Putin’s Grand Strategy: The Eurasian Union and Its Discontents

S. Frederick Starr
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Editors

Central Asia- Caucasus Institute
Silk Road Studies Program
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Introduction

S. Frederick Starr and Svante E. Cornell

Even before Vladimir Putin’s designation as president-elect of the Russian Federation it was clear that he had very different views of his country and its future than his predecessor and patron, Boris Yeltsin. His KGB background and his ruthless early military actions in Chechnya suggested to some, but certainly not all, Russian and western commentators that he viewed the preservation and advancement of the Russian state itself, and not merely of the citizens of Russia, as the purpose and end of policy.

Rising world oil and gas prices and the swelling inflow of funds to the treasury resulting from those increases enabled him to do just enough for the people to convince a majority of the Russian public that the two ends were compatible and that whatever promoted the state promoted society as well.

Only gradually did Putin’s single-minded focus on restoring what he defined as the geographical integrity and honor of the Russian state become evident. And it took yet more time for the world at large to understand how far he was willing to go in pursuit of that end. The inability or reluctance of western and other policymakers, intelligence services, and independent foreign affairs experts to grasp this dedication on Putin’s part ranks as an analytic failure of the first rank. Meanwhile, Putin seized the initiative in his military attack on Georgia in 2008, in his multi-dimensional but non-military assault on Kyrgyzstan in 2010, and then in his invasion of Ukraine and seizure of Crimea and other territories in 2014.

Each of these initiatives, and many others that lacked a clear military component, constituted a direct assault on an international system built upon territo-
rial integrity and accepted notions of sovereignty. For a variety of reasons, some arising from good will and others from blunt business interests, the West chose to deal with each of these events individually. Those who insisted on “connecting the dots” were accused of suffering from a hangover from the Cold War and a yearning for a return to the bi-polar politics of yore. In any case, the many Russians and foreign analysts who hypothesized that all these diverse initiatives on Putin’s part arose from a single strategy failed to make their case in a convincing manner.

Nonetheless, events between the invasion of Georgia and the armed seizure of Ukrainian territory in 2014 forced policy makers and international affairs specialists worldwide to acknowledge the possibility that the Russian Republic under Vladimir Putin has reorganized its entire foreign and domestic policy in order to pursue a single objective, namely, the establishment of a new kind of union comprised of former Soviet republics and headed by Russia itself. Even some of those in Europe and America who in 2008 had failed or refused to see that Russia’s invasion of Georgia was not merely a response to that small country’s seeming to thumb its nose at the Kremlin, but an important building block in Putin’s much larger geopolitical edifice. In the end, Putin himself dispelled all doubts on this matter when he attempted first to prop up what he took to be a pro-Moscow government in Kiev, then seized Crimea, and finally invaded Ukraine, first with a motley but well equipped band of irregulars, and then with regular Russian army forces.

Most discussions of Russia’s new course have focused on Putin’s stated intention to redress the consequences of the collapse of the U.S.S.R. in 1991, an event which he called, in an address to the Russian Parliament in 2005, “the major geopolitical disaster of the century.” Some have taken note of his oft-stated dream of a new union of republics that could be built on the same territory as the U.S.S.R., beginning with economic ties and then deepening the “integration” to include politics, security, and culture.

The sources of the disconnect to date between the West’s perception of Putin’s increasingly aggressive military actions and its disinclination or inability to link them directly to any larger strategic goal are not hard to find. To take Putin seriously challenges the assumption that a new Europe could be built mainly on
soft power. In America it meant laying aside the optimistic notion that post-Soviet Russia would be a partner rather than adversary. The disconnect can also be traced in part to a paradoxical aspect of Putin’s own approach. He may no longer be a Marxist but in some ways he remains a determinist. He expands grandly on how the “integration” process on former Soviet territories is driven by History itself; he asserts that it is advanced by deep economic and social forces similar to those that built the European Union, and that it is hence inevitable. But at the end of the day, he shows himself to be a doubter. Hence his constant readiness to seize on the slightest sign of indecision or weakness in any of his target countries as an opportunity for Moscow. He seems to be saying that History needs help, and Putin repeatedly casts himself into the role of History’s helper, an opportunist par excellence, who is prepared to move swiftly when opportunity calls. The West is not prepared for such adroitness.

This same paradox can be seen in the actions, but not the thoughts, of both Marx and Lenin. Marx had predicted an eventual proletarian revolution at some point in the future; Young Lenin, following Marx, assumed the revolution could only occur in a developed bourgeois society. But both showed themselves ready to cast aside all philosophizing about inevitable changes in the distant future the moment they saw an opportunity in the present. This opportunism led Marx to embrace the revolutions of 1848, just as it led Lenin to seize on the possibility of fomenting revolution in still-feudal and certifiably un-bourgeois Russia. Similarly, Putin needs to paint his grand vision as inevitable but in the end he knows its realization depends on him alone and on his tactical focus and speed.

Many have pointed out the similarities between Putin’s “new Russian order” and the old Soviet Union, while others have underscored the differences between the Soviet past and Putin’s picture of the future. Either way, the very boldness of his dream fully warrants our careful attention. After all, it is extremely rare in history for empires of any sort, once they have collapsed, to be reconstituted under any conceivable terms. No European empire managed to do this, nor did the Holy Roman Empire, Persian Empire, or Alexandrian Empire. In modern times the sole exceptions were the reconstitution of former tsarist territories under Soviet Rule after 1920, and the re-assembling of most of the
territories ruled by Qing China under Mao Zedong in 1949. Both, it should be noted, were achieved only thanks to the very large and well-led armies which both Lenin and Mao had at their disposal.

In other words, history is probably not on Mr. Putin’s side, and even Putin appears to suspect this. Only two means of avoiding failure present themselves. Either Mr. Putin must be prepared to use massive military force to build and then maintain his new union of Eurasian states, or he must come up with some entirely new approach to tactics. The fact that Putin showed no hesitation in expanding a brutal war against his own citizens in Chechnya proved early on that he is not one to shy away from military action. The vast expansion of Russia’s military budget under Putin and his personal attention to the military sphere, provides further evidence on this point, as did his invasions of Georgia and Ukraine, as well as his attempted militarization of Kyrgyzstan’s sector of the Ferghana Valley in 2010.

The second possibility—a fresh approach to the tactics of union-building—does not preclude a heavy reliance on military force. Indeed, the record to date suggests that it requires it. But Putin’s important insight on tactics sees the military as but one of more than a dozen distinct spheres in which pressures and incentives can and must be brought to bear to achieve the desired end. These tactical tools are as diverse as energy, transport routes, training, credit and finance, support of kindred groups abroad, information and propaganda, monetary policy, research, immigration policy, labor law, investments, and open-ended payments that are little more than bribes.

Obviously, any state that embraces so many spheres of activity as tactical weapons to be centrally deployed in pursuit of a single and all-embracing national objective is by definition totalitarian. True, it cannot be said that Putin’s state imposes itself on every sphere of private life, as did twentieth century totalitarian systems. But his readiness to corral any and all spheres of activities and place them in the service of a single state program that he himself defined is, in a literal sense, totalitarian. This is true even if such a regime enjoys popular support, as has certainly been true in the case of Putin’s Russia down to late 2014, or if it allows a degree of freedom to travel or launch private enterprises.
But it is one thing to claim to mobilize these diverse instruments in pursuit of a great national vision and quite another thing to actually make them work effectively. What is most striking and most innovative about Mr. Putin’s program is not its unabashed expansionist intent: after all, military rulers have pointed their swords at neighbors since Old Testament days. Rather, it is the seriousness with which he has attempted to coordinate activity in a broad range of seemingly separate spheres so as to provide maximal tactical support for the realization of his national dream.

While Putin uses every opportunity to proclaim his intent of reestablishing Russia as a great power, he is impressively quiet about the complex and carefully integrated tactics he seeks to employ to achieve it.

Western policymakers have been astonishingly slow to accept that Mr. Putin meant what he said about making Russia once more a great power. Tied as they are to reading official pronouncements on their computer screens and to analysts who spend their days parsing similar announcements on their computer screens, these same western officials have barely noticed the complex and carefully integrated tactics by which Mr. Putin proposes to achieve this goal.

Their oversight, while regrettable, is at least understandable. No official handbook from Moscow sets forth these tactics. Deriving as they do from the kind of analyses the Soviet KGB carried out in the 1970s and 1980s, they are, of course, strictly secret. Yet they can be studied on the basis of the actual record of their use. This is a major objective of the present study.

What cannot be so easily deduced is the formal and institutional process by which the main opportunities of Russian strategy are identified, and the process of decision-making that sets them in motion. Closely related to this are the organizations and organizational processes that define, organize, coordinate, and set in motion the various tactical steps in each concrete situation. Here, too, the reason is obvious: these are matters of the utmost secrecy. Indeed, the entire mechanism by which strategy is translated into tactics in Putin’s Russia is protected by the same shield of secrecy that surrounded high tactics in the U.S.S.R.
The one thing that can be asserted beyond doubt is that the process is highly centralized in Putin’s own office and that he has been involved in every stage of that process. Putin, a product of the late Soviet KGB, simply assumes that this all a natural and key element of his personal leadership. To compromise tactical secrecy would be to compromise the entire enterprise.

This may appear to be an exaggeration. After all, Putin holds frequent press conferences and responds to more questions from the press, or from people purporting to be the press, than do leaders of many democratic states, including America. He even invites (and pays the way) for journalists and reliable foreign experts from abroad to attend and participate in his annual Valdai meetings, at which he offers candid responses to questions on issues of the day. Yet the inner processes regarding both strategy and tactics remain strictly off limits to outside observers, both foreign and domestic, and definitely beyond the pale of open discussion.

The reason for this is clear. Post-Soviet Russia inherited from the U.S.S.R. a vast bureaucracy, the culture and mentality of which continues to be informed by its experience in the Soviet era. With regard to both priorities and practical policies for their implementation, this bureaucracy—or web of poorly coordinated separate bureaucracies, civil and military—was accustomed to taking its cues from the Communist Party and the State Planning Commission (Gosplan). Had a more democratic regime been established after 1991, elective bodies might have come to play a more active role in both processes. Instead, and increasingly during Putin’s decade and a half as president, prime minister, and again, president, all these matters are concentrated solely in his own office. In this respect, Putin’s Russia represents a far more personal form of rule than existed in the late Soviet era down to the rise of Gorbachev.

Two conclusions derive from these developments. First, without a single, unified, and coordinated strategy and detailed tactics that are defined and set in motion by a supreme leader, the entire structure of Russian rule would be set adrift. This may not have been the case during the years before 2000, when Boris Yeltsin at least spoke of administrative decentralization and self-government at both the regional and national levels. But it is certainly true today. Without Putin’s grand strategy, the country could immediately fall prey to
centrifugal social and economic forces, the existence of which is evident even today. Or so Putin fears.

Putin has had first-hand knowledge of these unpredictable ("stikhiinii," or wild) forces that exist in today’s Russia. He encountered them at first hand while serving under Mayor Sobchak in St. Petersburg, where activists in the newly elected city council brought to naught practically every initiative launched by Putin and his boss. He then watched helplessly as Mayor Sobchak failed at his bid for reelection. Then Putin learned much more about them as he read reports sent to him from field officers during his two-year tenure as head of the Federal Security Service (FSB), successor to the KGB. He concluded that without a “strong hand,” Russia could be enveloped by chaos or democracy, which he considers as synonymous. At the very least, without centrally defined goals and centrally elaborated tactics to achieve them the entire apparatus of government could lose its way and flounder.

Second, and related to the above, Mr. Putin has staked his all on the grand strategy that is the subject of this book, and on the complex web of tactical moves that he has devised to implement the strategy. No part of Russia’s government is unaffected by Putin’s dream and by the many demands that have been placed upon it in the process of implementation. Like a bicyclist, Putin must now either move forward with his program or fall. Mr. Putin shows by his actions that he realizes this full well.

What is unfortunate is that the leaders of Europe and America continue to act as if Russia’s elected president can somehow extricate himself from the web he has created for himself and return to what in their view would be a “constructive” relationship. To repeat endlessly that Mr. Putin’s actions in Georgia, Ukraine, or elsewhere will have “consequences” is simply beside the point. The only consequences Mr. Putin fears, and has reason to fear, is failure.

This book is divided into three sections. The first sets forth the basic character of the Eurasian Union project and the new Russian strategy. Stephen Blank discusses the ideological origins of the project, while Richard Weitz examines the structure of the Customs Union and Eurasian Union. Pavel Baev delves into its relationship with the security sphere, and Richard Pomfret examines the eco-
nomic ramifications of the Union. Finally, a chapter by the editors details the tactics and instruments used by the Kremlin in achieving its aims.

The second section of the book examines the responses of the individual states of the former Soviet Union to Putin’s grand strategy. These chapters address the same questions: the expected economic impact of Eurasian Union membership on these countries in comparison to non-membership or integration with alternative structures; the evolution of government policy toward the Eurasian Union; attitudes in society; and the pressure and levers that Moscow has employed or could employ toward these countries.

The eleven countries that are surveyed can roughly be organized, based on their diverging strategies toward Russia’s efforts at re-integration, into two groups, the second of which in turns divides into two distinct categories. A first group, including Belarus and Kazakhstan, and increasingly clearly also Armenia, Kyrgyzstan, and Tajikistan, could be labeled “reluctant followers.” While seeking to maintain as much autonomy as possible, these states have all, for varying reasons, concluded that their only option is to join the Eurasian Union, even at the price of compromising their sovereignty. The remaining six countries all oppose membership in the Eurasian Union; but in different ways. One group, including Ukraine, Moldova, and Georgia—the “European integrators”—seek deeper ties with the European Union, thus choosing the alternative mechanism of signing Association Agreements and implementing Deep and Comprehensive Free Trade Agreements with the EU. Another group, made up of Azerbaijan, Turkmenistan, and Uzbekistan—the “rejectionists”—simply stay away from any form of integration, seeking instead to become increasingly self-reliant.

The section begins with a chapter by John Daly covering the experience of the two states already members of the Eurasian Union, Belarus and Kazakhstan, which details the beginnings of buyer’s remorse in these countries. Armen Grigoryan then provides a critical analysis of Armenia, which suddenly switched tacks in September 2013 to embrace Eurasian Union membership. Next in line are the two small Central Asian states of Kyrgyzstan and Tajikistan, covered by Johan Engvall, both of which have committed in principle to joining the Eurasian Union, but seek to delay the process and obtain concessions.
James Sherr then studies the fate of Ukraine, arguably the lynchpin of the entire project, concluding it has decisively closed the door to Putin’s grand ambitions. Mamuka Tsereteli examines Georgia and Moldova, which have stayed on their course of European Integration. Svante Cornell then delves into Azerbaijan’s strategy of eschewing integration with either bloc, and Frederick Starr analyzes the similar strategies of Turkmenistan and Uzbekistan.

The third section examines the policies of three major powers to Putin’s grand project. Slavomír Horák studies China’s delicate balance, seeking to develop its influence in Central Asia while maintaining an alliance of sorts with Russia. Svante Cornell studies the EU’s approach and the development of the Eastern Partnership, concluding Europe is punching below its weight, but that its attraction was a key motivating factor for the acceleration of Putin’s project. Finally, Frederick Starr discusses American policies, which have been found wanting in their slow and inadequate response to Putin’s project.
The Intellectual Origins of the Eurasian Union Project

Stephen Blank

The Eurasian Economic Union and its component Customs Union comprise Vladimir Putin’s “flagship” policies. But these organizations are merely the latest iteration of an increasingly crystallized Russian policy aspiration dating back to the collapse of the Soviet Union. As Jeffrey Mankoff recently observed, “In one form or another, re-integrating the states of the former Soviet Union has been on Russia’s agenda almost since the moment the Soviet Union collapsed.” Arguably, Russia has never reconciled itself to losing an empire. The reintegration program that is proceeding under Putin in fact began under Boris Yeltsin’s leadership, notwithstanding the fact that the Commonwealth of Independent States (CIS) was first thought of as “divorce court” for former Soviet Republics.

Furthermore, these organizations are not the only elements of Putin’s reintegration plan. The overall project has always had a military dimension, namely the Collective Security Treaty Organization (CSTO) that grew out of the 1992 Tashkent Collective Security Treaty (CST). And the leitmotif of all these plans has not just been economic or military integration, but equally crucially, the privileging of Russian sovereignty over that of CIS countries, a hallmark of neo-imperial and sphere of influence policies. Russian leaders do not refrain from admitting this openly. In August 2008, immediately after the war in

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1 Iwona Wisniewska, Eurasian Integration: Russia’s Attempt at the Economic Unification of the Post-Soviet Area, OSW Studies: Centre for Eastern Studies, Warsaw, 2013.
2 Jeffrey Mankoff, Eurasian Integration: the Next Stage, Central Asia Policy Brief, Elliott School of International Affairs, George Washington University, 2013, p. 1.
3 Carmen Amelia and Gayoso Descalzi, Russian Hegemony in the CIS Region: an Examination of Russian Influence and of Variation in Consent and Dissent By CIS States to Regional Hierarchy, Doctoral Thesis submitted to the Department of International Relations, London School of Economics, 2013, pp. 52-85, 124-160.
Georgia, President Dmitry Medvedev famously told an interviewer that Russia has privileged interests in countries that he would not define, demonstrating that Russia not only wants to revise borders or intervene abroad, but also demands a sphere of influence throughout Eurasia.4

These statements reinforced what had become an official consensus by 1995, when Yeltsin’s government announced that reintegration was the fundamental strategic goal of the government and all of its departments, who would be guided by the precept of not damaging Russian interests. This document also clearly implied the subordination of neighboring states to Russia on economic and military issues. Moreover, it quite suggestively indicated that an integration process was needed to counteract centrifugal tendencies in Russia itself.5

Thus, both Yeltsin’s and Putin’s regimes have confirmed by words and deeds their belief that without a neo-imperial bloc around Russia and under its leadership, the continuity of the Russian state is itself at risk. As several writers have observed, empire is the Russian state’s default option and it cannot, according to its masters, be governed or survive otherwise.6 For example, Alexei Malashenko observed that Russia’s response to the Chechen threat in 1999-2000 only made sense if Russia continues to regard itself as an empire.7 Subsequently, Russian political scientist Egor Kholmogorov has observed that,

‘Empire’ is the main category of any strategic political analysis in the Russian language. Whenever we start to ponder a full-scale, long-term construction of the Russian state, we begin to think of empire and in terms of empire. Russians are inherently imperialists.8

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And if Russia is an empire of this sort, or still hankers for that empire, then it becomes clear why the membership of former Soviet republics—or even of Russia’s erstwhile satellites in Eastern Europe—in NATO or the EU becomes a threat to Russian sovereignty. Indeed, by the time Putin had become Prime Minister in 1999, Russia insisted on this policy and on foreign organizations like the EU recognizing it. Russia’s 1999 official submission to the EU of its strategy for relations with it, made by Prime Minister Vladimir Putin, is one example:

As a world power situated on two continents, Russia should retain its freedom to determine and implement its foreign and domestic policies, its status and advantages of a Euro-Asian state and largest country of the CIS. The ‘development of partnership with the EU should contribute to consolidating Russia’s role as the leading power in shaping a new system of interstate political and economic relations in the CIS area,’ and thus, Russia would ‘oppose any attempts to hamper economic integration in the CIS [that may be made by the EU], including through ‘special relations’ with individual CIS member states to the detriment of Russia’s interests.’

This document reflected the elite consensus linking together the preservation of an increasingly undemocratic, even autocratic polity with the creation of a great continental bloc subordinated to Russia and simultaneously disdainful of the other CIS members’ sovereignty. For as Deputy Foreign Minister Ivan Ivanov stated in 1999,

Our country is not in need of affiliation with the EU. This would entail loss of its unique Euro-Asian specifics, the role of the center of attraction of the re-integration of the CIS, independence in foreign economic and defense policies, and complete restructuring (once more) of all Russian statehood based on the requirements of the European Union. Finally great powers (and it is too soon to abandon calling ourselves such) do not dissolve in international unions—they create them around themselves.

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Thus, in this logic, Russia must be an independent sovereign actor, unbounded by any other political association and exercising unfettered power in its own domain. Moreover, it is essential for the concept of Russia as a unique, autocratic, great power not only that Russia assert its great power status but that others recognize it as such and thus grant it a superior status, first of all vis-a-vis the neighboring CIS countries.

This notion obviously directly descends from the Tsarist and Soviet heritage. As Stalin wrote in 1920 about the Soviet borderlands,

> Only two alternatives confront the border regions: Either they join forces with Russia and then the toiling masses of the border regions will be emancipated from imperialist oppression; or they join forces with the Entente, and then the yoke of imperialism is inevitable.\(^1\)

The concurrent and deep-rooted demand for recognition of Russia as a great autocratic and neo-imperial power with a right to an exclusive sphere of influence in the former Soviet Union coincided with Yeltsin’s turn towards autocracy and the end of reforms in 1992-93. Indeed, in the minds of many of this elite, if Russia is not a great power (i.e. a neo-imperial empire) it will not only not be a great power, it will be nothing more than a newly minted version of medieval apanage princedoms. Moreover, as many analysts claim, democracy is contra-indicated to the preservation of the large state, if not the state as such because it will lead to Islamist rule in the south and other similar breakdowns of power at the center.\(^2\)

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Today the invasion of Ukraine and annexation of Crimea confirm that the Putin regime openly believes that its system can only survive if Russia is an empire, a situation that *ab initio* puts the sovereignty and integrity of other CIS members at risk. Putin has made this clear from his speech to the Duma in March 2014 to his recent remarks saying that Kazakhstan was never a state before 1991.\footnote{“Address by President of the Russian Federation,” March 18, 2014, http://eng.kremlin.ru/transcripts/6889.} Over the last generation, these ideas have been expounded by a series of “geopoliticians” and Eurasianists, Aleksandr Dugin being the most prominent among them.\footnote{On Eurasianism see Marlene Laruelle, *Russian Eurasianism: An Ideology of Empire*, Baltimore: Johns Hopkins University Press, 2012, and on Russian views of Self-determination, see Stephen Blank, “The Values Gap Between Moscow and the West: the Sovereignty Issue,” *Acque et Terre*, No. 6, 2007, pp. 9-14 (Italian), 90-95 (English).} Although there are different streams within this current, the central motif is that Russia must be a great power (*Velikaya Derzhava*) and that means an empire, reuniting the lands of the former USSR under its control. In practical terms—and this has been the case since the war with Georgia if not before—it means that the sovereignty and integrity of those other states are, in Russian eyes, merely expedients, not something enshrined in international treaties and laws even if Russia has signed those accords.\footnote{James Sherr, *Hard Diplomacy and Soft Coercion: Russia’s Influence Abroad*, London: Chatham House, 2013, pp. 61-62.}

This has been a consistent policy for years. As James Sherr has written,

> while Russia formally respects the sovereignty of its erstwhile republics, it also reserves the right to define the content of that sovereignty and their territorial integrity. Essentially Putin’s Russia has revived the Tsarist and Soviet view that sovereignty is a contingent factor depending on power, culture, and historical norms, not an absolute and unconditional principle of world politics.\footnote{Ibid.}

Putin has now used force twice to back that view up. Similarly, Susan Stewart of the Stiftung Wissenschaft und Politik recently wrote that Russia’s coercive diplomacy to force its neighbors into its Eurasian Economic Union and Cus-
toms Union undermines any pretense that this integration project is based on anything other than Russia making other countries “an offer that they cannot refuse.” Furthermore, its coercive behavior shows its own nervousness about the viability of these formats and the necessity to coerce other states into accepting it.\textsuperscript{17} She also notes that,

Russia is more than willing to tolerate instability and economic weakness in the neighboring countries, assuming they are accompanied by an increase in Russian influence. In fact, Russia consciously contributes to the rising instability and deterioration of the economic situation in some, if not all, of these countries.\textsuperscript{18}

Other scholars have found the same pattern in Central Asia and the Caucasus. In regard to Central Asia, Alexey Malashenko has not only confirmed this point, he has also observed that the issue of protecting Russians abroad is merely an instrument or tactic not a principled policy. Listing the goals of Russian policy in Central Asia, Malashenko writes that,

This list does not mention stability, since that is not one of Russia’s unwavering strategic demands for the region. Although the Kremlin has repeatedly stressed its commitment to stability, Russia nevertheless finds shaky situations more in its interests, as the inherent potential for local or regional conflict creates a highly convenient excuse for persuading the governments of the region to seek help from Russia in order to survive.\textsuperscript{19} (Italics in original)

As Malashenko notes, this list omits an interest in the six million Russians left behind in Central Asia. In fact, by ignoring this group and leaving them to their own fate, Moscow makes clear that Russia gains a card that it can play whenever it is so motivated and indeed, has never used this issue in public polemics with its Central Asian neighbors.\textsuperscript{20} However, it has played this card in private against Kazakhstan.\textsuperscript{21} Russian spokesmen have invoked this outlook since 2006 if not earlier. Thus in 2006 the official Russian Foreign Ministry spokesman, Mikhail Kamynin, stated that

\begin{itemize}
  \item \textsuperscript{17} Susan Stewart, “The EU, Russia and Less Common Neighborhood,” \textit{SWP Comments}, Stiftung Wissenschaft Und Politik, January, 2014, pp.2-3.
  \item \textsuperscript{18} \textit{Ibid.}
  \item \textsuperscript{20} \textit{Ibid.}
  \item \textsuperscript{21} Conversations with American experts on Central Asia, Washington D.C., 2010.
\end{itemize}
We respect the principle of territorial integrity. But at the moment this integrity is, in relation to Georgia, more a possible state of affairs than an existing political reality, and it can only be created as a result of complex talks in which the initial South Ossetian position, as we understand it, is based on a principle that is no less respected in the international community – the right to self-determination.²²

It should therefore be clear to readers that a straight line, in terms of both ideology and policy, runs from this posture to Putin’s most recent calls for creating a new state called “Novorossiia” (New Russia) out of captured Ukrainian territories, that will sooner or later be incorporated into Russia as is now happening with Abkhazia and South Ossetia in the Caucasus.²³

These ideas accompanied and predated the current policy. But they show that its roots are not in economics but in geopolitics and that Putin’s program is fundamentally geopolitical in its thrust, not economic. Indeed, the stimulus for an economic union beginning with customs seems to have been largely political. While Putin and others may have discerned economic advantages that could accrue to Russia from a union in order to emerge out of the global financial crisis that began in 2008, other stimuli were clearly political. These included NATO’s rejection of a European Security Treaty offered by Russia, the EU’s Eastern Partnership aiming at attracting former Soviet states while excluding Russia, and the first signs that China was economically eclipsing Russia in Central Asia.²⁴

As Hannes Adomeit has suggested, it is probably no coincidence that Putin’s call for the economic union, the centerpiece of Moscow’s integration program,
came less than a week after a 2011 summit of the EU and the members of the Eastern Partnership countries (minus Belarus) in Warsaw. As he notes, this economic union seamlessly fits into the Kremlin efforts to counterbalance the attractiveness and influence of the EU in the former Soviet Union and Central and Eastern Europe.\textsuperscript{25} Given the importance to Moscow’s dreams of being a pole in the multipolar world order that it ceaselessly proclaims, the formation of such a continental bloc is essential to the survival of the Putin system and the sharpest conflicts with the EU occur in those borderlands closest to Russia or most strategically important to it, particularly Ukraine.\textsuperscript{26} Beyond these considerations, the union lets Moscow present an image of itself as a Eurasian great power that enhances its own self-esteem and supposedly its standing in the eyes of foreign audiences.

Likewise, in Central Asia if not East Asia, the anti-Chinese thrust of the program is unmistakable. There are close connections between Russian policy in Asia, EurAsEC, and the Customs Union. These connections assume two dimensions: first, the effort to reduce or inhibit Chinese economic penetration of Central Asia; and second, Russia evidently believes that it cannot effectively function as an Asian power without “command” of this great bloc behind it.\textsuperscript{27} In practice, this means challenging China’s effort to dominate Central Asia economically. As Mankoff and others have noted, the Customs Union has already diverted Kazakhstan and Kyrgyzstan’s trade away from China to Russian goods that would otherwise not be competitive.\textsuperscript{28} But beyond that, Mankoff stresses the overwhelming geopolitical drive behind these economic programs, a drive possessing significant relevance to Moscow’s “Ostpolitik.”

Indeed, from Moscow’s perspective, the entire process of Eurasian integration has political undertones. Russia’s leaders seek to maintain influence across at least a significant swathe of the former Soviet Union, while limiting opportunities for other powers to overtake Russia as the principal actor in the region. This dynamic is visible in Central Asia, where Chinese economic power has

\textsuperscript{25} Ibid., p. 3.
\textsuperscript{26} Ibid., pp. 5-6; Rika Dragneva and Kataryna Wolczuk, “Russia, the Eurasian Customs Union and the EU: Cooperation, Stagnation, or Rivalry,” Chatham House Briefing Paper, 2012, pp. 10-13.
\textsuperscript{27} Wisniewska, p. 27; Descalzi, p. 147.
\textsuperscript{28} Wisniewska, p. 15; Mankoff, p. 2.
rapidly displaced Russia as the major trading partner and source of investment. The trade-diverting impact of the Customs Union then has an underlying geo-political logic; by raising barriers to trade with the outside world, the Customs Union limits the economically driven re-orientation of the Central Asian states into Beijing’s orbit.²⁹

However, this drive for great power status and perquisites at the expense of the sovereignty of smaller states simultaneously undercuts Russia’s ability to play a leadership role anywhere in Asia. Russia’s integration project does not and cannot meet the economic and security interests of the other projected members. Instead, those are to be subordinated to Moscow’s overriding vision. This posture prevents Russia from being a driver for regional economic development unlike what China has done in East Asia.³⁰

The Military Dimension

The CST and ensuing CSTO were officially intended as collective security measures to retain as much as possible of the integrated Soviet military system. But the CST clearly failed to provide security, and disintegration continued throughout the 1990s. The chaos of this period allowed the emerging Russian army and then the government to act unilaterally to claim a sphere of influence regarding CIS peacemaking. Yeltsin advocated such a sphere in his 1993 speech to the UN Security Council. Although the UN failed to accept this, nobody acted to prevent this from coming into being.³¹ But the failure of the original CST to ensure security led to the formation of the CSTO during Putin’s first presidency.³²

However, the force has never deployed and appears increasingly to be a paper command and control organization rather than a truly functioning military alliance. Moreover, Moscow has apparently come to see the CSTO as not just a force to defend against territorial invasion but also a force to uphold order in member countries, a kind of regional gendarme as well as a counter to foreign

²⁹ Ibid., p. 6.
³⁰ Ibid.
³² Descalzi, pp. 133-136.
organizations like NATO. For example, after protracted bargaining in 2006, Uzbekistan granted Russia the right to use its airfield at Navoi as a base, but only under special conditions. Russia will only be able to gain access to Navoi in case of emergencies, or what some reports called “force majeure,” contingencies. In return, Russia will provide Uzbekistan with modern navigation systems and air defense weapons. In other words, Uzbekistan wanted a guarantee of its regime’s security and Russian support in case of a crisis. But it would not allow peacetime Russian military presence there. Since then Uzbekistan, discerning a threat from efforts to develop a real interventionary force in the CSTO, walked out of the CSTO, essentially leaving it an empty shell.

The CSTO has not participated in any conflict situations in and around Central Asia since its inception. Neither is it likely to be able to do much as Russian military relations in Central Asia have largely followed a bilateral trajectory. Moscow has therefore been able to build up a seemingly sizable infrastructure in Central Asia. Yet it still cannot prevent Uzbekistan from threatening all of its neighbors, or clashes like recent episodes of Tajik and Kyrgyz border guards shooting at each other—despite having sizable forces in both countries. Indeed, in these clashes the two sides probably used Russian weapons, sold to them at discounted prices in order to prevent them from buying or otherwise acquiring U.S. weapons as the U.S. and NATO leave Afghanistan. Thus Russia is not a security provider but rather an insecurity provider in Central Asia.

