

2 Regional Integration Events Digest 2008

NATALIA
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This section of the Yearbook offers our readers a chronicle of the integration events in the year 2008. It covers the economic, political and social dimensions of interaction between the member states of CIS and EurAsEC, updates on the status of current and new policy initiatives within and between the integration groupings, as well as an overview of business activity.

All the events of the previous year can be divided into “before” and “after” the breakout of the crisis. The integration development processes in the post-Soviet space generally showed positive dynamics in the first half of the year. The Eurasian Economic Community (EurAsEC) accelerated its work on the formation of a Customs Union with Russia, Belarus and Kazakhstan at its core. To this end, a set of documents on the Customs Union was ratified. These documents set out provisions for the establishment of a single customs territory, providing an exhaustive list of considerations to guide decision-making on consolidating customs territories of individual countries into a single space and the finalisation of the Customs Union formation. The Institutional framework of the Union started to shape up with the signing of an Agreement on the Customs Union Commission. The competencies and authority of the EurAsEC Court grew with the addition of arbitration functions within the organisation.

The Commonwealth of Independent States (CIS) concentrated on the development and adoption of the CIS Economic Development Strategy up to 2020. The overall objective of this document is to invigorate economic development in the member states, facilitate growth and economic security, and ensure a higher quality of life. Priority spheres of interaction between the CIS states included free trade zone matters, the formation of the common economic space, and the development of specialised product markets and the transport corridors network. In addition, yet another CIS priority of this Strategy up to 2020 addresses cooperation in the energy sector with a view to increasing the reliability of energy supplies and optimising the use of fuel and energy resources in the member states.

Trans-border cooperation and the large-scale modernisation of key industries, as well as infrastructural projects in energy and transport sectors, were the main themes for the Shanghai Cooperation Organisation (SCO) during 2008. Proposals on the establishment of a common energy market and transport

corridors were announced. More so, the idea of the SCO Development Fund to support pilot projects in the member states was discussed.

It was apparent that in 2008, the manifestation of existing controversies and problems within regional groupings was stronger than ever. Membership in the CIS shrunk with Georgia announcing its exit, as did the numbers of stakeholders in the EurAsEC with Uzbekistan's suspension from participation.

Business activity during the first three quarters of 2008 remained relatively high according to the recorded positive dynamics in mutual intra-trade between the member states. The most notable growth was observed in the mutual trade between Russia and Belarus, Russia and Kyrgyzstan, as well as between Belarus and Tajikistan, and Kyrgyzstan and Tajikistan. However, due to the financial crisis, countries' general economic policies and, particularly, companies' investment plans, were faced with substantive changes. By the end of 2008, the majority of countries reported a sharp drop in the GDP growth rates, as well as cuts in employment and national currency devaluations.

Main macroeconomic indicators, as % of the previous year						
	Kazakhstan			Russia		
	2007	2008	Jan-Mar 2009	2007	2008	Jan-Mar 2009
Gross domestic product	108.5	102.4 ¹	95.5 ²	108.1	105.6	87.7 ¹
Industrial output	104.5	102.1	95.4	106.3	102.1	85.7
Agricultural output	108.4	94.4	...	103.3	110.8	...
Capital investments	108.2	104.6	95.1	121.1	109.1	85.0
Exports to CIS	142.9	139.08	63.45	124.3	132.66	50.93 ²
Imports from CIS	132.0	119.85	73.39	133.4	122.52	52.77 ²
	Ukraine			Belarus		
	2007	2008	Jan-Mar 2009	2007	2008	Jan-Mar 2009
Gross domestic product	107.3	102.1	...	108.2	110.0	101.1 ¹
Industrial output	110.2	96.9	68.1	108.5	110.8	95.5
Agricultural output	94.4	117.5	...	104.1	108.9	...
Capital investments	128.5 ³	104.7 ⁴	...	115.1	123.1	120.0
Exports to CIS	147.0	127.96	56.66 ²	130.46	128.38	48.62 ²
Imports from CIS	127.0	131.29	53.61 ²	130.9	137.01	59.08 ²

Table 2.1.
Main
Macroeconomic
Indicators of
selected CIS
member states,
2009

Source: National
Statistical
Committees

¹ Index of industrial output for basic kinds of economic activities computed on the basis of the data on change in volume of agricultural production, mining and quarrying, manufacturing industries, production and distribution of electric energy, gas and water supply, construction, transport, retail and wholesale trade.

² January–February 2009 as % of January–February 2008.

³ January–September 2007 as % of January–September 2006.

⁴ January–September 2008 as % of January–September 2007.

Table 2. 2.
Economic growth in
CIS (%)

Source:
National Statistical
Committees

	2007	2008
Russia	8.1	5.6
Kazakhstan	8.5	3.0
Belarus	8.2	10.0
Kyrgyzstan	8.5	7.6
Tajikistan	8.7	7.8
Uzbekistan	9.5	8.0
Armenia	13.8	6.8
Azerbaijan	25.0	10.8
Ukraine	7.3	2.1
Moldova	9.9	9.0

In general, experts and analysts are unanimous in the view that a global financial shock cannot affect integration in a critical way. However, the introduction of protective measures in support of domestic producers by selected countries is sending a rather troubling message.

In this context, Russia and Kazakhstan are taking over crisis management role. Russia's partners in regional groupings not having a resource cushioning against economic and financial crisis are in acute need of credit and grant support. Despite its adverse impacts, the current situation could unite the member states of CIS and EurAsEC in finding approaches and implementing common measures to overcome the crisis. Establishment of EurAsEC Anti-crisis Fund is the first vivid example of such an initiative.

Table 2. 3.
Unemployment (%)

Source:
National Statistical
Committees

	Russia	Kazakhstan	Belarus	Ukraine
March 08	6.5	6.8	1.1	7.6
June 08	5.6	6.5	0.9	6.8
Sept. 08	6.2	6.4	0.9	6.5
Dec. 08	7.7	6.7	0.8	6.9
March 09	9	6.8	1	7.2

News from regional organisations

20th meeting of EurAsEC Interstate Council

January 25, 2008

A regular 20th meeting of the Eurasian Economic Community Interstate Council was held in Moscow. Prime ministers of EurAsEC member states adopted the concept of forming a common transportation space that will give a start to a brand new stage of integration in transportation sphere. The Interstate Council also addressed the issues of development in the social spheres of EurAsEC member states and determined actions to deepen integration. The project of EurAsEC intergovernmental target programme, entitled "Innovative biotechnologies" and prepared by the government of Belarus, was also proposed for approval. Moreover, during the meeting the prime ministers of Kazakhstan, Russia and Belarus signed nine documents on establishing the EurAsEC Customs Union.

Meeting of the EurAsEC Financial and Economic Policy Council*February 20, 2008*

The 5th meeting of the Council on Financial and Economic Policy of the Eurasian Economic Community was held in Moscow. EurAsEC Secretary General, Tair Mansurov, the Council members, including economy and finance ministers of EurAsEC member states, representatives of observer states, and experts all took part in the meeting.

The EurAsEC Secretary General briefed participants on the crucial issues of further boosting economic ties between EurAsEC member states, establishing a customs union and a common economic space, effective usage of economic potential for the improvement of living standards, and the development of cooperation in cultural, social and humanitarian spheres.

During the meeting, the sides came to the conclusion that EurAsEC member states should move on to implementing international agreements that form a legal base for the customs union between Belarus, Kazakhstan and Russia.

The agenda of the meeting also included such issues as the draft concept of the EurAsEC intergovernmental target programme for the strengthening and arrangement of the outer boundaries of Eurasian Economic Community member states, drafts of the interstate target programmes on creation of the unified automated information system, allowing for customs transit supervision in the EurAsEC member states, and on establishing a system of informational and methodical ware of implementing a single order of export control within EurAsEC.

During the meeting, the Council's Chairman, Alexei Kudrin spoke about the task of selecting key projects that will be of most importance to EurAsEC member states. He also noted that the improvement of the investment policies of the member states is one of the Eurasian Economic Community's major tasks.

Action plan of establishing the Customs Union by 2010 approved*April 23, 2008*

The issue of forming a customs union and a common economic space topped the agenda of the EurAsEC Integration Committee meeting in Moscow. According to EurAsEC Secretary General Tair Mansurov, "further activities on establishing customs union have been defined". The legal foundation for the customs union of Kazakhstan, Russia and Belarus has been laid. "We have signed 13 documents setting out the basic regulations for the formation of the Customs Union by 2010", Mansurov said. Participants of the meeting approved draft agreements on the information exchange between customs authorities, and the facilitation and mutual protection of investments. During a session of EurAsEC Interstate Council at a governmental level in late January 2008, the Prime Minister of Russia, Viktor Zubkov, expressed the hope that

"Kyrgyzstan, Tajikistan and Uzbekistan would join the customs union in due course".

Russia to establish a federal agency for CIS affairs

May 12, 2008

A new Federal Agency for CIS Affairs is being established under the Russian government. According to the Russian President Dmitry Medvedev, the decision to establish a Federal Agency under the Russia Foreign Ministry was conditioned by Russia's intent to develop integration processes. "The fact that an agency of this kind didn't exist before doesn't mean that we didn't work on the issue. However, now there is a need to intensify interaction", Medvedev said, "If we want to follow new forms of interaction and integration, we must also apply modern principles for cooperation with our colleagues from the CIS".

Council of CIS Heads of Government

May 24, 2008

A Draft Strategy for the Economic Development of CIS for up to 2020 has been discussed in Minsk. It outlines the goals and tasks of economic integration and the major spheres of economic cooperation. The prime ministers of CIS member states have also discussed several propositions in the transport policy sphere, including a project for raising the operating reliability of bridgeworks on the CIS member states' highways for 2008-2015. The project will contribute to maintaining and stepping up the traditional economic and trade transportation ties. The participants have also discussed a Draft Convention on Cross-Border Cooperation between CIS states and a Draft Convention on the Legal Status of CIS Member States' Migrant Workers and their Families.

