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THE EURASIAN ECONOMIC UNION AT CROSSROADS: NAVIGATING TRADE INTEGRATION AND COMPETITIVENESS

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This study investigates the Eurasian Economic Union (EAEU) as a regional economic integration bloc, analyzing its evolution, trade integration, and industrial policy framework amid shifting global dynamics. Established in 2015, the EAEU has encountered structural challenges, geopolitical upheavals, and intensifying sanctions, especially following the war in Ukraine. These pressures have disrupted trade flows, widened economic disparities among member states, and tested the bloc's cohesion. The paper emphasizes the fact that enhancing competitiveness is critical for the resilience of the EAEU, with the industrial policy serving as the cornerstone of this effort. Employing trade indicators, such as intra-regional trade shares and the Revealed Comparative Advantage (RCA) index, the study highlights uneven integration and dependence on resource-based exports. It evaluates the institutional framework of the EAEU's industrial policy, focusing on subsidy harmonization, value-added industry development, and coordination between national and regional priorities. Despite persistent institutional weaknesses and external pressures, the findings suggest that fostering industrial modernization and achieving better synergy between domestic policies and regional ambitions could strengthen the bloc's resilience and global competitiveness.

Keywords: Eurasian Economic Union, industrial policy, international competitiveness, regional economic integration, sanctions

JEL Classification: F15, L52, O24

INTRODUCTION

Amid complex global challenges, economic alliances have become vital strategies for fostering resilience and mutual benefit. Established in 2015 and comprising Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia, the Eurasian Economic Union (EAEU) exemplifies this trend. By consolidating economic policies and reducing trade barriers, the EAEU seeks to build an integrated market that leverages collective strengths to drive growth and enhance competitiveness. The Union's tenth anniversary

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in 2025 provides a timely opportunity to assess integration outcomes and remaining challenges.

The EAEU offers a compelling case study due to its unique context - once part of the Soviet Union, its member states share deep historical, economic, and political ties; however, they are now faced with the complex challenge of balancing national sovereignty with regional integration. Russia's dominant role within the bloc creates a significant asymmetry, influencing the EAEU's internal cohesion and global economic positioning. Moreover, the EAEU aspires to establish itself as a competitive economic power bloc amid shifting global dynamics, making it a valuable lens through which to examine how emerging regional unions address challenges to competitiveness. This is particularly critical for the EAEU, as its long-term viability depends on its ability to deliver tangible economic benefits to its member states, ensuring their continued commitment to the integration project.

Recent global events, including the COVID-19 pandemic and Russia's war in Ukraine, have tested the bloc's resilience. These crises disrupted supply chains, strained economies, and exacerbated geopolitical tensions. Sanctions on Russia and shifts in global alliances further destabilized the EAEU, exposing disparities in its member states' positions and questioning the bloc's capacity to remain cohesive. Additionally, competition for foreign investments and trade opportunities undermines regional collaboration, hindering deeper integration (Krapohl, 2019).

Studying the EAEU is particularly important as countries such as Georgia and Moldova continue to weigh strategic dilemmas akin to the one Ukraine confronted, deciding between deeper ties with the EAEU or alignment with the European Union (EU). This issue is also relevant for Serbia, whose prospective EU accession would require the termination of its free trade agreement with the EAEU. These scenarios underscore the intricate geopolitical and economic trade-offs countries face when balancing competing integration blocs - the choices that profoundly shape their strategic alignments and future development trajectories.

The paper examines the EAEU's trade integration and external competitiveness in the first decade of its operation. The goal is to assess the extent and evolution of intra-regional exchange and the Union's position in world markets under heightened geopolitical and economic stress. Specifically, the study poses the following research questions: (RQ1) Has intra-EAEU trade deepened since the Union's formation in 2015, and how uneven is this integration across the member states? (RQ2) Has the EAEU's global competitiveness improved, as indicated by world-export shares, external-market concentration, and the trade balance? (RQ3) Is structural upgrading underway - namely a shift in comparative advantages from resource-dependent sectors towards more diversified, higher-value-added, and more technology-intensive exports, as proxied by changes in sectoral specialization? (RQ4) What observable advances and persistent gaps characterize the EAEU's industrial-policy coordination to date? To address these questions, the paper adopts a mixed-method design combining quantitative trade indicators - specifically intra-regional export shares, the Union's and member states' shares in world exports, export/import (X/M) ratios, and the revealed comparative advantage (RCA) index - with a qualitative appraisal of industrial-policy coordination across the EAEU member states, guided by an institutional and political-economy perspective on regional integration and competitiveness. The findings aim to deepen the understanding of regional integration under asymmetric power conditions and to inform policy efforts to strengthen competitiveness within the EAEU.

The remainder of the paper comprises a review of the evolution and institutional architecture of the EAEU, an outline of the data and the indicators, a presentation of the results on intra-EAEU trade integration in a comparative perspective, market shares, trade balances, and sectoral specialization, a review of industrial-policy coordination, and the conclusion, including implications and limitations.

