Transatlantic Free Trade and Investment Partnership: Benefits and Effects for EEU

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Abstract. Today Global economy is a very complicated multilevel system of interaction of the national economics, transnational corporations, international integration unions and associations. Negotiations on formation of Transatlantic Trade and Investment Partnership are the most ambitious project in the sphere of development of treaty format of the regional economic cooperation.

This paper considers the problems and prospects of cooperation between Eurasian Economic Union and EU’s countries, and the effects of this process on the development of the transatlantic economic relations between the USA and European Union. The study focuses on the causes facilitating the idea of Transatlantic Trade and Investment Partnership (TTIP). Considering the TTIP treaty we can distinguish different approaches and assessments of the planning treaty and its effect on the global trade system development.

This study sought to examine the possible prospects of nations’s partnership formation in the TTIP frames, its influence on economic and political interests of EEU states, and namely of Russia. The scale of consequences of the possible TTIP treaty conclusion for the interests of the EEU countries will be mainly determined by three groups of factors: by correspondence of the effects and reorientation of trade between The USA and EU after the TTIP treaty conclusion, and its influence on the economic growth in country members and the international trade level of Russia and corresponding countries.

1. Introduction
Geopolitical and financial crises of the last years, the emerging imbalances in energy, demographic and other spheres have become evident examples of ongoing changes in the global economy. Under existing modern conditions the old model of the world economy development exhausted and a new one setting new demands for the countries is shaping. Those countries capable to adjust to the changes and find their place in the global cooperation system will get the most profitable position.

2. Problem statement
The necessity of the countries to be involved into integration processes is obvious. The experience of integration demonstrated by the European Union, under which the concept of EEU was formed, is very significant. Even before the EEU treaty came into force mane experts suggested conflicting views whether the EU-EEU’s dialogue has future, and this topic still is a matter of discussion today.
3. Research questions

It is a well recognized fact though paradoxical it may sound, the West is rather negative about using their political practice by other countries. Such “double standards” policy may be noticed in EU relations towards Eurasian integration. In spite of the fact that the last in general follows the European model experience. Thus, European Commission edition, covering the main aspects of EEU activity, points out that for member nations the macroeconomic policy trends will be adopted every year according to the existing practice of the European Union. In case the macroeconomic indices fail to meet recommendation in one of the countries, the measures to settle the situation will be applied for Eurasian Economic Union in the same manner as Stability and EU Economic Growth Pact prescribes.¹ One may observe a resemblance of the institutional structure, thus the main supranational body in EEU and EU is the Supreme Economic Council comprising of the heads of the states. The Council is held at least once a year and its decisions are binding for all member nations. As a regular operating body Eurasian Economic Commission (Prototype of the EU Court) is established in Eurasian Economic Union.

Nevertheless, the EU is rather skeptical on the very idea of the integration interaction within the CIS (Commonwealth of Independent States). The western specialists took into consideration the unsuccessful experience of consolidation after the USSR collapse and numerous efforts of Russia, Kazakhstan, Belarus to create the efficient union, clashes of political elite, and contradictions on the post-soviet territory where every state is particularly anxious about its sovereignty. The integration within CIS seems rather instable compared to the ongoing development of the European Union pushed by the Rome treaty of the 1957 year.

Moreover, according to the western specialists EU was formed due to the efforts of economically, demographically, territorially and other aspects equal countries. Russia seems to be the center of attraction for EEU countries that obviously sparks the internal imbalances. It is aggravated by a rooted stereotype that Eurasian integration is a “Russian project”, an attempt to restore a replica of the USSR, to increase the Russian influence in this region. It may be noted that a lot of facts concerning the common economic past and close trade, investment, and cultural relations of the former USSR republics, and Kazakhstan initiative of the EEU concept are not regarded by the West.²

