

Trade Policy Regimes

IIASA project

“Challenges and Opportunities of Economic Integration within a
Wider European and Eurasian Space”

Workshop Report

Coordinating Authors:

Evgeny Vinokurov, Peter Balas, Michael Emerson,
Peter Havlik, Vladimir Pereboyev, Elena Rovenskaya,
Anastasia Stepanova, Jurij Kofner, Pavel Kabat

October 2016

This document reports on the work of the International Institute for Applied Systems Analysis and has received only limited review. Views or opinions expressed herein do not necessarily represent those of the institute, its National Member Organizations, or other organizations supporting the work.

Contents

Contents.....	iii
About the Coordinating Authors.....	iv
Background	1
1. Global Picture. Modern trends in regional integration.....	2
2. The European Union	4
2.1. The EU and the Eastern Partnership.....	5
2.2 The EU and Ukraine	7
3. The Customs Union and the Eurasian Economic Union	8
3.1 The CU and Azerbaijan.....	11
3.2 Enterprise level cooperation.....	12
4. Drivers of the development of economic integration	13
5. European and Eurasian integration perspectives.....	14
References.....	18

About the Coordinating Authors

Evgeny Vinokurov is Director of the Centre for Integration Studies, Eurasian Development Bank, and Professor of the Russian Academy of Science. (Contact: vinokurov_ey@eabr.org)

Peter Balas is Senior Research Scholar at the International Institute for Applied Systems Analysis (IIASA). (Contact: petbalas@hotmail.com)

Michael Emerson is Associate Senior Research Fellow, Centre for European Policy Studies (CEPS) and Senior Research Scholar at the International Institute for Applied Systems Analysis (IIASA). (Contact: michael.emerson@ceps.eu)

Peter Havlik is Staff Economist, The Vienna Institute for International Economic Studies (wiiw) and Guest Research Scholar at the International Institute for Applied Systems Analysis (IIASA). (Contact: havlik@wiiw.ac.at)

Vladimir Pereboev is Head of Projects at the Centre for Integration Studies, Eurasian Development Bank. (Contact: pereboev_vs@eabr.org)

Elena Rovenskaya is Program Director of Advanced Systems Analysis Program at the International Institute for Applied Systems Analysis (IIASA) and a Researcher at the Faculty of Computational Mathematics and Cybernetics, Lomonosov Moscow State University, Russia. (Contact: rovenska@iiasa.ac.at)

Anastasia Stepanova is Project Manager and Research Scholar at the International Institute for Applied Systems Analysis (IIASA). (Contact: stepanov@iiasa.ac.at)

Jurij Kofner is a Guest Research Assistant at the International Institute for Applied Systems Analysis (IIASA). (Contact: kofner@iiasa.ac.at)

Pavel Kabat is Director General and Chief Executive Officer of the International Institute for Applied Systems Analysis (IIASA). Professor Kabat remains a Professor of Earth System Science at Wageningen University, and Director and Chair of the Royal Dutch Academy of Arts and Sciences' Institute for Integrated Research on Wadden Sea Region. (Contact: kabat@iiasa.ac.at)

Trade Policy Regimes

Coordinating Authors: Evgeny Vinokurov, Peter Balas, Michael Emerson, Peter Havlik, Vladimir Pereboyev, Elena Rovenskaya, Anastasia Stepanova, Jurij Kofner, Pavel Kabat

Background

World-wide international economic policies during the last few decades have shown a rising interest in regional integration in various new forms. Not only has the number of regional integration arrangements expanded, but, even more strikingly, their scope and depth have advanced in a spectacular manner.

The analysis of such experiences would be very important for the development of further integration initiatives in the framework of the CU/SES/EAEU as well as for the design of efficient and sustainable integration policies in the Eurasian Economic Union. The questions of creating common and coordinated policies beyond trade will be the most important for the first years in EAEU. Apart from the complex regulatory and governance issues in alternative integration arrangements, other challenges facing the integration on the wider European and Eurasian economic space relate to geopolitical, economic and sectoral heterogeneities in the region. Assuming that the current frictions between Russia and the EU can be resolved, the future trade linkages and other forms of integration between the EU and the EAEU could become an important factor in shaping the Eurasian regional economic development.

Any classification of regional economic integration arrangements is based on the different levels or degrees of integration: from the elimination of tariffs and non-tariff barriers for goods (traditional FTA), to the establishment of a common customs tariff (CU), from the freedom of movement of goods only to liberalizing services, as well as the flow of capital and people and, finally, to policy harmonization and the regulatory unification (DCFTA, Single Market, etc). The research and expert communities are now challenged to provide solid, independent and comprehensive analysis and advice to policy-makers on the plausible future scenarios and optimal schemes of economic integration within the EAEU, as well as between the EAEU and its strategic partners, notably the EU.

In order to foster interdisciplinary and international dialogue on the topic, the 2d workshop on trade policy regimes invited distinguished scientists, policymakers and business representatives from all over the world, including Andrey Slepnev, Member of the Board – Minister in charge of Trade, Eurasian Economic Commission; Peter Balas, Deputy Director General, DG Trade, European Commission; Stephan Nolte, Senior Economist, DG Trade, European Commission (EC), Pavel Kabat, Director General and Chief Executive Officer, IIASA; Evgeny Vinokurov, Director, Centre for Integration Studies, Eurasian Development Bank; Alexander Knobel, Head, Foreign Trade Department, Gaidar Institute for Economic Policy (Gaidar Institute), Natalia Volchkova, Policy Director, Center for Economic and Financial Research, Assistant Professor, New Economic School, Rahim Oshakbaev, First Deputy Chairman of the Board, National Chamber of Entrepreneurs of Kazakhstan, Stefan Meister, Senior

Policy Fellow, European Council of Foreign Relations, among many others, with a total of 45 participants.

Thus, the aim of the workshop was to challenge research and expert communities to provide solid, independent and comprehensive support to policy-making on plausible future scenarios and optimal schemes of economic integration within the EAEU, and between the EAEU and its strategic partners. It should be noted, however, that the timing of the workshop has turned out as less than optimal: it coincided with the introduction of the second wave of major sanctions by Western countries, including the EU, against Russia due to the escalating military conflict in the Eastern part of Ukraine. This fact has much influenced the discussion, making it clear that even if the political events are outside the scope of the work of researchers, these still very much influence the possibilities of elaborating realistic solutions and advices, and even more, putting those to practical use.

1. Global Picture. Modern trends in regional integration

The significance of inter-regionalism - i.e., integration between regional blocs - is rising rapidly. The establishment of the Eurasian Economic Union (EAEU) will add one more initiative to the small but increasing family of inter-regional agreements¹. Once the political problems are resolved, the EU and the EAEU will have a chance to focus on the long-term prospects for deeper economic integration in which their common neighbors would also play an important role. Under such a positive scenario all parties could work together towards launching the process of trade liberalization and integration structures on the Eurasian continent. For its ultimate success, scientifically solid evidence to support policy-makers on their decisions on integration should be provided by the international expert community. Complex analysis combining different methodologies, both qualitative and quantitative, is necessary to create such convincing evidence.