Although these weapons and sizable Russian contingents have gone to those countries under CSTO auspices to guard against terrorist and other threats emanating from Afghanistan, the reality is rather different. As Kiril Nourzhanov has observed, though great power rivalries and potential insurgencies are cer-

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33 Ibid., pp. 136-137.
37 Ibidem.
tainly real threats in Central Asia, they hardly comprise the only challenges to Central Asian security.\(^{38}\)

Border problems, mainly between Uzbekistan and all of its neighbors, have long impeded and today continue to retard the development of both regional security and prosperity.\(^{39}\) Indeed, it is hardly inconceivable that given the antagonism between Uzbekistan and its neighbors, especially Kyrgyzstan and Tajikistan, hostile relations could escalate into the use of force.\(^{40}\) Meanwhile, every writer on Central Asian security has noted that not a single regional security organization works as intended or has even acted to do so. Under the circumstances, the CSTO’s role remains something of a mirage or a camouflage for Russia’s real intentions and, equally importantly but less well understood, its relatively meager and diminishing real capabilities to deal with security threats in Central Asia.

In the Caucasus, the situation is, if anything, worse. Putin in 2012 admitted that Russia planned the 2008 war with Georgia from 2006 and deliberately involved the use of separatists, indicating that Russia cannot accept any of the post-Soviet states' independence, sovereignty, and territorial integrity, and that as a result, Eurasian or European security cannot be taken for granted.\(^{41}\) Beyond this fact, Russia has undertaken an enormous and ongoing buildup of its military forces in the Caucasus to ensure its hegemony and to maintain a threat to Georgia and to the West whom it assumes is itching to intervene there.\(^{42}\)

Russian threats to Caucasian and by extension European security do not end with Russia’s creeping annexation of Abkhazia and South Ossetia and its continuing pressure on Georgia. Moscow has secured its base at Gyumri in Armenia until 2044 and now deployed its dual-capable Iskander-M missiles to its forces in the Caucasus, threatening missile attacks, potentially even nuclear


\(^{40}\) By June 2009 Uzbekistan had again closed its borders with Kyrgyzstan and the latter was digging trenches along that border while relations with Tajikistan were hardly better.


ones, against any threatening force. Ruslan Pukhov, Director of the Moscow Center for the Analysis of Strategies and Technologies, also observes that this military buildup signifies that Moscow has acted to remain “in the lead” militarily in the Caucasus and invoked U.S. and Israeli military assistance to Azerbaijan as an alleged justification for this posture.

But beyond its extensive and ongoing military buildup in the Caucasus and the sale of weapons to Armenia at concessionary prices, Moscow revealed in 2013 that it has also sold $4 billion of high-quality weapons to Azerbaijan in the past few years. Moreover, Russian elements aligned with organized crime are using Montenegro, a notorious playground for Russian organized crime, to run weapons covertly to Nagorno-Karabakh. Since 2010, the arms tracking community has recorded 39 suspicious flights leaving Podgorica airport in Ilyushin-76 aircraft for Armenia’s Erebuni military airport in Stepanakert with arms intended for Nagorno-Karabakh, where there has been a wave of border incidents since 2010. The use of these Russian planes and the link to the long-standing large-scale arms trafficking between Russia and Armenia immediately raises suspicions of Russian involvement, if not orchestration, of this program. Thus Russia is both openly and clandestinely arming both sides in this conflict that has become steadily more dangerous with increasing numbers of incidents between both forces. Russia does so to keep both sides dependent to a greater or lesser degree upon it and its “mediation” efforts there since 2011, which also revealed its unremitting focus on undermining local sovereignty. Beyond that, Moscow exploits the conflict to keep its forces in Armenia permanently. Thus again, Moscow provides insecurity rather than security.

Armenian political scientist Arman Melikyan claims that in earlier tripartite negotiations with Armenia and Russia in 2011 on Nagorno-Karabakh that Russia ostensibly “brokered,” Moscow was to arrange for the surrender of liberated territories, thereby ensuring its military presence in return and establishing a network of military bases in Azerbaijan to prevent any further cooperation be-

tween Azerbaijan and NATO. While Armenian authorities reportedly accepted this plan, Baku rejected it and saved Armenia—which clearly wants to incorporate Nagorno-Karabakh—from relinquishing the territory to it in return for a further compromising of both its own sovereignty and Azerbaijan’s security.\footnote{Joshua Kucera, “Azerbaijan told the U.S. It Wants ‘full Membership’ in NATO,” Eurasia insight, September 5, 2011, www.eurasianet.org.}

But Russian machinations against the integrity and sovereignty of the South Caucasian states do not end here. In 2008 Vafa Quluzada observed that President Medvedev’s visit to Azerbaijan was preceded by deliberate Russian incitement of the Lezgin and Avar ethnic minorities there to induce Azerbaijan to accept Russia’s gas proposals.\footnote{Kavkazskiy Uzel (in Russian), June 19, 2008, FBIS SOV, June 19, 2008.} These are apparently systematic Russian policies as Putin’s admission suggests. It has intermittently encouraged the separatist movement among the Armenian minority in Javakheti in Georgia and has now annexed Crimea and invaded Eastern Ukraine, thus committing what are by any standard acts of war against Ukraine.\footnote{Maciej Falkowski, Russia’s Policy in the Southern Caucasus and Central Asia, Centre for Eastern Studies, Warsaw, June 15, 2006, p. 56, www.osw.waw.pl; William Varretoni, “Sweetness of the Status Quo: Strategic Patience and the Technology of Russia’s Capture of Crimea,” Paper Presented to the Annual Convention of the Association for the Study of Nationalities, Columbia University, New York, April 15, 2010; Lada Roslycky, The Soft Side of Dark Power: a Study in Soft Power, National Security and the Political-Criminal Nexus With a Special Focus on the Post-Soviet Political-Criminal Nexus, the Russian Black Sea Fleet and Separatism in the Autonomous Republic of Crimea, Doctoral Dissertation, University of Groningen, 2011.}

At the same time Russia denies that it has claims on Azerbaijani territories, but Russian media have advocated government action to protect these Azerbaijani minorities as Russian citizens to punish Azerbaijan for flirting with NATO.\footnote{Moscow, Interfax (in English), February 13, 2011, FBIS SOV, February 13, 2011; Makhachkala, Novoye Delo (in Russian), August 29, 2008, FBIS SOV, August 29, 2008.} Similarly, as the chapter on Azerbaijan in this volume details, Russia used similar instruments of pressure against Azerbaijan ahead of Putin’s visit in August 2013. At that time, Moscow also organized a club of Azeri billionaires in Russia and toyed with using that organization to provide a counterweight to the Aliyev government in Azerbaijan, thus reminding Baku that it possesses and can deploy such an instrument to obtain what it wants.\footnote{Ibid., p. 33.}
Thus in both word and deed, Moscow has shown that war in Eurasia is neither inconceivable nor impossible. Neither should it be forgotten that Russian law permits the president to dispatch troops abroad to defend the “honor and dignity” of other Russians (a group who can be fabricated out of thin air, by means of Russia’s preexisting “passportization” policy) without any parliamentary debate or accountability.51

The invasion of Ukraine shows quite conclusively that Russia does not believe that the sovereignty and territorial integrity of any of its neighbors is anything more than a contingency whose continuation is dependent upon Russia’s perception of expediency. It also shows that the treaties it has signed with them are merely “a scrap of paper.” Furthermore, Putin’s calls for using ethnic Russian-ness, defined by speaking Russian as a criterion of nationhood, and the ensuing ethnicization of the Russian state not only resurrects the policies of Hitler and Stalin in the 1930s, but also places a landmine under the sovereignty and territorial integrity of every state in the former Soviet sphere, to include former Warsaw Pact members as well. This is a recipe for war, showing that here too, Russia provides insecurity, not security. These developments, and Russia’s brutal and coercive diplomacy against Moldova, Armenia, and Ukraine to keep them out of Association Agreements with the EU, are a bizarre way to foster collective security. But it only looks bizarre if we think we are discussing a genuine integration project rather than a camouflaged imperial grab. As Susan Stewart of the Stiftung Wissenschaft und Politik makes plain, Russia’s coercive diplomacy undermines any pretense that this integration project is based on anything other than Russia making other countries “an offer that they cannot refuse.” Furthermore, its coercive behavior shows its own nervousness about the viability of these formats and the necessity to coerce other states into accepting it. Perhaps worse yet, she notes that:

Russia is more than willing to tolerate instability and economic weakness in the neighboring countries, assuming they are accompanied by an increase in Russian

51 Yuri E. Fedorov, Medvedev’s Amendments to the Law on Defence: The Consequences For Europe, Finnish Institute of International Affairs, Briefing Paper No. 47, November 2009.
influence. In fact, Russia consciously contributes to the rising instability and deterioration of the economic situation in some, if not all, of these countries.\textsuperscript{52} The smaller intended targets of this integration project, Kyrgyzstan and Tajikistan, are visibly trying to bargain their way in and get more concessions.\textsuperscript{53} But while this may be an offer they cannot refuse, it also is an intrinsically compromised effort to impose security on shifting sands. It already is clear that it provides little economic benefit and has yet to provide for anyone’s security. Rather it is an instrument for the destabilization of governments. It still is the case that what the Czarist Minister of Interior Petr Valuev described as “the lure of something erotic in the borderlands” still drives Russian policy. For now this may be an integration project, but most likely this, like previous incarnations of the Russian empire, will promote war, insecurity, instability, and the very centrifugal forces it was meant to block.

Since becoming Russia’s paramount political leader in the late 1990s, Vladimir Putin has consistently sought to place Moscow at the head of a multinational bloc of tightly bound former Soviet republics within an integrated legal and institutional framework. Ideological and pragmatic considerations have motivated Putin’s integration drive. Some of these integration projects have proved more successful than others, but the general trend has seen narrowed but deeper integration over time. Russia appears to have benefited more than its partners from these projects, but determining precise costs and benefits is difficult since we are in the realm of counterfactuals, not knowing what developments might have occurred had countries pursued different policies. Now the Ukraine crisis could force Moscow to yet again modify its tactics, if not its overall strategy, in pursuit of Eurasian integration under Russian leadership.

Precursors
The Commonwealth of Independent States (CIS), consisting of all the former Soviet Union (FSU) republics except for the Baltic countries, initially represented the most important Eurasian regional integration institution after the USSR’s disintegration in 1991. The CIS initially played a useful role in facilitating a “civilized divorce” among its members. Putin himself praised the organization for “clearly help[ing] us to get through the period of putting in place partnership relations between the newly formed young states without any great losses and played a positive part in containing regional conflicts in the post-
Soviet area.” After its first few years, however, the CIS has ceased exerting a significant impact on its members’ most important polices. Despite its lofty ambitions and the numerous economic, political, and security agreements its member governments signed, the CIS historically experienced difficulties securing implementation of many of them. While seeking to establish a common economic space for cooperation, including a free trade area and a FSU-wide customs union, the CIS never achieved sufficient supranational powers to compel compliance by the newly independent states. Perennial plans to reform its ineffective decision-making structures—most recently a collection of proposals adopted at the August 2005 summit—have failed to achieve much progress. By the 2000s, other FSU multilateral institutions began encroaching on the Commonwealth’s authority.

Beginning with Putin’s first presidential term, the Russian government has concentrated on pursuing deeper cooperation among those FSU countries most closely aligned with Moscow. For example, as discussed in detail in Pavel Baev’s contribution to this volume, Russia in May 2002 joined with Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan in agreeing to transform the CST into a Collective Security Treaty Organization (CSTO). Since then, the CSTO developed a comprehensive legal foundation and established several standing bodies: a Foreign Ministers Council, a Defense Ministers Council, the Committee of Security Council Secretaries, a secretariat in Moscow, a CSTO staff group, and the CSTO Collective Security Council, which consists of the members’ heads of state. The CSTO Permanent Council coordinates CSTO activities between sessions of the Collective Security Council. A CSTO Parliamentary Assembly Council also exists. In terms of military capabilities, the CSTO was designed to mobilize large multinational coalitions in wartime under joint command, but the recent focus of the CSTO has been on developing a Collective Rapid Deployment Force (CRDF), a high-readiness formation that engages in regular exercises, especially in Central Asia.

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Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan established a Eurasian Economic Community (EurAsEC; or EEC) in October 2000 after the CIS proved unable to achieve adequate economic integration or an effective customs union. Uzbekistan joined in 2006, while Armenia, Moldova, and Ukraine had observer status. The EurAsEC tried to align the economic and trade policies of the core countries that formed a unified Soviet economic system by reducing custom tariffs, taxes, duties, and other barriers to economic exchanges among them. According to the organization’s website, the EurAsEC aims eventually to create a free trade zone, establish a common system of external tariffs, coordinate members’ relations with the World Trade Organization (WTO) and other international economic organizations, promote uniform transportation networks and a common energy market, harmonize national education and legal systems, and advance members’ social, economic, cultural, and scientific development. Its Interstate Council regulates trade and customs policies and coordinates national legislation. It also issues assignments and questions to the Integration Committee and the Court of Justice of the Community. The Interstate Council appoints a Secretary General as the organization’s chief administrator. That person heads the Integration Committee’s Secretariat, which drafts and analyzes resolutions and other communications issued by the Interstate Council. The Secretariat has departments for Economic Policy; Trade Policy; Budget, Taxation Policy and Currency; Finance Relations; Energy Policy and Ecology; Transport Policy and Market Infrastructure; Customs and Border Issues; Development in the Socio-Humanitarian Sphere; Legal; Logistics and Analytical; and Administration. The EurAsEC itself includes three specific Subsidiary Bodies: the Council on Border Issues of the EurAsEC Member States; the Financial and Economic Policy Council of EurAsEC Member States; and the Council of Ministers of Justice of EurAsEC Member States. The Integration Committee can convene meetings of various councils and commissions as needed, including an Education Council, a Council of Heads of Tax Services, a Healthcare Council, a Social Policy Council, a Culture Council, a Migration Policy Council, a Commission on Customs Tariff and Non-Tariff Regulation, and a Commission for Protection of the Internal Markets of EurAsEC Member States. The EurAsEC Commission of Permanent Representatives consists of members appointed by each EurAsEC government. The Commission acts as a go-between for the Community and each member and assists in the coordina-
tion of the other committees and subsidiary bodies. It also manages the EurAsEC’s relations with countries having observer status within the Community as well as with other non-member countries and international organizations. The Interparliamentary Assembly (IPA) aims to coordinate members’ national legislation and create a common legal foundation for integration. The IPA is composed of representatives delegated from the parliaments of each member. Russia has 42 representatives in the IPA, Belarus and Kazakhstan each have 16 delegates; and Kyrgyzstan and Tajikistan each have 8 parliamentarians. The IPA Bureau, consisting of two representatives from each member state, adopts resolutions by consensus and holds at least two meetings each year. But the EurAsEC has proven to be a less effective institution than the CSTO. In particular, the EurAsEC’s economic integration efforts have lost steam and failed to create effective multinational regulatory bodies.

**The Eurasian Customs Union**

At the October 2007 session of the EurAsEC Intergovernmental Council in Dushanbe, Belarus, Kazakhstan, and Russia agreed to establish a trilateral Customs Union (CU) that would coordinate their economic, currency and migration rules on the basis of WTO principles. The other three EurAsEC members—Kyrgyzstan, Tajikistan, and Uzbekistan—were excluded from the initial organization due to their low levels of economic development, though the first two countries have since expressed interest in joining. The members have since abolished many trade tariffs and customs controls between them while establishing some common tariffs against imports from non-member countries. The first phase of the CU began on January 1, 2010, with the introduction of a uniform external tariff based primarily on the tariff rates then prevailing in Russia. The members also abolished most internal duties and customs controls between their countries, creating free movement of goods. Furthermore, they agreed to allow their citizens freedom to travel among these countries carrying only an internal passport. On May 19, 2011, the CU parties signed a treaty that integrat-

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ed the WTO commitments of each party into the CU, which became especially important after Russia joined the WTO in 2013. While the Customs Union acts in many areas beyond the WTO, the latter’s rules override any CU obligations when they conflict. The Court of the Eurasian Economic Community can resolve trade disputes among CU members. Since Russia’s WTO accession, the EurAsEC Court’s jurisdiction has expanded to include advising on whether a CU act violates WTO rules.⁵

On November 22, 2011, outgoing Russian President Dmitry Medvedev, Kazakhstani President Nursultan Nazarbayev, and Belarus President Alexander Lukashenko formally signed an agreement to integrate their economies into a Common Economic Space (CES). When the CES took effect on January 1, 2012, it had a combined population of 170 million people. They further created a Eurasian Economic Commission (EEC) as an executive body to manage the integration process. For example, it will have a special court for settling disputes.⁶ The Commission consists of nine members, three from each country, one of whom serves as the chairman. The Commission decides its own budget, monitors implementation of legislation, and can refer violations to the Court. The 2011 Treaty also replaced the Customs Union Commission with a Supreme Eurasian Economic Council, which is a “regulating body” to support the functioning and development of the CU and CES. The Council ensures implementation of international treaties, issues non-binding instruments as recommendations, and has almost 200 areas of competence, ranging from customs, tariffs, non-tariff regulations, macroeconomic policy, energy, migration, and other policy areas. Whereas the Customs Union is predominantly intergovernmental, the Eurasian Economic Union is governed by supranational institutions. The Council engages with public bodies and agencies through Sectorial Advisory Committees in key areas such as on trade, technical regulation, taxation policy, etc.). It also works directly with business leaders and enterprises. A major task this year is to codify all relevant international agreements and legal documents.

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before the Eurasian Union enters into force, which is scheduled for January 1, 2015.

The Eurasian Union
Although it has been several years since then Prime Minister Vladimir Putin first called for creating a “Eurasian Union” during his campaign to return to the presidency, there remains much uncertainty surrounding the Eurasian Union, even as its members are finalizing the treaty to launch the project next year. For example, the degree of functional integration and the geographical extent of the new union remain a work in progress. With respect to the former issue, Belarus, Kazakhstan, and Russia still differ on how much non-economic integration they want to see in a Eurasian Union. For example, in November 2013, Putin supported creating a Eurasian Union parliament, which has not been endorsed by the other members. If Putin genuinely envisions a European Union-type alignment as a model, that would imply the need to create a single currency and an independent bureaucracy to administer and enforce the agreed rules and common economic policies. But Nazarbayev has insisted that the Eurasian Union would remain focused on economic cooperation while respecting members’ sovereignty. Belarus and Kazakhstan have a history of challenging Russian preferences when their vital interests are at stake. Lukashenko vigorously fought with Medvedev and other Russian leaders to gain critical economic concessions to Belarus, whereas Nazarbayev has pursued a multi-vector policy in which Kazakhstan has developed close ties with China, Europe, and the United States. Kazakhstan’s regional integration efforts also aim to strengthen the autonomy of Central Asian states from the great powers.

Whether the new Eurasian Union will have a military dimension depends on the relationship it develops with the CSTO. All the current and planned members of the Customs Union also belong to the CSTO, but some future ones may not. Even if all members belonged to both organizations, the two bodies may remain distinct, as the EurAsEc and CSTO have been despite their overlapping

membership. Yet, the experience of the European Union is that an integrated political-economic bloc often is driven to pursue a military dimension even when another body, NATO in the case of the EU, exists to fulfil that function. Security considerations at least partly drive Putin’s integration plans, including a desire to promote an integrated military-industrial complex among the former Soviet republics and perhaps the wish to unite the eastern Slav Orthodox Christian and the moderate Muslims of Eurasia against Islamist extremism as well as the European and Chinese civilizations.9

In addition to the questions surrounding the new body’s power and functions, the Eurasian Union’s future membership remains an open question. In September 2013, the government of Armenia walked away from years of negotiations on an Association Agreement with the European Union, opting instead to seek to enter the Customs Union. Besides whatever Russian pressure it experienced regarding this decision, Armenia has developed close ties with Russia in many sectors, including energy security, economics, and trade. Armenia’s membership roadmap into the Customs Union and the Single Economic Space was signed on December 24, 2013. In March 2014, Putin said that Russia, Kazakhstan, and Belarus should begin preparing a treaty for Armenia’s entry into the Eurasian Union.10 Nevertheless, Kazakhstan and Belarus have had reservations, not least regarding Armenia’s unresolved conflict with Azerbaijan, and the implications of membership for Armenian-occupied territories in Azerbaijan.

The Kyrgyz Republic has shown more hesitation in joining the new arrangements. Like their Armenian counterparts, the Kyrgyz would like more Russian economic assistance. They would also like to see Moscow relax restrictions on Kyrgyz labor migration to Russia, an important source of remittances. Furthermore, ties with Russia can help balance China’s growing economic presence in Kyrgyzstan. But Kyrgyzstan’s economic development may be too low to allow it to join the Customs Union and the Single Economic Space anytime soon. The Kyrgyz authorities consider the integration roadmap offered to them unre-

alistically rapid and demand large subsidies, various rule waivers, and other concessions from the existing members before joining.\textsuperscript{11} Since wages in Kyrgyzstan are lower than in Kazakhstan and Russia, harmonizing the prices of goods with those states may trigger new economic and political instabilities in crisis-prone Kyrgyzstan. Nonetheless, in mid-April, Prime Minister Joomart Otorbaev said that joining was the “right step” and would provide important economic and social benefits.\textsuperscript{12}

Assessment

Moscow’s various integration proposals result from both ideological and pragmatic considerations. Although Russian proponents of Eurasian integration deny that they are trying to recreate the Soviet Union, Putin famously described the collapse of the USSR as the “greatest geopolitical catastrophe of the 20th century” in a nationwide television speech in April 2005.\textsuperscript{13} Former Secretary of State Hillary Clinton described the Eurasian Union as Putin’s plan to “re-Sovietize the region.”\textsuperscript{14} A belief in “Eurasianism” may also be encouraging some Russian leaders to seek to establish a Eurasian civilization under Moscow’s leadership independent of European or Asian civilizations.\textsuperscript{15} Putin has in recent years frequently criticized what he sees as Western moral decadence manifested in such areas as tolerance for homosexuality. A 19\textsuperscript{th} century spheres-of-influence view may also be shaping Moscow’s response. After the 2008 war with Georgia, then President Medvedev explicitly said that Moscow wanted a “sphere of privileged influence” in the former Soviet space. Russians see having control over the former Soviet republics as an imperative given these countries’ geographic proximity to Russia. Moscow clearly wants to keep these states from


aligning with the West, but perhaps Russian leaders also see Eurasian integration as helping dilute China’s growing presence in the region.

Regardless of ideology, Russian policy makers have good reason to want to promote deeper integration within the former Soviet space. Due to their decades-long membership in the former Soviet economic system, the former Soviet republics share deep interdependencies between their national economies. Soviet planners would design plants and transportation networks that transcended administrative boundaries, with factories in one republic supplying key inputs to another, and with highly mobile labor resources in which workers were reallocated geographically to optimize production. Many Russian enterprises still receive critical supplies, have important markets, and otherwise have critical ties with the other former Soviet republics. The Russian government has only partly succeeded in reducing these interdependencies for the most critical production processes, such as those related to national defense. In this regard, their geographic proximity and shared borders have also meant that Russian national security policies often treat the other republics as their first line of defense, or at least as buffer states, against threats to Russia’s south—as well as possible forward operating bases for Russian power projection.

Seeing the world in starkly competitive terms, Russian policy makers want to augment their own power resources (land, natural resources, people, industry, etc.) with those of other states to enhance their global influence and status. From Moscow’s perspective, the former Soviet republics are the easiest ones to assimilate given their close location, already extensive economic and social ties with the Russian Federation, and weak links with competing powers (the West, China, Iran, etc.). Closer to home, Russian integration proposals seemed especially aimed at reining in those former Soviet states that have thus far remained outside Moscow’s control, such as Ukraine, which in March 2007 began negotiating an enhanced Association Agreement with the EU, to replace the Partnership and Cooperation Agreement established in 1998. Russian officials have pursued traditional “sticks and carrots” policies to rein in these countries. For example, they offered Ukraine economic assistance and other benefits if it joined the Customs Union, while warning that Russia would raise trade barriers and take other protective measures against Ukraine if it established a free trade agreement with the EU. In summer 2013, Russia placed sanctions on selected
Ukrainian goods when Ukraine was close to signing an EU Association Agreement, but immediately rewarded the Ukrainian government in November 2013 with $15 billion in credits and a 30 percent reduction in the cost of Russian natural gas when Ukraine suspended signing the agreement. The Eurasian Union would expand the economic influence Russia gains from the Customs Union but also augments with “soft power” resources such as deeper cultural and other ties as well as perhaps more diplomatic coordination among members.

With a smaller number of members than the CIS, all of whose governments are favorably disposed toward Moscow’s leadership, the CSTO, EurAsEc, Customs Union, and Eurasian Union are more effective instruments for advancing Russia’s regional priorities than the CIS. The legislative and legal framework for the recent integration is more substantial than previously. Whereas the CIS has generated hundreds of vague, fragmented agreements that often remain unimplemented, the Customs Code, the Codified Agreement on the Customs Union, and the SEC have more detailed legal parameters and more authoritative bodies to resolve conflicts that arise in implementation. Even so, Moscow still dominates decision making within these organizations. Within the EurAsEC, Russia enjoys a 40 percent share in the voting and financial rights, whereas Kazakhstan, Belarus, and Uzbekistan only have 15 percent each, while Kyrgyzstan and Tajikistan control merely 7.5 percent each. Moscow’s dominance of the CSTO results from Russia’s having the most capable combat units and the presence of Russian officers in key command and staff posts. Russia dominates the decision-making process within the Customs Union due to its having a majority of votes. Some provisions of the Customs Union clearly benefit Russia. For example, all revenues derived from the export of Russian crude oil to member states must be returned to Moscow, including value-added profits on products that Belarus and Kazakhstan refine and sell themselves. A February 2013 World Bank Poverty Reduction and Economic Management Economic Premise found that the Customs Union “creates an opportunity for Russia to expand its exports and its presence in Central Asia at the expense of exports from other

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countries, such as the European Union and China.” Thanks to their interconnections and overlapping membership, Russia can leverage these linkages to advance its cross-cutting regional economic and security interests in Eurasia.

The CSTO: Military Dimensions of the Russian Reintegration Effort

Pavel Baev

Time has shown that while economic matters engender most of the declarative commitments to closer cooperation between post-Soviet regimes, it is security matters that constitute the most sensitive part of the socializing networks that link them together. Russia consistently seeks to exploit the concerns of the quasi-democratic and more or less “enlightened” authoritarian regimes in the post-Soviet space, which worry about domestic challenges to their grasp on power (and the external support for such challenges), in order to establish itself as a leading provider of security. Indeed, Moscow has an undeniable advantage regarding the amount of deployable “hard power,” and has on many occasions demonstrated determination and skill in using military force as an ultimate instrument of politics. It is therefore remarkable how little success Russia has achieved in building reliable structures that could legitimize and substantiate its role as a major security provider in the post-Soviet space.

The main multilateral institution embodying this role and addressing the insecurities inherent to the ruling regimes from Belarus to Tajikistan is the Collective Security Treaty Organization (CSTO). This chapter examines the evolution of this not-quite-alliance and its regional engagements, focusing on its relevance for the ambitious but far-fetched Eurasian project that President Vladimir Putin aspires to advance.

Struggling to Make Sense

The rapid collapse of the colossal Soviet military machine produced the need to establish an institution that would organize an orderly division of its assets. Consequently, in May 1992, six newly born states—Armenia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan—signed the Collective Security
Treaty (known also as the Tashkent Treaty), while three others—Azerbaijan, Belarus, and Georgia—joined the following year.¹ Five years later, when the task of sorting out the possessions and withdrawals had been completed, Azerbaijan, Georgia, and Uzbekistan discontinued their participation. In May 2002, the six remaining member-states decided to upgrade the framework of the treaty, creating a full-blown organization called the Collective Security Treaty Organization; Uzbekistan joined the CSTO quasi-alliance in mid-2006, but first suspended and subsequently terminated its membership in 2012-2013.²

On paper, the commitment of member-states to ensuring collective security has always looked solid; in reality, however, Russia has never seriously invested in building the structures required to underpin such a commitment. Nevertheless, the heads of states maintain the ritual of an annual summit, and the Secretary General, Nikolai Bordyuzha, actively tours the capitals and issues affirmative statements.³ Numerous propositions on creating a joint grouping of military/peacekeeping forces have been approved, but not even the most recent decision (in 2009) on establishing “collective rapid reaction forces” is close to being implemented in any meaningful way. The joint staff is an empty bureaucratic shell, and the planning of annual joint exercises, in which randomly selected units demonstrate basic skills, is conducted mostly in the Russian General Staff.⁴ The scope of these exercises is exemplified by the Nerushimoe Bratstvo (Indestructible Brotherhood) exercise in October 2013, in which a mobile group was transported in a Mi-8 helicopter in order to intercept a suspect.

¹ Useful analysis of that unique dismemberment of a tightly united military organization (Ukraine played a major role while preferring to stay clear of the Tashkent Treaty) can be found in Roy Allison, “Military Forces in the Soviet Successor States,” Adelphi Paper 280, London: IISS, October 1993.
³ More than half of the 26 summits have taken place in Moscow, as will the one scheduled for autumn 2014; the official website contains only the protocols of the meetings after 2008, http://www.odkb-csto.org/session/. Nikolay Bordyuzha holds the position since March 2003; before that, he had been Russian ambassador to Denmark, while for three months in early 1999 he served as the Secretary of the Russian Security Council.
⁴ The chief of the Joint Staff General Aleksandr Studenikin confirmed that without increased funding and personnel expansion the staff could not become a functional unit; see Vladimir Muhin, “CSTO goes slow with changes,” Nezavisimaya gazeta, July 1, 2013 (in Russian).
car, after which a few dozen special police troops were deployed to a small village where “extremists” had incited a rebellion.5

Much political effort has been expended towards securing international recognition of the CSTO as a regional security organization—and, in particular, towards getting acknowledged by NATO as an equal and legitimate partner. However, even interaction with the Shanghai Cooperation Organization (SCO) has been limited due to Chinese reservations, and NATO has consistently refused to enter into any contacts with the quasi-alliance. The fact of the matter is that Russia clearly places emphasis on cultivating bi-lateral military-security ties with such key allies as Belarus or Armenia, while finding it useless to push them into building any cooperation between them. Thus, the CSTO is merely maintained as an umbrella structure that keeps up the appearance of a collective security system, which has never actually come into existence.

Stumbling over Regional Distortions

The CSTO pretends to be a traditional regional organization, despite encompassing three dissimilar regional security complexes—the East European, the Caucasian, and the Central Asia—and is positioned to play a useful role in neither one. In the turbulent post-Soviet period, these regions have been rich in violent conflicts, but not once has the CSTO been able to make any meaningful contributions. In the Western “theater,” the robust bilateral military alliance between Russia and Belarus does not require any extra appendices. For instance, the symbolic CSTO Vzaimodeistvie-2013 (Interaction) counter-insurgency drills look quite redundant when compared to the large-scale and bilateral Zapad-2013.6 The only useful purpose of such networking is to help Belarus emerge from the isolation it has experienced in the last decade, although President Alexander Lukashenko remains resolutely reluctant to send his troops anywhere outside the immediate neighborhood.

5 Details of that unimpressive endeavor, in which one soldier died but many medals were awarded, can be found on the CSTO website, http://www.odkb-csto.org/training/detail.php?ELEMENT_ID=2825&SECTION_ID=188.

