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

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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 21st century (not just trade of goods!)

![Graph](image_url)
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 21st 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 trillion 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

**EAEU**

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

**EaP**

- 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
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

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

~1% of total trade!
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
Thank you for your attention!