IMPACT OF THE CUSTOMS UNION OF BELARUS, KAZAKHSTAN AND RUSSIA ON THE TRADE POLICY OF KAZAKHSTAN

By

KUSSALIYEVA, Aigul

THESIS

Submitted to
KDI School of Public Policy and Management
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Committee in charge:

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ABSTRACT

IMPACT OF THE CUSTOMS UNION OF BELARUS, KAZAKHSTAN AND RUSSIA ON THE TRADE POLICY OF KAZAKHSTAN

By

Aigul Kussaliyeva

This study analyses the pattern of trade flows/specialization from Kazakhstan to the Customs Union member countries and rest of the world. Our research is mainly based on different measures of trade indexes in addition to the analysis of product composition and trade destinations of Kazakhstani exports.

The present work also aims to explain the impact of joining the Customs Union on trade policy of Kazakhstan and suggests related policy recommendations on that.

ACKNOWLEDGEMENTS

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INTRODUCTION

Since the collapse of the Soviet Union in early 90s, former Soviet countries started to switch from a planned economy to market economy. In order to encourage trade between neighbor-countries there were several attempts to build free trade zones within the new Commonwealth of Independent States (CIS) and process of accession to the World Trade Organization (WTO) has been started. But mostly all initiatives were declarative, and the negotiations of Kazakhstan and other former Soviet countries, except Russia on accession to the WTO, are still going on. There were attempts to join the WTO by three-country block of Belarus, Kazakhstan and the Russian Federation in 2009. According to experts no nation has ever entered the WTO within an existing customs space. Moreover, exactly at that period of time countries' level of preparedness for accession to the WTO was not the same. Russia already fixed 95% of all issues, Kazakhstan was ready for 70%, and Belarus could overcome only 50% of all problems on the way to the WTO. Due to those facts lately at that year countries canceled negotiations within the block. The Russian Federation joined the WTO in 2012. Kazakhstan finished the most important part of negotiations with the EU and the US in 2014

and it is expected to join the WTO in 2015. Belarus is still holding negotiations with the European Commission[1].

In November 2009 Belarus, Kazakhstan and Russia agreed to establish a customs union with harmonized import tariffs. The new common tariff became effective on 1 January 2010, and internal border controls have been subsequently removed[2]. Therefore, we could consider the formation of the Customs Union (CU) as the most important trade policy change in Central Asia in the recent years.

In 2014 another member of the CIS Armenia joined the CU. Later in May 2015 the presidents of member-countries signed the agreement about Kyrgyzstan's accession to the CU. Now the document is getting approval in the member states' parliaments. Moreover, agreement on a free trade zone with Vietnam was reached at the same year.

Besides, on 1 January 2015 the agreement on the Common Economic Space (CES) became effective and now the territory of the entity is over 20 million square kilometers with a common market of 175.7 million people. It has 5 members so far: Belarus, Kazakhstan, the Russian Federation, Armenia and Kyrgyzstan.

[1] "Belarus Accession to WTO", The official web-site of the Ministry of Foreign Affairs ofthe Republic of Belarus, http://mfa.gov.by/en/foreign_trade/wto/accession/

[2] "How much do tariffs matter? Evidence from the customs union of Belarus, Kazakhstan and Russia", AselIsakova, Zsoka Koczan and Alexander Plekhanov, working paper, 2013.

It has rich mineral resources as well as energy potential. Overall the union takes first place in the world on gas production and oil extraction and the third place on electrical power generation[3].

In the years 2014-2015 the directorate of the CU was discussing the possibility of launching the common currency "altyn" similar to the European Union's euro, but member countries insisted on the independence of their fiscal policy.

The main purpose of this thesis is to find out whether the formation of the CU positively impacted on the trade of Kazakhstan with Russia and Belarus. Since Armenia and Kyrgyzstan joined the Union recently they are not considered in the research yet. Another important question is whether parties gain from the union and how the trade flows change. The research is mainly based on trade indexes and shows that the CU does not have positive impact on mutual trade. Nevertheless, the CU is still a young entity, and many important anticipated effects, especially investment-related impacts, have not yet had a chance to materialize[4].

Taking into account the recent policy of the government to make deep integration within the CU by creating the Common Economic Space and intentions to establish the Eurasian Economic Union, it is important to know whether such deep integration might bring gains for the country in terms of

[3]"Economic potential", the official web site of Eurasian Economic Commission, http://www.eurasiancommission.org/en/Pages/ses.aspx

[4]"Customs Union of Belarus, Kazakhstan and Russia: Trade creation and trade diversion in Central Asia in 2010-2011", Roman Mogilevskii, working paper, 2012

mutual trade. Therefore, this research also considers the ways to accelerate Kazakhstani trade.

LITERATURE REVIEW

According to the World Bank's Handbook "Preferential Trade Agreement Policies for Development" regional integration is increasingly recognized as a key avenue for promoting economic growth and reducing poverty.

There are different types of regional trade agreements depending on the level of members' integrity.

Preferential trade area is an agreement on the part of a set of countries to reduce but not eliminate trade restrictions among themselves.

Free trade area is an agreement on the part of a set of countries to eliminate trade restrictions among themselves.

Customs Union is an agreement on the part of a set of countries to eliminate trade restrictions among themselves and to adopt a *common external tariff*.

