

Food Security in the Republic of Kazakhstan in the Conditions of the Customs Union

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Abstract

Background/Objectives: The goal of the paper is to ensure that food security of the Republic of Kazakhstan is one of the most important functions of public authorities. It is realized by state regulation of foreign trade in foodstuff. Modern feature of foodstuff foreign trade regulation in Kazakhstan is that it has to be carried out taking into account the restrictions imposed by the ascension to the Customs Union, the World Trade Organization and formation of the Common Economic Space. The need to consider the specified restrictions determined relevance of the conducted studies, defined their object and the pragmatic purpose. State regulation in the field of ensuring food security of Kazakhstan in the conditions of the Customs Union is accepted as an object of research. **Methods/Statistical Analysis:** As a forecasting approach, the author uses scenario method, which is a factographic one and is based on extrapolating the development trends into the future. The advantage of using the scenario method of forecasting food security level worldwide is expressed in the ability to clearly formulate and compare different probable or desirable development prospects. The technical tools of developing scenarios forecast of food security level in the study is an artificial neural network, i.e., a mathematical model that represents a system of simple processors (artificial neurons) and connections between them determined by weighting indexes. **Findings:** As the carried-out analysis has shown, regulation in the field of ensuring food security has to be directed on decrease in dependence of the state on food imports. One of effective instruments of decreasing import dependence of the Republic of Kazakhstan is customs regulation of foodstuff movement through the customs border of the Customs Union. **Applications/Improvements:** Mode free circulation of goods within the Customs Union will contribute to the expansion of intra-industry trade and industrial and technological cooperation of the participating countries; will create favorable conditions for mutual investment, the formation of cross-border innovation and industrial clusters.

Keywords: Ethernet Management Interface, System Verilog, UVM, Verification

1. Introduction

Improvement of customs regulation in foodstuff movement assumes existence of the corresponding scientific and methodical device considering specifics of foodstuff and a modern economic situation.

The countries of the Customs Union need a single market today, taking into account their plans of further economic integration. Beginning from food balances the CU countries could well cover the needs of each

other. Belarus will deliver sufficient volumes of milk to Russia; Russia will export grain, and soon plans to begin exporting large volumes of fowl. In turn, Kazakhstan can also deliver dairy products and grain to the neighboring countries. The food security of the country is characterized by a wide range of indicators, therefore when carrying out the comparative analysis of food security level in several countries it is necessary to use an integrated approach, but not to draw any conclusions by one or two criteria. In this regard the authors offer carrying out the

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inter country analysis of food security on the basis of the multidimensional comparative analysis enabling to compare some objects by several criteria which degree of the importance is defined by the appropriate weight coefficient. Results of the multidimensional comparative analysis of food security of the CIS countries which is carried out on the basis of comparison of GDP growth rates, consumer price indexes, the monetary income of the population, volumes of agricultural production, volumes of import and export of food are shown in Figure 1.

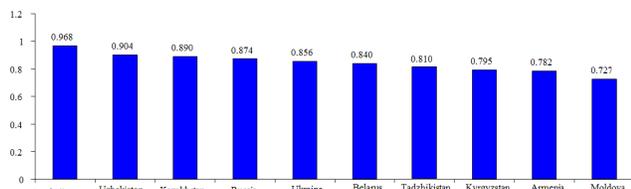


Figure 1. Results of a comparative assessment of the countries’ food safety in 2014 source: Authors’ research.

If necessary this method can be used to estimate food security of regions within one state.

The studied foreign experience of the mechanism formation for ensuring food security is based on carrying out effective agro food policy of the state: The organization of research and development programs in agro-industrial sector, state regulation of agriculture crediting and price formation processes relating to the main types of food products, implementation of the budgetary policy directed on promoting sustainable and stable development of domestic agro-industrial complex.

As a result of social and economic transformations in Russia, the system of agro-industrial complex functioning has been established based on the priority of the market relations and multi structure economy.

After a considerable recession in the nineties positive dynamics was noted in the production of agricultural products and food in the last decade, the economy of agricultural producers became stronger, the condition of the social sphere of rural territories improved a little.

