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ВОЗМОЖНЫЕ ПОТЕРИ В СВЯЗИ С ПЕРЕХОДОМ НА ЕДИНЫЙ ТАМОЖЕННЫЙ ТАРИФ И ПЕРСПЕКТИВЫ АРМЕНИИ В РАЗРЕЗЕ ПЕРЕЧИСЛЯЕМЫХ ТАМОЖЕННЫХ ПОШЛИН ПОСЛЕ ВСТУПЛЕНИИ В ЕВРАЗИЙСКИЙ ЭКОНОМИЧЕСКИЙ СОЮЗ

Аннотация. Цель: *выявить возможные проблемы в связи с переходом на Единый таможенный тариф (ЕТТ) и перспективы по суммам перечисляемых таможенных пошлин после вступлении Армении в Евразийский экономический союз (ЕАЭС).* ***Методологический подход:*** *Основываясь на обзор литературы, анализ статистических данных определить перечень тех факторов, которые могли бы объяснить рост сумм перечисляемых таможенных пошлин от уполномоченных органов государств-членов ЕАЭС и возможных проблем, связанных с переходом на ЕТТ.* ***Результаты:*** *В период 2015-2017гг. Армения пыталась заменить импортируемые из третьих стран товары товарами, происходящими из стран ЕАЭС. Однако быстрый рост экономики может привести к увеличению импорта, особенно из третьих стран. Таким образом, армянские компании могут пострадать от применения ЕТТ в среднесрочной и долгосрочной перспективе. Переход на ЕТТ "вряд ли создаст проблемы для обязательств Армении перед ВТО" (Tarr, 2016:7-8). Структура перечисляемых таможенных пошлин в период 2015-2017гг. выявила уязвимость полученных сумм к валютным кризисам в других государствах-членах, что привело к ухудшению экономических показателей и снижению импорта из третьих стран.*
Вывод: *некоторая неопределенность в отношении того, как скоро прогресс в интеграции рынков ЕАЭС и специализация между странами могут произойти, тем самым позволив армянским компаниям полностью заменить поставки товаров из третьих стран на импорт из рынков ЕАЭС. Между тем, армянские компании будут либо выбирать новых поставщиков, либо сотрудничать со старыми поставщиками из третьих стран, по крайней мере, в среднесрочной перспективе. Если Россия добьется успехов в реализации политики импортозамещения, российский импорт из третьих стран может резко сократиться, что повлечет за собой снижение сумм, перечисляемых в качестве таможенных пошлин в долгосрочной перспективе. Уязвимость экономик Беларуси, Казахстана и России к валютным кризисам отразится на суммах, получаемых Арменией в качестве таможенных пошлин.* ***Практическое применение:*** *Полученные результаты могут быть использованы министерствами финансов, экономического развития и инвестиций Армении при составлении прогнозов и сценариев по доходам бюджета, экономическому росту, а также при оказании содействия армянским компаниям в поисках новых поставщиков, особенно в странах ЕАЭС в долгосрочной перспективе.*

Ключевые слова: *перечисляемые таможенные пошлины, Единый таможенный тариф, импорт, государства-члены ЕАЭС, Армения*

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ARMENIA'S POSSIBLE ISSUES WITH RESPECT TO APPLYING COMMON CUSTOMS TARIFF AND PROSPECTS ON THE AMOUNTS OF TRANSFERRED CUSTOMS DUTIES UPON ACCESSION TO THE EURASIAN ECONOMIC UNION

