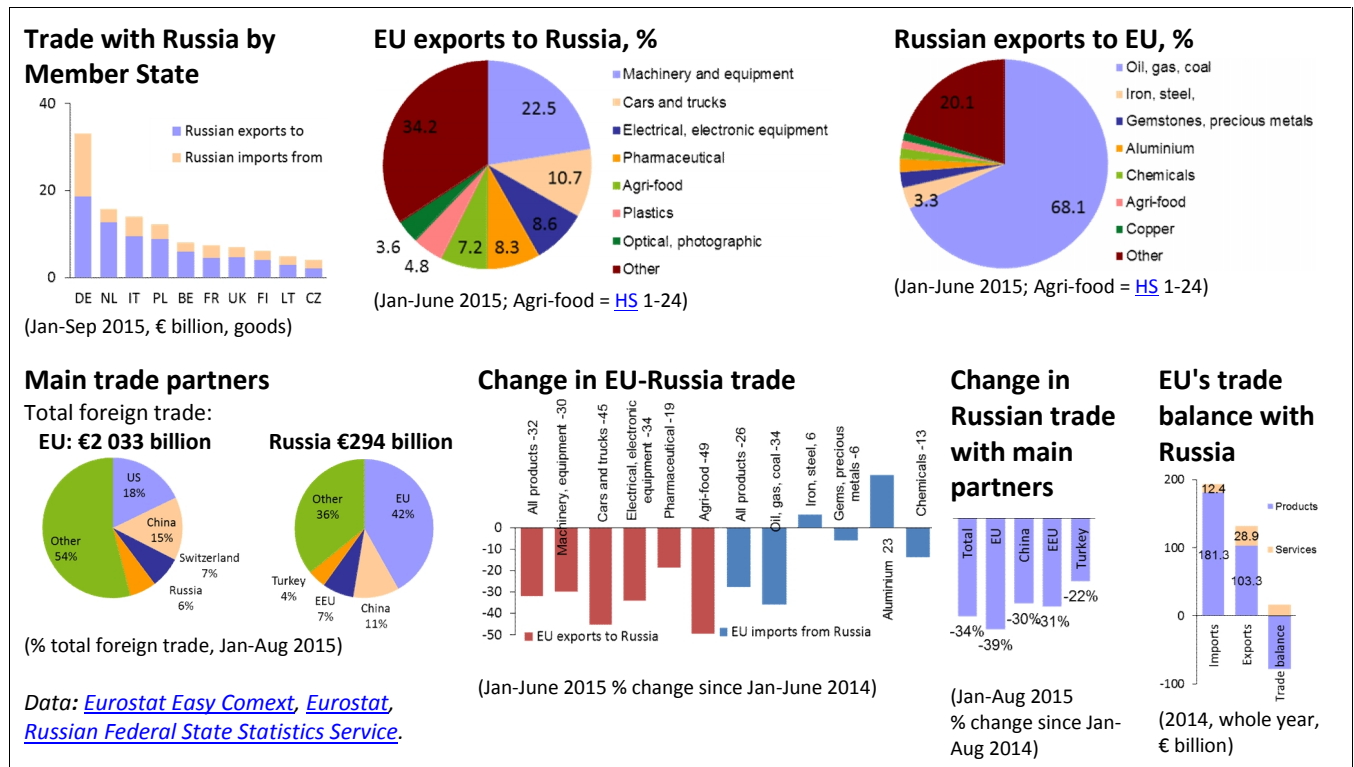


EU-Russia trade

Trade between the EU and Russia has decreased due to the difficult context (tensions over Ukraine, long-standing trade barriers, EU sanctions, Russian counter-sanctions banning EU agri-food products, recession in Russia), but remains substantial.

Trade facts and figures



- Massive [energy exports](#) tip the trade balance towards a substantial Russian surplus;
- In the first half of 2015, the EU's (goods) exports to Russia fell by 32%, whereas imports from Russia fell by 26%. Worst affected were EU exports of agri-food products (-49%) and vehicles (-45%);
- However, the EU remains by far Russia's largest foreign trade partner (42% of total Russian foreign trade in 2015); Russia is the EU's 4th largest partner (6% of the EU's foreign trade). In 2014 these figures were 48% and 8% respectively;
- The EU exports a diversified mix of mainly manufactured goods to Russia – machinery (23%), cars (11%), electrical and electronic (9%), medicines (8%) and agri-food (7%). Russian exports to the EU are dominated by fossil fuels (68%), followed by metals;

Legal framework for EU-Russia trade relations

A [Partnership and Cooperation Agreement](#) concluded in 1994 remains in force. Negotiations began in 2008 on a new agreement including a possible EU-Russia free trade area but these were [broken off](#) in March 2014.

