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Realizing Russia's Potential
EURASIAN ECONOMIC INTEGRATION – ROUTE TO A NEW GLOBAL
ECONOMY
Panel Discussion

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Moderator:

Viktor Khristenko, Chairman of the Board, Eurasian Economic Commission

Panelists:

Reiner Hartmann, Chairman, The Association of European Businesses in the Russian Federation

Alejandro Jara, Deputy Director General, World Trade Organization

Andrei Kobyakov, Ambassador of the Republic of Belarus in the Russian Federation

Alexander Rahr, Program Director, Berthold Beitz Center for Russia, Ukraine, Belarus, and Central Asia, German Council on Foreign Relations

Alexander Shokhin, President, Russian Union of Industrialists and Entrepreneurs

Andrei Slepnev, Member of the Board on Trade, Eurasian Economic Commission

Tatiana Valovaya, Member of the Board on Key Areas of Integration and Macroeconomic, Eurasian Economic Commission

Front row participants:

Alexander Dynkin, Director, Institute of World Economy and International Relations RAS

Igor Finogenov, Chairman of the Management Board, Eurasian Development Bank

Jean-Pierre Thomas, Author of the Report 'The Euro-Russian Economic Area'

Igor Yurgens, Chairman of the Management Board, Institute of Contemporary Development; Chairman of the Committee for pension system development and social insurance, Russian Union of Industrialists and Entrepreneurs

V. Khristenko:

Good morning.

I am pleased to welcome all participants to our discussion of the new challenges that not only face the countries whose representatives have gathered in this hall, but which are also of growing global importance. We are dealing with Eurasian integration in a new format and the ambitious tasks and goals set by the leaders of Russia, Kazakhstan, and Belarus for creating a fully-fledged Eurasian Economic Union by 2015. The focus on Eurasian integration is becoming more and more obvious and significant. Of course, this is a certain kind of response to the new challenges that the global crisis presents us with. That is why Eurasian integration is attracting such close attention.

This morning I was fortunate enough to participate in the Russian–European business dialogue on these same issues, which are of interest to the business communities of our European colleagues. So, what is Eurasian integration? Is it a window of opportunity which we can take advantage of, or is it a door closing on those who are not part of the integration process? Is it a new response to global challenges? Today we will exchange views on these matters, as part of an open discussion. I hope it will be interesting for both the audience and the speakers, and I also hope that we will manage to keep ourselves within the time allotted.

I would like to give the floor first to Tatiana Valovaya, a colleague of mine who is Member of the Board on Key Areas of Integration and Macroeconomy at the Eurasian Economic Commission. Ms. Valovaya has been engaged in this topic all her adult life. She is not only an administrator, formally responsible for a number of processes, but also an academic, a professor, and a person deeply immersed in these subjects. Go ahead please.

T. Valovaya:

Thank you, Mr. Khristenko. Good morning everyone.

Actually, the description announcing this meeting made a point about the risks of globalization and risks of integration. I would say it should be the risks of false

globalization and of false integration, because, in my view, we simply do not have real globalization, and as for integration, if it develops naturally – if it is dictated by objective reasons, there are no risks. There is no doubt that we are all experiencing a crisis; we do not know when it will end or whether there will be a second wave. Nevertheless, I think we can predict how this crisis will end: it will end with the birth of a new world economic system. This system, in my view, will be a truly global economy.

The current world economic architecture, which we call 'global' without sufficient grounds, was also born after a crisis, the Great Depression of the 1920s and 1930s. Of course, the Second World War contributed to the formation of that system. The states that created the new world order after the Second World War set themselves the task, first and foremost, of organizing the world so as to avoid new wars, and only secondarily to create a venue for global consensus in making important decisions. Thus the United Nations was born, which most of the countries of the world joined. Thus the Bretton Woods institutions and the WTO were born, with, at that time, a much smaller number of participants. These institutions became a platform for the civilized resolution of disputes, but not for global economic decision-making. Global economic decisions were made elsewhere. The business community responded to the challenges of the crisis by taking advantage of the scientific and technological revolution, creating its own global links in the process. As a result, today we have global interdependence, an intertwining of national economies on the micro level, but a lack of global economic governance on the macro level. There is a global financial network, there is transnational business, even Rothschild has joined forces with Rockefeller, but a world government, no matter how much gossip you may hear: no. And the organizations that are called upon to make global economic decisions realized during the crisis that they did not have sufficient authority to make those decisions. The contradiction between the globalization of economic processes on the micro level and the lack of governance on the macro level is the primary cause of the crisis and therefore, according to Marxist dogma, the crisis will be resolved only by the resolution of this contradiction.

It is of course useful to strengthen the existing global institutions. It is also important to redistribute voting power within them to the advantage of new, rapidly developing economies. It is also appropriate to create new structures, such as the G20, and strengthen them. But is that enough? I do not think so. Decisions made by the G20, even if it is a more representative format than the G8, are unlikely to be acceptable to all. If we keep trying to work out global decisions on behalf of, say, 200 members of the world economic community, the process risks becoming endless; the WTO Doha Round clearly demonstrates the complexity of the problem. But if these 200 participants in the world economic process split up into regional economic teams and coordinate their positions within the group in advance, and then the global rules of the game for the world economy are determined on behalf of these teams, then the process is likely to become more systematic, more intelligible, and less crisis-oriented. That is why the crisis has encouraged the trend toward regionalization, which is by no means an alternative to globalization. These are two sides of the same coin: the process of forming a world economic architecture. The Eurasian project is a clear manifestation of it. Indeed, the Eurasian Union, an economic union which is due to become a reality in 2015, has been conceived as an equal partner of both the European Union and the booming Asia-Pacific region.

This morning in this hall we were talking about the formation of a common economic space with Europe. With the formation of the Customs Union, it is not Russia that becomes a player in this process, but the Customs Union. At the same time, the process of liberalization in the Asia-Pacific region is proceeding apace. Russia is chairing APEC this year and is actively involved in this organization's work, while Belarus and Kazakhstan, as Russia's partners in the Customs Union, are also participating. Naturally, the Eurasian Economic Union is trying to harmonize with Europe and the Asia-Pacific region, according to the various rules of the game.

This work will probably also allow us to develop some global rules of the game. This should lead to a shift from fruitless attempts to establish direct economic democracy, where decisions are made by all countries of the world community, towards representative economic democracy, whereby the rules of the game are

first worked out in certain regional fora, and then these regional groupings determine the rules for the global playing field. It will be representative economic democracy, but this is exactly how democracy works in politics. Why should it not work the same way in the economy?

