

Eurasian Economic Union

The rocky road to integration

SUMMARY

Since the 1991 breakup of the Soviet Union, various attempts have been made to re-integrate the economies of its former republics. However, little progress was made until Russia, Belarus and Kazakhstan launched a Customs Union in 2010. In 2015, this was upgraded to a Eurasian Economic Union (EEU). Modelled in part on the EU, this bloc aims to create an EU-style Eurasian internal market, with free movement of goods, services, persons and capital.

So far, the EEU's performance has been poor. Trade has slumped; this has more to do with Russia's economic downturn than the effects of economic integration, but there are signs that the new bloc is favouring protectionism over openness to global trade, which in the long term could harm competitiveness.

Especially following the showdown between the EU and Russia over Ukraine, the EEU is widely seen in the West as a geopolitical instrument to consolidate Russia's post-Soviet sphere of influence. Fear of Russian domination and trade disputes between EEU member states are hindering progress towards the EEU's economic objectives. However, prospects may improve when Russia comes out of recession.

The EEU is developing relations with third countries, such as Vietnam, which in 2015 became the first to sign a free-trade agreement with the bloc. For its part, the EU has declined to recognise the EEU as a legitimate partner until Russia meets its commitments under the Minsk agreements to help end the conflict in eastern Ukraine.



In this briefing:

- Key dates in Eurasian integration
- EEU institutions and policies
- Economic performance of the EEU
- An economic or a geopolitical project?
- Why is the EEU not working?
- EEU relations with third countries

Key dates in Eurasian integration

Russia-led economic integration: participating countries

Commonwealth of Independent States (CIS, 1991)/CIS Economic Union (1993)



Customs Union (1995)



Eurasian Economic Community (2000)



Single Economic Space (2003)



CIS Free-Trade Area (2011)



Customs Union (treaty signed 2007, launched in 2010)/Common Economic Space (2012)

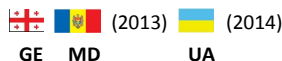


Eurasian Economic Union (treaty signed 2014, launched on 1 January 2015)



EU-led economic integration: participating countries

Association agreement (signature dates)



Earlier attempts at Eurasian integration

1991: simultaneously with the breakup of the Soviet Union, the Commonwealth of Independent States (CIS) was founded by eleven ex-Soviet republics.

1993-2006: the CIS countries signed an Economic Union Treaty, but it was not implemented. After this failure to achieve CIS-wide economic integration, a [series of cooperation initiatives](#) between smaller groups of countries followed, including: a Customs Union (1995); a Eurasian Economic Community (2000); and a Single Economic Space (2003). These initiatives only achieved partial liberalisation of trade, and stopped far short of a customs union or common market. The 2003 Single Economic Space was [abandoned](#) in 2006 due to the differing ambitions of, on the one hand, Russia, Belarus and Kazakhstan – the three countries most committed to closer integration – and on the other, Ukraine, which was already pursuing closer ties with the EU.

The road to the Eurasian Economic Union

1994: at a speech made in Moscow, Kazakh President, Nursultan Nazarbayev, became the first to refer to a [Eurasian 'union'](#).

2006-2012: in 2006, Russia, Belarus and Kazakhstan decided to make another attempt at developing a Eurasian Customs Union, which was finally launched in June 2010. In 2009 the same three countries agreed to develop a single market ('Single Economic Space'), launched in January 2012.

October 2011: Eurasian integration moved up a gear, with a [call](#) by then Russian Prime Minister, Vladimir Putin, campaigning for a return to the presidency, for an ambitious Eurasian Union based on the 2010 Customs Union and the forthcoming 2012 Common Economic Space. In the same month, eight countries signed a CIS free-trade agreement (in force since then, though Russia suspended it for trade with Ukraine in January 2016).

2013: in September, Armenia decided to join the Eurasian Customs Union instead of signing an association agreement with the EU. In November, Ukraine pulled out of its own association agreement with the EU (without committing itself to the Eurasian Customs Union); after this decision sparked the overthrow of President Viktor Yanukovich, the country eventually signed an agreement with the EU in June 2014.

2015: the Eurasian Economic Union, based on the 2010 Customs Union and the 2012 Common Economic Space, was launched in January by Russia, Belarus, Kazakhstan and Armenia. Kyrgyzstan joined in August.

Figure 1 – Eurasian Economic Union member states



Source: EPRS, 2017.

