



Russia, European Union and EU Enlargement

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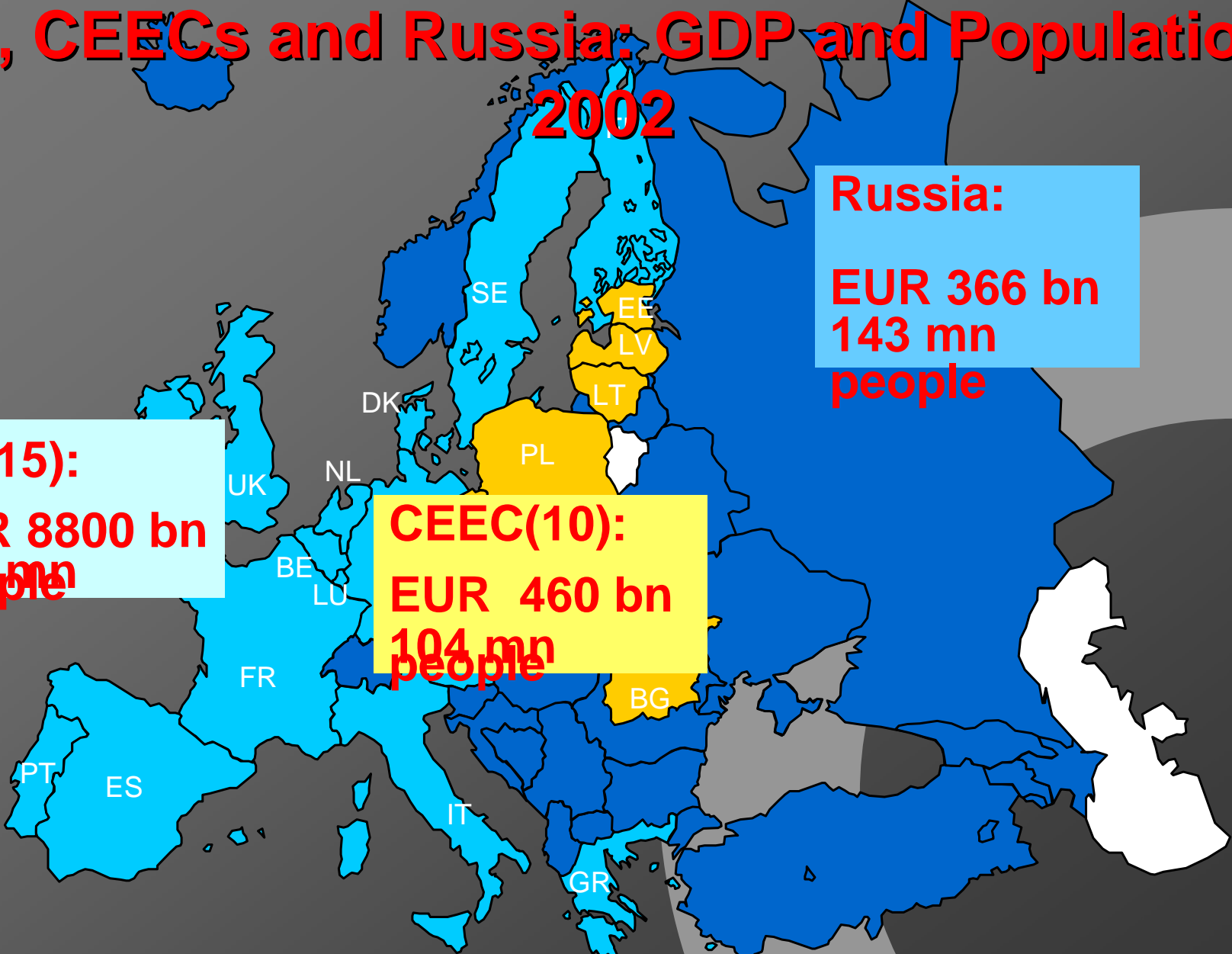
- *EU, CEECs and Russia: economic asymmetries*
- *Impacts of EU enlargement on Russia*
- *Towards a Common European Economic Space ?*

