

*The institutionalization of trade relations
between the EURASEC and the EU on
functional platforms*

Katarzyna Czerewacz-Filipowicz

Agnieszka Konopelko

Elżbieta Skąpska

Plan of presentation:

1. Research questions and methodological assumptions.

2. Analysis of the documents in the context of the process of institutionalization of cooperation on the trade platform.

3. Analysis of the structure of trade between the EU and the EurAsEC member states.

4. Conclusions.

Aims of the article:

1. Identification of the most promising platforms for trade cooperation between the EU and EurAsEC member states.
2. Investigating whether the assumptions of the European Union's trade policy addressed to the EurAsEC member states relate to the areas that offer the best prospects for the development of mutual cooperation.

Research questions:

- which platforms of cooperation provide an opportunity for the most spectacular effects, which of them constitute overlapping areas/functional areas?
- in what areas does initiation of mutual cooperation provide opportunities for the best results/spill-over effects causing a growth/transfer of co-operation to other areas?

- in what areas of trade relations, based on EU documents studied, does the EU initiate institutionalization of trade relations?
- should the EurAsEC member states (due to the strengthening of economic integration processes between them) be treated in the framework of the EU trade policy as a separate entity and treated individually?

Assumptions:

- the analysis takes into consideration only trade turnover,
- is carried out with the use of a subject approach.

The concept of spill-over has been introduced to describe unintended consequences of individual integration steps [Haas 1968].

Spill-over - overflowing/positive dynamics of integration/expansive logic of integration transmitted from one sector to another; when one sector becomes more dynamic, this determines the dynamics of another sector and the expansion of further cooperation with simultaneous institutionalization [Gilpin 2001, Ruszkowski 2007 quoting R. Harrisom 1974]

Functional platforms are those in which there is overlapping („l'engrenage") above all, in their case, there will be effects of deepening of cooperation. [Schmitter 2005]

At bilateral level, the EU and EurAsEC member countries concluded Partnership and Cooperation Agreements (PCA's): Kazakhstan 1995 (1999), Kirgiz Republic 1995 (1999), Russian Federation (1997), Tajikistan 2004 (2010). The conclusion and ratification of the PCA with Belarus as well as an Interim Agreement are frozen since 1997.

At regional level, Kazakhstan, Kirgiz Republic and Tajikistan are the priority countries within the “European Union and Central Asia: Strategy for a New Partnership” signed by the European Council in 2007 and “European Community Regional Strategy Paper for Assistance to Central Asia for the period 2007-2013”.

Belarus is included in the European Neighborhood Policy although no action plan is currently foreseen for the country. Belarus joined the Eastern Partnership initiative in 2009. Pending improvement of the situation in Belarus it participates in the multilateral track of the Eastern Partnership only. However, in 2011, Belarus decided not to attend the Eastern Partnership summit in Warsaw.

Figure 1. Share of the CIS and other countries of the world in total exports and imports of the Russian Federation in years 1995 - 2009 (mld USD).