Furthermore, The European Union pursues the approach where the partnership relations are supported in a bilateral manner with separate countries of the treaty, but not with the whole union. In 2007 the EU and ASEAN’s countries started negotiations on free trade zone creation, where the parties of the agreement should be The Union and Association rather than particular states. But after the Myanmar events that brought about EU sanctions, FTZ initiative was postponed and EU started the similar dialogue with Thailand, Vietnam, Singapore independently from ASEAN. An attempt of EU’s Partnership Council of Arabian states of Persian gulf to cooperate also failed, when in 2000 Europe proposed to conclude a trade agreement only with some states of the Council. Only Mercosur (Southern Common Market) became an exception, and the European Union signed Interregional frame agreement on cooperation with it.³

Complicated relations of EU and Russia as a result of “Ukrainian crisis”, the policy of Western sanctions made EEU – EU’s cooperation impossible. However taking into account the fact that geopolitical tension may be eliminated in the future and preserving a number of objective facts, including the mutual economic interests the question is yet to be discussed.

The necessity of consolidation remained one of the vital topics of the political rhetoric of both parties. In 1940 the founder of German school of geopolitics Karl Khasuhover suggested the idea of

“Continental block”, and Charles de Gaulle was first to propose the concept “Europe from Atlantic to Ural” keeping in mind the strengthening of diplomatic relations between France, German Democratic Republic, Council of Economic Mutual Aid and Soviet Union.

In the early 1980s leader of the USSR M. Gorbachev was first to initiate gradual convergence of the capitalist and socialist systems and constructing "a Common European Home”. D. Medvedev in 2008 proposed the idea to sign a collective security agreement in Euro-Atlantic region “from Vancouver to Vladivostok”, which was not supported by the “partners”. Eventually Russian, Kazakhstan and Belarus leaders suggested the concept of “integration of integrations” (2011), in the frames of which the formation of a single market “from Atlantic to Pacific Ocean” was considered. But so far neither of the initiatives was implemented. Unwillingness to establish full cooperation with the post-Soviet block countries was a key element of the European Union policy. The interaction format is a bilateral treaties and agreements, which are mainly declarative and according to which the eastern neighbors of the EU have to follow its norms and regulations in domestic and foreign policy. The transformation of Europe and CIS relationship system may be traced in the course of Russian-European dialogue development always setting the development vector.

Starting with 1994 the dialogue between Russia and European Union was based on Partnership and Cooperation Treaty, the general provisions of which presupposed that Russia weakened from crisis and instable situation had to follow advice and guidelines from a “big European brother”. Good neighborly relations became weak when Russia restored its economy and strengthened its geopolitical role in the world. The European Union enlarged mainly because of Eastern Europe and Baltic countries entering the EU and in this way became very close to the ex-Soviet republics’ borders. Growth of anti-Russian sentiments inside the European Union and its aspiration to weaken the role of Russia in CIS caused Russian side to reject the “New neighborhood” program. Russia began to shape its own integration initiatives. “Eastern Partnership” program emerged in 2008 aimed at increasing influence of Europe in Azerbaijan, Armenia, Georgia, Moldova, Belarus and Ukraine became a crucial moment in Russia–European Union relations. Then the “Ukrainian crises” and its sanction consequences came that entirely destroyed humble achievements in Russia- EU relations and EEU-EU format failed to emerge. Without any alternatives the European Union continued bilateral interaction with separate Eurasian member states.

Considering the Belarus- EU’s relations it should be noted that they have been critical for a long time. Actually Belarus has been isolated from the European cooperation programs due to several restricting measures in respect to both particular spheres of activity and visa bans for the key officials of Belarus. Only since 2013 diplomatic and economic ties of two parties began to improve as the European Union interest to increase its impact in CIS was growing. Belarus gets about 71.6 million euro for developing different spheres of economy in the frames of European Neighboring and Partnership program. According to data of Belarus Customs bodies commodity turnover with the European Union is 22,2% of the total volume (EEU-52,5%) that allows to consider European Union as a key trade partner. Belarus seeks to demonstrate neutrality policy and act as negotiation ground for Russia and Europe. The relations with Europe are still regulated by Partnership and Cooperation Agreement that doesn’t meet the requirements of the current moment.