Institutions and policies of the Eurasian Economic Union

Whereas previous Eurasian economic integration efforts, such as the 1995 Customs Union, failed due to a lack of implementation mechanisms, the Eurasian Economic Union is a much better-prepared project, modelled in part on the European Union.

Institutions of the Eurasian Economic Union

Eurasian Economic Commission (EEC)

Based in Moscow, the EEC resembles the European Commission in that it is the supranational executive of the Union, which develops and implements EEU policies and legislation. It is headed by a **Board** with [10 members](#), two from each member state. Like European commissioners, the Board members serve the EEC full-time and do not take instructions from the member states. They are appointed for a renewable term of four years by EEU heads of state. Since 2016, the Board has been chaired by Armenia's former Prime Minister, Tigran Sargsyan; with member states taking turns to hold the chair in alphabetical order, he is set to be replaced in 2020 by a Belarussian. The Board adopts decisions, dispositions and recommendations by a two-thirds majority of its members, except for sensitive issues requiring unanimity.

The **Council of the Commission** resembles the Council of the EU, in that it is an intergovernmental body which can overturn or amend Board decisions. However, there are differences: in the EEU, the Council is part of the Commission, and not a separate

institution as the Council of the EU; member-state governments are represented by deputy prime ministers, rather than by ministers; decisions are always taken by consensus, with no provision for majority voting.

Eurasian Intergovernmental Council / Supreme Eurasian Economic Council

Commission decisions can be referred by the Council of the Commission or a member state to the Intergovernmental Council, comprising the prime ministers of the member states, and ultimately to the Supreme Council, comprising heads of states. The Supreme Council resembles the EU's European Council in that it decides the overall direction of the integration process at summits, held at least once a year, and selects the Commission Board members.

Court of the Eurasian Economic Union

Like the European Court of Justice, the Court ensures that the EEU Treaty and legislation are properly applied. It is based in Minsk.

Parliament

In 2013, Vladimir Putin [expressed](#) support for a Eurasian parliament analogous to the European Parliament, but for the time being such a body is [off the agenda](#).

Eurasian Development Bank

Founded in 2006, the [Eurasian Development Bank](#) finances development projects (for example, in energy and transport) in the five EEU countries and Tajikistan. However, it is not an EEU institution.

Main policies of the Eurasian Economic Union

Customs union: the EEU has a common customs tariff for imports from third countries. Goods can, in principle, circulate freely within the EEU without customs barriers.

Internal market: like the EU, the EEU envisages free movement of goods, services, persons and capital. Removing customs barriers is not enough to achieve free movement of goods; the EEU therefore also aims to harmonise or align standards in a wide variety of fields. For example, in February 2016 it took a first step towards a [common medicines market](#). Progress is also continuing towards a single services market as cross-border trade in sectors such as construction and tourism is [gradually liberalised](#). However, many [obstacles](#) remain, such as companies' unequal access to public procurement across the member states; in March 2016, the Eurasian Economic Commission published a list of 60 problem areas.

EEU nationals can travel freely within the EEU on an internal passport (similar to an ID card). They can also work anywhere within the EEU without a work permit. Given that there is no common visa policy (for example, EU citizens need a visa to enter Russia, but not for the other EEU countries), internal border controls are unlikely to be abolished.

Macroeconomic coordination: EEU member states have agreed to coordinate economic policy, for example by keeping budget deficits below 3 % of GDP and public debt below 50 % of GDP. In 2015, Vladimir Putin [advocated](#) moving towards a common currency, but this idea has been met with [scepticism](#) in Belarus and Kazakhstan.

Competition: like the European Commission, the Eurasian Economic Commission is the competition regulator of the EEU's internal market, authorised to fine companies for anti-competitive behaviour affecting two or more member states. In 2016, the Commission pointed to the [unfair advantage](#) enjoyed by Russian airline Aeroflot over Kazakh competitors, due to the subsidies it receives from Siberian overflight fees

charged to foreign airlines. This contentious issue has also been brought up by the [European Union](#) on many occasions. However, no action has yet been taken to remedy the situation.

