Eurasian System of Integration Indicators Methodology and Findings

Expert Group Meeting on Methodologies of Regional Integration Indexes
UNCC
25-26 September 2018, Addis Ababa
1. Eurasian Economic Integration: Facts and Figures

2. Eurasian System of Integration Indicators (ESII): why and how?

3. ESII: Results, Open Questions and Perspectives
- Started in January 2015 and unites Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russian Federation as the EAEU Member States

- EAEU Treaty was registered in the UN Secretariat on July 24, 2015 in accordance with Article 102 of the UN Charter

- EAEU – the largest integration association in Eurasia with the global market of more than 180 million people

- EAEU develops economic and trade cooperation with more than 50 states as well as UN organizations and other international groupings/unions
**EAEU: Facts and Figures**

- **Population**: 182.7 million people
- **GDP in 2017**: $1,289.9 bln.
- **Territory**: 20 million sq. km.
- **14%** Of the world’s firm land

**Global Share by Industry**

- **18.4%** Global share of gas production
- **14.6%** Global share of oil production
- **7.8%** Global share of electrical power generation
- **5.1%** Global share of meat production
- **3.5%** Global share of meat production
- **11%** Global share of potato production
- **10.8%** Global share of mineral fertilizers production
- **9%** Global share of wheat production
- **5.8%** Global share of coal production

**Source**: the EEC Statistics
Common Objectives:

- Common market with no barriers for goods, services, capital and labour
- Economic modernization and global competitiveness
- Welfare growth of the EAEU citizens
- Createve an environment favorable for business
<table>
<thead>
<tr>
<th>Country</th>
<th>2009</th>
<th>2015</th>
<th>2018</th>
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<tbody>
<tr>
<td>Armenia</td>
<td>50</td>
<td>47</td>
<td>38</td>
</tr>
<tr>
<td>Belorussia</td>
<td>82</td>
<td>36</td>
<td>77</td>
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<td>Kazakhstan</td>
<td>64</td>
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<td>Kyrgyzstan</td>
<td>80</td>
<td>77</td>
<td>35</td>
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<tr>
<td>Russia</td>
<td>118</td>
<td>77</td>
<td>47</td>
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"Doing Business" ranking for the EAEU Member States

To create business friendly environment
EAEU Main Trade Partners


EAEU Exports 2010 – 2017, %

EAEU Imports 2010 – 2017, %

EAEU Main Trade Partners in 2017 turnover, %

Source: the EEC Statistics
Development Stages of the Eurasian Regional Integration

Free Trade Area of the Commonwealth of the Independent States (2011)

Customs Union (2010)

SES (2012)

Foundation of the Eurasian Economic Commission (2014)

Treaty of the EAEU 29 May 2014

Eurasian Economic Union (2015)
Institutional Structure of the Eurasian Integration

<table>
<thead>
<tr>
<th>Equal representation of the EAEU Member States</th>
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<tbody>
<tr>
<td><strong>The Supreme Eurasian Economic Council</strong></td>
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<tr>
<td>Heads of States</td>
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<tr>
<td><strong>The Eurasian Intergovernmental Council</strong></td>
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<tr>
<td>Heads of Governments</td>
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| **The Eurasian Economic Commission (EEC)** |
| Permanent regulatory body of the EAEU |
| **The Council** |
| Deputy Heads of Governments |
| **The Board** |
| 10 Members of the Board (Ministers)  |
| (2 ministers from each Member State) |
| **Departments** |
| 25 departments |

**The Court of the EAEU**
Permanent judicial body of the EAEU

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“Integration of Integration” – that is the question?!

- EAEU+EU: FTA from Lisbon to Vladivostok;
- Greater Eurasia: One Belt One Road + EAEU;
- EAEU+SCO (China, India, Pakistan);
- EAEU+ASEAN (MoU is be signed shortly);
- Link Eurasia with Latin America and the Caribbean;
- Link Eurasia with Africa
OUR MAIN GOAL

Develop a System of Instruments to analyze Effectiveness of Regional Integration within the Eurasian Economic Union (EAEU), and across the region

KEY QUESTIONS

1. Is there any universal criteria that can be found to measure regional integration and what might be the common ground for the comparison among different blocks/organizations worldwide?

