

Challenges and Opportunities of the Eurasian Economic Integration

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Topics covered

- Two competing integrations: European Union (EU) and Eurasian Economic Union (EAEU)
- Trade and FDI patterns in Eurasia (EU-EAEU)
- Sanctions and their Impacts
- Greater Eurasia integration challenges and prospects
- Additional reading

Integration and dis-integration: the EU vs CIS/EAEU (I)

- European Union (EU) is expanding, notwithstanding numerous problems and crises
 - After 60 years, the EU currently has 28 member states (Croatia joined in July 2013), with more than 500 million inhabitants and aggregate GDP of €14.600 billion
 - Eurozone currently has 19 member states (Lithuania joined in January 2015)
- A number of SEE/FSU countries are candidates or aspire for EU membership (e.g. Serbia, Turkey, Georgia, Moldova, Ukraine...)
- Yet the EU is in a serious crisis and some current members may leave (e.g. Brexit, Greece, migration flows, etc.) !

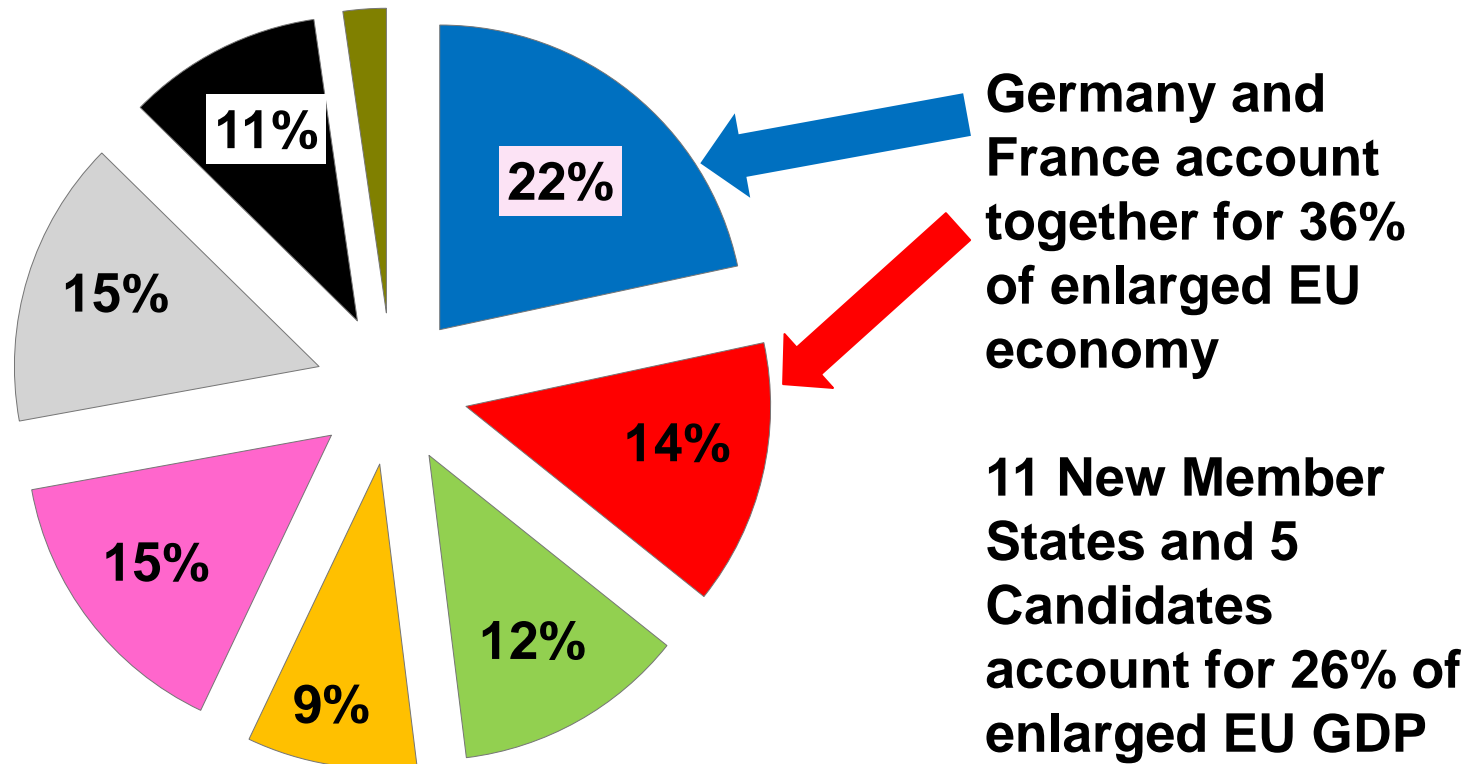
Integration and dis-integration: the EU vs CIS/EAEU (II)

