

# Non-Tariff Barriers and Technical Regulations

IIASA project

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

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## Workshop Report

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## Background

The 3d workshop within the IIASA project “Challenges and Opportunities of Economic Integration within a Wider European and Eurasian Space” held on 20-21 November, 2014 in Laxenburg, Austria discussed the major issues related to the compatibility and costs of technical regulations used by different countries and unions, and also the non-tariff barriers affecting the trade among them.

The workshop concentrated on major aspects related to the existing non-tariff barriers in trade between the countries of the Eurasian Economic Union (EAEU), the European Union (EU), and other CIS countries. The participants discussed the challenges related to the general non-tariff barriers that exist between the EU, the EAEU, and the CIS countries, as well as possible solutions, particularly in the context of recent economic and political developments. The workshop also discussed the relationship between the norms and principles of international trade law contained in the provisions of the World Trade Organization (WTO); analyzed the legal framework of economic integration in various regions of the world; and reflected on the potential for eliminating unnecessary obstacles to trade, including by mutual recognition of conformity.

The workshop was focused particularly on the potential effects of the implementation of Deep and Comprehensive Free Trade Agreements (DCFTA) between the EU and Georgia, Moldova, and Ukraine. It also addressed the economic impacts of the currently applied mutual sanctions conflict” between the EU, the USA and some other Western nations on the one hand, and Russia on the other, their impacts on international trade, and on the potentials of long-term cooperation between the EU and the EAEU. The impacts on economies of other CIS countries, not directly involved, were also touched upon.

Harmonization of legislation in the field of technical, as well as sanitary, phytosanitary, and veterinary regulations between the EAEU and other regions, primarily the EU, was addressed in detail. The discussion covered 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.

In order to foster interdisciplinary and international dialogue on the topic, the workshop brought together well-established scientists, policymakers, banks and companies representatives from around the world, including: Péter Balás, Deputy Director General, DG Trade, European Commission; Igor Finogenov, Chairman of the Management Board, Eurasian Development Bank (EDB), Kazakhstan; Pavel Kabat, Director General and Chief Executive Officer, IIASA; Evgeny Vinokurov, Director, Centre for Integration Studies, Eurasian Development Bank; Paul de Lusignan, Leading Expert, Tariff and Non-Tariff Negotiations, Rules of Origin, DG Trade, European Commission, , Stefanie Harter, Head, Liaison Office to the German Ministries of Foreign Affairs, Defence, Interior and Justice, German Agency for International Cooperation, Evgeny Hotulev, Director, Department of Macroeconomic Policy, Eurasian

Economic Commission (EEC), Oleg Noginskiy, Director, Ukrainian Association Suppliers of the Customs Union, Veronika Movchan, Director, Institute for Economic Research and Policy Consulting (IER), Alessandro Nicita, Officer-in-Charge, Trade Policy Research Section, Trade Analysis Branch, Division on International Trade, United Nations Conference on Trade and Development (UNCTAD), among many others, with a total of 41 participants.

The workshop participants discussed possible ways how non-tariff barriers could be reduced and convergence of technical regulations to the mutual benefit of all parties involved could be achieved. In this context, they also analyzed the opportunities and risks of economic modernization of the East-European partnership countries, if they adapt to European technical regulations and sanitary requirements. Possibilities for providing a unified policy, removing bottlenecks and differences in the sphere of technical regulation in the EAEU countries, was examined; and the impacts of such policy on producers of goods and services in different regions with regard to ensuring their competitiveness were assessed.

**1. Non-tariff barriers and technical regulations in the EU**

Non-tariff measures are generally defined as policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both (UNCTAD/DITC/TAB/ 2009/3). Since this definition is broad, a detailed classification is of critical importance so as to better identify and distinguish among the various forms of non-tariff measures<sup>1</sup>.

<b>Imports</b>	<b>Technical measures</b>	<b>A</b> SANITARY AND PHYTOSANITARY MEASURES <b>B</b> TECHNICAL BARRIERS TO TRADE <b>C</b> PRE-SHIPMENT INSPECTION AND OTHER FORMALITIES
	<b>Non technical measures</b>	<b>D</b> CONTINGENT TRADE-PROTECTIVE MEASURES <b>E</b> NON-AUTOMATIC LICENSING, QUOTAS, PROHIBITIONS AND QUANTITY-CONTROL MEASURES OTHER THAN FOR SPS OR TBT REASONS <b>F</b> PRICE-CONTROL MEASURES, INCLUDING ADDITIONAL TAXES AND CHARGES <b>G</b> FINANCE MEASURES <b>H</b> MEASURES AFFECTING COMPETITION <b>I</b> TRADE-RELATED INVESTMENT MEASURES <b>J</b> DISTRIBUTION RESTRICTIONS <b>K</b> RESTRICTIONS ON POST-SALES SERVICES <b>L</b> SUBSIDIES (EXCLUDING EXPORT SUBSIDIES UNDER P7) <b>M</b> GOVERNMENT PROCUREMENT RESTRICTIONS <b>N</b> INTELLECTUAL PROPERTY <b>O</b> RULES OF ORIGIN
	<b>Exports</b>	<b>P</b> EXPORT-RELATED MEASURES

There are several different variants of classifying non-tariff barriers. Some researchers include only methods intended to directly restrict imports in order to protect certain sectors or national industries. They include licensing and allocation of import quotas, antidumping and countervailing duties, import deposits, voluntary export restraints, and systems of minimum import prices.

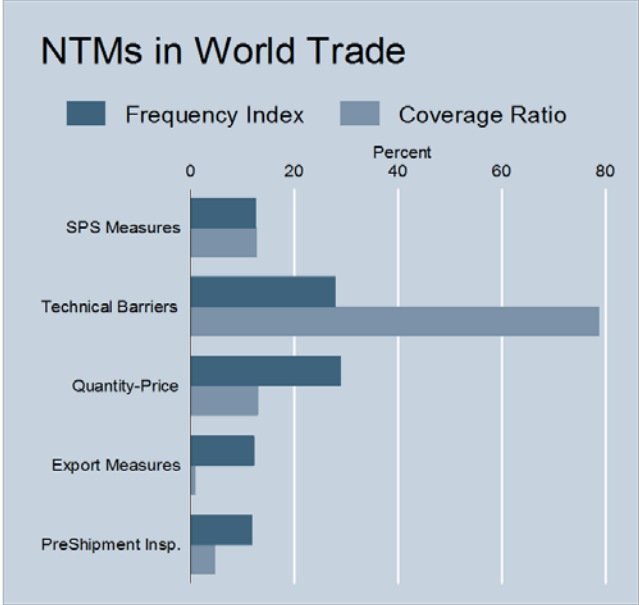
picture x: UNCTAD/Multi Agency Classification<sup>2</sup>. Others apply a broader definition, including measures that are not directly aimed at restricting foreign trade and are more related to the administrative requirements whose actions, however, restrict trade: for example, customs procedures, technical standards and norms, sanitary and veterinary standards, requirements for labeling and packaging, bottling. These are methods that are not directly aimed at restricting imports or promoting exports, but they often lead to such results<sup>3</sup>.

<sup>1</sup> UNCTAD program on Non-Tariff Measures. International classification of non-tariff measures. UNCTAD/DITC/TAB/2012/2/Rev.1

<sup>2</sup> Alessandro Nicita presentation material for the workshop.

