

# The Impact of the Russo-Ukraine War on the EAEU's Political and Economic Integration<sup>+</sup>

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Key Words: Russo-Ukrainian war, EAEU, Regional Integration, Ukraine, Russia

## [ABSTRACT]

This study examines the far-reaching impact of the Russian invasion of Ukraine in 2022 on the Eurasian Economic Union (EAEU) in terms of political and economic integration. The EAEU, formed in 2015, aimed for deep integration among member states with a focus on sustainable economic development and a common market. However, the actual implementation of these objectives has faced challenges, and external shocks such as the war in Ukraine have raised questions about the union's ability to balance geopolitical complexities and internal political cohesion for economic growth. The conflict has revealed divisions among EAEU member states, particularly on the dissonance among member states over its stance towards the Russo-Ukrainian war. While economic concerns largely influenced the responses of Kazakhstan and Kyrgyzstan, security dependencies primarily motivated Belarus and Armenia. Nevertheless, the EAEU has demonstrated economic resilience, with member states like Armenia, Kyrgyzstan, and Kazakhstan experiencing economic growth,

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driven by their roles as logistical hubs and beneficiaries from positive trade flows. The study suggests that the outcome of the Russo-Ukraine war will significantly shape the EAEU's future, with a victorious Russia potentially deepening political integration, while a less favorable outcome could exacerbate the existing political divisions. The EAEU's path forward involves reconciling internal political differences while leveraging its economic strengths, as it stands at a critical crossroad, facing both political challenges and economic opportunities that could enhance its global relevance. This study contributes to the understanding of how geopolitical crises affect regional integration and sets the stage for future research on the EAEU's evolving dynamics in a complex international context.

## I. Introduction

The Eurasian Economic Union (EAEU) emerged in 2015 as a regional integration project led by Russia, Kazakhstan, Belarus, Armenia, and Kyrgyzstan aimed at “ensuring free movement of goods, services, capital and labour within its borders,” as well as establishing “coordinated, agreed or common policy in the economic sectors”. As delineated in the Treaty on the Eurasian Economic Union, the Union's objectives of “sustainable economic development” and the “creation of a common market” underscore the aspiration for deep integration.<sup>1)</sup> This was put into action through the elimination of tariffs and non-tariff barriers in Article 42, intending to establish common markets in sectors like energy, industry, and agriculture.<sup>2)</sup> Such ambitions stem from the understanding that the true benefits of preferential trade agreements are realized through deep integration. However, deep integration inherently requires strong domestic institutions and high levels of cooperation among

1) Eurasian Economic Union, “Treaty on the Eurasian Economic Union,” <https://docs.eaeunion.org/ru-ru/Pages/DisplayDocument.aspx?s=bef9c798-3978-42f3-9ef2-d0fb3d53b75f&w=632c7868-4ee2-4b21-bc64-1995328e6ef3&l=540294ae-c3c9-4511-9bf8-aaf5d6e0d169&EntityID=3610> (Accessed September 1, 2023).

2) Eurasian Economic Union (2023).

member states, elements that have been inconsistent with the EAEU's performance. Despite these laudable goals, the EAEU's activities have only partially fulfilled these ambitions. While trade among member states has indeed increased, the "economic benefits have not been uniformly distributed".<sup>3)</sup>

Such discrepancies between the treaty's provisions and real-world implementation are especially relevant when evaluating the EAEU's ability to fulfil its main objective to "create proper conditions for sustainable economic development" and "ensure comprehensive modernisation, cooperation and competitiveness of national economies within the global economy".<sup>4)</sup> This is further complicated in responding to external shocks, such as the Russian invasion of Ukraine in 2022. While the EAEU has made strides toward a common customs tariff and free trade, it faced several challenges including uneven economic development among the members, uncoordinated actions in times of geopolitical tensions, and divergent national interests.<sup>5)</sup> Differing market sizes and divergent interests among the five member countries inherently tilt the scales, making it challenging to establish truly mutually beneficial cooperation. Previously, the EAEU has also faced unique obstacles due to the imposition of sanctions against Russia in 2014, necessitating innovative approaches to trade negotiations and partnerships with external actors.<sup>6)</sup> Moreover, questions remain regarding the EAEU's

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3) Larisa Kargina and Mattia Masolletti, "Eurasian Economic Union: Current Concept and Prospects," <https://arxiv.org/abs/2109.03644> (Accessed June 28, 2023); Chatham House, "The Eurasian Economic Union: Deals, Rules, and the Exercise of Power," <https://www.chathamhouse.org/sites/default/files/publications/research/2017-05-02-eurasian-economic-union-dragneva-wolczuk.pdf> (Accessed June 30, 2023).

4) Eurasian Economic Union (2023).

5) Zhenis Kembayev, "Regional Integration in Eurasia: The Legal and Political Framework," *Review of Central and East European Law*, Vol. 41, No. 2 (2016); Evgeny Vinokurov, "Eurasian Economic Union: Current state and preliminary results," *Russian Journal of Economics*, Vol. 3, No. 1 (2017).

6) Леонид М Григорьев, Влада В Бриллиантова, Виктория А Павлюшина, "Евразийский

relationship with influential neighbors like China and the European Union, prompting suggestions for transforming the Union into a distinct economic and political organization.<sup>7)</sup>

Indeed, the war in Ukraine acts as a distinctive turning point of the EAEU's future and raises a question on its capacity for "ensuring economic progress through joint actions" and intensifying concerns about its "balanced trade and fair competition".<sup>8)</sup> By the same token, concerns over the Union's political and economic dynamics remained puzzling.<sup>9)</sup> Particularly for member states like Kazakhstan, the invasion magnifies worries about excessive dependence on Russia.<sup>10)</sup>

This study critically examines the ramifications of the 2022 Russo-Ukrainian conflict on the EAEU's political and economic amalgamation and the subsequent implications for its future integration efforts. It contends that the Ukraine conflict is more than just a temporary disruption for the EAEU; it is a significant event that deeply affects its path toward integration. The conflict highlights existing challenges and inconsistencies within the Union, testing its core principles and goals.

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экономический союз: успехи и вызовы интеграции," *Мир новой экономики*, No.4 (2018); Anastasia Likhacheva, "Eurasian Economic Union and Integration Process in the Asia-Pacific," *Outlines of global transformations: politics, economics, law*, Vol. 12, No. 1 (2019).

7) Viachaslau Yarashevich, "The Eurasian Economic Union as a regional development project: expectations and realities," *Area Development and Policy*, Vol. 6, No. 4 (2020); Belashchenko et al., "Eurasian Economic Union: Prospects and Problems of Integration in the Post-Soviet Space," *International Relations*, Vol. 20, No.3 (2020).

8) Eurasian Economic Union, "Treaty on the Eurasian Economic Union," <https://docs.eaeunion.org/ru-ru/Pages/DisplayDocument.aspx?s=bef9c798-3978-42f3-9ef2-d0fb3d53b75f&w=632c7868-4ee2-4b21-bc64-1995328e6ef3&l=540294ae-c3c9-4511-9bf8-aaf5d6e0d169&EntityID=3610> (Accessed September 1, 2023); *Капитал*, "Проверки по распределению таможенных пошлин ЕАЭС будут проходить без согласований," September 2, 2023, <https://kapital.kz/economic/112887/proverki-po-raspredeleniyu-tamozhennykh-poshlin-yeaes-budut-prokhodit-bez-soglasovaniy.html> (Accessed September 27, 2023).

9) Alexander Libman, Anastasia Obydenkova and Erik Davtyan, "How the War Affects the Eurasian Economic Union," *Russian Analytical Digest (RAD)*, No. 287 (2022).

10) Libman et al. (2022).

Analysing the EAEU's political and economic interactions is especially relevant for all member states which have shown diverse degree of concerns about their dependence on Russia. Yet, a potential consolidation of Russia's post-conflict position could significantly shape the EAEU's future trajectory. A resurgent Russia could act as a gravitational force, pulling the member states into tighter political and economic alignment, and vice versa.

Against this backdrop, this research seeks to address the question: How has the Russian invasion of Ukraine in 2022 affected the political and economic integration of the EAEU, and the consequent implications for its prospective integration endeavors? The paper is structured to first provide a comprehensive review of extant literature on the EAEU, followed by an analysis of the conflict's political repercussions, encompassing power dynamics, internal diplomatic shifts, and the evolution of Russia's central role. Subsequently, it addresses the economic aftershocks, highlighting disruptions in supply chains and trade perturbations. The research then evaluates the conflict's broader implications on the EAEU's regional integration vision, emphasizing potential risks and opportunities. The investigation culminates by synthesizing key findings, their relevance to the EAEU, and suggesting avenues for future scholarly endeavors, all in the quest to enrich understanding of Eurasian regional integration in light of geopolitical shifts.

## **II. Literature Review**

Previous literature offers a variegated landscape of perspectives on the EAEU's economic rationale, its geopolitical implications, Russia's predominant role, governance model, and its external relations.