THE HISTORY AND EVOLUTION OF THE EURASIAN ECONOMIC UNION

The Eurasian Economic Union (EAEU) traces its origins to the dissolution of the Soviet Union in 1991, which left newly independent states grappling with economic instability and transitioning to market economies. The establishment of the Commonwealth of Independent States (CIS) in 1991 marked an early attempt at regional economic cooperation. However, the CIS struggled due to political conflicts, ideological divides, and economic devastation, leading to its limited success as an integration mechanism (Verdiyeva, 2018; Zhelev & Garashchuk, 2019).

A pivotal moment in post-Soviet regionalism came in 1994, when Kazakhstan's President, Nursultan Nazarbayev, proposed the creation of the Eurasian Union so as to strengthen economic ties. Progress was slow, with the initiatives like the Free Trade Area hindered by a lack of consensus, particularly from Russia. However, renewed efforts led to the establishment of the Eurasian Economic Community (EurAsEC) in 2000, comprising Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan. EurAsEC aimed to create the Customs Union and Single Economic Space, advancing economic cohesion through qualified majority voting, rather than by consensus (Vinokurov, 2018).

The ambition for a stronger union took a significant step forward in 2006, with Russia, Kazakhstan, and Belarus proposing a new customs union (CU), which laid the groundwork for a unified legal framework to replace individual national laws, marking a crucial progression towards an integrated region. The launch of the Common Customs Tariff among the three principal promoters of integration commenced in 2010, marking the beginning of the CU. Therefore, it can be viewed that the CU served as an important antecedent to pave way for the establishment of the EAEU.

The efforts to integrate more deeply culminated in the formation of the EAEU in January 2015, following the signing of an agreement in January 2012 intended to establish the Single Economic Space (SES), harmonizing the economic and trade policies of the member states. Before the Treaty on the Union, signed in Astana in May 2014, took effect, Armenia and Kyrgyzstan submitted applications for admission. They were subsequently accepted as members in January 2015 and August 2015, respectively.

Article 1 of the Founding Treaty states that, within the EAEU, "the free movement of goods, services, capital, and labor is guaranteed, along with the implementation of coordinated, harmonized, or unified policies in certain economic sectors," outlining the establishment of an international organization for regional economic integration that constitutes an economic union.

The institutional framework of the EAEU facilitates supranational governance through several key bodies. The Supreme Eurasian Economic Council (SEEC), comprising the heads of state, sets strategic directions and rotates meetings annually to share leadership. The Eurasian Intergovernmental Council (EIC), made up of the heads of government, oversees the implementation of the EAEU Treaty, meeting at least twice a year. The Eurasian Economic Commission (EEC), based in Moscow, acts as the regulatory body, handling integration proposals, compliance, and areas like customs and competition policy. It includes the Council (deputy prime ministers) and the Board (ministers from each state), with authority to issue binding decisions. The Court of the EAEU, located in Minsk, ensures legal consistency by interpreting the Treaty and resolving disputes. The Financial Regulatory Authority is planned for Kazakhstan to oversee financial markets but remains unestablished. The geographical distribution of these bodies, alongside the rotational meetings of the SEEC and EIC, reflects the Union's commitment to equitable partnership, balancing the influence among the member states, reducing potential sovereignty conflicts, and enhancing the integration infrastructure.

The EAEU Treaty defines three policy types: unified, coordinated, and harmonized. Unified policies apply uniformly across all the member states, coordinated policies align national strategies without full unification, and harmonized policies standardize regulations while allowing for national adaptations. Although this flexible approach accommodates differing levels of integration, critics argue it can create legal ambiguities, hinder deeper integration and reduce overall effectiveness.

However, at present, the EAEU cannot even be characterized as a common market due to the existing barriers to the free intra-regional exchange of products and production factors, as well as varying national standards concerning products and resources from third countries. Although the Union's Founding Treaty proclaims the goal of creating a common market, which ultimately should include services and production factors, it lacks provisions for specific measures covering areas beyond goods trade. The expansion of economic integration into realms beyond the trade of goods is seen as a task for "secondary legislation" stemming from the decisions of the EAEU's bodies, which have been scarce or ineffectively implemented so far (Mukhametdinov 2020).

In the area of the free movement of goods, integration within the EAEU is at its most advanced stage, yet progress has not been achieved easily. For example, the EAEU Customs Code (CC) was supposed to come into effect at the beginning of 2016, but its adoption was delayed, forcing economic agents to adhere to various national rules and international agreements, thus presenting a significant administrative barrier to mutual trade. The original Customs Code that had been in place before the creation of the EAEU was plagued by administrative barriers and inconsistencies in regulations. Following the resolution of discussion points at an intergovernmental council attended by the prime ministers of the five member states, a treaty for the EAEU CC was signed on 11th April 2017, which codified all the previously concluded international treaties governing customs relations and all the current customs procedures and technologies. A new EAEU CC was adopted, entering into force on 1st January 2018. The primary goal of this new code was to simplify the customs processes and speed up the customs clearance while removing administrative obstacles among the member nations. The Code introduced several key innovations aimed at optimizing external trade regulations and maintaining a balance of interests between the state authorities and the business community, namely electronic customs declarations, automated operations, shorter timeframes for the release of goods, authorized economic operators, and a "single window" system for services (EDB Centre for Integration Studies, 2019). However, the empirical evidence suggests that, despite such trade-facilitating measures, the EAEU's impact has mainly been confined to boosting mutual trade flows so far, without significant effects on the GDP growth, consumption, or capital formation, and with an even negative influence on employment (Pomerlyan & Belitski, 2024).

