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## **RUSSIA'S RELATIONS WITH BELARUS AND KAZAKHSTAN**

- **ANALYSIS**  
Friends or Foes? Developments in Relations between Russia and Belarus 2  
By Matthew Frear, Birmingham
- **ANALYSIS**  
Developments And Trends in the Russian–Kazakh Strategic Partnership 4  
By Fatima Kukeyeva, Almaty
- **ANALYSIS**  
Russian–Kazakh Security Relations Revisited 7  
By Aigerim Shilibekova, Astana
- **ANALYSIS**  
Russia And the Customs Union With Kazakhstan And Belarus 10  
By Sherzod Shadikhodjaev, Seoul, South Korea
- **STATISTICS**  
Russia's Foreign Trade With Belarus And Kazakhstan 13

## Friends or Foes? Developments in Relations between Russia and Belarus

By Matthew Frear, Birmingham

### Abstract

On the eve of the Belarusian presidential elections in December, relations between Minsk and Moscow have deteriorated notably. The familiar energy conflicts between Russia and Belarus have been complemented by a very public information war played out in the media of both countries. Russia can no longer be relied upon to provide political backing for Belarus's long-serving president, Alexander Lukashenko, however the Kremlin is not yet openly backing an alternative candidate.

### The Rhetoric And Reality of Integration

2009 marked the tenth anniversary of the signing of the Union Treaty, which was to integrate Belarus and Russia. While the past decade has seen numerous high-level meetings and continued upbeat official rhetoric in both capitals, in reality the birth of this ill-defined union has been stillborn. An asymmetrical balance of power between the two republics is unacceptable to Lukashenko, while Russian presidents from Boris Yeltsin onwards have had no intention of accepting Belarus as an equal partner. Plans for monetary union have been all but abandoned, and since 2008 the Belarusian currency has been pegged to the US dollar rather than the Russian ruble. Negotiations on a Constitutional Act, which would form the legal basis of a genuine Union State, remain stalled. Today, the rhetoric of integration is more of a PR project, exploited by both sides for their own domestic needs, but with little chance of becoming a reality.

Furthermore, Russia has found that it can no longer rely on Minsk's unquestioning, loyal support in regional organizations. Lukashenko boycotted a Collective Security Treaty Organisation (CSTO) summit last year, declined to take on the rotating chairmanship of the organization and has demurred on signing up to its Collective Operational Reaction Forces. Earlier this year Minsk delayed its ratification of the Customs Union between Belarus, Kazakhstan and Russia within the framework of the Eurasian Economic Community (EurAsEC). These disagreements have been in response to, or have precipitated, bilateral conflicts with Russia, rather than representing attacks by Belarus against the regional bodies themselves.

### Ongoing Economic Conflicts

For many years, Moscow was content to subsidise the Belarusian economy, through preferential access to the Russian market and cheap energy supplies, in return for securing an anti-Western bulwark and loyal ally as a neighbor. Over time however, Russia's interest has shifted to focus more on attaining economic influence over Belarus. There have been a number of oil and gas

conflicts over payments during the past decade, peaking in the New Year of 2006–2007 when Gazprom cut off supplies to Belarus for several days and even oil supplies were briefly interrupted. In the agreement that followed this dispute, gas prices for Belarus were to gradually rise to European levels by 2011, while Gazprom would eventually secure a 50% stake in the Beltransgaz transit pipelines over the same period. At the same time a new agreement on export duties for oil was reached. Since then Lukashenko has persisted in trying to delay the price increases and avoid opening up Belarusian state enterprises to Russian business. Energy conflicts threatened to flare up again in summer 2007 and 2010 (after Minsk's delay in signing up to the Customs Union). Belarus tries to make the most of the limited leverage it has as a transit route for oil and gas supplies to the EU and for access to the Russian enclave of Kaliningrad. However, with the construction of the Nord Stream gas pipeline via the Baltic Sea scheduled for completion by 2012, Russia will soon be able to start bypassing Belarus.

Disagreements have also arisen in other sectors, for example the so-called "milk war" in 2009 when Russia banned Belarusian dairy products for a month, triggering Lukashenko's boycott of the CSTO summit in retaliation. Lukashenko has sought to diversify his country's economic links, such as by buying oil from Venezuela, seeking to build business links with China and trying to attract Western investment through limited economic liberalization. The reduction in Russian subsidies has not yet produced the socio-economic collapse some had predicted, and Lukashenko has been able to deflect criticism of the state of the Belarusian economy and rising prices to some extent by pointing to the global financial crisis and conditions elsewhere in the region. Russian economic pressure has also seen Minsk increasingly resort to the rhetoric of defending Belarusian sovereignty, rather than simply emphasizing the socio-economic stability of the country.

### New Political Conflicts

More recently, economic differences between the two countries have been compounded by open political dis-

agreements. To date Belarus has refused to recognise the declarations of independence by South Ossetia and Abkhazia, drawing the ire of Moscow. Since the August 2008 conflict between Russia and Georgia, Minsk has also more actively sought to improve relations with the EU, while at the same time resisting Western calls for democratization. When the Kyrgyz president was overthrown in April 2010, Lukashenko welcomed him to Belarus and expressed dismay at his deposal, which had been tacitly backed by Moscow. Since July this year, Russia's NTV channel has broadcast a series of sensational documentaries, covering amongst other things Lukashenko's personal life, mental health, business interests and the disappearance of opponents in the late 1990s. While the revelations are hardly new, they have never been so widely reported in the Russian information space. Other Russian TV channels and print media have also launched a concerted campaign of attacks against Lukashenko, while providing sympathetic coverage of some opposition candidates in the forthcoming presidential election.

In response Respublika, the official newspaper of the Belarusian Council of Ministers, has published Russian opposition politician Boris Nemtsov's critique of Vladimir Putin's decade in power. Lukashenko has held press conferences for the Russian media and the Kremlin has responded in return with events for the Belarusian media, at which both sides have been harshly critical of each other. While personal relations between Lukashenko and Putin were never particularly warm and friendly, these events are the most public falling out between Lukashenko and Dmitry Medvedev, with whom the Belarusian president had always tried to maintain the appearance of cordial relations. The impact of Russia's propaganda war in Belarus itself is somewhat limited. For example, independent polling indicates that while half the population in Belarus have heard of the NTV documentaries, less than a third have actually watched any of them and of those who have seen them, only a quarter have had their attitude towards Lukashenko changed as a result, either positively or negatively.

