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# Challenges and Opportunities of the Transportation Development and Economic Integration Processes in the Greater Eurasia

**Dr. Elena Rovenskaya**

Director, Advanced Systems Analysis Program  
International Institute for Applied Systems Analysis  
(IIASA), Laxenburg, Austria



IIASA, International Institute for Applied Systems Analysis

# What is IIASA?

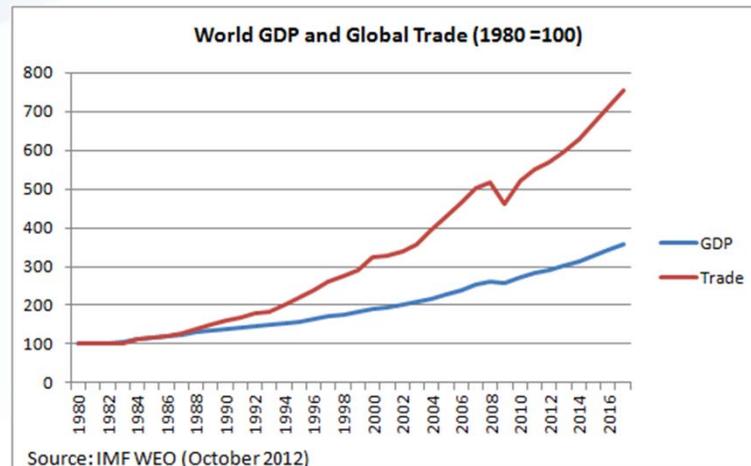
- Established in 1972 by USA and USSR: **bridge between East and West**, science diplomacy
- 2018: International, independent, interdisciplinary research on **major global problems**; currently **23 member countries**
- Dimensions: economy, energy, land use, climate, air quality, technology, biodiversity, demography, natural hazards
- Solution oriented, **integrated systems analysis** into the issues of sustainability and global transformation



# Transportation underpins trade

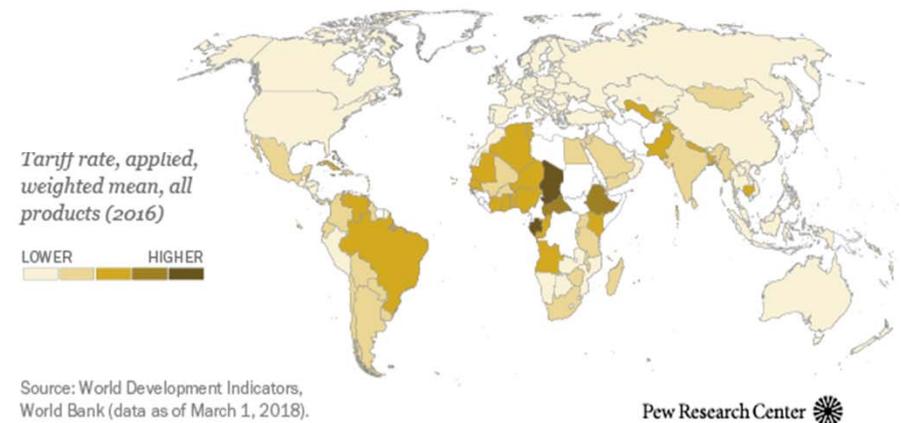
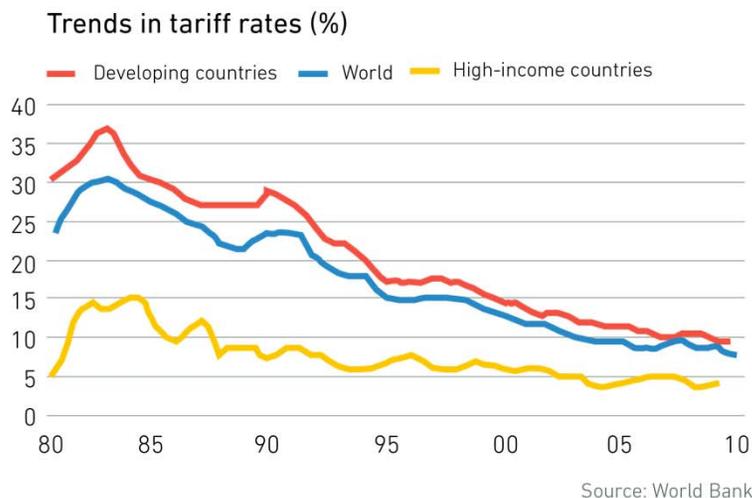
... and the development of trade is supposed to motivate the development of transport

- But political often reasonings dominate
- More than half of the global trade is the trade of intermediate products, hence **the trade-investment-services-IP nexus** (Baldwin 2013), which is the pillars of economic integration in the 21<sup>st</sup> century (not just trade of goods!)