2. How to monitor if common markets really work for business and people?

3. How to define EAEU ranking among other integration blocks?

4. How to evaluate the effectiveness of integration measures in common markets of the EAEU, particularly in dynamics?

5. How to implement the UN Sustainable Development Goals in the current system of monitoring of integration development in the EAEU?
Main Methodological Principles:

1. Easily used by all types of users
2. Simplistic dynamics of Composite Index
3. Clear input of each indicator into Composite Index
4. Ability to add new indicators if/when necessary
5. Application of Regional Integration Classical Theory
6. Compatible with other methodological approaches of different regional organization and blocks worldwide
Main challenges:

1. Data: Accurate, Compatible, Reliable, Accessible
2. Classification of variable components of the Regional Integration: Real Integration *versus* Declared (Officially stated) Integration
3. Composite Index to measure Integration: combination of quantitative and qualitative components
Macroeconomic convergence

Integration in common markets

Institutional integration

The structure of the System of Integration Indicators

reflects, in a broad sense, the convergence of the member states economies and policies, in the narrow sense - the convergence of their main macroeconomic indicators.

evaluates the real integration in the common markets of the goods, services, labour and capital, and shows how national and foreign economic agents take advantage from the integration opportunities.

evaluates the created integration conditions: the supranational legislation, the system of regulating bodies and joint institutions in integration association, implemented integration policies.
Architecture of the System of Integration Indicators

COMPOSITE INDEX OF INTEGRATION

Subindexes of integration

Integration indicators

**INSTITUTIONAL INTEGRATION**
Indicators of conditions for integration

**INTEGRATION IN THE MARKETS**
Indicators of actual integration

**MACROECONOMIC CONVERGENCE**

expertly defined weights

principal component method
Indicators of Institutional integration

- indicator of the declared form of integration (Economic Agreements Database, The Kellogg Institute)
- indicator of the legal perfection of agreements (Deep Trade Agreements Database, World Bank)
- coefficient of percentile rank variation of the World Bank Governance Matters Rating
- coefficient of percentile rank variation of the Heritage Foundation Index of Economic Freedom
- compliance indicator declared forms of integration of real integration
- supranational regulatory body (Y/N)
- diversity of supranational bodies (Y/N):
  - court
  - parliament, interparliamentary assembly
  - monetary authority
- supranational acts of direct action (Y/N)

Institutional integration evaluates the created integration conditions: the supranational legislation, the system of regulating bodies and joint institutions in integration association, implemented integration policies.
Indicators of integration in Common markets

I. Integration in the markets of goods and services
- share of mutual export of goods in total export
- share of mutual import of goods in total import
- share of mutual turnover of services in the total turnover of services
- latitude application of non-tariff barriers (UNCTAD, WTO)
- trade regime (FTA, CU, CES, CM, EU)
- common customs codex (Y/N)
- common customs tariff: export and import (Y/N)
- access to the public procurement market (Y/N)
- national regime for residents of the member states (Y/N)
- common exchange space (Y/N)
- common criteria for economic security (food, energy) (Y/N)
- joint financial institutions / infrastructure (Y/N)
- supranational sectoral regulatory bodies (Y/N)
- integrated currency market/single currency (Y/N)
- unified mechanisms of protecting the rights of investors (Y/N)

II. Integration in the capital markets
- share of foreign direct investment from the other member states in total FDI inflows
- agreed policy on the capital market:
  - investment
  - movement of capital

III. Integration in the labor markets
- share of migrants from other member states in the economically active population
- share of private transfers to the member states in the total volume of private transfers
- agreed policy on the labor market (Y/N):
  - agreed pension policy
  - agreed health care policy
  - agreed social security policies
  - recognizing education and training documents
  - common requirements to the competencies of graduates
  - joint educational programs / projects
Indicators of Macroeconomic convergence

- Standard deviation of GDP (PPP) growth rates per capita at 2011 values
- Standard deviation of GDP (PPP) growth rates at 2011 values
- Standard inflation deviation
- Standard deviation of the nominal effective exchange rates
- Standard deviation of the nominal final consumption
- The application of macro-thresholds (Y/N)
- The application of instruments of regional alignment (Y/N)
  - Development banks
  - Redistributive funds

This reflects, in a broad sense, the convergence of the member states' economies and policies, in the narrow sense - the convergence of their main macroeconomic indicators.
Indicators of INSTITUTIONAL integration

Indicators of integration in COMMON MARKETS

Indicators of MACROECONOMIC CONVERGENCE

COMPOSITE index of integration

The values of the Integration indicators (subindexes)
ESII – open questions:

- What is the set of universal integration indicators or indexes? *Different approaches, different set of indicators*...

- Verification of experts’ assessment – what are the universal expert criteria recognized by the UN and other integration/regional organizations?

- Thresholds for Integration Indicators, what are they?

- Factors of Real Integration. How you define basic factors that common markets became operational and effective?
ESII – further developments:

• ESII 2.0: include more integration blocks/organizations and compare them based on levels of regional integration actually achieved;

• Bridge Intentional and Regional organizations for compatible data and statistics as well as exchange of experiences;

• Make SDGs part of the Eurasian System of Integration Indicators, and monitor some SDGs implementation across Eurasia
Thank you for your attention!

www.eurasiancommission.org

Online library of the EEC:
Thank you for attention!

Շնորհակալություն ուշադրության համար!

Дзякую за ўвагу!

Назарларыңызға рахмет!

Кенүл бурганыңызға рахмат!

Благодарю за внимание!

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