CIS Electric Energy Council to discuss issues of cooperation in the field of energy

May 28, 2008

During the previous 33rd session of the CIS Electric Energy Council in Moscow, the participants noted the unfavourable and complex hydrogeological situation, which had come about due to a hard winter that demanded additional water intake and a low-water season in the region of Central Asia as a whole. The forecasted volumes of major reservoir inflow will amount to 25% below the norm. The issue of the rational use of transborder rivers' potential and solving several technical tasks in this connection received high-priority status. A draft Model Agreement of Cooperation on the use of Hydropower Resources of the transborder rivers was presented at the session. Participants of the session adopted several documents on establishing a wholesale electric

energy market, which would ensure cooperation in monitoring crossflows and electric power transit between the member states of the CIS Electric Energy Council.

Informal summit of CIS Heads of State in St. Petersburg

June 6, 2008

All 12 heads of CIS member states took part in the informal summit. The president of Russia, Dmitry Medvedev, focused on some of the major objectives of CIS development. Economic cooperation was named a top priority in CIS activities. Medvedev welcomed an initiative of Kazakhstan and Kyrgyzstan to devote the year 2009 to addressing energy issues.

Common economic issues topped the agenda of discussions. The Chairman of the Executive Committee CIS Executive Secretary Sergei Lebedev – briefed the participants on the status of work on the Strategy of Economic Development. Heads of state discussed the prospects of cooperation in the fields of energy, transport and food security. Moreover, several humanitarian issues, including the implementation of joint social projects, were also on the agenda.

Medvedev held bilateral meetings with the presidents of Moldova, Turkmenistan, Azerbaijan, Armenia, Ukraine and Georgia. During the latter two meetings, presidents discussed the issues of Ukraine and Georgia's possible entry into NATO, as well as the Georgian-Abkhazian conflict.

The regular meeting of the Council of CIS Heads of State is scheduled for October 10, 2008, in Bishkek. Following the results of the informal summit, several decisions were taken and a number of protocols signed.

CIS Economic Council meeting

June 20, 2008

A regular meeting of the CIS Economic Council was held in Moscow. The discussion on the document "On the Draft Strategy of Economic Development of the Commonwealth of Independent States for up to 2020" topped the agenda of the meeting. The draft document was approved and introduced for consideration of the next CIS Heads of State Council.

The participants also discussed draft priority directions for cooperation between CIS member states in the field of transport.

Members of the Economic Council reviewed a draft document "On Joint Measures for Strengthening of Food Security of CIS Member States". In addition to the aforementioned documents, the participants of the CIS Economic Council's meeting addressed a number of other issues, including cross-border cooperation, migration policy and the fight against counterfeit pharmaceuticals.

Georgia initiates procedure of withdrawal from CIS

August 19, 2008

Georgia passed a note of intent to cease its membership in the Commonwealth to the CIS Executive Committee, thus initiating the official procedure of withdrawal from the CIS.

“We have received a note from Georgia, stating that the country’s parliament adopted a resolution, which annuls the agreement on establishing the CIS in regard to Georgia. Now Georgia has 12 months for settling accounts with the Commonwealth. During this period Georgia will have to decide, which agreements within the framework of CIS will be annulled and which treaties, concluded within the CIS, will remain in effect”, the representative of the CIS Executive Committee, Vera Yakubovskaya, said.

Georgia’s withdrawal from the CIS will be completed in a year, following the submission of the appeal, i.e. August 18, 2009.

SCO Development Fund

August 29, 2008

During an extended meeting of the Heads of SCO Member States, the participants discussed the establishment of the SCO Development Fund – a facility for the mobilisation of financial resources in support of the economic integration of SCO countries. According to Kazakh President Nursultan Nazarbayev, if integration in the region succeeds, by 2020 SCO member states would be producing up to 30% of global GDP, with trade turnover totalling \$70 billion.

“We consider the signing of a memorandum between the Eurasian Development Bank and SCO Interbank Association as a positive step. The memorandum will provide an example of successful interbank cooperation and create additional opportunities to allocate resources for financing SCO projects”, – Nazarbayev said.

The next meeting of the Heads of SCO Member States will be held in Yekaterinburg in 2009.

Sessions of CIS Heads of State Council and EurAsEC Interstate Council, and a Meeting of Heads of Central Asian States in Bishkek

October 9-10, 2008

The CIS Economic Development Strategy was the central issue of the summit. The Strategy aims to strengthen long-term economic cooperation and boost economic integration among CIS countries. This Strategy defines the priorities in developing economic ties within CIS.

The presidents discussed the status of implementing decisions taken during the CIS summit in Dushanbe, as well as programmes on transport – the central development topic of the year 2008. The CIS Executive Committee briefed the Heads of State on CIS cooperation with other regional organisations. The parties also exchanged opinions on the issues of strengthening collective security and fighting crime. The current situation under crisis conditions, and ways of overcoming possible negative consequences of a global economic crisis, were also on the agenda. The participants reached an agreement on establishing a working group headed by Finance Ministers of CIS member states. Based on the results of discussion, participants adopted the CIS Economic Development Strategy and signed a number of documents related to the CIS activities and widening multilateral cooperation in several spheres. The Republic of Moldova took over the CIS chairmanship.

The EurAsEC Customs Union was the key discussion point for the EurAsEC Interstate Council meeting. Presidents examined the issues of effective use of transport and transit facilities. An exchange of opinions on cooperation in agriculture took place.

After this, a meeting of the Heads of Central Asian States was held. The main issues for the discussion were rational use of water and energy resources.

Uzbekistan suspends its membership in the EurAsEC

October 20, 2008

The Foreign Ministry of Uzbekistan has forwarded a note to the EurAsEC Integration Committee expressing its desire to suspend membership in the Eurasian Economic Community (EurAsEC). Uzbek president, Islam Karimov, has sent a letter requesting the suspension of Uzbekistan's membership in this organisation to the heads of EurAsEC member states.

It should be noted that the Agreement on Establishing the Eurasian Economic Community, dated October 10, 2000, does not provide for the suspension of EurAsEC membership unilaterally. But any country has the right to state its desire to separate from the organisation 12 months in advance of the current date, while settling its obligations to the Community and its members.

During regular sessions of the EurAsEC Integration Committee and Interstate Council at the levels of Heads of State and Prime Ministers, the issue of a quorum in the aforesaid organs without Uzbekistan will be considered in accordance with the regulatory enactment.

Uzbekistan joined the EurAsEC in January 2006 and pledged to join international agreements under EurAsEC in order to provide the country's full participation in activities of the Community, which had not been fulfilled up to now.

Meeting of SCO member states Heads of Government in Astana

October 30, 2008

The importance of large-scale modernisation of core industries and infrastructural projects in energy and transport topped the agenda of the meeting.

The projects on SCO common energy market and common transport corridors could serve as an example of the global approach to selecting forms and mechanisms of cooperation.

The People's Republic of China confirmed its intentions to take part in all major joint investment projects and finance them. It was said that China intends to provide soft loans to SCO member states. As per the crisis, the "financial community of SCO member states needs to jointly analyse and forecast macroeconomic and financial processes in the world, strengthen the coherence of monetary and financial policy, tighten and improve financial control", Wen Jiabao, the current Premier of the State Council of the People's Republic of China said.

Energy, and the ways of oil transportation in particular, topped the agenda of discussions. Kazakhstan and Russia reached agreements on the "Russian route" for Kazakh oil to China. Iran is also interested in this transport corridor.

The prevention of emergency situations and disaster preparedness were also on the agenda of the meeting. Kazakhstan's Prime Minister, Karim Masimov, suggested establishing an SCO Centre for Emergencies.

Russia suggested accelerating the preparations for establishing the SCO Development Fund that will support pilot projects in the member states.

Kazakhstan came forward with the initiative of holding a meeting of the Finance Ministers and heads of Central Bank of SCO member and observer states in Almaty.

Following the results of the meeting, the participants signed six protocols and reviewed an action plan for the programme of multilateral trade and economic cooperation. They also approved the budget for 2009 and a joint communique on the results of the meeting.

CIS Economic Development Strategy for up to 2020 approved

November 14, 2008

The CIS Economic Development Strategy for up to 2020 has been approved during a meeting of CIS Heads of Government Council in Chisinau. The major goals of the Strategy are to invigorate the economic development of CIS

member states, secure stable and equitable economic growth and economic security, and improve welfare and quality of life of the population. The document evaluates the CIS position in the world economic system and the economic situation in the CIS as a whole. It also foresees the goals and tasks of economic integration, as well as major spheres of cooperation.

The document defines priority directions for CIS states, including the completion of establishing and operating a free trade zone within the framework of CIS in accordance with the provisions and rules of WTO, the shaping of preconditions for establishing a common economic space, the development of common markets for several types of goods (primarily agricultural), and interaction in transport, including the development of international transport corridors. Moreover, the deepening of cooperation in the field of energy in order to increase reliability of energy supply and effective use of fuel and energy resources was set as a priority task for CIS for up to 2020. The strategy also focuses on establishing an interstate innovation space, and effective mechanisms of currency and financial cooperation, as well as private sector development.

According to the representative of the CIS Executive Committee, "in the nearest future an economic policy of the Commonwealth of Independent States will be aimed at the development of a domestic market and the protection of domestic producers and consumers. In these terms, it is necessary to bring together the national legislation and legal and economic conditions of market participants' activities". According to expectations, the governments of states would work out and adopt "a range of effective measures on elimination of corruption and reduction of shadow economy". The Strategy is to be implemented in three stages.

The CIS Heads of Government approved a range of documents, including priority directions for economic cooperation in the transport sector between CIS member states for up to 2020, food security, and the main directions of international transport services market development.

Joint meeting of EurAsEC Financial and Economic Policy Council and Council of Heads of Central (National) Bank

December 11, 2008

A joint meeting of the EurAsEC Council of Financial and Economic policy and Council of Heads of Central (National) Bank of EurAsEC member states has been held. Issues of overcoming the global financial crisis were the priority topics of the meeting.