<sup>3</sup> Wikipedia.org

Alessandro Nicita described how much of world trade is regulated by some form of NTMs. He told that trade coverage tends to be larger for low-income countries in highly regulated products. The SPS measures can distort trade as they result in relatively higher burdens for lower income countries. However, there is no possibility to relax health and sanitary requirements based on development considerations. The solution could be membership in deep trade agreements under which



harmonization and technical assistance can reduce the difficulties related to compliance with SPS measures. The impacts of the European Union’s SPS measures are quantified by some experts as leading to trade diversion from lower income countries’ agricultural exports to the tune of about 3 billion \$US (equivalent to about 14 percent of their total trade). Among European consumers there is a growing awareness and demand for healthy food, bio-products. A growing part of these needs is supplied by low-income countries, where the production **complies** with EU standards – often linked to EU companies’ investment activities.

picture x: How much of world trade is regulated by some form of NTMs?

The European regulatory system for goods has been in place now for over 25 years, and has established a strong position in international rule-making. Since 1994 the European system has covered the European Economic Area (EEA) countries as well. The approach has been extended further – to the Euromed region and to Eastern Europe. For example, Deep and Comprehensive Free Trade Areas (DCFTAs) which entered into force very recently with Moldova and, Georgia and are unilaterally applied by the EU with respect to Ukraine, contain such provisions. With the formal entry into force of the latter agreement from January 1, 2016, Ukraine is also legally committed to respect these requirements. The measures are applied in line with the particular conditions and preferences of the partner countries. In the European neighborhood there has been substantial interest in alignment on the practices established over time in the EU. In technical regulation, the EaP partners have generally decided to set their own pace in adopting European technical rules.

Paul de Lusignan presented a review of the system of standards, conformity assessment and accreditation in the EU. The private institutions in Europe that deal with the issues of standardization and accreditation are the CEN, CENELEC and ETSI in case of standardization, and the EA in accreditation. They have gradually extended their activities to become open to participation by partners in the European neighborhood outside the EEA.

Thus, CEN Full Members include:

- EU and EFTA standards bodies, plus ISRM (Former Yugoslav Republic of Macedonia) and TSE (Turkey)

CEN Affiliates include:

- DPS Albania; SARM Armenia; SCSMP Azerbaijan; BELST Belarus; BAS Bosnia and Herzegovina; EOS Egypt; GEOSTM Georgia; SII Israel; JSMO Jordan; LIBNOR Lebanon; LNCMSM Libya; INS Moldova; ISME Montenegro; IMANOR Morocco; ISS Serbia; INNORPI Tunisia; DSSU Ukraine.

The EU concludes agreements also with countries outside the European neighborhood that cover some of these issues. The recently completed CETA Agreement with Canada (agreed in principle but not yet signed) also contains such provisions. Negotiations are in progress with Japan and the United States.<sup>4</sup> One of the major goals of these negotiations is to reduce barriers arising from non-tariff measures - such as standards and conformity assessment procedures. The European system will nonetheless overall remain in place, even if certain aspects will change as a result of these negotiations.

## 1.1 Technical regulation between the EU and Moldova

The EU-Moldova AA is provisionally applied since 1 September 2014 (EP consent on 13 November), similarly to the one with Georgia, as of the same date. The Georgian and Moldovan DCFTAs both have a 'deep' and 'comprehensive' character and coverage, but there are some sectoral differences. Paul de Lusignan analyzed several combinations of a DCFTA on the example of the agreement with Moldova (OJEU L260 of 30.8.2014, p.4) Article 173: Approximation of technical regulations, standards, and conformity assessment.

Under the Agreement Moldova will take the necessary measures in order to gradually achieve conformity with the Union's technical regulations, standards, metrology, accreditation, conformity assessment, corresponding systems and market surveillance system progressively incorporate the relevant Union acquis into its legislation in accordance with the provisions of Annex XVI to this Agreement, carry out the administrative and institutional reforms that are necessary to provide the effective and transparent system that is required for the implementation. Moldova undertook to refrain from amending its horizontal and sectoral legislation, except for aligning such legislation progressively with the corresponding Union acquis and for maintaining such alignment.

According to De Lusignan, Moldova will ensure the participation of its relevant national bodies in the European and international organizations for standardization, legal and fundamental metrology, and conformity assessment, including accreditation, it will progressively transpose the corpus of European Standards (EN) as national standards, including the harmonized European standards. Simultaneously with such transposition, it'll withdraw the conflicting national standards; and progressively fulfil the conditions for full membership in the European Standards Organizations<sup>5</sup>.

The Parties agreed to ultimately add an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) as a Protocol to the Agreement, covering sectors listed in Annex XVI. These will be considered to be aligned once it has been agreed, following verification by the Union, that the

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<sup>4</sup> The EU is negotiating a trade and investment deal with the US. The Transatlantic Trade and Investment Partnership (TTIP) will create new trade and investment opportunities for companies, big and small, and new jobs.

<sup>5</sup> Paul de Lusignan's presentation for the workshop.

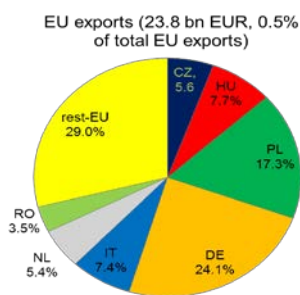


relevant sectoral and horizontal legislation, institutions and standards of the Republic of Moldova have been fully aligned with those of the Union.

It is intended to ultimately extend the ACAA to cover all the sectors listed in Annex XVI to this Agreement. The ACAA will provide that trade between the Parties in products in the sectors that it covers shall take place under the same conditions as those applying to trade in such products between the Member States of the EU. It should be noted that the scope of the ACAA (Annex XVI) was decided by Moldova after consultation with the EU.

## 2. The EU-Ukraine DCFTA: challenges and opportunities

### 2.1 Non-tariff barriers between the EU and Ukraine

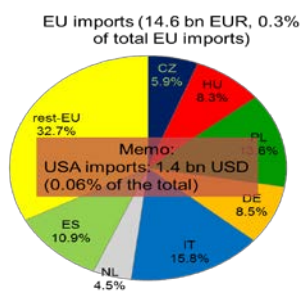


Ukraine signed the AA/DCFTA on June 7, 2014. It was ratified by the European Parliament and the Verkhovna Rada on September 16, 2014. The scope of its provisional application is exceptionally broad (including the entire DCFTA, General Principles, Financial Cooperation, Final & Institutional provisions and provisions on political dialogue, rule of law and HR, economic cooperation). It is a mixed agreement thus a long ratification process is to be expected for its definitive entry into force. (In this respect further questions have emerged since the negative outcome of the Dutch referendum about the Agreement).

picture x: EU exports. Ukraine's main trading partners in the EU, 2012 in % of total EU trade with Ukraine

However, since April 2014 the EU on a temporary basis unilaterally opened its market for Ukrainian goods as an autonomous trade preference in order to provide support to the Ukrainian economy. This temporary arrangement was terminated as of January 1, 2016, when the DCFTA provisionally entered into force for both sides.

According to Peter Havlik, an important components of the EU-UA AA/DCFTA is the will be: Political part, signed on 21 March 2014 in Brussels. The DCFTA contains 15 Chapters, 14 annexes and 3 protocols (altogether a 906-page text, the English version published in November 2012). Under the



terms of the DCFTA the majority of customs duties (99.1% by Ukraine and 98.1% by the EU) will be removed as soon the Agreement enters into force<sup>6</sup>. As part of its asymmetric nature, Ukraine has more and longer transition periods sensitive sectors, including a possibility for the protection of the automotive sector for 15 years. The agricultural sector contains more protective elements, for some agricultural products the EU has such a possibility for up to 10 years.

