EU, EAEU and Greater Eurasia: Integration or Competition of Integrations?

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European Union (EU), Eurasian Economic Union (EAEU) and Greater Eurasia

- IIASA Phase I Eurasian Integration Research
- Economic Dimensions
- Trade and FDI Asymmetries
- Implications for Greater Eurasia
- Competing Integrations?
- IIASA Phase II Eurasian Research Agenda
Eurasian Economic Integration Challenges
IIASA Phase I Research Project, 2013-2016/2017

- Explore the “Lisbon to Vladivostok” cooperation/integration potential
- Provide a long-term view on EU-EAEU cooperation prospects
- In-depth analysis of trade, integration, energy, transport, labour markets and migration
- Bring together conflicting parties – re-building of dialogue and trust
- A specific objective to facilitate a dialogue and bring together European Commission and the Eurasian Economic Commission

Sources: wiiw Database incorporating national and Eurostat statistics; own estimates.

Real GDP in the EU after Brexit, in % of total (at PPP, 2015)

Germany and France account together for 35% of EU-27 economy

11 New Member States account for 14% of EU-27 GDP

Germany
France
Italy
Spain
NMS-11
other EU-27
5 candidates

8%
12%
14%
14%
20%
21%
11%

Sources: wiiw Database incorporating national and Eurostat statistics; own estimates.
Russia dominates by far the EAEU economy

EAEU economy is shrinking (2015) resp. stagnating (2016)

The EAEU represents just a fraction (20%) of the Wider Eurasian economy

The EU27 is bigger (GDP €14700 bn) and much richer than CIS/EAEU

Average real per capita GDP is €28900 in the EU, compared with €15000 in the CIS (RU: €17700, KZ: €18700, BY: €13700, UA: €5900)
Takeaways from economic imbalances

- How these may affect future negotiations?
- Unlike its power in EAEU, Russian bargaining power in EU-EAEU integration will diminish
- Imbalances shift in Chinese favour if it enters Greater Eurasia integration process
- China, EU27 (Germany), EAEU (Russia), in that order, will hold the keys and probably set the tune
- But smaller players (e.g. Baltics, Kazakhstan) will have a voice as well.
Trade, FDI and Specialisation Patterns in Eurasia

Source: adapted from UN ECE (2015)
Russian foreign trade by partner: overall surplus (cca EUR 93 bn in 2016) yet a deficit with China (EUR 9 billion) and a sharp drop in trade with the EU (exports: -45%, imports: -38% between 2013 and 2016)

Source: wiiw Database incorporating national and Eurostat statistics.

Russian trade with China, 2016

Exports: oil, gas, metals and wood (cca EUR 25 bn 9.8% of total exports)

Imports: machinery, electrical equipment, vehicles, plastics, consumer goods (cca EUR 34 bn, 20.9% of total imports)

Regional export shares in total Russian trade 2012, in % of total

Source: Russian Federation, Federal State Statistics Agency

Map: wiiw
Takeaways from trade imbalances

- Lesser EU dependency on EAEU/Russian markets (especially for EU exports)
- But for EAEU/Russia, the EU market is crucial
- Switching pivot to China not easy for Russia
- China, rather than EAEU, is more important (and growing) trading partner for the EU
- China is the single most important and rising trading partner for EAEU/Russia (in particular for imports).

Greater Eurasia Integration Challenges (I)

- Huge economic and trade asymmetries: EU-EAEU/Russia, EU-China and EAEU/Russia-China;
- Russia/EAEU has been ‘stuck in transition’ and stagnation;
- Russia/EAEU needs the EU for modernisation technology imports, investment and export markets;
- Is there a way ahead despite current conflict?
- Future New Deal: beyond pure FTA with regulatory implications for any EU-EAEU potential DCFTA;
- Would Russia accept EU „acquis“ (or parts of it)?
- „Competing Integrations“ rather than „Integration of Integrations“?
- A closer integration of the EU27, EAEU, other Eastern Partnership countries and China beneficial;
- It could boost trade, investment and economic growth in a Greater Eurasia, from Lisbon to Vladivostok;
**Greater Eurasia Integration Challenges (II)**

- Yet geopolitics matter: a Greater Eurasian integration – from Lisbon to Vladivostok and, potentially, Shanghai – is currently unrealistic;
- But it would be beneficial, not least by relieving Ukraine and other EaP/DCFTA countries from ‘impossible’ either/or integration choices;
- Armenia, Kazakhstan deal with the EU; Moldova „observer“ in EAEU;
- EU (competing) integration efforts in Eurasia:
  - Eastern Partnership (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine)
  - Association Agreements (DCFTA) with Georgia, Moldova and Ukraine.
- Even without geopolitics and sanctions, technical and institutional obstacles to Greater Eurasia Integration are formidable!

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**Key features of IIASA Phase II research plan**

- Build on IIASA Eurasian Project Phase I results and challenges
- Regardless political tensions, IIASA offers possibility and will for both EU and Russian experts to work, talk and meet together
- Research exploring potentials for cooperation, offering solutions and policy recommendations for both short- and long-term action
- During 3 years of Phase I work + during 2017 transition year: basic elements of Lisbon-to-Vladivostok” (L2V) idea in focus – but even here deepening, covering new areas is needed
- Under Phase II expanded Greater Eurasia research, novel Triangular concept: L2V reginal links (EU - Russia/EAEU, plus EaP and Central Asia), EU - China, Russia/EAEU – China
- But not triangular FTA, rather 3 separate sides of the triangle – overlaps, challenges and differences.
- IIASA Eurasian Integration Challenges Phase II Project will explore the available medium and long-run technical, economic and institutional options beyond geopolitics (see more at): [www.iiasa.ac.at/web/home/research/eurasian/EconomicIntegration.html](http://www.iiasa.ac.at/web/home/research/eurasian/EconomicIntegration.html)
Thank your for your attention!