

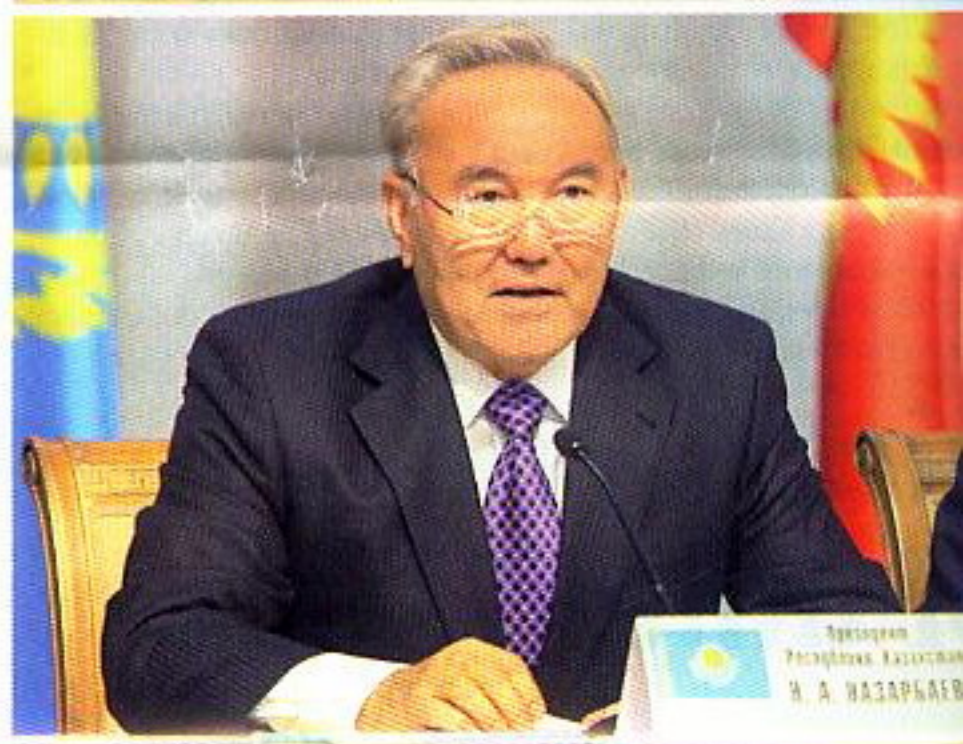
Novel integration strategy outlined for post-Soviet space

In Minsk, Belarus, Kazakhstan and Russia take important step to establish single economic space

By Alexey Kirillov

EurAsEC. The summit of this organisation also took place in Minsk. It was initially supposed that all five

Towards evening, global infor-



mation agencies synchronously reported on the establishment of the Customs Union by the presidents of Belarus, Kazakhstan and Russia. Minsk, Astana and Moscow were attentively following the decisions of the summit, held at the National Library. "From July 1st, we will enter a single customs territory," announced Alexander Lukashenko, after a two-hour exchange of opinions with his Kazakh and Russian colleagues behind closed doors. On January 1st, a single customs tariff will come into force for the three countries. Journalists were eager to finally report the news which is, with no exaggeration, of global significance.

From 2010, a new stage of integration within the post-Soviet space will begin, with the birth of the Customs Union of Belarus, Kazakhstan and Russia. "We should act quickly, without fuss," stressed the President of Belarus to his colleagues. "Our major final goal is the creation of a single economic space; the Customs Union is an important step towards this target." Belarus' partners in the Customs Union agreed.

The Customs Union is being established under the wing of the

heads of the member states would participate in discussion, as well as the President of Armenia (a country-observer). However, on arriving at the National Airport, Dmitry Medvedev proposed a change to the format of talks. The leaders of the states not participating in the Customs Union were asked to wait for their colleagues for some time...

Leaving aside all words regarding the significance of the Customs Union (although these would be appropriate here), let's look at its concrete prospects. By 2015, our three states' GDP should rise by an additional (and impressive) 15 percent, as a result of the abolishment of customs borders between our states. Our trade with the rest of the world will be on equal terms.

Clarification is needed here. Belarus already works under Customs Union conditions with its main economic partner — Russia. The border is transparent and our customs tariffs coincide in 95 percent of cases. It's important for Belarus that the presidents have agreed to move promptly to the next stage — a single economic space (SES). Once this is established, Belarusian, Kazakh and Russian enterprises will face equal conditions, being



able to transport their products under general tariffs and buy energy at equally agreed prices (as Mr. Lukashenko notes). Such a situation is not operational at present and is not stipulated by the Customs Union. The Belarusian President also noted, "Non-tariff regulation measures, phyto-sanitary, technical and other barriers remain in our Customs Union. In recent years, we've often witnessed their application; this has nothing in common with fair trade. As we've agreed, this

situation won't take place within the SES."

