

Financial and Banking Association of Euro-Asian Cooperation, IWS world economic council | Moscow, 1st December 2016
3rd Moscow International Financial and Economic Forum, "Eurasian Union and the EU: New Opportunities of Economic Cooperation"

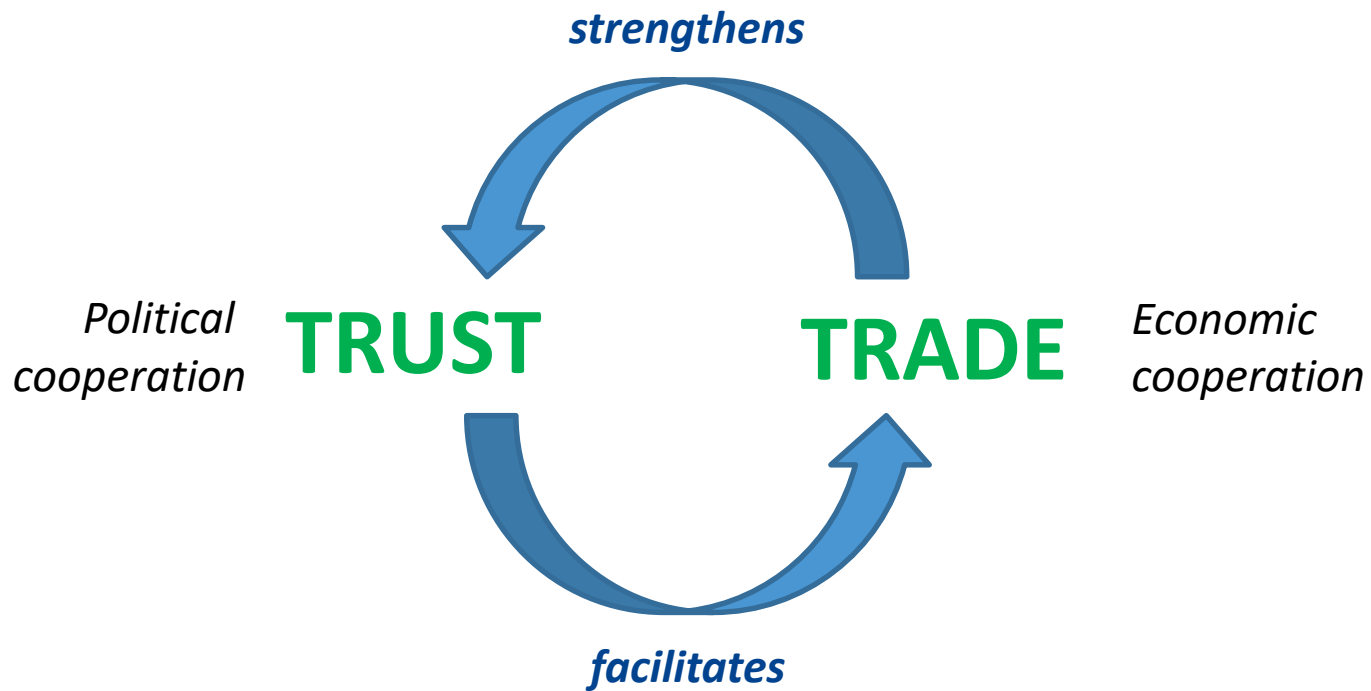
Eurasian Economic Space

Today and tomorrow

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The Trade-Trust-Nexus

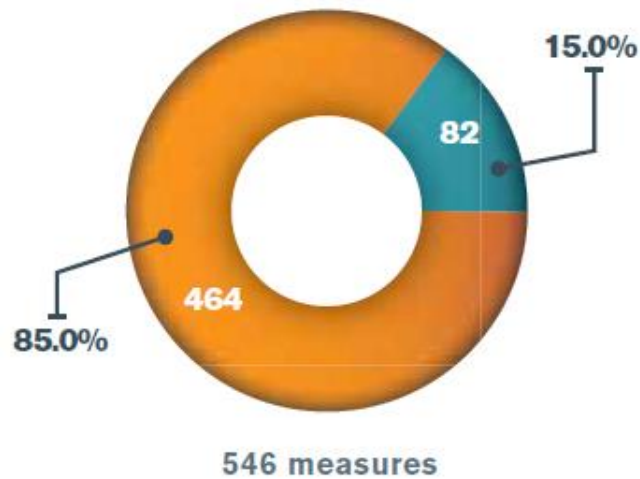


- **1st best: Global free trade and capital flows**
 - » WTO level
 - » Unilateral free trade
 - **2nd best: Regional integration**
 - » Economic unions
 - » Single markets
 - » Custom unions
 - » Free trade areas
 - ⇒ *Trade creation and trade diversion*
 - **3rd best: Bilateral trade agreements**
 - **Today: Era of neo-protectionism**
-  *Enabler, forerunner?*
⇒ *Increased complexity*

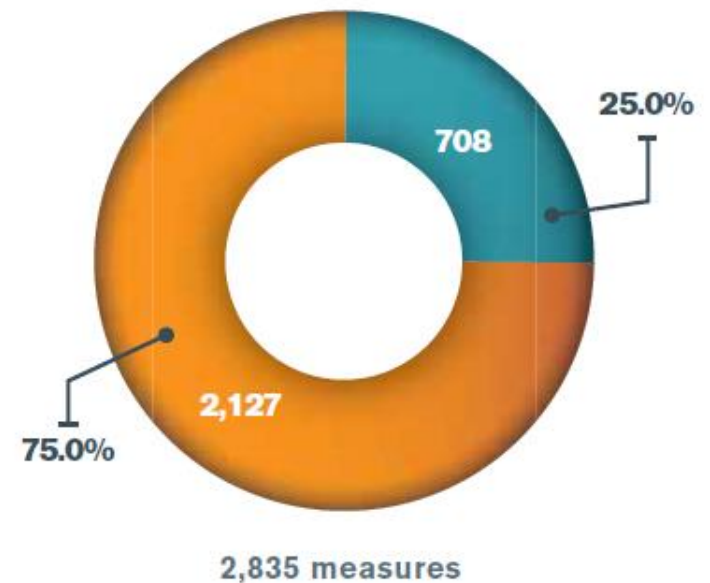
Neo-protectionism via non-tariff barriers to trade