Following the results of the meeting, 15 intergovernmental agreements on Customs Union legal framework have been signed, including a package of international agreements on the unification of customs regulation and trade

with the third countries and the agreement on a Secretariat of the Customs Union Commission. The participants approved the organisational structure, number of staff, the rules and procedures, and the budget of the Secretariat.

Moreover, the sides signed agreements on the promotion and mutual protection of investments, the organisation of a joint system of information support of the EurAsEC member states common energy market. A total of 23 issues were addressed during the meeting, and important agreements on energy, common insurance market, technical regulation, sanitary and phytosanitary measures were reached.

EurAsEC Interstate Council's meeting at the governmental level in Moscow

December 12, 2008

The Kazakh Prime Minister, Karim Masimov, briefed participants on the stabilisation plan, developed by the Government of Kazakhstan. He noted that proposed measures are of a long-term character and include five priority directions for state subsidies, such as support to the financial sector and real estate market, small and medium sized businesses, agro-industry enterprises, and breakthrough industrial and innovative projects.

Masimov met with the Russian President Dmitry Medvedev. They discussed the prospects of economic interaction, as well as boosting economic ties within EurAsEC. The Kazakh Prime Minister also met with the president of the ICT Group, which specialises in mining, machine building and transport logistics. In October 2008, following the meeting of Heads of SCO member states, Kazakh and Russian entrepreneurs have signed a memorandum, agreeing to cooperate on the construction of a railway car building plant. Kazakhstan's Temir Zholy National Company, the Eurasian Development Bank, and the Kazakhstan Development Bank, signed the memorandum facilitated as partners of the ICT GROUP in this memorandum.

EDB Council approves three new member states

December 11, 2008

The Council of the Eurasian Development Bank (EDB) reviewed formal applications by Tajikistan, Belarus and Armenia, and approved these three countries, as well as conditions of their membership in the Bank.

EurAsEC Interstate Council grants suspension of Uzbekistan's membership in the organisation

December 12, 2008

Prime Ministers of EurAsEC member states "decided to suspend Uzbekistan's membership of the Eurasian Economic Community in line with its request",

Russian Prime Minister Vladimir Putin said, following the results of the EurAsEC Interstate Council's meeting on December 12 in Moscow.

As reported, the Foreign Ministry of Uzbekistan has filed a note to the EurAsEC Integration Committee's Secretariat, expressing its desire to suspend membership in the Eurasian Economic Community. Uzbek president, Islam Karimov, has sent a letter of request on suspending Uzbekistan's membership in the organisation to the Heads of all EurAsEC member states.

Summit of EurAsEC Heads of State in Kazakhstan

December 19-22, 2008

During a meeting in Borovoye, the presidents of Kazakhstan, Russia, Tajikistan, Kyrgyzstan and Armenia discussed the measures of withstanding external and internal challenges and threats.

The Kazakh president held a number of bilateral meetings with Dmitry Medvedev, Emomaly Rakhmon, Kurmanbek Bakiyev and Serzh Sargsyan. The world financial crisis, issues of regional integration, and further work of the Collective Security Treaty Organisation (CSTO) topped the agenda of the summit.

The presidents discussed the creation of a EurAsEC joint Anti-crisis fund of \$10 billion. The fund will render emergency support to states that suffered from the global crisis. Moreover, the sides decided to establish a Centre of New Technology. All the agreements will become valid after the signing of the documents. The Heads of State agreed to adopt corresponding decisions in Moscow (meeting of the EurAsEC Interstate Council is scheduled on February 3, 2009, in Moscow).

Kazakhstan, Russia and Belarus are to complete the establishment of the Customs Union by April 2009. A majority of documents (20 out of 32) have been signed by now.

The presidents of Kazakhstan and Russia signed a joint action plan for the next two years. It included 40 items and covered the whole range of interaction, including politics and economy, fuel and energy complex, exploration of outer space, transport and communications.

Bilateral cooperation

Documents on cooperation between Russia and Uzbekistan signed

February 6, 2008

During an official visit to Moscow, the President of Uzbekistan Islam Karimov signed a number of documents, including a programme for economic cooperation between the Russian and Uzbek governments, as well as an action

plan for 2008-2012. Foreign Ministries of both states signed a programme of cooperation for 2008. Besides, the governments of both countries agreed to cooperate in the field of aircraft industry and integration of a state-run JSC Chkalov Tashkent Aircraft Production Enterprise and JSC United Aircraft Corporation.

Investment Fund of Kazakhstan and Kyrgyzstan

February 15, 2008

Kazakhstan and Kyrgyzstan are to establish an investment fund for joint projects. In 2007, the Prime Ministers of Kazakhstan and Kyrgyzstan signed a respective agreement establishing the fund with the initial capital of \$120 million, including \$100 million from Kazakhstan and \$20 million from Kyrgyzstan.

President of Uzbekistan to visit Astana

April 22-23, 2008

Uzbekistan is not supportive of the idea of a Central Asian States Union, President of Uzbekistan Islam Karimov said, commenting on the results of his meeting with the President of Kazakhstan. According to Karimov, it is premature to talk about such a union, because of disparities in the economic development level of the Central Asian states.

Nevertheless, as reported, Kazakhstan and Uzbekistan plan to establish a free trade zone between the two countries. According to Karimov, all possible conditions must be created and all barriers to trade between the two countries must be removed. "Here we talk about harmonising customs and other duties, introducing various tariff preferences that would encourage and facilitate trade", Karimov said. Following the results of 2007, trade turnover between Kazakhstan and Uzbekistan doubled and reached \$1.4 billion.

Russian President to visit Kazakhstan

May 22, 2008

During the first international visit of Russian President Dmitry Medvedev to Kazakhstan, a number of bilateral agreements have been signed.

The governments of Kazakhstan and Russia signed an agreement on cooperation on the Global Navigation Satellite System (GLONASS), as well as an agreement on cooperation in the field of research and use of outer space. Kazyna Sustainable Growth Fund and Russian Nanotechnologies Corporation signed an agreement on interaction. Kazakhstan's Development Bank signed an agreement of intent with Russian public corporation "Bank for Development and Foreign Trade (Vnesheconombank) on a long-term credit facility.

By the end of the year, the governments of Kazakhstan and Russia expect to introduce a Kazakh-Russian joint action plan for 2009-2010 for the approval by the Heads of State. "Considering the positive experience of 2007-2008 joint action plan, which took Kazakh-Russian relations to a qualitatively new level, the Heads of State instructed the governments of both countries to elaborate on an action plan for 2009-2010 by the end of the current year", says the document signed by the Presidents of Kazakhstan and Russia.

The agreement between Kazyna Sustainable Growth Fund and Rosnanotech state company in the field of commercialisation of nanotechnologies is aimed at establishing cooperation and facilitating competitive nano-industry development in Russia and Kazakhstan. In accordance with the agreement, both parties plan to cooperate in the framework of joint projects and venture funds investing in nanotechnologies and nano-industry. A project on joint production of land-based and space-based solar batteries built on Russian Research and Production Enterprise KVANT technologies is considered a pilot project in this area.

Prime Ministers of Russia and Belarus discuss economic integration and common foreign trade policy

August 14, 2008

Russian Prime Minister Vladimir Putin held a working meeting in Moscow with his Belarusian colleague, Sergei Sidorskiy. The parties discussed the issues of bilateral relations and fulfillment of commitments on strengthening integration, forming common customs space and building the Union State of Russia and Belarus.

The Heads of government discussed the issues of national legislations harmonisation, the unification of customs duties, the implementation of a common foreign trade policy in regard to third countries, and the deepening of integration in monetary and financial spheres.

The parties also discussed the possibilities of involving Russian companies in the implementation of the state enterprise's privatisation programme in Belarus.

The Fifth Cross-Border Cooperation Forum between Kazakhstan and Russia

September 23, 2008

The Presidents of Russia and Kazakhstan took part in the Fifth Cross-Border Cooperation Forum in Aktobe (Kazakhstan). The Forum aimed to strengthen integration processes between the two countries.

Aktobe authorities seek to maximize the benefits of cross-border cooperation with the immediate neighbour, the Orenburg oblast. This includes, but is not limited to, the organisation of industrial fairs and cultural events. In 2005, Orsk-Aktobe Trading House LLC was established in the city of Orsk with many enterprises of the Aktobe region signing agreements on supply of products and mutual cooperation. The setting up of 10 border checking points offering simplified requirements for the citizens of Kazakh-Russian border locations became the most prominent achievement to date.

The Presidents visited a joint Kazakh-Russian “High-tech for Regions: Transborder Cooperation” exhibition. Manufacturers from seven regions of Kazakhstan and 13 regions of Russia took part in the exhibition. A presentation of the Aktobe region breakthrough projects, implemented under Kazakhstan’s 30 Corporate Leaders State Programme, was part of the exhibition. The launch of Voskhod-Oriel chromium ore mining and processing plant set by Russian Mechel (100% Russian equity) was broadcasted on-line.

There are about 250 Kazakh-Russian joint ventures in the region employing over 40000 workers. Over the last three years, investors from Russia invested about \$1.5 billion in Aktobe oblast. Launching of new enterprises in the oblast increased exports of copper, nickel, cobalt, chrome, alumina, kaolin clay, nonmetallic pipes, foamed concrete blocks, chemical and other goods to Russia.

Two large projects in the Khromtau region are being implemented with the participation of Russian investors. The CJSC Russian Copper Company is engaged in the construction of a high tech copper ore mining and processing plant, which includes three mining and processing works and a copper-smelting plant. Within two years, Voskhod-Oriel LLC has built a chromium ore mining and processing plant based on a high tech production practice of inclined hoisting shaft. The construction of a ferroalloy plant is foreseen in the nearest future. The implementation of the project could strengthen Aktobe’s rankings on the world chrome market, as well as provide jobs and address the social issues of the Khromtau region. Approximately 40% of chrome concentrate, produced at the plant, will be exported to Russia (Tikhvin Ferroalloys Plant) and Great Britain.

