Methodology for Assessing Effects of Regional Economic Integration

Workshop within the IIASA project
“Challenges and Opportunities of Eurasian Economic Integration”

WORKSHOP CONCEPT

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A necessary condition to persuade a coordinated policy to countries participating in economic integration processes is that they should rely on a unified approach to assessing macroeconomic consequences of key economic decisions. Agreeing on a single approach may be difficult since there have been developed various potentially applicable and suitable modeling and analytical frameworks, among which computable general equilibrium (CGE) models, dynamic stochastic general equilibrium (DSGE) models; econometric models, dynamic input-output models (IOM), gravity models, long-term economic growth models, to name a few.

This workshop aims to review methodologies which have been proposed and used by different research groups to assess the effects of economic integration in the context of Eurasian integration and beyond; the analyze their strengths and weaknesses, as well as the underlying assumptions and applicability, and compare, if possible, the results. The workshop is expected to arrive at a clear understanding of a methodology that could be used to carry out a comprehensive and independent analysis of the prospects on the Eurasian integration.

The workshop is expected to generate the following outcomes

(i) a comprehensive review of existing modeling and analytical frameworks used in the world practice to assess economic and social consequences of different integration processes between nations and regions, their assumptions and general limitations;
(ii) in-depth analysis of their potential to provide reasonable quantitative estimates and qualitative interpretations;
(iii) a detailed survey of inconsistencies in the results generated by means of different approaches regarding assessment of the economic consequences of the prospects of Eurasian integration;
a proposed single most suitable methodology addressing the following key aspects (the list is indicative and by no means exclusive):

- its forecasting skills should extend for the medium- and long-term perspectives;
- a possibility of structural changes in the economy should be implied;
- the foreign trade should be disaggregated by types of economic activity and by major players (at minimum, the EU, the CU/SES, individual CIS countries, the rest of the world); foreign trade statistics should be complemented by data on exchange rates effects, relative prices, and customs tariffs;
- not only tariff-, but also non-tariff barriers (e.g., technological standards) should be taken into account;
- major causal relationships between economic indicators within each country and between countries should be addressed; the analysis should include technological change and its influence on the economy and foreign trade.