

Consequences of Trade Liberalization in Integration Groups Created by the Russian Federation

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Abstract

The objective of this article is to define the role and place of Russian Federation in regional integration groups, to define how they contribute to building Russia's status in the region and the whole world economy. From the geostrategic point of view after the collapse of the Communistic System Russia found itself in a different situation. It became necessary to build a new system of references and international relations both within the region and the whole world. The scope and character of liberalization processes in such groups as the Union of Belarus and Russia, the Eurasian Economic Community, Shanghai Cooperation Organization are far from typical free trade zones. Many of the countries belonging thereto are not members of the World Trade Organization and, consequently, the discrimination character of this groups in relation to third parties can be seen.

The main assumption of this article is that the policy of regional integration appears at the moment as an essential factor of building the power of the Russian Federation, and the selective policy of trade liberalization is expected to lead to the strengthening of the position and an increase in the competitiveness of the countries belonging to the groups. This policy appears in a special dimension in the context of fuels and energetic security of the world.

1. Introduction.

The main processes shaping the scope and character of contemporary international relations are those related to regional integration and globalization. Due to the growing internationalization of economic processes and the constantly increasing interdependence on the world scale the events occurring in one part of the world have their consequences in many other places, and the stronger the country which makes economic decisions the more their consequences are felt all over the world.

The essence of economic integration is the process of deep transformations and adjustments in the economic structures of integrating entities, e.g. a group of countries, which occurs both inside each of these countries and between them. The consequence of such a process is a new economic structure of a transformed quality. The integration process is inseparably linked to the liquidation of barriers in the international flow of goods, labour, capital and services aiming at creating the conditions in which the mechanism of free market could operate¹. In the light of the integration theory, we can differentiate a range of forms or integration models such as the free trade zone, customs union, common market, currency union or political union².

Contemporary integration groups, despite their main objective, which is the liberalization of mutual economic relations, go far beyond the economic aspects emphasizing the sustainable development, whose important element is to respect and protect human rights. The post-soviet zone is very controversial in this respect due to the numerous ethnic and national conflicts in the region of Central Asia and South Caucasus as well as undemocratic systems in some countries such as Belarus or Uzbekistan.

The picture of present relations and directions of foreign economic and integration policies conducted by particular Eurasian countries depends on a great number of factors. Territorial neighbourhood is of basic significance. Another important factor affecting the shape of the current situation in the region is the historical context resulting from the USSR membership and its subsequent collapse. On the territory of the former USSR two contradicting tendencies clash: integrative, with the domination of Russia and centrifugal, driving towards a maximum independence from the Kremlin's informal jurisdiction. Policies of many Central and Western Asian countries

¹ Piklikiewicz M., Integracja kontynentu amerykańskiego jako przejaw procesów globalizacyjnych, [In:] Globalizacja w gospodarce światowej J. Neider (ed.), wyd. Instytut Handlu Zagranicznego, Uniwersytet Gdański, Sopot 2000, s. 294.

² Budnikowski A., Kawecka - Wyrzykowska E., Międzynarodowe stosunki gospodarcze, PWE, Warszawa 1999, s.279 - 283, Bożyk P., Misala J., Puławski M., Międzynarodowe stosunki ekonomiczne, PWE, Warszawa 1998, s. 517 - 519.

concentrate on an attempt to maintain a relative balance in the relations with such powers as Russia, China, the USA and the European Union attempting at gaining the largest influences in the region.³ It is Moscow's interest to maintain the former Soviet republics within an integrated political, military and economic space.

The USSR, as an element of international law, ceased to exist on 25th December 1991.⁴ The moment the communist colossus collapsed, the Soviet republics transformed into sovereign countries. The new countries faced numerous challenges resulting from the necessity to define their roles and places in the world economy, to restructure economies and choose strategic economic alliances. In the Baltic countries strong independence movements were felt. Another tendency occurred in the case of satellite countries in Central Asia. Their preservative policy stemmed mainly from the lack of preparation for exercising independent power and from a significant degree of dependence on other Soviet republics, especially Russia. The Soviet Union maintained a policy of subordinating particular republics, and therefore their separation, from the perspective of the poorest areas, seemed undesirable at the moment. Even the sparse opposition in this region demanded reforms rather than the collapse of the USSR.

Once the USSR collapsed, beside Russia, there appeared 14 new countries of different cultures, traditions and mentalities, different aspirations and status. Besides, what remained was the common armed forces, the common economic area, the common monetary system, the common property and foreign debts as well as a great number of lesser problems to cope with. The Soviet authorities' policy of "social engineering" or deportations, persecutions and boundary changes of the Union's elements resulted in a mixture of ethnic minorities in the satellite republics. According to the census of 1989, for instance, the Republic of Kazakhstan was inhabited by 169 different ethnic groups. The share of Kazakhs in their own country did not exceed 40 per cent (6,564,000). Russians constituted there not much smaller a group: 38 per cent (6,228,000). The remaining 22% were representatives of other ethnicities.⁵ The remarkable Russian-speaking diaspora additionally bound the republics with Moscow.

The Russian language has an official status in such countries as Kazakhstan, Kyrgyzstan and Belarus⁶ and is commonly used in the remaining former Soviet republics. Many current representatives of power in the region used to be members of the communist parties⁷, which additionally strengthens the ties with Moscow, through their connections and experiences from the former system.

After the collapse of the USSR, the "young countries" had to choose a new system of reference. The former Baltic republics, Lithuania, Latvia and Estonia chose the clearly pro-Western direction of integration. They did not intend to become involved in any structures offered by the Federation. Some distance towards Russia was also demonstrated by Uzbekistan, Turkmenistan and the Ukraine. Strong centrifugal tendencies occurred also in the Caucasian countries.

The pro-Russian direction of integration has often resulted from an economic aspect: dependence on Russian fossil fuels, capital, transport infrastructure as well as problems with security and border protection.

