



Eurasian Union: Possible Political Undercurrent

By Levon Urumyan

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Lately, an entire noise has been raised after on October 3, 2011 Russian Prime Minister Vladimir Putin in his interview to the Izvestia news media declared about the intention to create a Eurasian Union (EAU) together with the former Soviet Republics of Belarus and Kazakhstan (izvestia.ru). Now, the idea of EAU is not new. Originally, it was expressed by the President of Kazakhstan Nursultan Nazarbayev back in 1994. Initially, as President Nazarbayev proposed in 1994, the EAU was to be “a community of countries based on principles of equality of integration partners, non-interference with each others’ domestic affairs, regard for sovereignty and inviolability of national borders.” In addition, he proposed the establishment of Eurasian Union bodies that would ensure that all the decisions are reached via consensus among the member states, which will guarantee that the interests and the political sovereignty of all states are well protected (Akimbekov, 2011). The union that Nazarbayev envisaged was to be based mainly on economic/financial and industrial/technological constituents. In addition, he believed that the EAU is to emerge as a joint, linking Euro-Atlantic and Asian areas of development (Gleboff). Originally, Nazarbayev envisaged the membership of all the former Soviet Central Asian republics, with the exception of Tajikistan that was heavily stuck in a civil war, plus the addition of Georgia, Moldova and the three Slavic states of Belarus, Russia, and Ukraine. Very quickly, however, it was rejected by Uzbekistan's President Islam Karimov (Cutler, 2011). Worse, given the atmosphere of the 1990s reality, that is, when the entire region stuck into the chaos of post-Soviet economic and social degradation, local conflicts and struggle for elementary survival, unsurprisingly, such grand and promising plans were practically ignored and finally faded into insignificance. Only about fifteen years later, when the times of chaos, uncertainty and political gutlessness largely were left in the past, the leaders of the potential member states could afford to return to the issue.

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**International Center for
Human Development**

19 Sayat Nova Ave.

Yerevan 0001, Armenia

Tel./Fax: +374 (10) 582638

E-mail: mail@ICHD.org

www.ICHD.org



However, it must be noticed that Putin’s approach towards the EAU is considerably different from that of Nazarbayev. That is, Putin’s approach is not at odds with that of Nazarbayev, but rather constitutes the evolution of the approach Nazarbayev proposed. Obviously, for Putin the EAU is to be built mainly on the pillars of the Customs Union, Eurasian Economic Community (EurAsEC), Russian-Belarus joint Union State, Collective Security Treaty Organization (CSTO), and Single Economic Space (SES; Единое Экономическое Пространство) with very considerable influence of the experience gained during the existence of Commonwealth Independence States (CIS) and the then European Community (EC) 1986 Single European Act that aimed at establishing single market within EC, and later the European Union (EU).

Now, why Putin initiated such an ambitious plan together with the Presidents of Kazakhstan and Belarus is still a matter of debate. However, in the West Putin’s interview to Izvestia and the entire initiative to create the EAU bolstered the already traditional paranoia that Vladimir Putin craves to restore the Soviet Union. Earlier, when asked about how he feels about the collapse of the Soviet Union, Putin said that it was “the greatest geopolitical catastrophe of the 20th century.” For some complicated reasons, the true meaning of this statement was misinterpreted, or even perverted, and presented as if Putin dreams about the return of the Soviet Union. In reality,

however, Putin meant something completely different. What he meant was that although the collapse of the Soviet Union gave sovereignty back to the nations that once lost it, the collapse of the country together with its massive economy, industry, and social structures came as a disaster for many ordinary citizens. That is, people lost their jobs, hence, social security, everyday life and the respect they once enjoyed, because the overwhelming majority of institutions, factories and industrial complex seized to exist overnight. Moreover, the absence of the strategic balance that existed during the bi-polar world era brought up the harsh realities of the uni-polar world, where the international law is often ignored by the ambitions of the only existing hegemon-superpower. In either case, ever since the collapse of the Soviet Union it has been quite obvious that it cannot be resurrected. No ambitions can go back in time and bring back a country that outlived itself and perished in the "graveyard" of history. Even, Mikhail Khodorkovski, the toppled and imprisoned oligarch in this regard once said that "those who do not regret the collapse of the Soviet Union have no heart, and anyone who thinks it can be reconstructed has no brain" (Cohen, 2009, p. 149). In this respect Putin was not bluffing when he said that "it would be naive to attempt to restore or copy something from the past" (Izvestia.ru). Similarly, Nazarbayev stressed that "it may appear rather tempting to draw a new Iron Curtain tailored with new geopolitical curves. That is absolutely unallowable and unacceptable. There is no and there shall be no USSR Restoration or Reincarnation. Those are just phantoms from the past, assumptions and speculations. Our views stand in line with those of the leaderships of Russia and Belarus and the other countries. Today, we must overcome of fear of the word UNION and proverbial EMPIRE EXPANSION" (Akimbekov, 2011).