Economically, the EAEU has been studied through lenses that include, but are not limited to, its potential for fostering economic growth, reduction of non-tariff barriers, and establishment of a single market for goods and services. Knobel delved into the potential economic benefits of the EAEU from free trade with other countries, providing an economic rationale behind its establishment.<sup>11)</sup> He also highlighted the challenge of the EAEU's integration process with a dominance of the redistributive motive over the creative one. His scholarship is noteworthy regarding sanctions and trade flows within the EAEU, as these have critical ramifications for the Union's viability. Subsequently, Knobel revisited the impact of Russian oil and gas transfers to EAEU partners and assessed the economic risks associated with Russia's food import ban and potential trade tariffs after the Ukrainian war in 2014.<sup>12)</sup> Meanwhile, Arapova contended that the sanctions have adversely affected the financial integration of the EAEU countries by prompting short-term economic shocks in trade, logistics, price (imported inflation), and revenue (decreased remittances for Armenia and Kyrgyzstan). However, according to Arapova, Russia has demonstrated leadership in promoting convergence within the union and has effectively navigated around sanctions by diversifying its business and trade activities, particularly through the practice of parallel imports.<sup>13)</sup>

The Ukrainian war has magnified the need to scrutinize Moscow's geopolitical imperatives. Lagutina and Lapenko articulated the EAEU as a vehicle for Russia's resurgence on the global stage, particularly in its 'near abroad'.<sup>14)</sup> While Lagutina focused on the political-economic

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11) Alexander Knobel, "Eurasian Economic union: Prospects and challenges for Development," *Voprosy Ekonomiki*, No. 4 (2015).

12) Alexander Knobel, "The Eurasian Economic Union: Development Prospects and Possible Obstacles," *Problems of Economic Transition*, Vol. 59, No. 5 (2017).

13) Ekaterina Arapova, "The Sanctions Dilemma: How Sanctions Against Russia Affect Regional Integration within the EAEU States," *Strategic Analysis*, Vol. 00, No. 00 (2023).

processes within the EAEU and its conceptualization within the framework of global regionalization, Lapenko shed light on the EAEU's shift from ideological dogma to pragmatism in the foreign policy of new independent states. Rivera and Garashchuk expanded on this geopolitical analysis by further highlighting the EAEU's aim to become a link between Europe and Asia.<sup>15)</sup> This exigency dovetailed with Kaczmarek's insights into Russia's dual goals within the EAEU: to portray its regional initiative as a global governance contribution and to exercise control over its neighborhood.<sup>16)</sup> These ambitions can both bolster and jeopardize the EAEU's integrity, especially in light of the Ukrainian conflict.

The discussion of Russia's dominant role within the EAEU has been another pillar of discussion. While Andronova emphasized the dominant role of Russia in the EAEU, accounting for a significant portion of its geo-economic potential, Jarosiewicz and Fischer posited that the EAEU might provide Russia a platform to re-establish its influence on a global scale.<sup>17)</sup> They further emphasized this by arguing that the EAEU evolved into a political project, with economic aspects increasingly marginalized due to the authoritarian nature of participating countries, systemic corruption, and Russia's aggressive policy. Balakishi examined Russia's strategic interests in the South Caucasus region and its pressures towards

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14) Maria Lagutina, "Eurasian Economic Union Foundation: Issues of Global Regionalization," *Eurasia Border Review*, Vol. 5, No. 1 (2014); Maria Lapenko, "The Ukrainian Crisis and Its Effect on the Project to Establish a Eurasian Economic Union," *Connections: The Quarterly Journal*, Vol. 14, No. 1 (2014).

15) Pablo Podadera Rivera and Anna Garashchuk, "The Eurasian Economic Union: prospective regional integration in the post-Soviet space or just geopolitical project?," *Eastern Journal of European Studies*, Vol. 7, No. 2 (2016).

16) Marcin Kaczmarek, "Two Ways of Influence-building: The Eurasian Economic Union and the One Belt, One Road Initiative," *Europe-Asia Studies*, Vol. 69, No. 7 (2017).

17) Inna Andronova, "Eurasian Economic Union: Opportunities and Barriers to Regional and Global Leadership," *International Organisations Research Journal*, Vol. 11, No. 2 (2016); Aleksandra Jarosiewicz and Ewa Fischer, "The Eurasian Economic Union – more political, less economic," *OSW Centre For Eastern Studies*, No.157 (2015).

these countries to join the EAEU as an effort to control the region and influence the export of oil and gas through the EAEU.<sup>18)</sup>

The governance and institutional framework of the EAEU have also garnered scholarly attention, with Yarashevich unpacking the Union's governance model<sup>19)</sup> and Belashchenko, Tolkachev, and Shodzhonov highlighting economic relations among member states. Belashchenko et al. stated that there is a high risk of contradictions within the EAEU countries, possibly leading to delays in the implementation of integration processes.<sup>20)</sup> Roberts and Moshes critically assessed the integration project of the EAEU. They posited that the EAEU is primarily focused on reproducing sovereignty rather than transforming it, revealing a disconnect between rhetoric and reality.<sup>21)</sup> The authors further emphasized that the EAEU faces significant barriers in terms of institutions, identity, and the international context. Mostafa and Mahmood highlighted challenges such as Russian domination and distrust among member states as the notable hindering factors of the integration process.<sup>22)</sup> Additionally, Kühn underscored that the success of the EAEU is contingent upon the ability of its member states to cooperate effectively.<sup>23)</sup>

From the perspective of the EAEU's external relations, Samokhvalov added nuance by considering regional rivalries, including that between Russia and China in Central Asia.<sup>24)</sup> The Ukrainian war presents an

18) Samir Balakishi, "Eurasian Economic Union: Russia's New Foreign Policy in the South Caucasus," Working Papers 2016/1, *Maastricht School of Management*, (2016).

19) Yarashevich (2020).

20) Belashchenko et al (2020).

21) Sean P Roberts and Arkady Moshes, "The Eurasian Economic Union: A case of reproductive integration?," *Post-Soviet Affairs*, Vol. 32, No. 6, (2015).

22) Golam Mostafa and Monowar Mahmood, "Eurasian Economic Union: Evolution, challenges and possible future directions," *Journal of Eurasian Studies*, Vol. 9, No. 2 (2018).

23) Werner M Kühn, "The Eurasian Economic Union: Risks and Opportunities of an Emerging Bipolar Europe," *ZEUS*, No. 2 (2017).

24) Vsevolod Samokhvalov, "The new Eurasia: post-soviet space between Russia, Europe and China," in David Lane, *The Eurasian Project in Global Perspective* (London: Routledge, 2018).



intriguing backdrop against which these external relations can be reconsidered. Recently, Libman et al. raised concerns about overdependence on Russia and its economic ramifications.<sup>25)</sup> The authors suggested that the EAEU could have a second chance if it serves as a bridge for accessing the Russian market and facilitates cooperation between Russia and China.

It is imperative to note that while existing literature has thoroughly addressed the EAEU's multidimensional aspects, the rapidly evolving geopolitical milieu, exemplified by the recent Ukrainian war, calls for a recontextualization of the existing scholarship. It compels scholars and policymakers alike to confront emerging realities and potentially recalibrate their understanding of the Union's strengths, weaknesses, and future integration trajectory. Thus, this paper aims to contribute to this corpus by evaluating the political and economic impacts of the war on the EAEU's integration prospects, thereby enriching our understanding of the Union's dynamic position in contemporary geopolitics.

### **III. Political Impact of the Russian Invasion of Ukraine on the EAEU**

#### **1. Power Dynamics within the EAEU**

Although the official governance structure of the EAEU is not explicitly intended to promote Russian influence, the power dynamics within the organization have been influenced by various factors, including the economic and political interests of its member states and the relative

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25) Libman et al. (2022).

size and economic strength of each country. Since its inception, these dynamics have played a significant role in shaping the functioning of the EAEU.

As the largest and most economically developed member of the EAEU, Russia wields the greatest amount of authority and has the most sway over decision-making within the Union. Yet, while Russia’s size and significance may lend it more influence in decision-making, it is not the primary decision-maker within the EAEU. The EAEU operates on the basis of collective decision-making, with member states reaching consensus on all matters. Overall, the power dynamics within the EAEU are shaped by the size and economic strength of its member states, as well as their varying political and economic interests. To harmonize these differences, the EAEU operates on the principle of consensus and seeks to promote cooperation and integration among its members. Nevertheless, the unequal distribution of power and influence within the EAEU remains a challenge and requires ongoing efforts to ensure that the interests of all members are taken into account and that the organization operates effectively and efficiently. <Table 1> summarizes the key socioeconomic indicators.

<Table 1> The relative significance of EAEU member states by socioeconomic development indicators

	GDP (2021)		Population		GDP per capita (2021)
	USD (Billion)	% of EAEU	USD (Million)	% of EAEU	USD
Russia	1,779	87%	146.3	80%	12,195
Kazakhstan	197	9%	17.4	10%	10,374
Belarus	68	3%	9.5	5%	7,302
Armenia	14	1%	2.8	2%	4,967
Kyrgyzstan	9	0%	5.9	3%	1,277

Source: World Bank, “World Bank Open Data,” <https://data.worldbank.org> (Accessed January 27, 2023).

## 2. Impact on EAEU's Political Integration

### 1) Major Diplomatic Events After the Outbreak of the Ukrainian War in 2022

It is apparent that the meetings and summits held after the Russian invasion of Ukraine have benefited Russia in terms of resource procurement and strengthening of both economic and diplomatic ties that Russia has with the other members within the EAEU. Such increased cooperation could be vital to maintain Russia's status within the EAEU during the ongoing war. Equally, these discussions and agreements reflect the EAEU's determination to strengthen economic ties, foster investment, and explore new avenues of cooperation within the region. Overall, the recent diplomatic events imply that despite the impact of the Russia-Ukrainian war, the EAEU has continued to engage in diplomatic activities, focusing on advancing integration, promoting economic cooperation, and addressing key issues of mutual interest. This indicates resilience and a commitment to maintaining diplomatic relations and pursuing common objectives among EAEU member states. Key diplomatic events in the EAEU are summarized in Table 2. In general, there was a notable acceleration in integration efforts inside the EAEU in the year 2022. The Eurasian Economic Commission Council convened a total of 12 meetings, while the Eurasian Economic Commission Board held 50 meetings.<sup>26)</sup>

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26) During these sessions, the Council and Board collectively approved almost 400 decisions and over 300 orders. Arapova (2023).

