Sanctions Against Russia and Their Impact on the Eurasian Economic Union¹

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Abstract

This article deals with the political and economic implications of sanctions against Russia for the functioning of the Eurasian Economic Union (EAEU), which became operational in 2015.

Assuming that the political conduct of EAEU states is based on political pragmatism, the author concludes that in spite of the fact that they provide official support to Eurasian integration, they also have an interest in acceding to alternative projects that strengthen their sovereignty. Therefore, the major challenge to the Union derives primarily from the political sphere since the number of alternatives to Eurasian integration is gradually increasing, disrupting relations between members and Russia.

In this respect, the correlation between western sanctions and the EAEU’s economic growth rate is of great importance. The principal purpose of sanctions is to limit a state’s ability to pursue its independent and active policy, including the development of foreign economic projects. Consequently, anti-Russian sanctions must have influenced the EAEU and its key members. In 2016, Russia demonstrated a decrease in gross domestic product (GDP) which had an even greater negative impact on Belarus and Kazakhstan. Nevertheless, they have not only managed to regain lost ground on economic performance, but also to achieve some growth in GDP. Such dynamics confirm the author’s hypothesis that the members of the EAEU have room for manoeuvre if some external player influences their political and economic development.

However, the EAEU’s internal capacities for dynamic development should not be overestimated. The Union faces problems such as weak aggregate GDP in comparison with the leading world economies, low GDP growth rates in the member states and a relatively low rate of EAEU population growth. In this context, the Union definitely needs to expand its economic influence in the global arena.

Although EAEU states might have divergent interests, the author concludes that a pragmatic assessment of the benefits from participation in the Eurasian integration project, including the preservation of their identity and greater room for manoeuvre in their foreign trade and economic activities, remains the principal factor maintaining the integrity of the Union.

Key words: sanctions; sanctions policy; unilateral restrictive measures; Eurasian Economic Union; Eurasian integration; Russia; Belarus; Kazakhstan; Armenia; Kyrgyzstan


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Introduction

The Eurasian Economic Union (EAEU), launched in 2015 as the first comprehensive economic integration project in the Commonwealth of Independent States area, has needed to take decisions in a context defined by the external sanctions imposed against Russia, one of driving forces behind regional integration. The remaining countries must search for an optimal model of interaction that addresses the need to promote their national interest regardless of Russia’s position.

In the years since independence, each EAEU member state has had its own experience of cooperation with the states that imposed sanctions against Russia. This fact has raised the question of how to correlate the economic benefits of integration with the development of relations with external actors without detriment to their interests.

The high degree of dependence of EAEU economies on Russia means they cannot distance themselves from Eurasian integration, while membership in the integrational grouping mitigates the negative impact of external economic challenges. Moreover, the unique nature of the development of the EAEU in the context of anti-Russian sanctions is underscored, among other things, by the non-existence of comparable examples of developing integration projects in which sanctions are being imposed against one of the key members.

A Theoretical and Methodological Framework for Analysis

Currently, academic and sociopolitical articles are paying considerable attention to the issue of sanctions. In response to the change in the international balance of power the world’s leading states have resorted to this instrument, trying to make up for the rigidity of the system of international law and the mechanisms for maintaining international stability that emerged in the second half of the 20th century. According to estimates provided by the Ministry of Foreign Affairs of the Russian Federation, the U.S. has imposed sanctions against almost 70 states worldwide. Increased popularity of sanctions as a political tool stemmed from their ability to deliver a clear message, enabling a state to convey its disagreement with another state’s political positioning on the global stage. In fact, sanctions may become an element of interstate dialogue in case a state is not capable of persuading its political counterpart to act in a particular way via traditional political means. Similarly, the inability of a state to initiate a sanctions policy due to economic weakness can be mitigated through adhering to a sanctions regime implemented by a stronger state (or a group of states).

Thus, sanctions are manifestations of individualistic and non-cooperative behaviour by states, displacing the institutional approach to international interaction and a cooperative way of confronting international challenges.

The imposition of sanctions is the prerogative of the United Nations (UN) Security Council which, in contrast to the leading world powers, has exercised this right about 20 times [Hufbauer, Schott, Elliott, Oegg, 2009]. The principal aim of this instrument is to maintain international security and stability. Adhering to this logic, when resorting to sanc-
tions states typically refer to inappropriate behaviour by their counterparts in situations that could relate to regional and global security. To a certain extent, sanctions have made the issue of countering security threats prevail over the protection of human rights. This is why sanctions imposed against Russia in the past few years have been increasingly justified by high-profile incidents which could easily be interpreted in terms of security and military threat — in particular, the civil war in south-east Ukraine, Crimea’s reunification with Russia and the Skripal case [Connolly, 2018].

