



Impacts of Meta-Agreements on Russia

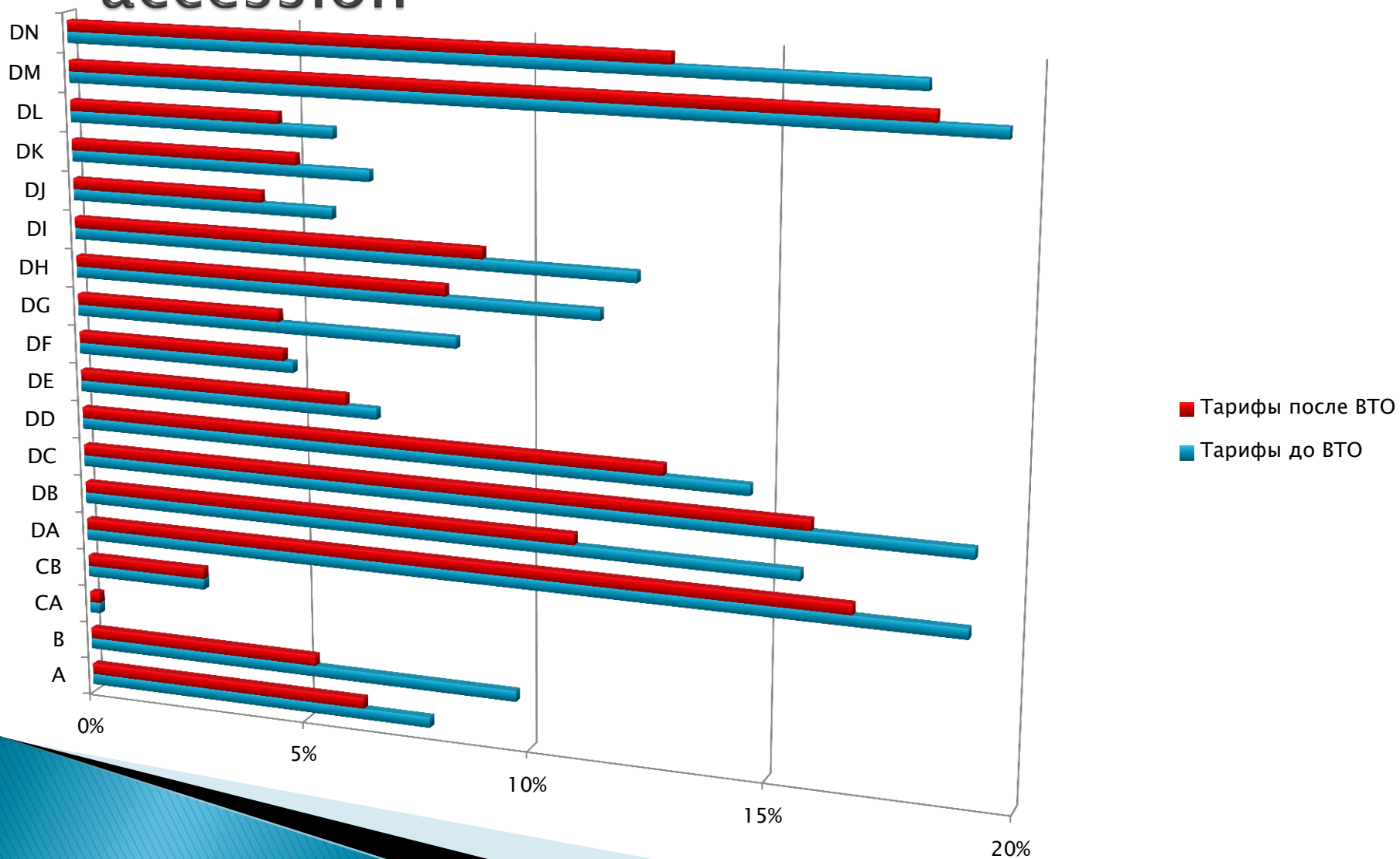
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Russian Trade Policy

