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A new integration project for Eurasia:

The future in the making

A crucial integration project, the Common Economic Space of Russia, Belarus and Kazakhstan (CES), will kick off on January 1, 2012. This project is, without exaggeration, a historic milestone for all three countries and for the broader post-Soviet space.

The road to this milestone was difficult and often torturous. It began two decades ago when the Commonwealth of Independent States was established after the Soviet Union's collapse. To all intents and purposes, the selected model helped preserve the myriad of ties, both of civilisation and culture, which unite our peoples and also forged links in production, the economy and in other vital areas essential for our lives.

There are different views on how efficient the CIS is, and disputes over its internal problems and failed hopes have the potential to run and run. But it is difficult to argue with the fact that the commonwealth remains an irreplaceable mechanism that helps bring our positions closer together and enables us to elaborate a common view on key issues facing our region, in addition to the tangible benefits it affords its members.

Moreover, the CIS experience enabled us to launch a many-tiered, multi-speed integration process in the post-Soviet space, and to set up much needed institutions such as the Union State of Russia and Belarus, the Collective Security Treaty Organisation, the Eurasian Economic Community, the Customs Union and finally the Common Economic Space.

It is worth mentioning that these integration processes received a fresh impetus during the global financial crisis, as it forced states to seek new resources for economic growth. We reached a point at which it became necessary to fundamentally modernise the principles of our partnership both within the CIS and in other regional associations. We focused above all on developing trade and production ties.

In fact, we are making integration a comprehensible, sustainable, and long-term project, attractive to both individuals and businesses, that operates independently from fluctuations in the current political environment or any other circumstances.

I would like to note that this was the initial objective when the Eurasian Economic Community was set up in 2000. In the end, it was this rationale of close, mutually beneficial cooperation, and the understanding of the commonality of our strategic national interests that led Russia, Belarus, and Kazakhstan to form the Customs Union.

On July 1, 2011 customs control over goods passing through the borders between our three states was lifted. This completed the establishment of a fully developed common customs area with clear prospects for implementing highly ambitious business initiatives. Now we are about to move from the Customs Union to the Common Economic Space. We are creating a huge market that will encompass over 165 million consumers, with unified legislation and the free flow of capital, services and labour force.

It is crucial that the Common Economic Space is rooted in coordinated action in key institutional areas such as: macroeconomics, ensuring competition, technical regulations, agricultural subsidies, transport, and natural monopolies tariffs. Later, this framework will also include common visa and migration policies, allowing border controls between our states to be lifted. In fact, we are adapting the experience of the Schengen Agreement that benefits Europeans as well as everyone who comes to work, study, or holiday in the EU.

I add that we will no longer have to equip the 7,000 kilometre-long Russian-Kazakh border. Moreover, new conditions are being created that will foster trans-border cooperation.

For the general public, the lifting of migration, border and other barriers, including what are known as labour quotas, will mean that they have a free choice about where to live, study, or work. Incidentally, the Soviet Union with its system of registered domicile did not offer anything like this complete freedom.

Moreover, the list of goods for personal consumption exempted from duties will be expanded, thus saving people the humiliating inspection at customs.

Broad swathes of opportunities will also open up for businesses. I am referring here to new dynamic markets governed by unified standards and regulations for goods and services – in most cases consistent with European standards. This is important, since we are all transitioning to state-of-the-art technical regulations and coordinated policies. This will help us avoid technological gaps or trivial incompatibility of goods. Moreover, almost all companies in our countries will in fact enjoy all the advantages of a domestic producer in all three countries, including the access to government procurement and contracts.

However, to secure a foothold in an open market like this, businesses will have to improve efficiency, reduce costs and invest in modernisation. The consumer only stands to gain from this.

At the same time, we can speak of real jurisdiction competition for entrepreneurs. All Russian, Kazakh, and Belarusian entrepreneurs will be able to choose in which of the three countries to register their companies, where they want to do business and file their customs registration. This will be a serious incentive for national administrative systems to start improving their market institutions, administrative procedures and their business and investment climate. Taken as a whole, these systems will be forced to address their inadequacies and all the lacunae they have never addressed before, and advance their legislation in line with best European and global practices.