The wish for a close cooperation with the Federation is reflected in numerous documents and pacts. Belarus voluntarily succumbed to the formal 'vassalisation' within the Union State with Russia. Askar Akaev, the President of Kyrgyzstan, led to the signing of the pact for eternal friendship and at any opportunity assures that the foreign policy of Kyrgyzstan will always be Russia-oriented⁸. Similar declarations are also made by Kazakhstan. In its strategic programme "Kazakhstan 2030" it is

³ Czerewacz K., Processes of Regional Integration In Central and Western Asia, [in:] Kozłowski M., Kacprzyk A. (ed.), Business Interaction in Local Economies, COPE, USA, 2006, p. 59.

⁴ Mojsiewicz C., *Stosunki międzynarodowe: Wspólnota Niepodległych Państw i jej problemy*, Wydawnictwo Uniwersytetu Wrocławskiego, Wrocław, 2004, p.95.

⁵ Dawidenko O., Polonia na tle procesów narodowościowych Kazachstanu. Wymiary identyfikacji narodowej, „Euro – limes czasopismo naukowe” 2002, nr (1), p. 7.

⁶ Rosja, Ukraina i kraje b. ZSRR, http://rosjapl.info/jezyk/jezyk_rosyjski.php, last visited: 24.04.2008.

⁷ Lomanowski A., Wpływ dzieci przywódców Azji Centralnej na sytuację polityczną gospodarczą państw i regionu, Bezpieczeństwo Narodowe, Warszawa, 2006, p. 62.

⁸ Poradziecka Azja Centralna: sytuacja w regionie. PSZ.(Website of Foreign Affairs): <http://www.psz.pl/content/view/1037/>, last visited 28.04.2008.

clearly emphasized that uniquely strong ties between both countries in economy, culture and science are supposed to constitute the grounds for reintegration tendencies over the whole area of Central Asia.⁹

Analysing the situation in the region one should pay attention to the special situation of Russia, the USSR successor, which not only is the largest and strongest country in the region, controlling enormous natural resources but also holds a permanent seat in the UN Security Council and has the right to possess atomic weapons. Imperial ambitions of this country have been manifested in its aspiration to subordinate post-Soviet republics, which, by the way, are treated as an internal zone of influence and vital interest. Over the years the aim has remained the same and only the instruments of its implementation have changed.

The Russian policy in the early 90's could be characterized as passive - an internal withdrawal. No concrete actions were taken in order to secure its interests in the Caucasus and in the whole Caspian region. The direct reason for the lack of involvement was the weak economic shape of the country and the need to concentrate on internal problems. Furthermore, the country encountered enormous difficulties in the adjustment of the native economy to free market standards. It was also anticipated that independent post-Soviet republics would be forced to introduce reforms and would not expect further subsidies from Moscow.¹⁰

Neither the last president of the USSR - Mikhail Gorbachev, nor the first president of the Russian Federation - Boris Yeltsin, were prepared to cope with economic problems. Russia's basic problem was to dismantle the inefficient and corrupt system of a centrally controlled economy and to replace it with a capitalist economy based on a stable currency¹¹.

The most serious problem for Russia was its economic inefficiency. Despite the enormous natural resources Russia possessed, western credits, technologies and consulting were necessary in order to find a way out of the economic collapse and to realize its potential¹². This period, as well as the Russian foreign policy in the early 1990's, was called by Russians themselves as 'Russia's withdrawal inside', which was to mean the necessity of concentrating on interior problems¹³. There also appeared a view of 'the end of Eurasia' being in this sense a synonym of the Russian Empire¹⁴.

At the beginning of the 1990s, politicians in the Russian Federation saw closer relations with the West as an opportunity to regain the status of a super power. This unfortunate foreign policy resulted in neglecting the creation of new structures and systems of relations in the territory of Asia. It wasn't until the late 1990's that, the idea of strengthening Russia's position in the post-Soviet space as a foundation for building a new power status found its dimension in real activities¹⁵. The Commonwealth of Independent States did not fulfil its mission as an instrument of this type of policy because of mediocre actions. A real embryo of the policy of strengthening Russia's status in the region were geographically smaller initiatives, whose beginning was the foundation of the Customs Union, the Shanghai Five and the Common Economic Area.

First attempts at a change of hitherto prevailing foreign policies could be observed as early as in 1993. The Russian authorities began emphasizing in numerous declarations that the post-Soviet republics constitute the Federation's zone of interest. In the guidelines of the new policy they stated that the post-Soviet area cannot be any source of threat for Russia. The accepted conception assumed the achievement of a gradual reintegration of the 'near abroad' region. These countries could count on political independence in exchange for a guarantee of free access to their markets as well as a military cooperation. The restoration of the superpower-status and the position of one of the main players in the international area was the main aim of Moscow. The then Russian Minister of Foreign Affairs,

⁹ Strategy "Kazakhstan 2030": <http://www.kazakhstan.pl/a2007/071017.htm>, last visited 21.04.2008.

¹⁰ Rodkiewicz W., *Rosja i jej sąsiedzi – postimperialny syndrom*, [in:] *Rosja i jej sąsiedzi*, Zeszyty Naukowe Instytutu Studiów Strategicznych 2000, nr 40, p. 16

¹¹ Calvocoressi P., *World Policy 1945–2000*, Warsaw 2002, p.100 – 101.

¹² Calvocoressi P., *World Policy 1945–2000*, Warsaw 2002, p.102 – 103

¹³ Raś M., *Evolution of Russian Foreign Policy in Relation to the USA and Western Europe in the years 1991–2001*, Warsaw 2005, p. 5.

¹⁴ Trenin D., *The End of Eurasia: Russia on the Border Between Geopolitics and Globalisation*, Washington 2001.

¹⁵ Łomiński B, Russian Policy in Relation to Central Europe, in *Eastern Study*, Volume 2/1997.

