

## **THE EURASIAN ECONOMIC UNION AND COVID-19: EFFECTS OF THE PANDEMIC AND GLOBAL ECONOMIC CRISES ON EURASIA**

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Constituted by the Russian Federation and the Republics of Armenia, Belarus, Kazakhstan, and Kyrgyzstan, the Eurasian Economic Union (EAEU) is a regional organization that pursues economic integration. The bloc's main goal is to strengthen economic cooperation between member states, aiming at modernizing their national economies, increasing their global competitiveness, and promoting the well-being of the region's population. The creation of the EAEU was a significant step in the development of regionalism in the post-Soviet space, as the Union was the result of successive attempts of integration between the countries of Eastern Europe and Central Asia throughout the 1990s and the 2000s. Its origin dates back to the treaty for the creation of a Customs Union signed by Russia, Belarus, and Kazakhstan – the core of Eurasian integration –, in 1995. However, the three only succeeded in that joint initiative in 2010, within the scope of another regional bloc, the Eurasian Economic Community<sup>1</sup> (EurAsEC) (MOSTAFA; MAHMOOD, 2018; VINOKUROV, 2017).

In the context of the international economic crisis, Moscow, Minsk, and Nursultan<sup>2</sup> were pressured to accelerate their integration efforts. In 2011, the Customs Union was already in full operation: it had created a Common External Tariff (CET) and removed customs barriers between its members to provide the free movement of goods, services, capital, and labor. In 2012, new agreements ensured the regulatory basis for coordinating macroeconomic policies and establishing a Single Economic Space. Finally, in 2014, the Eurasian Economic Union Treaty was signed and in early 2015 it entered into force, with Armenia and Kyrgyzstan joining the EAEU in the same year (EAUE, 2020). Regarding

its administrative structure, the bloc is formed by the Supreme Eurasian Economic Council, which comprises the heads of member states; the Eurasian Intergovernmental Council, composed of the heads of governments of the members; and by the Eurasian Economic Commission (EEC), EAEU's only supranational organ, divided into several departments and led by an executive Board. The Union has also a specialized judicial body, the Court of the EAEU, and regional financial institutions, such as the Eurasian Development Bank (EDB) and the Eurasian Fund for Stabilization and Development (EFSD) (VINOKUROV, 2017).

In early 2020, five years after its establishment, the EAEU continued working to remove remaining trade barriers – especially Non-tariff Barriers (NTBs) – and to deepen integration in strategic markets, debating the creation of a common energy market, a coordinated transportation policy, and a common financial regulatory authority by 2025 (LIBMAN, 2020). Conversely, since 2014 the bloc was facing collateral damages caused by the European Union's (EU) and United States' sanctions against Russia, Russia's embargo on European agricultural products, and the sharp fall of oil prices in international markets. Since Russia is the bloc's largest economy, EAEU was directly affected by its economic deterioration and by the ruble's devaluation. Indeed, there was a drop in trade and Foreign Direct Investment in the Union's members<sup>3</sup>, a greater volatility in exchange rates, and a decline in labor migration from the poorest countries in the region to Russia<sup>4</sup>, followed by a reduction of remittances (SHAGINA, 2020).

Therefore, when the EAEU was hit by the COVID-19 pandemic last March, economic conditions were not the most favorable. Central Asian countries were the most affected by the disease: Armenia faced an early rise in community transmission and a health system unprepared to deal with the growing number of cases, while Kyrgyzstan suffered from underreporting and external dependence on essential medical supplies and protective equipment. Among EAEU members, both have the highest mortality rates of the virus. Kazakhstan, despite being the richest country in Central Asia, also recorded a high number of cases, with disproportionately high infection rates among health professionals due to the poor preparedness of medical teams and shortage of Individual Protective Equipment (IPE) (STRONSKI, 2020; WHO, 2020).

In Russia and Belarus, the situation was not very different: Russia, the most populous member of the EAEU, has the highest number of cases in absolute terms, while Belarus

has the highest number of cases per million inhabitants (WHO, 2020). This is explained by the way in which both responded to the spread of COVID-19. The Belarusian government denied the pandemic until early May, only changing its stance when President Aleksandr Lukashenko himself and his family contracted the disease. In light of that, Minsk, which carried out very few tests and never banned public gatherings or implemented mandatory social isolation measures (the so-called lockdown), still faces underreporting of the number of cases. Even though Russia recognized the pandemic from the beginning, the Kremlin first presented it as a problem for other countries<sup>5</sup> and minimized the Coronavirus' possible impact on its territory. The Russian borders were closed to foreigners but, with the beginning of community transmission in the country, the government tried to censor information about the cases, attributing other causes to the growing number of deaths, especially among the elderly. When anti-epidemic measures finally began to be adopted in late March, President Vladimir Putin, in an atypical move, refrained from adopting a nationwide policy and delegated the responsibility of facing the pandemic crisis to the local authorities<sup>6</sup> (ÅSLUND, 2020; HEERDT; KOSTELANCIK, 2020).