It was promoted by implementation of the priority national project “Agrarian and Industrial Complex Development”, the State Program for Agricultural Development and Regulation of Agricultural Products, Commodities and Food Markets, 2013–2020 in compliance with the Federal law “On Agriculture Development”. In 2010 the Decree of the President approved the Doctrine of Food Security of the Russian Federation and the Action Plan for its implementation.

In the Republic of Belarus for the purposes of increasing the level of food supply of the population, growth in production of competitive agricultural products the State Program for Village Revival and Development for 2005-2010 was implemented. Now the State Program for Sustainable Development of Village for 2011-2015 and the State Integrated Development Program for potato, vegetable and fruit growing in 2011-2015 are carried out, and the Concept of National Food Security of the Republic of Belarus has been adopted.

In the Republic of Kazakhstan the Concept of Sustainable Development of Agro-Industrial Complex for 2008-2013 years and the Program for Immediate Measures for 2010-2015 for its realization is developed for creating the conditions for preservation of high rates of economic growth, ensuring price stability and increasing the competitiveness of economy. So far, the Program of development of agro-industrial complex of the Republic of Kazakhstan for 2010-2015 has already been implemented.

The share of agriculture, hunting and forestry in a gross value added in Russia, Belarus and Kazakhstan traditionally significantly differ and make 4.5%, 9.1% and 5.4%, respectively (Figure 2).

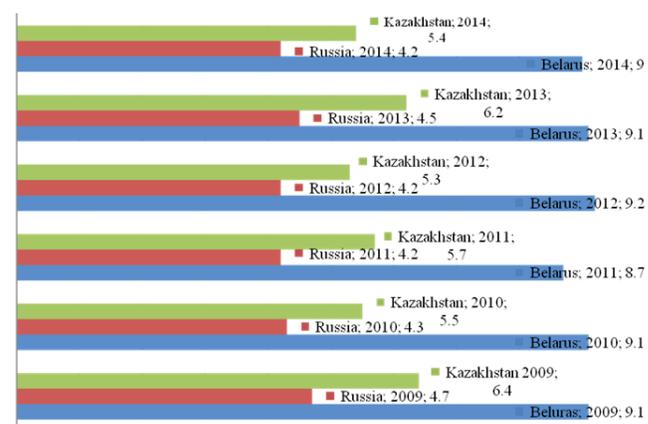


Figure 2. Specific weight of agriculture in gross value added in the basic prices, %.

Comparing output indicators of the main types of crops per capita in the countries of the Customs Union, it is possible to note that in the Russian Federation their values remain higher than in the Republic of Belarus and the Republic of Kazakhstan, and they rank below in yielding capacity to the Republic of Belarus concerning all items and to Kazakhstan with regard to potatoes and vegetables (Tables 1, 2).

Table 1. Crop production in farms of all categories, million tons

Result	Years						
	2002	2009	2010	2011	2012	2013	2014
Grain (in weight after completion)							
Belarus	4.9	6.4	5.9	7.2	9.0	8.5	6.9
Kazakhstan	11.5	13.7	16.0	20.1	15.6	20.8	12.2
Russia	65.4	77.8	78.2	81.5	108.2	97.1	61.0
Sugar beet							
Belarus	1.5	3.1	4.0	3.6	4.0	4.0	3.7
Kazakhstan	0.27	0.31	0.34	0.3	0.13	0.18	0.15
Russia	14.1	21.3	30.7	28.8	29.0	24.9	22.3
Potatoes							
Belarus	8.7	8.2	8.3	8.7	8.7	7.1	7.8
Kazakhstan	1.7	2.5	2.3	2.4	2.3	2.7	2.5
Russia	29.5	28.1	28.3	27.2	28.8	31.1	21.1
Vegetables							
Belarus	1.4	2.0	2.2	2.2	2.3	2.3	2.3
Kazakhstan	1.5	2.1	2.0	2.2	2.2	2.5	2.6
Russia	10.8	11.3	11.4	11.5	13.0	13.4	12.1

