

FOREIGN TRADE EFFECTS OF THE ECONOMIC INTEGRATION BETWEEN RUSSIA, BELARUS AND KAZAKHSTAN: 2010–2013

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1. Introduction

Since the disintegration of the Soviet Union a lot of efforts to arrange economic integration within newly independent states have been undertaken. The desire for economic integration was especially noticeable between Russia, Belarus and Kazakhstan; however, the concluded integration agreements had not been accomplished in a proper way for a long period of time, and therefore were ineffective. The situation altered in 2010 with the establishment of the Customs Union (CU) between Russia, Belarus and Kazakhstan, which constitutes a major milestone in the development of post-Soviet regional integration. The earnest integration intentions of the member states have been underpinned by their transition to a new level of integration development on January 1, 2012, when the Single Economic Space (SES) was formed. It is noteworthy that right from the beginning the member states managed to achieve success in the institutional framework, decision-making structure changing as well as adjustment of trade tariffs [1, p.6–7].

Particularly, the Common Customs Tariff was adopted and brought into force, the internal customs controls as well as supranational institutions were abolished, the Commission of the CU and the Eurasian Economic Commission (since 2012) were introduced. The achievements in the field of the institutional framework are considered to be an outstanding indicator in achieving success in the integration processes; however, the key factor in the assessment of the integration association is its trade effects. Due to that fact, the main objective of the present article is to analyze the major trade effects of the integration processes in the framework of the CU/SES in the period of 2010–2013 taking into consideration macroeconomic trade indexes of the member states, particularly, their foreign and reciprocal turnover.

2. Common trade effects for the CU/SES

By the time the Customs Union came into existence the member states had possessed an extremely low share of reciprocal trade in their total foreign turnover. If at the turn of 1990–2000 the share of the reciprocal trade in the total foreign turnover of Russia, Belarus and Kazakhstan made 16–17% [2, p.11], the end of 2009 demonstrated its fall to 12,4% (Tab. 1). The above mentioned decrease was caused mainly due to the two following facts. Firstly, the favorable conditions of energy resources on the world market facilitated the export increase from the Customs Union member states to the third countries dramatically. Secondly, the increased demand on high-tech goods in the situation when the domestic markets were realigning their trade strategy contributed to the import bulge from the third countries as the local goods, in most case, did not correspond to the quality and assortment requirements.

The beginning of the CU can be marked by considerable liveliness in domestic as well as foreign trade relations. We should acknowledge that in the period of 2010–2012 the turnover growth rate of the CU exceeded the foreign growth rate. Due to that fact the share of the reciprocal trade in the total foreign turnover of the organization has risen to 14,5%. However, according to the statistics, this positive trend was not seen in the first three quarters in the year of 2013. The decrease of the foreign turnover of the CU in relation to the same period in the previous year (2012) was not significant, whereas the drop of the domestic trade turnover was considerable. This, in turn, affected the share of the CU reciprocal trade in total foreign turnover which dropped to 13,9%.

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Tab. 1. The share of CU/SES reciprocal trade in total foreign turnover

Year	CU/SES foreign trade		CU/SES reciprocal trade*		The share of CU/SES reciprocal trade in total foreign turnover [%]
	value [mln USD]	annual change [%]	value [mln USD]	annual change [%]	
2009	590 473,80	N/A	73 020,29	N/A	12,4
2010	686 278,59	116,2	94 269,20	129,1	13,7
2011	910 646,72	132,7	126 201,80	133,9	13,9
2012	934 585,96	102,6	135 659,54	107,5	14,5
2013 [I-IX]	681 169,41	99,3	95 019,49	93,4	13,9

* available export statistics was doubled.

Source: statistical data of the Eurasian Economic Commission.

(http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

The presented above indicators related to the domestic and foreign turnover of the CU display an overall short-term trade effect in the creation of integration associations. The trade effects observed in the member states upon the union formation are distributed unequally and vary in scope (Tab. 2). The analysis of the data in Tab. 2 shows that during the first two years of the CU existence (2010–2011) a beneficial impact of the integration process became evident, though with a different degree of intensity, at the domestic level of all the member states.

