Integration assessment: Eurasian Economic Commission approach

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Commission competency

  - Strategical direction towards Eurasian Economic Union
- Supreme Council (president level) Decision, 2012.
  - About realization of main integration directions
- Supreme Council (president level) Decision, 2013.
  - About non-tariff barriers decreasing and exemptions liquidation
  - About long term forecast (2030) with respect to integration process
Assessment approach

Non-model approach
- Integration and convergency indicators
- Institutional integration indicators

Model approach
- Aggregation level
- Time structure
- Equilibrium type
Example: goods market integration indicator

Share of mutual trade turnover (EEC members) in the trade turnover
Intra-industry trade index

Grubel-Lloyd index (smoothed)
Model approach

- **Aggregation level**: Aggregated or sectorial
- **Time structure**: Static or dynamic
- **Equilibrium type**: Partial or general
## EEC analysis tools

<table>
<thead>
<tr>
<th></th>
<th>Aggregated</th>
<th>Sectorial</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Partial Equilibrium</strong></td>
<td>GVAR</td>
<td>CU and SIS effects</td>
</tr>
<tr>
<td><strong>General Equilibrium</strong></td>
<td>DSGE</td>
<td>CGE</td>
</tr>
</tbody>
</table>

+ Hybrid models: partial equilibrium at sectorial level with aggregated interrelations
### GVAR: mutual GDP effects

<table>
<thead>
<tr>
<th>Shock origin</th>
<th>Belarus</th>
<th>Kazakhstan</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% BLR GDP growth</td>
<td>1,000</td>
<td>0,061</td>
<td>0,089</td>
</tr>
<tr>
<td>1% KAZ GDP growth</td>
<td>0-0,05</td>
<td>1,000</td>
<td>0,003-0,013</td>
</tr>
<tr>
<td>1% RUS GDP growth</td>
<td>0,209</td>
<td>0,085</td>
<td>1,000</td>
</tr>
</tbody>
</table>

**Variables:** GDP growth, inflation, stock market, short and long term interest rate, exchange rate.

**25 countries:** Austria, Belarus, Belgium, Canada, Finland, France, Germany, Italy, Spain, Sweden, Switzerland, India, Brazil, Japan, South Korea, China, Thailand, Turkey, Ukraine, Kazakhstan, Russia, United Kingdom, United States
DSGE (DS-FPAS) model blocks

**Aggregated Demand**
- C, G
- I
- EX, IM
- deflators
- GDP

**Aggregated Supply**
- Phillips curve
- Marginal costs equation

**Monetary policy**
- Taylor rule
- Exchange rate
- UIP
- Risk and term premium

**Fiscal sector**
- Government debt
- Budget deficit (+ structural)
- Fiscal impulse to GDP
- Reserve funds

**External sector**
- Oil trend and gap
- EU parameters

**Labour market**
- Wage trend an gap
Integration block of DS-FPAS

- Aggregated demand
- Exchange rate
- Wage

EX/IM (for Belarus)
Belarus deflators
### Commission forecast

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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</thead>
<tbody>
<tr>
<td>SIS GDP growth</td>
<td>1.7</td>
<td>2.2</td>
<td>2.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Belarus</td>
<td>0.9</td>
<td>0.0</td>
<td>2.2</td>
<td>3.2</td>
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<tr>
<td>Kazakhstan</td>
<td>6.0</td>
<td>5.5</td>
<td>5.7</td>
<td>5.7</td>
</tr>
<tr>
<td>Russia</td>
<td>1.3</td>
<td>2.0</td>
<td>2.0</td>
<td>2.1</td>
</tr>
</tbody>
</table>

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Sectorial/partial equilibrium models

1. Gravity model.

2. Trade-industry effects at sectorial level
   - production
   - investments
   - labor participation

3. Non-tariff barriers and exemptions assessment
Thanks!