Stockpile of trade-restrictive measures initiated since October 2008

By mid-October 2010



By mid-May 2016

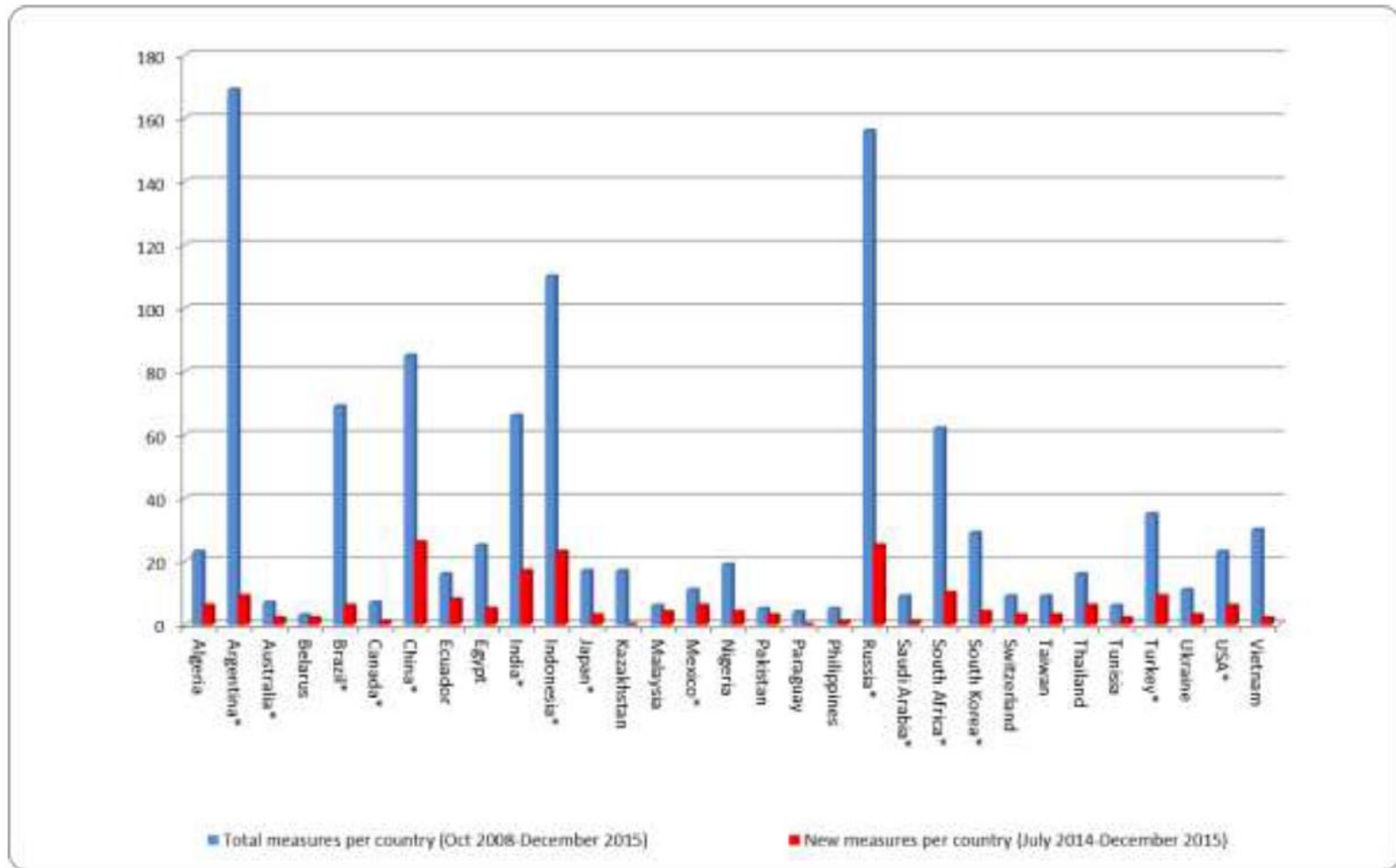


● Effectively eliminated measures ● Stockpile of restrictive measures

