

TRADE AND ECONOMIC COOPERATION EFFECTS OF EURASIAN ECONOMIC UNION

Abstract

The goal of the project is to investigate international trade and economic cooperation effects the Eurasian Economic Union (EUEA) in the context of trade partnership between China and the European Union (EU). In this proposal, we argue that the project may yield significant insights and lay groundwork into the understanding of trade relations between the EU and China through the prism of the EUEA.

We build on the already existing studies and assume that members of the EUEA are producing and trading homogeneous goods. As a result, their trade patterns exhibit incomplete specialization in trade. We derive our gravity equation specification from the two competing frameworks: Heckscher-Ohlin-Samuelson and Chamberlin-Heckscher-Ohlin, and introduce factor endowments in the model specification such as arable land, physical and human capital. The advantage of such an approach is that both models can be nested within a single specification and can be discriminated by inspecting the computed parameter of the capital-labor sum variable sign to make inferences about the actual trade effects of the EUEA. Overall, based on our literature survey, this approach presents to be the most sensible and comprehensive when doing applied trade research on the EUEA member countries.

As a modeling technique, we use the Poisson PML (PPML), which is fitted to produce robust estimates to different patterns of heteroscedasticity in the data and features first-order conditions that admit zero-value bilateral trade values. Estimations will be done through a variety of statistical packages in STATA and RStudio.

The projected is expected to last 12 months. Key outcomes are publication of two research papers on topics of trade and economic integration in international journals with high impact factor. The first paper will be focused on the topic of trade effects of the EUEA on its members under the competing frameworks of the gravity model. The second paper will study the potential EUEA members in Central Asia: Uzbekistan and Tajikistan and their potential gains or losses from the accession in connection to the growing role of China as a trade player in Central Asia.

Keywords: Eurasian integration, international trade, gravity model of trade