UNIVERSITY OF ECONOMICS, PRAGUE

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# Post-Soviet space in the context of Mutual Economic Relations

(Bachelor’s Thesis)

Author: Martin Slavík

Supervisor: Ing. Ilya Bolotov, Ph.D., MBA

**Author's Declaration**

Herewith I declare that I have written the Bachelor's Thesis on my own and I have cited all sources.

Prague, 26 April 2018

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*Author's Signature*

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## Introduction

The intention of this paper will be to elaborate closely on the different economic developments and trade orientations of post-Soviet and Baltic countries since the collapse of the Soviet Union. I will look thoroughly on the economic importance of Russian Federation for each country and classify their three levels of trade collaboration into strong trade sympathisers, moderate sympathisers, and individual economic drivers. The international trade indicators such are import & export flows, remittances, and financial transfers of individuals together with the membership in the international organizations will serve as the guidelines for this economic analysis.

A great number of reforms claiming political democratization and economic liberalization led to the collapse of the Union of Soviet Socialist Republics. The economic stagnation and more liberal political approach inspired series of independence movements in the Eastern Bloc and later in the U.S.S.R. itself. First to secede were the Baltic states; Estonia, Latvia, and Lithuania. In early December 1991, the Republic of Belarus, the Russian Federation, and Ukraine broke away from the U.S.S.R. and created the Commonwealth of Independent States. Shortly after, they were followed by nine remaining republics; Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Uzbekistan, and Georgia (1).

The mutual economic relations within the Eastern bloc used to be coordinated through Council for Mutual Economic Assistance (1949-1991) guided from Moscow headquarters. In the beginning Comecon's activities were restricted chiefly to the registration of bilateral trade and credit agreements between U.S.S.R., Bulgaria, Hungary, Poland, Romania, Czechoslovakia, Albania, and the German Democratic Republic. However, Soviet Union headquarters of Comecon gradually promoted industrial specialization among the member countries and thus reduce "parallelism" (redundant industrial production) within their economies (2).

Less developed economies initially profited from this kind of economic cooperation, but the developed countries slipped to the downturn of their diversified production. The narrow industrial specialisation of manufacturing successively caused incapability of economies to act independently in the sense of end-to-end establishment process of products (3).

The collapse of communist governments was followed by a shift to private enterprise and market-type systems of pricing, all of which undermined Comecon's system of trade and by 1991 left the organization defunct. Under agreements made early in 1991, Comecon was replaced by the Organization for International Economic Cooperation, a group that meant to assist with the move from centralized to market economies (2). "*Each nation was deemed free to seek its own trade outlets, and the obligation of membership was reduced to a weak pledge to "coordinate" policies on quotas, tariffs, international payments, and relations with other international bodies"* (2). Over time, the former Comecon countries moved away from the Soviet-era trade restrictions and developed trade relationships with other nations—particularly those of the EU and China.

By 1991, 15 independent republics were established, and their economies based on various scarce and abundant resources became independent. These developing economies fluctuated over the years and finally report different economic outcomes and figures. Even after market and governmental transformation, economic and political attachments of the post-Soviet space among the member states persist. Each post-Soviet republic maintains certain ties of different intensity with their former Soviet partner, the Russian Federation, which raises doubts of their proper economic independency.

What characterizes mutual economic relations throughout the post-Soviet and Baltic space? The motivations of this work will have three aspects divided into three chapters; First of all, the post-Soviet and Baltic republics' participation in the international intergovernmental organizations reflecting their economic and political perspective. Secondly, import and export orientations determining their trade partnerships. Finally, the diaspora of the post-Soviet and Baltic space spread inside of Russia and their money transfers and remittances measuring economic dependency ties on their Former Soviet partner. Throughout the thesis, the economic reliance on Russian trade partner will be emphasized and measured for each country. Eventually, the economic dependency on Russia will be assessed through arrangement into three levels.

Each of the chapters will be divided into two parts; practical and theoretical. Practical - analytical part applies different methodology each time. Within the first chapter, the individual countries are being classified into various international formations and compared as of the relation to Russian membership. The second and third chapter organizes the countries through different figures based on the international trade indicators and derived GDP ratios. Again, those numbers are measured and compared in the coherence with Russian Federation and their level of cooperation is being identified. Each practical part within the chapter is followed by the theoretical part focused on the description of the economic background relevant to trade indicators using various sources.

The sources used in the first chapter are pertained mostly to the official websites and papers of the international and regional formations as for instance Eurasian Union, Europa.eu, un.org, and others. Practical part comprises of Central Intelligence Agency and its World Fact book as its primary source. Second part employs the information coming from the UN official statistics, foreign-trade.com and resourcetrade.earth websites. The principal source for the international trade statistics is Comtrade database, commonly providing information of the United Nations. The final chapter including diaspora and financial transfers is based on various sources as a Russian Central Bank, Rosstat – Federal State Statistics Service, FGUP - Russian: Federal State Unitary Enterprises or Directorate General on Migration Issues in the Ministry of Interior for the analytical part. Within the theoretical part, the economic papers on total or labour migration from the migrationpolicy.org are being cited.

# 1. Membership of Post-Soviet space in the International Organizations and Regional Formations

First chapter, dedicated to the elaboration on post-Soviet Space in the Context of Mutual Economic Relations is divided into firstly, practical, and secondly, theoretical part both concentrated on contemplation of Post-Soviet and Baltic States' membership in the international organizations and regional formations.

Practical part is analysing the diversity of participation of countries in various formations since 1991 giving clear overview of their economic and geopolitical development together with international directions. Afterwards, the countries are classified according to levels of interconnectedness with Russian Federation into three distanced groups.

Second, theoretical part, maps the background of particular significant organizations revealing potential clarifications of countries' participation within their economic and geopolitical orientations whilst emphasizing the prevailing importance of Russian role in them.

## 1.1 Post-Soviet and Baltic States' Membership in International Organizations and Regional Formations

The analysis of 15 former Soviet and Baltic States observes their participation split in 18 different international and regional organizations and formations. International formation is "*an institution drawing membership from at least three states having activities in several states, and whose members are held together by a formal agreement* (4)*"*. Regional formation is characterised as a subcategory of international organization (5). It consists of *"supranational institutions whose members are governments or monetary authorities of economies that are located in a specific region of the world* (5)*"*. Membership in such organizations indicates the developments of mutual economic relations among countries within Post-Soviet space since 1991 until today. Finally, the last part points out at the consensus of either participation or non-participation of countries with Russian Federation and classifies them into three groups of interconnectedness in terms of international organizations and regional formations. Division to the international and regional structures in the practical part corresponds with the geographical location of the countries, if integrated within one continent, they are considered regional formation.

Baltic space; Estonia (EE), Latvia (LV) and Lithuania (LT) are categorized in different colours because of their distinguished geopolitical status (6). Formations/Organizations are split among economic both international and regional and security – international. They are selected by the level of importance for given countries as well as for demonstration of the diversity of their aspirations in the context of mutual economic relationships.

Tables 1, 2, 3 below define the abbreviations of all formations and organizations, illustrate their logos and mention the location of their headquarters, occasionally, the seats of agreement or convention signatures.

**Table 1: International economic formations and organizations (abbreviations explanation)**

| | |
|---|---|
| EAEU | EURASIAN ECONOMIC UNION (Moscow, Russia) |
| WTO | WORLD TRADE ORGANIZATION (Geneva, Switzerland) |
| OECD | ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (Paris, France) |
| SCO | SHANGHAI COOPERATION ORGANIZATION (Beijing, China) |
| ADB | ASIAN DEVELOPMENT BANK (Manila, Philippines) |
| BIS | BANK FOR INTERNATIONAL SETTLEMENTS (Basel, Switzerland) |
| OIC | ORGANIZATION FOR ISLAMIC COOPERATION (Rabat, Morocco 69‘) |

Sources: Central Intelligence Agency (2017), The WORLD FACTBOOK; International Organization Participation, Author’s edition

**Table 2: Regional economic formations and organizations (abbreviations explanation)**

| | |
|---|---|
| CIS | COMMONWEALTH OF INDEPENDENT STATES (Minsk, Belarus) |
| CISFTA | COMMONWEALTH OF INDEPENDENT STATES FREE TRADE AREA (Minsk, Belarus) |
| GUAM | GEORGIA UKRAINE AZERBAIJAN MOLDOVA ORGANIZATION FOR DEMOCRACY AND ECONOMIC DEVELOPMENT (Kiev, Ukraine) |
| BSEC | ORGANIZATION OF THE BLACK SEA ECONOMIC COOPERATION (Istanbul, Turkey) |
| TURKIC COUNCIL | COOPERATION COUNCIL OF TURKIC-SPEAKING STATES (Baku, Azerbaijan) |
| EU | EUROPEAN UNION (Brussels, Belgium) |
| ECB | EUROPEAN CENTRAL BANK (Frankfurt, Germany) |

Sources: Central Intelligence Agency (2017), The WORLD FACTBOOK; International Organization Participation, Author’s edition

**Table 3: International security formations and organizations (abbreviations explanation)**

| | |
|---|---|
| CSTO | COLLECTIVE SECURITY TREATY ORGANIZATION (Moscow, Russia) |
| NATO | NORTH ATTLANTIC TREATY ORGANIZATION (Brussels, Belgium) |
| OSCE | ORGANIZATION FOR SECURITY AND CO-OPERATION IN EUROPE (Vienna, Austria) |
| SC | SCHENGEN AGREEMENT (Schengen, Luxembourg 85') |

Sources: Central Intelligence Agency (2017), The WORLD FACTBOOK; International Organization Participation, Author's edition

Following tables 4, 5 and 6 use abbreviations and flags of 15 post-Soviet republics in the upper part and abbreviations of organizations on the left. The permanent participation of countries in particular formations/organizations employs sign "tick". The countries that are not members are marked with the "cross." The "telescope" sign means that the country is currently at the position of observer of specific organization and might or might not eventually become a member. Observer of a regional or international formation possesses no right to vote, nor to influence policy making (7). Dialogue member of specific formation or organization is then labelled with the mark "dialogue cloud." Dialogue member can be represented by any country within consultative relationship toward given international or regional organization in agreed areas of common interest and can actively participate in debates (7).

**Table 4: Membership of the post-Soviet republics in the International Organizations and Formations**

| | AZ | RU | UA | BY | MD | GE | AM | KZ | UZ | TM | TJ | KG | EE | LV | LT |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EAEU | ✗ | ✓ | ✗ | ✓ | ✗ | ✗ | ✓ | ✓ | ✗ | ✗ | ✗ | ✓ | ✗ | ✗ | ✗ |
| WTO | 🔭 | ✓ | ✓ | 🔭 | ✓ | ✓ | ✓ | 🔭 | 🔭 | ✗ | ✓ | ✓ | ✓ | ✓ | ✓ |
| OECD | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✓ | ✓ | ✗ |
| SCO | ✗ | ✓ | ✗ | 💬 | ✗ | ✗ | ✗ | ✓ | ✓ | ✓ | ✓ | ✓ | ✗ | ✗ | ✗ |
| ADB | ✓ | ✗ | ✗ | ✗ | ✗ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✗ | ✗ | ✗ |
| BIS | ✗ | ✓ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✓ | ✓ | ✓ |
| OIC | ✓ | 🔭 | ✗ | ✗ | ✗ | ✗ | ✗ | ✓ | ✓ | ✗ | ✓ | ✓ | ✗ | ✗ | ✗ |

Sources: Central Intelligence Agency, The WORLD FACTBOOK; International Organization Participation (2017), Author's edition

**Table 5: Membership of the post-Soviet republics in the Regional Organizations and Formations**

| | AZ | RU | UA | BY | MD | GE | AM | KZ | UZ | TM | TJ | KG | EE | LV | LT |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CIS | ✓ | ✓ | ✓ | ✓ | ✓ | ✗ | ✓ | ✓ | ✓ | ✗ | ✓ | ✓ | ✗ | ✗ | ✗ |
| CISFTA | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✗ | ✓ | ✓ | ✗ | ✗ | ✗ |
| GUAM | ✓ | ✗ | ✓ | ✗ | ✓ | ✓ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | 🔭 | ✗ |
| BSEC | ✓ | ✓ | ✓ | 🔭 | ✓ | ✓ | ✓ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ |
| TURAN | ✓ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✓ | ✓ | ✓ | ✗ | ✓ | ✗ | ✗ | ✗ |
| EU | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✓ | ✓ | ✓ |
| ECB | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✓ | ✓ | ✓ |

Sources: Central Intelligence Agency, The WORLD FACTBOOK; International Organization Participation (2017), Author's edition

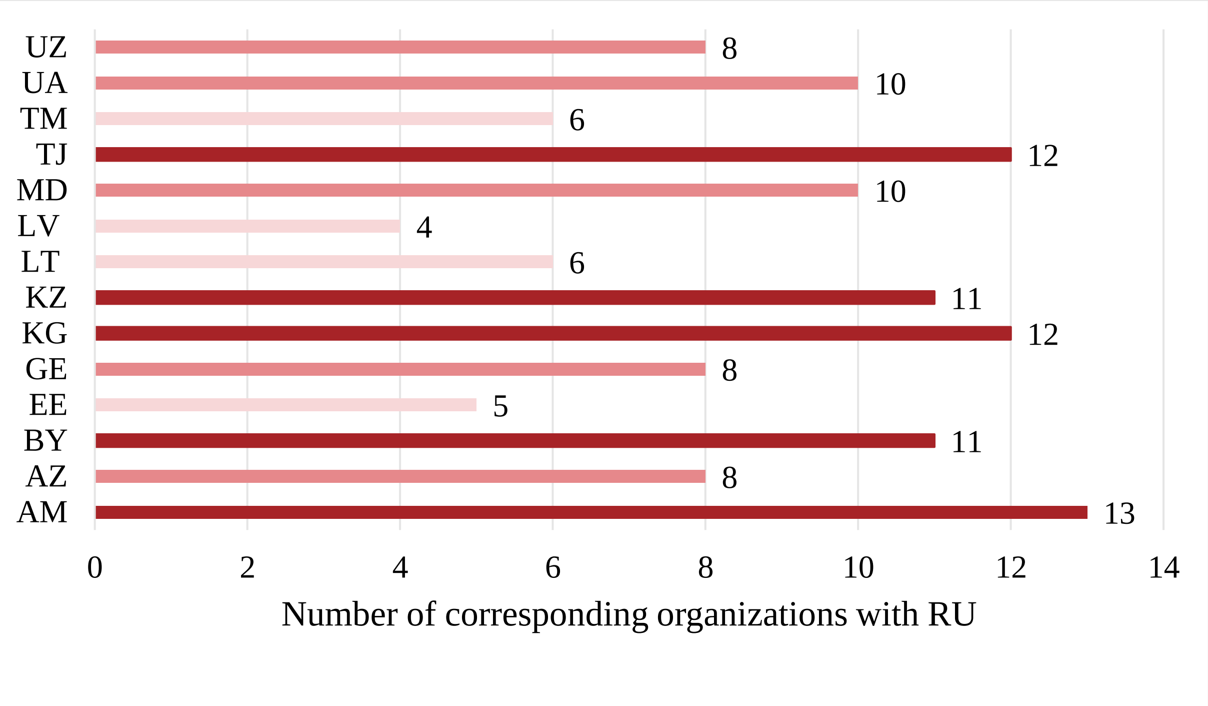
**Table 6: Membership of the post-Soviet republics in the Security Organizations**

| | AZ | RU | UA | BY | MD | GE | AM | KZ | UZ | TM | TJ | KG | EE | LV | LT |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CSTO | ✗ | ✓ | ✗ | ✓ | ✗ | ✗ | ✓ | ✓ | ✓ | ✗ | ✓ | ✓ | ✗ | ✗ | ✗ |
| NATO | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✓ | ✓ | ✓ |
| OSCE | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| SC | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✓ | ✓ | ✓ |

Sources: Central Intelligence Agency, The WORLD FACTBOOK; International Organization Participation (2017), Author’s edition

Graph 7 quantifies correspondence of membership or non-membership in given formations between post-Soviet and Baltic States and the Russian Federation and categorizes them among three groups of high sympathizers, moderate sympathizers and individual drivers.

**Graf 7: Consensus of Membership in International Organizations and Regional Formations between Post-Soviet and Baltic republics with Russian Federation**




Sources: Central Intelligence Agency, The WORLD FACTBOOK; International Organization Participation (2017), Author's edition

Based on the three tables analysing engagement of the former-Soviet and Baltic countries in international, regional and security organizations, the participants have been classified into following three categories according to the consensus with Russia; High Sympathizers, Moderate Sympathizers, and Individual Drivers. High Sympathizers refer to Armenia, Kyrgyzstan, Kazakhstan, Tajikistan, or Belarus. Moderate Sympathizers correspond to countries as Ukraine, Moldavia, Georgia, Uzbekistan, or Azerbaijan. Finally, Individual Drivers, seen above, are represented by Turkmenistan, Lithuania, Latvia, or Estonia.

## 1.2 Engagement of the Post-Soviet Space and Baltic States in the International Organizations and Regional Formations mirrors their Economic Relations

This chapter focuses on the analysis of diversity among countries' participation in different organizations while providing the adequate political and economic background for specific countries for such reasoning. The participation in relevant international and regional formations of post-Soviet space republics and Baltic States is defined by appropriate "*anchoring between West and East to achieve the social prosperity, economic well-being, development and security*" (3). Each organization or formation has its historical development since 1991 and composes of different Member States. The organizations have a political and economic purpose for making such countries collaborate together remarking different levels of success, they dispose with varied structures, headquarters or a direct leader, and poses institutional parallels operating in different parts of the world. "*Each member state taking part in such organization or formation has own interests in building relationships with other participants which are based on trade-offs*" (8).