The global attempts to further liberalize world trade have basically stalled². The Doha Round launched by the World Trade Organization (WTO) in 2001 even after 15 years failed to achieve a major breakthrough in the core negotiating objective of improving market access³. At the same time the majority of countries have become seriously interested in advancing their trade linkages or, more ambitiously, economic integration - at least with their preferred trade partners. The result therefore has been a proliferation of bilateral and regional free trade agreements. In the absence of global solutions in this manner the international trade structures are being transformed in ways reflecting the interests of the countries participating in the regional initiatives. Thus, there are the following big regional integration associations in the world: Economic and Monetary Unions (the European Union (EU), Economic Community of Central African States (ECCAS), Organization of Eastern Caribbean States (OECS), CFA-Franc-Zone, Economic Community of West African States (ECOWAS); Customs unions (The Customs Union of Belarus, Russia and Kazakhstan (BRK-CU), the Southern Common Market (MERCOSUR), the East African Community, the Cooperation Council for the Arab States of the Gulf (GCC), the Southern African Customs Union (SACU)); general markets (the European Economic Area (EEA); Central American Common Market (CACM), the Andean Community (CAN), Caribbean

¹ Evgeny Vinokurov brief at the beginning of the workshop

² Summary of the background paper distributed in the meeting: Havlik, Kabat, Rovenskaya, Vinokurov: "European Union and Eurasian Economic Union: Scientific Support for Economic Integration"

³ Michael Emerson background paper "European Trade Policy Issues"

Community and Common Market (CARICOM); and Free trade zones (the European Free Trade Association (EFTA), the North American Free Trade Agreement (NAFTA), the Asia-Pacific Economic Community (APEC), Association of Southeast Asian Nations (ASEAN), the Latin American Integration Association (ALADI-LAIA), The African Union (AU), the Central European Free Trade Association (CEFTA), Commonwealth of Independent States (CIS), Economic Community of West African States (ECOWAS), South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), the South Asian Association for Regional Cooperation (SAARC).

Several types of trade liberalization and integration models exist, such as bilateral free trade agreements, regional integration blocs and inter-regional integration agreements. The first model, i.e. bilateral free trade agreements are the most numerous. As of July 2016 the WTO recorded 635 bilateral free trade agreements (FTA). A majority of these cover just free trade in goods, while an increasing number cover trade in services, too. The most recent ones also cover – to varying extent - the other 2 freedoms, the movement of capital and people. Only a small number are even more ambitious, i.e. becoming customs unions⁴.

The second model means the formation of regional integration blocs, of which the European Union is the most prominent example. Other examples of economic integration (though mostly not customs unions) are the Mercosur group (seems to be failing) in South America, the 10-member ASEAN group in South-east Asia, the NAFTA agreement between the US, Mexico and Canada and the most recent example is the Customs Union of Belarus, Kazakhstan and Russia (BKR), established in 2010.

The third model includes inter-regional integration agreements. One of the most impressive versions are such inter-continental processes as the Trans-Pacific Partnership (TPP) and Trans-Atlantic Trade and Investment Process (TTIP). The TPP will bring together the US, much of the East and South-East Asian region and the Western shores of the Pacific (China excluded), while the TTIP would cover the Trans-Atlantic, i.e. the largest trade flow in the world, which is currently negotiated between the US and EU. Both agreements strive to further liberalize a large percentage of world trade in the Atlantic and Pacific regions. Another variety of potential inter-regionalism is a bloc-to-bloc one, which in principle entails the most complex of negotiating processes. There are no precedents for this as yet. More generally, shifting from the level of individual countries to regional and inter-regional blocs in international economic policy is a new trend in the 21st century. It can be referred to as '*Regionalism 2.0*', where the institutional linkages among blocs and large countries may reduce the importance of the WTO. In any case, it is evident that a variety of inter-regionalism will continue to proliferate, **making the global trade and investment system increasingly multi-layered and complex.**

⁴ According to WTO data, as of 1st July 2016, some 635 notifications of RTAs (counting goods, services and accessions separately) had been received by the GATT/WTO. Of these, 423 were in force. These WTO figures correspond to 460 physical RTAs (counting goods, services and accessions together), of which 267 are currently in force.

2. The European Union

The European Union (EU) is an association of 28 sovereign member states – though with the outcome of the recent UK referendum its membership will drop to 27⁵. 12 states are founding members: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom. In 1995, Austria, Finland and Sweden entered the EU. Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia joined in 2004. Bulgaria and Romania joined in 2007. Croatia acceded in 2013. Official candidate states include Albania, Macedonia, Montenegro, Serbia and Turkey. Morocco's application was rejected by the EEC, Iceland's application has been withdrawn by the government and Switzerland's is frozen, while Norway rejected membership in two referendums.

The decision to form an Economic and Monetary Union was taken by the European Council in the Dutch city of Maastricht in December 1991, and was later enshrined in the Treaty on European Union (the Maastricht Treaty). Economic and Monetary Union (EMU) represents a major step in the integration of EU economies. It involves the coordination of economic and fiscal policies, a common monetary policy, and a common currency, the euro. Whilst all 28 EU Member States take part in the economic union, some countries have taken integration further and adopted the euro. Together, these countries make up the euro area. The Economic and Monetary Union takes the EU one step further in its process of economic integration, which started in 1957 when it was founded. This level of economic integration involves the coordination of economic policy-making between Member States; the coordination of fiscal policies, notably through limits on government debt and deficit; independent monetary policy run by the European Central Bank (ECB); single rules and supervision of financial Institutions within the euro area and the single currency and the euro area.⁶ The European Union (EU) has implemented a geographically more dispersed trade policy recently, focusing on bilateral and regional FTAs.⁷ The driving forces for this are two-fold. One is the failure of the Doha Round, the other is the current economic situation of the EU countries. The slow economic growth acts as an incentive for pursuing more active trade policies, thereby also improving the competitiveness of the EU Member States. The expansion and deepening of its trade agreements with virtually the whole of the rest of the technologically advanced world is motivated from this perspective.

The EU is currently negotiating several preferential trade agreements with countries in different parts of the world. There are intensive integration processes in Europe, too. Alexander Knobel described the following forms of cooperation between EU and the other economies in Europe:

- Between the EU, Norway and Iceland: the European Economic Area (EEA). This ensures access for these countries to most areas of the EU's Internal Market, based on their harmonization with the EU's regulations. Reflecting the specific interests and sensitivity of the fishery as well as the agricultural sectors, those are excluded from the EEA. The relationship also involves substantial contribution to the EU's budget.

⁵ The United Kingdom intends to withdraw from the European Union. This process is commonly known as Brexit. As a result of a June 2016 referendum in which 51.9% of UK's citizen voted to leave the EU. This separation process is compl ex, generating political and economic changes for the UK and other countries.

⁶ http://ec.europa.eu/economy_finance/euro/emu/index_en.htm

⁷ Michael Emerson presentation material for the workshop

- Between EU and Switzerland: a network of bilateral Sectoral Agreements (the same approach as in the case of cooperation between MERCOSUR and Chile). The implementation of the Bilateral Agreements occurs taking into account Switzerland' specific interest in some areas especially in the banking sector. It should be noted that this relationship is at present under serious strain due to a Swiss referendum which resulted in the rejection of a major plank of the Internal Market, the free flow of persons.
- Between the EU, Eastern Europe countries and South Caucasus countries: Partnership and Cooperation Agreement, Action Plans under European Neighborhood Policy, EU project «Eastern Partnership»: Ukraine, Georgia and Moldova, (Armenia subsequently opted for joining the EAEU).
- Between the EU and Mediterranean countries: Euro-Mediterranean Association Agreement, Action Plans under European Neighborhood Policy: Tunisia, Morocco, Israel. Movement towards the shortest possible integration on both sides: creation of a Comprehensive Euro-Mediterranean Free Trade Area
- Between EU and Balkan States: disequilibrium format towards full accession, between EU and Balkan States: Croatia, Bosnia and Herzegovina, Macedonia, Serbia, Montenegro. Disequilibrium state in the long term either continues as cooperation without accession, or passes into full membership.

One of the recent completed processes is the Deep and Comprehensive Free Trade Agreements (DCFTAs) signed with three East European countries (Georgia, Moldova and Ukraine) in June 27th 2014. The negotiations are going on with China as well, but in a limited format. China and the EU are subject currently only negotiating an investment agreement⁸.

