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TITLE

**Legal and economic impact of the integration of the Republic of Armenia into Eurasian
Economic Union (EAEU)**

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Introduction

Effective foreign trade and economic relations and policies are critical, especially, for Armenia having in mind its complex geopolitical situation, closed borders with two of its neighbor countries (Turkey and Azerbaijan), no access to the sea, and no energy resources. Taking into account that this blockade is having very bad consequences for the Armenian economy it was necessary to be affiliated with international economic and custom union in order to reach new markets for the development of the economy. In 2014 the RA Government adopted a decisive decision for the country's economic prosperity and joined the Eurasian Economic Union (hereinafter referred to as the EAEU).¹ However, one cannot make a choice without giving away something instead. After being integrated into the Union, Armenia's Government took on obligations stipulated by the Treaty on Eurasian Economic Union of 29 May 2014 (hereinafter

¹See, "Treaty on the Eurasian Economic Union: signed by Russia, Belarus, and Kazakhstan and entered into force on 1 January 2015.

referred to as the Treaty). In 2015, the Union witnessed an important step towards the further integration of the new members, which are Kyrgyzstan and Armenia². After the integration procedure, it was obvious that newly joined member states have to bear the economic and legal impact of the integration. **This paper is set out to analyze legal and economic impact of the RA integration into the Eurasian Economic Union**³. Undoubtedly, the RA integration into the Eurasian Economic Union will have an impact on the all spheres of the RA economy. In order to develop deep understanding of the economic and legal impact of the integration this paper will provide two practical issues which illustrate the economic and legal impact of the RA integration into the Union.

The first example is related to importing cars from the third countries that causes economic and legal issues. When joining the EAEU, Armenia received a transition period for customs duties, including for cars. From 2015 to 2020, the customs duty on cars in Armenia remained at the level of 10%, regardless of the age and volume of the engine. Starting 2020 Armenia switched to the duties of the EAEU. In particular, according to the State Customs Committee, starting from 2020, when importing cars from third countries, the customs duty and taxes will be calculated at a single customs rate as the sum of the customs duty and VAT without crushing them. The calculation will be made based on the year of manufacture of the car, engine size and cost of the car. But regardless of the common customs rate, the Eurasian legislator did not refuse from environmental payments for the import of cars, which will be calculated on the basis of the Tax Code of the Republic of Armenia.⁴

The second example is connected to the EAEU new proposed regulations on “Reduction of thresholds for duty-free import of parcels from foreign online store” which will have negative consequences on business who are specialized in online shopping. If proposed decision adopted their business activities will be damaged significantly, as physical persons will not be able to import duty-free parcels from the third countries. On 31 January 2020 at the Eurasian Economic Council meeting, the proposal was discussed, according to which the threshold for duty-free import of parcels from foreign online stores will be reduced from 100 euros on July 1, 2020, 50

² See, “Eurasian Economic Union”, published by Ministry of Foreign Affairs of the Republic of Armenia, the link is available at <https://www.mfa.am/hy/international-organisations/6>, last visited Mar 30, 2020.

³ See, “International organization; Eurasian Economic Union”, published by www.mfa.am, last visited at 30 March, 2020, the link is available at <https://www.mfa.am/hy/international-organisations/6>

⁴ See, “Everything you need to know when importing a car from a non-member country EAEU: State Revenue Committee of Armenia explains”, www.finport.am, the link is available at https://finport.am/full_news.php?id=39351&lang=3

euros from January 1, 2021 and 20 euros from January 1, 2022. At the sitting of the Council of the Eurasian Economic Commission, the decision to reduce the threshold for duty-free import of mail parcels, parcels from foreign online stores was not accepted. Deputy Prime Minister Mher Grigoryan informed about this.⁵ "The decision was not made, it was instructed to study the issue in more depth and address the issue in 6 months," he said. If this decision will be adopted after 6 month, it will have negative consequences to the businesses who are conducting online shopping. Companies such as "Globbing" and "Onex" conduct their business on the sphere of serving people importing items for personal use from the internet stores. If proposed decision adopted their business activities will be damaged significantly, as physical persons will not be able to import duty-free parcels from the third countries. As people use these companies' services as mediators for their imported goods to arrive safe and sound, a low untaxed custom ceiling means downsize of unilateral orders and orders in general.

The Ra integration into the EAEU has legal effects to the Republic of Armenia. Armenian accession into the EAEU made it mandatory for the RA Government to comply with numerous international treaties and implement the decision of the EAEU's institutions. Hence, this Paper will also enumerate international obligations which the Ra Government undertakes as result of the accession into the EAEU.

The first chapter is designed to show graphical and statistical data of Armenia in line with EAEU and Russian Federation before and after the membership of EAEU. The second chapter is designed study the new proposed regulations on "Reduction of thresholds for duty-free import of parcels from foreign online store" and its economic consequences. The third Chapter is concentrated on exported and imported cars regulations. Moreover, this chapter will provide case study connected to Kazakhstan and will point out the economic and legal costs that the Armenian car importing and exporting businesses are bearing. The fourth Chapter Specific attention will be

⁵ See, "The decision was not adopted; Mher Grigoryan on reducing the threshold for duty-free import of postal items", the link is available at

https://infocom.am/Article/%D5%88%D6%80%D5%B8%D5%B7%D5%B8%D6%82%D5%B4%D5%A8_%D5%B9%D5%A8%D5%B6%D5%A4%D5%B8%D6%82%D5%B6%D5%BE%D5%A5%D6%81%E2%80%A4_%D5%84%D5%B0%D5%A5%D6%80_%D4%B3%D6%80%D5%AB%D5%A3%D5%B8%D6%80%D5%B5%D5%A1%D5%B6%D5%A8_%D6%83%D5%B8%D5%BD%D5%BF%D5%A1%D5%B5%D5%AB%D5%B6_%D5%A1%D5%BC%D5%A1%D6%84%D5%A1%D5%B6%D5%AB%D5%B6%D5%A5%D6%80%D5%AB_%D5%A1%D5%B6%D5%B4%D5%A1%D6%84%D5%BD%D5%A1%D5%BF%D5%B8%D6%82%D6%80%D6%84_%D5%B6%D5%A5%D6%80%D5%AF%D6%80%D5%B4%D5%A1%D5%B6_%D5%B7%D5%A5%D5%B4%D5%A1%D5%B6%D5%BE%D5%A1%D5%A6%D5%A5%D6%81%D5%B4%D5%A1%D5%B6_%D5%B4%D5%A1%D5%BD%D5%AB%D5%B6_newsam

paid on international obligations that Armenia undertook while joining the Union. To sum up, the Conclusion will summarize the overall economic and legal impact of the integration into the EAEU. Bibliography will be listing all the sources used for the paper.