<Table 2> High-level diplomatic events of EAEU after the Russian invasion of Ukraine in 2022

Date	Type	Event Description	Significance
June 7-8, 2023	Eurasian Intergovernmental Council's meeting	The Eurasian Economic Commission updated the prime ministers on the integrated information system, digital cooperation, the Free Trade Agreement with Iran, and the agreement on the Eurasian alcoholic beverages market.	<ul style="list-style-type: none"><li>• Addressed issues of mutual recognition of academic degrees, removal of barriers in the internal market, development of transport infrastructure, advancement of electronic document flow, climate agenda, competition regulation, and food safety.</li><li>• Highlights the EAEU's commitment to integration, cooperation, digitalization, sustainability, and consumer protection.</li></ul>
May 23-25, 2023	Eurasian Economic Union (EAEU) Summit	<ul style="list-style-type: none"><li>• Initiative to develop industrial cooperation and increase production under the brand "Made in EAEU".</li><li>• Chairman of the Eurasian Economic Commission, Mikhail Myasnikovich, emphasized the signing of 15 cooperation agreements.</li><li>• Expectations expressed for integrated development among member states in various fields including cultural space to cultivate common Eurasian ideology.</li></ul>	<p>In the forum titled: 'Eurasian Integration in a Multipolar World', President Vladimir Putin's intention to explore collaboration in:</p> <ul style="list-style-type: none"><li>• Energy</li><li>• Food security</li><li>• Self-sufficiency in technology and finance</li><li>• Digital transformation</li><li>• Elimination of regulations and trade barriers</li><li>• Development of transportation infrastructure</li></ul>
February 24-25, 2023	Eurasian Intergovernmental Council's meeting	<ul style="list-style-type: none"><li>• Approval of the "Eurasian Agroexpress" project.</li><li>• Expedited rail and multimodal transportation.</li><li>• Diversification of agricultural and food exports.</li><li>• Diversification of agricultural and food supply.</li></ul>	<ul style="list-style-type: none"><li>• Monitoring agreement for goods in customs transit and mutual trade.</li><li>• Focus on sanctioned goods, alcohol, and tobacco.</li><li>• Reducing control measures at internal borders.</li><li>• Increasing transit attractiveness.</li><li>• Ensuring traceability and legal turnover.</li></ul>

Date	Type	Event Description	Significance
Dec 9, 2022	Eurasian Economic Union (EAEU) Summit	Supreme Eurasian Economic Council meeting with attendees including Putin, Pashinyan, Lukashenko, Tokayev, and Mirziyoyev (later changed to Abdulla Aripov).	<ul style="list-style-type: none"> <li>• Removal of obstacles in the domestic EAEU market.</li> <li>• Main areas of international activities for 2023.</li> <li>• Changes in the list of service sectors subject to the single market rules.</li> <li>• Sources and mechanisms for financing industrial cooperation projects within the EAEU.</li> <li>• Discussed FTA with the United Arab Emirates.</li> </ul>
August 25-26, 2022	Eurasian Intergovernmental Council's meeting	Prepared to finalize the signing of a draft agreement that will establish the Eurasian Reinsurance Company.	<ul style="list-style-type: none"> <li>• Changes to the EAEU Treaty on the imposition of indirect taxes on electronic trading in goods sold to individuals.</li> <li>• Evaluation of the progress toward the creation of an international agreement on the EAEU single gas market.</li> </ul>
September 7, 2022	Bilateral Meetings	Bakytzhan Sagintaev, Minister of the Eurasian Economic Commission on behalf of the Republic of Kazakhstan, paid a visit to Armenia.	<ul style="list-style-type: none"> <li>• Aim of the Commission: Ensure efficient operation of the EAEU internal market.</li> <li>• Focus on removing existing barriers and preventing new impediments.</li> <li>• Meeting between Bakytzhan Sagintaev and Vahan Kerobyan, Armenian Minister of Economy.</li> </ul>

Source: Eurasian Economic Commission, "Events," <https://eec.eaeunion.org/en/news/events/> (Accessed June 17, 2023).

## 2) Divergent Responses from EAEU Member States and Bilateral Relations

The Russian invasion of Ukraine has revealed divergent stances and bilateral tensions among the EAEU member countries, thereby affecting the overall coherence of the bloc. The absence of a unified stance has contributed to the EAEU's limited effectiveness as a regional

organization in this crisis. Member states have responded differently, with Belarus showing robust support, Armenia and Kyrgyzstan opting for neutrality, and Kazakhstan cautiously distancing itself from Russia's actions.

### (1) Belarus: Strategic Alignment with Russia and Deepening Dependency

Belarus, as the only EAEU member backing Russia's military involvement in Ukraine, stands in a challenging geopolitical position. Among the EAEU states, it alone (excluding Russia) opposed the UN resolution against Russia's actions in Ukraine. While President Lukashenko denies Belarusian military involvement, he is open to it if it serves Belarusian and Russian interests.<sup>27)</sup>

Belarus's support for Russia has deepened its political and economic reliance on Moscow, with Russia providing logistical and financial aid. After revoking its neutral and non-nuclear status in a 2022 referendum, Lukashenko considered seeking nuclear support from Russia if threatened by the North Atlantic Treaty Organization (NATO). Belarus granted Russia military access for strikes into Ukraine and deployed its troops alongside Russian forces near Ukraine.<sup>28)</sup>

However, within Belarus, 79% of the public deemed Belarusian casualties in the conflict unacceptable. Over half want neutrality, with 33% supporting Russia but having mixed feelings about Belarus's role.<sup>29)</sup> Most Belarusians, irrespective of their political views, opposed involvement

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27) *BBC News Русская служба*, "Как Лукашенко втянул Беларусь в конфликт с Украиной и чем это грозит экономике," February 25, 2022, <https://www.bbc.com/russian/features-60526926> (Accessed September 26, 2023).

28) *BBC News Русская служба* (2022).

29) Chatham House, "Belarusians' views on the military conflict between Russia and Ukraine," [https://drive.google.com/file/d/1usMUni92q0VDIBsV2HW\\_n7VfxrFe6wwB/view](https://drive.google.com/file/d/1usMUni92q0VDIBsV2HW_n7VfxrFe6wwB/view) (Accessed September 27, 2023).

in the conflict.<sup>30)</sup> Though Lukashenko claims independent loyalty to Moscow, Belarus's economy leans heavily on Russia. Its role in Russia's Ukraine strategy and its potential hosting of Russian nuclear missiles underscore this dependence.<sup>31)</sup> Despite western sanctions, Moscow's support remains crucial for Belarus's economic stability in the evolving Ukraine conflict dynamics.

## (2) Kazakhstan: Hedging through Multi-Vector Diplomacy

Kazakhstan has historically balanced ties between Russia and the West. During Russia's invasion of Ukraine, Kazakhstan initially remained neutral, but President Tokayev later advocated for dialogue and offered mediation.<sup>32)</sup> Foreign Minister Tleuberdi voiced support for Ukraine's stability, reflecting UN Charter principles.<sup>33)</sup> Due to economic concerns linked to Russian sanctions, Kazakhstan has diversified its global partnerships while retaining ties to Moscow.

Tokayev's non-support of Russia's aggression and abstention from UN resolutions condemning Russia indicate Kazakhstan's diplomatic distance from Moscow, straining their relationship. Still, Russia values Kazakhstan amidst global sanctions.<sup>34)</sup> Tokayev's talks with Ukraine's President Zelensky in 2023 further highlight Kazakhstan's diplomatic

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30) *Financial Times*, "Belarus: an ever growing dependency on Russia," July 2, 2023, <https://www-ft-com.ezp.lib.cam.ac.uk/content/6364a92e-0939-4cbe-9a4b-f7e05d80e2c2> (Accessed September 26, 2023).

31) *Financial Times* (2023).

32) Masa Media, "КАК МЕНЯЛАСЬ ОФИЦИАЛЬНАЯ ПОЗИЦИЯ КАЗАХСТАНА ПО ПОВОДУ ВОЙНЫ В УКРАИНЕ," <https://masa.media/ru/site/kak-menyalas-ofitsialnaya-pozitsiya-kazahstana-po-povodu-voyny-v-ukraine> (Accessed September 27, 2023).

33) *Newtimes.kz*, "Казахстан четко обозначил позицию по войне России с Украиной," April 3, 2023, <https://newtimes.kz/politika/166916-kazahstan-chetko-oboznachil-pozitsiyu-po-vojne-rossii-s-ukrainoj> (Accessed September 26, 2023).

34) *The Diplomat*, "Russia's War in Ukraine and Its Impact on Central Asia," October 24, 2022, <https://thediplomat.com/2022/10/russias-war-in-ukraine-and-its-impact-on-central-asia/> (Accessed September 26, 2023).

commitment.<sup>35)</sup> <sup>36)</sup> Although distancing itself from Russia internationally, Kazakhstan saw a 22% rise in exports to Russia by October 2022.<sup>37)</sup> While dependent on Russia for certain exports, Kazakhstan is also engaging other nations, like China, to diminish its reliance on Moscow.