Note: The stockpile of trade-restrictive measures also includes trade remedy actions.

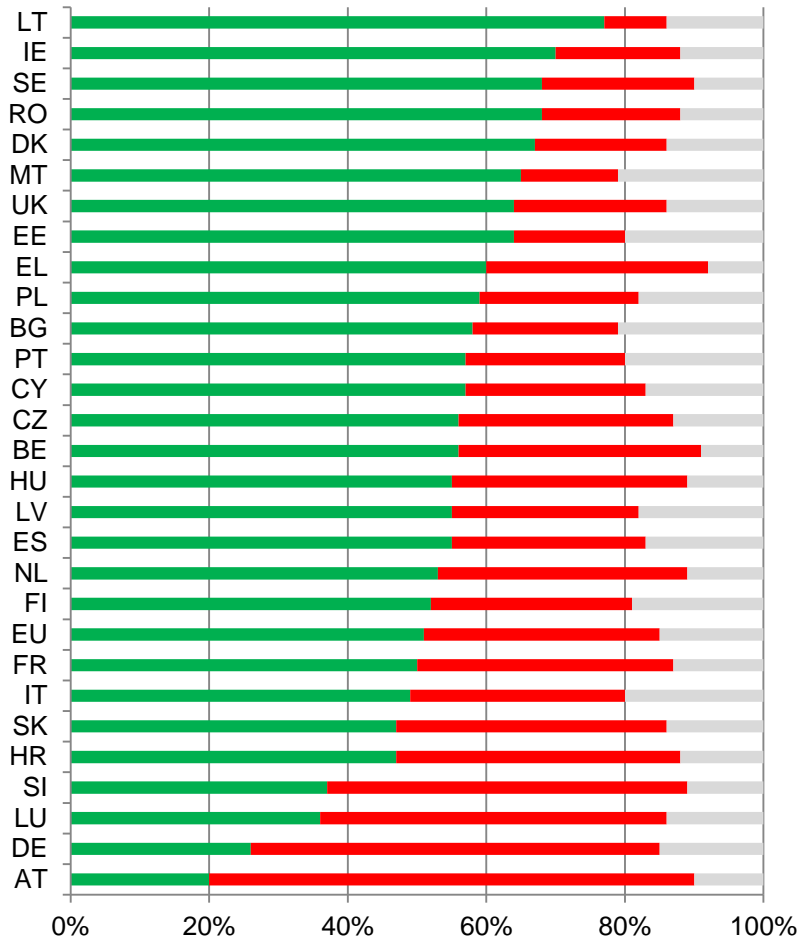
Source: WTO, World Trade Statistical Review 2016.

