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EAEU Development 2022+: Strategic Objectives and Demands of the Times

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The following report analyzes Eurasian integration processes within the Eurasian Economic Union (EAEU) and the progress it has achieved in light of new geopolitical realities. This is a comprehensive study that reviews the EAEU's current integration results, economic achievements, as well as long-term objectives. The report covers both the EAEU's domestic agenda and its external relations. The authors explore the Union's potential in expanding cooperation with third countries and possible strategies for its development in the new political and economic environment.

The opinions set forth in the report reflect solely the personal opinions and research stances of the authors and may be different from those of the Russian International Affairs Council Non-Commercial Partnership.

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Contents

Introduction	4
Chapter 1. Eurasian Economic Union 2015–2022 Development: Interim Results	7
1.1. The EAEU’s Place in the Global Economy and the Status of Trade and Economic Cooperation Between EAEU Members in 2015–2022	7
1.2. Successes and Obstacles on the Way Towards a Common Market	13
Chapter 2. Building the EAEU’s External Ties: Current Progress and Long-Term Objectives	22
2.1. Trade and Economic Cooperation Between the EAEU, External Partners and Regional Blocs	22
2.2. Results of the EAEU’s Participation in Existing Trade Agreements with Third Countries	31
2.3. Prospects for Developing Relations with Third Countries within the Greater Eurasian Partnership	37
Chapter 3. Development Goals and Growth Opportunities	43
3.1. Integration Pathways in the New Reality	43
3.2. Social and Economic Dimensions of Eurasian Integration	52
3.3. Eurasian Integration and Soft Power: Shaping Public Perceptions	56
Conclusions	64
Recommendations	66
About the Authors	69

Introduction

The Eurasian Economic Union (EAEU) emerged from an objective need to repair economic links and supply chains that had been disrupted following the collapse of the Soviet Union and its common economic area. The Commonwealth of the Independent States (CIS), which had formed shortly after the collapse of the USSR, was struggling to recover a common social and economic framework that had long underpinned the economic development of former Soviet republics. On the other hand, the success stories of consistent progress made towards building robust and continuously functioning common procedures for mutual regulation of individual economic processes within the European Union (EU) and the then existing North Atlantic Free Trade Agreement (NAFTA) additionally emphasized the need to create similar integration institutions in the post-Soviet space.

For the leading ex-USSR economies like the Russian Federation and Kazakhstan, the establishment of such institutions would enable a much-needed workforce to drive industrial expansion at home, open up new markets, and create an environment to test and apply their own innovative technological solutions across different sectors. For Russia, the implementation of an integration project was an opportunity to attain and strengthen its status as a leader in the international economic and political scene.

This was and to some extent continues to be the rationale for establishing and developing the EAEU. In October 2000, Russia, Belarus, Kazakhstan, Tajikistan and Kyrgyzstan signed the Treaty on the Establishment of the Eurasian Economic Community (EurAsEC), which envisioned the creation of a Single Economic Space and transform the Customs Union into an international economic organization.¹ In October 2007, Russia, Belarus and Kazakhstan agreed to form the Customs Union. The parties signed the Treaty on Establishing the Common Customs Territory² and set up the Commission of the Customs Union which negated some of the powers available to EAEU member state government agencies. In November 2009, the members signed a package of documents, creating a fully functional Customs Union, and starting from December of 2010,³ an agreed upon Action Plan to Form the Single Economic Space.⁴

In November 2011, the countries signed the Declaration on Eurasian Economic Integration, which set the objective of creating the EAEU by 2015.⁵

¹ Treaty on the Establishment of the Eurasian Economic Community // President of Russia. October 9, 2000.
URL: <http://www.kremlin.ru/supplement/3402>

² Treaty on Establishment of a Common Customs Area and Formation of the Customs Union // International Agreements Bulletin. No.7. 2011. URL: <https://www.szrf.ru/szrf/doc.php?nb=102&iissid=1022011007000&docid=9>

³ Starting from 2010, this entailed the introduction of the Common Customs Tariff (CCT) and the Common Commodity Nomenclature of Foreign Economic Activity. It was also agreed to launch a Common Customs Territory, effective July 1, 2010. For details see: Eurasian Economic Integration in Progress // The Embassy of the Russian Federation to the Republic of Kazakhstan. URL: http://www.rfembassy.kz/lm/integracija/spravochnyi_material/

⁴ On the Action Plan for Building a Single Economic Space Covering the Republic of Belarus, Republic of Kazakhstan and the Russian Federation // Digital Archive of Legal and Technical Regulations. URL: <https://docs.cntd.ru/document/902239605>

⁵ Declaration on Eurasian Economic Integration // President of Russia. November 18, 2011.
URL: <http://www.kremlin.ru/supplement/1091>

However, the EAEU has from its very inception persistently encountered considerable challenges and hurdles to its development. The key ones being:

- Differences in the configurations of political institutions of EAEU member-states.⁶
- Largely autarkic economic governance in some ex-Soviet republics.
- Active interference by external actors (EU, USA, China and Turkey) in the political and economic processes in the post-Soviet space.
- Perceived risks of intensified cooperation with Russia by political elites of some EAEU states; fears of Moscow's excessive influence over the former USSR.
- The ever-growing pressure of western sanctions against the EAEU's economic leader, Russia, and member state concerns over the possibility of being targeted by secondary sanctions and losing western partners.

Therefore, despite the ambitious plans outlined in the EAEU's founding policy documents, economic integration has faced certain difficulties and a number of measures that could have propelled it to an entirely new level have not yet been implemented. The long-term integration process can be viewed as consisting of internal and external tracks, each characterized by its own progress dynamics, objectives and challenges.

Chapter 1 of the Report reviews the interim results of the efforts that aimed to accomplish internal and external integration. Special attention is drawn to the obstacles the EAEU has to currently overcome. Some of them are related to issues with building common economic areas, such as a single financial market and a single primary energy market, and creating a robust mechanism to coordinate joint infrastructure projects. Others stem from inadequate execution plans; some of the agreed upon initiatives have not been functioning to their fullest intended effect.⁷ Finally, there has been the unprecedented barrage of sanctions against Russia and Belarus which has consequently affected the pace of integration.

Chapter 2 mainly discusses the external integration track, the development of which is among future priorities for the EAEU. There are obvious challenges to expanding EAEU membership because other ex-Soviet republics, mainly Uzbekistan and Tajikistan, have yet to clearly demonstrate their willingness to join the Union. Interactions with external partners slowed down during the coronavirus pandemic when governments – facing huge pressure on their national healthcare systems, reduced transport flows, collapsing services sector and plummeting consumer spending – had to mobilize resources to support their own populations and push integration projects off from their day-to-day agendas. Considering the global confrontation unfolding between Russia and the West, these negative trends are expected only to deepen looking forward.

⁶ Pantin, V.I. Political Institutions in EAEU States: Adaptation and Transformation Challenges // Bulletin of Perm University. Political Science. 2020. Vol. 14. No. 2. Pp. 88–97.

⁷ Zhiltsov, S.S. The EAEU Development at the Contemporary Stage: Results and New Challenges // Geoeconomics of Energetics. 2021. No. 4 (16). Pp. 95–108.

Lastly, Chapter 3 focuses on the most pressing and prospective areas for developing the Union in light of current conditions, which until recently have received insufficient expert and political attention. Further evolution of the EAEU calls for new incentives that, among other things, aim to transform the purely economic logic that drives Eurasian integration.

Chapter 1. Eurasian Economic Union 2015–2022 Development: Interim Results

1.1. The EAEU's Place in the Global Economy and the Status of Trade and Economic Cooperation Between EAEU Members in 2015–2022

The EAEU's Economic Performance and Place in the World Economy

From the EAEU's founding in 2015, the combined gross domestic product based on the purchasing power parity, or GDP (PPP), of the member states has accounted for 5.5–5.7% of the global GDP (PPP). In current prices, it has never exceeded 2.2% over the same period. In 2021, the Union's share in global GDP (in current prices) was 2.1%, or slightly above \$2 trillion in absolute terms.⁸

Between 2010–2021, the Union's real GDP growth exceeded the global rate only in 2011–2012 before slowing down again. In 2014–2015, EAEU countries faced an economic crisis prompted by plummeting global energy prices and sanctions against Russia. By 2019, the EAEU's economic growth has nearly edged up to the global pace only to be undercut by the Covid-19 pandemic, which set off another economic slump worldwide.

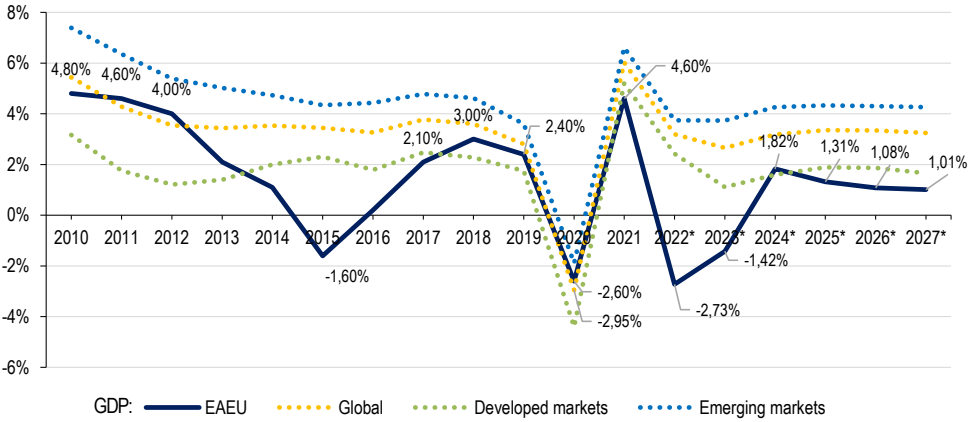
The decline of the EAEU's GDP growth rate in 2020–2021 was smaller than that of the global economy (see Figure 1). This suggests that, during their time in the Union, EAEU economies learned to deal with economic turbulence better than others but, so far, have been unable to keep up with or exceed global growth rates.

With sanctions mounting against Russia and Belarus in 2022, the International Monetary Fund (IMF) in its World Economic Outlook (October 2022) says that the combined EAEU GDP is likely to shrink by 2.7% if compared to the previous year, followed by a further loss of 1.4% in 2023. Growth is expected to begin only in 2024. Currently, however, actual growth rates in EAEU economies have been higher than predicted and the decline figures are also likely to stay below the IMF forecast. The biggest discrepancies are found in the projections made for Armenia and Kyrgyzstan (see Table 1).

The IMF assumed that the incomes of migrants working in Russia would fall substantially as would their money transfers back home. The reality is quite the opposite: wire transfers are on the rise but they are driven by Russian citizens' transactions.

⁸ The estimates are based on IMF data. World Economic Outlook 2022 // International Monetary Fund.
URL: <https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022>

Figure 1. GDP growth rates of the EAEU, world economy, developed and emerging economies: historical data for 2010–2021 and forecast for 2027.



Note: *IMF World Economic Outlook (October 2022).
Source: Compiled by the authors based on IMF data⁹.

Table 1. Actual GDP growth in EAEU economies over January–November 2022 compared with IMF forecasts for October and April 2022

	Actual GDP Growth Over January–November 2022 (year-on-year)	IMF Real GDP Growth Forecast (October 2022)	IMF Real GDP Growth Forecast (April 2022)
Armenia*	12.6%	7.00%	1.60%
Belarus	-4.70%	-7.00%	-6.40%
Kazakhstan	2.70%	2.50%	2.30%
Kyrgyzstan	7.00%	3.80%	1.00%
Russia	-2.10%	-3.41%	-8.50%

* Actual growth rate over January–September

Source: Compiled by the authors using data from national statistics bureaus and the IMF¹⁰.

Money transfers from Russia to Armenia in January–October 2022 totaled \$2.8 billion, a four-fold increase above the same period in 2021 (\$0.71 billion).¹¹

Russian companies relocating to the CIS have also had a positive effect on GDP growth in these countries. In Armenia, for example, the new simplified relocation procedure helped bring in an additional 300 large Russian companies and 2,500

⁹ World Economic Outlook 2022 // International Monetary Fund.
URL: <https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022>

¹⁰ Ibid.

¹¹ Cross border money transfers to individuals from or to other countries effected via the banking system of the Republic of Armenia // Central Bank of the Republic of Armenia. External sector statistics.
URL: <https://www.cba.am/ru/sitepages/statexternalsector.aspx>

Over 2014–2021, countries that saw the greatest monetary increase in exports to EAEU members were Armenia with 162.3% (up to \$0.84 billion), Russia with 41.3% (up to \$46.2 billion) and Kyrgyzstan with 25.5% (up to \$0.80 billion). Kazakhstan exports grew by 9.3 % (up to 7.8 billion) and Belarus by 8.6% (up to 17.4 billion).

Armenia also saw a high increase in import value from the EAEU neighbors of 67.8% (up to \$1.85 billion). Import growth rates from the EAEU to Kazakhstan was up 25.6% (to \$18.8 billion), 22.9% in Russia (to \$24.4 billion), and 8.7% in Belarus (to \$23.9 billion). Kyrgyzstan, conversely, reduced imports from the EAEU by 0.8% (down to \$2.6 billion), as it partially replaced them with imports from China.¹⁷

The inter-EAEU trade mix in 2014–2021 contained a substantially smaller share of mineral products that shrank by 10.0 percentage points (pp) to 18.4% and a reduced share of machinery, equipment and vehicles that decreased by 1.9 ppt (to 18.6%). Product categories which increased their share in the mix were food products and agricultural raw materials which grew by 1.4 ppt to 17.1%, metals and metal products which grew 2.8% to 15.3%, chemicals which were up 0.9% to 12.1%, textiles which were up 0.3% to 3.8%, and wood and wood products which grew 0.5% to 3.2%.¹⁸

Over the first eight months of 2022, the value of intra-EAEU trade increased by 10.8% or \$50.3 billion.¹⁹ A mirror analysis reveals the following structural shifts in trade between EAEU countries and Russia in 2022:

First, imports to Russia from EAEU economies are on a steep rise for machinery, equipment and vehicles. Over the last 11 months, they nearly doubled (to \$9.1 billion) compared with the same period of the previous year. Such an increase was driven by the need to reroute trade flows. The EAEU has no internal borders and supports the use of regional IP rights, meaning that brand products can be imported into the EAEU (by one of the member states) with the approval of the brand owner, and then can be moved and sold freely within the Union.

Second, Russian imports of mineral commodities from EAEU countries decreased by 20% due to an overall reduction of industrial production in Russia by 0.6% over 2022.²⁰ External trade between the EAEU and its partners outside the Union declined over 2014–2021 by 3.1% in monetary value to \$846.4 billion (see

¹⁷ Estimated by the authors based on the data of the Eurasian Economic Commission, section "External Goods Trade with Countries Outside the EAEU" // Eurasian Economic Commission. URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/time_series/Pages/Times_series_External_trade.aspx

¹⁸ Estimated by the authors based on the data of the Eurasian Economic Commission, section "Intra-EAEU Trade" // Eurasian Economic Commission. URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/tables/intra/Pages/default.aspx

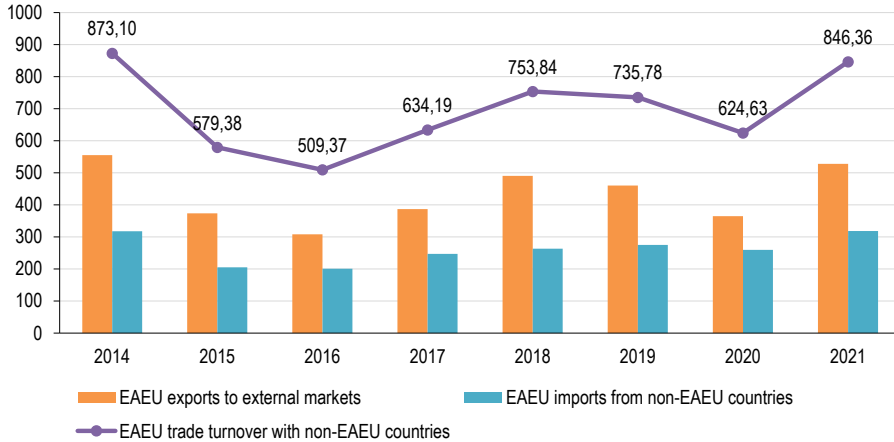
¹⁹ Estimated by the authors on the basis of mirror statistics and data from national statistics bureaus of EAEU countries.

²⁰ Dynamics of Industrial Production, December 2022 // Ministry of Economic Development of the Russian Federation. URL: https://www.economy.gov.ru/material/file/7c5bbc232751c13c9a0af1685073009d/2023_02_01.pdf

²¹ Statistics of External and Intra-EAEU Trade. External Trade with Countries Outside the EAEU // Eurasian Economic Commission. URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/tables/extra/Pages/default.aspx

Figure 3). This is mostly due to a drop in exports by 5.0% (to \$527.9 billion), a result from the economic sanctions imposed on Russia and, in turn, rerouting trade flows. Imports increased by 0.3% (to \$318.5 billion).

Figure 3. External trade of EAEU member states from 2014 to 2021



Source: Compiled by the authors using EEC data.²²

The EAEU's outward exports in 2014–2021 saw a monetary reduction of the share of mineral products by 24.9 ppt (to 47.4%) largely driven by price movements on the global energy market. Export categories that increased their share include metals and metal products, which were up by 2.2 ppt (to 10.9%), chemical industry products, which were up by 0.3 ppt (to 6.4%), food products and agricultural raw materials, which were up by 2.5 ppt (to 6.3%), and wood and wood products, which were up by 1.2 ppt (to 3.4%). The share of machinery, equipment and vehicles remained the same (3.6%).²²

As for imports into the EAEU over 2014–2021, there were no major shifts in category shares compared to exports. The share of machinery and equipment was down by 2.6 ppt (to 45.8%), food products and agricultural raw materials down by 3.1 ppt (to 10.4%), and metals and metal products down by 0.5 ppt (to 6.2%). On the other hand, category shares increased by 1.6 ppt (to 18,2%) for chemical industry products and increased 1.7 ppt (to 7.5%) for textile products.²³

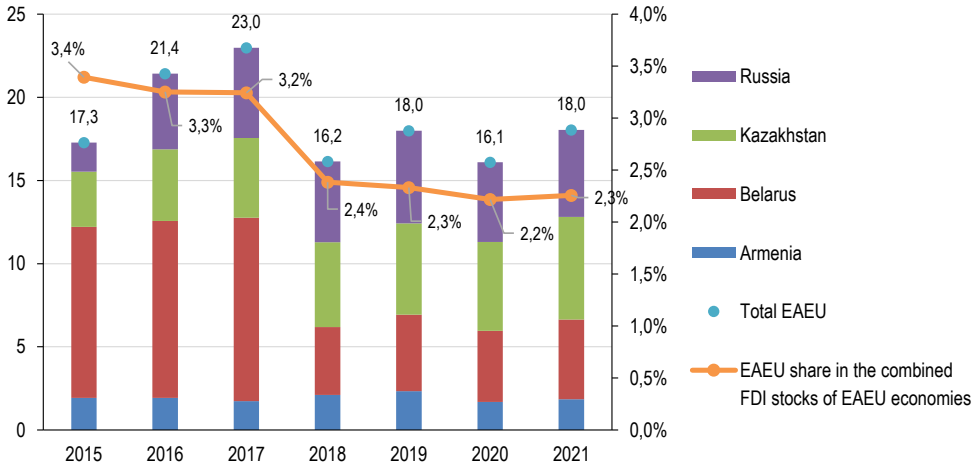
Intra-EAEU Investments

Over 2015–2021, cumulative intra-EAEU direct investments remained almost unchanged, in spite of growing in absolute terms by 4% from \$17.3 to \$18 billion.

²² Estimated by the authors based on the data of the Eurasian Economic Commission, section "External Goods Trade with Countries Outside the EAEU." External Goods Trade with Countries Outside the EAEU // Eurasian Economic Commission. URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/time_series/Pages/Times_series_External_trade.aspx

²³ Ibid.

Figure 4. Stocks of foreign direct investments (FDI) in EAEU countries made by other Union Members (\$ billion)



Note: No data available for Kyrgyzstan

Source: Compiled by the authors on the basis of EEC investment data.²⁴

The share of aggregate cumulative investments for EAEU member-state decreased from 3.4% to 2.3% (see Figure 4).

Note, the FDI data provided by EAEU states does not account for investments made by EAEU companies via offshore and other intermediary entities or for information on reinvested profits. According to the data of the Eurasian Development Bank, if these factors are included, the cumulative intra-EAEU FDI increased over 2015-2021 by 33% from \$18.4 to \$24.5 billion. Russia is the biggest investor accounting for 82.1% of the cumulative intra-EAEU FDI.²⁵

²⁴ Financial Statistics. Flows and stocks of international direct investments by country // Eurasian Economic Commission. URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/fin_stat/stat_tables/Documents/Flows_stocks_di/flows_stocks_di4Q2021.xlsx

²⁵ Kuznetsov, A., Vinokurov, E. (editors), Malakhov, A., Zabojev, A. EDB Monitoring of Mutual Investments 2022. Reports and working papers 22/5. Moscow: Eurasian Development Bank, 2022.

