

## FPC Briefing: Putin's Eurasian Union- from pre-electoral sideshow to quest for empire? Dr Kevork Oskanian

When Vladimir Putin announced his intention to press for a so-called 'Eurasian Union' in the run-up to the 2012 presidential elections, his statement was widely dismissed as a preelectoral ploy, playing as it did to the nostalgia for an idealised Soviet past held by part of the Russian population<sup>1</sup>. Considering the failure of previous attempts at re-integrating the post-Soviet space, with the Commonwealth of Independent States (CIS) as perhaps the clearest talking-shop example, these assumptions were well-founded. Over twenty years have gone by since the fall of the erstwhile superpower, and both politically and economically, its former constituent republics have developed in quite diverse ways. Attempts at re-integration, through an array of only partially overlapping organisations including the Eurasian Economic Community (EurAsEc), the Collective Security Treaty Organization (CSTO), the CIS Free Trade Agreement, the Russia-Belarus-Kazakhstan Customs Union have remained fragmented and incomplete. Two years later, it is becoming increasingly difficult to so lightly dismiss the Eurasian Customs Union (ECU – the project's current incarnation) as a mere electoral manoeuvre. Steps are being taken that might put several states in the former Soviet space before difficult choices,<sup>2</sup> if they haven't done so already, and policymakers should be aware of the implications of these choices for their perception of Russia's intentions for the 'near abroad'.

While the ECU's proponents always deny any intention to resurrect the former Soviet Union, they do refer to 'common Soviet civilizational values', and the infrastructural legacies of the USSR as drivers of the integration process. Yes, the Soviet Union is dead, and its death has been accepted by Russia's elites, albeit more willingly by some than by others. However as Putin himself asserts in his article proposing the concept, shared historical experiences and geopolitical realities seem to justify integration from a purely economic point of view. What's more, the Eurasian project is presented as not contrary but *complementary* to integration with the European Union, tapping into the long-standing Russian view of a 'Europe from the Atlantic to the Urals' (and probably beyond), the venture is advanced as a 'missing link' between the European Union (EU) and a steadily growing East Asia.

Proponents of the Eurasian Union stress that its membership is entirely voluntary<sup>3</sup>. As it stands, it is being billed as merely an economically rational expansion and deepening of the Russia-Kazakhstan-Belarus Customs Union, with active participation of all its members – not just Russia. Clearly modelled on the EU, it encompasses a supra-national 'Eurasian Commission' with broad powers to represent its member states in trade negotiations, setting standards, and determining collective policies in a wide range of economic matters. While over 80% of lower-ranking officials are at present Russian nationals, decision-making at the higher levels, most importantly the Supreme Eurasian Economic Council is by consensus. <sup>4</sup>But the sheer demographic weight, economic mass and geographic breadth of the Russian Federation would also make it overwhelmingly dominant by default, even if it were to expand to include *all* former Soviet Republics excluding the Balts. As it stands, the

<sup>&</sup>lt;sup>1</sup> Vladimir Putin, 'Noviyi Integratsionniyi Proekt Dlya Evrazii - Buduschee, Kotoree Rozhdaetsya Segodnya', *Izvestia, 3* October 2011.

<sup>&</sup>lt;sup>2</sup> Robert Coalson, 'Invigorated Customs Union Presents Russia's Neighbors with Stark Choice', *RFE/RL*, 8 January 2013.

<sup>&</sup>lt;sup>3</sup> Ilya Zlatkin, 'A Sovereign Surge, Not a Soviet Resurgence: The Mutualism of Eurasian Integration', *Vestnik, the Journal of Russian and Asian Studies*, 26 June 2012.

<sup>&</sup>lt;sup>4</sup> Olga Tapiola-Shumylo, 'The Eurasian Customs Union: Friend or Foe of the Eu?', (Washington: The Carnegie Endowment for Interantional Peace, 2012); Rilka Dragneva and Kataryna Wolczuk. 'Russia, the Eurasian Customs Union and the EU: Cooperation, Stagnation or Rivalry?', (London: Chatham House, 2012), p. 7.



Eurasian Customs Union would have a very Russian flavour indeed; and one would have to be alert as to how its overall legislative framework would evolve as it expands.