Tab. 2. Dynamics of major foreign and reciprocal trade indexes of the CU member states, 2010–2013

Country	Trade direction	Export			Import		
		year	value [mln. USD]	annual change [%]	year	value [mln. USD]	annual change [%]
RUS	CU/SES	2010	30 717,00	118,8	2010	15 676,02	150,7
		2011	40 814,72	132,9	2011	21 507,50	137,2
		2012	44 491,95	109,0	2012	22 439,39	104,3
		2013 [I-IX]	29 754,38	88,6	2013 [I-IX]	17 067,99	103,1
	Third countries	2010	367 920,49	133,5	2010	214 712,87	136,7
		2011	477 928,72	129,9	2011	284 709,26	132,6
		2012	484 497,42	101,4	2012	293 489,75	103,1
		2013 [I-IX]	358 147,80	100,7	2013 [I-IX]	215 104,26	101,4
BY	CU/SES	2010	10 418,40	148,3	2010	18 656,70	111,1
		2011	15 182,88	145,7	2011	25 615,65	137,3
		2012	17 116,31	112,7	2012	27 670,76	108,0
		2013 [I-IX]	13 199,59	105,5	2013 [I-IX]	17 148,57	79,6
	Third countries	2010	14 865,04	104,3	2010	14 865,04	137,8
		2011	26 236,09	176,5	2011	20 144,51	124,2
		2012	28 944,17	110,3	2012	18 735,33	93,0
		2013 [I-IX]	15 358,16	64,6	2013 [I-IX]	14673,73	110,7

KZ	CU/SES	2010	5 999,20	166,6	2010	12 895,39	139,2
		2011	7 103,30	118,4	2011	15 925,80	123,5
		2012	6 221,51	87,6	2012	17 603,12	110,5
		2013 [I-IX]	4 555,77	96,0	2013 [I-IX]	13 136,51	104,2
	Third countries	2010	54 281,70	137,1	2010	18 229,83	95,2
		2011	80 499,76	148,3	2011	21 128,38	115,9
		2012	80 220,19	99,7	2012	28 699,10	135,8
		2013 [I-IX]	55 972,28	92,7	2013 [I-IX]	21 913,19	105,6

Source: statistical data of the Eurasian Economic Commission.

(http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

Tab. 3. Export from Belarus to CU/SES, 2010–2013

Year	Total		KZ		RUS	
	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]
2010	10 418,40	148,3	464,79	148,3	9951,26	148,2
2011	15 182,88	145,7	673,95	145,0	14 508,93	145,8
2012	17 116,31	112,7	806,90	119,7	16 309,40	112,4
2013 [I-IX]	13 199,59	105,5	639,16	100,0	12 560,43	105,8

Source: statistical data of the Eurasian Economic Commission.

(http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

Except for the observed positive effect on the turnover of Belarus with the member states, the integration processes made a dramatic effect on the trade with the third countries. In the year of 2011 due to the trade liberalization in the framework of the SES, Belarus obtained an opportunity to import duty-free oil from Russia which led to facilitating oil supply. It is necessary to highlight that the abolishment of the oil and oil products duty was applied exclusively to the domestic trade between Russia and Belarus. In case of Russia's oil or oil products export from Belarus beyond the borders of the CU, the export duty was to be applied and transferred to the budget of the Russian Federation to the full extent. Along with the import increase observed in 2011 from Russia to Belarus (predominantly this is related to Russia's oil), the increase of the export growth rate from Belarus to the third countries was reported (Tab. 2), which outweighed the relevant variables for the member states (76,5% – third countries; 45,7% – member states). The present fact was conditioned by the increase of oil and petrochemical products share in the export structure, which was produced on the territory of Belarus from the Russian oil and exported outside the member states under the cover of «dissolvent and diluents» and «biofuel» [3, p.10]. The given goods were free of oil duty in favour of Russia; this brought substantial revenues to Belarus. In 2012 as a result of the negotiations between Russia and Belarus this practice to re-export oil goods under the cover of commodity positions, the export duty for which is not taken in favour of the Russian budget, was ceased. This fact was reflected in the trade turnover of Belarus with the third countries as well as with Russia. In 2012 the import growth from Russia to Belarus dropped to 8,1% (Tab. 4), whereas the export growth from Belarus to the third countries was reduced to more than 7 times and made 10,3%. This negative dynamics was also reported in the year of 2013. Upon the first three quarters the import volume from Russia to Belarus decreased by 21,4% (Tab. 4), whereas the export from Belarus outside the member states reduced by 35,4% (Tab. 3).

Tab. 4. Import to Belarus from CU/SES, 2010–2013

Year	Total		KZ		RUS	
	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]
2010	18656,70	111,1	407,88	544,6	18254,07	109,2
2011	25615,65	137,3	132,97	32,6	25482,68	139,6
2012	27670,76	108,0	119,02	89,5	27551,73	108,1
2013 [I-IX]	17148,57	79,6	62,35	67,1	17 086,22	79,6

Source: statistical data of the Eurasian Economic Commission.