Primakov, expressed it quite suggestively saying that if Russia desires to remain one of the main actors, it should conduct multi-sector foreign policy.¹⁶

Significant changes occurred after the successor of Yeltsin, Vladimir Putin, took over the power. The foreign policy towards the post-Soviet countries became more pragmatic, submitted to strictly national interests. Developing a strategic partnership with Ukraine and encouraging Uzbekistan to participate actively in the Eurasian Economic Community were recognized priorities. Another important objective was also to withhold Euro-Atlantic aspirations of Georgia. The circle of interest of Russia went beyond the post-Soviet space in an attempt to maintain a certain pragmatism in the relations Moscow-Washington-Beijing-Tokyo.¹⁷

The tendencies of the Russian Federation towards creating a power status have led to the situation that this country, through the processes of regional integration, is currently attempting to secure its interests in the region. It is worth noticing that the reasons behind the Russian Federation's initiating and tightening integration connections are both economic and political. On the one hand, there is an expansion of Russian capital and companies into the CIS countries markets, but also there is a will of influence on the directions of these countries' interior and foreign policies. Moreover, in the case of such initiatives as the Shanghai Organization of Cooperation (SOC), the objectives of integration include a regional security policy and the creation of common antiterrorist units and military ties. This element is also apparent in other groups to which Russia belongs, although it is only within SOC that it has achieved a real and effective dimension.

2. Trade ties within the framework of the CIS

The objective of the Soviet long term policy was to intensify mutual dependencies and economic ties between the republics belonging to the system. This was supposed to cement their economies, to strengthen the sense of belonging with the state, as well as to break historical ties with other Asian or European nations. Considerable majority of trans-border trade was performed within the USSR. The infrastructure was directed to meeting the needs of the native economy and, in effect, was not adjusted to the needs of independent internal markets.¹⁸

After the dissolution of the USSR, there remained a strong dependence of the new countries on Russia as well as a high degree of economic complementarity. The difficult economic situation the former Soviet republics are coping with additionally strengthened this type of ties. The main problems here are the lack of investment capital, unstable power as well as apparent elements of civil war.¹⁹ The economic and commercial ties shaped under the USSR are difficult to replace. They need a long-term consistent economic policy, whose costs would be covered by societies of these countries. This is salient in the face of the fact that the Kremlin does not abandon further attempts at the integration of the region and that new integration groups, initiated by Russia, strengthen this type of ties even more.²⁰ Russia is still one of the most important investors in the region²¹ as well as the main commercial partner for the members of the Commonwealth of Independent States. The economic ties affect the trade turnover structure. The mutual dependencies in the trade exchange are demonstrated in figure 1.

¹⁶ Legucka A., *Rosyjska wizja Unii Europejskiej*, BBN, Warszawa, 2007, p. 143 – 144.

¹⁷ Bieleń S., *Polityka zagraniczna Rosji*, [in:] Adamowski J., Skrzypek A. (eds.), *Federacja Rosyjska 1991-2001*, WDiNP UW, Warszawa, 2002, p.312.

¹⁸ Naruniec A. (ed.), *Kazachstan Przewodnik dla Przedsiębiorców*, UNIDO, Warszawa, 2005, s.21.

¹⁹ Portal Spraw Zagranicznych (Website of Foreign Affairs) <http://psz.pl/content/view/1037/>, last visited 12.04.2008.

²⁰ Czerewacz K., *Processes of Regional Integration in Central and Western Asia*, [in:] Kozłowski M., Kacprzyk A. (ed.), *Business Interaction in Local Economies*, COPE, USA, 2006, p.62.

²¹ Gębski P (ed.), *Federacja Rosyjska Przewodnik dla Przedsiębiorców*, UNIDO, Warszawa, 2006, p. 23.

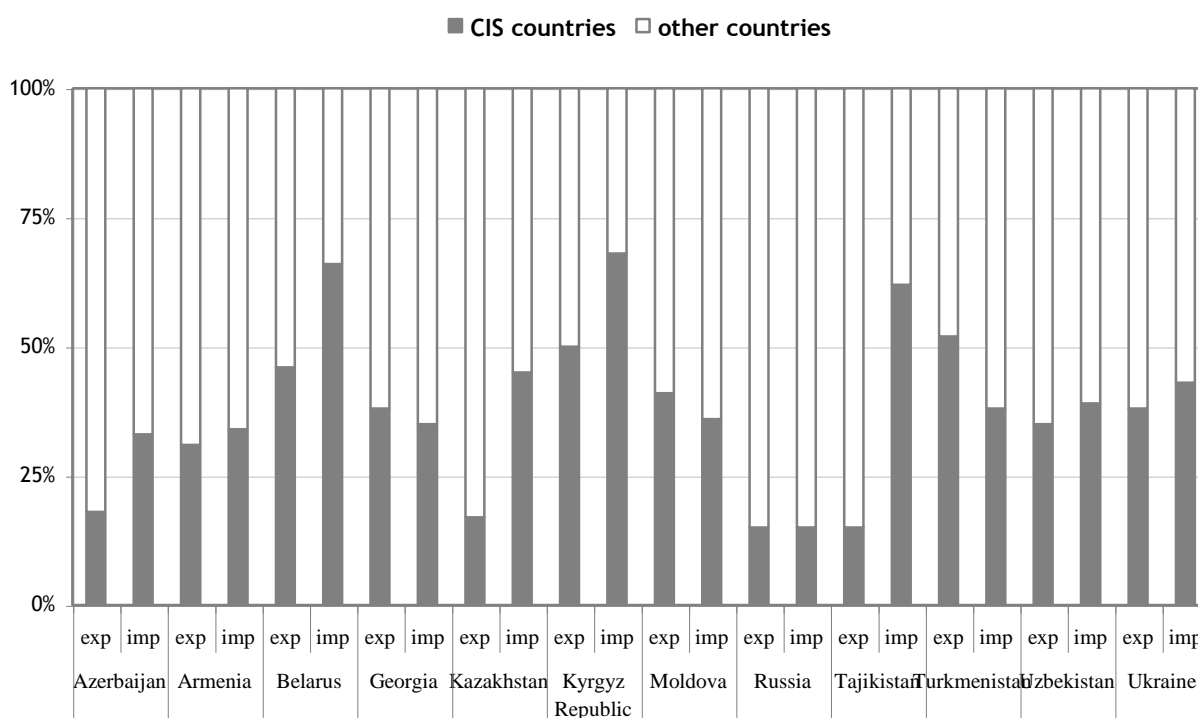


Figure 1. Share of the CIS and other countries of the world in total exports and imports of individual countries of the commonwealth in 2006 (percentage). Source: On the base of data from the official website of the Commonwealth of Independent States: <http://www.cisstat.com/eng/mac-09.htm> last visited: 15.08.2008.