Common market is an agreement on the part of a set of countries to eliminate trade restrictions among themselves, to adopt a common external tariff, and to allow the *free movement of labor and physical capital* among member countries.

Monetary union is common market that adopts a *common currency* and adopts a *common monetary policy*.

Economic Union is a monetary union that adopts a process of *domestic policy harmonization* in areas such as tax and spending policies and domestic regulation[5]. That is the case for the European Union.

Particularly, a customs union (CU) is a form of trade agreement under which certain countries preferentially grant tariff - free market access to each other's imports and agree to apply a common set of external tariffs to imports from the rest of the world. That is, they enter into a free trade agreement (FTA) and apply a common external tariff (CET) schedule to import from non-members. A CU can be thought of as a deeper form of integration than an FTA, generally requiring more coordination and a greater loss of autonomy.

There are certain customs unions in the world, in force and planned as shown in table 1.

Table 1. Customs Unions in the world.

Agreement	Date
	In force
Southern African Customs Union (SACU)	1910
Switzerland-Liechtenstein	1924
European Union (EU)	January 1, 1958
Central American Common Market (CACM)	October 12, 1961
Caribbean Community (CARICOM)	August 1, 1973
Andean Community (CAN)	May 25, 1988
EU-Andorra	July 1, 1991
Southern Cone Common Market (Mercosur, Mercado Comun del Sur)	November 29, 1991

[5]"An Introduction to International Economics: New Perspectives on the World Economy", Kenneth A. Reinert, Cambridge University Press, 2011.

Israel-Palestinian Authority	1994
EU-Turkey	January 1, 1996
Eurasian Economic Community (EAEC)	October 8, 1997
Economic and Monetary Community of Central Africa (CEMAC)	June 24, 1999
West African Economic and Monetary Union (WAEMU)	January 1, 2000
East African Community (EAC)	July 7, 2000
EU-San Marino	April 1, 2002
Gulf Cooperation Council (GCC)	January 1, 2003
Customs Union of Belarus, Kazakhstan, Russia, Armenia and Kyrgyzstan	July 1, 2010
	Planned
Arab Customs Union (ACU)	2015
Economic Community of West African States (ECOWAS)	2015
African Economic Community (AEC)	2019
Arab Common Market (ACM)	2020
Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA)	2020

Source: author's compilation.

The most successful union of all time is the European Union (EU), which is the current name for a set of agreements among 28 European countries in the realms of economics, foreign and security policies, and justice and home affairs[6]. The EU traces its origins from the European Coal and Steel Community and the European Economic Community, formed by six European countries in 1951 and 1958, respectively. The Maastricht Treaty established the European Union under its current name in 1993.

[6] Ibid.

In recent years, the EU has ventured even beyond the common market to a monetary union and has launched the common currency euro in 2002[7].

Customs union theory was well established since 1950s when professor Viner drewthe distinction between *trade creating* (more efficient suppliers in CU partners replace domestic suppliers of a given good) and *trade-diverting* (more efficient third-party suppliers are displaced by less efficient suppliers located in partner countries, as a result of the discriminatory liberalization) in his famous "The Customs Union Issue" book. According to him in cases when diversion dominates trade creation, CUs and FTAs tend to be welfare reducing[8].

Roman Mogilevskiy in his paper called "Customs Union of Belarus, Kazakhstan and Russia: Trade Creation and Diversion in Central Asia in 2010-2011" tried to find out the effect of the CU formation on trade performance in Central Asia and evidence of CU-related trade creation and diversion.

The paper shows the important steps in formation of the Customs Union with direct implications for trade in the region as shown in table 2.

Table 2. Important steps in formation of the CU with implications for trade in the region

Date	Event	Implications for trade
1 January 2010	Common customs tariff (CCT) implemented	Increase of imports duties in Kazakhstan
1 July 2010	CU's Customs Code and related legislation	Customs procedures in all CU

[7] Ibid.
[8] "The Customs Union Issue", J. Viner, New York: Carnegie Endowment for International Peace, 1950.

	(agreements on application of rules of origin and customs valuation etc.) implemented	countries harmonized
1 July 2011	Customs and other types of border control moved to external borders of the CU, some temporary exclusions from the CCT expired, and new rules for individuals entered in force	Internal customs borders mostly eliminated, import duties for some sensitive commodities (such as passenger cars) increased, and informal cross-border trade became more difficult.

According to the author there were two main effects for Kazakhstan from forming the CU. First, the diversion of trade by switching the Kazakh imports from countries, which face increased tariffs, or stricter customs procedures to CU countries or the CU trade partners. Second, trade creation due to the reducing the trade barriers and eliminating the internal customs borders among CU members.

The paper implies that Russia is a significant trade partner for all Central Asian countries, including the CU members, both for exports and imports. All members have permanent deficits in trade with Russia. For instance, Kazakhstani imports from Russia are about two times higher than exports. Kazakhstani exports to Russia mostly include energy products, while Russian exports are more diversified and include energy products, as well as metals, food, chemicals, machinery and equipment.

The author uses a “trade share” approach to measure trade creation and trade diversion effects caused by formation of the CU by considering

commodity-disaggregated imports to a country, which trade creation and diversion effects are anticipated as a result.

