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## **ПРИСОЕДИНЕНИЕ К ЕАЭС И ЕГО ВЛИЯНИЕ НА ИЗМЕНЕНИЕ ТАРИФОВ РА**

*Аннотация:* 1 января 2014 года президент Армении перенес давно прославленный процесс инициализации политической ассоциации и экономической интеграции с Европейским союзом и объявил о решении Армении присоединиться к Таможенному союзу под руководством России и участвовать в процессах формирования Евразийского экономического союза. ЕАЭС создан для всесторонней модернизации, сотрудничества и повышения конкурентоспособности национальных экономик и создания условий для устойчивого развития для повышения уровня жизни населения государств-членов. В рамках Союза обеспечивается свобода передвижения товаров, услуг, капитала и рабочей силы, а также осуществление скоординированной или единой политики в различных отраслях экономики соответствии с положениями договора об ЕАЭС.

*Ключевые слова:* Тарифы, Армения, Евразийский экономический союз, Таможенный союз, Прямые иностранные инвестиции.

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## **BECOMING MEMBER OF EAEU AND ITS AFFECTIONS TO THE TARIFF CHANGING IN RA**

*Abstract:* On 1 January 2014, the president of Armenia shifted the long-praised process of initialing political association and economic integration with

*the European Union and announced Armenia's decision to join the Russia-led Customs Union and participate in the processes of formation of the Eurasian Economic Union (EAEU). The EAEU is created for comprehensive modernization, cooperation and increase in competitiveness of national economies and creation of conditions for sustainable development for the increase in living standards of the population of member states. According to provisions of the Treaty on EAEU, the freedom of movement of goods, services, capital and labor, as well as implementation of coordinated or united policy in various branches of economy is provided within the Union.*

**Key Words:** *Tariffs, Armenia, Eurasian Economic Union, Customs Union, Foreign Direct Investment*

Since accession to the WTO in 2003, Armenia has pursued a more open economy, in particular aiming to attract foreign investments. The planned creation of a comprehensive free trade zone with the EU would also serve this purpose. The introduction of EU antitrust regulations would allow the fight against oligarchic monopolies, one of the main factors negatively affecting the Armenian economic system. Achieving this goal, however, did not have the support of a large part of the political class, which itself represents the oligarchs. The Eurasian Economic Union (hereinafter EAEU) imposes tariffs that are higher than Armenia had previously in trade with countries outside of the organization. Accession to the EAEU also has a negative effect on the developing branches of the Armenian economy such as IT services sector, which is responsible for about one third of Armenian exports. After several years of growth in trade with the EU, Armenia must now begin to give preferential treatment to the markets of Belarus, Kazakhstan and Russia. However, in view of the economic crisis in the EAEU countries, neither growth in Armenian exports to these countries nor Belarusian or Russian investments in Armenia should be expected<sup>1</sup>.

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<sup>1</sup> [https://www.pism.pl/files/?id\\_plik=19276](https://www.pism.pl/files/?id_plik=19276)

As a result of the accession of the EAEU, it is necessary to introduce a number of changes in the economic policy of Armenia. Another factor impeding Armenia's trade with members of the EAEU is the lack of a common border and rail connections, and only one road through Georgia. The Georgian authorities do not agree to the opening of railways connecting Armenia with Russia through Georgia and Abkhazia, because of the still strained relations with this breakaway region.

The agreement, due to which the Republic of Armenia joined the treaty on the Eurasian Economic Union was signed on October 10 and entered into force on January 1, 2015. The EAEU is created for comprehensive modernization, cooperation and increase in competitiveness of national economies and creation of conditions for sustainable development for the increase in living standards of the population of member states. According to provisions of the Treaty on EAEU, the freedom of movement of goods, services, capital and labor, as well as implementation of coordinated or united policy in various branches of economy is provided within the Union<sup>2</sup>.

According to the Customs Code of the Republic of Armenia, which is adopted on December 17, 2014, after accession to the EAEU it has been made a number of changes. Particularly, according to Article 42 of the Treaty on the Eurasian Economic Union, << Common External Tariff of the Eurasian Economic Union>>, is the Common Commodity Nomenclature of Foreign Economic Activity of the Eurasian Economic Union and the Common External Tariff, which are approved by the Commission, are applied on the common territory of the EAEU and are the instruments of trade policy, and according to the article 44 << Tariff Rate Quotas>><sup>3</sup>, that the commission of the EAEU sets the rates of import customs duties, therefore if Armenia before membership to EAEU was

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<sup>2</sup> <https://www.mfa.am/en/international-organisations/6>, pg 30-32

<sup>3</sup> [https://www.wto.org/english/thewto\\_e/acc\\_e/kaz\\_e/WTACCKAZ85\\_LEG\\_1.pdf](https://www.wto.org/english/thewto_e/acc_e/kaz_e/WTACCKAZ85_LEG_1.pdf), pg 32 - 34

independently determines import tariffs, now then after joining EAEU, The RA government will apply the uniform taxation of the EAEU.

