

FROM CUSTOMS UNION TO ECONOMIC UNION

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The beginning of the new year and new decade was marked by the event, which gave start to the formation of a new configuration of economic and political environment as the Eurasian Economic Community (EurAsEC) and the Commonwealth of Independent States (CIS), as well as other integration associations. Since January 1, 2010, the Custom Union of three countries - Belarus, Kazakhstan, and Russia has entered into the phase of real functioning.

It is safe to say that the new union - is the result of realization of the initiative of President Nursultan Nazarbayev of Kazakhstan to build a unified Eurasian space with appropriate institutional structures, heard in his speech at the Moscow State University on March 1994. This initiative, like all other innovations of our leader, based on the study of international experience, thorough analysis and economic feasibility. We know that today's world is full of tens of integration associations in Europe, South America, Southern and Central Africa.

Depending on political situation they were formed on different principles, but have always been profitable and useful. Even in the XIII century there was a great Hanseatic League (also known as the Hansa). In the nineteenth century, Chancellor Bismarck by means of the Customs Union in fact founded Germany. We all remember that the process of creating a European Customs Union began with the signing of the Treaty on European Union in 1957, from the gradual abolition of customs duties and charges having equivalent effect. After 1968, there was beginning of a process of gradual abolition of customs controls at the borders between EU member states, which was completed by 1993, later we saw the single currency that replaced a single unit of account. In general, the construction of present union in Europe has taken almost 40 years.

Formation of our Customs Union was held in an extremely short period of time. Belarus, Kazakhstan and Russia have gone the formation of the Customs Union for 15 years, and formed the legal basis only for two years. It was contrary to the views of skeptics, who referring to the European experience predicted that Eurasian process will take several decades. In many respects, it became possible only thanks to the political will of the Heads of our States and practical activities of our Governments.

Even within the EurAsEC, there were an important steps aimed at establishment of a free trade regime, which increased the volume of mutual trade and mutual investments in the member countries of the Community. There were created actual mechanisms of financial integration - the Eurasian Development Bank, Crisis Fund and the Center for High Technology.

It should be noted that the original, albeit extreme, impetus for acceleration in addressing the integration tasks served as the global financial and economic crisis, whose consequences are felt by the economies of all countries without exception. It may safely be said that the mere fact of association in the form of the Customs Union is powerful anti-crisis measure. There is no doubt that the next two years will be the time of its massive breakthrough.

And, this is quite proved. Experts estimate the total effect from the creation of the Customs Union by more than \$400 billion dollars for Russia, and \$16-18 billion dollars for Belarus and Kazakhstan. In essence, this step, as noted in one of the President Nazarbayev' works, has

initiated the formation of a common market with population of about 180 million people, in other words, 60 percent of the population of the CIS countries. The combined industrial potential of our countries is currently estimated at \$600 billion dollars, oil reserves - 90 billion barrels, the volume of agricultural production - \$112 billion dollars. On the territory of the Customs Union produced more than 85 percent of gross domestic product of all post-Soviet space. The total GDP of the three countries is over two trillion dollars, and growth for 2015 projected to be within 15-18 percent.

All this allows to our Customs Union apply on the role of one of the world's leading integration associations in the world economic system of coordinates.

However, the most important goal of our efforts, as well as planned goal of any strong economic and political theories is increasing of prosperity; living standards and creation of comfortable conditions for peoples of our countries that have long shared history, mentality, and have not lost friendly and relative ties.

This integration phase was estimated in the Joint Statement adopted by the Presidents of Belarus, Kazakhstan and Russia at informal meeting in Almaty on 19-20 December 2009, as a breakthrough. "The main thing we want to achieve - high quality of life of our peoples and sustainable economic and social development of our countries ... The Customs Union will promote the growth of mutual trade, improving competitiveness of our products, open new prospects for investment," - said in a statement.

These ideas resonate with the provisions of the recent Address of our President Nursultan Nazarbayev to the nation: "Kazakhstan is an active participant of integration processes throughout the CIS. The establishment of the Customs Union with Russia and Belarus that came into force since the first of January 2010 is a breakthrough for all of Kazakhstan's integration initiatives. The creation of a Single Economic Space since January 1, 2012, becomes the next stage of integration of the three countries. It will mean a higher level of integration when free movement of capital and manpower will be provided".

And this is true, because one thing follows from another. Simplification and elimination of many of the customs procedures, ensures the system acceleration in economic development, creation of new businesses and industries, respectively, broadening the range of goods and services, as well as provide significant increase in the number of new jobs. And, it provide employment, salaries, funds for implementation of many social programs, stabilization and even decline in prices for food and industrial goods by eliminating unnecessary fees and charges at the boundaries. Finally, it is just freedom of movement of people within the common economic and humanitarian space.

The Customs Union will promote the expansion of the regional market and promote exports of the three states, making it one of the most attractive markets in the world. For example, Kazakhstan, being the owner of large stocks of mineral and energy resources, raw materials, intends to diversification of the national economy, stimulating production and export of finished goods. In addition, Kazakhstan is the largest landlocked country in the world. Our membership in the Customs Union will help us to resolve these issues by establishing acceptable transit tariffs. The flow of goods will occur much faster and without delaying, as well as withdraw of barriers at the borders mean acceleration of business processes and progressive innovation dynamics.

