Uzbekistan Decided to Join the EAEU

As it's been demonstrated by the results of the recent meeting of the Supreme Eurasian Economic Council (SEEC), which just came to a closure in Yerevan, the Eurasian Economic Union (EAEU) is expanding the geography of cooperation. On top of Iran and Singapore, that have already joined the EAEU free trade zone, Uzbekistan is planning to become a full-fledged member of this organization. This was revealed by the Speaker of the Federation Council of the Federal Assembly of the Russian Federation, Valentina Matviyenko, which serves as an indication that the President of Uzbekistan, Shavkat Mirziyoyev decided to examine the possibility of joining the EAEU and this matter should be resolved in the near future.

Uzbekistan is a highly successful country, that is known for its large population (more than 33 million people) and a massive developed economy (last year its GDP reached the mark of 48.6 billion dollars), which means that it's an attractive economic partner and a promising candidate for the EAEU. On top of the fact that Mirziyoyev's state has already become a prominent economic partner for the better part of the EAEU countries, it boasts an impressive transit infrastructure, which can benefit those players willing to develop economic ties with faraway partners. Therefore, the accession of Uzbekistan to the EAEU will significantly strengthen the economic and political potential of the association as a whole.

Upon gaining independence after the fall of the USSR, the foreign policy of Uzbekistan was based on two basic principles: a balanced approach to the ties with all of the major international powers, and a refusal to participate in any multilateral integration associations, as Tashkent's primary focus was centered on building bilateral ties, that had both economic and military components. Those principles were set in stone in Uzbekistan's Foreign Policy Concept, approved by its parliament back in 2012. For quite a while, Tashkent would observe a strict code of conduct without manifesting any intentions of joining the EAEU.

However, with the onset of new political and economic reforms in Uzbekistan, this republic made the decision to reevaluate the pros and cons of cooperation with the EAEU, which resulted in an active discussion among the local elites. Once the new president Shavkat Mirziyoyev took office in 2016, Uzbekistan's foreign policy started evolving, with new initiatives being voiced in its relations with its closest neighbors of the post-Soviet space. This resulted in Tashkent coming to conclusion that from the point of view of economic feasibility, its participation in the EAEU would be highly beneficial for its businesses. Prior to reaching this conclusion, Tashkent opened a green corridor with Russia to facilitate exports of agricultural products, and from next year onward similar corridors will also be opened with the Baltic states, Belarus, Kyrgyzstan and Kazakhstan. At the same time, these days Uzbekistan faces a number of difficulties in its attempt to improve the supply of industrial goods, in particular it has a hard time importing cars. However, should Uzbekistan become a full-fledged member of the EAEU, its producers will gain equal rights of access to the market of all the countries of the Union, equal conditions for labor migrants will be created, with the added bonus of Tashkent gaining access to Russian investments and technologies. And those are the conditions that are needed for the Uzbek economy to thrive. It goes without saying, that the EAEU countries with a total population of just over 180 million people is a massive market on its own, on top of the fact that it provides economic access to certain regions that previously were inaccessible for Uzbekistan due to a number of reasons. Moreover, Russia and other EAEU countries are the main trading partners of Uzbekistan, with some 70% of its trade turnout coming from dealing with those states.

It's clear that Uzbekistan is fully aware that Russia is the only possible source of serious investments in its economy, and Russia stands at the helm of the EAEU, and those together with modern technologies are critical for this
country’s industrialization. It’s true that Tashkent can obtain large investments from China, but those would come with strings attached, and this fact doesn’t suit Uzbek elites, as they are capable of predicting a number of negative consequences associated with this route that they can observe on the example of Uzbekistan’s neighbors - Tajikistan, Kyrgyzstan and Kazakhstan.

Quite naturally, the announcement of Uzbekistan’s intention of join the EAEU provoked an active discussion, both on the domestic and regional levels, with experts voicing different opinions on this development.

There are those who claim that this decision was made hastily and without a proper public discussion, especially if you consider the fact there’s a fair number of critics of the EAEU both inside Uzbekistan and across the region.

It is necessary to recall that the EAEU was formed in 2014, after the signing of the agreement on the creation of the Union by the presidents of Russia, Belarus and Kazakhstan. A few months later, Armenia and Kyrgyzstan joined the organization. In 2014, the external trade turnover of the future member states amounted to $ 868.5 billion. Next year, after the creation of the Union, it fell to $ 579.5 billion, only to reach $ 753 billion by the end of 2018, which was still below the pre-union level.

At the same time, the obvious positive results of the EAEU are easily recognizable. Last year, a new Customs Code came into force within the EAEU, which accelerated the process of customs declaration. By pursuing the development of its relations with the EAEU, Uzbekistan will be able to earn more on the transit of goods across its territory, that are imported in or exported out of the EAEU countries.

A significant positive factor for all the members of the EAEU was the creation of a common labor market, due to which migrants were released from the duty of obtaining an approval when moving to another country. In Russia alone, labor migrants spend up to 2 billion dollars annually on the purchase and renewal of approvals. For migrants, joining the EAEU means that six months after arriving to Russia, they will be transferred to the category of taxpayers identical to full-fledged citizens, which means that instead of paying 30% tax, they will begin paying 13% on their personal income. We must not forget that the improvement of the economic situation of Uzbek labor migrants in Russia and an increase in the funds they send every year back home are not just important to their families, but the overall economy of Uzbekistan as a whole.

Should Uzbekistan join the EAEU, then its citizens will not have to apply for work permits in any of the countries of the Union. Most graduation certificates obtained in Uzbekistan will be recognized throughout the EAEU, citizens will have access to the financial services of the EAEU including its banking system, loans and pension savings. In addition to the financial benefits, citizens of Uzbekistan will increase their chances of getting employed on the EAEU labor market by removing procedures associated with hiring them.

Among the possible negative moments from joining the EAEU are sanction risks associated with the so called trade wars, of which Russia remains a target, and it represents 87% of the total GDP of the union.

Another possible drawback is that, by opening its borders, Uzbekistan will not just be able to export its goods, but goods produced by other EAEU countries will flow freely into Uzbekistan just as well. However, this results in certain sectors of its economy facing serious competition with larger companies from Russia, Belarus and Kazakhstan, some goods will definitely rise in price. There is a common understanding that the Uzbek business is not yet ready to engage in a fierce competition with Russian manufacturers. But to predict the exact outcome of those factors for Uzbekistan is rather difficult.

However, in spite of a number of critical assessments voiced by individual experts, the prevailing opinion of the Uzbek political and business elites is that the fastest ascension to the Eurasian Economic Union is the way forward. It is possible that an important step in this direction could be made during the visit of the President of Uzbekistan to Russia scheduled for February 2020.

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