Kazakhstan's approach to the Ukraine crisis demonstrates its bid to maintain geopolitical benefits, sovereignty, and diversified foreign ties.<sup>38)</sup> Its public criticism of Russia's actions and non-recognition of Russian-backed Donbas republics mark a shift from past alignments with Moscow. In essence, Kazakhstan's stance on the Ukraine situation shows its balancing act between economic, diplomatic interests, and a diversified foreign policy, aiming to lessen dependence on Russia.

### (3) Armenia: Eroding Neutrality in the Face of a Tense Regional Landscape

Amidst regional shifts, Armenia has taken a balanced diplomatic position, neither condemning nor openly supporting Russia. This reflects concerns about its dependence on Moscow, especially given Russia's role in Ukraine and perceived inactivity in Armenia-Azerbaijan border conflicts. The Ukraine invasion has made Armenia re-evaluate its security reliance on Russia. Prime Minister Pashinyan stresses reducing external dependencies to uphold Armenian sovereignty and avoid being a "proxy" in broader geopolitical battles.<sup>39)</sup>

Regional security has been destabilized by rising tensions in Nagorno-

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35) ECFR.EU, "Steppe change: How Russia's war on Ukraine is reshaping Kazakhstan," <https://ecfr.eu/publication/steppe-change-how-russias-war-on-ukraine-is-reshaping-kazakhstan/> (Accessed September 28, 2023).

36) Masa Media (2023).

37) ECFR.EU (2023).

38) Ibid (2023).

39) *Politico*, "We can't rely on Russia to protect us anymore, Armenian PM says," September 13, 2023, <https://www.politico.eu/article/we-cant-rely-russia-protect-us-anymore-nikol-pashinyan-armenia-pm/> (Accessed September 26, 2023).



Karabakh. Armenia seeks to lessen its dependence on Russia but faces challenges securing robust Western support. While the EU and the US back Armenia's democratic reforms, Pashinyan believes more support is needed. The Ukraine conflict has strained Armenia's ties with both Russia and the West. Despite not allying with Russia in the Ukraine war, Armenia's strong ties to Moscow persist. Pashinyan describes Armenia as being "caught between the two sides."<sup>40)</sup> Internationally, Armenia has shown reluctance to take a clear stance on Russia's actions. Despite its strategic partnership with Russia and membership in organizations like the EAEU and the Collective Security Treaty Organization (CSTO), Armenia has remained largely silent on Russia's recent moves, only indicating a non-recognition of Donetsk and Luhansk's independence and hoping for a peaceful resolution.<sup>41)</sup>

Relations between Armenia and Russia have been deteriorating since September 2022, after Azerbaijani forces attacked Armenian territory. Armenia's criticisms of Russia's perceived indifference to Azerbaijani aggression and its decision to send humanitarian aid to Ukraine signal a gradual shift in its diplomatic relations with Moscow.<sup>42)</sup> Currently, Armenia faces a complex diplomatic landscape, seeking to resolve the Nagorno-Karabakh issues while reducing dependency on external powers, especially in the face of Russia's deepening involvement in Ukraine and its implications for the Caucasus region.

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40) *Reuters*, "Armenia is not Russia's ally in Ukraine war, says PM Pashinyan," June 2, 2023, <https://www.reuters.com/world/europe/armenia-is-not-russias-ally-ukraine-war-says-pm-pashinyan-2023-06-02/> (Accessed September 26, 2023).

41) *Global Voices*, "Silent and uneasy: Armenia's response to the Russian invasion of Ukraine," August 3, 2022, <https://globalvoices.org/2022/03/08/silent-and-uneasy-armenias-response-to-the-russian-invasion-of-ukraine/> (Accessed September 26, 2023).

42) Eurasianet, "Tensions rise between Armenia, Russia," <https://eurasianet.org/tensions-rise-between-armenia-russia> (Accessed September 26, 2023).

#### (4) Kyrgyzstan: Prioritizing Economic Stability by Upholding Neutral Stance

Kyrgyzstan, economically the most fragile EAEU member, has opted for a neutral stance while subtly critiquing Russia's actions. Reliant on remittances from Russia, Kyrgyzstan has concerns about the war's economic fallout, with a significant percentage of its population worried about rising prices and the flow of remittances.<sup>43)</sup> In other words, Kyrgyzstan's diplomatic landscape has been marked by notable fluctuations since Russia initiated its full-scale war on Ukraine in February 2022. Initially appearing to support Russia's actions, Kyrgyzstan later adjusted its stance as the war extended beyond expectations. The recent criticism by Russian officials regarding Kyrgyzstan's decision to adopt Kyrgyz as the language of state business and its prosecution of two Kyrgyz citizens for involvement in Russian mercenary forces in Ukraine highlights tensions in their relationship.<sup>44)</sup>

Despite occasional political upheavals, the Ukrainian conflict has had a relatively limited impact on the relations between Russia and Kyrgyzstan. The two countries continue to maintain a stable partnership with a focus on commercial, economic, security matters and cooperate on various levels, including regional integration organizations like the Commonwealth of Independent States (CIS), the Eurasian Economic Union (EEU), the Shanghai Cooperation Organization (SCO), and the Collective Security Treaty Organization (CSTO).<sup>45)</sup> Russia's importance

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43) IOM, "Sanctions On Russia Already Hitting Remittance-Dependent Countries in Central Asia," <https://rovienna.iom.int/news/sanctions-russia-already-hitting-remittance-dependent-countries-central-asia> (Accessed September 26, 2023).

44) Kanat Altynbayev, "Kyrgyz public rejects Russian criticism of new language law," *Caravanserai*, August 10, 2023, [https://central.asia-news.com/en\\_GB/articles/cnmi\\_ca/features/2023/08/10/feature-01](https://central.asia-news.com/en_GB/articles/cnmi_ca/features/2023/08/10/feature-01) (Accessed September 27, 2023).

45) RIAC, "Kyrgyz Neutrality in Russia-Ukraine Conflict," <https://russiancouncil.ru/en/analytics-and-comments/analytics/kyrgyz-neutrality-in-russia-ukraine-conflict/> (Accessed September 26, 2023).

to Kyrgyzstan extends beyond bilateral relations. Kyrgyzstan's significance to Russia lies in preserving its presence in Central Asia amidst growing influences from China and the expanding U.S. military and political presence in the region.<sup>46)</sup> The economic prospects, export opportunities, and regional security cooperation with Kyrgyzstan contribute to Russia's vested interest in maintaining this partnership.

### 3) Shifting Political Dynamics within the EAEU

The dissonance among member states over its stance towards the Russo-Ukrainian war has triggered debates within the EAEU regarding its role in addressing the crisis. While some advocate for a more proactive role in mediating and establishing peace, others insist on a neutral stance focusing on economic integration. As bilateral tensions rise — seen most clearly between Russia-Armenia and Russia-Kazakhstan — the EAEU finds itself at a crossroad, forcing it to reconsider its objectives and operational capacity in times of crisis. Indeed, the Ukrainian crisis has not only exposed the divergent foreign policies of EAEU member states but also underscored the bloc's structural weaknesses and bilateral tensions. The crisis has presented the EAEU with a topical challenge, calling its very effectiveness and unity into question. While economic concerns largely influence the responses of Kazakhstan and Kyrgyzstan, security dependencies primarily motivate Belarus and Armenia. Each country's stance and changing bilateral relations with Russia serve as microcosms of broader geopolitical shifts and the pressing need for the EAEU to address its inherent contradictions.

Russia's political leverage within the EAEU and its centrifugal role has faced challenges due to the organization's structure and the need to balance the interests of smaller member nations. Despite retaining the

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<sup>46)</sup> RIAC (2023).

greatest clout in the union, the EAEU was not designed to solely serve Russian interests, making it difficult for Russia to solely push its desired decisions and mobilize support for its foreign policy objectives. Member nations, while reliant on Russia, are cautious about becoming excessively dependent on it through the EAEU, with countries like Kazakhstan emphasizing the preservation of national sovereignty and preferring the Union to remain primarily an economic alliance.

The Ukrainian war has also altered the dynamics within the EAEU. Russia's aggression in Ukraine has resulted in a shrinking pool of potential allies for Russia, increasing the significance of maintaining relationships within the EAEU. In response, Russia has expressed a stronger commitment to advancing EAEU integration in various spheres, including politics, economics, industry, finance, and technology.<sup>47)</sup> The war has also prompted Russia to take measures to consolidate its role as the central unifying actor in the EAEU. At the 2023 Supreme Eurasian Economic Council, Russian President Vladimir Putin even suggested a "common Eurasian ideology" to boost political alignment within the EAEU.<sup>48)</sup>

Nonetheless, the "Strategy-2025," which contains 11 directions for further integration and development as well as 332 measures, has faced criticism from member states for its extensive involvement in educational, cultural, social, and political affairs, with a strong unwillingness to address issues beyond economic matters.<sup>49)</sup> This disconnect highlights

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47) *Anadolu Ajansı*, "Russia will do 'everything possible' to deepen integration in Eurasian Economic Union: President," January 23, 2023, <https://www.aa.com.tr/en/politics/russia-will-do-everything-possible-to-deepen-integration-in-eurasian-economic-union-president/2794686> (Accessed June 25, 2023).

48) Official Internet Resources of the President of Russia, "Meeting of the Supreme Eurasian Economic Council," <http://www.en.kremlin.ru/events/president/news/71204> (Accessed September 26, 2023).