■ CIS countries ■ other countries

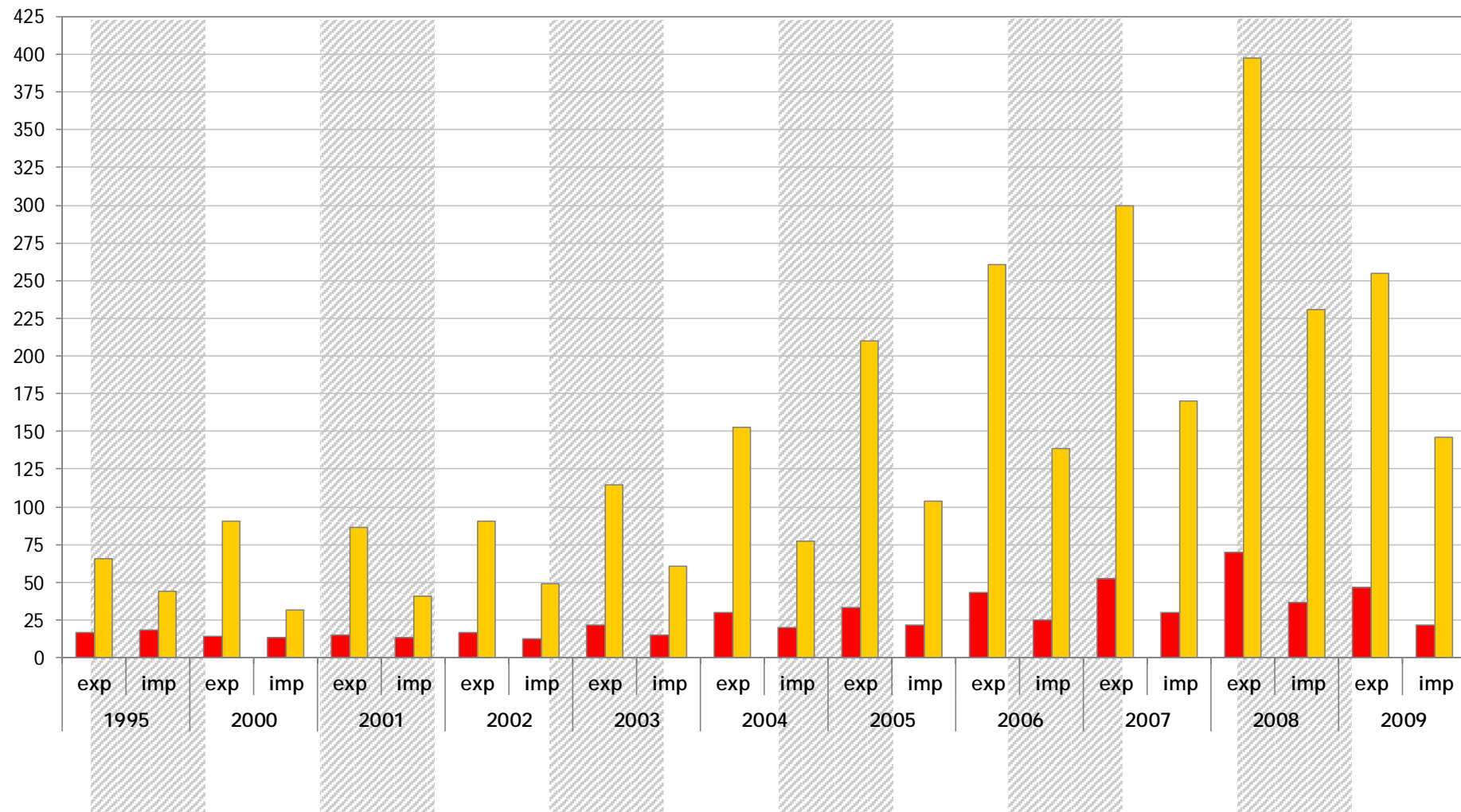


Figure 2. Russia's trade with the European Union by sections (2009)