6 The Belarusian hosts were represented by an airborne battalion (650 troops), Russia deployed an airborne company (220 troops), and they were also joined by 130 paratroopers from Kazakhstan, 50 from Armenia, two colonels from Kyrgyzstan, and a general from Tajikistan; see Aleksandr Sladkov, “CSTO shows force,” Nezavisimoe voennoe obozrenie, October 4, 2013 (in Russian).
The exposure of the CSTO to the conflicts in the Caucasus is even more awkward, as Armenia is seeking to present this quasi-alliance as its solid security guarantor, while Kazakhstan, which has important energy interests in Azerbaijan and Georgia, draws a line of strict neutrality in the Armenian-Azerbaijani conflict. It is bilateral arrangements that legitimize Russia’s military presence in Armenia, but Moscow also cultivates friendly relations on the highest level with Azerbaijan, and certainly would not want to be drawn into the smoldering conflict on the Armenian side. Moreover, at a time when Russia wanted an explicit expression of support from the CSTO, the organization only issued a carefully worded disapproval of Georgia’s behavior in August 2008 and firmly refused to recognize the independence or de facto secession of Abkhazia and South Ossetia.⁷

While Armenia and Belarus constitute special cases in their respective regions, it is in Central Asia where the CSTO is better positioned to provide security and to act as a conduit of Russian efforts in conflict management.⁸ Turkmenistan’s strenuously upheld neutrality is not necessarily an impediment to performing such a role, but Uzbekistan’s consistently ambivalent attitude towards the CSTO and the termination of its participation in the works of this quasi-alliance most certainly are.⁹ President Islam Karimov has as much reason as any ailing regional leader to worry about the “extremist” revolutionary challenges to his grasp on power, but deep-rooted suspicions of Russia’s intentions in the region and jealous disagreements with Kazakhstan’s leadership in the regulation of multiple inter-state disputes prevail and shape his preference for keeping full freedom of maneuver.

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⁷ The words of Foreign Minister Sergei Lavrov about Russia not “pressurizing” the CSTO member-states on the issue of recognition of Abkhazia and South Ossetia were a clear indication that much pressure was put on them albeit to no avail; see “Russia will not press CSTO to recognize Abkhazia, S. Ossetia,” RIA Novosti, February 1, 2009, http://en.ria.ru/russia/20090201/11991135.html. One sharp evaluation of that failure is Alexander Golts, “CSTO is dead,” Moscow times, August 31, 2010.
⁹ A concise presentation of this position is Farkhod Tolipov, “Uzbekistan without the CSTO,” Central Asia-Caucasus Analyst, February 20, 2013.
Uzbekistan’s objections were the key political obstacle within the CSTO that hindered any useful contributions to managing the violent conflict in the Osh region of Kyrgyzstan in May-June 2010, after the violent coup in Bishkek in April in which Russia allegedly had a hand.¹⁰ Moscow tried to justify its inability to act on the urgent request from the new Kyrgyz authorities by blaming the lack of provisions for intervening in internal conflicts in the CSTO basic documents, subsequently initiating discussions on amending the documents.¹¹ In fact, however, the Russian leadership had no intention of deploying combat forces into a conflict zone (as it did in Tajikistan in 1992 with the CIS mandate), and that transparent denial to deliver on the commitment to enforce “peace” in crisis situations made a strong impression on the pro-forma allies. Even Belarus was critical of Russia’s passivity, and the Central Asian rulers found it opportune to raise their demands for arms supplies and financial aid.¹² Russia has since invested efforts and resources in upgrading its power projection capabilities, but few of these investments have been channeled via the CSTO.

Adjusting to the Eurasian Project

Moscow’s determined advancement of the ambitious Eurasian project has since the start of Vladimir Putin’s third presidency in 2012 added momentum to, and new tasks for, the transformation of the CSTO. While the main dimension in the enhanced cooperation between Russia, Belarus, and Kazakhstan is economic (not quite) integration, the list of candidates for inclusion in the Customs Union (and the planned Eurasian Union) are Armenia, Kyrgyzstan, and Tajikistan, meaning that the composition of the emerging institution is symmetric to the CSTO. Serious disagreements between the three parties of the Customs Union are typically resolved based on the lowest common denominator, which

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¹² On the content of this hard bargaining, see Vladimir Muhin, “Russian military carrot is not that tempting for allies,” Nezavisimaya gazeta, February 5, 2014 (in Russian).
in principle should make it easier for the prospective members to join, but the mutually agreed exclusion of security matters leaves the CSTO without any useful guidelines, so reform of this institution is ineffectual.\textsuperscript{13}

The area where the CSTO is supposed to prove its relevance is Central Asia, but the shootouts between the Tajik and Kyrgyz border guards in January and August 2014 served as a reminder that no mechanism for monitoring and regulating inter-state tensions in this region is under construction.\textsuperscript{14} It is Uzbekistan that sits in the middle of the interplay of ethnic rivalries and resource disputes, and Karimov is keen to demonstrate that the CSTO has no capacity to manage these conflicts and that Russia is only pursuing its own parochial agenda, making it impossible to trust as an impartial peace-maker. Kazakhstan may be more inclined to engage Russia as a major security provider, but President Nursultan Nazarbayev cherishes his reputation as a statesman of international statute, and so prefers to minimize contacts with the outcast Belarusian President Alexander Lukashenko and certainly refrains from associating himself with Russian interventions in Georgia and Ukraine.

One important focus of CSTO activities has been to join in efforts to counter the security challenges (including drug trafficking) emanating from Afghanistan, thus gaining acknowledgement from NATO as a valuable partner. It has proven to be far more effectual, nevertheless, for the U.S. and its coalition partners to negotiate directly with Tajikistan, Uzbekistan and other states about the arrangements supporting the Northern Distribution Network. Russia has never been successful in using the CSTO to counter Western “encroachments” in Central Asia—this will, however, become redundant during 2014 as the NATO withdrawal from Afghanistan will largely be completed. It can also be noted that Uzbekistan and Tajikistan have never shown any enthusiasm in partaking in region-constructing enterprises informed by the proposition that the solution to the protracted disaster in Afghanistan could only be regional and involve all

\textsuperscript{13} On the uneven progress in building the Eurasian Union, see Alexander Gabuev, “Expandable union,” Kommersant-Vlast, June 3, 2013; on the lack of common purpose in the CSTO reform, see Vladimir Muhin, “Collective defense of amorphous nature,” Nezavisimaya gazeta, July 12, 2013 (both in Russian).

concerned neighbors; they both prefer to stay clear of the troubles to the south of their borders, notwithstanding the plight of the Tajiks and the Uzbeks living there.\textsuperscript{15}

A major issue for the CSTO in performing any meaningful security role in Central Asia is the ambivalent character of its relations with China, which remains wary of making any firm commitments to providing security in the region, although it has every reason to assume that its interest would not be protected by any other “provider.” Moscow is trying to have it both ways: on the one hand, building ties with China in the Shanghai Cooperation Organization (SCO); and on the other, keeping it away by strengthening the CSTO.\textsuperscript{16} Beijing is effectively dominating the workings of the SCO but prefers to keep its security agenda limited, instead cultivating a bilateral military partnership with Russia, while monitoring the difficulties for the under-funded Russian bilateral and multilateral military connections in Central Asia.\textsuperscript{17} The Ukraine crisis propelled Russia to strengthen ties with China, and the anti-terrorist exercises \textit{Peaceful Mission-2014} held in the Chinese province of Inner Mongolia in August 2014 under the aegis of SCO were intended to show the expanded scope of military cooperation.\textsuperscript{18} China also called a meeting of the chiefs of general staffs of the member-states, but was cautious to avoid any geopolitical projections in these joint activities emphasizing instead the cultural program.\textsuperscript{19}

Deepening dependency upon Chinese carefully calculated support does not square with Russia’s ambitions to become a major player in the complicated Asia-Pacific security intrigues, and they are also not entirely compatible with the Eurasian ambitions. China is certainly aware of the maturing potential of


\textsuperscript{17} On the problems in funding these connections, see Vladimir Muhin, “Very expensive collective defense,” \textit{Nezavisimaya gazeta}, October 23, 2013 (in Russian).

\textsuperscript{18} On the Chinese emphasis on counter-terrorist agenda for these exercises, see “Deterrence of three evil forces,” \textit{Nezavisimaya gazeta} (in Russian), August 26, 2014.

conflict in Central Asia, but it has no confidence in Russia’s attempts at advancing its interests by regulating these conflicts—and no illusions about the usefulness of the CSTO. One particular consequence of the Ukraine crisis is the reinvigoration of NATO as the member-states rediscover the common purpose in deterring the threat of Russian interventionism, and this new trans-Atlantic determination has indirectly proven that the CSTO cannot qualify as a security alliance.20

Conclusions

The rationale for Putin’s Eurasian project have always been dubious despite his strongly reiterated commitment to executing this grand design, and it is impossible—at the moment of this writing on the 61st anniversary of Joseph Stalin’s inglorious death—to assess the damage inflicted to Russia’s capacity for leadership among the post-Soviet states by the military intervention in the Crimea. Whatever the motivations and particular circumstances for this “intervention of choice,” the experiment with projecting military power for advancing multiple and poorly compatible political goals—some of which amounted to orchestrating a secession—has been unsuccessful and seriously counter-productive. The discourse on protecting “compatriots” is unacceptable for Kazakhstan, and the deployment of armed forces in support of Crimean irredentism is unacceptable for China as a matter of principle, even if it may share Putin’s firm stance against revolutions.

The economic disaster and a possible sovereign default in Ukraine are certain to affect the economic interactions inside the Customs Union, but it is the structures of security cooperation that are most severely tested as Russia’s allies opt to distance themselves from this “nothing-to-win” crisis. Moscow is hardly interested in bringing these tacit disapprovals together and so would have to rely more on bi-lateral ties at the expense of proceeding with reforming the CSTO. This emphasis will be particularly evident in attempts to modernize the Russian bases from Gyumri in Armenia to Kant in Kyrgyzstan, and resources for

such upgrades will be limited; furthermore, Russia will hardly be able to get full control over the Ayni air base in Tajikistan.

Russia’s strategic expectations for strengthening its influence in Central Asia are centered on the sharp increase of direct security threats spilling over from Afghanistan after the inevitable (in Russian assessments) collapse of the present regime in the immediate aftermath of the withdrawal of U.S. troops. Tajikistan, Uzbekistan, and even Turkmenistan (which has had perfectly normal relations with every Afghan ruler and warlord in the last 30 years) indeed have plenty of reasons to worry about these threats, but they have few reasons to believe that Russia would be ready to take effective and expensive measures in helping them to counter those, and the familiar pattern of gaining influence on the cheap has lost all credibility. Kazakhstan is far from happy with the Western disengagement from Central Asia and would prefer Russia to increase its stakes so that it would constitute a counter-balance to the fast and noncommitally growing Chinese presence—though it might have to reconsider the validity of this preference.

The demonstrable and irreducible weakness of the CSTO reveals a deep flaw in the Eurasian integration project as designed and propelled by Vladimir Putin. The authoritarian regimes in the post-Soviet states may have much in common and share concerns about public uprisings that may bring them to a sudden end, but they profoundly mistrust one another—and cannot count on Russia as a guarantor of their continuity.
The Economics of the Customs Union and Eurasian Union

Richard Pomfret

The economic analysis of a customs union is straightforward, even if the conclusions and practical application are less so. In theory, a customs union may or may not improve on the pre-union situation. In practice, customs unions based on creating a protected internal market have had a poor record in the modern global economy, while arrangements that have created more integrated internal markets while remaining open to the rest of the world have thrived. The first section of this chapter reviews the theoretical and empirical evidence in support of these statements, and the second section applies these ideas to the Belarus-Kazakhstan-Russia customs union. The third section considers the prospect for deepening the customs union into a Common Economic Space and broadening it to include new members. The final section draws conclusions.

Customs Union Theory and Evidence

Customs union theory dates from a classic work by Jacob Viner.1 Defining a customs union as an arrangement whereby the partners have tariff-free internal trade and a common external tariff, the union will lead to increased trade among the members. Viner’s crucial insight was that the increased trade has two sources. Trade is created because duty-free trade among the partners will lower prices, displacing domestic producers and increasing domestic demand. At the same time trade is diverted from lower-cost external suppliers, who still face the tariff, to internal competitors who do not. Trade creation is welfare-increasing because it represents an improved global allocation of resources,

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while trade diversion is welfare-reducing because it distorts global production from lower- to higher-cost suppliers.

The logic of Viner’s analysis is indisputable. The outcome of customs union formation is theoretically ambiguous, i.e. a customs union may or may not be an improvement over current arrangements. However, a desirable customs union is one where trade creation is greater than trade diversion, and it is not too hard to identify conditions under which this is more or less likely and hence to distinguish between welfare-improving and welfare-reducing customs unions.

The customs union in manufactured goods among the six original members of the European Economic Community was beneficial. For any manufactured good, at least one producer in the six countries would be close to the world’s best, implying that there would be little trade diversion; all ex post empirical studies of the customs union found substantial trade creation and net economic benefits. In contrast, the accession of the United Kingdom in 1973 was not positive economically, because the UK already had low tariffs on manufactures and the main trade consequences of accession were associated with the agricultural policy, which diverted UK imports from low-cost global suppliers to higher-cost European suppliers.

The success of the European customs union led to several customs unions being created among developing countries in the 1960s, e.g. the Central American Common Market (CACM) and the East African Community (EAC). These and other similar arrangements among developing countries were signed in the context of import-substituting industrialization strategies, with the goal of reserving a larger market for internal producers. Both the CACM and EAC experienced an increase in internal trade, which could have been viewed as a successful creation of a larger market for their protected producers, but both customs unions were characterized by dissension and eventual collapse in the 1970s. The poorer less-industrialized countries (Nicaragua and Honduras, and Tanzania and Uganda) were dissatisfied that benefits were accruing disproportionately to their more industrialized partners, i.e. they were unwilling to ac-
cept trade diversion from globally efficient suppliers to the relatively efficient internal suppliers, Guatemala and Kenya.\(^2\)

The CACM and EAC failures were typical of other integration schemes in the 1960s and 1970s based on the idea that a larger protected market would help members to industrialize. In practice, members were happy to sell their manufactures within the protected market, but were unhappy about buying their partners’ manufactured goods, which were typically far from world standard in price or quality. Thus, for example, a succession of schemes within the Association of Southeast Asian Nations (ASEAN) to promote industrial projects catering to an ASEAN-wide market all foundered.

The popularity of customs unions and other regional integration schemes declined in the 1970s, but a second wave of regional integration occurred in the 1980s and early 1990s. This mainly involved high-income countries and the common feature was “deep integration,” i.e. going beyond tariff elimination to facilitate trade in a more integrated internal market. The prime examples were the EC92 “single market” program, the 1987 Canada-U.S. Free Trade Agreement and the North American Free Trade Agreement (NAFTA), and the 1983 Closer Economic Relations (CER) between Australia and New Zealand. The significance of these arrangements, all of which came to be seen as successful, was their focus on trade facilitation.

Among developing countries the most active regional cooperation in the 1990s was within the forum of Asia-Pacific Economic Cooperation (APEC). The underlying concept of APEC was open regionalism, by which members reduced barriers to internal trade without discriminating against non-members. Major successes were the unilateral tariff reduction by many East Asian economies (China, Thailand, Philippines, etc.), which would have been harder to implement without a (vague) promise of reciprocity. The significant reduction in

\(^2\) In both cases the catalyst for formal collapse was a military conflict (the 1970 “soccer war” between El Salvador and Honduras, and the Tanzanian invasion of Uganda in 1979 to depose Idi Amin), but the underlying tensions centred on dissatisfaction with the distribution of benefits had already undermined the customs unions. See Richard Pomfret, *The Economics of Regional Trading Agreements*, Oxford: Oxford University Press, 2001.
trade costs introduced on a non-discriminatory basis by the leading ASEAN economies was also in keeping with the idea of open regionalism.\(^3\)

What lessons can be drawn from the theory and evidence of customs unions? Customs unions may or may not be an improvement over the current situation. A customs union is most likely to fail when its main consequence is trade diversion, and this is most likely when the union involves countries that are not from the world’s leading trading nations and is predicated on the assumption that a larger market will promote members’ economic development. A customs union is most likely to succeed when it has low external trade barriers and promotes market integration by lowering trade costs. The success story is the European Union (EU), which has low external tariffs and, especially within Schengenland and the Eurozone, highly integrated internal markets. A similar conclusion about beneficial trade facilitation could be drawn from nineteenth century customs unions that promoted internal market integration (the USA, Canada, Italy, Germany, or Australia), although these were associated with political union rather than driven by economic efficiency arguments and often had high external trade barriers. From a broader perspective, a customs union is inferior to non-discriminatory trade liberalization, which delivers trade creation without trade diversion, and hence is unlikely to harm third countries.

**Customs Union between Belarus, Kazakhstan, and Russia**

The establishment of a customs union between Belarus, Kazakhstan, and Russia was rapid. The customs union agreement was signed in November 2009, and a common external tariff and customs code established in 2010. In July 2011 customs controls at the members’ common borders were abolished. The common external tariff was weighted towards the Russian tariff, which had little impact on Belarus,\(^4\) but led to significant increases in Kazakhstan’s tariffs. Russia kept 82 percent of its customs tariffs unchanged and lowered 14 percent and in-

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creased 4 percent of its tariffs; the corresponding shares for Kazakhstan were 45 percent, 10 percent, and 45 percent.⁵

Among economists, expectations were of negative welfare consequences for Kazakhstan. Raising the external tariff while allowing duty-free imports from Russia was a recipe for trade destruction and trade diversion, and a simple but plausible model by Tumbarello estimated substantial welfare loss for Kazakhstan.⁶ Moreover, the negative trade impact is likely to be exacerbated by administrative changes and increased non-tariff barriers which will further reduce trade with non-members, e.g. newly designed sanitary and phytosanitary (SPS) rules make it harder for the Kyrgyz Republic to export its farm products to Kazakhstan⁷ and tighter controls on the customs union’s external borders will discourage informal, or currently poorly monitored, imports into Kazakhstan from the Kyrgyz Republic and China.⁸ CAREC reports that, while average border-

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⁷ Nuritdin Djamankulov, SPS Regulations and Access of Kyrgyz Goods to the Customs Union, USAID Regional Trade Liberalization and Customs Project (USAID Contract No.: 176-C-00-07-00011-08), Bishkek, 2011.
⁸ Roman Mogilevskii, “Re-export Activities in Kyrgyzstan: Issues and Prospects,” University of Central Asia Institute of Public Policy and Administration, Working Paper No.9, 2012. Silitski argues that the main reason for Russia promoting the customs union was to control imports from the EU and China, which were evading tariffs, taxes and other restrictions by routing via Belarus and Kazakhstan respectively. See Vitali Silitski, “The 2010 Russia-Belarus-Kazakhstan Customs Union: A Classic Case of Prinuzddenie k Druzhbe Friendship Enforcement,” PONARS Eurasia Policy Memo No. 110, 2012, available at http://www.gwu.edu/~ieresgwu/assets/docs/pepm_110.pdf). Laruelle and Peyrouse (p. 44) highlight the drastic effect of the customs union on the Kyrgyz Republic’s role as a platform for re-exporting Chinese goods and claim that the number of Kyrgyz wholesale traders fell by 70-80% in 2010-11. Marlène Laruelle and Sébastien Peyrouse, “Regional Or-
crossing time for trucks leaving Kazakhstan for Russia fell from 7.7 hours in 2011 to 2.9 hours in 2012, the average border-crossing time for trucks entering Kazakhstan from outside the customs union increased from 8.6 to 21.5 hours, with “waiting in queue” the biggest part.9

Why did Kazakhstan take this step when economic studies suggested that the customs union would yield negative returns to Kazakhstan? Mogilevskii highlights the immediate increase in tariff revenue, by at least USD1.4 billion in 2011.10 Laruelle and Peyrouse see the empirical literature as indicating potential short-run benefits for Kazakhstan, but a long-term negative impact as foreign investment, technology and knowledge transfer flows decline.11 The EBRD study is more agnostic—small negative short-term effects on Kazakhstan, but uncertain long-term effects—perhaps suggesting that forming the customs union was a political, rather than economic, decision.12

The negative economic effects will be reduced as Russia implements its WTO accession commitments, effectively lowering the customs union’s common external tariff and liberalizing Russia’s domestic market. When Russia joined the WTO in 2012, its commitments included substantial tariff reductions (to an average tariff of 8 percent by 2020), elimination of some non-tariff barriers to trade, and written clarification of other non-tariff measures that affect trade.13

10 Mogilevskii, “Customs Union of Belarus, Kazakhstan and Russia,” p. 33.
13 WTO accession commitments go beyond tariffs and NTBs. The Final Report on Russia’s accession contains 758 pages, excluding the specific commitments on goods and services, which are in annexes, and it includes, inter alia, rules for the treatment of foreign investors, constraints on trade-distorting (amber box) agriculture subsidies, and rules on intellectual property, public procurement and foreign trade regime transparency. Shepotylo and Tarr calculated that in 2020 after the transition period Russia’s weighted average bound tariff will be 8.2% and the applied tariff 7.6%. (Oleksandr Shepotylo and David Tarr, Impact of WTO Accession and the Customs Union on the Bound and Applied Tariff Rates of the Russian Federation, Policy Research Working Paper 6161, 2012, World Bank.) However, some of Russia’s actions towards trade with Ukraine in 2013 were contrary to obliga-
All of these policies will be implemented *de facto* as changes in the Customs Union’s common external commercial policy. With the 2020 external trade policies, the customs union is likely to be less harmful to Kazakhstan than what has been suggested by estimates made before Russia’s WTO accession. If the net outcome is of market integration with lower transactions costs and external tariffs that do not discriminate greatly against non-members, then the net welfare effect could be positive.\(^4\)

Nevertheless, the long-term net benefits remain uncertain. Economic theory is clear that a customs union is a second-best arrangement, which may or may not improve over the preceding tariff-ridden situation, but which is inferior to non-discriminatory trade liberalization.\(^5\) The argument that a customs union is necessary for a small economy to achieve economies of scale is false, because with open trade policies the world is the market. The scale economy argument is belied by the success of the relatively small first generation new industrializing economies (Hong Kong, Singapore, Taiwan and South Korea), and the dismal performance of the most populous countries as long as they sheltered their producers from global competition (rapid growth in China, India and Brazil dates from the major opening up of their economies in 1978/9, 1991, and 1995 respectively). There may be dynamic gains from regional market integration, but these are uncertain and unproven. The empirical evidence shows that customs unions and free trade areas have been harmful when they have erected a wall around a protected market, but sometimes beneficial when they have low external protection and focus on integrating the internal market by trade-facilitating measures.\(^6\)

\(^{14}\) Vinokurov champions the desirability of this type of “open regionalism.” Yevgeny Vinokurov, “Pragmatic Eurasianism: Prospects for Eurasian integration,” *Russia in Global Affairs*, vol. 11 no. 2, 2013, pp. 87-96. However, after Russia’s restrictions in 2013 on trade with Ukraine, a fellow WTO signatory, the reliability of Russia’s commitments is in doubt.

\(^{15}\) As with any change in trade flows, there will be gainers as well as losers (e.g. the Russian firms who displace non-member exports to Kazakhstan are beneficiaries), but the global welfare effect of trade diversion is negative and the combined losses to the displaced non-member supplier and to Kazakhstani consumers outweigh the gains.

From Customs Union to Common Economic Space

In January 2012, the creation of a Common Economic Space (CES) began. The aims of the CES include creation of a common market in goods, services, labor and capital; coordination of monetary, financial and tax policies; development of unified transport, energy and information systems; and unification of systems of state support for innovation and priority sectoral development. In July 2012 the Eurasian Economic Commission (EEC), a supranational executive body comprising deputy prime ministers, was established. The CES is a step beyond a customs union, and the consequences of creating an integrated economic space are more far-reaching and at this stage difficult to evaluate.

How far will creation of a common economic space go? Widening and deepening are on the horizon. The Kyrgyz Republic and Tajikistan, both members of EurAsEc, are the most likely new members of the CES, and a steering committee for integrating the Kyrgyz Republic into the customs union already meets (a road map was approved at the EEC’s October 2013 summit, although reconciling Kyrgyz WTO commitments with the external tariff of the customs union is a major obstacle). The sixth EurAsEc member, Armenia, signed a road map at the December 2013 EEC council meeting, with the goal of joining the CES in January 2015, although Armenia faces similar issues to the Kyrgyz Republic.

Moldova and Ukraine are more distant, and more challenging, future members.

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17 According to the WTO, 30% of Kyrgyz duties align with those of the customs union, 21% can be realigned without violating WTO commitments, and 49% would require renegotiation of WTO terms (and potentially compensation to affected WTO members) before they could be aligned. WTO, Trade Policy Review The Kyrgyz Republic, Geneva: World Trade Organization, 2013.

18 A report by the Eurasian Development Bank acknowledges that upon accession Armenia would need to “improve the level of protection” and that this will conflict with WTO commitments; EDB, Armenia and the Customs Union: Impact of Accession, EDB Centre for Integration Studies, Eurasian Development Bank, Saint Petersburg, 2014, summary at http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/project20/ (accessed January 15, 2014). The report predicts a four percentage point increase in Armenia’s growth rate after accession, with half of this coming from lower oil and gas prices and most of the rest from increased foreign investment, including a Russia-Iran railroad that would bring Georgia into the CES circle. These are not effects of the customs union, but rather the side-payments to encourage Armenian accession by offsetting the trade destruction and trade diversion resulting from higher tariffs and discrimination in favor of customs union trade. The CES would also help Armenian migrant workers, whose numbers in Russia are larger than the Kyrgyz although remittances are a smaller share of Armenia’s GDP.
These potential new members are all in the WTO. If Kazakhstan finalizes its own WTO accession, this could reinforce steps towards an open rather than an exclusionary regionalism. The beyond-trade aspects of the CES could be especially valuable for the poorer Central Asian countries; both the Kyrgyz Republic and Tajikistan would benefit from regularization of the status of migrant workers and resolution of issues such as those of workers’ pension rights and access to health and other social services, as well as from improved north-south transport corridors. However, restrictions on member countries’ economic links with non-members, notably China, could have seriously negative welfare effects.

Conclusions

Beyond debates about the economic impact, the customs union is clearly part of a geopolitical struggle in which Russia is trying to re-establish hegemony over at least part of the old Soviet Union. The challenges to this vision are China’s burgeoning economic influence in Central Asia, which has firm foundations in comparative advantage and will be difficult (but not impossible) to limit by policy instruments, and the EU’s attempts to bring western CIS countries into its own sphere of special trade relations. For Kazakhstan, and future CES members, the scenarios are either an economic-welfare-reducing closed regionalism or a more open regionalism. The former is unlikely to be sustainable in the long-run, although it is salutary to recall that both the EAC and CACM func-

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19 The current CES Agreements on labor migration reduce the number of documents required by migrant workers, increase the timeframe for registration and permissible period of uninterrupted stay, grant social rights to the migrant’s family (especially in education), and provide guarantees about information availability to migrants. EDB concludes that a key accession issue for the Kyrgyz Republic is to ensure that these conditions apply to new entrants creating something similar to Schengenland. (EDB, Labor Migration and Human Capital of Kyrgyzstan: Impact of the Customs Union, EDB Centre for Integration Studies, Eurasian Development Bank, Saint Petersburg, 2013). Another EDB report argues that the origin countries also need to adopt policies that reduce the demand for emigration. (EDB, Economic Impact of Tajikistan’s Accession to the Customs Union and Single Economic Space, EDB Centre for Integration Studies, Eurasian Development Bank, Saint Petersburg, 2013.)

20 Other non-members such as Uzbekistan are likely to suffer from trade diversion. The economic impact will be minor, but there may be other dimensions if Russia is signaling abandonment of its neutral role as an honest broker and aligning itself with the Kyrgyz Republic and Tajikistan in their water disputes with Uzbekistan. Uzbekistan’s 2012 withdrawal from the CSTO was an indicator of deteriorating relations with Russia.
tioned for over a decade before their terminal illness. An open regionalism in which market forces drive economic relations will be more economically beneficial, but in such a setting Russia’s economic significance in the region will continue to decline.
Tactics and Instruments in Putin’s Grand Strategy

S. Frederick Starr and Svante E. Cornell

Over the past decade, if not since the collapse of the Soviet Union, the Russian government has deployed a wide array of tactics and instruments in its efforts to restore a sphere of influence over the former Soviet space. But the Western response to Russia suggests that American and European policy-makers have largely failed to grasp the systematic way that Russia’s various instruments link together to achieve its goals—and thus have failed to come up with a strategy to counter Putinism.

Earlier chapters in this volume have set forth the scope and ambition Putin’s grand idea, and make clear how Putin, in adopting this agenda, committed himself to its success. The following chapters, which form the bulk of this study, are devoted to a review of the fate of his efforts so far in the eleven countries of the former Soviet Union outside the Baltic States, as well as the responses of China, Europe, and the United States to this process. In perusing these chapters, readers will encounter a bewildering array of tactical steps and instruments deployed by the Kremlin, both in the former Soviet space and in the West. At first sight, these may appear ad hoc; but a core argument of this book is that they form a coherent strategy.

Before turning to this country-by-country review, it may be useful to enumerate the various tactical arrows that Putin has in his quiver, and which he has been actively utilizing. It goes without saying that these instruments are not all deployed together, and that clusters of these which may be useful in one setting are not deemed beneficial in others. What works in the Caucasus may not work in Ukraine, and vice versa. Moreover, Putin’s ambition requires that he deftly employ a shifting array of instruments in order to confuse and render ineffective any foreign opposition, especially from the West.
This cocktail of instruments, which could be termed Putin’s toolbox, is part new and part old. Indeed, antecedents to the instruments used by the Russian leadership today are apparent in Soviet and even Czarist history; especially notable in this regard are the active subversion of target governments by discrediting their leaders and applying economic pressures. Others, such as the use of energy warfare and the modern media for propaganda, are novel. A combination of some of these instruments has been used in every former Soviet state; indeed, some are being used against Western countries as well. The manipulation of ethnic animosities and creation of “frozen conflicts” were both tried and tested in the Caucasus and Moldova before being deployed in Ukraine; however, Moscow first tested the instrument of cyber-warfare against EU and NATO member Estonia. Only then did Moscow deploy it with considerable effect against Georgia, along with a full military invasion in 2008.

What is striking about the various instruments used by the Russian leadership is their tactical sophistication and the level of coordination among them. The management of tactical instruments in so many different areas, across so many governmental institutions, and over such extended periods of time, all make it clear that they arose from the classical methods of statecraft as defined and practiced by the old Soviet KGB. That they all operate together shows that they are all parts of a single process, integrated and coordinated at the highest levels of the Russian government. The secretive nature of the process for selecting tactics obscures the organizations and groups who carry it out. Nonetheless, the unavoidable conclusion is that the process is not outsourced: it is run from the President’s office itself, under Putin’s hands-on leadership. Central to the entire effort are the FSB, successor to the KGB, and GRU, the military intelligence service.

The direct and apparently constant attention that Mr. Putin devotes to selecting and applying the various instruments at his disposal confirms that the restoration of Russia’s status as a major power is his highest priority, higher even than domestic development. Indeed, Putin appears to have staked his presidency and legacy on the outcome of this effort.

Because many of the tactics and instruments under discussion are covert, one must be tentative in speaking of them. That Moscow often uses disinformation to cover its tracks makes the task all the more challenging. Nonetheless, it is
possible to set forth a list of actions on the part of Moscow that reveal in quite concrete terms what tactics it considers relevant to the task of restoring what Putin considers the substance and honor of the Russian state.

**Diplomacy and Business**

It would be wrong to claim that Russia’s sole tactical tools are coercive in nature. While these exist, the Kremlin has also shown itself adept at the use of traditional diplomatic tools, and in combining these with trade and investments.

Like all states, Russia uses diplomacy to attain its goals; indeed, Russia possesses a significant advantage over every other post-Soviet state in this regard. The Soviet foreign ministry was staffed mainly by Russians. Whereas other post-Soviet states had to build their diplomatic institutions and foreign embassies from scratch, Russia inherited the bulk of the staff and the totality of the institutions of the Soviet foreign ministry. Russia (which counted 51 percent of the population of the USSR) did not allow the division of these properties among the successor states. Thus, while Russia has had well-staffed and functioning embassies around the world, most of the other post-Soviet states have had to work hard to deploy competent diplomats in even a limited number of countries.