I am confident that this process will have consequences equivalent to those of the era of great geographical discoveries. New geographical players are appearing on the map: that is, the geography does not change, but new states and their new associations are becoming key. Concentric circles of integration in Europe and Asia will naturally intersect in the area of our Eurasian Economic Union. Although Mr. Khristenko said that I have been engaged with integration for my entire adult life, it was only quite recently that I realized the full spatial expanse of our association. I wanted to know where the geographical centre of our association is, of our Customs Union, because in integration, as in any political process, symbols are very important. Even Confucius once said that the world is ruled by symbols, and not by words and law. Europe certainly has many symbols. It was born in Rome, the Eternal City, on the Capitoline Hill. The Treaty on European Union was signed near Charlemagne's first capital. But the symbolism of Eurasian integration turned out to be more enigmatic. Although the centre of our Customs Union is very far from populated areas, it is familiar to every one of you. There is no need to erect a monument with the inscription: Geographical Centre of the Customs Union, Centre of the Eurasian Economic Union, because this place has already been marked with a sign which came, quite literally, from above. It was there that an envoy from space crossed the path of the Earth – the Tunguska meteorite or Tunguska comet – crashing to the ground without harming a single living soul, because there were no living souls there at that time. This centre is not only far from Moscow and Minsk, but also from Astana, and it is the centre of the vast Eurasian association, the potential of which we have yet to reveal. Thank you.

V. Khristenko:

Thank you, Tatiana. I believe that the closing symbolism and the proposal for a new world economic architecture, as a minimum, deserve attention and show once again that ambitions for Eurasian integration are high and that we are people who take a rather poetic approach to all our hard work.

Russia's accession to the WTO is now being completed. The process lasted 16, 17, or 18 years – there are different calculations – but any one of these figures is striking enough! Today we are talking about this event, and about the reality of Eurasian integration. Kazakhstan is on the verge of joining the WTO. We hope that greater integration will accelerate the process and will help not only Kazakhstan, but also Belarus to join the organization. The world faces the challenge of changing the structures that govern it: the WTO has been conducting the Doha Round for many years now. Perhaps Russia's accession to the WTO will coincide with the reinvigoration of that organization. The situation is made more complicated because the WTO has more and more important, serious partners that are expressing their views about fairness. I would like to give the floor to Alejandro Jara, Deputy Director General of the WTO, a man who for many years has known not only that organization and what goes on within it, but who, as a former representative of Chile, is also familiar with problems of regional globalization and the work of APEC. Alejandro, you have the floor.

A. Jara:

Many thanks and I am very happy to be here. I will try to be brief and make four main points. Let me pick up on what Ms. Valovaya said at the beginning, regarding respect for the crisis. Yes, indeed we do have a crisis which is rooted in the financial system of some countries and which has impacted the rest of the world. Nobody has been immune to the impact, because today we have global markets, so we have a great deal of globalization.

The problem is that in the financial sector, while markets are global, regulations are national. As we try to get out of this crisis and prevent new crises from arising, I think it will inevitably mean that we need more international cooperation; more

international rules and disciplines in that area. The trading system has already done its job by having something like a global compact of rules and disciplines. It is not perfect, but it is there. It is achieved through negotiations and enforced through legal mechanisms. It is a contract protected by dispute settlement mechanisms.

So, I think it is a fair mechanism. It can be improved of course, but it all depends on negotiations. Some countries accede faster than others and the problem is that the countries acceding are in the driver's seat. It depends on how long they take to adapt the legislation and regulations to the framework of rules and disciplines of the WTO.

I would like also to say that, as you can see, business today is increasingly organized in terms of global supply chains. Many countries are part of this, and pieces and components are manufactured in different countries before being assembled in another one and shipped to consumer markets.

Usually the assembly takes place in China, for example. The point is, if this part of the world wants to be actively involved in global supply chains, it must be offered a stable environment and market. In this respect, my second point, Eurasian Economic Integration, is a strategic move. It is political, and it leads to larger markets, more competition, and more competitive economies. It is thus perfectly possible and plausible that it will enable Eurasian countries to be a part of the global supply chain organization of production and add value with all of the skills that their populations have.

To do this, for this integration to be globalized, and to be part of this increasing interdependence, it is a must that at least as far as trade on goods, services, and intellectual property are concerned, its members are part of the WTO. Russia is about to become a member. We are waiting for the ratification. Kazakhstan is well advanced, as you said, and we hope that Belarus will make progress in the next few months, or possibly years.

So, that is an essential step, because WTO membership is part and parcel of the rule-making process of the future.

The format of integration, my third point, is also important. I am always amazed because in this part of the world, at least those that form the Customs Union, have chosen a format which is very complex. A customs union not only means having free trade amongst themselves, plus the common external tariff. It also requires coordination and harmonization of many different policies, such as macroeconomic policy, and even labour matters, competition policy, and the enforcement of law. It goes way beyond a simple tariff, etc. It is very intrusive and it takes a long time to build and to make it work. The European Union is the best example of a working customs union and they are still improving it. Of course, you have a different background because it is a common one after all, so that helps, but it is still very complex. If you look at other parts of the world, my part of the world – Latin America, in spite of many attempts to have effective customs unions, has only been partially successful, very much so at times. This is because they have not taken on board the need to be consistent with the idea and to have good enforcement mechanisms.

I will move on to my last point. In saying all of this I have to underline that respecting the rule of law, internally and externally, is something which I regard as essential for credibility, certainty, and stability. That I think is essential for business, and it is essential to command the respect and the recognition of the rest of the world. At a time where we have a crisis and we see greater manifestations of protectionism, many of those manifestations are within the bounds of WTO regulations. Some may not be, and we are very concerned about this. By a similar token, I do not say that this is true, but as the accession of Russia approaches though the process of ratification, we see in the press – at least in Geneva – many different ideas and proposals, which, according to the media, could be measures that may be challenged in the WTO. I know this because other members are already concerned. That ask what is happening, what we know, etc. I do not think that that is a good environment. I am sure it will not turn out to be true, but I believe that the rumours and the information that goes out does not create a good atmosphere, and I think

that that by itself might undermine the credibility which is so difficult to get and so easy to lose. Thank you.

V. Khristenko:

Thank you very much.

Mr. Jara mentioned that the internal political debate in Russia about the WTO accession process is also a result of the development of the country, which 18 years ago started negotiations in quite a different condition. But now a developed democracy allows everyone to express their views on this matter. Perhaps we will now live in conditions of just such openness and transparency. Opinions, whether we like them or not, will be taken into account in one way or another. I believe that there will be a successful outcome, that Russia will go through this stage, and that the politicians, having concluded their deliberation, will enthusiastically vote 'yes'. When it comes to integration though, to deepening the processes of integration, it is perfectly obvious that it is not enough that the politicians vote for it; it is also important that the business community votes for it with money, if the economy is to achieve further development. Today, statistics show that even the first steps of deepening integration have had an impact. Naturally though, we all want more, and that requires a vigorous dialogue on creating the legal environment, from a selection of the best practices of the three countries that are members of the union, as well as international best practice.

For this reason, I would like to give the floor to Alexander Shokhin, who today represents the business community as President of the Russian Union of Industrialists and Entrepreneurs, but who previously was directly involved in the negotiations on the WTO, and also with the integration processes of that time. Perhaps his new position allows him not only to look back from various different vantage points, but also to look forward.

A. Shokhin:

Thank you, Mr. Khristenko, for the opportunity to speak and for your invitation to review some history.

