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**Master's Thesis of Public Administration**

**An Analysis of Sanitary and Phytosanitary  
Measures in the Customs Union among Russia,  
Kazakhstan, and Belarus**

**러시아, 카자흐스탄, 벨라루스 관세동맹의  
위생 및 식물위생 조치에 관한 연구**

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**Graduate School of Public Administration**

**Seoul National University**

**Public Administration Major**

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**An Analysis of Sanitary and Phytosanitary  
Measures in the Customs Union among**

# **Russia, Kazakhstan, and Belarus**

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## **Abstract**

# **An Analysis of Sanitary and Phytosanitary Measures in the Customs Union among Russia, Kazakhstan, and Belarus**

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The issue of regional unions, cooperation on trade, economic and customs unions has been causing a close attention lately, as the tendency for making the cooperation blocks is getting stronger. That is mainly caused by the necessity to withstand the competition among other economic unions.

After World War II ended in 1945, the international society and its members recognized the necessity to reconstruct and revitalize broken world's economy. The outcome of such recognition and efforts came out two years later: twenty-three countries signed General Agreement on Tariffs and Trade (GATT), which was a multilateral agreement regulating international trade. Nowadays the Word Trade Organization (WTO) is the large union which sets the standards and rules for the world trade.

The Former USSR countries, on obtaining the independence, attempted to reform and build their economies switching from the planned to market economy. They also plan to join WTO later on after implementing the reforms. However, first of all they founded the Customs Union in 2010 with the goal of increasing the trade between the countries and assisting the neighbors in improving their economies. Russia, Kazakhstan and Belarus are the key players of the Customs Union (CU). Several other countries, such as Ukraine, Moldova. Armenia and others are supporting the organization.

Each agreement, including WTO and CU, have agreements, standards, policies and procedures regulating cooperation and trade.

The analyses showed that both organizations use the technical barriers to trade (TBT) or non – tariff barriers. Sanitary and Phytosanitary measures of WTO and CU were compared, leading to the

conclusions that CU's agreement and measures require some changes and amendments to improve trade at the internal and external markets.

**Key words:** Customs Union, TBT Agreement, SPS measures, WTO

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## **LIST OF ABBREVIATIONS**

<b>CES</b>	Common Economic Space
<b>CIS</b>	Commonwealth of Independent States
<b>CU</b>	Customs Union among Russia, Belarus and Kazakhstan
<b>EEC</b>	Eurasian Economic Commission
<b>EFTA</b>	European association of free trade
<b>EU</b>	European Union
<b>GATT</b>	General Agreement on Tariffs and Trade
<b>ITO</b>	International Trade Organization
<b>MFN</b>	Most Favored Nation
<b>NTBs</b>	Non-tariff barriers to trade
<b>SCO</b>	Shanghai Cooperation Organization
<b>SPS</b>	Sanitary and Phytosanitary measures
<b>TBT</b>	The technical barriers to trade
<b>WTO</b>	The Word Trade Organization

# I. Introduction

## 1. Background

Recently the tendency of regional unions, cooperation on trade, economic and customs unions get stronger and more popular. That is caused by the necessity to withstand the competition among other economic unions. If someone looks at 50 largest economies in the world, one would notice that many of them work closely together, forming a political and economic union, some even act as a single block, such as the EU.

WTO is the large union with over 150 participating countries. WTO sets the standards and rules for the world trade. The Former USSR countries attempted to reform and build their economies switching from the planned to market economy to obtain the independence. Also these countries plan to join WTO later on after implementing the reforms.

It is worth stating that there are only few countries in the world not part of any union, as most countries understand the benefits of an economic union. As it takes time to fully change a country economy, several ex – USSR countries formed the CU. Thus, the participants intended to increase country's intra-regional competition, and then join the EU or others. Nowadays, as several years has passed, it is possible to analyze achievements and drawbacks of the countries union, both of WTO and CU.

WTO's official web site provides the following definition of the organization and its functions: “*where countries have faced trade barriers and wanted them lowered, the negotiations have helped to open markets for trade. But the WTO is not just about opening markets, and in some circumstances its rules support maintaining trade barriers — for example, to protect consumers or prevent the spread of disease*” (WTO, 2014).

After the World War II has ended in 1945, the international society and its members recognized the necessity to reconstruct and revitalize broken world's economy. The outcome of such recognition and

efforts came out two years later: twenty-three countries signed GATT, which was a multilateral agreement regulating international trade. Actually, it was negotiated during the United Nations Conference on Trade and Employment and was the outcome of the failure of negotiating governments to create the ITO (Elvira, C., 2006).

Based on its preamble, the objective of GATT was to reduce trade barriers substantially between countries through the reduction of tariffs, the reduction of subsidies, the elimination of import quotas and discriminatory trade policies and preferences, on a reciprocal and mutually advantageous basis (GATT, Preamble). To achieve such a liberalized trading regime, contracting parties to GATT underwent eight extensive rounds of negotiations including Kennedy Round, Tokyo Round, Uruguay Round, Doha Round, and etc., where countries would agree to specific reductions to barriers to trade between nations. Most of all, the Uruguay Round has noteworthy significance in among the history of GATT: it was not only the first set of multilateral trade negotiations in which developing countries had played an active role, but also the most substantial trade liberalization agreement in agricultural products in the history of trade negotiations. Finally, the contracting parties to the GATT decided to establish the WTO at this very round, which concluded in 1994 (Elvira, C., 2006).

Ex-Soviet Union republics and now independent countries founded the CU in 2010 with the goal of increasing the trade between the countries and assisting the neighbors in improving their economies. Russia, Kazakhstan and Belarus are the key players of the CU. Several other countries, such as Ukraine, Moldova, Armenia and others support the organization.

Each organization has its own “game rules”, as well as WTO and CU. These two organizations have agreements, standards, policies and procedures regulating cooperation and trade.

The goal of the present paper is to analyze TBT or non – tariff barriers effective at present time in general and specifically SPS measures of WTO and CU.

## **2. Research questions, aims and objectives**

This part is designed to set clear goals, objectives and questions for further research. The main purpose of this research paper is to assess the technical barriers to trade used by WTO and CU. The aim of this research is to analyze SPS measures applied by WTO and CU.

In this paper four key objectives are set. First the world trade is analyzed. Research questions are set to define nowadays trends and tendencies in the world trade: what are the world trends and tendencies? For this purpose world trade statistics are used to find data on exports and imports within CU and WTO and other countries. By this it is possible to find out if there is any need in the trade organizations and agreements.

Secondly, research objective is set to assess the opportunity for technical barriers to trade application. The question is put to decide is there a need for TBT. Additionally, the techniques of application of the non-tariff barriers of WTO and CU in trade are questioned. How do WTO and CU use the non-tariff barriers to trade?

Also, this paper aims to compare two SPS Agreements and their measures. Since WTO has extensive experience and CU has existed for only four years, it is interesting to compare these two organizations. In this comparison, possible drawbacks of CU can be evident and will be used to improve CU. Finally the objective of the following research is to define if any changes are required to CU SPS measures.

## **II. Definition of the main terms and notions**

For the purpose of the present paper it is first of all necessary to give a brief report of the two main organizations (unions) under the discussion and to consider the definition of main notions used.

## **1. World Trade Organization**

According to definition provided on WTO official website ([www.wto.org](http://www.wto.org)), WTO can be summarized as an international organization created for the purpose of liberalization and regulation of trade and political relations between its member-states.

WTO is responsible for the development and implementation of new trade agreements and monitoring compliance of all its state-members with the provisions of all the agreements signed. In its activities WTO is based on the decisions taken during years 1986-1994 being a part of the Uruguay Round and earlier GATT agreements.

WTO is aimed to discuss problems and make decisions on global issues and prospects for further liberalization of world trade. Its one of the main activities is negotiations on the reduction or elimination of technical barriers to trade and harmonization of the rules governing the international trade ([www.wto.org](http://www.wto.org)).

## **2. Customs Union and the Single Economic Space**

Based on information provided on the official EEC website the CU is an agreement between three states (Kazakhstan, Belarus and Russia) on the abolishment of customs duties when trading with each other. It has been created in January 2010 for economic integration of these three states. Additionally, later on these three states became a single economic space called as CES to promote their further integration.

The regulatory body of the CU and CES is EEC, which has been operating since the beginning of 2012 to provide conditions for their functioning and development ([www.eurasiancommission.org](http://www.eurasiancommission.org)). Russia, Kazakhstan and Belarus are the members of EEC combined into a single space not only to reduce negative effects of global instability, but also to actively position themselves in foreign markets.

One of the main EEC principles is to maintain a comprehensive dialogue with key partners. EEC plays an active role in the international arena for representing the activities of the Eurasian community and involving key partners from Europe and Asia-Pacific regions in the integration processes. Customs tariff and non-tariff regulation is one of the main activities of EEC ([www.eurasiancommission.org](http://www.eurasiancommission.org)).

### **3. Technical Barriers to Trade**

Below is the definition of TBT based on the WTO and Russian sources. According to the WTO, TBTs are the regulations, standards, testing and certification procedures, which could obstruct trade (WTO, 2014).

Technical regulations and product standards may vary from country to country. Different regulations and standards complicate producers' and exporters' trade activities.

Agreement on Technical Barriers to Trade tries to ensure that the procedures regulations, standards, testing and certification do not create unnecessary obstacles, and provide members with the right to protect human health and safety and the environment.

Based on definition provided on the official website of the World Russian Academy of Foreign Trade, TBTs are obstacles to international trade arising from the application of national industry standards, measurement and inspection for quality of goods, safety requirements, rules, packaging and labeling, sanitary and veterinary rules and certain administrative formalities. All of these requirements and standards are tools of technical and administrative policies. Their use is due to the objective requirements of mass production, safety, health, environmental protection considerations and other similar reasons ([eng.vavt.ru](http://eng.vavt.ru)). They should not be the tools of trade policy.

## **4. Types of Technical barriers as part of restrictive measures applied in foreign trade**

World Russian Academy of Foreign Trade classifies the types of restrictive measures applied in foreign trade of goods and services as described below in details.

One of the types of restrictive policies is a dumping delivery of goods for export at a price lower than the price at which this product is sold on the domestic market of supplier. Dumping is not forbidden and its use as a marketing strategy does not conflict with WTO rules. However, given that such tactic can harm or threatened national industry, the GATT/WTO has created universal counter mechanism. In the WTO the issues of application of anti-dumping measures are regulated by the Agreement on application of Article VI of the GATT 1947 ([www.wto.org](http://www.wto.org)).

Special protective measures are an instrument of trade policy, which allows restricting the import of any foreign goods into the customs territory of the country producing the same goods to protect the domestic industry and domestic producers. It is permitted under the WTO and the existing Russian legislation ([eng.vavt.ru](http://eng.vavt.ru)).

Customs tariff is one of the main instruments of trade policy, which is also commonly applied in the Customs Union regulation. It is a list of customs duties stipulated according to the commodity nomenclature, which is applied for classification of goods in foreign trade of any country (M. Trebilcock et al, p.108).

According to the WTO the “subsidies” is one of the most important instruments of trade policy. Through subsidies, a government supports its producers making them more competitive. The result of these actions has an impact on international trade.

Another type of restrictive measures is TBTs. Every country has the right to take measures to protect human life and health, well-being of animals, plants and the environment. To this end, states are developing technical requirements for products and processes that must be complied by manufacturers.

However, the application of technical requirements almost always leads to complication of the trading process, as this entails an increase in production costs.