Within the EAEU's internal markets, the member states encounter various obstacles that hinder the free movement of goods, services, capital, and labor (see Table 1). These obstacles are classified into three categories (Eurasian Economic Commission, 2023):

Table 1 Obstacles in the EAEU internal market (2015-2024)

	2015	2016	2017	2018	2019	2020	2021	2024
Obstacles	259	60	62	65	71	66	59	50
Barriers	19	9	8	11	16	15	11	1
Restrictions	45	34	37	37	38	37	35	35
Exceptions	195	17	17	17	17	14	13	14

Source: Eurasian Economic Union (2024)

- barriers - obstacles to the free movement of goods, services, capital, and the labor force, arising due to the inconsistencies in the existing or adopted legislative norms not yet entered into force,
- restrictions - obstacles to the free movement of goods, services, capital, and labor, resulting from the absence of legal regulation, and
- exemptions - derogations provided for by the Union law in terms of the non-application by a Member State of the Union of the general rules of the functioning of the internal market.

To effectively address and eliminate these obstacles, the EAEU has established a comprehensive online resource, accessible at *https://barriers.eaeunion.org*. This platform enables businesses, individuals, and other stakeholders to submit appeals and report the identified barriers, restrictions, or exemptions that negatively impact trade or economic activities within the EAEU. The resource provides detailed information on the existing obstacles, procedures for their elimination, and updates on the status of submitted appeals. The platform facilitates communication between stakeholders and the EAEU regulatory bodies, promoting transparency and collaborative problem-solving.

The established procedures for considering and eliminating obstacles involve submitting detailed information about the obstacle identified through the online platform by stakeholders. Then, the EEC reviews it in order to determine its validity and assesses the obstacle as either a barrier, or a restriction, or an exemption. Consultations with the relevant member state are performed, and appropriate steps are taken so as to eliminate the obstacle. Throughout this process, the EEC monitors the implementation of the elimination measures and provides updates to the stakeholder.

Despite the availability of this online resource and the established procedures, challenges persist in effectively removing obstacles within the EAEU internal market, such as bureaucracy, differing national interests over collective EAEU goals, resulting in resistance to removing certain barriers, and variation in the legal frameworks or limited awareness of the platform and procedures.

METHODOLOGY

This study employs a mixed-method approach to evaluate the integration and competitiveness of the EAEU, combining quantitative trade indicators with a qualitative analysis of the policy frameworks and institutional developments. While econometric methods are often used in similar assessments, they are not appropriate here due to the limited available time series data since the EAEU was founded in 2015. Additionally, the structural heterogeneity among the member states, along with significant geopolitical and institutional influences, makes it difficult for standard econometric models to capture the full complexity of the integration process. Instead, the approach employed in this study integrates key trade indicators with insights from the literature review and political economy analysis, offering a more comprehensive understanding of the EAEU's dynamics.

The share of intra-regional trade in the total trade of the region is the indicator most commonly used for measuring the degree of trade integration within a regional economic union (Arupov, Abaidullaeva, Kalieva & Arupova, 2015). To this end, various modifications of the market share indicator (XS) are calculated, following the formula:

$$XS = \frac{\sum_{sd} X_{sd}}{\sum_{sw} X_{sw}} * 100 \quad (1)$$

where *s* represents the set of the source countries, *d* is the set of the destination countries, *w* are the countries worldwide, and *X* denotes the value of exports.

Thus, the numerator represents the exports from the countries within the studied region (the source countries) to the destination countries (in this case, the partner countries from the same region), while the denominator represents the region's total exports to the world. XS ranges between 0 and 100 percent, with higher values indicating a greater significance of a given regional trade bloc. An increase in HS over time can be interpreted as indicating the fact that the economies in question are becoming more integrated (Mikic & Gilbert, 2007). For a more comprehensive analysis of the degree of trade integration, a comparative approach will be employed, calculating the market share indicator for intra-regional trade not only within the EAEU but also in other regional economic unions from various parts of the world.

To investigate the international competitiveness of the EAEU and its dynamics, the market share indicator will be used again, this time for the member states on the world market. High and increasing values of this indicator signify improved competitive positions in the global economy. This approach allows for gauging the effectiveness of the EAEU in realizing its integrative objectives and makes it possible to understand the extent to which it has been able to leverage its collective resources in order to enhance the economic standing of its member states on the world stage.

The analysis of the Export/Import ratio data for the EAEU and its member states from 2015 to 2024 provides valuable insights into the trade balance dynamics and economic resilience of the Union and the individual countries within it. This ratio is a crucial indicator, with the values above 1.0 signifying that a country exports more than it imports, indicating a positive trade balance, whereas the values below 1.0 suggest a trade deficit.

Finally, to evaluate the international competitiveness of the EAEU, the RCA index, which measures the relative export performance of a country or regional bloc in a specific product or sector, will be applied. An RCA value greater than one indicates a comparative advantage, suggesting that the country is competitive in that sector on the global market. The analysis of the RCA data for the EAEU member states enables the identification of the areas of strength and specialization, providing insights into how effectively the Union leverages its collective resources to enhance its global trade position.