CHAPTER 1

Graphical and statistical data of Armenia in line with EAEU and Russian Federation from 2015 to 2019

The external trade of Armenia drastically changed during the last few years. Below is some significant decrease in imports, which can be connected with Armenia's membership to EAEU, economic sanctions by the EU against Russia, and the exchange rate crisis in Russia.⁶ Note also

⁶ See, "Did the other EAEU Member States Profit from Eurasian Integration and Russia's Countersanction Policy?" The link is available at <https://www.institutfuersicherheit.at/did-the-other-eaeu-member-states-profit-from-eurasian-integration-and-russias-countersanction-policy/>

that imports started to grow in 2016, with slow economic recovery. As depicted in table 1, in 2013 before being a member of EAEU Armenian exports to Russia were 334125.7. In 2014, Armenian exports started to decrease and fell by 7%⁷. Note that Armenia joined EAEU at the end of 2014, and membership took effect in 2015. Even after the membership, Armenian exports continued to decrease. This trend can be connected with the new policies and enforced laws after the membership of EAEU, economic decline in Russia, and also with Russia-Ukraine political conflict.⁸ The latter resulted in a series of economic sanctions on Russia by the U.S. and its allies. This, in effect, created an opportunity for Armenia to expand foreign trade with Russia. There was 15% increase in trade turnover, and, most importantly, there was 50%⁹ increase in exports¹⁰. It is visible that after EAEU membership, in 2016 compared to 2013 Armenia had a growth for about 12% of exports and compared to 2015, growth was 50%. According to these numbers and a sharp increase in exports, in 2017 Armenian exports are much higher, based on the comparison of the period of January to December. In 2017 there is already given a positive result, about 48% increase in exports. So the numbers continued to grow and at the end of 2018 it gave 19% positive residual in exports and 7% in imports. As we can see in the figure 1, after the EAEU membership Armenia stated huge growth in all mentioned spheres. So we are expecting to have same positive growth in 2020, because compared to the same period of 2019, we already stated 6% percent growth in exports and 21% in imports, although due to COVID-19 in 2020 Armenia's exports and imports may slump.

Trade

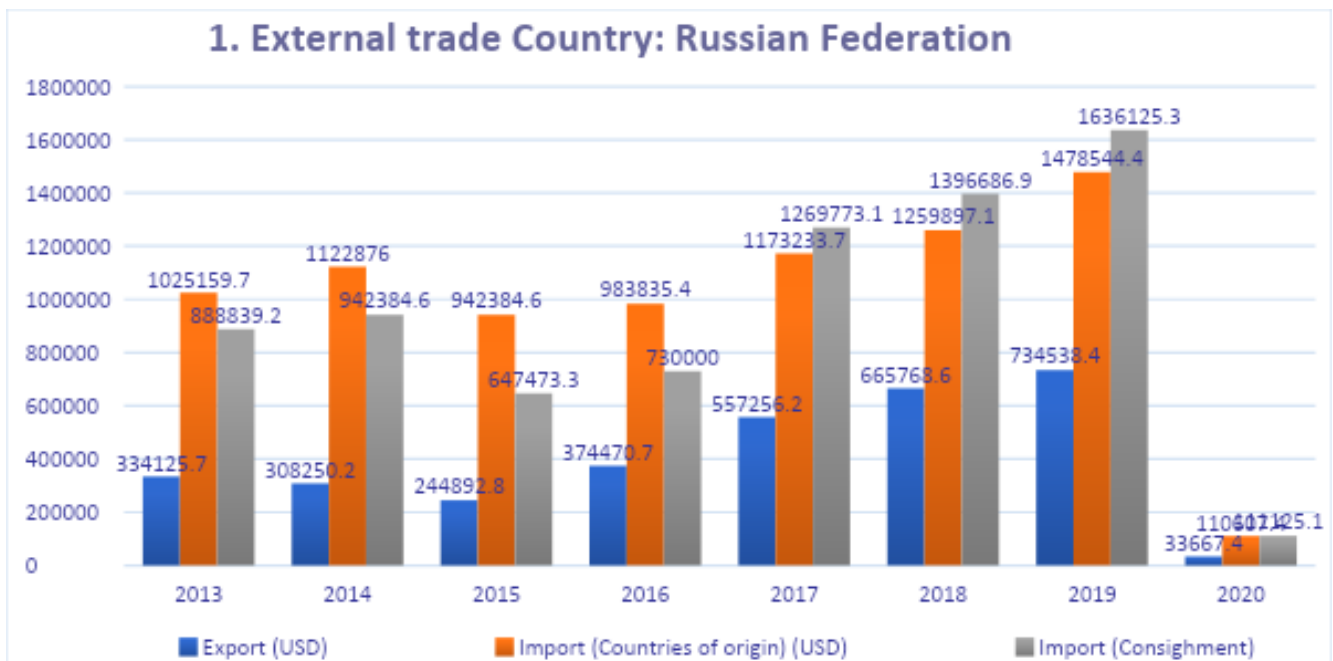
⁷ The calculations were made by the author, the formula was as follows: (2014 figure/2013) figure -1.

⁸ See, footnote 6.

⁹ The calculations were made by the author, the formula was as follows: (2016 figure/2015 figure) - 1.

¹⁰ See, "Eurasian economic Union, Foreign and mutual trade in goods of the Eurasian Economic Union database", the link is available at

<http://eec.eaeunion.org/ru/act/integr_i_makroec/dep_stat/tradestat/time_series/Pages/default.aspx>



Source: National Statistical Service of the Republic of Armenia¹¹

Below is some analysis of Armenia's trade with the countries of EAEU and outside EAEU between 2015-2019. As shown in the figure 2, Armenia's imports from countries outside the EAEU decreased in 2016, by 2%¹². In 2017, the Armenian export supplies within the Union increased by 41%, while imports increased by 23%¹³. Thanks to the customs procedures simplification, more goods are now transported by road. The in-payments from taxes and duties in 2016 exceeded the 2010 in-payments by 54.4%¹⁴. The unemployment rate declined by 0.5 percentage points in 2016 compared to 2015, and by 0.7 percentage points in 2017¹⁵. There was, however, a decrease in migrant workers' remittances to Armenia: according to the data of the Central Bank of the Republic of Armenia, a 7% decline was recorded in 2016 compared to 2015¹⁶. During couple of years, in the figure 2 below we can see that Armenia's import to countries

¹¹ See, "External Trade Database." External Trade Database / Statistical Committee of the Republic of Armenia, the link is available at <http://armstat.am/en/?nid=159>

¹² The calculations were made by the author, the formula was as follows:
(2016 figure/2015 figure) - 1.

¹³ "First results of the Republic of Armenia in the EAEU", Eurasian Commission (2018), the link is available at http://www.eurasiancommission.org/ru/Documents/Armenia_eng.pdf ((last visited Mar 30, 2020).

¹⁴ See, "On the results of foreign trade in goods of the Eurasian Economic Union" 2020, published by Eurasian Economic Union, last visited March 30, 2020, the link is available at http://eec.eaeunion.org/ru/act/integr_i_makroec/dep_stat/tradestat/analytics/Documents/2019/Analytics_E_201912.pdf

¹⁵ "First results of the Republic of Armenia in the EAEU", Eurasian Commission (2018), the link is available at http://www.eurasiancommission.org/ru/Documents/Armenia_eng.pdf ((last visited Mar 30, 2020).

¹⁶ "First results of the Republic of Armenia in the EAEU", Eurasian Commission (2018), the link is available at http://www.eurasiancommission.org/ru/Documents/Armenia_eng.pdf ((last visited Mar 30, 2020).

