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

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IIASA, International Institute for Applied Systems Analysis



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

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Eurasian Economic Integration Challenges
 IIASA Phase I Research Project, 2013-2016/2017



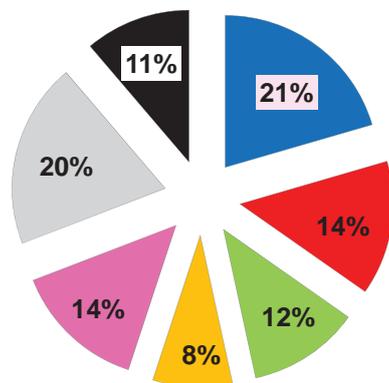
- Explore the “Lisbon to Vladivostok” cooperation/ integration potential
- Provide a long-term view on EU-EAEU cooperation prospects
- In-depth analysis of trade, integration, energy, transport, labour markets and migration
- Bring together conflicting parties – re-building of dialogue and trust
- A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



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

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



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

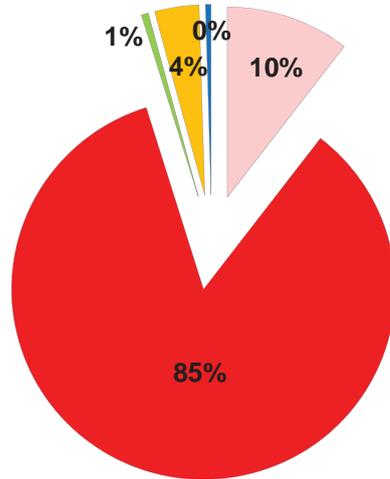
11 New Member States account for 14% of EU-27 GDP

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

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GDP in the EAEU, in % of total, 2016

■ Kazakhstan ■ Russia ■ Armenia ■ Belarus ■ Kyrgyzstan



Russia dominates by far the EAEU economy

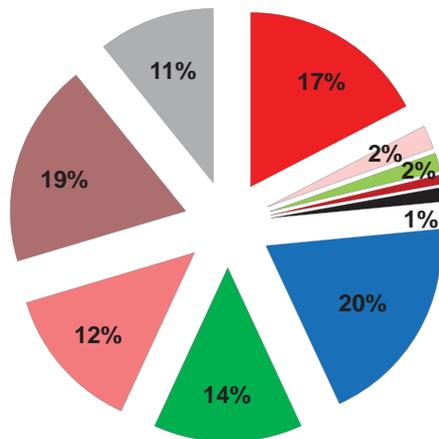
EAEU economy is shrinking (2015) resp. stagnating (2016)

Sources: Eurasian Development Bank and wiiw.

GDP in Eurasia (Lisbon-Vladivostok), in % of total, at PPP (Eurasia = enlarged EU plus CIS/EAEU); estimate 2015

■ Russia ■ Kazakhstan ■ Ukraine ■ Belarus ■ other CIS
 ■ Germany ■ France ■ NMS-11 ■ other EU27 ■ 5 EU Candidates

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



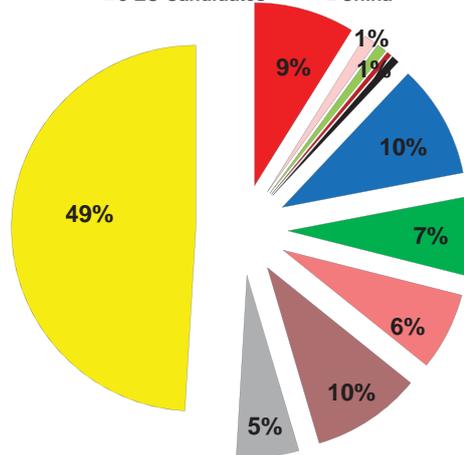
The EU27 is bigger (GDP €14700 bn) and much richer than CIS/EAEU

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

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

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

- Russia
- other CIS
- Other EU27
- Kazakhstan
- Germany
- 5 EU Candidates
- Ukraine
- France
- China
- Belarus
- NMS-11



