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Ключові слова: водопостачання, забезпеченість послугами, розширення ринку, інвестиції.

Ключевые слова: водоснабжение, обеспеченность услугами, расширение рынка, инвестиции.

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INTEGRATION PROCESS OF THE CIS TO BENEFIT GLOBAL FOOD SECURITY

Литвин О. Є. Інтеграційний процес країн СНД заради глобальної продовольчої безпеки. Зроблено аналіз великого ресурсного потенціалу провідних країн СНД – Росії, України та Казахстану та можливого створення Зернового Союзу, що дозволить країнам виступати в якості конкурентних учасників на світовому ринку та впливати на глобальну продовольчу безпеку.

Литвин Е. Е. Интеграционный процесс стран СНГ на благо глобальной продовольственной безопасности. Сделан анализ большого ресурсного потенциала ведущих стран СНГ – России, Украины и Казахстана и возможного создания Зернового Союза, что позволит государствам выступать в качестве конкурентных участников на мировом рынке и влиять на глобальную продовольственную безопасность.

Lytvyn O. Integration Process of the CIS to Benefit Global Food Security. This article shows a big resource potential of the leading CIS countries – Russia, Ukraine and

Kazakhstan and possible creating of the Grain Union that allows countries to be competitive on the world market and influence a global food security.

Introduction. This article is devoted to the integration process of the CIS concerning creating of the Grain Union and influence on the global food security. The research covers practical basis of the export policy of these countries, their specificity in the global grain market place, and impact of Ukraine on the EU-27.

Analysis of the publications. The fundamental contribution into investigation of general theoretical and special problems of agricultural integration and trade activity is made by the outstanding scientists and economists such as: E. Skrinik, A. Korbut, V. Dimura, V. Klimov, U. Dualet and others.

The core of the article is analysis of the integration process of Ukraine, the fulfilment of the FTZ with the EU-27 or joining the Customs Union and creating the Grain Union with Russia and Kazakhstan.

Main results and discussion. Increasing the amount of food available is necessary to feed the growing population. The Green Revolution of the 1970s and 1980s led to huge increases in output, largely due to the cultivation of high-yielding varieties of rice and wheat, the expansion of land under production and irrigation, greater use of fertilisers and pesticides and greater availability of credit.

Food security exists when all people have physical and economic access to enough safe and nutritious food to meet their dietary needs and food preferences for an active lifestyle.

Specific programs to improve food security should include: improving farms and productivity; constructing food stores and improving roads so that food can be moved to where it is needed or where it can be sold; promoting national and international trade to encourage economic growth and poverty reduction; promoting rural development, including sustainable agricultural production and management of natural resources; preparing for disasters and emergencies to meet transitory and emergency food requirements in ways that encourage recovery and rehabilitation.

The amount and quality of food available globally, nationally and locally can be affected temporarily or for long periods by many factors including climate, disasters, war, civil unrest, population size and growth, agricultural practices, environment, social status and trade. When there is a shortage of food prices increase and while richer people will likely still be able to feed themselves, poorer people may have difficulty obtaining sufficient safe and nutritious food without assistance.

Population growth increases the demand for food. With most productive land already in use, there is pressure for this land to become more productive. Poor harvests and higher costs lead many poor farmers to migrate to cities to look for work. Expanding cities spread out across productive land, pushing food production further and further away from consumers. This increases the cost of all the activities associated with producing and transporting food, and decreases the food security of the poor in cities.

Between 1960 and 1990 world cereal production more than doubled, food production increased by one-third per head, daily intake of calories increased by one-third, and real food prices fell by almost half. There is enough food in the world for everyone to have enough to eat, but it is unevenly distributed [1].

Rich governments and corporations are buying up the rights to millions of hectares of agricultural land in developing countries in an effort to secure their own long-term food supplies. The controversial rise in land deals could create a form of "neocolonialism", with poor states producing food for the rich at the expense of their own hungry people. The South Korean firm Daewoo Logistics has secured a large piece of farmland in Madagascar to grow maize and crops for biofuels. Libya has secured 250,000 hectares of Ukrainian farmland, and China has begun to explore land deals in Southeast Asia [2].