According to Article 102<sup>4</sup> of the Customs Code, after accession to the EAEU, the import customs duty was 0-10% depending on commodity groups. After joining the Eurasian Economic Union the following changes were made in the customs duties for imports: in case of importing goods from member countries, customs duties are not levied, and importing goods from non-member of EAEU countries, the union's unified customs duties, will be applied in accordance with the decision of the EAEU Board No 54 dated July 16, 2012<sup>5</sup>. In accordance with this decision, the import customs duty from third countries will be 0-65% depending on the commodity group. However, with the accession to the EAEU, Armenia is provided with a privileged period of up to 10 years for the transition to a single customs clearance of the EAEU. Throughout the privileged period import from third countries in the Annex 4<sup>6</sup> of the Republic of Armenia Agreement on Eurasian Economic Union, which will be applied to 752 commodities with low customs clearance rates of the EAEU customs. Starting from 2018, the import customs duties will vary from 10% to 18%, and these commodity codes are: 0207 12 100 9, 0207 12 900 9, 0207 13 300 9, 0207 13 500 9, 0207 14 100 9, 0207 14 200 9, 0207 14 300 9, 0207 14 500 9, 0207 14 600 9, 0207 14 700 9, 0207 14 910 9, 0207 14 990 9, 0207 24 900 9, 0207 25 100 9, 0207 25 900 9, 0207 26 800 9, 0207 27 800 9, 0207 41 800 9, 0207 43 000 9, 0207 44 100 9, 02.7 44 510 9, 0207 45 100 9, 0207 45 510 9, 0207 45 810 9, 0207 45 930 9, 0207 45 950 9. In addition, the above goods were provided to Armenia with a privileged period, and 18 more goods were imported, whose current customs duty is higher than the single tax rate of the EAEU, they are apricots, plums, certain types of grapes, watermelons, etc. Given the specific circumstances of Armenia's EAEU

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<sup>4</sup> The Customs Code of the Republic of Armenia, Adopted on 06.07.2000, Article 102 Customs duty rates.

<sup>5</sup> <http://www.eurasiancommission.org/hy/nae/events/Pages/78654254.aspx>

<sup>6</sup> <http://mineconomy.am/media/2017/03/1401.pdf>, Annex 4 of the Treaty on the Eurasian Economic Union, May 29, 2014

membership (including the lack of land borders with other members), Armenia joined the organization under special conditions. More than 800 types of imported goods were exempted from higher customs duties until 2022. Duties on natural gas, petroleum products, and rough diamond deliveries from Russia were abolished, saving Armenia around \$200 million annually. To compensate for the devaluation of the Armenian dram at the end of 2014, which was linked to Russia's own sanctions-related crisis, Moscow reduced gas prices for Armenian consumers the following spring.

Soon after its accession, Armenia expected to receive 1.13% of the total amount of EAEU customs duties, as specified in the organization's framework. This was projected to yield \$250-300 million annually, significantly exceeding the amount of customs duties that Armenia was collecting prior to joining the bloc. By mid-2015, however, it became clear that with the drop in oil price, sanctions, and Russia's economic downturn, Armenia's EAEU-related economic benefits would be far more moderate, around \$50-70 million. It also became clear that significant investments from Russia were unlikely to be forthcoming in the coming years. Another amendment, that except the goods referred to in Annex 4th to the Treaty, in respect of import customs duties (exempt from customs duties), the following goods will be provided: military products, certain types of aircraft, sugar raw materials, white sugar (within the framework of quotas), for the repair of the Armenian Nuclear Power Plant as well as imported goods from the Republic of Armenia for educational, scientific and cultural purposes.

In case of importing cars there will be certain privileges in the form of a privileged period after membership in the EAEU. For cars as a transition period has been set for 5 years. In other words, by 2020 there will be no changes for car importers and then starting from 2020 will operate under the terms of the EAEU. Armenia's accession to the EAEU in early 2015 has not yet resulted in any significant positive economic impact. Russia's own economic crisis played a role in this, as has the institutionally and economically weak structure of the EAEU.

Still, Armenia has not experienced any specific negative consequences either. Instead, joining the EAEU has potentially prevented Armenia from becoming the site of another geopolitical confrontation between Russia and the West.

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