

## **RUSSIA AS THE DEFINING FACTOR OF THE UNITED ECONOMIC SPACE FORMATION WITHIN THE LIMITS OF THE CIS**

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**Keywords:** integration, cooperation, CIS, EU, UEP, capital, resources, market, policy, structure.

The Soviet Union has broken up, but a considerable part of the economic relations between the former union republics, nowadays the independent states, remained, and continue to exist and develop, though from existing communications it was possible to consider that not all of them are rational according to the market criteria. However it is not obviously possible to solve existing economic problems alone for the CIS countries, firstly, owing to the sharpness of problems, including the backwardness of manufacture, and on the other hand, the Western countries are not keen on accepting the postsocialist states in their integration organizations, therefore the choice is insignificant. At the same time for the integration cooperation within the limits of the CIS there are favorable possibilities and prospects: still remaining single social and cultural space, a similar industrial-technological basis with intact technical standards and norms, the single scientific and technical base, etc. The Commonwealth of the Independent States is a heterogeneous organization whose structure includes a number of subregional groupings. The most developed states of Commonwealth (Russia, the Ukraine, Belarus and Kazakhstan) made an attempt to create the united economic space (UEP), not crowned by success yet. Now one more attempt of the UEP creation in more narrowed format with its gradual expansion in the future is being undertaken. In the course of UEP formation the consolidating role of Russia is great.

The formation of the CIS united market, free from the customs duties and any restrictions on movement of goods, services, capitals and labour is one of the main conditions of development of CIS countries' national economies. Without any doubt, the competition of the national capitals of these states whose interests can not coincide in this case, will become aggravated. And thereupon there is a timely question why it is necessary to create the united market space within the limits of the CIS? Aren't the customs union for Moldova with Romania, for Ukraine with the EU countries, for Azerbaijan with Turkey, and for Armenia with Iran more effective? Why is it necessary to form the free economic space within the limits of the CIS?

Very often the necessity of the integration deepening of the CIS member countries is proved by the fact that the economy of the Soviet Union was a single economic complex in which industrial complexes of separate republics mutually supplemented by each other and could not exist independently. Therefore the reconstruction of this complex on a market basis within the limits of the CIS could become the important element for the progressive development of the states within the Commonwealth in the new historical conditions. Besides the for-

mation of the economic complex of the USSR as a whole resulted in creation of a considerable number of large monopolists focused on satisfaction of the general economic requirements and keeping this appointment until now in the union republics.

However it is necessary to keep in mind that, firstly, not all economic relations in the USSR were rational, and from this point of view, for example, for Turkmenia closer economic relations with Iran, and for Azerbaijan – with Turkey are, probably, more effective, than with Belarus. Secondly, the normal functioning of the united economic complex in scales of such a country as the Soviet Union, assumed the system of the rigid centralised management and the administrative control which is impossible in the market conditions. Thirdly, the aspiration to the creation of the independent states objectively leads to the formation of the independent national economic complexes, to the creation of missing parts even if it is not always economically effective.

When trying to reason the closer relations between the countries of the Commonwealth some people base it on the long coexistence of the different peoples within the limits of the united state. It is important that now 64 % of the population of the CIS countries actively know

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Russian or consider its native, and 28 more % know language passively<sup>1</sup>. Besides, purely human and family connections which were established for a long time on the whole space, called the Post-Soviet territory, operate now in the direction of the association.

Our time is an epoch of high technologies which still have not become the defining factor of the modern development of the CIS countries; the quality of technics and technology in the CIS countries is lower than in the West. There are objective reasons for that: the backlog cannot be overcome in short period of time, at least because of the capital accumulation low level. But, as they say, every cloud has a silver lining: the CIS countries still remain dependent on each other, and this dependence carries (it would be desirable to underline once again it) not an alternative character. It is hardly reasonable that the creation of the economic union of beggars will not result in success; disclosing and transnationalization of our economies, a support on cooperation with the developed countries is required<sup>2</sup>.

Certainly, the cooperation with these countries is necessary, but the potential competitors are not necessary for the developed countries. Nobody there with ours let even say the high-quality goods does not wait for us. Moreover, the purposeful policy of G-7 countries and transnational corporations to conscious decomposition of the post-Soviet territory is in process. In the policy of the Western countries in relation to the Commonwealth states the aspiration to transform them into the stable market for goods and capitals and a large source of fuel and energy resources is distinctly traced, without making an effort to form the rallied integration association which could become one of the greatest centres of the economic and political force in the world.