### Presidential Elections in Belarus

The next presidential elections in Belarus did not have to take place until February 2011, however parliament was convened early in order to set polling day for 19 December. As such the elections will preempt any potential New Year oil or gas conflict with Gazprom and the Kremlin. Lukashenko hopes to win a fourth term as president, but this year he will not be able to rely on the political backing of the Kremlin and faces the possibility that Moscow will not formally recognise the election results. Although his support in the latest indepen-

dent opinion polls (September 2010) has dropped to just under 40 per cent, around a third of the electorate are undecided and few of his opponents seeking to stand against him can currently muster even one per cent of public support.

Opposition forces in Belarus, who have failed so far in this election to present even a façade of unity, face a challenge in responding to this new external pressure on the regime. Some have made the trip to Moscow to sound out possible Russian backing, but so far the Kremlin has not endorsed an alternative candidate. This has not prevented rumors about who might be the Kremlin's choice or is funded from Russia—be it business interests or Belarusian expats. Contenders for the role have included the poet Vladimir Neklyayev, the economist Yaroslav Romanchuk and the former diplomat Andrei Sannikov. Others on the nationalist wing of the opposition are concerned that Lukashenko could be replaced by a candidate owing his loyalty to Moscow and prepared to turn away from closer ties with Europe. For example the Belarusian Christian Democrat candidate, Vitaly Rymashevsky, has stated he could not rally behind the candidature of Neklyayev if he were presented as the unified candidate of the opposition. Alternatively there are those that contend that ousting Lukashenko overrides all other concerns, even if his replacement's national-democratic credentials are not as strong as they'd like them to be.

Nonetheless, regime change as a result of these elections remains highly unlikely, in spite of Russia's apparent readiness to see Lukashenko finally leave power. Despite the intense propaganda campaign in the Russian media, for now Lukashenko maintains steady support both from a significant section of the public, as well as the various groups in the Belarusian ruling elite. He can pose as a defender of Belarusian sovereignty against Russian oligarchs and expansionist Kremlin ambitions. Elections will be neither free nor fair, although Lukashenko has intimated that he expects his margin of victory to be lower than in 2006. Opposition forces are weakened by infighting; furthermore they have few natural allies amongst the Russian elites, which might allow them to take better advantage of the present deterioration in relations. Any street protests are unlikely to blossom into a popular revolution and it is improbable that Moscow is ready to see Lukashenko removed by force.

### Beyond the 2010 Elections

While Lukashenko is likely to win his fourth term, his position could be tenuous. The Belarusian president has proved to be a consummate politician in his 16 years in power and outlasted many predictions of his inevitable fall from power; however he will have to call on all his

reserves of cunning and opportunism to compensate for the long-term loss of political and economic support from Russia. Deals cut with Venezuela, China or the Gulf states have yet to come anywhere near to filling the gap. As Belarus loses its traditional leverage as a transit route, Lukashenko may instead play the geopolitical card, threatening Moscow with withdrawal from the CSTO or the Single Economic Space in the hope of extracting concessions. The thaw in relations with the EU since 2008 has in reality been limited, and Brussels is not going to offer economic and financial support to Minsk simply because Lukashenko promises to turn his back on Russia and partially open up the economy to Western investment. Brussels will want to see more democratization, which would weaken Lukashenko's hold on power. However, agreeing to Moscow's economic demands would equally undermine Lukash-

enko's ability to rule. Russia may be hoping that even if Lukashenko is successfully re-elected, over the next few years he is no longer seen as a guarantor of stability in Belarus, and so there may be a palace coup and a successor from within the regime will oust the president. However, at present there is no obvious potential Kremlin candidate within the administration. Other commentators suggest a scenario in which Lukashenko steps down early on his own terms and hands over to a handpicked successor, possibly even his eldest son, Viktor, who could hit the reset button on relations with Russia and the West. Developments in Belarusian–Russian relations over the coming months and years will be a delicate balancing act, with risks for both sides and the potential for profound changes in the Lukashenko regime and the economic landscape of Belarus.

#### *About the Author*

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#### *Further Reading*

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## ANALYSIS

### Developments And Trends in the Russian–Kazakh Strategic Partnership

By Fatima Kukeyeva, Almaty

#### **Abstract**

The strategic partnership between Kazakhstan and Russia illustrates the multifaceted and mutually beneficial nature of relations between two countries. However, this strategic partnership does not mean the two share a complete identity of common interests. Some issues remain contested and Astana and Moscow should seek to address these and resolve them mutually.

**K**azakhstan and Russia both refer to their bilateral relationship as a strategic partnership, illustrating the multifaceted and mutually beneficial nature of relations between the two. There is significant potential for cooperation between the two states in various fields, because Kazakhstan and Russia are important actors in all regional processes within Central Asia. Indeed, both Kazakhstani and Russian policymakers recognize the necessity of collaboration with one another, in order to advance their respective national interests in the cur-

rent global and regional situation. At the present time and for the foreseeable future, Russian–Kazakh bilateral relations will be influenced by the global economic crisis, the consequences of the South Ossetia conflict (2008), the security situation in Afghanistan, energy issues, international terrorism, and creation of a Customs Union between Russia, Kazakhstan and Belarus.

Due to the changed geopolitical situation in the former Soviet Union and in the world in general, the definition of a strategic partnership requires new approaches

from both Russia and Kazakhstan. Firstly, it is no longer enough for Russian and Kazakhstani policymakers to simply label their relationship as a strategic partnership. It is necessary to develop the appropriate content for such a strategic partnership. Both states should consolidate their position in the international arena, and the two states must not avoid discussion of “awkward questions” in their relationship.

Secondly, a strategic partnership no longer means the creation of a joint set of national interests. Russia's new foreign policy conception outlines that Russia is working toward a greater realization of the potential of the CIS as a regional organization, in order to create a forum for multilateral political dialogue and a mechanism for cooperation focused on the economy, humanitarian issues and addressing traditional and new security threats. Furthermore, Russia's active involvement in the framework of the Eurasian Economic Community (EurAsEC) has led to the creation of a Customs Union between Russia, Kazakhstan and Belarus.

Currently, Moscow's perspective on regional cooperation is that the CIS framework is in systemic crisis, as are most of the other integration structures within the post-Soviet space as a whole. At the same time, the Russian leadership views the preservation of the CIS as strategically important, because it is considered that certain Western actors are seeking to undermine the CIS as an effective regional organization. Against this background, Russian strategists have come to the conclusion that its CIS partners should abandon their multi-vector foreign policy approaches. This conclusion was prompted by the events in the Caucasus in August 2008. Following the South Ossetian conflict, Moscow was angered by the reaction of its closest allies, especially Bishkek, Minsk, and to a lesser extent Astana, because they did not abandon their multi-vector foreign policy principle in order to support Russia's actions more strongly.

