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CHANGES IN THE REGULATIONS OF COMMODITY TURNOVER WITH THIRD COUNTRIES FOLLOWING ESTABLISHMENT OF THE CUSTOMS UNION OF BELARUS, KAZAKHSTAN AND RUSSIA

SUMMARY

The creation of the Customs Union between Russia, Belarus and Kazakhstan in 2010 resulted in changes not only in trade between Member States but also with third countries. The introduction of a uniform tariff, a common customs code, standardization of health, veterinary and phytosanitary requirements as well as unification of quality standards in relation to goods imported from third countries - is one of the most important effects of the customs union. These solutions have brought significant benefits to foreign exporters. However, despite the advantages and disadvantages are also solutions that can contribute to the weakening of trade with the countries of the Customs Union. This can be seen in the actions of Russia, which wants to protect its own market in particular. The article by examining documents and legal acts indicates the benefits and risks for foreign exporters.

Keywords: customs union, export, Russia
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INTRODUCTION

The Customs Union of Belarus, Kazakhstan and Russia was established due to economic, political, legal and international reasons. The main economic rationale was a need to recreate the scale of the market (economic space) on the territory of the former USSR for the sake of making social-economic development of countries the Commonwealth of Independent States and the European Economic Community more dynamic. Simultaneously, it was perceived as an opportunity to establish a political organization on the basis of economic cooperation which may use traditional bonds, not only economic, but also political bonds stemming from the history. Establishment of a customs union was also associated with an opportunity to have a greater influence in international organizations\(^1\). Nevertheless, it is doubtless that establishment of the customs union with Russia as the main initiator is, to a great extent, of political significance and is used to strengthen Russian influence in the region.

Establishment of the customs union resulted in important changes in commodity turnover between member states, as well as between member states and third countries. One of the effects of the functioning of the customs union is visible among member states – the effect of shift in trade. Abolishing duties and restrictions in exchange between the countries constituting the union resulted in a growth in commodity turnover between them. However, as a result of establishment of one customs area, changes concerning exporters from third countries take place.

The rationale of this article is to analyze the changes that have occurred in commodity turnover after establishment of the Customs Union. Special attention was paid to customs regulations and changes in scope of certificates required for some kinds of goods being imported to the territory of the union. Furthermore, an attempt was made to assess these changes from the perspective of Polish exporters.

1. THE EURASIAN CUSTOMS UNION – THE CREATION AND EFFECTS

Creation of the Customs Union Belarus, Kazakhstan and Russia was preceded by an agreement on establishment of the Common Economic Space

signed on 19 September 2003 in Yalta by the Russian Federation, Ukraine, Belarus and Kazakhstan. The document assumed that the above mentioned countries would establish a free trade area, which meant abolishing customs barriers and other instruments of market protection in mutual trade. Nevertheless, the planned documents have not been adopted due to Ukraine’s withdrawal from the project in 2005. The next step was supposed to be unification of customs policy towards third countries and establishment of a currency union. A long-term goal was to establish a complete freedom of movement of people, goods, services and capital. The agreement signed in Yalta acknowledges a possibility that integration between individual members of the Common Economic Space may occur at different pace and on different levels. The initiator of the Common Economic Space was Russia, which, as it was mentioned before, consistently pursued to strengthen its dominant position on the post-Soviet territory and its institutional preservation. This new organization was created in the face of a deep crisis of other structures – e.g. the Commonwealth of Independent States, created in order to develop multilateral cooperation and integration of the former Soviet republics².

The decision about signing the agreement about creation the Customs Union was taken by the heads of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation at the sitting of the Interstate Council of the Eurasian Economic Community on 16 August 2006 in Sochi. The main aims that were set for the customs union include ensuring free movement of goods in international trade and favorable trade conditions with third countries, as well as development of economic integration among these countries³.