EU, CEECs and Russia: GDP and Population, 2002

EU(15):
EUR 8800 bn
377 mn
people

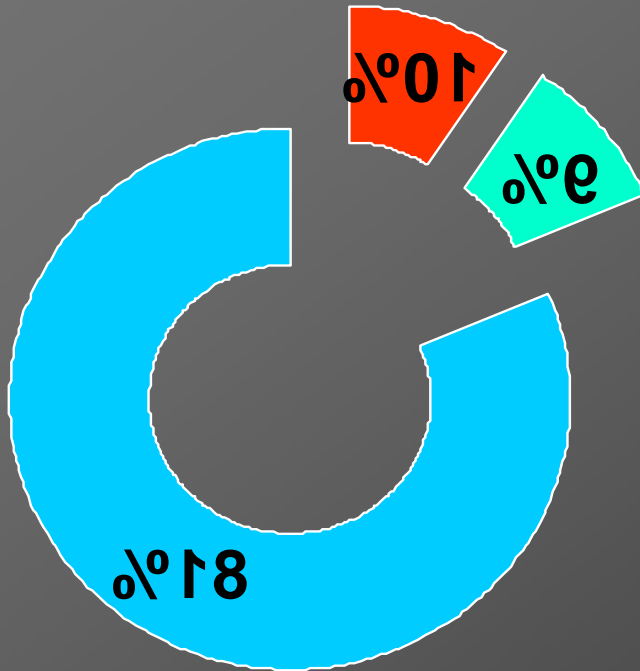
CEEC(10):
EUR 460 bn
104 mn
people

Russia:
EUR 366 bn
143 mn
people



EU-Russia Asymmetry: Real GDP

Real GDP (EUR at PPP) year 2002

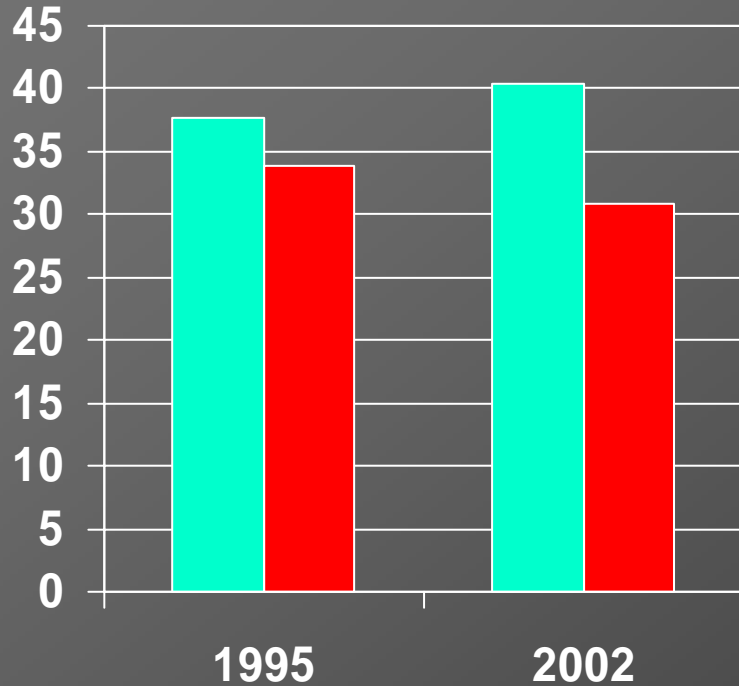


- Russian real GDP is only 5% higher than CEECs'
- Russian real GDP is only 12% of EU(15)
- Russian real GDP is only 10.5% of enlarged EU(25)