Besides, the paper considers different exogenous shocks, which could affect the trade of Kazakhstan and other countries in 2010-2011 like the political crisis and change of the government in Kyrgyzstan in 2010, and completion of the oil and gas pipeline from Kazakhstan and Turkmenistan to China in 2010. The first case influenced improving the relationships with Kyrgyzstan, while the second case influenced increasing the exports of crude oil and natural gas from Kazakhstan and Turkmenistan to China.

The author demonstrates significant gained/lost trade flows in Kazakhstan in 2010-2011 whichare broken down in different groups of commodities. The largest case of trade diversion relates to machinery imports to Kazakhstan in 2011. Imports from Russia and China sharply increased, while imports from the rest of the world (Germany, Italy, USA and Ukraine) fell dramatically in relative terms.

It finds that the growth of trade between the members of the Customs Union is mostly due to different exogenous factors unrelated to the Customs Union.

Besides, the major increase in merchandise trade between Kazakhstan and Russia is mostly due to the growth of energy and metal prices in 2010 and, especially, in 2011[9].

On the other hand another group of researchers tried to measure benefits coming from tariffs within the CU. The paper provides empirical analysis of the early impact of the formation of the customs union of Belarus, Kazakhstan and Russia and associated changes in import schedules on the structure of imports of the three member countries.

Authors also research the CU from a trade diversion and trade creation position but by looking at imports shares of member countries. Besides, the authors tried to estimate a regression model by using OSL to measure the effects of tariff changes. Their finding is consistent with some trade diversion effects in Kazakhstan; for Belarus and Russia the evidence does not point to significant trade diversion. Larger benefits could come from a gradual removal of non-tariff barriers[10].

The World Bank's report on assessments of costs and benefits of the Customs Union for Kazakhstan also calculates the tariff changes Kazakhstan has implemented, and according to authors' estimations under the spring 2011 conditions Kazakhstan was losing about 0.2 % in real income per year as a

[9]"Customs Union of Belarus, Kazakhstan and Russia: Trade Creation and Diversion in Central Asia in 2010-2011", Roman Mogilevskii, Institute of Public Policy and Administration, Working paper #12, 2012.

[10]"How much do tariffs matter? Evidence from the customs union of Belarus, Kazakhstan and Russia", Asel Iskakova, Zsoka Koczan and Alexander Plekhanov, EBRD, Working Paper #154, 2013.

result of participation in the customs union. This is because of increasing the external tariffs in order to implement the common external tariff. Besides, authors estimate that the CU has depressed real wages by 0.5 % and depressed the real return on capital in Kazakhstan by 0.6 %. By introducing the common external tariff Kazakhstan has increased its tariffs from an average of 6.7 % to 11.1% on an unweight basis (and 5.3% to 9.5% on a trade-weight basis).

The report finds that implementation of the common external tariff is the cost to Kazakhstan of joining the union - a cost that it has already begun to pay.

By using the algebraic structure of the models of Jensen and Tarr and Balistreri and Tarr, the authors try to assess the impacts of the customs union on Kazakhstan.

The results indicate that in order to get a positive outcome for Kazakhstan it is crucial to work together with its partners on the reduction of trade-facilitation and border-costs barriers as well as on the reduction of non-tariff barriers.

Moreover, the paper finds that the WTO accession gains are between four and five times larger than the most optimistic projections for the customs union. Therefore, it is important to remain focused on integration in the world trading system, including negotiating WTO accession[11].

[11]"Assessments of Costs and Benefits of the Customs Union for Kazakhstan", EkaterineVashakmadze and team, the World Bank report #65977-KZ, 2012.

In all papers related to the CU of Belarus, Kazakhstan and Russia we find the same shortcoming. Authors use the tariff matter to measure the outcome of the CU for member countries as well as the short period of time beginning from the establishment of the CU in 2010. It does not give us the full picture of the reality, and does not give us an answer whether the CU is the best way to enhance the trade between member countries.

METHODOLOGY

In theory, the net welfare effect of any free trade agreement is ambiguous[12]. To determine how much a proposed FTA or customs union is worth, policymakers must turn to empirical methods. In this thesis different approaches will be used to measure the impact of the Customs Union on the economic growth of Kazakhstan.

Mostly all research papers on the CU of Belarus, Kazakhstan and Russia try to measure it by estimating common external tariffs and using avery short period of time. The difference of this research is in its totally different approach and using a longer period of time for full analysis.

This paper tests, first, the hypothesis that participation in the CU enhances the trade of Kazakhstan with member countries. Second, based on the analysis it will give the policy implications on the trade policy of Kazakhstan.

First, summary statistical analysis will be used in order to determine if the direction and composition of members' trade flows changed significantly after the implementation of the agreement. We will look on the Customs Union's intratrade and on exports to destinations such as the CIS countries, EU, CU countries, and rest of the world. Also we will look on exports composition of CU countries by commodity groups to observe how the composition of exports

[12]Ibid.

changed. We will find out the largest product categories of members and look their shares' changes by time.

Secondly, we will use the trade intensity indexes to provide additional information about the nature and importance of changes in trade flows of CU countries. Since those indexes can be used for countries with a small share in the world trade, it will perfectly suit the economies of Belarus, Kazakhstan and the Russian Federation. Although the market size of the Russian Federation is big, the index is still useful sincethe analysis mostly is emphasized on the Kazakhstani economy.