TBTs refers to all government controls and restrictions associated with the technical requirements for products in the event that they are used as a means of restricting access of products of foreign production for the domestic market of the country. Below is the list of the types of TBTs:

- a) **Licenses** are the most common instruments of direct regulation of imports (and sometimes export). Almost all industrialized countries apply these non-tariff methods. The license system requires that a state (through specially authorized office) issues permits for foreign trade transactions of import and export commodities included in the lists of licensed merchandises (WTO, 2014).
- b) **Quotas.** Licensing of foreign trade is closely related to quantitative restrictions – quotas - on imports and exports of certain goods. A quota is a limitation in value or in physical terms, imposed on import and export of certain goods for a certain period of time. This category includes global quotas in respect to specific countries, seasonal quotas, and so-called “voluntary” export restraints.
- c) **Standardization** takes a special place among non-tariff barriers. Countries usually impose standards on classification, labeling and testing of products in order to be able to sell domestic products, but also to block sales of foreign manufacture. These standards are sometimes entered under the pretext of protecting the safety and health of local population (WTO, 2014).

In practice other more complex mechanisms for ensuring safety of imported products commonly used in trade in agricultural products such as mandatory inspection of goods, special permits, inspection of enterprises, special requirements for labeling and packaging.

Specific scope of the technical barriers are SPSs. There is a number of separate categories of risks in respect of which the safety requirements become mandatory and operate and act in a special way. That kind of risks includes: animal and plant risks which are associated with the spread of pests,

diseases and pathogens, the risks for human beings and animals associated with the finding of harmful substances and organisms in foods, beverages, feed and etc. For ensuring safety of these goods it is necessary to complete the procedure of establishing the presence or absence of harmful or pathogenic substances, which are carried out by a third party and may be as pre-market inspections, market surveillance and quarantine mode in their nature. Together they are called sanitary and phytosanitary measures (WTO, 2014).

Other non-tariff measures include practically all the measures applied by the state to regulate trade, except tariff measures. Non-tariff regulation of foreign trade covers two groups of measures (administrative and partially economic) aimed at prohibitions and restrictions on the import and export of goods.

### **III. METHODOLOGY**

The present chapter defines the general methods available for the research and the methods used by the author based on the set goals and aims of the dissertation. Briefly to be mentioned as general and publicly available information can be collected using secondary data collection techniques.

#### **1. Secondary Research Techniques**

Specialists and experts in different spheres recently started to speak more on the regional cooperation, countries unions for trade and similar things. That is why the secondary research techniques were the starting point of the present review so that the specific questions are circled for the primary research techniques.

As underlined by Saunders et al (2007, p.611), secondary data are the “data used for the project that were originally collected for some other purposes.”

It is interesting to mention that the statement above is also supported by the Russian researchers who use the same wording to define the notion (Delaru V., 2005).

## **2. Literature Review**

Saunders et al (2007, p.57) states that reviewing literature provided the foundation of each project. For the aims of this paper this method gives the theoretical bases. In doing the present research the author reviewed the literature in 3 languages: English, Russian and Kazakh for the goal of fully understanding the issue and for covering different opinions of scientists in several countries, especially counting the fact that many international companies are operating all over the world, that the WTO and CU unit different countries, thus implementing different policies, laws and procedures.

Questions regarding the specific application of non-tariff regulation in international trade were considered on the basis of scientific works of foreign scholars in the world economy, as well as scientists and economists, among them: O. Bakaeva L. Basovskii, K. Borisov, B. Gabrichidze, S. Grigoryan, V. Draganov, D. Deniels, I. Dumoulin, A. Ershov, G. Kartashov and A. Kireev.

J. Walter in their research defines NTBs in world trade as "all private and government funds and activities, with the exception of customs tariff, which are of limited size and deformation of the structure and trends of world flows of goods and services".

In his work on non-tariff measures, researchers Alan Deardorf and Robert Stern, published by the Economic Department of the OECD noted that "the main challenge when considering NTBs is that they are determined to reverse. That is, the NTBs include all barriers to trade that are not tariffs" (Alan V. Deardorff et al, p. 7).

In fact, they are wider in their content, because this term is often used in relation to such types of interference in the trade as export subsidies are increasingly serving to encourage trading, and it does not obstruct and therefore in no way least are not "barriers" to trade. Thus, NTBs include such well-

known trade-restrictive measures, such as quotas and voluntary export restraints. Furthermore, they can also be a variety of measures.

Russian researcher I. Dumoulin in its NTBs study defines as "any disposition of central and local authorities, including the methods of implementation of laws, regulations and other regulations (except for customs and tariff measures) that affect the import and export volume, the structure of foreign trade, prices competitiveness of goods, creating more stringent conditions for the goods of foreign origin as compared to the national production of goods or different treatment for goods of different countries" (2002, p.78).

According to I. Dumoulin TBTs - is an obstacle to foreign trade arising from the application of national industry standards, measurement and inspection of product quality, safety requirements, rules, packaging and labeling, SPS and certain administrative formalities. All these requirements and standards are tools of technical or administrative policy. They need to facilitate international trade and used by objective requirements of mass production, considerations of safety, health, environmental protection and other similar reasons (2002, p.85).

There is limited number of research in the area of technical barriers and export certification.

In particular D. Mowery believed that standardization can reduce the cost and uncertainty, and thus stimulate the innovation and diffusion of innovation. He gives as an example that one of the objectives of the program was to reduce the ESPRIT barriers to entry to the regional markets of the EU by supporting collaborative research on regional technical standards. However, according to D. Mowery, " little research has been devoted to studying the impact of an effective system of technical standards, have not been analyzed and the characteristics of effective and ineffective systems" (Mowery, D., 1998).

The scientific work of the Institute of the German Standardization (DIN) and the Ministry of Economics and Technology of Germany regarding the economic benefits of standardization provides the following results:

- activity in the field of standardization increases a national internal product of Germany by 16 billion euro a year;
- standardization predetermines 1/3 economic growth of the country;
- standards promote economic growth more, than patents and licenses;
- the enterprises which are actively participating in development and improvement of standards, get a competitive superiority, adapting for requirements of the market and new technologies easier. Decrease risk of research works and costs of development;
- expenses of commercial contracts are much lower at application in the organization of the international and European standards.

Professor from Lithuania - Yuozas Ruzhevichyus in the work "Technical barriers in international trade in a standardization and quality context" considers that lack of the uniform international standards in a number of areas complicates development of the international economic relations and leads to production rise in price (Yuozas Ruzhevichyus, p. 8).

In his opinion, "standardization and standards — one of starting points of modern economic and everyday life, and also a sustainable development of society. Standards in a bigger measure predetermine quality of life, a consent, prosperity and the world on the earth, are the prerequisite and a guarantee of effective international economic cooperation and world trade. Not for nothing speak: "There would be no standards — there would be no trade. There would be no trade — there would be no income". But standardization is also economy and business area".

According to Yuozas Ruzhevichyus, in recent years, the "center of gravity" has shifted from technical barriers limiting quality metrics directly on a variety of goods sophisticated requirements of production and management (Yuozas Ruzhevichyus, p.10).

Further, professor emphasizes that TBT are reduced when signing multilateral and bilateral international agreements. 27 EU countries and 4 countries of the EFTA solve this problem the following:

- multilateral mutual recognition of production of a certain quality;
- the preventive measures limiting creation of trade restrictions (new technical regulations and the standard shouldn't create barriers in international trade);
- technical coordination (legal acts of technical character provide uniform requirements to products);
- mutual recognition of compliance of quality (it is considered that at introduction of the harmonized standards of EU producers thereby execute the corresponding directive regulating a certain group of products). Except the above-noted technical barriers, efficiency of the international economic cooperation and trade is influenced also by the "business foundations" connected with work of the enterprises and quality of their production.

The research of the leading organizations of various countries of Europe conducted by it allowed to define, than heads and top managers are guided at a choice of commercial partners, contractors and suppliers. The first place is allocated for quality and safety of delivered production that is confirmed by the awards presented by future partner, certificates of systems of quality management, the specifications applied by standards, etc. On the second place — punctuality (at implementation of orders, production delivery, replies to the requests, payment of deliveries, etc.). The third place is held by the product price. The range of provided services and technical consultations — on the fourth place. Ability of the organization to be integrated into business system and culture of the main producer — on the fifth position. Production ability (outputs) and know-how of the contractor (qualification and personnel experience, a technological level of the equipment and the technologies, applied normative and technical documents, "history" of production and successful deliveries of a product, etc.) came to the sixth line, and flexibility of production and deliveries — on the seventh.

Ability of the contractor together with the main producer to control business processes takes the eighth position. The geographical proximity of the contractor and the main producer settled down only on the ninth place.

The Russian scientist A. Kuzin in the research "The Agreement of the WTO on TBT" studied questions of technical regulation in Russia, and prospects of harmonization of technical standards in Russia's accession to the WTO frames (Kuzin, p.12).

He notes that the rules containing in the Agreement of the WTO, cause the necessity of the organization of institutional system (at governmental and non-governmental levels) for voluntary and obligatory ecocertification and marking of quality of production according to ecological requirements.

Professor from Russia V. Idrisova investigated theoretical questions of application of non-tariff measures of regulation in foreign trade. In the research she offered the following results of researches:

- classification of mechanisms of influence of non-tariff measures on import volumes on degree of concreteness of criteria of application of a non-tariff measure (simplicity of interpretation of requirements of the non-tariff measure established on imported goods, united by the general specific sign) and severity of restriction on import of goods (V. Idrisova, 2011).

The offered methodology allows carrying out the comprehensive analysis of efficiency of various NTBs, and also is the important practical tool for the analysis of possibility of regulation of import of goods with the minimum trade and political expenses;

- by her was offered and proved a technique of an assessment of influence of non-tariff measures on physical volumes of import of foreign goods. The statistical database about the main non-tariff measures of regulation of the import, used in the Russia from 1992 for 2009 is for the first time created.
- The quantitative assessment of ad valorem equivalents of non-tariff measures of regulation of foreign trade is carried out.
- Conducted cross-country estimates of the sensitivity of imports to various non-tariff measures to regulate foreign trade. The author has developed and tested a method of using these estimates to analyze the consequences of the non-tariff measures. Special attention is paid to the study of homogeneity of the estimates and their coherence with the theoretical

hypotheses. Obtain significant estimates of the coefficients in the logarithmic demand equation have the expected signs, which speaks in favor of the hypothesis to be tested on the existence of the relationship between the demand for foreign goods and the factors in (structural variables, the level of tariffs, non-tariff measures).

Professor O. Ishechkina in her "Certification as a factor in increasing the competitiveness of their exports," identified three main groups of factors, confirming that certification enhances competitiveness of exported products (O. Ishechkina, 2006):

First of all it is the legal factors. In the EU directives are (and always expanding) product lists supplied to EU countries only if the certificate of quality. In particular, such an approach was the basis of the document adopted by the European Community - "Global concept of legislative quality assurance of goods and services in the European market." But regardless of the legal requirements for a Western partner practical indicator of competitiveness of any company is a quality system certificate.

Secondly, psychological factors i.e. the perception of certified products by the consumer. The consumer assumes that the quality of certified products is generally higher than non-certified. Consumer with great confidence refers to products approved not only by the manufacturer (performer), but also by the certification body, which in this case, takes responsibility for verifying the quality, risking his authority. Consumer informed that voluntary certification authorities regularly publish information about certified products as well as product, which refused to issue a certificate of conformity. Certified product is considered safe and reliable, and therefore, to find a market for such products will be much easier than for the goods has not passed the certification procedure.

Third production and economic factors. As our research shows, the introduction of quality system certification leads to lower production costs and increase profitability. The analysis shows that in the year preceding receipt of the first certificate, the company that ordered the certification occurs improvement of the financial and economic activity. Considering the changes in the indicators can be argued that the process of preparing for certification has a positive effect on the financial condition of the company.

Thus, the review shows a lack of scientific studies on technical barriers within the customs union and integration organizations and their impact on the competitiveness of small and medium-sized businesses.