EU-Russia Asymmetry: Income Gaps

Real GDP per capita EU(15)=100

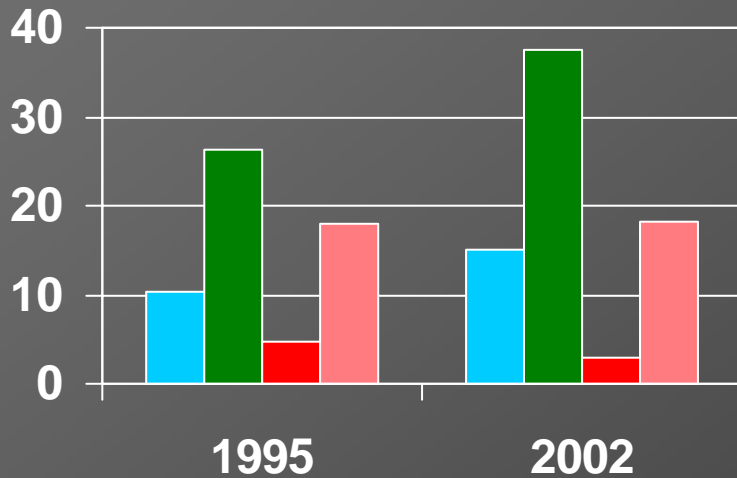
■ CEEC(10) ■ Russia



- Russian real per capita GDP is 31% of EU(15) average
- With EUR 8140, Russian per capita real GDP is 13% lower than in CEEC(10)
- Income catching-up: so far minor (CEECs) or nonexistent (Russia)

Russian trade with EU and CEECs, USD bn

Russian foreign trade (USD bn)

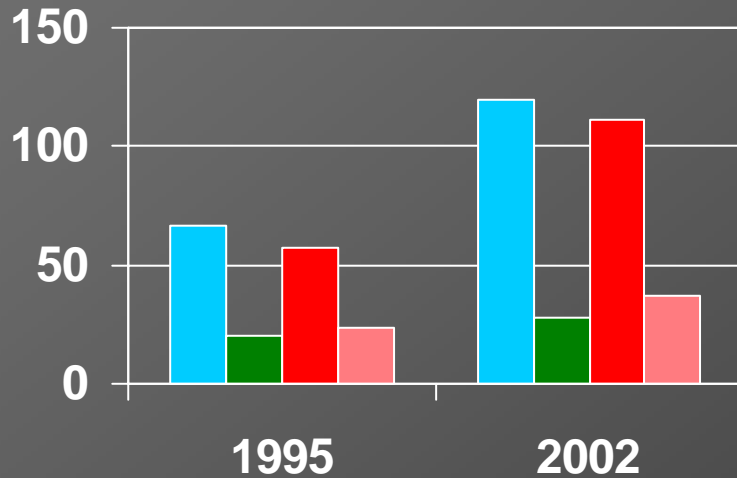


- 35% of Russian exports go to EU(15)
- 14% of Russian exports go to CEEC(10)
- 40% of Russian imports come from EU(15), and 7% from CEEC(10)
- Surplus with EU(15) was USD 19.3 bn, with CEECs USD 11.6

EU-Russia Asymmetry: Trade

EU trade with CEECs and Russia (USD bn)