Oil-rich Arab investors, including the sovereign wealth funds, are looking into Ukraine, Kazakhstan and Pakistan [3]. Some countries are using the acquisition of land for agriculture in

return for other gains. Egypt is seeking land acquisition in Ukraine in exchange for access to its natural gas. Qatar has plans to lease 40,000 hectares of agricultural land along Kenya's coast to grow fruit and vegetables, in return for building a £2.4 billion port close to the Indian Ocean tourist island of Lamu [4].

Many developing countries and countries in transition can produce staples more cheaply than developed countries but barriers to trade, such as distance from markets, quarantine regulations and tariffs make it difficult for them to compete in export markets against highly subsidised farmers in rich countries. This deprives poor farmers of income and entire countries of the agricultural base they need to develop other sectors of the economy. In addition, trade imbalances prevent developing countries from importing agricultural products that could enhance their food security.

The integration process of the grain markets of Russia, Ukraine and Kazakhstan – among the most powerful world producers and exporters of grains – has become evident during the last year. In perspective Russia, Ukraine and Kazakhstan intend to create the Grain Union of three leading countries: this Grain Union will be a serious competitor to the developed countries – grain exporters especially of the US, EU, Canada Australia and Argentina.

France Spain, Italy and Germany, being the largest agricultural produces in the West Europe, can meet serious problems, having higher prices on the grain products compared to the CIS, sharing the markets and trade areas in Africa and Asia. In October 31, 2011 the world population has been 7 bln inhabitants that influence the increasing need of food production: grain facilities of these three CIS countries will be ready to meet a big demand of the world and influence a global food security.

Russia, Ukraine and Kazakhstan presented the first time their idea about creating a grain pool in the “World Grain Forum” in Saint Petersburg in June 2009. The main purpose of such pool was to reduce prices for logistics and optimize the ways of grains’ delivery to the customers [5]. In reality, creating of the Grain Union would allow three countries to make a coordinated policy of expansion in the world grain market, to reduce price volatility and their dependence on the speculative factors.

The first step for creating the grain pool was the offer of Russia to open «infrastructural corridor» on the basis of created “Joint Grain Company” in 2009 that would help to unite the resource potential and forces of three countries. In summer 2011 Ukraine completed readiness to the UNO to create a global grain fund on its territory that showed a potential and possible leading position of the country in the world grain market.

Competition among Russia, Ukraine and Kazakhstan is not so big in the world grain market, because the wheat from Russia and Kazakhstan is mostly a bread grain and from Ukraine is a fodder one.

The agrarian policy of the CIS is more oriented on the intensive factors of grain production, increasing its efficiency and exports. On the whole, the CIS having the population almost 279 million inhabitants (4,3% of the world) produce practically 150 million tonnes of grains mostly wheat, barley and maize. The production of grains of the CIS is 447,3 kg per capita in comparison with 208,7 kg world index. Russia, Ukraine, Kazakhstan have the highest level of grain production per capita, despite the reduction of sowing areas for the last decades. In general, the wheat takes 66,8% in the grain production structure of the CIS, barley – 26,2% and maize – 7,4%. Russia, Ukraine and Kazakhstan take the third place in the wheat production after the EU-27 and China and the second place in the wheat export after the US. The biggest wheat export of Russia, Ukraine and Kazakhstan was in 2008/09 MY and made 23,5% of the world one (Charts 1-2). In 2002 and 2008 Russia, Ukraine and Kazakhstan were top leader in the wheat export.

