

## REFLECTIONS ON EU-RUSSIA TRADE RELATIONS

Vito Bobek<sup>398</sup>

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**Abstract:** *The purpose of this paper is to prove that the EU and Russia have a strong and interdependent trade relationship. The EU is Russia's main trading partner and investor and Russia is the second largest export destination. The European commerce is increasingly present in Russia, despite problems with custom procedures, cumbersome bureaucracy and trade barriers. We have focused on the fact that the large volume of trade between the two sides should not be taken as evidence of such close economic ties. In truth, the lion's share of Russia's export to Europe is energy and the oil and gas pipelines that carry that trade are inherited from the Soviet Union. There is not a significant flow of direct investment in either direction. Main benefit of the paper is to present how the WTO accession of Russia represents a milestone in EU-Russia trade and investment relations, so the EU's first priority in its trade policy towards Russia has been achieved. In this paper, we will firstly present how the European Commission should focus the attention on custom practices, non-tariff barriers, and intellectual property, as these showed to be the main challenges for the European commerce. In this context it must be emphasised, that Russia's Accession to the WTO is crucial for the increase of the bilateral relations right up to a successful conclusion of a bilateral Free Trade Agreement. Secondly, we will present what consequences of 'Customs Union – Eurasian Union' for EU – Russia Trade Relations could be expected. Thirdly, we will analyse EU-Russia bilateral trade relations. The main framework for the EU-Russia trade relationship for the last more than ten years has been The Partnership and Cooperation Agreement (PCA), which regulated the economic and political relations between the EU countries and Russia. Currently a new agreement is being thrashed out to put into place bilateral trade and investment rules between the EU and Russia for the coming years based on a more stable and predictable time in Russian relations. It will be termed the Partnership for Modernisation (P4M) and will aim to boost cooperation between EU states and Russia. The P4M launched by Russia and the European Union (EU) in 2010 was expected to promote reform and give renewed momentum to their relationship, develop cooperation on trade, economy and energy security, to support*

**Prof. Vito Bobek**

currently works as a professor of international management at DOBA Faculty of Applied Business and Social Studies, at the University of applied sciences FH Joanneum (Graz, Austria) and at the University of Maribor (Slovenia). Since 2017 he acts also as Vice-President for Global Operation at global platform for protection and communication of intellectual property Save-Ideas.com©. Other positions: Manager and owner of Palemid LLC, Member of supervisory board at KBM Infond, Regional editor for Central and Eastern Europe at "European Journal of International Management", Member of editorial board at "International Journal of Trade and Global Markets", Member of editorial board at "Imago Europae" (Florence, Italy)", Member of editorial board at "International Journal of Diplomacy and Economy".  
Research interests: International Business, Strategic Management, Regional Economic Integration, Cross-Cultural Management and Management of Cities and Regions.



<sup>398</sup> DOBA Faculty of Applied Business and Social Studies, Prešernova 1, 2000 Maribor, Slovenia; University of Applied Sciences FH Joanneum Graz, Eggenberger Allee 11, 8020 Graz, Austria

*growth and contribute to the global economic recovery. Four years and seven summits after its birth the P4M is established as an institution with a capacity for coordination and governance of priorities and interests, a catalysing effect for advancing investment and a potential to contribute to building the Common Spaces (CSs). As the main method, a case study analysis of bilateral relations will be implemented. We will also use the method of collecting data and information, questioning and recording, descriptive method and deductive method.*

**Key words:** *EU-Russia trade relationship, WTO accession of Russia, 'Customs Union – Eurasian Union*

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