- Commonwealth of Independent States (CIS) was established after the dissolution of the Soviet Union in 1991
- CIS has currently 10 member states (Georgia left in August 2008, Ukraine in 2014), with more than 240 million inhabitants and aggregate GDP of close to €2.000 billion
- A number of alternative integration endeavors on the post-Soviet space, mostly Russian-led, exist (BY-RU-KZ Customs Union, SES, EurAz, GUAM, etc.)
- Single Economic Space-Customs Union (2012) and Eurasian Economic Union (EAEU) since 2015 are the most important
- EAEU is modelled on the EU example („four freedoms“, economic policy coordination, etc) should be gradually implemented.

European Union (EU), Eurasian Economic Union (EAEU) and Wider Eurasia: Economic Dimensions

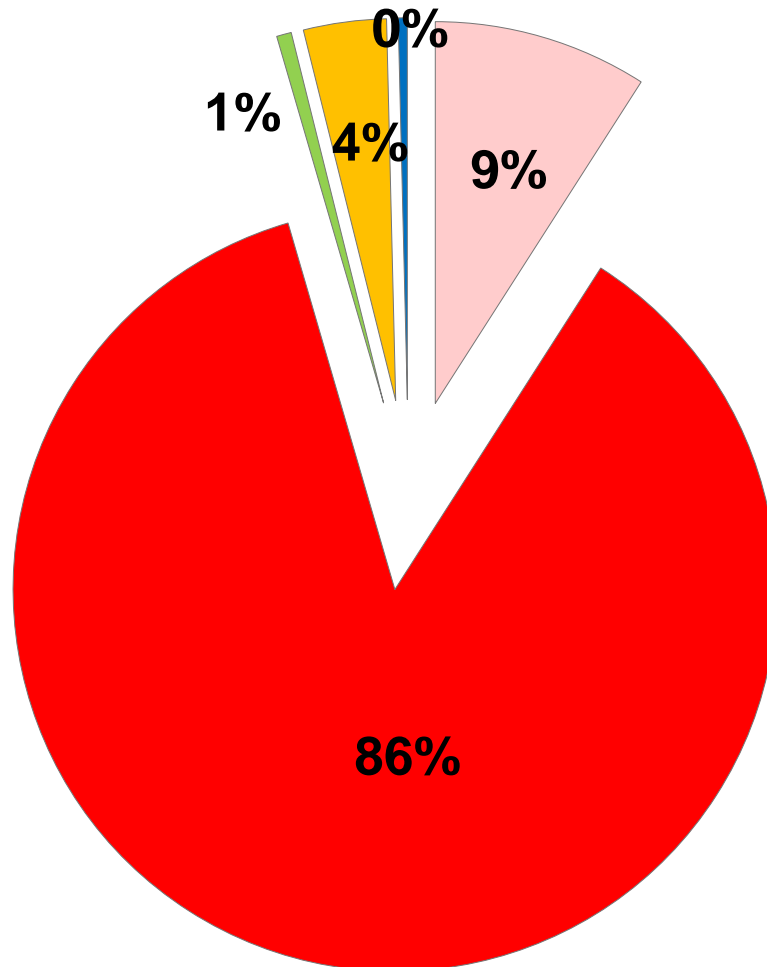
Economic dimension: Real GDP in the enlarged EU, in % of total (at PPP, year 2015)