"The intensity of trade index (I_{ab}) is defined for a's exports to country b as the share of a's exports going to b (X_{ab}/X_a) relative to the share of b's imports (M_b) in world imports (M_W). That is,

$$I_{ab} = (X_{ab}/X_a)/ (M_b)/M_w).$$

If the trade intensity index takes a value above unity, the countries have greater bilateral trade than would be expected based on the partner's share in world trade"[13]. If it is so, it is interesting to know whether these changes are consistent with true comparative advantages of the countries or took place under the new regulations.

[13] "Does Mercosur's Trade Performance Raise Concerns about the Effects of Regional Trade Arrangements?" Alexander J. Yeats, The World Bank Economic Review, Vol 12, No. 1:1-28, 5.

Thirdly, we will use the regional orientation index (R_{abc}), which tells us whether a country‘s exports of a product are more oriented towards a particular region than to other destinations.

$R_{abc}= (X_{abc} / X_{ac}) / (X_{ab-c}/ X_{a-c})$,

where

X_{abc} = exports of good b by country a to region c

X_{ac} = total exports of country a to region c

X_{ab-c} = exports of good b by country a to countries outside region

X_{a-c}= total exports of good b to countries outside region c.

If the index has a value greater than 1, this implies that the country has a regional bias in exports of the product. Conversely, if the index is less than 1, then the country has no regional bias. The index can be combined with the Revealed Comparative Advantage (RVA) index to discover which commodities' markets may experience trade diversion after an FTA. If a country's RCA index is less than 1 and its regional orientation index is more than 1, then an FTA between the country and the region may cause a trade diversion[14].

DATA

[14]"Methods for Ex Ante Economic Evaluation of Free Trade Agreements", David Cheong, ADB Working Paper Series on Regional Economic Integration, No. 52.June 2010, 10.

In order to organize our analysis, different data sources will be used as shown in Appendix 1.

Since Armenia joined the Union just recently, and Kyrgyzstan's accession agreement is under the approval in the parliaments of the CU members, those countries' data is excluded from the analysis.

Information on total exports and products composition of countries is taken from national statistics databases and UN Comtrade records. Information on total exports by trade destinations is also taken from national statistics databases and customs offices data. Intratrade data is taken from the official website of the CU.

Additionally, information on exports broken down by commodity groups is also taken from national statistics databases and customs offices data.

It is also important to notice that in the early 90s right after the collapse of the Soviet Union, countries were experiencing very strong recession and political crisis. Therefore, some data from 1992 to 1995 is missing which is indicated by a * mark.

ANALYSIS OF RESULTS

As shown in Appendix 2, we can see that the mineral products in total exports of Kazakhstan constantly increased its share from 35.8% in 1992 to 80.3% in 2013. We can notice the same scenario in Russian exports, where the share of mineral resources has increased from 42.5% in 1995 to 71.6% in 2013.

Another important group of commodities for both countries is metals and articles made from it. Its share in 2013 equals 9.2% and 10.5% respectively. Also it is interesting to note that by early the 90s the share of metals and articles made of them was high in countries' total exports. But as time has gone by it has fallen dramatically.

Products of chemical industry also played an important role in countries' total exports in the early 90s. But in recent years it does not play that much of an important role, and equals only 4.1 % and 5.8% respectively in total exports.

But there is a totally different situation with the Belarus exports. Comparatively with its neighbors Belarus exports is highly diversified. Large group of exports is mineral resources as well, but in 2013 its share in total exports was only 33%.

Nevertheless, there is another important group of commodities for the Belarus exports, which are machinery, equipment, vehicles, instruments and apparatus. Since the very beginning Belarus was highly specialized in producing machinery for agriculture. An immense part of machinery used in

Russian and Kazakh agriculture is produced in Belarus. In 2013 the share of this group was equal to 19.2% from the total exports of Belarus.

Another important group of commodities is chemical industry's products, which contains 15.1% of total exports in 2013.

Belarus is also specialized in producing animal and vegetable products, prepared foodstuffs as well, which contained 15.2% from total exports of the country in 2013. Those products quality was admitted high which different regional associations repeatedly appreciated. The Belarus milk and other animal products are highly popular in the region due to its high quality and comparatively low prices.

Among all members Belarus has more shares of textile and textile articles in its total exports, which was equal to 3.5 % in 2011.

Therefore, we can assume that not all members, but the largest economies of the Union have a similar exports pattern, which cannot positively impact on mutual trade.

If we look at trade destinations for the CU countries as shown in the appendix 3, we can notice Kazakhstan's high orientation toward the European countries. Around 70% of its exports go to the European countries. The dynamic of exports to the CU countries is not positive. As we can see it falls down from 10.6% in 2005 to 7.1% in 2013.

In case of the Russia situation, exports to the CU countries seem stable. But the biggest exporter within the CU is Belarus. Its exports to the CU have risen to 47 % in 2013.

Although the CU was introduced in 2010 it does not influence much on mutual trade. Moreover, the Kazakh and Russian exports to the European countries since then are just rising.