It is easy to observe that 16 years after the collapse of the USSR, the mutual relations are still very strong. Among the specified countries, it is Russia which has diversified its trade contacts to the highest degree. The presented data indicate that merely 13 % of Russian exports and 18 % of imports found its way to the markets of the specified countries, despite the fact that as many as 102 sectors of the Russian economy were, in the same year, connected with cooperation with CIS partners.²² In the case of the remaining countries their share in the intraregional trade is much higher. In the case of imports, the share of the CIS countries fluctuates between 30- 65 %. These are mostly fuels imported from Russia.

Another form of the former Soviet republics' dependence on the stronger partner are economic migrations which are directly connected with the stagnation of native economies. The highest rate of incomers heading for Russia are the citizens of Kazakhstan, Ukraine, Azerbaijan, Uzbekistan and Tajikistan. As for the last one, it is estimated that 80 % of its inhabitants live below the poverty line.²³ It is the poorest country in the CIS, with weak industry. The economic success of the country today, as well as before, to a decisive degree depends on its economic ties with the Russian Federation, Russian investments and fossil fuel supplies. It is estimated that approximately 900 thousand people migrate yearly from Tajikistan in search for a job, 600-700 thousand of whom head for Russia.²⁴ According to some sources, the value of money sent by them to their country

²² Glinkina S., Kosikova L., Development of Common Economic Space of Russia, Ukraine, Belarus and Kazakhstan in the Context of EU Enlargement, IE RAS, Moskwa, 2006, p. 15.

²³ Portal Spraw Zagranicznych (Website of Foreign Affairs) <http://psz.pl/content/view/1300/>, last visited 25.04.2008.

²⁴ Ośrodek Studiów Wschodnich (Centre for Eastern Studies). <http://osw.waw.pl/pub/proislam/2002/021218a.htm>, last visited 25.08.2008.

constitutes half of the people's income; according to others - it is 80 million USD a year.²⁵ The Federal Migration Service informs that about 20 million people arrive in Russia every year, 10 million of whom do it illegally.²⁶ Thus, Moscow has an element of a sort of economic pressure. The possibility of sharpening the restrictions in the access to the Russian job market, for example through introducing visas, could mean an economic catastrophe for many Asian republics. On the other hand, many of them do care about a real integration with Russia, which would enable a free flow of people between the countries.

3. Integration groups

The largest integration group, acting on the whole territory of the former USSR, is an economic, political and military union: the Commonwealth of Independent States, which for a long time embraced 12 and since 2005 - 11 countries. The genesis of this group is directly connected with the dissolution of the USSR, declarations of sovereignty and then independence by its particular republics. As the result of those acts, on 8th December 1991 the heads of three countries: Russia, Ukraine and Belarus signed an agreement on the dissolution of the USSR and the establishment of the CIS. The leaders of the subsequent eight former republics joined the treaty on 21st December 1991 in Alma Ata, and on 22nd October 1993 so did Georgia. Moreover, in the political and military sphere, on 15th May 1992 the Collective Security Treaty was signed, obliging the member-states to provide immediate assistance in case one of them is in danger.

Two documents regulating security and economic cooperation were of the highest importance for the CIS activity. One of them was the Collective Security Treaty of the 15th May 1992 signed in Tashkent and the other was an agreement on establishing the Economic Union signed in Moscow on 24th September 1993, which assumed graduate and time-consuming economic integration of the CIS members as well as the foundation of the ruble zone.

The CIS statutory aims are: the cooperation in political, economic, environmental, humanitarian, cultural and other spheres; a universal and balanced economic and social development of member states under the framework of common economic space, the interstate cooperation and integration; ensuring human rights and fundamental liberties in accordance with generally recognized principles and norms of international law and documents of the CSCE; the cooperation between member states to ensure international peace and security, the realization of effective measures for the reduction of arms and military expenditures, the elimination of nuclear and other types of weapons of mass destruction, and the achievement of universal and full disarmament; assisting citizens of member states in free interaction, contacts and movement in the Commonwealth; a mutual legal assistance and cooperation in other spheres of legal relations; a peaceful resolution of disputes and conflicts between states of the Commonwealth.²⁷

The activity of the member states is based on: ensuring human rights and fundamental liberties; the coordination of foreign policy activity; the cooperation in the formation and development of a common economic space, common European and Eurasian markets, and customs policy; the cooperation in the development of transport and communications systems; the protection of health and the environment; questions of social and migration policy; combating organized crime; the cooperation in the sphere of defence policy and the protection of external borders.²⁸

The main objective of the CIS activity was the creation of an economic zone, the building of which was intended to be gradual, establishing a free trade zone and a customs union first. The CIS member states are active in this respect on the basis of bilateral agreements on free trade. Thanks to this, on the territory of the CIS appeared smaller, more economically effective integration groups, where economic integration proceeds dynamically.

²⁵ Tadżykistan–Tojikiston.: <http://www.tadzykistan.com.pl/content/view/34/9/>, last visited 03.09.2008.

²⁶ Szymczyk M., *Rosja – wewnętrzne i zewnętrzne aspekty funkcjonowania gospodarki*, Departament Analiz i Prognoz Ministerstwa Gospodarki, Warszawa, 2007, p. 30.