It is too early for conclusions. Nevertheless, such grand plans, unavoidably, give food for thought. In this respect, there is at least one realistic possibility that should be considered. It is obvious that for Putin the main motivation to push the EAU project is more geo-political, rather than economic. Such approach would be quite logical because in modern world finance and economics are the integral part of politics. Thus, it is quite possible that Putin strives to accomplish an even greater task than it may seem from the first glance. It is not news that the United States declared Caucasus, and especially Central Asia a region of American strategic interests (Cohen, 2009, p.172). The reason for that is that Central Asia is very rich in energy resources, and the long standing aim of

all Presidential Administrations since the collapse of the Soviet Union was to transport these energy resources from Central Asia via Azerbaijan and Georgia to the West, thus, bypassing Russia. If materialized, such state of the affairs would greatly diminish Russia's influence over Europe, and, as a result, constitute an enormous strategic victory of American diplomacy over Russia. This, in turn, would comprise an incremental step in strategic encirclement of Russia. Therefore, possibly, it is for this reason that Putin strives to gather the Central Asian states around him, that is, to bind Central Asian countries to Russia in a "tight hug" that would prevent them from going Westward, and diminish the threat of further strategic encirclement initiated by the United States.

At some point speculations arose about the possibility of Armenia's membership in the EAU, in particular, whether Armenia will benefit or loose from such membership. Although, the EAU remains in theory, it is interesting to analyze the pros and cons of Armenia's possible membership in EAU, especially given that Armenia is the only military-strategic ally of Russia in South Caucasus and a CSTO member state. Now, even if the rosy image of the EAU materializes, it still does not mean that Armenia may benefit from such an arrangement. In this regard there is one but very nasty problem on the way of Armenia's possible EAU membership: Armenia has a border neither with Russian, nor with another potential EAU member state, which constitutes a major obstacle. The absence of a common border with Russia or another potential EAU member state makes EAU membership for Armenia at least impractical. There are some naive voices out there assuming that Armenia may benefit in Nagorno-Karabakh (N-K) conflict settlement if joins the EAU (Khojayan, November 15, 2011). In reality, EAU membership will merely not change anything for Armenia in the N-K conflict settlement process, because among all the presupposed members of the EAU, the only country that de facto supports Armenia is Russia. It is only Russia that in fact employs security guarantees regarding Armenia. Whereas the Central Asian CSTO member states in fact hardly have any motivation or capabilities to assist Armenia if it is attacked by another state. Not surprisingly, on December 7, 2011 Armenian Prime Minister Tigran Sargsyan ruled out the possibility of Armenia's accession to the EAU and even to the Customs Union. As the Prime Minister correctly concluded, "in practice, there are no examples of a country joining a customs union with which it has no common border because the whole thing loses its economic meaning

[without such a border]" (Radio Free Europe/Radio Liberty, December 14, 2011). However, there are some positive aspects that should be considered if Armenia somehow decides to *anchor* itself to the EAU. Now, in this respect for Armenia the possible choice to *anchor* itself to, rather than join the EAU may not be accidental. That is, given the severe limitations conditioned by the geographical location it is possible that Armenia instead of becoming a full-fledged EAU member might choose to become a sort of a *privileged partner*, and, as a result, enjoy some key privileges. For instance, Armenia is a full-fledged CSTO member state, however, just like in the case of the EAU, it does not share any common borders with any CSTO member state. Nevertheless, Armenia uses its CSTO membership to its advantage: apart from security guarantees from the rest of the alliance, Armenia buys weaponry and corresponding equipment from CSTO member states according to their domestic, rather than international/market prices. Such arrangement is rather beneficial because a domestic price for an equipment can be several times lower than the international one. Given that Armenia's military budget is rather modest, especially compared with that of its neighbors, such a state of the affairs plays right into Armenia's hands. That said, a *privileged partnership* instead of a full-fledged partnership is more logical and realistic. Of course, the question whether the EAU member states will agree on such a *privileged partnership* remains open.

Now, what about the neighboring Azerbaijan? Given its rather "peculiar relations" with Armenia, it is worth to scrutinize the possibility of the EAU membership for Azerbaijan. Azerbaijan has a much more favorable geographic location than Armenia. Even from the standpoint of a potential EAU membership it is in a very favorable: Azerbaijan has a common border with Russia and can establish a direct link with Kazakhstan and Turkmenistan via the Caspian Sea. However, the materialization of such membership is still problematic for Azerbaijan. As it was said, the project of the EAU hinges on several pillars, including the Customs Union, SES and CSTO. It is questionable, at least, why would Azerbaijan want to bind itself to the Customs Union and SES, and, as a result to Russia. This is not to say that it is technically impossible, it is rather politically not feasible because Baku traditionally aims its foreign policy towards Turkey and Israel. Moreover, Baku's gas and oil together with the country's entire territory that acts as a potential transit route linking Asia with the West via Georgia and Turkey are mainly aimed at the Western market. More than that, Azerbaijan is not a

CSTO member, but Armenia is. Without Armenia's consent Azerbaijan will not be able to join the organization. Even if Yerevan wouldn't have been a CSTO member it is highly questionable that Baku would, especially given its well known foreign policy orientation. However, a sort of a *privileged partnership* with the EAU is possible. At the same time, it must be said that if such a partnership materializes it might have the potential to give Baku political dividends that it might exploit in its favor in the settlement of the still unresolved N-K conflict: closer economic and political ties with Moscow might be fruitful. After all, it is not impossible that at some point in the eyes of the oligarchic structures within the Russian ruling elites gas and oil might look "sweeter" than the long term alliance with the only strategic ally in South Caucasus. Nevertheless, as in the case with Armenia, whether or not such a *privileged partnership* with the EAU is ever possible for Azerbaijan it is way too early to tell.