1.2. Successes and Obstacles on the Way Towards a Common Market

Over 11 years have passed since the creation of the Customs Union between Belarus, Kazakhstan and Russia and over five years since the Eurasian Economic Union was established and stated its primary objective is to facilitate the free movement of goods, services, capital and labor within the EAEU.

Based on a general equilibrium model, economic integration supported by the EAEU has made different contributions to individual member state growth, but these contributions are regarded as having had a sustainably positive effect for each EAEU member state economy.

The annual incremental contribution to economic growth (GDP at constant prices) is estimated to be 0.12% for the combined EAEU GDP. During 2016–2021, the overall growth of the real combined GDP of the Union amounted to 9.1%, with about 0.67 ppt (circa \$13.8 billion²⁶) of this increment estimated to be what member states gained from the integration process.

Of all the freedoms of movement in question, most progress has been made in creating a single market for goods and labor. Individual goods placed on the Union's market are subject to EAEU technical regulations that are standard and mandatory for all member states. As of the end of 2022, the Eurasian Economic Commission adopted 53 technical regulations,²⁷ of which 45 entered into force, covering over 50% of products made in the Union. The regulations lay down universal sanitary and phytosanitary (SPS) standards for products offered within the EAEU area. Member states retain the right to introduce temporary SPS measures in exceptional cases provided for under the Treaty on the EAEU (Annex 12²⁸).

This was made possible by the EAEU's consistent efforts since 2016 to remove all obstacles tampering the movement of goods across the entire EAEU, whereas in the Customs Union trade obstacles were addressed on a bilateral basis.

According to the Methodology approved by the Decision of the Board of the Eurasian Economic Commission N10 of February 2, 2021,²⁹ trade obstacles to the EAEU's internal market are classified into barriers, derogations and restrictions. The number of existing obstacles is far from constant; rather, it increases as new ones are identified. According to the official register of the Eurasian Economic

²⁶ Estimated by the Russian Foreign Trade Academy on the basis of the global computable general equilibrium model.

²⁷ Approved Technical Regulations // Eurasian Economic Commission.
URL: https://eec.eaeunion.org/comission/department/deptexreg/tr/TR_general.php

²⁸ Annex 12 to the Treaty on the Eurasian Economic Union. Protocol on the Application of Sanitary, Veterinary and Sanitary and Phytosanitary Quarantine Measures // Consultant Plus.
URL: http://www.consultant.ru/document/cons_doc_LAW_163855/31d407fc91edf9da9b60e3b847b39952d3229a2c/

²⁹ EEC Board Decision N10 dated 02 Feb 2021 "On approval of Methodology for Classifying Obstacles on the Internal Market of the Eurasian Economic Union into Barriers, Derogations and Restrictions and for Recognizing Barriers as Removed" // Eurasian Economic Union. URL: https://docs.eaeunion.org/docs/ru-ru/01528533/err_08022021_10

Commission,³⁰ as of January 2023, the number of known challenges to the EAEU's internal market totaled 43 (9 barriers and 34 restrictions). During 2016–2022, 77 of those challenges were overcome.³¹

Some of the challenges that were taken care of over that period include:

- Unequal access to services by natural monopolies at Russian seaports and transport terminals for exporters from the Union.
- Requirements for product exports as a criterion for becoming eligible for government subsidies in Kazakhstan.
- Preferences given by Russia to companies participating in voluntary certification programs (Made in Karelia, Made in Yakutia) during government procurement campaigns.

Tackling these challenges usually involves all stakeholders but some of them may impede trade only between individual EAEU members and are, therefore, dealt with on a bilateral basis. Such was the case, for instance, when a barrier was removed in 2016 in response to Russia not recognizing Armenia's inspection system in providing veterinary oversight over livestock in farming companies.³²

According to an expert assessment of the Russian Foreign Trade Academy (RFTA), the EAEU eliminated about 30% of internal market challenges by the end of 2022. The removal of the remaining 70% will generate 1.1 ppt of additional annual growth of the combined EAEU GDP.³³ However, it is difficult to attain changes in the medium term, considering the numerous remaining restrictions, derogations and the lack of specific timelines and plans for their removal.

Restrictions are obstacles to the movement of goods, services, capital and labor in the Union's internal market. They arise from a lack of a legal mechanism for regulating economic relations, the development of which is envisaged under the laws of the EAEU. For example, restrictions can create hurdles in crude oil and refined petroleum product trade between EAEU member states. Today, intra-EAEU oil and refined products trade takes place bilaterally via intergovernmental agreements.

Energy resources are supplied annually under documented EAEU balances of crude oil and refined petroleum products, which list the agreed volumes of crude oil and individual refinery products (gasoline, diesel fuel, heating oil and jet fuel) that should be supplied to meet the domestic energy needs of member states.³⁴ Bilateral agreements are expected to be scrapped starting from 2025 with the realization of a single EAEU oil market.

³⁰ Domestic Markets Operation in the Territory of the Eurasian Economic Union // Portal of General Information Resources and Open Data. URL: <https://barriers.eaeunion.org/ru-ru/Pages/home.aspx>

³¹ Ibid.

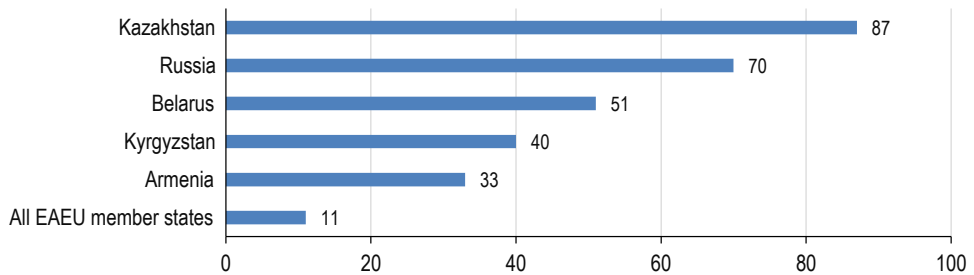
³² Barriers, Derogations and Restrictions in the Eurasian Economic Union. Report // Eurasian Economic Commission. 2017. URL: <https://barriers.eaeunion.org/en-us/Documents/a2.pdf>

³³ Estimated by the Russian Foreign Trade Academy on the basis of the global computable general equilibrium model.

³⁴ Vadim Zakrevsky: EAEU's Single Oil Market as a Universal Integrator // Eurasian Economic Commission. October 3, 2021. URL: <https://eec.eaeunion.org/news/speech/vadim-zakrevskij-obschij-rynok-nefti-eaes-kak-universalnyj-integrator/>

Derogations are exceptions specified under EAEU laws made by member states in applying the Union’s general rules to individual domestic markets. Most commonly, EAEU members designate a range of sensitive issues as derogations, and usually without specifying deadlines for removing them. Generally, derogations are perceived to be the most problem-ridden aspect for EAEU trade, even though they have yet to be included on the EEC Obstacle List. Altogether there are over 290 derogations, with only 24 that have a deadline to be eliminated by 2025. Kazakhstan applies largest number of derogations (see Figure 5).

Figure 5. Active EAEU Derogations by Member State as of October 2022.



Source: Compiled by the authors on the basis of the data from the Domestic Markets Operation Department, EEC³⁵

Prior to drafting action plans for removing derogations, it is important to identify those that are most detrimental for achieving market freedom. In other words, derogation removal needs to first be defined in quantitative terms in order to begin negotiations. It is also clear that the greatest benefits for the Union lie in the removal of Russian derogations, with Russia being the largest market in the EAEU. According to RFTA estimates, Armenia, Belarus and Kyrgyzstan are set to profit most from EAEU integration in relative terms because Russia is their key trade partner. In 2016–2021, the contributions of Eurasian integration to real GDP growth rates were as follows: Armenia, 1.5 ppt (cumulative over the entire period in question), Belarus, 4.9 ppt, Kazakhstan, 0.5 ppt, Kyrgyzstan, 1.4 ppt, and Russia, 0.38 ppt.³⁶ Therefore, a balancing mechanism need to be developed to ensure mutual concessions made by EAEU member states.

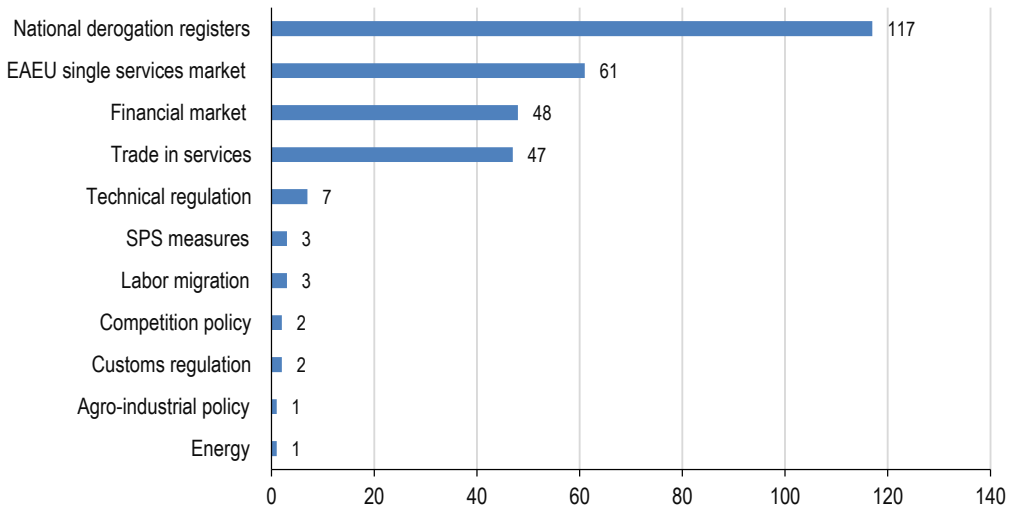
Most of derogations are associated with national registers that include issues sensitive for individual EAEU member states (see Figure 6). For example, foreign stakes in TV and radio companies in Armenia cannot exceed or be equal to 50% of the stock. This is necessary for Armenia to have some sort of decision-making power in such companies unless otherwise stipulated under international

³⁵ Developing a Single Market of the Eurasian Economic Union: Obstacles and Prospects // RF Chamber of Commerce and Industry, 07.10.2021. URL: <https://org.tpprf.ru/committee/komved/post-release/2714504/>

³⁶ Estimated by the RFTA on the basis of trade statistics (available at the EEC website), analysis of removed obstacles, and GTAP database

agreements made by the republic.³⁷ The next category are derogations in the EAEU's financial market. This includes, for instance, Kazakhstan not applying common market rules regarding construction services until 2025.

Figure 6. Current derogations in the EAEU by area of application (as of October 2022)



Source: Compiled by the authors based on data from the Domestic Markets Operation Department, EEC³⁸

In the Republic of Belarus, the exclusive right for cross-border trading (both export and import) in mineral and chemical potassium fertilizers belongs to the state and is exercised through OAO Belaruskali, ZAO Belarusian Potash Company and other organizations defined by the President of the Republic of Belarus.³⁹ This obstacle is classified as a derogation.

Kazakhstan is another example of derogations from the EAEU Common Customs Tariff. Since Kazakhstan joined the World Trade Organization (WTO), about 3,500 commodity items (25% of the commodity nomenclature) have been derogated from the EAEU Common Customs Tariff (EAEU CCT).⁴⁰ As a member of the EAEU, Kazakhstan must ensure product traceability included in the Derogations List and prevent the export of goods which have been imported at lower rates than

³⁷ Resolution of the Supreme Eurasian Economic Council N18 dated May 8, 2015 "On Amending the Resolution of the Supreme Eurasian Economic Council N112 dated 23 December 2014" // Eurasian Economic Council. URL: https://docs.eaeunion.org/docs/ru-ru/0127620/cncd_06052015_11_doc.pdf

³⁸ Developing a Single Market of the Eurasian Economic Union: Obstacles and Prospects // RF Chamber of Commerce and Industry. URL: <https://org.tpprf.ru/committee/komved/post-release/2714504/>

³⁹ Decision of the Supreme Eurasian Economic Council N112 dated December 23, 2014 // Digital Archive of Legal and Technical Regulations. URL: <https://docs.cntd.ru/document/420243483>

⁴⁰ List of goods, to which the Republic of Kazakhstan, pursuant to its commitments made as a condition for joining the World Trade Organization, applies lower rates of import customs duties than the duty rates of the Common Customs Tariff of the Eurasian Economic Union, and of amounts of such duty rates // Eurasian Economic Commission. URL: https://eec.eaeunion.org/upload/medialibrary/3a3/PERECHEN-RK-na-17_11_2022.pdf

the CCT. Goods imported at reduced rates can be used only in Kazakhstan. If a product is to be subsequently exported from Kazakhstan to EAEU member states, it has to undergo customs clearance at the EAEU CCT rate. A product imported to Kazakhstan at a CCT rate cannot be exported to other Union countries without a certified shipping document.

Apart from derogations and restrictions, other types of trade obstacles include the following:

Barriers which reduce the freedom of movement of certain goods, services, capital and labor within the intra-EAEU market that do not comply with the laws of the Union. Currently, the Union’s regulatory framework does not include any barrier classification. Rather, they arise given certain conditions. An example of such a barrier, which was already removed, was Kazakhstan’s requirement to certify goods not included in the common list of products subject to EAEU requirements. Altogether, 57 out of 69 qualified barriers have been eliminated since 2016. In 2022, for example, Kyrgyzstan removed a barrier that required organizations procuring goods produced by Kyrgyzstan’s domestic suppliers to offer price preferences of 20% on the supplier’s bid price during the bid’s evaluation.⁴¹

Proof of the development of a single goods market is **tariff exemptions**. Product-specific tariff exemptions in the EAEU are applied on an exceptional basis and can be introduced in accordance with Resolution N130 of November 27th, 2009, “On the Common Customs Tariff Regulation in the Eurasian Economic Union”.⁴² Whenever applied, such tariff relief measures should be formulated for each EAEU member state on a case-by-case basis, taking into account the specificities of a given project. For example, an import customs duty exemption is granted to titanium oxides shipped to Belarus (no more than 360 tonnes per year) and Kazakhstan if the intended use is confirmed.⁴³

Also, there are still no standard EAEU rules and controls for the movement of some specific goods between member countries, namely alcohol and tobacco. EAEU members use different excise tax rates for alcohol. For example, the excise rate per liter of absolute ethanol in 2021 was ₸566⁴⁴ in Russia, about ₸460⁴⁵ in Belarus, and about ₸440⁴⁶ in Kazakhstan. The excise tax base for alcohol products varies too. Russia, Belarus and Kazakhstan set their rates for one liter of absolute ethanol, whereas Armenia and Kyrgyzstan apply them per liter of a respective alcohol product.

⁴¹ Law of the Republic of Kyrgyzstan “On Government Procurement” // Ministry of Justice the Republic of Kyrgyzstan.
URL: <http://cbd.minjust.gov.kg/act/view/ru-ru/111125>

⁴² Resolution of the Commission of the Customs Union of the Eurasian Economic Community N130 “On the Common Customs Tariff Regulation in the Eurasian Economic Union” // Online Reference Database of Customs Regulations. November 27, 2009. URL: <https://www.alta.ru/tamdoc/09b00130/>

⁴³ Ibid.

⁴⁴ Rates of excise taxes on excisable goods as of 2021 // Consultant Plus.
URL: http://www.consultant.ru/document/cons_doc_LAW_52453/8310feb0914b179385079764152b9c4e12fa92b0/

⁴⁵ On changes to the rates of excise taxes on excisable goods introduced from 1 January 2020. // Ministry of Finance of the Republic of Belarus. URL: <https://www.minfin.gov.by/ru/news/ba9bc2523a5047bd.html>

⁴⁶ On taxes and other mandatory payments to the budget // Code of the Republic of Kazakhstan.
URL: https://online.zakon.kz/Document/?doc_id=36148637

The difference between excise rates applied by EAEU countries with filtered cigarettes in 2021 was around ₰840 per 1000 in Belarus versus the ₰3205 in Russia.⁴⁷ The problem with such excise discrepancies is that it fuels illegal trade. The share of the illegal cigarette sales in Russia ranges, from 10% to 15% of the total Russian cigarette market.⁴⁸ Market studies show that about half of such products in 2021 were supplied to Belarus and nearly 10% to Kazakhstan. This problem persisted throughout 2022 as well.⁴⁹ According to the Small Retail Association (“Assotsyatsia Maloformatnoy Torgovli”), Russian retailers lost ₰10 billion to illegal cigarette trade in 2019.⁵⁰

In order to promote national policy convergence on excise rate regulation, EAEU members signed an Agreement on Tax Policy Principles with Regard to Excise Taxes on Tobacco Products in EAEU Member States in 2019.⁵¹ The parties to the agreement agreed to introduce by 2024 a common indicative excise rate for tobacco products (€35 per 1000 pcs) with a ± 20% range of allowed deviations of actual excise rates from the agreed benchmark. As for alcohol products, the EAEU Technical Regulation “On Safe Alcohol Products” is expected to come into effect from January 1, 2024,⁵² but there is no agreement in place to harmonize excise rates for the alcohol market.

EAEU Single Services Market

The EAEU single services market is still in its developmental stage. It still needs to grow to allow barrier-free access for service providers between EAEU member state markets, based on a national treatment principle supporting mutual document recognition. Today, the single market includes 55 sectors (including wholesale and retail trade, agriculture services, data processing etc.⁵³) which covers about 60% of services produced in the EAEU. Since the development of the common EAEU services market is a graduate step-by-step process, some derogations have to remain until the process is complete. For example, Kazakhstan will not apply the EAEU’s common construction market rules until 2025.

Unlike the case with goods, EAEU bodies do not have any regulatory mandate on the single services market, including the authority to make agreements with

⁴⁷ Rates of excise taxes on excisable goods as of 2021. // Consultant Plus.
URL: https://www.consultant.ru/document/cons_doc_LAW_52453/8310feb0914b179385079764152b9c4e12fa92b0/

⁴⁸ Illegal Tobacco Product Sales in Russia Hits 12.1% in 2022 // TASS. October 28, 2022.
URL: <https://tass.ru/ekonomika/15897851>

⁴⁹ Survey: Illegal Sales Account for 12.8% of Russian Cigarette Market in 2Q 2021 // TASS. August 9, 2021.
URL: <https://tass.ru/ekonomika/12091043>

⁵⁰ Chestny ZNAK Helps Fight Counterfeit Tobacco Products on Federal and Regional Levels // Chestny ZNAK. October 21, 2022. URL: <https://xn--80ajghoc2aj1c8b.xn--p1ai/info/news/chestnyy-znak-pomogaet-v-borbe-s-tabachnym-kontrafaktom-na-federalnom-i-regionalnom-urovne/>

⁵¹ Agreement on Tax Policy Principles with Regard to Excise Taxes on Tobacco Products in EAEU Member States dated December 19, 2019 (ratified under Federal Law N392-FZ dated December 8, 2020 and came into force in the Russian Federation on 4 March 2022) // Official Internet Portal of Legal Information. March 25, 2022.
URL: <http://publication.pravo.gov.ru/Document/View/0001202203250004>

⁵² The EAEU technical regulation for alcoholic products will come into effect from 2024 // Garant. December 22, 2021.
URL: <https://www.garant.ru/news/1510055/>

⁵³ Sectors covered by the functioning single services market // Eurasian Economic Commission.
URL: <http://www.eurasiancommission.org/ru/act/finpol/dobd/sms/fsms/Pages/ssms.aspx>

third countries to lay down the terms of access for their service providers to the Union's markets. For this reason, Belarus and China, for example, are negotiating a separate agreement on trade in services and investments.⁵⁴

EAEU Single Labor Market

As for building a single labor market, the EAEU has made the most progress in liberalizing labor regulations compared to other common markets. EAEU countries do not use labor quotas and work permits; they recognize diplomas and other education certificates (except for teaching, legal, medical and pharmaceutical degrees);⁵⁵ support pension rights gained by citizens working in other EAEU member states under the Agreement on Retirement Security for Working Citizens of EAEU Member States;⁵⁶ and apply a national tax to citizens of one member state working in another member state, with personal income taxes paid in the country of employment as if such employees were its tax residents.⁵⁷ For example, the income tax for tax non-residents from Armenia, Belarus, Kazakhstan and Kyrgyzstan working in Russia is levied at 13%, which is applied to Russian tax residents.

EAEU Single Capital Market

On October 1, 2019, the Supreme Eurasian Economic Council approved the EAEU Single Financial Market Development Concept⁵⁸ that sets forth key goals, objectives and areas of building a common financial market, as well as the phases and actions to accomplish these objectives. The Concept envisages a phased harmonization of member state national regulations to gradually establish a supranational financial regulator. It defines areas for harmonizing legal frameworks across the EAEU in banking, insurance and securities market, along with harmonizing stages and set timeframes.