It took Europe 40 years to move from the European Coal and Steel Community to the full European Union. The establishment of the Customs Union and the Common Economic Space is proceeding at a much faster pace because we could draw on the experience of the EU and other regional associations. We see their strengths and weaknesses. And this is our obvious advantage since it means we are in a position to avoid mistakes and unnecessary bureaucratic superstructures.

We are in touch with the three countries' leading business associations, we discuss controversial issues with them and take into account criticism. For example, the discussions at the Customs Union Business Forum held this July in Moscow proved highly productive.

I would like to emphasise that it is highly important for us that the general public and business communities in all three countries perceive the integration project not as some kind of wheeze orchestrated by the top bureaucracy but as a living organism, and as a good opportunity to implement initiatives and succeed.

In order to better heed business interests, the decision was taken to start the codification of the legal framework of the Customs Union and Common Economic Space so that economic entities do not have to work their way through the thickets of endless passages, articles, and regulatory references. Instead, they will only need two documents, the Customs Code and the Codified Agreement on the Customs Union and Common Economic Space.

The EurAsEC Court will become fully operational on January 1, 2012. Both governments and economic entities will be able to apply to the court on all instances of discrimination or regarding the violation of competition and equitable business regulations.

The Customs Union and CES are special in that they have supranational structures which will also be guided by the basic requirements to minimise bureaucracy and heed people's actual interests.

We believe that the Customs Union Commission's role, which already now has significant powers, should grow further. Its jurisdiction currently includes almost 40 items and will expand to over 100, including the authority to take decisions on competition policy, technical regulations and subsidies, when the CES becomes operational. These complex issues can only be resolved by a fully developed and permanent structure – one that is streamlined, professional and efficient. This is why Russia put forward an initiative to set up a Board of the Customs Union Commission that will comprise representatives of all three states working as independent international officials.

By building the Customs Union and Common Economic Space, we are laying the foundation for a prospective Eurasian economic union. At the same time, the Customs Union and CES will expand by involving Kyrgyzstan and Tajikistan.

We plan to go beyond that, and set ourselves an ambitious goal of reaching a higher level of integration – a Eurasian Union.

How do we understand the prospects for this project? What shape will it take?

First, none of this entails any kind of revival of the Soviet Union. It would be naïve to try to revive or emulate something that has been consigned to history. But these times call for close integration based on new values and a new political and economic foundation.

We suggest a powerful supranational association capable of becoming one of the poles in the modern world and serving as an efficient bridge between Europe and the dynamic Asia-Pacific region. This project also implies transitioning to closer coordination in economic and currency policies in the Customs Union and CES and establishing a full-fledged economic union.

Its natural resources, capital, and potent reserve of human resources will combine to put the Eurasian Union in a strong competitive position in the industry and technology race, in the struggle for investors, for the creation of new jobs and the establishment of cutting-edge facilities. Alongside other key players and regional structures, such as the European Union, the United States, China and APEC, the Eurasian Union will help ensure global sustainable development.

Second, the Eurasian Union will become a focal point for further integration processes since it will be formed by the gradual merging of existing institutions, the Customs Union and the Common Economic Space.

Third, it would be a mistake to view the Eurasian Union and the Commonwealth of Independent States as opposing forces. Each institution has its place and its role to play in the post-Soviet space. Russia, together with its partners, intends to work actively towards enhancing this commonwealth and infusing it with the topical agenda.

I'm referring to the launching of specific, comprehensible and attractive initiatives and joint programmes across the CIS, including in the energy sector, transport, high tech, and social development. There are good prospects for cooperation in science, culture, and education, as well as in managing labour markets and creating a civilised environment for

labour migration. We inherited a great deal from the Soviet Union, including infrastructure, a developed system of regional production specialisation, and a common space of language, science and culture. We are all interested in harnessing this resource for development.