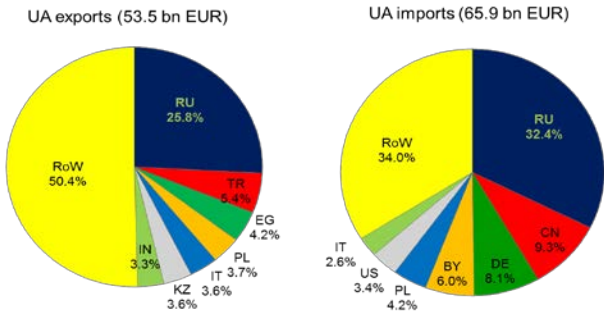
picture x: EU imports. Ukraine's main trading partners in the EU, 2012 in % of total EU trade with Ukraine

<sup>6</sup> Peter Havlik presentation material for the workshop.

As a point of departure, the WTO rules will be generally applied to non-tariff barriers. However, over time Ukraine will progressively adapt its technical regulations and standards in sectors of its choice to those of the EU (the full takeover of the EU acquis would be both unnecessary and costly).

There are specific provisions concerning some sectors. Thus, the DCFTA contains trade-related rules on the energy sector, such as provisions on pricing, on the prohibition of dual pricing and on the interruptions of transit to third countries, as well as rules on non-discriminatory access to the exploration and production of hydrocarbons. The DCFTA also contains specific rules of origin, and

defining the origin of products on the basis of which the duties applicable to traded goods can be determined. Importantly, the DCFTA ‘shall not preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier traffic except insofar as they conflict with trade arrangements provided for in this agreement (Article 39).



picture x: Ukraine’s main trading partners, 2012 in % of total

Thus, the maintenance e.g. of the existing FTA with other CIS countries, including with the EAEU is possible, while joining the latter is excluded, as it’s legally incompatible with maintaining a parallel free trade relationship with the EU (at least as long as the EAEU itself would not sign an FTA with the EU).

Guillaume Van der Loo analyzed the legal aspects of the creation of a DCFTA with Ukraine. The objective is: “to establish conditions for enhanced economic and trade relations leading towards Ukraine’s gradual integration in the EU’s Internal Market by setting up a Deep and Comprehensive Free Trade Area” (legislative approximation) (Art. 1). The Agreement is very complex, it is unprecedented both in terms of scope and level of detail (2140 pages in the OJ, 46 Annexes, 3 protocols and a joint declaration). The DCFTA has a very broad range, covering all the main areas of EU-Ukraine trade relations: starting with “traditional scope”: (i.e. trade in goods and flanking measures) and including “Global Europe trade agenda issues” (e.g. competition, services, public procurement, energy, etc.).<sup>7</sup> Thus, the comprehensive dimension of the EU-Ukraine DCFTA includes: national treatment and market access for goods; trade regimes; technical barriers to trade; sanitary and phytosanitary measures; Customs and trade facilitation; establishment, trade in services and electronic commerce; current payments and movement of capital; public procurement; intellectual property; competition; trade-related energy; transparency; trade and sustainable development; dispute settlement; mediation mechanism, etc.

### 2.2. Technical regulations to be applied between the EU and Ukraine

When in 2014 Ukraine signed and ratified the DCFTA with the EU there were heated debates about the readiness of the Ukrainian economy to use the opportunities and to face the challenges stemming

<sup>7</sup> Guillaume Van der Loo presentation material for the workshop.

from the implementation of the DCFTA. It is widely recognized that the harmonization of legislation in the TBT/SPS spheres are among the core aspects of the DCFTA.

According to Veronika Movchan, Ukraine has been gradually reforming its system of technical requirements for more than a decade, bringing those in line with the WTO rules and practices. When in 2008 Ukraine joined the WTO, it also took a commitment to align its national legislation with TBT Agreement. Under the DCFTA further commitments have been taken: the gradual achievement of conformity with the EU's technical regulations and EU standardization, metrology, accreditation, conformity assessment procedures and the market surveillance system in areas selected by Ukraine. Thus, its commitments include:

- incorporation of the relevant EU acquis into the legislation of Ukraine (Annex III covers 5 areas of horizontal legislation and 27 areas of sectoral legislation); it should be noted that this is a small portion of the totality of EU technical regulations,
- preservation of this alignment;
- full participation in the European and international organizations for standardization, legal and fundamental metrology, and conformity assessment;
- progressive transposition of the corpus of European standards (EN) as national standards and withdrawal of conflicting national standards;
- the application, within a short time, of certain horizontal rules covering e.g. product safety and liability for defective products,
- over time, once the conditions will have been created, the signing of an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA).

Movchan mentioned, that Ukraine has almost completed the harmonization of the horizontal legislation. With respect to the sectoral commitments: Ukraine currently has 46 technical regulations, of which 43 were designed based on the EU acquis. 32 technical regulations are enacted. Out of the 27 sectoral legislation defined in Annex III, Ukraine passed 25 technical regulations, 22 of them were enacted. Thus, there are only a few areas where Ukraine has still to pass legislation in order to harmonize its technical regulations<sup>8</sup>. There are some sectors where the procedure between the adoption of technical regulations and entry those into practice will take much longer time.

This progress notwithstanding, Ukraine still has challenges linked to the proper implementation of the existing legislation, the completion of harmonization of the horizontal and sectoral legislation. The transposition of standards, establishment of proper infrastructure, lack of training, the financial constraints all require further work, including the better utilization of the various forms of technical assistance offered by the EU and other donors.

Some Ukrainian experts insist that the business sector in Ukraine has got enough time to prepare for the new regulatory regime on the market. According to others, however, there are some big challenges of implementing the AA/DAFTA between EU and Ukraine. Thus, Oleg Noginsky suggested to take into account the current economic situation of Ukraine, namely the lack of available funds and the low credit-rating of the country. Thus, enterprises are unable to attract both domestic and foreign investments for the transition to the new technical standards. According to Noginsky, the Association

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<sup>8</sup> Veronika Movchan presentation material for the workshop.

Agreement with the European Union does not provide special financial programs of transition to the new technical standards. Enterprises would have to close, their markets would be lost, and the staff would have to look for a new job. Accordingly, the losses of Ukraine, both in industrial and human resources, would be irreplaceable. To prevent such a scenario, there is an urgent need to provide targeted financial support to the enterprises for their transition to the new standards of production, or provide mechanisms for employment of freed population. The absence of such measures in the near future would lead to economic and social catastrophe<sup>9</sup>. Oleksandr Sharov added that according to the words of the earlier Ukrainian First Vice PM S. Arbuzov, the technical alignments' costs estimates of 160 billion are theoretical ones. Meaning thereby the total costs of renovation of production units during the next 10 years, so, that goal is pure theory<sup>10</sup>.

In reaction, the EU representatives called attention to the broad range of financial support provided to the new Ukrainian leadership (by the EU, by other national and international donors) both in the form of general budgetary, as well as sectoral support. There are several ongoing support project targeted at the TBT area aiming at facilitating harmonization with the EU's regulatory regime. The recent experiences show that actually it is not the lack of support, but the lack of sufficient absorption capacity of the Ukrainian institutions which is the major barrier to speeding up the harmonization process. There is also slow progress in setting up the necessary implementing mechanism, such as the accreditation bodies.

Michael Emerson pointed out that the DCFTA foresees that Ukraine (similarly to Moldova and Georgia) will repeal the existing national standards that conflict with European standards. This in practice means repealing old GOST standards inherited from the Soviet times<sup>11</sup>. He also added that it is not so easy to describe what may happen to thousands of standards, but presumably the matter can be broken down into key sectors or categories, as must presumably be done for the purposes of policy guidance to the technical work<sup>12</sup>. Another way of proceeding in a manageable way would be to take the short list of 25 EU regulations or directives that appear in the EU-Ukraine DCFTA as specifically identified obligations with timetables and focus primarily on those.