Moscow is also acutely aware of the importance of personal relations—and pressure—at the top level of politics. President Putin and his long-time foreign minister, Sergey Lavrov, regularly visit most post-Soviet states, bringing large delegations and bringing Russian pressure to bear directly on the leaders of these countries. This is in sharp contrast to the relatively low level of Western direct engagement with these countries: diplomatic dialogue with the U.S., for example, takes place at best at the level of an Assistant or Deputy Assistant Secretary of State. Aside from George W. Bush’s 2005 visit to Georgia, no American president has ever visited any of the non-EU former Soviet states. The Secretary of State does so rarely, and since Donald Rumsfeld left the Pentagon, the Secretary of Defense has been largely an unknown figure in the region. The EU is somewhat more visible, but only a small selection of EU member states regularly conduct high-level diplomacy in the region. This reality has
contributed significantly to the feeling of vulnerability to Putin’s ambitions felt by many leaders in the region.

A key element of Russian diplomacy has been to undermine the cohesiveness and purpose of international institutions. This has been particularly pronounced in the OSCE and Council of Europe. In the OSCE, Russia has worked successfully to undermine the organization’s activities in democratic development and election monitoring. In the Council of Europe, it has followed a multi-pronged strategy. It has opposed the organization’s efforts to support democratic principles, but it has also worked to co-opt members of the Council’s Parliamentary Assembly. Simultaneously, it has sought to incapacitate the European Court of Human Rights by blocking procedural reforms and thus slowing down the operation of the overloaded Court. Similarly, Russian diplomacy has been adept at identifying and exploiting divisions between European states in order to delay or block EU common action against Russia.

Furthermore, one of the chief differences between the Soviet Union and Putin’s Russia lie in the economic realm: Russia today is full of western investors, ranging from some of the world’s largest multinationals to small independent adventurers. The Kremlin has astutely used the interest of foreign investors in Russia to forge an effective lobby for its interests abroad. Thus, the large scale of German-Russian trade has meant that German foreign policy has often been hostage to Russian interests. The same is true across Europe; and even in the United States, in spite of the relatively small role Russia plays in U.S. foreign trade, the U.S. Chamber of Commerce mobilized with extraordinary speed to take out full-page newspaper ads opposing any sanctions on Russia over Ukraine.

Information and Propaganda

The control and manipulation of information flows is a cornerstone of Putin’s domestic and foreign policy. In fact, one of the very first steps Putin took upon coming to power in 1999 was to assert control over the Russian media. Putin

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saw this as a *sine qua non* for the restoration of the “power vertical,” and an essential step in the restoration of Russian control over the North Caucasus. His predecessor, Boris Yeltsin, lost the first Chechen war largely because of the immense unpopularity of the war effort, an unpopularity that was fanned by the free Russian media at the time. By contrast, the role of the oligarchs’ media campaign in bringing about Yeltsin’s re-election seems to have alerted Putin to the critical role of media in politics.

Restoring state control over domestic media had immediate foreign policy implications, given the popularity of Russian television across the former Soviet space. Henceforth, the Russian media beamed to audiences across the former USSR a carefully tailored image of Putin as a modern, strong, and principled leader. This has caused many societies to accept what is essentially a Russian perspective on world events. For example, many across the Eurasian space believe the CIA was behind the 2003-05 color revolutions and the 2014 Ukrainian revolution; that Georgia started the 2008 war; and that Russia’s annexation of Crimea was correct and just.

The power of Russian media is weakest in countries like Azerbaijan and Georgia where native-language television dominates, and strongest in those countries (including all of Central Asia) where local language programming is weak or of poor quality. The political implications of this are best illustrated by the Russian media’s role in the overthrow of the Bakiev government in Kyrgyzstan. When Kyrgyz President Kurmanbek Bakiev reneged on a promise to oust the U.S. from the Manas air base outside Bishkek in 2010, Putin’s government embarked on a punitive campaign against him that included two weeks of highly confrontational and aggressive rhetoric aired on Russian television that was rebroadcast in Kyrgyzstan. This campaign played a considerable role in Bakiev’s ouster in April 2010.3

Outside the post-Soviet space, the reach of Russian television was very limited. To correct this, the Kremlin has poured millions of dollars into the Russia To-

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day television channel, now known simply as RT. RT features sophisticated programming and well-spoken western journalists and news anchors. It news reporting offers a clear Russian perspective of events, and provides an outlet for fringe, often discredited western conspiracy theorists, presented as authoritative in their respective fields. RT has come under increasing scrutiny recently over its reporting during the Ukraine crisis, but as of this writing it is on a course of expansion into new languages and markets, chiefly in Germany.

**Subversion through Co-Optation**

Subversion is a key element of Putin’s strategy to weaken independent statehood and boost pro-Russian forces across the former Soviet territories. This subversion ranges from the support of opposition politicians and the penetration of government institutions to violent campaigns involving bombings and assassinations.

The Soviet security services possessed a large infrastructure in each union republic, the remnants of which formed the cornerstone for Russian subversive activities after 1991. The newly independent states built their security sector largely on the basis of legacy personnel from the Soviet period, which were deeply penetrated by the central Soviet security services. Thus, as a rule of thumb, the less reformed a post-Soviet country’s security sector is, the more it is penetrated by Russian interests. Some countries, chiefly Estonia and Georgia, concluded that the only solution was to completely dismantle these structures and build them from scratch with younger personnel without a Soviet background. But most countries did not follow this path.

The case of Georgia provides striking insights into this problem. When President Mikheil Saakashvili first met Vladimir Putin in 2004, Putin explicitly told Saakashvili to take particular care of Georgia’s Minister of State Security, Valeri Khaburdzania—already known to western governments for his relationship with the Russian secret services. Saakashvili fired him immediately. Few lead-

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5 Author’s conversation with Mikheil Saakashvili, Tbilisi, August 2013. In official testimony to the parliamentary inquiry held by the Georgian Parliament into the August 2008
ers have been willing or able to take the risk of following Saakashvili’s example and purging their power ministries. In Kyrgyzstan, following the ouster of President Bakiev in 2010, Russia seconded over twenty intelligence officials to Bishkek, where they exert direct control of the Kyrgyz security services. In some countries, such as Armenia, representatives of the security sector with such backgrounds have reached the very top of the political system.

This list could be extended, but the point is that in most post-Soviet states the Kremlin has maintained in key positions a network of senior officials whose loyalty is at best questionable and who, at worst, take orders from the Kremlin rather than the government they ostensibly serve. The West vastly underestimates the gravity of this challenge to the construction of independent statehood in formerly Soviet countries.

In addition to infiltrating government institutions, the Kremlin has also successfully maintained its network in another sector closely monitored by the KGB in Soviet times: religious institutions. This is particularly pronounced in Orthodox Christian countries such as Ukraine, Moldova and Georgia, where the Orthodox Churches maintain close ties with Russia. It is no coincidence, therefore, that leading Church representatives have spoken out against the corrupting influence of the European Union at precisely the same time when Putin was making such anti-European propaganda a staple of his state ideology.

The Kremlin applies a variant of similar strategies in the West as well, all to advance its main goal. Its methods range from co-opting top politicians and other influential persons directly or through PR firms, to outright bribes to individual journalists and researchers.

The practice of co-opting political leaders in Europe is best known through the case of Germany’s former Chancellor, Gerhard Schröder. As German Chancellor, Schröder strongly advocated the Nord Stream pipeline, a Russian project to

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deliver gas directly to Germany through the Baltic Sea instead of supplying gas across Eastern European countries. Shortly before the end of his term in 2005, Schröder’s government provided guarantees for 1 billion Euros for the project; three months after leaving office he accepted a post as Chairman of the Nord Stream company.\(^7\) Ever since, Schröder has been a reliable spokesman for the Kremlin. In 2008, Gazprom recruited former Finnish Prime Minister Paavo Lipponen as an advisor to Nord Stream.\(^8\) With respect to the Eurasian Union, Putin’s diligent courting of presidents Lukashenko, Nazarbayev, and others follows the same pattern, even if he has not yet succeeded in recruiting a former national president to lead his cause.

The Kremlin has invested dozens of millions of dollars in public relations firms in the West. Washington-based Ketchum Inc. has reported in federal filings income of $55 million from the Russian government and Gazprom.\(^9\) Ketchum, in turn, subcontracts firms affiliated with influential individuals, including former members of Congress, in its work to improve Russia’s image and influence American policy.\(^10\) Ketchum subsidiary GPlus manages the Kremlin’s interests in Brussels, and several other European countries, in a similar way. GPlus has specialized in recruiting former high-level European diplomats, enabling it to provide Moscow with an advantage in negotiating European politics and exploiting differences among member states.\(^11\) During the Ukrainian crisis, such western firms busied themselves with explaining and justifying Moscow’s position, and arguing against the adoption of sanctions by the West.

Considerable evidence suggests that Moscow systematically enrolls think tanks, experts and journalists supportive of its cause—or to oppose its rivals. In addition to gaining support for its campaign to reestablish the power and dignity of

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the Russian state, Moscow uses these connections to gain support for its positions on other international and environmental issues. In Bulgaria, for example, a sudden wave of Russian-supported environmental protests against fracking led to the banning of the practice in 2012.¹²

Both overtly and covertly, Moscow is working to co-opt think tanks and individual researchers. One of the most successful vehicles has been the Valdai discussion club, which for over a decade has brought western international affairs experts to Russia—including sharp critics of the Kremlin—for discussions featuring Putin himself. Such direct access to policy-makers is a scarce commodity for the think tank community, and returnees from the Valdai forums regularly organize events to share their impressions. The purpose is to moderate criticism of Putin and the Kremlin among these participants. This tactic has had mixed success, however, as a number of participants have refused to tone down their criticism of the Russian government. Journalist Joshua Kucera has provided a window into how Moscow systematically seeks to recruit individual experts. In a 2008 article in the Atlantic, Kucera details how a Russian embassy official offered to pay him for publishing articles supporting the Russian government position.¹³

Since the reestablishment of Moscow’s geopolitical power and prestige is Putin’s highest priority, these tools are effective in advancing this objective as well, blunting the development of a powerful response to Russian policies.

**Support for Opposition Forces, Civil Society, and Extremists**

When governments refuse to toe the Kremlin’s line, a favorite tactic has been to harbor opposition politicians. Thus, Moscow is a favorite place of exile for Azerbaijani, Georgian, Kyrgyz, and Turkmen politicians who fell out of favor with their governments. In Georgia after the 2008 invasion, the Kremlin built ties with the political party of former Speaker of Parliament Nino Burjanadze (who continues to be a recipient of considerable Russian financial support) in order to undermine the country’s Euro-Atlantic orientation. As discussed in the

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chapter on Azerbaijan in this volume, a similar tactic was used to put pressure on Azerbaijan ahead of its 2013 presidential election. In Latvia, with a large ethnic Russian population, Moscow has obtained influence over several political parties, which can play crucial roles as kingmakers. As discussed in the next section, Moscow is now using similar strategies in Western Europe, where it supports extreme-right political parties that have shown themselves sympathetic to the cultural and political aspects of his campaign to reassert Russia’s prominence.

An intriguing and more recent technique employed by the Kremlin in advancing its national program is to support the creation of civil society organizations. This tactic, which emulates western support for such entities, is most effective in the more liberal societies such as Georgia, Moldova, Ukraine or Kyrgyzstan. In Georgia, a senior defense official told an author of this chapter in June 2014 that Georgian officials had identified at least seventeen civil society organizations created and/or funded by Russia, most of which were working to undermine support for European integration among the Georgian public and, by implication, support for Georgia’s eventual reunion with Russia. Moscow’s growing resort to this tactic helps explain the increased restrictions on NGOs imposed by the less liberal states of the region.

One of the newest tactics adopted by the Kremlin in pursuit of its national program is to finance of extreme-right parties in Western Europe deemed sympathetic to the Russian cause. Moscow cranked up this tactic in 2014, when it observed that extreme-right parties across Europe were siding with Putin against America and the EU on the Ukraine crisis. That there are solid ideological bases for such links cannot be doubted. But in a number of cases, such as Hungary’s anti-Semitic Jobbik party, a direct financial connection has been identified, and allegedly investigated by the country’s authorities.14 Tellingly, a number of these parties sent members to serve as election “observers” of the Russian-sponsored referendum on independence in the Crimea, a move which Russia

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could claim to legitimize what was in reality a deeply corrupted process. Potentially the most destructive manifestation of this Russian link with extreme nationalists in Europe is the outright pro-Putin Front National in France, which won the European elections in May 2014, and whose leader, Marine Le Pen, currently leads French presidential polls. The implication of a pro-Putin candidate taking office in any NATO and EU member state, let alone one the size of France, are alarming indeed. In this case Russia may succeed in its efforts even without paying its French allies.

**Sabotage and Terrorism**

On a darker note, Russian state institutions, in their effort to promote Putin’s national cause, have been linked to the use of violence, sabotage, bombing campaigns and the sponsoring of civic unrest across the former Soviet space. In this connection, one recalls the mysterious 1999 bombing of apartment houses in Volgodonsk and Moscow and the failed bombing in Ryazan, which played a key role in Vladimir Putin’s rise to power. As John Dunlop has detailed in a meticulously researched account, the evidence of Russian secret service involvement in these events is overwhelming.

Russia’s withholding of energy has been an important tactical tool in the Ukrainian conflict. But this was no innovation in 2014. Back in January 2006, explosions destroyed the electricity and natural gas transportation network through which Russian energy reached Georgia. Russian leaders blamed unidentified North Caucasian terrorists, who were neither apprehended nor even much searched for, and Russian authorities dragged their feet in repairing the

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damaged infrastructure.\textsuperscript{18} Between 2009 and 2011, moreover, Russia was implicated in a series of further bombings which rocked Georgia, including one targeting the perimeter of the U.S. Embassy in Tbilisi.\textsuperscript{19} In Turkmenistan in 2009, Gazprom abruptly closed off the flow of gas in the pipeline carrying Turkmen gas to Russia, causing the pipeline to explode.\textsuperscript{20} All these instances were connected directly with Russia’s quest for control over a former Soviet republic.

A number of mysterious incidents require further investigation. For example, on August 5, 2008, a terrorist act in eastern Turkey attributed to the Kurdish separatist PKK blew up the Baku-Tbilisi-Ceyhan pipeline carrying Azerbaijani oil to the Mediterranean, and led to a several-week long halt to shipments. This constitutes the only attack by the PKK on major energy infrastructure on record. Further arousing suspicions is the fact that it occurred three days before Russia launched its invasion of Georgia.\textsuperscript{21} Similarly, during the violent unrest in the western Kazakh city of Zhanaozen in 2010, local sources report that the violence was started by groups of non-local men having arrived from the neighboring North Caucasus.\textsuperscript{22} In these and other instances, all connected with Putin’s grand strategy, there is widespread suspicion of Russian involvement, but by the nature of the events, an absence of hard confirming evidence.


\textsuperscript{22} Personal communication by Kazakh researchers. The logic would have been to shake up Kazakhstan and undermine President Nazarbayev’s hold on power with a view to the inevitable succession of power; and make Kazakhstan more pliant in negotiations over the Eurasian Union.
Finally, Russia has engaged in outright assassinations of several opponents who appeared to threaten Russia’s hegemonic project. This began in 1995 and 1998, long before Putin’s rise to power, with two attempts on the life of Georgia’s then president. The 1995 attempt’s chief suspect—former Georgian security chief Igor Giorgadze—fled to Moscow on a Russian military transport plane from the Vaziani air base outside Tbilisi only hours after the assassination attempt failed. In 2006, Putin officially granted Giorgadze political asylum and helped him set up a political party in Georgia.23 Similarly, Russian secret services have been credibly implicated in two attempts on the life of Viktor Yushchenko, Ukraine’s third president, immediately before his election.24 More widely known was the 2006 murder with polonium of Russian dissident Aleksandr Litvinenko in London, which British investigators have concluded was “undeniably state-sponsored terrorism on Moscow’s part.”25 In 2004, Russian agents killed exiled Chechen leader Zelimkhan Yandarbiyev in Qatar, but were apprehended. The Qatari indictment claims the order was issued by Russian defense minister Sergey Ivanov personally.26 These cases must be seen in the context of a growing number of assassinations of such domestic dissidents as independent editor Yuri Shchekochikhin and journalist-activist Anna Politkovskaya. Taken together, these many instances attest to the spreading use of state-ordered political assassinations of both foreign and domestic opponents.

since Putin came to power—a powerful tool if any to suppress opposition to Russian policy goals in the former Soviet states and beyond.

**Economic and Energy Warfare**

A further well-honed Russian tactic, and one that has been the subject of considerable analysis, is the use of economic warfare against neighboring countries that evince centrifugal aspirations with respect to Russian control. This includes the disruption of energy supplies to neighbors; import restrictions on neighbors’ products; and debt-for-asset swaps designed to assert control over their economies.

In the West, at least until 2006, Russia had been known since Soviet times as a reliable and stable supplier of energy. This contrasts starkly with the experience of post-Soviet states, i.e., states that Putin seeks to include in his Eurasian Union, virtually all of whom have been exposed to politically motivated manipulations of supply, or the threat thereof, a tactic Moscow can use as a result of the old Moscow-centric energy infrastructure inherited from Soviet times. Indeed, as early as 2006 a report by the Swedish Defense Research Institute’s Robert Larsson identified over fifty instances of Russian manipulation of energy supplies for political purposes.\(^{27}\) The tactic is relatively sophisticated, involving carrots as well as sticks. Thus, Moscow may offer preferential prices to loyal allies (Armenia, Belarus), punitive price hikes for countries, including allies, that seek to diverge from Russia’s preferred policies (Azerbaijan, Belarus, Georgia, Kyrgyzstan, Moldova, Ukraine), and outright supply cuts to whomever Moscow judges to be disloyal (Azerbaijan, Georgia, the Baltic States, and even otherwise loyal Belarus).

A further tactic, employed increasingly since the mid-2000s, is the manipulation of access to the Russian market. Thus, products ranging from Georgian and Moldovan mineral water and wine to Ukrainian chocolates and Polish meat have been suddenly banned as a result of decisions by Russia’s Federal Service for Supervision of Consumer Rights, Rospotrebnadzor, and its leader, Gennady Onishchenko. These decisions have been patently political in nature, with the

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imposition of bans coinciding with efforts by the offending countries to distance themselves from Russian control. In Georgia, the imposition of such measures was a prelude to the outright closure of trade and communications between the two countries in 2006.

Finally, Moscow has used debts accrued by neighboring states to secure strategic state-owned assets in these countries. Never mind that many of these debts arose from the newly independent state’s continuing dependence on Russian supply lines; in the end they strengthen Russian influence in, and control over, the economies of target countries. In Armenia, for example, Russia in 2002-2003 acquired several power plants, including Armenia’s only nuclear reactor; this left Russia control of almost 90 percent of Armenia’s energy market. Following these moves, the decision by Armenia’s president to join the Eurasian Union was almost a foregone conclusion. Similar schemes have been implemented in Kyrgyzstan. In Ukraine, meanwhile, Moscow for years has used the same methods to gain control over the country’s natural gas grid, but in this case without success.

**Creation and Manipulation of Protracted Conflicts and Ethnic Tensions**

Moscow’s role in the unresolved conflicts of Eurasia is as old as these conflicts themselves. To be sure, Moscow did not directly create the conflicts that broke out during the transition from Soviet rule, though the Soviet Union’s ethno-federal structure provided the institutions that made later meddling in these inter-ethnic tensions possible. The main cause of these conflicts was the real animosities that emerged as a result of competing nationalist territorial ambitions between Armenians and Azerbaijans, between Georgians and Abkhazians and South Ossetians, and between Moldova and Transnistria. In all three of these cases, as well as others, Moscow intervened at an early stage. Rather than seeking to calm tensions, Moscow poured fuel on the fire in a classic policy of divide and rule.²⁹

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Over several years Moscow actively supported the *de facto* secession of Abkhazia and South Ossetia from Georgia, Nagorno-Karabakh’s secession from Azerbaijan, and Transnistria’s from Moldova. Then when a fragile peace was achieved, Russia moved aggressively to gain a central position in the peacekeeping and negotiation mechanisms for all these conflicts. It then proceeded to use that position as a mediator to consolidate its influence over the states in question rather than to facilitate a solution between the protagonists.

The states that lost territory in this process—Azerbaijan, Georgia and Moldova—have all identified Russia as the key obstacle to the actual resolution of the conflict, which naturally led them to gravitate toward the West in search of a counterbalancing force, as well as alternative security arrangements, and a fairer and truly international reformulation of the mechanisms for conflict resolution. This, in turn, led Moscow to assert an increasing degree of control over these territories—in the case of Nagorno-Karabakh, more correctly over Armenia—in an attempt to neutralize the “defection” of these states from Russia-led security structures.

Putin’s ascent to power occurred immediately following the decision by Azerbaijan and Georgia to leave the Collective Security Treaty Organization (CSTO). In spite of the profoundly alienating effect of such actions on these states, Putin doubled down on the strategy of strengthening its hand by manipulating the international process for resolving them. At this point, if not earlier, the geopolitical dimension of these conflicts began to take precedence over the original animosities between the protagonists: Russia began to distribute Russian passports in the conflict zones, establishing the conditions that later allowed it to claim a ‘right’ to defend its citizens as a pretext to invade Georgia in 2008. It also began interfering directly in the politics and governmental life of the unrecognized “states”: in South Ossetia in 2002, for example, it replaced an incumbent leader, Lyudvig Chibirov, who was working to achieve peace with Georgia with a hard-line candidate from Moscow, Eduard Kokoity. Gradually, Moscow began posting serving officers of the Russian defense ministry and security services to leading positions in the security sectors of the unrecognized states. This was most blatant in South Ossetia and Transnistria, but it occurred

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in Abkhazia as well. By 2005, all these separatist enclaves were thoroughly under the Kremlin’s control. While officially a neutral mediator between the conflicting parties, Russia had in effect become a party to the conflicts—a fact that the West either failed to understand or failed to act upon.

Following the Russian invasion of Georgia many in the West finally began to acknowledge and act upon this state of affairs. In spite of vigorous Russian efforts to undermine this perception, the international “Geneva discussions” on the conflict in Georgia bluntly identify Russia and Georgia as the parties to the conflict.31 Yet there was no change to the international mechanisms over Transnistria and Nagorno-Karabakh; and in the latter case, Russia even proceeded to take the lead, with the blessing of the Western powers, of an attempt to achieve a negotiated solution in 2009-2010. This attempt was illustrative of Russia’s motives: to ensure that Moscow is the key arbiter of peace and war throughout the former Soviet space, and that barring a resolution on Moscow’s terms, the conflicts will remain unresolved, thereby greatly impeding the political, economic and social development of the countries involved.

What, then, would a resolution on Moscow’s terms imply? In all cases, the answer lies in two key provisions. The first is the “neutrality” of the states in question, i.e., their forfeiting all forms of Euro-Atlantic integration. Since the Moscow-controlled satellites accept integration with the CSTO and Eurasian Union rather than with NATO and the EU, Moscow seeks to make neutrality between these blocs—with the separatist entity given a veto right over the mother state’s foreign and security policy—appear as a reasonable compromise. The second component of a Moscow-based “resolution” lies is the imposition of Russian peacekeeping forces to monitor the solution. This assures that Moscow will have troops on the ground that can further cement its influence over the affected states. The several conflicts in question differ in their details. Thus, Moscow stated its demands directly in the case of the Transnistria conflict, but more subtly so in the cases of Georgia (before 2008) and Nagorno-Karabakh. Under these circumstances, it is no wonder that the conflicts remain unresolved. In all three instances Moscow’s “target states” are posed with a choice between, on the one hand, maintained sovereignty without the restoration of

territorial integrity; and on the other, a nominal restoration of territorial integrity at the cost of the loss of sovereignty and independence.

Viewed against this background, the events of 2014 must be judged as a considerable escalation of Moscow’s by now familiar tactic. In the conflicts dating back to the Soviet breakup, Moscow manipulated and exacerbated existing conflicts; in Ukraine, the Kremlin created them. In Crimea, the stated rationale for the annexation of the territory—a threat to the safety of Russian-speakers there by a purportedly fascist regime in Kiev—lacked any basis in reality. And while western and eastern Ukraine have long been drawn in different directions culturally and geopolitically, there was in fact no authentic rebellion in the Donbass region that Russia could exacerbate. Instead, it created the “rebellions,” as is evident from the fact that their leadership and manpower come overwhelmingly from Russia itself (and Transnistria) rather than being local. By July 2014, this had become such a problem that Moscow was actively working to increase the position of locals in the administrative structures in the self-proclaimed Donetsk and Lugansk republics.32

Before 2014, all independent-minded former Soviet states on Russia’s western front save Ukraine had unresolved conflicts on their territory, while the two of these states that had allied themselves with Russia (Armenia and Belarus) had not resolved them. Russia’s invasion of Ukraine completes the picture, and proves the rule: if Russia is unable to alter the foreign policy orientation of a country in its European neighborhood, it will settle for a piece of its territory.

In addition to the unresolved conflicts, Moscow has on occasion used ethnic minorities as pressure points on a number of post-Soviet states. The most obvious example is the ethnic Russian population in the Baltic States; but other examples include the Armenian community in southern Georgia, and the Talysh and Lezgin minorities in Azerbaijan, which are discussed in the relevant chapters in this volume. More recently, forces agitating for the separation of the im-

povdered autonomous region of Karakalpakistan from Uzbekistan began appearing soon after Tashkent left the CSTO.33

**Regular and Irregular Warfare: From Cyber and Little Green Men to Outright Invasions**

No clear distinction can be drawn between Russia’s manipulation of unresolved conflicts in its neighboring states and outright military intervention. Indeed, in the early 1990s, a combination of Russian military and Russian-trained irregulars were involved in fighting in several of the unresolved conflicts. In Georgia, North Ossetian paramilitaries were deployed to the conflict in South Ossetia, and a mysterious (and probably nonexistent) group called the Confederation of Mountain Peoples of the Caucasus emerged. Trained and coordinated by the GRU, this band of irregulars was deployed in Abkhazia.34 Russian involvement also included the direct use of naval and air power in support of Abkhaz rebels. In a precursor to events in Ukraine eighteen years later, the planes and vessels employed by Moscow carried no insignia—but their origin was plain to see, and proven among other things by the orders found in the pocket of a Russian air force major shot down by Georgian forces in 1993.35 While only isolated Russian units took part in fighting in Karabakh in 1992-94, the involvement of the Russian 14th army in Transnistria was decisive to the conflict’s outcome.

The combination of irregulars and regular forces was notable in the invasion of Georgia in 2008. Vladimir Putin famously admitted in 2012 that the invasion had been fully planned as early as in 2006, and explicitly mentioned the training of Ossetian irregular forces for that purpose. Still unconvinced that it had done enough to assure victory, the Kremlin also mobilized irregular Chechen forces under GRU control, the so-called Yamadayevtsy, for service in Georgia—and

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these played important auxiliary roles to the regular Russian military in the conflict.\textsuperscript{36}

The 2008 war was also the first known instance of a military strike coinciding with a cyber-attack. Indeed, coinciding with the onset of the war, a massive denial-of-service-attack took place on Georgian official websites and major news outlets.

The attack successfully disrupted the informational capabilities of the Georgian government and prevented it from disseminating its version of events domestically, as well as internationally. A study by the U.S. Cyber Consequences Unit concluded that while the perpetrators were ostensibly civilians, many of the attacks were so tightly coordinated with the Russian military operations that its organizers that there would have to have been close institutional links between them, This enabled the Russian military to receive detailed information on the timing of operations on the ground. Significant preparations, such as reconnaissance for Internet vulnerabilities, production of software, and the writing of attack scripts would all have to have been carried out beforehand. There is solid evidence that some material specifically designed for use against Georgia had been produced as early as two years beforehand. The episode stands as a textbook case of cyber-warfare.\textsuperscript{37}

The Kremlin has also employed isolated military strikes in order to gauge the level of international reaction to its actions. Thus, in 2007, Russia attacked Georgia on two separate occasions: first in March, in a helicopter attack targeting the Georgian administrative center in the Kodori gorge of Abkhazia, at the time the only area of Abkhazia under Georgian control. In August of that same year, a Russian air-to-ground missile failed to detonate at the Georgian radar


station at Tsitelubani, just outside the South Ossetian conflict zone. In both instances, international investigations were launched but, typical of such initiatives, only indirectly identified Russia as the culprit. No major international reactions ensued, a fact that played a role a year later in Moscow’s decision to proceed with a full-scale invasion.

As is now well known, Russia repeated this combination of irregular and regular warfare in Ukraine in 2014, providing an (albeit declining, and then vanishing) level of deniability. This has lead Vladimir Putin to continue, as this book went to press in September 2014, to claim that Russia it not involved in direct conflict with Ukraine—just as Putin had earlier claimed that no Russian forces had been in Crimea. Only later did he acknowledge—boast would be more accurate—that Russian forces had indeed been active there prior to the annexation.

It is important to stress that the inability of western powers and institutions to devise a response to Moscow’s use of irregular warfare encouraged Putin to adopt this as a tactic of choice in Russia’s efforts to subjugate Ukraine in 2014. Only when this tactic stood the risk of failure at the time of the Ukrainian counter-offensive during July and August 2014, was Putin forced to deploy Russian regular forces inside Ukraine, which he did in late August.

As Mark Galeotti and Nadia Schadlow have both observed, Russia’s behavior in Ukraine shows its adeptness at using the space between peace and war—a sophistication in the use of instruments of power that the western alliance is unprepared by its history and experience, to counter. Thus, far from being stuck in nineteenth century thinking, the Kremlin in fact, in the words of Peter Pomerantsev, “is solidly in the geopolitical avant-garde, informed by a subversive and dark reading of globalization.”

Conclusions
This overview, while far from exhaustive, provides powerful evidence of the complexity, sophistication, and coordination of the tactics and instruments in-

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volved in the implementation of Russia’s Grand Strategy. It suggests that in order to devise appropriate counter-measures, the West must develop an equally sophisticated understanding of this reality.

While the task may appear daunting, it is also important to keep the big picture in mind. Reviewing this list of Russia’s tactical instruments, it is striking that Russia has so far failed to achieve its goals. Indeed, the record suggests that Moscow’s choice of instruments is generating as much opposition as it is producing results. Moscow’s toolbox does not lack positive incentives; but it is heavily skewed toward the manipulative, the coercive, and the subversive. While producing short-term and sometimes immediate results, it also has in the longer term a powerful counter-productive impact on all of Eurasia, as well as on the West. Twenty-five years ago few would have predicted that Azerbaijan, Georgia, and Uzbekistan would be doing everything in their power to stay outside Russia’s sphere of influence and control. Five years ago, few would have predicted that Ukraine would be coming together as a nation, decisively orienting itself away from Russia. Yet this is exactly what Russian policy has achieved. Even in Russian partners like Armenia, Belarus, and Kazakhstan, Moscow’s coercive and heavy-handed approach produces deep frustration and fears that are bound to have profound long-term implications.

It is important to view Russia’s military adventures in its neighborhood in this context. In fact, the overview above helps show the extent to which Moscow has sought to bring about a change in the behavior of post-Soviet states through measures short of outright military intervention. Thus, one could plausibly argue that Russia did not invade Georgia until it had failed in all other options to bring about its intended outcome. When Russia “lost” Georgia, it kept Abkhazia and South Ossetia as spoils to complicate Georgia’s future development. Similarly, Yanukovich was driven from power simply for failing to follow through on a pledge to ally more closely with Europe, showing that Ukraine was for all practical purposes lost to Russia. Only then, again as spoils, did Russia occupy Crimea and intervene directly in the Donbass.

This suggests that time is not on Moscow’s side. The hurried implementation of the Eurasian Union project in fact suggests Moscow is well aware that if it does not move fast, it stands to lose influence to Europe in the West and China in the East. Putin’s task is complicated enormously by the power of the centrif-
ugal forces in the former Soviet Union, and the fact that twenty-five years have passed since the USSR was a single entity. In the meantime, unlike the situation following the Bolshevik revolution, all former Soviet states have obtained diplomatic recognition and developed both governmental, private, and cultural ties with myriad foreign partners. They have sent thousands of students to study abroad, and have built considerable transportation and communication infrastructures that reduces their dependence on Russia. Only in the sphere of information, which Russia still solidly dominates, have their efforts fallen short.