The Emerson background paper describes the four EU trade agreement models:

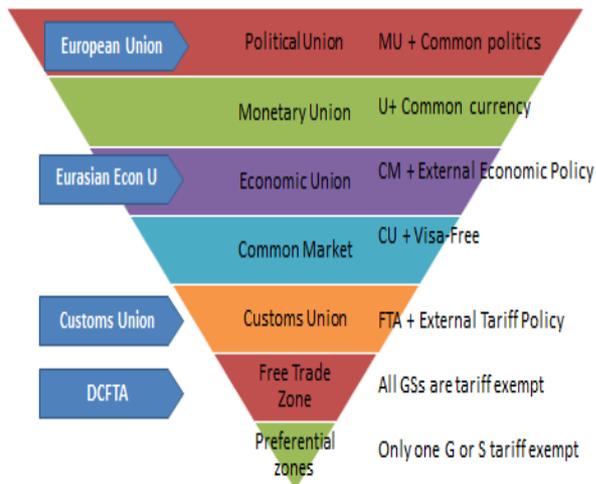
- Simple classical FTA with suppression of tariffs and quantitative restrictions (Ukraine agreement)
- Deeper FTA with reduced technical barriers to trade (Korea FTA)
- More comprehensive FTA with convergence of regulatory standards and eliminations of non-tariff barriers (TTIP)
- Asymmetrical agreements with much smaller countries/areas such as the EU-Turkey Customs union, where Turkey adapts to the EU regulatory standards "as if" a full member. The European Economic Area (EEA) integrates such countries as Norway to the union via the full acceptance of the EU single market law, but without customs union implications. The one third of all existing asymmetrical models are DCFTAs, that leads gradually towards EEA type of trade agreement, if needed.

2.1. The EU and the Eastern Partnership

The European Union established a new concept for trade collaboration with the former Soviet bloc countries in May 2009. The Eastern Partnership (EaP) initiative was directed at six countries of Eastern Europe and the South Caucasus: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The initiative aimed at tightening the relationship between the EU and the Eastern partners by deepening their political co-operation and economic integration.

⁸ Michael Emerson's background paper "European Trade Policy Issues"

Integration Steps



Source: Vugar Bayramov/presentation "Azerbaijan's Accession to CU"
in the workshop

Picture x: Bayramov described the same taxonomy as an upside-down pyramid membership

The basic pattern according to Emerson is gradual convergence to the EU regulatory regime, but with a spectrum of variations as regards the degree of strictness of the obligations and the length of the transition periods.

On the one hand, there are many EU directives and regulations, which the partner states 'will' within a certain time scale adopt (transpose) into their own domestic legislation. On the other hand, there are some areas where the partner state can request a lengthening of the implementation deadlines if considered necessary. There are some other areas that are subject to far looser language, with the partner state pledging 'best endeavors' for 'gradually moving towards compliance with EU standards'. Emerson stated in his presentation that the DCFTAs contain no promises of future EU membership, despite the fact that all three states concerned declared it as their long-term objective.

Gyfalson mentioned that on the whole, the EaP countries lag behind EU Member States in terms of key economic and other performance indicators that are conducive to trade and growth as well as being desirable in themselves: e.g. democracy, free press, functioning markets, ease of doing business,

Out of the six EaP countries three, Georgia, Moldova and Ukraine⁹ signed a Deep and Comprehensive Free Trade Agreement with the EU in June 2014.¹⁰ Meanwhile, in September 2013 Armenia, that was included in the negotiations, withdrew from the process and decided to join the EAEU instead.¹¹ Belarus also joined the EAEU and made a decision to integrate into the CU by signing a treaty for the Customs Union with Russia and Kazakhstan in 2010. Azerbaijan is a part of the initial setting, but the country does not meet the precondition for starting the negotiations, which is WTO membership¹².

According to Emerson and Gyfalson¹³ these agreements go way beyond the simple 'classical' FTA model, and cover a large number of EU regulations applicable at the Internal Market.

⁹ The Deep and Comprehensive Free Trade Agreement between The EU and Ukraine entered into force on 1 January 2016, as part of their broader Association Agreement (AA). The rest of the Association Agreement, containing political and cooperation provisions, has already been provisionally applied since November 2014

¹⁰ European Union <http://www.easternpartnership.org/content/eastern-partnership-glance>

¹¹ Thorvaldur Gyfalson background paper p. 3

¹² <http://www.easternpartnership.org>

¹³ Michael Emerson background paper "European Trade Policy Issues" and Thorvaldur Gyfalson background paper "Can and Should the EU's Eastern Partnership be Saved" presented in the workshop

governance, interpersonal trust. He added that stronger performance in these areas would encourage trade and growth.

Natalya Volchkova and her team of the New Economic School have analyzed several variations of the potential trade agreements between the European Union and former Soviet Union member countries, the EU and the CU integration, focusing on the impacts of the non-trade barriers on trade between the EU and Armenia, Moldova, Georgia and Azerbaijan. Their results show that in terms of GDP only the EU-28 will enjoy benefits. The GDP loss would be the largest in case of Ukraine, representing 2,9% of its GDP. Armenia would have increased its exports as well as Georgia and Azerbaijan¹⁴. But it is essential to note that the changes compared to the base-line scenario are relatively small.

Thorvaldur Gylfason presented the results of the study that compares two options: integration with the CU or FTA's with the EU for these countries. Gylfason's report concluded that the gains justified the signing of the DFTAs. His results substantially diverge from those of Volchkova's study¹⁵ and show significantly higher benefits of the DCFTAs for Moldova, Georgia and Azerbaijan. The paper shows that overall as a result of the DFTAs with the EU the Eastern Partnership states gain significantly from the free trade.

Valeriy Heyets¹⁶ made the general comment concerning the DFTAs that the reaction of Russia was a challenge. Russia claims that its interests may potentially be harmed, because the DFTAs may cause a flood of EU products entering Russia through the EaP countries. However, according to Heyets this is not possible as Russia is legally authorized to take measures in case of fraud concerning the origin of products. Emerson commented on the same issue by stating that the structure of the current import from the EU countries makes this kind of transit flows almost impossible, due the fact that the imports to a large extent consist mainly of distinctive branded consumer goods.

Peter Havlik told that the DCFTA negotiations should have been more transparent and focus only selectively on costly harmonization (not full 'acquis takeover' without accession prospects). The UA-EU DCFTA, like all the other similar agreements, are incompatible with membership in the Eurasian Customs Union. Thus, it is not advantageous for Ukraine to be put before an "either/or" choice: both the EU and CU integration vectors are needed if one looks at the map and history¹⁷.

2.2 The EU and Ukraine

The EU and the Ukraine ratified the DFTA in mid-September of 2014¹⁸, while on January 1, 2016, the agreement has entered into force (for the EU side, started to be "provisionally applied"). (It should be noted that Ukraine has been a member of WTO since May 2008.¹⁹)

¹⁴ Natalya Vokchkova presentation material for the workshop

¹⁵ The majority of the work of reported by Gylfason was conducted in 2013 and does not have information of the outcomes of the DFTA's signed in June 2014 and the EEU agreement in July 2014

¹⁶ Valeriy Heyets presentation material for the workshop

¹⁷ Peter Havlik presentation material for the workshop

¹⁸ <http://www.ft.com>

¹⁹ http://www.wto.org/english/thewto_e/countries_e/ukraine_e.htm

Valery Heyets analyzed the effects of the UA-EU DCFTA and presented both the advantages and the risks for each of the Ukrainian sectors analyzed. According to his report the benefitting sectors are: agriculture, ferrous metallurgy, wood working and food processing industries (via increasing investments), as well as the energy sector (if the technical regulations are implemented in a right way), furthermore transport (railways infrastructure investments). The sectors that may be affected by the Agreement are financial services, the labor market and machine building.²⁰ According to Heyets the investments into environmental protection cost more than 20 billion euros. There are also many problems in other sectors of Ukraine's economy. In his view the opening up of the European market and signing of the Ukraine-EU Association Agreement (EAA) were important steps towards further integration into the global economy. Sufficient conditions for the success of this task include the solution of a set of problems, such as ensuring positive changes in the structure of the Ukraine's economy and corresponding structural reforms. As of today, Ukraine's economic integration is characterized by the absence of broad productive and technological ties with the EU countries, because Ukraine's exports mainly products of low degree of procession. At the same time, the EU exports to Ukraine is mainly goods with higher value added.