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

Takeaways from economic imbalances

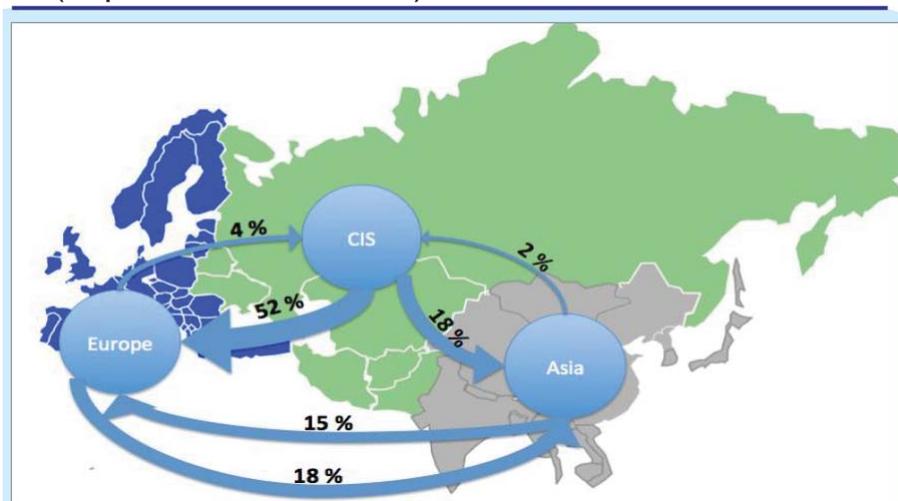
- How these may affect future negotiations ?
- Unlike its power in EAEU, Russian bargaining power in EU-EAEU integration will diminish
- Imbalances shift in Chinese favour if it enters Greater Eurasia integration process
- China, EU27 (Germany), EAEU (Russia), in that order, will hold the keys and probably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

Trade, FDI and Specialisation Patterns in Eurasia



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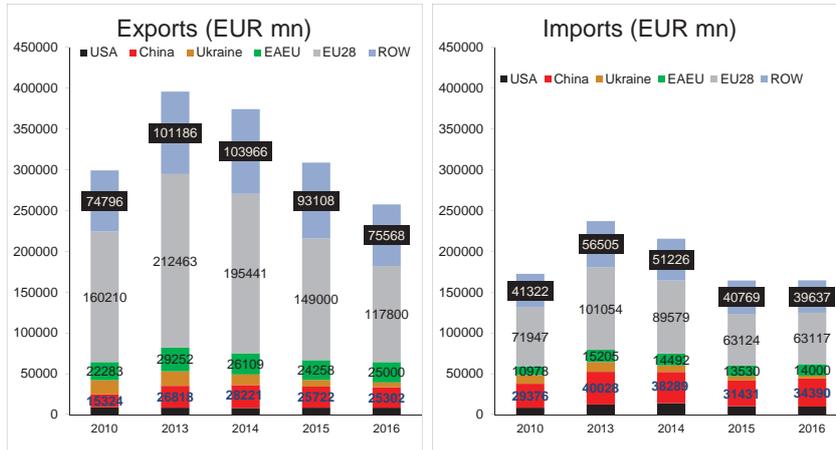
Trade flows between Europe – CIS - Eurasia (export shares in total)