One of the fundamental elements of integration planning is to establish a ***Single Financial Services Market*** by 2025, covering the banking sector, securities market and insurance sector.⁵⁹ A key prerequisite for launching a single financial market is ***the harmonization of national control and supervision policies for financial markets.***

⁵⁴ Belarus-China Relations: Talks Began on Agreement on Trade in Services and Investments // Ministry of Economy of the Republic of Belarus. April 7, 2021.
URL: <https://economy.gov.by/ru/news-ru/view/belorussko-kitajskie-otnosheniya-startovali-peregovory-po-soglasheniju-otorgovle-uslugami-i-45590-2021/>

⁵⁵ Briefing by EEC Official Representative Iya Malkina on July 6, 2022. // Eurasian Economic Commission.
URL: <https://eec.eaunion.org/news/speech/briefing-ofitsialnogo-predstavatelya-EEK-II-malkinoj-6-iyulya-2022-goda/>

⁵⁶ Agreement on Social Security for Working Citizens of the Member States of the Eurasian Economic Union // Digital Archive of Legal and Technical Regulations.
URL: <https://docs.cntd.ru/document/564161102>

⁵⁷ Treaty on the Eurasian Economic Union (signed in Astana on May 26, 2014, as amended on August 5, 2021). Article 73. Taxation of Personal Income. Treaty on the EAEU // Consultant Plus.
URL: http://www.consultant.ru/document/cons_doc_LAW_163855/0594ec48df0b50d94a1f198acea1c194932ce466/

⁵⁸ Decision of the Supreme Council of the EAEU N20 dated October 1, 2019 "On the Concept of Developing a Single Financial Market of the Eurasian Economic Union" // Alta soft. 01.10.2019 URL: <https://www.alta.ru/tamdoc/19vr0020/>

⁵⁹ The market is to be fully functional by 2029.

The goal of creating a single financial market is stated in several EAEU documents: The 2014 Treaty of the EAEU,⁶⁰ Key Areas of Economic Development of the EAEU N28 of 2015,⁶¹ The EAEU Single Financial Market Development Concept N20 of 2019, and the Strategic Directions of Developing the Eurasian Economic Integration until 2025 N12 of 2020.⁶²

In 2018, the member states concluded the Agreement on Harmonization of Laws of the Member States of the Eurasian Economic Union Governing the Financial Market⁶³ and the respective action plan to implement it.⁶⁴ The key measures that ensures a single financial services market should be in place by 2025, including the establishment of a supranational authority to regulate the financial market.

Also, efforts are underway to create a **single commodity exchange space within the EAEU**. In mid-September 2022, the Eurasian Economic Commission published a Report on Proposals to Develop a Single Commodity Exchange Market in the EAEU (Report) on its website.⁶⁵ The conclusions and proposals from the Report will be used to design the Single Commodity Exchange Market Development Concept, which is to be approved in 2023.

The document proposes to set up the following key objectives for creating a EAEU single commodity exchange market: support fair and unbiased market pricing of exchange-traded commodities, thus helping to subsequently level up domestic prices; grow commodity exchange trade volumes; increase the share of trade payments in national currencies; enhance the quality of professional brokerage between sellers and buyers; and promote fair pricing for the products offered by EAEU economies on the global market.

To harmonize banking regulations, EAEU member states must phase out individual derogations and restrictions that usually apply to the commercial presence of the banks of one EAEU member state in the financial system of another. This includes requirements for their legal business structure and quotas for foreign investment in their authorized capital share.

Meanwhile, the EAEU is developing mechanisms for financing integration projects. Currently, such funds are provided through specific financial instruments of the Eurasian Development Bank (EDB).

The long-term plan is to set up a Eurasian Agency for Strategic Initiatives as a consortium of Union member national agencies for strategic initiatives. The

⁶⁰ Treaty on the EAEU // Consultant Plus. URL: http://www.consultant.ru/document/cons_doc_LAW_163855/

⁶¹ Decision of the Supreme Council of the EAEU N28 dated 16 October 2015 // Alta-Soft. URL: <https://www.alta.ru/tamdoc/15vr0028/>

⁶² Decision of the Supreme Eurasian Economic Council N12 dated December 11, 2020 // Eurasian Economic Council. URL: https://docs.eaeunion.org/docs/ru-ru/01428320/scd_12012021_12

⁶³ Agreement on Harmonization of Laws of the Member States of the Eurasian Economic Union Governing the Financial Market dated November 6, 2018 (taking effect for the Russian Federation from March 1, 2020) // Official Internet Portal of Legal Information. URL: <http://publication.pravo.gov.ru/Document/View/0001202003020009>

⁶⁴ Order of the EEC Council N27 dated November 23, 2020 "On the Plan of Actions to Harmonize Laws of the Member States of the Eurasian Economic Union Governing the Financial Market" // Alta-Soft. URL:

⁶⁵ Report on Proposals to Develop a Single Commodity Exchange Market in the EAEU // Eurasian Economic Commission. URL: <https://eec.eaeunion.org/upload/medialibrary/713/Doklad-obshchiy-birzhevoy-rynok-tovarov.pdf>

institution could develop a Union-wide methodology for assessing investment projects, provide recommendations to improve investment attractiveness, and help the regions attract investments and draft investment project proposals.

The August 26, 2022, Eurasian Intergovernmental Council meeting agreed to take practical steps to create a Eurasian Reinsurance Company (ERC)⁶⁶ and set up a task force that was to complete a draft of the relevant international agreement within six months. According to experts, adding another \$2 billion-worth of insurance market capacity can boost intra-EAEU trade by over \$6 billion.⁶⁷

By 2023, the EAEU has made notable progress in establishing a single market for the free movement of goods and labor. As shown above, work for further integration and the free movement of services and capital is ongoing. To this end, the EAEU continues to develop the necessary legal framework and supranational institutions.

⁶⁶ Outcomes of Eurasian Intergovernmental Council's meeting on August 25–26, 2022 // Eurasian Economic Commission. August 26, 2022.

URL: <https://eec.eaeunion.org/news/itogi-zasedaniya-evraziyskogo-mezhpravitelstvennogo-soveta-25-26-avgusta-2022-g/>

⁶⁷ EAEU to create Eurasian Reinsurance Company to support mutual and external trade of the member states // Eurasian Economic Commission. August 20, 2021. URL: <https://eec.eaeunion.org/news/eaes-sozdast-evraziyskuyu-perestrahovochnyuyu-kompaniyu-dlya-podderzhki-vzaimnoy-i-vneshney-torgovli-gosudarstv-chlenov/>

Chapter 2. Building the EAEU's External Ties: Current Progress and Long-Term Objectives

The Union needs to harness external drivers as well as internal ones in order to deepen and debottleneck the integration process. While there are different views regarding the extent of which external partner cooperation can be intensified simultaneously with internal measures, it is nevertheless advisable to consider the potential steps the EAEU could currently pursue with regards to its external relations.

2.1. Trade and Economic Cooperation Between the EAEU, External Partners and Regional Blocs

On December 6, 2018, in the run-up to the 25th anniversary of the idea of Eurasian integration and the 5th anniversary of the EAEU Treaty, the leaders of EAEU member states met in Saint Petersburg and approved a Declaration on the Further Development of Integration Processes Within the Eurasian Economic Union. Along with their mandate to ensure an effective and functional EAEU single market, member states expressed their commitment to transforming the Union into a major contemporary center of global development, open to mutually beneficial and equitable cooperation with external partners and new forms of collaboration.

Building on the Declaration, the Supreme Eurasian Economic Council Approved Decision N2 of December 11, 2020, the Strategic Directions for Developing the Eurasian Economic Integration until 2025⁶⁸(Strategic Directions). One of its important themes is to strengthen the EAEU's international legal status and authority on the global stage. The authors of the document assumed that this objective could be achieved by expanding the EAEU and intensifying its economic ties with other countries and international organizations.

The meeting of the Supreme Eurasian Economic Council at the end of 2022 confirmed that developing the Union's external links is a major priority for the organization. Major areas of the EAEU's international outreach in 2023 include more engagements with potential key partners such as the CIS and other former USSR countries, the Shanghai Cooperation Organization (SCO) and its members, the Association of Southeast Asian Nations (ASEAN), the European Union (EU), and BRICS members. Together, these external partners can contribute to a Greater Eurasian Partnership.⁶⁹

⁶⁸ Strategic Directions for Developing the Eurasian Economic Integration until 2025 // Eurasian Economic Commission. URL: https://eec.eaeunion.org/commission/department/dep_razv_integr/strategicheskie-napravleniya-razvitiya.php

⁶⁹ Main Directions of EAEU International Activities for 2023 approved // Eurasian Economic Commission. December 9, 2022. URL: <https://eec.eaeunion.org/news/utverzhdenny-osnovnyye-napravleniya-mezhdunarodnoy-deyatelnosti-eaes-na-2023-god/>

Discussed below are the types of EAEU partners that may have the greatest potential in terms of international dialogue.

Observer States and Priority Partners

The status of an EAEU observer is defined in Article 109 of the EAEU Treaty. Countries that have been granted an observer status can be invited to attend Union meetings and receive non-classified documents. Observer states cannot, however, take part in the decision-making process of Union bodies. According to the May 14, 2018, Decision of the Supreme Eurasian Economic Council N8 “On the Regulation on the Status of an Observer State to the Eurasian Economic Union,”⁷⁰ such observers must refrain from any actions that can harm the interests of the Union or its member states, and ideas expressed in the EAEU Treaty.

EAEU observer states include Moldova, Uzbekistan and Cuba; they were granted this status by the Supreme Eurasian Economic Council on December 11, 2020, following presidentially backed proposals from these countries to engage with the Union. The proposals had, in turn, been preceded by discussions of their potential participation in EAEU activities at the national level.

Uzbekistan is the greatest CIS-state trading partner of EAEU which is not an official EAEU member. Some experts regard Uzbekistan’s observer status as a first step towards further integration.⁷¹ There are alternative views, however, that Uzbekistan does not need to go beyond developing its bilateral relations with Russia and Kazakhstan.⁷² Uzbekistan is interested in strengthening industrial cooperation, aligning its transport and transit policies with EAEU members, and closer collaboration in labor migration.

In April 2021, Uzbekistan signed a Memorandum of Cooperation between the Government of the Republic of Uzbekistan and the Eurasian Economic Commission, agreeing on a joint action plan for 2021–2023. The Memorandum defines a broad scope of areas for cooperation ranging from goods and services regulation to digitalization and the social agenda. Also, a joint task force was created to liaison between the Government of Uzbekistan and the EEC; it held its first meeting in October 2021.

The Republic of Cuba, with its long history of trade and economic relations with each member of the EAEU, has also been working with the Eurasian Economic Commission since 2018 on the basis of a Memorandum of Understanding. The parties use this framework to coordinate their efforts to increase trade and investments and remove trade barriers. A joint task force is in place to make sure the agreed objectives are met. Its observer-state status will allow the Cuba to deepen all forms of cooperation. According to experts, Cuba’s engagement with

⁷⁰ Decision of the Supreme Eurasian Economic Council N8 dated May 14, 2018 “On the Regulation on the Status of an Observer State to the Eurasian Economic Union” // Eurasian Economic Council. May 14, 2018.
URL: https://docs.eaeunion.org/docs/ru-ru/01417792/scd_16052018

⁷¹ Uzbekistan’s Benefits of Participating in the EAEU Activities // CIS Internet Portal.
URL: <https://e-cis.info/news/568/99597/>

⁷² Why Is Uzbekistan Being Lured into the EAEU? // Forbes. Kazakhstan. October 10, 2019.
URL: https://forbes.kz/finances/integration/zachem_uzbekistan_zamanivayut_v_eaes/

the EAEU carries hefty geopolitical benefits for the Union.⁷³ Securing a partner with close economic ties in another region of the world is a crucial step for expanding the EAEU's influence.

In February 2021, Cuba appointed its permanent representative to the EEC, Julio Antonio Garmendía Peña, Ambassador Extraordinary and Plenipotentiary of the Republic of Cuba to the Russian Federation. To advance cooperation, the EEC and Cuba signed, on February 15, 2021, a joint action plan for 2025 covering 34 themes, including the development of trade in goods and services and investments in sectors such as agriculture, tourism, pharmaceuticals and medicine, finance and others.⁷⁴ Cuba believes that dialogue with the EAEU will best help deliver its National Plan of Economic and Social Development of 2030, as well as the Economic and Social Strategy to stimulate the economy and overcome the global crisis caused by the pandemic. An agreement for cooperation was also signed between the EAEU Business Council and Cuba's Chamber of Commerce.

Moldova was the first country that became an EAEU observer in May 2018, but in October 2021, initiated by Moldovan Minister of Foreign Affairs and European Integration, the republic chose to recall its representative from the EEC. According to President of Moldova Maia Sandu, the country could not have the observer status because the process had not been duly completed by the republic, bypassing internal government authorization. President Sandu announced Moldova's integration into the European Union to be her priority as she signed a joint declaration in support of integration with presidents of Ukraine and Georgia.⁷⁵

Turkmenistan set up a government commission to review EAEU opportunities. In a signed Declaration on Deepening the Strategic Partnership between Russian and Turkmenistan of June 2022,⁷⁶ the parties expressed their intentions to boost trade and economic cooperation by leveraging the potential of the Eurasian Economic Union. Since 2014, Tajikistan has been showing interest in Eurasian integration, but the country is still weighing the benefits of joining the Union.

Azerbaijan is also another key regional player for the EAEU. In February 2022, Azerbaijan signed the Declaration on Allied Cooperation Between Russia and Azerbaijan,⁷⁷ which, experts say, provides the foundation for integrating Azerbaijan in the EAEU.⁷⁸ In August 2022, Prime Minister of Azerbaijan Ali İdayat

⁷³ Baliev, A. Cuban Window to Latin America Could Open Up for EAEU Without Time Limits // Rhythm of Eurasia. October 10, 2022. URL: <https://www.ritm Eurasia.org/news--2022-10-10--kubinskoe-okno-v-latinskiju-ameriku-dlja-eaes-obeschaet-byt-bessrochnym-62453>

⁷⁴ EAEU and Cuba signed joint action plan until 2025 // Eurasian Economic Commission. December 17, 2021. URL: <https://eec.eaeunion.org/news/eaes-i-kuba-podpisali-plan-sovmestnyh-dejstvij-do-2025-goda/>

⁷⁵ Georgia, Moldova and Ukraine Sign Declaration on Commitment to EU Integration // TASS. July 19, 2021. URL: <https://tass.ru/mezhdunarodnaya-panorama/1937389>

⁷⁶ Declaration on Deepening Strategic Partnership Between Turkmenistan and the Russian Federation // Turkmenistan. Golden Age. June 10, 2022. URL: <https://turkmenistan.gov.tm/ru/post/63996/deklaraciya-ob-uglublenii-strategicheskogo-partnerstva-mezhdu-turkmenistanom-i-rossijskoj-federaciej>

⁷⁷ Declaration on Allied Cooperation Between the Russian Federation and the Republic of Azerbaijan // Official Website of the President of Russia. February 22, 2022. URL: <http://www.kremlin.ru/supplement/5777/print>

⁷⁸ What Azerbaijan Can Gain from Joining the EAEU: Infographics // Sputnik. Azerbaijan. December 21, 2021. URL: <https://az.sputniknews.ru/20211221/chto-mozhet-poluchit-azerbaydzhan-ot-vstupleniya-v-eaes--infografika-437419571.html>

Ogly Asadov, while attending a Eurasian Intergovernmental Council meeting as a guest of honor, expressed his government's willingness to create the conditions for EAEU member states to utilize Azerbaijani's transit potential.

Interaction Between the EAEU and the CIS

The CIS was the first organization in the post-Soviet space that laid down the groundwork for the co-existence of the new states. Besides matters of trade regulation, the CIS is a useful platform for discussing economic and humanitarian cooperation, as well as collaboration on security and defense issues, emergency crises responses, environmental protection, scientific innovation and cultural development.

In December 2012, the EEC and the CIS Executive Committee signed a Memorandum of Cooperation,⁷⁹ where the parties defined certain areas of cooperation; from trade relations, investments, and competition, to collaboration in the energy, industry and agriculture spheres. The parties also agreed to exchange information and data, as well as share expertise in areas of mutual interest.

In November 2018, the same supranational bodies signed the Memorandum of Deeper Cooperation Between the EAEU and the CIS,⁸⁰ which expanded the scope of cooperation to include consumer rights protections, government procurement, the digital economy, tax policy-making and administration, and external trade. The Memorandum allows representatives of the EAEU and the CIS to take part in the sessions of each other's expert groups.

Building on the two memoranda, in February 2022, the EEC and the CIS Executive Committee signed the 2021–2022 Cooperation Plan.⁸¹ The Plan includes the implementation of joint projects and consultations to develop strategies aligning EAEU and CIS legal frameworks with one another, including steps to eliminate existing contradictions. The document envisages efforts to encourage the involvement of youth, civic associations and business communities in EAEU and CIS activities.

Negotiations Between the EAEU and Third Countries on Free Trade

Article 35 of the Treaty on the EAEU of May 29, 2014 stipulates that a free trade area, as defined under the General Agreement on Tariffs and Trade (GATT) of 1994, established with a third party will be done so on the basis of an international agreement between the Union and the third party.⁸² Negotiations are organized

⁷⁹ EEC signs Memorandum of Cooperation with Executive Committee of the Commonwealth of Independent States // Eurasian Economic Council. URL: <http://tsouz.ru/news/Pages/17-12-2012-2.aspx>

⁸⁰ CIS Executive Committee and EEC sign Memorandum of Deeper Cooperation // Executive Committee of the Commonwealth of Independent States. November 27, 2018.
URL: <https://cis.minsk.by/news/10321/ispolkom-sng-i-EEK-zaklucii-memorandum-ob-uglublenii-vzaimodejstvia>

⁸¹ EEC and CIS Executive Committee sign Cooperation Plan for 2021–2022 // Eurasian Economic Commission. February 05, 2021.
URL: <https://eec.eaeunion.org/news/EEK-i-ispolkom-sng-podpisali-plan-sotrudnichestva-na-2021%E2%80%932022-gody/>

⁸² Treaty on the EAEU. Article 35. Free trade regime // Consultant Plus.
URL: http://www.consultant.ru/document/cons_doc_LAW_163855/9fa1f4a7aeac9e996f0cd388105974c1b849933a/

according to the May 14, 2018 International Agreement of the EAEU with Third States, International Organizations or International Integration Blocs.⁸³

A free-trade area is defined in Article XXIV of the 1994 GATT; it exists when a group of two or more customs territories eliminate all duties and other restrictive regulations of commerce on substantially all trade and products between the constituent territories originating in such territories. Trade in services with third countries, according to Article 39 of the Treaty on the EAEU, can be coordinated independently by member states.⁸⁴

A non-preferential agreement providing a legal framework for trade and economic cooperation between the EAEU and China entered into effect in 2019. Having no provisions for reducing or eliminating import customs duties, the agreement covers customs cooperation, technical barriers to trade, sanitary and phytosanitary measures, trade remedies, intellectual property rights, competition and government procurement, and sectoral cooperation. Its primary aim is to improve the transparency of regulatory systems and simplify trading processes. At the end of December 2021, EEC representatives met with the Chinese Ministry of Commerce at a joint commission session established under the Agreement on Trade and Economic Cooperation, where both parties confirmed their commitment to share their expertise and collaborate on customs authorities.

In 2019, the EAEU, Union member states and Singapore signed a framework agreement on free trade enabling duty-free access to Singapore for all products exported by Union states.⁸⁵ The EAEU's obligations, in turn, are to progressively allow duty-free access for products originating from Singapore. Under the agreement, 40% of commodity nomenclature will be fully exempted from customs duties immediately after the agreement has taken effect. The duties on the remaining products are to be lifted within an agreed three-to-ten-year transition period. The entire package includes the Framework Agreement, and five bilateral agreements on trade in services and investments that are still to be concluded by Belarus, Kazakhstan, Kyrgyzstan and Russia. By 2019, the agreement on trade services had been signed only between Singapore and Armenia. As of October 2022, there has been no public information that other negotiation tracks have been completed.

In 2015, the EAEU and Israel agreed to begin talks on making a free trade agreement. The sixth and last round of face-to-face negotiations was held in March 2020 with subsequent discussions conducted online because of the pandemic.

Since 2016, talks to sign a free trade agreement between the EAEU and Egypt have been ongoing. The fifth round of negotiations between the parties took place in

⁸³ Agreement on International Agreements of the EAEU with Third States, International Organizations or International Integration Blocs // Eurasian Economic Commission.
URL: https://docs.eaeunion.org/docs/ru-ru/01417799/itia_16052018

⁸⁴ Ibid.

⁸⁵ Framework Agreement on Comprehensive Economic Cooperation Between the EAEU and the Republic of Singapore // Eurasian Economic Commission.
URL: https://eec.eaeunion.org/upload/medialibrary/766/EAEU_Singapore-Framework-Agreement.pdf

October 2022.⁸⁶ The parties expect to make solid progress in mutual import duty reductions and have come up with a final version of the draft agreement. The talks place considerable focus on the creation of a Russian industrial zone in Egypt, generating interest not only from Russian companies, but from entrepreneurs in Belarus and other Union members.