Sanctions are principally aimed at preventing a state from conducting a proactive and independent foreign policy, including the strengthening of its external economic ties. Accordingly, the transformation of a state’s global standing, increased dependency of its government, and a domestic policy reform aimed at civil society empowerment (this concept is used in an extended sense, without considering a state’s national circumstances) are necessary implications of sanctions policy.

Leaving aside the ethical aspect of these decisions, such an approach can be effective as an element of a strategy for establishing a favourable environment for international development. In particular, sanctions are efficient as one state manages to form a coalition in order to impose sanctions against another, limiting its access to international resources and preventing it from maintaining relations with its traditional allies or like-minded partners [Timofeev, 2018a].

The latter factor is of particular importance. By no means are all states sufficiently motivated to take their lead from pivotal states. Preserving national identity based on historic heritage may be a significant factor for them (even if it is economically unsound in today’s environment). This principle becomes more relevant in connection with the fact that projects for state-to-state cooperation are beneficial in terms of better industry, logistics and easier access to resources. Such environments create preconditions for regional integration that could be of interest for the respective political elites.

Following this logic, regional integration provides a window of opportunity for each member state in the event that a non-member state imposes sanctions against it. In this case, rapid and total isolation of a particular state becomes extremely difficult. Thus, membership in an integrational grouping leaves room for manoeuvre for members if their political and economic development is negatively affected by external factors.

One of the clearest examples of this was the reaction of the states of the Southern Common Market (MERCOSUR) to political developments in Venezuela in the summer of 2017. Despite the fact that a decision was made to suspend the membership of Venezuela in the integration association, no sanctions measures were taken.

In this regard, the role of the EAEU in confronting EU sanctions against Russia is quite emblematic. In particular, the following questions underpin this article: does the economic union provide a way to mitigate the negative impact of sanctions and retaliations, and what is the attitude of EAEU members to these challenges?

Despite the fact that the development of Eurasian integration is based on liberal and institutional approaches to explaining the dynamics of relations among states in the same region, the actions of EAEU states are suggestive of a pragmatic view of the Union consistent with the tenets of realism. This is understandable given that post-Soviet states, formerly
republics of the USSR, will strive to enhance their agency in world politics and consider alternative ways to develop their external and domestic policy. In light of this necessity, they are prepared to consider different configurations of state-to-state ties and contacts which could contribute to strengthening their position in both regional and global contexts. Proceeding from this logic, this article undertakes an analysis of the political behaviour of states within the framework of the EAEU and provides scenarios for possible actions of EAEU members regarding their compliance with each state’s national interests against the background of sanctions imposed against Russia in 2014. These scenarios start from the assumption that national policies are highly pragmatic. Russia’s actions are not subject to analysis because Russia is considered an independent variable shaping the development of the EAEU.

For example, the Eurasian Development Bank highlights the following reasons for the future success of the EAEU. The more the organisation exists as a regional one the more sustainable it will be.

Secondly, key root success significantly depends on national growth policies. Thirdly, sustainable development of the EAEU depends on its ability to establish efficient economic projects that should be globally upper hand [EDB, 2016].

Current Challenges Facing the Eurasian Economic Union

Conceived solely as a project of economic integration, the EAEU is currently in the process of establishing a common economic space which envisages a single, coordinated and coherent policy in multiple areas of economic management as well as the regulation of various sectors through the establishment of single and common markets. One of the key tasks of the EAEU is to form common markets in sectors defining the structure of economies and to lay the foundation for the common market of the Union in the future [Kheyfets, 2019].

Before exploring the impact of sanctions on the dynamics of political relations within the EAEU, it is necessary to highlight the substantive aspects of the definition of “sanctions” used herein.