■ Germany ■ France ■ Italy ■ Spain ■ UK ■ NMS-11 ■ 5 Candidates ■ other EU-28



Economic dimension: GDP in the EAEU, in % of total, 2016

■ Kazakhstan
 ■ Russia
 ■ Armenia
 ■ Belarus
 ■ Kyrgyzstan

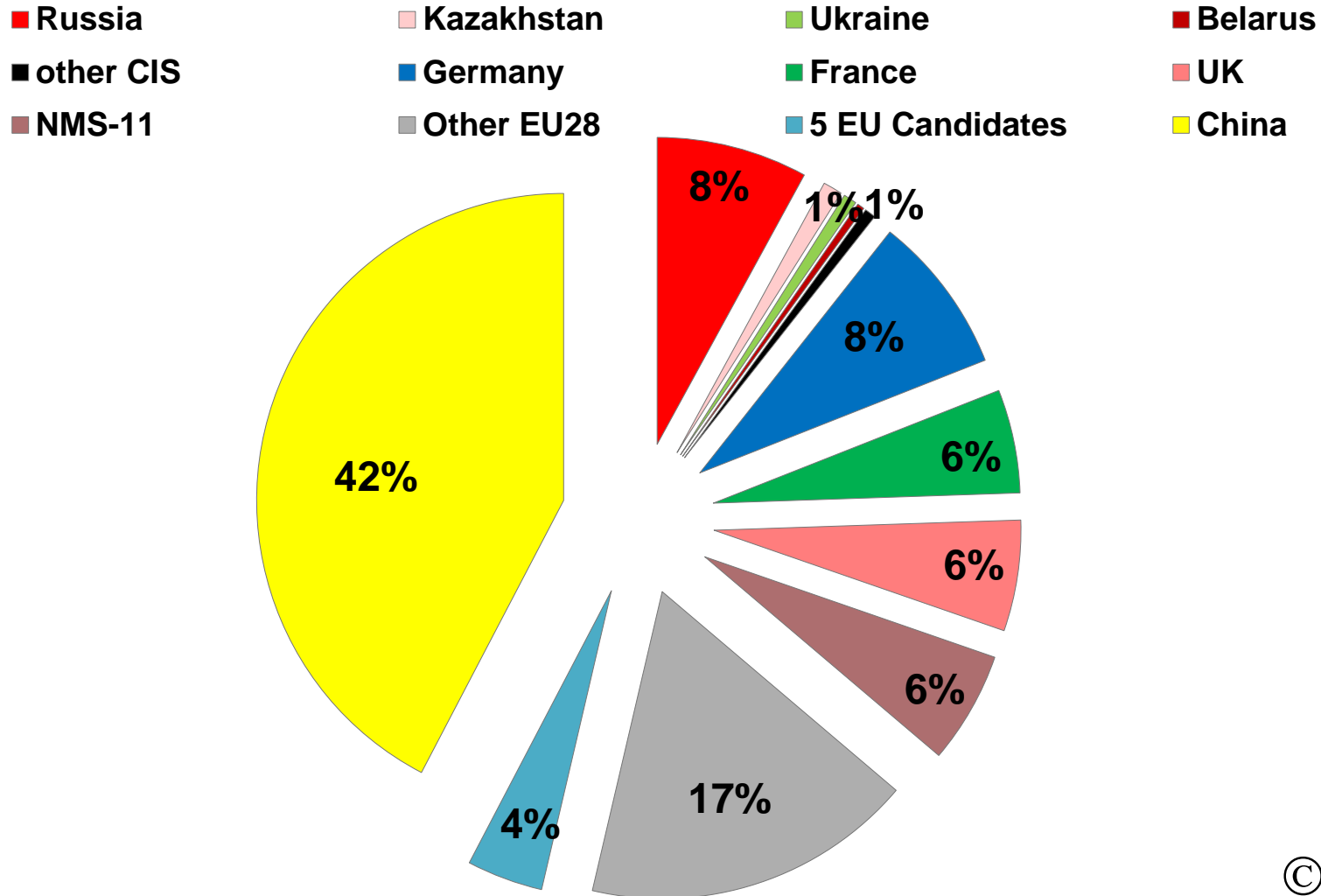


Russia dominates by far the EAEU economy

EAEU economy is shrinking (GDP: -1.1%; exports: -30%; imports: -12%) in 1st Half 2016)

