Irina Zhuk, Nadzeya Godes

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CHOOSING A PROPER SCENARIO OF THE MONETARY DEVELOPMENT AND FINANCIAL INTEGRATION IN THE EURASEC

Irina Zhuk, Nadzeya Godes

Belarus State Economic University in Minsk

Key words: globalization, regional integration, Economic and Monetary Union, common currency, single currency.

Abstract

The article is devoted to the problem of choosing an effective scenario of monetary integration within the EurAsEC. A fundamentally new approach is that the Eurasian integration is considered to become an alternative to disintegrative tendencies of post-Soviet countries.

The advisability for a common currency and a system of supranational governance structure are given on the basis of the analysis of development of EurAsEC member states. The reasonability and timeliness of this event as a basis for further development of integration processes and sustainable development of EurAsEC is substantiated.

WYBÓR SKUTECZNEGO SCENARIUSZA ROZWOJU INTEGRACJI WALUTOWEJ W EUROAZJATYCKIEJ WSPÓLNOCIE GOSPODARCZEJ

Irina Zhuk, Nadzeya Godes

Białoruski Uniwersytet Ekonomiczny w Mińsku

Słowa kluczowe: globalizacja, integracja regionalna, Unia Gospodarcza i Walutowa, jedna waluta, wspólna waluta.

Abstrakt

Artykuł jest poświęcony wyborowi skutecznego scenariusza integracji walutowej w Euroazjatyckiej Wspólnocie Gospodarczej. Nowym podejściem jest rozpatrywanie integracji euroazjatyckiej jako alternatywy dla tendencji dezintegracyjnej krajów postsowieckich.

Na podstawie analizy rozwoju krajów członkowskich Euroazjatyckiej Wspólnoty Gospodarczej wskazano dowody przemawiające na rzecz wprowadzenia wspólnej waluty i systemu zarządzania ponadnarodowego. Uzasadniono celowość i aktualność tej akcji jako podstawy do dalszego rozwoju procesów integracyjnych i trwałego rozwoju Euroazjatyckiej Wspólnoty Gospodarczej.

Abbreviations

BRICS – a group of five fast developing countries: Brazil, Russia, India, China, South Africa,
CIS – Commonwealth of Independent States,
EEC – European Economic Community,
EFTA – European Free Trade Association,
EMU – Economic and Monetary Union,
EU – the European Union,
EurAsEC – EurAsian Economic Community,
IFRS – International Financial Reporting Standards,
MERCOSUR – Common Market of the South American countries, economic and political agreement between Argentina, Brazil, Uruguay,
NAFTA – North American Free Trade Agreement.

Stating the problem

The creation process of monetary unions under the modern conditions and the regularities of their development in terms of cooperative integration is a subject for economists to review theoretical foundations of the role of monetary sphere as a motive power for economic integration. This situation is caused by the emergence of the Eurasian Economic Community (EEC), which consists of Russia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan (its membership is provisionally suspended).

Initially the EurAsEC was regarded as a new stage in economic integration among the CIS countries and as a result of strengthening of globalization processes due to the fact some CIS members hold a significant share of world reserves of strategic raw materials, hydrocarbons and uranium including.

We treat the integration processes within the EurAsEC as an interesting aspect for the scientific analysis because of their being an alternative to the disintegration tendencies going on in the former Soviet Union.

Unlike the European Union integration, resulted in the merge of states that have had a long history of own national currencies, the EurAsEC member states belonged until quite recently to the country of a common economic space and the unified currency. The integration cooperation and the associated introduction of the unified currency should be introduced by different rules and pursue other goals under market economy conditions opposed to the existed Soviet command system.

Therefore, the reinterpretation of the actual essence of integration processes in monetary sphere, and as well the choice of scenario, adequate to the needs of the EurAsEC countries is of an undoubted interest.

Results of the research

The integration processes in the financial markets depend on the processes of the globalization, from one hand, and the increasing competition between individual states – from the other. The development of a new effective and modern requirement of the external environment model of financial interaction in post Soviet countries requires considering the following aspects: the history of monetary relations, possibility of foreign experience application and the effects of integration interaction implementation measures.