D. Madjarova in 1999 published the book "The strategy of foreign economic policy," which reveals the main components of foreign policy of Kazakhstan in the late 20th century. Practice to conduct foreign policy was aimed at creating a system of trade relations with the CIS states as well as foreign countries and was conducted in accordance with the principles of effective integration of the country into the global market space. However, an analysis of the reforms suggests that Kazakhstan's way to economic openness is original, and in it combines measures, sometimes polar to each other. First state program to stabilize the economy in 1991-1992 sphere of regulation of foreign trade maintained inter-republican system of government orders and remained virtually state control function foreign economic activity of the market. The adopted laws of that period partially promoted the solution of customs reforms and pricings, the Entry of the republic in a stage of decline in production and inflationary processes caused need of adoption of the anti-recessionary program of development (1993-1995). Lawful would be to consider that it gave rise to formation of the state strategy in foreign trade. Elements of reform were directed on an exception of monopoly of the state and transfer to managing subjects of operations on foreign economic activity. The monopoly remained only for export of strategic goods (D. Madiyarova, 1999).

In particular, in D. Madiyarova's work are considered experience of the countries of other countries in questions of trade liberalization, is thus emphasized that economy liberalization in countries of Eastern Europe complicated a financial position of national producers (removal of import barriers and a preferential mode of functioning for foreign investors), and eventually discriminated the East European companies. Unlike it, experience of the Asian countries, including Singapore where liberalism strategy with mass attraction of the foreign capital was accompanied by the strengthened support of domestic producers at rigid control of level of a salary and inflation is represented to the most positive.

A. Zhaylauova in 2012 in thesis research "Integration of trade and economic relations between the countries" considered the integration processes in the Eurasian Economic Community (EurAsEc), which, unlike the foreign experience of integration, have a certain specificity, due to the different economic and political situation in the participating countries.

First of all, States of EurAsEc customs union characterized by different levels of economic development. In this sense is essential to develop the concept of integration of the Community has both experience of the EU, where a significant difference of economic development of member states was one of the initial conditions of association.

Secondly, one of the main activities of the EurAsEc stated energy cooperation and the establishment of a common energy space, which involves the development of common policies in the field of production, transportation and distribution of energy within the Community and outside it, and which is currently quite controversial.

Third, most of the EurAsEc member states constitute the states of Central Asia, where an essential factor of economic integration is to maintain political stability in the region. In this context, particularly important to work closely integration groupings such as EurAsEc Organization (CSTO Collective Security Treaty) and the SCO, which achieves the above objectives.

That is why, publications in magazines, especially in the specialized journals, were the important information source for the present paper. The reliability of this type of information sources is pretty high as the books in most cases present the fundamental studies based on the previous research. On the other hand, the publications in mass media can be subjective and show only "one side of the coin".

## **2. Analysis of Documentary Sources**

Depending on the information source, documents are divided into primary (prepared on the basis of direct observation or survey, based on the direct detection of occurring events) and secondary (present the result of processing, generalization or description made on the basis of primary sources).

Secondary analysis - the use of data collected for other purposes, a new application of data previously collected for some other purpose (for example, analysis of the incidents cause based on the statistical reports) (Delaru V., 2005, p.9 (Rus)).

The documents studied by the author mainly include the policies and procedures the WTO and CU documents on agreement and tariffs. This type of the information source has only one minor drawback – they are often too general and do not count the specifics of a region or an area or an industry branch. The reliability of this information sources is very high as the documents present a country or union legal documents.

### **3. Statistics**

For the purpose of the full analysis, the world and national statistics should be reviewed. First of all, the WTO has the huge database of the information on trade, as well as export and imports ([www.wto.org](http://www.wto.org)). Most of the countries are included in the database. It is mainly caused by the world tendencies (example, new countries joining EU and WTO correspondently, Asian countries founding the unions, Latin American countries having their own union, etc).

It is important that the WTO has the data for the previous years and decades, which is important for the retrospective analysis of different issues.

Kazakhstan and Russian Statistics Agencies are the important information source as it lists the actual numbers for trade, export and import, tariffs and fees, as well as the achievements and disputes with the WTO and CU, especially the technical barriers.

Reliability of the data can be classified as high for the national agencies, because it is the bases for the correspondent government decision-making. However, some errors can be found in the statistical data due to different counting process in different countries. That is why it is important to have the universal approach in “head count”.

In any case, all the statistical agencies state the error percentage at their websites. To finalize this

section on the secondary data collection, the author of the present paper considers this type of information 1) important 2) full 3) highly reliable.

## 2. Analysis Methods

This section defines the methods used to analyze the data for the research objective. Two kinds of data were used in the present research – quantitative (data comparison) and qualitative (world and national statistics analysis).

Saunders argues that it is worth listing the differences between quantitative and qualitative data (2007, p.472).

Quantitative data	Qualitative data
Delivered from numbers	Expressed through words
Numerical and standardized data results	Non – standardized results
Diagrams and statistics	Conceptualisation

Data from statistics surveys were analyzed and presented through diagrams, charts, graphs and tables created in Excel format.

To recapitulate this whole chapter, the secondary data collection techniques were mainly utilized in this research.

## 3. Research Design

Case study research design is used based on the aim and objective of the present paper. Thomas G. gives the following definition of case study: "*Case studies are analysis of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more method. The case that is the subject of the inquiry will be an instance of a class of phenomena that provides an analytical frame an object - within which the study is conducted and which the case illuminates and explicates*" (Thomas, G., 2011).

With that, J. Creswell underlines that data collection in a case study occurs over a "sustained period of time" (Creswell, J., 2011).

S. Lamnek argues that "*The case study is a research approach, situated between concrete data taking techniques and methodologic paradigms*" (Lamnek, S., 2005).

Sometimes case study is defined as "*a research strategy, an empirical inquiry that investigates a phenomenon within its real-life context. Case study research can mean single and multiple case studies, can include quantitative evidence, relies on multiple sources of evidence, and benefits from the prior development of theoretical propositions... Case studies may be prospective (in which criteria are established and cases fitting the criteria are included as they become available) or retrospective (in which criteria are established for selecting cases from historical records for inclusion in the study)*" (Case study, Encyclopedia, 2014).

To recapitulate this whole chapter, the secondary data collection techniques were mainly utilized in the research.

## **IV. ANALYSIS**

This chapter lists the actual findings of the research, as well as the facts, numbers and information for the author's conclusions.

### **1. World Trade Statistics Analysis**

To fully analyze the current world trade situation, the author of the present analysis used the data available in the (WTO, 2014) to make the following diagram to visualize the world trade statistics and situation at the criteria following the goal of the research (Figure 1).

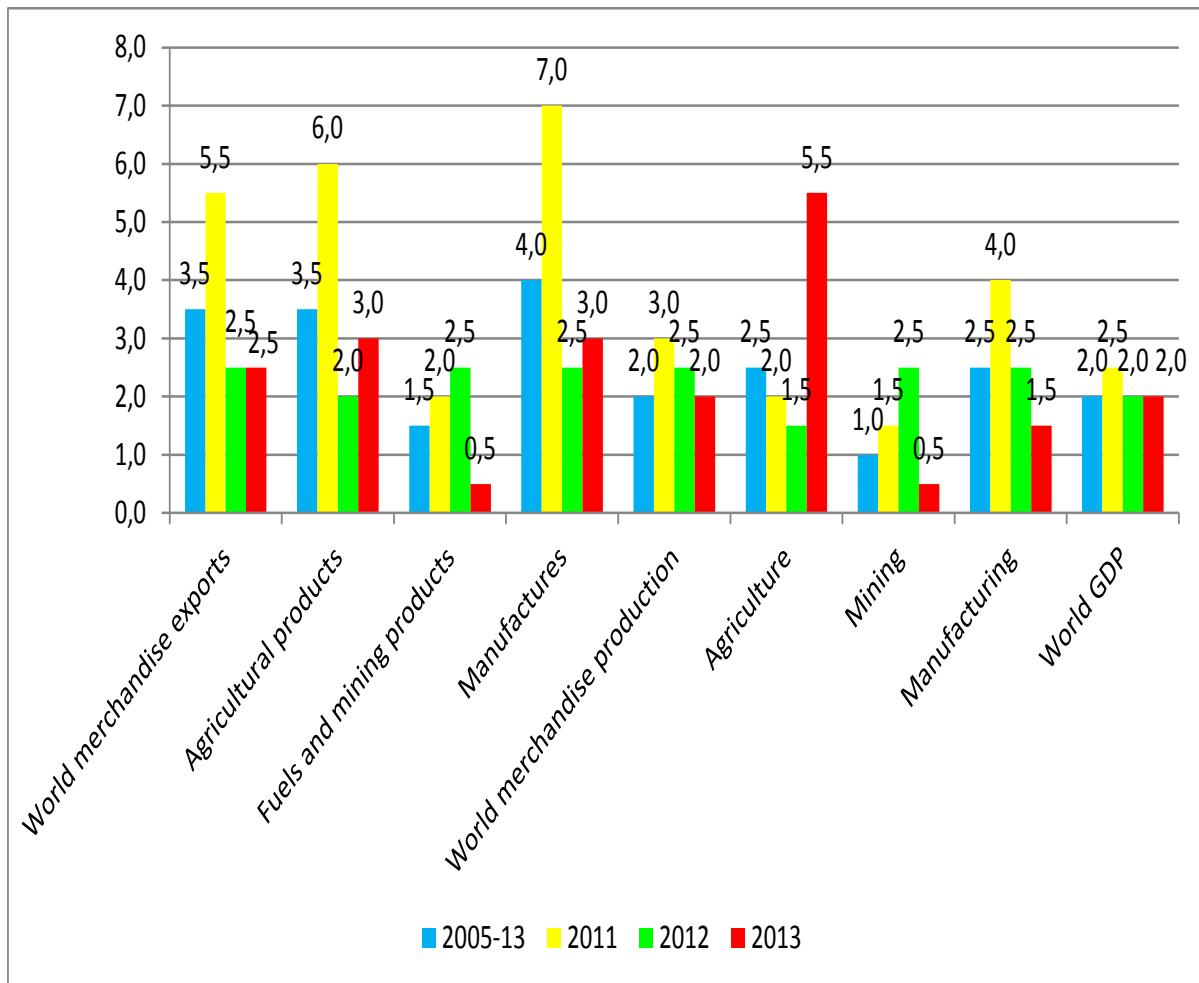


Fig.1. Growth in the volume of world merchandise exports and production, 2005-2013, Annual percentage change (Data source: WTO, 2014)

Based on the diagram above, it can be well seen that year 2011 was more successful in comparison with the past 3 years. With that, world merchandise production “jumped” from 1.5 % in 2012 to 5.5% in 2013, showing the maximum growth among all other criteria. Agricultural products export increase is also the leading parameter for improving the world merchandise exports.

For the more detailed comparison it is worth looking at the world export and import dynamics in 2012 and 2013 (Figure 2).