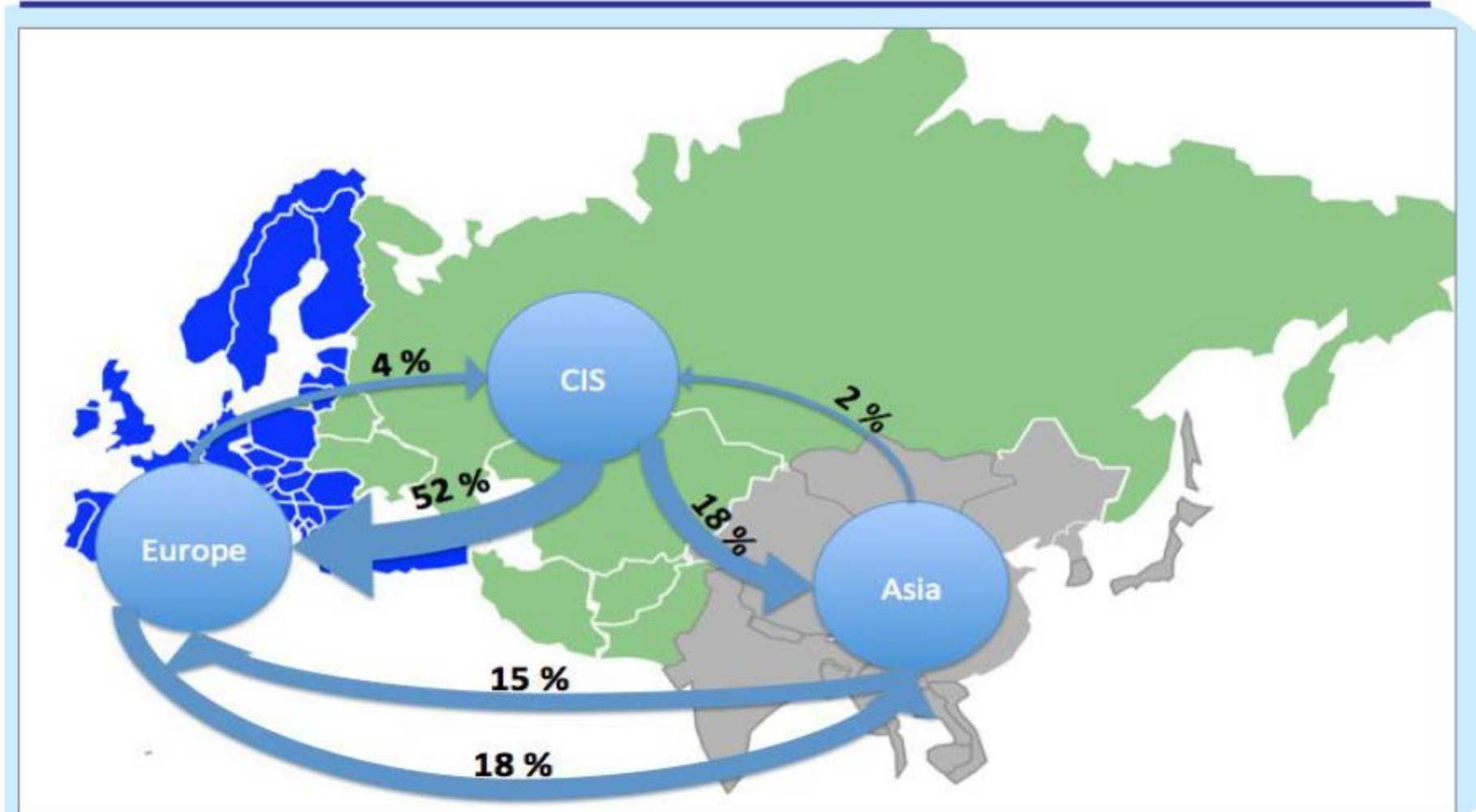
Only Armenia is growing (GDP: +4.4%)

GDP in Wider Eurasia (Lisbon-Vladivostok- Shanghai), in % of total, at PPP; estimate 2015