The RCA index is calculated using the following formula:

$$\mathrm{RCA} = \frac{\left(\frac{X_{ij}}{X_{it}}\right)}{\left(\frac{X_{wj}}{X_{wt}}\right)} \tag{2}$$

where Xij represents the export value of the product j from the country i, Xit is the total export value of the country i, Xwj is the world export value of the product j, and Xwt is the total world export value. An RCA index greater than 1 indicates that the bloc has a comparative advantage in the given product or sector, suggesting the specialisation that could be leveraged in the context of the EAEU's integration objectives.

RESULTS AND DISCUSSION

The trade integration of the EAEU in a comparative perspective

Table 2 demonstrates a significant variation in the intra-regional export shares across the major economic blocs, reflecting differences in their integration levels, economic structures, and geopolitical contexts. The European Union (EU-27) leads with an average intra-regional export share of 58.6% over 2015-2024, peaking at 60.8% in 2022, and remaining close to that level thereafter (60.2% in 2023; 59.7% in 2024). This exceptional performance highlights the EU's advanced integration, supported by the robust legal and institutional frameworks that facilitate the free movement of goods, services, capital, and labor. As the model of regional economic cohesion, the EU often serves as an inspiration for the EAEU's integration ambitions (Klofat, 2017).

In comparison, the EAEU's intra-regional export share averages just 10.4%, aligning more closely with developing regional blocs, such as MERCOSUR (11.7%), COMESA (9.1%), and the GCC (10.0%). This modest figure underscores the bloc's limited economic interdependence and progress in creating a unified internal market.

MERCOSUR and ASEAN illustrate varied integration outcomes among developing regions. MERCOSUR's

Table 2 The intra-regional export shares within the EAEU and the selected integration blocs (2015-2024, %)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-24
Gulf Cooperation Council	8.8	8.6	10.1	10.6	11.0	11.9	10.7	9.6	10.6	7.9	10.0
EU-27	56.6	57.4	57.6	58.2	57.7	58.3	59.7	60.8	60.2	59.7	58.6
MERCOSUR	13.6	13.1	12.7	12.0	10.5	11.0	10.8	10.7	11.6	10.9	11.7
ASEAN	24.3	23.8	23.8	24.2	23.3	21.4	21.6	22.9	22.1	21.2	22.9
NAFTA	50.4	50.3	50.1	49.4	49.6	49.2	49.8	49.8	50.7	50.6	50.0
COMESA	9.8	10.5	8.6	8.2	8.5	9.8	9.5	9.1	9.8	7.2	9.1
EAEU	10.9	11.9	12.1	10.7	11.6	12.9	11.7	5.5	7.5	9.2	10.4
Armenia	16.0	21.7	25.8	27.9	28.4	27.4	28.2	46.4	42.7	25.3	29.0
Belarus	40.9	48.2	46.4	41.0	43.9	47.5	37.3	9.4	11.8	13.3	34.0
Kazakhstan	11.1	10.7	10.6	9.7	10.9	11.8	13.0	12.7	14.0	13.4	11.8
Kyrgyzstan	31.0	27.0	31.7	32.2	31.6	27.8	48.4	66.8	38.5	36.9	37.2
Russia	8.3	8.9	9.3	8.4	8.9	9.8	9.3	3.9	5.3	7.5	8.0

Source: Authors based on the ITC data

share trends downward relative to the mid-2010s (from 13.6% in 2015 to 10.9% in 2024, with a trough of 10.5% in 2019), while ASEAN's fluctuating average (22.9%) represents moderate success in fostering economic cooperation despite some easing in the early 2020s. Meanwhile, NAFTA (now the USMCA) maintains stability, with a decade-long average of 50.0%, showcasing strong and durable interdependence among its member states.

The EAEU's modest internal trade intensity reflects pronounced structural asymmetries. Smaller economies - Armenia (29.0%) and Kyrgyzstan (37.2%) - are markedly more reliant on intra-bloc markets, whereas Russia (8.0%) and Kazakhstan (11.8%) remain outward-oriented. Belarus is an outlier: despite a high decade average (34.0%), its shares a plunge to 9.4% (2022), 11.8% (2023) and 13.3% (2024). The timing and magnitude suggest statistical breaks (confidentiality, flow reclassification, mirror-flow lags) layered onto sanctions-related reorientation; these observations should be treated with caution.

War-era shocks accentuated these differences. Russia's intra-EAEU share fell to 3.9% in 2022 and recovered only to 7.5% by 2024 as exports pivoted towards extra-regional partners. Kazakhstan edged up (14.0% in 2023; 13.4% in 2024) but remains with limited regional value-chain links. Armenia and Kyrgyzstan acted as intermediary hubs: Armenia surged to 46.4% in 2022 (42.7% in 2023) before normalizing to 25.3% in 2024; Kyrgyzstan spiked to 66.8% in 2022 and eased to 38.5% and 36.9% in 2023-2024 - still above the mid-2010s levels. Overall, the 2015-2024 evidence points to the internal market that is thin and shock-sensitive: wartime re-exports and intermediation produced only a partial rebound and did not restore pre-war intensity, while revealing divergent member responses to shared shocks.