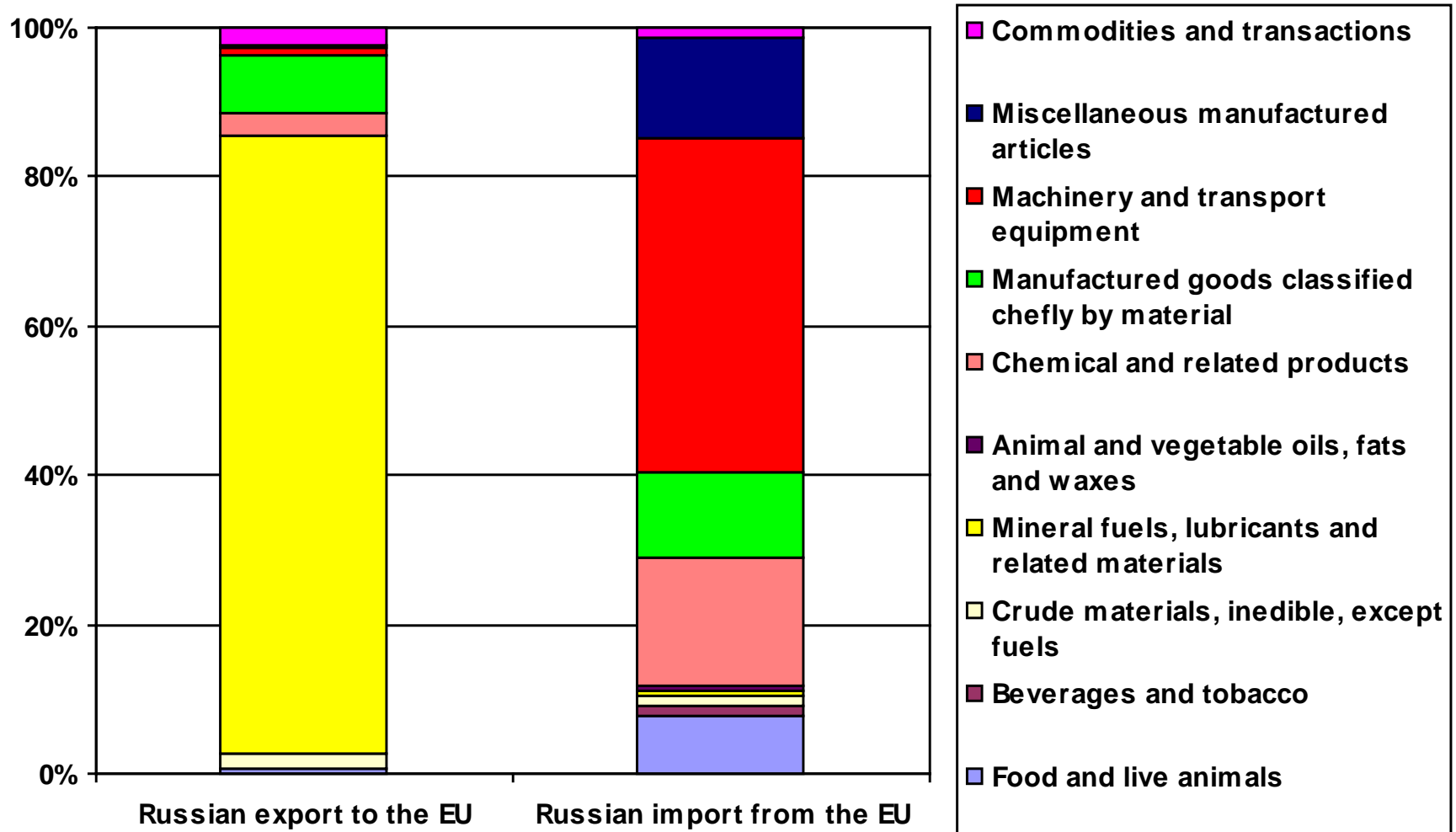


Figure 3. Russia's trade with CIS countries and other countries by sections (2005).