### 1.2.1 EAEU

The Eurasian Economic Union is a recently established international organization for regional economic integration formally created in January 2015. Prior its functioning as an entity, it went through two failed attempts as Eurasian single market, first in 1990, then in 2000 (9). Nearly 20 years it took to implement this Eastern integration idea.

Similarly, as the European Union, the EAEU integration stands on four fundamental pillars – freedoms of movement of goods, services, labour and capital, it has operated under the custom union since 2011. Three signatories "Troika" of Custom Union Treaty in 1995 form the nucleus of integration associations, **Russia**, **Belarus** and **Kazakhstan**. Later, they were acceded respectively by **Armenia** and **Kyrgyzstan**. **Tajikistan** represents its potential future member. Russia, is responsible for 87% of the Union's total GDP (9). The overall aim of the Union is to the *"create the mechanisms of bilateral and multilateral cooperation that would simplify regulations processes of custom duties, sanitary, phytosanitary, technical* *regulations, certifications, technical norms, branch cooperation and investments including reducing barriers in mutual collaboration also in the field of intellectual property"* to grow mutual trade, investment and labour migration (10).

The governance of Eurasian Economic Union is spread among its key institutions, Supreme Eurasian Economic Council with legislative power, Eurasian Economic Commission possessing executive power and The Court of the Eurasian Economic Union, specialized judicial body. Financial mechanisms are then resolved through the frameworks of the Eurasian Development Bank and the Eurasian Stabilization and Development Fund (9).

EAEU has been created with a common market of 182 million people and an aggregate GDP of approximately $2 trillion (9). The Union's largest economy is without any tight competition Russian Federation.

**Table 8: EAEU socioeconomic development indicators, 2015**

| **Indicator** | **Armenia** | **Belarus** | **Kazakhstan** | **Kyrgyzstan** | **Russia** |
|---|---|---|---|---|---|
| **Nominal GDP, $ billion** | 10.5 | 55.0 | 184.4 | 6.5 | 1 331.1 |
| **Purchasing power parity, $ billion** | 23.1 | 164.3 | 399.6 | 18.5 | 3 402.9 |
| **Nominal GDP per capita, $** | 3 515.0 | 5 754.5 | 10 508.3 | 1 112.8 | 9 054.9 |
| **Population, million people** | 3.0 | 9.5 | 17.7 | 6.0 | 146.5 |
| **Foreign trade, $ billion** | 4.7 | 57.0 | 75.9 | 5.7 | 526.3 |

Sources: IMF; World Bank; national statistic agencies; Vinokurov's calculations.

The macroeconomic factual goals of EAEU for developing national economies were "*maximum 3% deficit of state budget to their GDP, maximum 50% national debt to GDP and annualized inflation rate not exceeding 5 % than in in the member state where the indicator is the lowest"* (11) but initially all the countries have failed to achieve these targets by 2016 (12).

EAEU so far faces some serious issues on its way of evolution of successfully functioning multinational integration.

Primarily, post-Soviet member countries suffer significant differentiation of their economic and legal development and therefore some nations struggle to implement free trade policies as easily as others. In other words, they have legal and economic compatibility difficulties. Elimination of exemptions in the single market is critical to the modernization and cooperation of EAEU economies (9). "*For example, the parties have agreed to create, as of January 1, 2016, a common market for pharmaceuticals and medicines. However, due to regulatory complexities and difficulties associated with unifying the procedures governing pharmaceutical operations through the entire EAEU, the corresponding decision has been delayed by one year. Moreover, in order to make the decision politically acceptable to all member states, the fundamental move to the truly common market has been postponed to 2020 and in some parts even to 2025"* (9).

Secondly, post-Soviet republics recently battle political and economic issues affecting trade efficiency and social prosperity resulting in low levels of EAEU economic integration. At its position of founder and its most important economy, Russia through the integration processes has the capacity to influence the overall economy of the Eurasian Union and either deteriorate or improve volume of trade together with economic growth depending on its own productivity.

However, Russian market refers to negative economic growth in past few years due to -firstly- Western sanctions having impact Russian movement of goods, services, people and capital between Russia and Western countries. Russian companies manage to re-import the EU goods through countries as Belarus, but these activities often lead to considerable delays and queues at the borders (9).

Secondly, sanctions that Russia imposed on Ukraine are refused to adopt by EAEU member states which still conduct businesses with Ukrainian companies. The Russian actions spark conflict of interest in substance between Russia's foreign policy and its trade relations with other EAEU members (9). Moreover, there is rising political tension among Russia and other EEU member states for rejection of this implementation even though the sanctions are only recommended.

Fourthly, recent decline in hydrocarbon prices together with prices of other natural resources as a major export raw material of Russia took part in fall of Rubble and drove to gradual devaluation of national currencies across Post-Soviet countries ("devaluation parade").

**Table 9: Decelerating development in Exports, Turnover and Balance of the EAEU**

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| **EAEU, total** | | | | | |
| Exports | 63 100.9 | 68 582.2 | 64 520.0 | 57 448.3 | 45 379.8 |
| **Belarus** | | | | | |
| Turnover | 40 798.6 | 44 750.5 | 40 697.1 | 38 804.5 | 28 209.0 |
| Balance | –10 432.8 | –10 570.5 | –5 280.3 | –6 356.7 | –6 212.8 |
| **Kazakhstan** | | | | | |
| Turnover | 23 029.3 | 24 626.3 | 24 603.7 | 19 665.2 | 15 780.2 |
| Balance | –8 822.7 | –10 950.7 | –12 736.5 | –9 250.6 | –6 006.6 |
| **Russia** | | | | | |
| Turnover | 62 322.4 | 67 686.0 | 63 591.3 | 56 541.5 | 42 801.2 |
| Balance | 19 307.0 | 21 622.8 | 18 164.7 | 15 492.7 | 14 636.0 |

*Source:* Eurasian Economic Commission.

The EAEU membership may have become profitable for some EAEU countries such as for Armenia only by 2016, when its exports to EAEU member states increased by 53%, overall exports then by 20% (12). Only Armenia and Russian Federation increased their imports outside EAEU by 8,7 % and 1% respectively. Other countries of EAEU even in 2016 imported significantly less goods than in 2015 (12). Volumes of exports within EAEU in the 1Q of 2017 finally increase by 39,2% in Kazakhstan, 38,5% in Belarus, 27,5% in Russia, 23,5% in Kyrgyzstan, and Armenia by 38,5% (12). With certain recovery of economics especially inside the Russian Federation the development dynamics with EEU is gradually improving.

Even though often lined next to its “Western” parallel the European Union, in comparison with size of GDP, volume of exchanges or levels of collaboration, the bar needs to be set lower. The regional integration benchmark should be placed alongside other regional projects with varying levels of depth and success as NAFTA, MERCOSUR, or ASEAN to find adequate framework for analysing relative standing of EAEU (9). The opinion polls on the roots of its establishment are divided to two rationalizations, first, that EAEU was meant to be created within the cooperation of the European integration processes, second, that it sparked as its counterreaction (3).

### 1.2.2 EU, EUROZONE, SCHENGEN AGREEMENT, EASTERN PARTNERSHIP, EU APPLICANTS

European Union is a unique economic and political union comprising 28 European countries created by the Maastricht treaty in 1993. *"Originally confined to Western Europe, the EU undertook a robust expansion into Central and Eastern Europe in the early 21st century*" (13). **Estonia**, **Lithuania,** and **Latvia** agreed to join the European Union in 2004 by signing the Treaty of Nice (14). Through the European integration the Baltic States strike for *"strengthening cyber and energy security, improving the Eastern Partnership, liberalizing the energy market and becoming more transparent and innovative within the Single Market (especially free movement of services)"* (15). They equally aim to achieve closer and more developed cooperation with Nordic countries.

Although the key political-economic priority for Baltic States is the implementation of EU's energy policy *"centred on creating an internal market through energy sector liberalisation and integration of European energy networks*" (16). Liberalisation of the energy market seeks to give Baltic consumers a choice between different gas and electricity companies as well as making the market entry accessible for all suppliers. For the Baltic states a truly competitive and integrated internal EU market can help achieve diversification and thus security of supply (16).

First indications of European integration processes were noticed in 1951 with the Treaty of Paris when France, West Germany, Italy, Belgium, Netherlands, and Luxembourg were determined to prevent international conflicts, promoted peace, and united their coal and steel industries. European project formally started in 1957, the Union gained the name European Economic Community and in 1967 it was officially renamed to only European Community which referred also to its political purposes (8). First direct elections to European Parliament were organized in 1979 and in 1992 the Maastricht Treaty was ratified by 12 member states and European Union was born, introducing the common market which eliminated trade barriers and restrictions and enforced free movement of goods & services, capital and people.

Legislative powers of the European Union are shared between the European Parliament directly representing European Voters and the Council of European Union – European presidency. European Commission following the goals of Union as a whole, and the Council of European Union hold the executive power, they both settle in Brussels. European Council comprises of Heads of state or government from EU member countries which meet at least 4 times a year (17). Judicial power belongs to the Court of Justice of the European Union which is located in Luxembourg. The EU has another 8 other main bodies with specific tasks including European Central Bank.

Operating as a single market with 28 countries, the EU is a major world trading power. EU economic policy seeks to sustain growth by *"investing in transport, energy and research – while minimising the impact of further economic development on the environment"* (18). The EU's economy — measured in terms of the goods and services it produces (GDP) — remains slightly behind the United States and China. EU GDP in 2015:

- €16,411 billion

With just 6,9% of the world's population, the EU's trade with the rest of the world accounts for around 20% of global exports and imports (18).

*"Over 62% of EU countries' total trade is done with other EU countries. In 2014, the EU's exports of goods were equivalent to 15.0 % of the world total. They were surpassed for the first time since the EU was founded by those of China (15.5 %), but were still ahead of the United States (12.2 %), which had a larger share of world imports (15.9 %) than either the EU (14.8 %) or China (12.9 %)*" (18). The Eurozone economy continues to perform robustly in the third quarter of 2017, GDP increased a seasonally-adjusted 0.6% from the previous quarter. The Eurozone is on track to grow at the fastest pace since 2007 this year with a Consensus Forecast of 2.2% (19).

Eurozone or European Monetary Union as a product of Maastricht Treaty opts its member states for using common currency which shall prevent them from fluctuation of exchange rates and costs - provide more stability, enhance cross border trade and represent the second most important international currency after the US dollar (20). European Central Bank placed in Frankfurt supervises national banks of member countries. Before joining the Eurozone, **Estonia**, **Latvia,** and **Lithuania** in 2011, 2014 and 2015 respectively had to fulfil; *„the government deficit that must not have exceeded 3 % of their GDP, gross government debt must not have exceeded 60 % of their GDP, they must have achieved exchange-rate* *stability for at least two years and their nominal long-term interest rates must not have exceeded 2 % the average of the interest rates in three member states with the best records on price stability*" (21).

The Schengen Agreement covers gradual abolishment of the internal borders between countries and an extended control of external borders, it was signed 1985 by France, Germany, Belgium, Luxemburg, and Netherlands. Convention signed in 1990 defined the procedures for issuing a uniform visa, operation of a single database for all members known as Schengen Information System, as well as the establishment of cooperating structure between internal immigration officers (22). Based on a free movement of persons it entitles every EU citizen to travel, work, and live in any EU country without special formalities (23). **Estonia**, **Latvia,** and **Lithuania** acceded to the Schengen Area in 2007 through the session of Council of Justice and Internal Affairs (24). Schengen acquis enabled Baltic citizens to cross the borders freely without checks inside the Schengen area and delivered uniform visa valid throughout the territory of Schengen Agreement (23).

**Armenia**, **Azerbaijan**, **Belarus**, **Georgia**, **Moldova,** and **Ukraine** became active within European integration processes under the Eastern Partnership Program. They entail significant reforms aligning their legislations and standards to the EU ones. *„A notable example is the Visa liberalization that has entered into force for Georgia and with Ukraine in 2017 – in addition to the Republic of Moldova in 2014"* (25). One of the key priorities of Eastern Partnership is focus on stronger, more developed economy through better interconnectivity with the EU and broader market opportunities for its member states (25).

Some post-Soviet republics participate in active negotiations with EU authorities and thereby remain potential future candidates for the EU membership application. The Treaty on European Union (Article 49) lays down the conditions a candidate country must meet to become a member state: „*any European state which respects the common values of the Member States and undertake to promote them may apply to become a member of the Union. These values include human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities"* (Article 2 of the Treaty on European Union) (26).

Furthermore, the candidates for EU membership must dispose with

- complying with all the EU's standards and rules
- having the consent of the EU institutions and EU member states
- having the consent of their citizens – as expressed through approval in their national parliament or by referendum.
- stable institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- a functioning market economy and the capacity to cope with competition and market forces in the EU;
- the ability to take on and effectively implement the obligations of membership, including adherence to the aims of political, economic and monetary union (27) and fulfil
  political criteria: stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- economic criteria: a functioning market economy and the capacity to cope with competition and market forces;
- administrative and institutional capacity to effectively implement the acquis* and ability to take on the obligations of membership (27).

Throughout the negotiations, the European Commission monitors the candidate's progress in applying EU legislation and meeting its other commitments, including any benchmark requirements, gives additional guidance of membership responsibilities to potential candidates and keeps EU Council and European Parliament informed through regular reports (27).

European integration is viewed by some of the post-Soviet countries as hardly achievable ideal of multilateral cooperation with Western developed countries. However, the potential candidates positively inclined towards the EU have plenty of political reforms ahead to carry out before any binding negotiations come into place. Moreover, states like for example Moldova, Georgia, Ukraine, and Armenia have their room to workforce further limited due to their geopolitical boundaries of European and Russian political and economic spheres (3).

### 1.2.3 CIS

Commonwealth of Independent States (CIS) is a free association of sovereign states formed in 1991 by Russia and 11 other post-Soviet republics. It came into force when **Russia**, **Ukraine**, and **Belarus** signed an agreement forming a new association to maintain economic and other ties in order for economies not to collapse after the break-up (28). The aspiration was to create a loose confederation (28). The three Slavic republics were subsequently joined by the Central Asian republics of **Kazakhstan**, **Kyrgyzstan**, **Tajikistan**, **Turkmenistan**, and **Uzbekistan**, by the Transcaucasian republics of **Armenia**, **Azerbaijan**, and **Georgia**, and by **Moldova**. The remaining former Soviet republics—Lithuania, Latvia, and Estonia—declined to join the new organization. The commonwealth aims for *"facilitating further integration in economic and humanitarian field of its members grounded on free movement of goods, services, labour and capital.* It yet further expanded to the Commonwealth of Independent States Free Trade Area that elaborates on coordinated monetary, tax, price, customs, external economic policy that *"brings together methods of regulating economic activity and creates favourable conditions for the development of direct production relations."* (29) In 2008, following an escalation of hostilities between Russia and Georgia over the separatist region of South Ossetia and Abkhazia, Georgia announced its intention to withdraw from the CIS. The withdrawal was finalized in August 2009 (30)**.** Ukraine which was undecided until 2014 finally decided to leave too. President Poroshenko ordered to prepare the necessary procedures (28).

Overall, the practical part gave the evidence about the post-Soviet countries' membership in different economic, political and security formations since 1991 uncovering their multipolar political and economic directions within international spectre. Each membership in any formation means valuable information about a post-Soviet country and its decisions with numerous factors influencing them. Seen also in theoretical aspect, beginning by geopolitical position, economic status and development, social aspect, technological innovativeness, legal standards, and many others. Very often common obstacles in PESTLE analysis shape the ideology and create allies amongst post-Soviet or Baltic countries sharing their goals.

Theoretical chapter focused on selection of meaningful organizations and regroupings for post-Soviet and Baltic republics as of EAEU, EU, Schengen Area, Eastern Partnership, EU Applicants, Union State mapping the countries' operation within them, their purpose, structures, challenging levels of success, organizational equivalents and stressed the persisting political and economic gravity of Russian Federation. Commonly it has been seen, that countries mostly collaborate in terms of trade and unite their economies through reduction of trade barrier restrictions and movement of persons to facilitate flows of goods, services, people, and capital. Potential member states equally must pass certain common criteria for admission and permanent functioning usually in terms of PESTLE standards to became bilateral or multilateral contractor of agreements.

Besides for establishment of regroupings fuelled by PESTLE factors based on shared principals, goals and obstacles and countries participating in taking action, particular organizations could have been founded based on shifts of power, counterreactions, resonating anti-polarity. This particular case might be suggested in particular cases of CSTO to NATO, or EAEU to EU.

Russia still maintains the role of political and economic "polarizer" of society to Western economies which keeps countries on its trade orbit enhancing that polarity is still actual. Russian economy retains huge impact on economic prosperity of countries in its geopolitical proximity depending on the volume of their collaboration.

According to the membership analysis of the post-Soviet and Baltic countries, there are three levels of interconnectedness based on member consensus with Russian Federation. Results show that high sympathizers are for instance, Armenia with 13 corresponding participations and non-participations and Kirgizstan with 12. Moderate sympathizers represent Azerbaijan or Georgia both with 8 and Estonia with Latvia stand for individual drivers with the minimum of participation consensus.

# 2. Import & Export Analysis in the Post-Soviet Republics and Baltic States

Following chapter captures trade analysis of import and export data within context of mutual economic relations of post-Soviet and Baltic republics. Firstly, practical part comprises of providing trade data analytics through varied tables, graphs, and figures edited by the author, overviewing the volume of economic flows of individual countries. The quantity of export and import data reflects valuable information on economic development and trade structures of each country since 1991. Subsequently, energetics as a significant component of import, export figures is being introduced, examining either economic scarcity or redundancy within this discipline for each country. Finally, all import and export figures in economic analysis refer to share of Russian orientations to further explore political – economic reliance through trade ciphers of each country, classifying post-Soviet and Baltic states to three interdependent groups with Russian Federation; high sympathizers, moderate co-operators, and individual drivers.