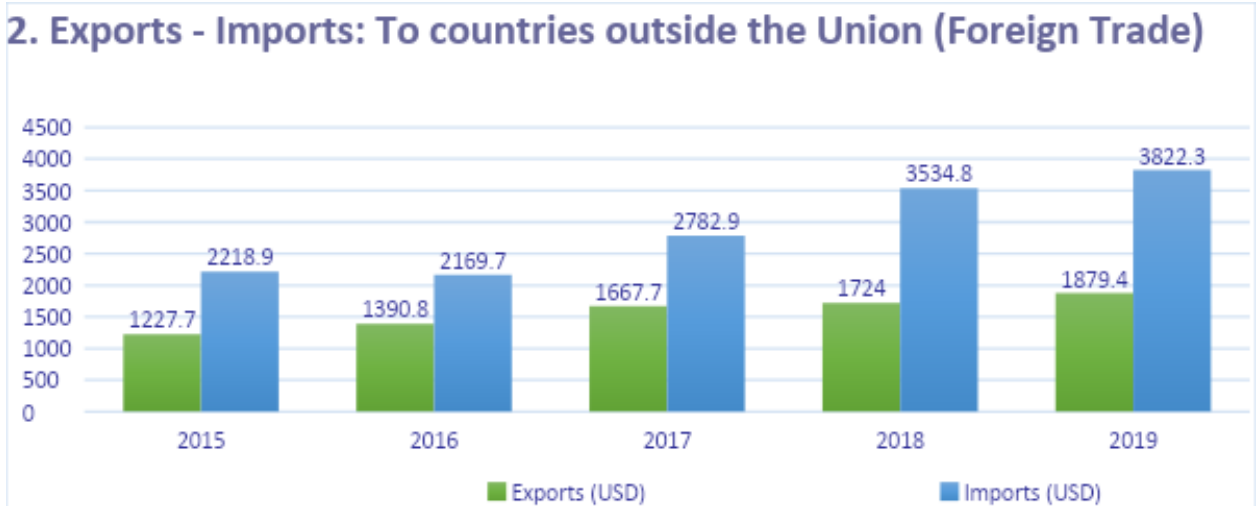
outside the EAUE drastically has been changed to a positive side¹⁷. After the joining the EAEU the numbers started to get higher and at the end of 2019 Armenia's import was 3822.3. From 2015 to 2019 import from countries outside the EAEU the compound annual growth rate and overall increase were 14.6% and 72.3%¹⁸ respectively¹⁹. The imports from the countries of the EAEU increased about 8% as it is shown in the figure 3. Exports to countries outside the EAEU as depicted in table 2, in 2015, it was 1227.7 which has increased in 2016 about 13%. In figure 3, it can be noted that exports to the countries of the EAEU is not significantly high but here also we can see positive residual. As it is shown in the figures 2 and 3, compared to the same period in 2018, Armenia's exports are higher in 2019. At the end of 2019, Armenia's exports and imports to countries in the union were about 8% compared to 2018. Now let's take a look on graph 3. Here we can see that, Armenia gave extensive growth in Exports and Imports to countries of EAEU. During last five years exports increased for about 67% and imports for 41%²⁰. This analysis brings us to the conclusion that membership of EAEU gave Armenia enormous opportunities and growths in mentioned spheres and also made Armenia's economy flourish, but we have to remember that since joining the EAEU, dozens of documents have been signed and the membership of the EAEU created wide economic development opportunity for Armenia. New regulations that the Republic of Armenia and EAEU countries implemented can become a reason for growth in unemployment and also it will be a reason of other economic consequences.

¹⁷ Vinokurov Evgeny, "Eurasian Economic Union: Current State and Preliminary Results." *Russian Journal of Economics*, published on 12 Mar. 2017, the link is available at www.sciencedirect.com/science/article/pii/S2405473917300041.

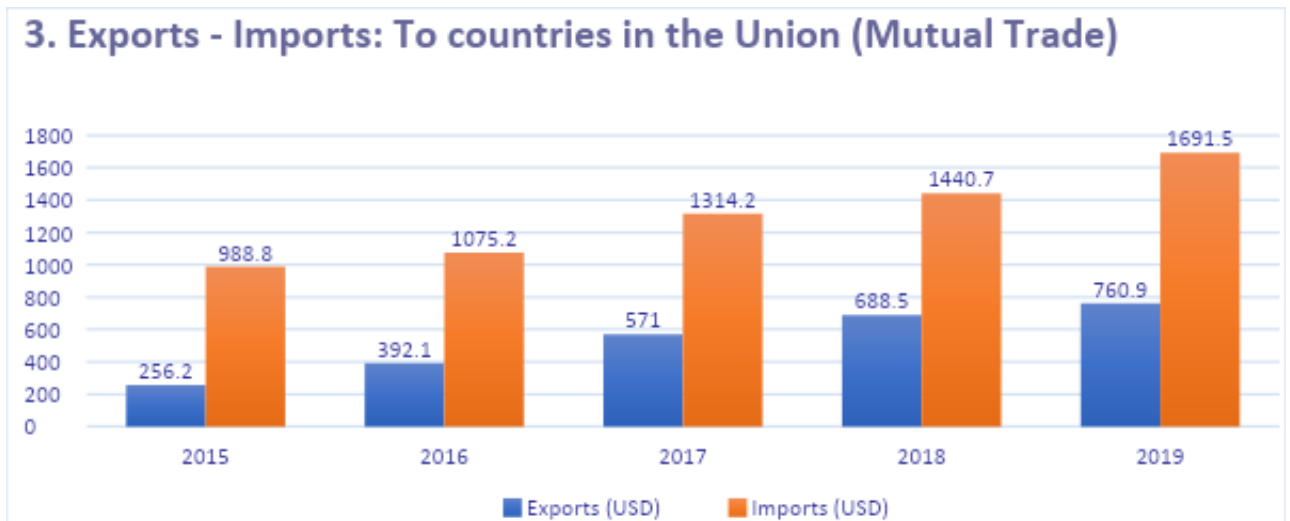
¹⁸ The calculations were made by the author, the formula was as follows: $(2019 \text{ figure} / 2015 \text{ figure})^{\text{number of years} - 1}$.

¹⁹ "Compound Annual Growth Rate." *Encyclopedia of Education Economics & Finance*, 2014, available at <https://www.investopedia.com/terms/c/cagr.asp?fbclid=IwAR1BAJzMx8d5GLPM5T69DP1ESxOlcoYm3KnsISl6-37vdWKqhhl2WbKu9g>

²⁰ Murphy, Chris B. "Understanding the Compound Annual Growth Rate – CAGR." 5 Feb. 2020, available at www.investopedia.com/terms/c/cagr.asp?fbclid=IwAR1BAJzMx8d5GLPM5T69DP1ESxOlcoYm3KnsISl6-37vdWKqhhl2WbKu9g.



Source: Eurasian economic Union²¹



SOURCE: Eurasian economic Union²²

²¹ See, "First results of the Republic of Armenia in the EAEU", Eurasian Commission (2018), the link is available at http://www.eurasiancommission.org/ru/Documents/Armenia_eng.pdf (last visited Mar 30, 2020).

²² See, "The electronic database of reference data", Eurasian Economic Commission, the link is available at http://eec.eaeunion.org/ru/act/integr_i_makroec/dep_stat/tradestat/time_series/Pages/default.aspx (last visited Mar 29, 2020).

CHAPTER 2

Review of EAEU new proposed regulations on “Reduction of thresholds for duty-free import of parcels from foreign online store” and its consequences.

After being integrated in the Union, Armenia's Government took on obligations stipulated by the Treaty, in which provisions were planned in order to limit the imports from third countries.²³ Naturally, Armenia was not a founder state of the Union and joined several years later. As a result the country got privileges that allowed the gradual integration into the Union. On 31 January 2020 at the Eurasian Economic Council meeting, the proposal was discussed, according to which the threshold for duty-free import of parcels from foreign online stores will be reduced from 100 euros on July 1, 2020, 50 euros from January 1, 2021 and 20 euros from January 1, 2022. At the sitting of the Council of the Eurasian Economic Commission, the decision to reduce the threshold for duty-free import of mail parcels, parcels from foreign online stores was not accepted. Deputy Prime Minister Mher Grigoryan informed about this.²⁴ "The decision was not made, it was instructed to study the issue in more depth and address the issue in 6 months," he said. If this decision will be adopted after 6 month, it will have negative consequences to the businesses who are conducting online shopping.