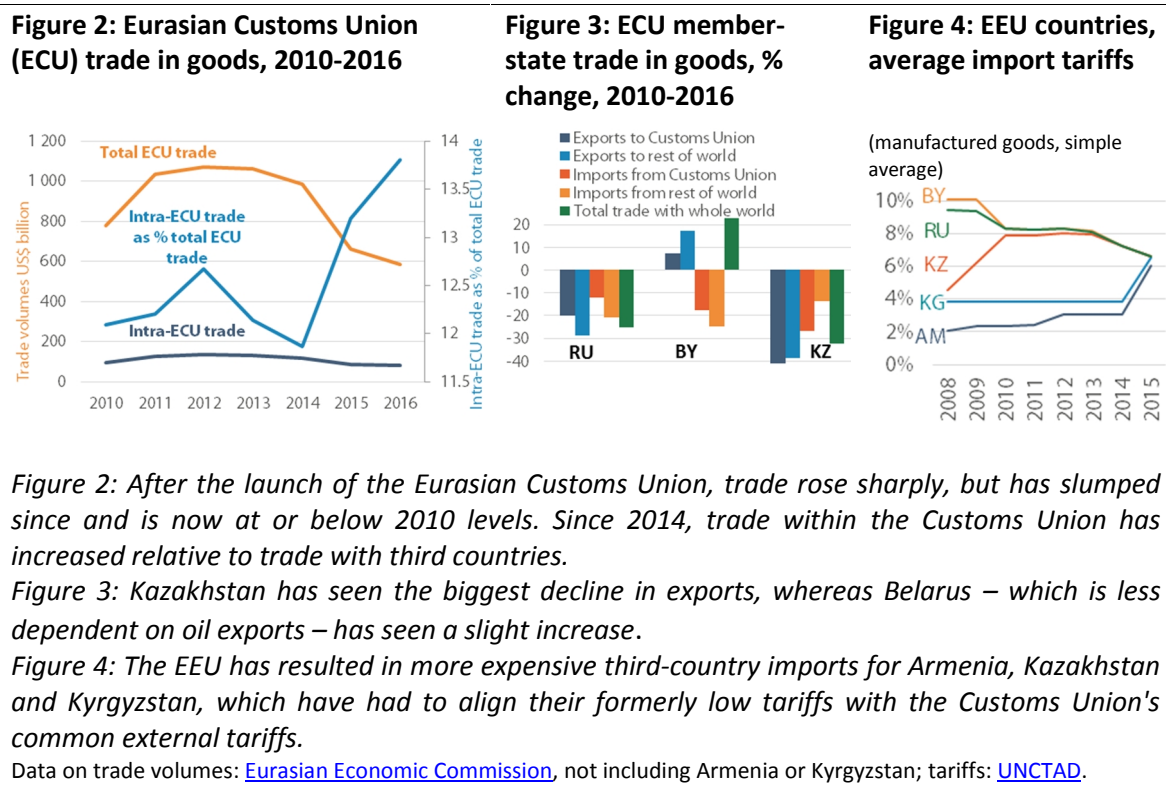
Energy: the EEU aims to create a [single market](#) for electricity by 2019, and for gas and oil by 2025. Among other things, it plans to harmonise standards, move towards competitive pricing and give EEU operators non-discriminatory access to networks in other EEU countries. As the EU's own experience shows, implementing these measures will be difficult, not least in view of entrenched monopolies such as Gazprom, and the differing interests of supplier countries, such as Russia, and importers, such as Belarus.

Agriculture: EEU member states have agreed to coordinate issues, such as agricultural subsidies and market-support measures, but in contrast to the EU these will remain national competences, and there are no plans for a common EEU agricultural policy.

Regional development: The EEU has no equivalent to the EU's structural funds.

The economic performance of the Eurasian Economic Union

Since 2010, EEU trade has slumped, due to economic recession in Eurasian countries



For Russia, Belarus and Kazakhstan, the three founder members of the Customs Union, trade developments since 2010 have been mostly negative. In 2011-2012, the Customs Union benefited from a surge in global trade following the 2008-2009 financial and economic crisis, but these gains have been reversed since 2014, as lower oil prices and Western economic sanctions have triggered an economic slowdown in Russia and neighbouring countries (Figure 2).

While the EEU cannot be blamed for the current economic downturn, it has added to the pain for the three member states (Armenia, Kazakhstan and Kyrgyzstan) which have had to raise their formerly low tariffs to bring them into line with the EEU's higher ones, thus making imports from non-EEU countries [more expensive](#) (Figure 4). Higher tariffs

have ended Kyrgyzstan's role in re-exporting Chinese and Turkish goods to neighbouring countries, which used to generate as much as [77 %](#) of its GDP. Meanwhile, in 2015, neighbouring Kazakhstan's markets were [flooded](#) by cheap Russian imports benefiting from the absence of internal trade barriers and a cheaper rouble.