Most present-day analysts of post-Soviet integration rely mainly on the phased model by B. Balassa. This model implies a well-known stages of the going on integration processes (free trade area, customs union, common market, economic union, Economic and Monetary Union) (OBUHOVSKIJ 2007, p. 28). Yet another stage has been relatively recently included that precedes all other ones, that is the Preferential Trade Area zone (OBUHOVSKIJ 2007, p. 9).

This model has been successfully implemented within the European integration process, that is the world's largest economic and monetary union – the euro zone was created. But such a model was carried out by France and West Germany with the active participation of the United States, pursuing pure political goals, and the path of European integration itself reflects the realities of the Western Europe in the second half of the twentieth century. The attempts to replicate such a model in other regions of the planet, including African one, the former Soviet Union and in East Asia too, was not a success. Instead of a fading concept based on an integration of the „bottom-up process" there comes time when the driving motive for the formation of financial and monetary unification of the states could be identified like the „descending process" as a result of the growing interaction between business entities interested in creating an enabling institutional environment for their development (BALASHOV 2010, p. 38).

This suggests that the orientation exclusively on copying the foreign experience assumes, for the first, the complexity of implementation of separate elements due to the difference in initial conditions, and, for the second, preserving the role of „catching up" countries.

Moreover, the realities of asymmetric economy systems functioning do not fully meet the postulates of the classic theory. In the comparative analysis of the ways of transition to the single currency and the formation of a single currency area in Western Europe, conducted by professor S.L. TKACHENKO (2008) it is not the economic convergence to be considered as a basis of a payments union, but the fact of the necessity of leveling divergences (differences) in the economic sphere, by the establishment of a single currency at the same time.

One should note the scientific works of A. Liebman based on hierarchical cluster analysis – i.e. on considering the integration transformations as a „network" of negotiated agreements at different levels of „institutions", both from the standpoint of their quantity and tendencies or spheres (politics, society), and with the standpoint of the quality changes that could and should occur after ratification (LIBMAN 2008, p. 21).

It is possible to mark the next advantages out of this approach:

1. The universality (no need for extrapolation of integration transformations of each specific union of the countries (EU, NAFTA, MERCOSUR, CIS, EurAsEC);

2. The accuracy (the opportunity to get more precise evaluation of the level and power of the integration, to accurate approach to determining the current stage of the integration processes);

3. preserving the uniqueness of the integrating countries (the possibility to accept the positive traits of other participants of the Union, avoiding an ultimate harmonization);

4. The assessment equivalence of all driving forces of integration (the ability to multivectoral analysis, the elimination of the need to analyze the integration conversion only as „bottom-up" or „top-down" ones).

However, despite the attractiveness, there are certain complexities of A. Liebman's methods application for the Eurasian integration, which mainly consists of lack of the methodological elaboration basis and of the complexity of the data acquisition and processing too, in particular, of transferring quality subjective indicators (e.g. political components, a social base, ethnic dimensions) into the quantity ones.

We believe the development model of monetary and financial integration within the EurAsEC should be based on elaboration of a unique scenario which takes into account both the common Soviet past of the participating States, and contemporary problems of a sustainable economic development.

In this context, we suggest the scenario which describes the future, consisting of coordinated events and sequenced steps with a certain probability to lead to the predicted final state of the system. As a rule, scenarios are qualitative description containing certain quantitative estimates. Here there is a difference between models and predictions, most of which focus on the quantitative indicators only.

To develop an effective scenario of the monetary and financial integration in the EurAsEC O. Butorina's concept (BUTORINA 2005) is of an undoubted interest.

The basis of this concept is fundamentally different from the usual definitions of a regional integration. So, the integration in general is been treated as an effective remedy for stimulating domestic development of the region and for using benefits of globalization to restrict its negative impact at while.

The regional integration by O. Butorina is a „model of conscious and active participation of a group of countries in the world stratification processes caused by globalization" (BUTORINA 2005, p. 142). The principal distinctive feature of the above mentioned definition lies in the intensification of relations between participants, their economic and political systems merging is not a goal of a regional integration, but its instrument. Just the same concerns the formation of supranational governance institutes. The main goal of an integration is however to form *the most successful* global strata[1]. Moreover, the success is understood as strengthening the region's position in the part of areas which are most important for the stage stratification or in the areas where the region has the most opportunities for this.