Moreover, I am convinced that in economic terms the commonwealth must be firmly founded in extensive trade liberalisation. Holding the CIS presidency in 2010, Russia put forward an initiative to draft a new Free Trade Area Agreement based on WTO principles that envisages the complete lifting of various barriers. We hope to see significant progress in coordinating the member states' positions on this during the next Council of CIS Heads of Government meeting slated for later this month.

Fourth, the Eurasian Union is an open project. We welcome other partners to it, particularly CIS member states. At the same time, we are not going to hurry up or nudge anyone. A state must only join on its sovereign decision based on its long-term national interests.

In this respect, I would like to touch upon an important issue. Some of our neighbours explain their lack of interest in joining forward-looking integration projects in the post-Soviet space by saying that these projects contradict their pro-European stance.

I believe that this is a false antithesis. We do not intend to cut ourselves off, nor do we plan to stand in opposition to anyone. The Eurasian Union will be based on universal integration principles as an essential part of Greater Europe united by shared values of freedom, democracy, and market laws.

Russia and the EU agreed to form a common economic space and coordinate economic regulations without the establishment of supranational structures back in 2003. In line with this idea, we proposed setting up a harmonised community of economies stretching from Lisbon to Vladivostok, a free trade zone and even employing more sophisticated integration patterns. We also proposed pursuing coordinated policies in industry, technology, the energy sector, education, science, and also to eventually scrap visas. These proposals have not been left hanging in midair; our European colleagues are discussing them in detail.

Soon the Customs Union, and later the Eurasian Union, will join the dialogue with the EU. As a result, apart from bringing direct economic benefits, accession to the Eurasian Union will also help countries integrate into Europe sooner and from a stronger position.

In addition, a partnership between the Eurasian Union and EU that is economically consistent and balanced will prompt changes in the geo-political and geo-economic setup of the continent as a whole with a guaranteed global effect.

It is clear today that the 2008 global crisis was structural in nature. We still witness acute reverberations of the crisis that was rooted in accumulated global imbalances. At the same time, the elaboration of post-crisis global development models is proving to be a difficult process. For example, the Doha Round is virtually mired in stalemate, the WTO faces objective difficulties, and the principle of free trade and open markets is itself in deep crisis.

We believe that a solution might be found in devising common approaches from the bottom up, first within the existing regional institutions, such as the EU, NAFTA, APEC, ASEAN inter alia, before reaching an agreement in a dialogue between them. These are the integration bricks that can be used to build a more sustainable global economy.

For example, take the two largest associations on our continent – the European Union and the Eurasian Union currently under construction. In building cooperation on the principles of free trade rules and compatible regulation systems they are in a position to disseminate these principles, including through third parties and regional institutions, all the way from the Atlantic to the Pacific Oceans. They will thus create an area that will be economically harmonised, but that still will remain diverse when it comes to specific mechanisms and management solutions. At that point, it will make sense to engage in a constructive dialogue on the fundamentals of cooperation with the countries of the Asia-Pacific region, North America and other regions.

In this respect, I would like to mention that the Customs Union of Russia, Belarus and Kazakhstan has already initiated talks on establishing a free trade area with the European Free Trade Association. The agenda of the APEC forum, to be held in Vladivostok next year, will include trade liberalisation and lifting barriers that impede economic cooperation. Russia will be promoting a common agreed position of all Customs Union and CES members.

Thus, our integration project is moving to a qualitatively new level, opening up broad prospects for economic development and creating additional competitive advantages. This consolidation of efforts will help us establish ourselves within the global economy and trade system and play a real role in decision-making, setting the rules and shaping the future.

I am convinced that the establishment of the Eurasian Union and efficient integration are approaches that will enable members to take a prominent place in our complicated, 21st century world. Only by standing together will all our countries be able to take their places as leaders of global growth and drivers of progress, only together will they succeed and prosper.

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