Meanwhile, the same forces of history, culture, ethnicity, religion, and aspirations for an autonomous life that doomed the USSR are actively tearing at Russia itself. Simply put, for all the sophistication of the tactics outlined in this chapter, Putin’s dream appears fated in the long term to be a mere pipe dream, or worse.

This is no excuse for inaction on the part of the West. Western leaders often stress that Putin’s ambition is unrealizable—with the unstated implication that no powerful policy response is therefore needed. But this is likely to prove a fatal error. Putin’s dream may never be realized, but in the process between now and the time it finally implodes, Putin’s regime can inflict lasting and in some cases irrevocable damage to worthy states and culturally rich societies—his own, as well as those of others.
Kazakhstan and Belarus: Buyer’s Remorse?

John C. K. Daly

During his April 25, 2005 annual state of the nation address to Russia’s Duma, Russian President Vladimir Putin noted, “First and foremost it is worth acknowledging that the demise of the Soviet Union was the greatest geopolitical catastrophe of the century.” Operating on this assumption, Putin has assiduously promoted political, economic and military ties between Commonwealth of Independent States (CIS) nations and advanced the Eurasian Customs Union (ECU) as being the prime mechanism for achieving increased fiscal collaboration, just as the Collective Security Treaty Organization (CSTO) is in military relations.

The original goal of creating the CIS was to ensure the sovereignty of the individual republics, but in the chaos of the USSR’s breakup it became evident that the CIS signatories assumed that political independence could be accomplished without sacrificing a “unified economic space.” Many of the ad hoc CIS arrangements were intended to coordinate monetary, customs, employment, tax, and investment policies. This occurred, however, as the new nations coped with innumerable economic issues related to the collapse of the USSR’s centrally planned economy, including hyperinflation, disruption of traditional inter-republic trade, the search for new markets and the transition to freer market economies while attempting to establish autarkic national economies. These economic realities emerged with the Soviet successor nations quickly finding themselves at odds on a wide range of trade and security issues as they moved toward the market at different speeds with differing agendas, creating economic and political policy asymmetries and incipient conflicts with their CIS neighbors.

1 “Poslanie Federalnomu Sobraniu Rossiyskoii Federatsii” [Address to the Federal Assembly of the Russian Federation], Moscow, April 25, 2005.
Fourteen years after the collapse of the USSR Putin remarked, “The CIS never had any super-tasks of an economic nature, any integration tasks in the sphere of economics.” Nevertheless, since 1999 Putin has assiduously promoted closer economic ties between the USSR’s former republics.

Prior to the 2007 establishment of the ECU, there had been several largely ineffectual attempts to integrate the economies of the post-Soviet states. In September 1993, Russia proposed the Economic Union, a full Economic Union loosely modeled on the EU, to be achieved in progressive stages and to include all former Soviet republics save the Baltic States. In 1995, Russia proposed a Customs Union including Belarus, Kazakhstan, and Russia, the precursor of the ECU. In April 1996, Belarus and Russia became a Union state (originally, the Commonwealth of Belarus and Russia). In 1998, there was the attempt to create a Customs Union and Common Economic Space including Belarus, Kazakhstan, Kyrgyzstan, and Russia.

In 2000, Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan founded the Eurasian Economic Community (EurAsEC). For Russia, Belarus and Kazakhstan, the EurAsEC would eventually provide the impetus for creating the ECU. In 2003, a Single Economic Space (SES) including Belarus, Kazakhstan, Russia and Ukraine was created. In the interim, Russia, Belarus and Kazakhstan signed a treaty establishing the ECU on October 6, 2007.

Three years later, the ECU took effect on January 1, 2010, and most tariff barriers were removed by July 2011 when the ECU Customs Code (ECU-CC) took effect. On January 1, 2012, the second stage of integration opened as the SES, or “the Customs Union and the Uniform Economic Area of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation” was officially adopted. In January 2015, the SES and the ECU will be formally combined and renamed the Eurasian Economic Union (EEU). Russia views both the ECU and EEU as vehicles for reintegrating the post-Soviet space, eventually including the former Soviet protectorate Communist countries that now fall within the sphere of the EU’s eastern neighborhood. Russia highlights the ECU’s and EEU’s economic benefits, whose ambitious institutional framework is explicitly modeled on the EU while offered as a modernizing alternative to it.

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Eurasian Customs Union Impact on Economy

The ECU’s economic potential is significant, as it represents a market of 165 million people, and a combined GDP of around $2.3 trillion and an annual goods turnover of approximately $900 billion. Russia accounts for 86 percent of the ECU’s GDP and 84 percent of its population. Kazakhstan accounts for 8 percent of GDP and 10 percent of the ECU population, while the Belarusian economy and population both amount to approximately 5 percent of the total.

In its 2012 Transition Report, the European Bank for Reconstruction and Development listed probable short and long-term benefits of ECU increased regional economic integration. Accordingly, lower tariffs and the removal of Non-Tariff Barriers (NTBs) should increase trade and broaden consumer choice; increased market size would benefit producers within a regional integration grouping; exports would be expanded worldwide; and ECU member states would build cross-border production chains through leveraging one another’s comparative advantages and subsequently exporting finished products beyond the ECU. Further, deeper ECU regional integration would assist member states in strengthening their economic and political institutions, while ECU integration could encourage the liberalization of service markets. Another notable element of the ECU is that citizens of the member states can work legally on the territory of one another’s countries.

While the Russian and Belarusian media assiduously promote the ECU, in Kazakhstan questions have been raised about the disparities between the ECU member states’ economies and populations. In May 2013 Kazakh political scientist and economist Mukhtar Taizhan advocated during an interview that Kazakhstan hold a referendum on withdrawing from the ECU, observing, “The sizes of the economies are very different. Russia’s economy is 14 times larger than Kazakhstan’s economy, with ten times the population. The Kazakh market

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is only 7 percent the size of Russia’s. It’s like letting a schoolboy and a professional boxer into the ring.\textsuperscript{6}

In the ECU’s mutual trading relationships, energy resources are by far the most important export products, accounting for almost 50 per cent of the total exports, with machines, vehicles, chemical and metallurgical products being the second most important, followed by agricultural products.\textsuperscript{7}

Highlighting concerns raised in the Kazakh media about the potential negative consequences of ECU membership, one of the most immediately noticed impacts of the implementation of the ECU was the rise of the import tariffs in Kazakhstan, as Kazakhstan’s tariff structure was much lower than in Russia before the country joined the ECU. The direct impact of a higher external tariff on Kazakhstan and Belarus caused a substantial increase in the imports from Russia and the displacement of imports from both the EU and China. Kazakhstan’s negative trade balance with Russia and Belarus increased from approximately $8.5 billion in 2011 to almost $11 billion in 2012, as more expensive Russian goods replaced cheaper imports.\textsuperscript{8}

The World Bank estimated that during spring 2011, Kazakhstan lost about 0.2 percent in real income per year as a result of participation in the ECU.\textsuperscript{9} This was caused by Kazakhstan increasing its external tariffs to implement the common ECU external tariff, which increased Kazakh tariffs from an average of 6.7 percent to 11.1 percent on an unweighted basis (and 5.3 percent to 9.5 percent on a trade-weighted basis.). Many consumer prices rose in Kazakhstan as more expensive products from the Russian Federation and Belarus supplanted cheaper Chinese merchandise.

Disparities remain between the economies of the CU member states. While in 2013 all CU member states saw wages increase, according to the Eurasian Eco-

\textsuperscript{6} Maksim Tsoi, “Mukhtar Taizhan: Kyrgyzstan dolzhen otkazat’sia ot vstupleniia v Tamozhennyi soiu z,” [“Mukhtar Tayzhan: Kyrgyzstan should refuse entry to the Customs Union”], Vechernii Bishkek, May 14, 2013.


\textsuperscript{8} Arkady Moshes, “Will Ukraine Join (and Save) the Eurasian CU?,” \textit{PONARS Eurasia Policy Memo No. 247}, April 2013, Elliott School of International Affairs, George Washington University, Washington D.C.

\textsuperscript{9} “Kazakhstan in the CU: Losses or Gains?,” World Bank, April 18, 2012.
nomic Commission, the salary growth rate was highest in Belarus, increasing by 37.0 percent over 2012 levels, with Kazakh monthly wages rising 7.5 percent and Russian wages 12.4 percent. Despite such progress however, the 2013 average monthly salary in Belarus was the CU’s lowest—$573, compared to $714 in Kazakhstan and $942 in the Russian Federation.\textsuperscript{10}

Belarus has one negotiating card with Russia—its Soviet-era “Druzhba” oil pipeline, which transits nearly half of Russian oil exports to Central and Western Europe, over 70 million tons annually. In addition, Belarus also pumps westwards about 5 million tons of Kazakh oil annually. Belarus is an important purveyor of Gazprom gas, transmitting more than 44 billion cubic meters annually. In return, through subsidized oil and gas supplies, Belarus receives from 15-18 percent of its gross domestic product from Russia every year. In the past, Moscow has not been afraid to use its oil and natural gas exports in its disputes with its western neighbor; according to the Belarus National Statistics Committee, in 2011 the average price of Russian gas rose 41.5 percent over 2010 prices. In 2011 Belarus received 20.6 billion cubic meters of Russian gas, 29 percent of Gazprom’s total CIS sales, running up massive debts in the process, so much so that in July 2011 Belarusian Prime Minister Mikhail Miasnikovich stated that Minsk was considering selling the country’s Beltransgaz pipeline network to Gazprom.\textsuperscript{11} While the situation eventually resolved itself, the friction between Belarus and Russia over energy transit continues to simmer below the surface.

\textbf{Evolution of Government Positions on the Eurasian Economic Union Project}

Russian President Putin has been a relentless promoter of increased ties within the post-Soviet space. In October 2011, then Prime Minister Putin wrote,

\begin{quote}
On January 1, 2012 begins a major integration project – the Single Economic Space of Russia, Belarus and Kazakhstan. The project is, without exaggeration, a milestone not only for our three countries, but also for all post-Soviet states. ...we propose a model of a powerful supranational union capable of becoming one of the poles of the modern world and play the role of an effective ‘link’ between
\end{quote}

\textsuperscript{10} “Zarplaty v Belarusi rastut bystree, chem v Rossii i Kazakhstane” [“Wages in Belarus are growing faster than in Russia and Kazakhstan”], Telegraf, March 6, 2014.

\textsuperscript{11} “Beltransgaz prodan Gazpromu” [“Beltransgaz sold to Gazprom”], Gorad.by, November 25, 2011.
Europe and the dynamic Asia-Pacific region. ...we proposed to the Europeans to think about creating a harmonious economic community from Lisbon to Vladivostok, a free trade zone and even more advanced forms of integration.\textsuperscript{12}

During his December 12, 2013 “Presidential Address to the Federal Assembly” Putin further told his audience, “We are now entering a crucial stage in preparing the Eurasian Economic Union Treaty. We expect to have agreed on the Treaty’s text by May 1, 2014 and to have submitted it to the Russian, Belarusian and Kazakhstani parliaments by that time. Colleagues, I would ask you to prioritize this document and give it your consideration and support.”\textsuperscript{13}

Kazakh President Nursultan Nazarbayev’s vision of an economically integrated post-Soviet space has never faltered. On October 25, 2011, he published a massive article, delineating his consistent support for post-Soviet economic institutions. The article, entitled “The Eurasian Union: from Idea to the History of the Future,” began by noting two significant imminent events—the 20th anniversary of the signing of the Almaty Declaration of the CIS and the implementation of the new Common Economic Space project on January 1, 2012.

After noting that the Almaty Declaration was his idea and convened at his insistence, Nazarbayev then commented that in September 1993, an agreement was signed on establishing an economic union—“but the centrifugal tendencies were stronger,” and little genuine progress was made. Nazarbayev wrote to all his colleagues in the Council of CIS Heads of State about developing a full draft Treaty on the Common Economic Space, “but it was not considered at the highest level.”

Nevertheless, five years later Nazarbayev noted that the impetus to closer economic integration continued, stating, “I always thought that Kazakhstan and Russia as the locomotives of Eurasian integration.” The growing integration was reflected in the macroeconomic effects of the CU. “In the first half of 2011 alone the total trade turnover of the three countries rose by one-third. It is pre-

\textsuperscript{12} Vladimir Putin, “Novyi integratsionnyi proyekt dlia Evrazii — budushchee, kotoroe rozhdaetsia segodnia” [“A new integration project for Eurasia – a future that is born today”], Izvestia, October 3, 2011.
\textsuperscript{13} “Poslanie Prezidenta Federal’nomu Sobraniiu” [“Address to the Federal Assembly”], Moscow, December 12, 2013.
dicted that by the end of the year it will reach $100 billion, which is 13 percent more than last year.”

During a May 2013 meeting of the Supreme Eurasian Economic Council in Astana, attended by future EEU partners Putin and Lukashenko as well, Nazarbayev expressed his interest in limiting the EEU’s powers purely to economic issues, specifying that there were “no plans to give political functions (to the union) that would encroach on the states’ independence” and emphasized that the union was about “purely economic integration” based on “pragmatism and mutual advantage to all the states.”

At the next Supreme Eurasian Economic Council meeting in Minsk, Nazarbayev further shifted his views away from total and unalloyed support of the EEU. Nazarbayev, Lukashenko, and Putin attended the October 24 meeting, along with Chairman of the Eurasian Economic Commission’s Board Viktor Khristenko, Armenian President Serzh Sargsyan, Tajik President Emomali Rahmon, Ukrainian President Viktor Yanukovych and Kyrgyz First Deputy Prime Minister Joomart Otorbaev. Nazarbayev’s concerns surfaced when he pointed out the unseemly haste of attempts to push the economic integration process too quickly, obliquely mentioning Russia and suggesting instead the settling of unresolved issues before moving further forward. Nazarbayev commented,

We should prevent the commission from violating the principles and regulations of the work. Sometimes the documents of the commission are submitted for approval a day before a decision should be made. I should also say that the Russian members of the Board take part in the sessions of the Russian government and get some guidelines there, although in line with our agreement, the Commission, the members of the Board should be independent from our governments. We need to finish working on the things that were formalized by the agreements. We signed the agreement on oil and gas transportation, but the matter got stalled, so did the work on railway rates and electric energy. Let us focus on that.

14 Nursultan Nazarbayev, “Evraziyskii Soiuz: ot idei k istorii budushchego” [“The Eurasian Union: from idea to future history”], Izvestiia, October 25, 2011.
Do we need to move forward without fulfilling our previous arrangements? Who is chasing us? We have time.\textsuperscript{16}

Nazarbayev’s call for a moderate pace was a criticism of Putin’s policies, which focused on inveigling Ukraine, Armenia and Kyrgyzstan to join the EEU at an accelerated pace.

Nazarbayev also proposed dissolving EurAsEC to avoid redundancy, because its functions were similar to the planned EEU, suggesting focusing instead on the expansion of the ECU, but he also complained that EurAsEC was dominated by Russia even if the commission was supposed to be independent, so why support proposals to increase its powers.\textsuperscript{17} Putin countered that “we cannot simply eliminate (EurAsEC), otherwise we will disrupt the legal basis of the Eurasian Customs Union. But we have to do something with it.”\textsuperscript{18} Nazarbayev’s criticism was clearly intended to thwart any attempts of Russia to dominate the EEU by sheer force of numbers or extend the EEU’s mandate beyond the purely economic sphere, where all significant issues are to be resolved by unanimity amongst the three EEU states. Nazarbayev also touched upon the ECU’s trade imbalances, which proved heavily advantageous to Russia, saying, “In January-July alone Russia exported goods to Kazakhstan three times more than imported. With Belarus this gap is eight times.”\textsuperscript{19}

Belarus President Alexander Lukashenko is also becoming less sanguine about the benefits that the CU would provide for Belarus. On October 1, 2013, Lukashenko during an interview expressed reservations about certain aspects of the CU agenda, noting that the issue of a common currency of the Eurasian integration project was irrelevant, that Russian politicians seeking political unifi-

\textsuperscript{16} “Nazarbaev kritikuet Rossiiu v sviazi s Tamozhennym soiuzom” [“Nazarbaev criticizes Russia in connection with the Customs Union”], Radio Azadlyg, October 26, 2013.
\textsuperscript{17} “Customs union summit exposes Kazakh and Belarusan unhappiness,” Bank of Finland Institute for Economies in Transition, BOFIT Viikkokatsaus, 2013/44, November 1, 2013.
\textsuperscript{19} “Nazarbayev Urges to Eliminate Withdrawals, Restrictions in Customs Union,” Kazakhstan embassy, Washington D.C., October 23, 2013.
cation was “unreal,” as Eurasian integration had an economic basis and that “political independence, sovereignty, stability of the state is the main thing.”

**Opinions in Belarusian and Kazakh Society**

In August 2012, the Konrad Adenauer Foundation conducted a round table in Almaty on the theme, “The European Union – the Eurasian Union, Experience and Prospects,” which was attended by prominent Kazakh and European political scientists and specialists. Reviewing public opinion polls, political analyst Eduard Poletaev found that 67 percent of Kazakh citizens advocated the creation of the Eurasian Union, while 48 percent of Russians believe that the Eurasian project lacks sufficient information to make informed decisions, fostering the perception that only the elites had access to sufficient material on the Eurasian Union.

In 2012 the Eurasian Development Bank (EDB) conducted opinion polling of selected post-Soviet states on views of various Eurasian integration proposals and projects. In response to a query about attitudes towards the CU and its SES, 72 percent of Russians polled held a favorable view, along with 60 percent of Belarusians and 80 percent of Kazakhs participating in the survey. A similar 2013 EDB poll determined support levels for the CU as: 67 percent in Russia, 65 percent in Belarus, and 73 percent in Kazakhstan.

Despite Nazarbayev’s muted criticisms of the EEU, for more than a year some sharper denunciations of the EEU concept of closer economic integration with Russia are surfacing in Kazakhstan, even within Nazarbayev’s ruling Nur Otan party. Nur Otan Parliamentary deputy Murat Abenov has become a vocal critic of the wisdom of hastily entering the EEU. In a February 12 interview for the online publication Kursiv.kz, Abenov linked the tenge’s devaluation with Kazakhstan’s ECU membership, commenting, “where can we escape to from a

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submarine! In the ECU we are so attached to Russia that now we have to listen to everything that is happening there. If a neighbor sneezes, we now at the very least will get the flu.”

On March 4, a group of Kazakh civil society activists launched the “Anti-Eurasian Economic Union” movement with a press conference in Almaty. The activist organizers included Rukh Pen Til NGO head Zhanbolat Mamai and political analyst Aidos Sarym. Mamai stated bluntly that the Eurasian Economic Union is “a revival of the Soviet Union in a new format – a Putin format.” Sarym noted that “in connection with recent events, in just a single day, Russia’s economy diminished greatly. Today we are talking about what perhaps is the beginning of a full-scale recession, with all facing the consequences. And to become hostages to Putin’s irrational policies, who international experts say has lost touch with reality, would be a suicidal step.”

A press release issued after the meeting explained that “above all, we are concerned that documents are being drafted in secret, behind closed doors, without open debate or public consultation,” adding that “Kazakhstan should strive to become a member of the World Trade Organization, as it would be advantageous to conduct open, equitable and free trade with 115 countries rather than with the two countries of the Eurasian Union.” The press conference concluded with the activists appealing to people to come to a rally on April 12 to protest and voice their opposition to EEU accession.

### Russian Pressure and Levers

As the economic engine driving the ECU, Russia has immense influence over Belarus and Kazakhstan. Another significant element is Russia as the main weapons provider for its neighbors and regional military superpower, particularly as in 1992 both Belarus and Kazakhstan gave up their nuclear arsenals. The

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25 Dzhoanna Lillis, “Putin ustroil proverku dlia partnerov po Evraziiskomu soiuzu na fone krymskogo protivostoyaniia?,” [“Putin gave a check to partners in the Eurasian Union against the backdrop of the Crimean conflict?”], eurasianet.org, March 6, 2014.
26 “Antievraziyskie nastroeniia krepchajut” [“Antieurasian sentiment grows stronger”], Sayasat, March 5, 2014.
economic preponderance of Russia within the ECU has significant potential for impacting both Belarus and Kazakhstan. Another element in Russia’s arsenal of levers is its role as a primary transit corridor for Kazakh energy exports via the Caspian Pipeline Consortium and its domination of Eurasian rail networks, which China has begun to use to reach European markets.

But Russia’s economy can negatively impact its neighbors. The ruble has lost almost 10 percent against the euro-dollar basket since the start of 2014. The ruble’s decline in the wake of rising tensions with Ukraine in early March cost Russia’s top 20 banks 216 billion rubles ($5.9 billion).28 On March 3, Russia’s Central Bank intervened to slow the ruble’s decline, spending $11.3 billion.29 The Central Bank’s intervention was four times larger than the previous record set in September 2011. By early February the Russian ruble had lost 6.3 percent of its value since the beginning of the year and 15 percent from January 2013.30 On February 11, Kazakhstan subsequently devalued the tenge by 19 percent, saying the Russian ruble’s plunge to a record low put additional pressure on its currency.31

All three presidents restated their support for signing the treaty establishing the Eurasian Economic Union by May 2014, and did so at a ceremony in Astana on May 29. Yet the rapidly evolving political events roiling Ukraine impacted the politics surrounding the CU and EEU. Opening a session of the Supreme Eurasian Economic Council on March 5 in Moscow, attended by Lukashenko and Nazarbayev, Putin said of the crisis in Ukraine, “there might be a negative effect for the CU... so we should all think together on what needs to be done to protect our producers and exporters and work out parameters for cooperation with Ukraine. The extraordinary situation ... in Ukraine arouses serious con-

28 “Poteri top-20 bankov pri oslablenii rublia na 20% sostavlat 216 mld rub” [“Losses of the top 20 banks from the weakening of the ruble by 20% amount to 216 billion rubles”], Novosti, March 4, 2014.
29 “Rubl' pytalsia stabilizirovat'sia na fone vozrosshei aktivnosti TSB RF” [“The ruble attempted to stabilize itself on a background of increased activity by the Central Bank of the Russian Federation”], Novosti, March 5, 2014.
31 “Ofitsial'nyy kurs dollara dostignet boleye 200 tenge – eksperty” [“The official dollar rate will reach more than 200 tenge – experts”], Tengrinews, February 11, 2014.
cerns. Ukraine is a key economic partner of the CU. ... Negative consequences for the CU market are also possible.”

The Crimean and Ukrainian crises have had an effect beyond mere economic issues, as on March 6, the government advisory Civic Chamber of the Russian Federation urged the Russian government to simplify the process of acquiring citizenship for ethnic Russians living in former Soviet republics, issuing a statement noting, “We call upon the legislature of the Russian Federation to simplify to the greatest extent possible the process of granting citizenship of the Russian Federation to compatriots living in the former Soviet Union ...” In contrast, another sign of how quickly citizenship concerns for Russians living in other former Soviet republics has evolved in light of events in Ukraine, on February 19 the Civic Chamber’s press service reported that the body for the first time discussed the draft federal law “On Amending Article 14 of the Federal Law ‘On Citizenship of the Russian Federation,’” which dealt primarily with investment issues related to those seeking Russian citizenship.

Civic Chamber Deputy Secretary Vladislav Grib stated that under the bill for obtaining Russian citizenship under a simplified, “fast track” procedure, foreigners will have to invest 10 million rubles ($823,350) in underfunded sectors of the Russian economy. Under current legislation, foreign immigrants must spend a year on a temporary permit, and then another five years with a residence permit, only after which one can apply for citizenship. Given that Kazakhstan’s population is 23.7 percent Russian, primarily concentrated in northern Kazakhstan, and that irredentist claims have been made since 1991 to annex the region and have reemerged since the Ukrainian crisis began, the issue injects an element of uncertainty into Russian-Kazakh relations.

This is also seen in recent developments in Ukraine. On March 7, the former head of the Crimean Tatar assembly Mustafa Jemilev said, “Our nation was

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32 “Putin: Situatsiia na Ukraine mozhet privesti k negativnym posledstviiam dlia TS,” [“Putin: the situation in Ukraine could lead to negative consequences for the Customs Union”], The Voice of Russia, March 5, 2014.
33 “Obshchestvennaia palata prizyvaet maksimal’no uprostit’ protsess priyema v grazhdanstvo RF,” [“Public Chamber calls for simplifying the process for receiving Russian Federation citizenship”], ITAR-TASS, March 6, 2014.
34 “Lishnikh nam ne nado” [“An expense we do not need”], Press Service of the Public Chamber of the Russian Federation, February 19, 2014.
once evicted by Russia from Crimea (in 1944), we do not want a repetition of this tragedy. So we turn for help to Ilham Aliyev, Abdullah Gül, and President Nursultan Nazarbayev. Не залишайте своїх кримських братів і сестер в цей важкий час. Do not leave your Crimean brothers and sisters in this difficult time. Ми вимагаємо допомоги в усього світу. We require assistance from around the world. У Росії нам знову готовять вигнання і репресії», – сказал він. Russia is preparing again to expel us from Crimea.”35

Possible Alternative Policies

There is an escalating struggle developing between the ECU and EU, with the latter remaining largely dependent on Russian goodwill, trade and its mineral and energy wealth. The emergence of the ECU means that the EU is not the “only game in town,” presenting a challenge to its strategy in Soviet successor states covered by its European Neighborhood Policy (ENP) and Eastern Partnership. Russia has been actively promoting the ECU as an alternative to the EU’s Association Agreement.36 The CU’s gross domestic product however remains minor compared to that of the EU. According to the International Monetary Fund, in 2012 the CU GDP was $2.3 trillion, compared with the EU’s $16.6 trillion.37

In 2013, Belarus-China bilateral trade exceeded $3 billion, joint ventures are operating in both Belarus and China, and China has invested over $5 billion in the Belarusian economy.38

Belarusian bilateral trade pales in comparison to that of Kazakhstan’s rising economic ties with China, as China imports increasing amounts of Kazakh energy. Following an August 2013 meeting in Astana with Chinese Foreign Minis-

35 “Krymsʹki tatary prosyat’ dopomohty Turechchynu, Kazakhstan ta Azerbaydzhan,” [“The Crimean Tatars are requesting help from Turkey, Kazakhstan and Azerbaijan”], Zahlen informatsionno korporatsiia, March 7, 2014.

36 Rilka Dragneva and Kataryna Wolczuk, “Russia, the Eurasian CU and the EU: Cooperation, Stagnation or Rivalry?,” Chatham House Briefing Paper, Russia and Eurasia Program, London: August 2012.


38 “Belarusʹ i Kitai pristupili k realizatsii strategii vsestoronnego strategicheskogo partnerstva” [“Belarus and China have begun to implement a strategy of comprehensive strategic partnership”], Beltaeradiokompaniia, January 20, 2014.
ter Wang Yi, Kazakh Foreign Minister Erlan Idrisov noted that in 2012 bilateral trade reached $23.9 billion and that “We set an ambitious goal to increase this figure to $40 billion by 2015.”  The centrifugal impact of rising Chinese trade on the ECU remains to be seen, but it is certain to grow.

Outlook for the Future

For all the rhetoric, significant variants remain between the economies of the ECU member states. Belarus, in particular, is poor, with an average level of wealth per capita of $5,000, on a par with many African nations. In contrast, Kazakhstan’s wealth per capita is roughly $11,000; and 93.7 percent of Russia’s adult population has less than $10,000 in wealth. Russia since 1991 has produced an unprecedented rise in financial disparity, with Russia’s 110 billionaires holding 35 percent of the country’s wealth, the highest rate of wealth inequality in the world. Anthony Shorrocks of Global Economic Perspectives Ltd, one of the authors of Global Wealth Report 2013, observed that “the situation in Russia has no parallel.” The report noted that at a constant exchange rate, average wealth in Russia has shown “no sign of growth” since before the 2008 economic recession. It is unclear at this stage how these economic disparities will impact the ECU.

In the wake of the growing crisis over Crimea and the uneasy issues raised on issues of sovereignty and international law, President Nazarbayev has further refined his vision of the EEU’s responsibilities, both delineating its mandate to purely economic issues and the need for unanimity on all upcoming “questions” in the EEU. On March 25 on the sidelines of a nuclear security summit in The Hague, he addressed EEU issues during a press briefing, telling reporters,

Integration allows us to remove customs barriers and boost competitiveness. Therefore, we have a purely pragmatic interest – to develop our country, modernize the economy and increase the size of our GDP. As far as our political independence is concerned, this is sacrosanct, and Kazakhstan will not cede its

39 “Kazakhstan i Kitai uvelichat tovarooborot do 40 milliardov dollarov k 2015 godu” [“Kazakhstan and China will increase trade to $40 billion by 2015”] Tengrinews, August 19, 2013.
sovereignty to anyone. We will voluntarily transfer some economic powers to supranational authorities however, as is done, for example, in the European Union, where the Commission decides customs issues, regulates trade, tariffs, the transportation of oil and gas, electricity, railways and highways. All questions in our future union will be resolved by consensus. Final decisions will be made with the consent of all three states.42

In the future, the greatest obstacle to the development of the ECU’s domestic markets and foreign trade is likely to be legal uncertainty rather than economic risk. If the ECU is to become an economic area attractive for long-term foreign investors, the rule of law and system of justice must be firmly established, as foreign investors will only do business in ECU member states if they trust the decisions of public authorities and have effective appeal procedures.

For the moment, Belarus and Kazakhstan remain fundamentally committed to both the ECU and the EEU, but criticisms of the EEU’s future powers have arisen in the past year from both nations, a situation that the Crimean crisis and subsequent Russian-Ukrainian relations have sharpened further. What impact increasingly divergent economies, different foreign policy agendas and rising Chinese economic power will have on the future shape and policies of the ECU remains to be seen.

It is increasingly evident that Russia’s deteriorating relations with the West over its Ukrainian policies are causing concerns in Kazakhstan about possible collateral damage to its economy from U.S. and EU sanctions, forcing a reevaluation of the ECU’s ultimate benefit to the Kazakh economy. Putin is seeking to use the ECU to mitigate the economic impact of Western sanctions on the Russian economy, a far cry from Nazarbayev’s original vision of a voluntary trading bloc improving the economies of member nations. Concerns have risen to such a point that on August 26, in the course of a TV interview with Kazakhstan’s Khabar channel, Nazarbayev said, “If the rules set forth in the agreement are not followed, Kazakhstan has a right to withdraw from the Eurasian Economic Union. I have said this before and I am saying this again. Kazakhstan will not be part of organizations that pose a threat to our independ-

42 “Brifing po itogam ofitsial’nogo vizita v Korolevstvo Niderlandy i uchastiya v rabote Sammita po yadernoy bezopasnosti v Gaage” [“Briefing on the official visit to the Kingdom of the Netherlands, and participation in the Nuclear Security Summit in The Hague”], official website of the President of the Republic of Kazakhstan, March 25, 2014.
ence. Our independence is our dearest treasure, which our grandfathers fought for. First of all, we will never surrender it to someone, and secondly, we will do our best to protect it.”

Two days later, in response to a question asked at the All-Russian youth forum “Seliger-2014,” do we need to expect a Ukrainian scenario if Mr. Nazarbayev leaves the post of president?” Putin, after praising Nazarbayev as the originator and architect of the ECU and EEU replied, “he accomplished a unique thing. He created a state on a territory where there had never been a state. The Kazakhs had never had statehood.” Putin continued that Eurasian ideas of the ECU and EEU “... the Kazakhs have adopted it. That’s because they see it is good for them, good for the development of the economy, good in order to remain in the sphere of the so-called greater Russian world, which is a part of global civilization, good from the perspective of the development of manufacturing and advanced technologies, and so on. I am sure that this is how it will be in the medium-term and in the long-term perspective.”

While the future of both the ECU and EEU are unclear, it is obvious that they have not remained immune from the impact of the consequences of Russian foreign policy towards both the Ukraine and the West. Given Putin’s most recent pronouncement about the legitimacy of Kazakh statehood, there is little doubt that Nazarbayev and the Kazakh government will continue to evaluate for the foreseeable future the benefit of remaining so closely allied in the ECU and EEU with a nation whose confrontational foreign policy remains so at odds with that of Kazakhstan.