The Russian Industrial Zone includes two sites: one on the Red Sea coast at Ain Sokhna and the other on the eastern bank of the Suez Canal, at Port Said, northeastern Egypt.⁸⁷

In 2016, the EAEU initiated talks on free trade with India. In 2018–2019, the parties held technical consultations to agree on a format for the negotiations and on a prospective agreement. The first round of consultations scheduled for March 2020 had to be deferred because of the Covid-19 pandemic. In August 2022, India cited a technical lack of resources to continue the negotiation process with the EAEU, but expressed interest in establishing a free trade regime with Union member states. The bilateral dialogue on this issue had intensified by the end of 2022. Deputy Minister of Economic Development of the Russian Federation Dmitry Volvach, while speaking at the 13th Forum, “Russia–India Business Dialogue 2022”, expressed hope that 2023 would bring major progress in their bilateral relations.⁸⁸

In accordance with EEC Council Order N19 of September 11, 2020,⁸⁹ a joint expert group was set up to assess the feasibility of a free trade agreement with Indonesia. Expert consultations resulted in a report, based on which the Supreme Eurasian Economic Council issued Decision N6 of May 27, 2022 to commence negotiations on free trade with the Republic of Indonesia.⁹⁰

In September 2020, the EEC Council agreed to create a joint expert group to review the feasibility of a free trade agreement with Mongolia. Note, Mongolia was the first country with which the EEC signed the Memorandum of Cooperation in 2015 which has acted as a framework for consultations on developing a cooperation plan for 2025, including the start of free trade negotiations. In March 2022, the parties confirmed their commitment to launch such negotiations as soon as possible.

Interaction Between the EAEU and International Organizations

In 2015, the EAEU submitted a request to the United Nations General Assembly to grant it an observer status. This confirms the willingness of the parties to establish

⁸⁶ Arab Republic of Egypt // Eurasian Economic Commission.

URL: <https://eec.eaeunion.org/comission/department/dotp/torgovye-soglasheniya/egypt.php>

⁸⁷ About Project // Russian Industrial Zone in the Arab Republic of Egypt. URL: <http://rioegypt.ru/>

⁸⁸ Dmitry Volvach: Cooperation with India Will Benefit All Countries in the Eurasian Five // Russian Union of Industrialists and Entrepreneurs. December 22, 2022. URL: <https://rspp.ru/events/news/dmitry-volvach-sotrudnichestvo-s-indiey-budet-vygodno-vsem-stranam-evraziyskoy-pyaterki-63a461cb7f4e4/>

⁸⁹ EEC Council Order N19 dated September 11, 2020 “On Creating a Joint Expert Group to Assess Feasibility of Making a Free Trade Agreement with the Republic of Indonesia” // Alta-Soft. URL: <https://www.alta.ru/tamdoc/20s00019/>

⁹⁰ EAEU to Start Negotiations with Indonesia on a Free Trade Agreement // Eurasian Economic Commission. May 27, 2022. URL: <https://eec.eaeunion.org/news/eaes-nachnet-peregovory-s-indoneziyey-o-zaklyuchenii-soglasheniya-o-svobodnoy-torgovle/>

ties, attend meetings and provide access to relevant documentation. The request, however, was not considered at the 70th session, nor at the 75th session of the UN General Assembly and has yet to be raised ever since.

Nevertheless, representatives from the Eurasian Economic Commission participate in some events run by UN regional commissions. In 2019, the EEC signed a Memorandum of Understanding between EEC and the UN Economic and Social Commission for Asia and the Pacific (ESCAP)⁹¹ and in 2022 the parties agreed to share their best practices in crisis management. In 2018, the EAEU signed a Memorandum of Understanding between the Eurasian Economic Commission and the UN Commission for Latin America and the Caribbean⁹² and in 2021 the EEC presented their joint analytical report, the Eurasian Economic Union & Latin America and the Caribbean: A Transcontinental Partnership.⁹³

In June 2021, the EEC and UNCTAD held their first regional dialogue on supporting consumer protection and health in the wake of the Covid-19 pandemic.⁹⁴ The participants agreed to further develop cooperation in new areas of mutual interest, including policies that protect consumer rights in e-commerce, vulnerable consumer categories, and product safety.

In 2016, the EEC signed a Memorandum of Understanding with the World Customs Organization (WCO).⁹⁵ In March 2022, the EEC created a WCO relations task force, entrusting it with the task of assessing the possibility of the EAEU in accepting the WCO's founding legal instruments, promoting the interests of the Union and its member states in this organization, and supporting the EAEU in becoming a WCO member.

In 2017, the EEC presented its Report on Achievement of the Sustainable Development Goals in the EAEU Region at the High-level Political Forum on Sustainable Development of the UN Economic and Social Council (ECOSOC).⁹⁶ The Forum also hosted a roundtable on Eurasian Economic Integration for 2025 and the 2030 Sustainable Development Goals: Aligning Agendas. The talks analyzed the interlinks between the EAEU's integration agenda and the UN's agenda on sustainable development.

In 2018, the EEC and the United Nations Industrial Development Organization (UNIDO) agreed to work together on the development and harmonization of

⁹¹ Memorandum of Understanding between the Eurasian Economic Commission and the United Nations Economic and Social Commission for Asia and the Pacific dated May 17, 2019 // Alta-Soft. URL: <https://www.alta.ru/tamdoc/19bn0035/>

⁹² Memorandum of Understanding between the Eurasian Economic Commission and the UN Commission for Latin America and the Caribbean // Eurasian Economic Commission. URL: https://docs.eaeunion.org/docs/ru-ru/01319582/ms_07112018

⁹³ The Eurasian Economic Union & Latin America and the Caribbean: A Transcontinental Partnership // Eurasian Economic Commission. 2021. URL: <https://eec.eaeunion.org/upload/medialibrary/033/EEK-EKLAK-russkiy.pdf>

⁹⁴ UNCTAD-UNECE Regional Policy Dialogue on the role of Competition Policy in supporting MSMEs economic recovery in the post COVID19 crisis // UNCTAD Report. March 25, 2021. URL: https://unctad.org/system/files/information-document/ccpb_UNCTAD_UNECE_25March_Report_ru.pdf

⁹⁵ Memorandum of Understanding between the Eurasian Economic Commission and the World Customs Organization // Garant. June 17, 2016. URL: <https://base.garant.ru/71439764/>

⁹⁶ The EEC Presented a Report on Achievement of the Sustainable Development Goals in the EAEU Region // Eurasian Economic Commission. URL: <https://eec.eaeunion.org/news/12-07-2017/>

statistical parameters in the EAEU's industrial sectors. The EEC has been looking at ways of using UNIDO's expertise for digitalizing EAEU industries, especially those in the high technology sectors.

In 2019, the EEC signed a Memorandum of Understanding with the World Intellectual Property Organization (WIPO)⁹⁷ which allows the parties to exchange information and participate in events. Following the Memorandum, the EEC and WIPO held, in 2021, the first regional webinar on intellectual property to discuss ways of providing support to creative industries in the digital environment, applying new technologies, and providing the best practice for collective management organizations (CMOs).

In terms of engagement between EAEU member states on WTO issues, the EEC is a platform for coordinating the positions of EAEU member states on some aspects of technical regulation, and other trade policy measures that fall within their shared interests.

Interaction between the EAEU and international regional blocs

Currently, the EEC has gained considerable experience in building institutional frameworks for collaborating regional blocs worldwide. The Commission signed Memorandums of Cooperation with the Union State of Russia and Belarus (2012),⁹⁸ Andean Community (2017),⁹⁹ Association of Southeast Asian Nations for Economic Cooperation (ASEAN, 2018),¹⁰⁰ Latin American Economic System (SELA, 2018),¹⁰¹ Southern Common Market (Mercosur, 2018),¹⁰² African Union (2019),¹⁰³ Pacific Alliance (PA, 2019),¹⁰⁴ Secretariat for Central American Economic Integration (2021),¹⁰⁵ and the Shanghai Cooperation Organization (SCO, 2021).¹⁰⁶

⁹⁷ EEC and WIPO Move to a New Level of Cooperation on Intellectual Property // Eurasian Economic Commission. June 25, 2021. URL: <https://eec.eaeunion.org/news/EEK-i-vois-vyshli-na-novyj-uroven-sotrudnichestva-%20v-sfere-intellektualnoj-sobstvennosti/>

⁹⁸ EEC Signed a Memorandum of Understanding with the Standing Committee of the Union State of Russia and Belarus // Eurasian Economic Commission. December 13, 2012. URL: <https://eec.eaeunion.org/news/13-12-2012-4/>

⁹⁹ The EEC and the Andean Community General Secretariat signed a Memorandum of Understanding // Eurasian Economic Commission. March 30, 2017. URL: <https://eec.eaeunion.org/news/30-03-2017-4/>

¹⁰⁰ EAEU and ASEAN Deepen Trade, Economic and Investment Cooperation // Eurasian Economic Commission. November 14, 2018. URL: <https://eec.eaeunion.org/news/14-11-2018-1/>

¹⁰¹ Eurasian Economic Commission Signs Memorandum of Understanding with Latin American Economic System // Eurasian Economic Commission. May 29, 2018. URL: <https://eec.eaeunion.org/news/29-05-18-3/>

¹⁰² International Cooperation // Eurasian Economic Commission. URL: https://eec.eaeunion.org/comission/departament/dep_makroec_pol/mezhdunarodnoe-sotrudnichestvo/

¹⁰³ EEC Signs Memorandum of Understanding with African Union Commission // Eurasian Economic Commission. October 24, 2019 URL: <https://eec.eaeunion.org/news/24-10-2019-5/>

¹⁰⁴ EEC and Pacific Alliance Signed Declaration on Partnership // Eurasian Economic Commission. June 8, 2019. URL: <https://eec.eaeunion.org/news/08-07-2019-1/>

¹⁰⁵ Memorandum of Understanding Between the Eurasian Economic Commission and the Secretariat for Central American Economic Integration // Eurasian Economic Council. February 25, 2021. URL: https://docs.eaeunion.org/docs/ru-ru/01428902/ms_13042021

¹⁰⁶ EEC and Secretariat of Shanghai Cooperation Organization Signed Memorandum of Understanding Within SCO Anniversary Summit // Eurasian Economic Commission. September 17, 2021. URL: <https://eec.eaeunion.org/news/EEK-i-sekretariat-shanhajskoj-organizatsii-sotrudnichestva-podpisali-memorandum-ovzaimoponimanii-v-ramkah-yubilejno-sammita-shos/>

The above memoranda outlines areas of cooperation, mostly in the economic and financial sphere, transportation, and trade policy measures. This includes technical barriers to trade, customs policies, and sector-specific cooperation. They also define mechanisms for implementing such cooperation through joint events and producing collaborative reports. The EEC and ASEAN countries developed a program of joint events for 2025. In cooperation with the SCO, discussions have been ongoing regarding a transport and logistics megaproject in Greater Eurasia. Generally speaking, this megaproject is designed to link Eurasian transportation routes into a single network.¹⁰⁷

In 2021, the EEC published a report on aligning the EAEU development strategy and China's Belt and Road Initiative (BRI).¹⁰⁸ The report analyzes interactions between EAEU member states and China and appraises the potential for developing cooperation in different areas of mutual interest. The conclusions contain projections of potential effects from the EAEU/BRI coupling and an associated action plan. The task at hand is to work out a joint program with all the stakeholders and a permanent coordination mechanism, that accounts for existing trade agreements, as well as economic cooperation between the EAEU, its member states, and China.

¹⁰⁷ Mikhail Myasnikovich and Zhang Ming, SCO Secretary General, Discussed Implementing Transport and Logistics Megaproject in Greater Eurasia // Eurasian Economic Commission. September 15, 2022. URL: <https://eec.eaeunion.org/news/mikhail-myasnikovich-i-generalnyy-sekretar-shos-chzhan-min-obsudili-realizatsiyu-transportno-logisti/>

¹⁰⁸ Aligning EAEU Development Strategy and China's Belt and Road Initiative // Eurasian Economic Commission. URL: https://eec.eaeunion.org/upload/medialibrary/822/Doklad_Kitay_short_17.08.pdf

2.2. Results of the EAEU's Participation in Existing Trade Agreements with Third Countries

The economic results of cooperation between the EAEU and third countries can be evaluated for partners with which the Union already has trade relations.

Before the EAEU, its future members had been parties to the Agreement on the Establishment of a Free Trade Zone signed on 15 April, 1994, and transformed into the CIS Free Trade Agreement on 18 October, 2011. The CIS FTA replaced a host of bilateral agreements that regulated trade regimes between the parties and almost eliminated derogations provided for under the initial 1994 Agreement. In the new version, derogations from the free trade treatment applied only to three import categories (alcohol, sugar, and tobacco products). The new FTA also introduced an obligation to apply national policies to partners regarding domestic taxes, charges, laws and rules related to sale and purchase, transportation, distribution, use and processing of internal market goods.¹⁰⁹

As part of the EAEU, the member states entered, for the first time, agreements that offered preferential treatment with partners outside the CIS. Since 2015, the EAEU has made free trade agreements with Vietnam, Serbia and Singapore and a provisional agreement with Iran. There is, however, a framework agreement on trade and economic cooperation with China that does not provide for any mutual preferences constituting a breach of the most-favored-nation treatment. In the near future, the inclusivity of the agreements will continue to expand. As already mentioned, FTA talks are underway between the EAEU and Egypt, along with negotiations on establishing full-scale free trade area with Iran;¹¹⁰ joint expert teams are examining the feasibility of an FTA between the EAEU and Mongolia;¹¹¹ and a decision was made to launch negotiations with Indonesia¹¹² and the UAE.¹¹³ So far, the outcomes of existing FTAs can be assessed only for Vietnam and Iran because these agreements allow for preferences in bilateral trade.

The agreement with Serbia adds more consistency to its trade and economic ties with Belarus, Kazakhstan and Russia. Before the FTA with the EAEU took effect, Serbia had traded with these countries on the basis of bilateral FTAs that

¹⁰⁹ Analysis of the Free Trade Agreement (as of October 31, 2011) // CIS Internet Portal.
URL: <https://e-cis.info/cooperation/3049/77856/>

¹¹⁰ As the report was being drafted, the negotiations moved to their final stage. Points still to be agreed include access to market for some categories of agricultural products. For details see: Andrey Slepnev visited Tehran to Discuss Matters of Concluding Negotiations on Free Trade Agreement with Iran // Eurasian Economic Commission. January 19, 2023.
URL: <https://eec.eaeunion.org/news/andrey-slepnev-obsudil-v-tegerane-voprosy-zaversheniya-peregovorov-po-soglasheniyu-o-zone-svobodnoy/>

¹¹¹ Lavrov: A Free Trade Agreement with the EAEU Will Strengthen Economic Ties Between Russia and Mongolia // TASS. June 1, 2021. URL: <https://tass.ru/politika/11527363>

¹¹² EAEU and Indonesia to Start Negotiations on Concluding Free Trade Agreement // Eurasian Economic Commission. May 27, 2022. URL: <https://eec.eaeunion.org/news/eaes-nachnet-peregovory-s-indoneziyey-o-zaklyuchenii-soglasheniya-o-svobodnoy-torgovle/>

¹¹³ EAEU and UAE to Start Negotiations on Concluding Free Trade Agreement // Eurasian Economic Commission. December 9, 2022. URL: <https://eec.eaeunion.org/news/eaes-nachnet-peregovory-s-uae-o-zaklyuchenii-soglasheniya-o-svobodnoy-torgovle/>

were signed with Russia back in 2000, with Belarus in 2009 and with Kazakhstan in 2010. A similar format was used for the EAEU agreement that enabled the application of standard rules of preferential trade between Serbia and all EAEU member states and also gave access for Kyrgyzstan and Armenia to Serbia's market and vice versa.

The FTA between the EAEU and Vietnam, which was signed on May 8, 2015, and took effect on October 5, 2016, was the first international free trade agreement between the EAEU and a third country. The resulting tariff liberalization covers 88% of EAEU-Vietnam trade nomenclature with details provided below (see Table 2).¹¹⁴

Table 2. Changes in Vietnam's import duty rates for priority types of products under its FTA with the EAEU

Product	Customs Duty Rate		Transition Period
	2015	New	
Milk and dairy products	3-15%	0%	–
Poultry meat	20-40%	0%	5 years
Processed meat products	22-35%	0%	3 years
Wheat and meslin	5%	0%	–
Fruit and nuts, provisionally preserved	18-40%	0%	5-10 years
Linseeds	10%	0%	–
Rape or colza seeds	5%	0%	5 years
Molasses	10%	0%	–
Alcoholic beverages	10%	0%	10 years
Potassium fertilizers	6%	0%	–
Gasoline	19%	0%	12 years (by 2027)
Tires	5-30%	0%	5 years
Trucks	17%	0%	10 years
Buses	30-40%	0%	10 years
Automobiles	50-70%	0%	10 years
Fishing vessels, factory ships	5%	0%	–

*Source: Compiled by the authors using the data of the Eurasian Economic Commission and the FTA between the EAEU and Vietnam.*¹¹⁵

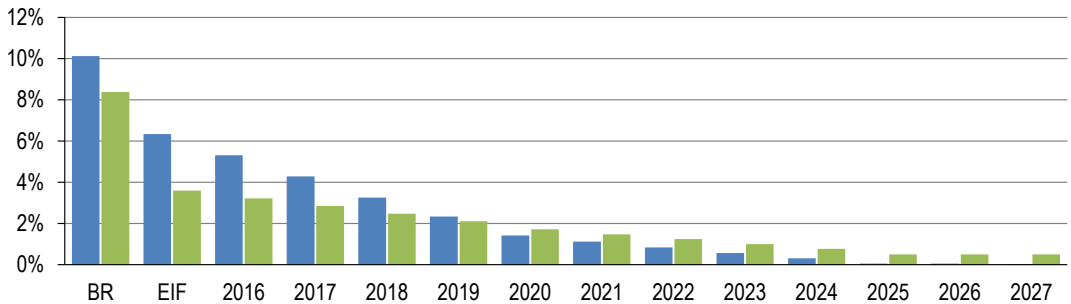
¹¹⁴ EEC. Questions & Answers on the Free Trade Agreement Between the Eurasian Economic Union and the Socialist Republic of Vietnam // Eurasian Economic Commission. URL: <https://eec.eaeunion.org/upload/medialibrary/0c2/Voprosy-i-otvety-po-Soglasheniyu-o-svobodnoy-torgovle-mezhdu-stranami-EAES-i-Vietnamom.pdf>

¹¹⁵ Free Trade Agreement Between EAEU Member States and the Socialist Republic of Vietnam // Eurasian Economic Commission. URL: https://eec.eaeunion.org/upload/medialibrary/272/EAEU_VN_FTA.pdf

Under the FTA, 12% of the trade turnover between the EAEU and Vietnam is subject to derogations, including sensitive EAEU products such as tea, coffee, sugar, tomatoes, vegetables, juices, starch, instant beverages, pipes, and some light industry categories (e.g., clothing).

Average rates of import tariffs in the EAEU–Vietnam trade will progressively decrease from 10% (Vietnam) and 8% (EAEU) to zero in 2027 (see Figure 7).

Figure 7. Average rate of customs duty reductions in the EAEU and Vietnam with the FTA Agreement



Note: BR – basic rate of customs duty, EIF – time the FTA entered into force

Source: Compiled by the authors based on data from the Eurasian Economic Commission, Text of the Agreement on FTA between EAEU and Vietnam¹¹⁶.

Concessions made by Vietnam regarding market access for the EAEU's products include the reduction rate after the transition period; the average rate fell from 16% to 0.2% for agricultural produce and 8.9% to 0% for industrial products.

EAEU member states, in turn, will dial down the average import customs duty from 9.9% to 0.4% for agricultural produce and from 8% to 0.5% for industrial merchandise.

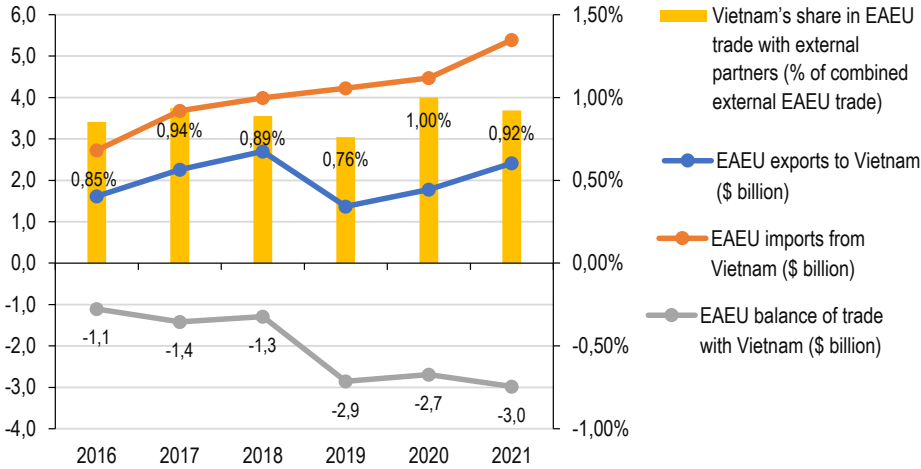
Over 2016–2021, the trade turnover between the EAEU and Vietnam nearly doubled, from \$4.3 to \$7.8 billion. However, Vietnam's share of the Union's external trade grew marginally, from 0.85% to 0.92% (see Figure 8). Vietnam's role expanded most as a supplier of goods to the Union's market, from 1.35% to 1.7%. The growth in imports was driven by both finished products and intermediate components of electrical equipment, with the latter accounting for the highest rate of increase (see Table 3).