When it comes to cooperating via EAEU, since February 2020, the health and epidemiological authorities of the member states had agreed to exchange information and hold periodic consultations on the proliferation of Coronavirus in Eurasia (EEC, 2020a). Faced with the increase in the region's number of cases, in March the EEC Board, together with representatives from Uzbekistan and Tajikistan, established a series of anti-epidemic measures, such as strengthening sanitary and quarantine controls, restricting the movement of persons across borders, restricting air traffic, and monitoring people that arrived from countries in severe epidemic situations. In addition, Russia began to provide laboratory diagnostic tools to its bloc's partners (ECC, 2020c). On March 16, the EEC Board adopted Decision No. 21, whereby import tariffs on IPE, disinfectants, diagnostic reagents, and other medical materials to the EAEU territory were zeroed until September 30 (EEC, 2020g). Then, on March 25, Decision No. 41 was implemented, banning, also until the end of September, the export of a wide range of protective equipment to third countries, in order to preserve the stocks of the member states (EEC, 2020d).

In order to meet the rising demand for essential goods, such as food, hygiene products, medicines, and components for their production, the EAEU launched a second package of measures to respond to the COVID-19 outbreak. On March 31, the EEC Board, through Decision No. 43, prepared a list of food products prohibited from being exported between April 12 and June 30, to guarantee the internal supply and food security of the population (EEC, 2020f). Towards maintaining mutual trade and the circulation of intra-bloc goods without worsening the spread of Coronavirus, the Eurasian Intergovernmental Council decided, on April 10, to simplify customs procedures and create “green corridors” in the territory of the Union, so as to guarantee continuous and uninterrupted public and cargo transportation. Systemic measures of economic recovery were also implemented, such as developing the digitalization of trade, stabilizing financial markets and payment systems, providing assistance to companies – especially small and medium-sized ones – in the sectors most affected by the global recession caused by the pandemic, and fomenting a more active participation of regional financial institutions in supporting the EAEU economies (EEC, 2020h).

Reflecting the bloc's concern about the economic downturn in China and the EU, its two largest trading partners, and the fall in commodity prices, particularly the collapse in oil prices, on April 14, the Supreme Eurasian Economic Council issued a joint declaration. In it, presidents of EAEU countries urged the entire international community to maintain cooperation during the pandemic, to strictly comply with international law, and to put an end to armed conflicts, trade wars, and unilateral financial and economic sanctions. The reference to the dispute between China and the United States, to Western sanctions against Russia that affect the entire Union, and to the conflicts in Syria and Libya, in which Moscow actively participates, was clearly evident (EEC, 2020i). Besides coordinating their financial and monetary stabilization policies, in order to neutralize currency devaluations and speculative attacks during the pandemic and economic crises, member states began to consider greater economic cooperation with the countries of the Shanghai Cooperation Organization (SCO)<sup>7</sup> and intensifying the coupling of the EAEU and the Belt and Road Initiative (BRI) (EEC, 2020b).

The main advances promoted by the Eurasian organization were, above all, in cooperating in public health. In April, the EAEU had already started to work on

common projects in the realm of medical technologies and bioengineering, and to discuss the elaboration of a biological security concept under the Strategic Directions for Developing the Eurasian Economic Integration until 2025<sup>8</sup> (EEC, 2020h). On July 17, at the first face-to-face meeting since the beginning of the pandemic and the adoption of restrictive emergency measures, the Intergovernmental Eurasian Council approved a Comprehensive Plan of measures in the field of health and sanitary and epidemiological welfare to prevent spreading COVID-19 and other infectious diseases in EAEU countries. The plan provides for the exchange of information, the implementation of a coordinated algorithm for responding to infectious disease outbreaks, and joint development of laboratory research to ensure access to vaccines, effective diagnostic tools, and medical devices for epidemiological control (EEC, 2020j). More recently, on August 12, the EEC Board approved the EAEU Pharmacopoeia<sup>9</sup> – the second regional pharmacopoeia in the world, after the European Pharmacopoeia –, which had been in development since 2017. The document, which will come into force in March 2021, lays the foundations for a unified approach in the evaluation of medicines quality in the Union's member states (EEC, 2020e).

