

# SUSTRUS

## Results from a sustainability model for Russia

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## Sustainable Russia

Dimension	Advantages to sustainability	Threats to sustainability
Energy / Environment	Abundant natural resources	Low energy efficiency
Demographics / Social development	Highly educated labour force	Unfavorable demographic situation
Institutions / History	Improvements in institutional development	Inheritance of Soviet regime
Economic development / Social cohesion	High growth potential	Increasing income inequality
Economic development / International market	Diversification of economy	Export dependency

## “Modelling sustainability...”

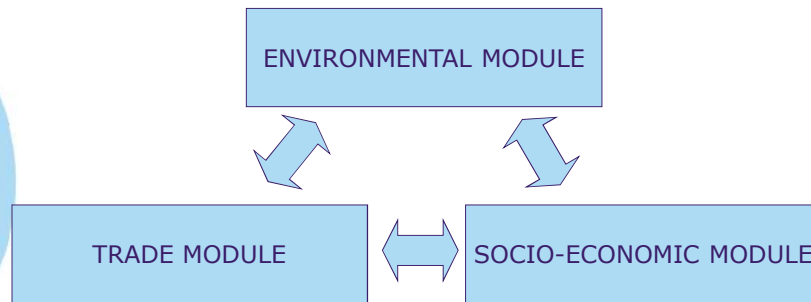
- ... to understand the mechanisms behind changes in policy
- ... to improve coherence in policy
- ... to compare alternatives
- ... as a ‘mindset’ to see how objectives are interrelated
- ... as an improvement to ‘gut feeling’

Not to replace reality as the ultimate policy laboratory!  
Not to claim the final and exact projections!

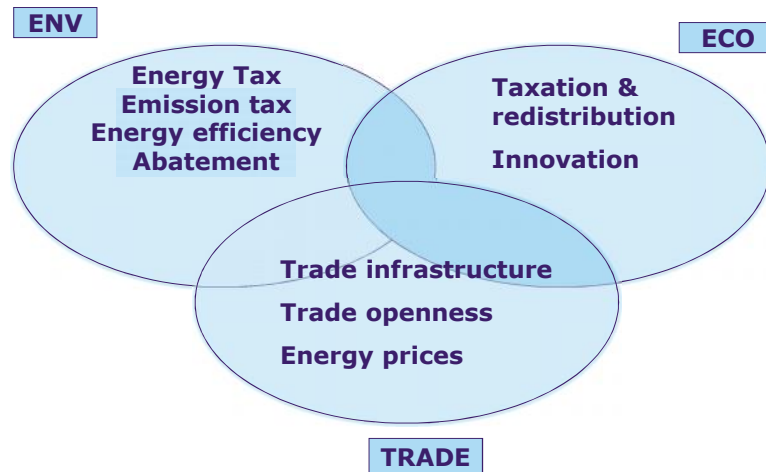
## “...the SUSTRUS way”

Dimension	Characteristics
Production sector	32 sectors based on NACE classification
Households	Low, middle and high incomes
Regions	Russian Federations (7 regions)
Foreign sector	Disaggregated results by country
Transport & trade sector	Interregional and international transport costs and margins
Market structure	Allows for both perfect competition and imperfect competition
Government	Federal versus regional government
Model structure	Based mainly on RAEM model and GEM-E-3
Dynamics	Static and dynamic version of the model

## Interrelated objectives



## Possible applications



## Application: WTO accession

Topic	International market
Policy relevance	WTO accession Russian Federation
Simulation	Introduction of tariff cuts on import tax Reform of FDI in service sector 2012 (short term) 2015 (long term)
Assumptions	Government reduces consumption to balance budget International closure via foreign savings adjustment Capital mobility between regions/sectors
Impacts	Reduction in real market prices Domestic investment and output adjustment Secondary effects on inequality