Thus, Emerson recommended to answer first the following questions: how far the Eurasian technical standards are in line with international and/or European standards, and over what time horizon can their convergence be expected; where are the concrete economic problems that Russia or other members of the Customs Union see in the progressive Europeanisation of the technical standards by Ukraine over a considerable number of years according to its DCFTA with the EU; and is it possible to find cooperative working methods for perceived problems to identify them precisely, and then eliminate or minimize them case by case, rather than by proposing a sweeping systemic amendment to the DCFTA which is politically implausible?

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<sup>9</sup> Oleg Noginskiy presentation material for the workshop.

<sup>10</sup> Oleksandr Sharov presentation material for the workshop.

<sup>11</sup> Michael Emerson background paper "Technical Barriers to Trade around the EU-Ukraine-Eurasian Union Triangle towards Convergence or Conflict?", p. 1.

<sup>12</sup> Technical standards listed in ANNEX III the EU-Ukraine DCFTA.

Péter Balás called attention to the parallel negotiations aimed exactly at these issues. The process started originally on a bilateral basis with Russia, has recently been turned into a trilateral negotiation, involving Ukraine, as well. The aim is to identify those elements of the EU-Ukraine DCFTA which might cause economic damages for Russia and to elaborate suitable mechanisms, such as longer transition periods, temporary co-existence of various technical regulations, or providing Russia and/or the EAEU technical assistance in order to speed up their own harmonization with international and EU standards. These talks, however, did not progress as fast as would be desirable as the Russian side did not provide many specifics about the sectors and products where the differences of technical regulations caused specific, quantifiable problems, neither reacted positively to the various EU and Ukraine solutions. Still, both the EU and Ukraine expressed their readiness to go ahead with these talks in order to achieve agreed outcomes before the entry into force of their DCFTA. (To be noted, that by the end of 2015 it has become clear that there was no way to come to agreement, thus Russia decided to suspend CIS relations in parallel with the start of the provisional application of after EU-Ukraine Pact of January 1, 2016.)

Valery Heyets analyzed the combines of the norms in the laws "On Conformity Assessment", "On Standards, Technical Regulations and Conformity Assessment Procedures", the Decree of the Cabinet of Ministers of Ukraine "On Standardization and Certification". He pointed out that the law: defines technical regulations, rules, and standards, whose application is necessary in accordance with the Agreement; introduces procedure for submissions of draft technical regulations; foresees the adaptation of Ukrainian legislation on technical regulations and conformity assessment procedures to the EU's legislation; introduces technical regulations on the basis of the directives of the EU New and Global Approach and requirements corresponding to the requirements for the development of similar EU acts; and establishes the final date for the abolition of compulsory product certification and administration of conformity assessment for certain goods subject to mandatory certification. Heyets mentioned that today one can consider as balanced the volumes of trade between Ukraine and the EU in the following product groups: mineral fuel, oil and oil products, and electrical machinery. Trade in the remaining groups, including the high-tech industrial products, is not balanced. Heyets concluded that in the field of technical regulations, Ukraine has only moved in the horizontal direction (technical regulations framework and institutional support), where the initiative belongs to the state, including through the provision of financial and technical assistance from the EU.

In the vertical (sectoral) direction, it is the entrepreneurs who should take the initiative, while in reality they prefer to increase exports to third countries (instead of investing in the development of technical regulations and quality) because there the potential of trade is large enough for the existing production facilities in Ukraine. And it is only possible to realize the existing trade potential through close cooperation between Ukrainian and European associations of producers rather than between the companies which are often competitors<sup>13</sup>.

The access to the EU market for companies with foreign (European) capital is possible, but, because of the current military conflict, the instability of the hryvnia and other factors, European investments tend to decrease. Where cooperation chains between Ukraine and the Customs Union are maintained,

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<sup>13</sup> Valeriy Heyets presentation material for the workshop.

exports could have been saved, but the suspension by Russia of the CIS relations at the start of 2016 made this impossible. In addition, on certain finished industrial goods, metals, food and chemical products, the Russian market will be closed with the progress of the Russian policy of import substitution.

In the Customs Union/Eurasian Economic Union since 2011 a new system of technical regulations has been emerging, which is supposed to become an analogous system with that of the EU. Realizing the significant barriers to the development of trade, the Eurasian Commission has launched a number of initiatives that may, in the near future, reduce the technical barriers of trade between the countries of the CIS and the EU.

### 3. Non-tariff measures and technical regulation in the CU/SES/EAEU

One of the most recent examples of regional integration is the Customs Union of Belarus, Kazakhstan and Russia. It was established in 2010. On January 1, 2012 the three states formed a Single Economic Space to promote further economic integration. The CU has been turned into the Eurasian Economic Union (EAEU) as of January 1, 2015<sup>14</sup>.

Belarus, Russia and Kazakhstan have already made a number of steps in the direction of reducing NTMs, in particular in the field of technical regulations: they signed an agreement on the common principles and rules of technical regulations, drawing up a single list of products; developed the technical regulations of the CU for products included in the single list; established uniform technical requirements for products from 2012; took a decision about the harmonization of national legislation in the standardization, accreditation, measurement assurance and state control of the technical regulations.

On 29 May 2014 Belarus, Kazakhstan and Russia signed an agreement on the establishment of the Eurasian Economic Union, which also provides that the participating states would not apply non-tariff measures in the internal market, except for cases provided for by the Agreement.

The Agreement on the Eurasian Economic Union also established the general principles of technical regulations, and identified their rules and procedures (Annex 9); as well as those of the general principles for the application of sanitary, veterinary & sanitary and phytosanitary quarantine measures (Annex 12).

According to Vinokurov, for the emerging Eurasian Economic Union, close economic cooperation with the EU is of critical importance: the EU is – or rather used to be - the largest trading partner of both Russia and Kazakhstan, accounting for more than half of the Russian Federation's total trade turnover. The Ukrainian problem can only be resolved within the scope of deep economic cooperation between the EU and the EAEU, which only serves to underscore the importance of this cooperation. According to him for the EU close economic cooperation with the EAEU is also of fundamental importance: the

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<sup>14</sup> Anastasia Stepanova (2013). 'Eurasian Union and Ukraine'. Monography, Moscow, Russia (In Russian).

EAEU was up to recently the European Union's third-largest trading partner after the U.S. and China<sup>15</sup>. It is also important from the security, mentality and cultural points of view. The impact of Russian restrictions on food imports clearly demonstrates the current level of trade interdependence and the interest the European manufacturers and farmers have in normal commercial relations.

According to Adarov, there are some asymmetric non-tariff barriers to trade: NTBs are applied by a member state to one or both of its EAEU partners, while one or both partners do not implement the same NTB; an NTB is applied by one or more EAEU member states to the RoW, while there is at least one EAEU member state that does not implement the same NTB to the RoW; and an NTB is imposed by a member state that is in force for a period of time and is removed at a later time. The trade creation effect has been dissipating for the EAEU economies, while trade diversion has remained strong and stable throughout the 2000s. Reduction of NTBs might be the only way to boost mutual trade beyond the fundamental products. The NTBs have significant implications for trade within the EAEU. Ad-valorem equivalent (AVE) could potentially range up to 85% for some product categories. Institutions and infrastructure are highly important for efficient trade<sup>16</sup>. Given that the EAEU economies are characterized by low quality of institutions and infrastructure, trade is adversely affected both within the EAEU and also with the rest of the world.