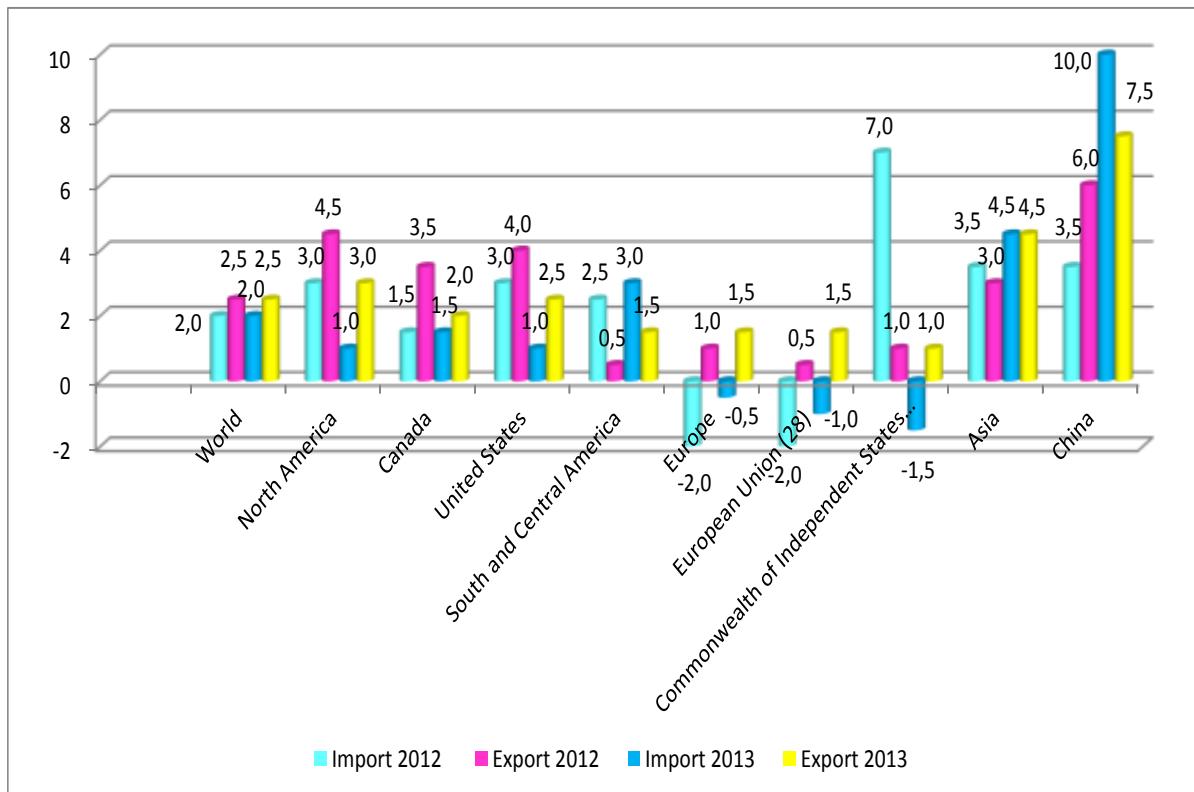


Fig.2. Growth in the volume of world merchandise trade by selected region and economy, 2012-2013, annual percentage change, (Data source: WTO, 2014)

Figure 2 above presents the interest from the standpoint of comparison of export and import by major regions. If the world data stays almost at the same level in 2012 and 2013, looking close at the regions, it is clear that Europe in general and EU specifically suffers the drop in import in the past two years, where China demonstrates not only the stable export increase, but its export exceeds the import almost twice.

The later proves that China's economy is concentrated on export of goods to most of the countries. What is more important in the diagram above – the data for CIS (countries ex – parts of USSR). Imports of CIS countries in 2012 (7% growth) dropped significantly to negative 1.5%.

That brings the present analysis to the very subject of the discussion. It lets the author of the present paper to conclude, that such drop in import occurred due to reduction of goods import from outside the CIS territories and increasing the cooperation between the countries as part of the CU with no customs tariffs and the unified trade territory.

## 2. Trends Comparison of Countries of Customs Union and USA

To narrow the subject of the discussion, the author of the present research selected Russia, Kazakhstan and USA for comparison of trade data and trends.

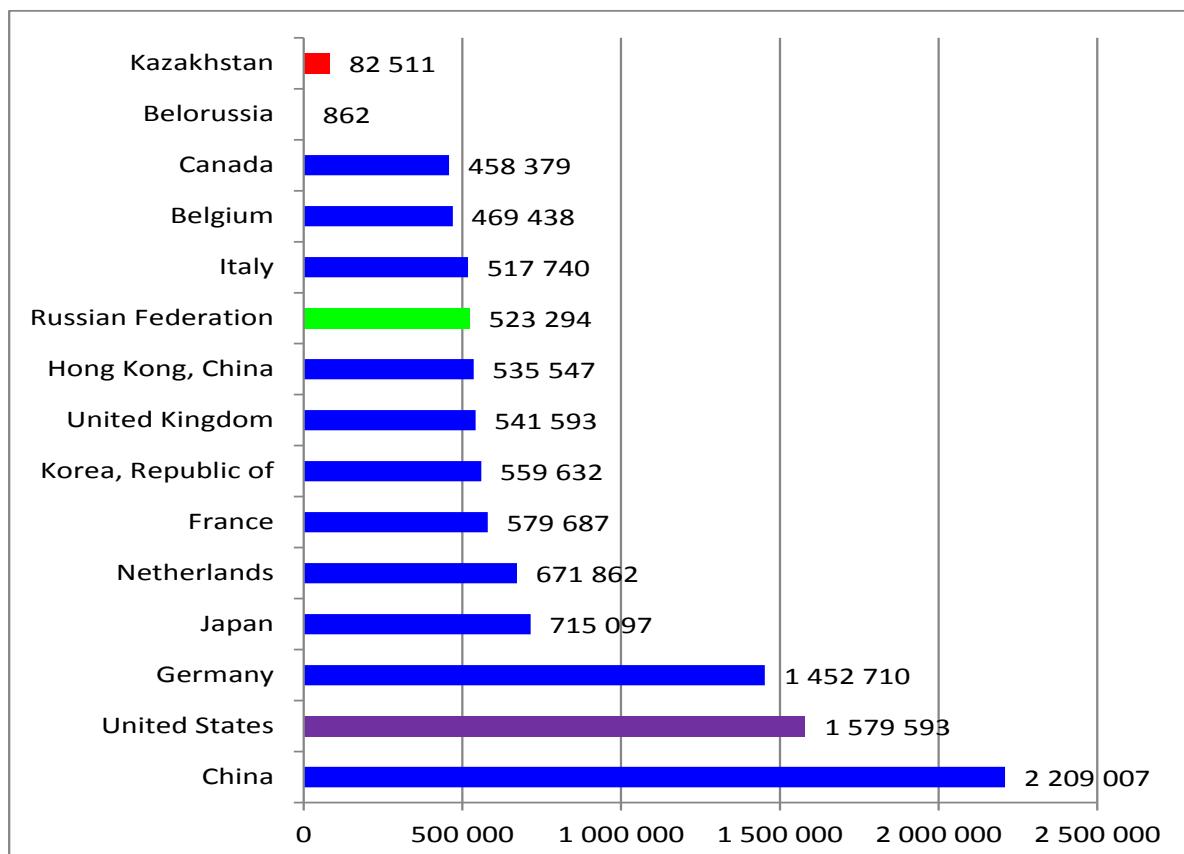


Fig.3. Merchandise Trade, Exports 2013 by selected country, million USD (Data source: WTO, 2014)

Figure 3 shows statistics that China, United States and Germany are the world leaders in the merchandise trade. Russia and Kazakhstan are in the middle of the world rating, with Belarus falling out of the list of countries with significant input into the world trade.

For a closer look of the statistics data, three countries were selected for comparison: USA, Kazakhstan and Russia. Based on available WTO information, the Figure 4 was prepared.

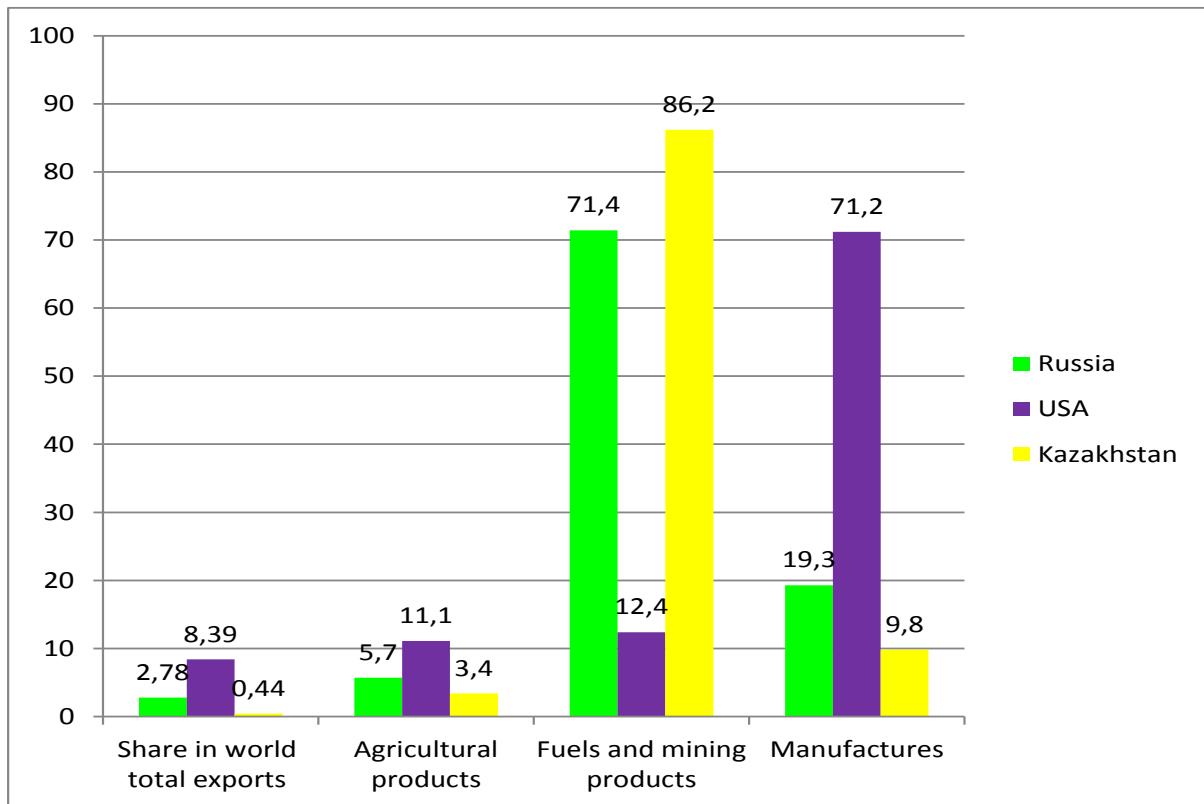


Fig. 4. Merchandise trade, Breakdown in economy's total exports, % (Data source: WTO, 2014)

The diagram above helps to make several important conclusions:

- 1) Kazakhstan is the fuel and mining products export leader among the three countries under the analysis.

Kazakhstan became the independent country after the fall of the Soviet Union in 1991. During the whole period of USSR Kazakhstan was part of the social economy system, which was mainly the planned economy. After the Soviet Union break - down and later foundation of CIS, the country started its own way to the market economy.

Oil and gas industry played the key role in this process.

As per the report of Energy International Administration (EIA, 2012), Kazakhstan, an oil producer since 1911, has the second largest oil reserves as well as the second largest oil production among the former Soviet republics after Russia. The Oil and Gas Journal estimated Kazakhstan's proven oil reserves at 30 billion barrels in January 2012 (Oil and Gas Journal, 2012).

And in oil and mining products export it even exceeds the numbers of Russian Federation.

2) USA is the recognized world leader (as seen at the diagram above as well) on the manufactured goods export, leaving both Russia and Kazakhstan far behind.

3) It is interesting to note, that agricultural products are making less income than oil and gas in three countries' export. USA is leading, with Kazakhstan and Russia staying close on numbers.

Table 1. Export main destination in 2013, % (Data source: WTO, 2014)

Russia		USA		Kazakhstan	
Main destination	%	Main destination	%	Main destination	%
1.European Union (28)	45,8	1. Canada	19	1. European Union (28)	53,5
2. China	6,8	2. European Union (28)	16,7	2. China	17,4
3. Japan	3,7	3. Mexico	14,3	3. Russian Federation	7
4. Kazakhstan	3,3	4. China	7,7	4. Switzerland	5,2
5. Belarus	3,2	5. Japan	4,1	5. Canada	3,2

The table 1 shows that Russia and Kazakhstan export is mainly directed to EU (45,8% and 53,5% correspondently); and USA is exporting a lot to the neighboring countries (Canada and Mexico). This is due to geographic vicinity factor. It is worth noting that all three countries cooperate with China. For Kazakhstan and Russia it is the short distance cooperation, but for USA it is an interesting number, as China is across the ocean from the United States.