The COVID-19 pandemic, by exacerbating the principles of solidarity within the EAEU, as well as in other regional blocs, led to breakthroughs in Eurasian integration. On the one hand, there was a deepening of the political-economic integration process, with temporary exemptions from customs tariffs, relief in border controls and goods transit certificates – previously intensified by Western sanctions and Russian counter-sanctions –, and support initiatives for migrant workers and businesses in the region. Progress was also made in the cooperation in health, medical practices, science, and technology, with emphasis on the role played by Russia in the provision of rapid tests for the EAEU, as well as Tajikistan and Uzbekistan. The supply of the Russian vaccine to regional partners is also under negotiation<sup>10</sup>. In this sense, Moscow strengthened its regional leadership during the pandemic and, although the EAEU is still a long way from the political union, with a common currency and a single language, dreamed by Putin, the fight against the Coronavirus contributed to the development of the bloc.

On the other hand, the economic crisis resulting from the outbreak may aggravate pre-existing conditions in the EAEU's members, such as corruption, the population's

distrust in highly centralized regimes, and social inequality, especially in the poorest countries of Central Asia. Even for the more developed ones, that is, Russia and Kazakhstan, the crisis in the energy market has once again highlighted the limitations of an economic model based on commodities exports, low degree of industrialization, and low diversification of activities. Although it is also recovering from the economic turmoil, China, which had already been increasing its projection in the region since the launch of the BRI in 2013, tends to strengthen its position in relation to the EAEU; both due to the rise in trade and investments linked to the major Chinese infrastructure projects, and the growing number of local transactions made in renminbi. Although the Kremlin considers its growing economic dependence on Beijing to be less of a risk to Russian national security than its run-out relationship with the West, without a comprehensive reform of its economic system, Russia may be left behind within its own traditional space of influence.

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## Notes

- <sup>1</sup> Created in 2000 by Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan, it also sought to promote trade and economic cooperation in the region. With the establishment of EAEU, the Eurasian Economic Community (EurAsEC) was officially dissolved in 2015 (VINOKUROV, 2017).
- <sup>2</sup> Formerly called Astana, the capital of Kazakhstan adopted its new name in 2019, in honor of former President Nursultan Nazarbayev, who ruled the country for 19 years and was one of the “architects” of Eurasian integration.
- <sup>3</sup> Due to the reduction of investments by Russian companies, the largest capital exporters of the EAEU, in the region, especially in Kazakhstan, Belarus and Kyrgyzstan (VINOKUROV, 2017; SHAGINA, 2020).
- <sup>4</sup> Armenia and Kyrgyzstan, agricultural, underdeveloped and politically unstable countries, are, together with Tajikistan and Uzbekistan, the main places of origin for migrant workers living in Russia (KHITAKHUNOV; MUKHAMEDIYEV, 2016).
- <sup>5</sup> Moscow even sent medical assistance to Italy, Serbia and the United States in March, an action that was later criticized by medical teams in the country. The criticism was raised because, despite having exported IPE to other countries, Russia itself ended up suffering from the lack of protective equipment and, soon, several hospitals became hot spots of COVID-19 (ÅSLUND, 2020).
- <sup>6</sup> Very similar to what happened in Brazil and the United States, the fight against the spread of Coronavirus in Russia was led by governors and municipal authorities. The mayor of the capital Moscow, Sergey Sobyenin, the center of the epidemic in the country, was one of the leaders that stood out the most during the pandemic. Putin, who has historically concentrated powers and governed with an iron fist, has decided not to lead the crisis management in order not to be the face of measures that displeased the economic elites who support his government. Thus, he limited himself to criticizing and threatening governors who “overstepped” by closing borders, who acted too late or who lifted restrictions too soon (ÅSLUND, 2020; REYNOLDS, 2020).
- <sup>7</sup> Founded in 2001, in Shanghai, by China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, it is an Eurasian organization centered on political, economic and security cooperation. These countries, except for Uzbekistan, had been members of the “Shanghai Five” group, created in 1996 to promote the resolution of disputes, demilitarize borders and build mutual trust between the parties. In 2017, Pakistan and India, once observers, became state members of SCO. In addition, Belarus takes part as an observer and Armenia as a dialogue partner.
- <sup>8</sup> The Strategic Directions, made up of general provisions and 330 measures and mechanisms grouped in 11 sections, aim to deepen the integration process in the EAEU.

- 9 Pharmaceutical code which aims to establish the minimum quality requirements for medicines and other drugs used in the health field, published by a medical or pharmaceutical authority. In Brazil, the National Health Surveillance Agency (ANVISA) is responsible for the Brazilian Pharmacopoeia.
- 10 Belarus is participating in the final testing phase and will be one of the first countries to receive the vaccine that is being developed by the Gamaleya Research Institute, part of the Russian Ministry of Health, and named by Putin as Sputnik V (TASS, 2020). Kazakhstan, furthermore, has already signed an agreement with Russia to receive 2 million doses of the vaccine as soon as the tests are completed (PUTZ, 2020).

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