Mutual trade and the Customs Union

Mutual trade of CIS member states in 2008

Mutual intra-trade between the member states according to official statistics recorded positive dynamics. The most notable growth in 2008 was observed in the mutual trade between Russia and Belarus, Russia and Kyrgyzstan, Kazakhstan and Ukraine as well as between Belarus and Tajikistan.

Table 2. 4. Mutual trade between CIS countries in 2008 (growth, %)

Source: National Statistical Committees

	Russia	Kazakhstan	Belarus	Kyrgyzstan	Tajikistan	Armenia	Ukraine	Moldova	Turkmenistan	Uzbekistan	Georgia	Azerbaijan
Russia		120.9	131.1	154.1	130.3	109.5	133.7	132.1	200.8	105	88.9	139.3
Kazakhstan	120.9		107.9	114.6	91.3	85.4	155.5	166.7	198.5	126.8	75.1	114.8
Belarus	131.1	107.9		172.9	138.8	118.5	163.4	147.7	56.4	146.4	133.9	124.4
Kyrgyzstan	154.1	114.6	172.9		69.8	112.7	119.3	96.6	134	197.1	141.8	-
Tajikistan	130.3	91.3	138.8	69.8		-	149.5	40.1	-	85.4	49.4	107.6
Armenia	109.5	85.4	118.5	112.7	-		115.3	-	339.7	83	115.3	-
Ukraine	133.7	155.5	163.4	119.3	149.5	115.3		124.9	122.5	303.9	135	149
Moldova	132.1	166.7	147.7	96.6	40.1	-	124.9		51.5	160.1	105.5	75.3
Turkmenistan	200.8	198.5	56.4	134	-	339.7	122.5	51.5		148.5	80.2	105.5
Uzbekistan	105	126.8	146.4	197.1	85.4	83	303.9	160.1	148.5		134.5	117.5
Georgia	88.9	75.1	133.9	141.8	49.4	115.3	135	105.5	80.2	134.5		156.4
Azerbaijan	139.3	114.8	124.4	-	107.6	-	149	75.3	105.5	117.5	156.4	

Table 2. 5. Mutual trade between CIS countries in 2008 (\$ million)

Source: National Statistical Committees

	Russia	Kazakhstan	Belarus	Kyrgyzstan	Tajikistan	Armenia	Ukraine	Moldova	Turkmenistan	Uzbekistan	Georgia	Azerbaijan
Russia		19 994	34 189	1 802.9	1 002.8	899.9	39 787	1 796.9	910.2	3 359.2	578.7	2 402.5
Kazakhstan	19 994		567.0	608.4	277.1	10.4	4 108.6	251.2	437.9	1 788.2	67.2	114.8
Belarus	34 189	567.0		44.6	47.2	28.2	4 915.2	334.9	49.5	167.9	45.4	111.6
Kyrgyzstan	1 802.9	608.4	44.6		43.2	0.1	92.8	3.6	4.3	407.0	2.9	-
Tajikistan	1 002.8	277.1	47.2	43.2		-	83.0	0.4	-	178.1	2.1	56.0
Armenia	899.9	10.4	28.2	0.1	-		289.1	-	41.0	8.8	196.4	-
Ukraine	39 787	4 108.6	4 915.2	92.8	83.0	289.1		1 347.7	6 008.6	2 713.5	847.6	986.3
Moldova	1 796.9	251.2	334.9	3.6	0.4	-	1 347.7		1.2	23.7	4.9	7.5
Turkmenistan	910.2	437.9	49.5	4.3	-	41.0	6 008.6	1.2		132.3	141.4	73.3
Uzbekistan	3 359.2	1 788.2	167.9	407.0	178.1	8.8	2 713.5	23.7	132.3		141.5	71.3
Georgia	578.7	67.2	45.4	2.9	2.1	196.4	847.6	4.9	141.4	141.5		813.2
Azerbaijan	2 402.5	114.8	111.6	нд	56.0	-	986.3	7.5	73.3	71.3	813.2	

Customs Union legal framework

January 25, 2008

The Heads of Kazakh, Russian and Belarusian government signed 9 documents on the establishment of the Customs Union, which is aimed at implementing a common trade regime in respect to third countries. The documents signed include agreements on a common customs tariff, export customs duties in respect to third countries, on unified rules for identifying the country of origin of goods, on customs valuation of goods being transported across the border of the Customs Union, and on the implementation of an agreed policy on technical control, sanitary and phytosanitary measures, etc.

As reported, on October 6, 2007, the Heads of EurAsEC member states signed 4 international agreements on forming an institutional framework of the Customs Union and defining the procedure of joining the union by other states, as well as an action plan of establishing the EurAsEC Customs Union by 2010. Therefore, a package of 13 key documents on the Customs Union activity has been signed thus far.

Meeting of the SCO Special Working Group on Investment Promotion

April 16, 2008

Dushanbe hosted the 4th meeting of the Shanghai Cooperation Organisation (SCO) Special Working Group on Investment Promotion.

In the course of the meeting, the participants discussed a draft agreement on the facilitation and protection of the investment. They also expressed a desire to run an inventory of investment projects included in the SCO Programme for Multilateral Trade and Economic Cooperation, as well as continuing the preparation of an Investment Bulletin of SCO Member States.

Session of the EurAsEC Integration Committee

June 20, 2008

The session of the EurAsEC Integration Committee was attended by the Deputy Prime Minister of Belarus, Andrei Kobyakov; the first Deputy Chairman of the Government of the Russian Federation, Igor Shuvalov; and Kazakhstan's Vice-Minister of Industry and Trade, Almas Kossunov. The participants discussed the implementation of the Action plan on the EurAsEC Customs Union, approved by the Presidents of Russia, Kazakhstan and Belarus on October 6, 2007. EurAsEC Secretary General, Tair Mansurov, briefed the participants on the status of implementation of this Plan.

Following the results of the session, the participants approved Regulations on principles and order of Common Customs Tariff forming and a draft Regulations on the adjustment of import customs duties included in the Basic List of a common customs tariff. Moreover, the participants discussed the

issue of prompting domestic procedures required for international agreements entry into force. EurAsEC member states are in the process of ratifying the aforementioned documents.

Russian Duma ratifies four international agreements on EurAsEC Customs Union

October 8, 2008

A package of documents on establishing the EurAsEC Customs Union by Russia, Kazakhstan and Belarus has been ratified. The documents provide for common customs space without customs duties and economic restrictions. The documents also include a full list of conditions, necessary for merging customs territories of three countries into a single space and completing the formation of the Customs Union.

The agreement on the Customs Union Commission establishes an institutional structure of the Customs Union. The Commission is a permanent regulating authority, comprised of deputy prime ministers or members of government of the Customs Union member states.

The protocol on introducing amendments to the agreed establishment of the Eurasian Economic Community dated October 10, 2000, has also been ratified. The protocol is a key document setting the legal basis of the Customs Union. The EurAsEC Interstate Council facilitates as the supreme authority on the Customs Union. The jurisdiction of the EurAsEC Court is expanding with the addition of dispute settlement functions within the Customs Union. All ratified documents had been signed on October 6, 2007, at the EurAsEC Interstate Council meeting in Dushanbe.

It is expected that other EurAsEC states would join the Customs union in due time. EurAsEC includes Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. Armenia, Moldova and Ukraine have the observer status in the organisation.

A week later, on October 15, the Council of Federation ratified the package of documents on the EurAsEC Customs Union.

Kazakh Parliament approves ratification of agreement on common customs and tariff regulation

October 8, 2008

During a plenary session, the Lower Chamber of Kazakh Parliament approved the draft law "On Ratification of the Agreement on Common Customs and Tariff Regulation"

The Agreement was signed on January 25, 2008 in Moscow. It aims to accelerate economic integration and facilitate fair competition. According to

the agreement, after establishing the common customs territory, the sides will introduce unified non-tariff measures in respect of third countries.

In accordance with Article 1 of the Agreement, a single customs tariff is to be used. The purpose of single customs tariff is to rationalise commodity nomenclature of imports to the common customs territory of the member states; keep healthy export/imports balance on the common customs territory of the member states; sustain a favourable structure of production and consumption in the Customs Union; protect the economy of the Customs Union against negative influence of foreign competition; and facilitate the effective integration of the Customs Union in the world economy.

Preferential tariffs could apply, including import duty exemption or reduced import duty rates. A single customs tariff becomes operational when the rates of import duties in the member countries coincide through the whole of commodity nomenclature.

Council of Federation ratifies agreements on widening economic integration based on fair competition within EurAsEC

December 17, 2008

The Russian Council of Federation has ratified a number of agreements on widening economic integration by means of fair competition in EurAsEC member states.

An agreement between Belarus, Kazakhstan and Russia on the establishment of a common customs territory and the formation of a Customs Union is the result of deeper integration between EurAsEC member states. It stipulates the introduction and use of a common customs tariff and includes the list of import duties rates, as well as conditions for applying preferential tariffs.

Agreements on unified rules on the country of origin of goods aims to simplify and harmonise the customs procedures of members of the Customs Union with third countries. The agreement doesn't apply to goods from developing and least developed countries.

Agreements on defining the custom valuation of goods transported across the border of the Customs Union are intended to unify legislation in the field of defining value basis of prices for calculating customs charges. Options for dispute settlements are being worked out with the view to facilitate economic development of the Customs Union.

Industries and sectors

Armenia to join the Uranium Enrichment Centre

February 7, 2008

Armenia will become the third member of the Uranium Enrichment Centre, established by Kazakhstan and Russia. On May 10, 2007, Kazakhstan and

Russia signed an intergovernmental agreement to establish an international centre for uranium enrichment. Kazakhstan's KazAtomProm owns a 10% share in the centre. Another 90% belong to Russia. Other participants, including Armenia, will join the centre by buying out parts of the Russian share.