At the end of this section it is important to underline that Russia exported 3,3% of its goods to Kazakhstan and Kazakhstan exported 7% of the goods to Russia in 2013. This difference is based on the goods selection and specialization.

### **3. CU internal and foreign trade results for 2013**

For the set goal and objectives it is important to review the actual numbers for trade of CU members within the Union and with other countries.

#### **3.1. Results of agricultural products trade of CU countries with foreign countries for 9 months of 2013**

CU countries allocation of the input to trade with foreign countries can be presented by the following chart:

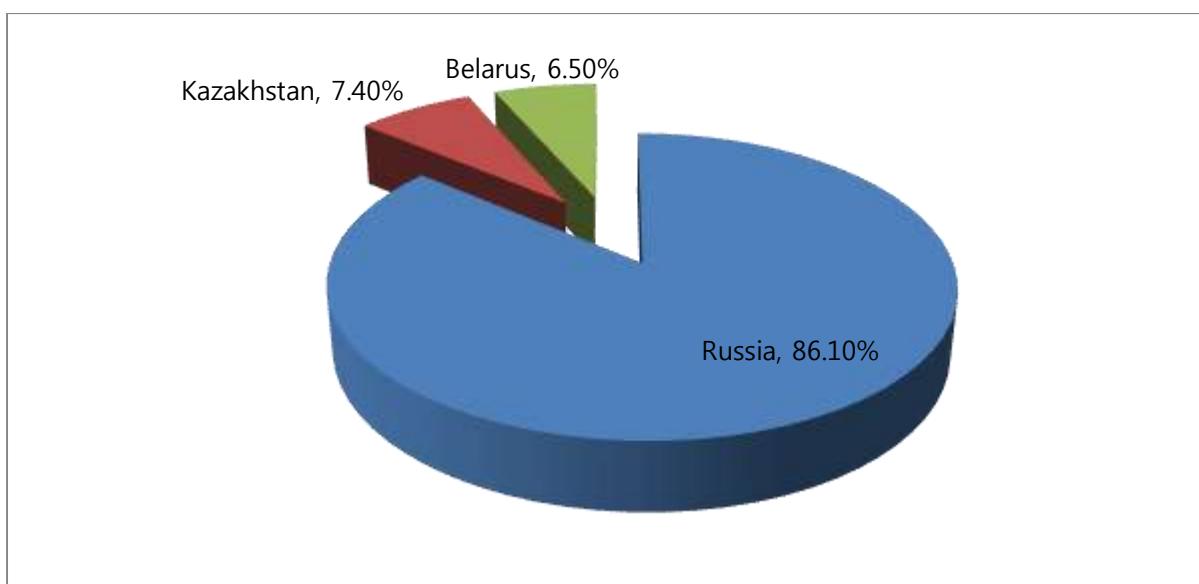


Fig.5. Agricultural products and food trade turnover of CU counties with foreign countries, % (Data source: EEC, Agriculture, 2013)

Russia plays the leading role of CU countries selling the goods to outside the CU territory. However, in agriculture and food sector the aggregated turnover for 9 months of 2013 reduced for 2% vs the same period of 2012, resulting in 43,3 USD. With that, agricultural and food goods shipments increased in all the countries of CU. Total import decreased:

- for 15.8% in Belarus (making 2,2 billion USD);
- for 12.2% in Kazakhstan (1,8 billion USD);

- for 2,7% in Russia (27.9 billion USD).

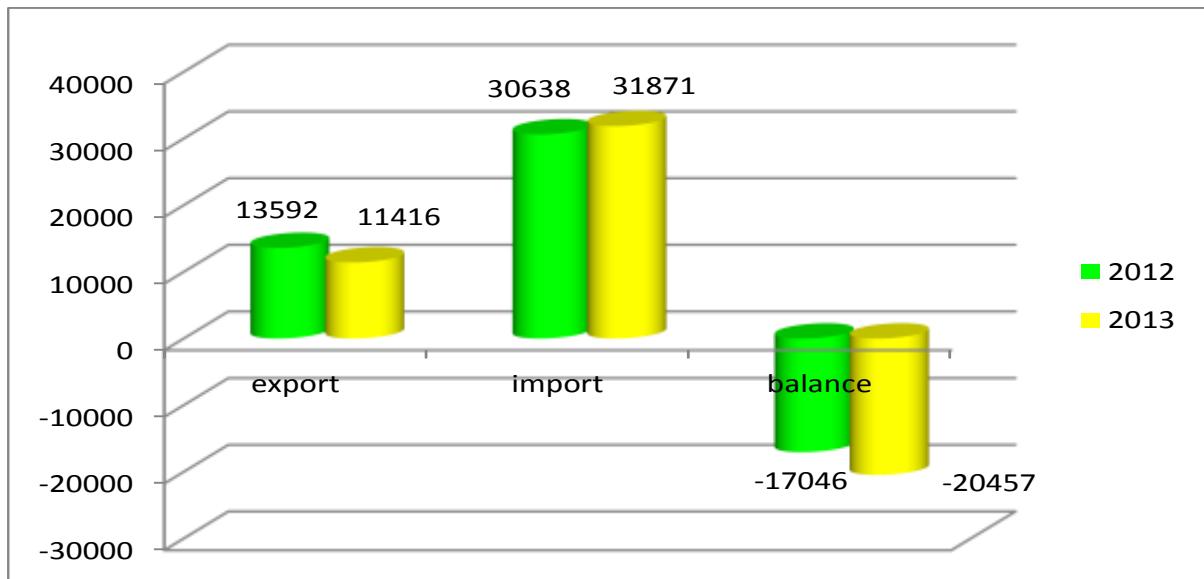


Fig. 6. Foreign Trade Dynamics, 9 months of 2012 and 2013, mln USD (Data source: EEC, Agriculture, 2013)

The foreign trade balance was negative in the amount of 20.5 billion USD and exceeded the level of January-September 2012 to 3.5 billion USD, while imports increased by 4.0% to 31.9 billion USD, exports decreased by 16.0% and amounted to 11.4 billion USD. Imports of agricultural raw materials and food products increased in all the countries of the CU and the CES: Belarus - by 15.8% (2.2 billion USD), Kazakhstan - 12.2% (1.8 billion USD), Russia - 2.7% (27.9 billion USD).

Decline in exports of 16% was due to the reduction of cereals export - by 1.7 times compared to January-September 2012.

The greatest reduction in exports was observed in Russia – by 1.5 billion USD (13.4%), in Kazakhstan by 766.7 million USD (1.5 times). In Belarus, in contrast, exports grew by 45.7 mln USD (7.8%).

The main trade items in the structure of exports during the period under the analysis were cereals, fish and crustaceans, fats and oils, which accounted for 63% of total exports in value terms. In real

terms, compared to January-September 2012, exports decreased: cereals by 1.7 times, 1.6 times oilseeds, grain mill products by 30.8%, fats and oils by 18.6%, food industry waste 17.8%.

The main trade items in the structure of imports were fruits - 16%, meat - 15%, vegetables - 8%, alcoholic and non-alcoholic beverages - 7.5% - 6.5%, fish and dairy products - 6%.

During January-September 2012 the following shipments increased: fats and oils - 25.5%, vegetables and prepared foods made of grain - 18%, dairy products - 14%, oil seeds - 9%, alcoholic and soft drinks - 8%, fruit, coffee and tea - 5%, tobacco products - 4%.

### **3.2. Results of CU internal trade of food and agricultural raw materials in January-September 2013**

During the reporting period the total volume of CU internal trade of food and agricultural raw materials increased significantly compared to the same period of the previous year (17.6%) and amounted to 6.0 billion USD, 60% of which was Belorussian and 34% - Russian. The share of agricultural products in the total volume of mutual trade of the Customs Union and the Common Economic Space was 12.6% (in January-September 2012 - 9.9%).

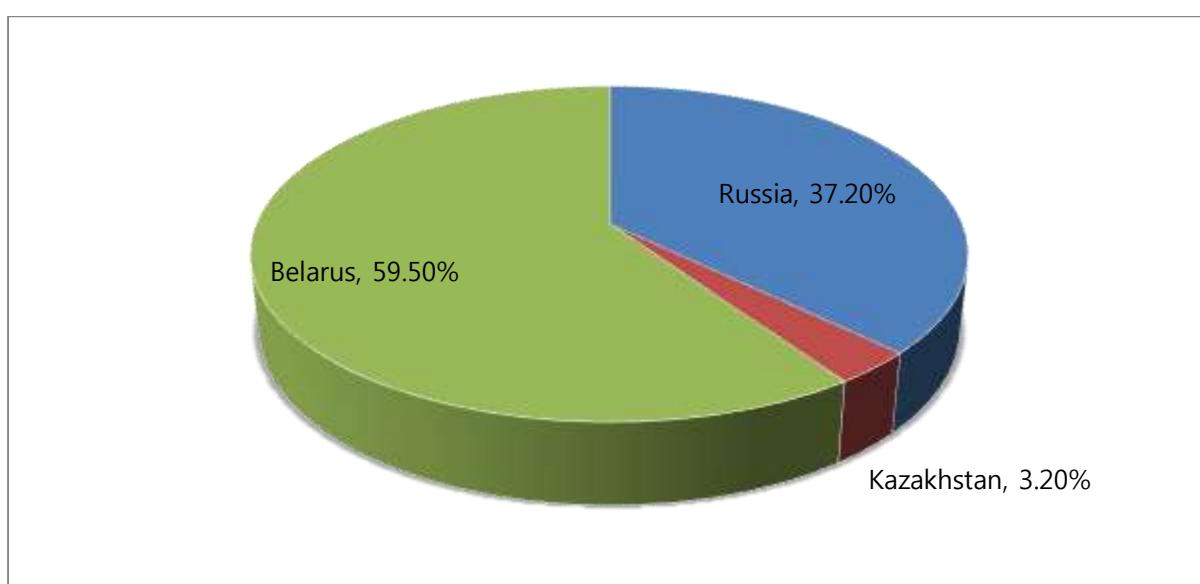


Fig.7. CU internal trade structure, 2013, % (Data source: EEC, Agriculture, 2013)

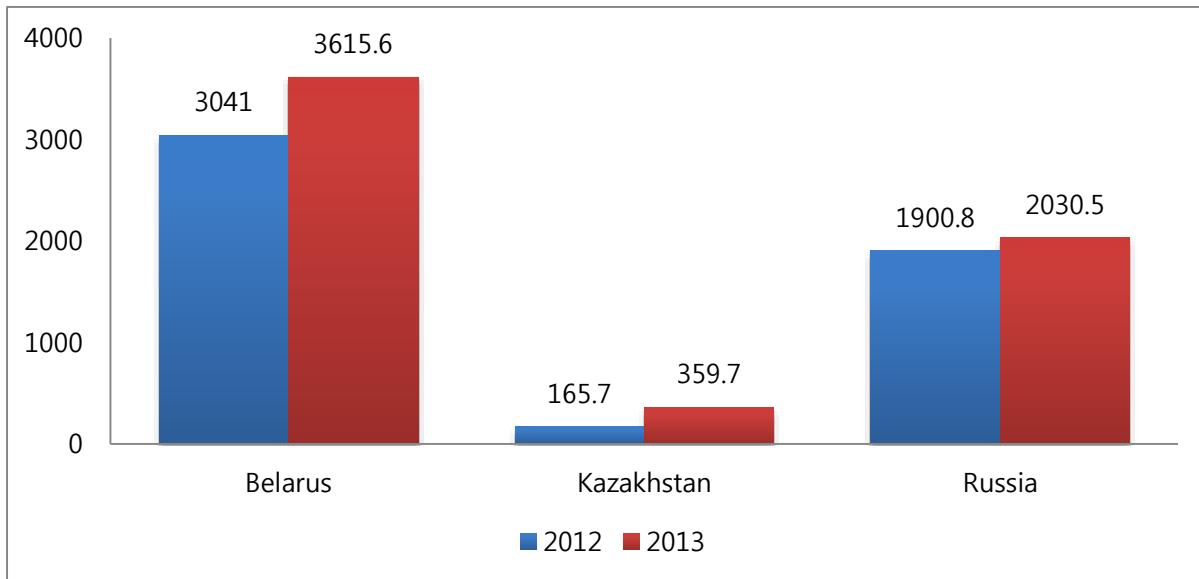


Fig. 8. CU internal trade Dynamics, 9 months of 2012 and 2013, mln USD (Data source: EEC, Agriculture, 2013)

Compared with the previous year's corresponding period, the proportion of CU internal trade changed – Kazakhstan share increased from 3.2% to 6.0%, while Russian share decreased to 3.4% (down to 33.8%). Share of Belarus increased slightly - by 0.7%, and became 60.2%.