According to I. Timofeev, an expert in the field of sanctions, the use of sanctions implies direct or indirect interference by one state with another state’s decision-making process, i.e. the use of instruments for limiting sovereignty. The aims of imposing sanctions can be different, from changing a political regime to limiting the military capacity of a state. The content of sanctions, as a rule, amounts to trade and financial constraints. That said, Russia became the object of sanctions, not a trade war. As Timofeev notes further, sanctions differ from trade wars in that there exists a partnership between participants and by the fact that trade wars, as a rule, have no impact on domestic decision-making [Timofeev, 2018b]. In the case of Russia, sanctions were aimed at changing Russia’s policy toward Ukraine and reconsidering Crimea’s reunification with the Russian Federation. The American sanctions, for their part, were also directed at deterring the capacity of Russia’s foreign policy.
Thus, the restrictive measures taken by western states with regard to Russia exemplify political pressure aimed at influencing Russia’s political decision-making. In particular, actions such as freezing assets, imposing restrictions on the movement of individuals who have been included on special lists, prohibiting companies from maintaining business communication with their blacklisted Russian counterparts, banning investments in transport, infrastructure and energy projects involving Russia, and prohibiting European financial institutions from lending to projects under sanctions could be considered examples of such pressure. The measures of political pressure include removing Russia from the Group of 8 and abandoning the regular Russia-America and EU-Russia political dialogue. Furthermore, sanctions have indirectly affected the integrity of the EAEU, within which Russia is a driving economic force.

In fact, the economic sanctions imposed by western states against Russia in 2014 became the first major test for the entire Union. In the same year, Russia took retaliatory measures against those western states that joined in the pressure against it (i.e., the food embargo). These measures included the ban on the import of particular foods and commodities from states that supported the sanctions imposed against Russia.

The leaders of Russia, Belarus and Kazakhstan signed the Treaty on the Eurasian Economic Union by the time the first restrictive measures had been taken against some Russian politicians. Moreover, by 1 January 2015, when the EAEU became operational, sanctions lists had been significantly expanded with the inclusion of the banking and financial sectors of Russia’s industrial, defence, mineral, oil and gas companies.

Historically western sanctions were imposed against two EAEU members, namely Russia and Belarus. By 2016, the EU and Canada had gradually lifted their sanctions from Belarus [Dolinin, 2017]. The U.S., for its part, suspended its restrictive measures. Sanctions against Belarus in 2006 had been in place for 10 years without having a sufficient impact on its economy. This was largely due to a relative lack of interdependence between the Belarusian economy and those of the U.S., EU and Canada.

At the same time, however, sanctions imposed against Russia were gaining momentum in the context of the escalating Ukraine crisis. Having emerged in 2014, sanctions have established themselves firmly as an element of negotiation between Russia and the West. Against the backdrop of the development of a new international integration grouping in which Russia played an active role, the EU, the U.S. and the other Group of 7 states have paid increased attention to affecting Russia’s economy via the use of restrictive measures.

This raises a question about the integrity of the Union, the functioning of which is linked to the viability of Russia’s economy as well as to innovative approaches to the strengthening of the EAEU’s international image, suggested mostly by Russia. Russia, as the driving economic force of the Eurasian integration project, is faced with the necessity of forcing enhanced integration processes within the EAEU in order to form alternative sources of economic development in the context of increased external political pressure.

It is important to notice here that integration groups can be either economically equal or different. The Eurasian Economic Commission report says that the first group is represented by such unions as EU, EFTA, ANZCERTA. The second one includes NAFTA,
SACU, SADC etc [EEC, 2014a]. The Eurasian Economic Union belongs to the second group and faces difficulties normal to such types of unions.

When the Eurasian integration project was officially launched the aggregate gross domestic product (GDP) of the EAEU states amounted to $1.632 trillion [EEC, 2014b]. This figure looks quite small compared to global averages. For example, at the same period China’s GDP amounted to $10.48 trillion WB, n.d.a]. For Germany this figure was $3.38 trillion, for the UK it was $2.9 trillion and for India it was $2.1 trillion [WB, n.d.b].

Table 1. GDP for EAEU States in 2015–18, $ Millions (Current-Prices)

<table>
<thead>
<tr>
<th>EAEU State</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>10,553</td>
<td>10,546</td>
<td>11,537</td>
<td>12,428</td>
</tr>
<tr>
<td>Belarus</td>
<td>55,317</td>
<td>47,478</td>
<td>54,413</td>
<td>59,585</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>184,387</td>
<td>137,278</td>
<td>162,887</td>
<td>172,939</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>6,678</td>
<td>6,813</td>
<td>7,565</td>
<td>8,093</td>
</tr>
<tr>
<td>Russia</td>
<td>1374 665</td>
<td>1 285 713</td>
<td>1 577 870</td>
<td>1 660 950</td>
</tr>
<tr>
<td>Total</td>
<td>1 631 600</td>
<td>1 487 829</td>
<td>1 814 272</td>
<td>1 913 995</td>
</tr>
</tbody>
</table>

Source: [EEC, n.d.a].