Second, theoretical part, tracks firstly the trade flows structure coming in and out of the post-Soviet and Baltic republics. The import and export analysis in theoretical part clarifies the specialization of given countries on different export matters emphasizing their natural resource capacities and economic strengths. Simultaneously, it points out at the scarcity of these raw materials and products that need to be imported inside of the countries. The second part of the theory explores different levels of trade dependency of post-Soviet and Baltic states on Russian Federation regarding the interrelated import and export statistics. Significant proportion of export and import flows represent the energetics that play key role in reliance to Russian economy, fundamental partner in natural resource trading.

## 2.1 Import and Export Flows of the post-Soviet Republics and Baltic States

First, practical part of trade analysis is dedicated to research of export and import flows of post-Soviet space classified through various figures. Tables summarize the raw data of dollar amounts of particular flows or percentages which stand for ratios of these flows; for instance at export to Russian Federation to overall export of specific country. Tables employ different order of countries each time, depending on the topic of research, for example; if general topic, export or import, the countries are lined up by the quantity of export or import flow in dollar amount or more specific, export or import related to Russian Federation, then the countries take place in order depending upon the size of these ratios.

Export and Import ratios pertained to Russian Federation within figures apply the abbreviation RU, for instance % of RU import. The NO DATA saying within the tables in the analysis means that no information of the relevant data for specific year was available from the corresponding source. The abbreviations for export f.o.b. - freight on board, stands for *"transaction value of goods and the value of services performed to deliver goods to the border of the exporting country* (31)". Import c.i.f. – cost, insurance and freight, include "*the transaction value of the goods, the value of services performed to deliver goods to the border of the exporting country and the value of the services performed to deliver the goods from the border of the exporting country to the border of the importing country* (31)*"*.

All the graphs are the products of prior tables and include relevant legend. The identical parameters to ones in tables are marked again either in absolute amounts in dollars or in ratios in percentages completing graphical overview for example of import or export ratios to Russian Federation.

The comments in red inserted in excel placed in right upper corners of table brackets indicate that the values of figures have significant share of reexporting or reimporting to various final locations. Especially regarding protectionism as tariffs, bans and quotas or sanctions levied due to the political issues, the products pass through third countries in order to be delivered.

Finally, all the digits presented in second chapter's analysis apply the Harmonized System international nomenclature classification. Participation in HS international system allows countries to recognize traded goods on a common basis for custom purposes. At the international level, the Harmonized System grades all goods through its six- digit code system. (32) The HS comprises approximately 5,300 article/product descriptions that appear as headings and subheadings, arranged in 99 chapters, grouped in 21 sections. *"The six digits can be broken down into three parts. The first two digits (HS-2) identify the chapter the goods are classified in, e.g. 09 = Coffee, Tea, Maté and Spices. The next two digits (HS-4) identify groupings within that chapter, e.g. 09.02 = Tea, whether or not flavoured. The next two digits (HS-6) are even more specific, e.g. 09.02.10 Green tea*" (32). *"The recommendations include 242 sets of amendments in various sectors as follows: agricultural, chemical, wood, textile, base metal, machinery, transport and other sectors"* (32).

The following research focuses either on all HS commodities for total export/import, or the 27 commodity code in case of energetics such as; *"coal, briquettes, ovoids, lignite, peat, coke, retort carbon, coal gas, water gas, producer gas, other gaseous hydrocarbons, tar distilled from coal, from lignite, peat, pitch and pitch coke, crude, petroleum oils and oils from bituminous minerals, paraffin wax, micro-crystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, petroleum coke, petroleum bitumen, bitumen and asphalt, bituminous or oil shale and tar sands, asphaltites and asphaltic rocks, bituminous mixtures based on natural asphalt, on natural bitumen, on petroleum bitumen, on mineral tar or on mineral tar pitch"* (33).

The only source employed in following analysis "COMTRADE" is commonly used by United Nations, a repository of official international trade statistics and relevant analytical tables. UN COMTRADE is the pseudonym for United Nations International Trade Statistics Database. *"UN Comtrade is a very comprehensive database for international merchandise trade statistics containing around 1.7 billion trade records in 9 classifications up to 6-digit level of the classification. Over 170 reporter countries/areas provide the United Nations Statistics Division (UNSD) with their annual international trade statistics data detailed by commodities/service categories and partner countries*" (32).

*These data are subsequently transformed into the United Nations Statistics Division standard format with consistent coding and valuation using the processing system. All commodity values are converted from national currency into US dollars using exchange* *rates supplied by the reporter countries or derived from monthly market rates and volume of trade"* (34).

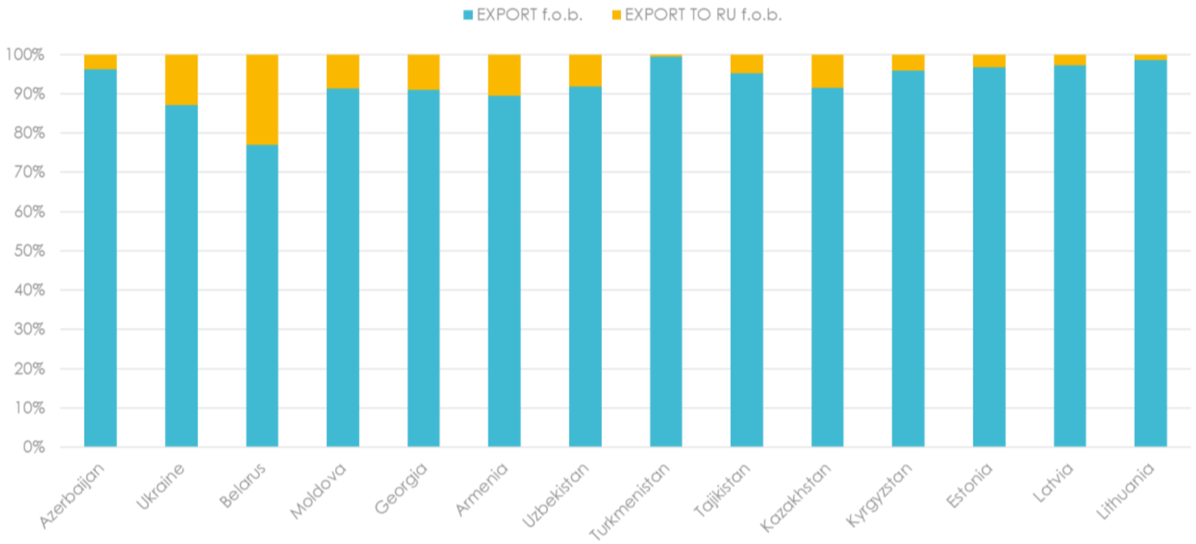
First part of the trade analysis composes of 6 figures displaying and arranging export and import volumes of post-Soviet and Baltic States demonstrating the shares of those goods being exported or imported to Russian Federation. Underneath each table, the graphs provide numerical overview of ratios of import or export pertained to RU manifesting the economic interdependence of countries on Russian Federation which is later described in theoretical part of the second chapter.

**Table 10: Export of post-Soviet space in 2015**

| COUNTRY | EXPORT f.o.b. | EXPORT TO RU f.o.b. | % OF EXPORT | % OF RU IMPORT |
|---|---|---|---|---|
| Kazakhstan | $ 45,954,426,051 | $ 4,275,012,978 | 9.30% | 2.34% |
| Ukraine | $ 38,127,039,558 | $ 5,642,800,662 | 14.80% | 3.09% |
| Belarus | $ 26,660,394,600 | $ 7,988,798,958 | 29.97% | 4.37% |
| Lithuania | $ 25,411,022,244 | $ 354,659,639 | 1.40% | 0.19% |
| Turkmenistan | $ 14,000,000,000 | $ 71,280,940 | 0.51% | 0.04% |
| Estonia | $ 13,896,692,820 | $ 459,287,752 | 3.31% | 0.25% |
| Latvia | $ 11,491,156,721 | $ 329,263,783 | 2.87% | 0.18% |
| Azerbaijan | $ 11,326,841,102 | $ 440,921,946 | 3.89% | 0.24% |
| Uzbekistan | $ 6,500,000,000 | $ 575,837,496 | 8.86% | 0.32% |
| Georgia | $ 2,204,676,250 | $ 216,770,037 | 9.83% | 0.12% |
| Moldova | $ 1,966,837,314 | $ 188,538,113 | 9.59% | 0.10% |
| Armenia | $ 1,482,667,349 | $ 175,831,851 | 11.86% | 0.10% |
| Kyrgyzstan | $ 1,441,467,621 | $ 61,885,891 | 4.29% | 0.03% |
| Tajikistan | $ 900,000,000 | $ 45,786,462 | 5.09% | 0.03% |

Source: comtrade.un.org/data, UN Comtrade Database, Export & Import (2015), Author's edition

**Graph 11: Export of post-Soviet space in 2015**



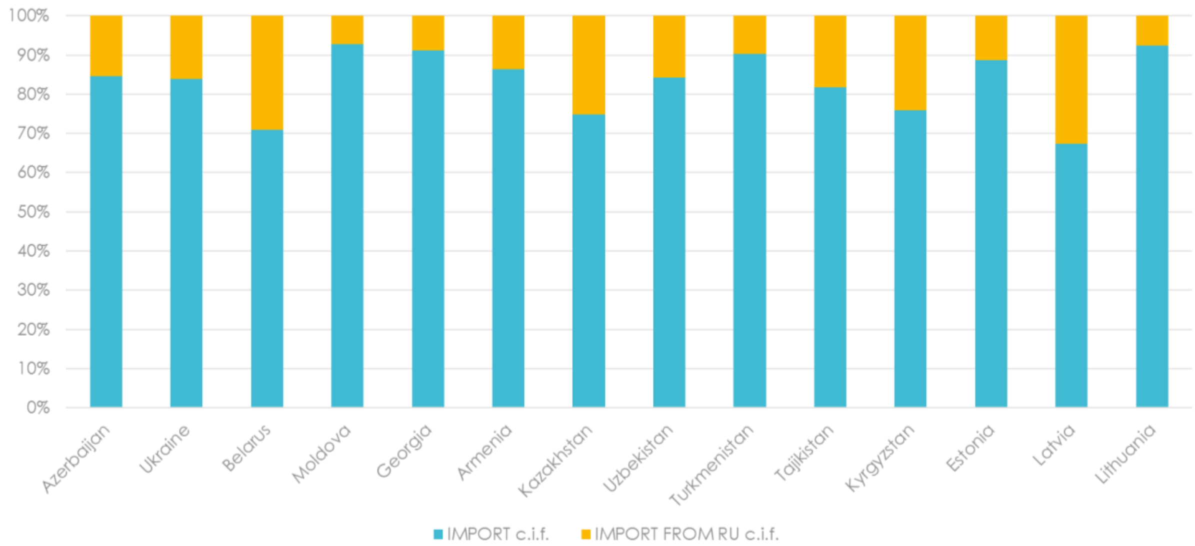

Source: comtrade.un.org/data, UN Comtrade Database, Export & Import (2015), Author's edition

**Table 12: Import of post-Soviet space in 2015**

| COUNTRY | IMPORT c.i.f. | IMPORT FROM RU c.i.f. | % OF IMPORT | % OF RU EXPORT |
|---|---|---|---|---|
| Ukraine | $ 37,516,153,220 | $ 7,163,121,743 | 19.09% | 2.08% |
| Kazakhstan | $ 30,567,159,492 | $ 10,301,605,707 | 33.70% | 3.00% |
| Belarus | $ 30,291,492,800 | $ 12,428,309,688 | 41.03% | 3.61% |
| Lithuania | $ 28,176,441,602 | $ 2,304,170,623 | 8.18% | 0.67% |
| Estonia | $ 15,746,782,550 | $ 2,012,579,006 | 12.78% | 0.59% |
| Latvia | $ 13,850,039,440 | $ 6,699,113,181 | 48.37% | 1.95% |
| Uzbekistan | $ 11,800,000,000 | $ 2,221,187,873 | 18.82% | 0.65% |
| Azerbaijan | $ 9,211,125,764 | $ 1,676,164,874 | 18.20% | 0.49% |
| Turkmenistan | $ 7,800,000,000 | $ 843,924,501 | 10.82% | 0.25% |
| Georgia | $ 7,730,081,504 | $ 756,179,595 | 9.78% | 0.22% |
| Kyrgyzstan | $ 4,068,083,799 | $ 1,289,412,624 | 31.70% | 0.37% |
| Moldova | $ 3,986,820,641 | $ 308,497,965 | 7.74% | 0.09% |
| Tajikistan | $ 3,400,000,000 | $ 759,104,405 | 22.33% | 0.22% |
| Armenia | $ 3,256,964,792 | $ 510,780,036 | 15.68% | 0.15% |

Source: comtrade.un.org/data, UN Comtrade Database, Export & Import (2015), Author's edition

**Graph 13: Import of post-Soviet space in 2015**



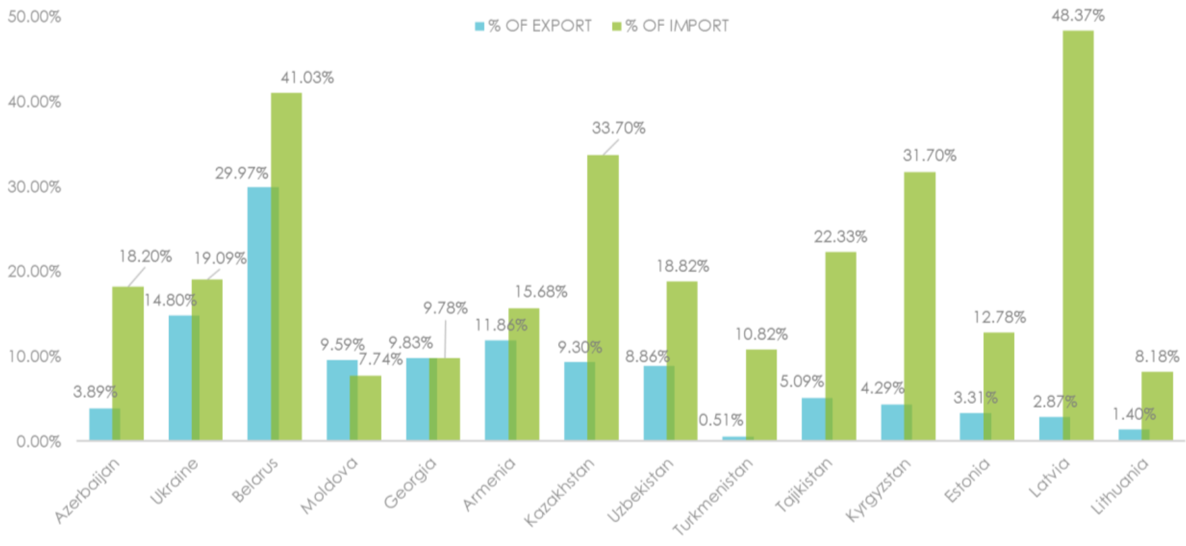

Source: comtrade.un.org/data, UN Comtrade Database, Export & Import (2015), Author's edition

**Table 14: Overall Export & Import of post-Soviet space to Russian Federation for 2015**

| COUNTRY | EXPORT TO RU f.o.b. | IMPORT FROM RU c.i.f. | % OF EXPORT | % OF RU IMPORT | % OF IMPORT | % OF RU EXPORT |
|---|---|---|---|---|---|---|
| Latvia | $ 329,263,783 | $ 6,699,113,181 | **2.87%** | 0.18% | **48.37%** | 1.95% |
| Belarus | $ 7,988,798,958 | $ 12,428,309,688 | **29.97%** | 4.37% | **41.03%** | 3.61% |
| Kazakhstan | $ 4,275,012,978 | $ 10,301,605,707 | **9.30%** | 2.34% | **33.70%** | 3.00% |
| Kyrgyzstan | $ 61,885,891 | $ 1,289,412,624 | **4.29%** | 0.03% | **31.70%** | 0.37% |
| Tajikistan | $ 45,786,462 | $ 759,104,405 | **5.09%** | 0.03% | **22.33%** | 0.22% |
| Ukraine | $ 5,642,800,662 | $ 7,163,121,743 | **14.80%** | 3.09% | **19.09%** | 2.08% |
| Uzbekistan | $ 575,837,496 | $ 2,221,187,873 | **8.86%** | 0.32% | **18.82%** | 0.65% |
| Azerbaijan | $ 440,921,946 | $ 1,676,164,874 | **3.89%** | 0.24% | **18.20%** | 0.49% |
| Armenia | $ 175,831,851 | $ 510,780,036 | **11.86%** | 0.10% | **15.68%** | 0.15% |
| Estonia | $ 459,287,752 | $ 2,012,579,006 | **3.31%** | 0.25% | **12.78%** | 0.59% |
| Turkmenistan | $ 71,280,940 | $ 843,924,501 | **0.51%** | 0.04% | **10.82%** | 0.25% |
| Georgia | $ 216,770,037 | $ 756,179,595 | **9.83%** | 0.12% | **9.78%** | 0.22% |
| Lithuania | $ 354,659,639 | $ 2,304,170,623 | **1.40%** | 0.19% | **8.18%** | 0.67% |
| Moldova | $ 188,538,113 | $ 308,497,965 | **9.59%** | 0.10% | **7.74%** | 0.09% |

Source: comtrade.un.org/data, UN Comtrade Database, Export & Import (2015), Author's edition

**Graph 15: Share of Overall Export & Import of post-Soviet space to Russian Federation for 2015**




Source: comtrade.un.org/data, UN Comtrade Database, Export & Import (2015), Author's edition

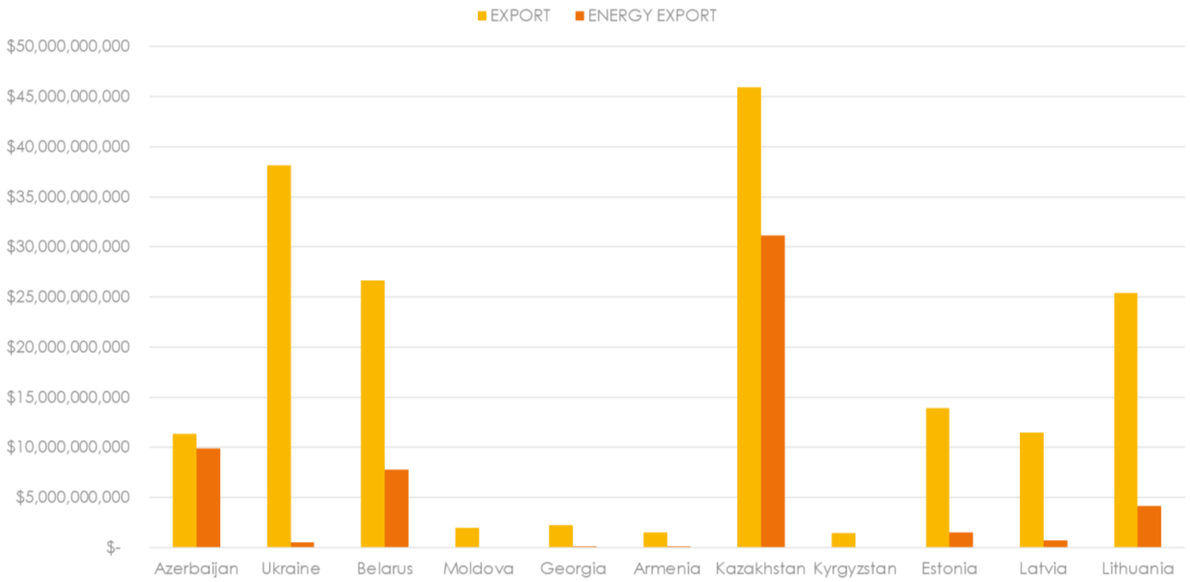
Second part of trade analysis of post-Soviet and Baltic republics, is focused on providing information on export and import volumes of energetics and their arrangement. It comprises of 8 figures working with data on energetic independency or scarcity of each country, projecting ratios of energy to overall export. The variety of graphical illustrations separates the range of countries on energetics exporters and importers. Last two figures reflect the shares of energy export and import flowing to and from the Russian Federation, maping the level of energetic interdependence on Russia of each country.