# Challenges of economic integration

- Since by Ricardo (1817), the economic theory of comparative advantage explains that it is beneficial to countries and consumers to engage in international trade
- **Why is the global trade not free?**
- Geo-economics; Nonlinear effects, e.g., the economy of scale and past-dependency; Risk aversion
- **Non-tariff barriers!**
  - import quotas, subsidies, embargo, currency devaluation etc.



# IIASA project: Challenges and Opportunities of Economic Integration within a Wider European and Eurasian Space

## Motivation

- The economic relations between the EU and the Eurasian Economic Union (EAEU) are currently defined by their foreign policies, and not by economic reasonings
- Many studies highlight potential economic benefits from a closer economic cooperation between the EU and EAEU ('Lisbon-to-Vladivostok')
- Beyond EU-EAEU, "integration of integrations" is a challenge to trade policy in the 21<sup>st</sup> century



**IIASA's project aims to discuss and analyze short- and long-term plausible futures of the economic cooperation between the EU, EAEU, and their neighbours, including the key Asian players**

More information: <http://www.iiasa.ac.at/web/home/research/eurasian>

# IIASA project: Challenges and Opportunities of Economic Integration within a Wider European and Eurasian Space

Since 2014, IIASA has been serving as a unique platform to facilitate an intense evidence-based **de-politicized dialogue** between experts, high-level policy makers and representatives of business community **across all relevant domains and regions**

- Ten events, 250+ international participants
- Reports synthesizing state-of-the-art in particular dimensions (trade policy, non-tariff barriers, transport, migration, energy)
- Three in-depth studies on the most relevant issues: transport, FDI, convergence of standards
- Building trust



# Faces of Economic Integration in the Greater Eurasia

- Integration from bottom up: development of opportunities and lowering the associated costs
- Integration from top down: international agreements



*Are these aligned?*

# Major integration processes in Eurasia now



## European Union (EU)

28 countries, 513 million people

22 trill. USD PPP GDP = 22% of global economy

43,119 USD PPP GDP/capita



## Eurasian Economic Union (EAEU)

5 countries, 183 mio people

5 trillion USD PPP GDP = 5% of global economy

10,000 USD PPP GDP/capita



## One Belt, One Road (OBOR)

60+ countries

4 billion people in Asia

estimated 5 trillion USD budget

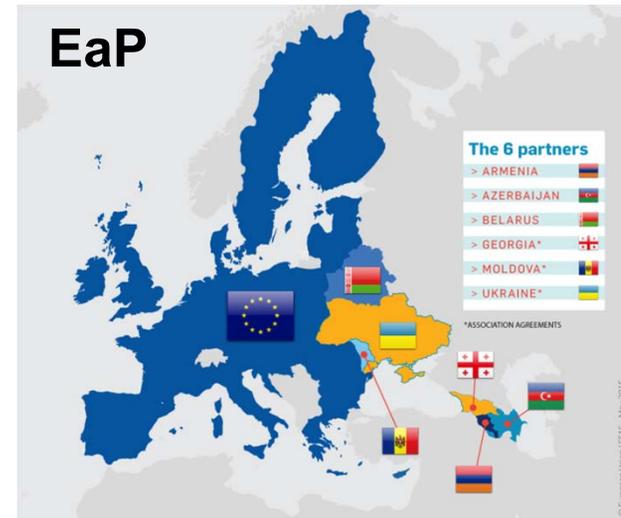
# Major integration processes in Eurasia now



# Post-Soviet Space



- Established in 2015
- Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia
- Four integration steps: Free movement of goods, services, capital and labor



- DCFTA with EU: Georgia, Ukraine, Moldova
- Comprehensive Economic and Partnership Agreement (CEPA) with EU: Armenia
- GSP+: Kyrgyzstan, Armenia
- Partnership and Cooperation Agreement (PCA) with EU: Azerbaijan, Belarus

# Analysis of interests

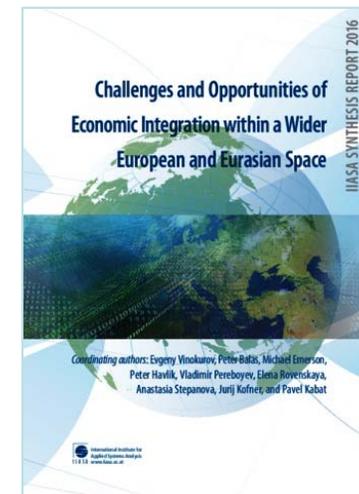
## Interests of the European Union

1. Trade liberalization (i.e., creation of an comprehensive FTA with the EAEU);
2. Elimination of the measures hindering competition on equal terms between domestic and foreign companies in the EAEU member states;
3. Guarantees of energy security (supply security).