Abstract. Purpose: *to identify the possible issues with respect to applying Common Customs Tariff (CCT) and prospects on the amounts of the transferred Customs Duties upon Armenia's accession to the Eurasian Economic Union (EAEU).* ***Design/Methodological approach:*** *Based on the literature review, analysis of the statistical data to identify those factors that would explain the growth reported in the amounts of transferred customs duties from the authorized authorities of Member states of the EAEU and what are the possible issues related to switching to the CCT.* ***Findings:*** *Armenia attempted to substitute imported goods from third counties with products originating within EAEU borders during the period 2015-2017. However, the strong growth of the economy could result in an increase in imports as well, especially from third countries. Therefore, Armenian companies could somehow suffer from applying of CCT over the medium term and in the long run. Applying CCT "is not likely to create problems for Armenian commitments to the WTO" (Tarr, 2016:7-8). The pattern of the transferred customs duties over the period 2015-2017 pinpointed the vulnerability of amounts received to currency crises in other member states, thus leading to poor economic performance and decline in imports from third countries.* ***Conclusion:*** *There is some uncertainty on how soon the progress in integrating the EAEU markets could be made, and specialization would take place to allow Armenian companies to fully substitute the supplies of third country origin with products originating within the EAEU markets. Meanwhile, Armenian companies would either opt for new suppliers or cooperate with old suppliers from third countries at least in the medium term. If Russia is successful and reports huge progress in implementing import substitution policies, Russian imports from third countries could drastically decrease, thus entailing a decline in amounts transferred as customs duties in the long-run. The vulnerability of the economies of Belarus, Kazakhstan, and Russia to currency crises would affect the amounts received as customs duties by Armenia.* ***Practical Implications:*** *The findings could be used by the Ministries of Finance, and Economic Development and Investments of Armenia in making their forecasts and building scenarios on budget revenues, economic growth, and in assisting Armenian companies to find new suppliers, especially in the EAEU member-states in the long-run.*

Keywords: *Transferred customs duties, Common Customs Tariff, Import, EAEU Member States, Armenia*

Introduction. Prior to accession to the Eurasian Economic Union (the EAEU), all World Trade Organization (WTO) members exporting to Armenia were enjoying Most Favored Nation (MFN) regime with simple average MFN applied tariff not exceeding 4.0% (see table 1). Two tariff rates were applied on imported goods to Armenia: 0 and 10 percent (maximum MFN applied rate) ([14]; [12, p.7]); with maximum bound duty tariff being 15% [12, p.7], while final bound tariff rate (simple average) comprising 8.5% (see table 1). Since joining the EAEU, the Common Customs Tariff (CCT) rates have started being applied, thus resulting in an increase in average tariffs (see table 1). This could have caused distortion in the established trade pattern (with respect to changing suppliers and shifting to vendors from the EAEU member states). The other issue Armenia could have faced (before joining the EAEU) was violating the commitments to the WTO.

From the other point, Armenia, as a sovereign state, could collect and channel all customs duties, paid by the importers, to the state budget before accession to the EAEU. However, since the accession to the Union the collected import customs duties have started being transferred to "the single account of the authorized authority in the national currency of the Member State in which they are payable in accordance with international treaties and acts constituting the law of the Union governing customs legal relations" [1, paragraph 3] (effective January 2, 2015) and then "to the budget of the Member State as well as foreign currency accounts of other Member States" [1, paragraph 11] in accordance with the "distribution ratios" [1, paragraph 12] stated in Treaty on Accession of the Kyrgyz Republic to the Treaty on the Eurasian Economic Union (effective December 12, 2015) in the following ratios: Russia-85.32%; Kazakhstan-7.11%; Belarus-4.56%, Kyrgyzstan-1.9%, and Armenia

1.11% [2, article 8][1]. In other words, customs duties "are collected in a "single pot", ... distributed based on national budgets in accordance with an approved apportionment" (Vinokurov, 2018:68) [4, p.68]. Hence, the amounts of customs duties transferred by the authorized authorities of member states, change in the established trade pattern (if Armenian becomes more integrated into the markets of the EAEU) would mainly determine the amounts the Armenian state budget would receive.

Table 1

Average Most Favored Nation Tariffs of Armenia prior to and after accession to the EAEU, and Tariffs in 2020 after Russia's WTO Commitments are implemented

Armenia	Average tariff prior to joining the EAEU		Average tariff upon accession to the EAEU		Final WTO bound average tariff	EAEU average common external tariff in 2020
	simple average MFN applied	trade weighted	simple average MFN applied	trade weighted	unweighted	unweighted
	3.7 (in 2014)	3.0 (in 2013)	6.0 (in 2017)	4.3 (in 2016)	8.5	7.9

Sources: *[11, p.4]; [12, p.36; p. 6]; [13];*

Therefore, the main purpose of the article is to identify the possible issues with respect to applying Common Customs Tariff and prospects on the amounts of the transferred Customs Duties upon Armenia's accession to the Eurasian Economic Union.

Design/Methodological approach. Based on the literature review, analysis of the statistical data on official exchange and GDP growth rates, imports from other member states and from the world (total imports) by each Member state of the EAEU released by the World Bank, and United Nations to identify those factors that would explain the growth reported in the amounts of transferred customs duties from the authorized authorities of Member states; and what are the possible issues related to switching to the CCT.