According to Kazakhstani analysts, Russia expects special treatment from Astana, with the Russian leadership considering a number of promising economic proposals between the two as sufficient for ensuring Russia's special status within Kazakh foreign policy. As far as Moscow is concerned, Kazakhstan's recognition of Abkhazia and South Ossetia as independent states would have demonstrated the special relationship between Russia and Kazakhstan.

However, Russia regularly declares its desire to build its relations with the former Soviet states on the basis of equality, mutual benefit, respect and mutual interest. Hence, Russia should accept the fact that Kazakhstan has its own national interests, and that it is not possible to demand that Kazakhstan reject its multi-vector foreign policy in favor of a so-called “geopolitical choice”.

For Kazakhstan, its strategic partnerships with the European Union, under the “Path to Europe” program, and a constructive relationship with NATO have equal importance to its relations with Russia. As part of its multi-vector foreign policy, Kazakhstan actively seeks to avoid involvement in any conflicts. Instead, it hopes to play a role as a solid bridge between countries, regions, civilizations, and cultures. To this end, Astana has repeatedly officially articulated that it aims to develop relations with the OSCE, NATO, EU and the United States, but not at the expense of relations with Russia.

Thirdly, a strategic partnership should consist of economic cooperation between two equal partners on the basis of market principles. In this respect, a very relevant issue in the Russia–Kazakh strategic partnership is the problem of “export route diversification” in the energy sector. For regional states, it would be beneficial if energy transportation routes did not all go through Russian territory, because this would allow these states to improve their access to world markets, leading to a rise in foreign investment and advanced technology.

However, disputes over the direction of oil and gas pipelines have led some Kazakhstani experts to consider Russia and Kazakhstan as competitors in the energy market. Moscow and Astana both consider Europe as the primary consumer market for their energy exports. At the same time, the growing Asian markets are increasingly attractive to the national oil companies in both countries. Hence, the aims of Russia and Kazakhstan for energy exports coincide. Yet, a clash of interests between the two could be avoided if they agree to diversify their markets and transportation routes. Indeed, the Kazakh side has proposed that the Russians focus on Western routes and leave the Eastern ones to Kazakhstan. However, there has not been a clear response from the Russian side to this proposal thus far.

Nonetheless, Kazakhstan has begun working according to this division, creating a system of pipeline routes in accordance with Kazakhstani interests and needs. The Kazakh–Chinese Atasu–Alashankou pipeline project has been launched. Also, Kazakhstan joined the Baku–Tbilisi–Ceyhan pipeline via the Aktau–Baku segment. In addition, new projects are being developed. However, Nursultan Nazarbayev has promised Russia that Kazakhstan will transport a significant amount of its oil through Russian territory. This will help to fully exploit new routes, such as Burgas–Aleksandropolis.

Another debate within the relationship is centered on whether Russia and Kazakhstan should jointly promote their common economic interests in the global economy. Kazakhstan and Russia are both dependent on the situation in the world energy market and the unstable price of hydrocarbons. Given these unpredict-

able circumstances, coordination between Russia and Kazakhstan in these areas would be mutually beneficial. In addition to energy resources, Kazakhstan and Russia are major exporters of grain. Therefore, the establishment of a joint food cartel (especially in grain production) should be a strategic goal for both countries.

Fourthly, a strategic partnership cannot be limited to inter-governmental or inter-parliamentary relations. At the present time, increasingly emphasis is being given to more active cooperation between the civil societies of Russia and Kazakhstan. An important issue in this regard is the maintenance of a common information and cultural space. Indeed, the preservation and development of this space is very important not only for bilateral Russian–Kazakh relations, but also for multilateral regional integration.

The influence of the Russian-speaking population in Kazakhstan fosters bilateral cooperation between Russia and Kazakhstan. According to the latest census, 30 percent of the Kazakh population is ethnically Russian. Russia's foreign policy concept contains a special section on the provision of support for compatriots in CIS states, through special agreements on the protection of educational, linguistic, social, labor rights, and freedoms. Unfortunately, there is no clear equivalent strategy in Kazakhstan aimed at fostering relations with Kazakh compatriots in Russia. This is due to the peculiarities of Kazakhstan's policy with regard to its own diaspora. The essence of this policy is the gradual return of ethnic Kazakhs to their homeland. Moreover, Kazakhs abroad are not regarded as an independent factor contributing to the promotion of Kazakhstan's interests.

In terms of the influence of Russia in providing news and information, approximately 80 percent of the Kazakhstani information space is covered by Russian media. However, in the course of 19 years of independence a new generation of Kazakhs has emerged, for whom Russia is as distant as the US or Japan. Gradually, the scale of the use of Russian language in Kazakhstan is declining.

Fifthly, both Kazakhstan and Russia are interested in the creation of favorable external conditions for the implementation of their respective plans for political and economic modernization. This favorable external environment is primarily related to security issues. There are no longer any doubts that the CSTO members, including the Central Asian states, will be affected by relations between Russia and the West, both in economic and in military-political respects. Moscow seeks to consolidate its influence over its "near abroad" through ensuring interdependence between Russia and the CSTO member states. Russia will also continue to promote the CSTO's consolidation as a military-political alliance, strengthen

the Organization's peacekeeping potential, improve military-technical cooperation among the member states, and enhance coordination of their actions in the international arena. Further improvement of the CSTO's international prestige and development of its contacts with other regional organizations, including the SCO, are urgent tasks. Intensifying coordination between the CSTO and EurAsEC is acquiring increasing practical significance.

According to Russian politicians, the Afghan knot poses the greatest and most realistic danger to the CSTO member states. The activity of other international organizations, operating from within the CSTO's zone of action, cannot help but have an impact on the military-political situation in the post-Soviet space. The military activity of the US and NATO on the external borders of all the CSTO's member states is being stepped up, while the US and NATO are restoring or creating new military infrastructure in Eastern Europe, the Southern Caucasus, and Central Asia. Russian specialists believe that the aims of the CSTO should be adjusted in accordance with this changing geopolitical situation, whereby practical measures should be taken to create a comprehensive system of supplementary structures and corresponding collective forces, including multilateral mechanisms for coordinating antiterrorist and anti-drug activity, and illegal migration. Moscow considers that the CSTO has opened a new stage in the fight against international terrorism with the creation of its Collective Operational Response Force for counteracting terrorism and extremism. Furthermore, efforts are being made in the military sphere to form a Joint (Coalition) Force Group in the Central Asian region.