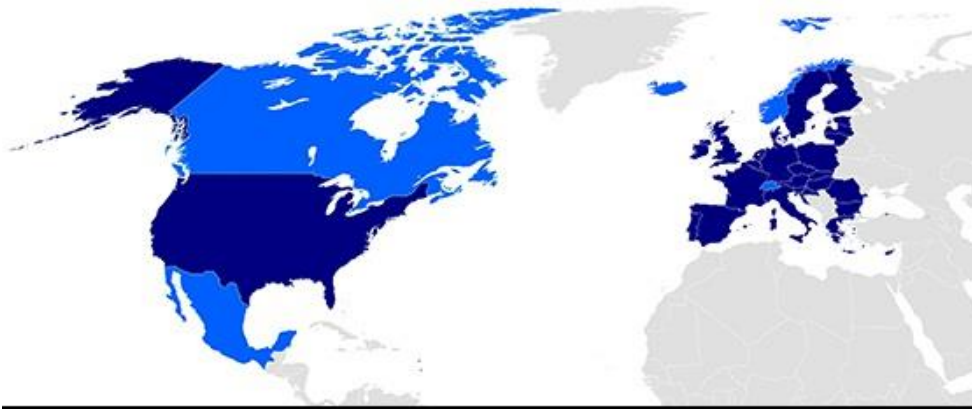
- ▶ WTO
 - Russia joined WTO in 2012, after 18 years of negotiations
- ▶ Eurasian Economic Union with Armenia, Belarus and Kazakhstan
 - Enlargement of the EAEU: Kyrgyzstan (May 2015)
- ▶ Regional trade integration initiatives of the CU/EAEU
 - Israel, Vietnam, India, South Korea, etc.

Changes in Russian average weighted tariff after WTO accession





Transatlantic Trade and Investment Partnership (TTIP)

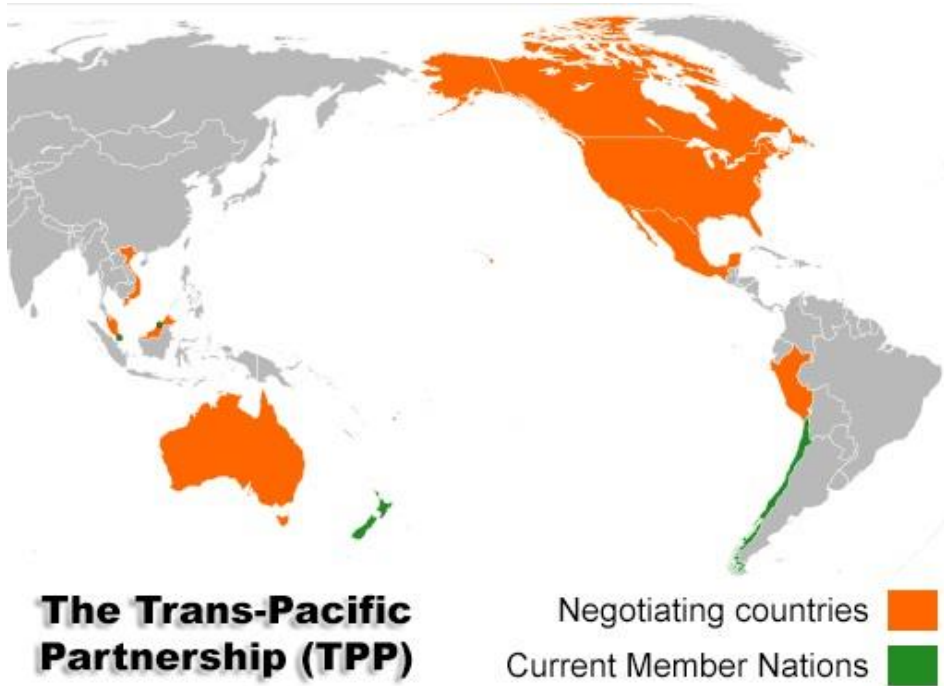


**Transatlantic
Free Trade Area (TAFTA)
or Transatlantic Trade and
Investment Partnership (TTIP)**

■ US and EU
■ Other Possible
Members

- ▶ TTIP is a proposed free-trade agreement between the European Union and the United States.
- ▶ Other possible possible members:
 - Mexico
 - Canada