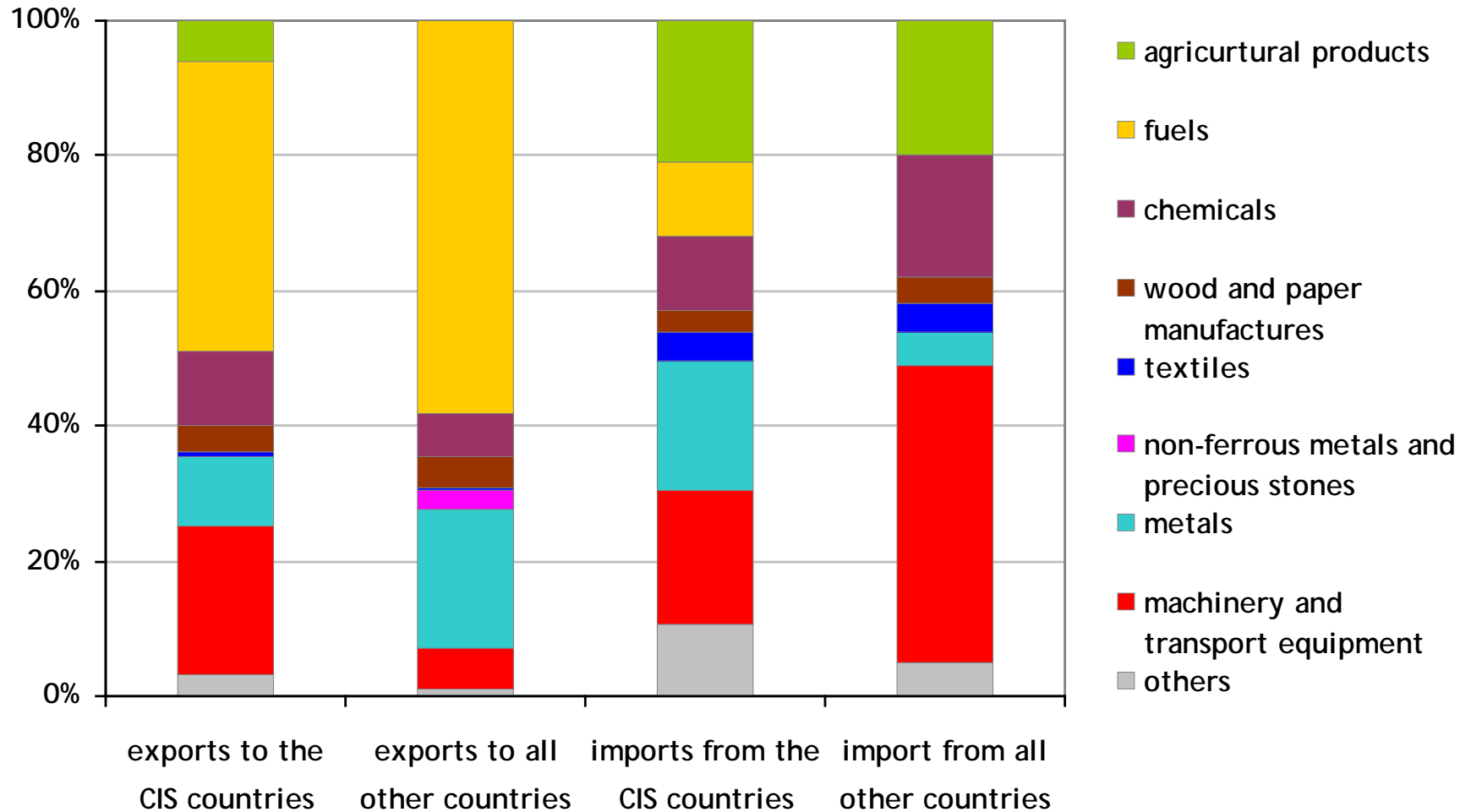
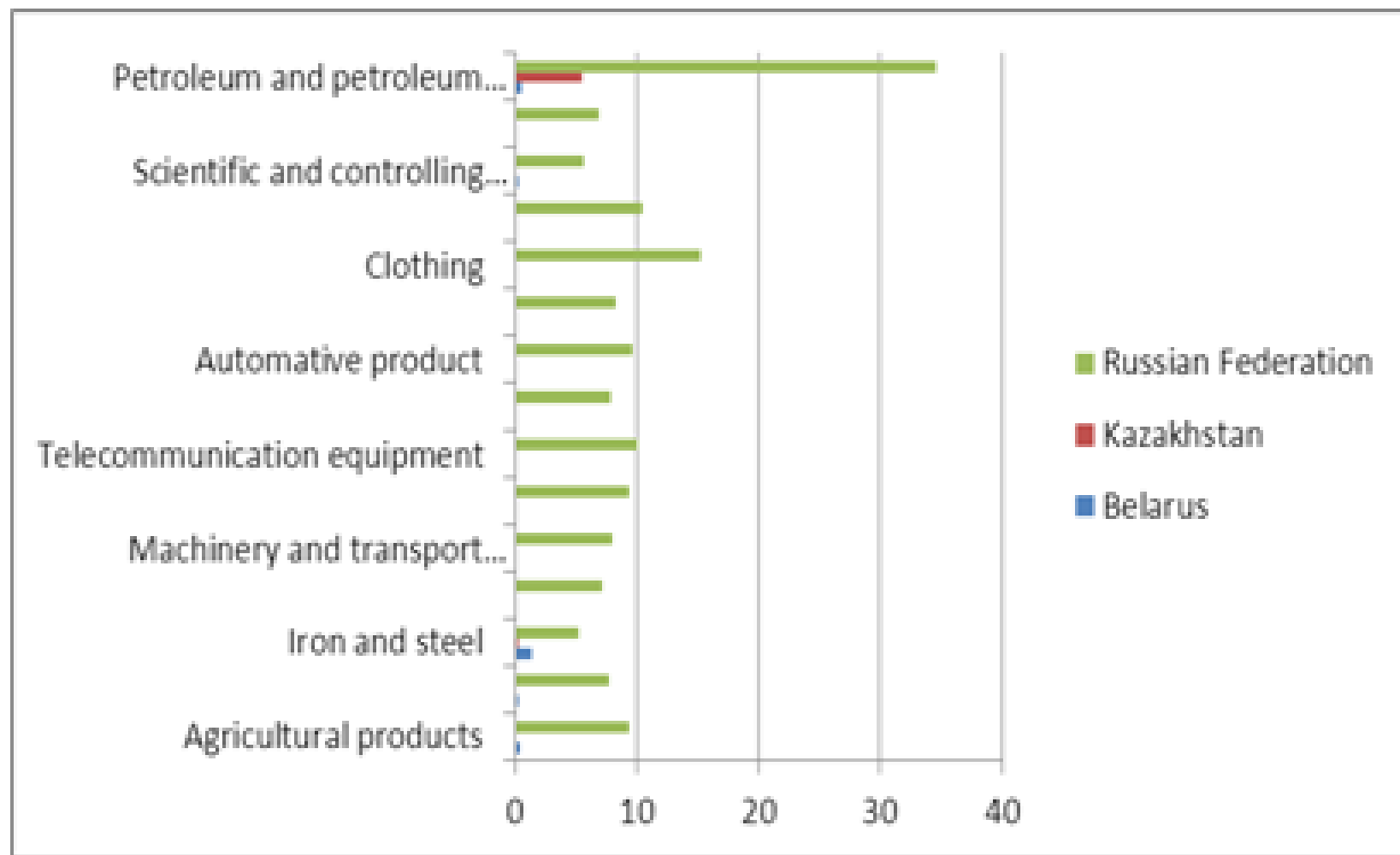
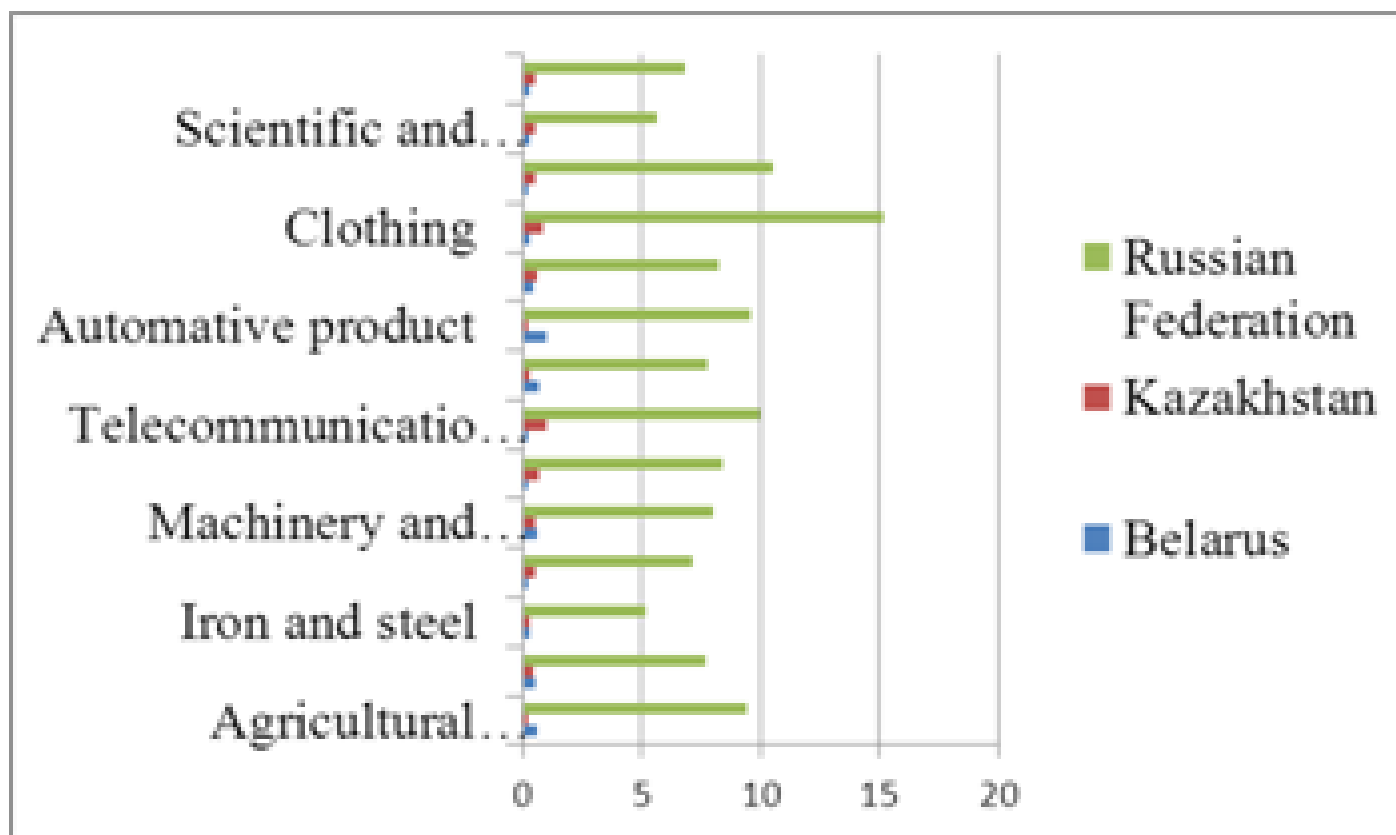