As a result of works and agreements that lasted a few years, in November 2009, documents introducing a common customs tariff for import since 1 January 2010 on the territory of Russia, Belarus and Kazakhstan were signed. Since then, i.e. 1 January 2010, the customs union began to function. On 6 July 2010 the Customs Code for the Customs Union came into force. Simultaneously, the customs control was abolished, firstly on the border of Russia and Belarus, then on the border of Russia and Kazakhstan⁴. Customs controls of goods and means of transport when entering the territory of the Union’s member states are exercised by the services of these states at exter-

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⁴ Dekret Prezydenta Federacji Rosyjskiej z dnia 1 lipca 2007 roku, Nr 880.
nal border crossing points; the services exchange information about goods declared on their territory.

Under the Customs Union framework, import tariff revenues accrue to national budgets in predetermined proportions (with Russia entitled to 88%, Kazakhstan to 7% and Belarus to 5%, but subject to regular review)\(^5\).

The next stage was launched on 1 January 2012 with the creation of the Common Economic Space of the Eurasian Economic Community by Belarus, Kazakhstan and Russia. It involves developing supranational institutions, modeled explicitly or implicitly on those of the European Union, headed by the Eurasian Economic Commission, with nine commissioners responsible for various areas of economic integration. The Commission is expected to gradually assume some of the competencies of national authorities, including import tariff-setting (previously delegated to its predecessor, the Customs Union Commission), technical regulations and competition policy\(^6\).

Establishing the customs union may produce the following short-term and long-term effects:

— lower tariffs and the removal of NTBs should increase trade and enhance consumer choice,
— producers within a regional integration grouping, including the ECU, can benefit from increased market size,
— exporting within a regional area may serve as a first step toward the expansion of exports worldwide,
— countries within a regional integration area can build cross-border production chains by leveraging each other’s comparative advantages and subsequently exporting the finished product outside that area,
— deeper regional integration can help member countries strengthen their economic and political institutions,
— integration can encourage the liberalization of service markets\(^7\).

### 2. SCOPE OF REGULATION OF THE CUSTOMS UNION

After establishment of the Customs Union, a unified customs tariff and other unified instruments of regulating commodity turnover with third coun-

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\(^6\) Ibidem.

tries are binding on the territory of the member states. When export duties are concerned, amounts specified in the provisions of the member states are applied in relation to goods included in the registers provided by the Commission of the Customs Union in compliance with the agreements between the Union’s states that regulate aspects of applying export duties to third countries. Also when tax amounts are calculated, it is done on the basis of the rates specified in the provisions of the member states on whose territory customs procedure will take place.

The legal provisions of the Customs Union, apart from the customs tariff, include:

— the Customs Code of the Customs Union;
— international agreements of the Union’s member states that regulate legal relations within the Customs Union;
— decisions taken by the bodies of the Union that regulate legal relations.

Pursuant to the provisions of the Customs Union, the customs regulations within the Union may be executed in accordance with legal framework of a member state. These regulations are binding on the territory of a member state both for performance of international obligations and for differentiation of the relations connected with implementation of the Customs Union and relations regulated by the provisions of a member state.

The Code of the Customs Union is based on the provisions of the Treaty Establishing a Unified Customs Area and Forming a Customs Union as of 6 October 2007. The Customs Code is in compliance with the provisions of the Kyoto Convention, the International Convention on the Simplification of Formalities in Trade in Goods and the Convention for Common Transit Procedure. It includes, i.a. provisions concerning the rules of declaring goods, customs control and the rules of applying the customs procedures.

International agreements constituting a part of the Customs Union regulations may be divided into three parts:

— international agreements functioning within the Customs Union,
— international agreements aiming at conclusion of creating the legal basis of the customs union (approximately 30 agreements which came into force and adopted agreements that have not come into force yet),
— the last group – the collection of 42 agreements which were labeled “others”. This collection contains all agreements that cannot be included in

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8 *Ibidem*, p. 2.
the first two groups. It includes, i.a.: the agreement on road control of transportation on the external border of the Customs Union, which has been binding since April 2013; the agreement on counteracting money laundering obtained as a result of a crime and terrorist financing, which also came into force in 2013; the Treaty on functioning of the Customs Union within the framework of multilateral trade system.