**Table 16: Export of energy of post-Soviet space in 2015**

| COUNTRY | EXPORT | ENERGY EXPORT | NON ENERGY EXPORT | ENERGY EXPORT/EXPORT | NON ENERGY/EXPORT |
|---|---|---|---|---|---|
| Uzbekistan | $6,500,000,000 | NO DATA | NO DATA | NO DATA | NO DATA |
| Turkmenistan | $14,000,000,000 | NO DATA | NO DATA | NO DATA | NO DATA |
| Tajikistan | $900,000,000 | NO DATA | NO DATA | NO DATA | NO DATA |
| Azerbaijan | $ 11,326,841,102 | $ 9,879,277,462 | $ 1,447,563,640 | **87.22%** | 12.78% |
| Kazakhstan | $ 45,954,426,051 | $ 31,119,562,305 | $ 14,834,863,746 | **67.72%** | 32.28% |
| Belarus | $ 26,660,394,600 | $ 7,768,494,200 | $ 18,891,900,400 | **29.14%** | 70.86% |
| Lithuania | $ 25,411,022,244 | $ 4,151,248,566 | $ 21,259,773,678 | **16.34%** | 83.66% |
| Estonia | $ 13,896,692,820 | $ 1,538,904,958 | $ 12,357,787,862 | **11.07%** | 88.93% |
| Latvia | $ 11,491,156,721 | $ 724,296,973 | $ 10,766,859,748 | **6.30%** | 93.70% |
| Armenia | $ 1,482,667,349 | $ 92,391,607 | $ 1,390,275,742 | **6.23%** | 93.77% |
| Georgia | $ 2,204,676,250 | $ 136,431,058 | $ 2,068,245,192 | **6.19%** | 93.81% |
| Kyrgyzstan | $ 1,441,467,621 | $ 75,215,720 | $ 1,366,251,901 | **5.22%** | 94.78% |
| Ukraine | $ 38,127,039,558 | $ 488,015,617 | $ 37,639,023,941 | **1.28%** | 98.72% |
| Moldova | $ 1,966,837,314 | $ 10,058,404 | $ 1,956,778,910 | **0.51%** | 99.49% |

Source: comtrade.un.org/data, UN Comtrade Database, Export & Import (2015), Author's edition

**Graph 17: Export of energy of post-Soviet space in 2015**



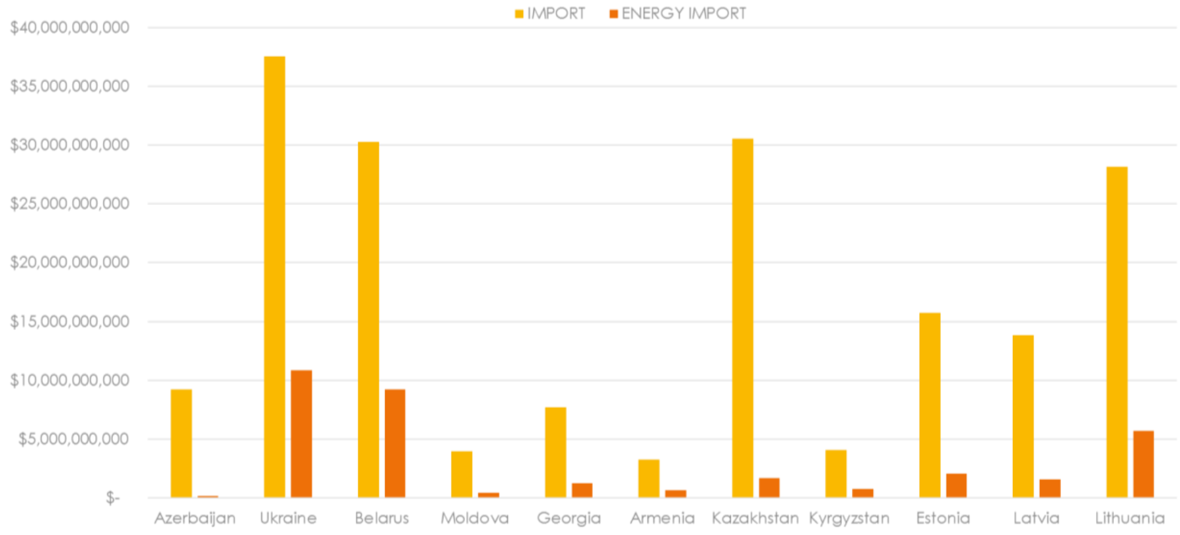

Source: comtrade.un.org/data, UN Comtrade Database, Export & Import (2015), Author's edition

**Table 18: Import of energy of post-Soviet space in 2015**

| COUNTRY | IMPORT | ENERGY IMPORT | NON ENERGY IMPORT | ENERGY IMPORT/IMPORT | NON ENERGY/IMPORT |
|---|---|---|---|---|---|
| Uzbekistan | $ 11,800,000,000 | NO DATA | NO DATA | NO DATA | NO DATA |
| Turkmenistan | $ 7,800,000,000 | NO DATA | NO DATA | NO DATA | NO DATA |
| Tajikistan | $ 3,400,000,000 | NO DATA | NO DATA | NO DATA | NO DATA |
| Belarus | $ 30,291,492,800 | 9,211,203,500 | $ 21,080,289,300 | **30.41%** | 69.59% |
| Ukraine | $ 37,516,153,220 | 10,882,445,705 | $ 26,633,707,515 | **29.01%** | 70.99% |
| Armenia | $ 3,256,964,792 | 673,716,410 | $ 2,583,248,382 | **20.69%** | 79.31% |
| Lithuania | $ 28,176,441,602 | 5,689,006,679 | $ 22,487,434,923 | **20.19%** | 79.81% |
| Kyrgyzstan | $ 4,068,083,799 | 778,135,764 | $ 3,289,948,035 | **19.13%** | 80.87% |
| Georgia | $ 7,730,081,504 | 1,241,613,702 | $ 6,488,467,802 | **16.06%** | 83.94% |
| Estonia | $ 15,746,782,550 | 2,086,677,570 | $ 13,660,104,980 | **13.25%** | 86.75% |
| Latvia | $ 13,850,039,440 | 1,603,331,909 | $ 12,246,707,531 | **11.58%** | 88.42% |
| Moldova | $ 3,986,820,641 | 458,409,351 | $ 3,528,411,290 | **11.50%** | 88.50% |
| Kazakhstan | $ 30,567,159,492 | 1,681,523,735 | $ 28,885,635,757 | **5.50%** | 94.50% |
| Azerbaijan | $ 9,211,125,764 | 152,209,668 | $ 9,058,916,096 | **1.65%** | 98.35% |

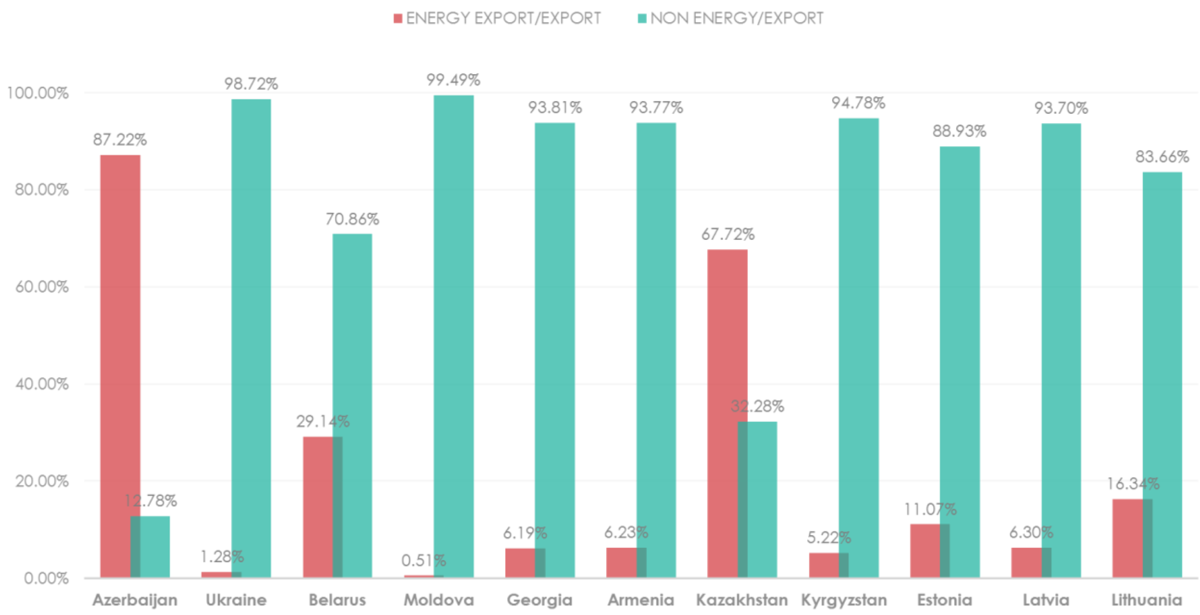
Source: comtrade.un.org/data, UN Comtrade Database, Export & Import (2015), Author's edition

**Graph 19: Import of energy of post-Soviet space in 2015**



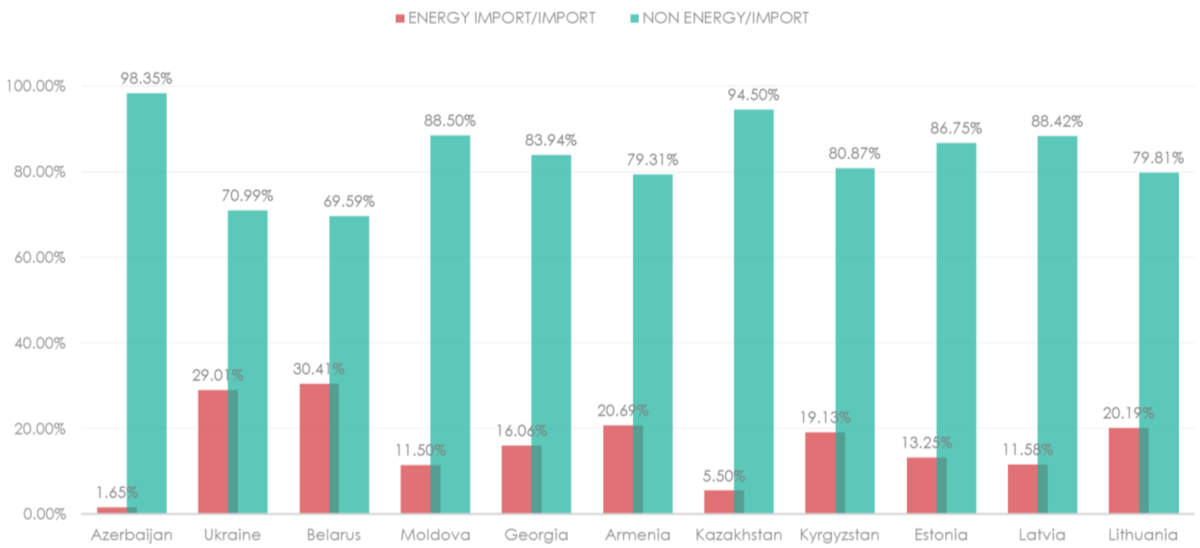

Source: comtrade.un.org/data, UN Comtrade Database, Export & Import (2015), Author's edition

**Graph 20: Energy and Non energy Export Ratios to Overall Export for 2015**




Source: comtrade.un.org/data, UN Comtrade Database, Export & Import (2015), Author's edition

**Graph 21: Energy and Non energy Import Ratios to Overall Import for 2015**



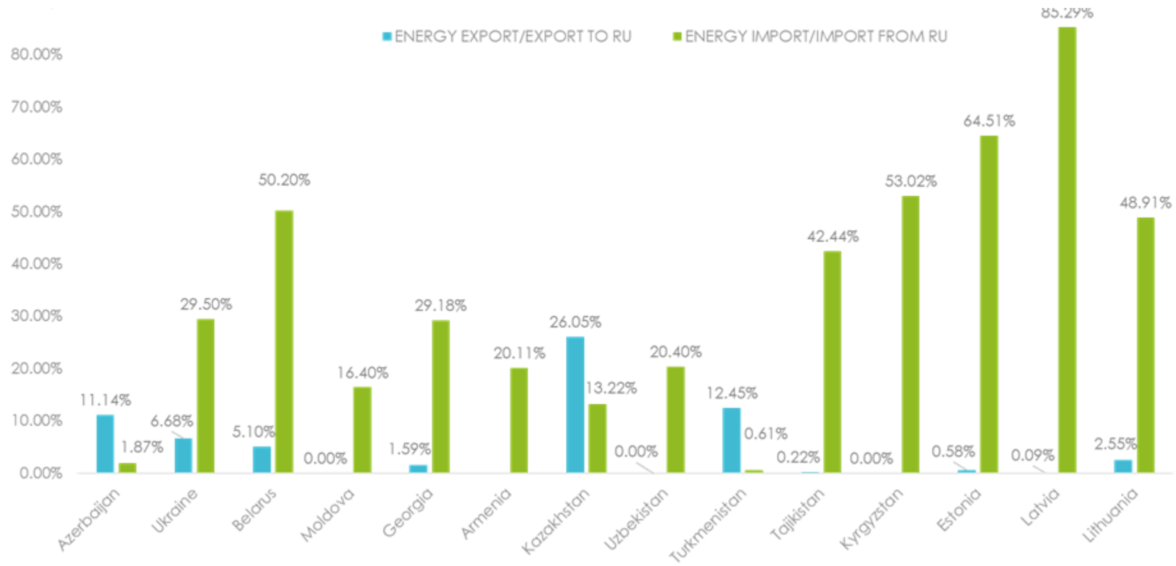

Source: comtrade.un.org/data, UN Comtrade Database, Export & Import (2015), Author's edition

**Table 22: Export & Import of energy of post-Soviet space related to Russia in 2015**

| COUNTRY | ENERGY EXPORT TO RU | ENERGY IMPORT FROM RU | ENERGY EXPORT/EXPORT TO RU | ENERGY IMPORT/IMPORT FROM RU |
|---|---|---|---|---|
| Latvia | $ 292,554 | $ 5,713,820,277 | 0.09% | 85.29% |
| Estonia | $ 2,670,205 | $ 1,298,219,691 | 0.58% | 64.51% |
| Kyrgyzstan | $ 2,778 | $ 683,619,290 | 0.00% | 53.02% |
| Belarus | $ 407,071,064 | $ 6,238,866,177 | 5.10% | 50.20% |
| Lithuania | $ 9,029,651 | $ 1,126,990,014 | 2.55% | 48.91% |
| Tajikistan | $ 102,998 | $ 322,142,437 | 0.22% | 42.44% |
| Ukraine | $ 376,919,780 | $ 2,112,879,996 | 6.68% | 29.50% |
| Georgia | $ 3,449,226 | $ 220,625,134 | 1.59% | 29.18% |
| Uzbekistan | $ 1,296 | $ 453,033,067 | 0.00% | 20.40% |
| Armenia | NO DATA | $ 102,715,376 | NO DATA | 20.11% |
| Moldova | $ 955 | $ 50,599,851 | 0.00% | 16.40% |
| Kazakhstan | $ 1,113,604,837 | $ 1,362,186,760 | 26.05% | 13.22% |
| Azerbaijan | $ 49,126,172 | $ 31,363,494 | 11.14% | 1.87% |
| Turkmenistan | $ 8,872,325 | $ 5,167,178 | 12.45% | 0.61% |