49) Seyed M Alavizadeh, "EAEU and the perspective of political integration," *Institute for East Strategic Studies*, September 24, 2020, <https://www.iess.ir/en/note/2371/> (Accessed June 26, 2023).

potential conflicts between Russia's view of economic issues as national security concerns and the intentions of other EAEU member states. Furthermore, Russia's push for deeper integration and ideological alignment has been met with mixed reactions from the other member states. Some countries like Armenia and Kyrgyzstan have opted to remain neutral, viewing this as an opportunity to continue benefiting from Russia's economic preferential treatments without fully committing to its political objectives. This neutrality allows them to maintain a level of strategic ambiguity, thus preserving their own national interests while still enjoying the economic advantages of being part of the EAEU.

On the contrary, other member state like Kazakhstan could resist Russia's drive for closer political alignment, wary of the implications such an ideology would have on their own sovereignty and national identity. Already cautious of becoming excessively dependent on Russia, Kazakhstan might interpret this move as an attempt by Russia to tighten its grip on the union at the expense of their own autonomy. As a result, while Russia intensifies its efforts to centralize its role within the EAEU, it also risks widening the ideological and political fault lines among its members, further complicating its efforts to forge a more cohesive and integrated union.

Russia's increased push for deeper integration following the invasion of Ukraine presents a double-edged sword. While it aims to solidify its role and fortify the union, it also risks alienating other member states who are not willing to compromise their sovereignty or diverge from their own national interests. This dynamic adds another layer of complexity to the already complicated relationship dynamics within the EAEU and raises questions about the future trajectory of the union.

Overall, the conflict in Ukraine has had implications for Russia's political standing and its ability to exert influence within the EAEU. The annexation of Crimea and the ongoing war have strained Russia's

relationship with the West and diminished its political standing in both international community and within the union. Russia's attempts to regain control over former Soviet republics, including the South Caucasus region, have faced resistance and further diminished its influence. Consequently, while member countries may continue their economic cooperation with Russia, tensions and disagreements exist regarding the scope of the union's involvement and the potential conflicts between economic issues and national security concerns.

## **IV. Economic Impact of the Russian Invasion of Ukraine on the EAEU**

The Russian invasion of Ukraine has had significant impacts on both mutual and external EAEU trade. The war has created supply chain disruptions and food insecurity, driving up commodity and energy prices, and firms with strong trade or ownership ties to Russia have experienced a substantial decrease in their cumulative return following the invasion. However, despite these challenges, there have been some positive developments in EAEU trade.

### **1. Impact on EAEU's Economic Integration**

#### **1) Disruptions in Supply Chain**

The Russian invasion of Ukraine in 2022 has caused significant disruptions in supply chains within the EAEU leading to a shortage of goods and presenting numerous challenges across industries.<sup>50)</sup> The

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50) KPMG, "Russia-Ukraine war impact on supply chains and inflation," <https://kpmg.com/>

scarcity of imported intermediated inputs and equipment has resulted in a decline in production and shortages of essential goods. As a direct consequence, prices for primary and exchange goods, including food products, have risen, exacerbating food insecurity within EAEU member states.<sup>51)</sup> Additionally, transportation has been severely impacted, leading to delays in the delivery of goods and increased transportation costs. These disruptions have not only affected the availability of goods but also contributed to uncertainty and instability in the region, deterring foreign direct investment.

The disruptions in supply chains have had a disproportionate impact on various industries within the EAEU. Industrial production within the bloc experienced a decline in January 2023, with Belarus and Russia being the most affected countries.<sup>52)</sup> The manufacturing industry has encountered significant challenges due to shortages of raw materials and components, resulting in decreased production levels.<sup>53)</sup> The agriculture industry, heavily reliant on imports from Russia and Ukraine, has faced food shortages and increased food insecurity.<sup>54)</sup> The energy industry, dependent on Russia as a major supplier of fossil fuels, has also been affected by the disruption in supply chains.<sup>55)</sup> Furthermore, the transportation industry has faced difficulties due to delays and increased costs associated with disrupted supply chains.

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us/en/articles/2022/russia-ukraine-war-impact-supply-chains-inflation.html (Accessed September 25, 2023).

51) EY, "Why global industrial supply chains are decoupling," [https://www.ey.com/en\\_gl/automotive-transportation/why-global-industrial-supply-chains-are-decoupling](https://www.ey.com/en_gl/automotive-transportation/why-global-industrial-supply-chains-are-decoupling) (Accessed June 27, 2023).

52) Yasuyuki Todo and Hiroyasu Inoue, "The economic effects of import disruption can be magnified by domestic supply chains," <https://cepr.org/voxeu/columns/economic-effects-import-disruption-can-be-magnified-domestic-supply-chains> (Accessed June 27, 2023).

53) KPMG (2023).

54) EY (2023).

55) Ibid (2023).

Overall, the disruption in supply chains caused by the Russian invasion of Ukraine has had far-reaching implications for the availability of goods and posed substantial challenges for various industries within EAEU member states. These disruptions have not only affected the economic stability of the bloc but also hindered its integration efforts. The EAEU will need to address these challenges and seek solutions to restore the smooth functioning of supply chains and promote economic recovery in the aftermath of the invasion.

2) EAEU’s Internal Trade

〈Table 3〉 The volume of internal trade (intra-regional export) of the EAEU

	2014	2015	2016	2017	2018	2019	2020	2021	2022
EAEU	61.18	45.62	42.96	54.71	60.26	61.63	55.05	73.09	83.3

Source: Eurasian Economic Commission, “ИТОГИ ВЗАИМНОЙ ТОРГОВЛИ ЕАЭС,” [http://www.eurasiancommission.org/ru/act/integr\\_i\\_makroec/dep\\_stat/tradestat/time\\_series/Pages/Times\\_series\\_Internal\\_trade.aspx](http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/time_series/Pages/Times_series_Internal_trade.aspx) (Accessed May 28, 2023); EAEU, “Взаимная торговля,” <https://eaeu.economy.gov.ru> (Accessed May 28, 2023).

The Russian invasion of Ukraine in 2022 has had significant implications for the internal trade of the EAEU. Despite the challenges posed by the conflict and the disruptions in supply chain, there have been notable positive developments in intra-EAEU regional trade, reflecting the resilience and adaptability of member states.<sup>56)</sup> EAEU countries have increased mutual trade, with mutual trade value hitting a record high in 2022 (see 〈Table 3〉). The total value of mutual trade in 2022 reached USD 83.3 billion, marking a 14% increase compared to 2021. This record high trade turnover can be attributed to the increased exports from countries such as Kazakhstan, Armenia, Belarus,

56) inozPRESS, “EAEU countries increase mutual trade,” <http://inozpress.kg/en/eaeu-countries-increase-mutual-trade/> (Accessed June 27, 2023).



and Kyrgyzstan to other EAEU member states. The reorientation of Russia's export-import flows towards the EAEU market due to existing trade and economic restrictions could be another driver behind this growth.<sup>57)</sup>

**<Table 4> Macroeconomic indicators of EAEU member states in 2022**

Index	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Russia
Real GDP growth (preliminary data)	10.5%	-5.0%	5.0%	4.8%	-2.1%
Industrial production	1.4%	-4.1%	1.4%	7.5%	-2.4%
Consumer price index	1.4%	0.8%	1.1%	1.5%	0.8%
Growth rates of mutual trade with the EAEU	184.4%	38.0%	20.5%	81.7%	-1.2%

Source: EAEU, "Макроэкономические показатели по странам ЕАЭС и странам-наблюдателям за январь 2023 г.," <https://eaeu.economy.gov.ru> (Accessed May 28, 2023).

In particular, internal trade within the EAEU in 2022 witnessed significant growth across all member countries, except for Russia (see <Table 4>). <Table 4> highlights the growing importance of intra-EAEU trade and the positive impact it has had on member states' trade relations. Armenia, in particular, has achieved a significant volume of trade with the EAEU countries, including Russia. As a result, the share of the EAEU in the value of Armenia's trade has increased to 34.6% in the period of January to July.<sup>58)</sup> Notably, Armenia experienced the highest surge in exports to the EAEU market, with a growth of 2.8 times, amounting to \$2.5 billion in 2022.<sup>59)</sup> Belarus saw a 38.0% increase in

57) inozPRESS (2023).

58) Ibid (2023).

59) *Silk Road Briefing*, "The Eurasian Economic Union – 2023-24 Trade and Investment

exports to Union countries, totalling \$24.1 billion, while Kazakhstan recorded a 20.5% increase, reaching \$9.7 billion. In terms of trade turnover, Kyrgyzstan observed remarkable growth of 81.7%, reaching \$1.4 billion. Kazakhstan witnessed a nearly \$2 billion increase in exports to the EAEU, Armenia saw a \$1.6 billion increase, Belarus recorded a \$5.5 billion increase, and Kyrgyzstan experienced a \$646 million increase.<sup>60)</sup> Nevertheless, Belarus is incurring direct economic losses from the war and the fluctuation of the rouble has created a major impediment to trade with Russia.