Overall, the biggest loser has been Kazakhstan, which has seen its exports both to Customs Union countries and the rest of the world plunge by about 40 % since 2010 (mostly due to the collapse in oil prices). Russia has seen a smaller decline, while Belarus (which exports much less oil than Kazakhstan or Russia, and is therefore not so affected by the decline in oil prices) has managed to increase its exports (Figure 3).

The share of intra-EEU trade in total EEU trade has risen

Since 2010, trade within the Customs Union/Eurasian Economic Union has declined less than trade with the rest of the world. As a result, internal trade has risen from a 12 % share of total member-state trade to 14 % (Figure 2) – perhaps partly due to the removal of barriers on the EEU's internal market.

However, this shift did not begin until 2014, suggesting that here too, the collapse in oil prices which began that year, and the associated Russian slowdown, have had a bigger impact than tariff changes. Lower oil prices mean that Russian and Kazakh fossil fuel exports are worth much less in dollar terms; at the same time, the dramatic devaluation of national currencies, which in Russia, Belarus and Kazakhstan lost around half their value against the US dollar between January 2014 and December 2016, has made imports from outside the EEU less affordable.

In the long term, competitiveness may suffer from closer integration with Russia

In October 2011, Vladimir Putin [envisaged](#) the EEU as a means of making member states more economically competitive and integrated into the global economy. However, there are no signs of this happening yet – as mentioned above, EEU membership has brought Kazakhstan, Armenia and Kyrgyzstan higher tariffs for their non-EEU imports.

Higher tariffs are not the only way in which EEU membership could affect openness to global trade. Despite joining the World Trade Organization (WTO) in 2012, Russia continues putting up trade barriers, often in violation of its WTO commitments. These include repeated bans on food imports, due to alleged [hygiene concerns](#), or as [economic sanctions](#) directed against EU countries and their allies, as well as [Turkey](#) (despite improved relations between the two countries). On top of this, '[recycling fees](#)' and 'anti-dumping duties' are used to hinder vehicle imports. The domestic IT-sector industry is being propped up by [restrictions](#) on Russian-government contracts purchasing foreign software. The Kremlin pursues an import-substitution policy, with [plans](#) to replace foreign imports by domestic products in no fewer than 22 sectors.

As well as closing off its economy to external competition, Russia has stifled domestic competition in many sectors, with an estimated [60-70 %](#) of the economy in state hands. Given that economic reforms to make the Russian economy more open and competitive are [unlikely](#) in the foreseeable future, closer integration with Russia could force EEU member states to turn away from global competition, instead becoming increasingly dependent on Russian trade and subsidies, as is already the case for [Belarus](#).

The EEU is facilitating labour migration from EEU member states to Russia

Labour migration is one of the few areas in which the EEU has brought tangible benefits to its member states. Facing [demographic decline](#), Russia has long been reliant on labour migration from neighbouring countries (Figure 5). Since 2015, EEU nationals no

longer need work permits; they also enjoy automatic recognition of certain professional qualifications and access to basic healthcare. As a result, in 2015 the number of migrants arriving in Russia from Kyrgyzstan and Kazakhstan [increased](#) by 6 % and 12 % respectively. This is particularly vital for Kyrgyzstan: while Kyrgyz migrant workers sent 33 % less money home in 2015 compared to 2014, those remittances still represented over one fifth of the country's economy.

An economic or a geopolitical project?

Unlike the EU's founding treaties, the [EEU Treaty](#) does not call for 'ever closer union', nor does it invoke shared values. EEU policies, such as on Customs Union and technical standards, are limited to those areas strictly necessary for economic integration. Political integration is not a goal; for example, Kazakh President Nursultan Nazarbayev has declared that his country will [leave](#) if its independence is compromised; [reportedly](#), he has also insisted that the EEU be named an economic union.