The main trade items in the structure of CU internal trade in food and agricultural raw materials sector (January-September 2013) were dairy products, meat, products made of meat and fish, products made of cereals, grains and sugar – they cumulatively accounted for 68% of trade volumes.

The major share of exports of Belarussia in terms of value were dairy products (46%) and meat (21%), as well as ready-made meat and fish products (11%), sugar and confectionery products (6%).

Export grew due to deliveries physical volumes increase to Russian Federation: sugar and confectionery products - by 45%, milk products by 12%, meat by 14%. Total Belarus exports to Russia amounted to 3.5 bln USD (96, 5%) of the total exporting values, which is up to 20% higher than the numbers in the corresponding period last year.

Supply to Kazakhstan decreased by 6.3% to 125.6 million USD due to reduction of dairy products - by 24.5%, sugar and confectionery products - by 25%.

The significant growth of Kazakhstan's export was obtained due to the increase of cereals to Russia - 1.8 times, which is 64% of the total export. Total deliveries to Russia increased by 2.3 times and amounted to 353.6 million USD compared to the previous year same period. In Belarus the supply decreased by 2 times to 6.1 mln USD due to reduction of cereals deliveries - 2.7 times.

Russia supplies to CU countries increased: to Belarus - by 11.4% and amounted to 758.7 million USD, to Kazakhstan by - 4.2% and 1,271,800,000 USD.

Export growth to Belarus was caused by supplies increase of: dairy products - by 1.5 times, fish and fish products - almost 33%, meat and fish finished products - by 1.4 times, processed vegetables and fruits – 1,6 times, cocoa products - by 1.7 times, different food products - by 1.6 times, and the final products of cereals - almost 12%, soft and alcoholic drinks – by 14%.

Russian supplies to Kazakhstan increase in the following foodstuffs: dairy products - by 23.5%, fats and oils - almost 25%, products of processing fruits and vegetables - 19%, cocoa and its products - 9%, alcoholic and soft drinks - 30%, and the residues and wastes of food industry - by 1.4 times, and others.

At the end of the section, the conclusion is logical, that internal and external trade of CU member countries is actively going on.

## **4. Technical Barriers**

### **4.1. Technical barriers of WTO countries towards Customs Union countries**

As per December 2013, 101 measures were effective, limiting the CU goods access to other countries. That is 6 measures more than in 2012 (EEC, Report on restriction measures in 2013 (Rus)).

The main scope of measures are the anti – dumping actions (46 measures). In addition, the following are applied (EEC, Report on restriction measures in 2013 (Rus)):

- 4 discriminatory excise,
- 1 prohibition for import,
- 6 quotas,
- 9 other non – tariff measures,
- 1 restriction of import as per the nomenclature,
- 2 additional fees,
- 4 special protection measures,
- 3 SPS – measures,
- 8 technical barriers (including 2 cases of their potential implementation).

In addition 5 anti – dumping and 6 special protective investigations are on – going and 3 ones are stopped due to signing the agreement to correct the situation in regard to steel and uranium production.

Besides, USA, EU and Canada apply some economic sanctions to goods from Belarus.

21 countries apply the restrictive measures to the goods originated from the Customs Union. 7 countries are part of CIS and 14 are other countries of the world.

14 non – CIS countries give 65% of the total applicable restriction measures (66 measures). The main countries include: EU – 18 measures, USA – 12 measures, India – 12 measures. Other countries are provided in the Table 2.

Table 2. Number of restrictions measures towards Customs Union (per country) (Data source: EEC, Report on restriction measures in 2013 (Rus)).

Country	Number of restriction measures
China	1
Mexico	4
Thailand	3
Brazil	2
Turkey	2

Australia	1
Indonesia	1
Canada	1
Columbia	1
Korea	1
Philippines	1

Based on the statistics, available in EEC report, the author of the present paper compiled the following comparison table (Data sources: EEC, Report on restriction measures in 2013 (Rus)).

Table 3. Types of the applied measures of WTO members to Customs Union countries

	Russia / number of measures	Kazakhstan / number of measures	Belarus / number of measures
EU			
1. anti – dumping measures	pipe industry – 4 on ammonium nitrate - 1 on ferrosilicon – 1 on steel cables - 1	No	pipe industry – 4 measures
2. quantitative restrictions	4 measures		
3. Technical barriers	3 measures		
4. Ban	on the import of pelts of lynx and wolves		
5. Excessive demands	on thermal treatment of meat from Kaliningrad region	No	No

6. Right to set more strict requirements for documents issuing terms for goods under special protection investigation (as per Regulation 625/2009 EC)	applied to all, up to the suspension of documents		
7. EC energy corrections right for calculating the normal price of goods	applied to goods under anti-dumping investigation	No	No
USA			
1. anti - dumping measures	on goods of chemical and metallurgical industries – 5 investigations stopped due to agreement to voluntary correct the situation on steel and uranium - 3 investigations on – going on Grain-oriented electrical steel and ferrosilicon - 2		
2. restriction	weapons import from Russia	No	No
India			
1. anti - dumping measures	5 measures	No	acrylic fibers – 1 cord fabric - 1
2. anti - dumping investigation	on pentaerythritol – 1 on seamless pipes – 1	No	No

	on chemical rubber – 1		
3. special protection fee	on sodium nitrite - 1		
4. technical barriers	obligatory certification to some specific metal industry goods		

Based on the performed analysis, the author of the present analysis comes to the following conclusions:

EU has the most types (7 ones) of the applied technical barriers to the goods from the Customs Union. USA, EU and India measures are mostly directed to raw materials used for manufacturing industrial goods, rather than to industrial goods themselves. The measures mainly used are the anti – dumpings measures.

## 4.2. Technical Barriers Used by Customs Union Countries

For the purpose of the present paper it is necessary to consider in more detail the technical barriers CU uses in its trade with other countries and with the countries – members of the union.

Table 4. Single list of goods subject to prohibitions or restrictions on import or export by the CU member states within the EurAsEC when trading with third countries and Provisions on application of restrictions (EEC Board, 2012).

1.	The Goods prohibited for movement across the Customs Union frontier
1.1	Ozone depleters and products containing ozone depleters prohibited for import to the customs territory of the Customs Union and export from the customs territory of the Customs Union
1.2	<a href="#"><u>Dangerous waste prohibited for import to the territory of the Customs Union</u></a>
1.3	<a href="#"><u>Information on printed, audiovisual and other information media prohibited for import to the customs territory of the Customs Union, export from the customs territory of the Customs Union and transit over the customs territory of the Customs Union</u></a>

	<u>Plant-protecting agents prohibited for import to the customs territory of the Customs Union,</u> <u>falling under the Annexed A and B of Stockholm Convention on persistent organic pollutants</u> <u>signed in Stockholm on May 22, 2001.</u>
1.4	<u>Timber, regenerable paper, cardboard, paper waste, prohibited for export from the customs</u> <u>territory of the Customs Union</u>
1.5	
1.6	<u>Duty and civil weapon, its main parts and ammunition thereto prohibited for import to the</u> <u>customs territory of the Customs Union, export from the customs territory of the Customs Union</u> <u>and transit over the territory of the Customs Union</u>
1.7	<u>Instruments for catching (harvesting) of water biological resources prohibited for import to the</u> <u>customs territory of the Customs Union</u>
1.8	<u>Skins of Greenland seals and baby seals of Greenland seals prohibited for import to the customs</u> <u>territory of the Customs Union</u>
2.	Goods restricted for movement across the customs frontier of the Customs Union
2.1	<u>Ozone depleters restricted for movement across the customs frontier of the Customs Union at</u> <u>import and export</u>
2.2	<u>Plant-protecting agents restricted for movement across the customs frontier of the Customs</u> <u>Union at import</u>
2.3	<u>Dangerous waste restricted for movement across the customs frontier of the Customs Union at</u> <u>import and (or) export</u>
2.4	<u>Collections and collectibles regarding Mineralogy and Paleontology which movement across the</u> <u>customs border of the Customs Union when exported is restricted</u>
2.5	<u>Living wild animals and selected wild plants restricted for movement across the customs frontier</u> <u>of the Customs Union at export</u>
2.6	<u>Species of wild fauna and flora falling under the Convention on international trade with</u> <u>endangered species of wild fauna and flora, restricted for movement across the customs frontier</u>

	<a href="#"><u>of the Customs Union</u></a>
2.7	<a href="#"><u>Rare and endangered species of wild animals and wild plants, their parts and (or) derivatives, included in Red Books of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation restricted for movement across the customs frontier of the Customs Union at export</u></a>
2.8	<a href="#"><u>Precious metals and gems restricted for movement across the customs frontier of the Customs Union at export</u></a>
2.9	<a href="#"><u>Raw precious metals, scrap and waste of precious metals, precious metal ores and concentrates and raw materials containing precious metals restricted for movement across the customs frontier of the Customs Union at export</u></a>
2.10	<a href="#"><u>Types of mineral raw materials restricted for movement across the customs frontier of the Customs Union at export</u></a>
2.11	<a href="#"><u>Narcotic substances, psychotropic substances and precursors thereof, which can be imported and exported from the customs territory of the Customs Union based on the license</u></a>
2.12	<a href="#"><u>Poisonous substances not being precursors of narcotic substances and psychotropic substances restricted for movement across the customs frontier of the Customs Union at import and export</u></a>
2.13	<a href="#"><u>Medicine and pharmaceutical agents restricted for movement across the customs frontier of the Customs Union at import</u></a>
2.14	<a href="#"><u>Commercial electronic means and (or) high-frequency means including those embedded or being the part of other goods restricted for import to the territory of the Customs Union</u></a>
2.15	<a href="#"><u>Special hardware meant for secret information acquisition restricted for import to the customs territory of the Customs Union and export from the customs territory of the Customs Union</u></a>
2.16	<a href="#"><u>Encoding (cryptographic) means restricted for import to the customs territory of the Customs Union and export from the customs territory of the Customs Union</u></a>
2.17	<a href="#"><u>Cultural values, documents of national archive funds, original archive documents restricted for movement across the customs frontier of the Customs Union at export</u></a>

2.18	<a href="#"><u>Human organs and tissues, blood and components thereof restricted for movement across the customs frontier of the Customs Union at import and (or) export</u></a>
2.19	<a href="#"><u>Duty and civil weapon, its main (component) parts and ammunition thereto restricted for import to the customs territory of the Customs Union, export from the customs territory of the Customs Union and transit over the customs territory of the Customs Union.</u></a>
2.20	<a href="#"><u>Information about subsoil restricted for movement across the customs territory of the Customs Union at export</u></a>
2.21	<a href="#"><u>Goods with quantitative restrictions established for export and (or) import thereof</u></a>
2.22	<a href="#"><u>Goods with the administrative procedure established for export or import thereof</u></a>
2.23	<a href="#"><u>Goods with exclusive right established for export and (or) import thereof</u></a>
2.24	<a href="#"><u>Goods imported to the customs territory of the Customs Union within the limits of tariff quotas</u></a>
2.25	<a href="#"><u>Goods the Customs Union countries impose restrictions on in accordance with the obligations assumed at accession to the World Trade Organization</u></a>
2.26	<a href="#"><u>Goods the Customs Union countries apply import licensing to based on the Decisions on establishment of the import quota as the special protective measure .</u></a>

Based on CU regulatory documents detailed analysis, the author of the present research found out that technical barriers mostly protect the following groups of goods:

- Meat and meat products
- Carpets and floor covers
- Weapons and ammunition
- Alcohol and non – alcohol drinks
- Finished textile products
- Precious stones and metals

The above listed goods are protected by CU by the unified customs tariffs. It has been reduced since Russia joined WTO in 2012, but not significantly - the average tariff reduced from 10% to 9.5% (EEC, Report on restriction measures in 2013 (Rus)). Thus, CU protects its most valuable goods by special measures.