Apart from the above mentioned other agreements important from the point of view of foreign exporters who sell their goods to the members of the Customs Union concluded by member states came into force:

— Agreement of the Customs Union on Sanitary Measures as of 11 December 2009;
— Agreement of the Customs Union on Veterinary-Sanitary Measures as of 11 December 2009;
— Agreement of the Customs Union on Phytosanitary Measures as of 11 December 2009;

The most numerous group of legislative acts which constitutes a legal basis for functioning of commodity turnover within the Customs Union of Russia, Belarus and Kazakhstan are decisions. Firstly, they were issued by the Commission of the Customs Union, then by the Eurasian Economic Community, which replaced the Commission. The main objective of the Eurasian Economic Community is to ensure conditions for proper functioning and development of the customs union, as well as elaborating suggestions for further integration within the Union. Decisions taken by the Commission are binding in the three countries of the Union12.

3. BENEFITS AND HINDRANCES IN IMPORTING GOODS TO THE TERRITORY OF THE UNION

What is especially important for entrepreneurs exporting goods to the territory of the member states of the Customs Union is existence of the com-

11 Postanowienie z dnia 9 grudnia 2009 roku Nr 64 o sprawozdaniu Odpowiedzialnego Sekretarza Komisji Unii Celnej „O realizacji umów międzynarodowych dotyczących tworzenia Unii Celnej w ramach Euroazjatyckiej Wspólnoty Gospodarczej (EaWG) i realizacji przyjętych zobowiązań międzynarodowych w krajowym ustawodawstwie państw członkowskich Unii Celnej”.
mon customs tariff. Pursuant to Article 77 of the Customs Code, in order to calculate import customs specified in the Unified Customs Tariff Database of the Customs Union shall be applied. It includes a list of customs tariffs applicable in relation to goods imported to a unified customs area from third countries, ranked according to the Unified Commodity Nomenclature of foreign activity (article 2 of the agreement among the governments of the Russian Federation, the Republic of Belarus and the Republic of Kazakhstan as of 25 January 2008 on unified tariff and customs regulations) unless the Customs Code of the Customs Union or international agreements of member states provide otherwise.

As it was mentioned before, a unified customs tariff has been in force since 1 January 2010. The customs tariff is similar to the one binding in Russia (approximately 80% of Russian rates have remained intact). Approximately 1,900 (out of 11,200 items in the customs tariff) have been corrected (1,500 rates have been increased, whereas 350 have been decreased). Changes influenced mainly the cheapest clothing – the rate ad valorem has been decreased, whereas the duty for 1kg of clothing has been increased, which will probably cause a growth in prices of the cheapest clothing imported mainly from China. Customs tariffs have been lowered for small household appliances – the duty for vacuum cleaners and mixers decreased from 15% to 5%, for microwaves from 20% to 15% and for DVD players from 10% to 5%. The duties for disks decreased from 15% to 10%, film reels from 20% to 10%. However, there has been an increase in the duty for pork livestock from 5% to 40%, not less than 0.5EUR/kg, beef from 30% to 50%, not less than 1EUR/kg, lamb and goat meat from 15% to 25%, not less than 0.15EUR/kg. Also duties for sausages have been increased from 20% to 25%. Only duties for meat products for children have been lowered from 5% to 0%.

It should be emphasized that a considerable change occurred in Kazakhstan, which had a much lower tariff structure than Russia prior to implementing the Customs Union tariff. Despite the exemptions, Kazakhstan almost doubled its tariffs in the first year of the Customs Union. The increase in tariffs on many items which were not produced in Kazakhstan but produced in Russia led to a substantial increase in imports from Russia and dis-

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13 Ambasada Rzeczypospolitej Polskiej w Federacji Rosyjskiej Wydział Promocji Handlu i Inwestycji, Biznes..., op. cit.

placement of imports from Europe\textsuperscript{15}. An analysis of the most significant items of Polish export to Kazakhstan indicates that changes in the Kazakh customs tariff will have a negative influence on the conditions of Polish export to this country. It involves the following items exported to the Kazakh market, i.a. vessels, medicines (until 2015 transitory rates will be applied), diapers, cosmetics and soap, cars (especially used ones), polyurethane (since 2014), apples and others. As a result of introduction of a common customs tariff, there will be an improvement of an access of mining machinery to the Kazakh market (e.g. a tariff for mining supports has been decreased since 2010 from 5\% to 0\%)\textsuperscript{16}.