LUKoil to acquire new hydrocarbon assets in Uzbekistan

March 11, 2008

LUKoil Overseas (a 100% subsidiary of LUKoil) has completed a deal with MGNK Soyuzneftegaz to acquire 100% of the SNG Holdings Ltd. Group, which includes Soyuzneftegaz Vostok Limited. Soyuzneftegaz Vostok Limited holds shares in the product sharing agreement (PSA) for the fields of South-West Gissar and the Ustyurt region in the Republic of Uzbekistan. The total amount of the deal is around \$580 million. An authorised state body, the National Holding Company, Uzbekneftegaz, is the second party to the PSA. PSA was signed on January 23, 2007, for 36 years and came into effect on April 23, 2007.

Central Asian gas to be sold at European price starting from 2009

March 11, 2008

Starting from 2009, gas companies of Kazakhstan, Uzbekistan and Turkmenistan will begin charging European prices. Gazprom CEO, Alexei Miller, met with the KazMunayGas President, Uzakbai Karabalin, the UZBEKNEFTEGAZ CEO, Nurmuhamad Akhmedov, and the Turkmengaz Chairman, Yagshigeldy Kakaev, who all attended the meeting.

The prospects of cooperation in the gas sector were discussed at the meeting. Gazprom CEO Alexei Miller said that by the end of 2008, the average price of long term wholesale supply of gas to European customers could grow to \$360 per 1000 m³, citing expert estimates Gazprom own estimates suggested \$354 per 1000 m³.

In November 2007, Gazprom and Turkmenistan signed a supplement to the contract on natural gas supplies. Under the document, Turkmen gas would be supplied at \$130 per 1000 m³ in the first half of 2008 and at \$150 in the second half. Starting from January 1, 2009, the pricing formula will be linked to market principles. Starting from 2009, the price formula will be set by a long-term contract that expires in 2028. Gazprom purchases 50 billion m³ of natural gas from Turkmenistan annually under an agreement that expires at the end of the year. Gas from the Central Asian region is transported to Europe via the Gazprom-controlled Central Asia transit pipeline system through the territories of Uzbekistan, Kazakhstan and Russia.

In accordance with intergovernmental agreements, Gazprom secures the transit of Turkmen gas through Russia to Ukraine. In addition, Gazprom acts

as the operator of Turkmen gas transit through the territories of Uzbekistan and Kazakhstan.

In late December 2007, Gazprom also reached an agreement with Uzbekistan on adjusting purchase prices for Uzbek gas to the regional market conditions. The price of Uzbek gas was \$100 per thousand m³.

Tajikistan intends to complete construction of Rogun HPP

April 21, 2008

Tajikistan is determined to complete the construction of Rogun hydropower Plant (HPP) even without Uzbekistan's consent, Tajik deputy Minister of Energy and Industry, Pulod Mukhiddinov, said on April 22, during the workshop on Central Asian Hydropower Industry. According to him, "Tajikistan will not wait for the consent of its neighbors and Uzbekistan in particular, on issues of hydropower plants' building, especially the Rogun one, on its territory".

At least \$1.3 billion is needed in order to complete a Soviet protracted construction. A \$3.2 billion investment will allow for the launching of all six units – each with a 600 mW capacity. This could double energy production and strengthen the energy independence of Tajikistan.

According to a representative of the Interstate Commission for Water Coordination of Central Asia, Denis Sorokin, building such major hydropower plants as Rogun may influence the environmental situation in region. "Issues of construction of such like HPPs must be coordinated with all countries of the region", he said.

Co-financing of interstate waterworks facilities in Kyrgyzstan

May 20, 2008

In 2008, Kazakhstan will allocate 80 million tenge (approx. \$6.7 million) for joint financing of interstate waterworks facilities in Kyrgyzstan. Kazakhstan doesn't pay for water supply but takes a shared interest in co-financing interstate waterworks facilities on the rivers Chui and Talas, such as Ortotokoi and Kirov water reservoirs, East and West Chui Big Canals and a by-pass Chui Canal.

Joint venture on oil refining and petrochemistry

May 22, 2008

The Kazakh President Nursultan Nazarbayev suggested establishing an oil refining and petrochemistry joint venture with Russia. "We suggest strengthening this vector, by creating a joint venture on petrochemistry and oil refining" Nazarbayev said at the joint press conference with the Russian President Dmitry Medvedev.

"Most of Kazakhstan's oil and gas goes to Europe through Russian pipeline network. This year we plan to export Russian oil to China through Kazakhstan", Nazarbayev stated.

Moreover, both countries actively cooperate in development of new oil and gas deposits in the shelf of the Caspian Sea.

Kazakhstan plans to acquire share in one of the Ukrainian grain terminals at the Black Sea

May 22, 2008

During a meeting in the Ministry of Agriculture of RK, the Director of the Strategy Department for Agricultural Sector Development and Agricultural Science, Berik Ospanov, announced that Kazakhstan plans to acquire a share in one of the grain terminals of Ukraine on the Black Sea.

"The ministry takes all measures to expand possibilities of grain export. With this aim, a grain terminal was built in Baku, and similar terminals in ports of Georgia and Iran are being constructed, it is planned to acquire a share in one of the grain terminals of Ukraine, located at the Black Sea", Ospanov said.

Other issues discussed were the joint construction of a railway from the border of Kazakhstan through Turkmenistan and Iran with an exit to the ports of the Indian Ocean. In pursuit of the task of becoming the top 5 leading grain exporters, Kazakhstan's export has to reach the volume of 12 million tons a year. Presently, using the traditional routes via Russia, Ukraine, Uzbekistan and Tajikistan, Kazakhstan is exporting about 9-10 million tons a year. On order to expand export, Kazakhstan has to use access to the Caspian Sea and the Black Sea effectively. The country is constructing grain terminals there in order to get the shortest routes to Europe, Northern Africa, Asia and the Arabian countries.

MTS to invest \$600 million in Uzbekistan

May 27, 2008

Russia's major mobile operator, MTS, plans to invest over \$600 million in operations of its subsidiary in Uzbekistan in 2008-2010. MTS entered the Uzbek market in 2004 by purchasing a 74% stake in Uzdunrobita, Uzbekistan's biggest mobile operator, for \$121 million. Last year, MTS acquired the other 25% of Uzdunrobita's shares for a total sum of \$250 million. According to MTS President and CEO Leonid Melamed, about 30% of the stated \$600 million will be invested already this year and 1.500 will increase a quantity of base station systems. "Out of all countries we work in, Uzbekistan is the most attractive one from the view of growth potential and income from subscribers", Melamed said. According to him, MTS will have a market penetration of 36% in Uzbekistan in 2009, 45% in 2010 and

58% in 2012. He also announced that MTS intends to launch a third generation (3G) network in Uzbekistan. MTS controls 52.1% of Uzbekistan's user base. According to MTS, its main competitor, Russian Vimpelcom, provides mobile services to 35.4% of the country's subscribers through a subsidiary.

TransContainer and Kazakhstan Temir Zholy to establish a joint venture

May 29, 2008

Russia's largest container shipping operator, OJSC TransContainer, plans to set up a joint venture with Kazakhstan's Temir Zholy to provide a container shipping service that would bring together traffic streams, the Head of TransContainer Pyotr Baskakov said.

In the beginning, a joint venture will facilitate as logistics operator. The venture will service container-shipping flows from Kazakhstan to Russia and back. At a later stage, the company could expand into acquiring its own rolling stock and building terminals in Central Russia and Central Kazakhstan.

Concept of EurAsEC Common Energy Market

May 30, 2008

The participants of the 12th session of Energy Policy Council under the EurAsEC Integration Committee approved a draft concept for the formation of a common energy market of the EurAsEC member states. They agreed to submit the concept for EurAsEC governing organs, despite a number of existing disagreements.

The disagreements involve issues of forming a gas market of EurAsEC member states and result from Gazprom's hard line attitude towards conditions of access to the main gas pipeline system, transit through the territories of EurAsEC member states and unified policy on fair and transparent pricing for gas and transit tariffs.

The Council has also approved the EurAsEC Member States Joint Fuel and Energy Balance for 2008-2010. This document provides access for each EurAsEC member state to information on the current state and development prospects of other states' fuel and energy markets. In its current state, a joint balance represents an open offer to the EurAsEC member states to cooperate in the field of production, supply and transportation of energy resources.

Second hydraulic unit of Sangtuda HPP-1 put into operation

July 1, 2008

OJSC INTER RAO UES has put into operation the second hydraulic unit of the Sangtuda-1 hydropower plant on the Vakhsh River in Tajikistan. The rated

capacity of the second unit amounts to 167.5 mW with a monthly output of about 72 million kWh.

The launching of the first unit of the Sangtuda HPP-1 took place on January 20, 2008, 3 months ahead of schedule. It helped ease the seasonal energy shortfall in Tajikistan and accelerated the increase of HPP's overall capacity to 670 mW.

In accordance with the construction schedule, the launching of the third and fourth hydraulic units is planned on October 15, 2008, and January 15, 2009, respectively. It is expected that the whole process of Sangtuda HPP-1 construction will be completed by April 1, 2009. The cost of construction is 17.2 billion rubles.

Sangtuda HPP-1 is one of the largest investment projects in CIS with the participation of Russia and Russian companies. The main contractors and equipment suppliers for the project are JSC Silovye Machiny (Power Machines), OJSC Gydrostal Chekhov Plant, OJSC ChirkeyGESstroi, OJSC Zarubezhvodstroy, CJSC Zagranenergostroyontazh, OJSC Hydromontazh Trust and others. Over 4500 people are engaged in construction, including 3600 citizens of Tajikistan.

The completion of the Sangtuda HPP will ensure power supply to the industrial enterprises in Tajikistan and make it possible to export electricity to the neighbouring countries. HPP-1 will also be able to regulate the flow of the Vakhsh River on a daily basis.

Gas pipeline for Turkmen gas transit through Uzbekistan

July 1, 2008

The construction of a gas pipeline for transit of Turkmen gas across Uzbek territory has commenced. The joint venture, Asia Trans Gas, established by Uzbekneftegaz and China National Petroleum Corporation (CNPC), will be responsible for the project engineering, construction and operation of the Uzbekistan-China gas pipeline.

