# At a glance

November 2017

# EU-Russia trade continuing despite sanctions

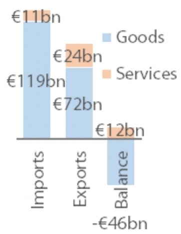
Since 2014, trade between the EU and Russia has slumped due to the difficult context (an economic downturn in Russia, EU sanctions over Ukraine and Russian counter-sanctions, and long-standing trade barriers), but remains substantial. Trade started to recover in early 2017.

## Trade facts and figures

**Top ten EU trading partners in goods with Russia** (€ billion)

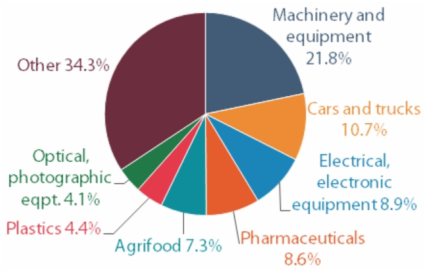

2nd half 2016 – 1st half 2017

**EU imports from/exports to Russia**

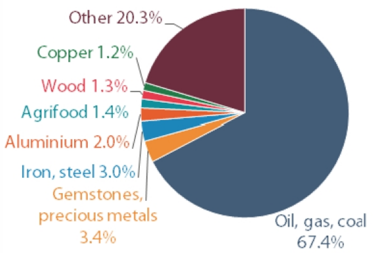



Jan-Dec 2016

**EU exports to Russia, %**



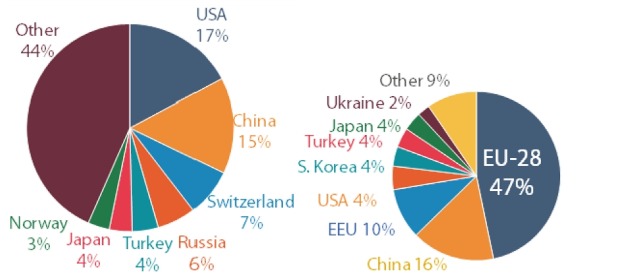

**Russian exports to EU, %**




2nd half 2016 –1st half 2017; Agrifood = [Harmonised System](#) 1-24

**Main foreign trade partners to the EU and to Russia**

**EU total trade: €3 627 billion** **Russian total trade €422 billion**

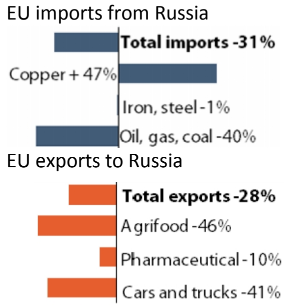



% total foreign trade, 2nd half 2016 – 1st half 2017

Data: [Easy Comext](#), [Eurostat](#), [Eurasian Economic Commission](#)

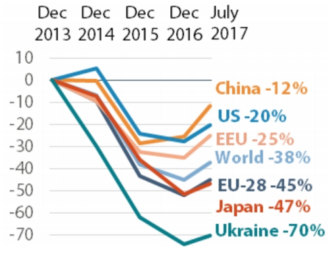
**Change in EU-Russia trade 2014-2017**

EU imports from Russia




% change June 2014 – June 2017

**Change in Russian trade with main partners, 2014-2017**




% change since December 2013

- Massive Russian [energy exports](#) to the EU tip the trade balance towards a substantial Russian surplus;
- In the first half of 2017, EU-Russia trade grew by 26 % year-on-year, ending a prolonged downturn. Nevertheless, EU-Russia trade is still down by 45 % compared to December 2013;
- However, the EU remains by far Russia's largest foreign trade partner (47 % of total Russian foreign trade, as of mid-2017); among the EU's partners, Russia has been overtaken by Switzerland and is now in fourth place (6 % of the EU's foreign trade). In 2014 these figures were 52 % and 8 % respectively;
- The EU exports a diversified mix of mainly manufactured goods to Russia – machinery (22 %), cars (11 %), electrical and electronic equipment (9 %), medicines (9 %) and agrifood (7 %). Russian exports to the EU are dominated by fossil fuels (67 %), 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 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.