The geopolitical shifts following the war in Ukraine have forced the EAEU to re-orient its trade focus toward Asia. Figure 1 shows China as the largest destination in 2024 (29.0% of the total exports), followed by India (12.9%) and Türkiye (9.5%). This pivot partly offsets losses in Western markets due to sanctions but increases partner concentration: the top three now absorb just over one-half of the total exports. With negligible sales to the Americas and the limited reach beyond Asia, the export base remains narrow, leaving the bloc exposed to partner- and corridor-specific shocks.

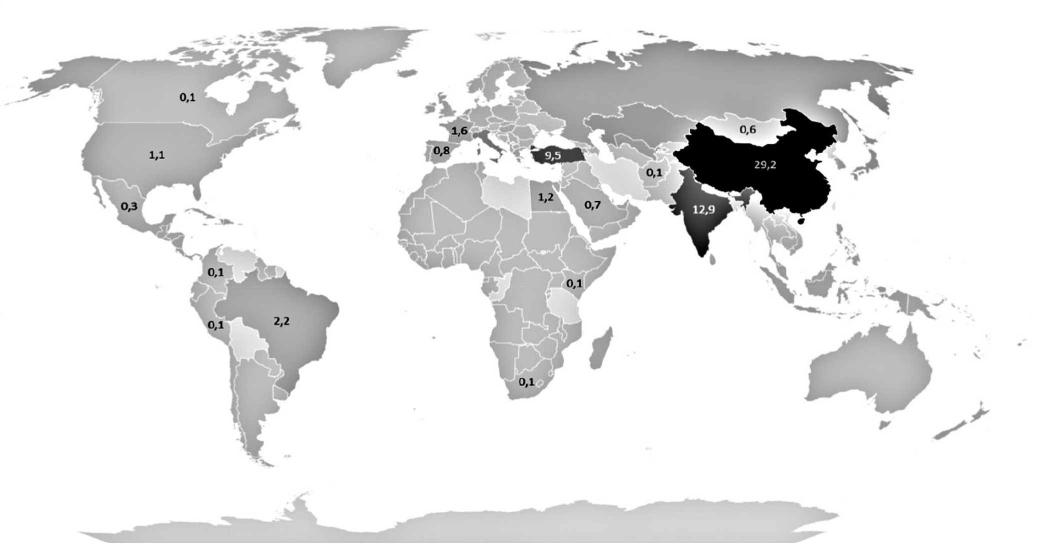

Figure 1 The top export markets of the EAEU in 2024 (in %)

Source: Authors based on the ITC data

The international competitiveness of the EAEU

Regional integration blocs offer countries opportunities to enhance their productivity and international competitiveness through increased market access, economies of scale, foreign investment attraction, technological transfer, and production specialization. Established with these goals in mind, the EAEU seeks to foster stable economic development, improve living standards, and enhance the competitiveness of its member states. Article 4 of the Founding Treaty articulates these objectives, including the creation of a single market for goods, services, capital, and labor, and a comprehensive modernization of national economies for global competitiveness.

Table 3 illustrates the EAEU's fluctuating share in global exports from 2015 to 2024. After the 2016 trough, the share rose to local highs in 2018-2019 (~2.8%), dipped with the 2020 pandemic shock, briefly rebounded in 2021-2022, and then fell to a decade low in 2024 (2.11%). The profile - episodic gains interrupted by sanctions and other external shocks, compounded by internal structural constraints - underscores the bloc's difficulty in achieving sustained improvements in global competitiveness.

Russia, the bloc's dominant economy, largely shapes the aggregate trajectory: after local highs in 2018 (2.32%) and 2022 (2.35%), its share fell to 1.79% in 2023 and 1.67% in 2024. Belarus also contracted sharply - from ~0.17-0.18% pre-2021 to 0.03% in 2023-2024 - but, as indicated earlier, this may reflect a statistical break in the series. By contrast, Kazakhstan edged up from 0.28% (2015) to 0.34% (2024), suggesting relative resilience in commodity exports. The smallest economies, Armenia and Kyrgyzstan, remain marginal in global terms but registered war-era upticks (Armenia from 0.01% to 0.05% by 2024; Kyrgyzstan from 0.01% to 0.02%), consistent with increased re-exports and intermediation.Top of Form

The Export/Import (X/M) ratio, shown in Table 4, reveals the trade-balance dynamics of the EAEU and its member states. While the Union as a whole maintained a positive trade balance, peaking at 2.58 in 2022, the decline to 1.62 in 2023 - and the persistence of 1.62 in 2024 - indicates that the 2022 spike was temporary, driven by the extraordinary price and volume effects that subsequently unwound.