Should Putin's assertions as to the mere voluntary 'economic rationalities' inherent in the ECU be taken at face value? The Soviet Union might be well and truly dead in the minds of Russian policymakers, but Russia has in recent years clearly come to define the economic sphere as one where it could and should play a defining role in the Eurasian space. To paraphrase one observer<sup>5</sup>, Moscow's 'Eurasianist' tendencies have become 'economised'. Gone are the days where it would use the force of arms or Moscow-appointed viceroys, governors, commissars and general secretaries to directly dominate its 'spheres of influence'. But as clearly laid out in a number of documents, notably its subsequent foreign, national and energy security concepts (and not insignificantly Vladimir Putin's own doctoral thesis), structuring economic interaction, especially in the energy sphere, on the Eurasian landmass in its favour remains one of the Kremlin's primary policy objectives. How far then is the ECU a tool for this economised, sublimated form of neo-imperial dominance by Russia of its 'near abroad', an attempt to forestall the creation and expansion of economic links outside of Moscow's control? The Eurasian Union could well fit into this overall aim of dominance through the structural economic dependence it would engender<sup>6</sup>.

The months and years in the run-up to 2015 (the year when the Union is slated to start functioning) will prove crucial in revealing just how much social capital the Kremlin is willing to expend on, in effect, capturing control over economic interaction within the former Soviet space. Governments within and outside the region will no doubt have to closely watch the number of and the manner in which subsequent former Soviet Republics accede to Putin's grand scheme. Over the past twenty years most former Soviet Republics have in fact been able to develop their economic links with the outside world, or have at least included the development of such links within their policy priorities. While they also maintain close economic interactions with Russia, that does not make a choice in favour of the ECU as straightforward as its proponents might claim.

As high-ranking European officials have clearly pointed out, outright membership of the ECU would be incompatible with Association Agreements that some states in the former Soviet space are on the verge of signing, the culmination of years of focused efforts within the European Neighbourhood Policy (ENP) and Eastern Partnership programmes<sup>7</sup>. ECU membership would in effect mean ceding important aspects of their trade policies to a supra-national entity, complicating any independent bilateral interaction with Brussels. Membership would also confound matters for WTO members like Armenia, Kyrgyzstan and Ukraine as it would require them to raise their tariffs to the Customs Union's un-weighted average, standing at 11.5% in 2012, – often beyond the bounded rates allowed by their WTO accession treaties<sup>8</sup>. Economic integration with Europe, WTO membership and trade diversification have featured high in the foreign policy objectives of many former Soviet states, and a choice in favour of the ECU would require a fundamental re-definition of those priorities.

Furthermore, the Kremlin might be tempted to 'adequately incentivise' the states within its perceived 'sphere of special interest' towards joining. There have been some ominous voices

<sup>&</sup>lt;sup>5</sup> Harley Balzer, 'The Putin Thesis', *Post-Soviet Affairs*, 21/3 (2005), 210-25.

<sup>&</sup>lt;sup>6</sup> Georgiy Voloshin, 'Russia's Eurasian Union: A Bid for Hegemony?', *Geopolitical Monitor*, 24 September 2012.

<sup>&</sup>lt;sup>7</sup> Rikard Jozwiak and Heghine Buniatian, 'Eu Warns Armenia over Russian-Led Bloc', *RFE-RL*, 6 June 2013.

<sup>&</sup>lt;sup>8</sup> Eli Keene, 'Growing the Eurasian Customs Union within the Wto', *World Monitor*, 30 May 2013.



of economic co-operation and migration<sup>9</sup> becoming 'complicated' for those states that choose to remain outside the ECU, as they are effectively excluded from what remains an important export market and source of remittances; then there is also the possibility of Moscow linking non-membership with other issue-areas, such as military co-operation, or the resolution of territorial disputes and separatist conflicts. Such linkages would put several states in the former Soviet space in front of difficult dilemmas, mostly involving a choice between either independent engagement with Europe and the wider world economy, or the sub-ordination of such engagement to (re-)integration within an entity dominated by their former imperial power. A quick overview of the former Soviet space might identify the vulnerabilities of various republics to such pressure, alongside their incentives to join.

There are already clear signs that some smaller republics of the former Soviet Union are adapting their policies towards integration with the Eurasian Union. While the choice between pro-EU and pro-Eurasian policies does not pose itself in Central Asia, Kyrgyzstan and Tajikistan are already WTO members, while Uzbekistan and Kazakhstan view membership with far less urgency<sup>10</sup>. While in the absence of a Trans-Caspian pipeline the region's resource-rich states (Kazakhstan, Uzbekistan and Turkmenistan) remain dependent on Russian export routes, China does offer a clear alternative market for the region's vast hydrocarbon reserves (and its other exports) over the longer term<sup>11</sup>. Uzbekistan and Kyrgyzstan have in the past pursued policies independently from Moscow, while Turkmenistan has largely isolated itself from both the West and most integration projects within the former Soviet space. Nevertheless, some of those states remaining outside the Russia-Belarus-Kazakhstan Customs Union have been steadily revising their positions towards Putin's grand idea, culminating in the announcement of Kyrgyzstan's accession to the union, in May this year<sup>12</sup>.