## Conclusion

At the present time it seems that Russia is returning to its old foreign policy approach in the post-Soviet space, including the formation of a new strategy in Central Asia in response to changes in the region and in Russia's international position. Central Asia is of significant strategic importance to Russia, with its Central Asian policy impacting on many of its primary interests. At the same time, Russia finds itself facing significant challenges in both the post-Soviet space and the wider international system, which influence Moscow's focus and capacity to carry out its Central Asian policies. Taking into account the importance of Central Asia to Russia, Moscow considers relations with Kazakhstan a priority. Kazakhstan remains Russia's main ally in the region, and relations between the two countries are central to Russia's aims of integrating the post-Soviet space.

At present, Russia's primary interests in its relations with Kazakhstan are:

- Ensuring Kazakhstan remains its closest partner and ally in Central Asia and the post-Soviet space;
- Developing large-scale integration projects with Kazakhstan, in particular the Customs Union;
- Maximizing integration between the Russian and Kazakh economies;
- Creating an energy pool with Astana: joint production and transportation of hydrocarbons and development of nuclear energy;
- Creating a food cartel with Astana (primarily in grain production);
- Limiting Kazakhstan's capacity to pursue an independent, multi-vector policy in areas that are seen as of vital importance by Moscow (energy and transportation);
- Limiting cooperation between Kazakhstan and the West;
- Monitoring Kazakhstan's relations with China.

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#### ANALYSIS

## Russian–Kazakh Security Relations Revisited

By Aigerim Shilibekova, Astana

### Abstract

Since the early 1990s Russian–Kazakh relations have been strengthening. In the present day, the security relationship between Russia and Kazakhstan is accurately described as a strategic partnership, even though Moscow and Astana have different perceptions of the relationship. This article revisits security relations between Russia and Kazakhstan on the bilateral level, as well as within the framework of the Collective Security Treaty Organization (CSTO).

### Why Russia and Kazakhstan Matter to Each Other

A careful analysis of the basic security documents of the Russian Federation—Foreign Policy Concept (2008), National Security Concept (2009) and the Military Doctrine (2010)—clearly reveals an emphasis on relations with the so-called "Near Abroad". Russia's primary security concerns remain focused on the rise of Islamic fundamentalism, the existing or potential conflicts near its borders and the rights of Russian minorities in the "Near Abroad".

Although the Russian–Kazakh relationship is mainly considered within the context of Russia's approach toward the Central Asian region in general, increasingly there is also a tendency to view Kazakhstan as a partner distinct from the rest of Central Asia. Russia is aware of Kazakhstan's significance as its neighbor and partner, and recognizes that without the cooperation of Kazakhstan, its wider Central Asian strategies will not succeed. In turn, Kazakhstan understands that cooperation with Russia is vital to its national security, as well as development.

The nature of Russia's relations with Kazakhstan is shaped by several basic factors. Firstly, Russia is an immediate neighbor of Kazakhstan, and the two countries share the longest land border in the world. Secondly, Kazakhstan is Russia's natural gateway to Central Asia. Thirdly, Kazakhstan, with its rich reserves of natural resources, is a major economic player in the region, whose participation is vital to the Customs Union (Russia, Kazakhstan, and Belarus), which came into force in July 2010. Fourthly, Russia is involved in many integration processes at a regional level, and acknowledges Kazakhstan's significance to the success of these projects. Fifthly, both countries are Eurasian, or in other words are both influenced by European as well as Asian cultures and values. Last but not least, the Russian community in Kazakhstan is the largest Russian diaspora living in Central Asia.

### When Demographics Matter

The Russian diaspora in Kazakhstan predominately live in large numbers in the northern parts of the country. After Kazakhstan became independent, many of the

Russians living on Kazakh territory tried to immigrate to the Russian Federation. Many of these Russians sought to immigrate because they felt that Russians were being treated as second class citizens in independent Kazakhstan, and due to pressure from the Kazakh state to learn and speak Kazakh. Initially, Moscow was very concerned about this wave of immigration, fearing it may create economic and social problems in some regions of Russia. However, taking into account Russia's deteriorating demographic situation and forecasts, at the current time it seems that the issue of the Russian population abroad presents a dilemma for Russian authorities: should Moscow invite more Russian specialists living in Kazakhstan and other countries of the former Soviet Union to return to Russia in order to improve the demographic situation, or should it encourage the Russian diasporas to remain, so that they may function as a means of soft-power and a reason for intervening in internal situations in the post-Soviet space.

In turn, Kazakhstan also perceives the issue of the Russian diaspora in Kazakhstan as a major security concern. Indeed, in comparison with Russia, Kazakhstan faces more complex problems in this regard, particularly in the social and cultural spheres. One of the most acute challenges is that the overwhelming majority of Russians in the northern oblasts of Kazakhstan are against the Kazakh authorities changing the names of the cities in which they live. While the original Kazakh names have been restored or new Kazakh names given to almost all major cities and towns in other parts of Kazakhstan, the oblasts and cities of Petropavlovsk and Pavlodar remain unchanged. Several attempts have been made to change these names, but each time the Kazakh authorities have been met with significant discontent from the Russian population in these cities, as well as open protest by several Russian-sponsored local NGOs, which see themselves as the guardians of Russians' rights in Kazakhstan.

Another important issue for Kazakh officials in relation to the Russian diaspora is the issue of language. While Kazakh nationalists exert pressure on the government to implement more decisive measures to ensure that Kazakh is widely spoken, the Russian-speaking population resists. This is a key problem, which has the potential to impact on the stability of inter-ethnic relations in the short term and national security in the long-term.

A third characteristic within the nexus of national security and demographics is related to the issue of nation-building in Kazakhstan. This debate revolves around the issue of whether the Kazakhstani nation should be one in which ethnicity does not matter or one in which the Kazakhs form the titular nation with other ethnic groups living alongside them in a common home country. The Kazakh authorities attempted to resolve

this dilemma by developing a national unity doctrine and issuing a new biometric version of the Kazakhstani passport, in which no ethnicity is documented. However, these new passports caused discontent among the Kazakh intelligentsia, with many sending an open letter to the President stating that this change was unacceptable and unpatriotic. As a result, the Kazakh authorities reversed their decision, and the new passports continue to contain a field outlining nationality, which is determined by ethnic origin. This incident signals the obstacles the government must negotiate in its search for ways to ensure the cohesion of the Kazakh population and nation, at least in the short-term.

A further concern has arisen following the Russian military intervention in Georgia in 2008. In spite of the prohibition of dual citizenship in Kazakhstan, there are an unknown number of citizens in Kazakhstan holding both a Kazakh and a Russian passport. Russia's stance with regard to Russian passport holders in Abkhazia and South Ossetia raises concerns among Kazakh officials about dealing with Moscow on the issue of the Russian diaspora in Kazakhstan.