## Tariff reform?

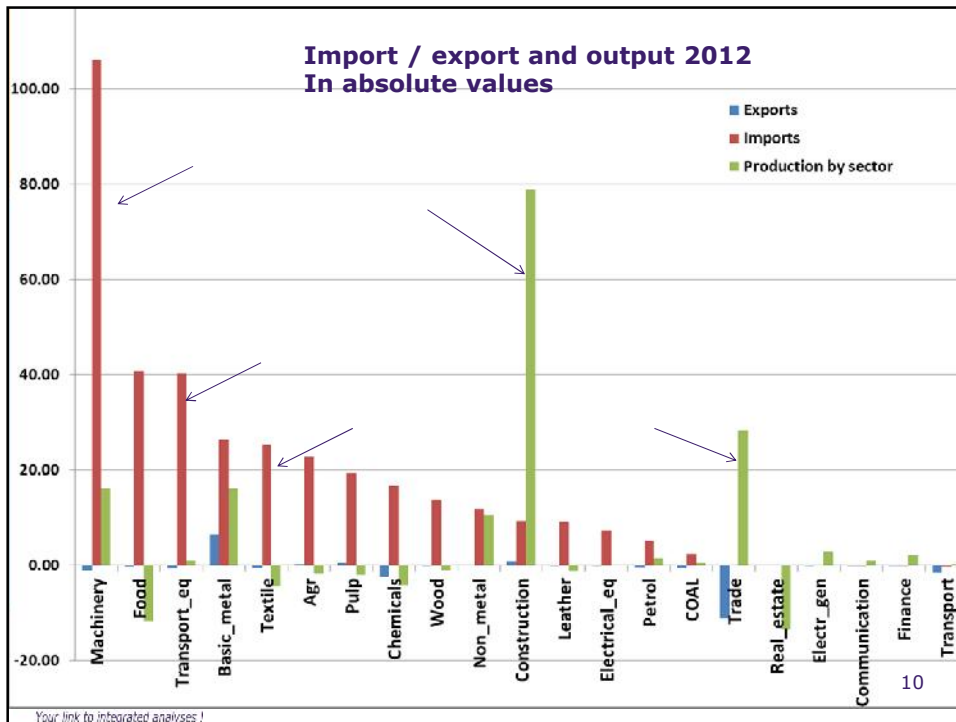
	Pre-WTO	WTO
Agriculture	13.2	10.8
Food products	15	12
Textiles and textile products	9.5	7.3
Leather and leather products	9.5	7.3
Wood and paper products	13.4	8
Petrol	5	5
Chemicals	6.5	5.2
Rubber and plastics	15	15
Non-metallic minerals	9.5	7.3
Basic metals	9.5	7.3
Machinery	8.4	6.2
Electrical and optical equipment	8.4	6.2
Transport equipment	15.5	12
Manufacturing n.e.c.	9.5	7.3

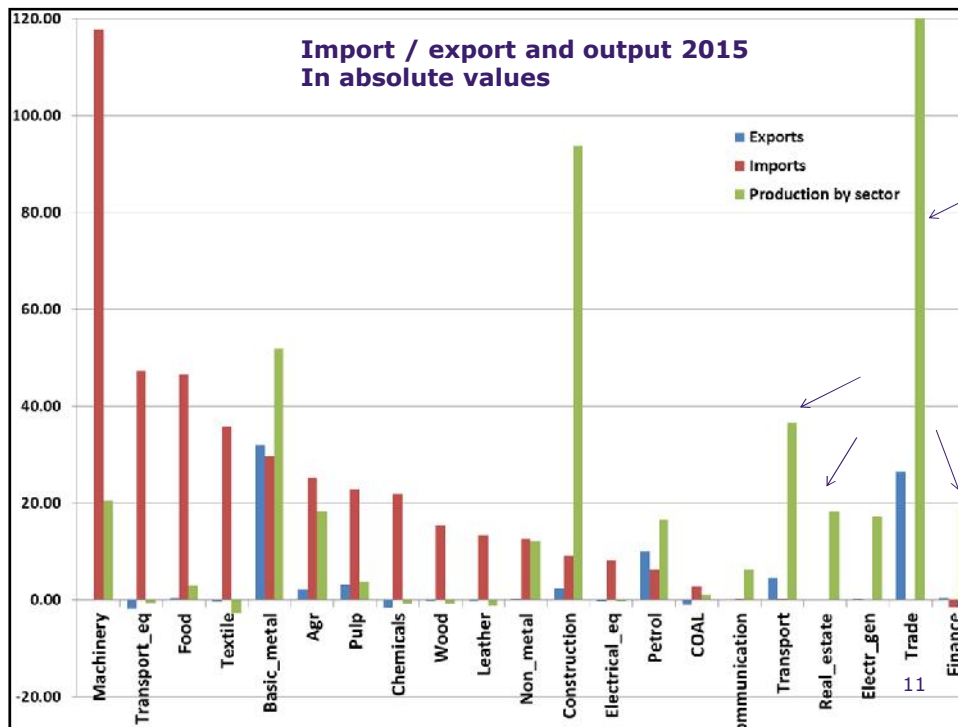
**+Service liberalization:  
-> 10% decrease  
in fixed cost for  
foreign  
establishment**

