66th TDB UNCTAD session

“South-South cooperation for trade, investment and structural transformation”

Tatyana Valovaya,
Member of the EEC Board
- Minister in charge of Integration and Macroeconomics

Geneva, 2019
S-S challenges:

- **low share of mutual trade** in the GDP, due to substantial part of their exports to and imports from the «North» countries
- **lack of foreign investments** in the industries other than extractive
- the prevalence of the **extractive sector in the economy** and the raw materials export
- **low share of the services sector** in GDP and export
- **volatility of national currencies** caused by fluctuations in energy prices and actions of reserve currency issuers

Eurasian integration is not a classic example of South-South cooperation, but we are faced with similar problems.
EAEU integration effects and potential

**Smoothing external shocks**

<table>
<thead>
<tr>
<th>2014-2015 commodity market crisis and the EAEU GDP</th>
<th>in fact (2015-2016)</th>
<th>without EAEU integration (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-2.2%</td>
<td>-3.3%</td>
</tr>
</tbody>
</table>

**Development opportunities:**
industry; infrastructure, transportation, logistics within the Union.
Strengthens the cooperation ties. Raises the living standards.

**POTENTIAL 2030**

<table>
<thead>
<tr>
<th>Economy</th>
<th>Trade</th>
<th>Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>EAEU GDP</td>
<td>Mutual trade</td>
<td>3rd countries FDI inflow</td>
</tr>
<tr>
<td>+2.9%</td>
<td>+80%</td>
<td>+$86.4 bn</td>
</tr>
<tr>
<td>+$140 bn (measured in 2012 PPP)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+1.4% (biggest economy in EAEU)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+13.1% (greatest effect in EAEU)</td>
<td></td>
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</tbody>
</table>

Share growth of mutual FDI
Mutual trade

Share of mutual trade in total trade turnover, 2018

- Access to new commodity markets and goods markets
- But challenges as for SS: competition with import

- List of sensitive goods
- Transition period
- Adaptation to new conjuncture
- Local producers support

Export effects 2018/2014

- +113%
- +29,9%
- +25,5%
- +157,6%

Free Trade Zone Regime

- Trade through Russia
- Direct trade

EAEU

Mutual export structure has improved

63.4%  72.3%
2010  2018

Share of manufacturing goods
**Investments and services**

**Single Market of Services**

Legal basis – Treaty on the EAEU (Section XV and Annex 16)

*Service provider:* no additional registration, license or permit

*Service recipient:* freely acquires services of any provider from the EAEU Member States

**Number of Service sectors with single market regime**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Service Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>43</td>
</tr>
<tr>
<td>2018</td>
<td>52</td>
</tr>
<tr>
<td>2019</td>
<td>53</td>
</tr>
<tr>
<td>2021</td>
<td>64</td>
</tr>
<tr>
<td>2022</td>
<td>64</td>
</tr>
</tbody>
</table>

- Construction services
- Franchising
- Leasing and renting
- Retail and wholesale
- Photo services
- ... + Cinema/video production
- Movies rental
- Real estate
- Advertising
- Geology
- Tourism
- R&D in humanities
- R&D in natural sciences
- Cartography
- Reporting and accounting,…
- Auditing,…

**According to liberalization plan**

**Other sectors:**

In sectors, where the common market of services does not operate service suppliers and recipients are provided with the national treatment and most-favored-nation treatment (including notary services, patent attorney services, utilities services, education services, media services, etc.).

**Total export of services from the EAEU**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Export of Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$59,7 bn</td>
</tr>
<tr>
<td>2017</td>
<td>$74,8 bn</td>
</tr>
</tbody>
</table>

+25.2%
National currencies

National currency dynamics (US$), % Jan 2016

National Currency Volatility Index, %

An effective mechanism of the economic forecasting and crisis foresight

AGREED MACROECONOMIC POLICY

RECOMMENDATIONS ON SUSTAINABILITY INDICATORS
- state debt
- budget deficit
- inflation

ADVISORY BODIES
- between central (national) banks
- ministries of economic development and finance

National currencies in mutual trade

70% in 2013
77% in 2017
DIGITAL AGENDA

Despite the digital agenda wasn’t included in the EAEU Treaty it is being successfully developed:


2018 - Annual International Competition of Innovative Projects “Eurasian Digital Platforms”: More than 250 applications from all the EAEU countries.

2018 - Chairman of the EEC Board’s Digital Office

http://contest.eaeunion.org/

INFRASTRUCTURE

EAEU Member States need investments in infrastructure

Existing funds to support small economies and realize the transit potential

New funds proposals

Eurasian Development Bank

Interstates Bank

Russian-Kyrgyz Development Fund
The EAEU-World cooperation

Volume of the EAEU Foreign Trade 2010 – 2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (bln $)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>690.0</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>912.1</td>
<td>+31.7</td>
</tr>
<tr>
<td>2012</td>
<td>938.8</td>
<td>+3.8</td>
</tr>
<tr>
<td>2013</td>
<td>937.6</td>
<td>+0.1</td>
</tr>
<tr>
<td>2014</td>
<td>873.1</td>
<td>-6.9</td>
</tr>
<tr>
<td>2015</td>
<td>579.3</td>
<td>-33.4</td>
</tr>
<tr>
<td>2016</td>
<td>509.4</td>
<td>-12.3</td>
</tr>
<tr>
<td>2017</td>
<td>633.8</td>
<td>+24.4</td>
</tr>
<tr>
<td>2018</td>
<td>753.4</td>
<td>+19.3</td>
</tr>
</tbody>
</table>

Main Trade Partners of the EAEU Member States 2018

<table>
<thead>
<tr>
<th>Region</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>46.7</td>
</tr>
<tr>
<td>APEC</td>
<td>32.5</td>
</tr>
<tr>
<td>CIS</td>
<td>4.9</td>
</tr>
<tr>
<td>ASEAN</td>
<td>3.2</td>
</tr>
<tr>
<td>Africa</td>
<td>3.2</td>
</tr>
<tr>
<td>Latin America</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Source: the EEC Statistics
Strategy of the further integration

December 2018: Declaration on Further Development of Integration Processes

Main goals:

- improving people’s well-being and quality of life
- making the EAEU one of the most significant development centers of the modern world;
- ensuring maximum efficiency of the common market for business and consumers;
- mutually beneficial cooperation and building new interaction formats with external partners;
- «the territory of innovation»
Thank you for attention!

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