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43 “Kazakhstan may leave EEU if its interests are infringed,” Tengrinews, August 27, 2014.
Armenia: Joining under the Gun

Armen Grigoryan

On September 3, 2013, Armenia’s President Serzh Sargsyan held negotiations with Russian President Vladimir Putin in Moscow. Immediately afterwards, while still in Moscow, Sargsyan announced that Armenia would join the Customs Union instead of signing an Association Agreement with the European Union. As the EU-Armenia negotiations on the Association Agreement had just been finalized six weeks earlier, Armenia was planning to initial the agreement in November. Sargsyan’s statement was rather unexpected, especially considering previous statements by Prime Minister Tigran Sargsyan and other high-level officials about the impossibility of joining the Customs Union.

After President Sargsyan’s u-turn, he and other officials started explaining that the decision was made because of Russia’s strategic role in Armenia’s security policy as well as for economic reasons. However, a variety of sources provide more plausible explanations: Russian pressure on Armenia, including threats to cancel security guarantees and an increase of the gas price among other leverages.

Armenia’s Policy towards the CIS and the CSTO

Throughout the post-Soviet period, most Armenian politicians and analysts have considered participation in Russia-led structures a crucial component of security. Already Levon Ter-Petrossian, Armenia’s president from 1991 to 1998, suggested that Russia’s benevolence and support were indispensable. He justified Armenia’s eagerness to become a member of the Commonwealth of Independent States (CIS) and the Collective Security Treaty (later the CSTO) as a precondition for Russian political and military support during the conflict of the early 1990s. Ter-Petrossian claimed that due to his past policies aimed at
achieving friendly relations with Russia, Armenia could protect itself and act as a guarantor of Nagorno-Karabakh’s self-determination, while Azerbaijan and Georgia, who failed to consider Russia’s interests in the early 1990s, lost control over parts of their territory. Although there may be some reason for linking participation in Russia-centered organizations with military success, it is not a fully sufficient explanation, primarily because Russia was the main arms supplier to both Armenia and Azerbaijan.

After a cease-fire in Nagorno-Karabakh had been reached in 1994, Russian political influence and military presence in Armenia continued to grow. In 1995, Yerevan signed a treaty on Russian military bases in Armenia, followed by a treaty on friendship, cooperation, and mutual assistance in 1997. The latter included a clause on joint defense of borders with non-CIS member states—thus Russian border guards’ control of Armenia’s borders with Iran and Turkey was institutionalized. The border checkpoint in Yerevan’s Zvartnots international airport also remained under Russian control. Both treaties’ agreed term of validity was 25 years.

Russia was able to expand its influence in Armenia in 2010, when ratification of the Zurich Protocols between Turkey and Armenia failed and the Armenian-Turkish normalization process was halted. Russia persuaded Armenia to amend the treaty on Russian military bases, so the term of deployment would be 49 years instead of 25 years. The amendments were covered in an agreement signed during Russian President Dmitry Medvedev’s visit to Armenia in August 2010, and ratified in 2011.

Currently, Russia is modernizing MIG-29 fighter planes deployed at its military base in Armenia. It is planned that the planes will become capable not only of intercepting airborne targets but also attacking targets on the ground. Besides, deployment of battle helicopters and airborne troops is also expected, so that the military base may obtain the capacity to engage not only in defensive but also in offensive operations, including the possibility to engage airborne troops within a range of 500 kilometers.

Finally, Russia has two additional tools within the CSTO framework: the right to veto the establishment of new foreign military bases in CSTO member states (limiting opportunities for cooperation with NATO, including the possi-
bility to organize cargo traffic by air or to provide storage facilities); and the possibility to intervene under a CSTO Rapid Reaction Force mandate in case of internal instability; so Russia may provide armed support for Armenian authorities should they be unable to suppress an opposition uprising.

Likely Effects of Customs Union Membership on the Armenian Economy

Some officials justified the decision to join the Customs Union by Armenia’s export structure. For instance, soon after President Sargsyan’s statement about the intention to join the Customs Union, National Security Council Secretary Arthur Baghdasaryan said at a press conference: “We took a long time to research and finally concluded that Armenia’s economy is not compatible with that of the EU countries. The major part of our exports are to the Customs Union member countries and we could not have shut down a 300-million-person market.” However, according to the official data, in 2012 Armenian exports to the EU amounted to $511.6 million while the value of exports to Russia, Kazakhstan, and Belarus was $289.8 million; in the first six months of 2013 goods worth $250.6 million were exported to the EU while the share of the Customs Union was $149.6 million.

Negotiations on the EU-Armenia Association Agreement and the Deep and Comprehensive Free Trade Agreement (DCFTA) went on for almost three years. A Dutch consulting company, commissioned by the European Commission, provided detailed research on the expected effects of the DCFTA for different sectors of the Armenian economy and trade with the EU. A 200-page Trade Sustainability Impact Assessment in support of negotiations of a DCFTA between the EU and the Republic of Armenia was published soon after finalizing the negotiations on the DCFTA. By contrast, there has been no comprehensive analysis of the likely impact of Customs Union membership. State officials, economists, and representatives of business groups have only made estimations concerning the application of different import duties, as well as estimations for some sectors of the economy. The report estimated a likely increase of Armenian exports and imports by 15.2 percent and 8.2 percent respectively, and a 2.3 percent increase in gross domestic product (GDP). By contrast, there has been no comprehensive analysis of the likely impact of Customs Un-
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ion membership, as a roadmap on Customs Union membership was prepared in less than four months.

According to Deputy Minister of Economy Garegin Melkonyan, Armenia imports about 11,500 types of goods, while the Customs Union’s import tariffs for about 60 percent of goods are higher than current Armenian tariff rates. The government attempted to negotiate with the Eurasian Economic Commission a list of exemptions including about 850 goods. However, the negotiations have not reached any result yet. Applying Customs Union tariffs will also require re-negotiating Armenia’s import duty schedule with the World Trade Organization, and an appropriate notification had yet to be sent to the WTO as this book went to press.

The Chairman of the Republican Union of Employers of Armenia (RUEA), Gagik Makaryan, stated that the majority of Armenian businessmen prefer the Customs Union to the DCFTA with the EU, citing “the same industrial culture, prolonged collaboration using the same standards and norms, and lack of language barriers.” However, he also noted that the EU is Armenia’s largest trade partner with 27.3 percent of the total trade volume; Russia is the second largest with 21.7 percent; followed by China with 6.6 percent, Iran with 5.4 percent, and Ukraine with 4 percent. Belarus’s and Kazakhstan’s shares are, respectively, 0.8 and 0.2 percent.

More recently, Mr. Makaryan also warned that after joining the Customs Union, consumer prices for basic foodstuffs (meat, dairy products, wheat, cooking oil, sugar, potatoes, etc.) may increase by up to 15 percent.

Prices for medicines are also expected to increase significantly. Currently, about 4.2 percent of medicines are imported from Russia and Belarus, while the largest amount originates from Germany, followed by Switzerland, France, Great Britain, Hungary, and Italy, and no customs duties are applied. After joining the Customs Union, duties amounting on average to 8-10 percent must be applied.

After joining the Customs Union, the structure of car imports is expected to change radically. In 2013, only about five percent of nearly 40,000 imported cars were made in Russia, while 70 percent were second-hand cars re-exported from Georgia, and Armenia has been one of the ten largest trade partners for Georgia thanks to the car trade. The head of the Car Importers’ Union, Tigran
Hovhannissian, as well as some economists have warned that higher import duties applied by the Customs Union will result in a sharp price increase and will destroy small businesses, leaving the market to monopolies, while retail prices of non-Russian cars will go up by at least 50 percent, and consumers will be forced to buy mostly Russian cars. Damage to Georgia’s economy may also be quite significant.

**The Evolution of the Government’s Position on the Customs Union**

The Armenian government’s attitude towards the choice between the Customs Union and the possibility to develop cooperation with the EU has often been formulated as a preference for mutually non-exclusive involvement in both frameworks. However, such an attitude was developed in 2013, a few months before President Sargsyan’s announcement about joining the Customs Union, as pressure from Russia was mounting, and some officials expressed a similar attitude later on as well, but this had not been the case before.

In April 2012, soon after the beginning of the DCFTA negotiations with the EU, Prime Minister Sargsyan ruled out the possibility of joining the Customs Union in an interview to the Russian newspaper *Kommersant*:

> In global practice there is no example of a country joining a customs union without having a common border. [...] We would only get into trouble with higher tariffs and taxes. It is not reasonable from the economic point of view. [...] The Customs Union does not provide any functional instruments for our economic players. Therefore, it is of no use.

In August 2012, after negotiations between the Armenian and Russian presidents, a statement about the creation of a joint commission was made. The commission’s goal was to find possibilities of cooperation between Armenia and Customs Union member states taking into account the absence of a common border. In December 2012, President Sargsyan said in an interview that Armenia had always supported integration processes in the post-Soviet area, noting however the issue of having no common border, and besides, that WTO rules present another obstacle. In April 2013, a cooperation memorandum was signed by Prime Minister Sargsyan and the Head of the Eurasian Economic Commission, Viktor Khristenko.
Less than two weeks before President Sargsyan’s visit to Moscow and the announcement of the decision to join the Customs Union, Deputy Minister of Foreign Affairs Shavarsh Kocharyan excluded the possibility of joining the Customs Union, saying that it would mean “losing sovereignty.” Galust Sahakyan, head of the ruling Republican Party of Armenia (RPA) parliamentary faction, also excluded such a possibility shortly before the president’s statement on September 3. Apparently, the president made his decision unilaterally after negotiations with Vladimir Putin, without even consulting the government or the parliamentary majority.

Despite the attitudes shown at the time, in recent months the same officials have become staunch supporters of Customs Union membership. While negotiations concerning the DCFTA with the EU had taken nearly two years, a roadmap on the planned Customs Union membership was prepared in less than four months. Replying to a question about the reasons for such a hurry at a press conference during a visit to Prague in January 2014, President Sargsyan stated:

Any commenced deal has to be accomplished quickly and with devotion. Since we decided to join the Customs Union, we have to do that as quickly as possible, why should we wait? As our decision is based on national interests, it must be implemented at the earliest occasion.

Ironically, Shavarsh Kocharyan has also become one of the main advocates for the Customs Union. When asked about the unprecedented hurry, he stated that a new treaty on the establishment of the Eurasian Union was being prepared, so the Eurasian Union should be in effect from January 1, 2015, and it would absorb the Customs Union. Therefore, a delay would result in becoming a member of an already non-existing organization. He also added that the Russians “are amused because Armenia accelerates the process of becoming a member of the Customs Union.”

Quite characteristically, not a single official expressed disagreement with the decision to join the Customs Union, and no resignations took place. Since the RPA and its satellite, the Rule of Law Party, have a majority of votes, and most of the opposition MPs are also reluctant to displease the Russians, there is practically no doubt that the president’s decisions will be rubber-stamped by the National Assembly.
Opinions about the Customs Union

There is little reliable data on the opinion of the general public. An opinion poll conducted in 2012 at the request of the Eurasian Development Bank based in St. Petersburg, Russia, showed that 61 percent of respondents in Armenia had a positive attitude towards the Customs Union of Russia, Belarus, and Kazakhstan; however, that poll did not inquire about the attitude towards Armenia’s possible membership. Opinion polls conducted after the decision to join the Customs Union show large differences in results and may be biased. Yet, even though the results in general may be not reliable as far as approval level is concerned, they demonstrate a low level of awareness about the Customs Union and the possible consequences of membership.

For instance, two of three polls conducted in October and early November showed a high level of support for membership. The Armenian Marketing Association’s poll showed a 64 percent support rate while 26 percent of the respondents expected a decline in consumer prices as an outcome of membership. A poll by the non-governmental organization Integration and Development showed a figure of 86 percent positive responses, but only 10 percent of the respondents said they were aware about the fundamental nature of the Customs Union. By contrast, a poll by the Union for National Self-Determination showed a 20 percent level of support for membership.

The expert community has in general been cautious in its approach towards the Customs Union as far as economic consequences of membership are concerned. While Rossotrudnichestvo (the Russian Federal Agency for the Commonwealth of Independent States, Compatriots Living Abroad, and International Humanitarian Cooperation) engaged in a widespread advocacy campaign in favor of Armenia’s membership, Armenian economists and policy analysts have mostly been skeptical because of the anticipated growth of prices and unclear perspectives for further cooperation with neighboring Georgia and Iran, as well as other non-CU member states.

Concerning the attitudes of the parliamentary opposition, only the smallest faction, Heritage, is clearly against membership in the union. The Prosperous Armenia party and the Armenian Revolutionary Federation – Dashnaksutiun express a positive or even openly pro-Russian attitude, and the media outlets controlled by Prosperous Armenia’s founder and sponsor, Gagik Tsarukyan,

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vilified the government before President Sargsyan’s decision to join the Customs Union and have been vilifying the opponents of that decision afterwards. The Armenian National Congress, led by former President Levon Ter-Petrossian, has been closely cooperating with the Prosperous Armenia party in the recent period and also avoids criticism of the Customs Union and Russian policies in general. At the same time, Ter-Petrossian has been criticizing President Sargsyan and the government whose policies, in his opinion, led to a situation whereby Armenia is going to join the union not as an equal partner but as a voiceless subordinate.

The views of supporters of European integration were more or less summarized by Ambassador David Shahnazaryan, director of the Yerevan-based think-tank Center for Political and Legal Studies “Concord.” In an interview in May 2013, Shahnazaryan argued that

> the Association Agreement [...] is an unprecedented opportunity for Armenia to switch from a criminal oligarchic country to a developing state. [...] If we miss this opportunity, Armenia will be set back, and morals, which exist in Russia, will take root – persecutions of opposition and civil society.”

He also noted that Russia’s drastic increase in gas prices soon after the 2013 presidential elections put “political pressure on Armenia, which aims at preventing [...] the signing of the EU Association Agreement. [...] these pressures exerted by Russia will be continuous and will not be confined to the use of gas levers.”

**Russian Pressure on Armenia**

Armenia’s vulnerability as a consequence of its heavy dependence on Russia, particularly in relation to energy supplies, was also acknowledged by foreign experts. As a publication by the Warsaw-based Center for Eastern Studies noted,

> Moscow has demonstrated its ability to influence Yerevan by announcing an extreme, almost 70 percent, gas price rise [...] It cannot be ruled out that the intention behind Russia’s pressure on Armenia is aimed at impeding its dialogue with the EU [...] Initialling the Association Agreement contradicts the plans of Armenia’s accession to the Customs Union and Moscow has been seeking this for a long time now.
Other tools used by Russia in order to persuade Armenia to join the Customs Union have included as follows: threats to ban Armenian exports to Russia, to block private money transfers to Armenia via Russian banks, and to deport Armenian migrant workers; offering or halting supplies of offensive weapons to Azerbaijan, Russian officials’ statements about the possible resumption of large-scale war in Nagorno-Karabakh, as well as statements that Russia would not be able to fulfill security guarantees for Armenia in case of signing the EU Association Agreement; and threats to destabilize the situation in Armenia and to support regime change.

Probably the most significant threat was voiced in August 2013, a few days before President Sargsyan’s visit to Moscow, by the first secretary of the Russian Embassy, Alexandr Vassilyev, who made public statements about economic, mental and psychological problems awaiting in case Armenia signed the EU Association Agreement, as well as hinting at the possibility of a “hot autumn” (understood by most Armenian observers as an expression of Russia’s readiness to support the opposition with a likely regime change). Threats were made not only by Russian officials but also by ideologues of “Eurasianism” and a number of other influential public figures such as Moscow State University Professor Alexander Dugin. The latter ranted against the opponents of Customs Union membership in a February 2014 interview, expressing a summary of ideas shared by the majority of Russian emissaries visiting Armenia in recent months: “Any anti-Russian sentiments in the post-Soviet area will sooner or later result in an outcome similar to Georgia’s and Ukraine’s. [...] there is an alternative for Armenia: Customs Union membership or bloodshed and disappearance from the map.”

Pressure applied by Russia has been acknowledged by European policymakers. Elmar Brok, chairman of the European Parliament’s Foreign Affairs Committee, noted: “We know that Armenia is under incredible pressure from Russia because of the difficult situation towards Azerbaijan and Nagorno-Karabakh. [...] A small country like Armenia was blackmailed to make such a decision.” Another member of the European Parliament’s Foreign Affairs Committee, Polish MEP Jacek Saryusz-Wolski stated: “It is the general context which is so worrying. This pressure concerns all the four countries (including Armenia) on the road to association. It’s part of the wider picture.” Further developments in
Ukraine and the abrupt deterioration of Ukraine’s relations with Russia have demonstrated that these concerns had solid ground.

As a result of this pressure, Russia also persuaded the Armenian government to sell the remaining 20 percent of shares of Armenia’s gas distribution network to Gazprom. In addition, the agreement signed during President Putin’s visit to Armenia on December 2, 2013, guaranteed Gazprom’s monopoly for 30 years, while reduced gas prices were set for five years. During the parliamentary debates following the signing of the agreement, misuse of funds by the government was discovered; however, the agreement was ratified by the parliamentary majority.

**Concluding Remarks**

Armenian officials have stated on several occasions that Armenia would be interested in signing the political part of the EU Association Agreement separately from the DCFTA with its provisions contradicting the Customs Union’s economic policies; most critics of the decision to join the Customs Union also hoped that relations with the EU would be kept on that level. However, the EU showed little interest for such an arrangement. Moreover, the Armenian government demonstrated a loyal attitude towards Russia’s aggression against Ukraine and its annexation of Crimea, causing a strong negative reaction. One of the main advocates for the Eastern Partnership, Swedish Minister of Foreign Affairs Carl Bildt, simply ruled out the possibility to sign the political part of the Association Agreement with Armenia as it had been signed with Ukraine: “I think they are in a different league. The Association Agreement also signals a sort of political affinity that is there in a number of areas. We saw, for example, the Armenians now coming out in support of policies versus Ukraine. So I don’t think they would qualify to be in the same league in terms of political affinity any longer.”

Besides making further development of cooperation with the EU unlikely, the Armenian government has compromised the Nagorno-Karabakh conflict resolution process by drawing a parallel between Nagorno-Karabakh and Crimea. Furthermore, Armenia’s stance on the Crimea issue may lead to deeper international isolation and stronger dependence on Russia. Indeed, President Sargsyan and the Armenian Ministry of Foreign Affairs welcomed the “referendum”
held at gunpoint in the Crimea in March 2014, and Armenia voted against a UN General Assembly resolution declaring the Moscow-backed referendum invalid. The degradation of the Armenian regime over several years is quite visible as far as the change of attitudes is considered: after the Russo-Georgian war in 2008, Armenia refused Russia’s appeal to recognize the independence of Abkhazia and South Ossetia, and a few months later President Sargsyan welcomed Georgian President Mikheil Saakashvili and decorated him with the Medal of Honor despite Moscow’s disapproval. Yet, by 2013, Armenia had lost the capacity to act independently from Russia, and has irrevocably damaged its international image by unequivocally supporting Russia’s recent actions.

Many observers explained the hurried preparation of a roadmap on Customs Union membership on account of the government’s wish to become a founding member of the Eurasian Union, as such a status would suggest some form of privileged position. However, President Sargsyan did not sign the Eurasian Union treaty on May 29, 2014, in Astana, Kazakhstan. Moreover, in what was a significant embarrassment, Kazakhstani President Nursultan Nazarbayev during a televised session announced a precondition agreed with the other signatories in advance. In fact, already beginning in October 2013, official representatives of Belarus and Kazakhstan had been warning about such a precondition based on Azerbaijan’s objection to Armenia’s possible membership without establishing customs control posts on the border between Armenia and Nagorno-Karabakh. As a result, Armenia’s signing of the Eurasian Union treaty was postponed until October 10, 2014. There have been several suggestions that Belarus and Kazakhstan may again veto Armenia’s membership as they are essentially not interested in admitting a member fully loyal to Russia.

The expansion of Russian political influence and military presence in Armenia has been under way since President Sargsyan’s decision to join the Customs Union. As Armenia’s international isolation and economic woes worsen, further exertion of Russian pressure in the South Caucasus region may be expected, especially as Russia’s aggression against Ukraine has led to symbolic rather than severe sanctions. As a result of a chain of bad policy decisions and the inability of its policymakers to realize the scope and the unintended consequences of such decisions, Armenia has essentially become a tool of Russian policy and may involuntarily contribute to regional destabilization. Armenia
faces the risk of being excluded from the Eurasian Union, has had to deal with recent heavy clashes on the line of contact followed by Russia’s overt intention to further compromise the mediation efforts of the OSCE Minsk Group and to gain unilateral control over the Nagorno-Karabakh resolution process, and is affected by Russia’s deepening international isolation, which will also affect Armenia’s economy. It remains to be seen whether this will induce Armenian policymakers to attempt to develop relations with the EU and other partners.
Kyrgyzstan and Tajikistan: Next in Line

Johan Engvall

Kyrgyzstan and Tajikistan are in many ways similar countries: they are small and mountainous with the weakest economies among the post-Soviet states. Following the break-up of the Soviet Union, both countries joined the Commonwealth of Independent States (CIS) and signed up to the collective security agreements reached at the May 1992 Tashkent CIS summit. And in 2002, both countries were among the six countries agreeing to formally create the Collective Security Treaty Organization (CSTO) as a military alliance. Kyrgyzstan and Tajikistan also signed the treaty on an Eurasian Customs Union in 1996 and 1997, respectively. While this initial economic integration initiative led by Russia, Kazakhstan, and Belarus remained largely declarative, the same trio of countries renewed their efforts in the mid-2000s, resulting in the creation of the Customs Union in 2010. In May 2014, the Kyrgyz government approved a roadmap for entering the Customs Union by January 2015, while the Tajik government has declared its ambition to join, but not yet committed itself to applying for membership.

In spite of the similarities, there are still differences in the foreign policy trajectories of Kyrgyzstan and Tajikistan. As Kyrgyzstan embarked upon a painful road towards establishing a sovereign state, its first President Askar Akayev balanced the need to maintain good relations with Russia with the search for western aid to support the rebuilding of the state and economy. Indeed, in the first years of independence the Kyrgyz leadership undertook a rather bold positioning towards the West. Supported by the International Monetary Fund (IMF), Kyrgyzstan broke out of the ruble zone of the CIS and introduced its own currency, the som, already in May 1993 in order to escape high inflation and decrease its dependence on Russia. By the mid-1990s, the pro-western stance was
relaxed and the contours of what was later to be known as a multi-vector foreign policy began to take shape. During the last years of Akaev’s presidency, this policy essentially sought to please all sides, extracting benefits from a variety of diplomatic and military alliances. This policy continued after Akaev was unseated in a popular revolt in 2005, although his successor, Kurmanbek Bakiev, did so by playing different powers against each other in a much more treacherous manner, seeking to extract as many strategic rents as possible for himself and his family.\(^1\) Nonetheless, between 2003 and 2014, the peculiar foreign policy balance act resulted in Kyrgyzstan being the only country in the world simultaneously hosting both U.S. and Russian military troops on its territory. This era came to an end when the Kyrgyz government decided not to renew the U.S. lease of the Manas airbase, and the base was closed in the summer of 2014. By contrast, the deal with Russia for operating the Kant airbase has been extended until 2032.

In the early days of its independence, Tajikistan was more dependent on Russia than Kyrgyzstan was. The government relied heavily on Russian support to survive the devastating civil war in 1992-97, and essentially functioned as a Russian satellite throughout the 1990s. As political power was consolidated and a legitimate political order restored, Tajikistan like the other Central Asian countries attempted to develop a more diversified foreign policy. Tajikistan joined NATO’s Partnership for Peace in 2002, and has worked to establish relations with other Asian countries. In 2005, the Russian military presence in Tajikistan was reduced as the Russian border guards that had remained in charge of protecting the border with Afghanistan since independence, were replaced by Tajik forces. Even so, Russia still maintained its 201st military base, which with the deployment of around 7,000 troops remains the largest foreign deployment of Russian troops. In 2013, the Tajik parliament ratified an agreement made between the Tajik and Russian governments to extend Russia’s military presence in the country until 2042.

Economic Prospects

The economies of Kyrgyzstan and Tajikistan are fundamentally different from those of the current members of the Customs Union. With weakly developed domestic production sectors, Kyrgyzstan’s and Tajikistan’s economies are partially dependent on imports and remittances from labor migrants. The labor, capital and production from Kyrgyzstan and Tajikistan are primarily serving customs union markets. While government representatives are keen on pointing out that membership is primarily based on economic calculations and not political considerations, the economic effects of accession are contentious.

To start with the expected benefits: these two countries are more dependent on remittances sent from their legions of labor migrants in Russia than any other post-Soviet countries. According to World Bank estimates, remittances from abroad (of which Russia is the primary source) in 2013 accounted for 48 percent of Tajikistan’s GDP and 31 percent of Kyrgyzstan’s. It is therefore unsurprising that easier movement for labor migrants promised by membership is attractive economically. The governments are also wary of potential social unrest erupting at home as Russia threatens to impose hurdles to migration for countries unwilling to join the Eurasian integration project.

Moreover, access to supplies of duty free oil products and other basic goods from Russia is also emphasized by government officials as a distinct advantage of membership. In past years, Moscow has been no stranger to changing its tariffs on fuel exports to Kyrgyzstan and Tajikistan, and it still remains to be seen whether accession will automatically shelter the countries from such measures in the future. Another argument advanced is that membership will spur the development of local production, particularly in manufacturing. The idea behind this is that low costs, such as a cheap labor force, will provide incentives for businesses to locate their activities in these countries rather than in Russia or Kazakhstan where costs are higher.

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3 Saralaeva, “Vitse-prem’er-ministr KR Dzhoomart Otorbaev.”
However, Eurasian Union membership would hit certain economic sectors in Kyrgyzstan and Tajikistan hard. First, Kyrgyzstan has successfully turned into an *entrepôt* for the import and re-export of consumer goods from neighboring China to other CIS countries. This bustling economic activity has developed thanks to the low import tariffs between WTO members Kyrgyzstan and China. The two major bazaars in Central Asia are both located in Kyrgyzstan—the Dordoi market just outside of the capital Bishkek and the Kara-Suu market outside of the southern city of Osh. According to estimates made by economist Roman Mogilevskii, this shuttle trade was at its peak in 2008 almost double Kyrgyzstan’s GDP. Membership in the Customs Union will eliminate Kyrgyzstan’s import advantage, since it would mean complying with the Customs Union’s higher external tariffs. In short, the effects of dismantling such a large part of country’s economic activity could be devastating in terms of loss of jobs as the major bazaars directly and indirectly employ one-fifth of Kyrgyzstan’s workforce.

The Kyrgyz government is well aware of this and has worked hard to secure exemptions for the country’s major bazaars.

Another risk is that the Customs Union will bring imported inflation and higher living costs to Kyrgyzstan and Tajikistan. For example, Kyrgyzstan currently imports food at zero percent, while Customs Union regulations levy a 10 percent fee on food imports. Thus, while government representatives stress the positive consequence of the lowering of customs duties for both domestic goods exported north and those produced in Russia, Kazakhstan, and Belarus entering the markets in Kyrgyzstan and Tajikistan, the influx of expensive goods from other member states could become a serious cause for discontent in countries with an official GDP per capita that is 12 times (Kyrgyzstan) and 16 times (Tajikistan) lower than in Russia.

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5 Mogilevskii, “Re-export Activities in Kyrgyzstan,” p. 20.

Evolution of the Governments’ Positions

The origins to Kyrgyzstan’s strong pro-Customs Union position in the past few years must be traced to the toppling of the Bakiev government in April 2010. As has been extensively documented, the revolt was preceded by a concerted attempt from Moscow to undermine the Bakiev government both through economic sanctions, such as raised energy tariffs on exports to Kyrgyzstan and a media attack denouncing the corrupt nature of the leadership.\(^7\) The members of the interim government immediately turned to Moscow for backing and protection. Consequently, in return for Moscow’s support, the new government promised from the outset to take Kyrgyzstan into the Customs Union. Since then enthusiasm seems to have waned, manifested by persistent attempts at delaying the accession process. Although a formal application was submitted by the Kyrgyz government in May 2013, the first roadmap for accession presented to the Kyrgyz side in December 2013 was heavily criticized by the Kyrgyz authorities. President Almazbek Atambayev clearly stated that since the roadmap had been developed without participation from the Kyrgyz side it failed to consider his country’s national interests.\(^8\) A new roadmap was finally approved in May 2014 after the Kyrgyz government had managed to introduce a financial assistance package to help the country adjust and ease the initial impact of entering the Customs Union. The package includes a promised Russian transfer of $200 million in grants to help Kyrgyzstan implement the roadmap as well as an agreement to set up a joint Russian-Kyrgyz Development Fund with a capital of $1 billion.\(^9\) Thus, the Kyrgyz government has worked hard on securing as beneficial conditions as possible. At the same time its maneuverability is limited: if


the government would backtrack altogether on the promise to join, Moscow would in all likelihood respond with a very heavy hand.\footnote{As President Atambaev argued: “Ukraine can choose, but we have little choice.” “Kyrgyzstan Won’t Join Customs Union on ‘Someone Else’s’ Roadmap,” \textit{The Moscow Times}, December 17, 2013.}

Tajikistan is a step behind Kyrgyzstan in the preparations for the Customs Union. President Emomali Rahmon announced Tajikistan’s interest to join the Customs Union in December 2012. The less committed position taken by the Tajik leadership can be explained by the fact that the statutes of the Customs Union hold that a country can only join if they share a common border with a current member state (something that appears to have been ignored in the case of Armenia). Therefore, Tajikistan presumably has to wait until Kyrgyzstan, which borders current member state Kazakhstan, is admitted. Kyrgyzstan’s recent commitment is therefore likely to increase the pressure also on Tajikistan to finally commit.

\section*{Public Opinion}

Turning to public opinions on the Customs Union, an important caveat is warranted since there is a deficit of trustworthy sources in Central Asia mapping public opinion. An attempt to judge the level of public support for joining the Customs Union in Kyrgyzstan and Tajikistan has been carried out by the Eurasian Development Bank’s (EDB) Integration Barometer. Yet caution is required in this regard, since the EDB has been noted for its propaganda for the Customs Union.\footnote{See Anders Åslund, “Ukraine’s Choice: European Association Agreement or Eurasian Union?,” Policy Brief 13-22, Peterson Institute for International Economics, September 2013.} In this barometer, between 1,000 and 2,000 people in eleven CIS countries were polled and support for membership in the Customs Union came out as among the strongest in Tajikistan (75 percent in favor in 2013, 76 percent in favor in 2012) and Kyrgyzstan (72 percent in favor in 2013, 67 percent in favor in 2012).\footnote{Eurasian Development Bank Integration Barometer 2013, available at \url{www.eabr.org/e/research/centreCIS/projectsandreportsCIS/integration_barometer/index.php?id_16=32346}.} A more recent survey organized by Toronto-based M-Vector Consulting as part of its Central Asia Barometer series however paints a similar picture. As reported by the \textit{EurasiaNet} news agency, the poll conducted by telephone inter-

\begin{thebibliography}{9}
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\bibitem{atambaev} As President Atambaev argued: “Ukraine can choose, but we have little choice.” “Kyrgyzstan Won’t Join Customs Union on ‘Someone Else’s’ Roadmap,” \textit{The Moscow Times}, December 17, 2013.
\bibitem{eabr} Eurasian Development Bank Integration Barometer 2013, available at \url{www.eabr.org/e/research/centreCIS/projectsandreportsCIS/integration_barometer/index.php?id_16=32346}.
\end{thebibliography}
views among 1000 respondents in each country in late June and early July shows an overwhelming popular support for closer integration with Russia: 80 percent of the respondents in Tajikistan and 71 percent of interviewees in Kyrgyzstan favor membership in the Eurasian Union.\textsuperscript{13} The strong level of support in the two countries should not be too surprising given their high level of economic cooperation with other post-Soviet states, their reliance on labor migrant remittances, and not least the near-monopoly enjoyed by the Russian media in these countries. Moreover, as the poorest among the post-Soviet states, economic and social hardships since independence have resulted in nostalgia for Soviet-era welfare, especially among the older generations.