Companies such as “Globbing” and “Onex” conduct their business on the sphere of serving people importing items for personal use from the internet stores. If proposed decision adopted they business activities will be damaged significantly, as physical persons will not be able to import duty-free parcels from the third countries. Recently a burst of public outrage happened, because of this decision. “Globbing” and “Onex” are not happy about this newly proposed

²³ “Treaty on Eurasian Economic Union of 29 May 2014” *ARLIS*, 2015, available at www.arlis.am/DocumentView.aspx?docid=120340. (last visited March 26, 2020)

²⁴ See, “The decision was not adopted; Mher Grigoryan on reducing the threshold for duty-free import of postal items”, the link is available at

https://infocom.am/Article/%D5%88%D6%80%D5%B8%D5%B7%D5%B8%D6%82%D5%B4%D5%A8_%D5%B9%D5%A8%D5%B6%D5%A4%D5%B8%D6%82%D5%B6%D5%BE%D5%A5%D6%81%E2%80%A4_%D5%84%D5%B0%D5%A5%D6%80_%D4%B3%D6%80%D5%AB%D5%A3%D5%B8%D6%80%D5%B5%D5%A1%D5%B6%D5%A8_%D6%83%D5%B8%D5%BD%D5%BF%D5%A1%D5%B5%D5%AB%D5%B6_%D5%A1%D5%BC%D5%A1%D6%84%D5%A1%D5%B6%D5%AB%D5%B6%D5%A5%D6%80%D5%AB_%D5%A1%D5%B6%D5%B4%D5%A1%D6%84%D5%BD%D5%A1%D5%BF%D5%B8%D6%82%D6%80%D6%84_%D5%B6%D5%A5%D6%80%D5%AF%D6%80%D5%B4%D5%A1%D5%B6_%D5%B7%D5%A5%D5%B4%D5%AB_%D5%B6%D5%BE%D5%A1%D5%A6%D5%A5%D6%81%D5%B4%D5%A1%D5%B6_%D5%B4%D5%A1%D5%BD%D5%AB%D5%B6_newsam

change, and understandably so²⁵. As people use these companies' services as mediators for their imported goods to arrive safe and sound, a low untaxed custom ceiling means downsize of unilateral orders and orders in general

Entering into effect from 2018, the legislation and the price cap for the imports from internet stores of third countries for physical persons for their personal use assumed until 200000 AMD

Globbering, Onex, and other companies that facilitate the online shopping for Armenian citizens will now face some consequences too. First of all, their services will become more expensive, as the tariff imposed on the goods will be reflected on their pricing policy. The lesser the untaxed limit the lesser people will buy items from online stores, as taxed goods are obviously more expensive. Therefore people will not further use the services of mediator companies such as Globbering, and the cost of such services will go up. According to Davit Harutyunyan, the founder and CEO of Globbering, the Russian Federation imposes such laws because it wants their citizens to avoid online shopping from third countries via Armenia or other EEU country that has high limit for untaxed goods, as shipping the good from one Union country to another is not a subject for customs²⁶.

Interestingly enough, in the Russian Federation which is a member of EAEU and part of the draft decision, online shopping also surges and the limitations of the legislation imply on their citizens, too. However, their citizens' purchasing power parity is higher (poverty rate in Russia is 12.9 percent²⁷ and in Armenia poverty rate is 23.5 percent²⁸) than that of the Armenian citizens, and they can buy more expensive products from inside and outside of their country whether it is produced internally or in a third country and purchased online or from a tangible store. In 2019 after the limit was reduced from 1000 euros to 500, the Russian citizens purchased a total of 234.1 thousand items online that were taxed, as opposed to 56.8 thousand in 2018. Nevertheless, total online purchases were reduced from 350 million packages in 2018 to 340 million in 2019. 95% of those internet-based purchases were items with price of 20 euros or less²⁹. That is the

²⁵ "Another attempt, capturing Armenia", "GLOBBING" Limited Liability Company (LLC), published in 2020, the link is available at <https://medialab.am/43771/> (last visited Mar 29, 2020).

²⁶ Nelly Babayan, "Threshold of Duty-Free Goods Online Shopping May Be Reduced", published on 18 Oct. 2017, the link is available at <https://www.aravot.am/2017/10/18/914313/>

²⁷ See, "Poverty rate in Russia", World bank group, the link is available at <https://openknowledge.worldbank.org/handle/10986/33476>

²⁸ See, "Poverty data: Armenia", Asian Development Bank the link is available at <https://www.adb.org/countries/armenia/poverty>

²⁹ Krivoshapko Julia, "Crushing" Parcels, Smuggling, Corruption and Smart Checkpoints" published on 28 Jan. 2020. The link is available at *Available at*

also a reason why the EAEU joint decision impose the changes: the customs can work with higher effectiveness if more online purchased items are taxed. Furthermore, the customs charged Union-wide are collected in the common budget of the EEU, and then are distributed to the countries and less than the original amount³⁰. Even though, the draft decision sound very controversial and seems like restring some types of business activities, however it should be noted that Armenia get a per cent from the total amount of tariffs

If Russia and its citizens can get away with low price limits for internet purchases because of the variety of their market and their high PPP, Armenian citizens do not enjoy those privileges. The average Armenian citizen opts for internet stores because the stores and boutiques in Armenia put much higher prices for the same items than they are online and in official stores. As Globbing's Chief Marketing Operator Vahe Ghazaryan claims that in Europe and in the US clothes and tech products are very cheap, even with taxes paid, than in Armenian market³¹. Now, if the newly proposed limits are accepted, the Armenian citizens will face new consequences and new realities. As mentioned above the goods that will be imported from a third country via an online store will get taxed if their value exceeds 20 euros. Therefore, a vast amount of goods will become more expensive for the average Armenian. That same good may be not available in the Armenian stores, but if it is available, it will be definitely much more expensive than online. So, the citizen will be discouraged to buy either of the goods and will look for cheaper alternatives. Those alternatives will include goods produced within the Union, and not necessarily matching the quality of the originally wanted good. Hence, the citizens will face the dilemma of giving up money or giving up quality. Many people will consider going abroad for shopping and avoid customs because that is the cheaper way rather than buying the same good taxed or with more expensive price. Due to this initiative, the government will have to face a public disappointment, as either component is important to an average citizen.

As mentioned above, the companies that are playing the role of mediators in purchasing from internet-based stores of third countries will face severe consequences. If in the recent years the

<https://rg.ru/2020/01/28/glava-fts-vopros-tamozhennoj-stoimosti-ostaetsia-tochkoy-napriazheniia.html> (last visited on March 28, 2020)

³⁰ International organization; Eurasian Economic Union, "Connecting Paths: 2018 Annual Report, Eurasian Economic Commission" (2018), available at http://www.eurasiancommission.org/ru/Documents/2918_1_EЭК_ГО2018_АНГЛ_08.pdf (last accessed March 28, 2020)

³¹ See, Trefilov Vladimir, "Armenian Online Shopping" . 28 Jan. 2018., *available at* <https://armeniasputnik.am/armenia/20180228/10731154/arcanc-gnumner-xanut-evrasiakan-miutyun.html>

general public trusted them and were buying products from internet, they will shift their behavior in favor of domestically produced goods or goods imported from the Union member state. For instance, both “Globbing” and “Onex”, as opposed to Shop in America, are placing their services in the state of Delaware where the goods are not subject to taxation. The companies work to please their customers by charging only for their service and nothing else.

Inevitably, if there is a downshift of online purchases due to this new proposal, the mediator companies will see a diminution in their customers, too. The lack of quantity in customers will bring to higher prices for their services. The higher the prices for the services, the lower the customers’ quantity will be. The fewer the customers, the less these companies will pay taxes. Moreover, the fewer the customers, at some point of time these companies can run out of business. Consequently, this new proposal from our Russian allies will lead to unhealthy business environment in our country, as well as will cause in reduction of taxes collected from those businesses.