According to some of the Russian decision-makers, the bureaucracy of Ukraine is not efficient enough to enforce rules of origin or other non-tariff barriers. Ukraine will lose a lot of the economic and industrial cooperation with Russia due to the Association with the EU. In their view the main risks of the DCFTA for Ukraine are the decreasing living standards in Ukraine during the transition period, and the requirements of fast implementation of the new technical regulations, thus the implementation of the agreement is challenging. For example, the modernization of the railway transportation foreseen by the Agreement, changing to the European narrow-gauge track, in Europe took 21 years and Ukraine should solve this problem now during 8 years. However, the EU participants pointed out that this was one of the numerous examples of erroneous statements about the DCFFA: in reality the Agreement does not require at all the change of the technical characteristics of the partner countries' railway systems. In order to ensure a substantive and realistic discussion the Russian and other interested experts should study more deeply the DCFTA, the actual commitments taken by Ukraine and other EaP partners.

3. The Customs Union and the Eurasian Economic Union

The most recent example of modern regional integration is the Customs Union of Belarus, Kazakhstan and Russia that was established in 2010. On January 1, 2012 the three states formed a Single Economic Space to promote further their economic integration. (It has been replaced by the Eurasian Economic Union (EAEU) since January 1, 2015.) The EAEU aims at a higher degree of economic integration modeled in some respects on the EU experience.²¹ The EAEU will reach full scope by 2025. Azerbaijan has not been formally invited to the EAEU, but both parties are interested in investigating the opportunity.²²

²¹ Anastasia Stepanova (2013). 'Eurasian Union and Ukraine'. Monography, Moscow, Russia (In Russian)

²² Sergey Lavrov interview in June 2014 in <http://voiceofrussia.com>

Andrey Slepnev called attention to the fact that the new WTO members and candidate countries have some concerns about the WTO process²³. According to the experience of Ukraine the hopes attached to the new prospects opened by accession to WTO were not realistic. Russia was also hoping that the membership in the WTO would open new perspectives but it led to new problems to be handled by the dispute settlement mechanism of the WTO concerning, e.g. the EU's 3rd energy package. In his view membership made trade more difficult, including crisis and other economic problems. He claimed that political considerations in this process were stronger than economic ones. There are many problems for domestic agricultural enterprises which mostly suffered losses after Russia joined the WTO. Of course the CU members are the main trade partners for Russia, while there are lot of concerns about the new reality and the level of relations with the EU (dispute settlement under WTO for 3rd energy package).

For Russia it would not be acceptable to create a deep FTA between the CU and the EU at this stage. There have to be a platform for such a decision, it has to be based on WTO rules. Within 3-5 years the situation could be different, therefore it is important to create now a new level of cooperation and trust. Kyrgyzstan will have a special situation with its neighbor, China. Furthermore, in case of Kyrgyzstan joins to the EAEU (what in between has actually happened), there will be needed some special adjustment of the EAEU rules, due the high volumes of imports from China.

Sara Alpysbaeva presented an analysis of the integration processes with the Customs Union mainly from Kazakhstan perspective²⁴ but covered the impacts on Russia and Belarus, as well. She added that the EAEU had a WTO challenge. By 2015 Kazakhstan should be a WTO member also²⁵. The WTO will require explanation about questions such as the non-membership of Belarus and Azerbaijan.

Natalya Volchkova told in her presentation that the regional trade integration initiatives of the CU include negotiations with Israel, Vietnam, India, and the Republic of Korea, as well. The driver of the Eurasian trade agreement's development is naturally the strong global regional integration, but according to Suvi Kansikas the trade policy and economic instruments to promote political interests are becoming one of the elements of the CU foreign policy. Kansikas also paid much attention to the historical perspective about experiences of COMECON. According to him it shows that there was a need for a new view on Russia's integration policy as well as the history of integration, which is not very long, having started in 1991. These policies are different towards different neighbors, such as Kazakhstan and Belarus. The experiences of the COMECON are also important to understand the position of the EU. The EU needs to find new ways of cooperation and overcome Cold War rivalry. However, the COMECON might not be a good example for comparison as it is an example from a very different economic system²⁶.

According to Alexander Knobel, the Customs Union and Russia have an opportunity to keep "leadership" among the countries of the former Soviet Union – in the process of their movement towards the European Union: sooner or later most of the countries will choose this direction, but

²³ Andrey Slepnev introductory in the workshop, based on Peter Havlik and Nadejda Komendantova minutes

²⁴ Sara Alpysbaeva presentation material for the workshop

²⁵ Armenia and Kyrgyzstan joined the EAEU in January 2016. Kazakhstan became a member of a WTO on 30 November 2015. Russia joined WTO on 22 August 2012. The Kyrgyz Republic has been a member of WTO since 20 December 1998. Armenia joined a WTO 5 February 2003.

²⁶ Suvi Kansikas presentation material for the workshop

Russia/Kazakhstan will act more as observers, rather than leaders of the movement to Europe. Internal redistribution mechanisms have to be developed within the EAEU: for example, for the purposes of temporary correction of proportions of distribution of incomes from customs duties. He mentioned that it was also necessary to consider oil and gas balance: the prize of Belarus is obvious. Transfer from Russian budget system to Belorussian economy is ~\$6–8 billion per year (~10-12% of Belorussian GDP).

Péter Balás gave a summary of EU trade policies and spelt out in detail the EU's views concerning the relationship with Russia and the EAEU. First of all, he stressed the very negative impact of the deepening Ukrainian political crisis which acted as a general brake on the relationship with Russia and led to the introduction of economic sanctions. Until and unless this crisis is resolved in an agreed, satisfactory manner, it is not possible to seriously talk about the maintenance, even less the development of cooperative attitude towards Russia, and as a consequence, the Russian-led EAEU. A second negative factor is the recent trade policy of Russia, in particular as a new member of the WTO. Russia might consider its trade performance disappointing since joining the WTO, but this is not due to the WTO rules, rather to the lack of competitiveness in many sectors. If Russia has problems with such aspects of the EU's regulatory regime as the 3rd Energy Package, the EU has much more complaints about the overall direction of Russia's trade policies and particular measures. These include the non-respect of Russia's tariff commitments, the introduction of various non-tariff barriers, including the recent import ban on the imports of pigs and pork from the EU. The efforts to settle these frictions through bilateral talks have not brought results, which led the EU to the unprecedented step of launching or considering several WTO dispute settlement cases against Russia, in spite of being a new WTO member. (It should be noted that in between the WTO mechanism decided in favor of the EU in some cases, while others are still being processed.) Summing up, while it'd really serve the interests of all sides to develop cooperation with Russia and the EAEU, the EU has both important political and economic preconditions, while the current tendencies were moving rather in a negative direction.