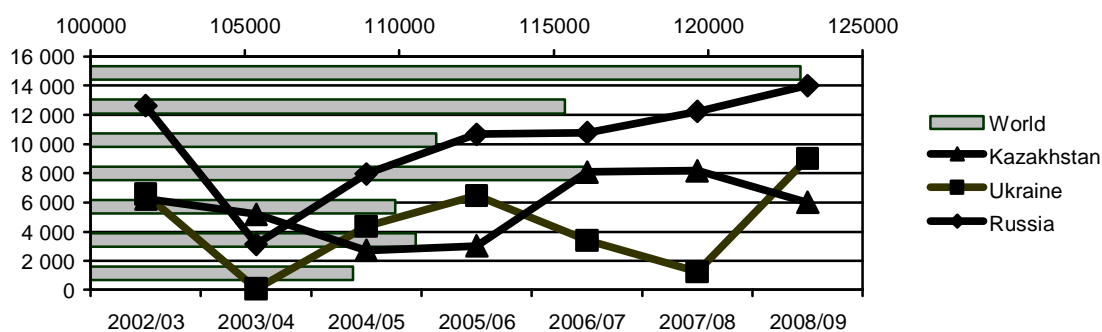


Chart 1 - Wheat Export of Russia, Ukraine and Kazakhstan, Tht
Source: USDA

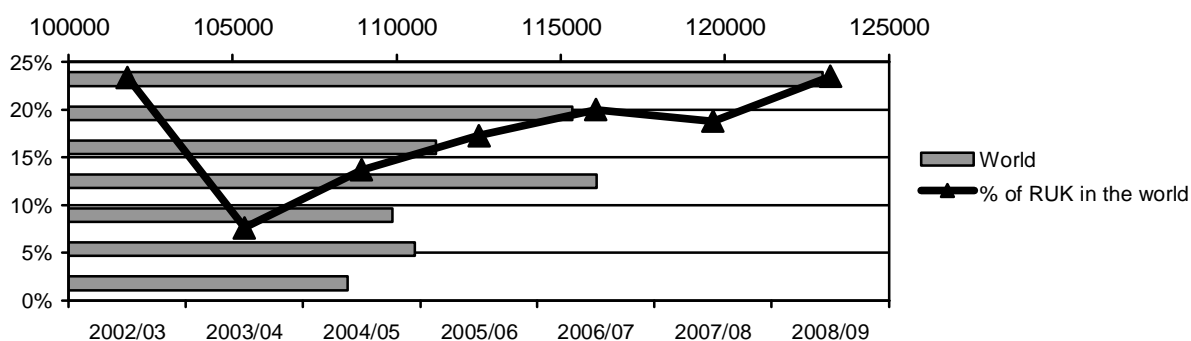


Chart 2 - Share of Russia, Ukraine and Kazakhstan in the World Wheat Export, %
Source: Author's calculations based on the USDA data.

Grain integration in the CIS has been evident for the last five years due to the national grain trading companies that have representative offices in each of three countries. Agripolicy of one country influences the grain market and exports of another country. After imposing export duties on grains some of the Russian and Ukrainian companies saved contracts due to grains from Kazakhstan. Ukraine has given a possibility to Russia and Kazakhstan to use its logistic resources for transit and export of grains. In October 7, 2011 export duties on wheat and maize have been abolished in Ukraine that allows companies to export grains without any constrains. Nowadays most of grain trading companies of the CIS are integrated into the international trade.

Despite a global financial crisis, grain production and export capacities of Russia, Ukraine and Kazakhstan attained positive results, especially after their declaration to create the Grain Union. It may influence distributing of grain markets and work up new ones. According to the Hong Kong Declaration, within the framework of the WTO conference, signed in December 2005, all developed countries should abolish agricultural export subsidies until 2013. Ukraine has been a member of the WTO since 2008, but Russia and Kazakhstan are going to join this international organisation in the nearest future.

There are, however, some political and macroeconomic risks for these countries to make their Grain Union strategy come true. Having the possibility to have the national currency devalued (Russian ruble, Ukrainian hryvnia, Kazakhstan tenge), grain traders get excess profits by grain exports. When the national currency revalue, domestic prices of grains are less competitive and export effectiveness is reduced. Hence, a national currency consolidation in the CIS reduces competitiveness of their food product and volumes of grain exports in the world market. Moreover, due to the global financial crisis in 2008 and reduction of the population, there is no clear dynamics of their income. There are substantial risks of a decrease of animal products' consumption. Other risks include: undeveloped exchange trade, mechanisms of the

market intervention operations' regulation, high costs of ship freight, low ports' capacity, insufficient amount of the specialized railway grain transportation and others.

Creating the Grain Union, Russia, Ukraine and Kazakhstan should carry out an integrated complex of political, economic and technological measures; to develop a consolidated agripolicy, the grain quality should increase and possibly reduce prices. Grain industry of these countries has large resources to meet the domestic grain demand, to be competitive participants in the world grain market and influence a global food security.

Russia started to carry out this integrated complex so far as it has ambitions to create the Eurasian Economic Union of the post soviet countries. It considers that the main energy, agricultural, natural, technological and informational resources are on the territory of these countries and they have to combine their potential and forces to counterbalance it to the EU and other countries.