(ad valorem tax rates : source WTO 2011)

## Main effects

	Scenario	2012	2015
Welfare	Tariff reform	0.41%	0.96%
	Service reform	0.80%	1.38%
GDP	Tariff reform	-0.11%	0.75%
	Service reform	-0.12%	0.83%
Tax revenues	Tariff reform	-1.10%	-0.73%
	Service reform	-1.11%	-0.05%
Trade Balance	Tariff reform	-11.26%	-10.58%
	Service reform	-9.38%	-12.69%





## Inequality?

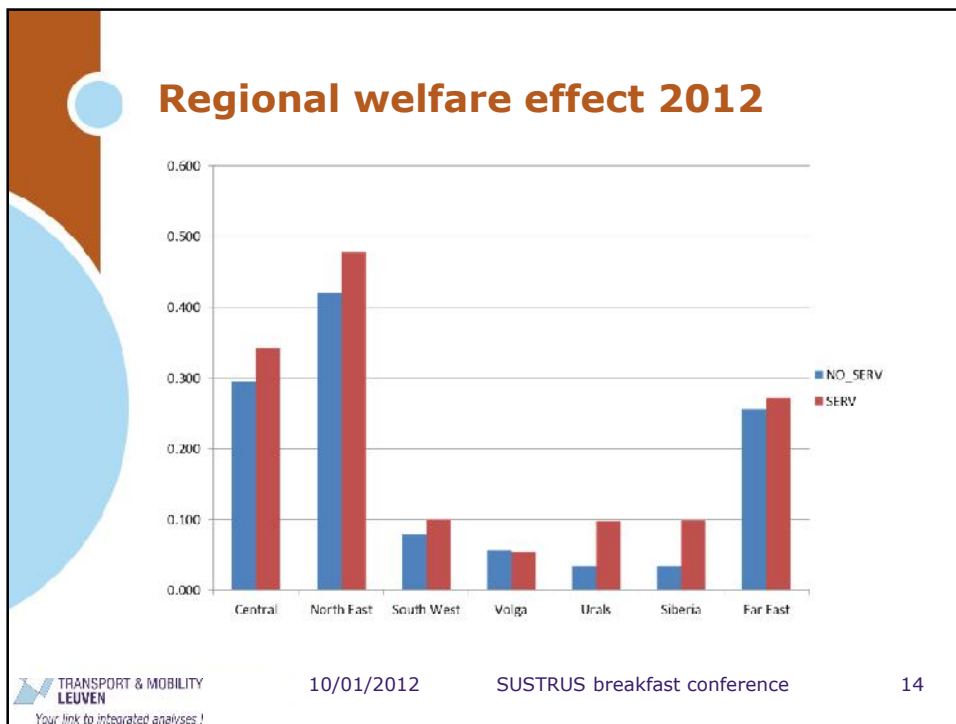
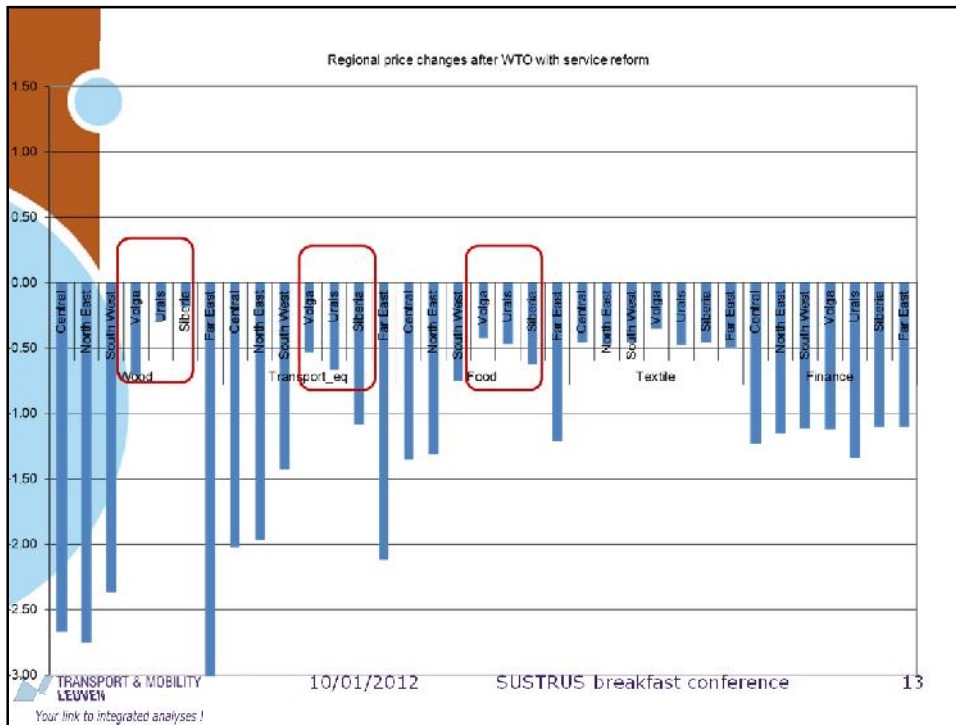
	2012		SERVICE REFORM	
			WITHOUT	WITH
Welfare			0.416%	0.809%
WelfareQL			0.480%	0.793%
WelfareQM			0.447%	0.808%