Saltanat Tamenova stated in her presentation that the foreign economic relations are a catalyst for economic transformation. Trade agreements restructure the economy and the market and their dynamics and contribute to the accumulation of capital. According to her, during the years of Kazakhstan's independence substantial progress has been made in the liberalization of the economy, in the related legislation and in the government support to the exporters. Temenova's team's analysis of the country's foreign trade activity showed that serious structural imperfections still exist and they have continued to cause problems to the national economy. Still, they came to the conclusion that in the period 2012-2013 the volumes of imported goods has increased due joining the CU, even if the direct macroeconomic changes are still small.²⁷ As an example of the CU trade benefits Tamenova presented the evolution of the raw material prices. Due to the domination of Russia in the raw material market of Kazakhstan, the trade of raw material is not as volatile as on the global markets.²⁸ She added that properly chosen monetary and exchange rate policies during the integration process are of high importance for Kazakhstan's foreign economic policy.

²⁷ Saltanat Tamenova comment in the workshop

²⁸ Saltanat Tamenova presentation material for the workshop

Sara Alpysbaeva presented evaluation of effects of integration processes within the SES on the economy of Kazakhstan. The key findings of her study from the Kazakhstan perspective can be summarized into a set of conclusions within three markets: first, the role of the CU trade is not significant for Kazakhstan, the significance decreased during the period studied. Second, the migration flow was negative (outflow of labor) and the impact was stronger on Kazakhstan than other countries. Thirdly money transfers from Kazakhstan to the CU countries was almost 10 times higher than transfers to Kazakhstan during the period analyzed²⁹. The more detailed analysis of the key sectors showed controversial results. From the Kazakhstan perspective the overall openness of the economy did not change much: in 2010 the index of mutual openness of the Kazakh economy with the CU decreased from 0.6% (2010) to 0.41% (2012) and no significant signs of convergence can be observed.

The Eurasian Economic Commission has studied the effects of the integration of the Customs Union with Belarus, Kazakhstan, and Russia. The study presented by Andrey Lipin shows that **import from the rest of the world is more sensitive to price changes than from the CU**. Belarus' production is most oriented to Russian demand. He added that the Russian production is less sensitive to CU import price changes because of scale. Lipin and his colleagues evaluated the impact of non-tariff barriers on trade flows in the Customs Union as well. By asymmetric barriers Lipin refers to the situation where a trade barrier is implemented at least by one CU member to others and there is at least one CU country that does not implement the very same barrier. Or the same applies to the trade between a CU country and the rest of the world (RoW)³⁰. The results of the Eurasian Economic Commission study show that the reduction of non-tariff barriers can operate as a source of the efficiency increase within the CU and may lead to an increase in output and productivity.

3.1 The CU and Azerbaijan

Vugar Bayramov³¹ stated that there was a need for a better understanding of the impacts of Azerbaijan's accession to the Custom Union. Russia is the major trade partner for Azerbaijan, so there is a need to eliminate trade barriers. The maximum(?) import tariff in Azerbaijan is currently 15%, compared to a 8% average, and if the country will sign trade agreement with the EAEU, it will decrease its import tariffs.

Vugar Bayramov presented another study that has analysed the implications of the potential accession of Azerbaijan to the CU which includes both the stakeholder and sector specific analyses. The aim of the study was to assess the potential economic benefits Azerbaijan would have gained if it had joined the CU already in 2010. Although the Center for Economic and Social Development (CESD) analysis showed a number of quantitative benefits of accession (for example, an additional two to five percent growth in GDP), the qualitative analysis revealed some disadvantages. Azerbaijan's agriculture sector would have lost most of its competitiveness, and the independence of Azerbaijan's energy policy should have been given up.

As Bayramov stated, as an energy exporting country Azerbaijan should have an independent energy policy. This is also required by the current trade landscape of the country. It is the largest economy in

²⁹ Sara Alpysbaeva presentation material for the workshop

³⁰ Andrey Lipin presentation material for the workshop

²⁹ Vugar Bayramov presentation material for the workshop

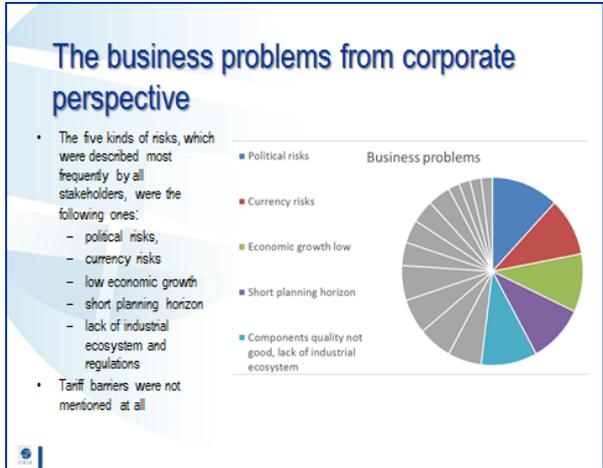
the region and its main source of export incomes are oil and gas. Currently Azerbaijan has only 15% of its export, which is non-oil, going to EU. 85% of its non-oil export goes to Russia, and the question is how it matches with the Custom Union philosophy. Even if the independence of the energy policy would not be a problem, an independent external tariff might not be acceptable within the CU rules. The negotiations with WTO are also complex as Azerbaijan applied for the membership already in 1997 but due the major role of agricultural subsidies is willing to join only with the status of a developing country, otherwise it should undertake major cuts of subsidies to agriculture.

3.2 Enterprise level cooperation

Hans Holzacker has studied the impact of the EAEU from as enterprise perspective. He stated that the size of the enterprises plays an important role as an engine for economic growth. Despite some growth. the share of(?) the EAEU countries is still tiny in global non-energy, non-metals exports. The combined share of Russia, Belarus and Kazakhstan corresponds to Ireland’s and is smaller than that of Austria. The Eurasian economic integration should help increase EAEU’s global exports, not only exports within the integration. According to Holzacker trade is essential, because according to the latest research exporting firms are larger than non-exporting ones. The EAEU’s non-energy, non-metal firms are mostly relatively small. The question arises whether firm size itself could be a policy variable³². However, Holshacker’s research team believes that facilitating firms’ concentration should also play a role. For the EAEU countries and particularly their non-energy, non-metal sectors’ history matters: public support in line with the “resources based view” is probably needed but might be highly ineffective due to weak institutions. Interestingly, the Eurasian Economic Union agreement signed on 29 May 2014 has not a lot to say about cooperation in the fields of R&D and technology transfer.

However, Kazakhstan, for example, recently has come forward with a second 5-year plan within the government’s “enhanced industrialization and innovation” framework, obviously relying on the “resource- based view”. One of the Holshacker’s recommendations was to conduct active policy; better M&A and bankruptcy and labor market legislation and practice.

Leena Ilmola and Nadejda Komendantova presented the results of the first phase of their study that has surveyed the perception of foreign companies on the trade barriers in the CU³³.



Picture x: The interviewed foreign business leaders did not mention the trade tariffs or the recent economic integration as a challenge from corporate perspective.

The research that was prepared in collaboration with Anastasia Stepanova, focused on a better understanding of the trade integration’s impacts on business decision-making and actual corporate practices. The aim of the project, called the “Success in the changing environment of economic integration project” was to understand the resilience requirements of corporations when the trade

³² Hans Holzacker presentation material for the workshop
³³ Leena Ilmola and Nadejda Komendantova presentation material for the workshop

barriers were changing constantly. The pre-study indicated that corporate decision-makers do not perceive trade barriers as the most important business challenges. The impact of the trade barriers and political risks is transmitted to the business via the overall economic growth within the region. Economic growth is the main trigger of business investments.

The EDB Centre for Integration Studies was in the process of conducting a large study that is scanning the expectations and experiences of companies within the EAEU. According to Dmitry Korshunov, the project has already completed the first phase; the qualitative analysis of international experiences, the business surveys, the classification of the list of exceptions, restrictions and non-tariff barriers to mutual trade prepared by the Eurasian Economic Commission. During the second stage the team would prepare a quantitative assessment of the corresponding economic effects and prepare policy recommendations to be developed by the end of 2014³⁴.

