Comprehensive Regional Integration and Global Value-Added Chains: Russia’s Perspective

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Outline:

✓ Global value added chains. How to provide the coherence of the modern trade and production framework?

✓ Regional integration processes. How to ensure multilateralization of the regional undertakings?

✓ Economic integration in the Asia-Pacific and the role of Russia and EAEU;

✓ Russia and EAEU participation in Value Added Chains: integration opportunities;

✓ Strategic directions for economic integration enhancement: content and geographic reach.
Main Hypothesis

GVC:
- The concept of Made in the World products
- Creation of Global Value Added Chains

What’s the real global output?

<table>
<thead>
<tr>
<th>Global gross export (trill. USD.)</th>
<th>Global export in VA (trill. USD.)</th>
<th>Overvaluation level (%)</th>
<th>Global GDP (trill. USD.)</th>
<th>Global gross export share of GDP (%)</th>
<th>Global export in VA share of GDP (%)</th>
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</thead>
<tbody>
<tr>
<td>17.1</td>
<td>13.7</td>
<td>19.4</td>
<td>57.9</td>
<td>29</td>
<td>24</td>
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Source: OECD-WTO
New GVCs-related Trade Issues

- concept of corporate protectionism;
- importance of “behind-the-border” regulation;
- cross-cutting issues – IPRs, electronic commerce, ROOs, services sector, trade facilitation etc;
- existing GVCs conservation on the basis of regional trade blocs.
New GVCs-related Trade Issues

Numerous existing and emerging regional initiatives on trade liberalization, socio-economic and infrastructure cooperation have become increasingly intertwined, interdependent and cross-cutting. Older integration initiatives are deepening the level of cooperation as well. New initiatives, including mega-blocs and deep PTAs are coming into being. Partly, the under-going negotiations on regional architecture development include WTO+ elements.

<table>
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<th>Regional blocs members:</th>
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<tbody>
<tr>
<td>Trans-Pacific Partnership – USA, Australia, Japan, Korea, Canada</td>
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<td>Regional Comprehensive Economic Partnership – China, Japan, Australia, Korea</td>
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<td>Transatlantic Trade and Investment Partnership – USA, EU</td>
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<th>International treaties members:</th>
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<td>The Trade in Services Agreement – USA, EU, Japan, Australia, Canada, Korea</td>
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<td>Environmental Goods and Services – USA, EU, China, Japan, Australia, Canada, Korea</td>
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<td>Information Technology Agreement (expansion) – USA, EU, China, Japan, Australia, Canada, Korea</td>
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<th>Main risks:</th>
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<td>➢ switching from multilateralism towards regionalism;</td>
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<td>➢ multilateral negotiations are driven by consolidated regional interests;</td>
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<td>➢ horizontal harmonization of trade and investment rules of regulation on the regional level;</td>
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<td>➢ global trade fragmentation and GVCs conservation.</td>
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<th>RCEP</th>
<th>ASEAN economic community</th>
<th>NAFTA</th>
<th>Pacific Alliance</th>
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Asia-Pacific Regional Architecture

- ASEAN: Laos, Cambodia, Myanmar, Indonesia, Thailand, Philippines
- RCEP: China, Rep. Korea
- TPP: Brunei, Singapore, Viet Nam, Malaysia, Australia, New Zealand, Japan
- FTAAP: Chile, Mexico, Peru, Russia
- EAEU: Armenia, Belarus, Kazakhstan, Kyrgyzstan
- PA: Canada, US, Columbia
GVCs Participation

I – backward participation (import component share in country’s export);

II - forward participation (country’s local value added in other countries’ export).

Source: GTAP
Most of export oriented industries with high level of value added are over-protected.
Such national industries as electronic and optical equipment production enjoy lower level of protection than effective one.
As there are substantial differences in economic structures of EEC members, the interests of all economies should be taken into consideration.

Source: GTAP, Belstat
EAEU Integration Agenda

Comparative advantages (RCA) in main industries (Russia vs BRICS)

Comparative advantages (RCA) in main industries (Russia vs ASEAN)

Source: OECD-WTO
Prospective Integration Agenda

- Russia
- USA
- EU
- China
- ASEAN
- EAEU
- CIS
- EAEU-EU FTA
  GDP: 21.1%
  Pop.: 9.5%
- TTP
  GDP: 33%
  Pop.: 11.5%
- TPP
  GDP: 28.0%
  Pop.: 11.3%
- China
- ASEAN
- ASEAN+3
- RCEP
  GDP: 35.7%
  TPP: 48.1%

GDP and population shares of global indices.

FTA EAEU-China
GDP: 19.4%
Pop.: 21.5%

FTA EAEU-ASEAN
GDP: 9.8%
TPP: 11%

EAEU

EAEU-EU FTA
GDP: 28.0%
Pop.: 11.3%

USA
Eurasian Partnership

Integration
- Deep Preferential Trade Agreements
  - Bilateral Agreements on Services and Investment (ex. Russia-China)
  - EAEU-Third Party PTAs (ex. EAEU-Viet Nam)
  - Bloc-by-Bloc PTAs (ex. EAEU-ASEAN)
  - Mega-Bloc Participation (ex. RCEP, FTAAP)
- Comprehensive Non-preferential Agreements
  - EAEU-Third Party Agreement (ex. EAEU-China)
  - Bloc-by-Bloc Agreement (ex. EAEU-ASEAN)

Connectivity
- Organizations and other institutions (ex. SCO, APEC, Tumangan Initiative, AIIB)
- Plurilateral Arrangements (ex. EAEU-OBOR)
- Specific Projects and Industrial Dialogues

Mega-Bloc Participation (ex. RCEP, FTAAP)
Connectivity Agenda

Trade policy:
- To provide opportunities for mutual recognition and achieve convergence of regulatory disciplines and standards;
- To encourage trade facilitation initiatives;
- To ensure the development of competitive services sectors and enhance regional trade in services;
- To provide opportunities to globalize MSMEs;
- To enhance inter-governmental cooperation (efficient and transparent government procurement markets, state-owned enterprises, public-private partnerships);
- To promote principles of transparency;
- To set an aspirational goal of launching joint comprehensive economic partnership feasibility study between EAEU and third parties, which is aimed to create open and transparent goods, services and investment regional market.

Investment cooperation:
- To ensure security of property and protection of investments;
- To promote accessibility, predictability and transparency in the formulation and administration of investment-related policies;
- To ensure consistency and coherence of investment-related policies;
- To endeavor to launch BIT negotiations.

Global value chains enhancement:
- To identify the most prospective and potentially efficient regional GVCs;
- To identify sector-specific impediments, enabling factors and sector-specific targets, aimed to enhance regional GVCs;
- To promote supportive environment, greater transparency, regulatory coherence, good governance provisions in domestic regulations and other related sector-specific measures;
- To stimulate the local and regional value creation in production chains.

Innovations and technologies for sustainable development:
- To promote ICT and E-Economy technologies to develop regional new markets;
- To ensure data protection, trust and confidence in the internet, security and privacy of transactions;
- To enable efficient IPRs utilization;
- To ensure the development of sustainable, innovative and secure regional economy;
- To develop reliable and secure food markets.
Thanks for your attention!