Table 3 The market share of the EAEU and its member states in world exports (2015-2024, in %)

Years	EAEU	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Russia
2015	2.49	0.01	0.16	0.28	0.01	2.03
2016	2.19	0.01	0.15	0.23	0.01	1.79
2017	2.50	0.01	0.17	0.28	0.01	2.03
2018	2.84	0.01	0.17	0.32	0.01	2.32
2019	2.76	0.01	0.18	0.31	0.01	2.25
2020	2.39	0.01	0.17	0.27	0.01	1.93
2021	2.70	0.01	0.18	0.27	0.01	2.22
2022	2.73	0.02	0.05	0.31	0.01	2.35
2023	2.21	0.04	0.03	0.33	0.01	1.79
2024	2.11	0.05	0.03	0.34	0.02	1.67

Source: Authors based on the ITC data

Table 4 The Export/Import ratio of the EAEU and its member states (2015-2024)

Years	EAEU	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Russia
2015	1.67	0.46	0.88	1.50	0.42	1.88
2016	1.44	0.56	0.85	1.46	0.39	1.57
2017	1.47	0.55	0.85	1.65	0.40	1.57
2018	1.72	0.50	0.88	1.87	0.36	1.89
2019	1.56	0.52	0.83	1.50	0.40	1.73
2020	1.34	0.55	0.89	1.23	0.53	1.46
2021	1.54	0.56	0.95	1.46	0.30	1.68
2022	2.58	0.61	0.89	2.46	0.23	2.91
2023	1.62	0.70	0.44	1.29	0.27	1.93
2024	1.62	0.78	0.40	1.37	0.31	1.93

Source: Authors based on the ITC data

Russia, which largely determines the aggregate, sustained a positive X/M throughout, having surged to 2.91 in 2022 before normalizing to 1.93 in 2023-2024. Kazakhstan also remained in surplus, with the wartime peak of 2.46 in 2022, followed by a retreat to 1.29 in 2023 and 1.37 in 2024, consistent with commodity-cycle swings. Belarus continued to register a deficit, deteriorating from near-balance in the late 2010s to 0.44 in 2023 and 0.40 in 2024. Armenia and Kyrgyzstan likewise posted deficits, though their trajectories diverged: Armenia improved steadily from 0.46 (2015) to 0.78 (2024), whereas Kyrgyzstan fell to 0.23 (2022), with only a partial recovery to 0.31 (2024).

Taken together, these patterns underscore the Union's heterogeneity. Russia and Kazakhstan underpin the EAEU's overall surplus position. At the same time, Belarus, Armenia, and Kyrgyzstan continue to face persistent external imbalances, highlighting ongoing challenges in achieving sustained improvements in trade performance across the Union.

In Figure 2, the RCA index provides an analytical view of the EAEU's export specialization across the three post-treaty intervals: 2015-2017, 2018-2020, and 2022-2024. The data confirm a persistent and pronounced comparative advantage in Mineral Products (HS 25-27) and Chemicals (HS 28-38). Mineral Products

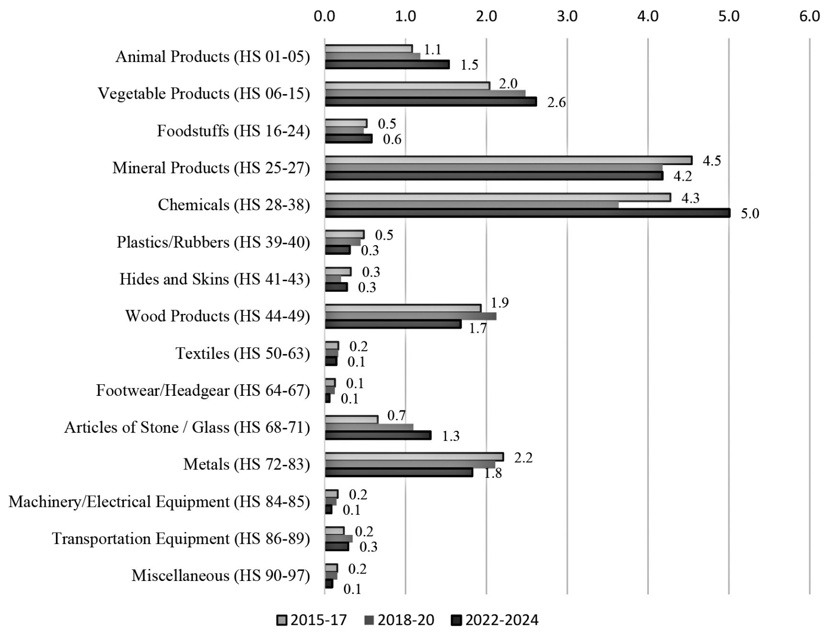

Figure 2 The RCA index (weighted average) of the EAEU in world trade for the period from 2015 to 2017, 2018 to 2020, and 2022 to 2024.

Source: Authors based on the ITC data

remain high and broadly stable (RCA 4.5 in 2015-2017; 4.2 in 2018-2020 and 2022-2024). Chemicals declined during the pandemic (from 4.3 to 3.6) and then rose to 5.0 in 2022-2024, chiefly reflecting the performance of fertilizers. Agriculture strengthens in that RCAs for Animal Products increase from 1.1 to 1.5 and for Vegetable Products from 2.0 to 2.6, while Foodstuffs edge up but remain below unity (0.6 in 2022-2024). This pattern is consistent with the EAEU's emphasis on import substitution and the expansion of domestic agricultural production under sanctions and is primarily driven by developments in Russia.

By contrast, intermediate and higher-technology manufactures weaken: Metals fall from 2.2 to 1.8; Plastics/Rubbers from 0.5 to 0.3; and Machinery/Electrical Equipment remains persistently low at about 0.1. Transportation Equipment improves slightly from 0.2 to 0.3 but remains far below unity. A notable exception is Articles of Stone/Glass, which move above unity (from 0.7 to 1.3), while Wood Products soften (from 2.1 to 1.7).