As the previous experience shows, for the CIS countries, and especially for Russia, it is necessary to hope, basically, on its own forces and try to expand the home market of manufacturing industry production. Thus, the definition of the common relation of the Commonwealth states to the foreign economic relations with the third countries, the development of the general basic principles of the economic mutual relations with them have great meaning.

With the infringement of mutual economic communications and manufacture falling the po-

sition of the CIS countries in the world market has weakened. Decomposition has neither expanded the possibility of foreign economic relations with the third countries, nor even made them more complicated.

The structure of exporting of the Commonwealth states continues to remain archaic and has a strongly pronounced raw orientation. To change position, radical structural reorganization in economy is necessary. This reorganization needs not only considerable time and huge investment, but also combined efforts of all countries. Figuratively being expressed, "all world" Commonwealth should solve difficult economic problems. Today manufacturers of the CIS countries, with rare exception, are not capable of sustaining the competition to firms of the developed countries even in the home markets. Expansion of the last promptly accrues and is combined with a policy of rigid protectionism concerning the goods from the Commonwealth countries.

Considering that the structure of processing branches of export is objectively set by the technological level of development of the CIS countries economies and it will not be possible, at least, in the foreseeable future, to increase sales volumes of cars and the equipment in developed countries, it is necessary to pay special attention to the structure of imports from these countries. It is necessary to raise the share of cars and the equipment in import considerably which made about 45 % in the USSR in 1990. Simultaneously it is necessary to reduce purchases of consumer goods (especially elite assortment) in far abroad countries. To make such a structural manoeuvre better coordinated efforts should be taken, the economic benefit of such a step obviously will be more powerful.

In the Soviet period, realising irreplaceable natural resources, the USSR bought the industrial equipment, forming the base for an expanded replenishment process. In the 90<sup>s</sup> deliveries to export of natural resources have started to be used mainly in the interests of today's generation in the CIS countries. The reasonable economic substantiation of the occurred structural shift in the external economic relations of the CIS countries doesn't exist in spite of the fact that today it is sometimes explained by the mismanagement in the USSR including with the imported equipment, by the postponed, unsat-

ified consumer demand for better goods from the developed countries at that time. This circumstance is one more important argument in favour of uniting of efforts on the area of integration for the resolution of essential internal problems within the limits of the CIS considering that the internal preconditions for this purpose are available.

There is one more all-important precondition for the successful formation of the united economic space. Russia is gradually leaving the condition of a long crisis in which the country had been living a considerable part of time after the USSR collapsed. It happens not only because of understanding of its economic and strategic interests within the CIS priority ranking, and thus, some kind of a missionary role in the integration process of the Commonwealth states comes again. The most important factor is, maybe, that Russia has economically matured actively to head the integration process in the post-Soviet territory, having given it a demanded dynamism.

Until the middle of the 90s Russian capital did not show serious activity in the CIS countries, mainly in the sphere of production of goods. Mainly, it has been connected with the absence of necessary economic and organizational conditions for expansion to these countries. However in the course of time, the Russian enterprise structures began the activity in the Commonwealth countries more productively in the process of deepening the market reforms, strengthening their positions.

According to the experts' opinion, for active penetration of Russian capital into the CIS economy the two main preconditions appeared: firstly, a sufficient volume of the capital for such an expansion exists; secondly, in the CIS countries necessary economic conditions and legislative norms for carrying out the active investment policy in them started to develop in the late nineties. The condition of the Russian national capital has reached that degree of a maturity which allows it to undertake active efforts on the realization of the interests in other countries of Commonwealth.

On the other hand, the atomization of the market reforms in the CIS countries (an acceleration of privatization and corporalization of the state enterprises, the development of share markets, an expansion and liberalization of the

internal currency markets etc.) creates the possibility of such an expansion of the activity in the CIS countries for the Russian business which allows to speak about the new quality of interaction on the integration way.