Findings. To minimize the negative impact of the increased customs tariffs Armenian companies could have switched to products originating within the borders of the EAEU. Although Gurova et. al (2018:453) [15, p.453] found that "nonfuel trade in the Eurasian Economic Union has more symmetrical character… and the growth of the nonfuel quota can be considered an indicator of progress in the integration of nonfuel markets of EAEU countries", and Armenia secured a transition period for various product lines from 1 to 8 years [17], Khitakhunov et. al (2016:p.67) [16, p.67] state that "the tariff rate schedule of the EAEU will decline over the medium term" and it would lower "risks of trade diversion after the end of transition periods". Hence, there is some uncertainty on how soon the progress in integrating EAEU markets could be made, and when Armenian companies will fully substitute the supplies of third country origin with products originating within the EAEU markets (if such suppliers exist). Meanwhile, Armenian companies would either opt for new suppliers or cooperate with old suppliers from third countries.

In comparison to 2014, the imports from the EAEU members states, and especially from Russia by Armenia nearly remained at the same level, however, the share in total imports reported an increase, while total imports declined (see table 2). The overall decline in total imports by Armenia could be explained by both currency crises (according to the definition by Reinhart and Rogoff (2009:7) [18, p.7] the currency crashes in Russia could be considered as a currency crisis, and in the case of Armenia, the depreciation of the national currency against the US Dollar comprised about 14.9%, could also be considered as an evidence of the currency crisis) reported both in Russia and Armenia (see Table 2) and negative GDP growth rate in Russia (see table 3). In 2017, the imports by Armenia from the EAEU, and mainly from Russia, exceeded the values of imports of 2013 (see table 2). In 2017, the increase of imports from the EAEU member states was accompanied by the increase in imports from third countries as well and associated with the strong economic growth of 7.5% (y./y.) in comparison to 2016.

[1] Before accession of the Kyrgyz Republic, the distribution ratios were as following: Russia-86.97%; Kazakhstan-7.25%; Belarus-4.65%; and Armenia 1.13% [3, paragraph 1]

Table 2

Total imports of the EAEU Member States, and imports from the EAEU and Russia from 2013 to 2017 (US dollars)

	2013	2014	2015	2016	2017
Armenia					
Total	4,256,217,854	4,159,517,448	3,256,964,792	3,218,457,706	3,893,454,903
EAEU	1,146,028,829	1,100,957,870	1,025,303,604	1,014,536,829	1,207,415,455
%, total	26.93%	26.47%	31.48%	31.52%	31.01%
Russia	1,104,450,001	1,069,288,409	991,144,368	990,575,985	1,165,644,745
%, total	25.95%	25.71%	30.43%	30.78%	29.94%
Belarus					
Total	43,022,675,000	40,502,359,800	30,291,492,800	27,609,883,700	34,230,713,100
EAEU	22,672,208,700	21,966,524,400	16,949,302,500	15,039,736,700	19,470,020,200
%, total	52.70%	54.24%	55.95%	54.47%	56.88%
Russia	22,573,333,400	21,868,622,200	16,894,289,700	14,973,018,900	19,359,486,200
%, total	52.47%	53.99%	55.77%	54.23%	56.56%
Kazakhstan					
Total	48,804,580,084	41,295,455,969	30,567,159,492	25,174,778,826	29,345,935,356
EAEU	19,028,386,135	14,940,484,288	11,203,583,267	9,665,954,218	12,241,302,138
%, total	38.99%	36.18%	36.65%	38.40%	41.71%
Russia	17,971,764,466	13,807,686,030	10,529,281,493	9,129,774,077	11,472,923,621
%, total	36.82%	33.44%	34.45%	36.27%	39.10%
Kyrgyzstan					
Total	5,983,024,298	N/A	4,068,083,799	3,844,473,299	4,473,860,420
EAEU	2,661,571,351	N/A	2,002,985,140	1,471,564,356	1,849,809,283
%, total	44.49%	N/A	49.24%	38.28%	41.35%
Russia	1,989,242,886	N/A	1,271,642,379	799,821,892	1,180,319,816
%, total	33.25%	N/A	31.26%	20.80%	26.38%
Russia					
Total	314,945,094,987	286,648,776,878	182,781,964,814	182,257,213,910	228,212,749,973
EAEU	20,086,715,391	19,873,704,098	13,162,095,292	13,567,324,749	16,512,579,496
%, total	6.38%	6.93%	7.20%	7.44%	7.24%