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Similar agreement was signed between Kazakhstan and European Union. In spite of the fact that N. Nazarbaev initiated the formation of EEU, Kazakhstan, as well as Belarus seeks to maintain partnership relations with EU. According to Kazakhstan State Revenue Committee its share of turnover with EU was 50% last year in contrast with the total (24.1 billion dollars) and 52.3% of the entire volume of all attracted investments to the country economy. Extended partnership agreement came into force partially in 2016, embracing 29 various activities. The experts believe it may stimulate further trade-investment cooperation.9

The Armenia and European interaction has been built on the basis of a ratified Partnership and Cooperation Agreement of 1999. Then it was based on the joining the “Eastern Partnership” program with a prospect to sign the treaty on association between Armenia and European Union. However as it was mentioned before the diplomatic course of the country concerning a number of political and economic circumstances was reviewed for the sake of Eurasian integration. Nevertheless Armenia is still the point of junction of EEU and EU interests. Thus, when Armenia entered the Eurasian Economic Union, the European Union provided 78 million euro to this country. The project of new Partnership and Cooperation Agreement designed to promote the relations of two sides is developing.10

The partnership relations between Kyrgyzstan and EU is remarkable by their extreme points: convergence and distancing depended entirely on the personality of the current leader of the republic. Official relations as in previous cases are regulated by Partnership and Cooperation Agreement signed in 1995. Since the time Kyrgyzia has become a regular recipient of financial aid from the EU (TACIS,TRACECA) to implement reforms in various spheres of the state’s life and to strengthen democracy. It is worth to note that Kyrgyzstan is a participant of the EU’s indicative program the frames of which allow to get the financial aid in the amount of 184 million euro. As all the rest EEU partners Kyrgyzstan maintains multi-facet policy and officially supports restoring EU and Russia relationships.11

Summarizing above mentioned it may be noted that bilateral European Union and EEU states’ relations are based on agreements signed in the middle 90s of the last century, many of them are exhausted and do not consider peculiarities of ties development between countries. All this prevents to regard EU and enumerated countries as equal partners, as far as financial aid is also accompanied by “ideological” recommendations.

One more complicating factor for EEU-EU cooperation is participation of the European Union in a regional trade agreement with USA known as Transatlantic Trade and Investment Partnership (TTIP). Transatlantic trade and investment partnership seems to be the most powerful and influential regional agreements among the existing ones. Being substantially an American megaproject, TTIP designed to resolve both economic issues and through the open markets to foster trade cooperation with the EU, and geopolitical issues related to curbing BRICS and strengthening NATO.

The United States of America and European Union as key actors of the world economy could not only minimize transaction costs through frame trade agreement and thus complete harmonization of requirements and norms in various branches of economic activity, but to enhance the economy of scales effect. Especially if to take into account the fact that access conditions to the NAFTA countries’ markets for the EU are getting better, while the USA should meet necessary requirements to get to EACT markets. The potential of the USA and EU common market is so considerable that trade

partners are likely would attempt to reach uniform regulation norms falling under the TTIP impact and... making market access easier for their companies.\textsuperscript{12}

TTIP agenda includes 26 main items, among of them are trade regulation approach harmonization, energy and raw material market issues, state procurements, small and middle-size business issues, e-commerce, service commerce, investment policy issues. Besides, the USA and EU being fully aware the challenges may face in the future, put the blocs concerning innovative activity, including nanotechnology, IT, cybersecurity and other issues in the agenda. Euro commission pointed out such non-typical for regional agreements themes for discussion as search of joint solution of environmental issues and cooperation in the sphere of labor regulation and protection of employees’ rights. This feature reflects a new EU trade concept “Trade for all”, based on the responsibility of the countries while implementing trade policy in the interests of the community. The formation of TTIP is a long lasting process which inevitably would be a difficult one as far as its members are the world centers of power with its own national interests. It is worth mentioning that there are norms to meet the requirements for food products (more strict for the European Union), the state procurement market access should be maintained in the contrast of the law “Buy American goods”. The investors should have the access to previously closed or protected spheres of economy.\textsuperscript{13}

In the long run when TTIP starts fully functioning, its influence on the world trade and third countries will be substantial. It will be ideological influence promoting mainly American democratic values and approaches to the market economy. In the light of these events the assessment of such influence is of great importance.