Indeed, in the early 1990s an attempt was made to keep what was still possible to keep, and to create integrated groups within the geographical space of the former Soviet Union. I particularly recall that in April 1994, we almost formed a powerful integrated grouping of Russia and Belarus, including the creation of a single currency. But an obstacle came up, which was the need to change the constitution of at least one of the states to say that the Central Bank of the Russian Federation would be the single issuing centre, and also to amend the constitution of Belarus to say that the sole means of payment in Belarus is the Belarusian rouble, unless otherwise stipulated by the Republic's international obligations. But elections were scheduled, and then Prime Minister Kebich decided not to take a risk and not to include the integration theme in his electoral programme, thereby allowing Alexander Lukashenko to win the election by a large margin. True, after that, the integration process was somewhat delayed, and only the creation of the Customs Union and the Common Economic Space allows us to conclude that those ideas turned out to be popular today and have been realized not only in general terms, but also by specific mechanisms.

I would to say a few words about the universal mechanisms of integration. Tatiana Valovaya introduced the topic. Of course, for all countries that are members of regional or other integration groups, WTO legislation and law are the baseline. It is no coincidence that in this morning's session about relations between Russia and the European Union, there was discussion of the nature of the new framework agreements, the new 'WTO plus', or 'WTO plus-plus' framework agreements. By the way, Mr. Khristenko, nobody answered the question, what does 'WTO plus-plus' mean? You gave us this riddle, so you should answer it! Undoubtedly Russia will enter the WTO, and will try to reach an agreement with the European Union that is not according to the pure 'WTO formula' or 'free trade plus something else'. Evidently it will be a system that involves mutual concessions. In particular, I do not exclude the possibility that a new agreement with the European Union will be based

on the formula 'WTO plus-minus', in the sense of: 'WTO plus free trade, plus freedom of investment, minus the energy package', which will recognize Russia's interests in this sensitive area. What kind of arithmetic we will end up with I do not know, but I would very much like to see addition prevail over subtraction in the formula.

When we talk about the risks of the WTO (which were also mentioned in the morning session), one of the major risks is not associated in any way with tariff protection of the domestic market. Maybe the idea was that the euro is so unstable, that it will help Russia adapt to accession to the WTO; after all, if the rouble were devalued, say, from RUB 32 to 33 or 34 to the dollar, then its ratio to the euro would counteract all Russia's obligations to reduce its tariff protection. Maybe the Europeans are also playing with us in this game?

That is a joke, of course, but, nevertheless, one of the problems and one of the risks faced by our companies is that we do not know how to operate under WTO conditions. After all, only the large export companies have lawyers who know how to bring a lawsuit in international courts, to stand up for their interests in various commissions, including the European Commission, and so on. Most companies are new to this. In the domestic market they will be operating under international law, under WTO law. I am afraid that our more experienced partners will make maximum use of WTO rules and procedures to enter the domestic market in Russia and the Eurasian Customs Union. We are just going to have to learn. Therefore I appeal to our partners: before using all your competitive advantages that derive from your knowledge of the procedures, rules and mechanisms of the WTO, teach them to our colleagues. I make the same appeal to the officials: if a European Commissioner, or the governments of other countries, provide us with information on how they protect their domestic markets, including how they manipulate WTO rules and procedures, it would be useful for us to know.

Secondly, this is definitely a free trade regime, a superstructure above the WTO. And I think we will now see from Russia some examples of concluding free trade agreements. The European Union will probably not be first on the list, but

nonetheless, I think it will be a demonstration of Russia's readiness for such deals, and probably the Eurasian Economic Union should also be ready. In my view, as Alejandro mentioned, the primacy of law is very important. And here we come to the interpretation of this formula.

A month ago, the Second St. Petersburg International Legal Forum was held with the participation of Russian Prime Minister Dmitry Medvedev. The Chairman of the Higher Arbitration Court said that decisions of international courts are not decrees handed down to us; that we must defend Russian business, ensuring that the decisions of Russian courts are given priority. In this regard, I would like to cite, without naming names, the observation of one leading entrepreneur who, while involved in legal action in a New York court with his business partners, also shareholders in the company, brought the ruling of another court – we shall not say whether it was Russian, Belarusian or Ukrainian – before the New York City District Court. The ruling was in his favour, and he wanted the New York court to uphold it. The District Attorney, or rather, the judge, told him where he could stick this ruling, and what would happen to his company's assets if the ruling of the New York court were not carried out.

That is why, in speaking of the primacy of law in the WTO context, we must certainly work, not on the basis of a national legal jurisdiction and demonstration of its sovereignty, but rather on the basis of international rules and recognition of their jurisdictions and the decisions of other courts. We need to extend court enforcement action to the rulings of these courts. To do this, our legislation should be harmonized as much as possible with international laws, so that international structures, including such informal ones as the G20, promote these international standards, both in the legal system and in the systems which regulate trade, investment, etc. It is difficult to achieve any success here. Tatiana Valovaya mentioned the Doha Round, which, even with the participation of Russia as a member of the WTO, is unlikely to make it to the finish line in the near future. Indeed, it is difficult to agree on solutions within an organization that has, if not 200, at least 150 or 160 members. And just as the Uruguay Round was concluded, so

the Doha Round will also come to an end, but something new will open up. Clearly, agreement will be reached only with great difficulty, especially when there is a new player like Russia, with its own interests and its own coalitions.

It is good that within the WTO there is a coalition that interprets Article 5 of the GATT in the same way that we want to interpret it: that it does not extend to freedom of transit of gas, since in 1947, when the GATT was adopted, the world did not have a single gas pipeline. Some of the major players in the WTO adhere to the same view, and that shows that, with regard to the European Union, one coalition will negotiate with another for a very long time.

Is it necessary to introduce a procedure of representative democracy? International organizations, even such solid ones as the European Union, the European Commission, the European Parliament, the European Council, and others, always have to deal with the fact that members of the European Union have their own intentions. If President Sarkozy and Mr. Thomas agreed to some type of cooperation within the European Union or with Russia, then Mr. Hollande might take a different view, because he is backed into a corner. If the right wing held the majority in at least the National Assembly, he might have to do a balancing act and back down on some promises, whereas with an absolute majority in both houses of Parliament, Hollande can form a one party government, and as a result, has no excuse for not fulfilling his campaign promises! They may even go back on the promises of the previous national government. So, Anatoly Chubais was absolutely right when he said today that political integration is lagging behind economic integration. And it will continue to lag. We are unlikely to create a United States of Europe in the next decade, as a solid political structure where decisions are made without the participation of sovereign national parliaments and governments, solely on the basis of international procedures.

The same is probably true within the Eurasian space. We cannot give all sovereignty to Viktor Khristenko, although we have known him for a long time and we realize that he, as they say, will plough a straight furrow, since he has already been Minister for Europe since 1999. Now he will be the Minister of Azioppe or

Eurasia, I do not know which, but Dmitry Medvedev and his colleagues Masimov and Myasnikovich, for various reasons, are unlikely to hand over basic sovereignty to a supranational institution. Naturally, one has to accept that. Even such national competence as we have left ourselves on issues that, according to common sense, belong at the supranational level, such as customs and trade policy, shows that we are still a long way from transferring any political functions to the supranational level. Maybe we will do it someday, but it would be good to harmonize our work as far as possible, to establish uniform rules for trade, customs procedures and so on, based on best practices.