Trans-Pacific Partnership (TPP)



- ▶ The TPP is a proposed trade agreement under negotiation by (as of August 2013) Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam.
- ▶ Considering taking part in negotiations
 - South Korea
 - Indonesia
 - Philippines
 - Thailand
- ▶ 16 countries

Structure of a CGE model

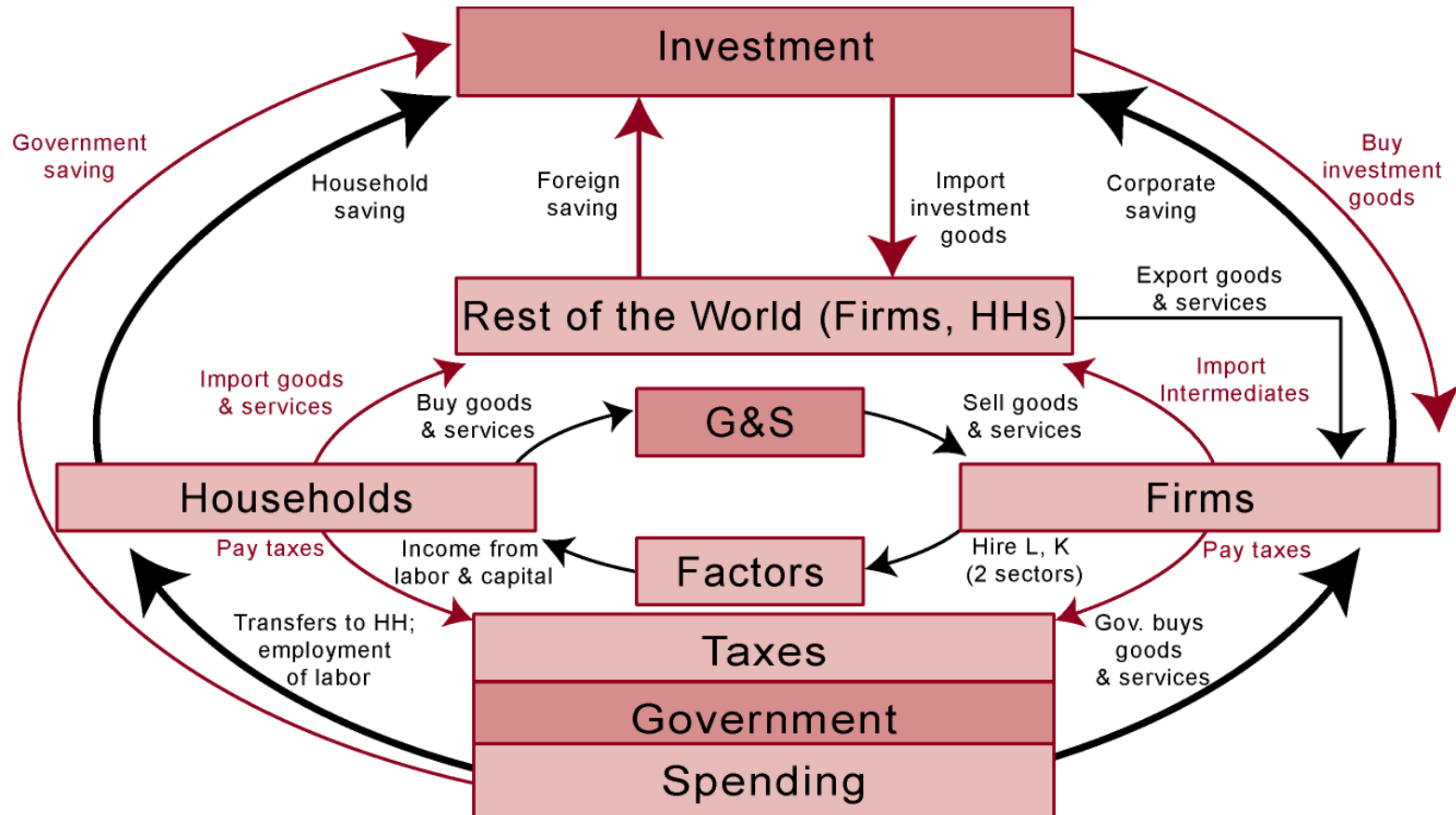


Figure 1. Circular Flow Diagram

Source: www.beaconhill.org/STAMP_Web_Brochure/STAMP_HowSTAMPworks.html



Assessment strategy

- ▶ GLOBE model: Scott McDonald et al (2007)
- ▶ GTAP 8.0 dataset
 - 24 countries
 - 51 commodity groups
- ▶ NTM in services: Lee and Itakura (2013)
- ▶ Scenario design
 - Base simulation: creation of the CU (Russia, Belarus, Kazakhstan)
 - Scenario 1: EU + USA FTA
 - Scenario 2: EU + NAFTA
 - Scenario 3: TTP16
 - Scenario 4: FTAAP



Base simulation: CU

- ▶ Ad valorem tariff equivalent of combined tariff rates of the CU
 - *Abramov and Ananyev (2014)*
 - 16.4% tariff lines (1811) – combined (specific and ad valorem tariff rates)
- ▶ Weighted average tariff of the CU
 - December 2013: 7.55%
 - December 2020: 6.19%



Tariff equivalents of NTM in services

ad valorem equivalent, %

Services	Average Value of NTM
Construction and Utilities	30,6
Trade	51,8
Transport and	29,0
Sea transport	46,3
Air transport	46,2
Communication	43,0
Financial Services and Insurance	45,4