However, member states' decisions to join the EEU have been at least as much influenced by a mixture of coercion and bribes from Moscow as by the purported economic benefits of integration. For Kyrgyzstan, a US\$1 billion Russian-Kyrgyz [development fund](#) and the writing off of US\$300 million of debt were part of the accession deal, while Armenia was given a [30 % discount](#) on Russian gas; in view of Armenia's hostile relations with neighbours Azerbaijan and Turkey, continuing Russian military and political support for Yerevan was probably also a deciding factor. Belarus relies on cheap Russian [oil and gas](#), as well as bailouts, such as the 2016 [US\\$2 billion loan](#) from the Eurasian Development Bank, to prop up its economy. Conversely, Ukraine, Georgia and Moldova, which chose integration with the EU rather than the EEU, face [punitive measures](#): aggressive destabilisation of Ukraine, which rejected EEU membership despite a Russian offer in December 2013 to buy [US\\$15 billion](#) of Ukrainian government bonds; embargoes on Georgian and Moldovan goods.

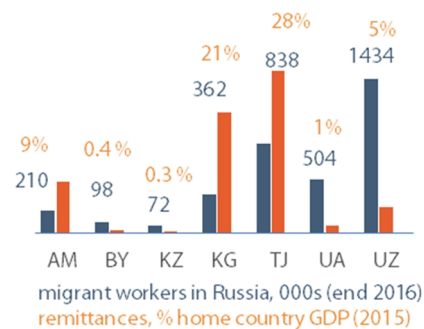
Russia's use of such carrot and stick tactics suggests that, as former US Secretary of State, Hillary Clinton, has [suggested](#), the EEU is above all a [geopolitical project](#), designed to keep the former Soviet republics in Moscow's orbit and exclude Western influences. The EEU's geopolitical significance is confirmed by Putin's 2011 [statement](#), which while denying any intention to reconstitute the Soviet Union, sets out a vision of the EEU as 'a pole in the modern world'. That vision ties in with his foreign-policy ambition of replacing what he sees as the unipolar US-dominated global order with a [multipolar](#) one, allowing Russia to take its rightful place as an equal partner with the West.

Why is the Eurasian Economic Union not working?

Russian dominance of the EEU is an obstacle to closer integration

The EEU Treaty includes several provisions to ensure equality between member states. For example, in the Eurasian Economic Commission Board, each member state has one

Figure 5: Labour migration to Russia

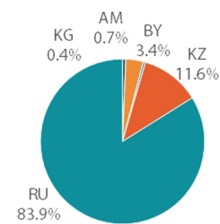


Uzbekistan, Tajikistan and Kyrgyzstan are the main countries of origin for labour migration to Russia. The latter two countries are particularly dependent on remittances sent home by their nationals working in Russia.

Data on migrant workers: [Russian Interior Ministry](#); remittances: [Russian Central Bank](#).

vote each regardless of size, and EEU institutions are chaired by each member state in turn based on alphabetical order. Member states which are outvoted in the Commission can always refer decisions to the Intergovernmental or Supreme Council, where unanimity is required. Nevertheless, the organisation is inevitably dominated by Russia, which accounts for over 80 % of its economic output, trade, territory and population (Figure 6); this has enabled it to [stifle](#) objections by its smaller partners (for example, Kazakhstan's objection to [admitting Armenia](#) into the EEU).

Figure 6: EEU countries, % share of total GDP



Over 80 % of the EEU's economic output comes from Russia.

2015 GDP data, [World Bank](#)

Russia's dominance, together with concerns about its use of the EEU for geopolitical ends, has made other bloc members more [reluctant](#) to integrate. There are fears that pooling of sovereignty could in practice mean handing over control of trade and borders to Russia. Such sentiments became especially prominent after Russia's annexation of Crimea, sharply [criticised](#) by Belarussian President Alexander Lukashenko. Fears of Russia were also raised by Putin's [dismissive remarks](#) about Kazakh statehood in August 2014, similar [comments](#) about Belarus by a senior Russian diplomat in December 2016, and more recently by plans to send thousands of Russian troops to Belarus as part of a [joint military exercise](#) planned for September 2017.

In response to these fears, Belarus has asserted its independence, [turning down](#) a Russian request for an airbase on Belarussian territory in October 2015, [scrapping visas](#) for EU nationals in January 2017, and taking Russia to court in a [dispute](#) over oil and gas supplies in February 2017. In line with this approach, President Lukashenko [boycotted](#) the EEU's December 2016 summit and [delayed](#) signing the EEU's customs code by four months; he has also [called](#) for senior Belarussian customs officials working in the Eurasian Economic Commission to step down.