²⁷ CHARTER OF THE COMMONWEALTH OF INDEPENDENT STATES 1991, <http://www.therussiasite.org/legal/laws/CIScharter.html#I>

²⁸ CHARTER OF THE COMMONWEALTH OF INDEPENDENT STATES 1991, <http://www.therussiasite.org/legal/laws/CIScharter.html#I>

After Vladimir Putin took over the power in Russia the hitherto prevailing conception of the organization integration was changed. The activities within the framework of ‘the twelve’ were abandoned. The CIS was used as a forum for coordinating cooperation in smaller groups and developing bilateral relations. Despite those measures, the commercial cooperation between the CIS member states was not perfect, which is reflected by regularly diminishing trade turnovers within the Commonwealth. Apart from political reasons, it is worth noticing that the CIS republics represent different economic models. In particular CIS countries the level of free market, the government share in the economy, the advancement of privatization, the share of the private sector in GDP etc. are different. By the same token, there are no real grounds for achieving any higher forms of economic integration among them. Also, a progressing process of emancipation of particular economies can be observed. This does not alter the fact that dependencies are still quite significant.

Since the dissolution of the USSR the level of exchange between Russia and the other CIS member states has been systematically falling. In the year 1991 the share of the CIS countries in the Russian foreign trade was 63 %²⁹, whereas in 2007 the rate dropped to 15%. A similar tendency can be observed in the trade exchange between the other CIS member-states. Simultaneously, the CIS countries developed economic contacts with the countries outside the post-Soviet territory. For instance, almost 50% of the Ukrainian foreign trade is the exchange with the EU, and approximately 30 per cent of Georgia’s trade - the exchange with Turkey. This results from the profile of CIS republics’ economies, which are rather more competitive than complementary.

Due to the above-mentioned circumstances, the Commonwealth of Independent States ceases to be a forum of trade exchange and economic integration, but begins to resemble a mere appearance of economic cooperation, which *de facto* does not exist any more.³⁰ Moscow treats the CIS as her exclusive zone of influence and tries to preserve her dominating position in the region.³¹

Despite the Kremlin’s efforts, the future of the organization seems doomed. On 26th August 2005, during the Summit of the CIS Heads of State in Kazan, Turkmenistan resigned from its membership in the organization and now has only the status of observer.³² Also the presidents of Armenia, Georgia and Ukraine are considering the point of further functioning within the structure of an ineffective organization.

One of the fastest integration processes on the territory of the CIS was the cooperation between Belarus and Russia. Alexandr Lukashenka, having assumed presidency in 1994 intensified this one-vector foreign policy even more, which resulted in the non-alternative inclusion of Belarus into the Russian sphere of influence. The mutual economic integration was to secure a propaganda success for the then president of the Russian Federation, Boris Yeltsin and demonstrate the remaining CIS member-states that the most profitable way to their economic development should be the integration with Russia. On the other hand, the president of the Republic of Belarus sought an opportunity to satisfy his own political ambitions in the mutual relations.

The treaty on friendship, good-neighbourly relations and cooperation between the Republic of Belarus and the Russian Federation was signed on 21st February 1995. On 2nd April 1996³³ the Treaty on an association between Russia and Belarus was signed, and, subsequently, on the 2nd April 1997,³⁴ the Treaty on the Union between Belarus and Russia. The coronation of the integration processes was signing the Treaty on the Creation of a Union State of Russia and Belarus on the eighth anniversary of the CIS.³⁵

²⁹ CIS official Website.. <http://cisstat.com/rus/index.htm>, last visited 24.04.2008

³⁰ Urbanowicz Juliusz. *Węzeł moskiewski*. „Tygodnik Wprost” 2007, nr 1154, p.33.

³¹ Halota W., *Dominująca rola Federacji Rosyjskiej we Wspólnocie Niepodległych Państw*, Collegium Civitas, Warszawa, 2006, p. 7.

³² Gębski P (ed.), *Federacja Rosyjska Przewodnik dla Przedsiębiorców*, UNIDO, Warszawa, 2006. p.25.

³³ The Treaty on Friendship between Republic of Belarus and the Russian Federation, Documents <http://www.zbiordokumentow.pl/1996/index.html>

³⁴ Treaty on Association between Republic of Belarus and the Russian Federation, Documents <http://www.zbiordokumentow.pl/1996/index.html>

³⁵ Sadowski R., *Białoruś – Przewodnik dla Przedsiębiorców*, UNIDO, Warszawa, 2007, p.14

Belarus is to Russia an area of strategic importance because of its geographic location: it is the shortest and cheapest way for Russian goods to the West, across the border with the European Union and Ukraine. The integration with the Russian Federation provided Belarus with the maintenance of administrative and economic stability. The most important guarantees on the part of Russia were permanent fuel supplies at preferential prices,³⁶ close to the internal Russian market rates. Belarus could also count on financial aid on the part of Russia through debt reduction³⁷ or non-returnable loans,³⁸ as well as preferences for its goods on the Russian internal market.³⁹ The priorities within the framework of integration were:

- the unification of price policy,
- the unification of tax and civil legislation,
- synchronizing customs and trade policies,
- the unification of transport, energy and telecommunication laws.⁴⁰

Moreover, the membership in the integration groups created by the Russian Federation significantly raises the attractiveness of Belarus to Western investors. Belarusian companies also frequently mediate between Russia and other countries, for example in the trade in weaponry.

Furthermore, on 28th January 1995 Belarus, the Russian Federation and Kazakhstan created a customs union⁴¹ whose main beneficiary was Minsk for financial profits—budget incomes from the sale of oil products to the West. Oil supplies to the Belarusian market, according to the Customs Union principles, were not charged with Russian export duty. Fossil fuels imported therefrom were processed in Belarusian refineries in Mazyr and Navapolatsk,⁴² and then resold to the European Union countries. The turning point in the conception of tightening the integration processes between Russia and Belarus occurred after Vladimir Putin assumed presidency. He clearly suggested to Lukashenka that his (Lukashenka's) political aspirations have no chance to come true and the mutual cooperation may be continued only with the dominant status of Russia. At the same time he suggested that Russia did not make a union with Belarus but just incorporated it into the Federation. The plans of the Kremlin were not approved of by Minsk. On the contrary, they led to a suspension of further works on a stricter integration. So far the currency union and the constitution of a union state are yet to be introduced. In the foreign economic policy there appeared also an idea of a greater diversification in economic ties and diminishing the importance of the Russian Federation as a commercial partner.

