IIASA’s EURASIAN PROJECT
PHASE II

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Summary of Eurasian Project

• Phase I launched end-2013 – timing challenges
• Breakdown of political/economic relations, mutual sanctions
• Still, a place: EU and Russian/Eurasian officials/experts worked together
• During 2014-16: 7 workshops, varied but not full aspects of L2V (Methodology, Trade Policy, NTBs, Energy, Transport, Movement of Persons, Closing workshop Nov 2016)
• Participation: EC, EAEC, EADB, some EU MS, Russia, UKR, KAZ – officials, business, banks, researchers
• Some useful outcomes, EU and Russia/EAEU positions clearer – but rather limited overlaps in views, goals. Agreed: economically bad for all
2017 – Year of transition

• Overall: no change in political-economic barriers
• EU waits Russia to move (SOTEU-17 „message”, compared to 16)
• So no formal EU-EAEU links, some work just at technical level
• For business: loss-loss for EU and Russia (but other EAEU members?)
• Some positive signs: 2017 - EU-RU trade grew by 35%, FDI also up after very low 2015, still both much below peak – details afternoon
• OSCE AU presidency – support of IIASA work, planned for Ministerial
• Until IIASA Phase II starts, 3 fast track studies – problems for business
• Working directly with business, esp DE, but also others - visit to IIASA
• For 2018 IT takes over from AU, interest in continued Eurasian project
Basic elements of Phase II

• Launch in December, expanded 3-year research program
• Interest in support, participation by EU MS, RU/EAEU and China (new) officials, business, banks
• Explore Greater Eurasia „Mega-Project”: China – 3 sides of triangle - EU-Eurasia (L2V), EU-China, Russia/EAEU - China
• Continue avoiding direct politics, focus on economy-trade
• But: political environment and economic policies still very important
• In EU-EAEU respect deepen research, realistic conditions for L2V
• Program to be elaborated by early 2018, relying on business views/needs – revision of present Phase II concept
General features of Phase II work

• Use Phase I and fast-track studies’ experiences: both results and problems
• Use IIASA’s unique dual nature
• Continue frank, professional discussions/research, offer aimed solutions, recommendations for both short- and long-term action
• Form research consortium – European and Eurasian institutes
• Cover new, actual aspects like connectivity, digital economy
• Beyond EU-Eurasia-China concept explore links with other Asian countries (Japan, Korea, SEA, India, etc.)
Specific areas of Phase II research

• Fully explore possibilities/limits of 4 freedoms
• Gradual approach – first broaden economic cooperation, focus on technical subjects
• Actual liberalization only medium-term but fundamental goal (L2V idea)
• Deal also with sectoral aspects like energy, transport
• Cross-cutting issues: competition, IPR, role of state, GP, etc.
• However, esp. in EU-RU context today rather limited overlaps in goals and positions
Comparison of objectives – EU

• **Short term:** - Stop/reverse worsening trends in Russia’s economic policies, state centralisation + support, import substitution, in order to:
  • - let EU exports grow, cut trade deficit, deal with NTBs
  • - improve negative business/investment environment, also for SMEs
  • - ensure energy supply security, also diversification
  • - involve EU’s EaP partners, Central Asian countries in EAEU/CIS contacts, allowing continued parallel FTAs with both EU and EAEU

• **Medium-long term:** Agree about „L2V” basic goals. Start expert talks leading to real integration, original goal of common economic space, i.e. deep free-trade-zone
Comparison of objectives – Russia/EAEU

• **Short-term:** End sanctions
• Access to EU financing and technologies
• Increase EU investment, but on Russia’s terms
• Continue support of RU companies, reduce/substitute imports
• Ensure energy demand security for RU exports
• Get EU financing and demand for trans-continental transport networks
• Get EU recognition of EAEU + formal contacts between Commissions, later integrations
• **Longer-term:** - Stabilize, expand EAEU, achieve common economic policies
• Find solutions for Ukraine + 2 EaPs based on close links with EAEU
• L2V: rather formal contacts, FTA only very long-term goal, selective and partial market opening (WTO?)
Overlaps and divergencies

- **Similar views**: stop negative trends, restart trade-economic cooperation
- Increase mutual investment flows, especially EU investments in Russia
- Maintain and develop energy links
- Governments, official bodies should play an important role
- **Different views**: which steps come first and by whom: political or economic?
- Major features of Russian economic-trade policies
- Trade-business liberalisation or just formal/official structures and contacts?
- Role of private sector vs inter-governmental links.
- Role of state in economy, SOEs and state support
- Goals of energy policies (monopolistic vs competitive environment)
- Links with countries of common neighbourhood and with Central Asia
Time-frames of Phase II

• Full Phase II program for 2018-2020, to cover all elements of the research program
• Include also various aspects of digital economy (cross-cutting issue)
• Work with stakeholders, both official and business, formulate work flexibly according to changing conditions/needs
• Work with European and Eurasian research partners (ideas...)
• Output: both an overall analysis, assessment and recommendations on „triangle”, especially on L2V by end of the program, plus regular reports on selected issues, sectors every year
Detailed features of Phase II work

• 4 freedoms
• Cross-cutting issues
• Institutional aspects
• Roles of Governments and of business
Main directions of Phase II research
Trade in goods (1)

Free movements of goods:

• Border measures for imports (tariffs, quantitative limitations (TRQs), licensing and other administrative requirements
• Measures related to exports (limitations, support measures)
• Specific aspects in trade of energy products
• Transit problems (both actual and conceptual – energy)
• Trade defense measures
Main directions of Phase II research
Trade in goods (2)

Free movement of goods – non-tariff, regulatory measures

- Technical regulations, standards, testing requirements
- Health and veterinary measures (SPS),
- Customs regulations, origin requirements
- Environmental and social standards – sustainability
- Protection of consumers
Main directions of Phase II research
Trade in services

• Regulations on 4 modes of supply, specific regulations for each
• Market access and treatment of foreign service suppliers
• Sectoral coverage, exceptions
• Sector-specific regulations for major sectors: financial services, telecommunication, business services, transport
• Agreed limitations on liberalisation (public regulations, public services)
• Regulations for natural monopolies
• Trade defence measures for services
Main directions of Phase II research
Movement of capital

- Definition of coverage, exceptions
- Service and non-service sectors
- Nationality aspects, FDI-specific rules
- WTO + OECD disciplines
- Rules for entry/establishment
- Rules on protection of established investments (BITs + integration level)
- Rules for temporary restrictions
Main directions of Phase II research
Movement of persons for economic purposes

- Definition of coverage – exclude individual job seekers
- Define competence – integration or national
- Service and non-service sectors
- Conditions of numerical and nationality limits
- Regulated professions, qualifications
- Entry and residence rules and requirements
- Social rights
- General exceptions, non-economic, security requirements
- Temporary safeguards
Horizontal, not sector-specific issues

- Protection of intellectual property
- Government procurement
- Competition rules
- Rules for Government action, intervention in business decisions
- Rules for operation of State-owned/-controlled companies
- Implications of digital economy
- Economic cooperation among neighbouring/border regions
- ISDS - specific dispute settlement
Thanks for the attention!