My last topic is the Tunguska meteorite. Ms. Valovaya inspired me here. You correctly said that nobody knows what it was: an unidentified object from space, a meteorite, or something else. I very much do not want people, sometime in the future, to ask about our Eurasian integration: what was that, anyway? Therefore it is still better to put up monuments, that is, to designate milestones of progress, and put them in prominent places so that everyone can see them: that a Customs Union was promoted and established; that national laws were brought into line with one another and with international standards; that a competition policy was worked out and a policy on technical regulations, and that these were harmonized with each other and compatible with European standards. I think we need to set milestones, in order not to end up so far from the main roads of civilization, so that those who come after us will wonder where we actually were and why we did not take the highway.

Thank you.

V. Khristenko:

Thank you, Mr. Shokhin.

With apologies to the speakers, I ask that remarks be confined to the 5–6 minute time limit.

I have realized that politics is not alien to the business world, even with respect to the fate of the world and integration organizations. I have a question: for 17 years,

Russia has been in the process of joining the WTO, but as it turned out, people in the business community and government officials were not yet ready. Now it becomes clear that everyone has to move in that direction. Did people really not believe that we were going to join? I do not want that kind of situation to occur in integration processes as well. I encourage everyone to study the huge array of regulations that are being written today and that already form the basis for integration. This is a volume that really should be studied. In any event, the Court of the Eurasian Economic Community, the founding documents of which have already been adopted, has started its work. Next week this court will be considering its first case. The Eurasian Economic Commission is the respondent. The investigation will cover issues that the Commission has not yet been able to accomplish, but due to the law of succession, it will take responsibility for actions previously taken.

This is to say, the process has begun and, as we have learned from the classics, we have to study, study, and study some more. To that end, I give the floor to Andrei Kobayakov, Ambassador Extraordinary and Plenipotentiary of Belarus to Russia. But probably not in this capacity; rather because he is one of the first participants in the new phase of the formation of the Customs Union. Mr. Kobayakov, who is still on the High-Level Group formed in 2003 by four countries – Ukraine was still participating then – initiated this work. Mr. Kobayakov is quite well versed in this subject. I think we will hear some answers to the questions that are arising today about Belarus.

A. Kobayakov:

Thank you, Mr. Khristenko, for providing me with the opportunity to speak and for such a complimentary endorsement. I will try not to disappoint you.

First of all, I have carefully studied the issues mentioned in the introduction to our panel, and I want to analyse them here and look for support from colleagues. Eurasian integration: is it about deepening or widening? That is how the question is posed in the introduction. In my opinion, for the Russian Federation, the question of integration is predetermined by its size and potential. Russia can act only as an integrating factor. It is hard for me to imagine how a country like Russia will begin to

enter some sort of economic union created prior to its own entry. As for the countries of the former Soviet Union, each makes its own choice. A number of countries, as you know, have already joined the European Union. Belarus and Kazakhstan decided to form a Customs Union with the Russian Federation. Others, despite certain political slogans, are still deciding where, with whom, and when to integrate. Therefore I would like to review the history of this process in the CIS countries.

As I see it, we have to take the history of real economic integration back to January 6, 1995, when Russia and Belarus signed an agreement to create a Customs Union, and almost immediately, within several weeks, Kazakhstan, Tajikistan and Kyrgyzstan joined it – all those who currently make up the Eurasian Economic Community. But the actual process of creating a single customs territory occurred in a bilateral format and, I have to say, with varying degrees of success.

As a positive experience, I would like to draw your attention to the fact that in 2004 we made the fateful decision to create a common economic space, with the participation of Ukraine. What remained was the decision of the 'duo' to start to collect value-added tax and to eliminate bureaucratic customs administration. It was a major breakthrough, because it eliminated the big problem of mutual budgetary claims, especially under conditions of a consistently negative trade balance. There was a serious problem in the fiscal functions of the two states, with respect to collecting that tax. We were able to establish that mechanism – and this is largely to your credit, Mr. Khristenko. You were able to convince your colleagues in government that, for the sake of expanded integration with Belarus, this particular issue had to be resolved, and so we resolved it. And when in 2010 we signed an agreement to establish a Customs Union on the territory of Belarus, Russia and Kazakhstan, our colleagues from Kazakhstan just used our experience to implement it in their country. This was done so that we could administer the tax on the territory of the Customs Union without any customs procedures at our common borders. Other points were subsequently considered when forming the Belarus–Russia–Kazakhstan Customs Union, for example, the collection of import duties. Beginning

in 1995, when the agreement was signed, Belarus and Russia decided that the duties would be entered into the budgets of the two sides according to the place of customs clearance, the place where the goods are received into the customs territory. But then problems arose: the goods go through customs on the territory of one state, the payments enter the budget of the same state, but the economic turnover occurs in another state. As a result, this led to additional monitoring by third countries, so that we could not call it a fully-fledged customs territory. However, taking into account the experience of the 'duo', we in the 'trio' found another way to resolve the matter: we decided that budget revenues are independent of where the goods are cleared through customs – whether in Belarus, Russia or Kazakhstan. This formula allowed us to actually get around a question that had for a long time done a lot to impede relations between Russia and Belarus with respect to the formation of a Customs Union.

Let us take as an example the creation of a common customs tariff: Belarus and Russia created it, insofar as it was within the competence of the two governments; then they disagreed about a certain aspect; and then they re-created it. But attempts to create a supranational body that would introduce this common customs tariff for 'the duo' did not work, probably because the governments were not prepared to transfer this authority to supranational bodies, given the different sizes of the economic potential of the two parties. However, in the 'trio' we resolved this issue and have already created a supranational commission in the Customs Union, to be responsible for a common customs tariff. Currently, one of the functions of the Eurasian Economic Commission is to introduce a common customs tariff. Why did I discuss this in such detail? I did not ask the question about whether we are looking at a deepening or broadening of economic integration. It is not a question of 'either...or...', in my view, but of 'both...and...'. It is a question of different, complementary formats that are leading slowly but surely toward integration.

Ms. Valovaya talked about how in the future, countries will not determine the structure of world economic regulation, but agreements will be reached for greater economic integration. I will return to the topic of countries that have not determined

their participation in economic integration. As I see it, it is much better and more pragmatic to participate in forming an integration organization, to be one of its founders, rather than to ask to join an institution in the West that was successful up to a certain point in time. I do not mean the European Union – may God grant it health and prosperity! It is better to be a founder of a new economic union and to participate as part of that union in negotiations on further integration between the Eurasian Economic Union and the European Union, than to try, under whatever conditions, to join this rather successful institution. I believe that the best confirmation of this is the experience of countries that lost entire chunks of their economies, and therefore today are experiencing certain economic difficulties.

I shall now say a few words on the question of a single currency. We are very interested in the project that was presented at the Fifth Astana Economic Forum by a group of Russian academics. This study focuses on the equitable regulation of the world debit and credit system. It aims to ensure that the world's financial regulators do not take advantage of their monopoly position and do not speculate on a monopolistic issue of the basket of basic products that make up today's wage fund. It was proposed to transfer all international payments to SDRs and for SDRs themselves to change their approach to the basic currency basket so that there would be not only the four well-known currencies, but also the currencies of other respected and important states. In determining the weight of these currencies in the basket, it has been proposed to count not just the amount of gold and foreign currency reserves of a particular state, but also its economic, natural resource, territorial, and human potential. I think that the Russian Federation could independently implement these proposals in one form or another, although I am not saying that they are acceptable in exactly this way at the present time.