³⁶ Sadowski R., *Białoruś - Rosja: integracja wschodnioeuropejska*, OSW, Warszawa 2003, p. 6 – 7

³⁷ Despite the preferential prices, Belarus was not able to pay for raw materials supplied by Russia on time

³⁸ Wierzbowska-Miazga A., *Republika Białoruś czy republika białoruska?*, OSW Nr 3, Warszawa 2001, p. 12.

³⁹ Usow-Mochylew P., *Metamorfozy geopolityki białoruskiej pod koniec XX i na początku XXI wieku*, KWSM, Wrocław, 2007., p. 2.

⁴⁰ Sadowski R., *Białoruś – Przewodnik dla Przedsiębiorców*, UNIDO, Warszawa, 2007., p. 15.

⁴¹ East European Democratic Centre. <http://eedc.org.pl>, stan z 28.04.2008., last visited 15.07.2008.

⁴² Gromadzki G., Konończuk W., Veselý L., *Białoruś po wyborach. Jaka będzie przyszłość reżimu Łukaszenki?* Fundacja im. Stefana Batorego, Stowarzyszenie Spraw Międzynarodowych, Praga 2006, p. 13.

Table 1. Foreign trade of the Republic of Belarus with Russia, CIS countries and the rest of the world.

	1995	2000	2001	2002	2003	2004	2005	2006	2007
Volume of foreign trade of Belarus	10367	15972	15737	17113	21504	30265	32687	42085	53013
Export	4803	7326	7451	8021	9946	13774	15979	19734	24339
Import	5564	8646	8286	9092	11558	16491	16708	22351	28674
Balance	-761	-1320	-835	-1071	-1612	-2717	-729	-2617	-4335
with CIS member-states:	6704	10469	10291	10679	13484	19201	18202	23121	30228
Export	3027	4399	4494	4384	5435	7318	7060	8609	11231
Import	3677	6070	5797	6295	8049	11883	11142	14512	18997
Balance	-650	-1671	-1303	-1911	-2614	-4565	-4082	-5903	-7766
with Russia:	5150	9315	9401	9899	12482	17704	15834	19944	26074
Export	2185	3710	3963	3977	4880	6485	5716	6845	8887
Import	2965	5605	5438	5922	7602	11219	10118	13099	17187
Balance	-780	-1895	-1475	-1945	-2722	-4734	-4402	-6254	-8300
with others:	3663	5503	5446	6434	8020	11064	14485	18964	22785
Export	1776	2927	2957	3637	4511	6456	8919	11125	13108
Import	1887	2576	2489	2797	3509	4608	5566	7839	9677
Balance	-111	351	468	840	1002	1848	3353	3286	3431

Source: The Ministry of Statistics and Analysis of the Republic of Belarus. <http://belstat.gov.by/homep/en/indicators/ftrade.php>, last visited 18.05.2008.

Analysing the data in table 1 it is worth noticing that as a result of the policy conducted by Belarus and the Russian Federation, as well as due to the integration processes, in which Belarus participates, 60% of Belarusian imports come from the Russian Federation and the mutual turnovers undergo a successive growth. Only in 2005, due to the gas conflict and the first important rise of fuel prices, there was a fall in the volume of exchange between the two countries. Exports fell then by c.12 %, and imports by 10 % in relation to the year 2004. Simultaneously, Belarus intensified its cooperation with the Netherlands and Denmark.⁴³ The second gas crisis did not bring any serious changes in the turnover structure. The data of the first quarter of 2008 indicate that the total turnover increased by 66.3% in comparison with the previous year and amounted 8,293 million USD. The Belarusian exports to Russia reached in that period the volume of 2,577 USD, whereas the imports - 5,716 million USD.⁴⁴ Such a remarkable growth results from the increase of fuel prices rather than its volume or duties for oil.

The dynamics of the growth in imports is far higher than in exports. Year by year, the deficit in the foreign trade of the country increases. The temporary growth in Belarus's exports is due to the processing and re-exporting the Russian crude oil and cannot become a sufficient security against the impending crisis.

As far as economic development directions are concerned, what seems more important is the creation and work of the Eurasian Economic Community (EAEC). This economic structure came into existence on October 10, 2000 from the transformation of the custom union between Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan, which had existed since 1995. Within these five years the partners lowered tariff and quantity restrictions in their mutual trade. The aim of the EAEC is the creation of a homogeneous economic space, the application of common trade rules, the unification of

⁴³ Zaiko L, *Russia and Belarus: Between Wishing and Reality*, „Russia in Global Affairs” 2006, no 1, p. 57.

⁴⁴ Belarusian Telegraph Agency. <http://news.belta.by/en/news/econom?id=226801>, last visited 12.05.2008.

tax systems and securing people's migration without having to exchange the currency. In January 2006, Uzbekistan became the sixth member of the EAEC.⁴⁵

Within this structure the volume of the commercial exchange is continually growing with a simultaneous increase in productivity. The creation of the Eurasian Economic Community raises remarkably the attractiveness of the particular countries as places for foreign direct investments, providing the potential investors an access to a market of 220 million people of the community. However, this direction of integration increases the importance of Russia as a strategic economic partner. The consent of the particular countries to this domination is conditioned by both economic and political factors. For some of them Russia is the main supplier of fossil fuels, for the others, such as Kazakhstan, which possess their own resources, the main reason is a high degree of mutual complementariness. The situation of Uzbekistan is different, where such aspects prevail as political factors, the will to secure peace, an effective boundaries' protection, the counteraction against local conflicts and Islamic fundamentalism.