Table 2. Productivity of crops farms of all categories, c/ hectare

Result	Years						
	2002	2009	2010	2011	2012	2013	2014
Grain (in weight after completion)							
Belarus	19.4	28.1	24.9	28.5	35.2	33.3	27.7
Kazakhstan	9.4	10.0	11.7	13.3	10.1	12.6	8.0
Russia	15.6	18.5	18.9	19.8	23.8	22.7	18.3
Sugar beet							
Belarus	292	316	376	387	439	450	395
Kazakhstan	154	209.2	240.8	248.9	204.3	182.9	174.3
Russia	188	282	325	292	362	323	241
Potatoes							
Belarus	134	177	192	212	221	186	214
Kazakhstan	106	150	153.6	155.8	143.7	160	143
Russia	105	124	133	132	138	143	100
Vegetables							
Belarus	134	208	212	220	234	242	247
Kazakhstan	153	196.0	201.0	211.0	204.0	218.7	214.4
Russia	143	170	173	179	196	199	180

When comparing the countries in terms of level of livestock production per capita, it should be noted that meat production in Belarus is higher than in Russia and Kazakhstan approximately by 1.5-2 times, milk

production exceeds by 2-2.5 times, and egg production – by 1.3-1.7 times (Table 3).

Table 3. Livestock production in farms of all categories

Result	Years						
	2002	2009	2010	2011	2012	2013	2014
Cattle and bird on slaughter in live weight, in total, million tons							
Belarus	0.85	1.02	1.12	1.18	1.21	1.33	1.4
Kazakhstan	0.6	0.76	0.81	0.84	0.87	0.89	0.93
Russia	7.0	7.7	8.1	8.7	9.3	9.9	7.2
Milk, in total, million tons							
Belarus	4.5	5.7	5.9	5.9	6.2	6.6	6.6
Kazakhstan	3.7	4.7	4.9	5.07	5.2	5.3	5.3
Russia	32.3	31.1	31.3	32.0	32.4	32.6	31.8
Eggs, in total, bln pcs.							
Belarus	3.3	3.1	3.3	3.2	3.3	3.4	3.5
Kazakhstan	1.7	2.5	2.5	2.6	2.9	3.3	3.7
Russia	34.1	37.1	38.2	38.2	38.1	39.4	40.5

Positive dynamics continues for such types of products as meat and meat products, whole-milk products, fat cheese, vegetable oil in the countries of the Customs Union in spite of the fact that now average per capita consumption of such foodstuff as meat and meat products, milk and milk products, fish and fish products, eggs, vegetables and fruit in Belarus, Kazakhstan and Russia remains below the recommended rational norms of consumption. At the same time average per capita consumption of bakery, macaroni, cereals and potatoes exceeds the recommended rational norms of consumption (Table 4).

In general it is possible to note rather high level of coincidence of tendencies in the sphere of functioning of agro-industrial complexes and agro food markets of Belarus, Kazakhstan and Russia, and the existing distinctions generally are defined by structure of economies of the countries and its influence on the Agrarian and Industrial Complex (AIC), placement and specialization of agricultural production, proceeding from the specifics of natural environment¹.

In the course of long joint development of the republics as a part of the former USSR there was a deep social division of labor established between them. Long-term production for each other caused high degree of their interrelation.

Table 4. Consumption of main types of the food per capita in a year, kg

Types of food	Years						The recommended amount of consumption on average per capita
	1992	2002	2011	2012	2013	2014	
Meat and meat products (in terms of meat)							
Belarus	76	59	70	75	77	84	80
Kazakhstan			49	49	51	53	
Russia	75	45	62	66	67	69	70-75
Milk and (in terms of milk)							
Belarus	428	295	250	233	224	247	393
Kazakhstan			208	204	210	204	
Russia	387	215	241	243	246	247	320-340
Potatoes							
Belarus	171	174	188	189	181	183	170
Kazakhstan			45	45	43	42	
Russia	106	118	132	111	113	104	95-100
Vegetables and melon							
Belarus	78	93	138	143	146	149	124
Kazakhstan			73	73	76	71	
Russia	89	86	110	100	103	101	120-140
Bread and bakeries							
Belarus	127	110	92	89	86	86	105
Kazakhstan			122	122	121	123	
Russia	120	117	121	120	119	119	95-105

2. Research Methodology

Now, despite growing specific weight of foreign countries in the foreign trade, high degree of interdependence of the Customs Union states remains in the CIS domestic market. The foreign economic specialization of three countries substantially coincides on the integrated commodity groups. For example, the share of goods directly competing with Russian commodities made a little more than 50% in Belarus and 90% in Kazakhstan. Thus, the question arises whether the member countries of the Customs Union are ready to refuse production of goods which in the conditions of its formation will enter the competition with their analogs made by the partner states.