Furthermore, it does not seem logical that in an era of technologies the legislators close the windows for online shopping. First of all, it is a more competitive market in comparison with the domestic one. The variety of products on the internet cannot be matched with that of the domestic market, and understandably so. The online platform encourages the citizens to engage in transactions. Secondly, it is more convenient to shop sitting at home rather than from a tangible shop, more so when the prices are incomparably higher in the tangible ones. Third, it is logistically more beneficial for the citizens to buy online. Many of the citizens do not have the time to go shopping or do not have the money. Online shopping allows avoiding the headaches of traffic, expensive alternatives in the domestic market, and not having the time to go shopping. It simply lets the citizen to rest while shopping. So, it would be recommended to review the legislation or the proposal for the people’s sake.

A great example is the situation that we can find the world in in the past few months. During the days of isolation due to coronavirus, the people were encouraged to buy online and not go outside. In some projections, this will be the future of the human kind and it would be better to adapt to these new realities sooner than later.³²

³² See, Trefilov Vladimir, “Armenian Online Shopping”, published on 28 Jan. 2018, the link is *available at* <https://armeniasputnik.am/armenia/20180228/10731154/arcanc-gnumner-xanut-evrasiakan-miutyun.html>

It is understandable, that the Russian government tries to impose the other governments to promote the Russian production, but it is not viable in the economic point of view. Instead of imposing customs duties on goods purchased online, it would be more preferable that the Russian and other Union member governments made efforts for their own products' quality, rather than hindering the imports via internet stores just to promote the sales of their products. It is the easy way, but in long-term it is not effective, since as mentioned in the paragraphs above, we are living in a world of technologies and the evolution will unavoidably bring us to open borders and open markets with high levels of competition. By imposing limits on purchases from online stores the governments deprives the public from a fundamental right, the right of choice. If the citizen will pay higher price for a good due to customs, they will not buy that good, thus being hindered to obtain their desired p

CHAPTER 3

Review of EAEU new regulations on exported/imported cars and the analysis of the consequences

1. Export cars from the EAEU member countries.

Since joining the Union, dozens of documents has been signed, however, it turns out that a huge amount of these documents lack the answer to a simple question whether cars imported into the territory of Armenia for personal use from the member states of the EAEU are subject to VAT in the territory of the Republic of Armenia³³. 2016 there was a gap in the regulation as VAT levied on citizens when importing cars from the EAEU countries have conflicting principles. On February 08, 2016, EEU Minister for Integration and Macroeconomic Affairs Tatyana Valovaya³⁴ announced that it is forbidden by law to impose value added tax on natural persons when importing cars, justifying this prohibition by applying to no-tariff to each other in the common customs area. In Kazakhstan, from the very beginning of integration state bodies imposed a VAT on cars of personal use. This regulation letter abolished. However, today such kind of problem has appeared in Armenia. That is, the EAEU Minister stated in his opinion about imposing VAT on cars of personal use. According to the head of the specialized customs clearance office of the Ministry of Finance, “After leaving the territory of Armenia on the basis of a transit declaration

³³ See, “VAT Changes Will Affect Car Prices in Armenia”, published on 18 Mar. 2016, the link is *available at* <http://www.panarmenian.net/arm/details/208403/> (last visited March 24, 2020)

³⁴ See, Sargis Harutyunyan, “EAEU Minister. Illegal taxes are levied in Armenia”, 2016, the link is *available at* <https://www.azatutyun.am/a/27539182.html> (last visited March 24, 2020)

required at the Lars border checkpoint, cars withdrawn from registration in the EAEU member countries apply to the tax authority to pay VAT³⁵. With effect from April 1, 2016, cars imported from the Union will no longer be subject to VAT, but will not be refunded of VAT paid (in particular, about \$ 2 million paid by citizens during that year.) Tatyana Valovaya states that non-tariff regulation measures in the EAEU area should not be applied, in effect considering VAT taxation as a non-tariff regulation measure³⁶.

"The Customs Code of the Union, Article 1, part 10," gives what are considered non-tariff regulatory measures. " "non-tariff regulatory measures applicable to goods moved across the customs border of the Union, including those imposed unilaterally in accordance with the Union Treaty, the measures of technical regulation, sanitary, veterinary-sanitary and quarantine phytosanitary measures, export control measures, including the measures in respect of military purpose products and radiation requirements established in accordance with the Union Treaty and/or the Member States' legislation". Prior to joining the Union, the concept of non-tariff settlement measures in the Customs Code of the Republic of Armenia was defined as follows: Non-tariff regulation measures are those defined by law and other legal acts which, without directly affecting the amount of customs duties, restrict the importation and exportation of goods and vehicles into the Republic of Armenia. That is to say, according to the Minister, the application of value added tax when importing goods from the EAEU territory is a non-tariff regulation, with numerous references in the relevant literature, but no direct reference is made to the Customs Code of the Union Article 4, part 1, point 17. It is true that the list of these funds is not exhaustive, but VAT is simply not envisaged. Therefore, no changes were made to our legislation and citizens continued to pay value added tax for personal use³⁷.

One single customs area and being one single common economic area, implies free movement of goods, resources and capital therein. Thus, the levying of value added tax on the importation of cars into the territory of the Republic of Armenia contradicts this principle, as VAT is already paid on the imported cars in the EAEU member state. Hereby, after this contradiction, On March

³⁵ See, "Vehicles registered in the EEU" 2015, published by News.am, the link is *available at* <https://news.am/arm/news/251944.html> (last visited March 24, 2020)

³⁶ VAT Will Not Be Paid When Importing Cars from EEU Countries", published by Ilex Law Firm , 2016. *Available at*

<https://www.illex.am/am/փաստաբանական-հրատարակումներ/արթիվ/88-եսամ-երկրներից-ավտոմեքենաներ-ներմուծելիս-ասի-չեն-վճարելու.html> (Last visited March 24, 2020)

³⁷ "VAT Will Not Be Paid When Importing Cars from EEU Countries", published by Ilex Law Firm , 2016. *Available at*

<https://www.illex.am/am/փաստաբանական-հրատարակումներ/արթիվ/88-եսամ-երկրներից-ավտոմեքենաներ-ներմուծելիս-ասի-չեն-վճարելու.html> (Last visited March 24, 2020)

17, 2016, an amendment was made to the RA Law on Value Added Tax. From now on, citizens will not pay VAT when importing cars from EAEU countries (Russian Federation, Kazakhstan, Belarus, Kyrgyzstan) for their personal use. The corresponding amendment was signed by the RA President on March 26, 2016, and entered into force on March 31, 2016. The law has no retroactive effect and will only apply to relations arising after its entry into force, meaning that no VAT refund or refund will be paid by citizens after becoming a member of the EAEU.

2. Imported cars from the third countries:

Starting January 1 2020, importing a car for personal use from a third country to the EAEU countries, customs duties and taxes will be calculated at the united rate, including the sum of customs duties and value-added tax, without dividing those taxes³⁸. This was reported by the State Revenue Committee information and PR department. It is important to know that if a vehicle is imported for personal use in 2019 by December 31, including a "passenger customs declaration" rather than a "transit declaration", the customs clearance will be at current rates. But if imported, for example, on December 28, and the "passenger customs declaration" is registered in 2020, Starting January 1, new rates will be calculated. According to Article 71 of the EAEU Treaty, goods imported from the territory of one Member State to the territory of another Member State are subject to indirect taxation, addition to this in the Article 72, the indirect trade in goods is subject to the principle of the country of destination, which provides for the application of a zero rate of value added tax and / or exemption from the export of goods as well as their imposition on indirect taxation at the time of importation³⁹. Indirect taxes shall not be charged when importing into the territory of a Member State are as follows: goods not subject to taxation (exempt from tax) on importation into its territory in accordance with the law of that Member State; products imported by individuals for the purposes of non-entrepreneurial activity into the territory of a Member State; goods imported from one Member State to another Member State in relation to their transfer within one legal entity (the obligation of notifying the tax authorities of the import (export) of such goods may be established by the laws of the Member State). According to the RA Law "On Peculiarities of Calculation and Payment of Indirect Taxes between the Republic of Armenia and the Member States of the Eurasian Economic Union": The calculation will depend on the date of issue of the imported car, the value of the car and the