(http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

Trade effects for Kazakhstan

Although the formation of the CU for Kazakhstan was promising, overall the effects of the integration processes appeared to be less significant than for Belarus. In the year of 2010 the reciprocal trade growth between Kazakhstan and the CU member states comprised 66,6%, which considerably outweighed the similar indicator for the third countries for the previous year (Tab. 2). It is significant that in that period of time the export volume from Kazakhstan to Russia increased by 59,6%. In turn the export growth to Belarus became 6 times higher and reached a record-breaking value (Tab. 5).

This was mainly explained by the increase in the back oil share of Kazakhstan which was used in Belarus as a substitute of the Russian oil in the situation of the unsolved question of the abolishment of the exceptions which existed in the common customs regime. The abolishment of oil as well as oil goods duty between Russia and Belarus made a profound impact on the export dynamics from Kazakhstan to Belarus. Its volume started decreasing: in 2011 – by 68,9%, in 2012 – by 12,6%, at the end of the first three quarters of 2013 – by 35,5%. The similar trend can be observed if we take a look at the export from Kazakhstan to Russia. In 2011 its growth rate slowed down by twice and made 23,6%, in the year of 2012 its volume decreased by 12,4%, at the end of the three quarters of 2013 reduced by 3,5% (Tab. 5). Thus, on the whole, during the first three years of the CU and SES, Kazakhstan did not demonstrate a steady export growth rate to Russia and Belarus.

Tab. 5. Export from Kazakhstan to CU/SES, 2010–2013

Year	Total		BY		RUS	
	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]
2010	5 999,20	166,6	336,74	615,6	5 662,28	159,6
2011	7 103,30	118,4	104,73	31,1	6 998,57	123,6
2012	6 221,51	87,6	91,53	87,4	6 129,99	87,6
2013 [I-IX]	4 555,77	96,0	48,21	64,5	4 507,56	96,5

Source: statistical data of the Eurasian Economic Commission.

(http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

The major foreign effect of the CU formation can be characterized by some import reanimation from the member states to Kazakhstan (Tab. 6), which is explicitly shown at the beginning of the CU (2010–2011). However, in the subsequent period (2012–2013) the export growth rate from the third countries succeeded the relevant indicators for the partners within CU. This fact demonstrates

that Kazakhstan has been more and more oriented to the trade cooperation with the third countries recently, particularly with China, the goods of which are re-exported to the member states [4, p.4]. This puts obstacles for developing the effect of “trade creation” for the partners in the CU.

Tab. 6. Import to Kazakhstan from CU/SES, 2010–2013

Year	Total		BY		RUS	
	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]
2010	12 895,39	139,2	521,76	142,1	12 374,53	139,1
2011	15 925,80	123,5	593,76	113,8	15 332,04	123,9
2012	17 603,12	110,5	662,90	111,6	16 940,22	110,5
2013 [I-IX]	13 136,51	104,2	46,83	97,3	12 668,16	104,5

Source: statistical data of the Eurasian Economic Commission.
(http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

Trade effects for Russia

In the period of 2010–2011 the export from Russia to the member states demonstrated quite a stable growth rate. In the year of 2010 its volume increased by 18,8%, whilst the export growth to Belarus made 9,2%, to Kazakhstan – 36,3% (Tab. 7). In 2011 the export growth of Russia to the CU reached 32,9%, which exceeded, though not considerably, the similar indicator for the third countries. It should be noted that the export growth to Kazakhstan made 8,1%, whereas to Belarus – 39,6%. The marked growth, as mentioned above, was mainly related to the abolishment of the oil and oil goods duty between Russia and Belarus, which in turn led to the sharp growth of minerals supply to Belarus. In the following period the positive changes related to the export from Russia to the CU was superseded by negative trends. In 2012 the export growth rate reduced by three times, and at the end of the first three quarters it showed negative indicators.

Tab. 7. Export from Russia to CU/SES, 2010–2013

Year	Total		BY		KZ	
	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]
2010	30 717,00	118,8	18 254,07	109,2	12 465,07	136,3
2011	40 814,72	132,9	25 482,68	139,6	15 332,04	108,1
2012	44 491,95	109,0	27 551,73	123,0	16 940,22	110,5
2013 [I-IX]	29 754,38	88,6	17 086,22	79,6	12 668,16	104,5

Source: statistical data of the Eurasian Economic Commission.
(http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

Russia, which comprises approximately 90% of the total GDP of the CU, possesses the most capacious domestic market. Therefore, from the theoretical point of view the import increase to Russia from the member states was supposed to become the most significant foreign trade effect in the formation of the CU. In 2010–2011 the significant import growth from the CU to Russia was observed, as well as the growth rate increase was obvious in comparison to the corresponding import indicators of the third countries (Tab. 8). However, in 2012–2013 the growth rate slowed down greatly, but Russia’s import volume from CU remained as it was in 2011.