### **4.3. Comparison of SPS Measures of Two Organizations**

The Agreement on the Application of Sanitary and Phytosanitary Measures (or SPS Agreement) - is WTO's international treaty, which were discussed and negotiated during the Uruguay Round of the General Agreement on Tariffs and Trade, and entered into force with the establishment of the WTO at the beginning of 1995 (Agreement, Encyclopedia Wikipedia, 2014).

As per SPS agreement, the WTO has the right to implement constraints on member-states' policies relating to food safety (bacterial contaminants, pesticides, inspection and labeling) as well as animal and plant health (phytosanitation) with respect to imported pests and diseases. There are 3 standards organizations which set standards that WTO members should base their SPS methodologies on. These are (Agreement, Encyclopedia Wikipedia, 2014):

1. the Codex Alimentarius Commission (Codex)
2. World Organization for Animal Health (OIE)
3. the Secretariat of the International Plant Protection Convention (IPPC)

CU (as mentioned in the comparison table above) attempts to bring its SPS practices in compliance with WTO requirements and it takes the steps to achieve this goal. However, only in February 2014 CU parties amended Customs Union Commission Decision of 18 June 2010 № 317 "On the application of veterinary measures in CU" by approving the following documents (Customs Union Commission, 2014 (Rus)):

- Unified list of goods subject to veterinary control (supervision)
- Procedure on performing veterinary control at the customs border of CU and at CU territory

- Procedure on performing dual and trial party inspections of the facilities and sampling the goods subject to veterinary control
- Unified veterinary (veterinary - sanitary) requirements applicable to goods subject to veterinary control (supervision)
- Unified forms of the veterinary certificates

The author of the present paper considers that it is important to underline that the absence of the detailed procedures, forms and standards for SPS measures slowed down some of the goods exchange between the 3 main countries of CU. Prior to the finalized documents in 2014, the countries mainly used their own (national standards). For example, veterinary certificates were of different forms and content. That led to the situations when in many cases the companies had to rearrange the certificates in the special agencies of the cargo destination countries. That slowed the process and added the cost to the goods. Besides, the Unified list of goods subject to veterinary control (supervision) makes the standards clear and unified for the similar goods of different countries origin. That, in its turn, speeds up the process of the goods transportation from one country to another.

Furthermore, at the meeting of CU in May 2014 in Kazakhstan city, the countries – members of the Union signed the Agreement of Eurasian Economic Union. (ECC, Customs Union, 2014 (Rus)). Some of the Agreement articles are specifically speaking of sanitary and phytosanitary issues.

For the purpose of the present paper it is worth considering the main articles of the SPS measures. As defined in the document, Customs Union general principles of sanitary, veterinary and quarantine phytosanitary measures (CU, 2014, Article 56) are:

1. Sanitary, veterinary and quarantine phytosanitary measures are applied on the basis of the scientifically proved principles and only to the extent that is necessary to protect the life and health of humans, animals and plants.

Sanitary, veterinary and quarantine phytosanitary measures applied in the framework of the Union, are based on international and regional standards, guidelines and (or) recommendations, except in cases where, based on the relevant scientific justification, sanitary, veterinary and phytosanitary

measures for quarantine are introduced, which provide a higher level of health, veterinary or quarantine phytosanitary protection than measures based on the relevant international and regional standards, guidelines, and (or) recommendations.

2. In order to ensure the sanitary and epidemiological welfare of the population, as well as veterinary - sanitary, quarantine phytosanitary security within the Union to pursue a coordinated policy on the application of sanitary, veterinary and phytosanitary quarantine measures.
3. Coherent policies are implemented by the joint development, adoption and implementation by Member States of the international treaties and acts of the Commission on the application of sanitary, veterinary and phytosanitary quarantine measures.
4. Each member country has the right to develop and implement temporary sanitary, veterinary and phytosanitary measures for quarantine.

The order of interaction of the authorized bodies of the member countries with the introduction of temporary sanitary, veterinary and phytosanitary quarantine measures should be approved by the Commission.

5. The agreed approaches to conducting the identification, registration and traceability of animals and products of animal origin are used in accordance with the regulations of the Commission.

Application of Customs Union sanitary measures include the following actions (CU 2014, Article 57):

1. Sanitary measures apply to persons, vehicles, and products (goods) subject to sanitary-epidemiological supervision (control), incorporated in accordance with the regulations of the Commission in a single list of products (goods) subject to the state sanitary and epidemiological supervision (control).
2. Common sanitary and epidemiological and hygienic requirements and procedures are set for products (goods) subject to sanitary and epidemiological supervision (control) establish

Veterinary – sanitary measures are applicable in the following ways (CU, 2014, Article 58):

1. Veterinary-sanitary measures are applied to goods imported into the customs territory of the Union, and moved through the customs territory of the Union (including goods for personal use) included in a single list of goods subject to veterinary control (supervision), approved by the Commission, as well as in relation to objects subject to veterinary control (supervision).
2. In order to prevent the entry and spread of infectious animal diseases, including the ones common to humans and animals, and of goods not conforming to common veterinary requirements, veterinary control (supervision) is run over goods subject to veterinary control, including goods for personal use in accordance with the regulations of the Commission.
3. Interaction of Member countries in prevention, diagnosis, localization and elimination of outbreaks of particularly dangerous, quarantine and zoonotic diseases of animals is carried out as per the procedures set by the Commission.
4. Authorized bodies in the field of veterinary medicine carry out veterinary control (supervision) in case goods subject to veterinary control (supervision) are moved across the customs border of the Union at the border checkpoints or otherwise determined by the Customs Union places that are fitted and equipped with facilities for veterinary control (supervision) in accordance with the laws of Customs Union member countries.
5. Controlled by the veterinary control (supervision) goods are transported from the territory of one CU Member to the territory of another CU Member in accordance with the uniform veterinary requirements. These products are accompanied by a veterinary certificate, unless otherwise determined by the Commission.
6. Countries of the Customs Union shall mutually recognize the veterinary certificates issued by competent veterinary authorities in a single form, approved by the Commission.

7. The main principle of providing security of the goods subject to veterinary control (supervision) in their production, processing, transportation and (or) storage in third countries is the audit of the foreign official system of supervision.

Authorized body in the field of veterinary conduct audits of official foreign systems of supervision and inspection of facilities subject to veterinary control (supervision) in accordance with the regulations of the Commission.

8. Customs Union Member countries have the right to develop and implement the temporary veterinary (veterinary - sanitary) requirements and measures in the case of official information from the relevant international organizations, from CU Member countries and from third countries on the deterioration of the epizootic situation in the territories of third countries or at Customs Union countries territory.

In the case of the above information presence, but in the absence of sufficient scientific evidence or the impossibility of its timely submission, CU Member countries may take urgent veterinary-sanitary measures.

Quarantine phytosanitary measures are defined by Article 59 of Customs Union regulations as follows:

1. Quarantine phytosanitary measures apply to products included in the list of regulated products (quarantine goods) subject to quarantine phytosanitary control (supervision) at customs border of the Union and in the customs territory of the Union, to quarantine objects included in a single list of quarantine objects of the Union, and quarantine facilities.
2. The list of regulated products, the Commission approves a single list of quarantine objects of the Union and Common quarantine phytosanitary requirements.

Briefly, the list of goods subject to SPS measures is the following (goods grouped by the author of the present paper):

Meat and meat products of different types

- Fish is not applicable to Kazakhstan, because Kazakhstan is landlocked country.
- Mils and milk products of different types for epizootic control
- Eggs for epizootic control
- Fur and animals skins of all kinds
- Soft wheat
- Durum wheat
- Oats
- Barley
- Rye
- Plants and grass
- Animals fat of all types
- Vegetable fat when declared for animals feeding
- Spaghetti of all types
- Vegetables for epizootic control
- Pharmaceutical products
- Fertilizers of all types

For the purpose of the full research, it is feasible to compare the two organizations' SPS agreements.

The results of the author's performed analysis can be presented in the way of the following table.

Table 5. Comparison of WTO and Customs Union SPS Agreements

WTO	Customs Union
SPS measures developed in 1995	SPS measures developed in 2010 and amended in 2014
Members have the right to take sanitary and phytosanitary measures necessary for the protection of human, animal or plant life or	Customs Union Agreement states that in case of contradiction between WTO and Customs Union norms, the first should prevail. In practice it did

<p>health, provided that such measures are not inconsistent with the provisions of this Agreement (Art 1.1.)</p>	<p>not occur. Customs Union legislation and agreements are overruling WTO's standards. As Russia joined WTO in 2012, it has to comply with WTO requirements, thus supranational rules should be effective.</p>
<p>Sanitary and phytosanitary measures which conform to the relevant provisions of this Agreement shall be presumed to be in accordance with the obligations of the Members under the provisions of GATT 1994 which relate to the use of sanitary and phytosanitary measures, in particular the provisions of Article XX(b).</p> <p>To harmonize sanitary and phytosanitary measures on as wide a basis as possible, Members shall base their sanitary and phytosanitary measures on international standards, guidelines or recommendations, where they exist, except as otherwise provided for in this Agreement.</p> <p>Members shall accept the sanitary and phytosanitary measures of other Members as equivalent, even if these measures differ from their own or from those used by other Members trading in the same product, if the exporting Member objectively demonstrates to the importing Member that its measures achieve the importing Member's appropriate level of sanitary</p>	<p>The legal bases of the Union originally was counting the best practices of WTO. However, the countries have the full right to apply the national standards and rules.</p>

and phytosanitary protection. (Art.4.1)	
Members shall play a full part, within the limits of their resources, in the relevant international organizations and their subsidiary bodies, in particular the Codex Alimentarius Commission, the International Office of Epizootics, and the international and regional organizations operating within the framework of the International Plant Protection Convention, to promote within these organizations the development and periodic review of standards, guidelines and recommendations with respect to all aspects of sanitary and phytosanitary measures (Art 3.4)	EEC is the only constantly single regulator of the Union, it makes the decisions regarding the issues of the national interest of the countries – members of the union, including such aspects as technical barriers, tariffs and non –tariffs barriers, sanitary measures.
Article 5 - Assessment of Risk and Determination of the Appropriate Level of Sanitary and Phytosanitary Protection	The risk Assessment is not covered by the Regulation at all
Members shall ensure that their sanitary and phytosanitary measures are adapted to the sanitary and phytosanitary characteristics of the area - whether all of a country, part of a country, or all or parts of several countries - from which the product originated and to which the product is destined. In assessing the sanitary and phytosanitary characteristics of a region,	The goal of the Regulations was to unify different approaches and standards, thus the regulation does not specify SPS measures adaptation to characteristics of the area.