## Interests of Eurasian Economic Union

1. A comprehensive FTA with the EU only in the long term and with substantial transition periods;
2. Growth of European investments and transfer of technologies from the EU;
3. Stability of demand for energy in the EU (demand security).

- Potential EU-EAEU free trade agreement:
  - Can become a reality however after the political conditions become more favorable
  - Low-key technical agenda in the short-term
  - EAEU is a subject of negotiations



# IIASA's study on Trans-Eurasian (EU – EAEU – PRC) Land Transport Corridors: Prospects and Barriers

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MARCH 2018

## TRANS-EURASIAN LAND TRANSPORT CORRIDORS: ASSESSMENT OF PROSPECTS AND BARRIERS

Challenges and Opportunities of Economic Integration  
within a Wider European and Eurasian Space



**AUTHORS**

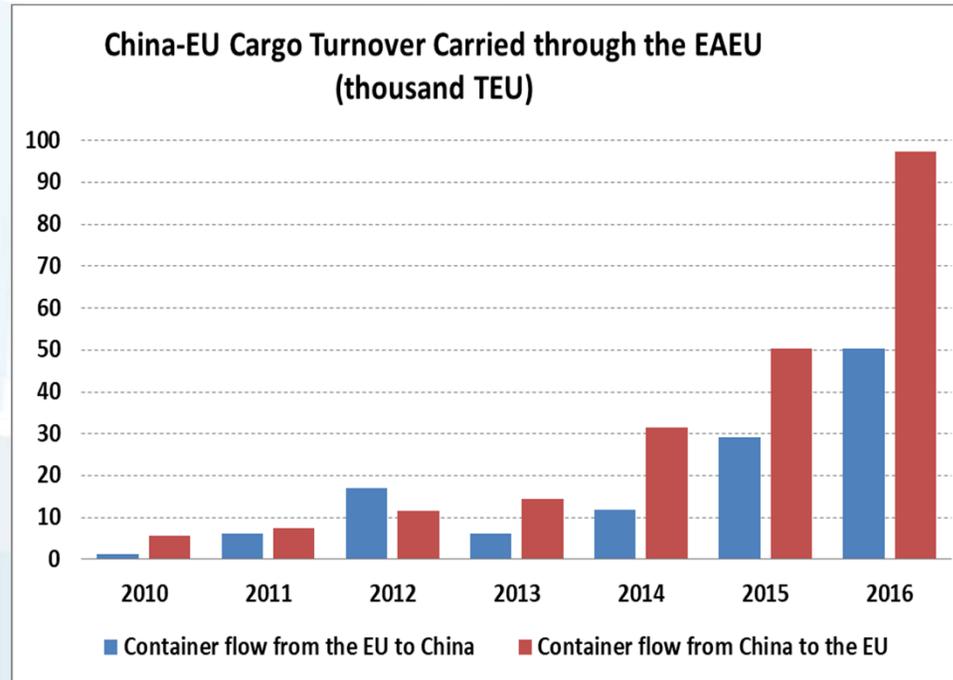
Anatoli Beifert, Yury Shcherbanin, Evgeny Vinokurov

# Some Trans-Eurasian Land Transport Corridors: Prospects and Barriers



- Significant enhancement of transportation capacity can be expected in next decades