At the same time, the presence of a significant Russian population in Kazakhstan is not only a negative factor of concern to the Kazakh authorities. In recent years, a positive trend can be discerned in which interactions between Kazakhs and Russian and other non-Kazakh populations are increasing. Examples include Kazakh-speaking non-Kazakh TV presenters and journalists, non-Kazakh children attending Kazakh kindergartens and schools, and more inter-ethnic marriages between Kazakhs and Russians. There are also cases of joint Kazakh–Russian business ventures, as well as purely Russian investment in major cities in Kazakhstan. These developments raise hope that societal stability between the different groups can be sustainable and long-lasting, and may also impact positively on other spheres of bilateral relations between Russia and Kazakhstan.

### **Bilateral Military And Security Relations**

During the immediate years following the collapse of the Soviet Union and the independence of the Central Asian Republics, many analysts predicted that Kazakhstan faced the greatest challenges among the Central Asian Republics to developing a strong and stable nation-state. A number of factors were said to offer little prospect of a bright future and signal an enormously complicated state-building process in Kazakhstan: a huge territory but small population, the longest land border with Russia and a common border with China, Soviet nuclear heritage but without the technology and technical specialists to manage it, a diverse ethnic composi-

tion with a minority of ethnic Kazakhs in proportion to other nationalities, weak governmental institutions and a deteriorating socio-economic situation, a lack of effective security and military structures and forces. Indeed, perceptions about these challenges prevented Kazakhstan from declaring its independence until 16 December 1991 (the last of all the Central Asian Republics). Against this background, the Kazakhstan President, Nursultan Nazarbayev, sought to develop an independent state by taking into account the complicated breakup process not only of the economies, but also the armed forces of the Soviet Union, and particularly how closely interconnected these fields were with Russia. As a result, he supported the possible continuation of the Soviet military as a combined armed forces of the newly formed Commonwealth of Independent States (CIS) on 21 December 1991. However, despite his efforts and the interest of some of the other leaders, the CIS failed to create a combined or unified armed forces, with each Republic going on to deal with problems of state-building on their own. Nonetheless, a major part of military building in Kazakhstan has focused on maintaining and strengthening bilateral military ties with Russia.

The preservation and development of close ties have remained a significant aim for both Russia and Kazakhstan up to the present day, suggesting that they identify common threats to their national security. The Kazakh and Russian governments face complicated issues in relation to one another that require collaboration, such as monitoring cross-frontier trade or collecting customs duties across a vast border and its many possible crossing points. On the whole, the two states have managed this problematic situation well and on 17 January 2005, Nazarbayev and Putin signed a comprehensive border delimitation agreement. Additionally, Astana and Moscow express a common view regarding the formation of a united air-defense system among CIS states. Moreover, Russia depends on Kazakhstan supplying it with uranium and similar products for its nuclear power industry, as well as Kazakh goodwill in allowing Russia to access the Baikonur Spaceport. During a long negotiation process over the use of this facility both Russia and Kazakhstan attempted to obtain for themselves the most beneficial rental conditions. Finally, in 1994 an agreement was reached under which the two governments recognized Kazakhstan's ownership of the site, but Russia was permitted to continue to use the location under a 20-year lease. A January 2004 accord, which entered into force in 2005, extended the leasing arrangement through 2050. Settlement of these issues has contributed to an understanding of interdependence and mutual interest. This trend is also being strengthened within the framework of the CSTO.

### **CSTO: Quo Vadis?**

Reading the short history of the CSTO as an organization, it is obvious that it has failed to become an efficient regional structure in terms of policies, as well as military potential. Indeed, the attitude of many of the member states to military coordination suggests that the only thing keeping the CSTO together is its members common past. However, this is not the case for Russia and Kazakhstan, who are the only member states striving for real cooperation and which are willing to realize the Collective Operation Reaction Force.

According to many, the CSTO is perceived as a tool for the projection of Russian interests in the region, as well as a chance for Russia to position itself as a great power. At the same time, as demonstrated by numerous analytical articles and expert opinions on the prospects for regional cooperation published following the events in Kyrgyzstan in April and June 2010, Russia considers Kazakhstan as its highest priority partner in Central Asia, a region it deems as strategically vital.

For Kazakhstan, the CSTO is not only a defense umbrella, but also a valuable framework for bilateral and multilateral cooperation with other states within the former Soviet space. Therefore, at the informal summit of the leaders of the CSTO member-states, held in Kazakhstan in 2008, Nazarbayev stressed the need to reconsider the CSTO as a framework in the context of the Russian–Georgian war and that its members should discuss how to ensure its further development. Moreover, only Russia and Kazakhstan signed the CSTO Plan of Joint Actions for 2009–2010, a document covering economic and trade aspects of relations within the CSTO, alongside cooperation in the military sphere. Indeed, it is not surprising that recent developments in Kyrgyzstan have led to a reassessment of the CSTO and the difficult relationship between some members of the organization has caused Kazakhstan and Russia to seek closer relations with each other.

### **Conclusion**

Security relations between Russia and Kazakhstan may be defined as a strategic partnership due to the commonality of issues on the security agendas of both states. Russia's adoption of a more realistic assessment of its capabilities in recent years, as well as the current regional situation has further strengthened Moscow's perception that Kazakhstan is a key country in the region. At the present time, Russia considers the bilateral format of relations as the most successful and suitable for Russian policies towards Central Asia. Kazakhstan is also very determined and clear in its vision of regional developments. On the one hand, Astana seeks to play the role of the "locomotive" for regional integration and closer

cooperation between the Central Asian states; on the other hand, Astana is increasingly concerned about stability in the southern part of Central Asia, as well as the growing Chinese presence and pressure in the region. These concerns are pushing Astana to strengthen its ties

with Moscow. Thus, neither Russia nor Kazakhstan will change their course in bilateral relations in the foreseeable future, which involve prioritizing one another as strategic partners.

#### *About the Author*

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## ANALYSIS

### Russia And the Customs Union With Kazakhstan And Belarus

By Sherzod Shadikhodjaev, Seoul, South Korea

#### **Abstract**

The Customs Union of Russia, Kazakhstan and Belarus is a product of “diverse speed” integration in the post-Soviet space. It consists of both free trade arrangements among its members and a common commercial policy towards third countries. Russia has a keen interest in this project because, *inter alia*, it opens up new opportunities for both foreign and Russian investors, keeps the Eurasian Economic Community in operation and represents an important tool for Russia to increase its economic and political influence in the region. On the other hand, the Customs Union limits Russia’s sovereignty in foreign trade policy, and requires coordination with its partners on issues of common jurisprudence and interest.