Source: *[5], Author's own calculations.*

Table 3

GDP growth and official exchange rates of the EAEU Member States from 2013 to 2017

	2013	2014	2015	2016	2017
GDP growth (annual %)					
Armenia	3.30	3.60	3.20	0.20	7.50
Belarus	1.02	1.72	-3.83	-2.53	2.42
Kazakhstan	6.00	4.20	1.20	1.10	4.00
Kyrgyz Republic	10.92	4.02	3.88	4.34	4.58
Russian Federation	1.79	0.74	-2.83	-0.22	1.55
Official exchange rate (LCU per US$, period average)					
Armenia	409.63	415.92	477.92	480.49	482.72
Belarus	0.89	1.02	1.59	1.99	1.93
Kazakhstan	152.13	179.19	221.73	342.16	326.00
Kyrgyz Republic	48.44	53.65	64.46	69.91	68.87
Russian Federation	31.84	38.38	60.94	67.06	58.34

Source: *[6].*

Overall, the appreciation of national currencies of the member states, economic growth reported by those nations caused an increase in imports from third countries in 2017 while compared to 2016 data. This could mean that the increase in income results in an increase in the demand for imported goods. In the case of other EAEU member states, the values of imported goods both from the EAEU and third countries exceeded the values of 2015 in 2017 (except Kazakhstan with regard to total imports), however, were below the values of 2013. Hence, it could be concluded that among the EAEU member states the integration has started strengthening since 2015, however, the level of 2013 hasn't been reached so far. In the case of Armenia, the country attempted to substitute imported goods from third counties with products originating within EAEU borders, however, the future growth of the economy would depend on the imports from third countries if Russia and/or other member state is not successful enough in its efforts of implementing import-substitution policy. Therefore, the higher the economic growth rates are the more imported goods would be required to ensure economic growth of Armenia. Moreover, the specialization would allow the member states emerge as reliable suppliers for other member states; however, this in its turn would depend on the fact when a deep specialization and integration of the member states is reached. Hence, in the case of Armenia, the local companies would opt for imports from the EAEU member-states over the medium-term, if such analogues are available in the EAEU market, however, the strong growth of the economy would require a strong increase of imported goods, especially from third countries. In the case of Russia, the country would attempt to be successful and report huge progress in manufacturing substituted products produced by foreign rivals. However, the strong growth of the economy could result in an increase in imports as well, especially from third countries. Therefore, Armenian companies could somehow suffer from applying of CCT over the medium term and in the long-run.

The other issue Armenia could have faced is the violation of the commitments to the World Trade Organization and paying compensation. According to Tarr (2016:7), with Russia gradually implementing commitments to the WTO, the unweighted average common tariffs of the EAEU have started falling, reaching 8.4% in 2015 [11, p.7]. It is expected that EAEU average common external tariff would reach 7.9% in 2020 (see table 1). Hence, according to Tarr (2016: 7-8), by 2016 "the average tariff will be below the WTO bound average tariff of Armenia, so it is not likely to create problems for Armenian commitments to the WTO".

According to Çetintaş and Barişik (2008:647) in the case of 13 transition economies (Armenia, Belarus, Bulgaria, Czech Republic, Estonia, Hungary, Kazakhstan, Latvia, Lithuania, Poland, Russia, Slovak Republic and Slovenia) a bidirectional causality relationship exists between import and growth, since "the import of inputs and technologies required for a faster growth of the countries… plays an important role in economic growth" [9, p.647]. Moreover, the exports have been having a considerable impact on the economic growth of those nations through import (Çetintaş and Barişik, 2008:647) [9, p.647]. Based on estimation results for 22 transition countries including 12 CIS countries (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan) for the period 1995-2008, Buzaushina (2014: 332-333) finds that "increases in domestic and foreign income produce more than proportional increases in imports …, and in the long run, however, international trade flows in transition countries are mainly driven by income changes" [10, pp.332-333]. Hence, strong economic performance and growing domestic incomes would cause growth in imported items by member states. In the case of Russia, this pattern could be diverted especially over the long-run, if not in the medium-term depending on the progress made in successfully implementing the import-substitution policy. Therefore, the amounts received by the state budgets of member-states and transferred from the authorized authorizes of those countries would mainly depend on how much the nations would import, despite strong economic growth reported by member-states if they intensively substitute imported goods with analogues produced in the common EAEU market.