The EEU is also weakened by Russia's unilateral actions

Russia's aggression against Ukraine not only worries its allies, it also creates practical problems for the EEU. Moscow's unilateral ban on numerous EU agrifood products, extended in January 2016 to Ukraine, was not the subject of consultation with its EEU partners, nor has it been followed by them. For example, Belarus is continuing to import EU agricultural goods, which, in the absence of internal customs checks, can be re-exported to Russia despite being banned there. To stop this happening, unofficial customs checks were [introduced](#) on the Russia-Belarus border in December 2014, and since August 2015 Russia has made a point of [destroying](#) food imports from Belarus which it suspects of originating in the EU. Despite these measures, [trade statistics](#) suggest that products, such as Polish apples, are continuing to reach Russia via Belarus.

The EEU's internal market ravaged by tensions between member states

Russia's [suspicions](#) that Belarus is profiting from the re-export of banned EU products has certainly not helped to resolve [recurrent trade wars](#) between the two countries. Such disputes (for example, the 2005 'sugar war' and the 'milk wars' in 2009 and 2010) pre-date the EEU, and are now continuing with renewed intensity: for example, in November 2016 Russia [banned](#) most meat imports from Belarus on the grounds that they did not meet EEU standards, while in February it announced [stricter controls](#) on Belarussian dairy products. For its part, in October 2016 Belarus [banned](#) milk and dairy

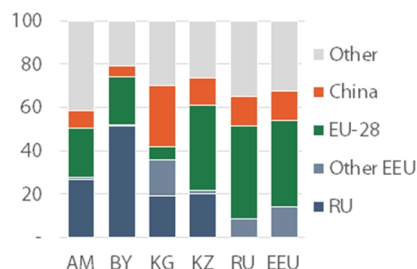
products from Russia's Vladimir region due to foot-and-mouth disease, followed in March 2017 by [poultry](#) from the Moscow region due to bird flu.

Trade disputes between Russia and Kazakhstan have been less frequent; however, in March 2015, after Kazakh markets were flooded by cheap Russian exports benefiting from the rouble's devaluation, Kazakhstan temporarily [blocked](#) Russian oil products, as well as meat, dairy and chocolate imports; Russia responded with similar measures. These tensions subsided after the Kazakhstani tenge lost nearly half of its value in the second half of the year, making Russian imports more expensive again.

There are also problems with the Customs Union's two new member states. [Kyrgyzstan](#) has trouble getting its products past veterinary and other controls on the country's border with Kazakhstan. Meanwhile, trade with Armenia is complicated by its [refusal](#) to introduce customs checks on its border with the disputed territory of Nagorno-Karabakh, which is under Yerevan's *de facto* control, but legally part of Azerbaijan and therefore outside the Customs Union. Apart from the practical difficulties created due to this loophole in the EEU's external borders, this issue has also complicated relations with Kazakhstan, which has tended to side with Azerbaijan. These tensions were reflected in Kazakhstan's [opposition](#) in 2014 to Armenia's EEU accession, Armenia's boycott of the March 2015 EEU summit held in Astana, and one year later, Kazakhstan's [refusal](#) to attend a planned summit in Yerevan, forcing it to be relocated to Moscow. In April 2017, former US National Security Advisor Zbigniew Brzezinski [predicted](#) that such tensions will tear the EEU apart over the next few years.

Limited trade potential between EEU member states

Figure 7: EEU countries, main trading partners (% total trade in goods, 2016)



Except for Belarus, EEU member states trade mostly with countries outside the bloc – above all, the EU-28 and China.

Data: [Eurasian Economic Commission](#).

As mentioned above, the share of internal trade in the EEU's total trade has increased, but at 14 % (Figure 7), it is still far below the [63 %](#) of trade conducted among EU Member States. The potential for increased mutual trade is limited for a number of reasons: demand for Russian and Kazakh oil and gas exports is much greater in EU countries and China than in EEU countries; the kind of hi-tech goods, such as cars, computers and medicines, which make up a large part of Russia's imports from the West, cannot easily be produced in the EEU; Armenia has no land borders with other EEU countries, and Kyrgyzstan only has a land border with Kazakhstan.

