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Improving economic relations in the OSCE area in the context of the Eurasian integration

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IIASA project «Challenges and Opportunities of Economic Integration within a Wider European and Eurasian Space»



The project aims to discuss and analyze critical issues of economic cooperation between the European Union (EU), the Eurasian Economic Union (EAEU), and their neighbors, including the key Asian players, such as China, Korea, and Japan, as well as USA. It was motivated by the ambition to (re)establish a deep economic cooperation between and their neighbors.



IIASA project «Challenges and Opportunities of Economic Integration within a Wider European and Eurasian Space»

Through the six workshops which already took place in the framework of the project, the participants - more than 200 recognized scientists, experts, stakeholders and policy-makers from numerous countries and organizations, including the representatives of the European Commission and the Eurasian Economic Commission, addressed such key themes as methodologies for modeling of trade-related issues, as well as, trade policies and their possible impacts, non-tariff barriers to trade and technical regulations, energy (oil and gas, electric power), transport infrastructure, as well as labor markets and migration.



Framework of the Eurasian project



- IIASA-EDB collaboration in 2014-2016
- The “Lisbon-to-Vladivostok” cooperation concept
- A long-term view on EU-EAEU cooperation
- Bringing together conflicting parties – re-building of trust
- A specific objective to bring closer European Commission and the Eurasian Economic Commission



EAEU as a new player

After the establishment of the EAEU in 2015 it turns into a **large and complex** regional integration organisation (5 member states; GDP ca. \$2.4 bln; population ca. 180 mln.)

Belorussian **WTO accession** is a prerequisite. Russia should push for it.

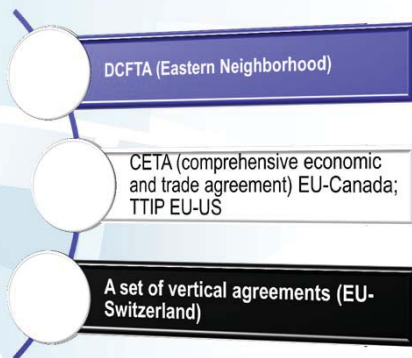
The institution-building of the Eurasian Economic Union is complete.

EAEU is a subject of negotiations, not Russia.

As soon as the political crisis subsides, it is time to establish a proactive agenda and pave the way to future negotiations. Low-key technical agenda in the short-term.



Legal and Political Framework



- Crisis as both challenge and opportunity
- Comprehensive approach: **a set of comprehensive agreements** (EU-EAEU / EU-EAEU individual country level) that would cover a wide variety of domains.
- Some of these domains fall within the bilateral agenda (visa-free regime, investment regime, some infrastructure issues).
- Politically, it can be framed as a **'mega-deal'**



Assessing the Economic Impact of Regional Integration Agreements

- General equilibrium models + econometric and statistics-based approaches
- Broader economic aspects also looking beyond trade effects
- 3 stages:
 - 1st: *Identifying the trade barriers*
 - 2nd: *Modeling and quantitative analysis stage*
 - 3rd: *Development of policy recommendations (options)*



Trade Policy Regimes

- Estimates of the economic impact of the potential EU-EAEU FTA vary
- Impact of the economic crises
- Various aspects and options of trade policies
- Increased use of non-tariff measures to protect markets.
- Involvement countries of the common neighborhood



Non-Tariff Barriers and Technical Regulations

- NTB-T and NTB-P
- Substantial economic impact of removal/unification
- Impacts of the DCFTA between the EU and Ukraine, Georgia and Moldova
- “Manageable packages” of negotiations for the harmonization of EU-EAEU technical, health and SPS regulations and standards, including the harmonization of terminology and labeling; harmonization of national and regional standards with international standards; accreditation, product safety, training in the field of standardization and conformity assessment as well as trade facilitation.



EU – EAEU Energy Cooperation

- **Eurasian Energy Markets and Cooperation**
- **Energy Resources, Infrastructure and Investment Challenges**
- **Long-Term Energy Visions in Eurasia**

Compatible processes in the European and Eurasian unions:

- EU energy market policies, incl. Energy Union
- EAEU energy market harmonization and liberalization (EAEU common electricity market by 2019, EAEU common oil and gas market by 2025)

Some solutions for energy cooperation between the EU and EAEU:

- Energy Charter Treaty (1998) mechanism
- Long-term investment in infrastructure projects
- Number of regional and sub-regional common electric power markets (CPMs)
- Competition aspects
- The future of energy in the Eurasian context is mostly about energy security.



Development of transport and infrastructure projects in Eurasia

Railway

- Trans-European networks (TEN)
- Trans-Siberian Railway
- Moscow-Kazan HSR and other new high-speed rail roads in Russia
- The Trans-Eurasian Development “Razvitie” (TEDR) project
- Silk Road Economic Belt (SREB)
- The CAREC corridors
- The North-South Route

Canals and artificial waterways

- Water canal “Eurasia”

Maritime

- Arctic Sea Route
- China - Europe South Sea Routes

Roads

Cargo Export EU –EAEU in 2013-2014,
all modes of transport, '000 t

Total	27978
Rail	2820
Road	17726
Maritime	7432

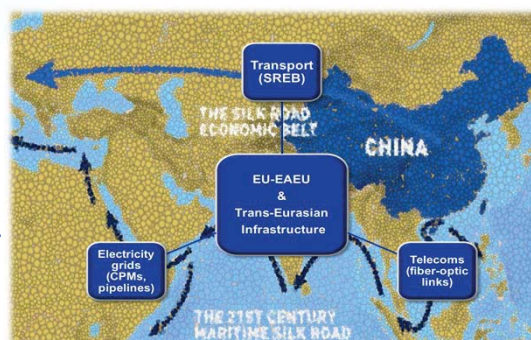
Source: Yury Shcherbanin.



Ways of funding of mega infrastructure

- Development Funds;
- Development Banks;
- Transnational companies;
- Project bonds;
- Equity funds;
- PPP projects;
- New financial instruments;
- New financial mechanisms.

- ✓ Risk management
- ✓ Finance insurance
- ✓ Currency issues
- ✓ Cost threats



Mobility of People

- EU-EAEU facilitation of visa and residence regimes
- EU-EAEU agreement on the mobility of pensions based on the principle of proportionality
- Recognition of professional certificates and diplomas
- Economic aspects of the mobility of people
- Large-scale educational exchanges: substantial enlargement of academic mobility



Movement of persons for economic activities to be covered but broader labor migration not on the agenda.



EU - EAEU in Greater Eurasia: Long Term Agenda for Economic Cooperation

- New developments: OBOR, AIIB, NDB, EBRD, etc.
- From “Greater Europe” to “Greater Eurasia”: the **EU-EAEU-China triangle**
- **Core domains: trade, investment, energy, transport corridors, other infrastructure**



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