

Chapter 15

Eurasian Economic Union and Iran: From Negotiation Process to the Operation of the Free Trade Zone

Ahmad Vakhshiteh

Peoples' Friendship University of Russia, Russia

ABSTRACT

The EAEU and Iran signed an Interim agreement on the creation of Free Trade Zone in May 2018. This agreement is opening a new stage in the development of relations at the bilateral and multilateral levels. The document was concluded for three years and provides for the reduction or cancellation of import customs duties on a broad list of goods. This chapter analyzes the negotiation process for the creation of Free Trade Zone, as well as promising areas of cooperation between the EAEU and Iran. The Eurasian Economic Union is interested in developing a special relationship with Iran not only in trade but also in the development of the infrastructure of the International North-South Transport Corridor. The chapter also provides an analysis of the Anzali Free Trade Zone as one of the most successful and rapidly developing economic zones of Iran and an important link in the development of the International North-South Transport Corridor.

INTRODUCTION

The current stage of the development of regional integration groups are characterized by the process of searching for effective formats of interaction and adaptation to new challenges of the world economic system. Since 2014, it has updated the process of creating a new integration association in the format of the Eurasian Economic Union (EAEU). May 29 of this year was five years since the signing of the basic document for the development of Eurasian integration - the Treaty on the Eurasian Economic Union. In addition, 2019 must pass under the sign of the 25th anniversary of the idea of Eurasian economic

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integration, since it was first heard in a speech by President of Kazakhstan Nursultan Nazarbayev at Moscow State University on March 29, 1994.

The Treaty on the Eurasian Economic Union along with the creation of the Eurasian Economic Union, the new impetus was given to the topic of economic integration in the post-Soviet space. In the past five years, the rules and institutions to regulate EAEU activity were being formed; integration has been gaining momentum and gradually extending to external partners. In 2015–2016 international cooperation of the EAEU significantly increased. At present, the aggregate economic opportunities of the EAEU Member States create broad prospects for strengthening their influence on the development of the world economy. In addition to the successful work on the conclusion of the Free Trade Zone (FTZ) agreement with Vietnam, decisions were made to start negotiations on the conclusion of FTZ agreements with Egypt, Israel, India, Singapore, Serbia, and with Iran.

Iran is the important economic and strategic partner for the Eurasian Economic Union as whole and for each member of the EAEU separately. But Armenia has a special interest, because it is in economic and transport isolation, and the development of economic ties with Iran helps Armenia overcome this isolation.

The priority areas of cooperation between EAUE and Iran include: attracting Iranian investments; development of transport corridors in the direction of India, Pakistan, Iraq and the formation of the Eurasian transport space “North-South”; cooperation in the energy sector; an increase in the volume of trade in industrial and agricultural goods; intensification of cooperation in the humanitarian sphere and tourism.

On August 21, 2015, on the basis of an initiative by Armenia and Iran, the Council of the Eurasian Economic Commission decided to establish a joint research group to study the creation of a Free Trade Zone (FTZ).

The basis of the Free Trade Zone is the abolition of customs duties, which, in fact, should stimulate the growth of trade, but in the case of Iran, it is necessary to discuss non-tariff restrictions on mutual trade. In particular it is important to conduct parallel negotiations on the development of transport and logistics infrastructure, which affects the pricing of goods, as well as the use of national currencies in mutual settlements, which reduces the financial costs of converting into dollars and euros. Ultimately, it should be the new stage of interaction between the IRI and the EAEU, not only an increase in commodity turnover should occur, but also a diversification of all areas of economic cooperation.

The purpose of this chapter is to identify the economic feasibility and political significance of the conclusion of the trade agreement between the EAEU and Iran.

The analysis is based mainly on analytical materials of Eurasian Economic Commission, Eurasian Economic Union, Eurasian Development Bank and Russian International Affairs Council and national resources mainly. The comprehensive study on the development of cooperation between the EAEU and Iran has not been written, but some aspects are considered by such Russian, Iranian, Armenian and Kazakh authors as E. Vinokurov, D. Trenin, N. Kozhanov, V. Lepekhin, E. Kuz'mina, M. Lagutina, M. Lapenko, N. Dunamalyan, A. Gussarova, R. Dragneva, S. Kashkumbayev et al.

This chapter consists of three parts. The first part is devoted to analyzing of the interest of the EAEU and IRI in the creating special formats of interaction, mechanisms and priorities of international activity of the Eurasian economic union. The second part considers negotiation's process for the creation FTZ and the current agenda of the relations between Iran and EAEU. The third part considers the role of Iran in the implementation of the project of the international transport corridor “North-South” and special economic zones.

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