Some grounds for optimism about the EEU's future

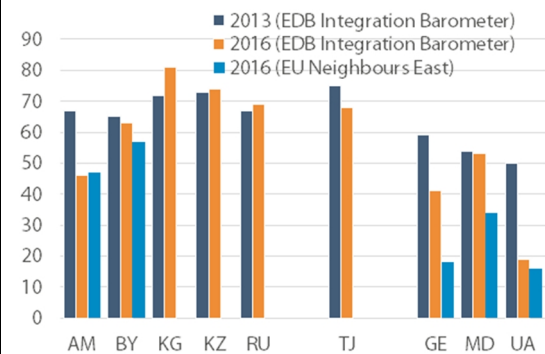
Despite the EEU's many problems, the logic for economic integration remains strong. Member states have historical ties, integrated transport and energy infrastructure, and [common technical standards](#). Russia is a major trade and investment partner for the other EEU member states, as well as the primary destination for labour migration.

According to the Eurasian Development Bank's annual [Integration Barometer](#), public opinion remains supportive of the EEU in all five member states and in Tajikistan, seen as the next in line to join. In 2016, an EU-funded [EU Neighbours East](#) survey carried out in Eastern Partnership countries showed lower, but still strong support in Armenia and Belarus (Figure 8).

Russia's recession is [expected](#) to end in 2017, even if growth may be slow. Recovery in the EEU's largest economy should improve prospects for the other member states, and there are already [signs](#) of EEU trade picking up; such developments may help smooth the path towards closer economic integration.

As mentioned above, in 2016 the Eurasian Economic Commission raised the issue of Russian airline Aeroflot's unfair advantage over Kazakh competitors. In February 2017, the Commission was [criticised](#) by Sergei Dankvert, head of Russian agricultural regulator Rosselkhoznadzor, for siding with Belarus in its trade disputes with Russia over agrifood products. Such developments may be a positive sign, suggesting that the Commission is beginning to assert itself as an impartial supranational institution capable of challenging Moscow's interests despite Russian domination of the EEU.

Figure 8: % of population in favour of EEU membership for their country



Public support for the EEU remains strong in current and potential member states

Data: [Eurasian Development Bank](#), [EU Neighbours East survey](#).

The Eurasian Economic Union's relations with third countries

EEU enlargement prospects

Tajikistan is seen as the EEU's next new member. A military ally of Moscow, Tajikistan derives a quarter of its GDP from remittances sent from Russia by Tajik migrants, and therefore has much to gain from unrestricted access to the Russian labour market. There is also strong public support in the country for EEU membership. In an apparent effort to push Dushanbe towards the bloc, in 2015 Russia [tightened conditions](#) for non-EEU labour migrants, introducing a test and higher fees for work permits; as a result, in 2016 the number of new Tajik arrivals fell by [16 %](#). However, despite this measure and a February 2017 [visit](#) by Vladimir Putin, Tajikistan has not yet publicly committed to joining.

Uzbekistan could, as another key source of labour migration to Russia, also benefit from EEU membership. However, having withdrawn from the Russia-led Collective Security Treaty Organization (CSTO) military alliance in 2012, it has traditionally kept its distance from Russia; even if bilateral relations have [improved](#) under new President Shavkat Mirziyoyev, Tashkent seems unlikely to re-enter the Russian sphere of influence soon.

Abkhazia, one of two Russian-controlled breakaway territories in Georgia, has mentioned EEU membership as a [possibility](#). Nevertheless, this seems unlikely, given that it would upset EEU partners who are worried about Russia's support for ethnic Russian separatists, and complicate the bloc's external relations.

Georgia, Moldova and Ukraine: of the three countries which have signed association agreements with the EU, opposition to the EEU is strongest in Georgia and, unsurprisingly, Ukraine. Moldova, on the other hand, is divided. In 2016, the above-mentioned Integration Barometer showed 53 % of Moldovans supporting the EEU; these figures tie in with an October 2016 national [poll](#), according to which a larger number (43 %) favoured the EEU over the EU (39 %). EEU membership would benefit

the economy by ending the damaging Russian [embargo](#) on Moldovan goods and facilitating labour migration (at present, [250 000](#) Moldovans live in Russia illegally).

In March 2017, Moldovan President Igor Dodon announced he had decided to apply for [EEU observer status](#); his application was [approved](#) just weeks later at the April 2017 EEU summit, which Dodon attended in person. However, it is not clear whether he intends to tear up Moldova's association agreement with the EU and seek full EEU membership. At present, such developments are opposed by the pro-EU governing coalition, but this will change if Dodon's Socialist Party wins the November 2018 parliamentary elections, as recent [polls](#) suggest it might do.