Table 2. GDP Growth Rate for EAEU States in 2015–18, $ Millions

<table>
<thead>
<tr>
<th>EAEU State</th>
<th>2016 (compared to 2015)</th>
<th>2017 (compared to 2016)</th>
<th>2018 (compared to 2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>-0.07</td>
<td>9.40</td>
<td>7.72</td>
</tr>
<tr>
<td>Belarus</td>
<td>-14.17</td>
<td>14.61</td>
<td>9.51</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>-25.55</td>
<td>18.65</td>
<td>6.17</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>2.02</td>
<td>11.04</td>
<td>6.98</td>
</tr>
<tr>
<td>Russia</td>
<td>-6.47</td>
<td>22.72</td>
<td>5.27</td>
</tr>
<tr>
<td>Total</td>
<td>-8.81</td>
<td>21.94</td>
<td>5.50</td>
</tr>
</tbody>
</table>

Source: [EEC, n.d.a].

Analysis of GDP dynamics in EAEU states reveals that despite a significant growth in GDP (17.3% for the period of 2015–18) the development of national economies was not stable. Technically, only the economies of Armenia and Kyrgyzstan experienced stable growth in GDP, while the economies of Russia, Belarus and Kazakhstan were characterized by a high degree of interdependence. After the contraction in GDP experienced by each of the three economies in 2016, provoked mostly by sanctions imposed against Russia, economies seemed to start growing again.

Thus, either at the time it became operational or thereafter, the EAEU faced a vital need to expand its economic influence, find new markets for its products and look for political alternatives to cooperation with western states.

Despite difficult geopolitical circumstances, the Russian government is considering the possibility of combining the capacities of the EAEU and the markets of its major trad-
ing partners, namely the EU and China. In 2015, Russian president Vladimir Putin and Chinese president Xi Jinping adopted a decision on the conjunction of the EAEU and the Belt and Road Initiative. In 2018, the EAEU and the People’s Republic of China signed a non-preferential Agreement on Trade and Economic Cooperation. According to economist A. Spartak, such a rapprochement is the reaction of the parties, primarily the Chinese, to the growing uncertainties over the future of numerous western integration groupings and the basic nature of western states’ trade policy [Spartak, 2019].

Non-western states, for their part, are intensively driving toward mega regionalism according to Spartak. A free trade agreement signed with Vietnam and an interim agreement concluded with Iran serve as less rigid forms of developing a network of contractual agreements, in contrast to full membership. A number of memoranda established between the EAEU and foreign governments demonstrate the existence of broad prospects for deepening trade and economic ties with international partners. Mongolia, Chili, Peru, Korea, Singapore, Cambodia, Moldova, Greece, Jordan, Ecuador, Cuba, the Faroe Islands and Thailand have already expressed their intention to cooperate with the Union. Such a strategy reduces the effectiveness of sanctions imposed against members. For some of these states such an opportunity is far from theoretical as they are subject to American sanctions.

Russia, being one of the driving forces of Eurasian integration, is interested in preserving and expanding its influence over the Eurasian area. The EAEU is an association of states that differ according their power and influence, and the contribution of each member is proportionate to its level of economic development. The Union is dependent on Russia’s economy and one of the principal aims of sanctions is to exert political influence over Russia’s allies in the EAEU with a view to reducing its influence in the region.

In fact, when the Union became operational sanctions had already been imposed. Aware of their possible impact on all EAEU members and potential participants in the Union, and mindful of the fact that the dialogue between the U.S. and Russia had been abandoned, other members of the EAEU emphasized the exclusively economic nature of the Eurasian integration project, leaving aside its political aspects. For instance, the authorities of Kazakhstan rejected any non-economic integrative transition and Kazakhstan is one of the most ardent proponents of economic cooperation within the framework of the EAEU [Mir24.tv, 2018]. It helped EAEU members to preserve their economic ties with western states as well as to maintain and develop political relations with them in the tense political environment of 2015 [Kuzmina, 2015].

Given the unique nature of sanctions as a tool for exerting influence over Russia as a member of the EAEU, it can be assumed that this creates both advantages and disadvantages for the Eurasian economic project.

Assessment of the Implications of Sanctions Imposed Against Russia Within the Context of Eurasian Integration, 2015–18

Despite a number of complications – complex geopolitical conditions, political and economic pressure on one of the key members of the EAEU, and the complexities involved in the adjustment of business structures and enterprises with state participa-
tion, public authorities primarily from the economic sphere, and EAEU members to the new working conditions in the formats of emerging common and single markets in the Eurasian economic space – interest in mutual trade among the states of the EAEU is growing. Nevertheless, this economic indicator remains extremely low, with the volume of mutual trade amounting to 11.7% as a share of total trade in 2015, increasing only to 14.5% by 2018 [EEC, 2018], and it is unclear whether the sanctions were instrumental in the growth of mutual trade. Perhaps the impact of sanctions on the members of the EAEU market was minimal. The policy pursued by the Eurasian Economic Commission (EEC) to eliminate exemptions, mutual restrictions and barriers in the internal trade of the EAEU was determinative; however, not all restrictions have been eliminated even five years after the official launch of the EAEU.