#### **Chronological Overview of the Formation of the Customs Union**

Since the collapse of the Soviet Union in 1991, Russia and other countries in the post-Soviet space have been involved in various integration processes in order to maintain and further develop historically established relations through new regional arrangements, such as the Commonwealth of Independent States (CIS) comprising 12 countries, the Collective Security Treaty Organization, “GUAM” (which stands for Georgia, Ukraine, Azerbaijan and Moldova), the Eurasian Economic Community (EurAsEC) and others. Among these integration schemes, the Customs Union of Russia, Kazakhstan and Belarus is an important project for strengthening economic cooperation in the CIS region.

The idea of creating a customs union in the post-Soviet period dates back to 24 September 1993, when the CIS countries signed the Economic Union Treaty that envisaged the launch of an economic union following the formation of a multilateral free trade association, a customs union, a common market, and a currency union. Such an economic union was perceived to comprise free movement of goods, services, capital and labor; coordinated policy in monetary, budgetary, fiscal, and external economic issues; harmonized

economic legislation as well as a single statistical database. As for the CIS customs union, it targeted the full removal of tariff and non-tariff barriers to the movement of goods and services, and the establishment of a common customs tariff and coordination of external trade policy towards non-signatory countries. The Economic Union Treaty was just a framework agreement to be put into practice by a number of more specific agreements, including the 1994 Agreement on the Formation of a Free Trade Area (CIS FTA)—an area with no internal trade barriers. However, multilateral trade integration within the CIS-12 framework has faced certain challenges. Firstly, as the signatories failed to work out a common list of goods exempt from the multilateral regime, they agreed to identify such exceptions in bilateral documents and then to gradually abolish them. Secondly, the provisions outlining the aim of a transition to a customs union were removed from the treaty as a result of amendments introduced by a protocol on 2 April 1999. Thirdly, neither the CIS FTA nor the protocol has ever been ratified by Russia. Finally, the integrity of a single multilateral free trade regime has been hampered by a web of bilateral FTAs between the CIS countries. While CIS countries managed to establish a free trade area on the basis of the CIS FTA and bilat-

eral trade arrangements, the idea of the creation of a customs union in the CIS as initially envisaged in the Economic Union Treaty has failed to materialize because of diverse exceptions to free trade and the lack of progress in harmonization of external commercial policies. These factors generated the so-called “diverse speed” (or “diverse level”) integration, whereby each consecutive stage of integration would involve only those countries that were the most prepared to accept it. The concept of “diverse speed” integration led to the formation of the EurAsEC—an international economic organization within which the Russia–Kazakhstan–Belarus Customs Union has emerged.

On 26 February 1999 Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan concluded the Treaty on Customs Union and Single Economic Space, and on 17 February 2000 the same countries signed the Agreement on Common Customs Tariff of the Customs Union Member States. While a customs union is a free trade area with a common external tariff, a single economic space is a deeper and more comprehensive integration form that includes a common market of goods, services, capital and labor, common economic policy, single infrastructure and harmonized legislation. With the aim of institutionalizing the formation of a customs union and a single economic space, the Presidents of Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan gathered in Astana (Kazakhstan) on 10 October 2000 to sign the Treaty on the Establishment of the Eurasian Economic Community. With Uzbekistan’s accession in January 2006, the EurAsEC incorporated the Organization of Central Asian Cooperation into its framework. However, at the end of 2008, Uzbekistan suspended its membership of the EurAsEC.

The formation of a customs union requires harmonization of the external trade policies of its constituent territories, but this has proved to be a very challenging task between the members of the EurAsEC. This has been particularly difficult because of the divergence in these states’ World Trade Organization (WTO) accession bids, with Kyrgyzstan accepted as a WTO member in 1998, while the other EurAsEC member states are not. For this reason and in line with the principle of “diverse speed” integration, initially only Russia, Kazakhstan and Belarus—the countries with the highest degree of external tariff convergence—agreed to establish a customs union with the option of the remaining EurAsEC countries joining in the future. Hence, it is these three countries that define the common trade policy at the formation stage, while the other applicant countries will have to adapt to it. On 6 October 2007, the Presidents of Russia, Kazakhstan and Belarus agreed to create a trilateral customs union with a single customs territory.

Since then, a number of documents related to institutional (operational) and harmonization issues have been adopted and put into practice.

On 9 June 2009, Russia, Belarus and Kazakhstan made a surprise joint statement about their intention to join the WTO as a customs union and halt their separate entry bids. They announced that the customs union would be launched from 1 January 2010 and all necessary procedures would be finalized by 1 July 2011. However, this plan for joint accession was quickly dropped mainly due to the opposition from existing WTO members, and as a result all three countries have returned to the individual accession tracks.

With the launch on 1 January 2010 of the common customs tariff and non-tariff regulations *vis-à-vis* third countries, as well as the creation of the Commission of the Customs Union (the standing administrative body of the Customs Union), the first stage of the formation of the customs union was completed. In the second stage, which commenced on 1 July 2010, the joint Customs Code entered into force and a single customs territory was established. In the final stage, internal border control across the Customs Union countries is to be abolished by 1 July 2011.

### Russia’s Interests in the Customs Union

Although, trade within the Customs Union constitutes only a marginal share, 7.7% in 2009, of Russia’s external trade, it is of strategic importance to Russia for a number of reasons, including but not limited to the following: Firstly, with the removal of internal trade barriers within the Customs Union, Russia, Belarus and Kazakhstan have formed a huge market of about 170 million people. This, in turn, makes Russia a more attractive destination for foreign direct investment. On the other hand, Russian investors will have better (if not preferential) access to Kazakhstan and Belarus. Secondly, the Customs Union is a central part of the EurAsEC—the only effective economic bloc in the CIS region to date in which Russia participates. Without the Customs Union, the EurAsEC’s future would be endangered. Thirdly, the trilateral Customs Union may be expanded to other countries. For instance, Kyrgyzstan has expressed its intention to join the bloc, possibly after all three members of the Customs Union accede to the WTO. In addition, Tajikistan, and even “post-Yushchenko” Ukraine (non-EurAsEC member country) have reportedly shown interest in the project. Fourthly, the Customs Union is an intermediate stage necessary for the creation of a more ambitious single economic space (SEC) similar to the European Union. The Presidents of the Customs Union countries have already announced a plan to launch the SEC by 1 January 2012. Finally, Russia

will be able to increase its economic and political influence in the “near abroad” through the Customs Union. Indeed, with the ever-weakening role of the CIS as an international organization, the Customs Union represents a more realistic tool to secure Russia’s long-term interests in the region.