Therefore a key question of further integrative rapprochement of Russia, Belarus and Kazakhstan is an issue of integration advantages, their character, terms, availability to business and the population.

An obvious advantage of integration consists in considerable reduction of transactional expenses of conducting business activity in the single customs territory of the Customs Union where there are no internal customs borders and administrative formalities are minimized. It

is supposed to provide free circulation of products which is subject to an obligatory assessment of compliance by simplification of procedure for confirming compliance of goods with obligatory requirements, and also acceleration of development and adoption of technical regulations of the Eurasian Economic Community by delegating powers to the Customs Union Commission for adoption thereof. The regime of free circulation of goods in the Customs Union will promote expansion of intra-branch trade, as well as production and technological cooperation of member countries and will create favorable conditions for mutual investment, formation of cross-border innovative and production clusters.

Consecutive improvement of the foreign trade, first of all customs, regulations within the Customs Union is a factor generating essential advantages for business.

A number of advantages of establishing the Customs Union and Common Economic Space are, at first sight, less obvious, but due to this they are not less significant - these are the advantages determined by the very format of integration.

Firstly, in most cases when developing regulatory legal base of the Customs Union and the Common Economic Space the advanced practice of the Customs

Union countries has been used, therefore supranational regulation is based on more perfect principles, norms and rules than those contained in the national legislation.

Secondly, the decision-making process within the Customs Union assumes careful preliminary study at the national level and coordination between the participants of the Customs Union, discussion in the Commission of the Customs Union, and therefore the requirements for validity and reasonableness of the proposed solutions are raised. Thirdly, certainly, the arising pressing need in establishing, effective information exchange by means of modern information technologies primarily between tax and customs authorities of the member countries can be referred to the category of advantages of the Customs Union creation.

3. Results and Discussion

The results of some questions of food security in three countries are visualized in the given graphs and discussions.

The advantages of creating the Customs Union are the advantages of deepening integration which are shown in a longer interval of time connected with creation the common market for the member countries providing saving at production scales, rationalization of import and increase in the degree of self-sufficiency in a number of important market segments, improvement of the competitive environment, enhancement of specialization of the countries and certain regions within a common economic space.

Potential benefits of integration for each member state of the Customs Union are the following:

- For Russia potential benefits from the Customs Union formation are concentrated on the development of commodity streams, decrease in costs for passing of customs administration procedures. The expected growth of the Russian export to Belarus and Kazakhstan in connection with the increased Common Customs Tariff (CCT) for a number of goods for the partner countries, first of all, for Kazakhstan is a key factor here.
- For the Republic of Belarus the additional budget income within the Customs Union can make up to 28.3% of volume of the import duties and other importing payments received in 2008. Introduction of the Common Customs Tariff strengthened tariff protection of the Belarusian domestic market to a certain

extent. Before its coming into effect in 2006-2009 the Belarusian weighted average tariff made 8.04%, while in the Russian Federation it was 12.34%. Use of CCT as a basis of the Russian rates “scaled” Belarus up to the Russian level.

- For Kazakhstan participation in the Customs Union will become an additional factor providing its economic and political stability, it will allow expanding significantly potential sales markets both for further development of economic sectors which are more or less successful now, such as fuel and energy, nonferrous and ferrous metallurgy, grain farming, and for revival of industries fallen into decay, for example, winemaking, production of fruit, vegetables, etc.; more favorable conditions will be created for inter country mobility of capital and labor that will be a powerful factor of economic and social development; the competitive field will significantly extend². However, recognizing the obvious advantages, it is impossible to deny also the existence of negative effects for the economies of the Customs Union countries. It is possible to refer to the number of integration restrictions also the distinctions in the economies of the member countries, both in terms of management methods, and ownership structure. This predetermines their different priorities on the way of further integration and the foreign economic policy in general. In particular, Belarus where the most part of property is concentrated in the hands of the state differs considerably by this criterion from Kazakhstan and Russia where private form of ownership prevails. This generates not only the problems in the member states’ relationship in the sphere of capital mobility, but also is a reason of various positions of the countries at negotiations on accession to the WTO.