This concept allows us to step away from economic determinism postulates, removes off a controversial nature of an interaction between political and economic elements of an integration to transfer them into a parallel field of analysis.

So, the above mentioned definition of integration allows us to treat it both as a state and as a process. That is, there is no integration of initial and final stages; there is an *optimum condition*, i.e. the best model of existence in the modern world.

The success of processes of association evaluates the need of new approaches focused on a quality assessment. At the same time, the existing methods of evaluation of supranational interactions (as opposed to interstate ones) do not lose their relevance, and obtain additional integration characteristics.

Thus, the Eurasian monetary and financial integration, to our opinion, is not a final aim but means for achieving a sustainable economic development of the region.

The formation of Economic and Monetary Union of the EurAsEC countries is possible with implementing two alternative scenarios:

1. The payment Union with the dominant state at head (the unilateral monetary union) – providing the single currency;

2. The payment Union with the equal participation of several countries (the multilateral monetary union) providing – the common currency.

[1] Under the stratum we mean the group of countries that do not have similar parameters of socio-economic status, but closely interrelated within the production cycle. I. Wallerstein proposed a theory of the world system, according to which rich countries are accepted for major nations, and countries surrounding it provide the first raw materials in exchange for finished products. According to the theory J. Galbraith countries remain at the bottom of the stratification structure due to traditions customs and ways of life.

The Economic and Monetary Union with one state to dominate

Such a model is consistent with the basic provisions of the hegemonic stability theory. The Russian Federation expresses aspiration to create an economic and monetary union according to the model with a dominant state at the modern stage (PUTIN 2011). These intentions are first of all based on the fact that the economics of the states involved in the construction of the common economic space (the Republic of Belarus and the Republic of Kazakhstan) are significantly inferior to the Russian as to the majority of quantitative indicators (see Table 1). Alongside, the Republic of Belarus demonstrates a number of innovative directions on selected quality indicators adequate to the VI information mode of megaeconomics, and the Republic of Kazakhstan has the advantage of rare materials, which is important for the new economy. However, the real sector of the Russian economy is quite diversified and able to produce most kinds of products specific to the modern industrialized state. During the whole post-Soviet period the Russian Federation maintained a positive trade balance at the expense of energy exports, metals and fertilizers. The Russian Federation is the largest trading partner of most CIS states (MUHAMEDZHANOV 2010, p. 21), but substantially yields to China and a number of Western European countries in exports of innovation into the Republic of Belarus and the Republic of Kazakhstan.

Table 1

Economic indicators of – participant states of the EurAsEC in 2012

State/Indicator	Belarus	Kazakhstan	Russia	Kyrgyzstan	Tajikistan
GDP (bln. dollars)	63.0	202.7	2 014.8	6.5	7.6
Inflation [%]	21.8	6.0	6.6	7.5	6.4
Unemployment [%]	0.6	5.3	5.1	4.8	11.0
Current account balance [mln. dollars]	–1,819.3	6,154.0	71,432.0	–1,411.5	–247.6
Trade balance [mln. dollars]	497.5	43,148.0	192,296.0	–3,001.8	–991.1
Budget deficit [% of GDP]	0.5	–1.5	0.4	–6.6	1.5

Source: Statisticheskij sbornik „Tekushhee sostojanie jekonomiki i finansov gosudarstv-uchastnikov EvrAzJeS za 2012 god" (2014).

However, the presence of all these factors doesn't make inevitable the creation of the Economic and Monetary Union on this model. The negative effects of the Russian ruble introduction as a single currency within the Customs Union is the loss of the monetary, emission and economic independence of Belarus and Kazakhstan.

Furthermore, to S. Bahdankevich's opinion, the minus of the Russian ruble using as a single currency is stipulated by the fact that Russia is a completely raw orientated country and the Russian ruble rate is entirely dependent on raw materials prices, including energy utilities.