In Kyrgyzstan case, this change of attitudes happened despite a clear contradiction between the country's WTO obligations and membership in the ECU, although it would fit in a general cooling of its relations with the West as highlighted by its refusal to extend the lease for the air base at Manas. Tajikistan, by far the poorest of all former Soviet Republics, is also widely expected to follow suit and accede to the ECU<sup>13</sup>. Such a choice by the Tajik authorities would not come as a surprise considering the country's strategic dependence on military support from Moscow for both state and regime security, with Afghanistan next-door and the Fergana valley seeing its share of Islamist insurgencies since independence. Migration and remittances could also be among the factors featuring in both Kyrgyzstan's and Tajikistan's calculations with both economies are highly dependent on the flow of funds from migrant workers in the Russian Federation. Moscow has already suggested it would complicate access to its economy for nationals of non-members to the ECU.

Uzbekistan has, over the past decade, zigzagged between the West and Russia, at one point becoming the second 'U' in the now-defunct pro-Western grouping of former Soviet States GU(U)AM – before downgrading its relations following widespread Western criticism of the Andijan massacre in 2005. As the most populous state in the region, it has uneasy relations with its neighbours, including Kazakhstan – also a proponent of the Eurasian Union.

<sup>&</sup>lt;sup>9</sup> Bbc Monitoring, 'Pundit Eyes Link between Russia's Post-Soviet Integration Plans, Visa Policies', (updated 1 May) <Dow Jones Factiva>, accessed 19 June 2013.

<sup>&</sup>lt;sup>10</sup> Central Eurasia Standard, 'Central Asia's Ambassadors to the Us Discuss Wto Membership', (updated 17 February) <a href="http://cestandard.wordpress.com/2013/02/17/central-asias-ambassadors-to-the-us-discuss-wto-membership/">http://cestandard.wordpress.com/2013/02/17/central-asias-ambassadors-to-the-us-discuss-wto-membership/</a>, accessed 19 June 2013.

<sup>&</sup>lt;sup>11</sup> Li Lifan and Raffaello Pantucci, 'Decision Time for Central Asia: Russia or China', OpenDemocracy.net, 24 January 2013.

<sup>&</sup>lt;sup>12</sup> Rfe-Rl, 'Kyrgyzstan to Join Russian-Led Customs Union, Ukraine to Observe', (updated 29 May) <a href="http://www.rferl.org/articleprintview/25001114.html">http://www.rferl.org/articleprintview/25001114.html</a>, accessed 19 June 2013.

<sup>&</sup>lt;sup>13</sup> Stratfor, 'Russia's Inevitable Customs Union in Central Asia', *European Dialogue*, 21 March 2013.



Moreover Uzbekistan left both the CSTO and EurAsEc as recently as 2012. But while President Islam Karimov displayed his open dismissiveness in response to Putin's famed 2011 piece proposing the Union<sup>14</sup>, his government has noticeably softened its tone (or at least avoided direct criticism of the project) in the period since. For Uzbekistan (or the more eccentrically isolationist Turkmenistan) to change course in the coming months and years and choose membership of the ECU would indicate a major shift in the strategic calculus of all actors in the region. It would be unprecedented since the fall of the Soviet Union, and it would certainly raise questions as to the behind-the-scenes pressures or inducements that caused such a shift.

In the European part of the former Soviet Union Belarus, marginalised by Europe because of its autocratic, Soviet-nostalgic form of government, has become a cautious advocate of the ECU from within the Russia-Belarus-Kazakhstan Customs Union. This is unsurprising in light of its dependence on FDI and energy subsidies from Russia<sup>15</sup>. In non-member states like the Ukraine and Moldova, the choice between EU engagement and union with former Soviet fellow travellers has become particularly salient. Although it has consistently strived for greater engagement with the European Union, the broader issue of Kyiv's fundamental strategic orientation has not been resolved in the years since independence. As such, Ukraine continues to be riven by a clear, continuing geographic split between a pro-Western, pro-NATO West and pro-Russian East.

