

Eurasian Union—a New Name for an Old Integration Idea

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Abstract

On the initiative of Vladimir Putin, a proposal to create a “Eurasian Union” as a new format for the integration of the post-Soviet space was announced by Russia, Belarus, and Kazakhstan in October 2011. Indeed a number of substantial steps towards more integration can be found in the Customs Union on which it is to be based. However, any reconceptualization of the notion of integration remains at the purely rhetorical level. Thus, the Eurasian Union has only little integration potential and has few attractions to offer the newly independent states.

Putin’s Eurasian Union

The strengthening of regional integration was a core issue of Vladimir Putin’s first presidency. By 2001, he had initiated the reorganization of existing regional integration fora into full-fledged regional organizations. The Eurasian Economic Community (EurAsEC), the Collective Security Treaty Organization (CSTO), and the Shanghai Cooperation Organisation (SCO) have today become relatively stable formats for cooperation, but not for integration. In October 2011, preparing for his third term in office as president, Putin—and flanked by the presidents of Belarus and Kazakhstan—launched a new integration project: the Eurasian Union. Ever since, a sustained PR campaign has been underway: Russian television has advertised the Eurasian Union, and draft designs for the logo of the new union have been circulating. A regional Ukrainian TV station even featured its own advertisement film for the Eurasian Union.

The pronouncements made so far by Russian, Belarusian, and Kazakh officials on the Eurasian Union convey a fragmented picture at best. The organization is to be the result of an expansion of the Eurasian Economic Union, which the troika (Russia, Belarus and Kazakhstan) aims to establish by January 2016. It is to be different from other previous multilateral organizations in the post-Soviet space, and will be based on a similar concept as that of the EU. As opposed to previous attempts, Putin’s rhetoric does indeed approximate the idea of the EU. The promise of voluntary political and economic integration of equal sovereign partners into a supranational organization had also accompanied earlier projects. What is new is the focus on society, its welfare, and the inclusion of non-state actors in the integration process. The Eurasian Union is also to be a value-based community. Yet, the emphasis on democracy, freedom, and free-market principles, coming from the leaders of three authoritarian regimes, hardly sounds convincing. For the first time, Putin is defining integration not as delineation against the EU, but in harmony with it. This strategy is designed to strengthen the propensity of the other post-Soviet states, mainly the EU-oriented states and especially Ukraine, to integration, and to realize

the long-cherished desire for integration throughout the Russian neighborhood space.

Lukashenka’s Eurasian Union: Few Alternatives

Belarusian President, Aleksandar Lukashenka, who since 2011 has once more been advancing rhetorical support for post-Soviet integration, supported Putin’s ideas and even exceeded them. He has called for the implementation of the Eurasian (Economic) Union sooner than 2015 and called for discussions over a common currency. Lukashenka has also alluded to the EU, referring to its supposed weakness compared to the Eurasian Union: The latter, he claimed, will be more stable and has already demonstrated that unlike the EU, it will need only a few years not decades to achieve integration. In doing so, Lukashenka is following a familiar pattern; the concrete reason behind this may be the EU’s increased criticism of and sanctions against Belarus. Post-Soviet integration is high on the agenda whenever foreign-policy alternatives are lacking and when Russia creates lucrative incentives within the integration projects, such as the discounts on gas and oil from Russia that are linked to membership in the Customs Union. So far, however, in the case of Belarus, the evidence has always been that rhetoric and membership do not imply unconditional willingness to integrate.

Nazarbaev’s Eurasian Union: Reluctant Acceptance

Kazakh President, Nursultan Nazarbaev, is also sticking to his principles in his response to the idea of a Eurasian Union. He is willing to embark on a substantial integration process. However, he wants it to be limited mainly to economic matters and require only minimal concessions on sovereignty, and to be co-determined on equal terms by Kazakhstan. It should protect Kazakhstan from China’s economic prowess without bringing the country’s business under Russian sway. Accordingly, he stresses that the current integration formats are adequately functioning and regards the Eurasian Union as a distant goal. He believes Putin’s promise of equality among all parties is already being violated. Only a few

weeks after the collective motion to study the feasibility of a Eurasian Economic Union had been tabled within the Customs Union, Putin single-handedly presented the Eurasian Union; Nazarbaev refused to respond until several weeks later. Moscow's insistence on hosting the seat of the Eurasian Commission, instead of having it in Astana, has been interpreted as another sign of Russia's lack of willingness to commit to equal partnership. Nazarbaev welcomes the transition from a customs union to an economic union, but opts for a slow approach.