Barriers to EU-Russia trade

Russian markets have traditionally been highly protected, with high tariffs (sharply increased following the 2008 economic crisis) and other restrictions (e.g. a 2005-2007 [embargo](#) on Polish meat over alleged health concerns). It was hoped that the country's accession to the World Trade Organization (WTO) in 2012 after [19 years](#) of tortuous negotiations would ease barriers to EU trade, with Russia committing to [lower tariffs](#).

However, since then little has changed: Russia has [not followed through](#) on all its tariff reduction commitments, and numerous trade barriers remain ranging from [excessive safety requirements](#) for footwear imports to [heavily subsidised energy supplies](#) to domestic manufacturers. Four of these – including '[recycling fees](#)' for imported vehicles, and a [ban on EU pork products](#) (allegedly due to incidences of African Swine Fever) – are the subject of [complaints](#) lodged by the EU with the WTO. Given Russia's track record of protectionism and the current economic recession, trade barriers are likely to stay firmly in place.

Role of the Eurasian Economic Union (EEU) in EU-Russia trade

Russia, Belarus and Kazakhstan have been members of a [Eurasian Customs Union](#) since 2010, and with Armenia and Kyrgyzstan, of the [Eurasian Economic Union](#) since 2015.

Despite the EEU's stated objective of creating an EU-style single market, its member states do not yet operate as a single trading bloc. For example, the other EEU countries have not followed Russia's unilateral ban on agri-food imports from the EU. For this and other reasons trade barriers remain within the EEU; Russia and Belarus have [partially reinstated](#) customs checks, and are using [food hygiene concerns](#) as a pretext to block imports of each other's products. There is no prospect of the EEU countries replacing the EU as Russia's main trading partner: during the five years of the Customs Union's existence, Russia's trade with these countries has remained marginal, accounting for less than 7% of its total foreign trade.

In 2012, the European Commission [announced](#) that the conditions were not yet in place for an EU-Eurasian Customs Union agreement, and it has not established formal relations with the EEU either.

Impact of recent developments on EU-Russia trade

Sanctions over the Ukraine crisis

Sanctions adopted in July and September 2014 by EU and other western countries have hurt the Russian economy by restricting access to western financial markets, but the impact on trade is limited. On the Russian side, only arms exports are concerned — but these were already at a very low level before sanctions. As for EU exports to Russia, the bans on arms, dual-use equipment (civilian industrial products used by the defence industry) and innovative technology used by Russia's energy sector to explore new reserves of oil and gas are of strategic importance, but again have little immediate impact on trade volumes.

On the other hand, Russian counter-sanctions have banned [numerous EU agri-food products](#) (representing [43%](#) of total EU agri-food exports to Russia and 4.2% of total EU agri-food exports to the world in 2013). As a percentage of total EU exports to Russia (4%) or total EU exports to the world (0.3%) this is relatively small, but the impact on individual sectors and in certain countries (the Baltic countries and Poland are the worst affected) has been severe; there has also been a [knock-on effect](#) on the freight transport sector.

Some banned products continue to find their way into Russia by way of being re-exported from neighbouring countries such as Belarus; an August 2015 [crackdown](#) saw the authorities destroying tons of western imports. Meanwhile, EU agricultural producers have successfully switched to other markets (e.g. [US, China](#)); while agri-food exports to Russia fell by [43%](#) year-on-year in May 2015, EU agri-food exports to the rest of the world grew substantially (4.8%; excluding Russia, 9.7%), reaching a record high.

Russia is [considering](#) options to mitigate the impact on Greece, Hungary and Cyprus, but it is unclear how it could do so without violating WTO [rules](#) which prohibit discrimination between member states.

Other economic factors

Russia's trade with all its partners, not only the EU, has declined by about one-third over the last year (-31% with EEU countries), suggesting that sanctions are less significant than other factors:

- economic recession and a weaker rouble (-34% against the euro over the past year) mean that Russian consumers and businesses can no longer afford imported goods;
- while the volume of Russian oil and gas exports remains [close to historical highs](#), lower fossil fuel prices (crude oil: -40% over the past 12 months) have severely reduced their value;
- meanwhile, with a few exceptions such as metals a weaker rouble has not increased EU demand for non-energy Russian exports – reflecting the poor state of Russian industry and its failure to develop internationally competitive products.

This publication updates an 'At a glance' note of May 2015, [PE 557.023](#).