Source: comtrade.un.org/data, UN Comtrade Database, Export & Import (2015), Author's edition

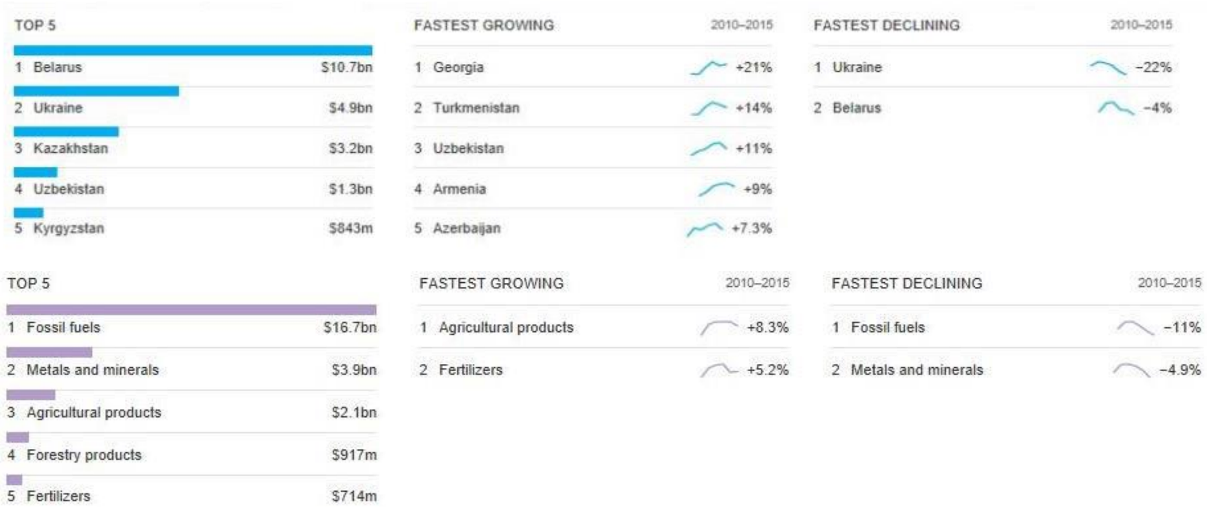
**Graph 23: Export & Import of energy of post-Soviet space related to Russia in 2015**




Source: comtrade.un.org/data, UN Comtrade Database, Export & Import (2015), Author's edition

Figure 24 summarizes and classifies statistics about the biggest and fastest growing importers from the Russian Federation. In addition, it lists 5 major types of commodities being traded between Russia and the countries examined. In addition, the fastest growing goods traded are being ranked.

**Figure 24: Imports & Exports to Russian Federation Statistics overview for 2015**




Source: comtrade.un.org/data, UN Comtrade Database, Export & Import (2015), Author's edition

The first discipline examined within the trade analysis comprises the biggest overall exporters based on dollar amounts gained for their exportations. These were Kazakhstan, Ukraine, and Belarus. In overall importations dominate Ukraine, Kazakhstan, and Belarus, respectively. Including exportation volumes flowing to Russian Federation, Belarus, Ukraine, Armenia, and Kazakhstan traders retain the highest levels of shipping. The biggest importers reliant on Russian merchandise deliveries represent Latvians, Belarussians, Kazakhs, and Kyrgyz, respectively.

According to Comtrade, the most significant degrees of mutual trade exchanges concerning of both export and import levels with Russians reach the Belarussians, Ukrainians, and Armenians.

Contrarily, the lowest grades of trade flows in exportations account for Kyrgyz and Tajiks. The countries reflecting the lowest importation shipping from Russian federation are Moldavia and Tajikistan.

The most significant energy-related product exporters are Azerbaijanis and Kazakhs which refer to as energetically independent drivers. There are no further data on Turkmenistan energy exports but in coherence to other sources available, it is another energetically self-sufficient economy. Countries that on the other hand, rely the most on energy sources importations are Belarus, Ukraine, and Armenia. They specialise mostly on non-energetic product exportations.

Another trade area examined involved energy exportations circulating to Russia which is dominated by Kazakh, Turkmenistan, and Azerbaijani exporters, respectively. In opposition to that, mostly dependent countries on Russian exportation flows of energy-associated products are Latvian, Estonian, Kyrgyz, and Belarus importers.

Overall, the majority of commodities shipped from Russia to other former-Soviet and Baltic countries is pertained to fossil fuel products followed by metals & minerals, agricultural products and lastly fertilizers. However, agricultural goods and fertilizers are the fastest growing types of commodities of Russian exportation. The overall most significant trade partners are Belarussians, Ukrainians, and Kazakhs. The fastest growing trade exchanges happen between Russian Federation, Georgia, Uzbekistan, and Turkmenistan, respectively.

## 2.2 Trade Orientations of Former Soviet Republics and Baltic States

Within the connection to practical part, throughout theoretical analysis the actual structure of import and export volumes is being examined together with its relation towards Russian orientation. Each former Soviet and Baltic republic specializes on different kind of goods that are being exported and represent their assets based on the theory of comparative advantage. The dollar amounts for quantities of products being exported associate to the evolution, size and strength of their economies, openness of the borders for traffic, convenience of rules for trading, abundance of resources and many others.

Contrarily, each country struggles with the scarcity of materials or products that are required to be imported. Compelling proportion of the discussion will be dedicated to energetics which are dominating trade flow capacities within post-Soviet territory referring to some major shifts in commercial and thus economic and political power.

Russian Federation is the key trade partner and centre of gravity in imports and exports for majority of the countries. Again, the three layers of economic dependency on Russia will be assessed based on the overall trade flows of post-Soviet and Baltic countries with the unique focus on energetics.

Wide range of aspects influences trade activity amongst states including political, economic, social, technological, legislative, or environmental issues all having impact on the exchanges. These issues affect establishment of number of policies that countries exert either to liberalize or protect their trade flows. Participation in larger entities based on multilateral contracts seen above, in the first chapter, serve as one example on how the countries apply the unique set of rules to cooperate in terms of facilitating large volumes of exchanges. Each country within post-Soviet or Baltic area "*uses specific tariff; autonomous or contractual, export – import oriented or fiscal protective tariff or non-tariff measures comprising of quotas, antidumping and countervailing rules, subsidies, investment restrictions, exchange rate manipulations, bail-outs, health & safety regulations, preferential trade agreements or free trade zones to either promote or discourage trade activities*" (35).

### 2.2.1 Overall Export and Import Flows of post-Soviet and Baltic states

Republic of Kazakhstan, Ukraine, Belarus, and Lithuania are the countries that by large margin dominate in value gained for their products exported, seen in Table 10. Importation of those countries equally raises by far up to the highest levels with the biggest importer – Ukraine, according to Table 12 considering Comtrade data. Kazakhstan and Ukraine are characterized as export economies retaining the surplus in Balance of trade. Contrarily to them, Belarus and Lithuania are the importers with imports exceeding their exports in value.

### Kazakhstan

Kazakhstan possesses abundant natural resources gaining profits primarily from fuels and mining products exportations to European Union, China, and Russia, respectively (36). Main sources of Kazakh income circulate from contract with Chevron Corporation which permitted the exploitation of one of the world's largest oil fields Tengiz (37). Crude petroleum, petroleum gas, refined petroleum, copper ore, iron ore, coal, lignite, and zinc (38) are being delivered mainly to Italy, France and China (39). Exports of energetics represent nearly 68% of overall Kazakh exports by estimations of Comtrade 2015, and thus make Kazakhstan the second largest exporter of energetics within post-Soviet area.

### Ukraine

Ukraine with its exceptional soil and climate dispositions is a large metals & minerals exporter. It shifts its mineral products such as semi-finished iron, hot-rolled or cold-rolled iron and ferroalloys to Russian Federation, China, and Turkey (39). The principal metal exportations are pertained to iron ore, transported to China and Eastern European countries (39). Favourable conditions for fertile land guarantee also the highly developed production and shipping of crops, wheat, and livestock breeding. Agriculture exportation materials flow to Europe, Middle East, North Africa, and Pacific Asia, most intensively in particular to China, Spain, Egypt, or Netherlands (39).

Ukraine is amongst all other countries the second biggest non-energy exporter which makes it the unparalleled biggest importer of fossil fuels – coal, gas, and oil - coming from Russian Federation. Ukraine currently faces economic challenges diverted from the political crisis with Russia in 2014. "*A cease-fire between the Ukrainian government and Russian-backed forces in February 2015 created a state of frozen conflict, and the ongoing violence shattered daily life in what had been Ukraine's most productive industrial region"* (40).

**Belarus**

Belarus represents a fair re-exporter of fossil fuels majorly in refined petroleum and potassic fertilizers (39). It handles one of the world's largest reserves of potash (potassium salts), which was "*discovered south of Minsk in 1949 and exploited from the 1960s around the new mining town and fertilizer-manufacturing centre of Salihorsk"* (41). On top of that, Belarus is a world leader in production of peat, abundant around Pipet Marshes surroundings, used in a briquette form as a fuel. Among other minerals recovered are salt, or limestone valued as a construction material (41).

*"Mining and manufacturing remain major components of the Belarusian economy and together account for more than one-fourth of GDP, with the processing of minerals and hydrocarbons"* (41). Machinery, trucks, tractors or rolled metal of the sole industrial economy are then being exported to Russia, Ukraine, China and increasingly to the countries of European Union. In the early 21st century, Belarus's taxation system was *"simplified to bring it more in line with European standards. Taxes for individuals include an income tax, a social security tax, and property taxes. For businesses taxes include a corporate income tax, a social security tax, a value-added tax, ecological taxes (for the use of natural resources), and property taxes"* (41).

Out of all the post-Soviet and Baltic economies, Belarus is the principal overall importer specifically dependent on crude petroleum and petroleum gas deliveries (39). According to Table 18 based on Comtrade cyphers nearly 30,5% accounts for energetics importations for the inner country use.

**Baltic countries**

Baltic republics; Lithuania, Estonia, and Latvia as mentioned previously, in the practical part of the first chapter, divert from other countries by their geopolitical status. Meaning that they are sole members of the European Union, Eurozone, Schengen Area or NATO so the trade guidelines they apply, forming their model of political and economic culture, inclines towards Western democracies over the structures deployed inside the post-Soviet countries. Baltic republics retain exclusivity in commercial services exports exceeding the goods, which classifies them as more developed markets approaching quaternary and quinary sector of economy, focused on services and research & development (36). They are all importing economies with the stress on energetics, all highly dependent on crude petroleum, refined petroleum, coal, petroleum gas and electricity transportations (38). Baltic economies trade mostly among themselves and the chief trading partner for each state includes Russian Federation (39).

### Azerbaijan

Azerbaijan dominates in the narrow specialization on petrol production and its exportation. Due to their wealthy reserves of natural resources they are called oil economies. Azerbaijan focuses on crude petroleum and refined petroleum shipping whereas these materials represent over 90% of all exports (38) heading mainly to countries of the European Union and Indonesia (39).

Its capital Baku is encircled by oil derricks, oil refineries, and processing plants which have been modernized to raise efficiency and create higher demand for fuel and power supplies. "*All the electricity is produced at thermoelectric power stations burning fossil fuels, which have been built throughout the country"* (42). Branches of the processing industry, producing mineral fertilizers, gasoline, industrial oils, and plastics, have emerged within Sumqayıt region which became the industrial centre of Azerbaijan. Azerbaijanis do not trade with Armenia because of the conflict over Nagorno-Karabakh (42).

### Turkmenistan

Turkmenistan's economy has an access to vast petroleum gas stockpiles that perform over 80% of all exportations (38) flowing above all to China and Turkey (39). The extensive reserves of especially high graded oil and natural gas are located under the ground in the Western plain and underwater along the Caspian Sea (43). *"A network of pipelines links natural gas deposits with a number of gas-importing neighbours, including Russia, Iran, and China, passing through Kazakhstan and Uzbekistan*" (43). Additionally, Turkmenistan exports refined and crude petroleum and peat. Turkmenistan represents the importer of machinery and steel, needed for oil production, refinery, and its transport (38). The importing partners of manufacturing are Russia, Turkey, Kazakhstan, and Ukraine (39). Together with Kazakh economy, Azerbaijan and Turkmenistan are the only countries examined completely independent in fossil fuels extraction and consumption.

### 2.2.2 Trade Interdependence of post-Soviet and Baltic republics on Russian Federation in Exports and Imports

Russian Federation accounts for having the biggest economy among all countries examined through its size of the gross domestic product and volume of exports and imports (36). Setting the headquarters for Eurasian Economic Union and the Collective Security Treaty Organization in Moscow, Russian former-Soviet power gathers significant part of its political influence over trading activities with former-Soviet countries. Russia also strengthened economic ties with the European Union by signing an official agreement in 1994. Later on, it was confirmed by the most advanced economies worldwide to admit Russia as their partner in the Group of Eight (G-8) (44). And nowadays, Russia equally operates as a member of the World Trade Organization obeying its trade rules (35).

#### *2.2.2.1 Russian export materials as comparative advantages*

Russian economy prides itself with widely abundant natural resources in oil, gas, minerals, electricity production and chemical industries which embrace its primary exportation flows among the trade partners in Former-Soviet and Baltic states (39). Russia’s machine-building industry provides most of the country’s needs, including any kind of transportation technology, energy supply or armament industry. Furthermore, Russia retains the world’s largest forest reserves, exploited for all kinds of woodworking industries which are exported above all to China or Finland (39).

The main agricultural product has always been grain, occupying more than a half of cropland, followed by production of wheat and livestock breeding (44). Grain, wheat, and meat products are being shipped chiefly to Kazakhstan (39).

However, larger than grain export are Russian earnings from fish exportations (39); "*with its access to the substantial resources of both the Atlantic and Pacific oceans, marine fishing is particularly well developed, and Russia's fleet of factory ships can process huge catches at remote locations. The Russian fishing industry rivals the size of the world's other leading producers (Japan, the United States, and China). Russia produces about one-third of all canned fish and some one-fourth of the world's total fresh and frozen fish."* (44).

Within the part of the European Russia, are being concentrated the textile industries which produce large share of country's clothing and footwear (44).

Principal imports to Russia include machinery needed for petroleum production and foods processing (39).*"Among Russia's leading trade partners are Germany, the United States, Belarus, Ukraine and China. Russian Federation enjoys a healthy trade surplus since the dissolution of the Soviet Union in 1991"* (44). Rubble is being the most frequently exchanged currency within the ex-Soviet and Baltic territory representing highly important monetary unit in international transaction operations. The decomposition of the business sectors is aligned to other developed economies of the 21st century because gradually *"services perform more than half of GDP"* in Russia (44).

#### *2.2.2.2 Russian production limitations reducing possibilities to trade*

However, there are several genuine constraints in trade with Russia that Russian economy flaws to accomplish which have a direct impact on their economic growth, stability, capacity of foreign direct investments or living standards.

Since the Soviet times, Russia heavily relied on importation of variety of commodities that it was unable to produce in sufficient quantities itself (3). These included cotton delivered from Uzbekistan and other high-value agricultural exports, like grain from Kazakhstan or diverse minerals. *"In return, Russia exported oil and gas to republics with a weak energy* *base, such as Belorussia (now Belarus) and the Baltics, and sent its skilled-engineering products and consumer goods to most of its partners*" (44). As the trade ran on central planned economic basis with 5-year projections and was partly isolated and, Russia suffers until these days with limited development of consumer goods provision resulting in poor economic diversification of production and consumption (3). As a result, Russia until these days lags economically in number of developing industries; "*the Russian telecommunications sector is inferior to those of other industrialized countries"* (44). In other words, Russian economy remains dependent on trade performance of petroleum extraction and exportation. Its entire economic situation notices fluctuations of petroleum-based commodities prices.

Furthermore, Russia's vast size, great distances and natural conditions separate sources of raw materials and foodstuffs from consumers place and put a heavy burden on transport system. The result of this, is a continuing dominance of railways accounting *"for about nine-tenths of the country's freight turnover (three-fifths if pipelines are included) and half of all passenger movement. The railway network of European Russia is nearly seven times as dense as that found in the Asian portion of the country.* (44) Nonetheless, the railways are owned and run by a joint-stock company controlled by the state whereas much of the country's rolling stock is highly obsolete.

Apart from highways linking major cities of European Russia, road infrastructure is equally underdeveloped and *"carries only a tiny fraction of all freight"* (44). The percentage of people owning vehicles is reduced in comparison to Western economies. And although the maritime ways provide much larger volume of transport in foreign trade, significant part of it is only seasonal due to the icy natural conditions near the Arctic seaboard routes (44). The cold whereabouts of the allocation in natural resources affect number of production sectors including agriculture; Russian infertile land and fishery, slow growth rates of forestry and others.

Considering labour work force, Russian Federation faces challenges regarding provision of services by the public sector, particularly the police, schools and hospitals. "*Owing to budget shortfalls, many of the public-sector services are poorly financed and have been unable to retain skilled employees"* (44). Small sector of telecommunications offers only limited amount of employment for qualified work force pertained to research & development and its digital transformation which Western economies nowadays widely profit from.

These economic issues amongst others have an impact on the trust of the investors and their willingness to trade with Russia which currently places as 41st country worldwide and number one in G-20 corruption index list (45).

### *2.2.2.3 Russian Trade network within post-Soviet and Baltic economies with domination in energetics*

All the comparative advantages and fragilities of the Russian economy explored previously mirror its influence over the trade dynamics with former-Soviet and Baltic states. Some of those countries remain strongly reliant on the trade flows with their Russian partner and prevail on its orbit of power whereas others rule the economy their proper individual way.