Exact details of how the SES will be built will be adopted at a summit in Almaty. This is a vital agreement, since Belarus and Russia already live within the Customs Union and are creating a single economic space yet, in a certain sense, are now farther from an SES than they were a decade ago. It's now necessary to highlight all the key points in the new agreement.

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Intrigue at the Minsk summit continued until the end. Naturally, it was clear that the Customs Union will be set up. However, its conditions are yet to be decided. Journalists were lost in conjecture, as the rare reports from the meeting hall seemed to throw up more questions than answers. "A number of issues — planned for the decision — are quite sensitive for Belarus and aren't positive in every aspect," the Belarusian President explained clearly. "However, we are assenting — reckoning on a balance of interests in the long run." Mr. Lukashenko explained this idea saying, "We hope that indications that some of our partners do not intend to adhere to compromise or flexibility in solving general problems are groundless... It would be worst of all if national egoism and momentary interest prevail over the essential interests of the Union."

"Our negotiations were substantial, though tricky,



Participants of EurAsEC Interstate Council during press conference

trade with third countries as they see fit. The EU has promised this to the *Eastern Partnership* members but is yet to apply this step.

"The Union does not prevent our countries from participating in other economic initiatives," noted Mr. Lukashenko at a final press conference. The World Trade Organisation is mentioned in

be fairly distributed between Union members.

The Customs Union presupposes the establishment of supranational organs. Since the three countries will be trading with other states under shared rules, regulations must be decided. Accordingly, a Union Commission will define a single customs tariff and its decisions will become

These spheres can be delicate, so only countries boasting absolute political trust can unite in this way. Mr. Lukashenko is convinced that a single economic space can be created quickly, if political will is present.

The European Union could act as an example for the general market, since it is already functioning,

attempts to create a single economic space for Belarus, Kazakhstan, Russia and Ukraine. Mr. Lukashenko believes that this union would better meet the interests of our country. Russia and Kazakhstan boast their own raw materials and their economic interests coincide. If Ukraine was a SES member, then our states would be natural allies

post-Soviet space — echoing those of Viskuli in 1991, when the USSR was dissolved. However, as the Russian President noted, these are in quite a different direction. Congratulating everyone on the establishment of the Customs Union, Mr. Lukashenko wished 'to quicker achieve concrete results which are understandable for people.'

but we've managed to achieve balanced, compromised agreements," stressed Mr. Lukashenko. Nobody hid the fact that the talks were complicated. Mr. Medvedev also said that, on the eve of the summit, deputy prime ministers 'argued themselves hoarse throughout the day'. According to the Russian President, 'fewer' (disputable issues?) remained for the heads of state, yet talk remained brisk.

The creation of a single economic space is the last rung on a tall ladder. The first rung is a free trade zone, where countries lift customs barriers but retain tariffs on

this respect; for many years, our states have been trying to join it. The President of Kyrgyzstan, Kurmanbek Bakiev, commented that his country is already a WTO member but Bishkek hopes to join the Customs Union in the future, once it is ready. According to Mr. Bakiev, the WTO does not prohibit this...

The Union aims to see goods produced in Belarus, Kazakhstan and Russia distributed within these three states without hindrance. Imports subject to duties will only be charged once — on crossing the border into the Union — and such fees will

Alexander Lukashenko:

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mandatory. The Russians will have a majority of votes but a number of 'sensitive' issues will require consensus decisions.

Classical textbooks on international relations read that a general market is the next integration stage, bringing free movement of goods and other production factors (such as services, capital, workforce and information).

Moreover, it is now shifting towards the highest stage of integration — an economic and currency union. Strictly speaking, it's now possible to talk about the formation of a single economic space.

Eurasia has been considering the idea of a SES for some time. There are several versions on who initiated integration within the post-Soviet space. There have been

since we share a similar economic structure.

Nevertheless, the scale of innovation is impressive. Nursultan Nazarbayev noted that a huge market would emerge from the Union since, together, the three countries generate 90bn barrels of oil, 12 percent of the planet's wheat and \$2 trillion of GDP. He believes we need to actively move towards a single economic space. The potential of the new Union would be enhanced by Kyrgyzstan and Tajikistan joining (they've clearly expressed their wish).

Belarus has again hosted significant decisions for the

He believes the media will play a huge role in explaining issues to the public, investors and businessmen.

Against the background of these global decisions, the EurAsEC Interstate Council was slightly overshadowed, although it also discussed key issues for Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan. It was agreed that, by the end of the year, the Anti-Crisis Fund will begin operations. At the press conference, President of Tajikistan Emomali Rahmon called the Minsk meeting 'an important step on the path of our integration'.