A considerable problem in medium-term prospect is represented also by the fact that the foreign economic policy of the Customs Union member countries is formed primarily concerning Russia, whereas direct cooperation of Kazakhstan and Belarus is very limited. It is clearly demonstrated by the fact that more than a half of commodity turnover between two countries accounts only for 4 commodity groups. Meanwhile, import from the Republic of Belarus makes about 1% of the general import of Kazakhstan. It is also necessary to consider the “effect of trade diversion” which implies that in connection with more favorable conditions the Customs Union countries will buy less competitive goods from each other instead of buying more competitive ones of the third countries.

In this case it is necessary to understand that creation

of the Customs Union with the present membership will not exert essential impact on the development of national economies in the medium-term prospect. However, if to take political and strategic factors into account, formation of the Customs Union makes sense, even despite some losses in efficiency.

Creation of the Customs Union directly affects a perspective of accession and subsequent work of the member countries in the WTO. The joint position of the Customs Union members is that conditions of accession of three countries in the part falling within the scope of the Customs Union jurisdiction have to be unified.

Obligations of Russia in subsidizing agriculture, in the course of accession to the WTO, provide for the average annual volume of the state support for agriculture at the rate of USD 9 billion with actually available amount being now USD 4.4 billion and volume of export subsidizing of USD 156.9 mln.

Accession to the WTO has both the pluses and minuses. Calculation of economic consequences of accession is objectively difficult. More or less reliable estimates of consequences can be made only after completion of negotiations and experience of the first years of applying the WTO agreements when it will be possible to estimate influence of participation in the WTO from the view point of trade growth, reduced or increased number of trade conflicts, influence of the legislation adapted for the WTO norms on development of national economy.

A certain advantage of accession to the WTO is harmonization of the national legislation in compliance with the international requirements aimed at providing rather stable and predictable conditions of activity for all exporters and importers, including products of the agrarian and industrial complex. Acceptance of rules of the game, uniform for the entire world community, promotes acceleration of transition of AIC branches to the civilized market relations, will exert positive effect on the investment climate, will improve conditions for access of domestic AIC products to the foreign market, will create additional conditions for increase of their quality and competitiveness. Owing to liberalization of foreign trade consumers will get access to various import goods and services.

Along with the right for protection against the unfair competition in the world food market, domestic producers will have an opportunity to exercise it by using the special WTO trade dispute settlement mechanism, directly to

participate in formation of rules of international trade in raw materials and food, being guided by national interests.

After accession to the WTO, the development of an export potential of the branch, and also increase in foreign investments should be referred to the positive factors of development of domestic agrarian and industrial complex of the countries, as well. The positive effect from accession of the countries to the WTO and opening of the domestic market of agricultural products should be expected only in the long term when increase of production competitiveness and the export of the processed AIC products caused by it will allow compensating negative consequences as a result of the market opening and expansion of imported agricultural products.

Alongside accession of the Customs Union countries to the WTO and implementation of the international obligations connected with it can create not only additional social and economic difficulties, but also have negative consequences for the AIC development. The WTO membership will limit possibilities of the states in regulation of foreign economic activity; in particular, binding the levels of the import customs duties limits maneuverability and flexibility of state regulation of customs and tariff measures. The economic situation of the majority of animal husbandry and plant growing branches will deteriorate because of low competitiveness of products underpinned by the low level of provision with qualitative factors of production, and also weak interaction of agricultural production with industries and services sectors. In addition, protection of domestic producers by the states will become complicated and encumbered as because of decrease in levels of import customs tariffs access of the foreign food to domestic market will be facilitated, which can lead to reduction in production of own products.

Possible aggravation of a food security problem can be referred to the principle threats to the AIC competitiveness of the countries connected with the foreign trade liberalization; this problem is characterized by two main aspects – the scales of the import food penetration and often poor quality of this products. Maximum permissible level of a share of import in the internal consumption of food equals to 20%. For example, in Kazakhstan the share of imported fowl makes over 70%, in Russia the share of imported products in the domestic market also exceeds 30%.

