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## **Development of trade relations and economic cooperation between Belarus and Russia – an important component of successful functioning of the Union State**

*The article considers the condition and prospects of trade and economic cooperation between Belarus and Russia at the present stage in the framework of the Union State. It highlights the importance of the Belarusian-Russian inter-regional cooperation, outlines the basic guidelines of trade and economic policy of the Union State for the period up to 2020.*

*Trade and economic cooperation in the framework of the Union State, inter-regional cooperation between Russia and Belarus; Customs Union and Common Economic Space.*

**Svetlana V.  
MOLEVA**

Ph.D. in Economics, Associate Professor of the Department of World Trade and Foreign Trade at the Russian Foreign Trade Academy

The expansion of Russia-Belarus economic and trade cooperation is one of the main directions of economic development in the framework of the Union State. Every year their mutual trade turnover is increasing, and it exceeded 38 billion U.S. dollars at the end of 2011. Its further growth will be enhanced through the improvement of the export commodity structure of both countries, the use of the advantages of territorial and industrial clusters and transport corridors, the expansion of sales geography of goods and services in the regions.

Belarus-Russia relations entered a new stage after the establishment of the Customs Union and in the course of forming the Common Economic Space of Belarus, Russia and Kazakhstan: the unified customs tariffs, non-tariff measures of foreign trade regulation have been adopted for the Republic of Belarus,

the Russian Federation and the Republic of Kazakhstan, and the Customs Code of the Customs Union has been adopted.

Belarus is one of Russia's major trade partners. According to the results of 2010 – 2011, Belarus was among the top ten of its main foreign trade partners, ranking 6th after China, the Netherlands, Germany, Italy and Ukraine. In addition, Belarus remains the main trade partner of Russia among CIS countries as well, ranking 2nd after Ukraine. The share of Russia's foreign trade turnover in the overall foreign trade turnover of Belarus in different years of cooperation ranged from 47% to 60%.

Russia completed the negotiations on its accession to the World Trade Organization (WTO) in 2011, the preparation of the documents concerning its full-fledged membership was completed in August 2012.

According to the data of Belstat (National Statistical Committee of the Republic of Belarus), trade turnover between the Russian Federation and the Republic of Belarus in January – September 2012 was 33268.5 million dollars, including Russia's exports to Belarus – 21409.1 million dollars, import – 11859.4 million dollars. The total growth of commodity turnover in comparison with January – September 2011 was 14.8%. The favourable balance for Russia increased up to 9549.7 million dollars.

Russia's share in the trade turnover of Belarus in January – September 2012 amounted to 46.9%, in Belarus' export – 32.9%, in its import – 61.6%.

The structure of Russia's exports to Belarus in January – September 2012 was dominated by fuel and energy (oil, oil products, natural gas, electricity) that accounted for 65.4% of the total volume of exports; the share of metals and metal products accounted for 9.9%; chemical industry products – 7.1%. The share of machines, equipment and transport vehicles increased from 8.3% in January – September 2011 up to 9% in January – September 2012. The share of foodstuffs and agricultural raw materials amounted to 3.2% and 2.6%, respectively.

Statistical data show a significant increase in oil supplies from Russia to Belarus (according to the Ministry of Foreign Affairs of Belarus, they increased 2.4-fold in quantitative terms, and in value terms – 2.3-fold in comparison with the similar period of 2011). The supplies of electricity and chemical industry production also increased in quantitative and value terms.

The volume of Russia's supplies of machine building production to Belarus in January – September 2012 amounted to 1931.8 million dollars, which is 27.9% more than in January – September 2011. The main cost volumes of this product group accounted for internal combustion engines – 187 million dollars

(growth by 9.5%). The export of cars and trucks increased. At the same time, the supplies of railway cars, parts and accessories for motor vehicles and rolling stock remain significant items of Russian export in the machine-building industry.

Machines, equipment and transport vehicles still occupied the key place in the structure of Russian import from Belarus in January – September 2012 (38.1%).

At the same time, food products and agricultural raw materials formed a substantial part in the total volume of Russian imports from Belarus: 24.5% vs. 23.3% in January – September 2011. The growth of import of this group of goods was conditioned by the increased volumes of purchases of poultry meat, as well as sugar, milk and cream.

The volume of imports of chemical industry production increased due to the increase in the cost volumes of purchases of Belarusian medicines, ethylene and tyres. The group of mineral products witnessed the growth in the supply of petroleum products: in value terms – 3.3-fold, in physical terms – 3.8-fold.

Further expansion of mutual trade in the framework of the Union State will take place in accordance with Russia's and Belarus' national development strategies, the guidelines of creating the Common Economic Space of Belarus, Kazakhstan and Russia, the integration processes in CIS, as well as in the conditions of increasing investments inflow, including the stimulation of direct investments. The reduction of the list of industries where the activities of foreign investors are restricted or prohibited contributes to the development of cooperation in this direction. Joint work on determining the optimal quantity and location of special economic zones in Belarus and Russia will lead to the increase in their number in comparison with the current situation and to the further development of trade within the Union State.