Among the negative effects of using the Russian ruble could also be mentioned the reduction of banking resources in the national currencies providing a capacity decrease of central banks to carry out their refinancing (ZHERNOSEK 2012).

Ultimately, the abandonment of the national currencies in favor of the Russian ruble actually means a loss of the capacity to regulate economic growth by monetary methods.

Creating the conditions under which the Economic and Monetary Union of the EurAsEC countries with one dominant state could be successful and sustainable, seems to us a more difficult task than a creation of a monetary union with equal participation of several states. The reason is that „dependent" members of the Economic and Monetary Union will feel that they would not be able to decisively influence on the content and progress of the integration process from the early stages of its construction. Several steps towards the integration would have a rather objective nature, but touch painfully the banking sector of the participating States. To our opinion, the further concentration among banking institutions of the uniting states, by mergers and bankruptcies including, will be inevitable in the development of integration processes after such a scenario.

As to experts, the optimal number of banks in the Republic of Belarus should be 5–7 (now approximate 30), since 85% of the total assets of the banking sector account for this number of banks (BALASHOV 2010, p. 86). Similar situation is in the Russian Federation, the Republic of Kazakhstan and the other CIS countries.

Thus, the scenario based on the introduction of a common currency (i.e., with the equal participation of all States) seems more real and viable within the contemporary post-Soviet space.

The Economic and Monetary Union with the equal participation of several states

In the aforesaid context there are of some interest the criteria established for the admission of countries to the participation in the European EMU which can be evaluated as indicators of „financial health" and be accepted with certain assumptions as parameters of the monetary and financial integration. They are next:

1. The inflation level should not exceed the average level by more than 1.5% of the three EEC member countries with the lowest inflation;
2. The state debt should not exceed 60% of GDP;
3. The state deficit is to be less then 3% of GDP;
4. For at least two years the ranges of exchange rates should be observed provided with the exchange rate mechanism, without devaluing against the currency of other countries of the EEC;
5. Long-term interest rates should not exceed the average of more than 2% for three countries with the more low inflation;
6. The compliance of the limits of mutual exchange rates fixed in the EU (± 15%).

Table 2

The inflation rate in the EurAsEC countries, 2005–2012, in percentage

State	2005	2006	2007	2008	2009	2010	2011	2012
Belarus	7.9	6.6	12.1	13.3	10.1	9.9	108.7	21.8
Russia	10.9	9.0	11.9	13.3	8.8	8.8	6.1	6.6
Khazahstan	7.6	8.4	18.8	9.5	6.2	7.8	7.4	6.0
Kyrgyzstan	4.9	5.1	20.1	20.1	–0.025	18.9	5.7	7.5
Tajikistan	7.1	12.5	19.8	11.9	5.0	9.8	9.3	6.4

Source: Belarus' i strany SNG. Godovye dannye (2014).

Table 3

The total public debt in the EurAsEC countries, 2005–2012, as a percentage of GDP

State	2005	2006	2007	2008	2009	2010	2011	2012
Belarus	8.0	13.0	18.0	22.0	35.0	42.0	50.0	38.0
Russia	14.0	9.0	9.0	8.0	11.0	12.0	12.0	11.0
Khazahstan	8.0	7.0	6.0	7.0	10.0	11.0	11.0	12.0
Kyrgyzstan	86.0	72.0	57.0	48.0	58.0	60.0	52.0	55.0
Tajikistan	42.0	35.0	35.0	30.0	36.0	36.0	35.0	36.0

Source: Belarus' i strany SNG. Godovye dannye (2014).

Table 4

The budget deficit in the EurAsEC countries in 2011–2012, as a percentage of GDP

State	2011	2012
Belarus	1.7	–1.1
Russia	0.4	–0.1
Khazahstan	–2.3	–2.5
Kyrgyzstan	–5.1	–7.8
Tajikistan	–0.6	–0.3

Source: Belarus' i strany SNG. Godovye dannye (2014).

