trade proves the contrary to be true: integration in the post-Soviet area is thereby considered as nothing but another attempt on the part of Russia to return its leadership in the region and strengthen its position at the international level. According to the Sakaev (2016), the central purpose of the EEU is to try to maintain control over the post-Soviet geopolitical space and to prevent the implementation of alternative integration projects. Also, Dreyer and Popescu (2014) think that the EEU is a rival project to the EU’s Eastern Partnership and that the Kremlin seeks to establish a new center of power in an increasingly multipolar world. In scientific literature, it is claimed that the primary purpose of the EEU is economic, but it is necessary to have political affiliation to realize this aim. There have been attempts to establish similar trade associations in the region of the Eurasia but the EEU is the only trade association officially established in the region.

There is research on the effects of the Eurasian Customs Union on the economies of the member countries. According to Carneiro (2013), Russia, a member of the Eurasian Economic Union, acts conservatively. Russia applied high levels custom tariffs for the non-member countries. The tariffs to be applied to non-member countries within the EEU have been determined on the basis of Russian standards. Kazakhstan is a country implementing liberal economic policies, has increased tariffs by around 100 percent for the countries outside of the EEU. All member states have applied high levels of customs tariffs for non-EEU countries and it caused to reduce
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