In my opinion, the road to a real global economy for the countries of the former USSR, including Belarus and the Russian Federation, lies in multiplying the economic potential of our association. The more powerful the potential becomes, the greater will be our share in the world basket, and the more the interests of the countries that are members of this economic association will be taken into account,

including in the global distribution of interests. So once again: deepening, widening, and integration – that is the real path to a global economy. Thank you.

V. Khristenko:

Thank you, Mr. Kobayakov.

Our presentations have mentioned Eurasian and European integration and cooperation. This morning, at the panel on Russian–European relations, this topic naturally arose. The fact is that the reality of the functioning of a supranational agency which has already come about in Eurasia, the reality of its authority, which has already increased substantially and steadily in volume, suggest that to look for ways to deepen cooperation between Europe and Eurasia, we need new structures, taking into account new realities.

Mr. Shokhin's remarks about free trade regimes are notable: that Russia will probably also look for such ways to develop and liberalize its markets. These will be realized within the three-country format and with the participation of the common commissions, to the extent that national and supranational competencies have already been already divided up. Plus, integration means that a much more serious association is entering the process of liberalizing cooperation with new partners and new structures, whether with the European Union or the countries of the Asia-Pacific region. I shall now hand over to Mr. Slepnev, Member of the Board on Trade at the Eurasian Economic Commission, to enlighten us further on this trend.

Colleagues, once again I ask you all to observe the time limit. Thank you.

A. Slepnev:

Indeed, the theme of today's session could not be more timely: globalization and integration. Why is it so timely? The crisis is making everyone look for new areas for development. A number of economists are talking about new technological levels, and new and fair conditions on the financial markets. Mr. Jara spoke of the need to expand regulation, and I have no argument with that. But I would not agree that everything is fine on the commodity markets and in classic trade – it certainly is not.

New, ambitious countries, developing countries, are calling into question the new rules and the whole philosophy, notably regarding competition law and issues involving transnational corporations. All in all, this shows that the economic world, business and politics are all searching for more just world economic order.

How are things actually going? Looking quickly at the history of the 2000s, which today are called the 'fat years', when all was well, we see that regional integration has not stood still. Over the past 15–20 years, the number of our regional trade agreements, preferential agreements, increased from 70 to 300. We see that integrated regulation deepened significantly. ASEAN intends to become a single market and to increase regulation by 2015. The Persian Gulf states have declared their intention to create an economic union according to EU standards. The logic of development of the EU itself is also easily visible; it is undoubtedly a model integration project today and is obviously facing the challenge of deeper regulatory unification and political integration. We see the policies of classic leaders, to whom integration and regional integration are also by no means alien concepts. The idea of a trans-Pacific partnership promoted by the United States, and ideas of neighbourhood and the expansion of free trade zones promoted by the EU, show the emphasis on integration projects that will yield the fastest and most practical result, which is so much needed by everyone in a period of economic instability.

From all of this, one can draw the obvious conclusion that breakthroughs in building a new global system or breakthroughs in a multilateral trading system are unlikely in the near future. Probably we should accept the idea that now we must do a lot of work on building the foundation for new structures, maybe on the basis of the representative structures that Tatiana Valovaya discussed. We raised the issue at the APEC forum, that the Doha Round can probably move forward precisely on the basis of forming groups within the WTO, groups with good internal discipline, so that decisions could be made and consensus reached a little more easily.

Regarding the impact of integration organizations, deeper integration and improved discipline within them is positive for those concerned; however, it also generates certain risks of protectionism. Risks arise from the appearance of new barriers, no

longer between countries, but between clubs, and these barriers might turn out to be higher and harder to eliminate, in view of the decision-making procedures themselves. There are already examples of this. The EU and Russia are discussing the Third Energy Package, which, according to some, directly violates existing international investment agreements. The whole world is discussing their quotas on aviation emissions with the EU, but I am not sure it will be easy to make any adjustments, because these decisions came about through a complex compromise within the EU. In this context, it is very important to work towards harmonization, convergence, and regulatory equivalence within integrated structures, whether it concerns such an important subject as a technical regulation, or other domains. Dialogue among integration structures is very important, in order that the standards and rules created within them are equivalent and do not result in further insurmountable barriers.

Regarding Eurasian integration, we can confirm that it is already having an effect. If you look at the dynamics of world trade, there was a 5% increase over the past year, but the increase in trade between the countries of the union and third countries was 34%, and within the association it was 38%. Of course, the oil and gas factor has an influence there. In the first quarter of this year, we see that the growth of foreign trade overall, according to WTO data, was around 3%, whereas the countries within the union achieved 18% growth in foreign trade. Internal trade increased by 17.5%, taking into account the fact that the oil and gas component internally is half the figure it is in trade with third countries. We see a significant growth in trade in machinery and equipment, substantial mutual investments, and a major increase in freight transport. That is, the effects are beginning to appear in practical terms and the figures are not bad, considering what is happening in the global economy.

To conclude, I shall make a few points about vectors: eastward or westward. The very term 'Eurasian integration' shows that it is impossible to bet on just one vector. There are, of course, two vectors: Europe is a key partner; Asia is an emerging centre of growth, with growing demand, a driver which is certainly interesting as a

partner. We are now working within the free trade approach, holding practical negotiations and consultations with quite a number of countries. I would like to point out that there are now 35 countries or associations that, in one way or another, have demonstrated their desire to conclude an agreement on a free trade zone with our association. Thirty-five by number, but by share in world trade, probably 90%. This means that we must give an answer soon as to how we will engage in free trade.

Our primary focus is the Asia-Pacific region; not because Europe is not a focus also, but because the EU is not ready to talk with an already established association, as opposed to individual countries. We are confident that the Eurasian integration project cannot be viewed as an alternative to building a common space with the EU; on the contrary, it is a means to create such a space. To give a simple example, negotiations are under way on new framework agreements between Russia and the EU, and between Kazakhstan and the EU. I am sure that over time, the storm clouds will part and the Belarusian track will be reinvigorated. The formation of the Eurasian space allows, at least in the trade and economic domain – where there are also storm clouds, as well as very concentrated business interests – the introduction of uniform rules for relationships between the two big neighbours, which will facilitate such relations and make them more equitable. Thank you.

V. Khristenko:

Thank you.

As already mentioned, the European Union is a key trading and economic partner for the countries of the Eurasian Union. We might say that it holds the controlling interest. Whether we are talking about trade or investment, a great deal depends on our interaction, on allied and inter-allied relationships and the way they are built up over the long term. It depends on an understanding of how the most important processes will develop in our economies. No less important is the business community's response, because ultimately, expanding markets and economic liberalization can be reduced to the question of how the business community feels about all this.

I would like to give the floor to Mr. Reiner Hartmann of the Association of European Businesses in Russia, in that capacity, rather than as an experienced energy professional. We hope that he will share his observations, not on the Third Energy Package (although that is very important for all of us), but on his perspectives and vision for Eurasian integration.

