

# THE ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM – 2009

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## CIS - SPACE FOR COOPERATION. AGENDA FOR TOMORROW

### Moderator:

**Igor Shuvalov**, First Deputy Prime Minister and National Coordinator for CIS Affairs, Russian Federation

### Panellists:

**Sergei Lebedev**, Chairman of the Executive Committee, CIS

**Andrei Kobaykov**, Deputy Prime Minister, Belarus

**Bakhyt Sultanov**, Minister of Economy and Budgetary Planning, Kazakhstan

**Ashirkuli Kurbankuliev**, Director of the Institute of Strategic Forecasting and Economic Development, Turkmenistan

**Gahangir Gadgiev**, CEO of International Bank of Azerbaijan, Azerbaijan

**Emilbek Uzakbaev**, National Coordinator for CIS affairs, Kyrgyzstan

**Igor Dodon**, First Deputy Prime Minister, Moldova

**Nerses Yeritsyan**, Minister of Economy, Armenia

**Farrukh Khamraliev**, Chairman of State Council for Investment and State Property Management, Tajikistan

**Sergey Tihipko**, Co-Chairman of Investor Council of the Cabinet of Ministers, Ukraine

Participants considered a wide range of matters related to political interaction and cooperation in the CIS. The following key consensus issues emerged:

**Political will is key.** The recent economic meltdown has revealed common vulnerabilities, and the very significant interdependence between the CIS economies. In the short term, better coordination between the CIS countries will, it was noted, allow states to more rapidly respond to the negative effects of the crisis. Longer-term, new opportunities will be captured. Key tasks for CIS countries going forward include the full launch of a common market for goods and services, cooperation in the energy sector, and the creation of regional reserve currencies. Opportunities, it was considered, are plentiful in each of these spheres, but stronger resolve among the CIS leadership to separate political issues from economic interests is required for their implementation. All panellists shared the view that greater incentives for protectionist

policies (particularly non-tariff barriers), as well as certain disputes in the energy sector, remain key barriers to better cooperation.

**CIS: The integration format of choice.** The CIS has been in existence for 18 years, and these have been difficult years. Self-assertion by newly independent states was at the forefront of the CIS's establishment, and – unlike the gradual integration seen in the European Union – the USSR's disintegration and the CIS's reintegration were painful, and took place against the backdrop of numerous crises. It was stated that, in the early 2000s, when economic growth was at full steam, the focus on integration was largely lost, and the integration processes slowed. Export-oriented growth was the most widespread strategy among CIS countries, and discussion participants acknowledged that common markets were lost to each other at this time, despite the existence of a great number of technological supply-demand links within the region. The view was put that the current economic turbulence has spurred a more rapid pace of integration, and that this has already started to bear fruit. As an example, it was noted that from 1 Jan 2010, a customs union between Russia, Kazakhstan and Belarus will start operating. An anti-crisis fund, with capital equivalent to \$10bn, is also to be launched shortly, managed by Evrazes (Euro-Asian Economic Community; an economic arm of the CIS). Panellists largely agreed that, due to the numerous technological and economic links being developed within the CIS, the positive economic impact of deeper CIS integration is more tangible and immediate than that associated with World Trade Organisation (WTO) accession.

**Where will synergies come from?** Common markets for goods, services, labour and capital mark the future steps towards closer CIS integration. As an example, participants noted that during the Soviet era, the electricity distribution system was unified across all present CIS countries, and numerous efficiencies in the sector were lost when national boundaries were established, and the free flow of electricity between CIS countries was impeded. To restore these efficiencies and improve the energy-intensity of the CIS economies on this basis, it was agreed, is an important task. In the labour market, cross-border employment and respective wage remittances within the CIS are very important factors in achieving social stability across the region. It was acknowledged that a unified educational and cultural space will have a direct impact on cost cutting and the competitiveness of the CIS manufacturers, as CIS members remain consumers of each others' products and services, and will become even more so going forward. Finally, if the share of payments in Russian roubles, Kazakhstan tenge or other national currencies in intra-CIS trade increases, participants considered that dependence on volatile global FX markets would reduce, and the large share of intra-CIS trade would be appropriately reflected. It was noted, however, that the membership, or near accession, of some CIS countries to the WTO could pose a serious problem for common CIS goods markets, with conflicting regulations and priorities that will need to be addressed going forward.