The exchange rate systems of the EurAsEC countries are practically divided into two parts – one for the dollar and the euro, the other – for the rest currencies of the countries. In recent years, foreign exchange systems for the hard currency converged to a large degree, so as in most countries floating exchange rates are applied (with certain modifications). At the same time some countries (Belarus, Kazakhstan) use the „independent floating", and the remaining countries use „managed floating" when central banks carry out the intervention for the rate regulation on the corresponding market. However, despite the fact the afore mentioned countries officially declared to the IMF the application of independent floating mechanism of their currencies, there is a cause to believe they and the central banks do interfere to a greater or lesser extent with the process of the rate formation in the domestic exchange markets.

It is worth of noting that according to the research by Russian scientists T.G. Tumarova and S.G. Kornilovich (TUMAROVA, KORNILOVICH 2007, p. 151) the high level of dollarization, common to all states of the EurAsEC, transmits the shocks of the external relations, destabilizing the national economcs, foreign exchange and financial markets as well.

The analysis of empirical data which are presented in Tables 2, 3, 4 indicates that the European Union convergence criteria at the present stage can be applied fully at three countries – Belarus, Kazakhstan and Russia which form the core of the EurAsAC financial and monetary union. However, the economic and monetary union of these states can not be based entirely on the „European" convergence criteria due to a number of historically determined features of the post-Soviet countries.

In this connection, it seems appropriate to highlight alongside with economic convergence the additional parameters of monetary and financial integration, because this association is a system of asymmetric economics. A number of studies supports the idea that the construction of economic and monetary union on the basis of leveling the divergences, that is, the equal cooperation of states with asymmetrical economies, while taking a decision on critical development issues of the integration process, can ensure the project a long-term sustainability (KOZLOVSKIJ, CHAPLYGIN 2005, p. 106).

We can formulate for the EurAsEC countries the basic direction of a consensus of them in the formation of the Economic and Monetary Union. They are as follows:

1) to provide low inflation rates, comparable with large open economies of the Big twenty, which are not reentrants in the former Big Seven, experiencing a decline at present time;

2) real interest rates, with which the central banks impact on the financial system of the country or on the integration space;

3) free-floating exchange rates, the dynamics of which can be adjusted in course of objective market processes and by using standard tools.

The studies of the monetary integration perspectives in the format of a single economic space in Eastern Europe (Russia, Ukraine, Kazakhstan and Belarus) conducted in 2006 by a group of scientists from Russia, the U.S. and UK led them to conclusion that from the economic point of view, the realization of the Economic and Monetary Union project was premature due to „... lack of structural symmetry between their economies, asymmetric influence of external shocks, as well as the lack of ability to a flexible interaction of market institutions among potential partners" (CHAPLYGIN et al. 2006, p. 48). We do believe that an urgent task for the creation of conditions for the formation of the Economic and Monetary Union is to harmonize the economic policies of the EurAsEC with the view of the above mentioned aspects of the future consensus.

Considering the experience of the EU euro zone the positive mechanisms of the European Union should be used, namely:

1) the mechanism of equal representation of the States Participants in the legislative process;

2) the quota arrangement in senior positions of the supranational structures;

3) the rotation principle while changing officials;

4)ąthe formation of the mechanism of transfers from the collective budget of the association.

Many of these elements showed their advantage in the Eastern Europe countries in the second half of the 20th century and are widely used nowadays in the management structure of the EU, Switzerland, Spain, USA, etc.

The hard barrier for the sustainable development of economies in the integrated space of the EurAsEC is a domination of external factors, especially during periods of the cyclical instability. The danger here is exogenetc, and as a consequence, the non regulativeness of external factors stabilizing the economic development. The fluctuations in the world state of the market (conjuncture) caused by them can quite quickly lead to upheavals that deplete the forming stability. During the period of rapid economic growth (2000–2007) in the EurAsEC member states a structural imbalance has accumulated into the bargain. They clearly showed up at the period of the escape from the crisis in 2009–2011. So, there appeared an obvious system gap between the demand for credit, brought by economies, and the ability of national financial institutions, especially of the non-state sector, to meet such a demand.

The level of mutual trade, which Western countries sought to achieve with the creation of the Customs Union (EEA) or the Free Trade Area (EFTA), the CIS countries inherited from the Soviet Union and subsequently increased it step by step under circumstances of any formal agreements absence (TOCHICKAJA 2008, p. 17).