In order to see if, in fact, the exports of the member countries were reoriented toward the common regional market under the implementation of the CU in 2010 we analyze their exports since that time as shown in table 3.

Table 3. Dynamic products in the Intratrade of the CU members, 2010-13

Commodity	Exports to CU		Regional orientation index		
	2010	2013	2010	2013	% Point change, 2010-13
Mineral resources (25-27)	17922.5	21201.3	54.0	44.3	-18.5
Products of the chemical or allied industries, (including plastics and rubber) (28-40)	4699.4	6407.8	193.4	208.8	8.0
Metals and articles thereof (72-83)	6731.8	8355.6	134.4	175.5	30.6

The main commodity groups of exports for the CU members are mineral resources, products of chemical industry and metals and articles from them (around 80% of total exports). We compare figures for each group of commodities and see how the regional orientation index has changed.

The analysis shows that the regional orientation index for products where there is evidence that CU has a current comparative advantage is declining for 18.5%. The CU countries show evidence of export strength in mineral resources in independent markets where they are not protected by trade arrangements. In case of Kazakhstan it mostly exports mineral resources to the European countries and it has not changed under the CU arrangements. Although countries introduced common external tariffs they do not attempt to increase intratrade in the main commodity groups.

Trade intensity ratio for the CU countries as shown below also reveals similar results. It finds that the intensity of trade between Kazakhstan and Belarus does not change with implementation of the CU in 2010. As we see from the table the numbers are very low, below the unity. It implies that countries do not have greater bilateral trade than would be expected based on the partner's share in world trade.

Table 4. Trade intensity ratios for the CU countries intratrade and trade with the EU.

	Trading partner			
	CU countries			
Exporter	Kazakhstan	Belarus	Russia	EU
Kazakhstan				
2001-2004		0.5	91.6	349.6
2005-2008		0.6	27.3	206.1
2010-2013		0.4	19.3	163.3
Belarus				
2001-2004	4.3		325.3	590.5

2005-2008	6.3		171.9	433.7
2010-2013	7.7		157.3	357.4
Russia				
2001-2004	3.4	7.8		93.6
2005-2008	2.3	3.6		93.7
2010-2013	1.9	2.9		37.2

In the case of trade with Russia we see that the ratio has declined dramatically from 91.6 in 2010 to 19.3 in 2013. It finds that with implementation of the CU there is no greater bilateral trade as it could be expected.

In the case of trade with the EU numbers, the ratio is falling down as well, at the same time they keep above the unity, which means a high level of bilateral trade.

For Belarus trade with Russia and the EU is highly desirable according to the table since the figures are high.

In the case of Russia it has greater bilateral trade with European countries, as it was expected since the country exports most of mineral resources to the EU. The numbers for trade with Kazakhstan is comparatively very low and tend to decline, which suggests that countries with similar exports cannot gain from mutual trade.

CONCLUSIONS

We have researched the product composition and trade destinations for the CU countries. Moreover we constructed the trade intensity ratios and regional orientation indexes for Kazakhstan, Belarus and the Russian Federation.

According to the product composition we can notice the exports similarity trend among some member countries. Kazakhstan and the Russian Federation were increasing the share of mineral resources in their exports, while Belarus was showing the diversified exports. Since the introduction of the CU in 2010 first two countries have not been diversifying their exports. For instance, Kazakhstan was increasing the share of mineral resources in its exports since 2010 from 76% to 80% while other commodity groups' share such as textile were going down. As the analysis results show product composition changes are not related to introduction of the CU. The more similar the export profiles are, then the more likely that there is limited potential for gains from inter-industry trade with a regional trading arrangement[15]. Therefore, the first two countries cannot gain from the CU in terms of exports similarity.

Regional orientation index and trade destinations show that Kazakhstani and Russian producers are oriented toward the European market since those countries are the biggest consumers of their mineral resources while Belarus is highly oriented toward the CU countries. The introduction of the CU does not

[15]"Globalization and Governance in the International Political Economy", Umit Hacioglu, IGI Global, 2013.

change the situation; the new entity does not have positive impact on increasing the intratrade.

Moreover, the trade intensity index proves this assumption, especially for Kazakhstan. Besides, we can notice that with introducing the CU countries do not have greater mutual trade as it was expected. Therefore, it is better for Kazakhstan to trade more with the EU instead of focusing on trade relations with Russia and Belarus.

It is also good for the government of Kazakhstan to consider the diversification of exports and not concentrating on trade with the CU partners. Besides, taking into account more regional orientation on the European countries it is better to concentrate on accession to the WTO in order to keep those markets.

Overall research shows that the CU formation is not attributable to trade changes in the region.

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The official web-site of the Ministry of Foreign Affairs of the Republic of Belarus, "Belarus Accession to WTO", http://mfa.gov.by/en/foreign_trade/wto/accession/.

The official web site of Eurasian Economic Commission, "Economic potential", http://www.eurasiancommission.org/en/Pages/ses.aspx.

The official web site of the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, www.stat.gov.kz.

The official web site of the Federal State Statistics Service of the Russian Federation, http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/en/main/.

The official web-site of State Customs Committee of the Republic of Belarus, http://www.gtk.gov.by/en.

