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Signing an agreement on a free-trade zone within the CIS

Iwona Wiśniewska

On 18 October, representatives of eight countries of the Commonwealth of Independent States, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan and Ukraine, signed an agreement in St Petersburg to establish a free trade area (FTA), removing barriers to trade between the contracting parties, and leaving them free to shape their trade policies towards third countries. The remaining CIS countries, Azerbaijan, Turkmenistan and Uzbekistan, have refused to sign the document. The full agreement has not yet been published, but the official presentation shows that its provisions are consistent with WTO principles, and the free trade regulations will cover goods produced in the signatory countries, with the exception of sensitive items such as energy resources (export duties will be maintained), metals, sugar and alcohol. According to the assumptions, this document is intended to replace more than 100 bilateral agreements which currently govern free trade between these countries. The free trade area can only come into force when all the signatory states ratify it.

Commentary

- A free trade area agreement is part of Moscow's policy to reintegrate the CIS around Russia. Attempts to create a FTA, the lowest form of economic integration across the Community, have been undertaken since the early 1990s, but hitherto all have failed (in 1994 the former Soviet states even signed a contract, although it was not ratified; some bilateral agreements have not been abided by, either). In this field, progress in integration has only been noted within the narrow circle of Russia, Kazakhstan and Belarus, three states which in 2010 formed a customs union (which is the next stage of integration after an FTA).

- This new agreement will probably not be able to stimulate economic cooperation in the region, as it does not fundamentally change the terms of trade between these countries. The free trade regime still excludes commodities which are essential for trade in the area. In addition, an FTA already operates on the territory of three countries within the customs union (which was drawn up in accordance with WTO rules). Positive change resulting from the FTA agreement would include the simplification of the current legal base (replacing many accords by a single one), and the adjustment of Tajikistan (which are outside both the WTO and customs union) to the trade rules used in the World Trade

Organisation. Membership in the free trade area will not reduce the signatories' ability to engage in other integration projects, such as Ukraine's increasing economic closeness to the European Union.

- It is far from certain when, or even whether, the countries will decide to ratify this document and then observe its provisions, as it would significantly reduce their use of protectionist policies, which has been one of their key foreign policy instruments towards their CIS neighbours. For Russia, signing the FTA agreement is primarily a matter of image; Moscow is hoping to demonstrate that twenty years after the collapse of the Soviet Union, the political and economic unity of the post-Soviet area has been retained, with Russia playing a dominant role in it.