In the framework of the Customs Union, unified export control order is established, unified measures of non-tariff regulation are applied, as well as a uniform procedure for the mutual recognition of licenses, certificates, etc. The mechanism of the Customs Union covers the system of foreign trade relations with third countries. However, it doesn't affect trade and economic relations and cooperation of the economies within the Union State so far. This potential, far from being exhausted, will be reflected in the annual growth of trade turnover, largely conditioned by the development of inter-regional cooperation, creation of more favorable and equal conditions for small and medium-sized businesses in the Union State.

The removal of unsettled issues of mutual access to markets of the Parties (trade barriers in the Russian-Belarusian trade) will lead to the further intensification of mutual trade and diversity in the range of goods.

The development of exhibition and trade fair activities can become an important direction of cooperation in the framework of the Union State. This will contribute to the further expansion of mutual and external trade of the member-states, attraction of foreign investments into their economy, promotion of goods and services produced there.

The priority directions of cooperation in trade-economic sphere for the period up to 2020 can involve:

1. Activities aimed at creating the necessary conditions for comprehensive development of mutual trade, as well as equal conditions for competition, provision of the pre-emptive influence of market factors.

2. Development of the concept paper and action plan for its implementation in the economic sphere in the medium term on the basis of national strategies. The preparation of proposals on introducing amendments into national strategies of the Parties with regard to the Union's development strategy.

3. Creation of the sectoral body of the Union State in the sphere of coordination of bilateral trade-economic cooperation issues instead of the currently non-functioning Commission on tariff and non-tariff regulation under the Council of Ministers of the Union State.

4. Continuation of bilateral work on elaborating the coordinated position in the issues of removing all possible obstacles and restrictions in the mutual trade, and the creation of favourable conditions for the promotion of goods in the mutual trade, and the promotion of the Union State's products in the third countries.

5. Optimization of the import of the Parties, first of all the import from the third countries.

6. Creation of the conditions for the transition of the Russian-Belarusian trade to the internal trade regime within the Union State in the long term (by 2020), first of all, concerning the goods, not included in the fuel and energy group.

7. Development and approval of the balance of fuel and energy resources, the demand and supply concerning the most important types of products.

8. Organization of the permanent exhibitions of the Union's achievements and production, as well as the promotion of the participation of the Union State's exhibitions in international exhibitions.

Further integration of Belarusian and Russian national statistical services will also contribute to the development of their trade and economic interaction, because the comprehensive and reliable information on the state of affairs in all the fields of the Union State will facilitate the objective observation of its current situation and forecast its development.

Building of trade-economic relations within the Union State involves monitoring of the activities on the transformation of Russia's

obligations to WTO regarding those stated in the documents of the Customs Union and the Common Economic Space. Under the construction of the common state, it is necessary to hold regular consultations of Belarusian and Russian parties concerning the terms of Russia's membership in WTO.

After the establishment of the Customs Union, some of the powers concerning trade regulation have been delegated to the supranational level, Russia has assumed the obligations of ensuring the implementation of the WTO requirements at the level of the Customs Union as well. The implementation of such commitments is possible due to the treaty on the functioning of the Customs Union in the framework of the multilateral trade system. In accordance with the treaty, the obligations assumed by a Union State member in case of its accession to WTO, become part of the legal system of the Customs Union.

In general, the final level of tariff protection, agreed upon by Russia and WTO, is compatible with the economic interests of Belarus, because it established the majority of tariff lines at the level of Russia's rates while forming the unified customs tariff, i.e. Belarus agreed to the raising of the tariff compared with the former Belarusian customs tariff.

After Russia's accession to WTO, the inflow of foreign investments in the country's economy will significantly increase, which will ensure the development and further modernization of enterprises and more rigid competition for Belarusian products on the Russian market. Upon joining WTO, Russia has assumed the obligations of this international organization, including those concerning the involvement in the resolution of disputes within WTO, and this makes Russia more attractive for investors.

The complicated conditions created by the competition with the goods (not only foreign, but also Russian) from the third countries will affect Belarusian enterprises, as well as economic entities with direct budget support,

and those categories of Belarusian goods, the foreign analogues of which will be allowed into the Customs Union on more liberal terms. So, import duties on machinery products will decrease in average by 15% down to 5 – 10% on almost all the types of agricultural machinery, which can affect the Belarusian agricultural machine-building.

The changes in the sphere of customs and tariff regulation in connection with Russia's accession to WTO will be carried out with regard to the agreements that were previously made on this issue in the framework of the Customs Union.

It appears that it is necessary to establish in the medium term the system of joint measures to bring the national Belarusian legislation in the trade-economic sphere in compliance with the norms and requirements of WTO on the basis of the conditions of Russia's membership in it.

The implementation of the stated cooperation directions in the trade-economic sphere can result in the following:

- development of mutual trade and optimization of its commodity structure;
- transition to the internal trade regime in the framework of the Union State;
- development of exhibition and trade fair activities of the Union State;
- provision of mutual access to economic information to the fullest extent possible;
- development of interaction in the field of statistics, including the formation of a unified system of statistical indicators and ensuring their comparability, the functioning of a unified statistical service of the Union State;
- creation of conditions for accession of the Republic of Belarus to the World Trade Organization.