Andrey Lipin made a presentation about the further steps in the EAEU affecting the perspectives and challenges of addressing non-tariff barriers. He analyzed the NTBs in a treaty on Eurasian Economic Union that included regulatory measures both by the CU and SES: Customs Union (custom regulation; external trade policy; technical regulation; sanitary and phytosanitary regulation; medical market regulation; consumer protect) + Single Economic Space (services, investments; energy; transport; labor market; government procurements; macroeconomic policy; taxes; antitrust law; etc.). He said that the non-tariff measures are policy measures, other than ordinary customs tariffs, that can potentially have an economic effect on international trade in goods, changing the quantities traded, the prices, or both. Lipin analyzed the NTB procedures (all markets) and concluded that:

- Goods (UNCTAD classification + EEU extensions)
- Services (There is no single classification; known approaches (UN, OECD, WB, etc.)
- Capital, labor (too far from one classification)
- Further steps (monitoring of NTB in external market).

The Treaty's implementation includes liberalization of trade of goods, services, movement of capital and of labor markets in the following directions: deepening of domestic market integration, legal harmonization and unification, treaty extension<sup>17</sup>. Thus, in the EAEU the realization of common policy and coordination of all the instruments are important, and reduction/elimination of NTBs have to be achieved.

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<sup>15</sup> Evgeny Vinokurov background paper "Mega Deal Between the European Union and the Eurasian Economic Union", p. 2-3.

<sup>16</sup> Amat Adarov presentation material for the workshop.

<sup>17</sup> Andrey Lipin presentation material for the workshop.

### 3.1 Non-tariff barriers and business environment in the CU/SES/ EAEU

Belarus, Russia and Kazakhstan have already taken a number of steps in the direction of Eurasian integration, in particular in the field of technical regulations. They signed the agreement mentioned above about the common principles and rules of technical regulations.

Igor Finogenov in his introductory speech stated that “the Eurasian Development Bank wants integration to help attain the following goals: joint infrastructural development, a partial departure from the oil-and-gas dependence, industrial development and cooperation in the areas of research and education”.<sup>18</sup>

Evgeny Vinokurov summarized the results of EDB surveys and interviews with 530 enterprises and companies of Belarus, Kazakhstan and Russia exporting goods and services within the CU. Mikhail Demidenko added that this research was prepared in collaboration with Igor Pelipas, Irina Tochickaya, Gleb Shymanovich, Andrey Lipin, and Andrey Anisimov. 144-195 industrial companies were interviewed in each country to identify the respondents' views on the non-tariff barriers they face when exporting to the partner countries. The results of this survey also allowed to obtain quantitative estimates of non-tariff barriers as a percentage of the value of the goods being exported, making it possible to estimate the costs for businesses of each NTB<sup>19</sup>. Vinokurov explained that when classifying NTBs from the inventory of the EAEU, it was found that the greatest number of non-tariff measures in the CU and SES were sanitary and phytosanitary regulations, technical barriers, price control measures and measures affecting competition. Groups of measures relating to subsidies and public procurement restrictions were widely presented as well. At the same time, despite the fact that the EAEU inventory does not contain measures relating to restrictions on distribution and after-sales services, neither emergency trade defense measures, in the course of the survey a number of companies indicated such non-tariff measures in the CU and SES and their use by member states. This also points to the need of gathering more information about the barriers and restrictions on trade in goods within the Eurasian integration structure<sup>20</sup>.

The results of the survey of companies exporting goods show that they assess trade within the CU and SES as a fairly open. The most optimistic estimates have been given by the exporting enterprises of Belarus, as well as by the Russian companies exporting to Belarus. Trade between Kazakhstan and Russia is less open, but the mutual accessibility of markets in these countries was assessed as higher than the ones of third countries. The only direction of trade for which exporters considered market access to be not above average as compared to other countries was export from Kazakhstan to Belarus. Respondents from member states of the CU and the SES differently assessed the impacts of NTBs on mutual trade. Thus, the enterprises of Belarus consider that on average individual non-tariff barriers have almost no restrictive effects on exports to Kazakhstan and to Russia. Companies from Russia assess their impacts as more significant. Non-tariff barriers have the greatest restrictive impact on trade for exports from Kazakhstan, in particular to Belarus.

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<sup>18</sup> Igor Finogenov introductory speech.

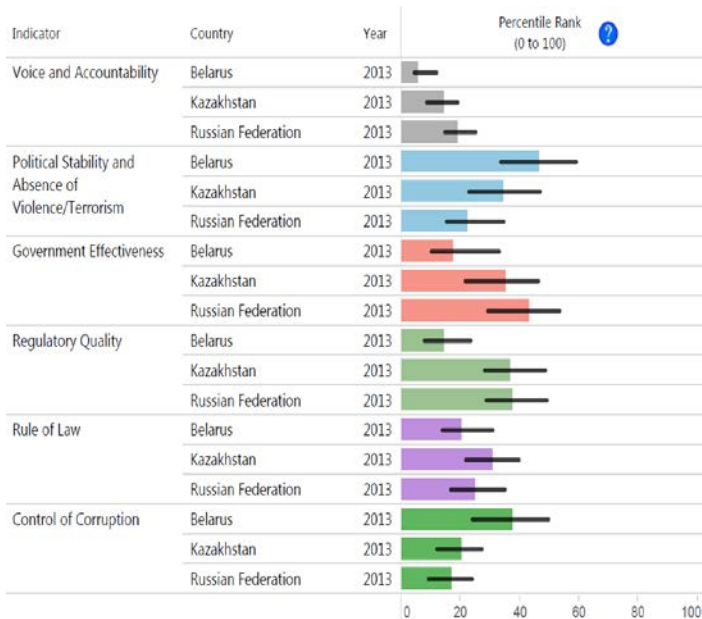
<sup>19</sup> Mikhail Demidenko presentation material for the workshop.

<sup>20</sup> EDB background paper “Non-tariff barriers in the Eurasian Economic Union: evaluation of the economic effects (Large scale survey)” p 2-9.



The main barriers that increase the costs of trade within the CU and SES are technical barriers, measures affecting competition, and price control measures, which followed from respondents' answers about the extent of the restrictive impact of a barrier. The impacts of technical barriers are assessed as significant by respondents exporting to all destinations, regardless of the methodology of calculation. Thus, respondents of Belarus evaluated the barriers associated with entry to the market and operations both in Russia and Kazakhstan at 10% of their costs. Kazakh organizations believe that the both groups of barriers constitute 10% of the costs in case of Belarus and 15% in case of Russia. The Russian organizations assessed the cost barriers in Belarus to be 13% and 15% (entry to market and everyday operations, respectively), and 15% and 10% in Kazakhstan.<sup>21</sup>

According to Madiyar Kenzhebulat, Kazakhstan remains a net importer in its trade relations with the countries of the Customs Union. From 2000 to 2013, there has been a steady increase in the negative



balance of trade with these countries. In trade with Russia the deficit increased 17.6 times, and in trade with Belarus this figure increased 27.4 times. Concerning the structure of exports of Kazakhstan with the CU and CES countries by major product groups for 2013, the largest share was represented by commodities: mineral products - 42%, metals and metal products - 34%. In the structure of imports the largest shares were those of: machinery, equipment and vehicles - 23%, mineral products - 21%, food products - 14%, metals and metal products - 13%, chemical products - 14%, textiles and shoes - 9%<sup>22</sup>.

picture x: Adarov. Overview of WB WGI ranks of EACU economies, 2013. Source: World Bank

Artem Yulegin analyzed the definition and components of the Regulatory Impact Assessment procedure (RIA) Procedure in the Eurasian Economic Commission. He stated that RIA was a mandatory step in the process of preparation of the EAEC's draft decisions, intended to identify and eliminate excessive obligations, limitations, and (or) bans for entrepreneurs; unreasonable business expenses; barriers to the free movement of goods, services, capital and labor in the territory of the Union. RIA is carried out by preparing a draft report in about each of these spheres. The Commission ensures the transparency of the RIA Procedure by internet, including through the official website of the Union.