The official web site of the Ministry of Foreign Affairs of the Republic of Belarus, “Exports”, http://mfa.gov.by/export/export/.

The official web site of the International Trade Center, International trade in goods - Exports 2001-2014, http://www.intracen.org/itc/market-info-tools/statistics-export-product-country/.

Umit Hacioglu, “Globalization and Governance in the International Political Economy”, IGI Global, 2013.

APPENDIX A

Data sources

Variables	Description	Source
Total exports and product composition for Belarus	1992-2013	The National Statistics Committee of the Republic of Belarushttp://www.belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya_2/ofitsialnye-publikatsii_12/index_300/, United Nations Comtrade records http://comtrade.un.org/pb/first.aspx
Total exports and product composition for Kazakhstan	1992-2013	The Statistics Committee of the National Economy of the Republic of Kazakhstanwww.stat.gov.kz, database of the Customs Committee of the Ministry of Finance of the Republic of Kazakhstan
Total exports and product composition for the Russian Federation	1992-2013	The Federal State Statistics Service of the Russian Federationhttp://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/en/main/, United Nations Comtrade records http://comtrade.un.org/pb/first.aspx
Total exports by trade destinations for Belarus	1992-2013	The National Statistics Committee of the Republic of Belarushttp://www.belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya_2/ofitsialnye-publikatsii_12/index_300/, United Nations Comtrade records http://comtrade.un.org/pb/first.aspx
Total exports by trade destinations for Kazakhstan	1992-2013	The Statistics Committee of the National Economy of the Republic of Kazakhstanwww.stat.gov.kz, database of the Customs Committee of the Ministry of Finance of the Republic of Kazakhstan
Total exports by trade destinations for the Russian Federation	1992-2013	The Federal State Statistics Service of the Russian Federationhttp://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/en/main/
Exports by	1992-	The National Statistics Committee of the Republic of

trading partners for Belarus	2013	Belarushttp://www.belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya_2/ofitsialnye-publikatsii_12/index_300/
Exports by trading partners for Kazakhstan	1992-2013	The Statistics Committee of the National Economy of the Republic of Kazakhstanwww.stat.gov.kz, database of the Customs Committee of the Ministry of Finance of the Republic of Kazakhstan
Exports by trading partners for the Russian Federation	1992-2013	The Federal State Statistics Service of the Russian Federationhttp://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/en/main/
Exports of mineral products by Kazakhstan to the CU countries	1992-2013	The Statistics Committee of the National Economy of the Republic of Kazakhstanwww.stat.gov.kz, database of the Customs Committee of the Ministry of Finance of the Republic of Kazakhstan
Total exports of Kazakhstan to the CU	1992-2013	The Statistics Committee of the National Economy of the Republic of Kazakhstanwww.stat.gov.kz, database of the Customs Committee of the Ministry of Finance of the Republic of Kazakhstan
Exports of mineral products by Kazakhstan to countries outside the region	1992-2013	The Statistics Committee of the National Economy of the Republic of Kazakhstanwww.stat.gov.kz, database of the Customs Committee of the Ministry of Finance of the Republic of Kazakhstan
Total exports of Kazakhstan's mineral products to countries outside the CU	1992-2013	The Statistics Committee of the National Economy of the Republic of Kazakhstanwww.stat.gov.kz, database of the Customs Committee of the Ministry of Finance of the Republic of Kazakhstan
Exports of mineral products of the CU	1992-2013	Statistical databases of the Eurasian Economic Commissionhttp://www.evrazes.com/customunion
Total exports of the CU	1992-2013	Statistical databases of the Eurasian Economic Commissionhttp://www.evrazes.com/customunion
Total exports of	1992-2013	The Statistics Committee of the National Economy of the Republic of Kazakhstanwww.stat.gov.kz, database of the Customs

mineral products by Kazakhstan		Committee of the Ministry of Finance of the Republic of Kazakhstan

APPENDIX B

Product Composition of the CU member-countries, 1992-2013, mln. $

Percentage of total exports (%)												
Exporter	All items (mln $)	Animal and vegetable products, prepared foodstuffs (01-24)	Mineral products (fuel and energy products) (25-27)	Products of the chemical or allied industries, (including plastics and rubber)	Raw hides and skins, leather, fur skins and articular thereof	Wood and pulp and paper articles	Textiles and textile article (in case of Russia including shoes)	Footwear, headgear and haberdashery articles	Building materials	Metals and article thereof	Machinery, equipment, vehicles, instruments and apparatus	Other goods
Kazakhstan												
1992		*	35.8	16.8	*	*	*	*	*	38.2	1.8	*
1993	1318	*	*	*	*	*	*	*	*	39.1	*	*
1994	3230,8	*	*	*	*	*	*	*	*	40.2	*	*
1995	5 250,2	10.3	29.2	9.6	*	0	*	*	*	41.2	2.7	*
1996	5 911,0	12.1	36.9	8.3	1.1	0.1	1.2	0.0	0.0	31.3	3.5	5.5
1997	6 497,0	12.7	37.6	6.6	0.7	0.1	1.1	0.0	0.0	33.1	2.5	5.6
1998	5 334,1	*	*	*	1.1	0.1	1.1	0.0	0.0	32.8	2.7	*
1999	5 871,6	8.0	44.0	6.0	0.7	0.1	0.9	0.0	0.0	32.0	3.0	7.0
2000	8 812,2	7.0	55.0	5.0	0.7	0.1	0.8	0.0	0.0	26.0	3.0	4.0
2001	8 639,1	5.0	58.0	5.0	0.7	0.1	0.9	0.0	0.0	24.0	3.0	5.0
2002	9 670,3	5.0	62.3	5.0	0.7	0.1	1.1	0.0	0.0	23.4	3.0	2.4
2003	12 926,7	6.0	65.0	4.0	0.7	0.1	0.9	0.0	0.0	20.0	2.0	3.0
2004	20 096,2	4.1	68.3	3.3	0.7	0.1	0.9	0.0	0.0	19.4	1.5	1.8
2005	27 849,1	2.4	73.8	3.3	0.9	0.1	0.8	0.0	0.0	15.9	1.3	1.5
2006	38 250,3	2.8	71.9	4.2	0.6	0.1	0.7	0.0	0.0	16.1	1.8	1.9
2007	47 755,3	4.3	69.7	4.0	0.7	0.1	0.6	0.0	0.0	17.1	2.0	1.6
2008	71 183,5	4.2	73.0	3.5	0.6	0.0	0.3	0.0	0.0	15.2	1.8	1.3