Speaking about the necessity of the united economic space formation in the Commonwealth region, it is necessary to specify that this problem with participation of all CIS countries is not solved now. This process, probably, will take place in the near future. Now this problem is put in the plane of the practical decision by three developed states of Commonwealth – Russia, Belarus and Kazakhstan creating along with each other the intraregional association – the customs union with the subsequent formation on its basis the United Economic Space. The background of occurrence and attempts to implement of UES strategy in a slightly different structure of participants is reasonably interesting.

In the end of February, 2003 at the meeting in Moscow the leaders of Russia, Ukraine, Belarus and Kazakhstan made the decision to create the United Economic Space (UEP), actually a new integration grouping. The working group at the level of assistants to prime-ministers of the governments (so-called Group of High Level – GHL) whose duties included working out of corresponding documents (rules and obligations) was created by September, 2003.

According to article 1 of the Agreement concerning the formation of the United Economic Space dated 18.09.2003 “The United Economic Space is understood as the economic space uniting customs territories of the CIS countries where the mechanisms of regulation of the economy function are in action, based on the united principles providing free movement of goods, services, capital and labour and the united foreign trade and in that measure and in that volume in which it is necessary for the maintenance of a competition equal in rights and maintenance of macroeconomic stability, the coordinated tax, monetary and credit and currency-financial policy are spent”.

In the above mentioned Agreement the UEP countries have incurred the obligation to carry out “harmonization of legislations of the countries in that measure in which it is necessary for UEP functioning, including the trading and competitive policy” (article 2). Besides the

Agreement said that a legal basis of maintenance of formation and UEP functioning, were “the international contracts and the decisions of UEP organizations concluded and accepted taking into account the legislations of the UEP countries and according to the conventional norms and principles of the international law” (article 6). In the process of the UEP countries’ readiness they will join the international contracts providing formation and functioning of the UESP (article 5).

For the short period of time GHL has done considerable work. So, to the middle of 2004 according to the installation of article 3 of the Agreement concerning the formation of the United Economic Space a complex of the basic measures on formation the UEP into which 22 directions have entered has been developed, including the customs-tariff policy and customs administration; application of quantitative restrictions and measures of administrative character; application of special protective and antidumping measures in foreign trade; transit of the goods from the third countries/in the third countries; the competitive policy; a policy in the field of granting of grants; investment cooperation; the investment measures connected with trade; a tax policy; the budgetary policy; the monetary, credit and currency policy; currency regulation and the currency control and others.

Besides the creation of a serious law basis in this association according to article 4 of the above mentioned Agreement it was planned to generate controls on the basis of a combination of interstate elements and a principle of transferring a part of powers of the countries to the united regulating organization with gradual increase of the importance. Here, for the first time in the history of the CIS existence, the countries made an attempt to establish some certain supranational organization, considering the fact that, firstly, the members of the association were the largest and the most economically developed countries, and, secondly, that Ukraine was one of these members which has been especially irreconcilably incited against any attempts of formation of any supranational organization.

At the interstate level it was supposed to provide the realisation of coordination and management of formation and UEP functioning with Council of Heads of the States (CHS). CHS decisions should be accepted by a consensus, pro-

ceeding from a principle “one state – one voice”. The UEP countries planned to delegate a part of the powers to the united regulating organization.

Stated at the moment of the preparation of materials on UEP in the format of four, doubts in capacity of the Ukraine to be consecutive have appeared true. Coming to power of the president of V.Jushchenko and his command have not allowed to the finish of the begun business on UES formation in the CIS. However by no means it is impossible to consider that all is lost and that Ukraine has floated to the zone of the Euro Atlantic interests forever.

It is known that the Ukraine is ready to sign, nevertheless, «the limited package» from 14-15 agreements “starting” in frameworks of UEP – 4 a multilateral zone of free trade (ZFT). If after ZFT-4 creation it will be possible to sign, say, the Special Agreement on the Eurasian Economic Zone between UES and Ukraine and it will be a good legal basis for the further participation of the Ukraine not only in a quadrilateral zone of free trade, but also in the creation of “space of four freedom», i.e. common markets of goods, services, capitals and labour.

What does it mean? The creation of the Eurasian economic zone (EurEZ) could provide within the limits of the CIS joining between associations of UES-4, on the one hand, and EvrAzEs<sup>3</sup> and the Union State of Russia and Belarus (USRB) – on the other hand, in which there will be, apparently, different levels of integration. Within the limits of EvrAzEs and USRB there is a chance to generate the customs union (at first in a “three” format), and also common markets of goods, services and capital whereas integration association of UEP-4 because of the position of Ukraine, can reach in the medium term only a zone of free trade stage.