WelfareQH			0.389%	0.814%
	2015		SERVICE REFORM	
			WITHOUT	WITH
Welfare			0.960%	1.409%
WelfareQL			0.823%	1.171%
WelfareQM			0.941%	1.355%
WelfareQH			0.998%	1.484%
<b>Atkinson index</b>			<b>1.35%</b>	<b>1.73%</b>
<b>Gini indicator</b>			<b>0.13%</b>	<b>0.14%</b>

TRANSPORT & MOBILITY  
LEUVEN  
Your link to integrated analyses!

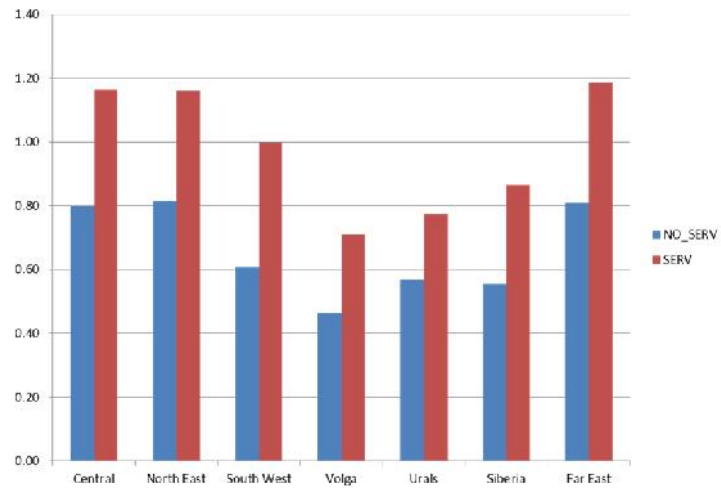
10/01/2012

SUSTRUS breakfast conference

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## Regional welfare effect 2015



**Thank you  
For your attention**