Tab. 8. Import to Russia from CU/SES, 2010–2013

Year	Total		BY		KZ	
	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]
2010	15676,02	150,7	9951,26	148,2	5722,46	155,3
2011	21507,50	137,2	14508,93	145,8	6998,57	122,3
2012	22439,39	104,3	16309,40	112,4	6129,99	87,6
2013 [I-IX]	17067,99	103,1	12560,43	105,8	4507,56	96,5

Source: statistical data of the Eurasian Economic Commission.
(http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

Furthermore, the value of intraregional import to Russia, in spite of its steady growth in the period in question, remains at an extremely low level (less than 8%, tab. 9). In addition, Russia's share indicator in reciprocal import is lower than the relevant indicator for Belarus and is not higher than 36% (Tab. 10). This proves the fact that Russia fulfills its integration function poorly.

Tab. 9. Import to Russia from CU/SES, third countries 2009–2013

Year	Import to CU/SES		Import to third countries		total import
	value [mln. USD]	share [%]	value [mln. USD]	Share [%]	value [mln. USD]
2009	10 402,14	6,2	157 068,67	93,8	167 470,80
2010	15 676,02	6,8	214 712,87	93,2	230 388,89
2011	21 507,50	7,0	284 709,26	93,0	306 216,76
2012	22 439,39	7,1	293 489,75	92,9	315 929,14
2013 [I-IX]	17 067,99	7,4	215 104,26	92,6	232 172,25

Source: statistical data of the Eurasian Economic Commission.
(http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

Tab. 10. Total import, 2010–2013

Year	Russia		Belarus		Kazakhstan		Total
	value [mln. USD]	share [%]	value [mln.USD]	share [%]	value [mln.USD]	share [%]	value [mln.USD]
2010	15 676,02	33,2	18 656,70	39,5	12 895,39	27,3	47 228,11
2011	21 507,50	34,1	25 615,65	40,6	15 925,80	25,3	63 048,95
2012	22 439,39	33,1	27 670,76	40,9	17 603,12	26,0	67 713,27
2013 [I-IX]	17 067,99	36,0	17 148,57	36,2	13 136,51	27,7	47 353,07

Source: statistical data of the Eurasian Economic Commission.
(http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

3. Conclusions

Taking into account the above analysis, it can be concluded that the formation of the CU and SES did not affect the economic collaboration between Russia, Belarus and Kazakhstan in the examined period. During the first two years after the formation of the CU (2010–2011) some activation in the trade relations of the member states was observed. However, this was mainly caused by the trade increase of mineral products. In the subsequent period the reciprocal trade dynamics of the member states slowed down significantly.

It is noteworthy that the impact of the integration processes was reflected in the selected countries of the CU/SES differently. Due to that fact the final trade effects are not uniform and differ markedly in their scope. The most profound effects of the CU formation are displayed in the trade of Belarus: the export increase to Russia and Kazakhstan. The liberalization of the trade relations within the CU affected the export of Belarus to the third countries favorably. The export of Kazakhstan to the member states, regardless of some activation in 2010, connected with the black oil supply to Belarus, did not demonstrate a steady growth rate. The most critical foreign effect of the CU formation for Kazakhstan is considered to be the import increase of Kazakhstan from the member states during the first two years of the CU existence (2010–2011). Russia did not manage to achieve substantial trade effects as well. Except for some activation of the export to the member states in 2010 and sharp export growth to Belarus in 2011, caused by the increase in oil supply, there was no significant improvement in the cooperation with the member states. The formation of the CU did not make any positive profound impact on Russia's import which has an infinite capacity for the member states. The growth rate of Russia's import from Belarus had been decreasing dramatically since the formation of the CU. As for Kazakhstan, the growth rate had negative indicators in the years of 2012–2013.

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Summary

The article provides a concise overview of the integration processes efficiency between Russia, Belarus and Kazakhstan during the period of 2010–2013. The main aim is to analyze the major trade effects of the formation of the Customs Union and Single Economic Space based on the macroeconomic trade indexes of the member states, particularly, their foreign and reciprocal turnover. The article consists of four parts which throw light on the major trade effects observed in the formation of the CU/SES. In the first part of the article, the common dynamics of the CU reciprocal trade turnover have been examined and compared to the dynamics of the CU foreign trade turnover. The second part gives insight into the most significant trade effects relevant for Belarus. The third section is an attempt to present some key trade effects applicable for Kazakhstan. The final part of the article looks into the major trends of Russia's foreign and reciprocal turnover in the period of 2010–2013 as well as its import capacity from the member states.

Key words: Trade effects; Customs Union; Economic integration.

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