2009	43 195,8	3.8	74.0	5.3	0.7	0.1	0.3	0.0	0.0	12.7	0.9	2.2
2010	56 957,2	3.4	76.0	4.8	0.1	0.1	0.2	0.0	0.0	9.9	0.5	2.2
2011	77 232,6	2.2	81.7	3.4	0.0	0.1	0.1	0.0	0.0	9.9	0.5	2.2
2012	80 220,2	3.4	80.6	3.5	0.0	0.6	0.1	0.1	0.0	8.6	0.7	2.4
2013	84 700,4	3.2	80.1	4.1	*	0.1	0.2	0.1	0.0	9.2	1.5	1.4
Belarus												
1992	*	*	*	*	*	*	*	*	*	*	*	*
1993	*	*	*	*	*	*	*	*	*	*	*	*
1994	*	*	*	*	*	*	*	*	*	*	*	*
1995	4 803	*	*	*	*	*	*	*	*	*	*	*
1996	*	*	*	*	*	*	*	*	*	*	*	*
1997	*	*	*	*	*	*	*	*	*	*	*	*
1998	*	*	*	*	*	*	*	*	*	*	*	*
1999	*	*	*	*	*	*	*	*	*	*	*	*
2000	7 326	*	20.23	15.68	0.65	2.44	10.56	1.29	*	*	*	*
2001	7 451	*	*	*	*	*	*	*	*	*	*	*
2002	8 021	*	*	*	*	*	*	*	*	*	*	*
2003	9 946	*	*	*	*	*	*	*	*	*	*	*
2004	13 774	*	*	*	*	*	*	*	*	*	*	*
2005	15 979	*	35.37	12.93	0.51	2.46	5.88	0.54	*	*	*	*
2006	19 734	*	*	*	*	*	*	*	*	*	*	*
2007	24 275	*	35.61	13.12	0.34	2.11	4.63	0.5	*	*	*	*
2008	32 571	*	37.48	17.76	0.25	1.51	3.69	0.44	*	*	*	*
2009	21 304	*	37.94	16.64	0.26	1.38	4.47	0.56	*	*	*	*
2010	25 284	12.6	28.21	17.87	0.32	1.67	5.01	0.55	*	*	*	*
2011	41 419	9	35.46	19.67	0.23	1.31	3.53	0.34	*	*	*	*
2012	46 060	9.9	35	20	*	*	1	*	*	*	*	*
2013	37 203	15.2	33	15.1	*	*	*	*	*	6.3	19.2	11.2
Russia	*	*	*	*	*	*	*	*	*	*	*	*
1992	*	*	*	*	*	*	*	*	*	*	*	*
1993	*	*	*	*	*	*	*	*	*	*	*	*
1994	*	*	*	*	*	*	*	*	*	*	*	*
1995	78 217	1.8	42.5	10	0.4	5.6	1.5	0	0	26.7	10.2	1.3
1996	85 189	2	48.1	8.7	0.3	4.2	1.1	0	0	24.1	10.0	1.5
1997	85 096	1.9	48.4	8.3	0.5	4.2	1.1	0	0	24	10.7	0.9