# Some Trans-Eurasian Land Transport Corridors: Prospects and Barriers

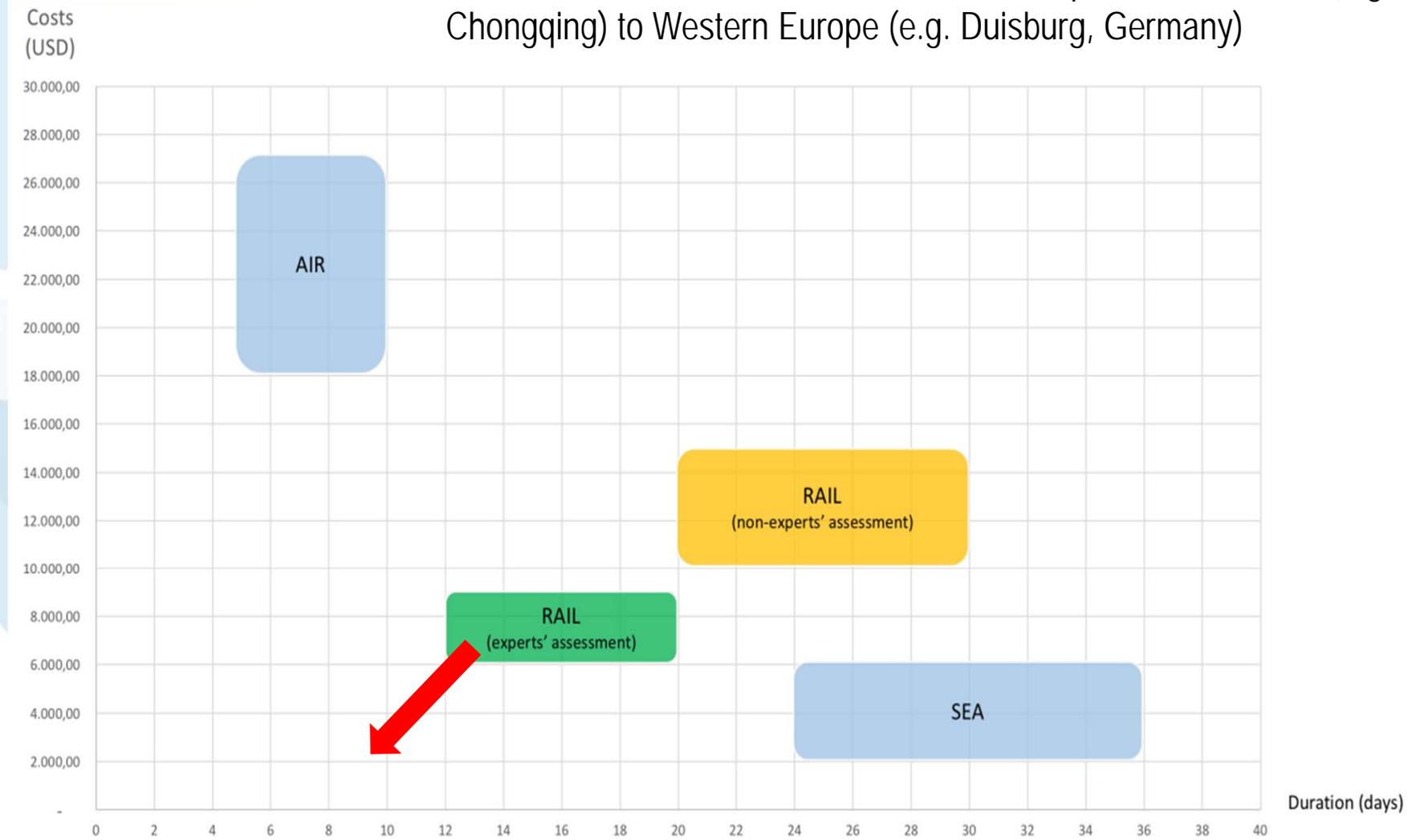


~1% of total trade!

- The volume of transported goods is increasing, but barriers are severe
- Barriers are both regulations and physical infrastructure
- There exist a few “bottle necks”

# How to get there?

Estimation of the standard TEU container shipment from China (e.g. Chongqing) to Western Europe (e.g. Duisburg, Germany)



# Some Trans-Eurasian Land Transport Corridors: Prospects and Barriers

## Barriers to international freight transit:

- Discrepancy of the regulatory infrastructure requirements (e.g., length of trains, electrification, axle load, gauges)
- Infrastructure bottlenecks - insufficient capacity at international border crossing points in the EU and EAEU countries
- Insufficiently harmonized procedures for crossing borders (EU-EAEU)
- Specific regulations within the bilateral intergovernmental agreements (quoting of transportations, restriction of a choice of routes) etc.

# Some Trans-Eurasian Land Transport Corridors: Prospects and Barriers

## A few partial solutions:

- International coordination of the development of land transport corridors, including coordination of investment policies
- Investments into infrastructural bottlenecks:
  - 1) Border crossings (China-Russia, China-Kazakhstan, Belarus-Poland);
  - 2) Logistics hubs in the EAEU countries
  - 3) Poland's railway infrastructure
- Regulatory convergence wherever feasible



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Thank you for your attention!



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