R. Hartmann:

Viktor, I have learned so much during this session. I now know where the centre of the world is, or I would say the centre of Eurasia. I have also learned that the new agreement might be plus-minus the third energy package.

Ladies and gentlemen, notions of utopia should be confined to the past.

Reality leads to cooperation, and a single economic space from the Atlantic to the Pacific. This is part of this reality and we are witnessing this process. A lot of intelligent things were said and I am very, very pleased that I do not have to go back to my manuscript to add another intelligent statement. The Association of European Business went through a process and has to contribute to our Russian partner the improvements we have made in the investment climate between Europe and Russia, and we are now facing another step. This step is that Mr. Khristenko and his team are developing a Eurasian Union which will be confronted with similar experiences that we as investors encountered on the business side when we came to this country years ago under very critical circumstances. What we are experiencing today is improvement *par excellence*.

We have reached out our hand to support the formation of the Eurasian Union and this Eurasian Union has also reached out by giving us the opportunity to participate in certain business issues. We had Mr. Khristenko as guest of our association, we discussed this at length and we will implement this.

Now, there is one last thing I would like to say before I finish. I remember there was a time during the signing of the famous Belavezha Accords in December 1991. A very wise Soviet diplomat told me, "Reiner, we in the Soviet Union Republics sometimes need to split up in order to come back together again." Today we are

reaching this. However, the Soviet Union was, as we know, a single integrated state and had a significantly high level of integration, much higher than the Union today, the European Union. It was integrated in common economics; it was financially, industrially, scientifically, and geopolitically integrated; and there was a cultural space, etc.

I think that we are now witnessing the reintegration process. Of course – and this is very important, ladies and gentlemen – reintegration has nothing to do with the political or the ideological system characterized by the Soviet Union. It has nothing to do with it, although some people in Brussels and some people in Washington see it differently.

Since the creation of the Customs Union between Belarus and Kazakhstan and the removal of the customs barriers in 2011, trade turnover between the countries has increased by almost 40%, with 13% growth already registered in the first two months of this year. The process is accompanied by the decline of world trade at the moment, the European crisis, and of course, the accession of Russia to the WTO. We think that the Eurasian Union was largely due to a process between the CIS and during the situation which accumulated following dialogue between the EU and Russia. In my opinion, it is time to ask yourself how all of these events might affect relations in the integration process, and between the EU and Russia in particular.

Since we are representing European business I am convinced it is a positive development.

Let me close. The AEB is prepared and ready to support wherever our wisdom and experience is needed, and I am sure that we are facing reality rather than a utopia. This reality shows that we are in the middle of a process of geo-economic adaptation to the new non-Western world order, and this is something we have to face and realize, and I can assure you that business has faced and realized this.

V. Khristenko:

Thank you, Reiner.

Of course, many here today were born in the USSR, but I would like to say that it is not phantom ills that are advancing the integration process, but images of the future. Images of the future, if we are talking about integration processes, are undoubtedly reflected in our partners from the European Union, since this is the most advanced form of integration, which, although it is confronting the most difficult challenges, is coping with them not to the detriment of integration, but in favour of it, deepening integration. It is likely that the necessary efforts will have been made so that European integration also will get through this stage, deepening their integration a bit. For us these are good, instructive examples of what specifically we will have to do in the very near future.

In 1994, speaking at Moscow State University, Kazakhstan President Nursultan Nazarbayev presented Eurasian integration as an idea, an image, a political project. Since that time, many politicians and economists have taken up the Eurasian idea. Some perceive it with hostility, probably because they see it as a threat to their own well-being; others look at it hopefully. But somehow or other it is being driven by many processes, and we have always emphasized and understood the special role of Kazakhstan in the history of Eurasian integration. I am therefore pleased to give the floor to Kairat Kelimbetov, Deputy Prime Minister of Kazakhstan. Go ahead, please.

K. Kelimbetov:

Thank you very much, Mr. Khristenko, for recalling the origins of the idea. Today there is a lot of talk about finding and attempting to find an integrative identity for the common economic space, to define the future of the Eurasian Economic Union. To be sure, there was a post-Soviet reality, which was supposed to give rise to a new identity. And today, Eurasian economic integration is perhaps the form of geocultural or geoeconomic identity that we all are attempting to find together.

If you remember 1994, when many countries of the post-Soviet space were experiencing great difficulties, it was hard to talk about any sort of association, about the benefits of an association. Probably the most desirable model, the dream

of integration, was the experience of the European Union. However, over the last 17–18 years, we have become convinced that this experience too has not been totally serene, and that there are questions and problems there too. However, the experience of the European Union encourages us to think about the possible incorporation of its experience into our region. It seems to me that our experience in the post-Soviet space – the creation of the Commonwealth of Independent States, of the Eurasian Economic Community, and various other forms of cooperation – suggest that we do have some sort of geocultural identity, that the countries are trying to interact with each other and, of course, this largely defines the nature of our cooperation.

We need to ask though, what is new about this identity? On the one hand, it means moving towards an equal partnership. On the other, it means an understanding of the new challenges: today nobody is trying to stand still, everyone is thinking about what will happen in the future. That is, about how we can, through our joint efforts, create something new, which would meet the new challenges. When the Russian government is asked what it needs, it always faces a dilemma: which direction to choose, the European or the Asian. The Russian coat of arms gives a precise answer: both West and East. This is all the more apparent now, because the East is a new geoeconomic reality, in which the Chinese economy and many other Asian economies are becoming drivers of world economic growth. In this sense, one of the niches for our space is to solve the problems of global energy security, both in the European sense and the Asian. I think this is the trend that we need to work on together, and jointly find opportunities for both cooperation and development.

The second important question that we now need to discuss involves the Common Economic Space and the WTO. Are they contradictory or complementary? I think the very presence at this meeting of the Deputy Director General of the WTO, and the fact that in the next few days the Russian Federation will ratify the laws on accession to the WTO, tells us that there are no real questions here. All of Eurasian economic integration is based on principles which were institutionalized by the World Trade Organization. That is, playing by the rules of the WTO is what we

agreed to in the early 1990s, what we have moved towards, and what we now have to adapt to. That is because accession to the WTO is not the end of a process, but the beginning of an entirely new phase of cooperation in the world trading system, which, frankly speaking, is not always fair, from our perspective. Nevertheless, it is the most powerful institution, and we must be prepared for the many consequences of membership. Our association is a kind of response to this; together we must answer the challenges that will be presented to us upon accession to the WTO. On the other hand, the mere creation of a single economic space is not the end point of integration. Our leaders have determined that by January 1, 2015, we must form the Eurasian Economic Union. This means that there will be additional deepening of our cooperation. Deepening means simplification of interaction for businesses in our countries, and tighter integration to create the best conditions for our businesses – that is what we have to work on. Expansion means that we are not a closed club of three countries, but an association that also plans to incorporate other countries, primarily those in the post-Soviet space. It ought to include Ukraine and other countries, but based on the principles of the integration that has so far occurred. For the past three years we have done an enormous amount of work: a large number of agreements have been adopted, and now a country that wants to join must demonstrate its capacity for integration. To date, only three countries are able to fully demonstrate that capacity. Today we see that not all countries of the European Union are able to conform to the principles which were proclaimed for that integration. I think that the new members of the Customs Union and Common Economic Space (in the future, the Eurasian Economic Union, because we will not be standing still), also need to demonstrate this capacity.