Member countries continued to demonstrate the positive dynamics in internal trade in 2023. The volume of mutual trade between the states of the EAEU increased by 13% in the first half of 2023. Armenia almost tripled its exports to EAEU member countries in the first half of 2023, Kazakhstan by 37%, while Kyrgyzstan practically remained at the level of last year, increasing by 0.4%.<sup>61)</sup> This record high trade volume highlights the success of the EAEU's integration efforts, especially in the internal trade arena.<sup>62)</sup> These recent figures reinforce the positive trajectory of intra-EAEU trade, indicating that despite the challenges brought about by the Russian invasion of Ukraine, member states have managed to enhance their trade relations within the bloc. The growth in mutual trade, coupled with the record high trade turnover,

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Opportunities," June 26, 2023, <https://www.silkroadbriefing.com/news/2023/06/26/the-eurasian-economic-union-2023-24-trade-and-investment-opportunities/> (Accessed June 28, 2023).

60) Russia Briefing, "EAEU Expands International Trade Partners - Russia Briefing News," <https://www.russia-briefing.com/news/eaue-expands-international-trade-partners.html/> (Accessed June 25, 2023).

61) *Arka.am*, "Armenia's exports to EEU almost tripled in the first half of 2023 - EEC," September 13, 2022, [https://arka.am/en/news/economy/armenia\\_s\\_exports\\_to\\_eeu\\_almost\\_tripled\\_in\\_first\\_half\\_of\\_2023\\_eeec/](https://arka.am/en/news/economy/armenia_s_exports_to_eeu_almost_tripled_in_first_half_of_2023_eeec/) (Accessed June 26, 2023).

62) TASS, "EAEU does not want 'pointless confrontation' with countries imposing sanctions — official," December 31, 2022, <https://tass.com/economy/1558115> (Accessed June 26, 2023).

demonstrates the EAEU's ability to adapt and expand trade relations with other member states, thereby contributing to the bloc's economic integration and overall stability. Continued efforts to enhance regional economic integration and create favorable conditions for doing business within the Union will be crucial for sustaining the positive momentum in intra-EAEU trade.<sup>63)</sup>

### 3) EAEU's External Trade

<Table 5> Export to countries outside the EAEU

(Billion Dollars)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022
EAEU	555.6	373.8	308.2	386.9	490.7	460.7	364.8	525.6	835.7

Source: Eurasian Economic Commission, "ИТОГИ ВЗАИМНОЙ ТОРГОВЛИ ЕАЭС," [http://www.eurasiancommission.org/ru/act/integr\\_i\\_makroec/dep\\_stat/tradestat/time\\_series/Pages/Times\\_series\\_Internal\\_trade.aspx](http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/time_series/Pages/Times_series_Internal_trade.aspx) (Accessed May 28, 2023); Author's own calculation.

Despite the challenges coming from the sanctions towards Russia, there have been some positive developments in external EAEU trade. <Table 5> provides a chronicle of the EAEU's external trade dynamics over a period from 2014 to 2022. After a long period of decline and rebound, a sharp recovery was shown in 2022, when exports surged to an unprecedented \$835.7 billion. As a result, several key takeaways can be drawn from this data. First, the fluctuating export figures until 2022 likely reflect the geopolitical and economic challenges faced by the EAEU, such as sanctions on Russia and uneven economic development among member states. Second, the colossal surge in exports in 2022, despite the challenges of international sanctions, particularly against

63) TASS(2022).

Russia and Belarus, is highly significant. It indicates that the union, spearheaded by Russia, has been successful in diversifying its trade relationships and penetrating new markets. This could be attributed to strategic trade partnerships and policy measures aimed at countries in the Asia-Pacific and the Middle East, as well as other international organizations like SCO and BRICS.

<Table 6> Ongoing Work on EAEU’s Foreign Trade Agreement

EAEU Trade Agreements	Status	Date Signed/In Force
Vietnam	Implemented	October 5, 2016
Iran	Implemented	October 27, 2019
China	Implemented	January 1, 2022
Serbia	Implemented	October 25, 2019
Singapore	Implemented	October 25, 2019
Egypt	Under Negotiation	-
India	Under Negotiation	-
Indonesia	Under Negotiation	-
Israel	Under Negotiation	-
UAE	Under Negotiation	-
Mongolia	Expediency Study	-

Source: Eurasian Economic Commission, “The EAEU Trade Agreements,” <https://eec.eaeunion.org/en/comission/department/dotp/torgovye-soglasheniya/> (Accessed May 28, 2023).

At the same time, the EAEU has been working to expand its international partnerships and diversify its trade relations, which has helped to offset the decline in trade with Russia (See <Table 6>). The EAEU has also endeavoured to improve its trade and investment opportunities, with a focus on developing new markets and expanding its export base. The EAEU has expanded its international trade partners, including with the SCO, BRICS, Association of Southeast Asian Nations (ASEAN), Iran, Serbia, Vietnam, and China. Trade with these countries

grew by 35% in 2022 and exceeded a third of the total trade turnover of the EAEU.<sup>64</sup> The year 2022 was marked by the deepening of interaction with the observer states of Uzbekistan and Cuba. Uzbekistan has also increased its trade relations with the EAEU, with trade turnover increasing by 27% in 2022.<sup>65</sup> Meanwhile, the trade turnover of member states with Cuba also doubled in 2022.<sup>66</sup>

Another positive development is that the EAEU has been able to maintain its trade relations with China, which is a crucial market for the EAEU. The EAEU has been working to deepen its economic ties with China, with a focus on expanding trade and investment in areas such as energy, infrastructure, and technology.<sup>67</sup> At the same time, the EAEU has also been working to develop new trade routes with China, such as the China-Kyrgyzstan-Uzbekistan railway, which will help increase trade between the two regions.<sup>68</sup>

Likewise, the United Arab Emirates (UAE) and the EAEU are finalizing their free trade agreement, which could strengthen the UAE's economic presence in the Eurasian region and support Russia's strategy to counter Western sanctions.<sup>69</sup> This initiative holds economic and geopolitical significance, facilitating increased trade, investments, and cooperation

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64) Eurasian Economic Commission, "ЕАЭС увеличил количество международных партнеров в 2022 году," <https://eec.eaeunion.org/news/eaes-uvlichil-kolichestvo-mezhdunarodnykh-partnerov-v-2022-godu/> (Accessed June 27, 2023).

65) Eurasian Economic Commission, "ЕАЭС увеличил количество международных партнеров в 2022 году," <https://eec.eaeunion.org/news/eaes-uvlichil-kolichestvo-mezhdunarodnykh-partnerov-v-2022-godu/> (Accessed June 27, 2023).

66) Eurasia Economic Commission (2023).

67) IISD, "Russia's Aggression Against Ukraine: Global trade implications after 7 months of war," <https://www.iisd.org/articles/policy-analysis/russia-ukraine-trade-implications> (Accessed June 27, 2023).

68) IISD (2023).

69) Eurasian Economic Commission, "EAEU and UAE to start negotiations on concluding free trade agreement," <https://eec.eaeunion.org/en/news/eaes-nachnet-peregovory-s-oaeo-zaklyuchenii-soglasheniya-o-svobodnoy-torgovle/> (Accessed June 27, 2023).

between the UAE and EAEU member countries. It also offers an opportunity for EAEU states, particularly Russia, to access Middle Eastern markets and attract investments for their economic development projects. During the Russia-UAE Business Dialogue at the St. Petersburg International Economic Forum - 2023, Andrey Slepnev, the Minister responsible for Trade of the Eurasian Economic Commission, emphasized the need to actively establish infrastructure for sectoral cooperation, which would serve as a foundation for enhancing collaborative cohesion.<sup>70)</sup> More recently, the EAEU is undergoing final stages of preparations for an FTA agreement with Egypt.<sup>71)</sup> These agreements demonstrate the strengthening of the EAEU's integrated efforts to expand its trade partnerships and reduce dependence on a limited number of trading partners.

#### 4) Strategies for Adaptation

Despite the positive trends in trade, the EAEU has faced challenges due to sanctions imposed by Western countries, resulting in a decline in GDP in real terms by 1.6% in 2022 compared to 2021.<sup>72)</sup> However, despite these challenges, some member states experienced economic growth during this period, with Armenia (+14.2%), Kazakhstan (+3.2%), and Kyrgyzstan (+7.0%) showing positive growth. On the other hand, Belarus saw a decrease in GDP by 4.7%, and Russia experienced a decline of 2.1%.<sup>73)</sup>

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70) Eurasian Economic Commission, "Andrey Slepnev: EAEU and UAE to Actively Develop Infrastructure for Sectoral Cooperation," <https://eec.eaeunion.org/en/news/andrey-slepnev-eaes-i-oae-budut-aktivno-razvivat-infrastrukturu-otraslevogo-sotrudniches-tva-kotoraya/> (Accessed June 27, 2023).

71) *TASS* (2022).

72) Eurasian Economic Commission, "EAEU GDP amounted to 41.5 tln Russian rubles in January-March 2023," <https://eec.eaeunion.org/en/news/vvp-eaes-sostavil-41-5-trln-rossiyskikh-rublej-v-yanvare-mae-2023-goda/> (Accessed August 2, 2023).

In light of sanctions, the EAEU has implemented support mechanisms for its members, including a parallel import system, tariff safeguards, and customs tools to enhance domestic market influx with both investment and consumer goods. Specifically, Russia activated the parallel import system on March 30, 2022, as a countermeasure to Western sanctions and potential domestic product scarcities. Consequently, trade between Russia and Central Asian nations surged due to heightened parallel imports.<sup>74)</sup> This system permits entities beyond exclusive, patent-affiliated importers to introduce goods, enriching Russia's import variety. To bolster parallel imports, it's essential to diversify logistics channels, including establishing foreign trade entities in EAEU nations and engaging with non-sanctioning third-country intermediaries. Furthermore, EAEU partners should receive significant incentives that adequately counterbalance potential risks.