In October 18, 2011 Russia, Ukraine, Belarus, Moldova, Kazakhstan, Armenia, Kirgizstan, Tajikistan signed an agreement of creating Free Trade Zone (FTZ) of these countries. The most important for Russia is that all CIS countries will joint this Free Trade Zone but oil produced countries, Azerbaijan and Turkmenistan are not ready at the present moment.

At the same time Russia insists Ukraine to join Customs Union of Russia, Belarus, and Kazakhstan, promising that Ukraine will earn 9 billion USD per year and get a reduced price for the gas signing this agreement. Customs Union assumes imposing common customs duties at the frontiers of its countries. But Ukraine is in the process to join Free Trade Zone and signing the agreement of Association with the EU that is profitable and promising for the country.

Signing two agreements, both with Russia and the EU, is *a priori* impossible. Ukrainian government should reliance on economic benefits but also losses. The capaciousness of the EU market is 16 trillion Euro but the common market of the Customs Union of Russia, Belarus and Kazakhstan is only 1 trillion USD. Ukraine has to choose the West European vector and to collaborate with the developed, financially solvent market of the 27 countries but at the same time not to be opposed to the collaboration with Russia.

European integration is the only way for Ukraine to the full democratisation of the country and at the same time the instrument of the EU to influence the Ukrainian establishment. If the EU refuses to sign FTZ and an agreement of Association with Ukraine, the country will join the Customs Union in the nearest future. The idea of Russia to create the Eurasian Economic Union, Grain Union, Customs Union without Ukraine has less sense. Russia is not interested in the FTZ and Association between Ukraine and the EU and tries to promise to Ukraine different benefits (sometimes making gas conflicts).

Despite a political instability in Ukraine, the EU should decide whether to speed up the fulfilment of the FTZ with the country or to have a big competitor in the future in the shape of the Grain Union, Gas consortium or any others in the lead of Russia that always stake on the economic pragmatism by strengthening its positions.

Further increases in food production depend on better integration of traditional knowledge with research; improving farming practices through training and the use of technology to increase outputs from current land without further loss of productive land; land reform to provide secure access to land for more people; and the provision of low-cost finance to help farmers invest in higher quality seeds and fertilisers and small irrigation pumps.

Conclusion. Increasing food production leads to greater availability of food and economic growth in the domestic or overseas markets. Generating income can provide access to more and varied foods and provide cash for use in other areas of the economy, such as small enterprise and manufacturing, which in turn helps reduce poverty. Trade liberalisation is opening up markets slowly, but there are costly barriers to overcome. Work is underway through the Doha Round of multilateral trading negotiations in the WTO to make trade rules fair, encourage trade liberalisation and assist countries in transition to participate in the global trade environment and influence the global food security.

At the end of 2007, export restrictions and panic buying, US Dollar Depreciation, increased farming for use in biofuels. World oil prices at more than 100 USD a barrel [6], global population growth, climate change, loss of agricultural land to residential and industrial development, and growing consumer demand in China and India are claimed to have pushed up the price of grain. The ongoing global credit crisis has affected farm credits, despite a boom in commodity prices.

The need for food during emergencies such as financial crisis, drought, disaster, population displacement and political conflict is addressed by the distribution of basic food supplies and fuel. Food sourced locally rather than internationally minimises the costs and disruption to local markets. In severe situations feeding may be necessary but often food aid is linked with work, health or education to avoid dependency and address the long-term causes of food insecurity.

According to the Global Food Security Program which was launched in April 2010, six developed countries alongside the Bill and Melinda Gates Foundation have pledged 925 million USD for food security and helped other countries, promoting agriculture, research and trade in agriculture. Around forty countries received grant for improving agricultural productivity due to the Global Food Crisis Response Program. Having such a big resource potential, the leading CIS countries – Russia, Ukraine and Kazakhstan may create the Grain Union in the future that allows countries to be competitive on the world market and also influence a global food security.

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Ключові слова: інтеграція, продовольча безпека, СНД, Зерновий Союз, світовий ринок.

Ключевые слова: интеграция, продовольственная безопасность, СНГ, Зерновой Союз, мировой рынок.

Key words: integration, food security, CIS, Grain Union, world market.