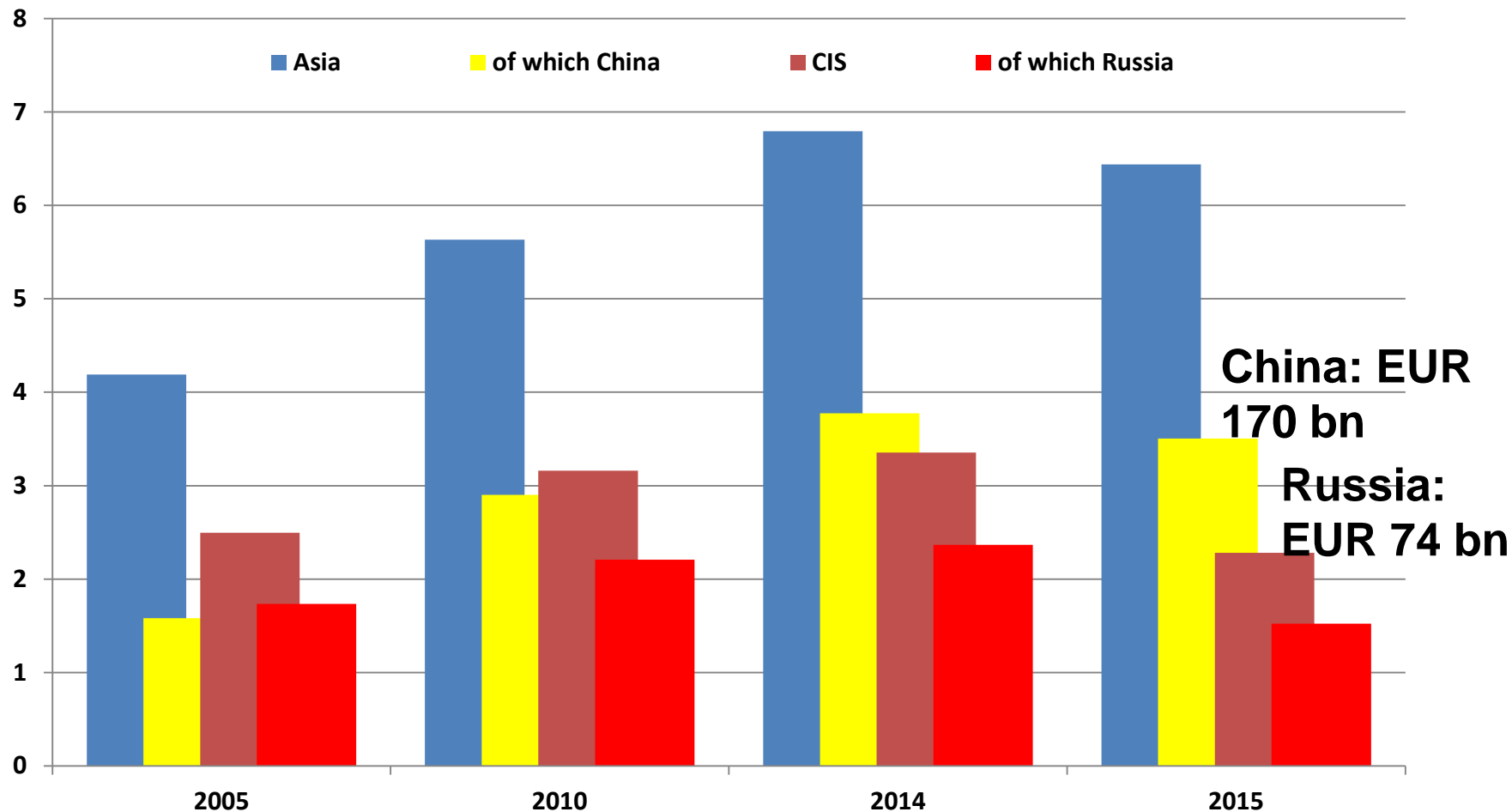
Trade and FDI Patterns in Eurasia

Trade flows between EU – Eurasia (export shares in total, 2013)



Source: adapted from UN ECE (2015)