According to the Economic Research Institute report the emerging of TTIP will have a favorable impact on the Eurasian Economic Union’s economy as far as it is still regarded as resource-providing union first of all, the companies of which can join the common projects at the beginning of the value added cost chain. But even this doesn’t seem reliable. It should be taken into account that the European Union seeks to diversify energy supply, and in this case cooperation with the USA has a great potential. The European Commissioner on trade Karel de Gucht characterized this cooperation as geo-strategic. Besides, the open access of the European market for the American goods and for the partners who synchronize their trade policy with TTIP will undermine the competitiveness of the EEU products. The Ifo-institute assessed that after implementation of EU and USA Agreement Russian export to EU states may reduce up to 7.75%, export from Belarus may drop by 14,34% (according to data of 2010 year)\textsuperscript{14}. The rise of the amount of American products at the EU market will have the negative effect on the Russian export of grain, metal, chemical and petrochemical and other products. The American export of the last is restricted by high ad valorem taxes and non-tariff measures. Elimination of them will drastically increase the competition between Russian and American suppliers that may be seen at the table 01.\textsuperscript{15}

It should be also noted that many European specialists share the opinion that TTIP won’t bring equal benefits to all member countries. According current assessments of the research institutes infraregional EU trade will not rise, but will demonstrate slowdown caused by competing American goods on the internal market. The corresponding forecasts are in the Table 02.\textsuperscript{16}

\textsuperscript{16}Assessing the Claimed Benefits of the Transatlantic Trade and Investment Partnership [electronic resource]// Austrian Foundation for Development Research.
Table 1. The list of some key Russian export goods to EU which are under the risk (2015).

<table>
<thead>
<tr>
<th>FEA CN Code</th>
<th>Name of the product</th>
<th>Import from Russia, mln dollars</th>
<th>Import from USA, mln dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>4002</td>
<td>Synthetic rubber</td>
<td>1067,1</td>
<td>824,7</td>
</tr>
<tr>
<td>2901</td>
<td>Hydrocarbons</td>
<td>1300,4</td>
<td>218,8</td>
</tr>
<tr>
<td>4403</td>
<td>Timber</td>
<td>679,5</td>
<td>340,9</td>
</tr>
<tr>
<td>8401</td>
<td>Nuclear reactors</td>
<td>629,5</td>
<td>138,9</td>
</tr>
</tbody>
</table>

Table 2. Expected indicators of EU development in the frames of TTIP.

<table>
<thead>
<tr>
<th>Changes of the baseline scenario</th>
<th>Economic Policy Research Center, London</th>
<th>2027 year</th>
<th>2025 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU export to the third countries</td>
<td>%</td>
<td>Billion euro</td>
<td>%</td>
</tr>
<tr>
<td>Intraregional trade</td>
<td>-1,6</td>
<td>-72</td>
<td>-2,2</td>
</tr>
</tbody>
</table>

The table shows that a slowdown of trade within the European Union will result in increase of export supplies to the third countries, including EEU market. Here insufficient tariff and non-tariff protection may create unfavorable trade conditions for the domestic manufacturers. The export flow may increase to Middle East, Northern Africa that will reduce the competitiveness of the EEU exporters.

The crucial issue for EEU is possible arrangements within the TTIP frames concerning trans-boundary investments and their regulation. The prevalence of the American “effective investment protection” approach will provide more freedom for Transnational companies and will promote the emerging of new international regulation norms in the investment sphere.17

Dynamic creation of TTIP prevents a potential dialogue between Eurasian Economic Union and European Union which could be an alternative helping to reduce USA pressure. EEU- EU cooperation is a megaproject that could deepen integration and promote formation of free trade zones and significantly change a balance of forces in the global economy. This megaproject would inspire mutual trade of the member states and provide quick and balanced decision of political issues. The EU support of Euro-Atlantic integration meant the reject of “Big Europe” project and determined the shift of EEU towards Asia and support of Silk Road Economic Belt (SREB). Silk Road Economic Belt and “Big Eurasia” are actually opposed to the American TTIP, confirming multi-polar world order. Moreover except geopolitical aspect SREB possesses important economic aspect, namely – to make Chinese goods’ export easier to get to the EU market. Taking into account this fact the distancing of the EU seems to be rather premature.