Customs Union and Single Economic Space

Do the troika's steps towards integration really represent the beginning of the new type of binding integration in the post-Soviet space that Russia aspires to? Indeed, the creation of the Customs Union (CU) between Russia, Belarus, and Kazakhstan in 2010 has remained the only move of its kind to date. However, just as many questions remain about the willingness of these actors to engage in binding integration, as about the novelty of the integration approach. The creation of the CU in 2010 marked the implementation of a project that had been under discussion since 1996, when the same three countries went beyond the customs negotiations within the CIS by creating a customs union. However, this union was not realized. This did not change after its enlargement with Tajikistan and Kyrgyzstan in 1999. On Russia's initiative, negotiations were restarted among the troika members in 2006. In 2009, the customs codes basically prepared in 1999 were approved. However, in 2010, it was only with economic pressure and special incentives that Russia managed to persuade Belarus to participate in the joint implementation of the CU. Since July 2010, customs issues have been dealt with under the common customs code, with only 48 out of 90 accords having been ratified so far. According to practitioners, the main effect of the CU has been the alleviation of customs bureaucracy, rather than substantial changes compared to the previous customs regulations. It remains to be seen how much willingness there is to ratify agreements that will have middle-term effects on the respective national economies. This would indeed mark a significant new development in the integration process of the post-Soviet space. So far, one of the main reasons for Belarus's participation in the union has been to strengthen its own position in international trade: Based on the CU, Belarus hopes to secure the same trade facilitations that the more attractive economic powers of Russia and Kazakhstan enjoy. Responding to a Belarusian initiative, Russia, with reference to the CU, warned the EU and the US not to impose economic sanctions on Belarus. Once the CU had been consolidated to some extent, the next integration project—the “Single Eco-

conomic Space”—has begun to be tackled this year. It is to bring a harmonization in energy, transport, and communication policy, as well as the establishment of comprehensive free movement of capital and workers. In 2012, the complete implementation of the Single Economic Space was postponed until 2016. Furthermore, the CU Commission, which is made up of the deputy prime ministers of the three countries, was complemented with a “Kollegium” of delegates from relevant ministries. This commission is to form the core of the future Eurasian Union, as a Eurasian counterpart to the European Commission. So far, however, it has remained far behind this model in terms of competencies and lacks a line-up of independent delegates. It is an intergovernmental organ without competencies of its own. Once the Single Economic Space is fully realized in 2016, the Eurasian Economic Union is to be formed. However, experts believe that both the timetable and the project are overambitious when the integration steps achieved so far are taken into account. Up till now, the Eurasian (Economic) Union mainly reflects the characteristics of earlier integration projects in terms of integration ambitions, structure, and the relationship between stated and realized intentions. While membership is prompted by short-term political and material gains, what is lacking is the willingness to give up sovereign rights, which is necessary for consistent integration.

Comparable Regional Organizations

The troika's initiative for an integrated customs union as the predecessor to an economic union in the post-Soviet space is not new. The troika took its first step in this direction in the CIS, when it proposed the formation of a CIS Economic Union in 1994 and created the Interstate Economic Committee in 1997. The intention had been for the Union to serve as the predecessor to an economic system with a common currency. The Committee had been planned as a supranational body, but was solely entrusted with administrative tasks. The CIS Economic Court, designed to promote the implementation of the agreement, had purely recommendatory competency. The goal of a common customs space was not achieved. The most significant integration step was the free trade agreement that was signed in 1994 and amended in 1999. Russia was the sole state to refuse ratification. As a consequence, the agreement is hardly ever applied. In 2010, against the background of its own imminent WTO accession and the CU, Russia suggested a new free trade agreement, which was signed in 2011. However, ratification is proving to be more problematic. Negotiations and projects in the economic sphere are important constants in the CIS that are actively used by all members. There is no consensus over integration in this framework.