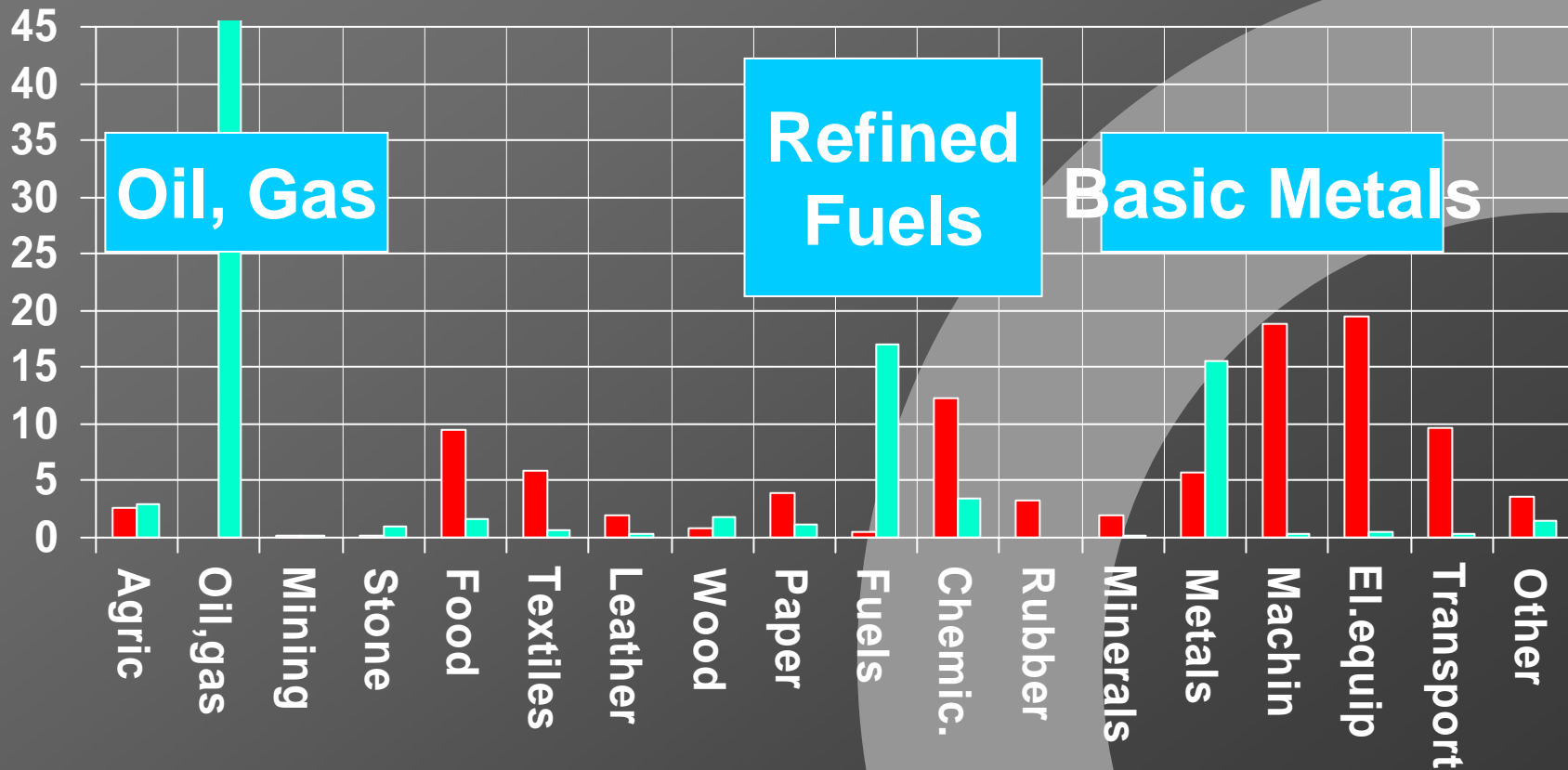
- Exports to CEECs
- Exports to Russia
- Imports from CEECs
- Imports from Russia



- 13.5% of EU exports go to CEEC(10), but only 2.8% to Russia
- 12.6% of EU imports come from CEEC(10), but only 4.6% from Russia
- EU(15) trade deficit with Russia reached USD 9.5 bn in 2001