“Ukrainian crisis” and the policy of sanctions undermined the EU-Russian relations, influencing the EU-EEU relations format. Considering these problems and deepening distrust between Europe and Russia the EEU leaders would hardly imaging the fulfillment of “integration of integrations” project. With some objective reasons common for post-Soviet space countries and European Union, the last choosing between two megaprojects – Silk Road Economic Belt and TTIP, constantly increases Euro-Atlantic partnership ties. The EEU-EU dialogue potential will decrease with strengthening integration to the EEU and participation in implementing Silk Road Economic Belt project.

http://www.oefse.at/fileadmin/content/Downloads/Publikateoenen/Policynote/PN10_ASSESS_TTIP.pdf (last visited 18.11.2017).

Nevertheless not only the interaction with other integration projects is a crucial factor for a dynamic Eurasian Economic Union. At the moment there are a lot of internal problems the solution of which predetermines the Eurasian integration future.

It’s worth noting that the importance of the external borders of EEU activity that intensifies the necessity to define the perspective directions of partnership of Eurasian Economic Union and Silk Road Economic Belt. The initiatives contingency may become unprecedented event in the history, shaping the strongest influence pole in the world competing TTIP megaproject and will become a new impetus for member-states economic development.

The simplification of Customs procedures is another point of interest for SREB and EEU not mentioning the issues of transit development and building a powerful transport infrastructure. Obviously free trade zones and other measures to eliminate Customs’ barriers won’t help today, but tariff unification for transportation and creation of transport-logistic service single market will be helpful.

The most significant project related to SREB is developing a single energy market of the Eurasian Economic Union. Every EEU member-state possesses unique competitive advantages. The rational usage of these advantages may facilitate optimization of the energy policy both at the Union level and national level. With China’s great interests in EEU resources the main trends of energy policy of this state are: coal conversion technologies, petro-chemistry, nuclear energy, network economy with direct current lines technology. Russian involvement in such projects is of great importance for area economic development of Siberia, Far East, Arctic and for increasing electro energy and chemical industry products export.

The perspectives of EEU and SREB cooperation are evident in respect to implementation of environment and water resources projects which may be regarded as basis for cooperation in scientific and technical sphere.

Eventually, global geopolitical situation also matters. Both SREB and EEU are the respond to the challenges of the "western bloc", that, in its turn imposes commitment for their member states, Russia including, to enhance their economy diversification program and to rise its competitiveness.

4. Purpose of the study
The objective of the study is to reveal the potential of the Transatlantic Trade and Investment Partnership and to forecast the possible effects under positive and negative development of the events.

5. Research methods
The methodological and theoretical basis of the research are the principles of dialectical logic, system approach, statistic analysis method, analytical clustering, comparison of dynamic rows, econometrics methods, graphical methods, abstract-logical assessment method, typology method, grouping and generalization, induction and deduction methods and expert assessments.

Such general scientific methods as analysis, synthesis, generalization, prediction were the central in the research. Content-analysis and event-analysis were also applied.