Protectionist measures

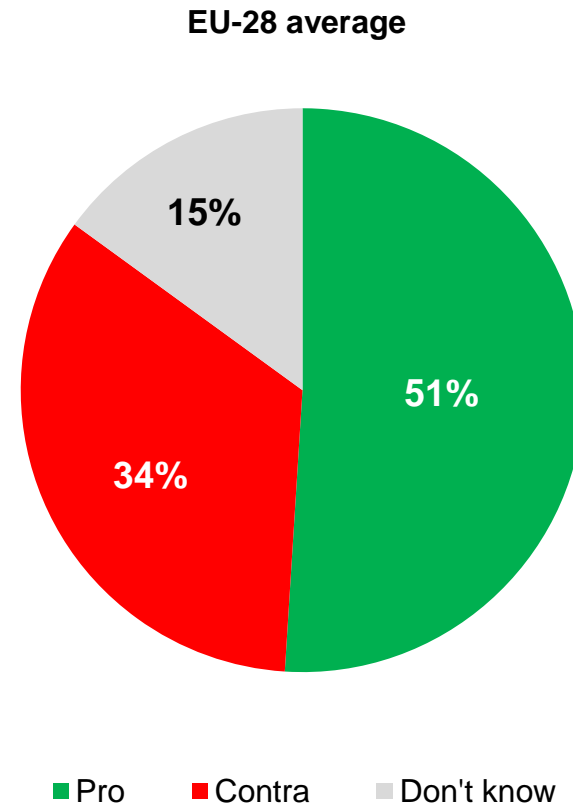


EU Commission. Report on Trade and Investment Barriers 2016.
http://trade.ec.europa.eu/doclib/docs/2016/june/tradoc_154665.pdf