The Uzbekistan-China gas pipeline length is estimated at 530 km, its annual projected capacity is 30 billion m³. Uzbekistan has no plans for the export of gas via this pipeline. The project envisages the construction of two lines. The first line of the pipeline and the first compressor station CS-1 are expected by December 31, 2009, and will be put into operation in January 2010. The second line and two more compressor stations, CS-2 and CS-3, are planned for completion by December 31, 2011. Uzbekneftegaz and Chinese Trans-Asia Gas Pipeline Co Ltd. will monitor the implementation of the project.

Final stage of preparation for constructing third power unit of Ekibastuz GRES-2

August 11, 2008

The project's feasibility study is prepared and agreed with respective authorised public agencies, an appraisal of Gosexpertiza, republican state-owned company, is obtained, a project implementation scheme worked out and terms of reference for the selection of a general contractor were being prepared and scheduled for the third quarter of 2008.

The major construction will begin in early 2009 after a contract with a general contractor is signed. Letters of intent have been signed with the Eurasian Development Bank and Kazakhstan Development Bank. In the meantime, the banks will define the terms and conditions of project financing based on the results of technical, environmental, financial and legal expertise. Major precondition for financing would be a station having long-term contracts for electric energy supply.

Management of Ekibastuz GRES-2 power plant with the assistance of INTER RAO UES and Samruk-Energo JSC takes steps to accelerate the construction of the third power unit, which will allow for an increase in the plant's throughput to 1525 mW to meet growing electricity demand in the region

Ekibastuz GRES-2 Power Station JSC is a joint energy-generating venture between Kazakhstan and Russia with designed capacity of 1000 mW, where Russia's INTER RAO UES and Kazakhstan's Samruk-Energo hold a 50% stake each.

Gazprom Neft intends to enter retail market of oil products in Kazakhstan

August 11, 2008

JSC Gazprom Neft stated its intention to establish a retail fuel station network in Kazakhstan. Up to the present moment, Gazprom Neft's business in Kazakhstan was limited to wholesale trading in crude oil via its subsidiary Gazprom Neft-Kazakhstan. The company will be selling oil products from the Omsk Refinery – Kazakhstan nearest Gazprom Neft's principal oil refining facility.

Severstal to acquire Kazakhstan's Balazhal gold mine

August 12, 2008

Severstal Resources, the mining division of Severstal, has taken control of Balazhal, a gold mine in Kazakhstan. The purchase of 100% of the assets was made through one of Severstal's subsidiaries. The recoverable reserves in Balazhal are estimated at about 20 metric tons of gold, and the mine has a resource potential of up to 30-40 tons.

The company has not disclosed the cost of the deal. According to various estimates, the deal is estimated at \$30 million.

Balazhal is located in East Kazakhstan, 260 km south of Semipalatinsk. Severstal Resources plans to resume production by 2009 and to raise output to 1.5-2 tons of gold a year by 2011.

Russian VSMPO-Avisma acquires 84.28% shares of VSMPO Titan Ukraine

August 22, 2008

The company owns CJSC Pipe Works VSMPO-AVISMA in Ukraine. VSMPO-Avisma is the owner of Titan-Dnepr in Dnepropetrovsk, which is engaged in wholesale and retail trade, as well as intermediation and consulting in commerce and management.

Zaporozhye Titanium and Magnesium Works (ZTMK) state enterprise is the only Ukrainian producer of titanium sponge and a main rival of VSMPO-Avisma in the production of titanium raw materials. Moreover, the Volnogorsk ore mining and processing enterprise in Ukraine provides the company with ilmenite, necessary for the production of titanium sponge.

VSMPO-Avisma is the world's biggest titanium producer, and supplies the world's leading aircraft corporations with the metal. It exports 70% of its titanium and sells 30% in Russia. The state corporation, Russian Technologies (Rostekhnologii), owns 66% of the shares.

LUKoil, Russian oil company, plans to produce 12 billion m³ of gas annually at Uzbekistan's Kandym and Gissar fields

September 2, 2008

LUKoil and the national holding company, Uzbekneftegaz, signed an agreement in 2001 to develop the Bukhara-Khivinskoye and Gissar oil and gas fields, which have estimated reserves of 250 billion m³ of gas and 10 million metric tons of liquid hydrocarbons. The largest gas field, Kandym, which opened in 1966 in the Bukhara Region, central Uzbekistan, contains commercial gas reserves of 150-180 billion m³. Natural gas production at the fields was earlier estimated at around 9 billion m³.

"Investment is currently being made in the promising Kandym and Gissar group projects. I am sure that these large projects, which according to our estimates will require around \$5 billion more to complete, will produce over 12 billion m³ of gas in Uzbekistan". the CEO of Russia's largest independent oil producer, Vagit Alekperov, said.

Alekperov said LUKoil had already invested \$1.5 billion in Uzbekistan, describing the local climate for foreign investment as "positive". He added that their Uzbek counterparts were also considering building a gas refinery.

The implementation of projects in Uzbekistan may be viewed as continuing expansion of LUKoil to the south, where the vast gas reserves are

concentrated. Relations between Russia and Uzbekistan are stable enough. The only problem is the lack of a branching network of gas pipelines on the territory of the republic, and it is a temporary one. Either Gazprom or LUKoil are to start developing the infrastructure of the region in the nearest future.

A subsidiary of Russian VTB bank to start operating in Kazakhstan in January 2009

September 8, 2008

One of the Russian banking sector's leaders enters Kazakhstan's market. According to the Interfax Centre of Economic Analysis, in the second half of 2008, VTB was ranked 2nd by assets among the Russian banks (the bank's assets amount to 1.75 trillion rubles). VTB is also ranked 2nd by capital (352 billion rubles) and 3rd by profit before tax (15 billion rubles). The Russian government owns 77% of the bank's shares.

VTB bank entered the markets of Belarus, Georgia, Armenia and Ukraine. Representation office in Kazakhstan was open in February 2008. Having examined all possible options, VTB leadership made a decision to establish a subsidiary with a relatively small authorised capital.

International Financial Centre in Moscow

September 11, 2008

According to the president of Russia, an international financial centre, which is to be established in Moscow, will become a competitive platform and will boost economic integration of CIS member states and other countries.

"Establishment of a new centre is a substantial contribution to deepening of economic integration of CIS member states and other countries", Dmitry Medvedev told a meeting on issues of creating a centre. "An international financial centre, located in Russia, may soon become a large and universal financial platform in the region. Some day it would be able to defy competition on global financial markets".

Simple access to operations, special tax treatment of financial markets and a wide range of traded assets must be provided when establishing the centre. According to Medvedev, "providing informational transparency of markets while protecting them from insider leaks and prices abuse" is the second important direction of the centre's establishment.

A third major task is the overall development of business environment. "Here we talk about the introduction of a comfortable transport and informational infrastructure, simplification of rules for visa and customs regime and, in certain situations, rules for property registration", Medvedev said.

According to him, the establishment of the financial centre will help upgrade the whole financial system of the country, as well as become an instrument of attracting additional local and foreign resources to the economy.

PromStroi Group closed deals on acquisition of specialised contracting companies in Kazakhstan

September 15, 2008

The acquired assets bring PSG is in the list of the top five mechanical organisations and in the list of the three organisations for mounting and balancing of automation systems on the territory of CIS member states.

Kazmehanomontazh Ltd. and JSC Avtomatika are first foreign assets of the company. Joining the PSG will help Kazakh companies enter the Russian market. New assets, in their turn, will aid PromStroi Group in strengthening its positions in the engineering services sector of the post-soviet space.

The acquisition allows PSG to enter Kazakhstan's market, particularly in the oil and gas sector – the company's core activities. The company plans to work in Kazakhstan in the first instance. PSG will also gain access to markets of Russia and Central Asia in the long term.

Representatives of Kazakh counterparts believe that joining the PromStroi Group will primarily lift growth restrictions, which is determined by the small potential of Kazakhstan's market. Moreover, the companies get a chance of participating in tenders and project works.

Large investment projects of Russian companies in Kazakhstan announced during the Kazakh–Russian Forum in Aktobe

September 23, 2008

The Russian mining and metals giant, Mechel, plans to build two ferroalloys plants in Kazakhstan by 2012-2013. The company plans to build a ferrochrome plant, with a capacity of 240,000-250,000 tons of ferrochrome per year. The new facility will be located in Aktobe region close to the Voskhod chrome mine (reserves amount to 19.5 million tons of ore). The project is valued at \$500-800 million.

Voskhod-Oriel, controlled by Mechel through the recently acquired British Oriel Resources Plc., is responsible for the project's development. A week earlier, the company launched a mining and processing plant at the chrome field.

Starting from 2009, the plant is expected to produce 950,000 tons of chrome concentrate. At present, one third of the plant's output will be supplied to Mechel's Tikhvin Ferroalloys Plant in Russia's Leningrad region.

The second project to construct a ferronickel asset will be implemented at the Shevchenko field in Kazakhstan (Kostanai region). If the pilot project is a success, the second stage of the Shevchenko-based metals and mining company will include hydrometallurgical nickel production of 20000 tons per year. The second stage will get under way in 2011 and startup is scheduled for 2013. The concern will use sulphuric-acid leaching technology. A similar facility will be built in the Orenburg region. Mechel estimates the cost of the pilot project at \$600 million.

Economic integration of the Black Sea Basin countries in tourism

October 7, 2008

A fourth conference of the Black Sea Economic Cooperation (BSEC) organisation, together with Russia's federal tourism agency, Krasnodar Territory administration and the municipality of Gelendzhik resort-town, was held in Gelendzhik (the Krasnodar Territory of Russia). The participants discussed the prospects of developing health-resorts and tourist infrastructure in the Black Sea region. The representatives of Abkhazia, Azerbaijan, Bulgaria, Greece, Russia and Romania took part in the conference.

BSEC member states have a significant potential for joint use of resorts. For example, a belt highway around the Black Sea is a new, and in all aspects profitable, project for business cooperation. It will widen the range of sites for visiting by tourists that are travelling by cars or buses around the Black Sea.

