

## Chapter 2

# Preferential Trade Agreements of the Eurasian Economic Union: Economic Feasibility and Political Significance

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### **ABSTRACT**

*One of the trends in the development of modern trade relations is the increase in the number of concluded preferential trade agreements (PTA), which are considered to be a tool for reducing tariffs and, as a consequence, reducing the costs of entering the domestic market of the partner country. Although the Eurasian Economic Union (EAEU) has made only the first steps on the way towards its development. The EAEU has already managed to create a free trade zone with Vietnam, some agreements have been signed with Iran and China. Each of these agreements has its own specifics. The purpose of this chapter is to identify the economic feasibility and political significance of these preferential trade agreements for the countries of the EAEU and their external partners, as well as to determine the potential expansion of the network of preferential trade agreements of the EAEU.*

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## **INTRODUCTION**

The Eurasian Economic Union (EAEU), whose members are Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia, is an international regional organization that develops economic integration through the free movement of goods, services and people within this Union and has a status of international subject. Having completed of the institutional formation of the EAEU and having reached a certain level of integration between its member-states, the EAEU faced the question of integration into the global trading system. In the context of the crisis of the WTO system, many countries and groups of countries seek to gain the most comfortable conditions for themselves in foreign markets, primarily through the conclusion of various preferential and non-preferential agreements. The EAEU is no exception and today actively develops cooperation with the third countries that is conceptually fits into the Russian initiative of the “Greater Eurasian partnership”, which is a current foreign economic strategy of the EAEU.

The purpose of this chapter is to identify the economic feasibility and political significance of the conclusion of the preferential trade agreements of the EAEU for the EAEU member-states and external partners of the EAEU under the preferential agreements.

The analysis is based mainly on analytical materials of Eurasian Economic Commission, Eurasian Economic Union, Eurasian Development Bank and Russian International Affairs Council, etc.

This chapter consists of three parts. The first part is devoted to analyzing of the mechanisms and priorities of international activity of the EAEU. The second part evaluates the current integration agenda of the ‘external contour’ of the EAEU. Here the author estimates the strong and weak sides of the existing agreements of the EAEU with the third countries (Vietnam, Iran and China). In the third part, the author focuses on the prospects of expanding the network of preferential trade agreements of the EAEU.

## **BACKGROUND**

The general dynamics of the EAEU foreign trade in recent years is positive: according to the Chairman of the EAEC Board T. Sargsyan, “the foreign trade turnover of the EAEU member-states with the third countries in 2017 amounted to \$ 633.8 billion, or 124.4% compared to the level of 2016. At the same time, the volume of exports from the EEU to the third countries increased by 25.4% compared to 2016, amounting to \$ 386.6 billion in 2017. The volume of imports to the EAEU from the third countries increased by 22.9% in 2017 compared to 2016, reaching \$ 247.2 billion.” (Interview

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