Relations between the Kremlin and the Yanukovich administration have cooled considerably since the latter ousted its openly pro-Western predecessor, and Kyiv has been noticeably tepid towards the ECU project despite of open and quite express Russian invitations to join. In fact, Ukraine is still expected to sign an Association Agreement with the EU during the upcoming Vilnius 'Eastern Partnership' summit, provided it can resolve its differences with Brussels over human rights issues, including the incarceration of former pro-Western prime minister, Yulia Timoshenko<sup>16</sup>. But while most of its trade is with the European Union (which it directly borders), it remains tightly linked to the Russian economy as well, not least as an important transit hub for and consumer of Siberian gas. Sudden unexpected 'difficulties' with Moscow in coming months and years over gas supplies, or say in the Russianpopulated Crimea - could well be interpreted as emanating from its dogged determination to look Westwards economically. Kyiv's most recent move, agreeing to observer status within the ECU, appears to be an attempt to appease the Kremlin while moving towards Association with the EU<sup>17</sup>. However as one Russian official has recently insisted, the two remain fundamentally incompatible, and the Ukraine would still have to make a clear choice at some point<sup>18</sup>.

Moldova is in a more precarious position. As one of the poorest former Soviet Republics, it shares a long Western land-border with the EU, with which it now overwhelmingly trades. At first sight, then, its choice should be relatively straightforward, and its government has reacted in a very lukewarm manner to previous Russian invitations to join the ECU<sup>19</sup>.Yet, as

<sup>&</sup>lt;sup>14</sup> David Trilling, 'Uzbekistan's Karimov Lashes out at Putin's Union', *EurasiaNet.org*, 9 December 2011.

<sup>&</sup>lt;sup>15</sup> Russia Today, 'Belarus Leader Backs Putin's Plan of Eurasian Union', (updated 19 October) <a href="http://rt.com/politics/belarus-leader-putins-plan-079/">http://rt.com/politics/belarus-leader-putins-plan-079/</a>, accessed 19 June 2013.; Balazs Jarabik, Alexei Pikulik, and Andrei Yeliseyeu, 'Belarus and the Eurasian Union: Incremental Integration', *Policy Briefs* (Madrid: FRIDE, 2013).

<sup>&</sup>lt;sup>16</sup> Roman Rokumeda, 'Three Scenarios for Ukraine', *EurActiv*, 30 April 2013.

<sup>&</sup>lt;sup>17</sup> Rfe-Rl, 'Ukraine Signs Memorandum with Eurasian Economic Commission', (updated 31 May)

<sup>&</sup>lt;a href="http://www.rferl.org/content/ukraine-eurasian-economic-commission/25003634.html">http://www.rferl.org/content/ukraine-eurasian-economic-commission/25003634.html</a>, accessed 19 June 2013.

<sup>&</sup>lt;sup>18</sup> Ukrainian National Radio, 'Ukraine Cannot Get Observer Status at Eurasian Union Due to Association with EU, Russian Presidential Advisor Says', (updated 14 June) <a href="http://www.nrcu.gov.ua/en/148/533943/">http://www.nrcu.gov.ua/en/148/533943/</a>, accessed 1 July 2013

<sup>&</sup>lt;sup>19</sup> Moldova.Org, 'Moldova Officially Invited by Russia to Join the Eurasian Union', (updated 12 September) <a href="http://politicom.moldova.org/news/moldova-officially-invited-by-russia-to-join-the-eurasian-union-232874-eng.html">http://politicom.moldova.org/news/moldova-officially-invited-by-russia-to-join-the-eurasian-union-232874-eng.html</a>, accessed 19 June 2013.



in other Soviet Republics such as Georgia and Azerbaijan the bitter post-Soviet legacy of frozen separatist conflict complicates matters. The unrecognised Republic of Transdniestria, populated overwhelmingly by Russians and Ukrainians, has enjoyed Moscow's underhand support since it broke away in 1991, and any final resolution of the conflict still depends on Moscow's co-operation. The recent collapse of a pro-European coalition has also muddied the waters. Any successor government would have to make difficult choices should Moscow insist on pressing for re-integration into the Eurasian economic space<sup>20</sup>.

Moving to the South Caucasus Armenia, Azerbaijan and Georgia have in previous years not displayed any interest in plans for profound economic integration emanating from Moscow. In Armenia's case, this may seem surprising in view of its pronounced military and economic dependence on Moscow. Yerevan had earlier rejected suggestions that it become a member of the CIS Customs Union based on the argument that it didn't have a shared border with the entity, and despite of its deep ties with Russia, integration with Europe has always remained one of Yerevan's central foreign policy priorities. President Sargsyan's administration has shown little interest in joining the Union outright in the past, instead suggesting some kind of bilateral co-operative framework which would allow it to still move towards an EU association agreement. Here, Moscow has numerous pressure-points should it decide to insist on adherence, including labour mobility (Armenia remains highly dependent on remittances), ownership of Armenia's energy and communication infrastructures (it also operates the crucial nuclear power plant at Metsamor), and military co-operation (on which Yerevan is dependent for counter-acting Azerbaijan's massive, if inefficient, military build-up of recent years). Some of these pressure-points seem to already be at work, as Armenia's government has recently become markedly less resistant to Putin's idea, notably following a major hike in gas prices by Gazprom<sup>21</sup>.