Azerbaijan transport infrastructure development

October 8, 2008

In recent years, Azerbaijan has been engaged in the rapid reconstruction of its transport infrastructure. All works in this direction are aimed at developing a non-hydrocarbon segment, which is one of the major goals of the national economy. The implementation of full-scale projects is impossible without regional integration in the context of two main international transport corridors, Europe-Caucasus-Asia (TRACECA) and North-South running via the republic. The TRACECA Multilateral Agreement was signed in Baku in 1998 and composes Azerbaijan, Turkey, Georgia, Ukraine, Moldova, Romania, Bulgaria, Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan and Armenia.

A range of infrastructural projects was discussed on October 8-9 in Brussels during a meeting of the working group of experts on the Black Sea and the Caspian Sea basins, held within the framework of the meeting of the TRACECA National Secretaries.

One of the important components of the TRACECA transport corridor is overseas transport. Transit of Kazakhstan's oil by means of this corridor will

be sharply increased in the very near future. Re-equipment of the Caspian tanker fleet is foreseen in this connection. A memorandum on establishing a Caspian shipbuilding facility, signed on May 19 in Baku by State Oil Company of Azerbaijan, Korean STX Shipbuilding Co. Ltd. and Azerbaijan Investment Company is being implemented.

EuroChem Mineral and Chemical company plans a large-scale project in Kazakhstan

October 20, 2008

The largest Russian producer of nitrogen and phosphate fertilisers, Eurochem Mineral and Chemical Company, plans to construct a mining and processing plant, as well as three plants for the production of phosphorus and nitrogen fertilisers in Kazakhstan.

Zhanatas, Aral-Tobe and Kesik-Tobe phosphorus deposits in the Karatau basin (in Zhambyl and South Kazakhstan regions) will serve a source of raw materials for new plants. Recoverable reserves of the Karatau basin top 4 billion tons of ore or 1 billion tons of phosphorus pentoxide. Undiscovered potential resources of deposits make up about 610 million tons.

Kazakhstan's leading manufacturer of phosphorus-containing products, including yellow phosphorus and mineral fertilisers, Kazphosphate LLC. is currently working in the Karatau basin. In spring 2008, EuroChem held negotiations for purchasing a 50% share in Kazphosphate, but the deal was aborted. At present, the holding is trying to once again consolidate its position on Kazakhstan's market.

EuroChem has already registered its subsidiary in Kazakhstan, EuroChem-Fertilisers LLC, and acquired the state-owned stake in JSC Sary-Tas plant (former Karatau chemical plant), on the basis of which the holding intends to build a new plant. A phosphorite pellets production plant stood idle since 1993, and needs large-scale investments and global reconstruction. EuroChem evaluates the project at over \$2.5 billion and will finance the spending mostly with its own funds.

By 2015, EuroChem plans to complete the construction of a mining and processing plant, and plants for manufacturing nitrogen fertilisers (with capacity of 0.8 million tons per year), phosphate fertilisers (1 million tons per year) and NPK fertilisers (0.5 million tons per year). Starting from 2015, the three plants will produce about 2 million tons of fertilisers with sales in Kazakhstan, Russia, Belarus and Ukraine.

Early launch of third hydraulic unit of Sangtuda HPP-1 on the Vakhsh River

November 5, 2008

According to the president of Tajikistan, the commissioning of the third hydraulic unit of Sangtuda-1 hydropower plant will make it possible to ease an acute shortage of electric energy in the republic. The rated capacity of the third unit amounts to 167.5 mW, with a monthly output of energy set at about 72 million kWh. The overall capacity of HPP after commissioning the last fourth unit will amount to 670 mW with an annual energy output of 2.7 billion kWh.

The construction works at Sangtuda HPP-1, carried out by Russian INTER RAO UES, will be completed in the first quarter of 2009. The total value of the project is estimated at nearly 17.2 billion rubles.

The construction of Sangtuda HPP-1 started in the late 1980s, but was suspended soon afterwards due to the lack of funds and a war in Tajikistan.

Belarusian President Alexander Lukashenko believes cooperation with Russian Sberbank to be promising

December 2, 2008

“At present there are no obstacles for Sberbank operations on the territory of Belarus”, Lukashenko said during the meeting with the Chairman of Sberbank’s management board, German Gref, in Minsk.

In particular, attracting funds from Russian Federation is of great importance for Belarus. According to Lukashenko, this type of cooperation is of prime importance “within the crisis period, when the country is trying to find additional resources in order to support the national currency and economy”.

Sberbank’s head expressed his willingness to cooperate with Belarus. “In the nearest future Sberbank will consider a possibility of opening new or acquisition of existing bank in Belarus”, Gref said.

According to him, Sberbank is ready to enter the financial market of Belarus on mutually beneficial terms and for at least 10-20 years. “Among CIS member states, Belarus is one of the most foreground and attractive”.

New 5-year term agreement on trust management of JSC Armenian Nuclear Power Plant signed in Yerevan

December 4, 2008

A new 5-year term agreement on the trust management of JSC Armenian Nuclear Power Plant (ANPP) has been signed in Yerevan.

The agreement extends the activity of INTER RAO UES as a trust manager of the JSC ANPP’s financial and economic activities. According to the agreement, INTER RAO UES undertakes corporate governance over the ANPP’s activities, including control over financial flows, funding capital investments, and implementing a modern system of financial and economic accounting.

The implementation of the first agreement on trust management dated September 18, 2003, between Armenia and INTER RAO UES, allowed the economical status of Armenian nuclear power station to stabilise by 2006, repaying a debt for the previously delivered nuclear fuel and transferring to purchases of new nuclear fuel at own costs, as well as implementing modern systems of the power plant's economic governance.

At present, Armenia set new tasks in the field of nuclear power engineering, including preparation for decommissioning existing ANPP's equipment, constructing a new up to date nuclear unit with the capacity of 1000 mW, and effectively exporting excessive electric power to the neighbouring countries.

KazakhGold and Russian Polyus Gold agree upon new terms for acquisition of controlling stake in Kazakhstan's miner

December 29, 2008

According to the original agreement, Polyus Gold's board of directors approved plans to buy a controlling stake in KazakhGold in shares and cash at a ratio of 70:30 (Polyus will pay for 70% of the value of KazakhGold stock with its own shares and will use cash for the remaining 30%, which would have been equal to \$236 million). However, from the moment of agreement signing, KazakhGold shares were down 2.53% to \$4.63 per share on the London Stock Exchange. Since September 26, when the company announced negotiations on the deal, the share price has fallen by 60%, leading to the deal's reconsideration.

Russia's Polyus Gold has reviewed the terms of its potential acquisition of KazakhGold and is now offering 0.423 of its own shares for shares in the Kazakh gold miner. So the deal for acquisition of 50.1% of the issued share capital of KazakhGold is now priced at \$308 million.

It is assumed, that the whole 50.1% of KazakhGold's share capital will be totally paid with the shares of Polyus Gold. 5.9% of Polyus reacquired stock may be assigned for this purpose. The company intends to preserve cash assets for future acquisitions.

Moreover, one more item was added to the deal's terms. KazakhGold also plans to issue \$100 million in new shares, offering them to Polyus, among other buyers. KazakhGold is placing the new shares to strengthen its balance sheet and refinance the debt.

Vnesheconombank obtains permission of Ukrainian Anti-monopoly Committee to purchase over 50% of Prominvestbank's shares

December 29, 2008

Established in August 1992, Prominvestbank, a joint-stock commercial industrial and investment bank, is one of the largest among the Ukrainian problem banks. On December 11, the board of the National Bank of Ukraine decided on the state's capitalisation of Prominvestbank. The decision followed the failure of the bank's shareholder Slav AG holding company to fulfill its obligations on purchasing the bank's additional issue of shares for a total sum of UAH 900 million and attracting another UAH 4 billion for deposits. In case of a transaction settlement, Vnesheconombank will acquire a set of assets, including blocks of shares of several Ukrainian enterprises.

Political and social aspects of cooperation

Cooperation in migration and border control

April 21, 2008

EurAsEC and the Collective Security Treaty Organisation (CSTO) intend to cooperate in the field of migration and the outer borders control, the EurAsEC Secretary General Tair Mansurov said. "The problem of migrant workers is the issue for our organisation. We must provide conditions for normal labour migration, which would be quite natural due to the fact that many countries need labour force. Meanwhile, there is a problem of illegal migration. This problem must be solved by OSCE, which possesses all necessary means for taking care of it. So we must work together in order to bring the situation to the civilised state", he told journalists. According to Mansurov, both organisations have a sufficient number of common issues. The sides view cooperation in the fields of border and customs policy concerning prevention of smuggling, including weapons and ammunition, drug trafficking and illegal migration, a priority task for both organisations. According to the CSTO Secretary General, Nikolai Bordyuzha, the two organisations intend to cooperate in the field of outer borders control of CSTO and EurAsEC member states. Moreover, the sides plan to exchange information and cooperate in the sphere of expertise of those regulatory documents that are worked out by both organisations.

Interstate Information Pool may be established in CIS

May 30, 2008

A working group of the Council of Chairs of State and Public Television and Radio Broadcasting Companies of CIS Member States was held in Dushanbe.

The participants discussed the preparation of the project for establishing the Interstate Information Pool, which will make it possible to cover the life of CIS member states on a full, comprehensive and objective basis. It will be based on the principles of television information exchange. The participants of the pool will provide their coverage of events and facts, taking place in the country, in

order to form an information package that will be received by television and radio broadcasting companies of other states. The latter will be banned from altering the information. If needed, the Euronews programmes will also be able to receive the information packets.

The "Mir" Interstate Television and Radio Company will act as the coordinator and supervisor of the video materials' joint exchange. It is planned that after the reconciliation procedure, the project of establishing an information pool will be introduced for approval to the Council of chairs of state and public television and radio broadcasting companies during a meeting scheduled on October 31, in Moscow.