Overall, the data point to the critical constraints: resilience in the resource-based sectors and gains in agriculture coexist with continued reliance on commodities and weak performance in technology-intensive industries - a configuration also observed in Serbia's post-transition industrial trajectory, where the limited upgrading of the technological base curtailed competitiveness and export diversification (Mićić, 2015). Against this backdrop, it is essential the EAEU's industrial-policy framework, and the mechanisms of intra-regional coordination should be examined more closely, which is the focus of the next section.

The industrial policy of the EAEU - achievements and challenges

The industrial policy of the EAEU is a central pillar of its integration strategy, designed to enhance its economic competitiveness and foster structural transformation across the member states. Rooted in the Treaty on the EAEU, signed in May 2014, the policy framework emphasizes a balanced development while safeguarding national sovereignty. Article 92 of the Treaty outlines the guiding principles, such as equal rights, respect for national interests, and the protection of economic independence (Eurasian Economic Commission, 2014). Despite these aspirations, the practical implementation of the industrial policy reveals a stark contrast between the stated objectives and the realities on the ground, often hindered by divergent national priorities.

The institutional framework of the EAEU's industrial policy is based on a collaborative model involving both the EEC and national authorities. The EEC is responsible for coordinating policy measures, harmonizing regulations, and overseeing the implementation of industrial initiatives. However, the existing approach has been criticized as disjointed and more theoretical than practical due to the ineffective coordination mechanisms (Gusakov, Andronova, Ganeeva & Dyuzheva, 2019). In practice, the EEC often lacks the necessary authority and resources to enforce its recommendations, especially in politically sensitive areas like subsidies and industrial partnerships. National governments frequently prioritise domestic interests, leading to delays in joint projects such as the development of industrial clusters and technological platforms. This fragmented approach, coupled with conflicting strategies among the member states, undermines collective action and hinders deeper integration (Alzhanova, Dnishev & Alzhanova, 2023).

The "Main Directions of Industrial Cooperation until 2025", a key policy document approved by the Intergovernmental Council in 2015, outlines strategic priorities for industrial development. This plan emphasizes innovation and technological advancement through initiatives such as the creation of technological platforms in sectors like space, medicine, and information technologies (Eurasian Economic Commission, 2015). Additionally, guidelines for financing interstate projects aim to enhance industrial collaboration among the member states. However, progress has been uneven, often hindered by bureaucratic inefficiencies and varying levels of political commitment.

These challenges are compounded by the lack of coordination between national industrial policies, including import substitution programs, which undermines the overall effectiveness of the EAEU's industrial policy. The absence of a structured framework for selecting priority industries and forming integrated value chains further restricts the bloc's ability to achieve cohesive industrial development (Kusainov & Zhumabekova, 2022). Strengthening coordination and aligning national strategies with the Union's goals remain critical for realizing the objectives outlined in the EAEU's industrial agenda.

A persistent challenge in the EAEU's industrial policy lies in the regulation of state subsidies. Article 93 and Annex 28 of the EAEU Treaty classify subsidies into permissible, specific, and prohibited categories to maintain fair competition. However, discrepancies in how subsidies are allocated across the member states create significant barriers to effective policy harmonization. For example, Kazakhstan's broad, untargeted subsidies dilute the impact of industrial support, whereas the low levels of export-credit subsidies hinder competitiveness in key markets (Kamalyan, Tsybulnik & Pak, 2022). The lack of a unified approach to subsidies exacerbates tensions among the member states, complicating the efforts to develop a cohesive industrial strategy and fostering the perceptions of favoritism.

These tensions are evident in the Kazakh dairy sector, where extensive state support to Russian and Belarusian producers, combined with the post-sanctions redirection of their supplies to EAEU markets, has generated an influx of the low-priced imports that Kazakh farms struggle to match. Despite sustained public investment in farm modernization, local producers face weak demand from processing plants and continued persistent price undercutting, broadly perceived as *de facto* dumping, producing acute financial stress (Yesbolova, Abdikerimova, Kuashbay, Sadykbekova & Bigeldieva, 2025). In response, the government has considered additional support to domestic farms; however, absent tighter Union-wide discipline on subsidies and enforceable anti-dumping remedies, unilateral measures risk a subsidy race and deeper intra-Union frictions.

In spite of these challenges, the EAEU has made progress in certain aspects of the industrial policy. The creation of the EAEU Industrial Policy Council and the Agro-Industrial Policy Council has facilitated dialogue among the member states, leading to initiatives such as the integration of the space and geo-information systems and the development of industrialization maps. Consisting of 158 major investment projects worth over $239 billion across 34 industries, the Industrialization Map focuses on promoting import substitution and enhancing cross-border cooperation, particularly in machinery, forestry, and construction materials. Furthermore, the annual review of over 800 subsidy-related legal acts has contributed to improved regulatory coherence, reducing disparities in industrial support measures across the Union (EEC, 2023).