Until now the mechanisms of payments between the CIS states, in general, cope with the task of servicing two-way good trade. But they do not keep in line with the contemporary stage of integration of the states into megaeconomics, inside of which a developed integration infrastructure is formed.

The Russian Federation roubles displace other currencies, primarily the U.S. dollar and the euro in payment transactions with some CIS countries in the former Soviet economic space. Total volume of transactions using the Russian rubles in 2012 amounted to about 35 billion US dollars, i.e. 57.6% of the total payment turnover within the EurAsEC (Table 5).

Table 5

The share (unit weight) of currencies in payment transactions the Russian roouble with the states – members of the Eurasian Economic Community in 2012, as a percentage

The EurAsEC states	RUB	USD	Euro
Belarus	57.6	30.8	10.9
Khazahstan	52.1	43.6	2.0
Kyrgyzstan	27.1	71.7	1.0
Tajikistan	34.9	57.6	6.5

Source: own study based on data *O dinamike kursov nacional'nyh valjut stran Soobshhestva v uvjazke s prichinami ih izmenenija* (2014, p. 37).

The weak growth of megaeconomy in 2013 may adversely affect the sustainable development of the Member States of the Common Economic Space. The draft decision of the Supreme Eurasian Economic Council „On the main orientations of macroeconomic policy states – members of the Customs Union and the Common Economic Space in 2013–2014" (*Slabyj rost mirovoj jekonomiki v 2013 godu*... 2013) contains a such conclusion. One more negative factor in the Common Economic Space of the three countries is an offer to increase the supply of gas fuels to megaeconomy markets, as well as the development of new technologies for extracting shale gas and production of liquefied gas. The expert opinion states that „the fall in world prices for oil and natural gas will reduce the flow of money into the economy and decline of the corresponding income budgets" (Press-reliz Kruglyj stol „Regional'naja integracija – drajver rosta mirovoj jekonomiki" 2014). However, the financial reserves accumulated in the Republic of Kazakhstan, the Republic of Belarus and the Russian Federation will allow to mitigate somewhat the negative impact on the real economy of these countries caused by the fall in energy prices. To our opinion, only the full economic and monetary union would neutralize the risk of macroeconomic instability of the states with a united economic and currency space.

Russia, Belarus and Kazakhstan will receive a significant increase in economic activity, equivalent to growth of their total GDP by 15 percent for the period 2011–2020 years as a result of the integration of national markets into a single Community market according to calculations of experts of the Institute of Economic Forecasting of the Russian Academy of Sciences for an integrated interindustry balance model (MJASNIKOVICH 2010, p. 60). The usefulness of the common currency and the interest in it depend directly on a number of market participants, which will use it to carry out various forms of economic activity. The growing liquidity of monetary market of the Republic of Belarus and its close ties with the economy of China leads to a reduction in spreads on exchange, what lets to make less costly calculations and bargains.

The necessity of the creation of the payment system of BRICS countries as an alternative to the existing global one, and the formation of a payment union within the EurAsEC are caused by the unreliability of the Jamaican currency system. The volume of U.S. dollars in cash and non-cash circulation has a backing of gold reserves less than 3%. Similar parameter for the Japanese yen is 5%, and for the Chinese yuan – 27% (MESHHERJAKOVA 2010). At the same time the backing up norm of the Russian rubles makes 84%, mutual settlements with the CIS countries and inventory assets, providing equilibrium economic development excluding. The economic development of leading economics of the planet is ensured by a mechanism of credit money, when the ratio of the money supply and international reserves is not essential in practice and affects indirectly on a stability of payment means. However, the development of the third wave of the global economic and financial crisis causes a gold reserves formation on the basis of high-grade assets to minimize losses from the global economic and currency crisis.

So, the transition to a common currency integrated community within EurAsEC in the next 5–7 years, under conditions of continuing instability of the U.S. dollar and the euro, as well as of uncertainty about China's policy regarding the use of accumulated huge foreign exchange reserves, appear to be reasonable, and the preparation for such a step – extremely *well-timed*.