1998	71 314	2.1	42.8	8.7	0.6	4.9	1.1	0	0	27.6	11.4	0.8
1999	72 885	1.3	44.9	8.5	0.3	5.1	1.1	0	0	26.1	10.9	1.8
2000	103 093	1.6	53.8	7.2	0.3	4.3	0.8	0	0	21.7	8.8	1.5
2001	99 969	1.9	54.7	7.5	0.2	4.4	0.8	0	0	18.8	10.5	1.2
2002	106 712	2.6	55.2	6.9	0.3	4.6	0.8	0	0	18.7	9.5	1.4
2003	133 656	2.5	57.3	6.9	0.2	4.2	0.7	0	0	17.8	9.0	1.4
2004	181 600	1.8	57.8	6.6	0.2	3.9	0.6	0	0	20.2	7.8	1.1
2005	241 473	1.9	64.8	6	0.1	3.4	0.4	0	0	16.8	5.6	1
2006	301 244	1.8	65.9	5.6	0.1	3.2	0.3	0	0	16.3	5.8	1
2007	351 928	2.6	64.9	5.9	0.1	3.5	0.3	0	0	15.9	5.6	1.2
2008	467 581	2	69.8	6.4	0.1	2.5	0.2	0	0	13.2	4.9	0.9
2009	301 667	3.3	67.4	6.2	0.1	2.8	0.2	0	0	12.8	5.9	1.3
2010	396 644	2.3	68.8	6.3	0.1	2.5	0.2	0	0	13	5.7	1.1
2011	516 040	2.3	70.3	6	0.1	2.1	0.2	0	0	11.1	4.5	1
2012	524 700	3.2	71.3	6.1	0.2	1.9	0	0	0	11.1	5.1	1.1
2013	526 400	3.1	71.6	5.8	0.3	2.1	0	0	0	10.5	5.4	1.2

APPENDIX C

Trade destinations for the CU countries, 2005-2013

Percentage of total exports (%)																	
Exporter	World (mln $)	Italy	China	Netherlands	France	Austria	Switzerland	Canada	Romania	Turkey	Ukraine	UK	Poland	Israel	Germany	Latvia	CU	Others
Kazakhstan																		
2005	27 849,1	15.0	8.7	3.2	9.6	0.0	19.8	1.9	1.7	0.6	0.7	1.2	1.3	2.4	1.5	0.5	10.6	21.3
2006	38 250,3	18.0	9.4	4.5	8.8	0.0	17.6	0.8	2.0	0.9	1.6	3.0	0.5	1.6	1.4	0.4	10.0	19.5
2007	47 755,3	16.3	11.8	5.2	8.3	0.0	15.7	0.9	0.0	2.0	2.3	2.4	0.5	2.2	0.8	0.3	10.1	21.2
2008	71 183,5	16.7	10.8	6.5	7.6	0.0	15.8	0.6	1.4	2.7	2.8	2.5	0.6	3.1	0.9	0.3	8.9	18.8
2009	43 195,8	15.5	13.6	5.1	7.8	2.8	6.2	3.2	1.9	1.8	3.0	2.9	1.9	2.6	2.1	0.2	8.3	21.1
2010	56 957,2	16.0	16.9	7.0	7.4	4.2	2.1	4.1	2.1	2.1	1.1	2.3	2.0	2.1	2.9	0.2	9.4	18.1
2011	77 232,6	17.1	18.5	7.5	6.2	4.4	5.6	3.0	2.6	2.9	3.0	1.8	2.0	1.6	1.8		8.4	15.4
2012	80 220,2	17.8	16.5	8.4	6.5	5.7	5.7	3.6	3.5	3.1	2.8	1.9	1.9	1.8	1.6	0.3	7.2	11.7
2013	84 700,4	17.8	16.5	8.4	6.5	5.7	5.7	3.6	3.5	3.1	2.8	1.9	1.9	1.8			7.1	13.8
Belarus																		
2008	32 571	1	1.9	16.6	0.3	0.1	0.0	0.0	0.6	0.3	8.5	4.4	5.5	-	2.5	6.6	33.5	12.7
2009	21 304	0.9	0.8	17.4	0.3	0.1	0.0	0.0	0.3	0.4	7.9	3.8	3.9	-	4.6	7.8	33.0	14.9
2010	25 284	0.8	1.9	11.3	0.2	0.1	0.6	0.1	0.3	0.4	10.1	3.7	3.5	-	1.8	3.7	41.2	16.8
2011	41 419	1.3	1.5	14.8	0.2	0.1	0.0	0.0	0.3	0.3	10.0	1	2.7	-	4.4	7.6	36.7	16.3
2012	46 060	1.5	0.9	16.4	0.2	0.0	0.0	0.1	0.2	0.3	12.1	1.2	2.1	-	3.8	7.1	37.2	14.9
2013	37 203	2.4	1.2	8.9	0.2	0.0	0.0	0.1	0.2	0.5	11.3	2.8	2.1	-	4.7	1.4	47.6	14.4
Russia																		
2008	467 581	9	4.5	12.2	2.6	0.5	2	0.2	0.9	5.9	5	3.2	4.3	0.4	7.1	-	7.9	34.3
2009	301 667	8.3	5.5	12.1	2.9	0.5	2.1	0.2	0.5	5.4	4.6	3	4.1	0.3	6.2	-	8.6	35.7
2010	396 644	6.9	5.1	13.6	3.1	0.3	2.2	0.3	0.5	5.1	5.8	2.9	3.8	0.4	6.3	-	7.3	36.4
2011	516 040	6.3	6.8	12.1	2.9	0.3	2.2	0.1	0.4	4.9	5.9	2.7	4.1	0.3	6.6	-	7.6	36.8
2012	526 400	6.2	6.8	14.7	2	0.3	2	0.1	0.4	5.2	5.2	2.9	3.8	0.3	6.8	-	7.5	35.8
2013	524 700	7.5	6.8	13.4	1.7	0.2	1.7	0.1	0.3	4.9	4.5	3.1	3.7	0.4	7	-	7.1	37.6