The primary importers of crude and refined petroleum within former-Soviet and Baltic area are Belarus, Latvia, and Lithuania (39) Exportation of petroleum related commodities takes over 48% which is nearly half of the Russian export capacity (38). "*Russia is among the world's leading producers of oil, extracting about one-fifth of the global total. It also is responsible for more than one-fourth of the world's total natural gas output"* (44). Crude petroleum extracted and refined in the huge fields underlying northern part of Western Siberia, Volga-Ural zone, and North region of Komi-Ukhta. Same locations retain great bulks of natural gas processed and traded to the key partners in Belarus, Ukraine, Kazakhstan, Lithuania, and Armenia (39). Extensive pipeline network links production sites to all former Soviet republics and Baltics where being consumed. There are over 600 large thermal plants generating electricity from gas and oil, 100 hydroelectric stations and a few nuclear power plants. New chemical plants are being built in Volga, Ural, Siberia regions and North Caucasus zones as gas input increases (44).

Another significant deposit of energy supply is embedded in Russian vast coal reserves. On the coal deliveries rely mostly Ukrainian, Latvian, Kazakh, and Belarus importers (39). The biggest fields lie in the remote Tunguska and Lena basins of East Siberia and the Far East, but these are largely untapped, and the bulk of three-fourths of output comes from more southerly fields along the Trans-Siberian Railroad. "*The production of hard (anthracite) coal in European Russia takes place mainly in the eastern Donets Basin and, in the Arctic, in the Pechora Basin around Vorkuta"* (44).

Even though far behind the profits from fossil fuels, second chief source of Russian export incomes within former Soviet territory rises from trading with metals and minerals including iron ore, steel, nonferrous or precious metals. Large quantities of iron ore are being processed in the Kursk Magnetic Anomaly, Kola Peninsula, Urals, and Siberia and shipped to Ukraine, Belarus, and Kazakhstan (39). *"Russia produces about one-sixth of the world's iron ore and between one-tenth and one-fifth of all nonferrous, rare, and precious metals*" (44). Steel production units are almost in every economic region, but the biggest steel plants are to be found in Urals, Central Black Earth Region and Kuznetsk Basin.

Major Nonferrous metals importers are in Ukraine, Belarus, Kazakhstan, and Uzbekistan (39). Nonferrous metallurgy is available in great variety from many districts, but by far the most important are those of the Ural region (44). Russia is a leading producer of cobalt, chrome, copper, or gold which is being traded to Armenian, Kazakh, or Georgian importers (39). Furthermore, it is being key exporter of lead, manganese, nickel, tungsten, vanadium, or zinc transferred to Kazakh, Belarus, Ukrainian, and Azerbaijani markets (44). The country produces much of its aluminium from plants powered by the Siberian hydroelectric stations shifted to Belarus, Armenia, Kazakhstan, or Ukraine (39).

Russian exportation to post-Soviet soviet and Baltic states involves a great variety of chemical manufacturing including mineral salts, coke-oven, smelter gases, timber, and foodstuffs. The Baltics, Ukraine, Kazakhstan, and Azerbaijan are importing these fertilizers (39). *"Sulfuric acid plants were developed in the Urals and North Caucasus, where there was nonferrous metallurgy; and potassium and phosphatic fertilizer plants were constructed at sites in several regions, near deposits of potassium salts and phosphorites"* (44).

Within textile industry, concentrated in the Central region of European Russia between Volga and Oka rivers, Russia produces mainly cotton (44). From the cotton-textile towns

Ivanovo, Kostroma, and Yaroslavl, it is being shipped to Belarus, Kazakhstan, Latvia, and Lithuania (39).

Russian agricultural resources produce mostly grain, barley, rye, and oats at their croplands (44). The most significant importers of Russian farming are Kazakhs, Georgians, Latvians, Azerbaijanis, and Ukrainians (39). *"More than one-third of the sown area is devoted to fodder crops – sown grasses, clovers, root crops, and, in the southern districts, maize. The remaining farmland is devoted to industrial crops, such as sunflowers, sugar beets, and flax, and to potatoes and other vegetables"* (44). Majority of the fertile soil is concentrated in southward European Russia in so-called Central Black Earth region. Same in the case of livestock farming whereas live animals are chiefly being shipped to Azerbaijan and Kazakhstan and meat products to Kazakhstan, Ukraine, and Kyrgyzstan (39).

The fundamental importers of the wood-based products including lumbering, pulp, paper, and woodworking industries are Uzbeks, Kazakhs, and Azerbaijanis (39).

The chief Russian fishing ports are located in Kaliningrad, St. Petersburg on the Baltic Sea, Vladivostok, Murmansk and Arkhangelsk. Processing pollacks, herrings, cods, belugas, salmons, and crabmeat Russians are sending it to the Belarus, Ukraine, Kazakhstan or Lithuania (39). The Caspian Sea containing Russian sturgeons is the best source of the world's finest caviar (44).

All the domains of trade being examined, the strongest interdependence to Russian exports measured as the ratio of import from Russia to overall import is seen at Latvian, Belarus, Kazakh, Kirgiz, and Tajik markets, respectively. These countries according to the Comtrade analysis are seen as highly linked to the Russian trade activities and represent the reliant import partners. Out of those, Latvia, Belarus, and Kyrgyzstan are equally in the top 5 of energetics importers together with Lithuanians and Estonians.

However, Estonia and Lithuania along with Turkmenistan, Georgia, and Moldova are amongst the least dependent economies whilst all the commodities traded with Russia are being considered. These countries following our analogy could be described as individual economic drivers.

Moderate sympathizers in terms of trade dynamics with Russia comprise of Ukrainians importing large quantities of petroleum-related products, Uzbeks, Azerbaijanis receiving deliveries of farming products and Armenians.

# 3. Ties between the Russian Federation and the Post-Soviet Republics based on Individual and Financial Movements

Final chapter is split into practical and theoretical part. Within the first - analytical part, the trends of individuals migrating, living and working on the Russian territory are being disclosed and compared among the post-Soviet republics. The analysis pursues with organizing data on cross-border financial transfers exchanged between post-Soviet republics and Russian Federation. Eventually, the significance of their economic inclinations towards Russia is being examined on the ratios of volumes to their gross domestic products. The figures of shifts of the human capital as well as the financial flows are being coordinated through set of regulations on labour-migration which are usually long-term. Each country obeys different migration policy that includes particular levels of legal severity moving from the scope of more liberal to highly restrictive regimes.

## 3.1 Migration, Financial Transfers and Remittances of Post-Soviet Republics

Practical part of the final chapter is dedicated to the human capital movement analysis and their remittances – cross border financial transfers back to the countries of origins, demonstrating the economic ties of post-Soviet space individuals towards the Russian Federation through graphs, figures, and tables.

All the graphs are the products of tables and the parameters are measured either in absolute figures in dollar amounts or in ratios in percentages. Ratios of transfers to GDP are calculated as simple shares of financial transfer to the overall GDPs of specific country. The financial transfers as a portion of the GDP are denoted in bold percentages and classified by the largest to smallest. Some of the statistical data given might be imprecise due to illicit movement of individuals or transactions thus uncounted.

The migration records changed significantly since 1990s equally because of different approach to statistical measurements. “*Until 1997, each individual changing the place of residence for more than 45 days was counted as migrant including individuals for business, study or personal visits. Since 1997, eventually only permanent-type registrations were considered regardless the duration of the stay. By 2011, temporary migrants registering and residing in a place for nine months or more were also included in statistics.”* (46) This modification of the definition of “migrant” is one of the strong factors behind steep increase in the number of international migrants beginning by 2011. For the “Cross-Border Remittances” in post-Soviet space for 2016 the data sources of money transfer operators are as follows; Anelik, BLIZKO, Colibri, Contact, InterExpress, LIDER, Russian Post, UNIStream, Western Union, Zolotaya Korona have been employed (47).

The initial part of the figures introduces three different figures mapping the development of post-Soviet migration trends demonstrated – firstly, on the population of the former-Soviet population living – having a permanent residence within Russian territory. Migrant is defined as somebody moving inside of the country for the purpose of a long-term stay character (48). Secondly, on net migration, where peoples leaving Russia are being subtracted, and finally labour permits issuance to foreign labour between 1994 and 2015. The order of countries is being arranged based on the volumes of the relevant data.

**Table 25: Size and Trends of population living in Russia classified by the country of birth**

| Country of Birth | 1989 | 2002 | 2010 | Percent Change, 1989-2010 |
|---|---|---|---|---|
| Former Soviet Countries | 10,478,000 | 11,510,600 | 10,786,500 | 2.9 |
| Armenia | 153,800 | 481,300 | 511,200 | 232.4 |
| Tajikistan | 151,500 | 383,100 | 452,200 | 198.5 |
| Kyrgyzstan | 260,900 | 463,500 | 573,300 | 119.7 |
| Uzbekistan | 529,800 | 918,000 | 1,111,700 | 109.8 |
| Azerbaijan | 478,600 | 846,100 | 743,900 | 55.4 |
| Kazakhstan | 1,825,000 | 2,585,000 | 2,481,900 | 36.0 |
| Turkmenistan | 140,600 | 175,300 | 180,000 | 28.0 |
| Moldova | 228,800 | 277,500 | 285,300 | 24.7 |
| Georgia | 423,000 | 629,000 | 436,400 | 3.2 |
| Estonia | 65,500 | 67,400 | 57,000 | -13.0 |
| Latvia | 99,900 | 102,500 | 86,700 | -13.2 |
| Ukraine | 4,595,800 | 3,560,000 | 2,942,000 | -36.0 |
| Lithuania | 116,100 | 86,200 | 68,900 | -40.7 |
| Belarus | 1,408,600 | 935,800 | 740,900 | -47.4 |
| Other Countries | 994,100 | 466,200 | 408,200 | -58.9 |
| Total Population | 147,021,900 | 145,166,700 | 142,856,800 | -2.8 |
| Native Born | 135,549,800 | 131,608,700 | 127,116,400 | -6.2 |
| Foreign Born Total | 11,472,100 | 11,976,800 | 11,194,700 | -2.4 |
| Not Stated | --- | 1,581,200 | 4,545,500 | --- |

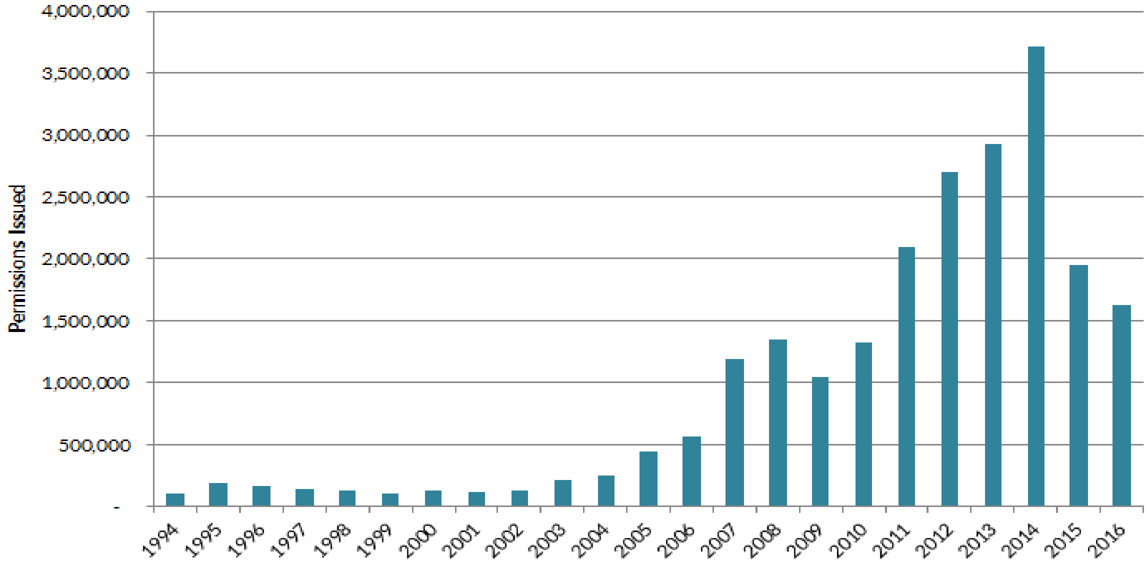
Source: 1989 Census data from Demoscope Weekly (May 16, 2017) ; 2002 and 2010 All-Russia Census data from Rosstat (May 16, 2017)

**Table 26: Net migration to Russia by period 1991-2015**

| Country or Region | 1991-2000 | 2001-10 | 2011-15 | Overall (1991-2015) |
|---|---|---|---|---|
| Former Soviet Union Total | 4,280,000 | 1,816,800 | 1,366,100 | 7,462,800 |
| Kazakhstan | 1,497,400 | 347,400 | 182,700 | 2,027,400 |
| Uzbekistan | 605,000 | 349,000 | 202,000 | 1,155,900 |
| Ukraine | 341,600 | 261,500 | 341,800 | 944,900 |
| Tajikistan | 314,700 | 135,700 | 129,800 | 580,200 |
| Kyrgyzstan | 272,900 | 179,400 | 109,700 | 562,000 |
| Armenia | 200,000 | 188,700 | 140,400 | 529,200 |
| Azerbaijan | 298,900 | 120,500 | 79,400 | 498,800 |
| Georgia | 358,700 | 70,900 | 27,400 | 457,100 |
| Moldova | 78,500 | 106,100 | 93,000 | 277,600 |
| Turkmenistan | 116,100 | 43,200 | 17,000 | 176,300 |
| Latvia | 109,700 | 6,800 | 4,300 | 120,700 |
| Estonia | 66,400 | 2,400 | 3,600 | 72,400 |
| Lithuania | 46,600 | 2,900 | 2,000 | 51,500 |
| Belarus | -26,500 | 2,200 | 33,200 | 8,900 |

Note: Green represents positive net migration, while red represents negative net migration. Estimates of overall net migration vary based on methodology, with another estimate based on the demographic balance method placing the figure at 9 million from 1991 to 2015. Source: For data since 1997, see Rosstat, "International Migration," (July 8, 2016), data prior to 1997 from unpublished reports obtained by the authors from Rosstat and the former Federal Migration Service of Russia (now the Directorate General on Migration Issues in the Ministry of Interior).

**Graph 27: Russian employment permits issued to foreign labour in 1994-2015**




Note: Beginning by 2010, these include patents and permits for highly skilled workers
Source: Unpublished reports obtained by the authors from Rosstat and the former Federal Migration Service of Russia (now the Directorate General on Migration Issues in the Ministry of Interior).

The following Table 28. on remittances exchanged between post-Soviet space and Russian federation monitors the amounts of dollars transfered from Russia to the coherent post-Soviet country of origin or from that country to the Russian Federation. The „averages of one transfer“ are given as the sum of all amounts of dollars of one country transfered divided by their overall particular quantity. This information is highly relevant as we see some of the countries might have low total transfer rates but the average of one transfer is extraordinly elevated. This fact denotes that the quantity of the transfers remains particularly low. The turnovers represent total financial transfers in dollar amounts coming and leaving Russia which are added up. Negative balances in the tables reveal the excess of the amount of remittances coming from the Russian Federation over the amount of remittances leaving the Russian Federation from the given post-Soviet country. Minor discrepancies between the total and the sum of components are due to the rounding of data. The countries are listed by the excess of the transfers from Russia from the highest to the lowest rates. Majority of post-Soviet republics have negative balance as the remittances sent from Russia to the countries of origin generally dominate.

**Table 28: The Cross-border Transfers of individuals via payment systems to and from Russia**

| | Transfers to Russia | | Transfers from Russia | | Turnover | Balance |
|---|---|---|---|---|---|---|
| | total transfers (millions USD) | *average of one transfer (USD)* | total transfers (millions USD) | *average of one transfer (USD)* | total transfers, (millions USD) | total transfers (millions USD) |
| **Total** | **2,222** | ***496*** | **7,335** | ***424*** | **9,558** | **-5,113** |
| UZBEKISTAN | 87 | *1,203* | 1,888 | *431* | 1,975 | -1,801 |
| KYRGYZSTAN | 296 | *826* | 976 | *417* | 1,272 | -680 |
| UKRAINE | 91 | *217* | 622 | *253* | 712 | -531 |
| TAJIKISTAN | 117 | *434* | 579 | *201* | 696 | -462 |
| AZERBAIJAN | 82 | *469* | 483 | *452* | 565 | -401 |
| ARMENIA | 77 | *1,008* | 346 | *409* | 424 | -269 |
| KAZAKHSTAN | 465 | *555* | 327 | *719* | 793 | 138 |
| GEORGIA | 67 | *933* | 263 | *499* | 330 | -195 |
| MOLDOVA | 48 | *511* | 252 | *348* | 301 | -204 |
| BELARUS | 68 | *257* | 115 | *237* | 183 | -46 |
| LATVIA | 8 | *255* | 12 | *527* | 20 | -4 |
| TURKMENISTAN | 46 | *401* | 8 | *381* | 54 | 38 |

Note: Transfers of Residents and Non-residents count the money transfers to Russia in favour of resident and non-resident individuals and money transfers from Russia of resident and non-resident individuals made via credit institutions (with/without opening an account) including remittances via money transfer operators.