According to the EEC [2018], 85.5% of the volume of merchandise trade in the EAEU is foreign trade with non-member states. Further, Russia has the highest rate as a percentage of the total (91.1%). In second place is Kazakhstan (77.6%), another key player in the EAEU, while Armenia ranks third (71%). The indicator of domestic trade exceeds foreign trade only in Belarus where 47.5% of goods go to foreign markets. Regarding the statistical data on the volume of mutual trade for January – November 2018 provided by the EAEU (the most recent data available at the time of preparation of the article), the following figures might be relevant. The volume of mutual trade amounted to 54.621 billion dollars. Russia takes the lead with 65.2% of the total number for the EAEU, and Belarus takes second place with 23.2% on this indicator [EEC, n.d.b].

Russia is by far the major exporter of products to the EAEU market (63.4%), while the first place in terms of imports belongs to Belarus (37%). In the case of Belarus, it can be assumed that the goods re-exported from EU countries, disguised as Belarusian and heading to Russia, are taken into account in these statistics.

The cited statistics point to the fact that, despite the sanctions regime and the generally negative geopolitical and economic background, trade between EAEU members and non-members prevails in total trade, while the EAEU market size cannot compensate for the turnover lost particularly by Russia after the imposition of sanctions and countersanctions.

Due to the demography of the EAEU, it is difficult to make optimistic forecasts of the consumer demand for products produced in the Eurasian space. When the Eurasian integration project was officially launched the population of the Union was 182069,5 thousands of people EEC, 2014b]. The population growth rate was not generally high, at 0.11% to 0.35% annually. Most of this growth occurred in Kazakhstan and Kyrgyzstan – from 1.15% to 1.65% annually since 2015 [EEC, n.d.c]. This trend proves the fact that EAEU members will have an ongoing interest in maintaining economic relations with third states.

Moreover, mineral products accounted for the bulk of mutual trade among the EAEU members [EEC, 2018] in 2018 (27.7% of total), followed by mutual sales of machines, equipment and vehicles (18.5% of total). This means that the structure of mutual trade is dominated by goods that are not demanded directly by ordinary citizens while equipment for light industry and agriculture has to be purchased in external markets.
Another challenge faced by the Union is whether to abandon pegging to the U.S. dollar in mutual settlement of payments and adopt a common currency. Despite the fact that this issue has been at the heart of discussions for many years, it was given particular attention when the EAEU became operational. It is worth noting that the rouble’s depreciation in 2014, after the first sanctions were imposed against Russia, led to volatility in the currency markets of almost all the EAEU members. Kazakhstan, whose currency is closely linked with the Russian rouble, has been severely affected by the depreciation of the Kazakhstani tenge. This resulted in the emergence of diametrically opposed views on the prospect of further development of Kazakhstan’s economy. Some insisted that it was necessary to abandon the Russian currency and pursue an independent exchange rate policy. Others called for further harmonization of national exchange rate policies and even de-dollarization of trade among EAEU members. Moreover, Kazakhstan, being one of the leading forces of Eurasian integration, provided a platform for various political discussions concerning the necessity not only of ending dependency on the Russian rouble, but also of withdrawing from the Eurasian project itself against the backdrop of sanctions imposed against Russia [World View, 2018].

To date, the EAEU members have not elaborated a single mechanism to respond to such external challenges, which is why their actions are of an ad hoc nature and mostly based on personal agreements concluded by the heads of state rather than on existing institutional practices.

None of the members of the Customs Union joined in Russia’s unilateral decision in 2014 to impose countersanctions. Accordingly, trade policy in the Customs Union had ceased to be coherent by the time the EAEU was established in 2015 [Suslin, 2016]. Meanwhile, the issue of the delivery of goods through the territories of certain EAEU countries, particularly through Belarus to Russia, were placed at the top of the agenda and remain there even now [Drobot, Abrosimova, Savitskaya, 2017; Knobel, 2015]. In the context of the integration project, this situation complicates the functioning of a single customs territory, since goods should move freely within the integration grouping when crossing external customs borders. There is a contradictory situation whereby Belarusian goods can freely enter the Russian market while the entry of goods produced in blacklisted countries is prohibited. For some time, the EAEU invoked the respective provisions of the Agreement on Common Rules of Origin of 26 January 2008 (which has been inactive since 12 January 2019) in order to determine product’s country of origin.