Russia’s accession to the WTO (22 August 2012) caused lowering import tariffs in Russia and in the whole union in consequence, which resulted in an increased access of external entities to the market of the customs union. But a radical decrease of import tariffs has not occurred. In accordance with the negotiated conditions, a customs rate will be gradually lowered – from 10\% in 2011 to 7.8\% in 2020. The amounts for imported meat will be retained and the duties in this sector will almost not change – only rates for pork will decrease. Russia will be also able to support its agriculture with subsidies. Initially, even to the amount of 9 billion dollars annually. However, in 2018 the subsidies will have to be lowered to 4.4 billion USD annually\textsuperscript{17}.

Russia’s membership in the WTO causes implications for Belarus, which is not a member of this organization. In accordance with obligations within the Customs Union, Belarus underwent changes in customs tariffs resulting from Russia’s membership in the organization. As a result of a decrease that was forced, the Belorussian market will be more accessible for numerous foreign goods, including, i.a. trucks and agricultural machinery, which are two of the main products (next to oil products and fertilizers) of the Belorussian industry. Simultaneously, export from Belarus to the WTO countries will not be covered with preferential customs tariffs, accessible to the member states, including Russia. Furthermore, in connection with reduction of a part of tariff barriers, Belorussian exporters (mainly producers of food and machinery) may lose a part of the Russian market due to an inflow of more competitive goods with better quality from third countries. It makes the Belorussian authorities introduce essential economic reforms and accelerate negotiations regarding the


membership in the WTO; and it provides producers of these goods, including Poland, with an additional opportunity to broaden their sales market\textsuperscript{18}.

When the above mentioned facts are taken into consideration, it should be stated that introducing a common import customs tariff in the case of entities exporting goods to the territory of the Customs Union is a good solution. It offers a possibility to stabilize the rates; and after Russian accession to the WTO, lower rates allow to increase trade on the territory of third countries. Such a state is even more favorable, because there are numerous companies with Polish capital on the territory of the member states of the Customs Union.

It is an important aspect of the Customs Union’s existence that there is unification of the documents that are essential to export products to the territory of the member states of the Union and there is a lack of necessity of providing additional permissions for individual signatories. Currently, it is enough to have a permission for one of the countries\textsuperscript{19}. When one permission to export goods to one of the member state is obtained, an access to other markets of the trinity is simultaneously obtained. Furthermore, common legislation, documentation and procedures influence at the same time on simplification of export to these countries, on a decrease of economic risk and a reduction of legal and administrative obstacles. Nevertheless, on the other hand, introduction of restrictions upon the request of one of the countries blocks importing possibility for the whole three.

The above facilities result, above all, from the Customs Code of the Customs Union being in force. It introduced unified rules of importing goods to the territory of Russia, Belarus and Kazakhstan. The Code specified the scope of activities required when importing commodities to the territory of the Union. Pursuant to Article 158 of the Code, the carrier is obliged to notify the customs office about coming to the customs area of the Customs Union through lodging documents and providing information specified in Article 159 of the Code depending on the kind of transport. Pursuant to the provisions of the code within 2 hours following the moment of filing documents by the carrier or his representative at the customs office, these documents are registered. From the moment of registering a customs declaration, goods are subject to a customs control and acquire the status of being temporarily stored. A customs declaration, which is an equivalent of Polish SAD


(Single Administrative Document), for goods brought to the customs area of
the Union, should be filed before a lapse of time of temporary storage. The
customs office should clear goods within 2 days following the date of filing
a customs declaration unless the civil code provides otherwise.