Source: Reports of the credit institutions "Data on Cross-border Transfers of Individuals", FGUP "Pochta Rossii" (2017)

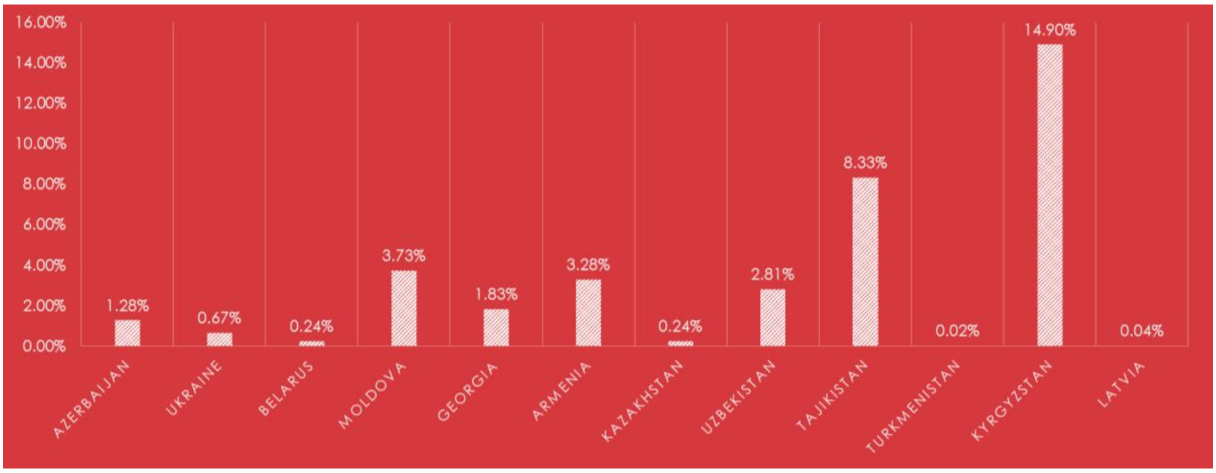
Within the table 29. below, financial transfers from Russia to each former-Soviet country are listed in sums of millions of dollars and classified according to shares that transfers cover to their GDPs. The percentage rates reaching above three percent are highlighted in red. The graph referred to the table aims to compare those shares of transfers to GDPs among post-Soviet republics.

**Table 29: The Cross-border Transfers of post-Soviet space from Russia via payment systems to their GDP**

| | GDP (millions CURRENT USD) | | Transfers from Russia total transfers (millions USD) | Transfers from Russia share of GDP % |
|---|---|---|---|---|
| AZERBAIJAN | $ | 37,847.70 | 483 | **1.28%** |
| UKRAINE | $ | 93,270.50 | 622 | **0.67%** |
| BELARUS | $ | 47,433.40 | 115 | **0.24%** |
| MOLDOVA | $ | 6,749.50 | 252 | **3.73%** |
| GEORGIA | $ | 14,332.90 | 263 | **1.83%** |
| ARMENIA | $ | 10,547.30 | 346 | **3.28%** |
| KAZAKHSTAN | $ | 133,657.01 | 327 | **0.24%** |
| UZBEKISTAN | $ | 67,220.30 | 1,888 | **2.81%** |
| TAJIKISTAN | $ | 6,951.70 | 579 | **8.33%** |
| TURKMENISTAN | $ | 36,179.90 | 8 | **0.02%** |
| KYRGYZSTAN | $ | 6,551.30 | 976 | **14.90%** |
| LATVIA | $ | 27,677.40 | 12 | **0.04%** |

Source: cbr.ru, Cross-border Remittances via Money Transfer Operators in Breakdown by Countries, Central Bank of Russia (2016), Author's edition

**Graph 30: The Cross-border Transfers of post-Soviet space from Russia via payment systems to their GDP**




Source: cbr.ru, Cross-border Remittances via Money Transfer Operators in Breakdown by Countries, Central Bank of Russia (2016), Author's edition

In table 31. again the data on financial transfers of individuals coming from Russia are being provided in sums of million dollars. This time the figures are split into three groups among the transfers of individuals in total, residents staying permanently within Russian territory and the residents of other former-Soviet republics shifting their money from Russia.

**Table 31: The Cross-border Transfers of post-Soviet space individuals from Russia**

| TRANSFERS FROM RUSSIA | | | | | | |
|---|---|---|---|---|---|---|
| | INDIVIDUALS; TOTAL | | RESIDENT INDIVIDUALS | | NON RESIDENT INDIVIDUALS | |
| | total of transfers (millions USD) | average of one transfer (USD) | total transfers (millions USD) | average of one transfer (USD) | total transfers (millions USD) | average of one transfer (USD) |
| **total** | **35,928** | ***211*** | **24,812** | ***177*** | **11,116** | ***363*** |
| AZERBAIJAN | 739 | *354* | 404 | *386* | 335 | *322* |
| UKRAINE | 1,003 | *211* | 658 | *207* | 345 | *220* |
| BELARUS | 263 | *294* | 170 | *294* | 93 | *293* |
| MOLDOVA | 434 | *262* | 160 | *265* | 274 | *261* |
| GEORGIA | 421 | *445* | 321 | *500* | 100 | *329* |
| ARMENIA | 711 | *196* | 336 | *226* | 376 | *175* |
| KAZAKHSTAN | 559 | *201* | 329 | *166* | 230 | *288* |
| UZBEKISTAN | 2,741 | *279* | 327 | *156* | 2,413 | *312* |
| TAJIKISTAN | 1,929 | *101* | 381 | *41* | 1,548 | *156* |
| TURKMENISTAN | 8 | *385* | 5 | *371* | 2.7 | *418* |
| KYRGYZSTAN | 1,743 | *221* | 572 | *224* | 1,171 | *220* |
| LATVIA | 2,113 | *23* | 1,979 | *22* | 134 | *18,980* |

Note: Transfers of Residents and Non-residents count the money transfers to Russia in favour of resident and non-resident individuals and money transfers from Russia of resident and non-resident individuals made via credit institutions (with/without opening an account) including remittances via money transfer operators. Minor discrepancies between the total and the sum of components are due to the rounding of data

Source: Reports of the credit institutions "Data on Cross-border Transfers of Individuals", FGUP "Pochta Rossii" (2017)

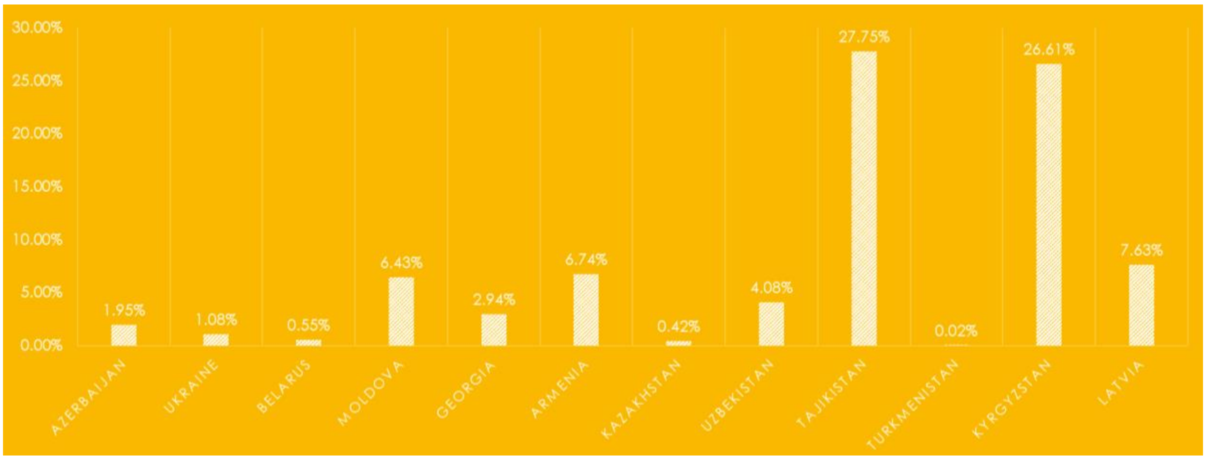
Table underneath concentrates on recording the financial transfers of former-Soviet individual residents and non residents on Russian territory to the sizes of their GDPs. The order of countries within the table is noted from the largest share of the financial transfer to GDP to lowest rate. The graph based on the table examines the values of those shares for each country.

**Table 32: The Cross-border Financial Transfers of post-Soviet space individuals from Russia to their GDP**

| COUNTRY | GDP (millions CURRENT USD) | | RESIDENT INDIVIDUALS; total transfers (millions USD) | NON RESIDENT INDIVIDUALS; total transfers (millions USD) | INDIVIDUALS; total transfers (millions USD) | % RESIDENT TO GDP | % NON RESIDENT TO GDP | % TOTAL TO GDP |
|---|---|---|---|---|---|---|---|---|
| TAJIKISTAN | $ | 6,951.70 | 381 | 1,548 | 1,929 | 5.48% | 22.27% | **27.75%** |
| KYRGYZSTAN | $ | 6,551.30 | 572 | 1,171 | 1,743 | 8.73% | 17.87% | **26.61%** |
| LATVIA | $ | 27,677.40 | 1,979 | 134 | 2,113 | 7.15% | 0.48% | **7.63%** |
| ARMENIA | $ | 10,547.30 | 336 | 376 | 711 | 3.19% | 3.56% | **6.74%** |
| MOLDOVA | $ | 6,749.50 | 160 | 274 | 434 | 2.37% | 4.06% | **6.43%** |
| UZBEKISTAN | $ | 67,220.30 | 327 | 2,413 | 2,741 | 0.49% | 3.59% | **4.08%** |
| GEORGIA | $ | 14,332.90 | 321 | 100 | 421 | 2.24% | 0.70% | **2.94%** |
| AZERBAIJAN | $ | 37,847.70 | 404 | 335 | 739 | 1.07% | 0.89% | **1.95%** |
| UKRAINE | $ | 93,270.50 | 658 | 345 | 1,003 | 0.71% | 0.37% | **1.08%** |
| BELARUS | $ | 47,433.40 | 170 | 93 | 263 | 0.36% | 0.20% | **0.55%** |
| KAZAKHSTAN | $ | 133,657.01 | 329 | 230 | 559 | 0.25% | 0.17% | **0.42%** |
| TURKMENISTAN | $ | 36,179.90 | 5 | 2.7 | 8 | 0.01% | 0.01% | **0.02%** |

Sources: cbr.ru, Cross-border Remittances via Money Transfer Operators in Breakdown by Countries, Central Bank of Russia (2016), Worldbank data; World economic indicators (2016), Author's edition

**Graph 33: The Cross-border Financial Transfers of post-Soviet space individuals from Russia to their GDP**




Sources: cbr.ru, Cross-border Remittances via Money Transfer Operators in Breakdown by Countries, Central Bank of Russia (2016), Worldbank data; World economic indicators (2016), Author's edition

The final figure 34 illustrates the legal severity of the labour migration policy on paricular Former Soviet countries through simple linear scheme. The scope of the legal severity is moving from the regimes with the most liberal set of regulations on migration to the most restrictive regimes running on authoritarian rules.

**Figure 34: Labour migration regimes scheme**


Source: eng.globalaffairs.ru, Russia in Global Affairs; Labour Migration from Central Asia to Russia in the Context of the Economic Crisis (2015)

Overall, the practical part of the final chapter explores the migration trends of former-Soviet countries towards Russia and measures the financial flows of the individuals sent to their countries of origins. From the analysis based on raw statistics, it is self-explanatory that trends of post-Soviet population living – having a permanent residence within Russian territory refer to higher rates in 2002 than in 2010. The largest levels of residents staying in Russia were attained by Armenians, and Central Asians; Tajikistan, Kyrgyzstan, Uzbekistan, respectively. The lowest figures pertained to people moving to Russia came from the Baltic countries, Ukraine and Belarus.

Net migration calculated as the inflow of post-Soviet space migrants to Russian Federation inhabitants minus their outflow, again the lower rates between years 2011-2015 are seen than in 2001-2010. The highest net migration figures are reached during the period of 90's. All the net migration rates for all the periods are being positive meaning that people moving to Russia exceed the people leaving it back to their countries of origins. The only exception accounts for Belarussians within 1991-2001. Kazakhs, Uzbeks, and Ukrainians are the inhabitants with the most significant net migration figures during the overall period (1991-2015). The populations least migrating to Russia involve Baltic inhabitants and Belarussians.

Cross-border financial transfers of individuals related to inflow and outflow towards Russia are sorted through payment system operators. The most notable data on dollar amounts transferred to Russia pertains to Kazakh, Kyrgyz, and Tajik inhabitants. On the contrary, lowest rates are coming from Latvians, Turks, and Moldavians. More importantly, the financial transfers leaving the Russian Federation belong to Uzbeks, Kyrgyz, and Ukrainians, respectively. The smallest amounts disclosed are sent by Belarussians, Latvians, and Turks. The highest shares of transfers calculated as of GDP digits account for Kyrgyz (15%), Tajik (8.3%) and Moldavian (3.8%) population. Again, the lowest rates refer to Latvians and Turks. All the balances of financial transfers reported except for the Turkmenistan case are negative, meaning that transfers from Russia overlap the flows sent to Russia.

Remittances monitored on former-Soviet resident, and non-resident individual shifts from Russian Federation assign the largest rates to Latvian, Ukrainian and Kyrgyz resident populations. In contrast, the smallest figures flow from Turks, Moldavians and Belarussians, respectively. Again, the tallest non-resident transfers belong to Central Asian countries as namely Uzbeks, Tajiks and Kyrgyz, the lowest rates then account to Turks, Georgians, and Latvians. The most significant financial transfers of residents as the shares to their GDPs belong to Kyrgyz, Latvian and Tajik populations. The least notable part of GDPs it makes for Turk, Kyrgyz, and Latvian residents.

Finally, the amounts of both individuals and remittances happen under different levels of migration tools and policies based on various political regimes. Within the simple linear scheme of Central Asian countries, the Kazakh set of migration regulations refer to as the most liberal, followed by slightly more rigid Kyrgyz policy. Somewhere in the middle of the scope of legal migration severity is Tajik system of governance. In comparison, tougher migration policy is seen in Uzbekistan. Under the most restrictive migration rules with highly limited amount of individual and remittances streams operates Turkmenistan which follows the most the autarky criteria.

In general, the Central Asian countries dominate in all the ranks examined throughout migration & remittance analysis switching their head positions. Their shares of financial transfers to GDP sent from Russia reach significant percentage rates. Contrarily, low figures in all aspects relate to Baltics and Belarus.

## 3.2 Different levels of Economic Interdependence between Russia and Post-Soviet Space through flows and exchanges

Second part of the third chapter aims for providing theoretical background for the analytics of shifts in individuals and capital between former-Soviet countries and Russia. For this evaluation it is essential to comprehend that after the dissolution of the Soviet-Union in 1991, the Russian Federation become a magnet for economic migration of post-Soviet space. Since 1991 Russia suddenly shares a land border with 14 different countries which is "*more than any other political unit in the world – as a result, it requires 450 different official border crossing points"* (49).

Wide range of unifying aspects as Russian language, currency, Russian mentality, and favourable economic conditions that will be discussed further contributed to the rich inflow of labour – long-term migration of individuals transmitting their financial transfers to their countries of origin. The largest wave of economic migration wave came after the collapse in 1990's where "*more than 25 million ethnic Russians living the 14 Former-Soviet republics found themselves part of a large part of diaspora community"* (50).

As the inner borders of the Soviet Union did not act as the barriers to migration flows and only served the administrative function, Russian government had little experience with managing international migration and had to undergo serious transformation (50). New institutions that were supposed to regulate migration and citizenship together with law reforms were set up by all former-Soviet states. As Russia found itself the very centre of all transformative shifts in migration from all Former-Soviet countries, it retains strong economic influence through ongoing migration patterns.

Within the final chapter, initially, the changes in development of the Russian migration inflows and application of policies will be outlined. The economic factors attracting the large inflows of long-term migrants are examined, giving the information about positive and negative impact on the Russian domestic markets. Special focus will be dedicated to the most frequent migrant and remittance flows coming from Central Asians. Finally, the migration outflows from Central Asia happen under different severity levels of migrant policies which influence all the transformative shifts throughout the analysis.

### 3.2.1 Development of the Russian inflow of migration applying various policies

The vast Russian territory with rich market opportunities represents one of the leading world importers of labour. Between Russia and other neighbouring Former-Soviet republics is established significant migration corridor where labour migrants exchange. Regarding official statistics, Central Asian countries such as Kyrgyzstan, Tajikistan, Uzbekistan, and Azerbaijan exceed all the other countries in shifts of individuals and capital towards Russia. Except for Kazakh republic, all the Central Asian countries represent primary, highly dynamic donors of labour long-term migrants.

Russia as a fresh beginner in the international migration policy after the Soviet collapse had to deal with number of new challenges regarding legal rules and setting up new institutions handling migration. Comprehensive rules on residence of migrants and working foreigners were missing, and the procedures for issuing residence permits were obsolete (50). To restructure their policy, Russia had to implement a set of commonly used migration management tools, including *entry visas, work permits, visas to attract foreign employees, registration of place of stay for citizens and foreigners , and permits for permanent and temporary residence"* (50).

Previously, Soviet migration policy regulated through central planned economy would serve chiefly for redistributing the labour force to balance the gaps in market disparities in terms of location as well as job opportunities. The migrating population was stimulated to resettle poorly inhabited regions with considerable deposits of natural resources such were northern or far-eastern Russia and Kazakhstan (50).

One of the major transformations in Russian migration policy was passing a law in 1993 on free movement of choice of residents *"expanding opportunities for internal migration"*, and a 1996 law on "*procedures for entry and exit enshrined liberal changes"* (50). The legal reforms contributed to the intense resettlement of Former-Soviet space migrants during 1990's, particularly in case of individuals who left Russia and their descendants (51). Those mass movements were stimulated by the political changes inside post-Soviet countries including laws favouring different official languages to Russian or a number of armed conflicts as within Caucasus, Moldova or Tajikistan (50). Such events contributed to the large inflows of refugees and internally displaced persons of different ethnic groups inside of Russia (50). Within the migration shifts in 1990's, ethnic Russians represented about 60 percent of arrivals to Russia, a significant number were Russian speakers of other ethnic groups (51). "*In 1994, more than 1.1 million people moved to Russia, and net migration peaked that year at 810,000"* (51).