Business and private services	43,8
Public Administration, Defence, Health and Education	49,8
Mean Value	42,9



Tariff equivalents of NTM in services

ad valorem equivalent, %

Country	Mean value	Country	Mean value
Russia	64,2	Australia	13,4
Belarus	64,2	New Zealand	5,2
Kazakhstan	64,2	Indonesia	87,3
Ukraine	39,2	Singapore	1,4
Europe	9,6	Vietnam	72,4
USA	6,5	Malaysia	29,2
Canada	16	Philippines	69,8
Mexico	54,1	Thailand	55,3
India	137	Rest of ASEAN	20,8
China	65,4	Chile	28,1
Japan	16,9	Peru	42,8
South Korea	27	Rest of the World	39,2

Scenario 1: TTIP (FTA between EU and USA, and 25% in NTM on services), percentage changes in Macro Parameters (in real terms)

Parameter	USA	EU	Kazakhstan	Belarus	Russia	Canada	Mexico
Export supply	0.608	0.160	-0.003	-0.004	-0.012	-0.005	0.004
Real GDP	0.074	0.044	0.002	-0.002	0.002	0.008	0.006
Import demand	0.385	0.144	0.014	-0.006	0.036	0.028	0.031
Domestic final demand	0.073	0.040	0.009	-0.004	0.015	0.018	0.012
Household consumption	0.073	0.047	0.009	-0.005	0.015	0.017	0.012
Government consumption	0.044	0.024	0.005	-0.004	0.012	0.011	0.009
Investment consumption	0.097	0.040	0.010	-0.003	0.017	0.025	0.016
Total domestic production	0.101	0.061	0.001	-0.007	0.000	0.005	0.002
Intermediate inputs	0.132	0.077	0.000	-0.009	-0.003	0.002	-0.003
Exchange Rate	-0.123	-	-0.034	-0.014	-0.035	-0.045	-0.048