Figure 4. Share of the EurAsEC countries of the EU imports (%)



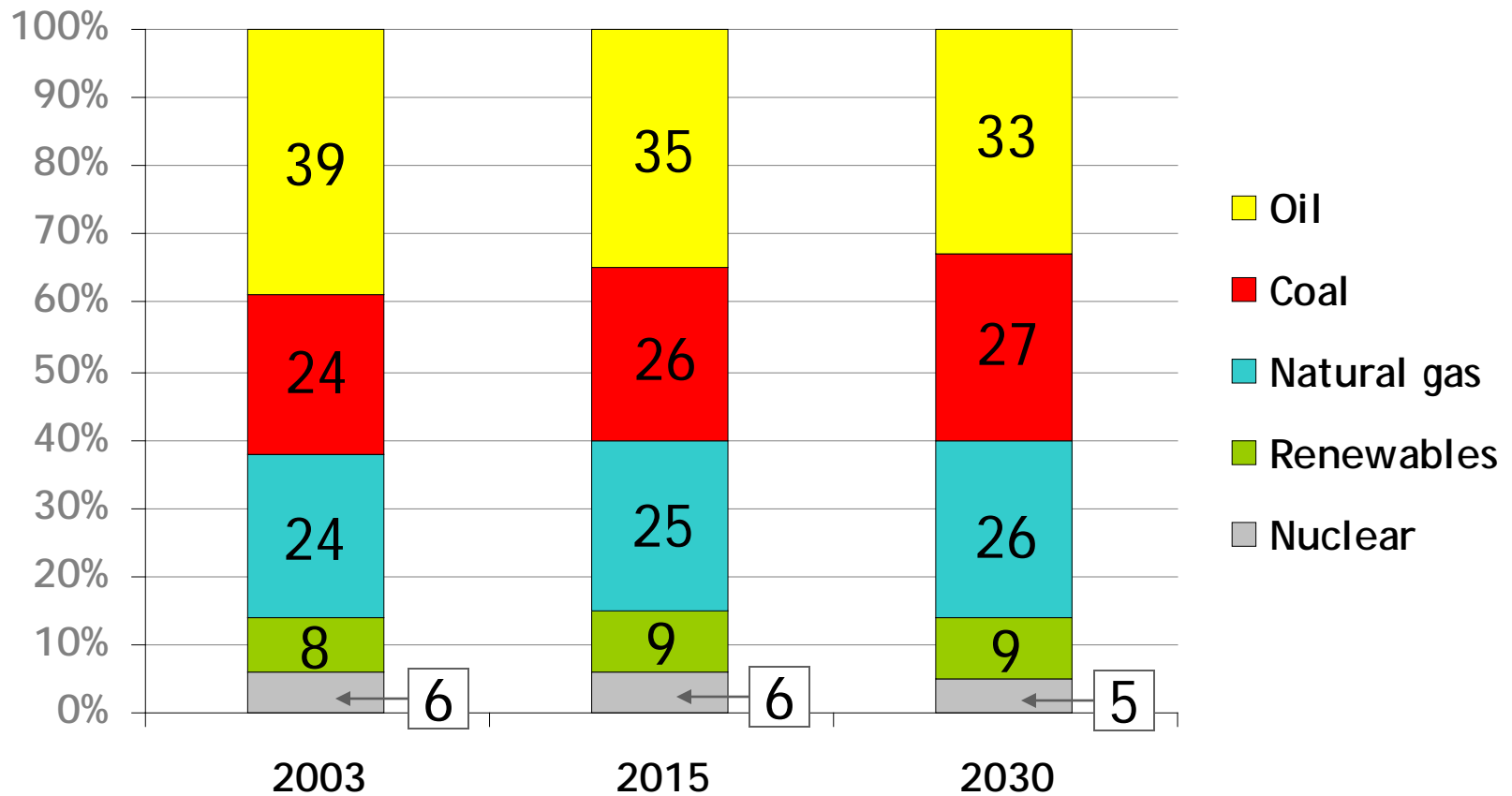
Source: Eurostat, 2012.