Finally, I would like to pose one last question: is the integration on paper or is it real? *De jure*, an enormous amount of work has been done, and it is continuing in the form of codification of the entire legislative base, of all the agreements that have been registered. Integration has not occurred *de facto*, and that means, above all, the realization of new joint projects. We must learn how to do something together, as, for example, the entire European Union makes the Airbus. This is by now a

classic example, often cited. Russia is making the Superjet now, and yesterday two countries – Kazakhstan and Belarus – announced that they, too, would like to participate in this high-technology integration. There could be completely new joint projects to develop a common energy space, or to open up Siberia and the Far East, for example, with some new energy opportunities in Central Asia. We must learn to do things together, to coordinate the work and together create more competitive conditions for our business community. Today, Kazakhstan is in 47th place in the World Bank's 'Ease of Doing Business' ranking, Russia wants to be 20th.

I think we all need to work further on this, and the work that has already been done is not a reason for complacency, but represents an opportunity to go forward. Today there are many questions from investors, including from the European Union and from Asian countries: what is this all about, and how do we get involved? I think that the work being done by our commission, our governments, including on free trade zones, provides an opportunity for closer trade integration with new European and Asian markets, and is a great opportunity for our business community. We need to look forward together.

Thank you.

V. Khristenko:

Thank you, Mr. Kelimbetov. I was daydreaming for a moment: what would have happened if the Soviet Union had joined GATT? What would things have been like for us now, what would we be discussing? Of course, history does not know the subjunctive mood – 'what would have happened if...'. But, nevertheless, looking forward to the future (I think Mr. Kelimbetov said it well), it is important to look as far ahead as possible. After all, the new, major projects are intended to last for decades, and many vital aspects, including regional identification, especially in the energy sector, where the opportunities for global positioning are clearly spelled out, give good points of reference for long-term trends over the next 30–50 years. I would like to give the floor now to Alexander Rahr, a well-known journalist, political

scientist, Director of the German Council on Foreign Relations, and a person who assesses current affairs and sees future prospects. Given the fact that you are a 'finalist', you will be able to take into account what has already been said.

Alexander, you have the floor.

A. Rahr:

Thank you, Mr. Khristenko.

It is time to wrap things up, and I will try to do that. First of all, there is a fantastic atmosphere here, very different from the atmosphere of discussions in the European Union. There we talk about the collapse, the possibility of disintegration of the eurozone; everyone is clinging to one another. Here, we have expansion and integration: a completely different process. Who would have thought it? Interestingly, 20 years ago, it was all exactly the opposite.

If you look from the perspective of the European Union at the development of the Eurasian Union, you must, of course, bear in mind one term that we have somehow partially forgotten. This word usually grates on the ears of Russians, Kazakhstanis and Belarusians alike. But I, as a Western political scientist, need to stress that these same much-discussed 'values' are now playing a leading role in the European Union. We say that we are not an economic club, but primarily a club of values. What do I mean by that? That there is precisely a Western approach to the creation of the Eurasian Union, which on the one hand is considered from the point of view of its integral policies: how it will function within Eurasia, and, of course, geopolitically. We have spoken a great deal about the geopolitical aspect, and everything that was said was excellent, correct. By the way, Mr. Shokhin said that for 20 years Russian businesses have been trying to understand the World Trade Organization, yet still errors may occur. I can tell you that on the other side, Western business wants to understand Russia, and yet many do not understand it and constantly slip up. This forum, of course, is helping to solve such problems, but it also reveals a certain distance between us. I think, from the standpoint of the European Union, it would be a good thing if all participants in this process, the

Eurasian Union, were members of the WTO: it would be reassuring, it would create a framework in which we could operate.

I shall now move on to my second point: of course, everyone is afraid (Mr. Hartmann also mentioned it), that Russia may attempt to dominate the post-Soviet space. After all, the Eurasian Union brings together 70% of former Soviet territory! If Ukraine joins, it will be 85% of former Soviet territory. The Eurasian Union is 10 times the size of the European Union; one also has to look at these magnitudes today! They are impressive, they say a lot and, of course, raise many questions. Where will it go, what values will it have, how will it work out a common policy towards the West? I remember that before Russia became involved in attempts to reintegrate the post-Soviet space, when the CIS was sufficient for everyone, such regional alliances as might arise were viewed more favourably. We remember the support for GUAM (Georgia–Ukraine–Azerbaijan–Moldova), or the Central Asian initiative to unite all the Central Asian states in a single economic union, to make it easier for them to deal with each other and to make investment easier. Here is the syllogistic point: the fear that Russia will dominate does, of course, exist. And so we in the European Union are asking ourselves, how similar will the Eurasian Union be to the European model?

I shall make another point: the European Union was actually created by two states, Germany and France. This balanced the entire structure. The architecture of the European Union in the 1950s and 1960s did not evoke fears that this was going to be a new German empire. On the contrary, two former adversaries, which had been constantly at war with each other, had joined hands and begun to restore a new Europe. I think it would be interesting if, in the Eurasian space, the Eurasian alliance were to find a second or even a third motor, besides Russia – Kazakhstan, perhaps, or Ukraine – so that they would create the union together, and democracy would be assured. From the perspective of the European Union, this would look like a very big plus and would help us to achieve a better, more positive and constructive view of the prospects for cooperation.

There is one more point that also has to be considered: we are still in a deep crisis. Perhaps we in Europe, in the European Union, are in deeper crisis than you are in Eurasia; and the issue is far from resolved. What type of political and economic system will be more viable in the new world after the crisis? I think if we take a sober look at things – not dogmatic, not ideological – it must be admitted that in the Eurasian space, some new model of state capitalism may emerge, which in the conditions the world now finds itself, will more effectively contribute to getting out of the crisis than the old, liberal economic model. Europe, too, is undergoing a very difficult test and many serious experts believe that it will not be able to survive the next two to three years in its present form.

To speak briefly about what binds us together, it is very important that we – the European Union and the Eurasian Union – work together with soft power, in order to forget all this geopolitics and to determine the history of Europe with 'heart power'. This will draw us together. I understand that the elite in the post-Soviet space of the Eurasian Union may be able to integrate more easily, because they were once one state, unlike the Europeans, who took 60 years to move towards union. But I think that the Eurasian Union really has the potential for expansion; it can expand to the East, while for the European Union that path is closed. So, it is all the more important for the European Union to create institutional alliances. We need an alliance with the Eurasian Union. We will need energy flows from east to west, more and more, because the European Union, as everyone knows, no longer has its own oil and gas reserves, as in previous decades. We need a resource partnership. The Germans are now building such a partnership with Kazakhstan, and we will now look for similar approaches to Russia. We have also created a resource partnership with Mongolia. Without these resources (not only oil and gas, but also minerals and many other useful raw materials), Western economies will not be able to find a way out of the crisis. On the basis of this resource partnership will be built much that is genuinely based on trust and is entirely realistic.