Modeling method demonstrated its efficiency while examining the ways of overcoming imbalance, stemmed from the key indices of the states’ economies forming the Eurasian Economic Union. The scales of the Russian economy prevents to build trustful and equal pattern of mutual relations, as far as all the rest EEU member-states fear the excessive pressure from Russia. There are significant differences in the economy structure of the mentioned countries. Though Russia, Belarus, Kazakhstan as the core of EEU have many common priority spheres, Belarus is specialized in final products manufacturing, Kazakhstan and Russia are focused on raw material export. This is the obstacle for the whole EEU for maintaining a single energy market. The content –analysis helped to examine mutual trade volume dynamics and assortment of foreign trade of member states. The analysis showed that EEU countries don’t exchange their know-how, technologies, innovations. Products with high level of processing do not enter this market. Comparative and historic method was of great importance while revealing the main trends in the Transatlantic economic relationship.
evolution. The problems of the Russian economy resulted from geopolitical clashes and oil prices drop disrupt business optimism. The matter is the reallocation incentive as the main integration motive, that attracts new members for cooperation promising them a part of resources. In the EEU case the redistribution is determined by energy export taxes. The Eurasian Economic Union countries trade with each other without taxes. Selling oil, gas and oil products at the lower prices than in the world excluding the amount of duties, the exporting country transfers this amount for the benefit of their partners. In the absence of the oil trade between Armenia, Kazakhstan, and Belarus the EEU makes transfers to the rest of the other members of the union but not to Russia. The fall of the world oil prices reduces the reallocation of resources within the Eurasian Economic Union. That creates the risks of losing attractiveness of the integrated union. Reaching short-time effects from cheap Russian raw material access only delays the problems of the EEU’s national economics, not fostering them to implement economic reforms, and thus, restraining the competitiveness growth. Analysis and synthesis method allowed to draw a conclusion about primitive character of the economic structures manifested in deterioration of the fixed assets, obsolescence of the technical base of economy, decreasing share of R&D financing in the budget expenditure, the outflow of scientific personnel. The conclusion was based on the assumption that deindustrialization of economics in EEU countries can be overcome only due to the joint efforts implementing a relevant policy. Abstract and logic assessment method applied for examining the most problematic aspects and activity of the EEU allowed to elaborate the measures complex which in the future will help the Union to use its potential in the best way.

6. Findings
Considering the economic aspect of North-Atlantic space it is important to note that the United States of America and European Union are the most powerful actors of the world trade system that influence significantly the development of modern international relations. Thus considering the issue on creation of the Transatlantic Trade and Investment Partnership (TTIP), that seems to become a powerful economic union, is of a paramount interest. We may state that the integration processes in Eurasian and European regions influence not only member countries and their population but the common trends of the world economy development and international relations, and also political and economic situation in the third countries and peoples’ life in other regions. The importance of these regional integration projects relations is obvious.

The main objective of the Eurasian integration is a shift of member-countries to the innovative type of economy. Therefore, the scientific – technical cooperation capable to increase the competitiveness growth of the economics is a priority tendency. Based on these statements the Eurasian Economic Union countries may be recommended: to prepare the target programs of innovation development and determine the order of their financing; to use financial and institutional mechanisms of support of scientific research in the sphere of innovation; to improve the methods of innovation business conducting, guarantee intellectual property protection of small and middle-size enterprises; to boost the adoption of the single technical standards; to create trans-border innovation chains. All these steps should be done at the bilateral and multilateral basis. It will help to realize the additional innovation principle, when innovations used in one member state of the union, are supplemented and upgraded in the other member states countries.

For all EEU’s countries the main priority is the attraction of finance for the development of mechanical engineering, petrochemistry, information technologies creation and promotion of innovations for the purpose of the post-industrial economy transition. Taking this fact into consideration the counties are recommended to put emphasis to the branches capable to form common internal markets, mainly metalworking, vegetable raw materials, oil and gas branches, transport infrastructure. Financial sector is another advised and most prospective direction of cooperation. Coordinated financial market segments development of the EEU states is one of the activity directions in this sphere. Besides, the formation of the emission centers, EEU bank, a joint currency policy and possible introducing a single currency will be a new integration impetus.
But non of the EEU activity directions can be implemented with the current decision-making approach. Decisions made at the interstate level do not match the real economic activity of the countries’ subjects. All this allows to recommend EEU to boost corporation integration mechanisms promoting development of trade economic relations between the individual subjects of the countries’ economic complexes.

7. Conclusion
Eurasian Economic Union is really a unique project that meets the interests all member countries of the union. Cultural and economic links between the countries of EEU have been molding for centuries, therefore reintegration at the post-soviet space was only a matter of time. Years passed in search of an acceptable cooperation format and now when the integration has just started it is important to prevent fears of the past and destabilizing factors to ruin long time built system of relations and provide Eurasian Project functioning efficiency.

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