Conversely, the role of Vietnam as an export market went down, tripling the negative trade balance of the EAEU.

Exports to Vietnam and other EAEU trade partners can be expanded under trade agreements by using existing mechanisms of industrial cooperation. For example,

¹¹⁶ Free Trade Agreement Between EAEU Member States and the Socialist Republic of Vietnam // Eurasian Economic Commission. URL: https://eec.eaeunion.org/upload/medialibrary/272/EAEU_VN_FTA.pdf

Figure 8. Trade volumes between the EAEU and Vietnam over 2016–2021, in \$ billion and % of the combined trade turnover between the EAEU and external partners.



Source: Compiled by the authors using the EEC data on EAEU external trade.¹¹⁷

Russia and Vietnam signed, within the framework of an FTA, an intergovernmental protocol that supports the production of motor vehicles in Vietnam. Participating companies from Russia include GAZ Automobile Plant, KAMAZ International Trade Company, and Ulyanovsk Automobile Plant (UAZ).¹¹⁸ From 2019 to 2020, Russia supplied Vietnam 835 automobiles and 20 knock-down kits. In 2020, KAMAZ started a series production of freight trucks at its assembly facility in Vietnam.

In its early phase, KAMAZ plans to assemble up to 1,000 vehicles per year. Investments will total up to \$10 million.¹¹⁹

Following the provisional FTA with Iran that took effect on October 27, 2019, a permanent FTA between the EAEU and Iran was signed in January 2023.¹²⁰ The scope of the agreement is limited in terms of the number of tariffs: 360 exist for Iran and 502 for the EAEU. The FTA covers mostly trade in agricultural products. In terms of the monetary value of exports from the EAEU to Iran, tariff concessions cover 89% of agricultural and 33% of industrial exports. On the whole, the average import duty rates in Iran decreased from 22.4% to 15.4% for industrial products and from 32.2% to 13.2% for agricultural products.

In terms of the monetary value of exports from Iran to the EAEU, tariff concessions cover 88% of agricultural and 12% of industrial exports. Tariff rates for the covered

¹¹⁷ External and Mutual Trade Statistics. External Trade with Countries Outside the EAEU // Eurasian Economic Commission. URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/tables/extra/Pages/default.aspx

¹¹⁸ KAMAZ Truck Assembly Facility to Launch Production in Vietnam Next Year // Finmarket. February 10, 2016. URL: <http://www.finmarket.ru/news/4216794>

¹¹⁹ KAMAZ to launch mass production of trucks in Vietnam in 2020 // TASS. June 6, 2019. URL: <https://tass.ru/ekonomika/6517305>

¹²⁰ Iran and Eurasian Union to Create a Free Trade Zone // EA Daily. URL: <https://leadaily.com/ru/news/2023/01/21/iran-i-eaes-sozdayut-zonu-svobodnoy-torgovli>

Table 3. Commodity nomenclature headings for which imports from Vietnam to the EAEU increased most following the signing of the FTA, \$ million and %.

CN Code	Description	2016	2021	Change, 2021 vs 2016
851712	Telephone sets, including telephones for cellular networks or other wireless networks	1020.4	1409.5	38%
852990	Parts suitable for sole use or principally with the apparatus of headings 8524–8528 (digital cameras and video camera recorders, radar apparatus, monitors and projectors)	0.3	274.0	x810
854231	Processors and controllers, with or without memory	153.5	227.8	48%
090111	Non-roasted coffee	137.2	166.1	21%
640419	Footwear with rubber or plastic soles	102.6	149.2	45%
851830	Headphones and earphones, with and without microphones	6.5	109.1	x17
844331	Machines which perform two or more printing, copying, or scanning functions	34.9	104.8	x3
640399	Footwear with rubber, plastic, leather or synthetic leather soles	72.0	93.2	29%
850819	Vacuum cleaners	64.7	92.3	43%
080132	Cashew nuts	34.6	76.5	x2.2
851762	Machines for receiving and converging transmissions and voice messages, images or other data	4.8	75.8	x15
847130	Portable automatic data processing machines, weighing no more than 10 kg	88.7	75.1	-15%
620193	Male overcoats (including ski-jackets), wind-cheaters, wind jackets	42.1	74.0	76%
640299	Other footwear with outer rubber or plastic soles	36.5	61.1	67%
620293	Female overcoats (including ski-jackets), wind-cheaters, wind jackets	27.9	50.1	80%

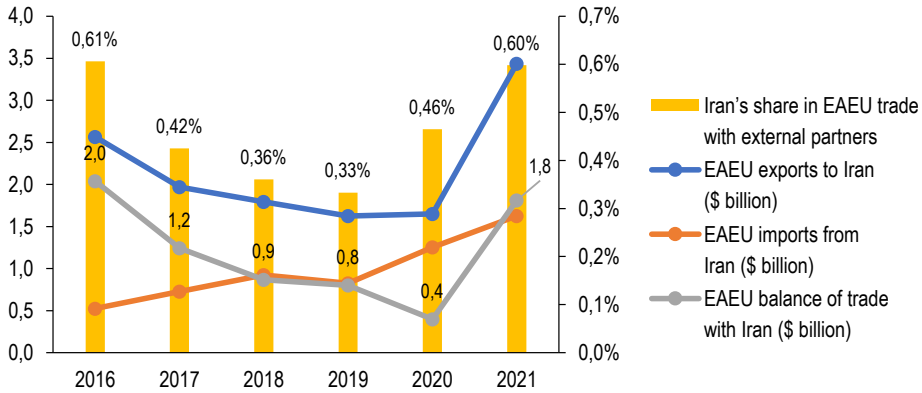
Source: Compiled by the authors using UN Comtrade data.¹²¹

commodity headings went down from 9.6% to 4.6% for agricultural products and from 8% to 4.7% for industrial products.

Over the period when the trade agreement was in place, the share of Iran in the EAEU's trade turnover increased from 0.33% to 0.6% and nearly recovered to its 2016 level. The monetary value of trade between the EAEU and Iran over 2019–2021 more than doubled, from \$2.4 to \$5.1 billion (see Figure 9).

¹²¹ UN Comtrade Database // United Nations. URL: <https://comtrade.un.org/>

Figure 9. Trade between the EAEU and Iran over 2016–2021, \$ billion and % of the combined trade turnover between the EAEU and its external partners.



Source: Compiled by the authors using the EEC data¹²²

This growth was driven largely by increasing exports from the EAEU to Iran: from 2019 to 2021, they more than doubled from \$1.6 to \$3.4 billion. The detailed breakdown of the merchandise traded between the EAEU and Iran is classified information, which precludes a more detailed analysis.

¹²² External and Mutual Trade Statistics. External Trade with Countries Outside the EAEU // Eurasian Economic Commission. URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/tables/extra/Pages/default.aspx

2.3. Prospects for Developing Relations with Third Countries within the Greater Eurasian Partnership

The concept of the Greater Eurasian Partnership (GEP), which is still in its drawing-board phase, promises to provide a robust basis for coordinated efforts to link integration processes across Eurasia, especially in terms of economic interactions.

The initiative to create the GEP was first announced by President Vladimir Putin in his Address to the Federal Assembly on December 3, 2015,¹²³ and drew positive reactions from regional partners in the following years. Thus, in the Declaration on the Further Development of Integration Processes within the EAEU released on December 6, 2018,¹²⁴ Union members stated their commitment to the idea of coupling integration processes in Eurasia within the framework of the GEP, whereas in the June 5, 2019 Joint Statement of the Russian Federation and the People's Republic of China on the development of a comprehensive partnership and strategic interaction, the parties expressed their readiness for a “parallel and coordinated” development of the GEP and China's Belt & Road Initiative (BRI).¹²⁵ In the Strategic Directions of Developing the Eurasian Economic Integration until 2025, the Greater Eurasian Partnership is regarded as a framework to coordinate collaboration with third countries. The document also notes that the EAEU should be positioned as the “core” of the GEP.¹²⁶

In spite of the verbal support given to the GEP idea both at the EAEU level and by China, India, and Mongolia, there is still no agreed vision of the Greater Eurasian Partnership. Speaking at the Eurasian Economic Forum on May 26, 2022, President Putin highlighted some parameters of the GEP.¹²⁷ Based on them, firstly, the initiative involves the establishment of PPP institutions of economic development, including the Eurasian Export Center and Eurasian Reinsurance Company. Secondly, a special role in promoting the project belongs to the system of business dialogues under the EAEU Business Council, which provides an example of a potential platform for business cooperation in the Greater Eurasia. Thirdly, the GEP geography includes countries that are members of the SCO, ASEAN, and BRICS.

¹²³ Address of the President of Russia to the Federal Assembly. Senators' comments // Federal Council of the Federal Assembly of the Russian Federation. December 3, 2015 URL: <http://council.gov.ru/events/news/61957/>

¹²⁴ Declaration on Further Development of Integration Processes Within the Eurasian Economic Union dated 6 December 2018 // Eurasian Economic Council. December 6, 2018. URL: https://docs.eaeunion.org/docs/ru-ru/01420213/ms_10122018

¹²⁵ Joint Statement of the Russian Federation and the People's Republic of China on the International Relations Entering a New Era and the Global Sustainable Development // Official Website of the President of Russia. February 4, 2022. URL: <http://kremlin.ru/supplement/5770>

¹²⁶ Decision of the Supreme Eurasian Economic Council N12 dated 11 December 2020 “On Strategic Directions of Developing the Eurasian Economic Integration until 2025” // Eurasian Economic Council. December 11, 2020. URL: https://docs.eaeunion.org/docs/ru-ru/01428320/scd_12012021_12

¹²⁷ Vladimir Putin Highlighted the Benefits of Eurasian Integration at the EAEU Summit // Rossiyskaya Gazeta. December 13, 2021. URL: <https://rg.ru/2021/12/13/vladimir-putin-na-sammite-eaes-nazval-плюсы-evrazijskoj-integracii.html>

Based on EAEU official statements and strategy documents, the following definition of the GEP could be proposed: The Greater Eurasian Partnership is a system of institutions, trade, and economic agreements of varying scope between the EAEU, its external partners, and integration blocs, which maximizes the benefits of the participating parties in foreign trade. Trade and economic agreements include not only preferential and non-preferential trade agreements, but also investment agreements for the development and execution of infrastructure projects (international transportation corridors), sectoral cooperation, and establishment of special economic zones. The goal of the Greater Eurasian Partnership in this case is to maximize economic benefits from integration processes in Eurasia and increase resilience of the economies to external shocks.

The accomplishment of that goal can be broken down into the following GEP objectives:

The first and primary GEP objective is to establish and develop a system of trade agreements, building on the WTO's rules that would focus on eliminating non-tariff barriers.¹²⁸

Second, in order to create an institutional framework for the project its participants need to set up institutions of economic development and support based on the existing EAEU organizations (e.g., Eurasian Development Bank, Eurasian Fund for Stabilization and Development) or create new ones designed to stimulate trade in goods, services and investment flows between GEP partners (Eurasian Export Center and trading houses and Eurasian Reinsurance Company). The GEP will also need a separate development institution to finance infrastructure, cooperation and other projects.

Third, the EAEU will inevitably need to have its own budget to enhance its independence as an economic actor and maintain development. As the benefits arising from trade agreements may vary substantially for different member states, budget funds can be allocated to specifically make up for losses in various EAEU sectors resulting from the removal of internal barriers, as well as from liberalized trade with third countries. Economic modelling shows that trade agreements with significant trade partners can generate considerable macroeconomic gains for Russia as well as the EAEU in general. On the other hand, such agreements carry some sectoral and macroeconomic risks for EAEU partners, especially for Armenia, Kyrgyzstan and Belarus where the economies are largely oriented towards the Union's market.

Four, continuous trade and economic interaction between GEP partners is predicated on an independent financial infrastructure, which implies the creation of the GEP's own financial messaging network based on participant solutions, the expansion of national payment systems, and increasing use of national currencies for settlement payments and investments.

¹²⁸ First Eurasian Economic Forum // Official Website of the President of Russia. May 26, 2022.
URL: <http://kremlin.ru/events/president/news/68484>

Table 4. Participation of potential GEP members in other integration blocs and initiatives

	EAEU	Trade Agreement with the EAEU	CIS FTA	SCO	SCO Observers and Dialogue Partners	BRI	ASEAN	RCEP
Armenia								
Belarus								
Kazakhstan								
Kyrgyzstan								
Russia								
Tajikistan								
Uzbekistan	Observer							
China		Non-preferential					FTA	
India		Negotiations planned					FTA	
Pakistan								
Turkmenistan								
Serbia		FTA						
Moldova	Observer							
Mongolia		Negotiations planned						
		Provisional						
Iran		FTA						
Indonesia		Negotiations planned						
Malaysia								
Azerbaijan								
Vietnam		FTA						
Singapore		FTA signed						
Cambodia								
Thailand								
Philippines								
Laos								
Myanmar								
Nepal								
Turkey								
Sri Lanka								
Egypt		FTA talks in progress						
UAE								

Source: Compiled by the authors using data from the Eurasian Economic Commission, CIS Executive Committee, SCO Secretariat, analysis of BRI memoranda and other agreements, and RCEP agreement.

The objectives of the Greater Eurasian Partnership development can be grouped by integration blocs and individual countries as follows:

1) Objectives to address as part of the EAEU's interactions with other integration blocs regarding the GEP (ASEAN, BRICS, SCO, CIS):

- Promote the GEP concept and include references to it in bloc strategy documents.
- Coordinate sectoral policies and standards in place in GEP participating states. Develop modalities for potential GEP participants that are not EAEU members to accede to individual documents, standards and cooperation programs of the Union.
- Define key areas for developing infrastructure and sectoral projects that are relevant for GEP participants.
- Promote institutional formats for joining the GEP (e.g., by signing an umbrella non-preferential agreement or an FTA with the EAEU).
- Increase the share of national currencies in cross-border payments, develop financial messaging alternatives to SWIFT, and expand national payment systems.
- Promote proposals for the establishment of GEP support and development institutions.

2) Objectives to address as part of the EAEU's interactions with individual countries regarding the GEP:

- Build a network of trade and economic agreements. This can be an umbrella non-preferential agreement or an FTA with the EAEU. The choice of an agreement's format and scope depends on economic practicalities.
- Coordinate sectoral policies and standards in place in GEP participating states. Develop modalities for potential GEP participants that are not EAEU members to accede to individual documents, standards and cooperation programs of the Union.
- Define key areas for developing infrastructure and sectoral projects that are relevant for GEP participants.
- Promote proposals for the establishment of GEP support and development institutions.

The GEP development process can follow two simultaneous tracks. First, it is important to reinforce the EAEU itself as the core of the GEP. This involves efforts to resolve problems discussed in Chapter 1 of this report, such as barriers, derogations and restrictions in the internal market, and deliver visible progress on building single services and capital markets. Until a single service market has been established, agreements on trade and access to investments with external partners will have to be made on a bilateral basis. Better intra-EAEU efficiency and effectiveness will be a positive indication of a consistent advancement towards regional integration.

Second, the EAEU needs to deepen integration with its nearest partners. To this end, the Eurasian Economic Commission should be given broader powers so that trade and economic agreements between the EAEU and third countries could include, besides trade in goods, provisions for liberalization of trade in services and investment flows. For example, Belarus is negotiating a service and investment agreement with China outside of the EAEU framework. Closer integration between the EAEU and its potential members, such as Uzbekistan, Azerbaijan and Tajikistan can be achieved by converging regulations and technical standards. In the longer term, it is necessary to consider options for aligning the terms and conditions of active and negotiated FTAs between the EAEU and third parties, and also identify specific projects to link the EAEU and the BRI systems.

To promote and expand the GEP at this point in time, steps need to be taken to develop create consensus on the concept of a Greater Eurasian Partnership within the EAEU. Also, an umbrella for a non-preferential agreement for the GEP should be developed so that it can be subsequently transformed into a preferential agreement between the interested parties. The GEP concept should also be presented at multilateral forums, as well as in bilateral dialogues with key EAEU partners to engage them into the GEP process. A network of trade and economic agreements should also be formed with interested partners and integration blocs.

Chapter 3. Development Goals and Growth Opportunities

3.1. Integration Pathways in the New Reality

Sanctions imposed on Russia and Belarus in 2022 have severely affected their previously established trade relations with Eurasia. The introduced bans and restrictions target not only trade in specific goods, but also the shipment of other non-sanctioned categories. The European Union, for example, banned the operation of Russian and Belorussian Road transport operators in the EU area and prohibited Russian-flagged vessels from entering EU ports. The EU and Russia have also introduced flight bans blocking access to their airspace for each other's aircraft. Some logistical problems and risks are related to the exit of major freight and logistics operators (Maersk and others) from the Russian market.¹³³ Such sweeping restrictions inevitably call for action to adapt and look for new growth opportunities and development paradigms.

Rerouting Trade Flows

Russia took the biggest hit due to disrupted trade links. In 2021, unfriendly states¹³⁴ accounted for \$293.4 billion or 51.4% of all Russian imports and \$491.5 billion or 56% of all exports.¹³⁵ In the current situation, one of the first steps to minimize the negative effects could be to shift the economic focus inwards, towards the domestic market. This will require restructuring the Russian economy through new regulation measures and development incentives. Since this subject is beyond the scope of this report, we will focus on the second possible step to enable economic growth: rerouting Russian exports to new markets, including developing EAEU ties with new partners. As estimated by the authors of this report, the unrealized potential for exporting Russian products alone to the biggest trading partners that have not imposed sanctions against Russia adds up to nearly \$37 billion (see Figure 10).¹³⁶

However, it is important to consider how trade flow changes could impact the economies of Russia's partners in the EAEU and what measures need to be taken to mitigate potential negative impacts. For example, if a preferential agreement were made between the EAEU and China, the GDP of Kazakhstan would grow in

¹³³ EU to Close Its Ports to Ships Flying Russian Flags. Overview // Interfax. April 11, 2022.
URL: <https://www.interfax.ru/world/834224>

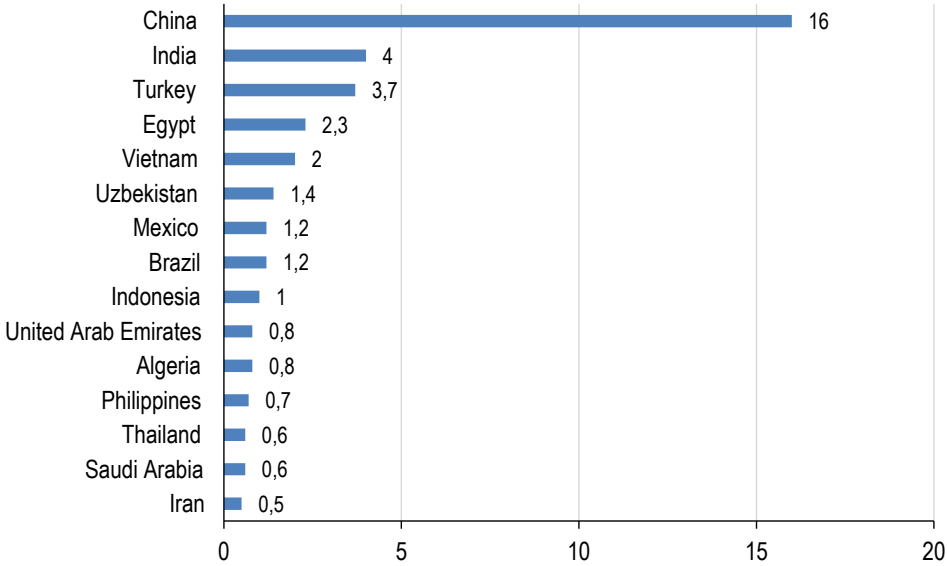
¹³⁴ In accordance with Russian Government Decree N430-r dated 5 March 2022 // Consultant Plus. March 5, 2022.
URL: https://www.consultant.ru/document/cons_doc_LAW_411064/f62ee45faefd8e2a11d6d88941ac66824f848bc2/

¹³⁵ Estimated by the authors using data from the RF Federal Customs Services to sample unfriendly states as per the government decree referenced above // Federal Customs Service.
URL: <https://customs.gov.ru/>

¹³⁶ The estimates are based on IMF macroeconomic indicators, UN Comtrade trade statistics, ITC Market Access Map for ad valorem tariff equivalents at the HS 6-digit level. Price elasticities in 65 GTAP sectors are based on GTAP data. Distances between countries come from GeoDist database developed by CEPII.

absolute terms by up to \$1 billion a year (+0.56%) and Russia’s GDP, by up to \$3.7 billion (+0.22%). Armenia, however, might lose \$26 million (-0.19%), Belarus up to \$410 million (-0.65%), and Kyrgyzstan up to \$12.7 million (-0.15%), based on RFTA estimates.¹³⁷

Figure 10. Unrealized potential of Russian exports to countries which so far have not announced any trade sanctions against Russia, \$ billion



Source: Compiled by the authors using the methodology of the International Trade Center.¹³⁸

Given such asymmetrical effects, it can be assumed that the negative impacts felt by “smaller” Union members resulting from integration with third countries could be offset by the gains from reduced barriers within the EAEU. Additionally, considering the substantial value wins in absolute terms for Russia and Kazakhstan from the integration with third parties, the Union could institute a mechanism for compensating losses incurred by Armenia, Belarus and Kyrgyzstan, for which these amounts would be quite small. Such a tradeoff could help expand the range of opportunities for entering into trade agreements with a larger group of potential partners and, at the same time, drive a more balanced intra-EAEU integration process.

