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EURASIAN ECONOMIC COMMUNITY: OPPORTUNITIES AND CHALLENGES FOR UKRAINE

Kotvytska O.I. (Kharkiv)

Language supervisor: Chornovol-Tkachenko O.O.

Summary: This article is about the Eurasian Economic Community and opportunities and challenges for Ukraine. The first section of the article gives information about modern situation of relations between EurAsEC and Ukraine. The second section includes possible positive and negative effects of Ukraine's accession to the EurAsEC. The third section is about the Customs Union and plans of Ukraine concerning it.

Key words: Eurasian Economic Community, Customs Union, CIS, opportunities and challenges for Ukraine.

Анотація: Дана стаття присвячена Євразійському економічному співтовариству, а також можливостям і погрозам для України при вступі в ЄврАзЕс. Перша частина статті надає загальну інформацію про сучасну ситуацію щодо стосунків ЄврАзЕс та України. Друга частина містить можливі позитивні і негативні ефекти для України при вступі в ЄврАзЕс. Третя частина стосується Митного союзу і планів України відносно можливої участі в ньому.

Ключові слова: Євразійське економічне співтовариство, Митний союз, СНД, можливості і погрози для України.

Аннотация: Данная статья посвящена Евразийскому экономическому сообществу, а также возможностям и угрозам для Украины при вступлении в ЕврАзЭС. Первая часть статьи предоставляет общую информацию о современной ситуации относительно отношений ЕврАзЭС и Украины. Вторая часть содержит возможные позитивные и негативные эффекты для Украины при вступлении в ЕврАзЭС. Третья часть о Таможенном союзе и планах Украины в отношении возможного участия в нём.

Ключевые слова: Евразийское экономическое сообщество, Таможенный союз, СНГ, возможности и угрозы для Украины.

The establishment of the Eurasian Economic Community in October 2000, became a landmark in the development of the geo-economic and geopolitical processes on the territory of the former Soviet Union. In that way a group of CIS member states announced their intention to implement the concepts of accelerated integration of the post-Soviet space into practice, which actually presupposed introduction of a model of multi-speed integration of CIS member states and the creation of sub-regional unions of the countries with closer views of the prospects of economic and political integration within the Commonwealth [1, 4].

Officially, Ukraine's relations with the EurAsEC are determined by the observer status it acquired in May 2002. However, the actual scope of relations is much wider, since all of the member states of the EurAsEC, as well as Ukraine, are CIS members and have extensive multilateral economic, social and political ties. Furthermore, there is an on-going practice of bilateral relations between Ukraine and each of the Community member states [5].

Ukraine's relations with EurAsEC member states are governed by a number of multilateral agreements concluded within the framework of the CIS and bilateral treaties with the Community member states. The analysis of the mentioned agreements proves that Ukraine's economic relations with EurAsEC member states generally rest on a developed legal base that encompasses trade, mutual investing and relations in key branches of the economy [5].

At present, the EurAsEC member states are the main trade partners of Ukraine, although Russia occupies a dominant position in the trade relations with them. It is in fact the only serious investment partner of Ukraine, although it takes the lead only in the investments connected with privatization, not with establishment of new companies. Therefore, the main content of Ukraine's economic ties with the EurAsEC region are made up by the Ukraine-Russian relations, which in principle may effectively develop on a bilateral basis [2].

Possible positive effects of Ukraine's accession to the EurAsEC include:

- some improvement of the conditions for marketing Ukrainian products, first of all, of the processing industry, on the Community markets;
- cancellation of the export duty on the main raw materials supplied from Russia;
- suspension of the existing exceptions from the free trade regime;
- possible removal of quotas of oil and natural gas supplied to Ukraine and corresponding reduction of the average price of Russian crude oil exported to Ukraine;
- possible repudiation of Russia from the collection of VAT on energy resources exported to Ukraine;
- implementation of a more effective mechanism of dispute settlement arising in relations with the member states;
- removal of the practice of special and antidumping investigations against Ukrainian manufacturers;
- improvement of the conditions for industrial and scientific co-operation with Community member states;
- guarantees of equal access to the transit capacities of EurAsEC member states;
- probability of concessions in the issue of Ukraine's gas debts;
- certain strengthening of Ukraine's positions in co-operation with the EU in some critical sectors, first of all, in energy and transport development;
- better possibilities for Ukraine's influence on the prospects of EurAsEC development [3, 4].

Possible negative effects of Ukraine's accession to the EurAsEC include:

- weakening of the country's independence in the formulation of its economic, financial, customs and monetary policy;
- closer integration in the political and defense spheres;
- substantial growth of the degree of subordination of Ukraine's policy to the principles worked out in the Russian Federation;
- the need of revision of the free trade agreements with the countries that are not EurAsEC members;

- possibility of conflict between the commitments of harmonization of Ukraine's legislation with that of the EU and its harmonization (unification) within the framework of the EurAsEC;

- reversal of the positive trend of moderate growth of the share of the EU member states in the structure of Ukraine's trade and strengthening of the advantages of Russian companies over the Western investors in the process of privatization in Ukraine;

- inadequate encouragement of innovation and technology transfer, which may negatively influence the long-term trends of economic modernization in Ukraine; inflow of immigration and establishment of Ukraine's role of a "settling filter" on the borders of the European community [4].

The very fact of joining the EurAsEC, most probably, will be seen by the EU leadership as a fundamental shift in Ukraine's geo-economic and geopolitical orientations, which will rule out the discussion of the issue of Ukraine's EU membership even in the long run and may seriously impair the chances of status of association in the EU [4].

Therefore, Ukraine's full membership in the EurAsEC may hardly be considered practicable, at least in the next five to seven years, although such a step might bring Ukraine some economic benefits. The decision beyond this term will primarily depend on the following: Ukraine's conduct of appropriate internal reforms to increase the country's potential for participation in international cooperation and strengthen its ability to integrate into the EU structures; the reformed and enlarged European Union interest in further expansion, including the admission of Ukraine; the EurAsEC ability to convert its ambitious integration plans into reality [4].

The Customs Union between Belarus, Kazakhstan, and Russia came into existence on January 1, 2010 [6].

Ukraine is still to give the issue of integrating in the Customs Union a thorough analysis before joining it. The government of Ukraine is willing to see how the Customs union will work really, what real advantages of quote it will give. The main aim of Ukraine joining the Customs Union is to revise the formula for gas supply. It is expected that the price for gas for Ukraine should be the same as that for entrepreneurs working on the territory of the Russian Federation. It is also anticipated that as a result of the integration with the Customs Union, the Russian Federation will lower the customs tariff for oil and eliminate the rail tariff [6].

Besides the Russian Federation's geopolitical interests towards Ukraine, the Russian Federation expects that if Ukraine joins the Customs Union in the near future, it will block its independent FTA negotiations with the EU. As trade cooperation with the EU is a priority for both Ukraine and Russia, these countries will have to negotiate together their further cooperation with the EU. By having Ukraine in the Customs Union, the Russian Federation will gain control of the EU-Ukraine cooperation. This will mean that the Russian Federation will finally gain control over Ukraine's further political and economic integration with the EU. Taking into consideration the fact that Ukraine is the third biggest trade

partner of the Russian Federation (following Germany and China), the political and economic control of Ukraine would be very favourable for its larger neighbour [6].

Thus, as far as we can see, integration of Ukraine to the Eurasian economic community and to the Customs Union will result both in some positive and negative effects.

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