It is possible to further try to get a sense of local interests in favor of and opposed to the Customs Union, respectively, by looking closer at the various sources of small-scale entrepreneurship in the two countries. Resistance to the Customs Union could primarily be expected among parts of the population making their livelihoods from the thriving cross-border trade with China; although workers in the large Dordoi bazaar seem to be less skeptical compared to previously following Kazakhstan’s closure of the border with Kyrgyzstan, so making the re-exportation of cheap Chinese goods northwards practically impossible. There are also many other local entrepreneurs that are making their living from importing goods from beyond the CIS territories, who would be hit equally hard by the protectionist policies of the Customs Union. At the same time there are certainly legitimate local interests in favor of an accession to the Customs Union. For small export-oriented businesses and for the agricultural sector providing for many people’s livelihoods in these countries, the Customs Union represents an important market for their products. Among this section of the population, the Customs Union is seen as offering a more secure future demand.\textsuperscript{14} Pensioners and families with a high level of dependency on labor remittances would also naturally be in favor of greater predictability from institutionalized ties with Russia. After approving the Customs Union roadmap, the Kyrgyz government initiated a large-scale information campaign in the summer


of 2014 aiming to convince the public about the benefits of its upcoming membership.

**Russian Pressure and Levers**

Kyrgyzstan and Tajikistan are among the post-Soviet countries most vulnerable to Russian pressure and levers. The Russian policy of selecting Kyrgyzstan and Tajikistan as client-style states to dominate Central Asia is manifested both militarily and economically. Russia has in recent years expanded its military presence through new base agreements in both countries. As for Kyrgyzstan, a package in 2012 included renewed lease of the military base in Kant until 2032 and a further promised $1.5 billion in military assistance. The contract for the bigger military base complex in Tajikistan was extended for an even longer period, until 2042, and was complemented by promises of upgrading Tajikistan’s military capacity.\(^{15}\)

Russia has further ensured control over several strategically important economic assets in sectors such as energy, infrastructure, and transportation. In the end of 2013, a controversial deal was concluded to sell Kyrgyzstan’s effectively bankrupt national gas company, Kyrgyzgaz, to Gazprom for one dollar.\(^{16}\) In 2013, a Russian holding company bought Zalkar Bank, the successor to Kyrgyzstan’s former largest bank AsiaUniversalBank, and renamed it Rosinbank. Russian investors have further shown interest in Kyrgyzstan’s Manas International Airport. In Tajikistan, Russia has particularly invested in the construction of hydroelectric power plants and in the banking sector.

Since both Kyrgyzstan and Tajikistan have tense relations with their larger, more powerful neighbor Uzbekistan, Russia is seen as a security guarantor

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\(^{16}\) Kyrgyz authorities defended the sale by arguing that it would finally ensure Kyrgyzstan’s uninterrupted supply of gas. So far, however, the outcome has been anything but that. Not long after the deal was made, Uzbekistan turned off gas deliveries arguing that it had no contract to supply Gazprom. Uzbekistan and Gazprom have not been able to reach an agreement on the issue, leaving southern Kyrgyzstan without gas supplies for months. If the dispute continues, as appears likely, southern Kyrgyzstan will have a challenging winter ahead.
against potential Uzbek aggression. This support is not unconditional, however, as it is exchanged for exclusive political loyalty to Moscow. A major source of controversy vis-à-vis Uzbekistan is the issue of water management, and here Russia has clearly taken sides by making investments in hydropower projects in the upstream countries of Kyrgyzstan and Tajikistan, much to the frustration of downstream Uzbekistan, which is dependent on water from these countries for its agriculture and especially cotton fields.

Perhaps the most influential of all Russia’s levers is the ability to manipulate the remittance economy. In December 2012, Putin issued the following warning:

> We still have a practice that citizens of CIS states enter the Russian Federation using their domestic passports ... In such circumstances ... it is almost impossible to ensure effective immigration control. I believe that no later than 2015 entry to Russia should be allowed only with the use of foreign-travel [passports]... not the domestic passports of other countries. ... However, without a doubt, within the framework of the Customs Union and the Common Economic Space the current system will continue to apply – maximally simplified rules for crossing the border and staying on the territory of member countries of the Customs Union and the Common Economic Space.\(^\text{17}\)

In the past, in Central Asia and elsewhere, Russia has demonstrated its willingness to use energy sanctions to subsume disobedient foreign governments. The introduction of a 100 percent tariff increase on petroleum products exported to Kyrgyzstan that preceded the fall of the Bakiev administration in 2010 represents the most telling illustration in this regard.

**Possible Alternative Policies**

Increasingly, Russia’s influence in Central Asia has been rivaled by China. And it is no secret that the increasingly aggressive Russian pursuance of its integration project in Central Asia is in part a response to Chinese inroads in the region. While Russia mainly uses various forms of hard and soft power to retain its influence in the region, China has pursued a very different tactic, relying on trade, investment and low-key diplomacy. While Chinese investments into the energy-rich states of Central Asia have been the most visible element, Beijing

has also been very active in Kyrgyzstan and Tajikistan, through investments as well as by providing aid for much needed infrastructural projects of high quality. In stark contrast to Russia, the Chinese have also established a track record of delivering on their promised investments. What is clear is that Russia’s attempt to re-integrate Central Asia has not deterred China. As a matter of fact, in September 2013, Chinese President Xi Jinping, in a rare high-level effort, visited four Central Asian countries before attending the SCO summit in Bishkek meeting all five leaders and pledging over $50 billion in Chinese funding for energy and infrastructure projects. Despite its economic muscles, to a certain extent Chinese influence in Central Asia is checked by a lingering, historically rooted fear of the powerful neighbor.

The Chinese dimension is also complemented by a steadily growing Turkish presence in Central Asia. All Central Asian states except Tajikistan speak Turkic languages and a Cooperation Council of Turkic-Speaking States was established in 2009. While far from wielding influence on a scale near that of Russia or China, Turkey has nevertheless become a player in the region, and its influence has quite a broad span, from schools and universities to trade and investments. For Tajikistan, Turkey is also a major trade partner, but since the country enjoys close linguistic and cultural ties to Iran, this has spurred relatively high levels of Iranian investments into the country. Iran has invested in the construction of a hydropower station in southern Tajikistan and announced in 2013 that it will start the construction of a second station in the north of the country. Finally, western actors, including the U.S., the EU, and various international organizations, certainly continue to engage with these countries. In the absence of a geographical proximity to the region, however, the West has been increasingly unable to compete with Russia and China. In Kyrgyzstan, there were high expectations that its steps carried out toward parliamentary democracy since 2010 would attract massive western support. While this hope was probably unrealistic, Kyrgyz authorities nevertheless communicate a feeling of being abandoned by the West. In the past decade it seems that the U.S., but also the EU, came to perceive the region as little more than a corridor for the opera-

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tions in Afghanistan. As a result, the public in both Kyrgyzstan and Tajikistan hold increasingly negative opinions toward the West.

In short, Russia no longer has a monopoly on wielding cultural, economic and political influence in Kyrgyzstan and Tajikistan. And it is partly in this context that Russia’s push to re-integrate these countries and curb the influence of other actors, particularly China, must be understood.

**Outlook for the Future**

Kyrgyzstan has committed to joining the Customs Union in the near future and Tajikistan is generally seen as next in line for membership. Integrating further with Russia will come at a political, military, and economic expense for poor countries like Kyrgyzstan and Tajikistan, effectively turning them into client states. At the same time, the bargaining positions of Kyrgyzstan and Tajikistan are weak: Russia possesses many tools that could be used for severely harming their economies, and recent events elsewhere in the post-Soviet territories have made it perfectly clear that Moscow is playing a much harder game than before. The foreign policy of maximizing the benefits from balancing different external powers seems to have reached the end of the road for Bishkek and Dushanbe as Moscow is forcing them to choose sides.

From an economic perspective, Kyrgyzstan and Tajikistan are unimportant to Moscow; they are seen purely from a geopolitical strategic point of view. Central Asian leaders are of course aware that this project is first and foremost a geopolitical alliance and not based on Russia’s eagerness to access Central Asian markets. The price for Moscow’s geopolitical ambitions would therefore be the long-term subsidization of these countries. This raises the question of whether Moscow really will deliver on its political and economic promises. If judged by past promises there are all the reasons for Central Asian leaders to be cautious in this regard. Recall for example how in early 2009 Moscow agreed to provide Kyrgyzstan with a loan worth over $2 billion. But as relations with the Bakiev government turned sour over the decision to let the U.S. military continue using Manas as a transit center, Moscow simply terminated payments.¹⁹

¹⁹ For this story and other cases of Moscow’s broken economic promises, see Charles Recknagel, “Promises, Promises: Moscow’s Record of Broken Aid Pledges,” RFE/RL, De-
There is also a security component to the integration process. Both Kyrgyzstan and Tajikistan have weak military capacities and share a concern over what will happen in Afghanistan after the withdrawal of NATO troops in 2014. This concern is shared by Moscow fearing an increase in Islamic militancy in Central Asia. Kyrgyzstan and Tajikistan have relied on Russia for security guarantees and embraced the CSTO regional mutual defense alliance designed to promote peace, strengthen international and regional security and stability, and secure collective defense of the member states’ territorial integrity and sovereignty. Again, similar to broken promises on economic aid, it should be noted that the CSTO’s track record in exactly these areas has been far from impressive. During the violent ethnic clashes in southern Kyrgyzstan in June 2010, Kyrgyzstan’s interim government explicitly called on the CSTO to get involved and stop the bloodshed, but to no avail. The CSTO has proven equally toothless in addressing the increasingly frequent outbreaks of violence along the poorly demarcated Kyrgyz-Tajik border.

In light of Russia’s military intervention in Ukraine, there are other potential dangers for these countries. In case the EU and the U.S. impose severe sanctions on the Russian economy this would unintentionally also hit the Kyrgyz and Tajik economies due to their interdependence on the state of the Russian economy. This suggests the risk of pinning the future on joining a protectionist regional economic bloc, led by a country increasingly isolating itself from the norms of international relations, and going against the tide of the ever increasingly globalized world economy.

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Ukraine: Door Closed?

James Sherr

Throughout its period of independence, Ukraine has defined itself as a European state. Although the country has many points of division, it distinguishes itself from its proverbial “elder brother,” Russia, in lacking either a Eurasian ideology or consciousness. At the same time, geopolitics, economic interests and regional differences have dictated a careful balancing act between East and West for much of the past 22 years.

Over the same period, the Russian Federation has made no secret of the fact that it equates its own security with the limited sovereignty of its neighbors, especially those whose citizens it regards as a branch of the Russian people. Between May 31, 1997 (the date of the Russia-Ukraine State Treaty) and February 27, 2014 (the start of Russia’s military intervention in Crimea), it respected Ukraine’s territorial integrity as well as its nezavisimost’ (Ukrainian nezalezhnosti), its juridical independence. But it has never accepted its samostoyatel’nost’ (Ukrainian samostiynist’), its ability to determine its own course, either as a norm or a fact. Since 1992, Russia has made willingness to integrate the litmus test of friendship, and it sees a direct connection between “strengthening economic links” and “securing] political loyalty.”

It should, then, cause little surprise that the Ukraine’s leaders and the majority of its political class have long regarded Russian integration projects with disquiet. What is more surprising is the paucity of steps taken to diminish Ukraine’s vulnerability to Russian pressure. Many Ukrainians who are most ardent about overcoming the Soviet legacy and “resuming Ukraine’s rightful place in Eu-

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“rope” have simply failed to grasp that the EU is neither, in essence, a geopolitical project nor an ethno-cultural one, but a values-based and rules-governed enterprise that seeks to deepen norms of administration, jurisprudence and business that Ukrainian governments have learnt to mimic rather than observe. While elections (most impressively the presidential election on May 25, 2014) have to various degrees passed the “free and fair” benchmark, modes of governance have been arbitrary and conflicted, modes of administration rigid and unaccountable, the legal order negotiable and the relationship between money and power opaque. These norms bind Ukraine to those who share neither its national aspirations nor its interests.

Nevertheless, the Euromaidan (the second Maidan in ten years) is a reminder that there is a counter-dynamic: a civic literacy and courage that makes the future a contest, rather than a Groundhog Day reiteration of disappointments and betrayals. Less obviously (as this author wrote in 2002), “the growth of civic instincts is [not only] sharpening the divide between state and society, it is also creating points of friction within the state and hence, a process of evolution inside it.”

Today that evolution is dramatic, but its course is uncertain. Russia’s shadow war against Ukraine is also evolving and changing its shape. Its interest in Ukraine joining the Eurasian Customs Union (ECU) and Eurasian Union is not. As Arkady Moshes wrote a full year before these events: “The stagnation of Eurasian integration is a realistic medium-term scenario. In this case, Ukraine’s accession to the Customs Union may appear to the latter’s architects to be more critical than ever.”

**Economic Consequences of ECU Membership**

The balance of economic costs and benefits attendant upon Ukraine’s membership of the ECU is highly conjectural. In 2012, Ukraine’s trade turnover with the ECU was €43.8 billion (€33.7 billion with Russia) and with the EU €33.7 bil-

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Joining the ECU would have immediate implications for Ukraine’s terms of trade with the WTO, to which Ukraine acceded in May 2008. Ukraine’s WTO import tariff is set at 5.8 percent, whereas the Common External Tariff of the ECU was notionally 10 percent in 2013 (in Russia’s case 11.5 percent) and, by agreement with the WTO, is set to fall to 7.8 percent before 2020. Whereas Russia negotiated this transitional arrangement before acceding to the WTO in August 2012, the WTO has flatly ruled out a similar transition for Ukraine. Therefore, Ukraine would find itself in violation of WTO provisions from the moment of its entry into the ECU. Moreover, the impact on its terms of trade with 159 WTO members, including the EU and China, would be stark. This would be true even if Ukraine failed to conclude an Association Agreement with the EU and establish the Deep and Comprehensive Free Trade Area (DCFTA).

Were the ECU an economic powerhouse and the WTO a zone of stagnation, the tradeoff might have merit. Yet this is hardly the case. In 2011, the ECU’s first year of operation, trade between Russia, Belarus and Kazakhstan grew by 34 per cent, a figure largely explained by recovery from the 2008-9 economic crisis and the nine percent fall in Russia’s 2009 GDP. In the second half of 2012, internal trade in the ECU grew by only three percent. Moreover, the impact of membership on bilateral trade has been anything but striking. As Arkady Moshes has noted, in 2011 Belarusian trade with Russia increased by 40.7 percent and Ukraine’s by 36.1 percent. Both experienced a sharp decline in 2012 (by 9.4 and 10.8 percent respectively). Membership of the zone (or independence from it) would appear to be less important than broader secular factors affecting bilateral trade.

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6 Moshes, op.cit. p 2.
These desultory trends arise from a dissonance between “normative principles” and reality that is all too familiar in the former Soviet Union. In aspiration and appearance, the ECU is the most ambitiously institutionalized and rules-based integration project established in the former USSR since 1992. Yet in practice, as Kazakhstan’s President Nursultan Nazarbayev observed at the October 2013 summit, it is subject to “clear politicization.” The Russian Federation accounts for 90 percent of ECU GDP, and its tariff lines provide the baseline of harmonization—to Kazakhstan’s pronounced disadvantage and potentially Ukraine’s. In contrast to the EU’s decision-making bodies, which provide a system of checks and balances, the ECU’s regulatory bodies are Russian-dominated and organized on the vertical principle. A major component of internal trade, hydrocarbon products, is excluded from the ECU provisions and continues to be negotiated on a bilateral basis. Thus, the stunning 26 percent fall in trade between Belarus and the EU in 2013 derived far less from ECU membership than the terms of the Belarus-Russia gas discount, which have brought a halt to the country’s substantial re-export of Russian oil products.

These factors alone would explain why Ukrainian decision makers regard Russian statements about the benefits of accession with suspicion. Sergei Glazyev’s claim that Ukraine’s economy would gain $9 billion per year is a charitable extrapolation of benefits that do not derive from ECU accession at all but from assurances that Ukraine’s energy tariffs would fall from an extortionate $480 per tcm high to a more friendly sum—though Belarus only secured its $165 price after ceding ownership of its gas transit system (something Ukraine has no intention of doing), and Ukraine’s previous $100 discount, secured in April 2010, had only a momentary effect on the upward trend in prices. Until Yanukovych concluded his final bilateral trade deal with Russia on December 17, 2013, Ukraine was paying one of the highest gas prices in Europe.

That economic sectors dependent on the Russian market will benefit from ECU membership is undeniable. But to what extent and for how long? Much of Ukraine’s higher-tech and defense-oriented industry is at a competitive disad-

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7 Rilka Dragneva and Kataryna Wolczuk, Russia, the Eurasian Customs Union and the EU: Cooperation, Stagnation or Rivalry?, Chatham House Briefing Paper REP BP 2012/01, August 2012.

vantage to the EU, and the chairman of Motor Sich has stated that Ukraine’s entry into the EU’s Deep and Comprehensive Free Trade Area would mean “instant death.” Yet the fact remains that Ukraine’s higher-tech sectors are not high-tech sectors, and it is the EU and other OECD economies that are sources of new technology, modernization and long-term growth. In contrast, the ECU represents the accelerated integration of declining markets, and that could prove to be a fatal attraction.

Guile and Débâcle
The corollary to the December 1991 Belovezhskie Accords establishing the CIS—which Ukraine’s first president, Leonid Kravchuk termed a “civilized divorce”—was Ukraine’s determination to become a “full member of the European family of civilized nations.” Yet it was Kravchuk’s successor, Leonid Kuchma, who gave this “strategic challenge” institutional coherence. Unlike Viktor Yushchenko, who viewed European integration as a “civilizational choice,” Kuchma and Yanukovych viewed it in pragmatic terms: as an economic opportunity and geopolitical necessity. Both Kuchma and Yanukovych believed that a multi-vector policy was necessary to this end.

But there the comparisons end. For Kuchma, the multi-vector policy (and a “strategic partnership” with Russia) was a dynamic policy intended to secure Russia’s gradual consent to a Euro-Atlantic course designed by stages to integrate Ukraine with NATO and the EU. It was also intended to buy time for Ukraine to establish the samostiynist’—the political, economic, institutional and civic effectiveness—to advance a course that Russia deeply opposed. For Yanukovych, it was a policy of equidistance, a key component of which, the “non-bloc policy,” ruled out NATO membership. Despite the “subjective” (i.e. corrupt) interests inside the Kuchma system, the focus of Kuchma’s policy was the Ukrainian national interest, and his first term (1994-99) was marked by a pace and intensity of state building that impressed Ukraine’s Western partners. Under Viktor Yanukovych, the national interest was simply a variable in the quest

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to consolidate power. Whereas Yushchenko partially de-professionalized the state he inherited—and did so errantly rather than consciously—Yanukovych commercialized the state and hollowed it out. In other words, whereas Kuchma sought to link internal and external goals, Yanukovych’s internal and external goals were contradictory and, in the end, incompatible.

It was on this narrow and specific basis that Yanukovych, following his election in February 2010, grasped the opportunity provided by the EU’s Eastern Partnership to negotiate an Association Agreement and DCFTA, which the EU and Ukraine duly initialed in December 2011. Yet on November 21, 2013, Yanukovych abruptly terminated preparations, by then well advanced, to sign the Agreement at the impending Vilnius summit. Instead, on December 17, he concluded a broad range of accords with Moscow. This volte face has led many to conclude that Yanukovych from the start had cynically used the Association process as a means to secure favorable terms from Moscow.

Yet the policy record in Kyiv and Moscow does not support this conclusion. Yanukovych viewed the Kharkiv accords and the law on non-bloc status of April and July 2010, respectively, as pre-emptive steps to remove Russia’s major points of grievance against Ukraine and diminish pressure upon it. Instead, they had the opposite effect, intensifying Russian pressure, in Medvedev’s words, to “synchronize the development of socio-economic relations.” Instead of drawing Ukraine closer, Russia’s insistence that the accords were “only the beginning” provided an impetus for the EU Association negotiations and, more discreetly, for reopening channels of communication with NATO.

That Yanukovych adopted a cynical approach to the Association Agreement is not in question. For him, Association was a “political resource rather than a blueprint for change,” and implementation was something to be pursued à la carte. Far from intending not to sign, he believed that Western geopolitical interest and the time-honored practices of maneuver and moral blackmail would secure EU signature and ratification. He also believed, despite the firmest ad-

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monitions from both Brussels and Moscow, that EU Association would be consistent with partial adherence to the provisions of the ECU. His inner circle, whose insularity, ignorance and servility cannot be overestimated, fed these illusions until close to the end.

Consistent with these objectives, Ukraine secured ECU observer status in June 2013. In its proposed text, Ukraine’s MFA included all the established safeguards: “equality and mutual respect,” amendment “by mutual agreement,” entry into force “upon ratification” (rather than signature), provisions for withdrawal and publication of the agreement in the two state languages, Russian and Ukrainian. All of these provisions were summarily rejected by Moscow. These fresh reminders of brotherly sentiment accelerated efforts to bring Ukrainian legislation into line with EU requirements.

Only in October 2013 did the learning curve catch up with reality. The immediate reality was Ukraine’s exclusion from capital markets and imminent risk of default. The second was the flat contradiction between IMF hard conditionality and the system of power (which made efforts to soften EU conditionality beside the point). The third was Russia.

Russia’s terms of assistance, accepted on December 17, were a vise. The package, $15 billion dispersed over three years, superficially resembled the IMF package in size, in obligations for repayment and a mechanism of review. Superficially, it was also more generous, since it provided what the EU and IMF could not: a one-third discount on gas prices. But fundamentally, the two packages differed. “When a country borrows from the IMF, it agrees to adjust its economic policies to overcome the problems that led it to seek funding in the first place.” When Ukraine borrowed from Russia, it agreed to co-management of the commanding heights of Ukraine’s economy. To state the obvious, the December 17 accords were not customs agreements, but integration agreements that


well exceeded the ambit of the ECU. Why did Yanukovych find these conditions less onerous than the reforms mandated by the IMF and EU?

Part of the answer is pressure. In August 2013, the Kremlin leaked the summary of a report drawn up by Sergei Glazyev on the vulnerabilities of Ukraine’s economy. At their November 12 meeting in Sochi, Putin described what would follow in practice if Yanukovych signed the text in Vilnius, highlighting the consequences for financial interests closest to him personally. For its part, Russia was offering terms that would finance Yanukovych’s re-election and leave most of his patronage network intact. Accepting this poisoned chalice was a historic miscalculation, and its consequences are now history. Had Yanukovych signed the Vilnius accord and agreed the IMF package, he probably would be in power today.

Division and Consensus

At no point in Ukraine’s 22 years of independence has support for integration with Russia or its CIS partners commanded a plurality of national support. Yet, as one would expect, the issue has brought about pronounced regional divergences. They are not the only ones that matter. A poll taken by the Kyiv-based Razumkov Centre in April 2013 revealed a stronger preference for ECU accession amongst Russian speakers, the elderly, the less prosperous and less educated. Even adherents of ECU accession regard it as a way of “restoring what had been lost” rather than modernizing the country and its institutions.

Public opinion has been geopolitically sensitive as well. Historically, NATO polarized the country, and the EU did not. Before the EU became an issue in Ukraine’s relations with Russia, support for accession ran well above 50 percent, with a large proportion of the remainder favoring closer integration with both

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18 See inter alia Inna Bogoslovskaya interview with Ekho Moskviy, December 5, 2013.
20 Ibid., p. 103.
the EU and Russia. But by April 2013, the proportion favoring EU accession had dropped to 42 percent, with 33 percent favoring the ECU and 12 percent opposing either option. \(^{21}\) Russia’s “hybrid war” appears to have shifted these polarities. In March 2014 a consortium of four opinion research centers put support for EU integration at 52 percent (up from 45-47 percent in January) and support for ECU accession at 27 percent (down from 36 percent in January).\(^{22}\)

The position of Ukraine’s oligarchs is rather different. With few exceptions, they are widely perceived to be the most formidable obstacle to the establishment of a rules-based and open market economy in Ukraine.\(^{23}\) Rinat Akhmetov, Dmytro Firtash, and Ihor Kolomoyskiy are key stakeholders in the system of informal government-business ties that characterize the prevailing economic system. Justly or otherwise, they have often been accused of devious and brutal measures to expand business holdings and maintain them.

Nevertheless, the majority of Ukraine’s oligarchs support closer ties with the EU and oppose ECU membership.\(^{24}\) Their businesses are overwhelmingly export orientated, and their horizons are global. Metals and minerals, which make up 50 percent of Ukraine’s exports, are not subject to customs fees under WTO rules which, as already noted, would be breached if Ukraine entered the Customs Union. Moreover, Russian competitors, who benefit from subsidized energy and interest free loans, do not operate on a level playing field in Ukraine, and it is widely perceived that entry into the ECU would remove the safeguards that currently restrain predatory behavior. Rightly or wrongly, the oligarchs

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\(^{21}\) Ibid., p 103.


\(^{23}\) Amongst the partial exceptions are Viktor Pinchuk (Kuchma’s son-in-law, founder of Interpipe and a supporter of PM Arseniy Yatseniuk), Serhiy Taruta (former co-chairman of the Industrial Union of Donbas and, since March 2014, Governor of Donetsk Oblast) and Petro Poroshenko himself.

\(^{24}\) Exceptions can be found inside the defence-industrial complex and those, like Oleksandr Yefremov (former governor of Luhansk Oblast and leader of the Party of Regions parliamentary faction 2010-13). A more arguable exception is Dmytro Firtash, whose energy interests benefit from arbitrage, and whose chemical industries benefit from cheap energy. See Margarita Balmaceda, *The Politics of Energy Dependency: Ukraine, Belarus and Lithuania Between Domestic Oligarchs and Russian Pressure, 1992–2010* (University of Toronto Press, 2013).
perceive that their informal rule-setting prerogatives will survive EU Association.\textsuperscript{25}

\textbf{A Fresh Start?}

It would be presumptuous to give voice to the millions of Ukrainians who elected Petro Poroshenko with an absolute majority on the basis of a 60.3 percent national turnout.\textsuperscript{26} After three months of interim (and often conflicted) authority, economic crisis and insurgency, it would be rash to assume that the only thought on voters’ minds was to fulfill the aspiration of the Euromaidan and change the system of power in Ukraine. In systemic terms, Poroshenko distinguished himself by his personal, financial and media support of the Maidan, by his absence from the February 21, 2014, EU-brokered negotiations with Yanukovych and by his unequivocal stance on Europe. Yet he came to prominence in the 1990s with the backing of Mykola Azarov, who appointed him chairman of the National Bank in December 2012, and for reasons that have yet to be explained, his March alliance with Vitaly Klychko was secured with the blessing of Dmytro Firtash, whose extradition from Austria is sought by the United States. Although he will govern on the basis of the parliamentary-presidential constitution of 2004, his inaugural address left little doubt of his decisiveness and authority.

Especially decisive, and perhaps surprising, was his announcement that the remaining chapters of the EU Association Agreement should be signed by June 27, 2014. This will end all appearance of delay and equivocation (the political chapters signed on March 21 comprising but two percent of the whole). By taking this step, Poroshenko wants Europe, Russia, and his domestic opponents to know that Ukraine no longer sits on two stools and that the door to ECU accession is now closed. Yet it also would appear to be the opening move in what will be a tenacious struggle for authority with Rinat Akhmetov, for whom two

\textsuperscript{25} Slawomir Matuszak, “How Ukrainian oligarchs view integration with the EU and Russia,” Centre for Eastern Studies (OSW), Warsaw, September 9, 2011.

\textsuperscript{26} However, the “national” figure excludes those constituencies where elections did not take place, specifically 17 of 22 constituencies in Donetsk and 8 out of 12 constituencies in Luhansk. Tadeusz Olszanski and Agata Wierzbowska-Miazga, “Poroshenko, President of Ukraine,” OSW, May 28, 2014.
stools have been as important as two lungs. The question today is whether the national interest will guide that struggle or be hostage to it.

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Georgia and Moldova: Staying the Course

Mamuka Tsereteli

The West’s response to the recent Russian aggression in Ukraine has clearly demonstrated the limited immediate ability of the United States and the EU to challenge Russia’s actions. The U.S. and the EU are, however, in search of a long-term strategy that could, if needed, impose substantial costs on the Russian Federation.

Some elements of the strategy were embedded in the EU’s Eastern Partnership project, which was designed after the Russian-Georgian war and the ensuing Russian occupation of Georgian territories. The intent of the project is to expand the area under the umbrella of Western values and to promote economic rules and trade with countries in the immediate vicinity of the EU which aspire to further European integration. While participant countries were not provided with a perspective of membership, the project was clearly initiated to bring those countries closer to the EU. The Eastern Partnership initiative, led by Sweden and Poland, was launched in 2009, and by November 2013, Georgia and Moldova had initialized an Association Agreement (AA) with the EU, which they signed in June 2014.

The magnitude of Russia’s resistance to the EU’s Eastern Partnership initiative was vividly demonstrated by Moscow’s steps to prevent Armenia from initializing the AA, as well as by the pressure applied to Ukraine, which Russia persuaded not to sign the AA, just days before the Vilnius Summit (These cases are studied in detail in the contributions of Armen Grigoryan and James Sherr to this volume). Instead, both Armenia and Ukraine announced that they would open negotiations with the aim of joining the Russian-led Eurasian Customs Union (ECU). The EU’s immediate reaction was that countries engaged in the Eurasian Customs Union could not sign an AA or a Deep and Compre-
hensive Free Trade Agreement (DCFTA) thus closing the doors for Armenia’s and Ukraine’s integration with Europe—for the moment. That decision led to a change of government in Ukraine, which then provoked Russia’s annexation of Crimea and escalation from proxy to full scale warfare in the Donbass.

The governments of Georgia and Moldova initialized their Association Agreements in November 2013, and were promised that final agreements would ready for signing by the fall of 2014. As the situation in Ukraine evolved, and Russian pressure increased, the EU brought forward the target date for the finalization of the trade and political deals with Moldova and Georgia from August to June.¹ Russia’s resolve regarding Ukraine suggests that it is unlikely to stand by while Georgia and Moldova implement the Association Agreements. Instead, Moscow appears likely to exert significant pressure on these countries in order for them to change course. Moldova seems particularly vulnerable to Russian pressure—and will probably remain so after the signing of the AA.

The Economic Choice: ECU vs EU

Despite recent economic problems, the EU remains a major magnet for trade, investments, as well as labor migrants from many parts of the world. The EU economic area is far superior to the ECU in terms of market size, purchasing power, infrastructure development, standard of living, technological advancement, social indicators, level of education, labor standards, and freedom of expression. Even citizens of the Russian Federation, the most powerful economy in the ECU, are trying to migrate to the EU in search of better opportunities. Thus, the Association Agreement will bring Georgia and Moldova closer to a larger, richer, better developed and more technologically advanced partner than would integration in the ECU.