Azerbaijan and Turkmenistan: neither country has close relations with Russia, nor have they expressed interest in the EEU.

Mongolia: EEU membership is not limited to ex-Soviet countries. In November 2016 Mongolia [expressed](#) an interest in the EEU, but it is not clear if it would like to join.

Trade agreements with third countries

Vietnam: the Eurasian Economic Commission may negotiate trade agreements with third countries, provided it has a mandate for this from the Supreme Council. In October 2016, just three years after the start of negotiations between the Customs Union and Vietnam, the EEU's first external free-trade agreement [came into force](#) (for comparison, the EU's more ambitious FTA with Vietnam, talks on which started in 2012, is yet to be signed). Vietnam currently accounts for 0.7 % of the EEU's external trade; with the trade balance already heavily in favour of Vietnamese exports, the deal will mainly benefit Hanoi, but Russia also hopes to be able to export [raw materials and cars](#).

China: in July 2015, Vladimir Putin and Chinese President Xi Jinping [discussed](#) how the EEU could be combined with China's Silk Road Economic Belt regional integration initiative, but it is not yet clear how this could happen. Any free-trade agreement, such as that [suggested](#) by China in November 2016, could be problematic, given the potential for cheap Chinese goods to flood Eurasian markets.

Other [priority countries](#) for EEU trade agreements include **Iran, India, Israel** and **Singapore**; around 30 more countries are reportedly interested in concluding agreements with the bloc.

Relations between the European Union and the Eurasian Economic Union

The EU is generally supportive of regional integration initiatives; for example, between 2013 and 2016 it provided [€15 million](#) to the Association of Southeast Asian Nations (ASEAN) for building its single market and production base. In line with this approach, in a [speech](#) delivered during a March 2013 visit to Moscow, then European Commission President, José Manuel Barroso, offered to share the EU's expertise.

However, even before EU-Russia relations took a sharp turn for the worse in late 2013, the EU was already concerned about potential negative implications of the EEU. In the above-mentioned speech, President Barroso insisted that EU-EEU cooperation was conditional on the new trading bloc being based on 'open regionalism instead of regional protectionism'. For its part, the Eastern Europe and Central Asia (COEST) working party of the Council of the EU concluded in March 2013 that the EU could not negotiate directly with the EEU's predecessor, the Customs Union, due to the fact that Belarus and Kazakhstan were not WTO members, and not therefore bound by its dispute-settlement rules (since then, Kazakhstan has joined, but for Belarus, WTO membership is still only a [distant prospect](#)).

A further practical obstacle to EU-EEU dialogue is that most of the important decisions affecting EU-EEU trade (such as the Russian ban on EU agrifood products, or [restrictions](#) on EU trucks transiting Russia to other EEU countries) are still taken at member-state level; it therefore makes more sense for the EU to deal bilaterally with national authorities than with the Eurasian Economic Commission. According to unpublished information from the European External Action Service, EU-EEU contacts are limited to technical meetings (such as a recent consultation meeting organised by the Eurasian Economic Commission on phytosanitary standards), attended by EU officials at no higher than head of unit level. Formal relations have not yet been established.

Despite these difficulties, EU institutions – the European Parliament in a September 2014 [resolution](#), the European External Action Service in an unpublished [document](#) from January 2015, and European Commission President, Jean-Claude Juncker in a November 2015 [letter](#) to Vladimir Putin – have suggested that closer relations with the EEU could be considered. However, according to Juncker, any decision by EU Member States to engage with the EEU should 'be synchronised with the implementing of the Minsk agreements', a position since [reiterated](#) by the EU High Representative, Federica Mogherini. With [deadlock](#) continuing in eastern Ukraine, and Russia failing to meet its Minsk commitments, progress towards closer EU-EEU relations is unlikely in the foreseeable future.

Responding to Juncker's letter, Kremlin Spokesman, Dmitry Peskov, argued that it made no sense to tie EU-EEU cooperation to the Minsk agreements, implementation of which was being held up by Ukraine. Despite this, a common 'economic and humanitarian space', stretching from Lisbon to Vladivostok and based on alignment of EU and EEU integration processes, is identified as a strategic priority for Russia in the country's November 2016 [foreign policy concept](#). A 2016 Eurasian Development Bank [study](#) suggests that an EU-EEU cooperation agreement could be concluded by the mid-2020s.

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