⁴⁵ Eurasian Economic Community Official Website <http://www.evrazes.com> last visited 15.09.2008

Table 2. World Oil Reserves by Country as of January 1, 2006 (Billion Barrels)

No.	Country	Oil Reserves
1	Saudi Arabia	264.3
2	Canada	178.8
3	Iran	132.5
4	Iraq	115.0
5	Kuwait	101.5
6	United Arab Emirates	97.8
7	Venezuela	79.7
8	Russia	60.0
9	Libya	39.1
10	Nigeria	35.9
11	United States	21.4
12	China	18.3
13	Qatar	15.2
14	Mexico	12.9
15	Algeria	11.4
16	Brazil	11.2
17	Kazakhstan	9.0
18	Norway	7.7
19	Azerbaijan	7.0
20	India	5.8
	Rest of World	68.1
	World Total	1,292.5

Source: The International Energy Outlook 2006 p. 28 after: "Worldwide Look at Reserves and Production," Oil & Gas Journal, Vol. 103, No. 47 (December 19, 2005), pp. 24-25.

Another extremely important factor which unites the countries of Central Asian countries with Russia are oil and natural gas reserves and the fact of their existence in the Caspian Sea region. On the territory of the former Soviet Union the countries that possess fossil fuels are: Russia, having the biggest resources of natural gas in the world and the eight biggest resources of crude oil, and, in Central Asia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

In the recent years the Russian Federation has increased its production and exports of crude oil and natural gas, taking for granted the cooperation with Central Asian countries since the reserves of Russia alone are not big enough to perform under the signed contracts. While signing long-term contracts for gas delivery, Gazprom bases to a great extent on the resources of Uzbekistan.

Table 3. World Natural Gas Reserves by Country as of January 1, 2006

No.	Country	Reserves (Trillion Cubic Feet)	Percent of World Total
	World	6,112	100.0
	Top 20 Countries	5,510	90.2
1	Russia	1,680	27.5
2	Iran	971	15.9
3	Qatar	911	14.9
4	Saudi Arabia	241	3.9
5	United Arab Emirates	214	3.5
6	United States	193	3.1
7	Nigeria	185	3.0
8	Algeria	161	2.6
9	Venezuela	151	2.5
10	Iraq	112	1.8
11	Indonesia	98	1.6
12	Norway	84	1.4
13	Malaysia	75	1.2
14	Turkmenistan	71	1.2
15	Uzbekistan	66	1.1
16	Kazakhstan	65	1.1
17	Netherlands	62	1.0
18	Egypt	59	1.0
19	Canada	57	0.9
20	Kuwait	56	0.9
	Rest of World	602	9.8

Source: The International Energy Outlook 2006 p. 39 after: "Worldwide Look at Reserves and Production," Oil & Gas Journal, Vol. 103, No. 47 (December 19, 2005), pp. 24-25.

Kazakhstan is among the top 20 countries possessing the biggest resources of crude oil in the world. This country has remarkable resources of oil and gas, which are located in the west of the country. Thanks to them, this country can be counted among the biggest producers of crude oil and natural gas. Especially intriguing are the prognoses concerning this country. Provided it uses the resources skilfully, Kazakhstan will not be any worse than Saudi Arabia, Kuwait or the United Arab Emirates in respect of the used oil potential⁴⁶

A totally different type of agreement is the Shanghai Cooperation Organization, created in 2001 as a result of the transformation of the so-called "Shanghai Five." This organization is especially intriguing in the context of the energetic sector, the dynamic of Asian trade and security in the region. Currently, its members are: China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. In addition, the SCO emphasizes the "openness" of this organization to new member-countries, which is expressed by the participation of the heads of such countries as India, Iran, Pakistan and Afghanistan in formal meetings of prime ministers of the member-countries.

In the future new member-states are predicted to join the organization. In the light of its statute, the main aims of the organization are: strengthening the mutual trust, promoting effective neighbourly cooperation on the planes of politics, economy, trade, technology and science, culture, education, energetic sector, transport and environmental protection. Moreover, what is extremely important is the aspect of security and peace maintenance in the region, protection and promotion of

⁴⁶ Naruniec A. (ed.), *Kazachstan Przewodnik dla Przedsiębiorców*, UNIDO, Warszawa, 2005, p.11

democratic principles and, clearly emphasized on the organizational forum, building a new international economic and political deal⁴⁷.

Despite several differences in opinions between the member-countries, one may have an impression that interests and economic goals are very important here. Including the energetic sector into the scope of interest of the SCO has not only resulted in the increase of oil exports to China but also enabled building a pipeline exporting Kazakh oil to China. Russia, although initially reluctant to this investment, did not cause its restraining, probably, to a great extent, because of its participation in the SCO.

What is equally interesting are Iran's aspirations to the Shanghai Cooperation Organization, the cooperation and participation of this country in many activities of the organization. This country plans to make with Russia a gas cartel, like the OPEC, one member of which would become Kazakhstan (which also, like Russia, belongs to the SCO).

4. Conclusions

The integration agreements initiated by the Russian Federation include provisions relating to human rights protection (i.e. CIS, SCO) because such is a common trend in the contemporary world and it is practically required to include such provisions if the agreements are to be notified on the international forum. However, the most important effects of these agreements refer to quite different aspects of mutual relations.

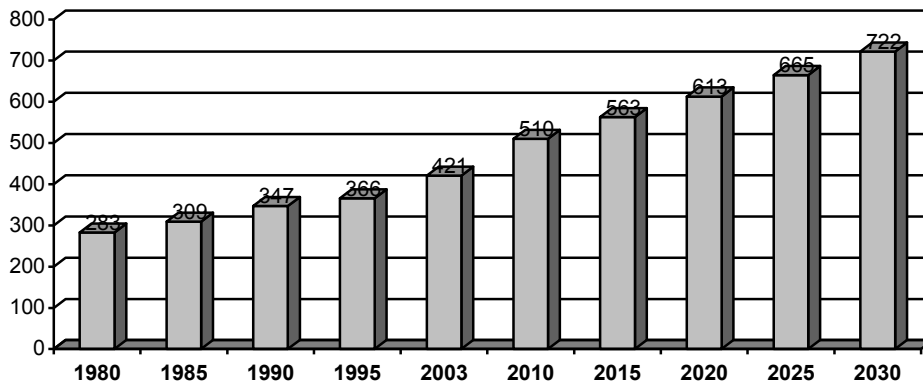
The Commonwealth of Independent States, despite its ambitious objectives and long-term plans both in the economic and social area, has not brought any concrete effects for the Russian Federation, willing to keep this organization under its influence, or for the other member-states, trying to transform their economies.