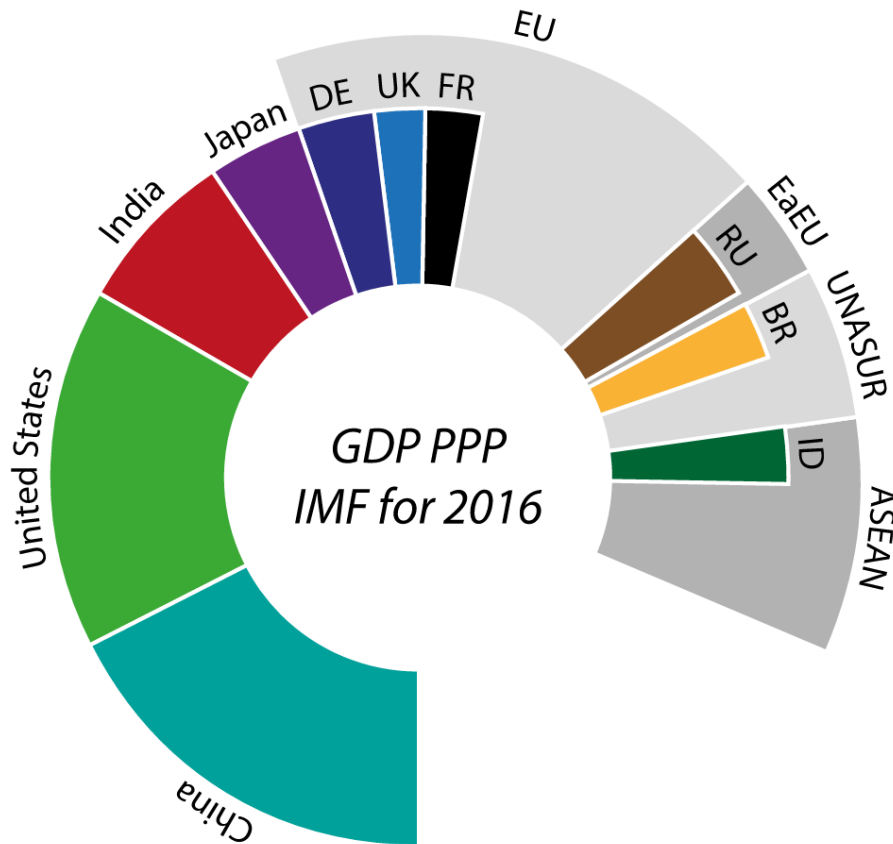
EU citizens' attitudes towards TTIP



Source: Eurobarometer 85.2 (Spring 2016).



Multipolar economic world: Major trade blocks



- EU and EEU
 - » Formally similar institutional design ...
 - » ... but multilateralism vs. Russian dominance (in terms of economic/political weights)
 - » Customs unions
 - » Common standards for traded goods
 - » Towards single market for services, capital and labor
 - » Labor mobility/migration
 - Sensitive in EU
 - Driver in EEU

- EU Eastern Partnership
 - » AA/DCFTA
(Association Agreement/Deep and Comprehensive Free Trade Area)
 - » Contractual relationship
 - Elimination of most customs tariffs
 - Systemic economic and regulatory reform
 - ⇒ Facilitating access to EU's single market, encouraging economic reforms
(technical standards, public procurement, competition policy)
 - EEU
 - » GOST technical standards
 - » Less impact on tackling problems of poor government
(fewer threat to existing political and business elites)
- ⇒ „Choosing means losing“: Case for EU/EEU cooperation

- **Political idea (Eurasianism)**
 - » From autarkic, neo-imperialist, anti-liberal ...
 - » ... to pragmatic inter-ethnic cooperation and economic integration
 - ⇒ Vague/highly flexible ideology

- **Geopolitical project**
 - » Pole in the multilayered world economy
 - » Alternative to rival blocs (EU Eastern Partnership, China-led projects)
 - » Greater Eurasia („from Murmansk to Shanghai“, „from Lisbon to Vladivostok“)
 - ⇒ Pronounced by Russia, much less so by other members

- **Economic bloc**

- Institutions
 - » EU-emulated institutional design
 - » No veto, but de facto dominance of Russia
 - » EEC without with few real sanctions, missing internal mechanism for resolving complex disputes
- Trade
 - » Impact so far difficult to assess (coincidence with oil price crash)
 - » Relatively high external tariffs (expected to fall in line with WTO rules)
 - » Still significant non-tariff barriers to trade, intra-EEU protectionism
- Strong financial commitments by Russia
 - » Subsidies
 - » Tariff income sharing
- Governance
 - » Serious economic governance problems in all member states
 - » Missing EEC mandate
- Labor mobility as an important pillar
- Single currency not in sight

■ **Obstacles**

- » Crimea's status, conflict in Eastern Ukraine
- » Ukraine, Moldavia, Georgia: Relations to EU
- » Desire by non-Russian EEU members to maintain/enhance relations with the EU bilaterally
- » Missing WTO membership of Belarus
- » Harmonizing EEU/EU standards
- » TTIP

■ **Opportunities**

- » Chance for intensifying links on technical level
- » EEU-EU-level talks as opportunity to avoid national confrontations (fostered by a more equitable membership regime in the EEU)
- » Package building („big deals“) for compensatory negotiations (comprehensive, CETA-like trade and economic agreements)

⇒ **Long-term perspective (time matters)**

Scope for „big deals“

Source: IIASA (2016)

- Free trade in goods (clearly defined exemptions only)
- Elimination/streamlining of non-tariff trade barriers
- Regulation of cross-border digital trade
- Trade in services
- Movement of persons
- Access to capital markets, free capital movement
- Regulatory convergence (norms and standards)
- Intellectual property rights
- International transport infrastructure (road and rail corridors)
- Common electricity power market
- Environmental agenda
- Access to public procurements
- Competition rules
- Disciplines on state-owned enterprises
- Rules for public procurements
- Dispute resolution mechanisms
- Recognition of degrees and professional certificates
- Visa and residence permits
- Special regimes for border regions
- Educational exchange programs

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