Figure 5. Share of the EurAsEC countries of the EU exports (%)



Source: Eurostat, 2012.

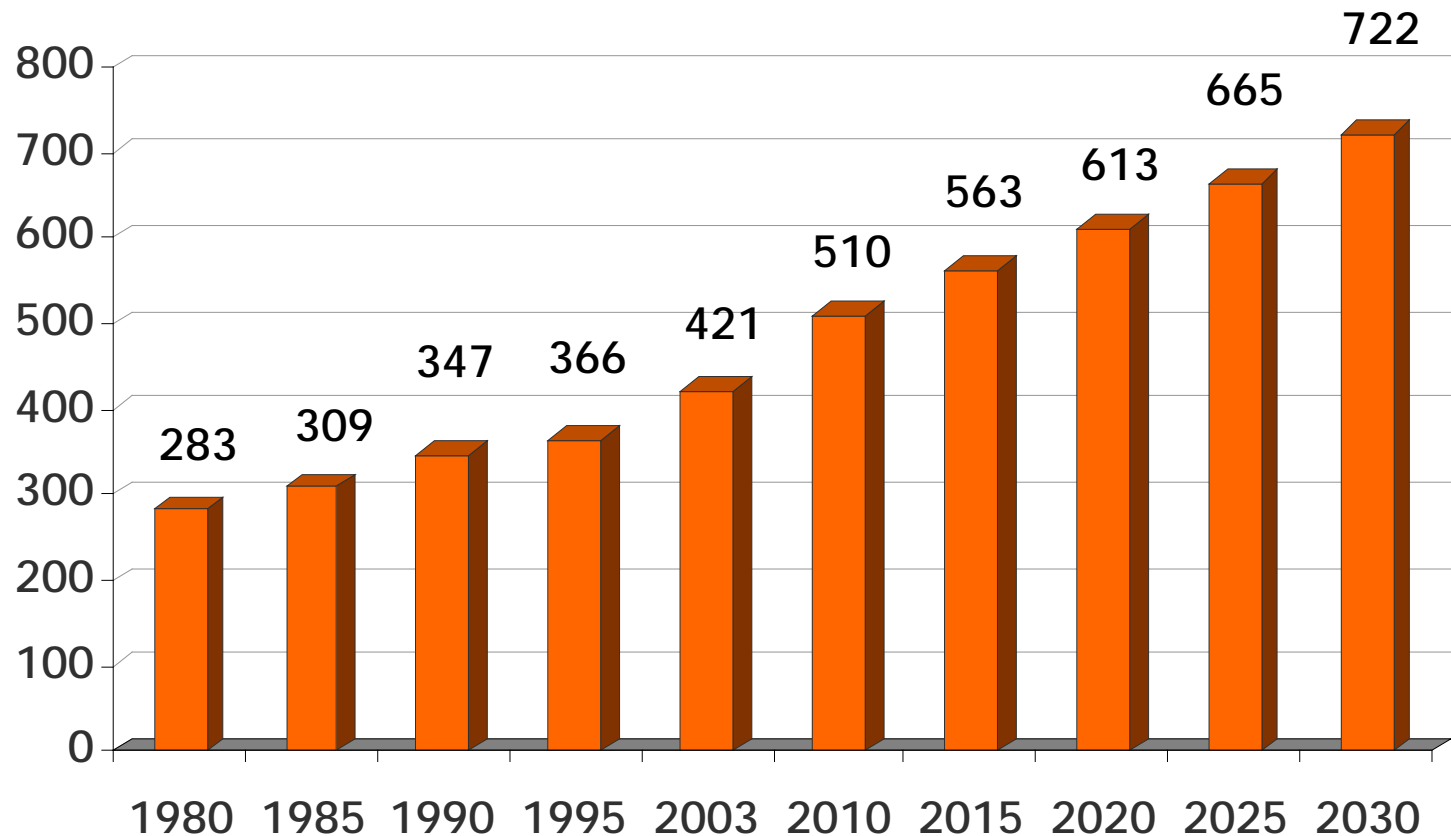
Figure 6. Fuel Shares of World Market Energy Use, 2003, 2015, 2030



Note: Fuel shares may not add to 100 percent due to independent rounding.