The 2008 war certainly brought Georgia's vulnerabilities to the fore. But even following the recent change of government from Saakashvili's UNM to Ivanishvili's Georgian Dream, its government has continued to insist on integration with both NATO and the EU as a continuing policy objective, all the while trying to mend relations with Russia. As probably the most pro-Western of all former Soviet Republics (excluding the Baltic states), its adherence to Russia's project would seem a distant possibility indeed. Moscow's recognition of South Ossetia and Abkhazia would appear to be a major complicating factor in any full normalisation of relations, and Georgian society would simply not countenance membership in what would be perceived as a Russian-dominated entity. Remaining outside could potentially come at great cost however: as Russia's boycott of Georgian agricultural goods indicated, the country remains dependent on trade with its northern neighbour (Georgian wine and produce largely did not succeed in finding alternative markets). Several areas within Georgia, notably Armenian-populated Javakheti, could also serve to complicate matters for Tbilisi, should Moscow so require. And, as a recent episode involving the demarcation of boundaries between South Ossetia and 'Georgia proper' shows, Moscow is still able to occasionally turn the thumbscrews in pre-existing areas of conflict<sup>22</sup>.

Azerbaijan's position towards the Eurasian Union is similarly one of disinterest. After all, with its economy overwhelmingly based on hydrocarbon exports routed towards world markets through Georgia and Turkey, it would seem to have little use for membership in such an organisation. It has, meanwhile, also become more critical of perceived interference

<sup>&</sup>lt;sup>20</sup> Luke Harding, 'Moldovda Weighs up Implications of Overtures from Eu and Russia', *The Guardian*, 30 April 2013.

<sup>&</sup>lt;sup>21</sup> Harry Tamrazian, 'Yerevan Vague on Armenian Entry into Russian-Led Union', *RFE-RL*, 17 June 2013.

<sup>&</sup>lt;sup>22</sup> RIA NOVOSTI, 'S. Ossetia Border Demarcation Unacceptable – EU Observers', (updated 29 May) <a href="http://en.rian.ru/russia/20130529/181404857.html">http://en.rian.ru/russia/20130529/181404857.html</a>, accessed 1 July 2013.



in its internal affairs by the European Union, particularly on the issue of human rights. Baku has so far been able to steer a multi-vectoral policy, combining 'strategic' relations with both Russia and Western states, without committing to either. Moscow does seem to have few internal pressure-points with which to coax it into joining its Eurasian project: 'unfreezing' the Karabakh conflict would not be in anyone's interest, and dabbling in Lezghin separatism, as Moscow appeared to do a few years ago, could all too easily backfire. One plausible means of 'persuasion' would lead through Georgia, its crucial transit corridor towards world markets. Others have also pointed to the Union of Azerbaijani Organizations of Russia (UAOR) – or 'Billionaires' Union' – as a new, more subtle pressuring tool for the Kremlin, by creating a potentially powerful external counterweight to the Aliyev's internal political and economic dominance<sup>23</sup>.

The overview of weaknesses and vulnerabilities given above should be read with a hefty dose of caution, without the automatic assumption that Russia will indeed use the Eurasian Union as a means of furthering its dominance of the 'near abroad'. However, subtle shifts are already visible in the policies of some former Soviet Republics. If these subtle shifts become more pronounced, and states that have traditionally strived for a diversification of economic links beyond the former USSR continue to move towards accommodating Russia's grand project that should act as a warning sign for Western policymakers<sup>24</sup>. The Eurasian Union may not quite be the Soviet Empire, but it could turn into a tool of more subtle domination nevertheless. Sudden unexpected difficulties experienced by these states in future years could serve as an indication of economically redefined, reinvigorated imperial tendencies in Russia's perceived sphere of influence, something that would affect politics within and around the enormous landmass of this fallen superpower.

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<sup>&</sup>lt;sup>23</sup> Shahin Abassov, 'Azerbaijan: Is the Kremlin up to Old Tricks?', *Eurasianet*, 12 March 2013.

<sup>&</sup>lt;sup>24</sup> Jeffrey Mankoff, 'What a Eurasian Union Means for Washington', *The National Interest*, 19 April 2012.