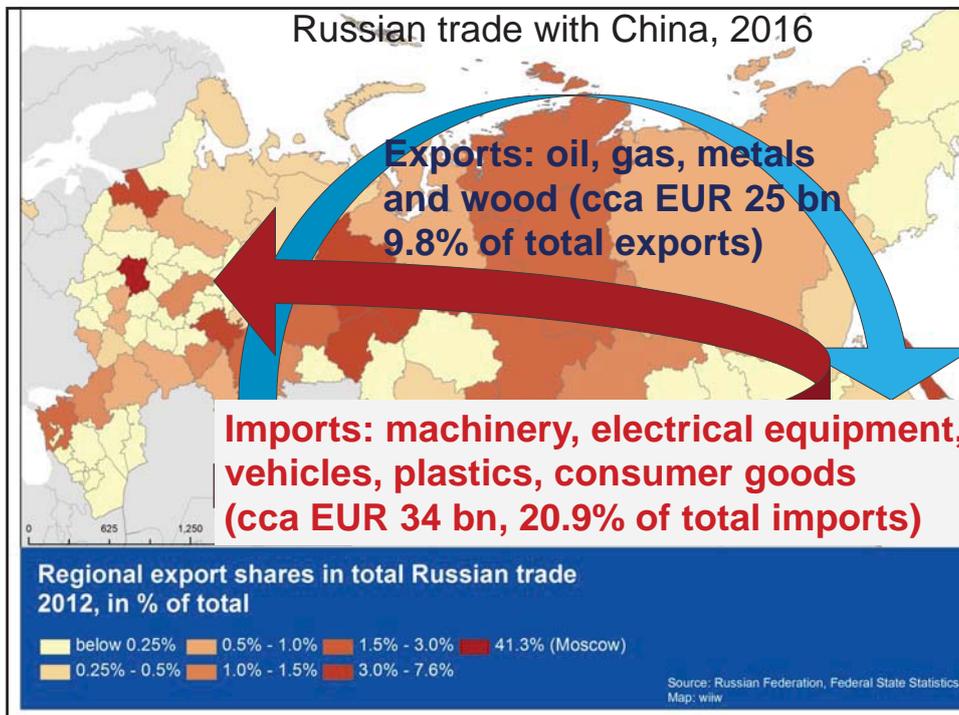
Source: adapted from UN ECE (2015)

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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.



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)

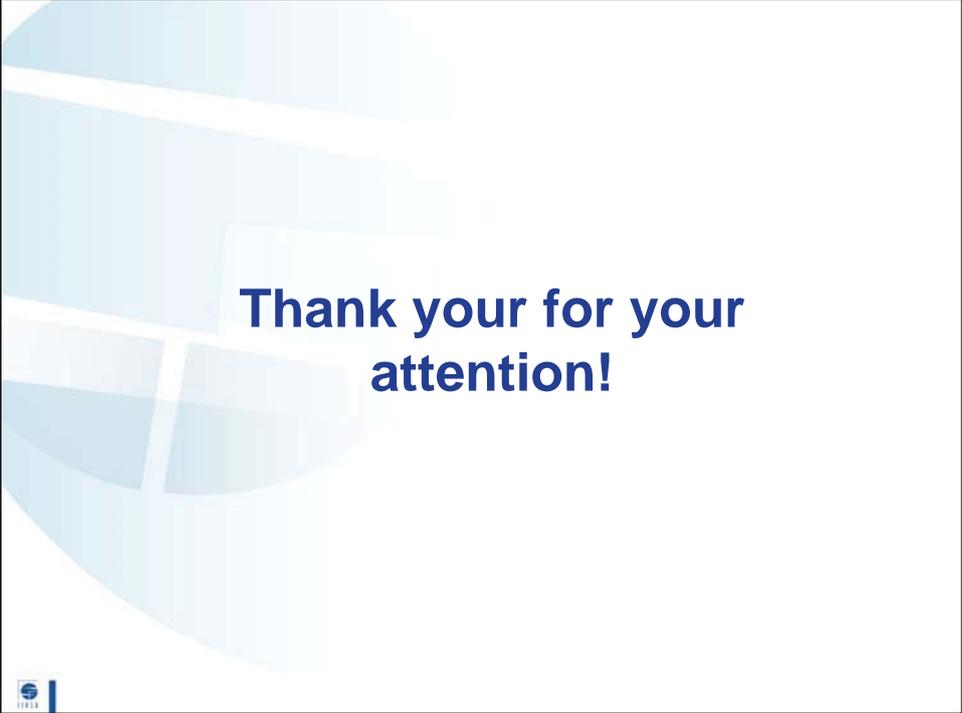
- Yet geopolitics matter: a Greater Eurasian integration – from Lisbon to Vladivostok and, potentially, Shanghai – is currently unrealistic;
- But it would be beneficial, not least by relieving Ukraine and other EaP/DCFTA countries from 'impossible' either/or integration choices;
- Armenia, Kazakhstan 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 !



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 regional 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





**Thank you for your
attention!**