³⁸ See, RA State Revenue, "Customs Fees", *available at* <https://www.petekamutner.am/Content.aspx?itn=csCICustomsFees> (last visited March 29, 2020)

³⁹ See, "Procedures for the Export and Import of Goods to EAEU Member Countries." Published in 2015, the link is available <https://www.petekamutner.am/Content.aspx?itn=csCIEAEUImpExpProcedures>. (last visited Mar 30, 2020)

engine volume. The process is regulated by the Council of the Eurasian Economic Commission on 20.12.2017, known as decision 107. Irrespective of the uniform rate, both now and in 2020, environmental taxes will continue to be charged in accordance with Article 171 of the RA Tax Code, at a rate of value, but not less than the product of the engine volume and the rate specified⁴⁰. In particular, if the value of the car does not exceed 8500 EUR, for example 7800 EUR, and a single rate is set at 54% of the acquisition cost, the single rate shall be calculated by this formula: $7800 \text{ €} \times 54\% = 4212 \text{ €}$ ⁴¹. However, the aggregate rate shall be not less than 2,5 euro per 1 cubic centimeter of engine workload. That is, if the engine's operating volume is 2,500 cubic centimeters (cm), the calculation will be as follows: $2500 \text{ cm}^3 \times 2.5 \text{ €} = 6250 \text{ euro}$ ⁴². Therefore the amount to be paid will be 6250 Euros, as the amount calculated at the value rate is less than the amount calculated at the engine operating volume. A single customs fee will be calculated for a car with the same value of 7800 euros, but with a motor of 1600 cubic centimeters, $7800 \text{ €} \times 54\% = 4212 \text{ Euro}$, but not less than $1600 \text{ cm}^3 \times 2.5 \text{ €} = 4000 \text{ Euro}$. In this case, the amount to be paid will be equivalent to EUR 4212, as the amount calculated in terms of value exceeds the rate calculated for the engine operating volume, as compared to the previous example. Thus, for cars with no output more than 3 years, with the same value but with different workloads, different amounts are payable. The value of the cars is declared in the passenger customs declaration. However, if the value in the documents presented is not substantiated, the value of the goods shall be determined by the customs authority in accordance with Article 267 of the Union Customs Code. It is different to import a car with a release date of more than three years for personal use. In this case, the single rate is only the product of the engine workload and the specific rate set. For example, if the timing of an imported car exceeds 5 years and the engine has a working capacity of 1,600 cubic centimeters, the unified rate will be payable under this formula; $1600 \text{ cm}^3 \times 3.5 \text{ €} = 5600 \text{ Euro}$ equivalent to AMD. Environmental taxes will also be charged depending on the age of the car. Moreover, the older the release date of the imported car is, the higher the specific rate is set, even if the engine workload is the same.

⁴⁰ See, "What Will Change in the Lives of Auto Dealers since January? Details from SRC Chairman." Published by *Sputnik Armenian*, the link is available at <https://armeniasputnik.am/armenia/20191016/20784187/inch-e-poxvelu-avtonerkroxneri-kyanqum-hunvaric-manramasner-PEK-naxagahic.html> (last visited March 29, 2020)

⁴¹ See, "Law enforcement on Imported Cars from Non Member Stat of the Union." *www.news.am*, published on 14 Sept. 2019. The link is available at <https://news.am/arm/news/533449.html> (last visited March 28, 2020)

⁴² See, "Law enforcement on Imported Cars from Non Member Stat of the Union." *www.news.am*, published on 14 Sept. 2019. The link is available at <https://news.am/arm/news/533449.html> (last visited March 28, 2020)

Recently, a boom of imported cars happened in Armenia. Because Armenia (and Kyrgyzstan) had the privilege to import cars for a lower customs fee, Armenian citizens were importing⁴³ cars from third countries at lower costs than the other countries' citizens. Citizens of other countries of the Eurasian Economic Union, in particular of Kazakhstan, showed interest in cars brought from third countries by Armenian citizens. In 2019 around 190000 cars were imported to Armenia from third countries, majority of which were supposed to be sold to Kazakhstan's citizens⁴⁴. Now, the Kazakh officials are planning to exile the cars that will not be registered in the country during one year (until March 1, 2021). The reason is that as the Article 63 of Kazakhstan's "Law on Traffic", suggests that all cars must be registered in Kazakhstan. An exception is cars "participating in international traffic" and imported into Kazakhstan for a period not exceeding one year. Article 65 states that a vehicle that has remained on the territory of Kazakhstan for more than one year with interruptions of up to 30 days is not considered being in international traffic⁴⁵. Newly enforced policy by Kazakhstan states that Kazakh nationals could not drive Armenian cars with Armenian license plates, note that according to EAEU regulations, in member states, citizens could drive cars with other member states license plates without changing it to their standards. Ambassador⁴⁶ of the Republic of Armenia in Kazakhstan Gagik Ghalechyan said

Khazakhstan's citizens are driving with Armenian license plates and aren't getting fined in the event of violating traffic laws:

99% of the drivers who break the rules are Khazakh nationals.

Ambassador also commented about newly published online showing that a senior traffic police official of Nur-Sultan city ordering to "search Armenian cars" and threatening his subordinates with punishment for failing to give out tickets, the ambassador said the local police have launched an internal investigation and the official has been held to account. Ambassador also added that "This all has nothing to do with Armenians, it is simply about the vehicles with

⁴³ See, "Import origins of Cars to Armenia (2017), The Observatory of Economic Complexity (2018)", the links are available at https://oec.world/en/visualize/tree_map/hs92/import/arm/show/8703/2017/ (last visited March 29, 2020)

⁴⁴ See, Seda Hergnyan, Armenia: 189,000 Cars Imported in 2019, (January 13, 2020), the link is available at <https://hetq.am/en/article/112026> (last visited March 29, 2020).

⁴⁵ See, Shokan Alkhabaev "Armenian, Kyrgyz and Russian cars will be outlawed in Kazakhstan", published on January 14, 2020, available at <https://tengrinews.kz/autos/armyanskie-kyirgyzskie-rossiyskie-avto-okajutsya-vne-zakona-388719/>

⁴⁶ See, Stepan Kocharyan, "Ambassador Downplays Kazakh Police Targeting Motorists Driving Cars with Armenian License Plates." Published on 3 June 2019, the link is available at armenpress.am/eng/news/977096/. (last visited March 29, 2020).

Armenian license plates.” Local press⁴⁷ previously addressed on numerous occasions the method used by Kazakh motorists to evade getting fined by driving vehicles with Armenian license plates, which apparently can't have fines registered on them in the local database. Moreover, in 2019 the Ministry of Interior Affairs of the Republic of Kazakhstan has counted up to 90000 violations and 1854 accidents with 132 deaths and 500 hurt involving cars with foreign license plates⁴⁸. Kazakhstan's government offers its citizens to sell their newly bought cars or to reassemble them and then sell locally, otherwise the drivers will be monetarily punished and their cars seized. The citizens of Kazakhstan who bought cars in Armenia are displeased with this decision of the officials, as they claim that registering a car in Kazakhstan can be as expensive as the car itself, or even more expensive. Moreover, Armenia and Kazakhstan are in the EEU which alleges that no such problems should arise when an Armenian car drives in other countries of the Union. However, the officials assure that the problem comes from Armenian (and Kyrgyz) citizens being able to import with lower customs duty in comparison with Russian and Belorussian citizens. That is why the drivers with cars from the latter countries do not need to pay penalties. This puts the Armenian resellers in a shaky situation, as many of Kazakhstan's citizens bring their cars back⁴⁹. Furthermore, many Armenian citizens could not realize their cars on the Kazakh customers, so nowadays they face huge economic problems. Many of them put their property (house, cars, etc.) in pledge in order to buy cars from a third country for reselling purposes. Now not only the cars that they bought and could not sell are a liability, but the people to whom they sold the cars bring the cars back. What happens next is currently uncertain, but for “defending” the local automobile producers the government of Kazakhstan is unwilling to lower the bureaucracy levels and reduce the customs fees for their citizens, and in consequence, Armenian citizens are adversely affected.