The methodological framework of the RIA includes: the best national practices of the each Member (Decree of the Government of the Russian Federation of 17 December 2012 № 1318 (the order of RIA

<sup>21</sup> EDB background paper “Non-tariff barriers in the Eurasian Economic Union: evaluation of the economic effects (Large scale survey)” p 37-40.

<sup>22</sup> Madiyar Kenzhebulat’s presentation material for the workshop.

procedure); the OECD Recommendation C(2012)37 (Recommendations of the Council on regulatory policy and governance); the experiences of the European Commission's Impact Assessment Guidelines of January 15, 2009; and the experiences of the Business Development Department of the EAEC in business impact assessment about the drafts of the EAEC decisions. Yulegin highlighted that during the period from October 2, 2012 to November 6, 2014 786 (100%) drafts were considered and 115 business impact assessment reports were prepared about the EAEC draft regulations: technical regulations, sanitary, veterinary and phytosanitary measures (55,65%), 64 of 194 – covering 32,99%; non-tariff customs regulation (20,87%), 24 of 234 – covering 10,26%<sup>23</sup>.

Leena Ilmola, Nadejda Komendantova and Anastasia Stepanova also presented the results of their research on the adaptation to the institutional environment and foreign companies' sources of resilience. Thus, they interviewed top managers of 10 companies from finance, construction, logistics, consumer products, engineering, and technology. All of them were foreign-owned companies operating in Russia and some other CIS countries. They consider that the political risks are increasing: regulations, sanctions and their consequences; financing (re-financing) is very difficult for domestic and foreign companies (RU), currency risks are increasing.

The most important criterion for business decisions is economic growth. As several of the global trade studies (WTO, 2013) and more specific Eurasian Customs Union studies (Mkrtchyan and Gnutzmann, 2014) reveal, trade barriers have an impact on economic growth. But there are also other trends, such as long term unemployment and growing inequality, the increasing volatility of prices of natural resources, growing complexity of global supply chains and consumer preferences which may have an even bigger role as contributors to growth (WTO, 2013). Ilmola mentioned that such issues as transport technology development (Kurgman, 2010) may shape a country's comparative advantages even more than trade barriers. Uncertainty about the real costs and the time effects are the main business problems. These uncertainties emerge from the unpredictability of the currency rates and different customs and licensing procedures.

Stepanova added that the analysis of their interviews and the available evidence from international organizations such as the World Bank, UNCTAD, IFC and the Bleyzer Foundation indicate that the problems stem from asymmetry. From a business perspective the challenges emerge when political decision-making has dominance on the business environment, when some of the economic players have a dominant role in the market or the differences among regions within one country (and one regulation) are significant.

Leena Ilmola and Anastasia Stepanova pointed out that their results are similar to those of global studies based on surveys, interviews and questionnaires, except for perceptions of such risks as wars, conflicts and political instability, which are cited by the UNCTAD among the major barriers. However, in their interviews respondents did not perceive these risks as serious barriers for investment. On the other hand, the currency risk was not mentioned as a significant barrier by global studies but appears to be a serious threat for investors who participated in the interviews. They also mentioned the short-term planning horizon which did not appear in global studies. At the same time such barriers as political

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<sup>23</sup> Artem Yulegin presentation material for the workshop.

risks, industrial ecosystems (Ma and Lu 2011) and slow economic growth correspond in their study to the results of the UNCTAD, Bleyzer Foundation and the World Bank<sup>24</sup>.

### 3.2 Non-Tariff Measures Affecting the CU/SES's Exports to the third countries

Alexander Lysenko called attention to a CU/SES's trade policy. Thus, at the multilateral level there is cooperation with international and regional organizations (WTO, UN, CIS, APEC, ASEAN). At the bilateral level there are FTA negotiations with Vietnam (active tracks), Israel, India and Egypt (feasibility study (Joint research group)). The CU also has trade dialogues with China, EU, USA and Japan (although with the last 3 partners the bilateral dialogues are much restricted due to the Ukrainian crisis). In EAEC's focus there are such measures, as: tariff and non-tariff regulations, safeguard measures, establishment of preferential regimes with third countries, inadequate support and development to goods and services export and the elimination of non-tariff barriers for the CU/SES's goods in third markets. Regarding the CU, measures by their nature are: 61% (trade defense measures), 11% (other NTM), 10% (TBT measures), 5% (quotas, including TROs), 5% (SPS measures), 5% (taxes and charges), 3% (import bans).<sup>25</sup>

Lysenko added that the new competences according to the Treaty on the Eurasian Economic Union are: assistance to the EAEU's exporters in market access to third countries; the monitoring of third countries' restrictive measures, consultations with third countries and the EU's Member States on the applied measures, including dispute settlement on trade issues. Meanwhile, among the quotas applied by the EU there are quotas for textile products from Belarus, quotas for nuclear products from Russia to the third countries, while the others are tariff quotas based on the WTO agreement.

## 4. The new reality: the effect of mutual sanctions on the EU and Russia

According to some experts the economic and political sanctions are considered to be ineffective in most cases. One study of 174 cases proposed that 34% of sanctions have been at least partly successful but this was contested by another analysis of the same data set, arguing that only 5% had been successful. Why should sanctions be used so often when they have such a poor track record? According to a former UK ambassador to the UN, the reason is that: "There is nothing else between words and military action if you want pressure to bear on a government" (Jeremy Greenstock). Sanctions may therefore often become political statements more than anything else, and gestures to assure a minimal consistency between words and actions in the context of the domestic as well as the international political debate<sup>26</sup>.

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<sup>24</sup> Leena Ilmola, Nadejda Komendantiva, Anastasia Stepanova presentation material for the workshop.

<sup>25</sup> Alexander Lysenko presentation material for the workshop.

<sup>26</sup> Following a first summit in Minsk in on September 5, 2014, the decisions of which were not respected, on 11 February 2015 the leaders of Ukraine, Russia, France, and Germany agreed on a second package of measures to alleviate the ongoing war in the Donbass region of Ukraine. The talks that led to the deal, overseen by the Organization for Security and Co-operation in Europe (OSCE), were organized in response to the collapse of the

The European Union introduced political and economic sanctions against Russia due to the following reasons: Russia's policy of annexation (accession) of Crimea, direct and indirect military intervention in the conflict in Donbass, as well as the crash of the Malaysian Boeing over the Eastern part of Ukraine. Michael Emerson and other experts have pointed out that the Helsinki norms of the European security (1975) and some other international agreements were not respected by Russia.

The EU, the US and numerous other Western countries apply sanctions due to these reasons against Russia, including individuals targeted with visa bans and asset freezes, and specific business sectors or sectors of the economy and financial system. These have been intensified stage by stage, as the initial packages had no impact. In total they now comprise:

- Diplomatic sanctions: The G8 summit scheduled to take place in Sochi in June 2014 became the G7 in Brussels; the EU-Russia summit, also scheduled for June in Sochi, was cancelled; talks on visas and the “New Agreement” have been suspended; various bilateral cooperation programs have been suspended;
- Individualized sanctions: The number of EU visa bans and/or asset freezes have been progressively extended to a total of 119 persons and 23 entities in Russia and Crimea;
- Economic sanctions: New operations by the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) are to be suspended (Russia used to be the biggest beneficiary of EBRD operations); imports from Crimea are banned, unless certified by Ukraine; exports of military and dual-use goods are banned; export licenses are denied for specific, high-technology energy-related equipment (deep water development in the Arctic, and shale); access to the EU capital markets and related services is severely restricted for targeted major Russian banks and corporations (Sberbank, VTB, VEB, Gazprombank and Rosselkhozbank). (There was talk of suspending Russia from the SWIFT international bank payments system, but this has not been decided.)