Although it is the Kazakh President, Nursultan Nazarbayev, who is considered to be the major initiator of Eurasian integration in general and the Customs Union in particular, it is clear that without Russia’s support this idea would not have been carried out. According to Russian President Dmitri Medvedev, the Customs Union remains an “absolute priority for Russia”, and the following facts demonstrate Russia’s leading role. Russia accounts for nearly 50% (2009) of intra-bloc trade, with 87.97% of import duties imposed by the Customs Union to be allocated to the Russian budget. The common customs tariff is based, to a large extent, on the Russian national tariff. Russia has the greatest say in the decision-making of the Commission of the Customs Union (Russia 57 votes, Kazakhstan and Belarus 21.5 votes each). Last but not least, Russian legislation provides an important benchmark for designing Customs Union regulations. For example, the Customs Union’s rules on safeguards, anti-dumping and countervailing measures *vis-à-vis* third countries are largely modeled on Russia’s equivalent domestic provisions.

### Some Policy Implications for Russia

#### *Limited Sovereignty*

Perhaps the most salient policy implication of the Customs Union for Russia (and the other members) is that Russia transfers some of its sovereign rights to supranational bodies—the Customs Union’s Intra-State Council (of Heads of State/Government) and Commission. As a result, Russia can no longer conduct an independent foreign trade policy and needs to “lend an ear” to its partners on issues of common jurisprudence. This is the main philosophy of any customs union that requires harmonization and joint governance of both intra-bloc trade and external trade.

#### *About the Author*

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#### *WTO Accession*

Also, Russia has to coordinate its WTO-accession positions, on the one hand, with the Customs Union’s tariff and non-tariff regulations and, on the other, with the accession positions of the other members of the Customs Union. Managing both the requirements of WTO accession and the formation of the Customs Union in parallel has proven to be a very difficult task. Russia and its Customs Union partners have less flexibility in WTO accession talks than they would have if they were not in the Customs Union, because they must base their WTO negotiation positions on their Customs Union commitments.

#### *Pending Issues*

Finally, Russia needs to resolve all pending issues that may impede the successful completion of the Customs Union project. For example, the continued disagreements between Russia and Belarus about the former’s export tariff on oil and oil products supplied to the latter was one of the main reasons for Belarus’ delay in ratifying the joint Customs Code. Belarus even filed a complaint over this issue with the CIS Economic Court that recommended in its ruling (dated 8 October 2010) that both parties solve their differences out of court in three months and that Russia lift the oil export duties until the next hearing scheduled for 19 January 2011.

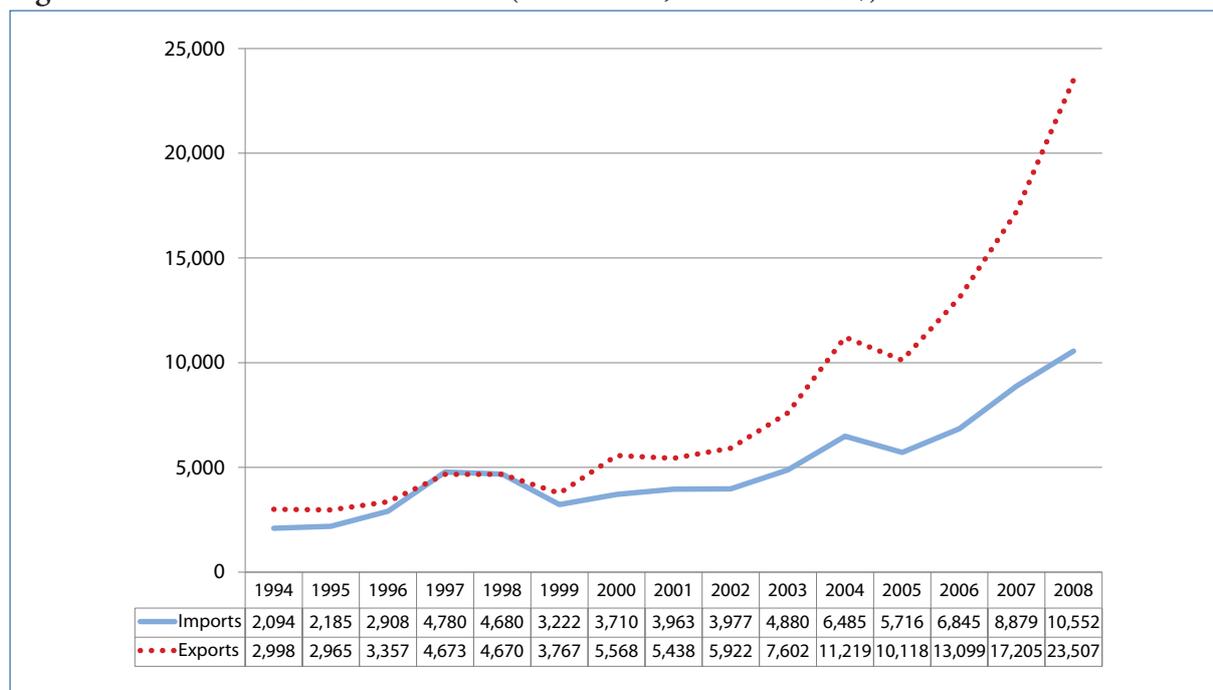
### Conclusion

To conclude, the long-awaited Customs Union requires maximum cooperative efforts from all of its members to fully establish its place in its members’ economic policy and the region, and to ensure its smooth operation. Needless to say, this development is very much dependent on the Russian position. Up till now, Russia has been consistently supportive of the Customs Union and it seems that this stance will not change at least in the near future.