In 1996, therefore, the troika created a new framework for the integration project: a customs union that was expanded in 1999 and moved into the EurAsEC in 2000. In 2006, Uzbekistan joined it. The goals and structure largely mirror those of the planned Eurasian Economic Union. The EurAsEC, too, is modeled on the EU and has a supranational organ. However, now that the decision-making powers have been allocated, it cannot be regarded as a de-facto supranational organ. The EurAsEC Economic Court was only activated in 2012, as it is also responsible for the CU of 2010. There is no consensus as to how binding the decisions of this body are. The EurAsEC members that are not members of the CU will hardly be affected by the court's work, even if they supply judges for it, as they are signatories to almost none of the EurAsEC agreements. Individual economic incentives are the main reasons for Kyrgyzstan, Tajikistan, and Uzbekistan to participate in the EurAsEC. These include the US\$10bn stabilization fund created in 2010 (of which US\$7bn were contributed by Russia and US\$1bn by Kazakhstan) as well as favorable loan terms with the Eurasian Development Bank. This has not, however, led to stronger participation of those countries in agreements of the EurAsEC.

The CU and the Eurasian Union in 2016 seem to suggest a third attempt of realizing such an integration model. According to its structures, the EurAsEC would constitute an adequate format for the concept of a Eurasian (Economic) Union. The foundation of a separate Eurasian Union hence resembles rather a new roll of the dice. It is predicated on the hope of gaining regional and international attention and boosting the dynamics of integration. The latter will hardly be achieved without substantially changing the integration concept.

Prospects for the Eurasian Union

Compared to the previous regional organizations, the new model with its limited implementation of the customs union does at least display practical application of the agreements that have been signed. Internationally, too, the CU is for the first time attracting interest. It is in negotiations with Serbia and Vietnam on free trade agreements. The extent of its effective integration will

depend on the willingness of its members to accept the negative implications of multilateral integration projects for their countries and cede sovereignty. A crucial element will be Russia's desire to accept modalities that take into account the long-term interests of Kazakhstan and Belarus. All three states will also need to take leave of their longstanding custom of suspending valid agreements when it suits their own political and economic interests. With its current authority, the competent EurAsEC court will not be able to force them to reconsider their positions. Russia's economic preponderance in the CU will continue to create tensions.

The potential for success of the CU and the Eurasian Economic Union is increased by the concentration on the vanguard states of Russia, Kazakhstan, and Belarus. A complete implementation of the agreements is unlikely to happen, though, after the intended enlargement to include Tajikistan, Kyrgyzstan, and Uzbekistan. The new formats will be interesting for these states only if it allows not just short-term material advantages, but also abstention from signing agreements. Ukraine, Moldova, Azerbaijan, and Armenia will also have a certain limited interest in the Eurasian (Economic) Union. The main point for them will be to follow, influence, and react individually to developments in the post-Soviet sales markets. It is conceivable that Ukraine, Moldova, and Armenia, which have observer status in the EurAsEC, will also strive for such a status within the Eurasian Economic Union. However, it is hardly conceivable that a consensus on accession will be formed in Ukraine, Moldova, and Azerbaijan.

Should a future Eurasian Union pursue the obsolete practice of aiming primarily for the accession of new members in order to expand its own sphere of influence, and should their willingness to integrate be regarded as a matter of secondary importance, then achieving integration goals will be difficult in this format, too. At the same time, it is likely that the Eurasian Union will struggle to find applicants among the newly independent states if it makes compliance with a "Road Map" for adopting agreements a prerequisite for membership, as proposed by Lukashenka.

Translated from German by Christopher Findlay.

About the Author

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Further reading

- Wilson Rowe, Elana and Torjesen, Stina (eds.) (2008) *The Multilateral Dimension in Russian Foreign Policy*. New York: Routledge
- Kembayev, Zhenis (2009) *Legal Aspects of the Regional Integration Processes in the Post-Soviet Area*. Berlin: Springer.