The lack of common principles for the settlement of such problematic issues impedes the functioning of the single customs area. EAEU members, including not just Belarus but also Armenia and Kazakhstan, are able to take advantage of this situation by re-exporting prohibited goods from the EU. In particular, after Russia imposed a ban on the delivery of agricultural products from Europe there was a corresponding increase in exports of apples from Belarus to Russia in 2015 compared to 2014. According to the National Statistics Committee of the Republic of Belarus, 254,000 tonnes of fresh apples were imported into Russia in 2014, while in 2015 this figure increased to 518,000 tonnes. There was also a significant difference in exports of meat. In 2014, 2409 kg of fresh and chilled pork were imported into Russia, whereas in 2015 this figure rose to 17,616 kg [Republic of Belarus,
Therefore, the increase in exports of products sanctioned from Belarus into Russia is evident. Russia’s monitoring bodies have conducted inspections of products imported from Belarus in order to determine whether they are in conformity with the Russian law, but the lack of control over the Russian–Belarusian border deriving from the core EAEU principle of free movement of goods makes it difficult to streamline the supply of agricultural products to Russia. Leaving aside the economic aspect of the issue, this situation has highlighted significant political contradictions between Russia, which is the leading power in the EAEU, and Belarus, Russia’s key partner in the region. According to A. Suzdaltsev, Belarus has decided to balance between Russia and the western states in order to reap financial, economic and geopolitical benefits [Suzdaltsev, 2019].

Moreover, western investors have the opportunity to establish factories on the territory of Belarus and Kazakhstan and get access to the Russian market in the future, avoiding customs duties and any other limitations. The functioning of the EAEU implies the lack of borders between Russia and Belarus, and consequently, blacklisted goods easily enter the Russian market. Regaining control of the Russian–Belarusian border confronts the principle of the free circulation of goods, and hence challenges the very idea of the economic union.

The authorities of Kazakhstan maintain the same position. On the one hand, they are optimistic about the idea of Eurasian integration, but on the other, they uphold the principle of the supremacy of national sovereignty and want to avoid deepening integration. Kazakhstan seeks to become a bridge between Asia and Europe.

Despite this each member state benefits from Eurasian integration, economist Aza Migranyan says. For example, Belarus improved its agricultural sector and machinery, Kazakhstan — construction materials, food and car industry, Russia — such sectors are not identified [Migranyan, 2014].

**Political Challenges Posed by Sanctions to Eurasian Integration: Key Factors and Possible Alternatives for Development**

The Union faces major political challenges that derive mostly from the political sphere. Such threats are inevitably linked to the emergence of alternative development strategies that undermine the foundations of the Union and relations between the members and Russia. Significant breakthroughs in enhanced independence from Russia and the development of alternatives to the EAEU are possible — but only if each country implements quite painful decisions.

In Belarus the issue of the transparency of the political regime will remain at the top of the agenda. With the start of the Minsk process, Belarus has demonstrated its commitment to international dialogue. Moreover, freedom of movement, being one of the indicators of human rights development, enjoys broad public support. For instance, Belarus is one of the leading countries in terms of the number of Schengen visas per capita. In January 2017, by the decree of the president the Republic of Belarus, a visa-free regime was established for

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2 This problem especially concerns the Russian–Belarusian border because most of prohibited goods produced in the EU are re-exported through Belarus.
foreign citizens of 80 countries, provided that they stay in the country no longer than five days and enter Belarus only through the border checkpoint at the Minsk National Airport [President of the Republic of Belarus, 2017]. However, these changes may be insufficient in light of of political struggle around upcoming elections, which are usually monitored by the West. The issue of a stagnating national economy that has proved difficult to develop without Russia will also remain on the agenda. Given these factors, Belarus’ western partners count on involving the country in various alternatives to the Eurasian integration project [Barakhvostov, Rusakovich, 2017; van der Togt, 2017]. Sanctions pressure, for its part, may be a consequence of a negative assessment made by western countries of Belarus’ observance of human rights.