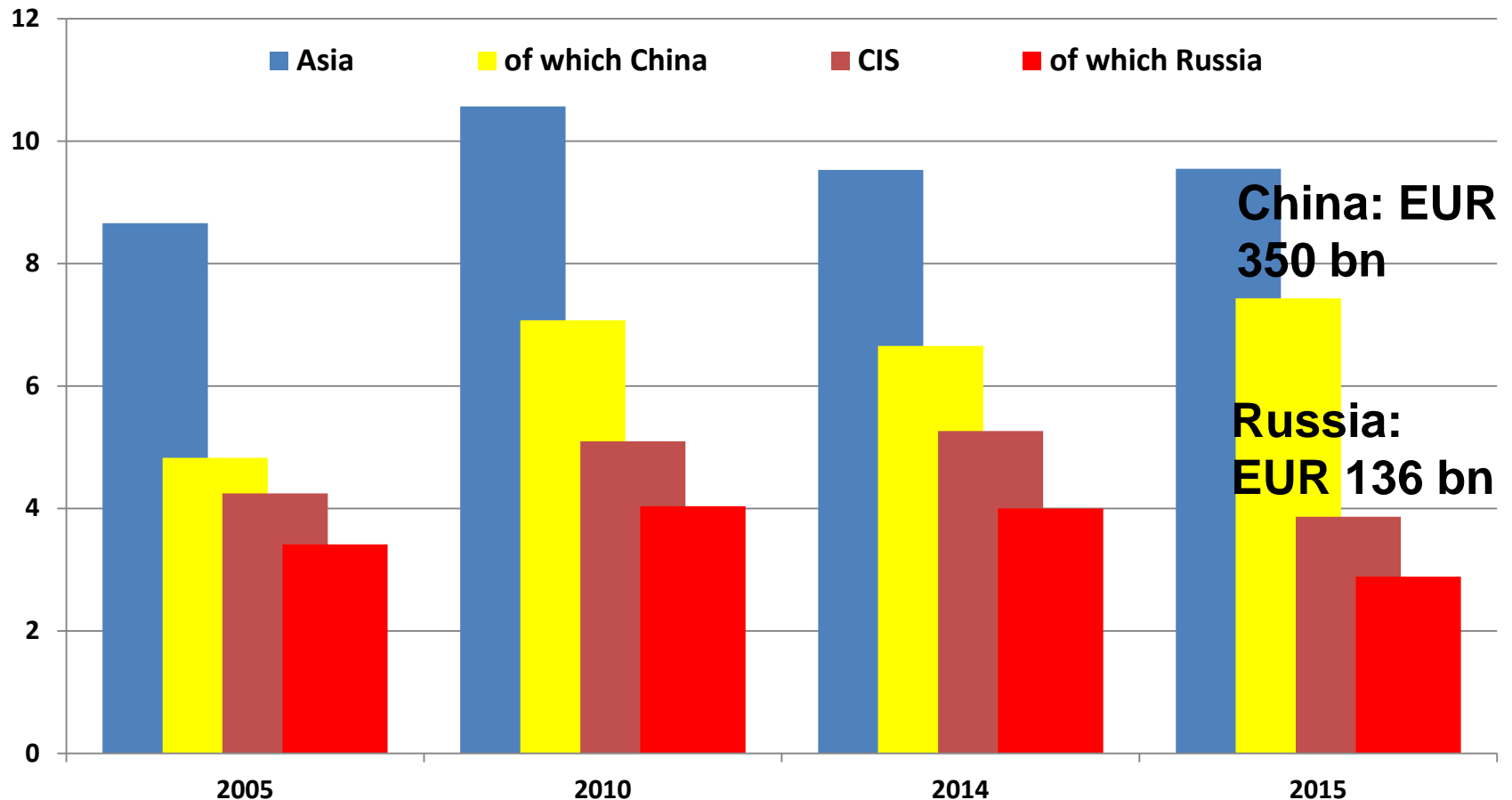
EU28 exports: shares of eastern regions in total (%)



Note: Asia: China, Japan, India, South Korea; CIS: 12 FSU republics

Source: Eurostat Comext database; wiiw calculations

EU28 imports: shares of eastern regions in total (%)