In 2015, the state budget received 61.5 billion AMD either transferred as customs duties from the respective authorized authorizes of the member states of the EAEU or from the Central Bank of Armenia (see figure 1). The amounts transferred in 2015 exceeded the value of customs duties collected at the border of Armenia in 2014 (see figure 1). In 2016, the transferred amounts comprised 55.4 billion AMD and were far above the amounts collected by the Customs Authorities of Armenia prior to joining the EAEU; however, the value of transferred customs duties was below the amount transferred in 2015 (see figure 1). This could be explained by the following factors: the decline in imports to all EAEU member states from third countries (see table 2) owing to economic downturn both in Russia and Belarus, relatively poor economic performance in Kazakhstan associated with depreciation of national currencies in Russia and currency crises in Kazakhstan and Belarus (see table 3). Armenia's poor economic performance also contributed to the decline of transferred customs duties. In 2017, the transferred customs duties reported the highest level over the period 2015-2017 (see figure 1), pinpointing the vulnerability of amounts received to currency crises in other member states, thus leading to poor economic performance and decline in imports from third countries. Hence, from the aspects of the amounts of transferred customs duties, the major factor that would determine the growth of the amounts received would be the increase of imports to Russia from third countries that would be subject to the followings: stronger economic performance and the progress made on the import substitution policies in the medium term and over the long-run.

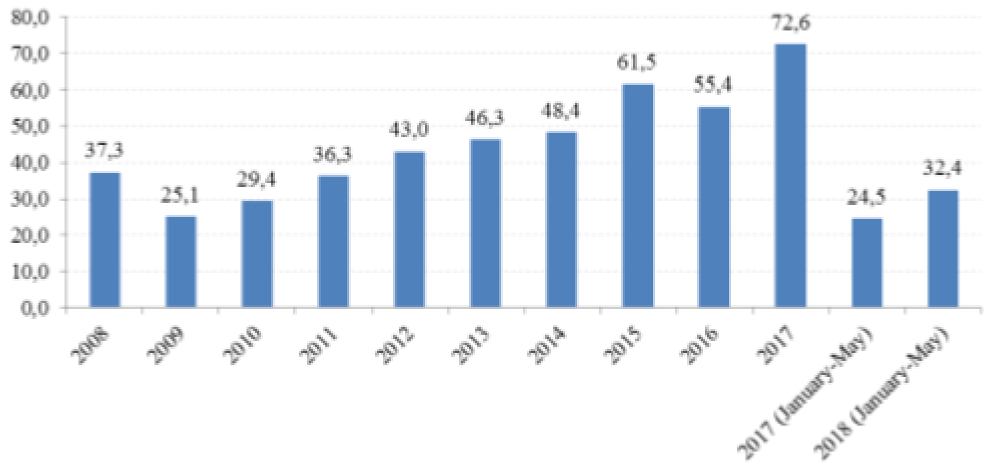

Figure 1.: *Customs duties transferred by the authorised authorities of the EAEU member States to or collected by Armenia from 2008 to May 2018 (billion Armenian Dram)*
Sources: *[7]; [8]*

Conclusion. There is some uncertainty on how soon the progress in integrating the EAEU markets could be made, and specialization would take place to allow Armenian companies to fully substitute the supplies of third country origin with products originating within the EAEU markets. Meanwhile, Armenian companies would either opt for new suppliers or cooperate with old vendors from third countries at least in the medium-term. If Russia is successful enough and reports huge progress in manufacturing substituted products produced by foreign rivals, Russian imports from third countries could drastically decrease, thus entailing a decline in amounts transferred as customs duties from the respective authorities of the EAEU member states in the long-run. The vulnerability of the economies of especially Belarus, Kazakhstan, and Russia to currency crisis would affect the amount received by Armenia as customs duties in the medium term and over the long-run.

Practical Implications. The findings of the article could be used by the Ministries of Finance, and Economic Development and Investments of Armenia in making their forecast and building scenarios on budget revenues, economic growth, and in assisting Armenian companies to find new suppliers, especially in the EAEU member-states in the long-run.

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