In particular, this step will allow Republic of Belarus to ease the pressure of the National Bank on international reserves, to reduce the danger of an inflation import and default for debt obligations issued or guaranteed by the state.

The financial and economic policy of the EurAsEC countries involved in the project of the creation of the Economic and Monetary Union would become more predictable in case of realization of this specific scenario. The dynamics of the course of a common currency would do be determined by the market under the influence of fundamental macroeconomic factors and at the same time the currency risk would do be spread more evenly between the National Bank of the Republic of Belarus and the Government of the Republic of Belarus, on the one hand, and non-economic actors, on the other one.

The bank of an integrated association within the boundaries of the EurAsEC will have to abandon issuing money firmly entrenched in the practice of the Central Banks of the States Parties, which balance ongoing active transactions. A new strategy for a single emission center of the former Soviet states should become the emission which takes into account the real demand for money. Another strategy to pursue during over a considerable period of time will inevitably lead to shortages or liquidity that retard economic growth and modernization of the economy, or to an excess of liquidity causing an inflation and outflow of long-term investments.

The key institutions that ensure the execution of resource support the real economy targets and low inflation – Central Banks – sould have such authorized documents governing their activities, which guarantee their independence from the executive and legislative authorities in achieving this goal.

The Economic and Monetary Union on the basis of a common currency adoption causes making many political decisions most relevant to the management of the economy on the mega-, macro-and micro – levels. In the EU, only a few states in Eastern Europe (e.g. Estonia, Latvia) were ready to sacrifice their monetary and fiscal policy to focus on the conditions, which have been formulated without them, for joining the Economic and Monetary Union of the EU countries.

There are still no states among the CIS countries, except the Republic of Belarus and the Russian Federation to consider and study monetary integration processes while expressing willingness to correspond with any conditions laid down by another country or group of countries. However, this does not mean that there are no starting conditions to initiate the process of monetary integration in the CIS.

For their implementation one needs the intensive negotiations, the inventiveness of the integration process leading country (Belarus) and its willingness to make significant concessions, allowing other countries to take part in the decision-making process, which so far regards as the priority issues of the leading country, what is not actual under circumstances of information lifestyle in the megaeconomy and new political and economic realities from the standpoint of economic efficiency and long-term sustainability of economic systems.

To make the EMU of the Republic of Belarus, the Russian Federation and the Republic of Kazakhstan remain stabile, these states need to ensure the freedom of transition of the economic factors in practice, market pricing and to reduce the public administration impact, and also to devise mechanisms of a symmetric propagation of external shocks inside the EMU of the three states. The research performed by T. Bayomi, V. Chaplygin, B. Eigengreen, S. Tkachenko on the problem of symmetric response of the State Group to the shock changes of demand, offer, as well as of currency shocks, gives them a valuable tool for assessing the economic sustainability of the future monetary union. the skills of the top management of the Republic of Belarus to take into account political and economic ambitions of partner states and the interest of the states involved in the project to create a successful model of economic and monetary union in the Eurasian economic space are, in our opinion, the important predictors for the successful launch of the EMU within the EurAsEC three states.

The formation of the integrated economic space and the appropriate common currency area of the EurAsEC countries is impossible without a full exchange clearing. Only on the basis of the monetary clearing it is possible to replace currency turnover with foreign markets which use transactions in national currencies with national banks (only on the basis of clearing), and which independently carry out offsetting assets and liabilities. Even today international traders operate with national currencies of the CIS countries (Russian rubles and the Republic of Kazakhstan tenge including) in securious transactions by using global systems of Clearstream and Euroclear.

We are convinced that researchers and policymakers should overcome the dogmas of B. Balassa. The possibility of a simultaneous activity of a group of states to establish a customs union, and the possibility for their partners in the integration alignment to create a common economic space should be recognized (TKACHENKO, GULJAEVA 2009, p. 102). And measures to create a single economic space can be combined with efforts to introduce a common currency of an integrated association. One has also to consider the action that is almost completely absent in Western Europe. E. Vinokurov, A. Liebman call it „the social integration capital" (VINOKUROV, LIEBMAN 2009, p. 53, BALASSA 1975). Under „social integration" we purport the forces that the CIS countries can use for the successful implementation of economic and political integration. The term „social integration" brings together all the complex of social and economic practices, persisting in the CIS after the collapse of the Soviet Union, including the identity elements of the Soviet era inherited by the CIS countries.