The product categories with the most potential for Russian exports to the above-mentioned markets include chemical and metal products, food products, and machinery and equipment (see Table 5).

¹³⁷ Estimated by the RFTA on the basis of a global computable general equilibrium model. The information was retrieved from closed sources.

¹³⁸ The estimates are based on IMF macroeconomic indicators, UN Comtrade trade statistics, ITC Market Access Map for ad valorem tariff equivalents at the HS 6-digit level. Price elasticities in 65 GTAP sectors are based on GTAP data. Distances between countries come from GeoDist database developed by CEPII.

Table 5. Top alternative markets for Russian exports in terms of unrealized export potential

Market	Unrealized Export Potential for Key Product Types	Comments
China	<p>Mineral products (\$3.1 billion)</p> <p>Non-ferrous metals (\$2.1 billion)</p> <p>Ferrous metals (\$1.6 billion)</p> <p>Chemical products (\$1.4 billion)</p> <p>Machinery and equipment, nuclear reactors, parts thereof (\$1.1 billion)</p> <p>Plastics and articles thereof (\$1.1 billion)</p> <p>Fertilizers (\$0.7 billion)</p> <p>Vegetable and animal fats (\$0.5 billion)</p> <p>Grains (\$0.5 billion)</p> <p>Prepared food products (\$0.3 billion)</p>	<p>EAEU–China non-preferential agreement in place. Proposed ways to unlock export potential:</p> <p>1) Remove specific focused barriers to the movement of goods and services by leveraging tools available under the non-preferential agreement.</p> <p>2) Establish EAEU–China free trade zone in the medium term.</p>
India	<p>Fertilizers (\$1 billion)</p> <p>Ferrous metals (\$0.6 billion)</p> <p>Chemical products (\$0.6 billion)</p> <p>Mineral products (\$0.6 billion)</p> <p>Non-ferrous metals (\$0.5 billion)</p> <p>Vegetable and animal fats (\$0.4 billion)</p> <p>Plastics and articles thereof (\$0.2 billion)</p>	<p>Establish EAEU–India free trade zone to overcome barriers that block supplies of the merchandise in question.</p>
Turkey	<p>Non-ferrous metals (\$1 billion)</p> <p>Ferrous metals (\$1 billion)</p> <p>Plastics and articles thereof (\$0.4 billion)</p> <p>Machinery and equipment, nuclear reactors, parts thereof (\$0.2 billion)</p> <p>Transport vehicles other than railway (\$0.1 billion)</p>	<p>Review in progress to consider options for EAEU–Turkey FTA to eliminate barriers or a framework agreement that would provide for reduction of non-tariff barriers in bilateral trade.</p>
Egypt	<p>Wood and articles of wood (\$0.5 billion)</p> <p>Ferrous metals (\$0.4 billion)</p> <p>Non-ferrous metals (\$0.2 billion)</p> <p>Seafood (\$0.2 billion)</p> <p>Plastics and articles thereof (\$0.15 billion)</p> <p>Machinery and equipment, nuclear reactors, parts thereof (\$0.12 billion)</p> <p>Grains (\$0.12 billion)</p> <p>Chemical products (\$0.1 billion)</p>	<p>Talks already started on EAEU–Egypt FTA</p>
Vietnam	<p>Fertilizers (\$0.2 billion)</p> <p>Machinery and equipment, nuclear reactors, parts thereof (\$0.2 billion)</p> <p>Wood and articles of wood (\$0.2 billion)</p>	<p>It is necessary to identify non-tariff measures that hinder the further growth of Russian exports in order to address them with mechanisms available under the current FTA.</p>

Table 5 (continued)

Market	Unrealized Export Potential for Key Product Types	Comments
	Chemical products (\$0.1 billion) Food products (\$0.12 billion)	
Uzbekistan	Grains (\$0.2 billion) Ferrous metals (\$0.2 billion) Transport vehicles other than railway (\$0.1 billion) Vegetable and animal fats (\$0.05 billion) Processed food products (\$0.05 billion)	Barriers to full export potential can be reduced through bilateral intergovernmental consultations or accession of Uzbekistan to the EAEU. While Uzbekistan's potential accession is being considered, steps could be taken to develop a coordinated collaboration on a bilateral basis between Uzbekistan EAEU member states.
Brazil	Fertilizers (\$0.4 billion) Chemical products (\$0.2 billion) Machinery and equipment, nuclear reactors, parts thereof (\$0.1 billion) Plastics and articles thereof (\$0.1 billion) Grains (\$0.005 billion)	Review in progress to consider options for EAEU–Brazil FTA to eliminate barriers or a framework agreement that would provide for reduction of non-tariff barriers in bilateral trade.
Mexico	Machinery and equipment, nuclear reactors, parts thereof (\$0.15 billion) Plastics and articles thereof (\$0.1 billion) Chemical products (\$0.08 billion) Transport vehicles other than railway (\$0.05 billion) Paper and cardboard (\$0.04 billion)	Review in progress to consider options for EAEU–Mexico FTA to eliminate barriers or a framework agreement that would provide for reduction of non-tariff barriers in bilateral trade. The principal barrier to FTA is the USMCA, which requires each party to submit to other parties thereof a draft FTA with an economy that one of USMCA parties may consider to be a non-market economy.
Indonesia	Grains (\$0.25 billion) Chemical products (\$0.06 billion) Machinery and equipment, nuclear reactors, parts thereof (\$0.05 billion) Plastics and articles thereof (\$0.03 billion) Fertilizers (\$0.025 billion) Transport vehicles other than railway (\$0.01 billion)	Review in progress to consider options for FTA with the EAEU to eliminate barriers or a framework agreement that would provide for reduction of non-tariff barriers in bilateral trade.
Algeria	Grains (\$0.4 billion) Ferrous metals (\$0.1 billion) Wood and articles of wood (\$0.08 billion) Plastics and articles thereof (\$0.03 billion)	

Table 5 (end)

Market	Unrealized Export Potential for Key Product Types	Comments
United Arab Emirates	<p>Ferrous metals (\$0.14 billion)</p> <p>Non-ferrous metals (\$0.08 billion)</p> <p>Wood and articles of wood (\$0.06 billion)</p> <p>Machinery and equipment, nuclear reactors, parts thereof (\$0.06 billion)</p> <p>Chemical products (\$0.05 billion)</p> <p>Plastics and articles thereof (\$0.04 billion)</p> <p>Aircraft, spacecraft and parts thereof (\$0.03 billion)</p>	
Philippines	<p>Grains (\$0.22 billion)</p> <p>Fertilizers (\$0.1 billion)</p> <p>Wood and articles of wood (\$0.03 billion)</p> <p>Chemical products (\$0.03 billion)</p> <p>Machinery and equipment, nuclear reactors, parts thereof (\$0.03 billion)</p>	
Saudi Arabia	<p>Non-ferrous metals (\$0.14 billion)</p> <p>Machinery and equipment, nuclear reactors, parts thereof (\$0.06 billion)</p> <p>Wood and articles of wood (\$0.04 billion)</p> <p>Chemical products (\$0.04 billion)</p> <p>Prepared food products (\$0.04 billion)</p> <p>Transport vehicles other than railway (\$0.03 billion)</p>	
Thailand	<p>Ferrous metals (\$0.12 billion)</p> <p>Non-ferrous metals (\$0.12 billion)</p> <p>Fertilizers (\$0.06 billion)</p> <p>Chemical products (\$0.05 billion)</p> <p>Plastics and articles thereof (\$0.05 billion)</p> <p>Machinery and equipment, nuclear reactors, parts thereof (\$0.025 billion)</p>	
Iran	<p>Paper and cardboard (\$0.06 billion)</p> <p>Machinery and equipment, nuclear reactors, parts thereof (\$0.05 billion)</p> <p>Plastics and articles thereof (\$0.05 billion)</p> <p>Grains (\$0.05 billion)</p> <p>Chemical products (\$0.03 billion)</p> <p>Transport vehicles other than railway (\$0.03 billion)</p>	

Source: Compiled by the authors based on the methodology of the International Trade Center.¹³⁹

¹³⁹ The estimates are based on IMF macroeconomic indicators, UN Comtrade trade statistics, ITC Market Access Map for ad valorem tariff equivalents at the HS 6-digit level. Price elasticities in 65 GTAP sectors are based on GTAP data. Distances between countries come from GeoDist database developed by CEPII.

Developing Existing and Building New Logistic Routes

One more growth opportunity lies in developing the logistical potential of the EAEU. Union member countries are traversed by three international transport corridors (ITCs): The Trans-Caspian International Transport Route (TITR), International North-South Transport Corridor (INSTC) and East-West Transport Corridor (EWTC).

The Trans-Caspian International Transport Route is mostly used to ship cargo from China to Europe via Kazakhstan, Azerbaijan and Georgia, bypassing Russia. The TITR is also linked to Ukraine. Nevertheless, the bulk of the commodity turnover is contributed by exchanges between the EU and China, whereas trade between the remaining participants is modest (about \$10 billion in 2021).¹⁴⁰ Therefore EAEU countries on this route are not exploiting its full export potential. Kazakhstan is already planning to build its own ferry fleet to realize value from TITR capacity. For Russia, it is important to monitor the development of this corridor and promote the interests and involvement of Russian companies.

Previously, freight traffic on the TITR had not been more than 26,000 TEU over its entire period of operation because carriers preferred to go by a land route through Russia.¹⁴¹ For example, UTL ERA (United Transport and Logistics Company – Eurasian Rail Alliance) that provides rail container services on the East-West Route, transported 692,500 TEU in 2021 alone. In the new political environment, the TITR's popularity has been rising as a way to circumvent logistic restrictions. From January through July 2022, TITR container traffic was as big as 17,600 TEU, up by 33% against the same period in 2021.¹⁴² However, further increased use of the TITR will be hampered by its own infrastructural limitations.

In 2021, the freight traffic on the North-South ITC totaled over 16.3 million tonnes. By 2030, it is expected to have nearly doubled up to 31.7 million tonnes.¹⁴³ The corridor includes three possible routes: a Western route (through Russia and Azerbaijan, mostly by railroads), a Trans-Caspian route (from Russia via the Caspian Sea to Turkmenistan and Iran), and an Eastern route (via Russia, Kazakhstan and Turkmenistan to Iran along the east coast of the Caspian Sea). These routes are mostly used to ship Russian exports to Azerbaijan and Iran. The main Russian ports in the Caspian basin are Astrakhan (over 55%), Makhachkala (about 10%) and Olya (Under 5%).¹⁴⁴ One of the key preconditions for ramping up freight traffic in the North-South Corridor, like with the TITR, is to debottleneck the transport infrastructure.

The biggest challenge throttling the Western route is the lack of operational railway lines between some points. First of all, there is the Astarā-Rasht leg in Iran,

¹⁴⁰ Estimated by the authors using data from the International Trade Center // Trade Map.
URL: <https://www.trademap.org/Index.aspx>

¹⁴¹ Twenty-foot equivalent unit, an approximate unit of measurement of cargo capacity for container shipments.

¹⁴² Trend News Agency // Relations between Kazakhstan and Azerbaijan entering new stage based on synergy of economic potential. URL: <https://en.trend.az/azerbaijan/society/3636644.html>

¹⁴³ Forecast by Directorate of International Transport Corridors (ANO DITC).
URL: <https://diritc.ru/?ysclid=le62ffp6e3972539895>

¹⁴⁴ Information provided by closed sources at the Ministry of Transport of the Russian Federation.

bordering Azerbaijan to the northern part of Iran and the seaports on the Persian Gulf. In August 2022, Russia proposed to build that railway segment,¹⁴⁵ reenergizing the rather protracted negotiations on this issue that had been going on between Azerbaijan and Iran.¹⁴⁶ At this point in time, the project is only in the discussion phase. The development of the route is hindered not only by the inadequacy and poor reliability of the transport and logistics infrastructure in Iran,¹⁴⁷ but also by the run-down border crossing facilities on the Russian–Azerbaijani border. In 2021, the number of vehicles that passed through Yarag–Kazmalyar border crossing was 50% above its capacity (170,000 against 110,000 vehicles).¹⁴⁸ To redistribute transport flows and reduce queuing, freight trucks were allowed to use two additional lanes, a nearby border crossing, Tagirkent–Kazmalyar, was opened to cargo traffic, and a round-the-clock border-crossing service was provided for empty semitrucks at the Novo–Filya point. If cargo traffic on this route keeps rising, the problem will worsen.

The trans-Caspian route is where the most comprehensive modernization is needed. Unlike the other two, this route is not seamless and involves two transshipments in Caspian ports. First, access lines to the ports from the Russian side need to be upgraded and a new road should be constructed. Second, the harbors in the ports of Astrakhan and Olya¹⁴⁹ need to be deepened to improve their capacity utilization. Manufacturing of dredging vessels and equipment is already underway and is due to be completed in 2023.¹⁵⁰ It is also important to increase the processing capacity of the ports and purchase cargo handling equipment for fast and efficient container transshipment.

Among other reasons, these upgrades are critical investments in the long-term foundation for creating a Caspian purpose-built container fleet and establishing direct container lines between the biggest ports. Once this program is successfully completed the route infrastructure can be reinforced with additional container terminals on the Russian coast of the Caspian Sea.

The NSITC’s Eastern route has all the infrastructure required to support regular freight transit, but it is two days longer than the Western route and considerably more expensive, even if used for long-distance transit from India (Iran) to Europe. Its limitations include capacity bottlenecks along the best part of the route south of Russia, in Turkmenistan and Iran, and the lack of proper electrification on the Garmsar–Inchek Borun line in Iran.

¹⁴⁵ The Rasht–Astara route Could Be Extended to Three Ports on the Persian Gulf // TASS. November 17, 2022.
URL: <https://tass.ru/ekonomika/16361521>

¹⁴⁶ The Rasht–Astara Railway to Change Russian Policy // Regnum. August 8, 2022.
URL: <https://regnum.ru/news/polit/3664122.html>

¹⁴⁷ Most of the Iran’s railway network consists of single-track non-electrified lines that are inadequate for high-speed traffic.

¹⁴⁸ Information provided by closed sources at the Ministry of Transport of the Russian Federation.

¹⁴⁹ Last year, the actual throughput of the port of Astrakhan was 3,358 vessels compared to its nameplate capacity of 8,760 vessels; the same applies to the port of Olya: the actual throughput of 216 versus the nameplate capacity of 3,650. The current draft of the ports is up to 3.6 m, so vessels have to be partially loaded.

¹⁵⁰ Volga–Caspian Canal to Be Deepened to 4.5 Meters Along Full Length by End of 2023. // Infra News. December 1, 2022.
URL: <https://infra.news.ru/logistika/more/60841-volgo-kaspijskij-kanal-uglubyat-do-45-metrov-na-vsem-protyazhenii-dokonca-2023-goda/>

Considering current logistics and transport difficulties stemming from broken ties with Europe, the development of the North–South and East–West ITCs has moved to the forefront of the agenda for all EAEU member states, as well as their partners.

Developing Industrial Cooperation

One of the key objectives and growth levers is to increase the industrial potential of EAEU economies, to fall in line with the already existing national plans for industry development and import substitution. Armenia¹⁵¹ and Kyrgyzstan¹⁵² have taken steps to develop textile and garment manufacturing, food industry as well as build new capacity in other sectors. Belarus, Kazakhstan and Russia have drawn up an extensive list of industries and products that will be subject to import substitution.¹⁵³ According to the RFTA, \$21 billion worth of imports could be potentially replaced in the near future in result of EAEU-wide cooperation. EAEU member states have a relative advantage regarding the production of 59 out of 462 identified goods, the import of which from outside the EAEU in 2021 totaled \$20.6 billion.¹⁵⁴ They include passenger cars and parts thereof, turbojet engines, various home appliances (like ovens), electrical conductors, textile goods etc. In the agro-industrial complex, EAEU countries have a relative advantage in the production of 28 products, the import of which amounted to \$4.5 billion from unfriendly countries in 2021. These include combine harvesters, other crop harvesting machinery, machines for cleaning, sorting or grading seeds, grain or dry leguminous crops, other organo-inorganic compounds, bulbs and many others.

One high-potential area for further cooperation is in electric vehicle manufacturing. This sector also fits in well with EAEU member plans for building a green economy, opening opportunities for the development of cutting-edge engineering and technological solutions, and has enough supporting capacity available to supply it with all necessary raw materials and components. To develop sectoral collaboration and manufacture locally and globally competitive products, the near-term plan should be to provide an integrated system of support for such projects, avoid building excessive capacity, and construct value chains that would minimize costs.¹⁵⁵

Presently, project funding in the EAEU is provided by the Eurasian Development Bank (EDB). According to EDB data as of December 1, 2022, the current investment portfolio adds up to \$5.3 billion across 94 projects.¹⁵⁶ The total amount of the

¹⁵¹ Textile and Garment // Enterprise Armenia.

URL: <https://enterprisearmenia.am/en/pages-businessEnvironments/textile-and-garment>

¹⁵² Kyrgyzstan's Textile Market // Texmart URL: <https://www.texmart.kg/>

¹⁵³ Imports Substitution List: What Products Have to Be Replaced // Goscontract. May 23, 2022.

URL: <https://goscontract.info/podgotovka-k-tenderu/spisok-importozameshcheniya-kakim-tovaram-iskat-zamenu>

¹⁵⁴ Estimated by the authors from the statistical analysis of goods trade with unfriendly countries and the assessment of competitiveness of products traded in the EAEU.

¹⁵⁵ These areas of cooperation are set forth under the Key Areas of Industrial Cooperation to 2025 approved in 2021. (Eurasian Intergovernmental Council Decision N5 dated April 30, 2021 "On the Key Areas of Industrial Cooperation in the Eurasian Economic Union to 2025" // Digital Archive of Legal and Technical Regulations

URL: <https://docs.cntd.ru/document/603494063>

¹⁵⁶ About Projects // Eurasian Development Bank. URL: <https://eabr.org/projects/eabr/>

EDB's investments in EAEU economies is \$13.72 billion.¹⁵⁷ Steps to accelerate this industrial cooperation include the already mentioned establishment of the Eurasian Reinsurance Company, the forming of a single financial services market, the push for national currencies in cross-border payments, and digitalization. As a constraining factor, the EAEU's agenda still does not include any plans for forging a common industrial policy, unlike the creation of a single transportation services market.

Environmental Aspect of Eurasian Integration

Today, developing green technologies and supporting environmental protection measures is one of the EAEU's top priorities. To achieve these objectives the EEC has been reviewing accumulated expertise and the best practices in energy efficiency, transition mechanisms to renewable energy sources, and environmental protection measures that work with the EAEU green economy concept. The results of this analysis performed by the EEC and EAEU member states have been summarized in the analytical report "Development and Application of Green Economy Principles, Measures and Mechanisms: Global Lessons".¹⁵⁸ Here, the formidable task of building a green economy is best conceptualized as an integrated solution that would incorporate measures to cut greenhouse gas emissions, create a circular economy, and adopt the best available technology.

¹⁵⁷ Ibid.

¹⁵⁸ Development and Application of Green Economy Principles, Measures and Mechanisms: Global Lessons // Eurasian Economic Commission.
URL: <https://eec.eaeunion.org/upload/medialibrary/b34/Doklad-zelenaya-ekonomika-06.2022.pdf>

3.2. Social and Economic Dimensions of Eurasian Integration

As demonstrated by the many decades of experience of the European Union and other integration blocs, narrowing integration to only economic components limits the potential of other integrative interactions. To a greater extent, this happens because solutions to most economic problems lie beyond the economic domain.

One of the key objectives of any integration project is to ensure steady social and economic development by creating a level playing field, providing equal access to resources, investments and technology that harmonize administrative and legal mechanisms and regulate these aspects. Economic growth is essential in driving qualitative changes in EAEU living standards, creating the right conditions for their social, educational, professional and cultural development, and effectively deal with the problems of social inequality and vulnerability. Therefore, social and humanitarian development emerges as a critical element of the EAEU integration process, which fails to receive the much-needed attention it requires in organization.

Foreign policy documents of all EAEU member states include provisions related to developing cooperation in science, culture and education, which provides solid ground to start some sort of dialogue over these issues.

The 2016 Foreign Policy Concept of Russian Federation states that one of the primary objectives of Russia's foreign policy doctrine is "to strengthen Russia's role in international culture; promote and consolidate the position of the Russian language in the world; raise global awareness of Russia's cultural achievements and national historical legacy, cultural identity of the peoples of Russia, and Russian education and science; and, consolidate the Russian-speaking diaspora."¹⁵⁹

The Law on Approving the Key Areas of Home and Foreign Policies of the Republic of Belarus (2005) expresses the need to realize the national and cultural rights of Belarussians abroad, as well as leverage external intellectual and scientific resources for to benefit national development.¹⁶⁰The document also highlights the commitment of Belarus to develop national research infrastructure, attract investments, and create new innovation-based enterprises.