<p>Members shall take into account, <i>inter alia</i>, the level of prevalence of specific diseases or pests, the existence of eradication or control programmes, and appropriate criteria or guidelines which may be developed by the relevant international organizations (Art.6.1)</p>	
<p>Article 8 - Control, Inspection and Approval Procedures is only one paragraph</p>	<p>Article 58 on sanitary and phytosanitary control and supervision contains 8 paragraphs, thus the control function of the agreement might be prevailing.</p>
<p>Members agree to facilitate the provision of technical assistance to other Members, especially developing country Members, either bilaterally or through the appropriate international organizations. Such assistance may be, <i>inter alia</i>, in the areas of processing technologies, research and infrastructure, including in the establishment of national regulatory bodies, and may take the form of advice, credits, donations and grants, including for the purpose of seeking technical expertise, training and equipment to allow such countries to adjust to, and comply with, sanitary and phytosanitary measures necessary to achieve the appropriate level of sanitary and phytosanitary protection in their</p>	<p>The Regulation does not specify and ways of seeking the assistance with other countries, councils, etc.</p>

export markets. (Art.9.1)	
In a dispute under this Agreement involving scientific or technical issues, a panel should seek advice from experts chosen by the panel in consultation with the parties to the dispute. To this end, the panel may, when it deems it appropriate, establish an advisory technical experts group, or consult the relevant international organizations, at the request of either party to the dispute or on its own initiative. (Art.11.2)	Only in March 2012 EEC approved the Procedure on using and protecting the confidential information on the investigation cases.
A Committee on Sanitary and Phytosanitary Measures is hereby established to provide a regular forum for consultations. It shall carry out the functions necessary to implement the provisions of this Agreement and the furtherance of its objectives, in particular with respect to harmonization. The Committee shall reach its decisions by consensus (Art 11.2)	There is no specifically assign council for the issue. EEC makes the final decisions on major issues. However, the consensus of all three parties is required for the main regulations and agreements.

SPS measures are part of the NTB and are taken to protect a specific country's economy. For example, Belarus uses it to cut off meat and milk import, because this country exports these types of products (mainly to Russia), which makes the significant part of the country budget income. No wonder Belarus had strict phytosanitary measures for meat, milk and cheese.

Russia uses tariff measures letting meat from Brazil and other Latin American countries into its territory. It means that meat from Latin America is cheaper than the most of the parties' products.

However, Kazakhstan, for example is the famous exporter of wheat. Russia produce a lot of grain, but still imports a lot as well.

Thus, the author of the present paper sees the high potential for Kazakhstan grains of all types export to Russia and for Belarus – export of meat, milk and vegetables (especially potatoes).

SPS measures are part of the NTB and are taken to protect a specific country's economy. In compliance with the set goals, the author of the present paper ran the comparison of WTO and CU SPS Agreements. The major differences include:

- CU Agreement states that in case of contradiction between WTO and CU norms, the first should prevail. In practice it did not occur. CU legislation and agreements are overruling WTO's standards. As Russia joined WTO in 2012, it has to comply with WTO requirements, thus supranational rules should be effective.
- WTO's SPS agreement clearly defines that "Members shall accept the sanitary and phytosanitary measures of other Members as equivalent, even if these measures differ from their own or from those used by other Members trading in the same product, if the exporting Member objectively demonstrates to the importing Member that its measures achieve the importing Member's appropriate level of sanitary and phytosanitary protection" (WTO, SPE, Art 4.1).

For instance: The local market is filled Russian goods, while the expansion of exports from Kazakhstan impedes technical standards adopted by Russia. There are difficulties in accessing Kazakh products to the Russian market, which used non-tariff technical barriers, too high sanitary and phytosanitary requirements, measures for the certification and licensing.

- The legal bases of the CU originally was counting the best practices of WTO. However, the countries have the full right to apply the national standards and rules. Russia has been using

SPS restrictions a lot in the past 3 years.

Examples are: Belarus dry milk and meat prohibited for export to Russia; Moldavian vines, Georgian mineral water, Ukrainian cheese and chocolate and some others were temporary prohibited under the argument of SPS conditions of goods, but these were actually the political and economic reasons. Such actions are not complying with the international standards, in particular, it contradicts WTO Agreement Article 5.6, which states: “...when establishing or maintaining sanitary or phytosanitary measures to achieve the appropriate level of sanitary or phytosanitary protection, Members shall ensure that such measures are not more trade-restrictive than required to achieve their appropriate level of sanitary or phytosanitary protection, taking into account technical and economic feasibility.”

- CU SPS Regulation does not specify and ways of seeking the assistance with other countries, councils, etc. This is one of the major drawbacks of the CU policy – its members were not actively participating in different WTO councils work and discussions. The Union was pretty “closed”, though stated above. The situation is changing in the past 2 years when Russia joined WTO in 2012 and as Kazakhstan plans to join WTO in 2015.
- In a dispute under WTO Agreement involving scientific or technical issues, a panel should seek advice from experts chosen by the panel in consultation with the parties to the dispute. In order to conclude, the panel may, when it deems it appropriate, establish an advisory technical experts group, or consult the relevant international organizations, at the request of either party to the dispute or on its own initiative. CU does not have the expert group for assistance, neither does it participate actively in a regular forum for consultations.

## V. CONCLUSION

Summarying the work done in this thesis paper it can be briefly said that the aim of this research was to analyze the TBT or non-tariff barriers and SPS measures applied by WTO and CU, in particular.

Since 1 January 2010 the CU has been established for economic integration of three states Kazakhstan, Belarus and Russia. Further, the three states formed a single economic space called CES to promote their further integration. Presently, the states are in the process of formation of the Eurasian Economic Union.

Russia, Kazakhstan and Belarus are the members of EEC, which is operating since the beginning of 2012 to provide the conditions for functioning and development of the CU and CES. WTO is the world organization, whose primary purpose is to open trade for the benefit of all. It deals with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.

Both organizations apply TBTs, nontariff regulation measure and SPS measure as restrictive measures to regulate internations trade.

Generally saying, TBTs refers to all government controls and restrictions associated with the technical requirements for products in the event that they are used as a means of restricting access of products of foreign production for the domestic market of the country.

Another one restrictive measures is SPS measures, which are obligatory requirements and procedures established to protect animals, plants from the entry, assimilation or spreading pests, diseases, disease vectors or pathogens as well as the requirements and procedures established to prevent from the spread of other harmful organisms. Numerous international disputes relating to the application of SPS helped to develop common principles and rules for their use in international trade, which are reflected in the WTO Agreement on the Application of SPS.

WTO treats such measures as binding requirements and procedures. In CU countries which are intending to apply the best international practices, 4 documents have been adopted on SPS-measures: Agreement on coordinated policy in the field of technical regulations, sanitary and phytosanitary measures; Agreement on Sanitary Measures; Agreement on veterinary and sanitary measures; Agreement on plant quarantine.

Only in May 2014 the CU members-states signed the Agreement on Eurasian Economic Union the part of which is devoted to SPS measures. A lot of goods fall under the SPS measures under veterinary and phytosanitary control in trade between the 3 countries of the CU. The major groups are: milk, meat, vegetables, grains.

Having compared SPS agreements of WTO and CU, it can be concluded that the transition to a new – it is always a difficult process, also due a inconsisting legislation. But what are the main reasons in this situation?

- Firstly, as many entrepreneurs mentioned they don't have an active connection between the state and business;
- Secondly, a serious problem is the procedure for recertification of Kazakhstani goods supplied to the CU countries;
- There is a serious problem for Kazakh producers in export operations – they are forced to provide a certificate of origin for each shipment of goods as a result they lose money and time.

The presence of the above mentioned problems demonstrates the need for building communication between government and business. Ministries and agencies need to work more actively with representatives of employers - associations and unions, to provide more information to gather feedback and to take into account assessments collected in their work, the formation mechanism of the functioning of the domestic business in the new economy.

The author of the research have outlined the following recommendations to improve the situation with NTB with SPS measures being part of it to increase the trade volumes of CU countries:

The main recommendation is improving and developing documentary bases, in particular, SPS legislation. SPS agreements are often called as non-tariff barriers used to keep out foreign competitors. The SPS agreement authorizes WTO to override a country's use of the precautionary principle – a principle which allows them to act on the side of caution if there is no scientific certainty about potential threats to human health and the environment. Given the fact that Russia and Kazakhstan are

joining WTO, the two countries will have to adjust their legislation and Customs Union regulations not only to comply with this article, but to improve trade situation at their territory.

- 1) Disputes always occur in any cooperation. That is why as per WTO, “*in a dispute under this Agreement involving scientific or technical issues, a panel should seek advice from experts chosen by the panel in consultation with the parties to the dispute.*” (WTO, Article 5.2). In connection with that, it is highly recommended to have its own experts, to select the candidates, who can consult “on – call” or make the consultants “pool”.
- 2) Another problem forecasted for Russia and Kazakhstan – lawyers and legal experts on WTO trade laws and agreements. It is highly recommended to consider the university students as potential candidates for work with international and WTO laws specialization (which is not the case now).
- 3) Along with the above item, it is recommended to closely look at the experts who should present Russian at different councils meetings and to participate in the international discussions, stay in touch with the relevant international organizations in the field of sanitary and phytosanitary protection, as the very goal of WTO is to develop the standards and procedures suiting the activities of most of the countries.
- 4) For more efficient work it is worth preparing the clear procedure for Assessment of Risk and Determination of the Appropriate Level of Sanitary and Phytosanitary Protection
- 5) It is necessary to deviate from “just control” specifics of SPS to a wider range of services and activities.
- 6) It is also important to accelerate actions on providing transparency in decision making in SPS – projects, EEC runs public discussions at its official web – site on the projects.
- 7) All technical regulations prepared by EEC comply with WTO requirements. Total 32 regulations prepared but only 27 of them set into effect. It is necessary to set into life the 5 procedures left.

In closing the whole paper, it is feasible to highlight that CU proved very efficient at the regional level.

However, worldwide the international organizations are required.

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## APPENDIX



Fig. 9. Kazakhstan in relation to neighboring countries location (Russian Maps, 2014)

## 국문초록

# 러시아, 카자흐스탄, 벨라루스 관세동맹의 위생 및 식물위생 조치에 관한 연구

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최근에 지역통합 블록을 강화하려는 움직임이 강화되면서, 지역통합, 무역 협력, 경제 및 관세 동맹에 관한 이슈들이 주목을 받고 있다. 이는 다른 경제통합 공동체와 경쟁해서 살아 남기 위한 필요성에 의해서 시작되었다.

1945년 2차 세계대전이 끝난 이후에 국제사회 구성원들은 국제 경제를 재건하고 활성화할 필요성을 인식하였다. 이러한 인식에 기반하여 2년 뒤 공동의 노력이 시작되었다. 23개국이 국제무역을 규제하는 다자조약인 관세 및 무역에 관한 일반협정(GATT)을 체결하였다. 이는 오늘날 세계무역기구(WTO)라는 국제 무역의 기준과 규범을 규정하는 큰 조직이 되었다.

구 소련 연방 국가들은 독립 이후에 과거의 계획경제로부터 전환된 경제를 개혁하고 재건하기 위해 노력했다. 이들 국가들은 개혁을 실시한 이후 WTO에 가입하고자 했다. 그러나 그들은 우선 2010년에 국가간 무역을 증대시키고 인접국가들의 경제를 발전시키기 위해서 관세 동맹을 먼저 형성하였다. 러시아, 카자흐스탄, 벨라루스들이 관세동맹의 핵심적인 주역들이다. 우크라이나, 몰도바, 아르메니아와 같은 다른 국가들은 이들을 지지하고 있다.

WTO 및 관세동맹의 조약들은 협력과 무역을 규제하는 합의서, 기준, 정책, 그리고 절차 등을 포함하고 있다. 본 연구는 분석을 통해서 두 조직이 무역기술장벽(TBT) 및 비관세장벽을 사용하고 있다는 점을 밝혀낼 수 있었다. WTO와 관세동맹의 위생과 식물위생에 관한 조치들을 비교하였는데, 이를 통해서 향후 내수시장 및 해외시장에서 무역을 활성화하기 위해서는 관세동맹의 조약과 조치들이 개선되고 변화해야 한다는

점을 밝혔다.

**주요어:** 관세동맹, 무역기술장벽, 위생검역조치, 세계무역기구

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