In Armenia, with the accession to power of opposition forces in 2018, the question of foreign policy priorities became extremely relevant. In 2015, when Armenia was deciding on its accession to the EAEU, the Russia factor was pivotal. For both sides this decision was mutually acceptable. Can it be treated as a strategic one? The prime minister of Armenia, N. Pashinyan, was trying to find new sources for the country’s development without undermining the constructive partnership that had been established earlier. This aim could hardly be called simple given the geographical position of Armenia and historical ties with its neighbours. One alternative may be to develop relations with Georgia and Turkey which could subsequently entail the proactive involvement of Armenia in projects linked with the Black Sea region. That said, this approach is unlikely to be popular today, bearing in mind that the active support by non-EAEU countries of Armenia’s search for alternatives to Eurasian integration could pose a significant challenge to the EAEU. In the current circumstances, sanctions for close cooperation with Russia are unlikely to be imposed against Armenia. However, promoting the use of alternatives could become the basic strategy of countries seeking to undermine the Armenian-Russian partnership.

For Kazakhstan, which is one of the key initiators of Eurasian integration projects, any alternative to the EAEU raises the issue of changing plans for strategic development. However, this does not rule out the necessity of strengthening its own economy and elaborating a new agenda for cooperation with Russia. Strengthening ties with China and the operationalization of debates over independent integration in Central Asia, in which Kazakhstan and Uzbekistan are highly interested, could become an alternative to Eurasian integration [Makhmutova, 2018]. Today, the EU, which has developed the strategy of the New Partnership for this region since 2007, demonstrates increasing interest in such cooperation in the Central Asia region. It is anticipated that the Central Asia Strategy will have been adapted to the EU Global Strategy by the end of 2019. Kazakhstan will hardly be able to promote the initiative of cooperation between the EAEU and the EU or make use of it, even though it provides opportunities for strengthening ties with European countries. As was the case with Belarus and Armenia, Kazakhstan will come under intense scrutiny by European countries, for which the involvement of Kazakhstan in alternatives to the EAEU may be a desired goal.

For Kyrgyzstan, developing the industrial and human resources capacity necessary for active engagement in the EAEU remains the major challenge for participating in Eurasian integration. Full-fledged alternatives to participation in this project are virtually non-ex-
istent. Any other project, whether suggested by neighbouring states or by China, will not involve equal partnership between Kyrgyzstan and other participants. Such a prospect encourages the authorities of the country to give priority to participation in the EAEU. At the same time, there is still room for more active entry into the Kyrgyz market of institutions and organizations related to the Islamic economy. However, such an alternative may not be supported by the Republic’s existing partners and could therefore marginalize the country within the Central Asia region as a whole. Kyrgyzstan’s ability to adhere to its chosen priorities of Eurasian integration will require it to contribute more intensively to industrial and human resources development and to establish pragmatic relationships with neighbouring states.

The scenarios described above characterize alternatives to cooperation with Russia for EAEU members. The probability of their implementation may increase with growing tensions between Russia and the West. Experience gained from the application of sanctions suggests that this tool is more effective when utilized in a comprehensive manner by a coalition of states imposing sanctions against their opponent. For their part, those states that have not taken sides are forced to choose between two options: cooperate with a state under sanctions and thus become a violator of the sanctions regime or opt for an alternative to this cooperation. This is exactly the reason why assessing the potential of alternatives to Eurasian integration might be of considerable practical significance, especially given the fact that western countries seek to keep pressure on Moscow.

Leaving aside their negative economic impact, sanctions have significantly influenced the political context of the development of the Union. First, they exposed the existing competition among the participants. In this case, there are several factors which will determine the evolution of the EAEU in the medium term.

First, the driving forces of Eurasian integration, Belarus and Kazakhstan, are seeking to achieve independence. Reaffirming their commitment to deepened economic integration, the leaders of these countries constantly emphasize their independence from Russia in making political decisions. The import substitution policy that was implemented by Russia after countersanctions were imposed in 2014 has enabled the producers from Belarus and Kazakhstan to increase market share in Russia. This suggests that these states will remain committed to Eurasian integration. At the same time, Belarus and Kazakhstan take a cautious approach to the possibility of being influenced by Russia’s political and economic decisions. This fact will determine the nature of relations among the key players in the medium term. Russia is the major economy in the region, and consequently can exert political pressure on its partners in the EAEU. Given the fact that the establishment of a common market remains the prime objective of integration, Russia has to resort to political leverage to achieve the objectives of the Union. In particular, speaking about expanding the EAEU’s network of contacts, it should be borne in mind that the creation of numerous free trade areas will not bring tangible benefits to the Union and its members. However, this step enables Russia to overcome the negative effects of sanctions.