Structure of EU trade with Russia, in %, 2002

■ EU exports: EUR 29.1 bn ■ EU imports: EUR 39.1 bn



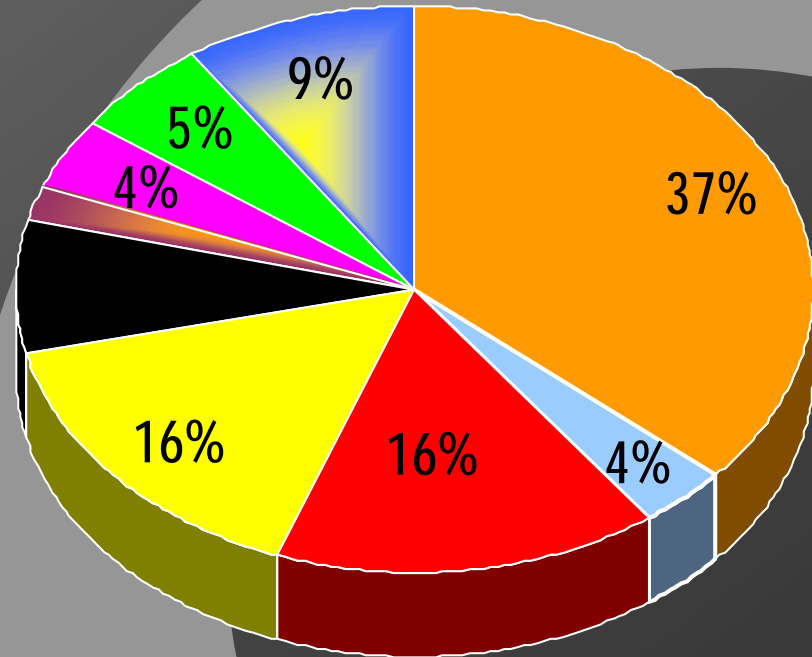
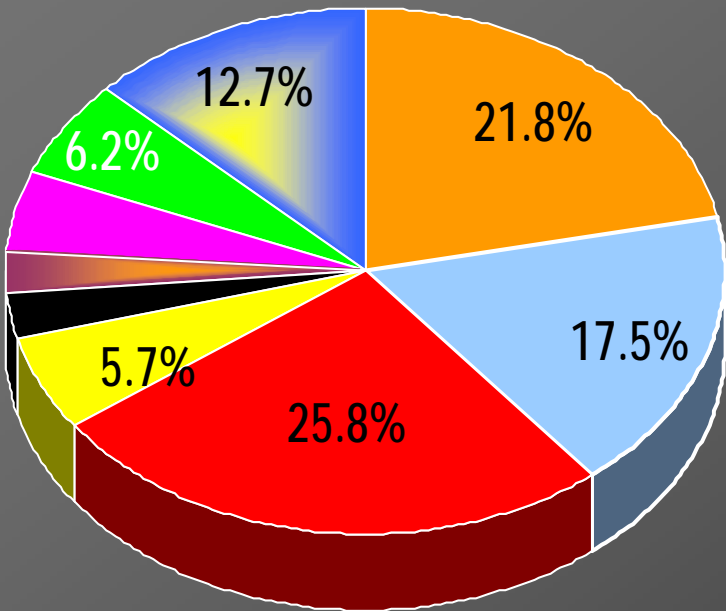
CEEC 10 and Russia: Foreign direct investment, year 2002