4. Drivers of the development of economic integration

During the workshop many presentations and comments referred to the drivers behind the decision-making on the economic integration process. The workshop participants reported close to 20 studies which investigated in a way or another either the prerequisites or the impacts of economic integration. The methods applied were varied:

- Multisector CGE model (Volhckova, Korshunov)
- “New trade theory”, which builds on Melitz’s 2003 (Holzhacker)
- The integrated qualitative and quantitative approaches such as scenario planning, linear regression (Bayramov, Ilmola and Komendantova, Emerson, Kansikas etc.)
- Gravity model (Gylfason)
-

The discussions during the workshop mentioned some drivers that may promote regional trade agreements.

- Politics; situations where the political motivation is pushing the integration process forward
- Need to decrease the conflict potential between neighbor countries
- Technical standards are seen as a major way to tie the countries together and build efficient trade barriers even for smaller markets.
- Increased competition in the global trade that presents a severe threat to the strategic or key industries of the national economies of participating countries
- Strong lobbying by the industries that benefit from the removal of the regional trade barriers

The leading motivation for the world-wide removal of trade barriers is mainly explained by industry efficiency and competitiveness claims:

- Trade barriers support non-efficient industries, their removal will lead to the most efficient distribution of resources and production
- When the political interventions are minimized the predictability of the environment (from corporate perspective) will increase

³⁴ Dmitry Korshunov presentation material for the workshop

- Global level optimization of allocation of resources require free capital and investment flows
- IT technologies decrease the governance and management costs of the global operations, thus improving the efficiency of the globally operating companies.

Thus, removal of the trade barriers leads to higher global growth.

Alexander Libman presented the results of the analysis about the impacts of the economic crises on the likelihood of regional integration. According to him the literature assumes that crises should be associated with a surge of protectionism³⁵. Decision-makers meet stronger pressure by the growing influence of interest groups, beggar-thy-neighbor policies and decline in public support for regionalism. Recent studies have suggested, however, that regional integration can advance during periods of crises. The reasons behind this apparently contradictory conclusion are several:

- Crises may challenge the limits of states' capacity
- Crises may trigger a need for preserving the existing economic ties which are particularly important for the given country
- Signing of economic integration agreements during the periods of crises may serve as informative, signaling to domestic public. etc.

Libman stated that they were studying how these factors affected the choices with respect to regional integration in six cases: two of the EU crises (the crises of the 1970s and of early 2010s); one in Asia (the crisis of late 1990s) and three Northern Eurasian crises (the transition recession of early 1990s; crisis of late 1990s and of late 2000s). He added that his group was able to demonstrate heterogeneous effects that these crises had on regional integration.

As stated in some of the presentations during the workshop, the idea of stable power and trade blocs was built during the Cold War period. In the 21st century the developments of the global system drive the trade integration towards more complicated models. Trade blocks have the following common features:

- Increasing complexity of the global trade system
- Speed of communication, that accelerates the processes of change
- Stratification of production processes and value chains drive rapid changes of the national GDP
- Volatility of global power politics generate a need for more flexible portfolio of trade agreements
- The recent developments have shown that internal power structures within one country may change very fast, and the new decision-makers might have different priorities.

5. European and Eurasian integration perspectives

Even if the negotiations for a trade agreement between the EU and the CU are on hold right now, the scientists of the workshop have elaborated potential impacts of trade agreements to the parties.

Emerson's elaboration of the potential collaboration between the EU and the CU can be divided into two key challenges. The first one is the FTA (DFTA) negotiations with third parties, the close neighboring countries of both the CU and the EU. According to Emerson's background paper Russia

³⁵ Alexander Libman summary and presentation material for the workshop

has some concerns about the negotiations between the EU and the neighboring countries; that the changes in the trade flows and barriers will lead to a situation where the EU goods end up on the Russian market, by trans-shipped through the countries having FTA or DFTA with European Union and this will lead to the erosion of Russian industries' relative competitiveness.³⁶

Peter Balas stressed that it is need to apply a gradual approach. He told that the European Commission and DG Trade are closely following the political situation and should the conditions change, it would contribute to restarting contacts with CU. Meanwhile, Russia must also fully meet its WTO obligations before FTA negotiations with the EU could be even seriously considered. He mentioned that the regulatory issues are important factors to take into account during this process³⁷.

Emerson stated that the DFTA agreements keep the door open for the partner countries to conduct their trade with the CU countries either under the traditional CIS-based agreement or to define new bilateral models for the negotiations about the removal of trade barriers. Even if it is evident that there is a strong asymmetry of trade between the EU and Russia, Emerson concluded that the EU-CU FTA would generate benefits to consumers and support the modernization of the CU countries' industries.

The national level results presented by Knobel suggest that the cumulative effect of an FTA with the EU on Russia's GDP would be 0.8% in the short run and up to 2.0 % in the long run. Short-term and long-term impacts on the GDP of Kazakhstan are lower, 0.6% and 1.2 %, respectively. In contrast to the economies of Russia and Kazakhstan, the impact on the economy of Belarus, as it was expected, will be minor but not positive. EU GDP will grow by 0.1% in the short run and by 0.2% in the long run. The industry-level analysis (15 industries) conducted his team was looking at the changes in production, household consumption, trade and employment. In Russia the production would decrease only in two areas in the long run: in the motor vehicles and parts sector and in the wood products and paper sector. A similar pattern is observed for Kazakhstan. In Belarus, except for these two industries, the production would decrease in agriculture, food industries, as well as in manufacturing.

The production in the EU would decrease only in the minerals sector, both in the short and in the long run. The EU-CU FTA would have positive impact on the households' consumption in Russia and Kazakhstan and in the EU as well (minor change though). The household consumption in Belarus drops in all sectors, in which the production decreases Thus, it is important to note that deeper integration between the CU and the EU is possible only after sufficient integration within the CU.³⁸

The possible integration of two trade blocks should be based on a pragmatic approach, mutual benefits and respect of the interests of both parties and their member sovereign states³⁹.

Laura Solanko mentioned that in CU in 2010 there were common customs tariffs but national non-tariff barriers. During the next few years by the establishment of the EAEU it is planned to create a common electricity market by 2019, while oil and gas market by 2025. The latter deadline is foreseen also for a unified financial services market. Solanko also mentioned that the questions of harmonization of fiscal policy and of competition policy were not discussed as yet in detail.

³⁶ Michael Emerson background paper p. 6

³⁷ Peter Balas comment at the workshop

³⁸ Alexander Knobel presentation material for the workshop

³⁹ Anastasia Stepanova comment

Coordination will be a challenge and depend on the political benefits. It should be noted that now the EU's trade with KZ, BY (+ Armenia, +) is minimal.

Alexander Shirov presented a related analysis about the implications of an EU-CU FTA with competitiveness assessment. His paper prepared with Yantovskiy states that the development of a free trade agreement could operate as a source of stable economic growth in the post-Soviet countries. But, Shirov also stressed in his presentation that the potential EU-CU FTA was problematic due differences in the sector structures and their competitiveness⁴⁰. As the measure of competitiveness the study analyzed the efficiency of the use of primary resources. The more value-added can be produced per unit of primary resources, the higher is the industrial efficiency.⁴¹ The results of their paper indicate that Russia retains competitiveness within primary commodities, food production, but has insufficient competitiveness in all machine-building sectors.