Scenario 2: FTA between EU and NAFTA and 25% in NTM on services, percentage changes in Macro Parameters (in real terms)

Parameter	USA	EU	Kazakhstan	Belarus	Russia	Canada	Mexico
Export supply	0.591	0.194	-0.002	0.018	-0.007	0.617	0.369
Real GDP	0.077	0.062	0.001	0.016	0.002	0.127	0.040
Import demand	0.424	0.193	0.011	0.008	0.033	0.498	0.267
Domestic final demand	0.083	0.065	0.006	0.009	0.013	0.093	0.008
Household consumption	0.082	0.076	0.007	0.009	0.013	0.137	0.014
Government consumption	0.052	0.042	0.003	0.011	0.009	0.023	0.004
Investment consumption	0.113	0.060	0.008	0.007	0.014	0.058	-0.007
Total domestic production	0.103	0.085	-0.001	0.007	-0.001	0.175	0.063
Intermediate inputs	0.133	0.106	-0.002	0.004	-0.004	0.212	0.095
Exchange Rate	-0.048	-	0.002	0.039	0.000	0.297	0.219

Scenario 3: TPP16

percentage changes in Macro Parameters (in real terms)

Parameter	USA	EU	Kazakhstan	Belarus	Russia	Canada	Mexico
Export supply	0.896	-0.016	-0.010	-0.032	-0.021	1.252	1.200
Real GDP	0.155	-0.009	0.008	0.031	0.019	0.266	0.124
Import demand	0.919	0.003	0.029	-0.035	0.175	0.976	0.919
Domestic final demand	0.203	-0.002	0.025	0.014	0.070	0.184	0.032
Household consumption	0.214	-0.001	0.020	0.016	0.071	0.308	0.027
Government consumption	0.133	-0.004	0.017	0.016	0.048	0.060	-0.035
Investment consumption	0.225	-0.001	0.036	0.010	0.088	0.026	0.082
Total domestic production	0.188	-0.011	0.007	-0.040	0.010	0.379	0.232
Intermediate inputs	0.223	-0.011	0.005	-0.067	0.002	0.476	0.377
Exchange Rate	-0.313	-	-0.056	-0.055	-0.039	0.501	0.524

Scenario 4: FTAAP (TPP16 + China and Russia)

percentage changes in Macro Parameters (in real terms)

Parameter	USA	EU	Kazakhstan	Belarus	Russia	Canada	Mexico	China
Export supply	1.876	0.021	1.801	0.473	1.323	1.481	1.517	4.340
Real GDP	0.302	0.012	0.664	0.287	0.308	0.405	0.174	1.398
Import demand	1.670	0.061	1.671	0.275	1.466	1.330	1.333	5.876
Domestic final demand	0.366	0.027	0.605	0.172	0.340	0.363	0.103	1.849
Household consumption	0.380	0.029	0.707	0.226	0.418	0.505	0.070	1.934
Government consumption	0.235	0.019	0.367	0.195	0.160	0.190	-0.019	1.641
Investment consumption	0.427	0.030	0.536	0.086	0.328	0.208	0.254	1.847
Total domestic production	0.376	0.019	0.833	0.197	0.390	0.516	0.311	1.938
Intermediate inputs	0.467	0.029	0.950	0.162	0.468	0.627	0.499	2.205
Exchange Rate	-0.706	-	0.948	0.751	0.869	0.386	0.436	0.219

Results

- ▶ Russia would not gain unless CU/EAEU joins the international trade liberalization process.
- ▶ **Free Trade Area of the Asia-Pacific (FTAAP)** is the only scenario with robust growth of both Russian **real GDP** and **real output**.
Geographical scope of FTAAP is vast and the timing is very uncertain.
- ▶ Thus, revitalizing trade talks under WTO would be beneficial for Russia.



Thank you