

## Abstract

Armenia is going to join the Customs Union of Belarus, Kazakhstan and Russia (the Eurasian Customs Union) in the coming months. The author uses partial-equilibrium model to investigate and calculate trade diversion, trade creation and net welfare effects of accession on the Armenian economy. The thesis concludes that the membership in the customs union would lead to welfare losses and negative static effects. The main reason is the pure trade diversion effect on Armenia resulting from the increased external tariff rate. Adopting the common external tariff of the Eurasian Customs Union would raise the prices of those imported goods which flow from outside the customs union. As the majority of Armenian imports come from outside the Eurasian Customs Union, the increase in import prices would carry high social costs for the Armenian consumers. In addition, the absence of shared border with the customs union member-states substantially diminishes the potential benefits from possible non-tariff barrier facilitation. Therefore, the thesis strongly recommends against the accession.