The Republic of Armenia has been a member of the Union for a five year. Given the economic nature of the Union, it is assumed that membership would have created some economic

⁴⁷ See, Alan Kozhakhmetov, “In Western Kazakhstan, Drivers Come up with a Way to Not Pay Fines.” The link is available at https://tengrinews.kz/kazakhstan_news/zapade-kazahstana-voditeli-pridumali-sposob-platit-shtrafyi-358716/ (last visited March 29, 2020).

⁴⁸ See, “What are the concerns of the owners of cars with foreign license plates?” published on 5 Feb. 2020, the link is available at <https://rus.azattyq.org/a/kazakhstan-nedovolstvo-trebovania-registracii-mashin/30386539.html> (last visited March 29, 2020).

⁴⁹ See, “New Kazakh Restrictions Hit Armenia's Car Export Boom”, published on 21 Jan. 2020, the link is available at *Available at* <https://24.kz/ru/news/social/item/368929-dve-tys-mashin-s-armyanskimi-nomerami-vyvezli-iz-kazahstana-za-nedelyu> (last visited March 29, 2020).

advantages and advantages for our country, especially in customs relations, but the reality is different. The volume of imports of the Republic of Armenia in 2019 compared to the level of January - December 2018⁵⁰ increased by 8.1%. Purchases of machinery, equipment and vehicles increased by 28.6% (37.7% of the total imports of the Republic of Armenia from third countries), note that this year the volume of imports of the Republic of Armenia compared to the level of January 2019⁵¹ decreased by 4.3%. Purchases of machinery, equipment and vehicles decreased by 17.6% (29% of total imports of the Republic of Armenia from third countries). The EEU membership was followed by the increase in import duties on non-EAEU countries (for example, European countries), the full effect of which is not yet visible.

CHAPTER 4

The Legal impacts of the RA Integration into the Eurasian Economic Union

The Eurasian Economic Union is an international organization of regional economic integration. It has the international legal personality and was established by the Treaty on the Eurasian Economic Union signed on May 29, 2014 in Astana.⁵²

⁵⁰ See, “The electronic database of reference data”, Eurasian Economic Commission,”*available at* http://eec.eaeunion.org/ru/act/integr_i_makroec/dep_stat/tradestat/analytics/Documents/2019/Analytics_E_201912.pdf (last visited March 29, 2020).

⁵¹ See, footnote 50.

⁵² See, “Treaty on the Eurasian Economic Union” Article 1, adopted on May 29, 2014, Astana, the link is available at https://www.wto.org/english/thewto_e/acc_e/kaz_e/WTACCKAZ85_LEG_1.pdf

While joining to the Eurasian Economic Union the Republic of Armenia undertakes several international obligations. It should be mentioned that the Treaty on the Eurasian Economic Union, all international agreements within the EAEU and decisions and resolutions of the Supreme Eurasian Economic Council, Eurasian Intergovernmental Council as well as Eurasian Economic Commission that were accepted according to their authorities provided under the Treaty as well as international agreements within the EAEU are obligatory for the Republic of Armenia.⁵³

The EAEU Court is one of the institutions of the EAEU along with the Supreme Eurasian Economic Council, the Intergovernmental Council, and the Eurasian Economic Commission.⁵⁴ It is a permanent judicial body with the seat in Minsk, Belarus, and acting on the basis of the EAEU and the Statute of the EAEU Court.⁵⁵ The EAEU Court may sit as the Grand Collegium, the Collegium, and the Appellate Chamber. The Grand Collegium consists of all judges of the Court. It hears cases brought by the Member States and cases for clarification. The EAEU Court may entertain two types of cases: (a) contentious cases, i.e. legal disputes submitted to it by Member States and business entities; and (b) advisory proceedings, i.e. requests for advisory opinions on legal questions referred to it by the Member States or the EAEU institutions. Following the examination of legal disputes, the Grand Collegium, the Collegium and the Appellate Chamber adopt decisions. The decisions of the EAEU Court are binding for the parties.⁵⁶ The main function of the EAEU Court is to ensure that the Member States and the EAEU institutions uniformly apply the EAEU Law.⁵⁷

Referring to its competence of ensuring a uniform application of Eurasian integration law, the Court argued already in its first case that its decisions: (a) have effect not only as between the parties, but also as regards all other parties (*erga omnes*); (b) are “subject to strict execution”; and (c) “any act or action aimed at their non-execution or improper execution are null and void”.

⁵⁸ Successful examination of the EAEU Treaty, Statute of the Court and its decision, it should be

⁵³ See, “Treaty on the Eurasian Economic Union” Article 6, adopted on May 29, 2014, Astana, the link is available at https://www.wto.org/english/thewto_e/acc_e/kaz_e/WTACCKAZ85_LEG_1.pdf

⁵⁴ See, “Treaty on the Eurasian Economic Union” Article 8, adopted on May 29, 2014, Astana, the link is available at https://www.wto.org/english/thewto_e/acc_e/kaz_e/WTACCKAZ85_LEG_1.pdf

⁵⁵ See, Statute of the EAEU Court, adopted on 29 May, 2014 (29 May 2014).

⁵⁶ See, Statute of the EAEU Court, the link is available at www.consultant.ru/document/cons_doc_LAW_163855.

⁵⁷ See, Statute of the EAEU Court, the link is available at www.consultant.ru/document/cons_doc_LAW_163855.

⁵⁸ See, Resolution of the Grand Chamber of the EAEU Court on the case of Iuzhnyi Kuzbass, available at <http://www.tsouz.ru/Docs/sud/Documents/tolkovanie.pdf>

noted that **the decisions of this court are obligatory for the Republic of Armenia**, and all state institutions have to follow its decisions.

The Eurasian Economic Commission is the permanent supranational regulatory body of the union, which consists of the Council of the Commission and Board of the Commission. The main objectives of the Commission are providing conditions for the functioning and development of the union, as well as introducing offers in the sphere of economic integration within the framework of the union. The Eurasian Economic Commission is located in capital Moscow, the Russian Federation. The board of the Eurasian Economic Commission consists of 10 members (2 Members of Board (Ministers) of the Commission from each member country), one of whom is the Chairman of Board of the Commission.⁵⁹ The competences of the Commission include customs tariff and non-tariff regulation, customs administration, technical regulation, macroeconomic policy, competition policy, industrial and agriculture subsidies, energy policy, natural monopolies, state and municipal procurement, internal trade in services and investment, transport and transportation.⁶⁰

To join the CU and the CES, Armenia had to carry out 267 items of the Road Map in interaction with the Commission and the Member States. The necessary measures were mainly aimed at harmonizing Armenian national legislation with the legal framework of the Union. Armenia was also required to analyze the way it applied bilateral and multilateral agreements with third countries for possible contradictions between Armenia's obligations under these agreements and the legal framework of the EAEU. Considering its obligations under the WTO with respect to import customs tariffs, Armenia had to compare the rates of import customs duties applied under the SCT of the CU with its own import tariffs. Accordingly, it was necessary to ascertain whether Armenia could negotiate on changing its obligations within the WTO. Thus, tariff obligations was one of the "sensitive" issues for Armenia when making a decision to join the Customs Union.⁶¹