FDI stock
total - 143.3 USD bn

in % of total

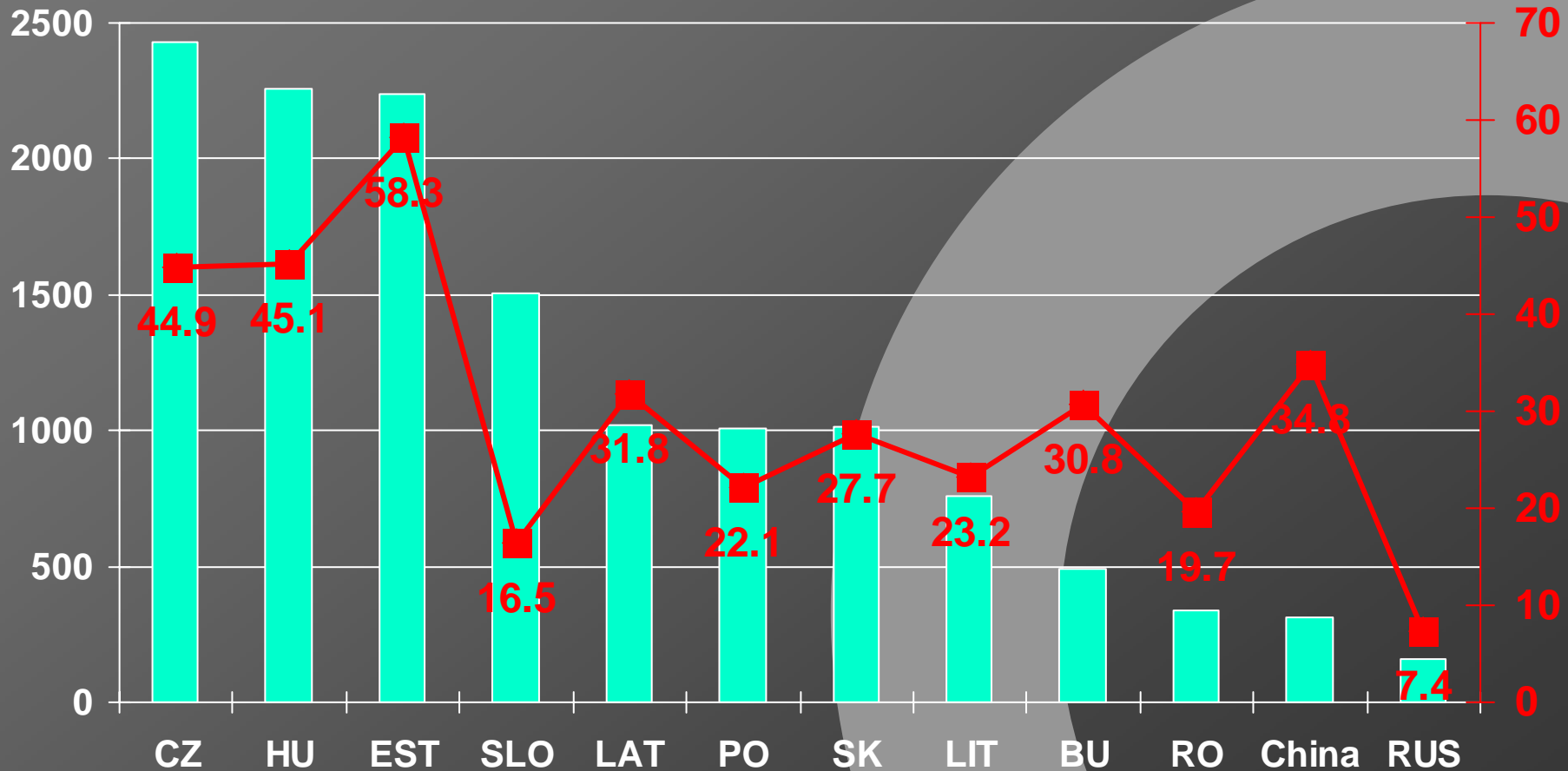
FDI inflow
total - 21.6 USD bn

- CZ
- HU
- PO
- SK
- SI
- BU
- RO
- BAL
- RUS

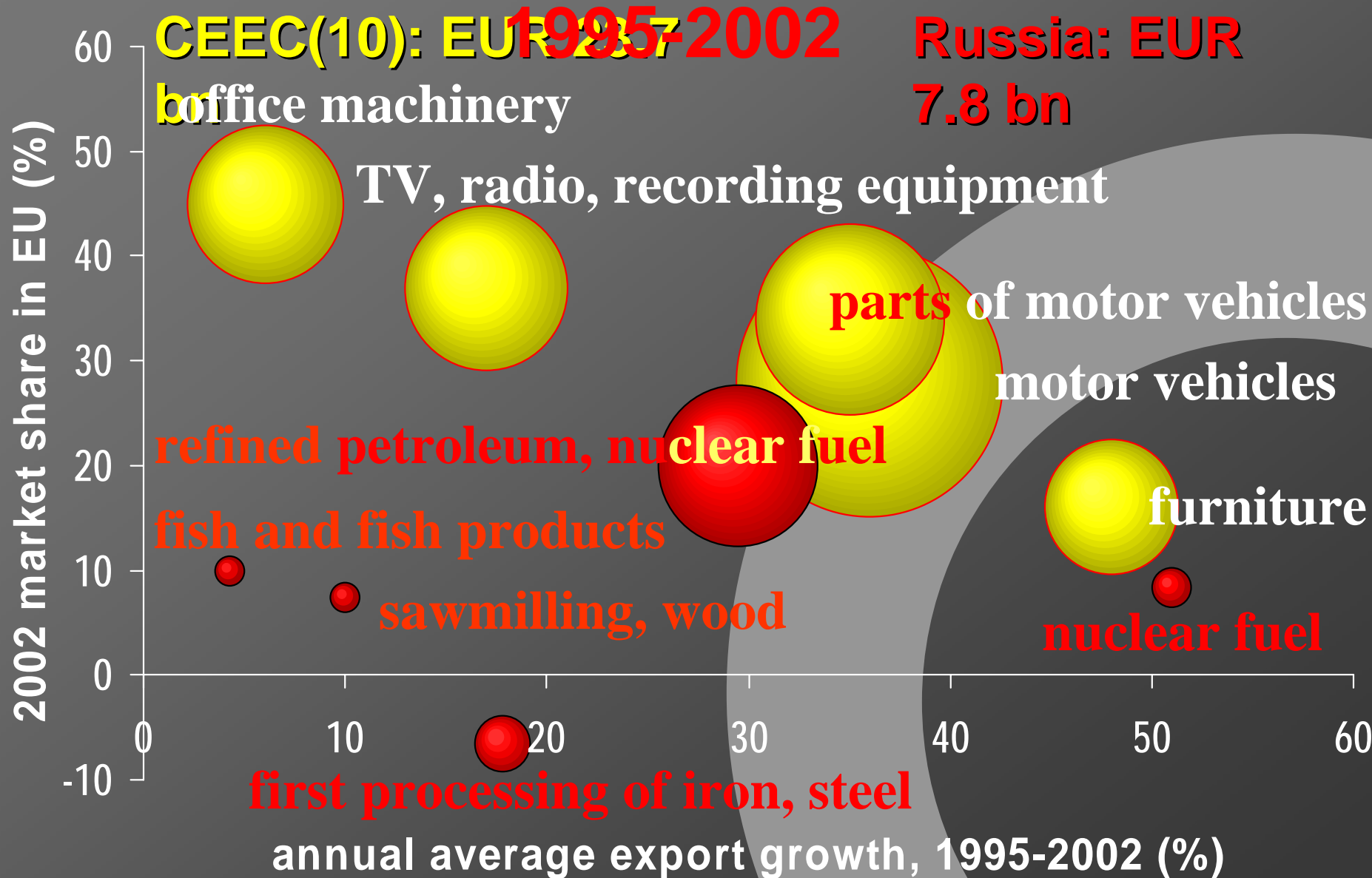


FDI stocks in Russia, CEECs and China, 2001

■ per capita (USD) ■ in % of GDP



Top 5 market share gains in the EU,



Impact of EU enlargement on Russia

- Russia is sceptical, though not explicitly opposed (as in the case of NATO enlargement)
- Russian fears regarding deteriorating trade conditions are largely unfounded
- EU external tariff (6.3%) is more favourable than CEECs', though some non-tariff barriers persist
- Schengen visa regime will create problems, Baltic borders not yet fully recognized
- EU policies towards Russia are more friendly than those in many CEECs (example of Russian minorities in the Baltics)

What does it all mean for EU-Russian relations?

- EU and Russia are very unequal economic partners
- Russia is just a supplier of energy and metals for Europe, its current market size is small
- But the EU is the main trading partner for Russia, and will absorb 50% of Russian exports after enlargement
- Russia has a huge trade surplus with both EU(15) and CEEC(10) - USD 31 bn (50% of the total surplus)
- EU is interested in democratic and prosperous Russia, but its economic interests are currently limited.

Towards a Common European Economic Space?

- EU concerns are unbalanced trade structure, dependency on energy imports and market access restrictions in Russia
- After “market economy status”, Russia wants more (an upgrading of institutional relations)
- EU offers “Wider Europe Neighbourhood” program

Practical steps on the road

- EU: PCA deepening, energy dialogue, Northern Dimension Action Plan and the Kaliningrad region
- Russia: WTO accession and sustained reform efforts