Sources: The International Energy Outlook 2006 p. 2 after: 2003: Energy Information Administration (EIA), International Energy Annual 2003 (May-July 2005), web site www.eia.doe.gov/iea/.
2015 and 2030: EIA, System for the Analysis of Global Energy Markets (2006)

Figure 7. World Marketed Energy Consumption, 1980 - 2030 (History years: 1980, 1985, 1990, 1995, 2003; Projections years: 2010, 2015, 2020, 2025, 2030) (Quadrillion Btu)



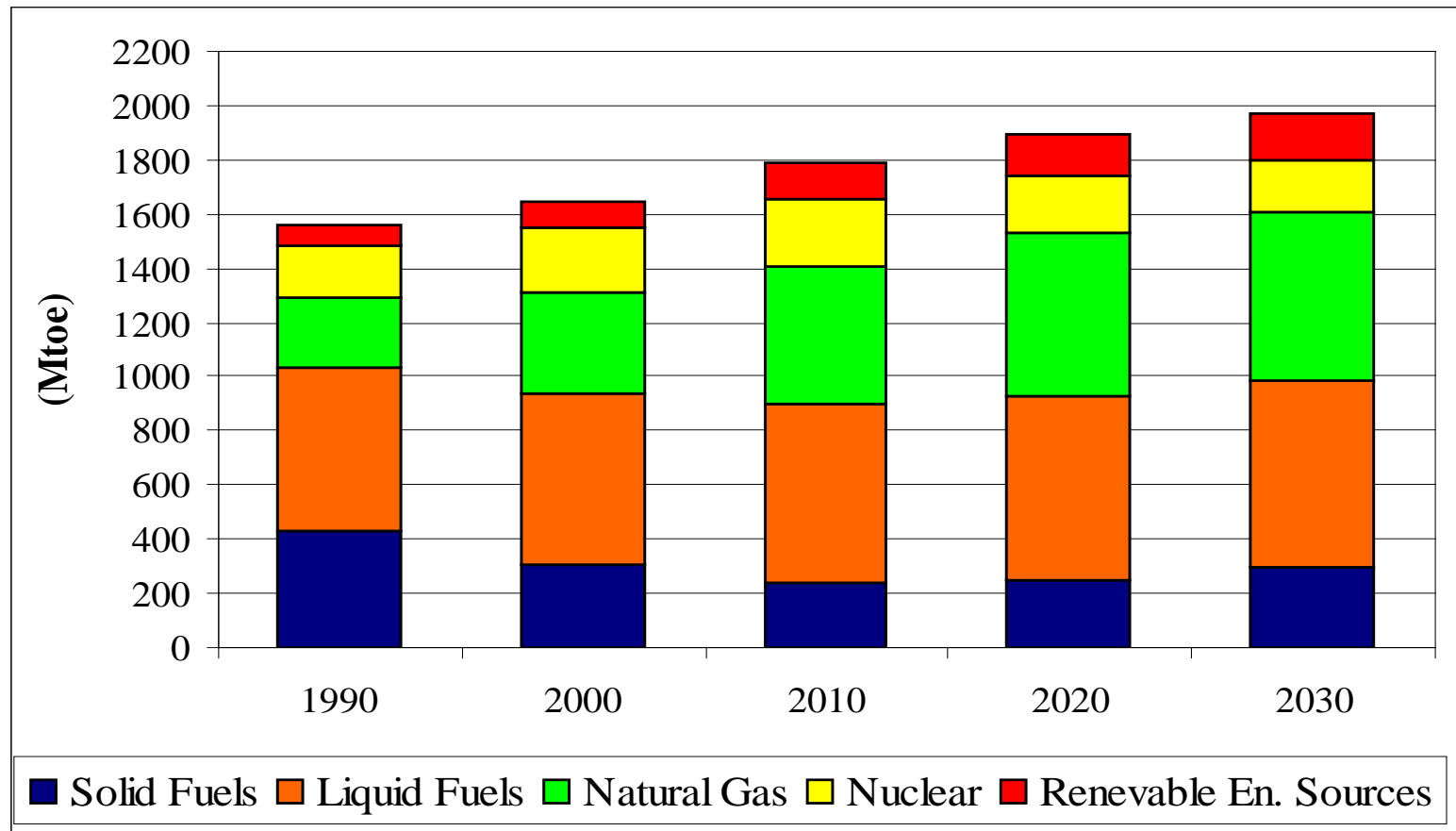
Sources: The International Energy Outlook 2006 p. 7 after: History: Energy Information Administration (EIA), International Energy Annual 2003 (May-July 2005), web site www.eia.doe.gov/iea/.
 Projections: EIA, System for the Analysis of Global Energy Markets (2006).