⁵⁹ See, "Treaty on the Eurasian Economic Union", adopted on May 29, 2014, Astana, the link is available at https://www.wto.org/english/thewto_e/acc_e/kaz_e/WTACCKAZ85_LEG_1.pdf

⁶⁰ See, "Treaty on the Eurasian Economic Union", adopted on May 29, 2014, Astana, the link is available at https://www.wto.org/english/thewto_e/acc_e/kaz_e/WTACCKAZ85_LEG_1.pdf

⁶¹ See, "The Republic of Armenia in the Eurasian Economic Union, 2018, the link is available at http://www.eurasiancommission.org/ru/Documents/Armenia_eng.pdf

According to the Union law, Russian is defined as the working language of the Union governing bodies, therefore Armenia had to translate a number of national regulatory legal acts from Armenian into Russian with a view to ensure the appropriate interaction, including the interaction between public authorities of the Union Member States.⁶²

It should be noted that in some areas Armenian national legislation was more consistent with international practices, so its application within the Union should be considered in the future. At the same time, as the Republic of Armenia was preparing the draft Treaty on the Accession, it had to agree on regulating such sensible issues as the exemption from the SCT of the provisions on cars for individuals and legal entities, certain types of civil aircraft, military products, sugar, and textiles. The draft Treaty on the Union was then at the final stage of approval and was scheduled for signing at the meeting of the Supreme Eurasian Economic Council on May 29, 2014.⁶³

Since February 1, 2015, the Republic of Armenia has been applying the Protocol on the procedure for charging and distributing import customs duties and the Regulations on transferring and distributing special protection and antidumping duties. As for the customs regulation: the activities of customs intermediaries (brokers) and persons carrying out storage in warehouses and establishing tax-free shops shall be exercised on the same terms for 18 months, and the activities of customs carriers - for 6 months since the date of entry into force of the Treaty on the Accession. Vehicles for personal use shall be imported on the Armenian territory on the same terms until January 2, 2020 (within 5 years since the date of entry into force of the Treaty on the Accession).⁶⁴

As for the customs-tariff and non-tariff regulation: it was determined that goods with the rates of import customs duties lower than those applied under the SCT of the Union can only be used on Armenian territory. As for the technical regulation: the transition to the technical regulations of the Union was scheduled one year after the entry into force of the Treaty on the Accession (since January 2, 2016), while some other technical regulations have later terms of their application (2

⁶² See, "Treaty on the Eurasian Economic Union", Article 10 adopted on May 29, 2014, Astana, the link is available at https://www.wto.org/english/thewto_e/acc_e/kaz_e/WTACCKAZ85_LEG_1.pdf

⁶³ See, 2 The SEEC Decision No. 65 "On carrying out activities for the implementation of the Action Plan (Road Map) for the accession of the Republic of Armenia to the CU and the CES of the Republic of Belarus, Republic of Kazakhstan and the Russian Federation" dated April 29, 2014.

⁶⁴ See, "Customs payments, customs value, and the country of origin of goods", the link is available at http://www.eurasiancommission.org/en/act/tam_sotr/dep_tamoj_zak/Pages/tptssp.

years after the entry into force of the Treaty – for technical regulations on machinery and equipment, furniture, tractors; 4 years later – for technical regulations on motor roads, and 5 years later – for technical regulations on wheeled vehicles).⁶⁵

As regards the intellectual property, a three-year transition period (until January 2, 2018) was assigned for starting the application of the regional principle of the exhaustion of exclusive trademark rights. If the share of goods manufactured in third countries exceeds 15% in the Republic of Armenia's structure of annual exports to other Member States, then the Member States shall be entitled to initiate the procedure of early termination of this transition period. In this respect, the Republic of Armenia shall submit to the Commission quarterly statistical data on its trade turnover with other Member States, including on the goods originating from Armenia itself. In addition, a list of temporary exemptions from the SCT of the Union was determined for Armenia, enumerating in total some 770 commodity codes with their maximum exemption periods expiring at the latest in 2022. Depending on tariff protection levels, exemptions were established for a period from 1 to 7 years for the main commodity groups: engine-driven and transport vehicles; food products (dairy products, grains, cereals); pharmaceuticals; petroleum products; fertilizers; polymeric materials and articles made thereof. Until 2022, products of military use as well as civil aircrafts and helicopters are also exempted from import customs duties.⁶⁶

⁶⁵ See, See, "The Republic of Armenia in the Eurasian Economic Union, 2018, the link is available at http://www.eurasiancommission.org/ru/Documents/Armenia_eng.pdf

⁶⁶ See, The SEEC Decision No. 1 "On the Republic of Armenia's candidacies of a member of the Commission's Council and members of the Board" dated January 2, 2015.

Conclusion

In 2015, Armenia joined the Eurasian Economic Union (EAEU) – an economic union that was created on the initiative of Russia. The EAEU is an international organization for economic integration. It involves the free movement of labor, goods, services and capital between member countries. The union led by Russia includes Belarus, Kazakhstan, Armenia and Kyrgyzstan. On January 2, 2015, an agreement came into force according to which Armenia became a full member of the EAEU. The RA integration into the Eurasian Economic Union has an impact on all spheres of the RA economy. This paper discussed two practical issues which illustrate the legal and economic effects of the RA integration into the EAEU.

The integration processes within the EAEU based on the unification of customs tariffs, the formation of a single customs tariff established based on the methodology agreed by the Member States, non-tariff regulation measures, application of regulatory tools for trade in goods with third states. Armenian gradual integration into the Eurasian Economic Union has negative consequences to the business who are working with third countries.

Due to integration into the EAEU Armenia's imports from countries outside the EAEU decreased in 2016, by 2%. In 2017, the Armenian export supplies within the EAEU increased by 41%, while imports increased by 23%. Because of the customs procedures simplification, more goods are now transported by road. , Armenia gave extensive growth in Exports and Imports to countries of EAEU. During the last, five years exports increased by about 67% and imports by 41%.

If adopted EAEU new proposed regulations on “Reduction of thresholds for duty-free import of parcels from foreign online store” will have negative consequences on business who are specialized in online shopping. If proposed decision adopted they business activities will be damaged significantly, as physical persons will not be able to import duty-free parcels from the third countries. As people use these companies' services as mediators for their imported goods to arrive safe and sound, a low untaxed custom ceiling means downsize of unilateral orders and orders in general.

The second example of the paper shows that the Union is just established and giving certain privileges to group of countries, sometimes may create problems for another member state. For

example, after joining to the EAEU Armenia had the privilege to import cars for a lower customs fee, Armenian citizens were importing cars from third countries at lower costs than the other countries' citizens. Citizens of other countries of the Eurasian Economic Union, in particular of Kazakhstan, showed interest in cars brought from third countries by Armenian citizens. In 2019 around 190000 cars were imported to Armenia from third countries, majority of which were supposed to be sold to Kazakhstan's citizens. Kazakh authorities spotted this practice and ordered to exile or the cars which brought in Kazakhstan with the Armenian driving license. This example shows that giving a privilege to one country, without considering its consequences for the country may cause serious problems with the EAEU.

While joining to the Eurasian Economic Union the Republic of Armenia undertakes several international obligations. It should be mentioned that the Treaty on the Eurasian Economic Union, all international agreements within the EAEU and decisions and resolutions of the Supreme Eurasian Economic Council, Eurasian Intergovernmental Council as well as Eurasian Economic Commission that were accepted according to their authorities provided under the Treaty as well as international agreements within the EAEU are obligatory for the Republic of Armenia.

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