Michael Emerson added that the Minister Alexei Kudrin had spoken of his serious concerns for the macroeconomic developments, at least in the longer run, since for the moment Russia has large financial reserves of around \$470 billion that could be drawn upon to compensate enterprises and banks that need to refinance borrowing on international capital markets. How serious these concerns are is hard to say. Russian enterprises are now virtually shut out from Western financial markets. This goes beyond the individual banks, since there is a broader market refusal to take on the perceived political risks, with the Western countries having clearly said that the sanctions can be further extended (or retracted), depending on the political developments<sup>27</sup>.

In Russia, which was already “stuck in transition and stagnation” before the current crisis erupted, the repercussions of the conflict hamper urgently needed investments and GDP growth, hindering economic restructuring and modernization. Peter Havlik called attention of the participants to the fact that the economies of individual EU countries are affected to very differing degrees by the conflict,

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Minsk-1 Protocol in January–February 2015. The new package of measures is intended to revive the Protocol, which had been agreed in September 2014. Thus, there is agreement among the key politicians agreed that Minsk implementation is a key to EU-Russia relations.

<sup>27</sup> Michael Emerson background paper “The EU-Ukraine-Russia Sanctions Triangle”, p. 2, 6.

depending on their trade (and otherwise) exposure to the Russian (and Ukrainian) market. In general, the Baltic States (as well as Finland) and other NMS are affected more than others. At the same time, the Baltic States (and Poland) have adopted a much 'tougher' attitude towards Russia given their historical experience, whereas Hungary, Bulgaria, Slovakia, the Czech Republic (as well as Austria, Greece and Cyprus) favor a 'softer' approach. Germany, Italy, Norway, France, Netherlands are also effected by the mutual sanctions. In order to assess the economic impact of the conflict, Havlik and his group took into account the varying trade exposure of individual EU countries towards Russia and constructed two alternative scenarios:

- (I) exports to Russia decline by 10%;
- (II) exports to Russia decline by 50%.<sup>28</sup>

The losses incurred so far are undoubtedly painful, yet manageable (a decline in trade bigger than 10% would obviously lead to correspondingly greater losses). Thus, the slowdown of Russian economy growth rates in 2013-2014 basically was mostly result of internal causes as well as of the fall of energy prices. Alexander Shirov calculated the following impacts of sanctions on the Russian economy:

- decrease of funding 7 from EU and US financial markets (US\$ 150-200 billion)
- embargo on trade of dual-use technologies (US\$ 5-7 billion)
- FDI from EU (US\$ 30-50 billion)
- internal prices (US\$ 20-30 billion)
- the reduction of production cooperation (US\$ 15 billion)
- embargo on trade of hi-tech energy technologies (up to 50-70 mln t of oil in 2030).<sup>29</sup>

The main part of funding was used by Russian companies with high level of reliability; the annual income of EU financial system from interest payments from Russia is about US\$ 25-27 billion (lost profits from credit embargo can reach up to US\$ 8-10 billion); significant amount of the funding was tied with Russian capital. The impacts of sanctions on the EU: realization of the programs of import substitution (US\$ 40 billion), embargo on food products (US \$ 5-7 billion), devaluation of ruble and decreases of import from EU (US\$ 22 billion), losses from decreases in financial services (US \$ 8-10 billion), slowdown of economic growth and import demand (US \$ 5 billion), decreases of raw materials output (US \$ 3 billion). He added that the EU losses from sanctions can amount to 0,5% of its GDP. In 2013 import of agricultural and food products affected by embargo from EU, US, Canada, Australia, Norway is estimated up to US \$ 8,6 billion (total import for this position was US\$ 22.5 billion). Countries most affected by embargo were: Poland (US\$ 1,1 billion), Norway (US\$1,1 billion), Netherlands (US\$ 0,8 billion), Spain (US\$ 0,8 billion), Germany (US\$ 0,6 billion).

Dmitry Mityaev called attention to the fact, that although Russia's part in German export amounts to 3,5% (€36 billion euro from more than 1 trillion euro), the real importance of the trade relations between Germany and Russia was considerably higher. Russia supplies almost half of total oil volumes and one third of the gas consumption within the energy needs of the EU countries. Germany, France, Italy and Spain imported in 2012 only 233.6 billion cubic meters (195 billion cubic meters from total via pipeline and 38.8 billion cubic meters of LNG). From these 195 billion cubic meters the share of

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<sup>28</sup> wiiw background paper "Policy Notes and Reports 14. Economic Consequences of the Ukraine Conflict" p. 9-13.

<sup>29</sup> Alexander Shirov presentation material for the workshop.

Gazprom is 57.3 billion cubic meters or 30%. In Latvia, Lithuania, Estonia, Ukraine, Belarus, Finland, Bulgaria, Czech Republic, Slovakia the share of Russian gas in the import structure is about 100%. In Turkey it is 70%, in Greece and Hungary 40-45%.

According to Russian views it is better for Germany and Russia to implement their joint efforts to stabilize the situation in Ukraine by forming a responsible government, which is capable to safeguard peace and observe the transit obligations, to develop a joint program of reconstruction and development of Ukraine, including modernization of its gas-transport system, than to transform this large Central European country in a reason for isolation of Russia with disruption of the European stability and defeat of own economy? Time for such joint actions is still exist – only positive joint economic program of Germany and Russia with a total amount not less than of €150-200 billion for the period of 2-3 years is able to stop negative progress. The condition of development of such kind of program is dismissal of sanctions and unacceptable ultimatums and also support of constructive forces in Ukraine<sup>30</sup>. As mentioned above, Russian experts consider that, the slowdown of GDP growth in Russia is caused mostly by internal factors with low level of investment as a key; the exchange rate policy being the most efficient tool of internal market protection (it is also the main non-tariff barrier in trade between Russia and the EU); the EU main non-tariff policy involves technological restrictions (primarily those concerning energy sector and dual-use technologies); import substitution programs mean significant risks for the future EU exports to Russia; the decrease of the GDP growth rates in Russia will negatively affect the import of investment goods that may significantly impact the EU machinery producers.

Peter Balas mentioned that the EU's official views, and the opinions expressed by the EU participants at the meeting, were generally rather different from the positions above. According to the latter views the root cause of the current crisis lies in Russia and in its actions against Ukraine. It is for the Ukrainian people and not for other countries to decide what kind of leadership and policies they choose – and there is no doubt the all the elections which have taken place since 2014 in Ukraine were much fairer and cleaner than anything which took place during the country's earlier history. While the economic losses are undoubtedly high for all sides concerned, the solution lies in eliminating the root cause, the political crisis, which has started since late 2013.

Due to the current conflict situation, Anastasia Stepanova noted that it is necessary to continue to find compromises between the European Union, Russia and Ukraine, based on the agreements adopted by Angela Merkel, Francois Hollande, Vladimir Putin and Petro Poroshenko to resolve the crisis in Ukraine. The compromises should be found also in the legal settlement of the mutual economic claims that have been introduced because of the suspension by Russia the CIS relations with Ukraine since January 1, 2016, and due to the introduction of Russian retaliatory measures against the exports to Russia of products from the European Union and other countries through Belarus and Kazakhstan.

Thus, twenty-five years after the fall of the Iron Curtain, the current grave crisis in the relations between Russia and the West represents not only a major setback, but is also evolving into a dangerous

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<sup>30</sup> Dmitry Mityaev background paper "About consequences of introduction UAS and EU anti-Russian sanctions for EU countries and Ukraine", p. 10.

geopolitical conflict<sup>31</sup>. The economic consequences of the conflict are equally serious: not only for Russia (and, of course, first of all for Ukraine), but they also pose a potential threat to the still frail economic recovery in Europe.