Another not less important problem in the field of agriculture, within the WTO is regulation of trade in

Table 5. Main socio-economic indexes of the Customs Union countries and the Kyrgyz Republic, 2014

Rate	Kyrgyzstan	Belarus	Kazakhstan	Russia
GDP, USD bln.	5.05	60.3	135.6	1676.6
Agriculture, %	0.26	8.54	6.20	6.12
Industry, %	0.17	38.62	41.94	39.2
Services	0.57	52.84	51.86	54.31
GDP dynamics, %	107.6	110	103.3	105.6
GDP per capita, USD thousand	0.95	6.23	8.72	11.81
Export, GDP %	61.13	54.01	60.71	28.1
Import, GDP %	95.41	65.31	40.66	17.4
Postal orders and compensations, USD bln.	1.23	0.45	0.19	6.03
Inflation, deflator of GDP, %	126.4	116.4	121.4	118.04
Population, one million persons.	5.31	9.67	15.55	142.0
Growth of the population, %	101.1	99.81	100.1	99.86

genetically modified foods. Belarus, Kazakhstan and Russia have already faced the problem of regulation of importing genetically modified foods. Legislative norms are not carried out in practice as law-enforcement practice does not operate in this area. Decrease in the share of domestic food producers in the domestic market also belongs to negative factors of the foreign economic liberalization, which in turn, will affect employment in the allied industries. The most vulnerable are branches of the food industry, in particular meat and dairy one. The ongoing wear of agricultural facilities, reduced natural fertility and decrease in stability of agricultural production may introduce very essential amendments in the optimistic forecasts.

Regardless of conditions and terms of accession to the WTO, the Customs Union countries need to carry out measures, providing system modernization and competitiveness of agrarian and food sector products, development of social and market rural infrastructure.

Kyrgyzstan is of small value for Russia in the economic sense. First of all, it should be noted that the Customs Union member countries are far ahead of Kyrgyzstan in their economic development - the sizes of economies of the Customs Union countries separately exceed the economy of Kyrgyzstan in some tens of times (Table 5).

However, location of Kyrgyzstan in Central Asia, especially, its border with China, makes the state a key point of import of cheap Chinese goods. In addition, since China slowly adjusts communications and influence in Central Asia, especially in the economic sphere, Russia will be interested to block its influence.

Trade and economic relations between Kyrgyzstan and the Customs Union countries are traditionally strong with the settled nomenclature of goods having a tendency to annual growth, though lagging behind growth rates compared with foreign countries.

Specific weight of the Customs Union members-countries of for the last four years averages 41% of all foreign trade turnover of the Kyrgyz Republic from which the greatest part is occupied by the Russian Federation - about 29%, a share of Kazakhstan is about 12%, Belarus takes about 0.8%. Kyrgyzstan's import from the Customs Union countries makes about 47% of the total import; export makes about 31% of the total amount of export³.

Considering the influence of the Customs Union rules on foreign trade of Kyrgyzstan, it is necessary to take into account that changes will concern only the relationship with the third countries. Trade and economic cooperation with the Customs Union countries will not undergo cardinal changes in view of existence of the free trade zone which provides a mutual zero customs rate on goods. Indirect positive impact on trade will be made by simplification or elimination of customs procedures inside the Customs Union and thus the businessmen's expenses on export and import of goods will decrease. In the Customs Union upon transition to the Common External Tariff Russia raised rates of duties for 2% of commodity headings, Kazakhstan - for 45% of headings, Belarus - on 10%. For Kyrgyzstan this indicator will make more than 60%.

Thus, at accession of the Kyrgyz Republic to the Customs Union receipts on customs tariffs in the budget

theoretically will increase considerably provided that level of demand will remain at the former level. But it is necessary to highlight that application of the Common External Tariff will lead to significant increase in the prices for separate types of goods, in particular cars and some other the raw products delivered to the country from foreign countries, including from China. In general, direct influence of the customs duties change on a consumer price index of the Kyrgyz Republic will make about 1.42% totally, towards increase. For example, the prices will increase twice for such groups of goods as “sugar and confectionery thereof” (Customs commodity code 170000), they will be half as much again for “fats and products of their splitting” (Customs commodity code 150000), and half as much again for “products from flour and milk” (Customs commodity code 190000), etc⁴.

The notable increase in customs tariffs for AIC products will lead to increase in prices, reduction of demand for qualitative products. And it must be kept in mind that the agro sector and the food industry make about 30-40% of GDP. In case of a raising customs tariffs to the level of the Customs Union, the expected effect will be increased prices in the domestic market.