The EAEU also has pivoted towards national currency settlements in response to Western sanctions. Collaboratively, the EAEU and BRICS are considering a unified payment system to streamline trade, potentially sidestepping SWIFT to ensure fluid financial transactions. This proposal includes the introduction of a singular payment card, incorporating national systems such as Russia's Mir and China's Union Pay.<sup>75)</sup> To further aid businesses, the EAEU has reformed its customs and tariff policies. Notably, a March 17, 2022 session of the Eurasian Economic Commission's Council introduced modifications to marketing protocols for medicines,

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73) Eurasian Economic Commission (2023).

74) *Reuters*, "Russia approves 'parallel imports' after top brands halt sales," March 30, 2022, <https://www.reuters.com/business/retail-consumer/russia-approves-parallel-import-s-after-top-brands-halt-sales-2022-03-30/> (Accessed June 26, 2023).

75) Eurasian Economic Commission, "EAEU and BRICS to address creating universal payment system and independent global institutions," <https://eec.eaeunion.org/en/news/eaes-i-briks-prorabotayut-sozdanie-universalnoy-platezhnoy-sistemy-i-nezavisimyykh-mezhdunarodnykh-in/> (Accessed June 27, 2023).

simplified origin documentation processes, maintained zero import duties for select products, and initiated programs to bolster economic unity.<sup>76)</sup> Essential EAEU enterprises can now opt for staggered payment plans for import duties, and over 20 EAEU regulations have been amended to prevent undue strain on businesses.

Moreover, Russian President Putin has officially ratified the agreement on May 16, 2023 to establish the Eurasian Reinsurance Company (ERC), signing a Federal Law to that effect.<sup>77)</sup> The agreement, which was signed on October 20, 2022, in Yerevan, the capital of Armenia, aims to capitalize the ERC through contributions from the member states of the Eurasian Intergovernmental Council and international financial institutions. With an anticipated insurance capacity of \$2 billion, the ERC has the potential to boost mutual trade within the EAEU by over \$6 billion.<sup>78)</sup> In 2023, key priorities for the EAEU include increasing investments in the union market, ensuring food security, developing logistics chains and digitalizing transportation, and accelerating the formation of the common financial market. Additionally, the EAEU aims to capitalize on the export potential of member countries, with a specific focus on timber processing and the development of supply routes within the Eurasian region.

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76) Eurasian Economic Commission, "Outcomes of EEC Council on March 17," <https://eec.eaeunion.org/en/news/itogi-soveta-EEK-17-marta/> (Accessed June 27, 2023).

77) Interfax, "Putin signs law to ratify agreement to establish Eurasian Reinsurance Company," <https://interfax.com/newsroom/top-stories/90950/> (Accessed June 27, 2023).

78) Алта-Софт, "Россия и ОАЭ активно развивают инфраструктуру отраслевого сотрудничества," [https://www.alt.ru/ts\\_news/99565/](https://www.alt.ru/ts_news/99565/) (Accessed June 24, 2023).



## **V. Implications for the EAEU's Regional Integration Outlook**

### **1. Unvarying Factors: What Stays the Same?**

Since there is no post-war political integration framework that has been newly agreed by the EAEU member states, the fundamental characteristic of the Union will remain unchanged. The rejection towards further political convergence mainly comes from Kazakhstan, which insists that the EAEU remain a purely economic union. Thus, EAEU will remain its limited scope of agenda; primarily focused on promoting economic integration and cooperation between its member states, without mandate for foreign policy or military action. Likewise, the commitment of EAEU member states to economic integration and cooperation remains unchanged. Despite the challenges posed by the Russian invasion of Ukraine, the EAEU continues to pursue its objectives of promoting trade, investment, and economic growth within the region. The importance of regional cooperation and integration in mitigating the economic impact of external shocks and sanctions is likely to remain a key focus for the EAEU.

### **2. Risk Factors: What Can Weaken the Union?**

The EAEU faces major internal and external challenges, impacting its unity and objectives. A primary issue is the political discord among member states. Given its economic focus, the EAEU often finds consensus on political matters elusive, impeding decision-making efficiency. This can lead to unequal treatment, unfair distribution and hence, limit the overall effectiveness of the Union. Meanwhile, Kazakhstan's resistance

to political gestures, like an EAEU inter-parliamentary assembly, underscores these internal rifts. Additionally, the EAEU's deficient enforcement mechanisms can result in inconsistent adherence to its regulations, diminishing its effectiveness. The varying integration visions of Russia and Kazakhstan further strain the Union. While Putin advocates for deeper, including political, integration, Kazakhstan, maintaining its multi-vector approach, is wary of the Union's potential politicization, possibly being used by Russia for foreign policy leverage.<sup>79)</sup> This ongoing disagreement could weaken the cohesiveness of the union and hinder opportunities for further cooperation. Additionally, if the Union becomes more politicized, it may deter potential candidates like Uzbekistan, Azerbaijan, and Georgia from joining.<sup>80)</sup>

The situation becomes more complex against the backdrop of Russia's actions in Ukraine. Should Russia face defeat in the war against Ukraine, the implications for the EAEU might be profoundly adverse. A setback for Russia would not only expose vulnerabilities in its military apparatus but might also cast doubts over its ability to spearhead regional agendas and influence political narratives. Such an outcome could dilute Russia's perceived leadership within the EAEU, potentially leading member states to question the wisdom of aligning too closely with Moscow's political direction. The ripple effect of a weakened Russia could cause fragmentation within the EAEU, as member states recalibrate their foreign policy stances. This could make way for diverse and, at times, conflicting perspectives, challenging the unity and harmony the union aspires for. Furthermore, member nations could pursue bilateral

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79) Caspian Policy Center, "With Kazakhstan's Rejection of Russia's Efforts to Politicize EAEU, Multi-Vector Foreign Policy is Alive and Well," <https://www.caspianpolicy.org/research/security-and-politics-program-spp/with-kazakhstans-rejection-of-russias-efforts-to-politicize-eaeu-multi-vector-foreign-policy-is-alive-and-well> (Accessed September 27, 2023).

80) Alavizadeh (2020).

relations outside the EAEU framework, further undermining the union's integrative aspirations. An EAEU being perceived as fractured or lacking a coherent vision might struggle to assert itself effectively on the global stage, reducing its diplomatic leverage. Simultaneously, the Ukraine conflict has pressured EAEU states to navigate their ties with Russia and the West. Russia's actions in Ukraine have strained its Western relations, complicating EAEU-EU diplomatic efforts. This has caused internal union tensions due to differing conflict perspectives, questioning the EAEU's future cohesiveness.

In terms of economic repercussions, both Kazakhstan and Kyrgyzstan have been grappling with the adverse repercussions of their domestic currencies depreciating, reduced remittances, and trade ban on essential commodities.<sup>81)</sup> Russia's economic interests are taking precedence over EAEU stability, notwithstanding the relaxation of grain export restrictions for member states. It seeks partners to bypass sanctions-impacted trade routes. The EAEU struggles with customs duties, previously in US dollars, which Russia wants to reconfigure.<sup>82)</sup> To address this issue, talks are in progress to replace the dollar with the Russian Ruble, Chinese Yuan, and Indian Rupee for customs duties.<sup>83)</sup> The EAEU is developing its own payment system to replace SWIFT, aiming to facilitate cross-border transactions in non-dollar currencies. The bloc is intent on reducing dollar dependence, with plans to increase internal trade in national currencies

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81) *Radio Free Europe/Radio Liberty*, "Central Asia Takes Economic Hit From Russian War in Ukraine Sooner Than Expected," March 1, 2022, <https://www.rferl.org/a/central-asia-migrants-ruble-impact/31730968.html> (Accessed June 27, 2023).

82) Chatham House, "The Eurasian Economic Union: Deals, Rules, and the Exercise of Power," <https://www.chathamhouse.org/sites/default/files/publications/research/2017-05-02-eurasian-economic-union-dragneva-wolczuk.pdf> (Accessed June 30, 2023).

83) Russia Briefing, "Eurasian Economic Union Dedollarizes; Emphasis Now On Increasing Use Of Mutual Currencies & China Yuan Trade," <https://www.russia-briefing.com/news/eurasian-economic-union-dedollarizes-emphasis-now-on-increasing-use-of-mutual-currencies-china-yuan-trade.html/> (Accessed November 18, 2023).

from 75% to 80-85%.<sup>84)</sup> This strategy is aimed at safeguarding the union's autonomy and enhancing trade between members, despite the risk of U.S. sanctions due to the shift.

Sanctions, in fact, have hindered EAEU financial integration and deepening cooperation, resulting in a dual economic system with direct and indirect financial channels. Economic sanctions on Russia have reduced its appeal to foreign investors, further challenging the EAEU's prosperity. Additionally, concerns about secondary sanctions are increasing distrust among EAEU members.<sup>85)</sup> Addressing these challenges and seeking alternative trade and investment avenues is vital for the EAEU's overall prosperity. With Russia's political clout weakened by the war, other EAEU members have spotlighted concerns, notably the uneven customs duties distribution, where Russia claims 85.1%, leaving under 15% for the rest. This imbalance highlights economic and political discrepancies, potentially impeding growth and investment for other members and challenging the EAEU's equitable principles. Such disparities could challenge the foundational principles of equity and mutual benefit that the EAEU purports to uphold. Balancing these economic setbacks while managing diverse economic priorities of member states remains crucial for the union's sustained growth and integration.