According to Shirov's presentation it is not expected that even if the EU-CU FTA was signed, it could be fully applied at once. The adjustment of the Russian market to a new competitive environment would take time. Thus, in his view a step-by-step FTA scenario with several prerequisites would produce a moderately favorable impact on the Russian economy. The competitive industries that are able to compete with EU imports are textile and furniture industries. The non-competitive industries are investments goods sectors. The study also states that the prerequisite for technology exchange that would benefit both sides is a sufficient level of capital investment (increase of savings ratio). Due the issues mentioned above and the challenging negotiations about development of unified energy policy, the writers see the FTA negotiations inevitable, but it may take place only in the distant future.

Natalya Volchkova presented the third analysis on a EU- CU FTA. She confirmed the conclusions of Emerson, Knobel and Shirov-Yantovskiy with one condition. According to her analysis⁴² compared to the current situation in case of an FTA involving the EU, the EaP countries and the CU, among the Customs Union countries the winners would be Kazakhstan (+2,6 % GDP change) and to a lesser extent, Russia, furthermore the EU, while the losers would be Armenia (-3,4% loss of GDP) Georgia, Azerbaijan, Belarus and Moldova. Volchkova presented one prerequisite for the outcomes described above. Russia would benefit from the economic integration only if it takes an active role and shapes the FTA and its implementation according to its needs. The efforts will be rewarded; the deeper integration brings higher welfare improvement for Russia. However, it will be always accompanied by a fall of production in the industrial sector, and adaptation is only possible if changes in the sector's structure are accepted.

The challenges stressed by the EU representatives at the meeting included the WTO compliance requirements if the CU was seriously interested in trade negotiations, and even more, in signing wider trade agreements. This applies to the further negotiations with Belarus-Russia-Kazakhstan Customs Union (BRK). The BRK customs union should, according to the multilateral rules, in case of accession of any of its members to the WTO, offer compensation to the adversely affected WTO members by

⁴⁰ Alexander Shirov and Alexey Yantovsky presentation material for the workshop

⁴¹ Alexander Shirov and Alexey Yantovsky background paper "Estimating a possible timeframe for creation of an FTA between European Union and Eurasian Economic Union." p. 4

⁴² Natalya Volchkova presentation material for the workshop

reducing its common external tariffs.⁴³ This is a challenge between EU and BRK countries, due the nature of trade. The EU imports raw materials, while the BRK mainly manufactured goods. Reducing the BRK tariffs would have major implications on the competitiveness of the domestic production.

The participants discussed the different types of regional trade integration models and methods. Thus, historical examples recognize several types of economic integration: two countries with bilateral agreements, currently there are over 400 of such agreements in the world, customs unions, inter-regional integration agreements such as the currently negotiated Transatlantic Trade and Investment Partnership, the Trans-Pacific Partnership, and potential agreements between blocks such as Eurasian integration and the EU. However, neither the European side, nor the Eurasian Economic Union have experience in the fourth type of integration and this project could help to design scenarios for such processes of deep integration, including in the regulatory area⁴⁴. Such deep integration can become reality only in the medium- to long-term. However, work towards analysis and possibly a gradual elimination of regulatory barriers should start already now. The chain of seven workshops could provide recommendations for the negotiations between the EU and the Eurasian Economic Union.

There are many questions about the approaches and methods which should be clarified in order to effectively study the possible ways of integration: which focus points, which facts have to be selected and which methodologies have to be applied. There are still huge methodological gaps as some models cannot catch the elements of integration among companies and it is still unclear how the parts or elements affect the entire dynamic of integration and what methodologies are needed to provide a long-term analysis. The existing static models should be necessarily replaced by dynamic elements. There must be several models to provide robust solutions, which should also include micro-economic approach and not only modeling. Climate change intermodal comparison is a standard tool, may be the same tool should be applied in work on estimation integration by merging different models⁴⁵. Peter Havlik added that the Pan-European economic integration - from Lisbon to Vladivostok - can be a viable strategic option. Instead of erecting new walls and barriers: a closer integration of the enlarged EU, Russia and the EaP countries can boost badly needed reforms, stability, trade, investments and growth in wider Europe. Do not forget medium and long-term effects. In a conclusion Pavel Kabat stated that economic integration within the wider European and Eurasian Space is one of the IIASA's flagship initiatives⁴⁶ and invited all the parties involved to continue a dialog in future.

⁴³ Michael Emerson Background paper p. 8

⁴⁴ Elena Rovenskaya comment at the workshop

⁴⁵ Regional integration models were already discussed within the first IIASA's Eurasian workshop, the results are presented in Appendix 1.

⁴⁶ Pavel Kabat comment at the workshop

References

Presentations at the workshop

Kazakhstan in the Common Economic Space: Evaluation of the Macroeconomic and Industry Effects. Sara Alpysbaeva, Center for Macroeconomic Analysis and Forecasting, International Institute of Economic and Law, Kazakhstan

Azerbaijan's Accession to CU. Vugar Bayramov, Center for Economic and Social Development (CESD), Azerbaijan

Can and should the EU's Eastern Partnership be saved? Thorvaldur Gylfason, University of Iceland, Iceland

Russia and the European Union: Economic Consequences and Prospects for Resolution of the Current Conflict. Peter Havlik, The Vienna Institute for International Economic Studies (wiiw), IIASA, Austria

Sectoral Assessment of the Impact of the Ukraine-EU Association Agreement on Ukraine's Economy. Valeriy Heyets, Institute for Economics and Forecasting, NAS of Ukraine, Ukraine

The Eurasian Economic Union and the growth of firms. Hans Holzhaecker, Kazakh Economic University, Kazakhstan

Case study: Foreign companies' perceptions on the trade barriers in the Customs Union. Leena Ilmola & Nadejda Komendantova, IIASA, Austria

Russia's Integration Policy – history and present. Suvi Kansikas, Aleksanteri Institute, University of Helsinki, Finland

Possible Economic Effects of the CU—EU Free Trade Agreement. Alexander Knobel, Institute for Economic Policy, Russia

Abolition of Non-Tariff Barriers in the EEU: Quantitative Assessment. Dmitry Korshunov, Eurasian Development Bank, Russia

Economic Crises and Regional Integration in Eurasia. Alexander Libman, Germany

CU Trade and Production: Some Effects of Integration. Andrey Lipin, Macroeconomic Policy Department, Eurasian Economic Commission, Russia

Free Trade Zone for Eurasian Economic Union and European Union: When it may be possible? Alexander Shirov, Institute of Economic Forecasting, Russia

Russia and Finland. Laura Solanko, BOFIT Bank of Finland, Finland

Russia and European PTAs. Natalya Volchkova, New Economic School Center for Economic and Financial Research, Russia

The presentation slides and report texts given at the workshop are available by request from the project manager (Anastasia Stepanova stepanov@iiasa.ac.at).

Appendix 1: Agenda

IIASA, 8-9 July 2014

Day 1

Session I. Introduction and goals of the workshop

Chair and moderator - Pavel Kabat

Welcome - Pavel Kabat

Introductory remarks - Vladimir Yasinsky

Introductory remarks - Evgeny Hotulev

Session II. Regional trade: national perspectives

Chair and moderator - Vladimir Yasinsky

Kazakhstan in the Single Economic Space: evaluation of the macroeconomic and industry effects - Sara Alpysbaeva

The history and present of Russia's integration policy - preliminary conclusions - Suvi Kansikas

Azerbaijan's accession to Customs Union - Vugar Bayramov

Session III. General issues of economic integration and trade

Chair and moderator - Peter Havlik

European Union and Eurasian Economic Union: scientific support for economic integration - Evgeny Vinokurov, Elena Rovenskaya

CU trade and production: some effects of integration - Andrey Lipin

European trade policy issues - Michael Emerson

Economic crises and regional integration in Eurasia - Alexander Libman

Kazakhstan's foreign trade: current status and prospects - Saltanat Tamenova

Abolition of non-tariff barriers in the EEU: quantitative assessment - Dmitry Korshunov