Structural challenges remain a significant barrier to the EAEU's industrial development. Most member states remain focused on traditional, capital-intensive industries, limiting diversification and the development of new growth sectors. The economies of Russia and Kazakhstan are heavily reliant on the export of raw materials, making them vulnerable to fluctuations in global commodity prices. This dependence limits the Union's ability to diversify its industrial base and reduces its resilience against external economic shocks. Moreover, economic disparities among the member states pose a challenge to integration; while Russia and Belarus have established industrial bases, Armenia and Kyrgyzstan lag in terms of industrial development and infrastructure, constrained by structural economic limitations, logistical bottlenecks, and small-scale agricultural production systems (Bekbolotova, Djanibekov & Herzfeld, 2025). The imposition of international sanctions on Russia and Belarus has further complicated the situation, disrupting supply chains and slowing down the efforts to modernize industries across the region (Kamalyan *et al*, 2022).

A significant weakness in the EAEU's industrial policy lies in the insufficient technological integration among the member states, exacerbated by the weak legal frameworks and the inadequate infrastructure for technology transfer, which hinder the development of a cohesive and innovative industrial base (Alzhanova *et al*, 2023). The bloc's heavy reliance on external markets for intermediate goods, alongside limited intra-EAEU trade, reveals critical vulnerabilities in establishing resilient and integrated value chains. Studies indicate that reliance on foreign markets for industrial supplies exceeds intra-EAEU trade volumes by more than five times, highlighting the urgent need for enhanced internal cooperation and robust supply chain development (Krivoguz & Fesenko, 2022).

Looking ahead, the EAEU aims to extend its industrial cooperation strategy to 2030, focusing on smart technologies, expanding cooperation in nonfinancial industrial support mechanisms, and enhancing export promotion to third-country markets such as China, Türkiye, and African nations. These priorities reflect emerging opportunities and strategic directions for the Union's industrial development (Borisenko, 2022).

The financial support mechanism for industrial cooperation in the EAEU, signed in May 2023 and ratified in June 2024, aims to foster technological development, create value chains, and boost mutual investments among the member states. The mechanism provides financial subsidies, primarily through reduced interest rates on loans, to the cooperative projects that involve participants from at least three member countries. While the mechanism seeks to strengthen industrial ties and create sustainable value chains, it faces challenges, including the complexity of coordination between multiple stakeholders and potential disparities in financial and industrial capacities across the member states. The effectiveness of the mechanism will largely depend on its ability to ensure equal participation and benefits for all the member states, as well as its responsiveness to evolving economic conditions.

CONCLUSION

Drawing the evidence together, the EAEU's thin integration and narrow, resource-based specialization are explained through asymmetric endowments and limited supranational authority, and a transparent indicator framework linking intra-union trade intensity, the world-market share, export concentration, and revealed comparative advantage is proposed.

In direct response to the research questions, only the modest and uneven deepening of intra-EAEU trade across the member states is found (RQ1); there is no sustained improvement in global competitiveness, as indicated by the Union's share of world exports and the diversification of external markets (RQ2); no durable structural upgrading away from resource dependence, with persistent disadvantages in higher-technology, and value-added manufactures is found (RQ3); finally, there is an industrial-policy trajectory marked by demonstrable advances alongside persistent gaps in implementation and enforcement (RQ4).

The EAEU's industrial policy holds a significant potential to enhance global competitiveness but demonstrates a dual reality - notable achievements alongside persistent challenges. Progress has been made in harmonizing regulations, aligning subsidy frameworks, and initiating collaborative projects. Initiatives such as the Industrialization Map and the promotion of green technologies reflect the Union's ambition to foster innovation and reduce import dependency in the key sectors. However, these efforts are often undermined by the inconsistencies between national and regional priorities, uneven industrial development, and a lack of a coordinated implementation. The member states frequently prioritize domestic interests over collective goals, while less industrialized economies struggle to compete with more advanced ones.

To address these challenges, the EAEU must adopt a cohesive and strategic approach to the industrial policy. Strengthening the Eurasian Economic Commission's supranational authority is critical for improving coordination and resolving conflicts between national and regional objectives. Prioritizing technological modernization, with investment in high-tech industries and value-added production, is essential to reducing dependence on raw materials. The comparative evidence from Serbia shows that such shifts require not only investment but also coherent reform strategies and sustained policy consistency to enable transition from low- to high-value-added industries (Mićić, 2015; Jakopin, 2020). Through integrated value chains and reduced trade barriers, enhanced intra-regional trade will also bolster economic resilience. Additionally, diversifying export markets by forging stronger ties with emerging economies will mitigate the risks of over-reliance on limited external markets.

A coordinated, forward-looking strategy that aligns national and regional priorities is vital for the EAEU to overcome internal disparities, advance technological innovation, and foster intra-regional trade. By addressing these challenges, the Union can strengthen its global competitiveness and achieve sustainable economic growth for its member states.

These conclusions should be read with due regard to several limitations: the study is observational and relies on the aggregate goods-trade indicators over a relatively short post-formation horizon punctuated by large exogenous shocks, services and firm-level dynamics are not fully captured, and re-exports and parallel-trade channels may bias intra-union diagnostics. Future research should examine the causal effects of subsidy harmonization and the cooperation-finance mechanism on intermediate-goods trade and upgrading, undertake firm- and product-level studies of technology adoption and export sophistication, improve the accounting of re-exports, extend coverage to services and digital trade, and conduct project-level evaluations of the Industrialization Map and related initiatives, including counterfactual benchmarking against peer regional blocs.

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