Of course, the formation of the Customs Union and then the Single Economic Space - is a complex, multifaceted process, requiring greater coordination and collaboration of governments, especially the customs, taxation, transport and other bodies of the participating countries.

In this regard, the Commission of the Customs Union (CCU) was established. Obtaining the status of a supranational authority, the CCU' decisions are binding for all participants. In other words, there was delegation of certain powers of public bodies of each of the three countries of the newly established international organization. Therefore, the Prime Minister pre-applied to the Constitutional Council of the Republic of Kazakhstan for explanations about the compatibility of this step in accordance with the basic law of the country. On November 2009, the Constitutional Council gave a positive opinion regarding the binding decisions of the CCU for Kazakhstan, except for cases of violation of constitutional provisions on sovereignty, unitary, form of government and the territorial integrity of states, as well as the rights and freedoms of human being and citizens.

As already was mentioned, in accordance with the provisions of international agreements between Belarus, Kazakhstan and Russia, the Customs Union means the union of three customs territories into one - a Single Customs Territory. This will happen, in practice, on the first of July 2010. Within this territory, there would not be customs and economic restrictions (with the exception of special protective, antidumping and countervailing measures) during the mutual trade in goods, as well as goods from the third countries and released into free circulation in our common area. With third countries, all three states already use a single customs tariff and other common measures regulating trade in goods.

Common Customs Tariff - is a key document, which is a very important element of a common trade policy. This is a set of rates of customs duties applied to goods imported into a single customs territory from the third countries, classified in accordance with the Single Commodity nomenclature of foreign economic activity. It is necessary to emphasize that it applies to goods supplied from the third countries, but does not affect the goods imported from the CIS countries (there are already free trade zone in the framework of the CIS). The total number of the CCT commodity items is 11,214 units.

In respect of goods whose production is planned to develop in accordance with the investment projects, Kazakhstan reserved the possibility of lower rates for the transitional period before reaching the production capacity of constructing plants. For example, it applies to aluminum products, petrochemical products, various types of construction materials, fertilizers, textiles, etc. There is also a possibility to import technological equipment, components, and spare parts without paying customs duties under the investment contracts.

Since July 1, 2010 due to the entry into force of the Customs Code of the Customs Union, the customs clearance of goods, originating from the member countries of the Customs Union, has been canceled. Furthermore, the customs clearance for goods originating from third countries and released into free circulation between Russia and Belarus will be also canceled from that date. Similar conditions on goods from third countries between Russia and Kazakhstan will apply a year later, on July 1, 2011.

Of course, with the abolition of customs clearance at the internal borders, control system will not disappear immediately. The customs, sanitary-epidemiological, phytosanitary, veterinary, transportation and border control will be saved until July 1, 2011. But they will not be

transferred to the outer borders of the Customs Union, with the exception of the boundary. One of the pressing issues of integration is the process of accession of member-states into the World Trade Organization. In accordance with reached agreements, accession to the WTO is expected to carry out synchronized with the common denominators among the other members of the Customs Union. In this regard, a unified negotiating team representing all three countries was created. In general, I would like to note that the formation of the Customs Union and Kazakhstan's accession to the WTO - are two of the twin process of having an impact not only on the foreign trade regime of the state, but on the economy as a whole. In short, we will continue our work in this direction.

Currently, the Community has identified strategic directions in the sphere of international activities, the formation of a Single Transport Space, a common energy market in the area of coherent social policy.

Today, there are mixed economic situation in the world. On the one hand, anti-crisis measures taken in the states, in general, allowed us to prevent a global financial catastrophe, and mitigate the negative consequences for their economies. Nevertheless, in evaluating a significant negative impact of the crisis, we must recognize that the final stabilization of the economy has not yet been reached.

There are a lot of huge and complex work to overcome the problems and the transition to a fundamentally new level of organization of economic, financial, manufacturing and management systems. This is the leitmotif of the President's address: to prepare the economy to the post-crisis development. There he stressed that "now it is important for our entrepreneurs to evaluate the emergence of new possibilities, seriously engage in elaboration of effective strategies on entering new markets, and increase competitive advantages."

In conclusion, I would like to recall the words of the President Nursultan Nazarbayev of the Republic of Kazakhstan that "... there is no alternative to the Eurasian integration in long-term perspective".

And, it is rightly so. The Customs Union is the foundation of creating a Single Economic Space, which is quite real. This is confirmed by the following facts. First, all three countries have a vast resource base, including a sufficient number of skilled labor force. Secondly, there is a large market. Belarus, Kazakhstan and Russia have a high degree of self-sufficient economy. And most importantly - the countries of the Customs Union can form a monetary union based on a common currency. It should be noted that the original documents include the possibility of its enlargement by means of the new members.

Today, we can definitely say that the process of forming the Customs Union is irreversible.