In the long term it could be expected to fill the formed vacuum with local goods. However, inefficient small peasant and farm households prevail in agriculture of Kyrgyzstan, and the transition to large agro-industrial complexes with highly competitive products is very cost-intensive and will require the involvement of large private investments. At the same time the very limited possibilities for agricultural subsidies on behalf of the state should be taken into account.

A serious problem for the participation of Kyrgyzstan in the Customs Union is the membership of the Republic in the World Trade Organization. In particular, within this organization, Kyrgyzstan has committed not to increase the current rates of customs duties in relation to the third countries, which is totally unacceptable for the other members of the Customs Union. In case the Republic changes its obligations under the WTO towards increasing customs duties to the level of the Customs Union, there will arise the issue of compensation, the amount of which will make about USD 103 million.

The absolute size of the integrative effect for the first scenario, i.e., in the context of the full-scale establishment of the CES, is characterized by the following parameters (Table 6).

Table 6. An absolute value of integrative effect in the conditions of full-scale creation of EEP, USD bln

	5 years	10 years
Russia	345.8	566.8
Belarus	16.4	30.2
Kazakhstan	28.0	46.8
Ukraine	90.7	128.8
Total	480.9	772.6

The cumulative effect from economic integration of Russia, Belarus, Kazakhstan and Ukraine over 10 years increases to USD 773 billion, which makes 32% of modern level of total GDP of the CES countries. Due to activation of the integration process by 2015 Ukraine will have received additional 34% of its GDP modern level⁵.

On the basis of the analysis of calculation results using mechanisms of the Customs Union, the following estimates of the absolute extent of integrative effect (Table 7.) are received.

Table 7. Absolute value of integrative effect, USD bln

	5 years	10 years
Russia	70.3	305.3
Belarus	2.8	14.3
Kazakhstan	8.2	20.7
Ukraine	9.8	58.8
Total over the CES countries	91.0	399.0

In 10-year prospect the size of total integrative effect of the CES countries under this scenario will amount to approximately USD400 billion, making 17% of modern level of total GDP of the CES countries.

In case of failure of Ukraine to enter the Customs Union, reduction of export to Russia by USD 1.4-1.9 bln or by 10-14% (Table 8.) is expected.

Table 8. Possible expansion (reduction) of export from Ukraine to Russia, USD billion

	1st option	2nd option	3rd option
Export gain, except hydrocarbons, USD bln.	4.6	1.2	-1.4/-1.9
% to the total worth of export to the Russian Federation	34.3	9.0	-10.4/-14.2

It is rather obvious that dimension of future economic efficiency owing to the entry into the Customs Union, as

well as into CES, can significantly increase at the adequate account for not only purely trade effects from increase in export and import and change of the foreign trade prices, but also for the effects of concentration and the coordinated development making possible investments into the areas where they would be insufficiently profitable at the other dimensions of the market, and also effects from the general improvement of terms of trade with the third countries owing to increase of “the political weight” of the joint force in the international negotiations.

4. Conclusion

Problem of food security in the conditions of modern economy development: Instability of the prices of foodstuff, natural cataclysms causing crop failures, the considerable specific weight of import goods in the internal consumption, unwarranted quality of products, the accruing phenomena of the world financial crisis, is of paramount importance.

Based on the experience the developed industrial countries, the national legislation is urged to regulate the mechanism for state regulation of agro-industrial complex, the providing program and target and indicative planning, regulation of parities of the prices, fight against speculation in the AIC, implementation of tax, financial and social policy, the budgetary financing, innovative policy, crediting and insurance of agriculture, regulation of foreign economic relations.

It is expedient to study the mechanism of ensuring food security of Kazakhstan at various levels as the influence of external (international) and internal (regional) factors takes place.

In conditions of the existing real threat of global food crisis it is necessary at the government level to develop the

comprehensive program of food security of the Republic which should define the main objectives and tasks of the state, region, the agricultural producer, concretize the dates of implementation and develop the mechanism of ensuring food security⁶.

Carrying out monitoring of food security enabling to regulate purposefully the foreign trade operations and to define optimum rates of the customs duties on import of foodstuff, and implementation of the programs for social and economic development of agro-industrial complex based on the state regulation of the prices for the main food products and aimed at production of competitive agro food production are a fundamental basis for improving the mechanism of ensuring food security of the Republic of Kazakhstan.

5. References

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