**Table 1. World Marketed Energy Consumption by Country Grouping
2003 - 2030 (Quadrillion Btu)**

| Region | 2003 | 2010 | 2015 | 2020 | 2025 | 2030 | Average annual % change 2003-2030 |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------------------------------|
| OECD | 243.3 | 256.1 | 269.9 | 281.6 | 294.5 | 308.8 | 1.0 |
| North America | 118.3 | 131.4 | 139.9 | 148.4 | 157.0 | 166.2 | 1.3 |
| Europe | 78.9 | 84.4 | 87.2 | 88.7 | 91.3 | 94.5 | 0.7 |
| Asia | 37.1 | 40.3 | 42.8 | 44.4 | 46.1 | 48.0 | 1.0 |
| Non-OECD | 186.4 | 253.6 | 293.5 | 331.5 | 371.0 | 412.8 | 3.0 |
| Europe+Eurasia | 48.5 | 56.5 | 62.8 | 68.7 | 74.0 | 79.0 | 1.8 |
| Asia | 83.1 | 126.2 | 149.4 | 172.8 | 197.1 | 223.6 | 3.7 |
| Middle East | 19.6 | 25.0 | 28.2 | 31.2 | 34.3 | 37.7 | 2.4 |
| Africa | 13.3 | 17.7 | 20.5 | 22.3 | 24.3 | 26.8 | 2.6 |
| C.+Sth America | 21.9 | 28.2 | 32.5 | 36.5 | 41.2 | 45.7 | 2.8 |
| Total World | 420.7 | 509.7 | 563.4 | 613.0 | 665.4 | 721.6 | 2.0 |

Sources: The International Energy Outlook 2007 p. 7 after: History: Energy Information Administration (EIA), International Energy Annual 2003 (May-July 2005), web site www.eia.doe.gov/iea/.
Projections: EIA, System for the Analysis of Global Energy Markets (2006).

Figure 8. Primary energy demand In EU-25



Sources: Mantzos L., Capros P., Kouvaritakis N., Zeka-Paschou M., (2003), *European Energy and Transport Trends To 2030*, Part IV, European Commission Directorate General for Energy and Transport, Luxembourg, p.111.

Conclusions

In opinion of the European Commission: “The strong EU commitment towards its Eastern neighbours within the framework of the European Neighbourhood Policy will also bring Europe and Central Asia closer to each other, in terms of both political cooperation and economic development” (“Central Asia DCI Indicative Programme 2011 - 2013”, European Commission).

Conclusions

As yet, the EU does not have any concept or strategy on economic relations with the EurAsEC member states as a whole, which (taking into the consideration the fact that the Customs Union has been created and the potential enlargement with Tajikistan and Kyrgyzstan joining in, and the further transformation into an Economic Union) may in the future result in weakening of the economic relations between the two structures.

Conclusions

The European Union have not developed the common strategy and policy towards the EurAsEC as a whole organization but separate individual strategies towards particular member states such as: Russia, Kazakhstan, Belarus, Kirgizstan and Tajikistan. Besides, fostering relations, peaceful ties and prosperity it launched the strategy between the EU and the Central Asia region.

Conclusions

However, the central executive body of the EurAsEC, the Eurasian Economic Commission has very similar competences as its EU counterpart, European Commission, including the competence on signing international trade agreements. In practical terms, that would mean that any trade agreement between the EU and any of the member countries, would have to go through the EurAsEC bodies and encompass all of its members.

The high dynamics of trade relations between individual EurAsEC member states (mainly Russia) and the countries of the EU, which occurred in the nineties and the beginning of the present century, has been decreasing. Reasons such as the collapse of the USSR and intermodal complementarity can no longer form the basis for a further intensification of the trade relations, but one can hypothesize that there are no new impulses, they should in fact be institutional in nature.

Conclusions

On the energy level, the rising demand for energy of the EU member states may be reflected in the intensification of trade with the EurAsEC countries but changes in the balance of power in the modern world mean that, in the long run, the EU does not have to be the most attractive market for Russia and Kazakhstan.

Conclusions

The categories of spill-over and functional platforms appear to be good instruments with which to study the mutual relations between the EurAsEC member states and the EU because they also facilitate the identification of areas in which the cooperation should not be intensified, in the case of fear of the partner's excessive expansion.

The areas which show the highest dynamics and provide opportunities for interconnections are:

-trade in goods: textiles, building sector, forest industry, electrical equipment and machinery, medical devices, pharmaceuticals, automotive industry, mining and metallurgical complex, chemical industry, aerospace industries, agriculture sector,

-trade in energy sector

-trade in a market-oriented service sector - finance sector

Thank you.