A further factor that will influence the development of the EAEU is more active and meaningful involvement by Armenia and Kyrgyzstan in Eurasian integration. Unlike Russia, Belarus and Kazakhstan, which acceded to the EAEU through the Customs Union,
Armenia and Kyrgyzstan joined the Eurasian integration project relatively recently. Taking into consideration the political instability and the difficult economic climate in these countries, we could argue that their desire to accede to the integration process arises from their need to ensure national security. Therefore, they will be guided by this factor when making decisions within the EAEU in future.

Given the uneven economic development of EAEU members and the divergence of their interests, it is likely that all these countries, except for Russia, which is generally at the heart of political discourse in the EAEU, will continue to emphasize their national sovereignty and base their actions on it. In trying to mitigate the external pressure by means of institutions and development projects established in the framework of the EAEU, Russia may face cautious but tough opposition from national elites fearful of increasing Russian political influence in their countries.

Conclusion

This analysis of the development of relations among EAEU members in the context of sanctions imposed against Russia from 2015—19 leads to the following conclusions.

First, the unfavourable political and economic situation surrounding Russia, which is the driving force of Eurasian integration, has put other participants in a quandary. On the one hand, the logic of Eurasian integration implies the need to harmonize positions between partners, facilitating and promoting mutual development. On the other hand, each of the participants of the integration project has its own experience of interaction with other countries, and its own economic interest. This results in diametrically opposed approaches to achieving a common economic space, which is the ultimate goal of the EAEU.

Second, the logic of integration implies enhancing mutual trade within the EAEU. That requires reorienting trade and investment policy toward the integration project, shifting toward import substitution policies, and boosting the consumption of goods produced by EAEU members. In this context, the imposition of any sanctions against states supporting Eurasian integration is limited in effectiveness and time, in the absence of additional military pressure exerted by those states that initiated the sanctions.

Third, during a crisis EAEU members have preferential access to their partners’ markets, and especially to Russia’s. This could contribute significantly to overcoming the manifestations of crisis. Members have a greater room for manoeuvre in trade in comparison with non-members.

Finally, despite the fact that the EAEU is economic in nature, there is a distinct political aspect to relations within the integration project. This is due to uneven economic development among the participants, the existence of a clear frontrunner capable of combining the economic capacities of all EAEU members, and the great diversity of reasons for acceding to the integration project. The enhancement of the integration process through consistency and compromises in decision-making within the EAEU could become the mechanism for overcoming the politicization of the EAEU.
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Влияние антироссийских санкций на Евразийский экономический союз

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В статье оценивается политико-экономическое влияние антироссийских санкций на функционирование Евразийского экономического союза (ЕАЭС), учрежденного в 2015 г.

Опираясь в своем анализе на интерпретацию поведения государств — членов ЕАЭС с позиции политического прагматизма, автор приходит к выводу, что наряду с официальной поддержкой евразийской интеграции страны-члены заинтересованы в развитии альтернативных проектов, укрепляющих их национальный суверенитет. Таким образом, основные угрозы Союзу следует ожидать преимущественно из политической сферы в связи с распространением альтернатив, направленных на подрыв отношений государств — членов с Россией.

Существует взаимосвязь между принятием странами Запада антироссийских санкций и темпами экономического развития ЕАЭС. Поскольку основная задача санкций заключается в ограничении возможностей страны проводить активную самостоятельную политику, включая развитие внешнеэкономических связей, антироссийские санкции неизбежно должны были повлиять на ЕАЭС и ее ключевых участников. В 2016 г. вслед за снижением ВВП России еще большее снижение продемонстрировали Белоруссия и Казахстан. Однако в дальнейшем страны не только вернулись на исходный уровень, но и смогли добиться роста ВВП. Такая динамика говорит в пользу выдвинутого автором предложения, согласно которому участники евразийского объединения имеют возможности для маневра в случае внешнего негативного влияния на их политико-экономическое развитие.

При этом не следует переоценивать внутренние ресурсы ЕАЭС для его динамичного развития. У Союза есть ряд проблем: небольшой совокупный ВВП в сравнении с ведущими экономиками мира, низкие темпы роста ВВП стран-членов, сравнительно низкая динамика роста численности населения. В таком контексте для ЕЭАС крайне важно расширение международного экономического влияния.

Учитывая различные интересы стран — членов ЕАЭС, автор приходит к выводу о том, что ключевым фактором, поддерживающим целостность Союза, по-прежнему будет оставаться прагматичная оценка его членами возможностей, которые они получают от участия в ЕАЭС, включая сохранение ими своей государственной идентичности и большую торгово-экономическую маневренность.

Ключевые слова: санкции; санкционная политика; односторонние ограничительные меры; Евразийский экономический союз; евразийская интеграция; Россия; Белоруссия; Казахстан; Армения; Киргизия


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