The EU and Russia have a long record of cooperation on issues of bilateral and international concern<sup>32</sup>. Russia is the EU's biggest neighbor and used to be its third biggest trading partner. Supplies of oil and gas make up a large proportion of the country's exports to the EU. The European and the Eurasian Union would have common economic interests to reinforce their cooperation by creating in future the conditions for a "common space" within a framework of partnership and cooperation, and on the basis of common values and shared interests. It is a question of the political conditions which fall outside the scope the IIASA's Eurasian Project, whether, when and how these conditions can be created.

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<sup>31</sup> wiiw background paper "Policy Notes and Reports 14. Economic Consequences of the Ukraine Conflict" p. 1.

<sup>32</sup> [www.eeas.europa.eu](http://www.eeas.europa.eu)

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### Presentations at the workshop

Bashmakov A.; Myshak A. Center for Energy Efficiency (CENef), Russia. *Costs and Benefits of Low-Carbon Economy and Society Transformation in Russia. 2050 Perspective.*

Breitenfellner A. Austrian National Bank. *Energy Prices - Determinants and Impact on Economic Developments and Financial Stability.*

Emerson M., Centre for European Policy Studies (CEPS), Belgium; Shimkin V. Housing and Municipal Reform Support Center, Ukraine. *A Household Energy Saving Initiative for Ukraine.*

Kosse I. Institute for Economic Research and Policy, Ukraine. *Energy Market Reforms in Ukraine.*

Feygin V. Institute for Energy and Finance, Russia. *An approach to analysis of complex energy systems development and several illustrations.*

Mityaev D. Federal Governmental and Academic Institute, Council for the Study of Productive Forces (CSPF), Ministry of Economic Development and Russian Academy of Sciences, Russia. *Energy complementarity of the EU and the EEU as the basis of the long-term economic integration and peace in Eurasia.*

Noginsky O. Ukrainian Association Suppliers of the Customs Union, Ukraine. *Possible Risks and Consequences from Experiments with Ukraine's Nuclear Power Industry.*

Paik K. Oxford Institute for Energy Studies, United Kingdom. *Sino-Russian Gas and Oil Cooperation : The Reality and Implications.*

Rogner H. IIASA, Sweden. *Modeling Framework and Illustrative examples: Modeling Subgroup of the EURussia Energy Dialogue Gas Advisory Council.*

Shirov A. Institute for Economic Forecasting (IEF), Russian Academy of Sciences. *Russia and Europe: energy union or energy conflict?*

Vinokurov E. Centre for Integration Studies, Eurasian Development Bank (EDB), Russia. *Transborder Investments in Electric Power and the Logic of Common Electric Power Markets.*

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



## Appendix 1: Agenda

IIASA, 12-13 May 2015

### Day 1

*Introduction and goals of the workshop*

*Chair and moderator - Pavel Kabat*

Welcome - Pavel Kabat

Introductory remarks - Igor Finogenov

Introductory remarks - Péter Balás

Introductory remarks - Evgeny Hotulev

*Session I. Economic impacts of the current enhanced barriers / sanctions between the EU, Russia and some other countries*

*Chair and moderator - Pavel Kabat*

The EU-Ukraine-Russia sanctions triangle - Michael Emerson

Impact of sanctions on the economic development in Russia and the EU - Alexander Shirov

Economic consequences of the Ukraine conflict: an example of non-tariff barriers' effects - Peter Havlik

About consequences of introduction USA and EU anti-Russian sanctions for EU countries and Ukraine - Dmitry Mityaev

Discussion

*Session II. Non-tariff barriers to trade in goods and services in the EEU*

*Chair and moderator – Evgeny Vinokurov*

Steps toward the EEU: perspectives and challenges in addressing non-tariff barriers - Andrey Lipin

Non-tariff barriers in the EEU: evaluation of the economic effects - Mikhail Demidenko

Non-tariff Barriers in the EEU: qualitative and quantitative assessment - Igor Pelipas

Impact of NTBs reduction in the EEU economics: CGE model assessment -Veronika Movchan

Assessment of non-tariff barriers to trade in the EEU - Amat Adarov

Resilience requirements of corporate operations in fast changing markets: case study of foreign companies in the EEU - Leena Ilmola, Nadejda Komendantova, Anastasia Stepanova

***Session III. Part 1.***

***Impact of non-tariff barriers to trade in goods and services***

***Chair and moderator – Michael Emerson***

**Non-tariff restrictions for CU/SES goods in the EU and CIS markets - Alexander Lysenko**

**Kazakhstan model of market balance of production, employment, income and price levels. The theory of market imbalance - a tool of analysis of non-tariff barriers - Sailau Baizakov and Nauryz Baizakov**

**NTMs becoming barriers in EEU, EU and CIS trade - EU perspective - Marie Luise Rau**

**Discussion**

**Day 2**

***Summary of the first day and general remarks***

***Chair and moderator - Pavel Kabat***

**Welcome and reflections on the first day - Pavel Kabat**

**Reflections on the first day - Péter Balás**

**Reflections on the first day - Vladimir Yasinsky**

**Reflections on the first day - Evgeny Vinokurov**

**Reflections on the first day - Peter Havlik**

**Reflections on the first day - Oleg Noginsky**

**Reflections on the first day - Markus Eller**

**Reflections on the first day - Michael Emerson**

**Comments from other participants**

***Session III. Part 2.***

***Impact of non-tariff barriers to trade in goods and services***

***Chair and moderator – Michael Emerson***

**Non-tariff measures to trade – economic and policy issues for developing countries - Alessandro Nicita**

**Non-tariff trade barriers for Kazakhstan with the Common Economic Space (CES) countries - Madiyar Kenzhebulat**

**Regulatory Impact Assessment on drafts of the Eurasian Economic Commission decisions about non-tariff barriers and technical regulation - Artem Yulegin**

Unravelling the EU-Ukraine DCFTA: A "deep" and "comprehensive" free trade area? - Guillaume Van der Loo

Discussion

*Session IV. Harmonization of legislation of technical regulations between the EEU-EU. The opportunities and risks of economic modernization of the Eastern Partnership (EaP) countries through adaptation to European technical regulations and sanitary requirements*

*Chair and moderator – Oleg Noginsky*

Technical regulation, standards and conformity assessment in the European regulatory space - Paul de Lusignan

Technical regulations in Ukraine: current situation and expected changes - Veronika Movchan

Risks for the countries, who signed the Association Agreement, in terms of technical directives and the introduction of technical regulations in the EEU - Oleg Noginsky

Technical Regulation as Major Factor of EU Integration for Ukraine - Oleksandr Sharov

Asymmetric effects in Ukraine's foreign trade and the guidelines to overcome the technical barriers - Valery Heyets

Technical barriers to trade around the EU-Ukraine-Eurasian Union triangle - Michael Emerson

*Concluding session*

*Chair and moderator - Pavel Kabat*

*(Coffee is available in the room)*

## Appendix 2: List of participants

Amat Adarov	Adviser on the Methodology and Analysis, Department of Macroeconomic Policy, Eurasian Economic Commission (EEC), Russia
Vasily Astrov	Senior Economist, The Vienna Institute for International Economic Studies (wiiw), Austria
Péter Balás	Deputy Director General, DG Trade, European Commission and Head, Support Group for Ukraine (SGUA), Belgium
Nauryz Baizakov	Assistant, Institute of Economic Research, Ministry of Economy of Kazakhstan, Kazakhstan

Sailau Baizakov	Scientific Director, Institute of Economic Research, Ministry of Economy of Kazakhstan, Kazakhstan
Margaret Goud Collins	IIASA Secretary - Science and NMOs, International Institute for Applied Systems Analysis (IIASA), Austria
Mikhail Demidenko	Head of Projects, Centre for Integration Studies, Eurasian Development Bank (EDB), Russia
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## 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:

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