In the beginning of the Russian migration policy restructuring, the line between temporary and permanent migration as well as legal and illegal employment of post-Soviet space immigrants was blurry. Due to poorly defined official borders and legislation gaps in the identification of foreigners, large number of people with unresolved citizenship (i.e., bearing Soviet-era passports) operated inside Russian territory without clear status (50).

As a consequence, new laws and institutions had to be implemented to precisely define "labour migrant" and supervise labour migration management. In early 2000s, between 3 million and 5 million migrants resided in Russia illegally (51). "*A 2002 law standardized the registration and issuance of work permits, resulting in an increase from 175,000 labour migrants in 2001 to 570,000 in 2006"* (51). Furthermore, in an effort to reduce illegal immigration boosting shadow economy, the government simplified the "*procedure for obtaining work permits and registering temporary residence for migrants from former Soviet countries*" (46).

In 2007 Russian bureau for international relations arranged visa-free entry for work permit issuance without a sponsoring employer. Meantime nationals of other states required an employer invitation. The permits were regulated by newly established quotas for migrants traveling visa free (50). "*As a result, the authorized share of the temporary migrant-workforce rose to 35-40 percent in 2007, up from 5-10 percent in 2000. By 2007, former Soviet countries accounted for almost three-quarters of all work permits* (51)*."*

By 2010, Russian migration authorities introduced new ways to attract skilful workforce to labour market: *a "patent" system for citizens of former Soviet countries with visa-free entry, and simplified rules for the recruitment of highly qualified specialists* (50). Most workers issuing patents and work permits in 2011-15 were according to Rosstat information citizens of Uzbekistan (45 percent), Tajikistan (nearly 20 percent), or Ukraine (9 percent).

Contrarily, number of migrant workers shrank by at least one-third between 2014 and 2015, with countries such as Ukraine, Azerbaijan, and Moldova experiencing more than 50 percent drop in their nationals in Russia (51). Due to exchange rate fluctuations pertained to fall of price in key Russian export resources, companies within Russia in order to sustain their businesses had to cut the costs through decrease in manufacturing, releasing employees – including migrant workforces resulting in less labour attractivity of the domestic market. Additionally, during 2015, new regulations made it more difficult and costly for migrants to access the Russian labour market (44).

Currently, Russian dynamic economy stabilizes and performs interesting labour conditions for post-Soviet migrants. Prospectively, the inflows from neighbouring Former-Soviet countries dominated by Central Asia should increase. Furthermore, Central Asian countries as Uzbekistan, Tajikistan, Kazakhstan, Turkmenistan, and Kyrgyzstan refer to the most emerging demographic trends out of post-Soviet space (52). In addition to Eurasian economic union members, Russian Federation retains visa-free entry for Tajik, Uzbek, Ukrainian and Moldavian migrants (53).

### 3.2.2 Economic reasons and impacts of migration to Russian labour market

Central Asian labour migrants operating on Russian market make about 2.7 – 4.2 million people which is between 10 – 16% of the economically active age population for their region (54). Those tall numbers indicate to large-scale migration flows having huge impact on Russian domestic economy. Remittances of former-Soviet space individuals sent from Russia account for nearly 7 500 million dollars which is for the peaking results close to 30% of GDP. Again, with the domination of Central Asian territory as Uzbekistan with 2 741 million dollars or Tajikistanis sending 1 929 million dollars for 2016 (55). Eurasian economic union which is lowering trade barriers and reducing migration regulation contributes to the economic integration among Russia, Armenia, Belarus, Kazakhstan, Kyrgyzstan, and future potential candidate Tajikistan. Two of the founding trade liberalization processes of this economic integration were freedom of movement of capital and labour, enhancing trade exchanges.

There is wide range of favourable factors attracting post-Soviet workforce into Russian market. Disparities in wages and living standards of individuals represent general causes for economic migration. In absolute terms, Russia offers average monthly salary at $689 to Tajikistan offering monthly wage at $81, while the average in Kyrgyzstan is only $155 (54). *"Unemployment levels also largely explain the region's migration trends"* (54). Russia refers the lowest rates of unemployment as of 5.3 % for 2017 in comparison to 17.4% in Armenia or 11.5% in Georgia (56).

Central Asian region maintains superiority in overall labour migration toward Russia due to the poorest levels of economic development and living standards within post-Soviet area. Their large-scale migration is explained by low levels of GDP per capita, high unemployment rates, little levels of manufacturing and service provision, small wages, lack of infrastructure network with stress on rural areas, poor working conditions, generally increasing poverty levels and other economic factors (56).

On the contrary, Russian Federation represents an economic migration magnet for post-Soviet space workforce especially in case of Central Asia and Armenia. Russia attracts labour migrants for the size of its economy, emerging market opportunities, higher level of wages, better working conditions, low unemployment rates, more diversified economy, richer infrastructural network enabling easier access and other economic aspects.

According to the Russian Federal Migration Service, the highest flows of labour force are coming from Uzbekistan and Tajikistan. Common characteristics of the economic migrant refer to the middle-age working man sending remittances back to family or a student. Migration service reports that majority of incoming individuals is employed in services (42% followed by construction (29%). Tajik labour migrants worked in almost every Russian region in 2014; mostly cities as Saint Petersburg, Moscow Region, Khanty Mansi autonomous district, Sverdlovsk, Kaluga, Samara, Novosibirsk, Tyumen, or Volgograd (54).

Large scale inflows of foreign workforce bring a number of economic consequences inside of Russian economy. Positive impact for the Russian market is embedded into fulfilling non-prestigious working positions - filling the market gaps enables the economy to grow and innovate (57). Good example of that would be employing migrants in certain fields like construction by cheap labour to boost the supply of housing and investments (57). Long-term migrants also significantly contribute to increasing Russian consumption of goods and services like alimentation or lodging (54). Incoming flows of labour stimulate the overall competitiveness by pushing down the prices and increasing demand at Russian market and embrace innovativeness in both Russian or domestic economic environment. Russian market may equally promote concentration of brain drain - developing human potential in qualified workforce as for instance within technology area seen as of Skolkovo region – Russian Silicon Valley (58).

On the other hand, waves of long-term migrants to Russian market mean elevated rates of illegal migration and encourage shadow economy (57). There are lower protection tendencies toward Russian producer and consumer due to increased competitiveness and depressed wages (57). Large rates of remittances represent important part of some former-Soviet GDPs which might cause economic and social disparities on domestic markets as money goes mostly on goods and services. Furthermore, the money is rarely reinvested to business establishment and work position establishment (57). Russian brain drain to labour positions and universities might deprive the post-Soviet markets of qualified labour (58).

### 3.2.3 Regulating Labour migration within Central Asian Region

Countries of the Central Asian region apply different approaches toward regulating labour migration using different levels of legal severity. Central Asian republics same as Russian migration authorities for labour inflows, implement diverse set of migration tools to regulate large-scale flows of labour migrants; from quotas on the inflow of migrants, variety set of preferences while hiring workers over financial stimulation of returning migrants to complete prohibition of leaving the country and closed borders blocking the outflow of human potential. State restrictions over people and capital exchanges are a key factor to explanation behind the statistical data pertained to movement of people and remittances.

Within the migration governance perspective, Kazakhstan is seen as applying the liberal passive method of regulation (54). Flexible but passive approach to movement of individuals is implemented through reducing the outflow of human resources by stimulating the return of migrants (54). Kazakh migration authorities attract only limited number of foreign workers through established quotas. Reversely, they aim to prevent the emigration of qualified working age population through their “comprehensive migration planning” which targets retention of long-term workers by providing them priority access on domestic labour market (54). Therefore, Kazakhs have preference treatment of hiring regarding job opportunities over other nations. This method is seen as liberal passive striking for remuneration of Kazakh workforce for their “loyalty.”

Kyrgyzstan is sensed as performing liberal but active policy toward migration (57). Those regulations pertained to movement of individuals in 2010 aimed for repatriating qualified workforce to Kyrgyzstan to achieve domestic socio-economic development (54). Reducing the number of skilled Kyrgyz abroad and increasing the competitiveness and innovativeness at home in exchange for set of preferences for incoming population was the primary goal of this policy.

Tajik migration regime is understood as being somewhere in the middle on the scope of legal severity within Central Asian region. Although the migration authorities apply rather liberal policy toward movement of individuals and capital, the role of the government remains significant (54).

Nearly total control over its borders regarding labour migration exercises Uzbek government (57). Their migration policy prohibits migrant workers leaving home country. The goal of their migration planning is to prevent unorganized labour migration doing its utmost to control the movement of individuals and capital through legal, administrative, and economic tools (54). This authoritative conception retains local workforce within domestic country but limits economic variety, development, and competitiveness. Migration policy is aligned and complements the way the entire country and its economy are governed.

Turkmenistan sets the most severe level of regulations corresponding to restrictive regime on the scope of migration policy within Central Asian Region (57). The exchanges of individuals and capital are nearly non-existent which is apparent from the statistical data. Migration authorities hold absolute control over migration flows whereas Turkmenistan border is characterised as closed to inflows or outflows blocking migration (54). There is no variety and diversification to Turkmenistan economy. Very low ratio of services is being provided, competitiveness, and innovation remain shrank. Contrarily, there is absolute protection of the domestic producers and consumers operating within economic autarky.

The aim of this chapter was to elaborate on the Russian Federation as the attractive centre for migration inflows of post-Soviet countries, studying the evolution of its labour migration policies and economic issues around diasporas since the collapse of the Soviet Union. Statistical and theoretical findings proved the economic significance of Russian Federation in matter of migration within the post-Soviet region. Its economic influence is supported by large rate of GDP shares considering the remittances sent by the former Soviet individuals. The domination of both labour migration and financial transfers delivered from Russia was seen in case of Central Asian countries as Kyrgyzstan, Tajikistan, and Uzbekistan.

## Conclusion

Overall, the mutual economic relations were analysed through raw data of economic indicators and discussed throughout the theoretical parts. Membership in International - regional formations and the political and economic reasoning behind it, clarified which post-Soviet and Baltic countries incline towards Western economies and contrarily, which remain loyal to the Eastern model. I have denoted trade statistics revealing the amount of export and import flows, sizes of the economies measured on international trade, economic strengths and weaknesses of specific countries, and their tendencies to orient commerce towards their Soviet partner, the Russian Federation. Finally, the diaspora of former-Soviet republics operating inside of Russian territory was measured and their financial transfers and remittances were compared disclosing the economic ties on Russia through human capital.

I have successfully fulfilled the objectives of my research to explore the development of mutual economic relations of Post-Soviet space since 1991 until today, through three different economic disciplines, with findings of preserving salience of Russian economy as a centre of gravity. Three main levels of economic interconnectedness of post-Soviet countries toward Russia have been assessed and classified within the identified analogy of the thesis, in the end of each chapter.

Although the collapse of the Soviet Union followed by the economic recession of the Russian Federation contributed to the shift of the balance of power internationally, the Russian sphere of influence within Central-Asia and Transcaucasia persists (59). The country with the vastest territory on Earth counts on enormous wealth in natural resources like natural gas or crude oil, wood, water, coal, uranium, and many others which enable to affect commercial affairs throughout former-Soviet region.

Its economic fragility is visible from the turbulent fluctuations of the economic indicators related to events of international or regional character. That is also why Russia is considered an emerging economy and part of BRICS formation. Russian reactions on trade are transmitted to the Euro-Asian region countries depending on the strength of the political and economic ties. Russia employs trade and military agents through the international and regional organizations, specifically Euro-Asian Economic Union, Commonwealth of

Independent States Free Trade Area and Collective Security Treaty Organizations in order to gather its economic domination.

Fourteen former Soviet republics keep the mutual economic relations through trade but the economic ties to Russian Federation remain predominant. The Russian Federation is a decisive player throughout the entire analysis of the post-Soviet space in the domain of international and regional formations and organizations, in the import & export orientations, the concentration of diaspora as well as of financial transfers and remittances and the GDP per capita trends in the region. However, the extent to which the level of economic influence is spread among the former post-Soviet republics significantly varies.

The stronger or weaker economic dependency relies on many factors as geopolitical location, size and strength of economy, political and trade partnerships, scarce and abundant factors in economy, technological innovativeness, business dynamics, openness of the borders to trade, strength of the private sector and so on.

Based on the analysis' factual data former Soviet republics can be nowadays classified into imaginary three groups, the countries that are absolutely dependent on their ex-Soviet leader until now and their economy is guided by the Russian one. Then, countries that are to bigger or lesser extent economically reliant meant that they can also lose from that partnership and countries that went their proper way and rely more on the relationships with different countries.

According to the figures and partnerships, Estonia and Lithuania would be the case of the economically independent individual players. Latvia in this sense is little bit nuanced as it maintains a large portion of Russophone diaspora that has significant decisive economic and political voice. Furthermore, Latvia has the highest levels of import from Russian Federation for 2015 of all countries whereas the major part of that is related to oil and gas shipments. They also place the third for financial transfers from Russia to their gross domestic product.

Countries that need the collaboration with Russia to the bigger or lesser extent characterised as moderate sympathisers are based on our analysis as follows; Moldova, Georgia, Azerbaijan, Ukraine, and Armenia respectively. Moldova represents the promising applicant to the European Union, does not share the border with Russia and except for the exportation to the Russian Federation does not denote high trends inclining to Russian-Moldovan trade cooperation (compared to other states).

Together with Georgia and Ukraine, they are sometimes seen as the countering position takers in the area which uses a part of the strategy supported by United States. Georgia represents another interested party in the Application treaty, and compared to Moldova, is Russian neighbour and the fastest growing importation partner according to figures. Another neighbour and trade partner of Russia, Azerbaijan plays a unique role of the fastest growing emergent economy according to population trends (2000-2015) and GDP trends (2000-2016) similarly as the Central Asian countries. However, compared to other players, Azerbaijan is self-sufficient in the natural resources whom it exports in large volumes to Europe. Azerbaijan does not reach high figures in terms of trade exchanges with Russia when compared to others and its economic wealth gives it the opportunity to profit from its strong neighbour but equally to deal with Europe and China.

Ukraine which lived up to the Western integration expectations is nowadays still politically divided between the West and East. It is also an Association treaty applicant which due to the inner armed conflict as well as the conflict with its neighbour went to the deep economic recession according to figures. Unfortunately for Ukraine – agricultural economy, it is strongly reliant on crude oil and natural gas importations from Russia, which makes it more difficult for them to go their own economic way. Although big part of Ukrainian population feels like diverting from Russian-Ukrainian trade, Ukraine still needs Russia especially in tough times of economic recession.

Armenia is the closest Russian sympathiser from this group preserving historically strategic partnership with Russia. That is visible in terms of Armenian population trends of migrants moving to Russia (1991-2010), escalating remittances and transfers to their GDP for 2016, export to Russia as well as the tactical participation in all key economic and political organizations and formations. Strategic partnership might be profitable for the Armenian security objectives. Trade advantages although remain questionable as for example gas and oil delivery prices refer to overpriced values compared to those offered by different countries.

The position of “strong sympathizers” dependent economically refer to countries as Belarus and Central Asian countries. Kazakhstan as the least dependent of the entity is almost sovereign in terms of natural resources. Reliance is obvious from the net immigration trends (1991-2015) with Kazakhstan’s leading position along together with Kazakh population living in Russia in 2010. Remittances send to Russia are also the third highest which indicates high frequency of exchange of people among those two countries. Import and export figures equally reach high values. In the international and regional formations Kazakhstan similarly as the rest of the Central Asia keeps nearly the identical participations as Russians.

Belarus is the closest trade partner to Russia, being together in the Union State, the frequency of import and export exchanges is absolutely dominant out of the former-Soviet countries. As a manufacturing state it is equally not autonomous in energetics and therefore dependent on the Russian oil and gas deliveries. Its centralized political authority is in a close relationship to the Russian governance which also reflects the partnerships in the international and regional formations.

Turkmenistan, Uzbekistan, Tajikistan, and Kyrgyzstan are classified as highly reliant economies on Russia even though their import and exports outcomes remain low due to their underdeveloped trade characteristics; low dynamics, low productivity and the overall poverty of natural and corporate persons. The assessment of the proper order of Central Asian countries’ dependency is not an easy task. All of them dominate in the GDP and population trends 2000-2016 dynamics and therefore are considered emerging quickly growing economies below its production potential that are strongly dependent on their Russian partners.

Uzbekistan, Tajikistan, and Kyrgyzstan also hold the strategic formations with Russia as namely Collective Security Treaty Organization and Commonwealth of Independent States Free Trade Area that enables them easier political and economic cooperation. According to the analysis, the Turkmenistan stays out of any international and regional formations and above all uses the most restrictive policies towards movement of individuals and products. Its governmental structure also stands on strong presidential basis and firmly centralized powers. Therefore, from the former-Soviet space its regime is the closest to the authoritarian one. Uzbekistan, Tajikistan, and Kyrgyzstan have all been major players in financial transfers and remittances from Russia for 2016 and net immigration to Russia (1991-2015).

Russian Federation is sometimes seen as a destabilizer of European safety zone but equally its potential future political and economic partner. Russian Federation is also a member of Security Council of United Nations and a potential major player in many issues of international relations character. The prospective collaboration of Russia with Western formations depends on its respect towards international law and territorial integrity of its neighbours.

In this thesis I have elaborated on the development of post-Soviet relations through economic indicators. The key findings disclosed Russian Federation as preserving centre of trade potential for all the post-Soviet partners. Based on my research and presumption that economic and political indicators will follow similar trends, Russian influence within post-Soviet economic collaboration will intensify with Central Asian emerging countries but weaken with Baltic republics inclining to Western economies. Moderate economic sympathisers assessed above, including Moldova, Georgia, Azerbaijan, Ukraine, and Armenia, remain difficult to predict.

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