Fight against illegal migration

June 4, 2008

The CIS Joint Commission for Cooperation in Fight against Illegal Migration held its eighth meeting in Minsk on June 3-4. According to the Chairman of the joint commission, Deputy director of the Federal Migration Service of Russia, Mikhail Turkin, a comprehensible and explicit legislation is of prime necessity in order to effectively combat illegal migration. Measures taken in Russia could serve an example of work on improving migration legislation. Russian authorities simplified procedures of migrants' registration and toughened administrative responsibility for different types of violations on the part of employers. Russia is ready to share its experience with other CIS member states. The meeting also considered a list of persons barred from entering CIS states, as well as issues related to improvement of system of control of arrival and staying of foreign citizens.

The CIS experts approved a draft agreement on cooperation in the fight against illegal production and trade in arms and ammunition. The document foresees joint actions, including creation of a collective database on transnational criminal groups, their leaders and participants, involved in illegal traffic in arms. Moreover, the draft agreement foresees cooperation of CIS member states in prevention, identification, suppression and solving of crimes, connected with illegal production and trade in arms; analysis of the current situation; working out of coherent strategy and joint measures of control, as well as coordination and improvement of interaction between competent authorities.

Security

SCO RATS Council held its 11th meeting in Tashkent

March 27, 2008

The Council of Shanghai Cooperation Organisation's Regional Anti-Terrorism Structure (RATS) held its eleventh regular meeting in Tashkent on March 27.

During the meeting, delegates from six SCO member states such as Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan and Uzbekistan passed the draft of the SCO RATS Council report on organisation's activities in 2007 that will be submitted to the Council of Heads of State, the SCO's most senior body.

The participants of the meeting in Tashkent also expressed wishes and recommendations on implementing the set events in 2008.

The RATS approved several basic legal documents on taking further steps against regional terrorism, separatism and extremism.

Session of the CIS council of interior ministers

June 28-29, 2008

A session of the CIS council of interior ministers was held in Batumi, Georgia on June 28-29. The ministers considered a draft agreement on information exchange in the field of crime prevention, including drugs and human traffic. According to ministers, special attention should be paid to the research and information component of the fight against crime, which is an effective way of boosting the effectiveness of CIS member states cooperation in this sphere.

The session singled out problems and the prospects of developing further cooperation between Interior Ministries of CIS member states in the fight against cross-border transnational criminality. The CIS ministers also discussed some organisational issues, including a hotline for coordination and interaction in combating IT (information technology) crimes and a pilot draft Internet-site of the single information base of interior ministries' education facilities.

According to Russian Interior Minister, Rashid Nurgaliyev, "the hotline will contain information, which, according to legislations of the CIS countries, will be rendered under the police inquiry and without investigative order. This is necessary for immediate evidence saving, carrying out urgent actions and establishing a direct intercourse between task forces, engaged in fight against IT crimes". Department of Russian Ministry of Internal Affairs may serve as a centre for the system of operational communications.

Prospects of regional integration in military strategic cooperation

October 23, 2008

CIS Joint Air Defence System's command facilities and combat-duty units of the air defence forces held joint command-and-staff exercises. The exercises focused on preventing violation of air boundaries of CIS member states, as well as counter terrorism activities of combat-duty units of the air defence forces and CIS Joint Air Defence System facilities.

During the drill command facilities and combat-duty, units also practiced coordinating the joint efforts to intercept enemy aircraft that have violated CIS member states' national airspace. Moreover, the participants tested combat interoperability in counteracting aircrafts with emergency situations on board, which violate rules of airspace usage. The operational readiness of the combat-duty units was also put on test. Combat-duty units of the CIS integrated air defence network, which are stationed in Kazakhstan, central Russia and Siberia, Belarus, Ukraine, Tajikistan and Uzbekistan took part in the exercise.

The integration of national air defence systems in the regions of collective security will allow boosting the potential of combat-duty units. The establishment of regional air defence systems in Eastern Europe, Caucasus and Central Asia is planned within the framework of widening an operating range of the corporate responsibility in joint airspace. At present a joint regional air defence system of Belarus and Russia in the Eastern European collective security region is being actively developed.

Forums and Conferences

Caspian Energy Forum (CEF-2008)

July 16, 2008

The Caspian Energy Forum "Caspian Energy – Energy of the World" (CEF-2008) was held on July 15-16 in the International Trade Centre in Moscow. The event was held under the support of the Industry and Energy Ministry of Russia, the Russian Chamber of Industry and Commerce, and the Ministry of Foreign Affairs of Russia.

The Caspian Energy Forum aims to promote international energy cooperation in the economic interests of the countries of the Caspian Sea region and foster energy security in the Caspian area.

CEF-2008 was attended by co-chairs of the Russian-Uzbek, Russian-Kazakh, Russian-Turkmen, and Russian-Iranian Intergovernmental Commissions, representatives of the Ministry of Foreign Affairs of Russia, the Energy Ministry, the Ministry of Natural Resources and Ecology, the Chamber of Industry and Commerce, the Rosatom Corporation, the Russian Academy of Sciences, Gazprom, the SCO Interbank Association, as well as representatives of the embassies of Kazakhstan, Uzbekistan, Turkmenistan, and Iran, and representatives of oil and gas companies from Russia, Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan, Iran and European Union countries.

The forum's agenda included issues on the harmonisation of the Caspian states' economic development, including the development of oil and gas transport infrastructure in the countries of the Caspian area, oil and gas producing and refining facilities, enhanced investment processes, as well as

the implementation of existing agreements and improvement in the interests of economic development and ecological security of the region.

Issues of cooperation between all participants of the Caspian Region energy market were also discussed during the forum. Leaders and representatives of different international organisations will be invited to the talks in the nearest future.

ASEAN Economy Ministers discuss issues of boosting economic integration

August 26, 2008

Economy Ministers of 10 member states of the Association of Southeast Asian Nations (ASEAN) held a meeting on August 26, in Singapore in order to discuss issues of boosting economic integration. During the meeting, the ministers called ASEAN and its partners to step up settlement of the remaining issues on agreements on regional free trade and extensive economic partnership.

In accordance with the joint statement, published after the Fortieth Meeting of the ASEAN Economic Ministers, the participants underlined the importance of observance and timely implementation of measures that are foreseen by the plan of establishing ASEAN economic community.

The ministers exchanged opinions on foreign economic relations, including the process of negotiations over agreements on regional free trade and extensive economic partnership between ASEAN and its partners. The participants called ASEAN and its partners to consolidate efforts and show flexibility in order to settle the remaining issues at the earliest possible date.

Third EDB conference on Eurasian integration

October 15, 2008

Eurasian Development Bank held a conference on Eurasian integration in Almaty, Kazakhstan, on October 15–17, 2008.

The key issues discussed at the conference included energy sector development and water resources, the integration of transport networks, institutional and financial issues of transborder infrastructure. A round table on the issues of integration processes, measurement, and estimation, was held within the conference.

This conference brought together economists, scientists, and experts, as well as policymakers from Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Belgium, Britain, Germany, China, USA and Switzerland. Representatives of the World Bank and Asian Development Bank also took part in the conference.

Economy of Partnership

October 20, 2008

The regular session of the Governing Council of the United Nations Special Programme for the Economies of Central Asia (SPECA), as well as economic forums on "investment partnerships for stronger economic cooperation and integration in Central Asia" were held in Moscow. Promoting investment in transport, energy and water was the main topic for consideration and discussions. The meeting also stressed the need for greater cooperation between Central Asia and the rest of Asia, in order to find solution to the problems of global financial instability, and food and energy insecurity.

Speaking at the session, the Executive Secretary of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP), UN Under-Secretary General Noeleen Heyzer briefed participants on UN Secretary-General Ban Ki-Moon's proposal to the UN General Assembly of a joint UN ESCAP-UNECE (UN Economic Commission for Europe) office in Central Asia within the framework of SPECA.

The UN Economic Commission adopted the United Nations Special Programme for Economies of Central Asia for Europe, the United Nations Economic and Social Commission for Asia and the Pacific, and the leaders of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan in March 1998. Azerbaijan and Turkmenistan later joined while Afghanistan has been invited in May 2005. SPECA aims to strengthen sub-regional cooperation in Central Asia, as well as its integration into the world economy. Priority areas of cooperation include energy, water resource management, transport infrastructure, and border-crossing facilitation.

International Banking Conference of CIS member states in Baku, Azerbaijan

October 24-25, 2008

The first International Banking Conference of the CIS member states on the "Financial markets of the CIS countries: development and integration" was held in Baku on October 23-26 under the sponsorship of the CIS Finance & Banking Council, the government of Azerbaijan and the CIS Executive Committee.

About 200 representatives of executive authorities, national commercial entities, central and state banks, leading commercial banks, financial and investment, as well as rating companies of 11 countries, including 8 CIS member states, took part in the conference.

Business agenda and the high level of the conference's organisation made it possible to consider issues of cooperation and integration in financial, banking and investment activities of CIS member states. The plenary meetings of the

conference focused on discussing the issues of organisational and structural support for the banking systems in the context of global liquidity crisis.

Eurasian Energy Summit

December 9-12, 2008

The Eurasian Energy Summit was held on December 9-12, 2008, in Shenzhen and Hong Kong. It is the first large scale fuel and energy event that focuses on new trends and the development of new trading routes for energy industries of Russia, China, Kazakhstan, Central Asia and Asia Pacific, as well as the establishment of an effective networking platform for information exchange between oil, gas and power sector representatives of these countries.

The Summit covered all sectors of the energy industry, with the exception of nuclear. It comprised 3 Forums – the Asian Oil and Gas Forum, Coal Forum CIS-Asia Pacific and Power and Renewable Energy Forum. The Asian Oil and Gas Forum in its turn consisted of specialised oil and gas technology module and 3 conferences. An international conference, entitled “Financing of CIS Energy and Infrastructural Projects on Asian Stock Markets”, was also held within the framework of the Forum.

Financial aspects of oil and gas, coal and power sectors performance in conditions of a global financial crisis topped the agenda of the Forum.