



A Eurasian (or a Soviet) Union? Consequences of further economic integration in the Commonwealth of Independent States

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Abstract On January 1, 2012, the Customs Union of Belarus, Kazakhstan, and Russia took a big step in regional integration by removing all barriers to trade, capital, and labor movements between the three countries. Policymakers have signaled that even this landmark step is merely a way station en route to a comprehensive 'Eurasian Union' by 2015. However, is this idea of greater integration a good one, and if so, what shape should the integration take? This article examines the opportunities and challenges for both deeper (i.e., more intensive) and broader (i.e., more inclusive) integration in the Eurasian space and concludes that greater integration will work for all only if it is based on fostering the trade liberalization that has been missing from the region. Moreover, including Ukraine is not necessary for the integration to succeed, but Central Asian nations should be encouraged to follow the example of a liberalized Eurasian Union. Acting as the European Union did in the post-war era, the Eurasian Union could help member countries take the liberalizing steps they could not take on their own.

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1. Putting the band back together

Greater economic integration within the Commonwealth of Independent States (CIS) has been a goal of some policymakers for 20 years, with initiatives seeking to bring these countries together beginning literally the moment the Soviet Union dissolved. The

treaty ending the Soviet Union also created the CIS as a supra-national organization for coordination. While there have been many false starts and dead ends, on January 1, 2012, the Customs Union of Belarus, Kazakhstan, and Russia took a big step in this direction by—in theory—removing all barriers to trade, capital, and labor movements between the three countries. Policymakers have signaled that even this landmark step is merely a way station en route to a comprehensive 'Eurasian Union' by 2015, encompassing currency union and full economic integration.

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However, as the European Union (heretofore considered the most successful model for regional integration) enters the most difficult phase of its existence, policymakers in the CIS need to consider whether the idea of a Eurasian Union is actually a good one. What shape should integration take? Should it include a monetary union, such as the euro (which may not last long as a viable project), or should it remain focused on trade and labor flows? What structure of integration will lead to the most sizable gains in living standards in the participating countries? Also, should the integration be 'deeper'—that is, leading to closer cooperation among existing countries—or should it be 'broader,' including more and more countries?

These questions must be arrayed against some of the known disadvantages to integration that have been displayed over the past decade in the creation of the Customs Union. In particular, there may be issues for greater integration given that the economic outputs of the two largest member countries are so similar to each other. While this may have been manageable in a Customs Union, will this become more problematic in a full-fledged common economic space? Moreover, there has been comparatively little work done on examining the policy and administrative challenges of joining a Eurasian Union, including what needs to be done within public administrations to enact harmonized policies. Finally, while the countries that are already part of the Customs Union have seen halting periods of growth since the fall of the Soviet Union, there are justifiable concerns that the institutional development of these countries may not have progressed far enough to take full advantage of greater integration.

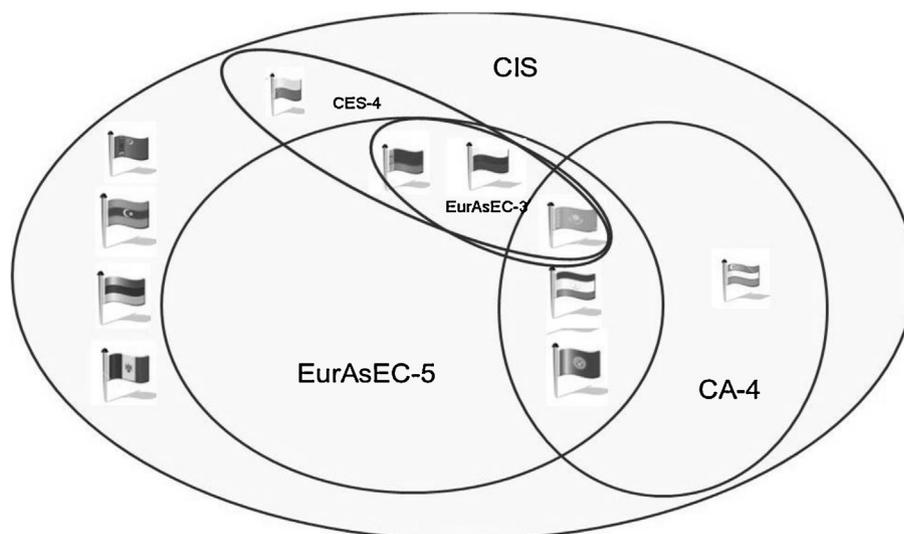
If membership in the CIS has not led to growth, why would increasing integration with similarly situated countries do so?

The purpose of this article is to examine the prospects for a Eurasian Union and what its effects could potentially be in the region. Is Russian president Vladimir Putin trying to 'put the band back together' by reconstituting the USSR in economic form, or are there other economic currents beneath the surface that can make a Eurasian Union work where the USSR patently did not?

2. The road to here: Deeper integration for a select few

Moves toward a Eurasian Union follow in the footsteps of initiatives over the past 20 years that have at times involved all, some, or only a few of the members of the CIS (see Figure 1). Of the various initiatives, the grouping that has progressed the farthest is the 'Eurasian Economic Community 3' (EurAsEC-3), which comprises Russia, Belarus, and Kazakhstan. A formal agreement was signed between Russia, Belarus, and Kazakhstan in 2007 that created the Customs Union Commission (CUC) to oversee key issues of integration, which was followed in relatively short order by harmonization of legislation in December 2008 on customs procedures and regimes, procedures for goods customs declaration, and the formation of a legal environment for a Customs Union within the EurAsEC (Krotov, 2011). The CUC held its first session in February 2009, and a common customs tariff was agreed upon by October of that year. By January 1, 2010, the common tariff

Figure 1. A Venn diagram of integration initiatives



CIS: Commonwealth of Independent States; EurAsEC-5: Eurasian Economic Community 5; CES-4: Common Economic Space 4; CA-4: Central Asian 4

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