Let us also not forget the issue of security: NATO will not be able to withdraw from Afghanistan without the cooperation of regional powers in the post-Soviet space,

and this aspect has not yet been discussed in the Eurasian Union. Security issues are more the province of the SCO (Shanghai Cooperation Organization), but the Eurasian Union will cooperate with this organization, and the aspect of regional security, I believe, will be at the top of the agenda when NATO's withdrawal from Afghanistan resumes, when troops and military equipment will have to be withdrawn.

What are the prospects? I shall be very brief – I am finishing up. I really liked what Mr. Slepnev said: it was realistic and interesting from our Western point of view. Indeed, what will be the result of the Eurasian Union? We are not yet able to answer this question. What is it, some kind of 'European Union East', which in 10–20 years will be united with the European Union, in some sort of common 'European home'? That would be desirable, I think, for a great many of those present in this hall. Or it may indeed become a form of forced departure of Russia, Kazakhstan, and Belarus from Europe to Asia, because that is more appealing to them, there are no visa barriers, and there are no incessant consultations and conversations about values that are shared by some, but not by others.

I will summarize once again: the European Union really needs the Eurasian Union to be a resource partner – of course, a target market, but also a springboard for large investments, which Europe will always strive for. I also believe that the Eurasian Union very much needs the European Union – as a base for the purchase of technology, and, of course, as a general model of regulations and a common legal framework for Europe – then we will build a common European home. That is the future.

Thank you.

V. Khristenko:

Thank you, Mr. Rahr. Colleagues, I as the moderator failed in my duties and we only have 10 minutes left. We still have two more speakers. If necessary, colleagues, say something in one minute. We are at your service.

Igor Yurgens, Chairman of the Management Board, Institute of Contemporary Development.

I. Yurgens:

Mr. Khristenko, colleagues. First of all, any international association needs expert institutions. The European Union has the European Council on Asia, the European Council on Russia, and the Transatlantic Dialogue. Entrepreneurs will participate in this expert council, but experts play a different role. For example, the accession of Ukraine is a complex political issue, but in the academic community it can be discussed in a completely different way. In principle, any integration organization needs its own library, its expert support, its analysis of how the Eurasian Union compares to both the EU and OPEC, and specifically to China. That is my proposal to you; we can work on it in more detail at a time set aside for this purpose. As for large Eurasian projects, let us remember history: one Great Silk Road is worth a lot! The Chinese, by the way, for all their caution, are already prepared – figuratively speaking, of course – to build such a road, but in the form of a six-lane highway. That transcontinental road, that ‘golden mile’, can become a bridge reconnecting us all, Europe and Asia.

Finally, do not rush to expand: Greece was accepted into the EU, and now people are scratching their heads. Let us give some thought to Kyrgyzstan, Tajikistan, and other republics. We, as experts, suggest that these decisions not be made in haste.

V. Khristenko:

Thank you, Mr. Yurgens, for the suggestions. Keep in mind that many of them have already been laid on the table – not for discussion, but for implementation.

Igor Finogenov, Chairman of the Management Board of the Eurasian Development Bank.

I. Finogenov:

I wanted to say that we already have expert support for these processes, to some extent. We at the bank have established the Centre for Integration Studies, which has already conducted several studies, including on the impact of integration on the specific economic processes in this part of the world. What do I mean by this? Studies have shown that for Belarus, for example, integration will mean an additional 16% GDP by 2030. But this is only a possibility, a potential figure, and the numbers will only become a reality through specific efforts by specific businessmen, who must be aware of the new opportunities. All of these figures are projected on the assumption that technological cooperation will expand, new projects will be launched, including those which have already been under discussion for decades, projects in high technology fields, such as space, aviation, shipbuilding, and so forth. That is the only way anything will happen. Therefore, I urge everyone to think about how to spread the word about the opportunities that have already opened up, in the single economic space.

V. Khristenko:

Thank you.

Mr. Shokhin mentioned the team of President Sarkozy and Mr. Thomas. Nicolas Sarkozy is not in the hall today, but Mr. Thomas is. Kindly take the microphone.

J.-P. Thomas:

This is the first integration of cultural exchange. It is not that easy to switch to another language when communicating with one another. Thank God, we have interpreters.

When President Sarkozy asked me to prepare a report on the establishment of a Euro-Russian economic space, including the integration of the Customs Union, we immediately realized the timeliness of the topic.

Today, Europe is experiencing a serious crisis. We know perfectly well that, on the one hand, we have Europe, which is piling up debts, which has no opportunities for growth, and which is striving for political integration; and on the other hand, we have

Russia, with its allies in the Customs Union, which needs to succeed in its modernization plan, which is indeed growing, which has reserves, but needs technology. We have the necessary technology. The French, Germans, Spaniards, representatives of Central and Western Europe can all help our Russian friends to succeed in their modernization plan, since our economies are really complementary. Currently Russia's main partners are Europe, Mercosur, ASEAN, and other integration organizations. Why not create a really large zone of free trade, and exchange of personnel and technologies? That is what we did in Europe with the conclusion of the Treaty of Rome. It is particularly necessary to abolish visas: really, there is no point in wasting the time it takes to get them. Vladimir Putin also talked about this. We need a strategy for the development of Europe, since it is clear that the debt problem will not be solved by budgetary means. Mr. Shokhin quite rightly noted that political changes may occur in Europe. This year, there are fewer Frenchmen at the Forum than several years ago. But all of this will go back to normal.

Europe cannot live without a new strategy to facilitate its growth. In my report, I compared complementarity and competitiveness. There is an alternative strategy for Europe, and that is Russia. There is the United States, there is Asia and China – the world's largest engine for growth. Some economists saw that we would become trading partners, just as with the United States. But with Russia, we have plenty of opportunities, much less competition, and a much higher degree of complementarity. Look at the energy sector. You were just talking about values. We should be very cautious in discussing values, to avoid fruitless debates.

It is not worthwhile to go into the usual discussions of great values. The main issue right now is energy. Discussion of energy dependence and the energy package does not make sense if we separate out such elements as the producer, the delivery and the customer. In France, we integrate all three elements. In the Anglo-Saxon and American systems, they are separated.

For Russia, that does not make sense, if we want to achieve the common space that President Putin also spoke about. We must shift from discussion of

dependence to discussion of complementarity. Then there will be no more reasons to discuss energy. Indeed, it is very important to have a common energy space; that will allow us to become a zone of stability and prosperity.

In conclusion, I would like to say a few words about the cultural problem. To make progress, we must keep culture in mind. There should be efforts on both sides to better understand each other so that the Europeans, particularly the French, stop preaching, and so that Russia, finally, reveals itself. Russia is not at all as Europeans imagine. Russia has changed a great deal. Together we can do a lot. I think we can create the biggest, most important economic space in the world. Thank you.

V. Khristenko:

Thank you, Mr. Thomas, colleagues.

Nothing is as difficult to earn and as easy to lose as trust. I am sure that in today's discussion we have strengthened mutual trust, and I hope that we will continue to take this course in the future. Thank you very much, everyone.