The Foreign Policy Concept of the Republic of Kazakhstan for 2030 underlines the need to step up "humanitarian diplomacy" to enhance its status and promote a positive image of the country throughout the world. Note, Kazakhstan views

¹⁵⁹ Executive Order of the President of the Russian Federation N640 dated November 30, 2016 "On Approving the Foreign Policy Concept of the Russian Federation" // Official Website of the President of Russia.
URL: <http://kremlin.ru/acts/bank/41451>

¹⁶⁰ Executive Order of the President of the Republic of Belarus N575 "On Approving the National Security Concept of the Republic of Belarus" // National Legal Internet Portal of the Republic of Belarus.
URL: <https://pravo.by/document/?guid=3871&p0=p31000575>

itself as a leader in supporting interfaith dialogue, hence the initiatives for holding cross-religious international congresses and forums. The concept also identifies the need to support the Kazakh language, national minorities in other countries, etc.¹⁶¹

The 2020 National Security Strategy of the Republic of Armenia¹⁶² states that Armenia aims to create a national high-technology industry to serve export markets as well as domestic needs. In the Strategy, Armenia describes itself as an “advocate” of inter-civilization dialogue.

Kyrgyzstan states in its Foreign Policy Concept, that one of its goals is to build trust across Eurasia. Also, “Kyrgyzstan seeks to become a comfortable hub for locating international organizations, international and regional forums, and also a cultural and educational center.”¹⁶³

While there are partial differences in foreign policy priorities between EAEU member states, there are also some overlapping attributes that could become a basis for future humanitarian cooperation.

First, each country is looking to protect its national language, traditions and cultural legacy both at home and wherever its national minorities live worldwide. So, government efforts to develop relations in culture and humanitarian cooperation should carefully consider this factor to avoid dominating some interests of one or several cultural traditions over another. Additionally, nations should work towards peaceful and mutually beneficial coexistence of all cultural elements of EAEU member states.

Second, each country has adopted some “specialist” role for itself in which it portrays and projects on the international stage. The consideration given to such choices in the process of designing joint humanitarian Eurasian projects will help structure a mutually complementary communication system at the government-to-government level and mitigate counterproductive competition for “leadership” in Northern Eurasia.

Third, each EAEU member prioritizes the development of its own scientific, educational and cultural institutions and initiatives.

In this area, countries should also cooperate on a mutually rewarding and supportive basis, sharing the best practices and institutions to prevent a massive brain drain in a country to one more scientifically advanced, or a cultural cluster. It is possible to avoid such a negative scenario by encouraging healthy competition for talent between the member states.

¹⁶¹ Executive Order of the President of the Republic of Kazakhstan N280 dated March 9, 2020 “On the Concept of the Foreign Policy of the Republic of Kazakhstan for 2020–2030” // Official Website of the President of the Republic of Kazakhstan.
URL: https://www.akorda.kz/ru/legal_acts/decrees/o-koncepcii-vneshnei-politiki-respubliki-kazahstan-na-2020-2030-gody

¹⁶² National Security Strategy of the Republic of Armenia, 2020 // Ministry of Foreign Affairs of the Republic of Armenia.
URL: https://www.mfa.am/filemanager/security%20and%20defense/%20национальной%20безопасности%20Республики%20Армения%202020_0.pdf

¹⁶³ Concept of the Foreign Policy of the Republic of Kyrgyzstan // Ministry of Foreign Affairs of the Republic of Kyrgyzstan.
URL: <https://mfa.kg/acts/koncepciya-vneshnei-politiki-kr.html>

Coordinated Social Policies

The humanitarian component of cooperation also includes living standards and, in this respect, there is large gap between some EAEU member states in terms of their living wage and income levels. Based on data from 2019, the living wage in Russia was nearly 2.5 times higher than in Kyrgyzstan and twice as high as in Kazakhstan.¹⁶⁴ On the other hand, the Russian Federation, along with Kyrgyzstan, has some of the highest poverty rates in the EAEU. All of this shows a lack of a consistent EAEU-wide framework that would support an effective social policy.

Of course, the implementation of a common social policy within the EAEU encounters a number of objective obstacles, stemming from different levels of economic development, country-specific ways of political and economic governance, variegated institutional environment, and unique cultural and religious aspects of historical evolution of each member state.¹⁶⁵ These factors add more arguments for the case of devising common strategies in tackling social inequality and social vulnerability in the EAEU. This is because there are immense discrepancies among nations, and as long as they persist and are viewed as such by individuals in EAEU countries, it may compromise the further development of the Union in the longer term, eroding the gains that have been achieved.

Yet, important as they are, the social and humanitarian agenda has not been getting adequate attention from the EAEU's governing bodies. The key development goals of the EAEU defined under the Treaty on the Eurasian Economic Union include the following: establish proper conditions for sustainable economic development of the member states in order to improve the living standards of their citizens; seek to establish a single market and ensure the freedom of movement for goods, services, capital and labor; and ensure comprehensive modernization, cooperation and competitiveness of the national economies.¹⁶⁶

The Strategic Directions for Developing Eurasian Economic Integration until 2025 lists areas such as education, healthcare, tourism and sports,¹⁶⁷ but no conceptual approaches to their regulation have been developed as of yet, and most agreed actions fail to go beyond policy statements. From the entire spectrum of social development and security issues, the only ones that matter, which in fact remain within the scope of the EAEU's supranational authorities, include those related to labor market regulation, namely the guarantees of equal employment opportunities within the EAEU, migration and pension policies.

Efforts to energize collaboration in social and humanitarian areas will help create

¹⁶⁴ Statistical Yearbook of the Eurasian Economic Union // Eurasian Economic Commission. 2020.
URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/econstat/Documents/Stat_Yearbook_2020.pdf

¹⁶⁵ Osadchaya, G.I. Social Policy of the Eurasian Economic Union: Theoretical and Methodological Aspects // Social Policy and Sociology. 2016. Vol. 15. No.1(114). Pp. 64–71.

¹⁶⁶ Treaty on the Eurasian Economic Union (signed in Astana on 29 May 2014) (revision as of 1 October 2019) (as amended and supplemented on 5 April 2022) // Digital Archive of Legal and Technical Regulations.
URL: <https://docs.cntd.ru/document/420205962>

¹⁶⁷ Decision of the Supreme Eurasian Economic Council N12 dated December 11, 2020 "On Strategic Directions of Developing Eurasian Economic Integration until 2025" // Eurasian Economic Council. December 11, 2020.
URL: https://docs.eaeunion.org/docs/ru-ru/01428320/scd_12012021_12

additional enabling conditions for the further development of the EAEU and partially resolve existing economic difficulties by leveraging the above-mentioned social institutions that shape personal, professional and ideological values across all social groups, their notions of high living standards and efficient government models.

Youth policy is an important element of the EAEU's social and humanitarian agenda. At the June 2022 Eurasian Economic Forum “Strategy 2025: Youth Perspective on the EAEU Development”, which took place in Kyrgyzstan's capital Bishkek, the participants unanimously supported the idea of launching an annual Youth Forum. The organizers believed that this event will better provide young citizens of EAEU countries awareness of the Eurasian agenda and motivate college students and junior scientists to engage in Eurasian integration research projects.

In this context, it would be beneficial to formalize the youth's integration agenda not only through such a forum, but also by instituting an EAEU Youth Council (similarly to the EAEU Business Forum) that will focus on developing academic mobility programs for students and scholars, helping the younger generation engage with the EEC, while also raising awareness of the Union's principles among the youth.

3.3. Eurasian Integration Soft Power: Shaping Public Perceptions

Promoting a positive image of the Eurasian Union and raising public awareness in countries which host integration-related opportunities are also powerful ways to enhance the Union's cohesion and strengthen its international standing.

It is not always easy to measure EAEU population responses to Eurasian integration; first of all, there is a lack of a consistent Union-wide methodology. Whereas Europe has its Eurobarometer¹⁶⁸ that conducts regular surveys on various topics within the common European policy, there is no unified system for regular polling in the post-Soviet space. Public opinion data can be sourced only from separate regional projects, such as the Caucasus Barometer¹⁶⁹ and the Central Asia Barometer,¹⁷⁰ and also surveys conducted by the 2017 Eurasian Monitor.¹⁷¹

Data on Armenia is available from regular surveys run by the Caucasus Barometer. A 2021 survey revealed a worrying trend: 14% of respondents answered that they were against Armenia's membership in the EAEU (Figure 11), a much larger share compared to 2019 and 2017 (3% and 5%, respectively). That said, the number of people who, in some way or another, supported the membership remained practically the same.

The main reason why respondents do not want to see Armenia in the EAEU is because they do not understand the benefits of such integration. In 2021, that particular reason was cited by 61% of those who ticked the box against their country's membership in the Eurasian Union (Figure 13), which again underscores the need for more and better information campaigns.

As for the benefits of Armenia's membership in the Union, those surveyed see more than one: better relations with Russia, improvement of people's economic conditions, and better protection from foreign threats. Note, two of the three reasons are more political than economic and do not match key integration objectives. Within the framework of its Eastern Partnership initiative, the European Union, too, conducts public opinion surveys, including questions on the EU, EAEU and NATO. Responses to the question "Do you trust the Eurasian Economic Union?" in Armenia are generally positive: about 50% of respondents do trust the bloc (Figure 14).

In 2022, trust levels towards international and regional organizations did not change much. Trust and distrust towards the EAEU in 2022 stayed within the same range of 45–47%, but compared with 2020, the trust rating went down by 6%. The responses also showed rising distrust towards NATO and the EU (Figure 15).

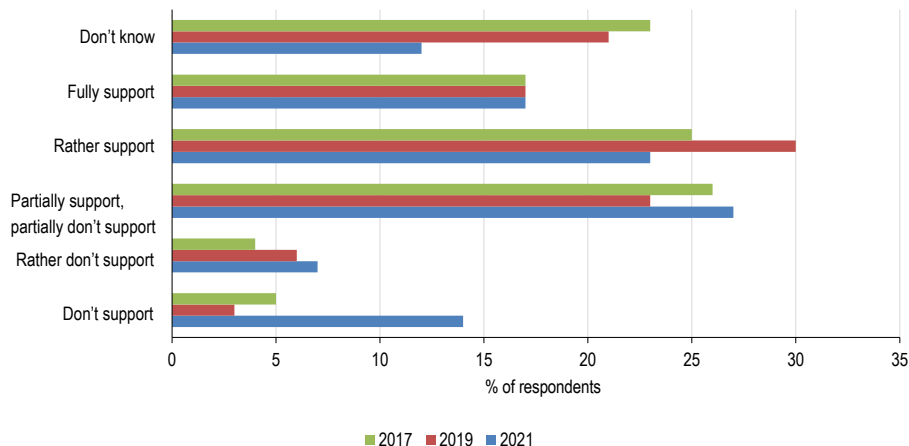
¹⁶⁸ Eurobarometer website. URL: <https://europa.eu/eurobarometer/screen/home>

¹⁶⁹ Online database of the Caucasus Research Resource Center. URL: <https://caucasusbarometer.org/en/>

¹⁷⁰ Online database of the Central Asia Barometer (CAB). URL: <https://ca-barometer.org/ru>

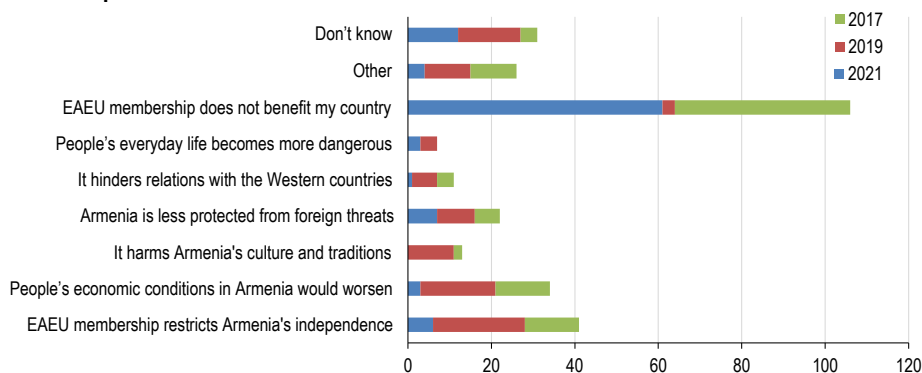
¹⁷¹ EDB Integration Barometer – 2017. Report No. 46. St. Petersburg, 2017. 102 p.
URL: <https://eurasiamonitor.org/>

Figure 11. Question: To what extent do you support Armenia's membership in the Eurasian Economic Union?



Source: Caucasus Research Resource Center¹⁷²

Figure 12. Question: What is the main reason you would not support Armenia's membership in the Eurasian Union?



Source: Caucasus Research Resource Center¹⁷³

In Belarus, public opinion surveys are conducted only by government- accredited organizations. According to data collected under the Eastern Partnership (before Belarus withdrew from the initiative), public trust towards the Eurasian integration was on the decline, most likely due to the wave of protests against the reelection of President Alexander Lukashenko (Figure 16).

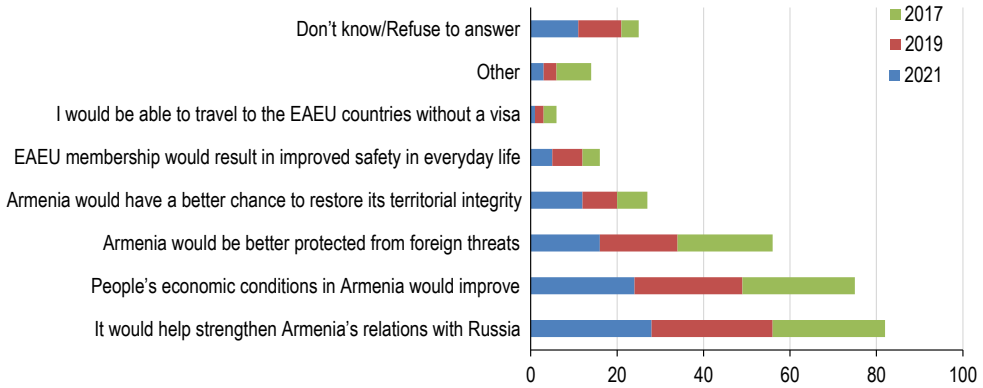
Comparing 2022 to 2020, the level of public trust in Belarus towards the EAEU dropped from 57% to 33%, but at the same time the share of respondents who were undecided increased from 39% to 42%. Compared with 2016, the 2022 survey showed that the share of people who trusted the EU shrank from 50% to

¹⁷² Caucasus Barometer 2017, 2018, 2021 Armenia // Caucasus Research Resource Center.
URL: <https://caucasusbarometer.org/en/>

¹⁷³ Ibid.

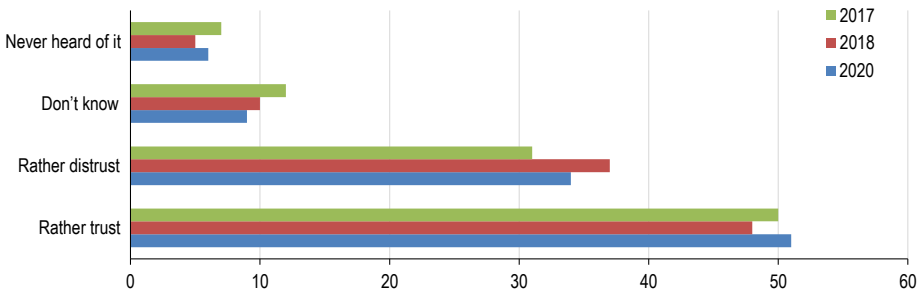
38%. As for their trust towards the Collective Security Treaty Organization (CSTO), like with the EAEU, people in 2022 preferred to avoid definite answers (Figure 17).

Figure 13. Question: What is the main reason you would support Armenia's membership in the Eurasian Union



Source: *Caucasus Research Resource Center*¹⁷⁴

Figure 14. Question: Do you trust the Eurasian Union? (survey conducted in Armenia)



Source: *EU Neighborhood East*¹⁷⁵

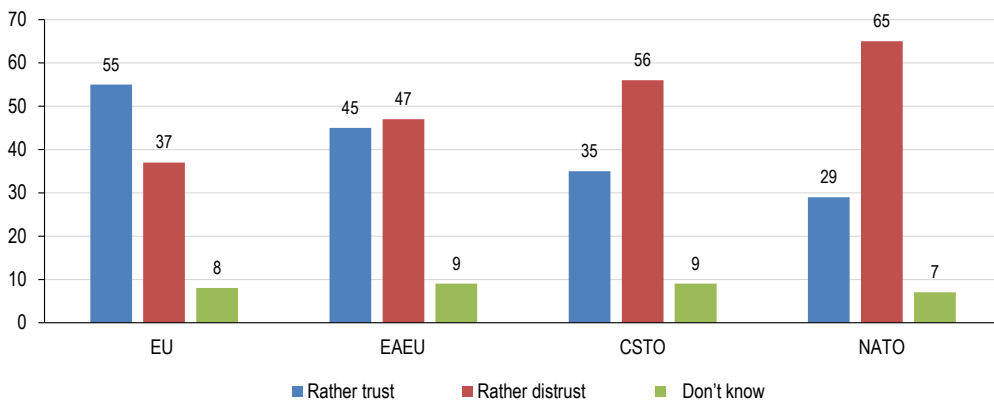
Characteristically, the opinion that prevails with a slight margin is that Belarus should pursue an independent policy without being specifically pro-anyone. Nevertheless, given the Republic's support of Russia's Special Military Operation in Ukraine, these ratings can be expected to change.

The data on Kazakhstan and Kyrgyzstan are available in the Central Asia Barometer database.

¹⁷⁴ Caucasus Barometer 2017, 2018, 2021 Armenia // Caucasus Research Resource Center.
URL: <https://caucasusbarometer.org/en/>

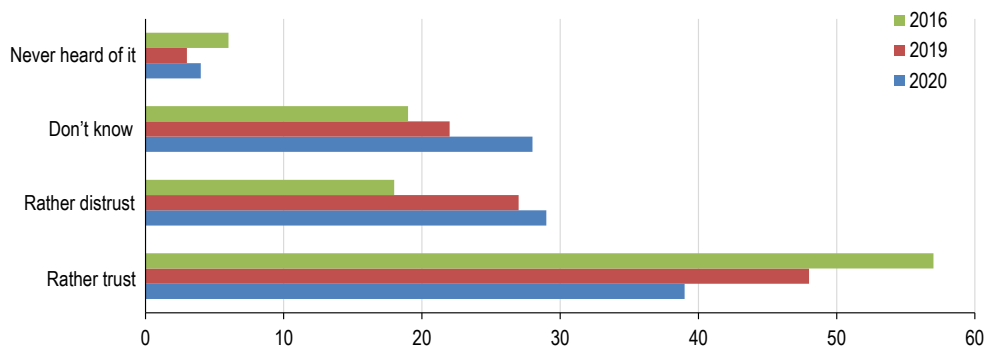
¹⁷⁵ Armenia Annual Survey 2022 // EU Neighborhood East.
URL: <https://euneighbourseast.eu/news/publications/annual-survey-2022-armenia/>

Figure 15. Question: How much do you trust or distrust the following political unions (EU, EAEU, CSTO, NATO)? (% of respondents) 2022



Source: *EU Neighborhood East*¹⁷⁶

Figure 16. Question: Do you trust the Eurasian Union? (survey conducted in Belarus).



Source: *EU Neighborhood East*¹⁷⁷

According to a 2019 survey, most citizens of Kazakhstan had a positive view of their country's membership in the EAEU: 36.6% fully agreed that the integration had been beneficial for Kazakhstan and 34.3% somewhat agreed. In 2020, the ratings were slightly worse because of an increased number of "do not know" answers, from 12% to 23% of respondents. There was a minor uptick in responses that fully disagreed with the notion that joining the Union would bring any positive effects (Figure 19). In 2021, the Kazakhstan Institute for Strategic Studies under the president of Kazakhstan (Karis) presented the results of its opinion survey conducted in the country to probe public attitudes to the EAEU. According to the data, 30% of the citizens were in support of the EAEU, with 32.6% mostly positive,

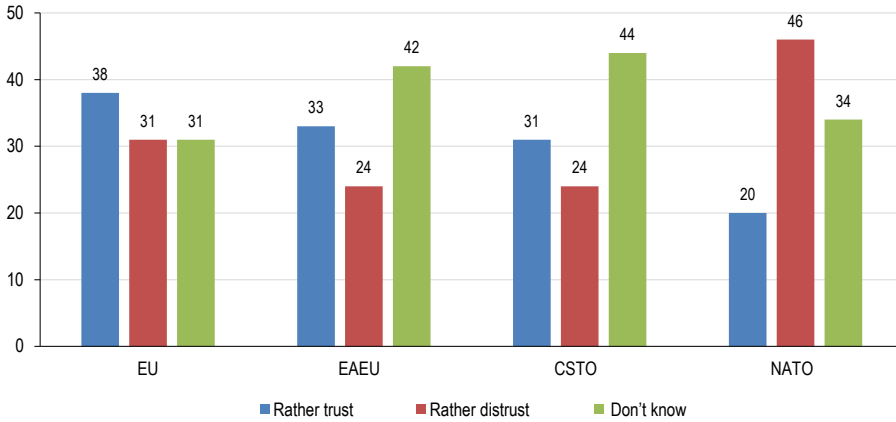
¹⁷⁶ Armenia Annual Survey 2022 // EU Neighborhood East.
URL: <https://euneighbourseast.eu/news/publications/annual-survey-2022-armenia/>

¹⁷⁷ Annual Survey 2022: Belarus // EU Neighborhood East. 2022.
URL: <https://euneighbourseast.eu/news/publications/annual-survey-2022-belarus/>

and 13% negative responses.¹⁷⁸ So, the overall trend in Kazakhstan remains positive.