### 3. Opportunity Factors: What Can Strengthen the Union?

Within the EAEU framework, several countries are emerging as key transit hubs, pivotal in moving Western goods to Russia and directing Russian trade to Asia. This trajectory offers expanded prospects for these

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84) Russia Briefing, "EAEU Sovereign Currency Usage To Increase To 80-85% Of Total Trade," <https://www.russia-briefing.com/news/aeu-sovereign-currency-usage-to-increase-to-80-85-of-total-trade.html/> (Accessed November 18, 2023).

85) Arapova (2023).

states, particularly in the context of the notable exodus of Russia's intellectual populace and the reorientation of firms towards collaboration with Western economic entities. Data from the Central Bank of Armenia suggests a forecasted economic growth of 13% in 2023, a stark increase from the pre-conflict projection of 1.6%.<sup>86)</sup> Armenia's Prime Minister, Nikol Pashinyan, characterizes this shift as an economic renaissance for the nation. Likewise, Kazakhstan's GDP is projected to increase by 3%, and the nation is witnessing a surge in global trade, with exports rising by 1.5 times between January and August, and imports increasing by 13%.<sup>87)</sup> This burgeoning in trade and logistical acumen within EAEU states transcends mere national advancements; it signifies an intensifying economic symbiosis within the consortium. As members progressively align with the economic requisites of their counterparts and discern complementary operational synergies, the resultant effect underscores the heightened economic harmonization of the EAEU. This amplified integration not only bears witness to the union's tenacity and malleability amid external adversities but also augurs its potential consolidation as a more integrated economic entity in a post-sanction milieu.

Sanctions on Russia and Belarus could present a chance for the EAEU to bridge the 'integration motivation gap' between these sanctioned states and other members like Armenia, Kazakhstan, and Kyrgyzstan.<sup>88)</sup> EAEU states, cautious of sanctions, see benefits in closer ties with Russia and Belarus at least in the short run. Sanctions have spurred these two countries towards tighter EAEU integration, potentially profiting all

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86) *Arka.am*, "Armenia's exports to EEU almost tripled in the first half of 2023 - EEC," September 13, 2022, [https://arka.am/en/news/economy/armenia\\_s\\_exports\\_to\\_eeu\\_almost\\_tripled\\_in\\_first\\_half\\_of\\_2023\\_eeec/](https://arka.am/en/news/economy/armenia_s_exports_to_eeu_almost_tripled_in_first_half_of_2023_eeec/) (Accessed June 26, 2023).

87) *The Astana Times*, "Kazakhstan's Economy Grows Nearly 5% from January to August," September 13, 2023, <https://astanatimes.com/2023/09/kazakhstans-economy-grows-nearly-5-from-january-to-august/> (Accessed September 27, 2023).

88) Arapova (2023).

members. This has also made EAEU countries key for rerouting imports to Russia and diversifying Russian exports. Counterintuitively, sanctions have boosted EAEU trade integration, offering a chance to strengthen economic ties and the bloc's global standing, by balancing sanction risks with trade and investment opportunities.

Fortifying relations with nations in the Asia-Pacific and Middle East is also pivotal for the EAEU to diversify and amplify its trade reach. The Union is actively pursuing free trade agreements as a strategy to enhance global competitiveness and curtail dependence on specific trade allies. The actualization of infrastructure undertakings, encompassing transportation and digital integration within the EAEU, is essential to foster enhanced connectivity and craft a cohesive market. For holistic regional progression, it is imperative to augment institutional entities such as the Eurasian Development Bank (EDB) and incorporate key nations like China, India, and ASEAN members. Such integration would solidify the EAEU's financial framework and fortify its resilience. Notwithstanding the perturbations stemming from the Ukraine conflict, EAEU trade dynamics have exhibited positive trajectories.

## VI. Conclusion

The 2022 Russian intervention in Ukraine has profoundly influenced the political and economic dynamics within the EAEU. This study aimed to rigorously examine the political and economic impacts of this war on the integration of the EAEU. It concludes that currently, the EAEU is influenced by a combination of deepening economic integration in certain areas while facing challenges and fragmentation in political integration. Indeed, the war acts as a distinctive turning point and places the union at a critical juncture where foundational tenets rooted from

its treaty are being tested. The differential outcomes of the war, whether a victory or defeat for Russia, present contrasting implications for the EAEU's integration outlook. Based on the detailed exploration in Chapters III, IV, and V, several key findings emerge regarding the impact of the war on the EAEU's integration, both politically and economically.

Politically, the conflict has brought to the fore significant differences in the vision and aspirations of the EAEU member states, and hence, deepened the inherent fissures within the EAEU. Disagreements, particularly between Russia and Kazakhstan, regarding the extent of integration within the Union, pose significant challenges to its cohesion and hinder prospects for further cooperation. It has laid bare the EAEU's struggles in crafting a harmonized political stance, as members grapple with the dual pressures of aligning with Russia and maintaining beneficial relations with the West. The delicate act of balancing has only heightened with the external pressures of Western sanctions and the evolving geopolitical order. These fault lines underscore the challenge ahead: can the EAEU evolve into an integrated political union? Central to this debate is the role of Russia. As the leading figure within the EAEU, Russia's actions and the global responses to them have a profound ripple effect across the union. The war further accentuates Russia's dual role – acting as the linchpin for integration, yet simultaneously, given the political circumstances, a source of political divergence.

Conversely, amidst these political convolutions and geopolitical turbulences, the EAEU has demonstrated remarkable resilience and adaptability in the economic arena. EAEU member countries like Armenia, Kyrgyzstan, and Kazakhstan have experienced notable economic upswings in 2022. Their surge, especially as logistical hubs and beneficiaries of redirected trade flows, reveals the union's inherent economic strengths against external sanctions and the potential for further interdependence. This economic optimism is complemented by

the EAEU's strategic moves to diversify trade ties, especially with regions like the Asia-Pacific and the Middle East, and infrastructural endeavors aimed at enhancing connectivity and fostering a unified market.

Projecting forward, the denouement of the conflict holds profound implications for the EAEU's integrative path. A triumphant Russia might consolidate its hegemony within the EAEU, potentially catalyzing a more cohesive political unification and broadening its membership base. In contrast, an outcome less propitious for Russia might intensify political schisms, challenging Russia's pivotal stature and impeding progress toward a more integrated politico-economic entity. Consequently, the EAEU is tasked with adeptly navigating these geopolitical intricacies and reinforcing its internal unity. Forefronting diplomatic endeavors for conflict resolution and addressing the ramifications on economic amalgamation and stability is imperative. Cultivating political concordance and synergy among member nations is indispensable for efficacious policy formulation and execution within the consortium.

In sum, the EAEU's trajectory seems perched at a pivotal juncture with the Russo-Ukrainian war. While political quandaries loom, threatening its integrative fabric, concomitantly, the union is presented with economic prospects that can enhance its global stature. The EAEU's forthcoming orientation will predominantly be contingent upon its adeptness at bridging internal political divergences while leveraging its collective economic acumen. Subsequent academic inquiries ought to delve into the protracted implications of this conflict, encompassing regional conflict dynamics, external influences, and adaptive and preventive strategies. Furthermore, evaluating the ripple effects of geopolitical intricacies and identifying avenues for augmented integration will be instrumental in comprehending the EAEU's evolution and in sculpting strategies conducive to its sustained growth and stability.



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[국문초록]

## 2022년 우크라이나 전쟁이 유라시아경제연합(EAEU)의 정치적 및 경제적 통합에 미치는 영향 분석

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본 연구는 2022년 러시아가 우크라이나를 침공한 사건이 유라시아 경제 연합(EAEU)의 정치적 및 경제적 통합에 미친 영향을 분석하였다. 2015년도에 설립된 EAEU는 회원국 간의 통합을 통해 지속 가능한 경제 발전과 공동 시장 형성을 목표로 하고 있다. 그러나 우크라이나에서의 전쟁에서 비롯된 급박한 지정학적 변화는 정치적 화합과 공동 경제 성장을 위한 균형을 맞추는 EAEU의 통합 과정의 실효성에 대한 의문을 제기했다. 이 전쟁으로 인해 EAEU 회원국 간의 입장 차이가 뚜렷하게 드러났으며, 특히 카자흐스탄과 키르기스스탄의 반응은 주로 경제적인 우려를 반영하고, 벨라루스와 아르메니아는 러시아와의 안보 의존성에 중점을 두고 있다. 그럼에도 불구하고 EAEU는 다각화 및 대러 경제 제재를 최소화하는 대응 전략을 통해 2022년도 이후에도 계속해서 무역 흑자 전환에 성공하여 탄력적인 경제 흐름을 이어가고 있다. 이 연구는 우크라이나 전쟁의 결과가 EAEU의 미래에 큰 영향을 미칠 것으로 예측하며, 러시아의 승리는 정치적 통합을 더 깊게 이끌 수 있을 것이라고 강조하며, 반면에 러시아에 불리한 결과는 정치적 분열과 통합 과정을 악화시킬 것이다. EAEU의 미래는 러시아가 구심점으로서의 위력을 회복하여 내부 정치적 차이를 조율하는 동시에 경제적 강점을 활용하는 능력에 크게 달려 있으며, 이는 EAEU가 정치적 도전과 경제적 기회를 동시에 직면하고 있는 중요한 전환점에 서 있음을 시사한다.

주제어: 러시아-우크라이나 전쟁, 유라시아경제연합, 지역 통합, 우크라이나, 러시아

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