However, there is another regional grand project which Armenia can realistically benefit from: Deep and Comprehensive Free Trade Agreement (DCFTA) with EU that will allow Armenia to engage into a free trade with the European market. This will promote foreign investment into the Armenian economy, which will eventually bring about the long awaited social, structural, and economic modernization, and, hence, the development of the country. To reach this far reaching goal the Armenian government should implement a series of important reforms in order to comply with certain EU standards that are within the scope of the DCFTA. According to the Armenian Minister of Economy Tigran Davtyan, Armenia is in the closing stage of implementing all the necessary reforms stipulated by the EU, and, as a result, will be able to directly engage into the negotiation over DCFTA in the first half of 2012 (Armenpress.am, December 5, 2011).

Now, even if the negotiations over the DCFTA between Armenia and EU succeed, how will Armenia reach out to the EU? Indeed, Armenia does not share a border with any EU member state just like it does not have any borders with Russia or any potential EAU member state. Why is it then that DCFTA seems more realistic and attractable to Armenia than EAU? There are two main reasons behind this. First, the EU is half a century old successfully working union of states, while the EAU still remains a grand ambition at best, and it still remains to be seen whether it will materialize or not. At the same time, the DCFTA is basically the continuation of the EU's European Neighbourhood Policy (ENP) and Eastern Partnership (EaP), through which the EU aims to

reach out to the South Caucasus and gain some influence in the region. Second, neighboring Georgia too craves to reach out to the EU markets via the DCFTA: on December 12, 2011 Georgia launched negotiations over the DCFTA (Petrosyan, December 13, 2011). Although, Georgia does not have a border with an EU member state, it has an access to Black Sea via which it easily reaches out the EU. In this respect Georgia's access to the EU markets through the DCFTA is of crucial importance for Armenia: Georgia can effectively act as a link connecting the EU markets with Armenia. As for Azerbaijan, it still needs to become a WTO member first. Only after that it can get to the negotiations about the DCFTA (European Commission webpage; December 5, 2011)

However, even if the access to the EU market is achieved, there are some potential problems that await Armenia, as well as any non EU member state craving for the entry to the EU market. To this end, it is worth to listen, at least to some arguments brought by Iana Dryer an expert on EU trade policies towards emerging markets, energy issues and information technology trade. According to her, apart from the obvious benefits DCFTA brings about, it can also be harmful, since it can divert trade flows by discriminating against third and potentially more efficient countries. This keeps production costs high and reduces welfare. Such state of the affairs brings about the challenge for the policy makers to negotiate DCFTA that minimizes diversion of the existing trade but maximizes new opportunities. It should be kept in mind that on the one hand the DCFTA eliminates tariffs, but on the other hand it tends to intervene into the economic rule-making inside a partner country. The expert believes that this is exactly what the EU aims to achieve with the DCFTA. Moreover, DCFTA may be harmful for partner countries with small economies. Given that it is the DCFTA partner countries of the EaP that will bear the main burden of the EU imposed adjustments within the framework of the negotiations, the economic relations with other major countries, such as Iran, Russia and the others, might be hampered. This is particularly dangerous for tiny Armenia that largely depends on Russia and Iran in many key areas and still has its western and eastern borders sieged. In addition, the expert reminds that the EU has a long-standing trend of being unwilling to open its highly protected agricultural markets to competitors outside the EU, even to its DCFTA partners. In this regard, given that most EaP countries have strong agricultural export interests, such state of the affairs can cause serious economic problems. And finally, the temporary movement of workers is another area where the EU

still prefers not to open its "doors" widely. Overall, the DCFTA partnership with the EU for the EaP countries offers promising outcomes. However, given the factors mentioned above a tiny country, such as Armenia, should approach it with great caution (Dryer, December 11, 2011).

To conclude, by this date the EAU remains a wishful thinking and a grand ambition at very most. Therefore, it is way too early to make any predictions or evaluation. Maybe it is for these reasons that the remaining less developed Central Asian Republics of Uzbekistan, Kyrgyzstan and Tajikistan did not rush to join this initiative: they want to see real results and only then make any decisions. It only remains to be seen whether the proposed EAU becomes the "heaven" its initiators suggest, or another disappointment such as the Russian-Belarus joint Union State. As for the perspectives offered by the DCFTA, they look a lot more realistic and beneficial. However, Armenia's crucial relations with Russia and Iran should not be put at risk in any case.

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