The Shanghai Cooperation Organization contributes to the improvement of stability and peace in the region of Central Asia, but the price that has to be paid for this is the domination of the Russian Federation as the main investor, distributor and co-operator in the area of extraction, processing and transmission of fossil fuels from this region. The SCO leaders are two countries: the Russian Federation and China. Both of them are accused by the international community of human rights violation in different aspects (for instance in Tibet, Chechnya, Georgia). For the same reason also the other member-countries of this organization do not feel obliged to democratize the social life on their territories.

What is worth noticing are the global consequences of two integration groups: the Eurasian Economic Community and the Shanghai Cooperation Organization, and their growing influence not so much on the whole international trade, but rather on the trade in fossil fuels.

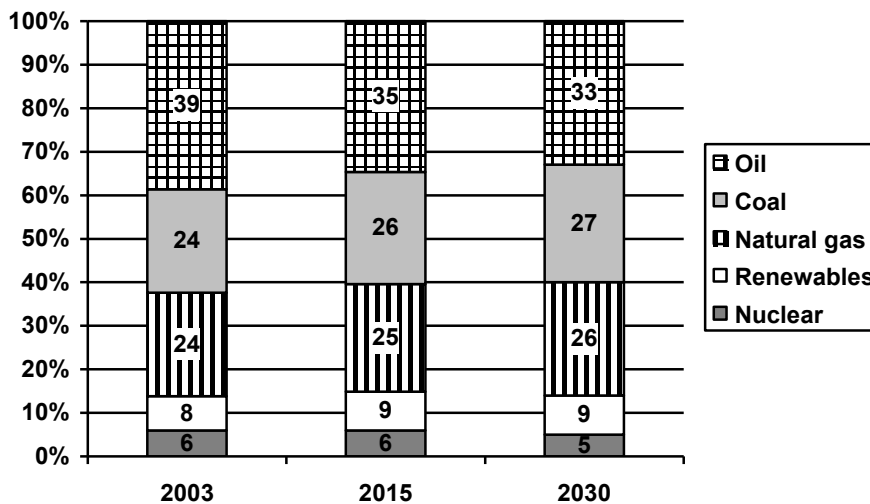
⁴⁷ Shanghai Cooperation Organization Official Website, www.sectSCO.org 2006, last visited 15.09.2008

Figure 2 World Marketed Energy Consumption, 1980–2030 (History years: 1980,1985,1990,1995,2003; Projections years: 2010, 2015, 2020, 2025, 2030) (Quadrillion Btu)



Sources: The International Energy Outlook 2006 p. 7 after: History: Energy Information Administration (EIA), *International Energy Annual 2003* (May-July 2005), web site www.eia.doe.gov/iea/. Projections: EIA, System for the Analysis of Global Energy Markets (2006).

Figure 3 Fuel Shares of World Market Energy Use, 2003, 2015, and 2030



Note: Fuel shares may not add to 100 percent due to independent rounding.

Sources: The International Energy Outlook 2006 p. 2 after: 2003: Energy Information Administration (EIA), *International Energy Annual 2003* (May-July 2005), web site www.eia.doe.gov/iea/. 2015 and 2030: EIA, System for the Analysis of Global Energy Markets (2006)

Analyzing the data of International Energy Outlook presented in the charts 3 and 4, we can clearly see that the dynamics of energy consumption in the contemporary world is constantly increasing and, according to cautious forecasts, the demand for energy in 2030 will be nearly twice as high as in 2003 while the share of fossil fuels: crude oil and natural gas will be approximately about 33 and 24% respectively. Hence, political decisions, including the decisions connected with the regional integration of the countries extracting and exporting fossil fuels, influence not only their position on the international arena, but also the energetic security of many world regions. One of the practical aims of the agreements between the Russian Federation and the countries of Central Asia and China is to benefit from this tendency, considering also the forecasted changes in the energy consumption structure in particular parts of the world (table 4).

Table 4 World Marketed Energy Consumption by Country Grouping 2003–2030 (Quadrillion Btu)

Region	2003	2010	2015	2020	2025	2030
OECD	243.3	256.1	269.9	281.6	294.5	308.8
North America	118.3	131.4	139.9	148.4	157.0	166.2
Europe	78.9	84.4	87.2	88.7	91.3	94.5
Asia	37.1	40.3	42.8	44.4	46.1	48.0
Non-OECD	186.4	253.6	293.5	331.5	371.0	412.8
Europe and Eurasia	48.5	56.5	62.8	68.7	74.0	79.0
Asia	83.1	126.2	149.4	172.8	197.1	223.6
Middle East	19.6	25.0	28.2	31.2	34.3	37.7
Africa	13.3	17.7	20.5	22.3	24.3	26.8
Central and South America	21.9	28.2	32.5	36.5	41.2	45.7
Total World	420.7	509.7	563.4	613.0	665.4	721.6

Sources: The International Energy Outlook 2006 p. 7 after: History: Energy Information Administration (EIA), *International Energy Annual 2003* (May-July 2005), web site www.eia.doe.gov/iea/. Projections: EIA, System for the Analysis of Global Energy Markets (2006).

Thanks to the integration processes within the CIS, the Russian Federation has not regained its super-power status on the international arena. Nevertheless, the new initiatives, such as the Eurasian Economic Community and the Shanghai Cooperation Organization, due to their energetic and political potential, make their member-states more important in the contemporary world. Unfortunately, human rights protection or society democratization do not constitute a development priority here, and all such provisions in particular treaties are nothing but void.

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