



A Eurasian Economic Union

Some view the customs union as a Soviet-style throwback that could slow growth in the region

By *per Concordiam* Staff | Photos by AFP/Getty Images

The Soviet Union collapsed in 1991, ending the Cold War nuclear standoff and ushering in a more cooperative era. That historic event was viewed as a victory by most people in what was then known as the “free world” and as liberation by hundreds of millions who suffered under Communist rule behind the Iron Curtain. But a certain nostalgia for Soviet-era economic integration seems to underlie Russian President Vladimir Putin’s support for what he calls a Eurasian Economic Union (EEU).

Ostensibly a tariff-free zone with more deeply integrated economic policies, the EEU would, if Moscow has its

way, encompass most of the former Soviet Union. The EEU would model itself on the European Union and strive to lower trade barriers, creating “new dynamic markets” that lead to economic growth and prosperity, Putin says.

Few question the merits of free trade. But to many, it appears as if Russia is trying to reassert economic control over post-Soviet space and reconstruct some of the links severed by the end of the Cold War. At a December 2012 conference in Dublin, then-U.S. Secretary of State Hillary Clinton called the plan “a move to re-Sovietize the region.”

Russian President Vladimir Putin meets with leaders of post-Soviet states at the summit of the Collective Security Treaty Organization in Moscow in December 2012. From left to right are Belarusian President Aleksandr Lukashenko, Tajik President Emomali Rakhmon, Kyrgyz President Almazbek Atambayev, Armenian President Serzh Sargsian and Putin.

Expanding economic integration

The EEU, which would initially include Russia, Belarus and Kazakhstan, is building on the foundation laid by the customs union launched by those countries in 2010 to establish common tariff and nontariff trade regulation. In January 2012, a Eurasian Economic Commission (EEC) took over structures of the customs union with the creation of a common economic space allowing for the unrestricted flow of labor, capital and goods among the three countries. The EEU is scheduled to be ratified and come fully into force in 2015, continuing the process of economic integration.

Putin's announcement of his plans for an EEU, which appeared in an October 2011 policy statement in the Russian newspaper *Izvestiya*, was full of references to EU-style free and open markets. Natalia Yacheistova, EEC deputy director for trade policy, told the online news agency Euractiv.com that the EEU will be "taking into account European Union experience. We want to exchange experience with the EU in a way that is mutually beneficial."

A Eurasian union was first proposed in 1994 by Kazakhstan President Nursultan Nazarbayev. However, the proposal was largely disregarded by then-Russian President Boris Yeltsin, enmeshed at that time in deep economic reforms and trying to move Moscow toward the West. Yeltsin's opinion was that post-Soviet periphery states were an economic burden that Russia, given its severe economic situation, could ill afford.

Few would argue against the benefits of an authentic Eurasian free-trade block. Peter Balas, European Commission deputy director general for trade, told Euractiv in December 2012 that the new customs union could succeed if it

liberalized economic relations. However, some European analysts worry that a Russian-led EEU could do the opposite, using its economic pull to increase political power by thwarting markets, especially in the energy sector. The lack of legal structure is also a concern. An analysis by the Centre for European Policy Studies, a Brussels-based think tank, suggested that lack of judicial oversight hinders the ability of the union to "build a strong law-based community."

"When comparing the findings with the figures applicable to the early stages of the European integration process, the conclusion points to a less than favourable outcome for economic integration within the context of the EEU," Balas wrote.

Reluctant recruits

Besides the EEU's three founding member states, Kyrgyzstan is negotiating possible accession and Tajikistan may soon follow. But further expansion, particularly in Eastern Europe, faces serious obstacles. In June 2012, Putin said the EU will have to formalize relations with the EEU to negotiate trade pacts with its member states, including Russia. But according to Balas, the customs union does not comply with World Trade Organization (WTO) rules: "At this stage, we don't think that the conditions are in place for an EU-customs union agreement, simply due to the fact that the customs union is not WTO-consistent," he said.

At the EU-Russia summit in June 2012, Putin tried to reassure Europeans that cooperation between Russia

Eurasian Economic Union

KEY

■ Eurasian Economic Union Members

■ Potential Eurasian Economic Union Members

— Former Soviet Union Border





Wheat is harvested near Zhovtneve in Ukraine, where agriculture is an important part of the economy. The country's fertile land is one reason Russia would like to include Ukraine in a Eurasian Economic Union.

and the EU would be enhanced by the new union. But according to Euractiv, “Russia’s Customs Union with Belarus and Kazakhstan has already delayed Moscow’s accession to the WTO. It is unclear how Russia benefits from such tactics.”

Many leaders of states that Moscow wishes to include in the EEU remain skeptical. Ukraine, Moldova and Georgia are all trying to negotiate free-trade deals with the EU, and Armenia and Azerbaijan are in earlier stages of the same process. “Elites in the neighboring states show little enthusiasm for simply handing over their autonomy and sovereignty to Moscow,” Andrew Weiss of the Washington-based Rand Corporation told the *Financial Times*.

Ukraine and Moldova, especially, are unlikely to spurn the EU if it comes to a choice between Brussels and Moscow. *World Politics Review* points out that many potential candidates for EEU membership, especially in Central Asia, would also like to increase economic relations with China. Additionally, regional rivalries such as that between Kazakhstan and Uzbekistan would impede agreement on joint economic policies.

Ukrainian case

Ukraine is the key for EEU success, many observers believe. According to *World Politics Review*, “even the relatively modest change of adding

Ukraine to the existing customs union comprised of Belarus, Kazakhstan and Russia would significantly increase each state’s GDP.” Ukraine is the largest country situated entirely in Europe and, with a population of 45 million, it represents a substantial market for Russian-made consumer goods. Viktor Tkachuk, director general of the Ukrainian Foundation for Democracy, said Ukraine’s accession is fundamental to Putin’s foreign policy: “Moscow isn’t interested in the creation of a free trade area between Ukraine and the EU. Ukraine with its resources, infrastructure and human potential joining the customs union is a primary task of Russia.”

But perhaps most importantly, Ukraine is the gateway to Europe, both geopolitically and economically. It also was part of the Russian or Soviet empires for more than 300 years, and many Russians reflexively still consider it part of the

mother country. But Kiev has declined to join the union, with ostensibly pro-Moscow President Viktor Yanukovich saying there were “no grounds” to integrate further. Russia’s attempt to exert control over the Ukrainian state-owned energy company worried the government, coloring its views of the EEU.

Conclusion

For their part, Russian officials discount the concept of re-Sovietization. “There is no talk of re-forming the USSR in some form,” Putin wrote in 2011. “It would be naive to try to restore or copy what has been abandoned in the past. But close



integration, on the basis of new values, politics and economy, is an imperative of our times.” However, Russia and Putin face a tough task in convincing their post-Soviet neighbors to sign on to the EEU. Neighboring states have unhappy memories of Russian political and economic domination and are distrustful of Putin’s motives. After all, the Russian president once called the disintegration of the USSR the “greatest geopolitical catastrophe of the 20th century.”

World Politics Review suggests it’s not in Russia’s interest to rule its neighbors, but rather to influence foreign and economic policy without assuming direct responsibility. “For Moscow, the arguments in favor of such a union are clear,” the publication wrote. “These include securing greater gains from trade, expanding opportunities for Russian foreign investment in neighboring countries and enhancing Moscow’s global influence and status.” □

A security guard patrols the gold processing plant at the Kumtor gold mine in the Tien Shan Mountains in October 2012. Kumtor is the largest gold mine in Central Asia and gold is one of Kyrgyzstan’s most valuable exports.