The code provides for 17 customs procedures (14 have been defined). Two
procedures – free zone and free warehouse – will be introduced by interna-
tional agreements between signatory states of the Customs Union, whereas
a special customs procedure may be introduced, if required, by domestic leg-
islation of signatory states in relation to a category of goods, accepted by res-
olution. Customs costs (duties, VAT, excise and others), pursuant to the Code
of the Customs Union, are payable in the country, in which the goods are ad-
mitted to turnover, in the currency of the country, in which a customs decla-
ration was filed. The payer of duties and taxes is a person who declares goods
or another person who is obliged to pay them pursuant to the customs leg-
islation. Such solutions are very profitable for Polish exporters. Unification
of the rules of accessing the market should decrease the costs connected with
completing formalities. Adopted deadlines are also profitable for foreign ex-
porters.

In opinion of Polish entrepreneurs exporting commodities to the territo-
ry of the Customs Union, introduction of common legislation, customs proce-
dures and documentation contributed to simplification of export and accelera-
tion of customs clearance. It would be a significant element for improving the
conditions of Polish export to the territory of the Customs Union to speci-
fy the EU legislation with regard to the Customs Union Russia, Belarus and
Kazakhstan.

4. CHANGES IN SCOPE OF GOST, SANITARY, PHYTOSANITARY
AND VETERINARY NORMS

GOST R is a document designed for a producer or his representative
(importer, seller). It confirms conformity of a product’s features with require-
ments of provisions concerning safety and quality of goods. A certificate of
conformity is issued by accredited organizations. A certificate may be obtained

21 Agencja Rynku Rolnego, Instrumenty polityki handlowej stosowane w ramach Unii Europej-
skiej i w ramach Unii Celnej Rosji, Białorusi i Kazachstanu oraz ich wpływ na obroty handlowe
(01.09.2013).
for production in general or for a specific part of it. Since 1 July 2010 legal provisions within the framework of the Customs Union introduced important changes in the certification system of products imported on the territory of the member states of the Union. Above all, TR CU (Technical Regulations of the Customs Union) – a certificate of the customs union has been introduced. The system of certification and declaration of the obligatory certificate GOST R has been replaced with certification and a declaration of the Customs Union. New technical regulations came into force on 15 February 2013. Since this day, a new type of certificates is issued for numerous products.

A CU Certificate is an official document confirming the quality of production with standards accepted on the territory of the Customs Union. Russia, Belarus and Kazakhstan concluded an agreement on unified rules and provisions of technical regulation. Pursuant to the Commission of the Customs Union’s decision no. 690 as of 7 April 2011, a list of goods which require a CU Certificate (or a declaration of conformity – depending on the kind of goods) was elaborated.

Issue of a CU Certificate is strictly specified in the provisions of law. In this case, an authorized certification centre issues them provided that required documents are produced. A certificate is issued for the period of 5 years. A lack of such a document precludes an entity from selling on the territory of member states of the customs union.

A CU Certificate is a document which allows to transport goods through the territory of the member states of the customs union without undergoing customs procedures and without paying customs charges. It is binding on the territory of each state. The objective of introducing such a solution was abolishing technical obstacles such as certification in trade among three countries and reduction of the number of obligatory technical procedures as regards importing goods to the territory and exporting goods from the territory of the Customs Union.

When the above facts are taken into consideration, it is stated that they are significant simplification for entities which would like to export products to the territory of Russia, Belarus and Kazakhstan. A CU Certificate replaces previous international certificates of conformity for each member state. It opens a possibility to access goods from Poland and other countries on the territory of the three countries. Furthermore, it causes saving of costs connected with obtaining certificates.

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Russia is the second export market for agricultural products from the EU and the first one when the value of export of animals and animal products, such as meat and meat articles is concerned, as well as fruit and vegetables. Since 2010 Russia is engaged in harmonization of its sanitary and phytosanitary norms with Kazakhstan and Belarus within the Customs Union. Unified provisions take precedence over domestic norms. Since the day of Russia’s accession to the World Trade Organization international standards are also applied.