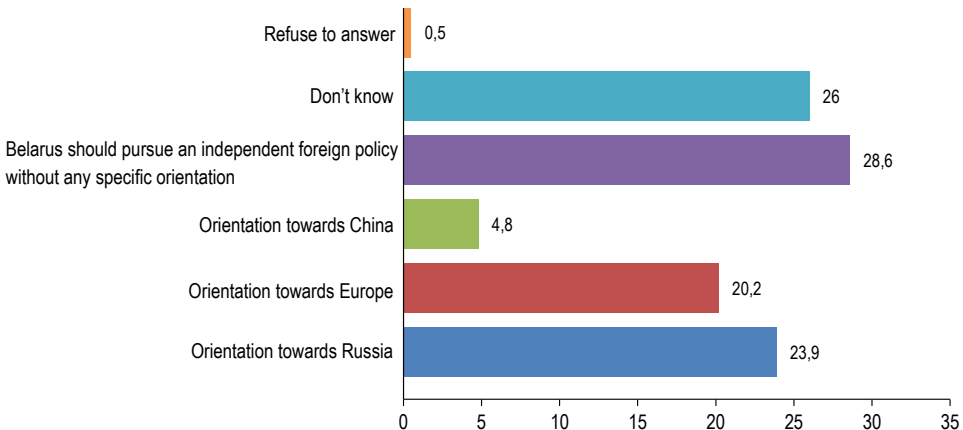
In the context of a regional common integration agenda, it is important to consider Belarussian public sentiment towards integration prospects in general (Figure 18).

Figure 17. Question: To what extent do you trust the following organizations (EU, EAEU, CSTO, NATO)? (% of respondents) 2022



Source: *EU Neighborhood East*¹⁷⁹

Figure 18. Question: What, in your opinion, should be the primary orientation of Belarus foreign policy? (2020, %)



Source: *Institute of Sociology, NAS of Belarus*¹⁸⁰

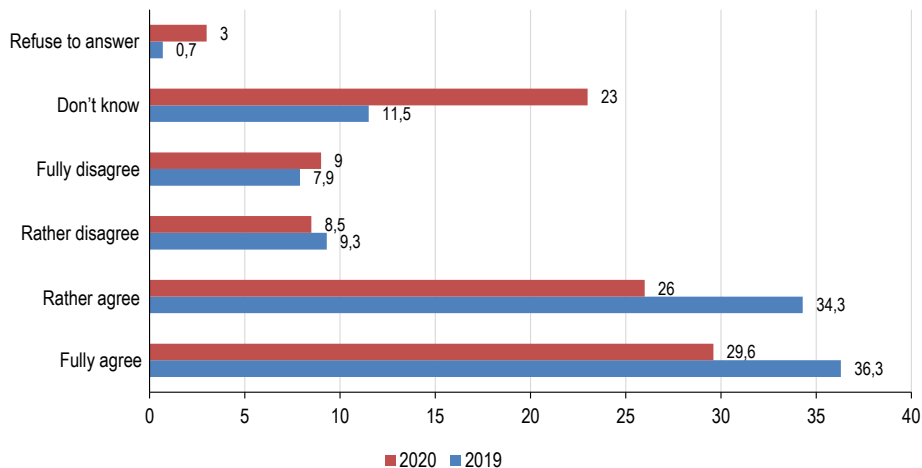
¹⁷⁸ What Kazakhstanians Know About the Eurasian Union? // Strategy2050.kz [Kazakhstan's news and analysis website]. 21.05.2021. URL: <https://strategy2050.kz/ru/news/chto-znayut-kazakhstantsy-o-eaes/>

¹⁷⁹ Annual Survey 2022: Belarus // EU Neighborhood East. 2022. URL: <https://euneighbourseast.eu/news/publications/annual-survey-2022-belarus/>

¹⁸⁰ Dynamics of Opinions on Vectors of Belarus Foreign Policy (based on monitoring data of the Institute of Sociology, NAS of Belarus) // Institute of Sociology, NAS of Belarus. 2020. URL: <https://socio.bas-net.by/dinamika-otsenok-vneshnepoliticheskikh-vektorov-belarusi-po-dannym-monitoringovyh-issledovanij-instituta-sotsiologii-nan-belarusi/>

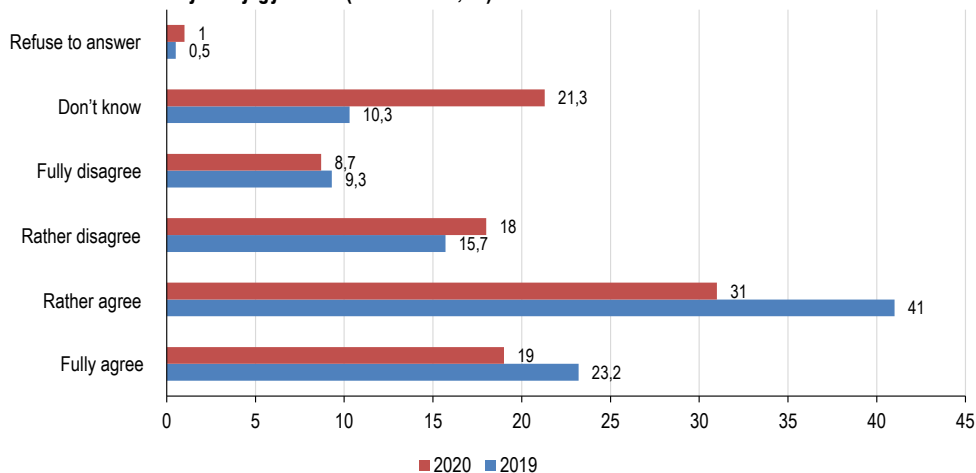
Public sentiment in Kyrgyzstan is also positive about its EAEU membership: based on the 2019 data, about 60% of those surveyed believed that the decision to join the Union had benefited the economy. In 2020, however, the share of such responses ebbed to 50%. At the same time, like in Kazakhstan, there was a higher proportion of those who were neither positive, nor negative (Figure 20).

Figure 19. Question: Do you agree that joining the Eurasian Economic Union has benefited the national economy of Kazakhstan? (2019–2020, %)



Source: Central Asia Barometer (CAB)¹⁸¹

Figure 20. Question: Do you agree that joining the Eurasian Economic Union has benefited the national economy of Kyrgyzstan? (2019–2020, %)



Source: Central Asia Barometer (CAB)¹⁸²

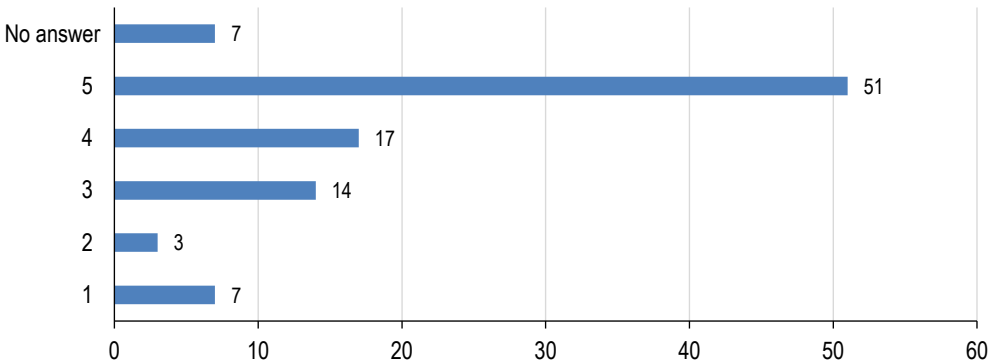
¹⁸¹ Survey by Central Asia Barometer. Wave 7 // Central Asia Barometer (CAB). URL: <https://ca-barometer.org/ru>

¹⁸² Ibid.

In Russia, questions about the Eurasian Economic Union are included in some surveys conducted by the Russian Public Opinion Research Center (Visio), but the data is rarely available in open sources.

According to Visio, the share of Russians aware of the EAEU's existence increased from 66% in 2014 to 76% in 2019 (Figure 21). About 75% of those were in favor of the Union. The benefits of the EAEU's activities were recognized by 40% of respondents, including for the development of the Russian economy (22%), improved living standards (19%), availability of lower-cost and better-quality products (18%), visa-free travel for Russian citizens to all Union countries (16%), and more employment opportunities with additional jobs available in other EAEU countries (16%). Notably, only 9% of those surveyed regard the Eurasian Union as an EU analog, whereas 39% expect the EAEU to offer some new principles and modes of interaction.¹⁸³

Figure 21. Question: Please rate on a scale from one to five the significance of the following objective for the country in general: Increasing trade turnover between Russia and EAEU Member States. (2018, %)



Source: Russian Public Opinion Research Center (Visio)¹⁸⁴

All in all, there are several trends in public opinion regarding the regional integration. The Eurasian Economic Union has been gradually losing trust among its member states.

Positive views of the integration are being mostly replaced with neutral or “no answer” responses.

In accordance with Article 23 of the Treaty on the EAEU of May 29, 2014, work has been underway to establish, maintain and develop an EAEU Integration Information System, designed to provide information on integration processes in all areas related to the Union. The system offers communication benefits to government authorities that can then use it to manage interfaces between Union countries and exercise government control to business communities and individuals. It provides easy access to inter-state services; any citizen of an EAEU country can use such

¹⁸³ Eurasian Integration: Form, Objectives and Consequences // Russian Public Opinion Research Center (Visio). January 25, 2019. URL: <https://wciom.ru/analytical-reviews/analiticheski-obzor/evrazijskaya-integraciya-forma-czeli-i-posledstviya>

¹⁸⁴ Ibid.

digital services anywhere within the Union. With further efficiency improvements and a broadening scope covering new areas of cooperation, the EAEU Integration Information System will help facilitate Union-wide interactions to a whole new level in the next few years.

Conclusions

The Eurasian Economic Union has clearly made some progress towards establishing its own international legal persona. In spite of adverse geopolitical conditions, the Eurasian Economic Commission, together with EAEU member states, has continued delivering its step-by-step action plan to expand the bloc by balancing and coordination state legislation, welcoming new forms of cooperation with members and new actors, and by making preferential trade agreements with partners worldwide. These integrative efforts have produced positive effects for EAEU economies and their people's living standards.

Since the establishment of the Eurasian Union, its combined GDP (PPP) has fluctuated within 5.5–5.7% of the global GDP. In current prices, this number has not been higher than 2.2% over the same period. Trade between EAEU member states over that same period increased by 28.5% in monetary terms compared to 2013, totaling \$73.1 billion in 2021. The trade turnover with third countries declined by 3.1% to \$846.4 billion,¹⁸⁵ indicating that EAEU countries have become more important for each other as trading partners. On the other hand, there has been no change in physical trade volumes within the EAEU. Higher monetary value of intra-EAEU trade is driven by rising global prices of goods and a changing commodity mix that has shifted towards higher added-value and more lightweight products.

Of all the discussed “freedoms” of Eurasian integration, the most progress has been made in creating a single market for goods and labor. Systemic efforts to eliminate obstacles to the free movement of goods within the EAEU started in 2016 and their annual incremental contribution to economic growth is estimated to be 0.12% of the combined EAEU GDP (in constant prices). From 2016 to 2021, the real combined GDP of the Union's economies grew by 9.1% and about 0.67 percentage points (circa \$13.8 billion) of this growth is estimated to represent integration gains for the countries. According to the RFTA, about 30% of obstacles were removed from the intra-EAEU market by the end of 2022. Eliminating the remaining 70% will generate 1.1 percentage point of annual incremental growth of the combined GDP.¹⁸⁶

Achieving this will be a great challenge in the medium term, considering the large number of derogations and the lack of concrete plans for removing most of them. Before action can be taken to accelerate internal market development, the EEC needs to identify a list of critical derogations that have the most crippling effect on the “four freedoms” of EAEU members. It is clear that the Union will benefit most from cutting derogations in Russia, being the largest market in the EAEU.

The RFTA estimates that the countries reaping the most gains from integration in relative terms are Armenia, Belarus and Kyrgyzstan because Russia is their key foreign trade partner. From 2016 to 2021, the contribution of Eurasian integration to the real GDP growth rate was 1.5 percentage points for Armenia, 4.9 percentage points for Belarus, 0.5 percentage points for Kazakhstan, 1.4 percentage points

¹⁸⁵ Eurasian Economic Commission // External Trade with Countries Outside the EAEU. URL: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/time_series/Pages/Times_series_External_trade.aspx

¹⁸⁶ Estimated by the authors using the global computable general equilibrium model.

for Kyrgyzstan, and 0.38 percentage points for Russia.¹⁸⁷ Therefore, the Union needs a balancing mechanism to make sure that concessions made by individual EAEU member states are of proportionately equivalent value.

While it would be premature to speak of any significant economic developments in integrating bloc countries, EAEU economies, although unable to match or outpace global economic growth, have nevertheless learnt, over the span of the Union, to cope with economic crises and do it better than other nations. They demonstrated such resilience in 2022; actual growth rates of EAEU economies exceeded the forecast and, similarly, the reduction of the combined GDP will most likely be smaller than expected. The greatest forecast “miss” was that regarding Armenia and Kyrgyzstan (whose real GDP growth rate was nearly double of the IMF’s predictions in April 2022). The IMF forecast also assumed a substantial income drop for migrants working in Russia, with a corresponding decrease in cross-border wire transfers. In reality, trends have been evolving in a slightly different way: money transfers have been on the rise, but mostly thanks to Russian citizens moving their money to the near-abroad. Furthermore, the ongoing relocation of Russian companies to CIS and EAEU jurisdictions is stimulating their GDP growth. These factors result in an “export of economic growth” from Russia to other EAEU members. The observed shifts however, are merely a short-term deviation. Once business relocations subside, growth of the host economies will cool off, though some incremental “booms” will persist on top of their underlying growth rates, that is, unless the economic climate in Russia and Belarus turns for the better.

As for the Union’s external integration efforts, since 2015, the EAEU has signed free trade agreements with Vietnam, Serbia, Iran (a provisional FTA; in January, the parties signed an agreement to create a permanent free-trade zone¹⁸⁸) and Singapore (not yet in effect). There is also a non-preferential agreement with China. So far trade implications can be evaluated only for the EAEU free trade agreements with Vietnam and Iran.

The FTA with Vietnam has enabled an inflow of both finished and intermediate goods to the EAEU market. The provisional agreement with Iran has been in place since the end of 2019, but during its term there has been no increases trade of goods subject to liberalization.

Given the restrictions imposed in 2022, to further develop EAEU economies, it is important to agree on a common strategy for building trade and economic relations with neutral partners outside the Union. Such a strategy should guide and underpin a consistent process for establishing and cultivating ties with external partners, which would help to define specific objectives that EAEU states want to achieve by engaging with external partners and integration blocs.

As for other worthwhile aspects of possible post-2025 international cooperation, this might occur in the humanitarian domain, which has been sidelined on the Union’s agenda thus far.

¹⁸⁷ Estimated by the authors using the global computable general equilibrium model.

¹⁸⁸ Iran and Eurasian Union to Establish a Free Trade Zone // EA Daily.

URL: <https://eadaily.com/ru/news/2023/01/21/iran-i-eaes-sozdayut-zonu-svobodnoy-torgovli>

Recommendations

- Amid sanctions and the Covid-19 pandemic, the Eurasian Economic Union has demonstrated a strong performance level that, going forward, will be important to maintain. To do so, it would be useful to identify factors that mitigate the negative effects of existing obstacles and take steps to upscale possible mitigations in the future.
- As economic estimates indicate that economic growth will be possible no earlier than 2024, it is advisable to agree on a roadmap for future EAEU development (within the general Strategy 2025 framework).
- Some EAEU member states have benefited from considerable positive effects of Russia's new position in the global economy. Parallel imports, and company and skill relocation has created additional drivers for economic growth in Armenia, Kazakhstan and Kyrgyzstan. This momentum, however, is expected to be short-lived unless action is taken to analyze these practices and assess factors that will allow Union members to take advantage of the current situation and chart new development trajectories.
- Growing trade between EAEU member states increases their dependency on each other. Therefore, it is important to expand areas of cooperation to create supplementary mechanisms of supporting economic integration, which would focus, first of all, on developing collaborative ties between partners.
- Still valid are the recommendations for EAEU member states to conduct a transparent international trade policy, coordinate projects with external partners, build relations in trade services, etc. Otherwise, contradictions may arise, hindering integration within the EAEU.
- One increasingly significant component of Eurasian economic integration is the establishment of a new, or the modification of existing development institutions on the national, as well as the Eurasian level.
- Evolving economic relations with Vietnam demonstrates a positive trend and calls for special attention on identifying new opportunities for cooperation. So far, the scope for measuring existing trade agreement effectiveness is limited. Regarding the FTA with Iran, detailed data on trade breakdown is not accessible, while the agreement with Serbia mostly regulates trade and economic ties with Belarus, Kazakhstan and Russia. Before the FTA with the EAEU took effect, Serbia traded with these countries via bilateral free trade agreements. The non-preferential agreement with China cannot be used for measuring trade performance because it does not include obligations granting preferences; it merely defines its cooperation framework with the EAEU.
- Considering that Tajikistan and Azerbaijan are potential candidates for receiving an observer status at the EAEU, it would be important to strengthen expert support and conduct expert-level consultations with the countries on certain issues. At this point, there is a limited understanding of EAEU integration benefits

in countries that are interested in deepening their relations with EAEU member states. Such countries are still unclear about the benefits the membership may bring, yet alone those associated with having observer status. Uzbekistan, on the other hand, has been actively taking advantage of such opportunities. Uzbekistan is currently involved in four cooperation areas: the climate agenda, the digitalization of freight railway transport, e-commerce, and the Eurasian Agroexpress project.

- To expand EAEU membership, further efforts should be made to inform and educate different social groups regarding the benefits and achievements of the Union.
- Possible communication and education methods for promoting the Eurasian integration may include: training modules at universities; training courses for journalists, state employees, and the business community; and educational opportunities for the general public.
- It is vital to consider the establishment of a single Eurasian public opinion monitoring system to track public sentiment on issues critical for the Eurasian integration. This can include: monitoring how well those involved in economic processes know and understand the tools of Eurasian integration, surveys regarding their experience of using such tools, and surveys that identify the expectations and needs of individual EAEU member businesses and citizens. These surveys must not include any politically-related questions at all.
- Given the radical shifts in the configuration of the international system and balance of forces in Northern Eurasia, it is necessary to step up working engagements between the EAEU and other regional organizations and formats, such as the Shanghai Cooperation Organization (SCO), Organization of the Black Sea Economic Cooperation (BSEC), Precaspian cooperation, and the Organization of Turkic States (OTS).
- When promoting the Greater Eurasian Partnership, it is important to focus on identifying aspects that will help to demonstrate benefits for potential participants.
- Currently, access to new markets has become a priority for Russia, and other EAEU member states can also join that process. This can be done by employing mechanisms that help identify and remove non-tariff barriers, establish free trade zones and make framework agreements.

As for additional potential areas of cooperation within the Eurasian Economic Union, the following steps are proposed:

- Amend the EAEU's principal conceptual documents to set measurable targets for specific areas of social development, including healthcare, demographics, education, poverty reduction, culture, environment, etc.
- Identify performance metrics that would reflect progress in achieving specified targets. Adopt a common methodology for collecting necessary data and computing these parameters.

- Develop supranational programs with clear goals to deliver the agreed targets.
- Conduct audits and, where necessary, optimize the regulatory framework in education, migration and taxation in order to facilitate border crossing, travel and residence in Russia, organizing private projects, temporary employment, access to medical and legal help, etc.
- Ensure the development of alumni networks (for school, university, and short-term training program graduates). Establish a common system of preferences for members of alumni clubs, offering networking opportunities, career development and professional means of communication.
- Develop a single system of Eurasian grants for scientific research.
- Design and implement a mechanism for converting labor migration processes into a resource for boosting the social and economic development of EAEU member states (reintegration of returning migrants, opportunities to apply their knowledge and skills acquired through employment and vocational education/training).
- Develop a concept for promoting a common ideological framework among the younger generation in the post-Soviet space (social justice, opportunities for creative self-actualization, equal opportunities, traditional family values).
- Define continuously functioning mechanisms of cultural exchanges based on tourism, etc.

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