STATISTICS

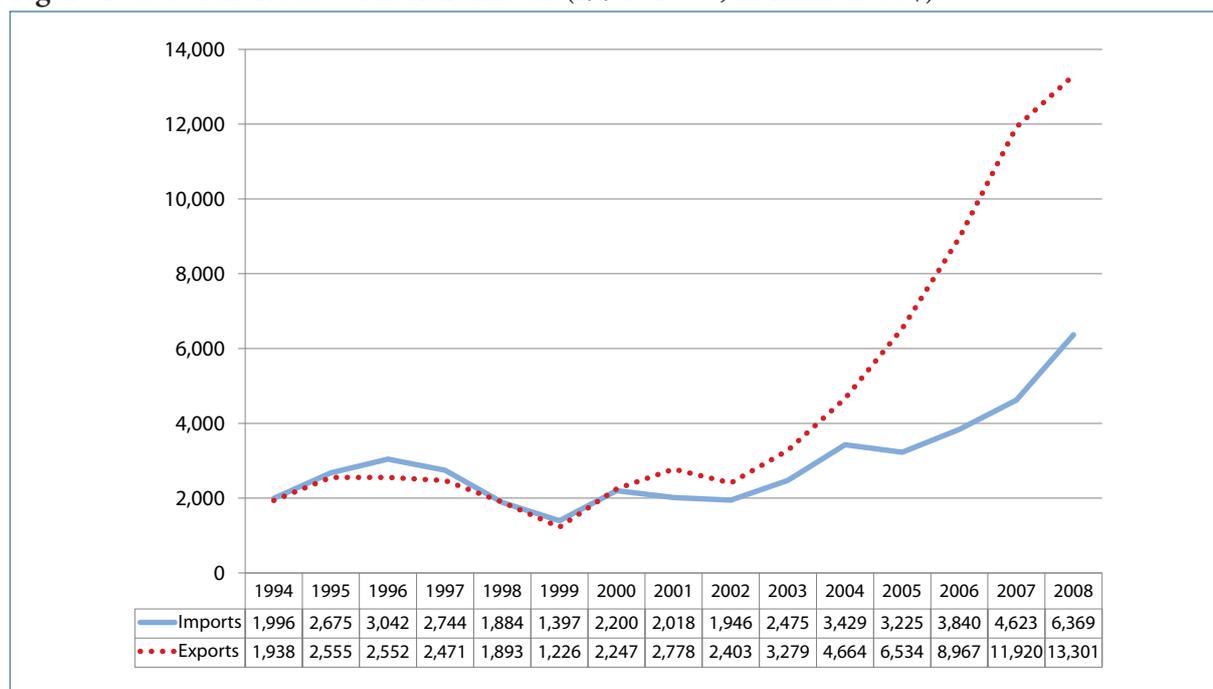
## Russia's Foreign Trade With Belarus And Kazakhstan

Figure 1: Russian Trade With Belarus (1994–2008, in million US\$):

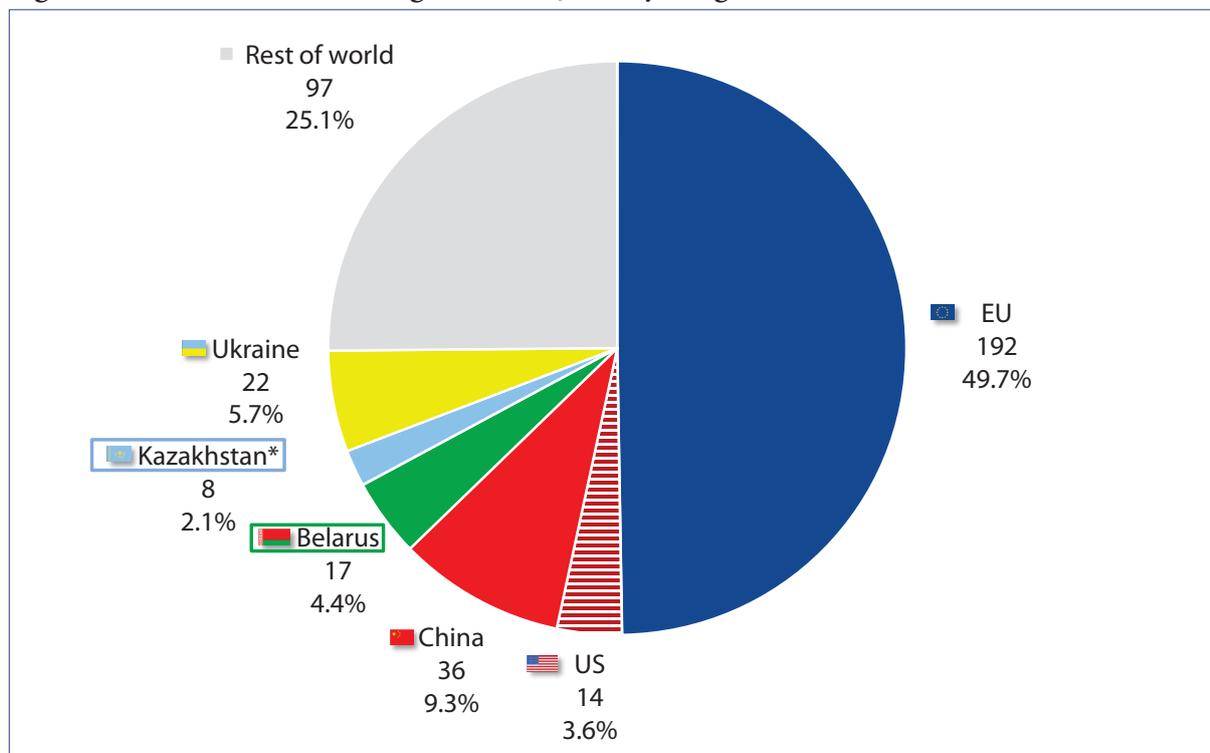


Source: Rosstat

Figure 2: Russian Trade With Kazakhstan (1994–2008, in million US\$):



Source: Rosstat

**Figure 3: Russia's Main Trading Partners (January–August 2010, in billion US\$)**

\* Data for Kazakhstan are presented without taking into account the mutual trade with the Republic of Kazakhstan in July and August 2010, in connection with the abolition from 1 July 2010 of the customs clearance of goods at the Russian–Kazakh border.

Source: Rosstat, [http://www.gks.ru/bgd/free/b04\\_03/IssWWW.exe/Stg/d05/218-n.htm](http://www.gks.ru/bgd/free/b04_03/IssWWW.exe/Stg/d05/218-n.htm)

## ABOUT THE RUSSIAN ANALYTICAL DIGEST

Editors: Stephen Aris, Matthias Neumann, Robert Orttung, Jeronim Perović, Heiko Pleines, Hans-Henning Schröder, Aglaya Snetkov

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In the area of post-socialist societies, extensive research projects have been conducted in recent years with emphasis on political decision-making processes, economic culture and the integration of post-socialist countries into EU governance. One of the core missions of the institute is the dissemination of academic knowledge to the interested public. This includes regular email services with nearly 20,000 subscribers in politics, economics and the media.

With a collection of publications on Eastern Europe unique in Germany, the Research Centre is also a contact point for researchers as well as the interested public. The Research Centre has approximately 300 periodicals from Russia alone, which are available in the institute's library. News reports as well as academic literature is systematically processed and analyzed in data bases.

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The Center for Security Studies (CSS) at ETH Zurich is a Swiss academic center of competence that specializes in research, teaching, and information services in the fields of international and Swiss security studies. The CSS also acts as a consultant to various political bodies and the general public. The CSS is engaged in research projects with a number of Swiss and international partners. The Center's research focus is on new risks, European and transatlantic security, strategy and doctrine, area studies, state failure and state building, and Swiss foreign and security policy.

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#### Resource Security Institute

The Resource Security Institute (RSI) is a non-profit organization devoted to improving understanding about global energy security, particularly as it relates to Eurasia. We do this through collaborating on the publication of electronic newsletters, articles, books and public presentations.

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