EU and EEU prospects for cooperation: a German view - Stephan Meister

Can and should the Eastern Partnership be saved? - Thorvaldur Gylfason

Discussion

Day 2

Session IV. Trade and industry: development perspectives

Chair and moderator - Pavel Kabat

Welcome and conclusions from the first day - Pavel Kabat

Introductory remarks - Péter Balás

Introductory remarks - Andrey Slepnev

Session V. EU-EEC Trade: possible futures

Chair and moderator - Evgeny Vinokurov

FTA between EU and EEU: when it may be possible? - Alexander Shirov

**A sectoral assessment of the impact of the Ukraine-EU Association Agreement on Ukraine's economy
- Valery Heyets**

Recent history of the trade between Finland and Russia - Laura Solanko

**Foreign companies perceptions on the trade barriers in the Customs Union - Leena Ilmola-Sheppard,
Nadejda Komendantova**

Discussion

Session VI. Industrial development and economic integration

Chair and moderator - Michael Emerson

Potential effects of the CU-EU Free Trade Agreement - Alexander Knobel

**Russia and the European Union: economic consequences and prospects for resolution of the current
conflict - Peter Havlik**

The Eurasian Economic Union and the growth of firms - Hans Holzacker

Russia and European PTAs - Natalya Volchkova

Discussion

Concluding session

Chair and moderator - Pavel Kabat

Appendix 2: List of participants

Bibigul Aidarkhanova	Head of Division, Economic Research Institute of the Ministry of Economy and Budget Planning of the Republic of Kazakhstan, Kazakhstan
Sara Alpysbayeva	Director, Center for Macroeconomic Analysis and Forecasting, International Institute of Economics and Law, Kazakhstan
Yury Armand	Aide to the Minister for Trade, Eurasian Economic Commission (EEC), Russia
Vasily Astrov	Economist, The Vienna Institute for International Economic Studies (wiiw), Austria
Péter Balás	Deputy Director General, DG Trade, European Commission, Head of the Support Group for Ukraine, Belgium
Stephan Barisitz	Expert on Russia and CIS in General, Foreign Research Division, Austrian National Bank, Austria
Vugar Bayramov	Chairman, Center for Economic and Social Development (CESD), Azerbaijan
Eldar Beisimbekov	Deputy Head, Department of Macroeconomic Policy, Eurasian Economic Commission (EEC), Russia
Sergey Chernyshev	Aide to the Minister for Trade, Eurasian Economic Commission (EEC), Russia
Michael Emerson	Associate Senior Research Fellow, Centre for European Policy Studies (CEPS), Belgium
Tatiana Ermolieva	Research Scholar, International Institute for Applied Systems Analysis (IIASA), Austria
Margaret Goud Collins	IIASA Secretary, International Institute for Applied Systems Analysis (IIASA), Austria
Thorvaldur Gylfason	Professor, Department of Economics, University of Iceland, Iceland
Peter Havlik	Guest Research Scholar, International Institute for Applied Systems Analysis (IIASA) and Staff Economist, The Vienna Institute for International Economic Studies (wiiw), Austria
Valery Heyets	Director, Institute of Economics and Forecasting, National Academy of Sciences of Ukraine, Ukraine
Hans Holzhaecker	Consultant, Kazakh Economic University named after Turar Ryskulov, Kazakhstan
Evgeny Hotulev	Director, Department of Macroeconomic Policy, Eurasian Economic Commission (EEC), Russia
Leena Ilmola-Sheppard	Research Scholar, International Institute for Applied Systems Analysis (IIASA), Austria
Pavel Isaev	Counselor to General Director, JSC «Severstal», Russia

Pavel Kabat	Director General and CEO, International Institute for Applied Systems Analysis (IIASA), Austria
Suvi Kansikas	Researcher, University of Helsinki, Alexanteri-instituutti, Finland
Alexander Knobel	Head, Foreign Trade Department, Gaidar Institute for Economic Policy (Gaidar Institute), Russia
Nadejda Komendantova	Research Scholar, International Institute for Applied Systems Analysis, Austria
Dmitry Korshunov	Direction Chief, Centre for Integration Studies, Eurasian Development Bank (EDB), Russia
Arkady Kryazhimskiy	Senior Research Scholar, International Institute for Applied Systems Analysis (IIASA), Austria
Michael Landesmann	Director of Research, The Vienna Institute for International Economic Studies (wiiw), Austria
Alexander Libman	Assistant Professor, Frankfurt School of Finance and Management, Germany
Andrey Lipin	Deputy Director, Department of Macroeconomic Policy, and Head, Macro Research, Eurasian Economic Commission (EEC), Russia
Stefan Meister	Senior Policy Fellow, European Council of Foreign Relations, Germany
Nebojsa Nakicenovic	Deputy Director General and Deputy CEO, International Institute for Applied Systems Analysis (IIASA), Austria
Nazym Narbaev	Division Head, Ministry of Economic Development of the Russian Federation, Russia
Stanislav Naumov	Executive Director, Eurasian Centre for Integration Studies and Communications, Russia
Stephan Nolte	Senior Economist, DG Trade, European Commission (EC), Belgium
Rahim Oshakbaev	First Deputy Chairman of the Board, National Chamber of Entrepreneurs of Kazakhstan, Kazakhstan
Elena Rovenskaya	Advanced Systems Analysis Program Director, International Institute for Applied Systems Analysis (IIASA), Austria
Alexander Shirov	Deputy Director, Institute for Economic Forecasting (IEF) of the Russian Academy of Sciences, Russia
Sergey Sizov	Second Secretary, Permanent Mission of the Russian Federation to the International Organizations in Vienna, Austria
Andrey Slepnev	Member of the Board (Minister) in charge of Trade, Eurasian Economic Commission (EEC), Russia
Laura Solanko	Senior Economist, Bank of Finland's Institute for Economies in Transition (BOFIT), Bank of Finland, Finland
Anastasia Stepanova	Project Manager, International Institute for Applied Systems Analysis (IIASA), Austria

Yury Stetsenko	Head of the Trade Mission of the Russian Federation in the Republic Austria, Austria
Saltanat Tamenova	Director, Institute for Socio-Economic Research, Kazakh Economic University named after Turar Ryskulov, Kazakhstan
Evgeny Vinokurov	Director, Centre for Integration Studies, Eurasian Development Bank (EDB), Russia
Natalia Volchkova	Policy Director, Center for Economic and Financial Research Assistant Professor, New Economic School, Russia
Vladimir Yasinsky	Managing Director and Member of Board, Eurasian Development Bank (EDB), Kazakhstan

About IIASA

Founded in 1972, the International Institute for Applied Systems Analysis (IIASA) conducts policy-oriented research into problems of a global nature that are too large or too complex to be solved by a single country or academic discipline. IIASA's research areas are energy & climate change; food & water; and poverty & equity.

IIASA is at the center of a global research network of around 2,500 scholars and nearly 600 partner institutions in over 65 countries. It is funded and supported by its National Member Organizations which represent the scholarly communities in the following countries:

Australia, Austria, Brazil, China, Egypt, Finland, Germany, India, Indonesia, Iran, Japan, Malaysia, Mexico, Netherlands, Norway, Pakistan, Republic of Korea, Russia, South Africa, Sweden, Ukraine, United Kingdom, United States of America, Vietnam.

Contact

IIASA

Schlossplatz 1

A-2361 Laxenburg

Austria

Phone: +43 2236 807 0

Fax: +43 2236 71313

E-mail: info@iiasa.ac.at

Web: www.iiasa.ac.at



twitter.com/iiasavienna



facebook.com/iiasa



blog.iiasa.ac.at



linkedin.com/company/iiasa-vienna



youtube.com/iiasalive



flickr.com/iiasa