EPRS | European Parliamentary Research Service
Author: Martin Russell, **Members' Research Service**


PE 608.817

However, since then not much has changed: the European Commission has identified no fewer than 28 barriers to trade with Russia, more than with any other partner (China: 24; United States: 17). These include excessive import duties on certain products and preferential loans for the purchase of Russian-made cars. The EU has brought four complaints against Russia to the WTO; one is still ongoing, two have been settled in the EU's favour and in a fourth, Russia is appealing against the WTO ruling. For its part, Russia has also brought four complaints against the EU, all of which are still ongoing; one of these concerns the application of the EU's third energy package to Russian energy exports.

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

Since 2015, Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan have been members of the Eurasian Economic Union. 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 agrifood 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. Just 10 % of Russia's foreign trade is with EEU countries, which are therefore unlikely to replace the EU as Russia's top-trading partner.

EU statements have ruled out formal relations with the EEU until the Ukraine conflict is resolved. However, there are occasional meetings between EU and EEU officials on phytosanitary and other technical issues.

## Impact of recent developments on EU-Russia trade

*Sanctions over the Ukraine crisis: marginal impact, except in the EU's agrifood sector*

In July and September 2014, the EU and other Western countries adopted sectoral sanctions against Russia, banning three categories of exports: arms, dual-use equipment (civil industrial products used by the defence industry) and innovative technology used by the Russian oil industry to develop hard-to-access new oil reserves. In the long term, the latter restriction could affect Russia's capacity to maintain production as existing oil fields run out; however, the immediate impact on trade volumes is limited as all three categories only represent a small percentage of Russian exports. Sanctions also ban all trade with Russian-annexed Crimea; however, this too has a marginal impact, given that Crimea contributes only 0.4 % of Russia's GDP.

The main short-term impact on trade comes from Russian counter-sanctions adopted in August 2014, which banned numerous EU agrifood products (representing 43 % of total EU agrifood exports to Russia and 4.2 % of total EU agrifood exports to the world in 2013). In spite of this, most EU food producers have adapted successfully; between July 2014 and June 2017, EU agrifood exports to non-EU countries grew by 13 %, with increased exports to other markets (e.g. USA, China) more than compensating for a 46 % drop in exports to Russia. However, despite the overall positive picture, some countries have been particularly hard-hit; Finland, Latvia and Estonia have lost 37 %, 33 % and 26 % of their third-country agrifood exports respectively.

Although not directly banned by trade sanctions, other export categories may have been indirectly affected, due to risks of inadvertent sanctions violations (for example Siemens gas turbines ending up in Crimea) and reduced access to trade financing from Russian banks, targeted by separate EU financial sanctions.

*Other economic factors*

Russia's trade with all its partners, not only the EU, has declined by an average 38 % since 2014, suggesting that sanctions are less significant than other factors:

- between mid-2014 and the end of 2016, the Russian economy shrank and the rouble lost half of its value, making it difficult for Russian consumers and businesses to afford imported goods. Trade began recovering in 2017, thanks to a resumption of economic growth (forecast at around 2 % this year);
- Russian importers are increasingly switching to cheaper Chinese products (for example, in the machinery sector). China's trade with Russia has therefore declined much less than the EU's (-12 %);
- crude oil prices plummeted from over US$100 per barrel in early 2014 to US$30 in January 2016, only staging a modest recovery to around US$50 in 2017; as a result, while the volumes of oil and gas (Russia's main export to the EU) have remained roughly constant, their value has fallen by nearly 40 %;
- Russian exports of metals, such as copper and nickel, increased by 47 % and 10 % respectively from 2014 to 2017, but manufactured goods failed to benefit from the weaker rouble – reflecting the poor state of Russian industry and its failure to develop internationally competitive products.

*This publication updates an 'At a glance' note of January 2016, PE 573.931.*