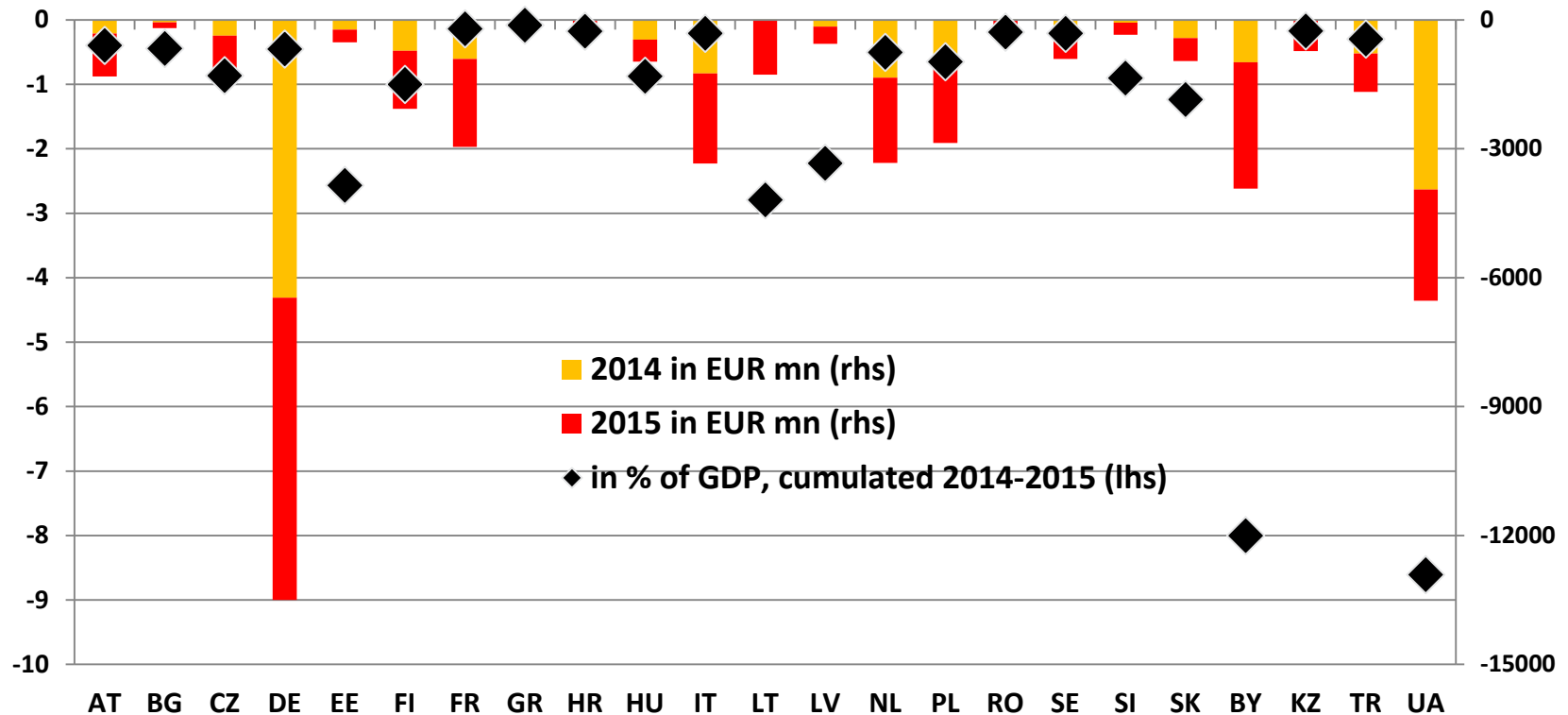


Note: Asia: China, Japan, India, South Korea; CIS: 12 FSU republics

Source: Eurostat Comext database; wiiw calculations

Trade and FDI Patterns in Russia and Ukraine

Estimated losses due to reduced exports to Russia, 2014-2015

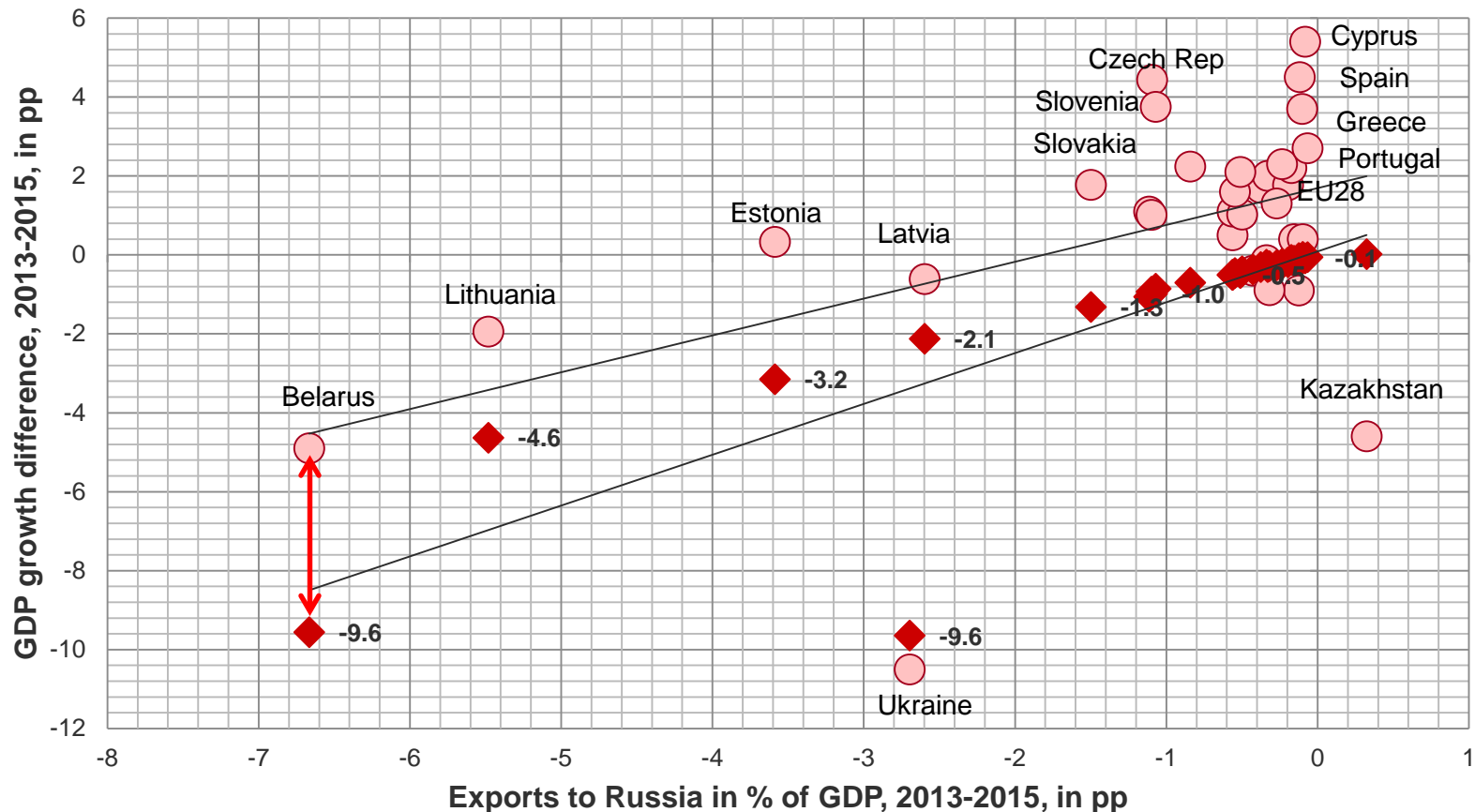


Note: Year 2015 estimated on the basis of the Russian Customs Statistics for the IH2015.

Sources: Eurostat, national statistics; wiiw estimates.

Contagion from the Russian crisis: falling exports to Russia versus actual and estimated GDP growth, 2013-2015, differences in pp

○ dGDP actual ◆ dGDP est.



Conclusions and Wider Eurasia Challenges

- The European Union and China dominate the wider Eurasian economy and marginalise Russia/EAEU;
- Russia has been 'stuck in transition' and needs the EU for modernisation imports, investment and export markets;
- Trade asymmetries EU-Russia, EU-China and Russia-China;
- Closer integration of the enlarged EU, EAEU, other Eastern Partnership countries and China could boost trade, investment and growth in a wider Eurasia;
- Yet geopolitics matter: a wider Eurasian integration – from Lisbon to Vladivostok and Shanghai – would relieve Ukraine and other Eastern Partnership countries from 'impossible' either/or choices;
- IIASA Eurasian Integration Project explores the available medium and long-run options:

www.iiasa.ac.at/web/home/research/eurasian/EconomicIntegration.html

Thank you for your attention!