«The additional space» cooperation could become, as it is represented, the compromise variant considering interests of the Ukraine. By means of the agreement on creation of EvrEz it would be possible to get the Ukraine to take part in a number of additional agreements from a package UEP - 4. In Ukraine, by the way, there is a set of supporters of a closer rapprochement with Russia and the uCIS states which are ready to perceive positively different variants of the Eurasian integration though it contradicts the official doctrine of euro integration.

For consolidation and structurization of the economic and political space of the CIS as a whole, i.e. on the scale of the territory of 11 state-participants<sup>4</sup>, the experience of the organization of cooperation in the modern, expanded structure of the European Union (EU-27), with its multilayered structure of the Common Economic Space (CES) can become extremely useful. At the same time for solving the problem of formations of Russia's own "kernel" of the Eurasian integration grouping with the CIS countries which is of prime importance for Russia the experience of the European economic communities development (EEC) in 1960-1990, consisting of six, and then nine and twelve member states is most instructive, and likely. The experience of the regional groupings UEP-6 and UEP-9, and also UEP-12 is the period of formation of the customs union on the basis of a zone of free trade and the payment union, and then the formation of the Common Market (United Home Market) of the EEC with free movement of major factors of manufacture («four freedom») which is very close to the Russian understanding of the United Economic Space in the CIS.

The degree of interest of the separate CIS countries concerning the rates of advancement and diversification of interaction forms within the limits of the integration process is rather various. Though in the first half of the 90<sup>s</sup> all participants of the commonwealth after signing of constituent documents had confirmed aspirations to go by the way of the economic union creation, in practice within the limits of the CIS the subregional formations on interests and degree of readiness for closer integration interrelations began to be formed. Such practice has become known as the heterogeneous integration though the comparison of speeds is more figurative, rather than real.

As for Russia it is today and in the long term vitally interested in the integration process on the post-Soviet territory. Here lie its core strategic and current interests whose implementation directly depends not only on a country sustainable development, but also on its position in the world community. Without a consistent policy from the Russian authorities it is impossible to develop the strategy of the economic integration within the limits of the CIS accurate enough. Otherwise other CIS countries, having lost the support of the economic potential of Russia, more and more will tend to a course on reorientation to the external relations to other regions.

The Russian Federation with its scales of the economy can't escape from the key role in such questions as cooperation in fuel and energy complex and electric power industry, scientific and industrial cooperation and specialization in processing industries, investment cooperation, transport and communication, cooperation in the sphere of currency-credit and financial relations.

The strategy of Russia's participation in the Eurasian economic community is defined by the fact that it plays the main role in the development of the integration cooperation within the limits of EvrAzEs. Considering the not absolutely successful experience of integration development cooperation of the former union republics in the structures of the CIS, Russia should offer, first of all, to the Community countries a new model of cooperation, much more effective and productive than that which has developed in the CIS. Mainly it concerns a gradual formation of the United Economic Space whose basis is the Customs Union in the format of three countries (Russia, Belarus and Kazakhstan) with the subsequent connection voluntarily, naturally, of other members of EvrAzEs.

The formation and high-grade functioning of the Customs Union will allow the start of the creation of the United Economic Space including coordinated implementation of structural reorganization of the national economies, the formation of a common market of goods, services, labour capitals, creation of the single infrastructure (special attention should be given to the creation of the transport union of the state-participants), coordination of an agrarian policy for the purpose of maintenance of food safety, and also the coordinated implementation of social policy.

<sup>1</sup> Golovin M., Libman A. Tendencies to stagnation and new calls of Post-Soviet integration. «Society and economy» 2006, ! 7-8. P. 168.

<sup>2</sup> Zlotnikov L. Survival or integration? "Pro et contra" (Carnegie's Moscow Center). V.2, №3, spring 1998.

<sup>3</sup> EvrAzEs - the united economic association has been founded in the year of 2000. It involves such countries as Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Uzbekistan (since 2006).

<sup>4</sup> After the well-known actions in the Caucasus Georgia decided to leave the CIS. The Russian Foreign Relations Minister S. Lavrov said that Georgia hasn't taken part in the integration interrelations within the CIS for some previous time.