Some of these practices tend to a weakening, although still effectively serve to the development of cooperation (e.g., knowledge of the Russian language and an interest in studying it). The other ones are retained due to the fact that they are beneficial for economic reasons, even if noticeable political costs are present (a preserved visa-free regime and free enough labor migration caused by it, especially in Russia). The more sophisticated integration spheres (a free movement of workers) are solved in the CIS faster and more efficiently, that is under circumstances where the formal integration of goods markets made according to the model of the customs union faces the known difficulties. The weak control over the use of labor resources in most of the CIS countries facilitates it. The governing institutes are aware of this, but prefer carrying on the status-quo to strengthen the regulation of this sector.

The institutional model of the EMU in the post Soviet area should be based on different fundamental principles, than they were in the European integration. To our opinion, the economic and monetary integration in the CIS countries will develop on just the basis of the achievements in the development of financial institutions and markets sector of the EurAsEC economies. This process has a stage-by-stage character and consists of the following main stages of forming a scenario which is adequate to the requirements of modern realities for actors of the Eurasian integration.

We think, making the decision on the highest level about building models of financial markets based on the *mutual openness* and *the respect to each other* is the main stage. The openness of the coordinated policy in financial markets will ensure the fairly liberal access for foreign financial institutions from outside of integration association to these markets, while providing the economic security of the united states. The CIS countries should also start developing common principles for the regulation of credit institutions of the first and the second levels by following the accumulated experience in developing of *model legislation* in various areas of the economy and the security sector within the EurAsEC.

The aforementioned *stage of developing the model legislation* is a technical one, in fact, and should be followed by the second stage: *the introduction of the standards on regulating of credit institutions* of the CIS states on a consolidated basis, the arranging a mandatory exchange of information about the structure of the banking sector, the bank conditions and threats to the relationship between the national regulators and new parameters of the risk – based supervision. The CIS states should simultaneously switch to the unified Accounting Standards for all credit institutions (IFRS). In case of a successful completion, this stage will open the perspective of creating a single market for banking products and services for the states participating in the integration project. In fact, in this case the matter is to go about forming a single economic space within which the barriers to the free movement of economic factors, including goods, services, capital and labor would disappear. The credit and banking system of an integrative association for such a market, which is effectively functioning under the same rules, would be vital.

On the basis of the euro zone integration experience of the Economic and Monetary Union of the EU the problem of *creating a single economic and monetary space, based on the common institutions, shared values and legal norms* naturally appears as the third stage.

So, the unified credit and financial market of the EU is built on three general principles:

1) the mutual recognition;

2) the harmonized methods for the regulation by national institutions of all kinds of markets (in which the transnational structures operate on), as well as;

3) the supervision of credit and financial institutions in each country of the euro zone (the second level of the euro zone banking system) on the basis of a single monetary policy performed by the states of the Economic and Monetary Union of the EU countries.

Taking into consideration the specificity of the modern political and economic stage of development of the EurAsEC countries, we can predict the desire of the Central Banks to preserve the full executive power and management tools for the monetary and financial sphere. However, the role of interstate regulating structures seems to us highly desirable to gradually increase in this market segment.

The EurAsEC countries may include in theirs range a certain number of independent and semi-independent institutions that are able to be a kind of „fourth estate" for financial markets alongside with the government, legislators and judicial structures. In future their responsibility sphere and levers of influence will be likely to resemble the authority of intergovernmental structures. The only important issues of credit and financial markets with a political dimension may remain exception here, when government institutions retain the possibility to intervene directly in these markets functioning and to predetermine their practical steps. First and foremost, this concerns conducting anti-crisis interstate policy, as well as modernization and innovative development programs.

The introduction of a common currency within the EurAsEC will open the way to the formation of fundamental basis for the stable monetary zone, which would form the core of the financial markets integration and create the single financial center.

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