Activities in scope of unification of sanitary requirements have been undertaken. An agreement regarding sanitary measures has been signed, a list of goods has been unified except for sanitary and epidemiological requirements, common documents confirming product safety and common sanitary and epidemiological requirements have been elaborated. It is similar in the case of veterinary requirements. Common veterinary requirements (binding since the second half of 2010) and a decree on veterinary control on the border of the Customs Union have been elaborated. Analogous activities have been undertaken in the case of phytosanitary control. These activities were commenced with an agreement among Russia, Belarus and Kazakhstan in scope of phytosanitary measures.

Unification of the rules of accessing the market reduced the costs connected with completing formalities and obtaining certificates. For example, establishments processing meat from the EU are supervised by the Customs Union inspectors; and after obtaining their acceptance, they can export products to all the three countries of the Union. However, there are greater consequences for the union’s export in the case of reporting objections concerning European production. In such a situation, export to all the three countries may be suspended. Earlier, when Russia imposed an embargo on, e.g. Polish meat and fruit, export of these items to Belarus significantly increased. It was also a positive consequence of establishing the Customs Union that the rules binding in this structure were adjusted to the WTO’s norms. It forced application of these norms, also by the states formally being outside the organization – Belarus and Kazakhstan.

When the issues connected with the above mentioned requirements are analyzed, it should be stated that the members of the Customs Union, especially Russia, in order to reduce import of some products to their territory, more and more often use aggravated sanitary, veterinary and phytosanitary

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requirements instead of tariff and non-tariff instruments. It is not a favorable solution for exporters from Poland and the whole EU. It is also a violation of international rules connected with market protection.

An example of unfair activity of Russia in order to protect own manufacturers is imposing recycling fees for cars imported from third countries. Such an activity discriminates importers and is aimed at protecting own manufacturers. Such practices are classified as hidden forms of customs barriers and are inconsistent with the principles of the WTO. Apart from this, Russia also restricts import of food by increasing phytosanitary and veterinary requirements for importers, for example by placing a ban on livestock imported from the EU.

**CONCLUSIONS**

Having concluded the above considerations, it is clear that establishment of the Customs Union by Russia, Belarus and Kazakhstan in scope of commodity turnover with third countries, has both positive and negative effects. Introduction of common regulations concerning commodity turnover, including a customs tariff, the Customs Code of the Union, as well as common documentation provides an opportunity to decrease the economic risk. Unified provisions on the territory of three countries, unified tariff, non-tariff and protection measures contribute to facilitation of international trade. Introduction of the Customs Code, which specifies customs procedures, provides an opportunity to use wide variety of procedures, including economic procedures in the same way on the territory of Russia, Belarus and Kazakhstan. There was not such a possibility in all the countries before.

It is also a positive aspect that sanitary, phytosanitary and veterinary requirements are unified. Above all, as it was already mentioned, it is significant facilitation of completing formalities and provides financial savings. Nevertheless, it should be remembered that Russia in its pursuit to establish a customs union, aimed at extending its influence, both political and economic, in the region. Thus, it may introduce solutions not always favorable for all the member states, but, above all, aimed at protecting its own market. In such a situation, export may be suspended or limited to all the three countries. It may be noticed by EU exporters, including Polish exporters. It may be confirmed by recycling fees and restrictions resulting from phytosanitary, veterinary and sanitary requirements.

Functioning of the customs union does not cause unification of regulations of administrative proceedings connected with commodity turnover. Each
member state takes its own administrative proceedings, which may be a significant hindrance for exporters. There is an expanded bureaucratic apparatus functioning in the state members of the Customs Union accompanied by a high rate of economic crime, including corruption, which may be another barrier for export. Another unfavorable thing is the fact that economy is very often connected with political interests. A threat for exporters from third countries may be an increase of commodity turnover between the member states in connection with abolishing of duties and all other restrictions, which is also one of the effects of establishing the customs union.

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