*It should be noted, that the issues of inter-regional cooperation contain a considerable potential for the further expansion of cooperation in the framework of the Union State.*

Active inter-regional relations with the Republic of Belarus are maintained by more than 70 subjects of the Russian Federation. The regulatory-legal base of inter-regional cooperation includes over 250 agreements and treaties between the regions, cities, districts, municipalities of Russia and the regions, districts, cities of Belarus. Bilateral councils and committees on cooperation have been established for the purpose of promoting trade and economic cooperation between the Republic of Belarus and Russian regions.

Production cooperation is one of the priority directions of the bilateral inter-regional relations. Its capabilities should be maintained in the medium term as well, providing reliable links between the Russian and Belarusian enterprises, which are engaged in, first of all, the mutual supplies of raw materials, components and spare parts.

It appears that the joint territorial planning of Russian and Belarusian border regions should become a perspective issue of bilateral cooperation in the present-day conditions.

In the medium term, the expansion of the regional and interregional ties, including at the level of economic entities, will be promoted by the implementation of the following cooperation directions:

- ◆ implementation of the joint projects in scientific, technology and innovation spheres, as well as in the framework of the Union State programmes;
- ◆ development of industrial cooperation;
- ◆ development of investment cooperation;
- ◆ expansion of the participation of economic entities of the one Party in the regional programmes implemented by the other Party;
- ◆ promotion of business cooperation, in particular among the representatives of small and medium-sized business, in the line of the chambers of commerce and industry;
- ◆ expansion of inter-regional cooperation, including the promotion of direct contacts

between the subjects of the Russian Federation and the regions of the Republic of Belarus and the city of Minsk, including at the level of administrative-territorial units;

- ◆ development and implementation of the programme “Intergovernmental scheme of integrated territorial organization of Russia and Belarus”.

At present, the exhibition and trade fair activity of the Union State has the substantial development potential. For the 16 years of the Union’s existence its achievements haven’t been properly exhibited. The long-term policy in the sphere of exhibition and trade fair activities of the Union State still hasn’t been worked out, and the results of the Union’s development aren’t demonstrated to the public, business and international community. The exhibitions, displaying the achievements of the Union’s construction, have been organized for the past period neither in CIS, nor abroad.

The common policy in the sphere of exhibition and trade fair activities of the Union State members, aimed at informing the public, business and international community about the results of the Union’s achievements and construction, will ensure the strengthening of the Union State’s image on the international arena, the active promotion of its goods on the markets of the third countries.

The implementation of the stated areas of cooperation in the exhibition and trade fair area will result in the following:

- ✓ development of exhibition and fair activities of the Union State;
- ✓ awareness of the general public in CIS and non-CIS countries concerning the activities of the Union State, its products and services.

At the present stage it is still very important to provide mutual access to economic information of the maximum possible amount of participants of foreign economic activity in the countries of the Union State.

It is necessary to develop cooperation in the field of statistics, including the formation of a unified system of statistical indicators and ensuring their comparability, to develop and apply the uniform methods of calculations of the main macroeconomic indicators.

Extensive experience in the format of bilateral cooperation has been accumulated by the Inter-agency Statistical Council of Belstat and Rosstat (Federal State Statistics Service of Russia), functioning since 1996 when the Community of Belarus and Russia was formed. This allowed Russia and Belarus, taking into account the joint practices and developed normative and methodological base, to shift quite painlessly to the format of the cooperation between the three states in the Customs Union.

We can highlight the following priority directions of cooperation development in the framework of the Union State in the sphere of statistics for the period up to the year 2020:

- unification and expansion of the published statistical data on the socio-economic situation in Belarus and Russia;
- issuing the statistical collections of the Union State;
- expansion of information exchange on economic issues;
- elaboration of joint documents on cooperation between the statistical agencies of Belarus and Russia in accordance with the national programmes on statistical activities;
- development of unified methodologies in accordance with the world standards and

integration processes in the framework of the Common Economic Space, the implementation of joint research and analysis programmes of Belstat and Rosstat;

- creation in the short-term perspective of branch-wise body of the Union State (Statistical Committee of the Union State).

The implementation of these cooperation directions in the field of statistics will result in the following:

- ◆ provision of mutual access to economic information to the fullest extent possible;
- ◆ development of cooperation in the field of statistics, including the formation of a unified system of statistical indicators and ensuring their comparability;
- ◆ functioning of the integrated statistical service of the Union State.

Growth points and strategic guidelines of Belarusian and Russian economies are in many respects similar. They include the orientation toward innovations, including, nano-, bio- and information technologies, the increasing importance of social factors in economic programmes of the countries. But the scale and the degree of openness of the economies is different, as well as the role of the government in them.

Formation of the Common Economic Space of Belarus, Russia and Kazakhstan will introduce, in the medium term, structural changes in the pattern of economic growth in the member states. But it seems that the Union State will remain the driving force of the integration processes.

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