The EU is the largest trading partner for Georgia (26 percent of its total trade, including 30 percent of imports and 20 percent of exports) and even more so for Moldova (53 percent of its total trade). The EU is also the number one investor in these countries. In 2012, the EU’s total turnover from trade with the Eastern Partnership countries amounted to €74.6 billion, out of which Georgia account-

ed for €2.6 billion, and Moldova €3 billion. The EU’s exports to Georgia mainly consist of machinery and transport equipment, mineral fuels and related materials, chemicals and other manufactured goods. The EU mainly imported raw materials and mining products, fertilizers, wine, mineral waters and nuts from Georgia. The EU’s exports to Moldova mainly consist of mineral fuels, as well as electrical machinery and equipment.²

The Deep and Comprehensive Free Trade Agreement unlocks a market of 500 million people, which could easily absorb products from small countries like Georgia and Moldova. It should also stimulate significant investment in these countries. According to the European Commission, the DCFTA will increase Georgia’s exports to the EU by 12 percent and imports by 7.5 percent. Georgia’s GDP could increase by 4.3 percent (or €292 million) in the long term provided that the DCFTA is implemented and that its effects are sustained. For Moldova, the change in national income is estimated to be around €142 million, i.e. 5.4 percent of the country’s GDP, while both its exports to and imports from the EU are expected to increase by as much as 16 percent and 8 percent respectively—which will likely lead to an increase in wages and lower prices for consumers.³ These numbers clearly demonstrate the benefits of the DCFTA and the AA for Georgia and Moldova. But there are also costs associated with implementing the DCFTA. One significant cost is the requirement for compliance to EU trade and safety regulations. It will take some regulatory adjustments before access is granted to the EU market, particularly regarding sanitary and phytosanitary requirements. The process of legislative and regulatory harmonization will be long and costly, but Georgia and Moldova have to comply with these regulations in any case, if they want to export goods to the EU. The incentive of tariff-free access to such a large market will positively impact the process of regulatory reform. In addition, the process is transparent, the requirements are known and they have a technical, not a political, nature. As long as countries comply with those requirements, the DCFTA will enable greater access to European markets.

³ Ibid.
Another potential cost may be tariffs imposed by the Eurasian Customs Union members on Georgian and Moldovan products—which would affect sales to Belarus, Russia and Kazakhstan, as well as other future members of the Eurasian Union. Until recently, Georgia and Moldova enjoyed tariff-free access to those markets for wine and other products. But Russian politicians are already discussing possibility of imposing import tariffs on Georgian and Moldovan products. Moreover, Russia has other ways of limiting the import of goods such as sanitary requirements, licensing and certification. The decisions regarding such non-tariff barriers are heavily influenced by politics and the rules are less clear and universal than those of the EU. Russia’s chief sanitary inspector banned imports of Georgian and Moldovan wines in 2006 on the grounds of allegedly low sanitary standards of the products without any clear justification for the decision. The ban has since been lifted for Moldovan wines, but it was re-imposed again in September of 2013, after Moldova’s definite steps towards the EU Association Agreement. Georgian wines were allowed back into the Russian market in 2013 because of Russia’s obligations to the WTO, although only after lengthy negotiations and a series of inspections of Georgian vineyards. Non-tariff agreements can therefore not be seen as guarantors of access to the Russian market.

The advantage of the ECU over the EU’s DCFTA is that Georgian and Moldovan products are well known and in demand in ECU member countries, and require less marketing and promotional efforts. After the opening of the Russian market for Georgian wines in the middle of 2013, Russia immediately became, once again, the largest export destination for Georgian wines. But political risks associated with operations on the Russian market, namely the fact that trade and economic issues are linked to Russian strategic ambitions, make the long-term cost of operations in the Russian market very high. The cost to producers of the ban on sales on Georgian and Moldovan wines in 2006 was very significant. An additional cost is the non-transparent and corrupt nature of Russian bureaucracy and business practices, which raises risk factors and increases the Russian government’s leverage over business. Thus, on balance, the costs of the Customs Union outweigh the benefits for Georgia and Moldova.
Evolution of Government Positions and Public Opinion

There are similarities as well as differences in the evolution of government positions and public opinion between Georgia and Moldova on the issue of integration with Europe vs. the post-Soviet space.

Throughout different governments and administrations, the Georgian leadership has consistently expressed a clear determination for sovereignty and greater independence from foreign influence, and European integration has been seen as a mechanism for achieving that ultimate goal. The rhetoric in favor of European integration increased after the Rose Revolution, under President Saakashvili. While actual government policies were not always in correspondence to European values, the process of integration advanced significantly, in particular after the Russian-Georgian war in 2008 and the initiation of the EU’s Eastern Partnership program. Georgia also had a very pro-active NATO policy, initiated by President Shevardnadze in 2002, and advanced by President Saakashvili prior to the Bucharest Summit of 2008. However, it ended just short of granting Georgia and Ukraine a roadmap towards actual NATO membership. But the Summit still declared that Georgia and Ukraine would ultimately join the alliance. Many experts and policymakers see the pro-active Georgian NATO policy as a major trigger for the Russian aggression against Georgia in 2008 that left two Georgian territories—Abkhazia and South Ossetia—under Russian military occupation.

After the change of leadership in Georgia following the 2012 Parliamentary and 2013 Presidential elections, Georgia toned down the anti-Russian rhetoric of the Saakashvili administration and participated in a dialogue with Russia on social and economic issues, which improved the bilateral relationship somewhat. While still pursuing NATO membership through the existing NATO-Georgia Commission and Annual National Plan, the new Georgian leadership made the EU Association Agreement its major policy priority, and a more immediate objective than NATO membership.

Moldova has had a more cautious approach to Euro-Atlantic integration. While Moldova participated in NATO’s Partnership for Peace program, Moldova never registered interest in membership. Also, several Moldovan administrations have been more reserved regarding the idea of European integration, and a decade of communist rule definitely slowed the process. But one important
point that is greatly underestimated in Moscow—as well as in some Western capitals—is the fact that Russia itself pushes countries out of its own orbit through its aggressive imperial ambitions. Even the communist government of Moldova, relatively loyal to Moscow, was under significant Russian pressure to offer more concessions and to hand over more elements of its sovereignty. This led to a change in the Moldovan leadership, which consequently adopted more pro-active policies on European integration.

One issue that brings Georgia and Moldova together is the leverage that Russia has over the two countries due to their respective unresolved conflicts. Both Georgia and Moldova went through separatist conflicts in the 1990s following the collapse of the Soviet Union. Russian-supported separatist movements in the Russian-populated areas of Moldova led to a de facto separation of the Transnistria region from Moldova. The same process took place in Georgia’s autonomous units, Abkhazia and South Ossetia. The Russian leadership has used these conflicts as tools of pressure and coercion for two decades. In fact, Russia used these conflicts to force Georgia into the Commonwealth of Independent States in 1993, since Georgia initially, together with the Baltic States, refused to join this newly created Russian-led organization at its creation in 1992.

But again, there are some differences: Russia recognized the independent statehood of Abkhazia and South Ossetia after the 2008 war with Georgia. Russia gained close to zero international support for this, and the decision has also caused Russia to lose some degree of leverage over Georgia. Furthermore, Russian recognition complicates the potential future reintegration of those regions into the Georgian state. In the case of Moldova, Transnistria remains an unrecognized territory, and the threat of recognition of the territory as an independent state has a significant effect upon the decision-making of the Moldovan leadership, as well as on public opinion.

Nonetheless, Russia still retains significant leverage over Georgia. To begin with, there are other ethnic minorities, in particular in southern Georgia, which could be manipulated by Russia. Moscow also has the option to annex the currently occupied territories, particularly South Ossetia. Furthermore, Russia could instigate a complete ethnic cleansing in Abkhazia, which still has a significant ethnic Georgian population, as well as undermine Georgian politics by the
use of subversive, Russian-funded, groups. And finally, Russia could pressure Georgia to use its territory for access to Russian military bases in Armenia. These are all instruments that could cause serious political problems for Georgia, but none of these could realistically force the Georgian leadership to renege on its Association Agreement with the EU. The Russian leadership understands this and is consequently neither likely to exercise these instruments immediately nor simultaneously, but rather in a gradual way in order to achieve Moscow’s longer-term objectives. Georgia needs both soft power, as well as hard security deterrents, in order to face this pressure.

These factors have led to significant differences in terms of public support for European integration in Georgia and Moldova. More than 70 percent of Georgians support the country’s EU and NATO integration. The level of support has varied depending on international political realities. In polls conducted in April 2014, 77 percent of Georgians surveyed supported EU integration and 71 percent supported NATO integration. While the level of support has declined slightly in comparison to results from polls taken in November 2013, recent polls show that the number of respondents who think that Russia is “a real and existing threat” to Georgia increased by fourteen percentage points to 50 percent in April 2014; 32 percent think that Russia “is a threat to Georgia but it is exaggerated.” The portion of respondents who think that Russia is “no threat to Georgia at all” declined from 23 percent in November 2013 to 13 percent in April 2014. This is a clear reflection of Russian actions in Ukraine. In the same poll, only 16 percent of Georgians said that integration with the ECU is preferable for Georgia.4

Moldova’s population is more favorable towards the Eurasian Customs Union than Georgia’s. Being asked to choose only one option between support for the EU or the ECU, a slight plurality of respondents (44 percent) preferred the EU to the ECU (40 percent). However, if the respondents are asked to choose between three options: EU, ECU, or cooperation with both entities, 25 percent would choose cooperation with both, compared to 32 percent choosing the EU and 36 percent the ECU. The survey also shows a noticeable trend of decline in support of the EU among the population due to dissatisfaction with the perfor-

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mance of the pro-European government in Moldova. A 2009 survey had shown a preference of integration with the EU over Russia by a margin of 25 percentage points, shrinking to 4 in 2013.\(^5\)

NATO membership is not on the agenda of any major political group in Moldova, and at this point there is no significant public support for Moldovan NATO membership either.

**Russian Economic Leverage over Georgia and Moldova**

Russia has since 2005-2006 lost most of its economic leverage over Georgia. Previously, Russia’s economic hold over Georgia was due to Georgia’s energy dependency, the dependency of Georgian agricultural and agribusiness products on the Russian market, and Georgia’s dependence on remittances from Georgians living and working in Russia. Russia has lost the first two instruments of economic leverage. Georgia’s participation in the strategic energy transit projects and its switch to Azerbaijani oil and natural gas has allowed Georgia to become independent from Russian supplies. Furthermore, Russia’s own policy of banning Georgian products in the Russian market has pushed Georgia to diversify and to find new markets. Also, while exports of some products, like wine, never fully recovered to the pre-embargo levels, their quality has increased dramatically. Income per unit of exported Georgian wine has also increased significantly, allowing growing income from sales. As for exports of mineral waters, their export sales surpassed the pre-Russian embargo export levels by 2012. This demonstrated the lack of success of the Russian embargo on Georgian products, as Georgia was able to diversify relatively rapidly.

However, remittances from Russia still have a significant impact on the Georgian economy. Georgia is an import-dependent country with a large current account deficit, which is partly offset by remittances. Remittances play a significant role in Georgia’s GDP, since they support an important part of the country’s consumption. In 2006, following the Russian embargo on Georgian products, the Russian government also started to send back some Georgian labor

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migrants, which had a negative impact on the Georgian economy. The return of Georgian wines and mineral waters to the Russian market in 2013 will increase Georgia’s dependency on the Russian market. But in the short run it cannot translate into major political leverage.

Because of its Soviet legacy, Russia still holds considerable influence over Moldova’s economy. Russia accounted for 30 percent of Moldova’s exports and supplied 16 percent of its imports in 2012.6 However, it should be noted that the EU accounts for 54 percent of Moldova’s trade, making it Moldova’s largest trading partner.7 In an effort to stop Moldova’s pivot towards Europe and the EU, Russia has employed its economic muscle to keep Moldova within its sphere of influence and perhaps move it closer to the Russian-led Eurasian Customs Union.

Before Moldova and the EU initialized the Association Agreement in the end of November 2013, Russia’s most notable use of its economic weapon was its ban on imports of Moldovan wine. On September 10, 2013, Russia’s highest public health official, Rospotrebnadzor chief Gennady Onishchenko, stated that Moldova lacked measures to control the quality of its wine exports and that the wine contained impurities.8 He thus banned the import of Moldovan wines into Russia, which echoed an earlier Russian ban on Moldovan wines from 2006 to 2013. Russia has accounted for 21 percent of Moldova’s wine exports9 and has been the single largest market for Moldovan wines,10 and the ban will thus have important effects—though not crippling ones—on one of Moldova’s most important export industries. Russia’s ban on wine could also signal its willingness

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6 The Economist Intelligence Unit, Countries, Moldova, Neighborhood Watch, March 14, 2014, http://country.eiu.com/(F(cxziCKz_KXxEURoaJCTsvSc15zmBuwIWtNzsKdHLJB IBJznAf5RAQveG5j_VOYbd99wszWvG_yCGw8r6bjsA004zNzUVzu66TQNUbsCsi) )/Moldova/ArticleList/Analysis/Policies.
9 Ibid.
to ban the import of Moldovan fruits and vegetables, which would hurt Moldova’s important agricultural industry.

Before the initialization of the AA, Russia’s Deputy Prime Minister, Dmitri Rogozin, also threatened Moldova over its energy imports—Russia accounts for 95-97 percent of Moldova’s energy imports.11 On September 3, 2013, he stated, “Energy is important, the cold season is near, winter on its way. We hope that you will not freeze this winter.”12 Russia did not cut off Moldova’s energy supply following the November 2013 initialization, but this was an ominous signal. Previously, in September 2012, Russia’s Energy Minister, Aleksandr Novak, attempted to stop Moldova from passing a protocol to enter the EU’s Energy Community by promising a lower price for natural gas.13 Moldova ultimately stopped its accession to the Energy Community, largely because of Russian pressure. Russia has a pattern of employing its energy exports as a weapon against Moldova, and is doing so again in an effort to derail Moldova’s European aspirations.

After the initialization of the Association Agreement, Russia has taken several muted steps to punish Moldova for its closer ties to the EU. The most important of these concerns Moldovan migrant workers residing and working in Russia. Approximately 300,000 to 400,000 Moldovans work in Russia, and they send home more than $1 billion in remittances each year.14 Because of Russia’s nebulous residency and work permit laws, more than half of these people are allegedly in breach of them, with 21,500 Moldovans working in Russia having been repatriated back to Moldova or having been prohibited from returning to Russia. 288,000 more are considered at risk and may become subject to similar measures.15

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15 Ibid.
Another way in which Russia could derail Moldova’s aspirations of an Association Agreement with the EU is by exploiting its extensive business ties with Moldova. For example, in September 2013, the Moldovan government granted a non-public tender to run Chisinau International Airport to an essentially unknown Russian company based in Eastern Siberia. Even though the Moldovan Constitutional Court suspended this decision a week later,\textsuperscript{16} it still goes to show how easily Russian companies could acquire key stakes in vitally important Moldovan operations. Furthermore, former Moldovan Prime Minister Ion Sturza believes that Russian companies could easily snap up Moldovan assets in future rounds of the privatization of Moldovan public property. This would set a dangerous precedent and encourage further Russian incursion into Moldovan economic interests.\textsuperscript{17}

Finally, Russia could also use its extensive ties to Transnistria and the Gagauz Republic to foment unrest in Moldova. Russia is essentially Transnistria’s only backer and Transnistria is home to many Russian-owned businesses. In January 2013, Russia even announced that it wants to open a consulate in Tiraspol, which would further cement Russia’s presence and importance in the area.\textsuperscript{18} Similarly, the Turkic Russian-speakers of the Gagauz minority held an unauthorized referendum in February 2014 in their autonomous province—the Gagauz Republic—where they voted in favor of the Gagauz Republic’s accession to the Eurasian Customs Union (97 percent in favor) and overwhelmingly voted to support its secession from Moldova if Moldova no longer remains independent (99 percent in favor). Russia could certainly use its influence in these areas to create further difficulties for Moldova’s signing of an Association Agreement.


\textsuperscript{17} Vladimir Socor, “Moldova, the European Union and the Vilnius Summit (Part Two),” Eurasia Daily Monitor, November 20, 2013.

Conclusions

In conclusion, Russia still has a substantial menu of options to destabilize Georgia and Moldova in order to prevent or delay the advance of these states towards greater integration with the EU through the implementation of the Association Agreements. The case of Ukraine demonstrates that Russia is willing and capable to use all the available means, including military power, to prevent the advance of the value-based political and economic system to Russia’s neighborhood, which President Putin sees as a major threat to the political future of his regime. In this regard, the final outcome of the developments in Ukraine will have a tremendous impact on Russian strategy in Moldova and Georgia. If Russia succeeds in establishing a separatist *de facto* independent regime in the southern and eastern parts of Ukraine just as Russia managed to do in Georgia and Moldova in the early 1990s—and this appeared likely as this book went to press—Russia will be emboldened to do more damage to the sovereignty and independence of those smaller countries. As a result, it will be extremely difficult for Moldova and Georgia to resist Russian pressure in the long run without substantive support and help from not only the EU, but also from the United States. The international community needs to make sure that the sovereignty and territorial integrity of the UN member states is reinstated as a norm of the international relations in the wider Black Sea region.
Azerbaijan: Going It Alone

Svante E. Cornell

Over the past two decades, Azerbaijan has been among the countries most reticent to engage in integration projects among post-Soviet states. In fact, from the early 1990s onward, Azerbaijan resisted Russian efforts to integrate the country into various institutions. Since then, it has taken a position that can be generally described as being somewhat more accommodating than Georgia’s position toward Moscow, and somewhat more forward than those of Uzbekistan and Turkmenistan. In that context, it should come as no surprise that Azerbaijan has rejected offers to join the Customs Union or upcoming Eurasian Union, but it also has maintained a low profile on the matter.

Economic Prospects

Analysts have pointed to benefits as well as drawbacks that membership in the Customs Union and Eurasian Union would bring to Azerbaijan. These analyses are practically unanimous in noting that the negatives outweigh the positives. Even semi-official Russian analysts have acknowledged this, with one noting that “if Azerbaijan joins the Customs Union, that it is jointly with Turkey and this will not happen soon because of the nature of the Azerbaijani economy.”

The benefits of Azerbaijan joining the Customs Union would essentially lie in greater access to the Russian market. Given that the Eurasian Union would bring free mobility of labor, it would, in theory, legalize the estimated up to two million Azerbaijani guest laborers in Russia, of which only a fraction have a legal presence—implying that Customs Union membership would remove one potential Russian instrument of pressure. Moreover, Azerbaijan's non-oil sector

would likely benefit, with one detailed Azerbaijani study estimating that the IT, construction, and transportation sectors would benefit from entry into the Customs Union—an analysis that may not have considered the declining Russian economy. And in principle, Azerbaijani agricultural products, especially seasonal fruits and vegetables, would have easier access to the Russian market. However, the Azerbaijani policy is to protect the domestic agricultural sector from foreign competition—a policy derived from its huge importance for employment. While it only accounts for 5 percent of GDP, it employs up to 40 percent of the population. The appreciation of the Azerbaijani currency that results from the oil industry impedes the competitiveness of its agricultural products, however; and agricultural productivity is higher in Russia and Belarus than it is in Azerbaijan. As a result, “the effect of accession to the [Customs Union] on agriculture would be overwhelmingly negative.”

These issues nevertheless pale in comparison with the potential effect of the Eurasian Union on Azerbaijan’s energy sector. As Bayramov observes,

The EEU is expected to harmonize the energy policies of member countries, which would require a uniform internal energy policy among members and external policy towards non-members. This would prevent Azerbaijan from implementing its energy strategy (namely, vis-à-vis the EU) independently of other EEU members. Such dependency is unfamiliar to Azerbaijan, which has, to date, controlled its own policy to meet EU demands for energy.

As Anar Valiyev has noted, the implication is that “Azerbaijan would not be able separately to negotiate either the price or the routes of delivering gas,” and as a result, “Azerbaijan would seriously harm relations with long-standing allies, such as Turkey.” Summing it up, a detailed qualitative and quantitative analysis undertaken by the independent Center for Economic and Social Devel-

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3 Ibid., p. 38.
opment in Azerbaijan calls membership “economic and political suicide” for the country.\(^6\)

**Evolution of the Governments’ Position**

When the Commonwealth of Independent States was created to succeed the Soviet Union, Azerbaijan signed the Treaty under the leadership of former Communist Party Head Ayaz Mutalibov. Under the nationalist presidency of Abulfez Elchibey, however, the Azerbaijani government refused to ratify this treaty, and in practice withdrew from it. Similarly, Azerbaijan did not accede to the Collective Security Treaty, signed in May 1992. These policies led, among others, to Russia intensifying its support for Armenia in the war over Nagorno-Karabakh, resulting in the loss of seven Azerbaijani provinces outside of Nagorno-Karabakh. When the nationalist government fell and Heydar Aliyev returned to power in the summer of 1993, the tide of war was not turned until Azerbaijan had re-joined the CIS and signed the Collective Security Treaty in September 1993.\(^7\) This has colored Azerbaijani perceptions of integration mechanisms in the former Soviet Union: in Azerbaijani collective memory, these are seen as instruments of Russia’s political strategy, specifically to recreate something akin to the Soviet space, to which Azerbaijan was compelled to take part in order to avert state failure.

Except when under duress, Azerbaijan has sought to extricate itself from these mechanisms. When the Collective Security Treaty expired in 1999, Azerbaijan—like Georgia and Uzbekistan—refused to sign a protocol extending it, and did not join the Collective Security Treaty Organization when created in 2002. Instead, Azerbaijan was a prime mover behind the establishment of the GUAM alliance, named for Georgia, Ukraine, Azerbaijan, and Moldova, in 1997. GUAM served the purpose of a group of countries resisting Russian-led integration efforts in the former Soviet space, and would be transformed into the “Organization for Democracy and Economic Development—GUAM” in 2006, headquartered in Baku.

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By contrast, Azerbaijan has supported efforts at western integration. In this vein, Azerbaijan signed an Independent Partnership Action Plan in 2005, and sent symbolic numbers of troops to support the NATO operations in Kosovo and Afghanistan. At various times in the past, Azerbaijani officials indicated their intention to seek NATO membership. However, such statements ceased after the 2008 Russian invasion of Georgia, which changed Azerbaijan’s strategic calculus—and thus formed an important achievement for Putin’s Russia. This did not mean a move to seek closer ties with Russia; but it did mean that Azerbaijan put the brakes to its European integration. Azerbaijan joined the EU’s Eastern Partnership in 2009, and began negotiations on an Association Agreement. However, by 2013, it decided not to pursue such an agreement, instead seeking a Strategic Partnership Agreement with the EU. In other words, Azerbaijan entered a period of greater ambiguity in its foreign policy.

Over time, instead, Azerbaijan decided on a policy that included a rhetorical commitment to European integration, but refrained from taking concrete steps in that regard, judging the security risks of doing so to exceed the potential benefits. Instead, the official Azerbaijani position evolved into one of non-alignment: in 2011, Azerbaijan officially joined the Non-Aligned Movement, becoming the second post-Soviet state after Belarus to do so. (Turkmenistan has been officially neutral since independence, but never joined the NAM). The

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8 It should be noted that Azerbaijan’s reticence to pursue an Association Agreement is the result of several factors. One is Azerbaijan’s different economic makeup, which makes a Deep and Comprehensive Free Trade Agreement less attractive to the country. Another is the fact that the draft Association Agreement “used ambiguous language about Azerbaijan’s territorial integrity, even as the EU emphatically supported Georgia’s and Moldova’s territorial integrity in the association agreements negotiated with those two countries.” This fact, a result of the EU’s effort to pursue Association Agreements with both Armenia and Azerbaijan, was not considered acceptable in Baku. See Vladimir Socor, “European Union’s Eastern Partnership Unwanted by Armenia, Inadequate to Azerbaijan,” Eurasia Daily Monitor, vol. 10 no. 220, December 9, 2013. Azerbaijani Presidential Advisor Novruz Mamedov made the point clearly in 2014: “The West wanted us to sign an association agreement with the European Union, but the issue of our territorial integrity had been removed from it. The European Union has recognized our territorial integrity so far, but recently it doesn’t want to accept it. Now, how should we understand it?,” Novruz Mammadov: “The West wanted us to sign an association agreement with the European Union, but the issue of our territorial integrity had been removed from it” APA, April 29, 2014.

official Azerbaijani position is that this does not contradict European integration: as a foreign ministry spokesperson stated, “pursuing this integration process does not mean that we want to become a member of either NATO or any other organization ... Integration does not mean becoming a member. Cooperation with both NATO and the European Union will continue.”

At a CIS Prime Ministers’ meeting in St. Petersburg in October 2011, a week after Vladimir Putin announced his intention to create the Eurasian Union, seven CIS member states signed a CIS Free Trade Agreement. While Putin announced this as an “unexpected” result of the meeting, Moldovan officials revealed that the document had been ready several months earlier, but was delayed as several states had reservations about the treaty. Indeed, while Moldova and Ukraine signed the treaty—considered not to conflict with their aspirations to European integration—Azerbaijan, Turkmenistan and Uzbekistan all declined to sign. At the time, it was reported that these states “asked for a few weeks to consider joining the free-trade agreement that the other members signed.” Almost three years later, none has done so.

A year later, Moscow had further ratcheted up the pressure on CIS states. A CIS summit in Ashgabat was used to further pressure recalcitrant states into joining the Free Trade Area, and undoubtedly to further propagate the Eurasian Union project. But Azerbaijani Foreign Minister Elmar Mammadyarov did not participate in the Foreign Ministers’ meeting; the next day, Ilham Aliyev absent himself from the Heads of State summit due to his “overly busy schedule.” It was reported that President Putin had specifically called Aliyev to persuade him to join the summit, but to no avail. The same month, Aliyev provided one of his very few official statements on the issue. In an interview with the Rossiya 24 TV channel, he observed that Azerbaijan does not “still see benefit in joining the Customs Union and Common Economic Space (CES).” At the same time, he noted that Azerbaijan had not joined the WTO either, in spite of what he termed being “actively invited to become a member of this organization.” He stressed, however, that Azerbaijan had recently joined the

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11 Most CIS Countries Sign Up to Free Trade Zone,” RFE/RL, October 19, 2011.
Non-Aligned Movement. Azerbaijan’s relationship to the WTO in a sense recalls Kazakhstan’s, whose accession was purposefully delayed by Russia’s own accession to that organization. Aliyev’s statements placating Russia, and the policies behind them, can be seen as achievements of Russian policy, and failures of Western ones.

It is notable that exceedingly few Azerbaijani officials have ever spoken on the record about the Customs Union and Eurasian Union. This is in all probability a result of a deliberate policy. The President’s lone interview is nevertheless telling: he stresses purely economic reasons for Azerbaijan’s policy choices, indicates that Azerbaijan is not joining any alternative integration mechanism to Russia’s, not even the WTO to which Russia is a member; but obliquely hints that Baku is moving toward a policy of non-alignment.

**Opinions in Society**

Very little opinion polling is available on Azerbaijani views of the Eurasia Union. In general, Azerbaijani society has developed a strong sense of self-sufficiency and non-alignment in recent years, with only limited opinion supporting joining any integration efforts. That said, the credible polling of the Caucasus Research Resource Centers (CRRC) suggests that 51 percent of Azerbaijanis either strongly support (34 percent) or somewhat support (17 percent) integration with the EU. Unlike in Armenia and Georgia, CRRC did not ask the question on support for the Customs Union.

The comparative polling data that provides figures for practically all post-Soviet states is far from reliable. The Eurasian Development Bank, closely aligned with the Customs Union, provides data that agrees with CRRC data on Armenia— showing 67 percent support for membership in the “Eurasian Economic Community,” where CRRC’s figure is 62 percent (with non-respondents removed). On Georgia, however, the EDB “Integration Barometer” provides the highly dubious figure of 59 percent support, versus CRRC’s 44 percent. Even in this survey, the results for Azerbaijan were the lowest among all coun-

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tries surveyed, at 37 percent supporting and 53 percent opposing membership.\textsuperscript{14} It is thus safe to assume that there is little support in Azerbaijani society for membership in the Eurasian Union project.

**Russian Pressure and Levers**

Over the past decade, Azerbaijan’s relationship with Russia has existed in the shadow of Georgia’s. Where Georgia under Saakashvili was uncompromising and engaged in excessive anti-Russian rhetoric, Azerbaijan sailed under the radar, benefiting from Georgia being in Moscow’s crosshairs, while Baku itself was following a more measured policy. Essentially, Baku’s actual policy was strongly pro-Western, but was matched by a tendency to appease Russia by a softer tone. After the power transfer in Georgia, which brought a softer policy toward Russia, Azerbaijan again came under serious Russian pressure.

The contrast between Azerbaijan and Georgia is important: in fact, Azerbaijan was one of the very few post-Soviet states to benefit from the advent to power of Vladimir Putin. This owed a lot to the KGB background of both heads of state, Heydar Aliyev (a KGB General) and Vladimir Putin (a KGB colonel), but also reflected the lesser vulnerabilities in Azerbaijan open for exploitation. Putin’s personal respect for Aliyev was in marked contrast to his contempt or hatred for Georgia’s leaders. Ilham Aliyev has made a point of keeping positive ties with Russia since coming to power, and visits Moscow regularly.

Yet under the surface, Azerbaijan’s policies were consistently independent from Russia, and contradicted the Russian stated interests of a sphere of influence. Personal relations are important in international politics, and certainly impeded a deterioration in Russian-Azerbaijani relations. But when Moscow doubled down on its reintegration agenda, promoting the Customs Union and Eurasian Union, Moscow began tightening the screws on Azerbaijan in several ways. While urging Baku to use join the Customs Union, Moscow capitalized on the pro-Russian forces within the Azerbaijani government; it organized Azerbaijani billionaires in Russia; and supported minority advocates in Azerbaijan.

Like many post-Soviet states, Azerbaijan has never been able to fully rid itself of Russia-aligned forces at the center of power. These forces are deeply en-

trenched oligarchs, who control key sectors of the state bureaucracy, and who have serious financial clout. The main forces known to support closer ties to Russia, and who are openly critical of European integration, are believed to be Presidential Administration Head Ramiz Mehdiyev and Interior Minister Ramil Usubov. Mehdiyev controls the executive’s representation in all regions of Azerbaijan; Usubov controls the Police force. Both operate relatively independently from the President, and pursue policy goals that do not always coincide with the foreign and security policy of the President.

As a result, there has been regular rumors of imminent plans by Aliyev to retire these power brokers. Usubov was reportedly close to being fired when a scandal emerged in 2005-06 of a kidnapping ring in the Ministry of Interior run by Colonel Hadji Mammadov. But apparently, the risks of firing Usubov were too large for Aliyev, who backed off for reasons that remain unknown. Similarly, many in Azerbaijan believe that Aliyev has at various times sought to circumvent Mehdiyev—on paper, his own closest confidant—by making personnel appointments that were intended to bring people loyal to Aliyev rather than Mehdiyev to high positions in the Presidential Administration. Most recently, Aliyev promoted several confidants to the newly created positions of Deputy Heads of the Presidential Administration. However, thus far, efforts to undermine these two power brokers have not succeeded. In years past, Aliyev did remove figures known to be loyal to Moscow—such as former Minister of State Security, Namik Abbasov, in 2004. Ever since, the National Security Ministry has been among the key institutions partnering with the West in counterterrorism and other issues; and gradually, some tasks were moved from the Interior Ministry to the National Security Ministry.

Putin then moved to organize the several Azerbaijani billionaires resident in Moscow into a pro-Moscow coalition, created in 2012. Known as the Union of Azerbaijani Organizations of Russia (UAOR), it included Araz Agalarov, father of Aliyev’s (estranged) son-in-law; Vagit Alekperov, head of Lukoil; and business tycoons Iskender Khalilov and Telman Ismayilov, among others. While these figures are known not to be opposed to Aliyev, others in the organization are—such as Soyun Sadigov, a former KGB officer who created a pro-Putin political party, and Abbas Abbasov, a former deputy Prime Minister who moved to Russia in 2006. Importantly, the organization also included Ram-
azan Abdulatipov, an ethnic Avar from Dagestan who serves as the President of Dagestan, and a close confidant of Putin who held positions such as Minister of Nationalities and Russia’s ambassador to Tajikistan. It also included screenwriter Rustam Ibragimbekov, who in early 2013 told a report that the UAOR was neither for nor against Aliyev; only months later, he was nominated as the candidate of the opposition in the upcoming presidential elections.

The creation of the Billionaire’s club was a clear signal to Baku that Moscow was creating a tool for possible use against Aliyev, and the fact that it took place in an election year was highly significant. It was significant partly because UAOR could provide financial resources to an opposition candidate; but more so because of the potential unrest that UAOR-affiliated forces could generate in Azerbaijan, with the help of Russian state agencies. In other words, the “club” could concentrate billions of dollars on its members’ common political program in Azerbaijan.

This, in turn, was the major fear of the Aliyev government: a scenario in which a pro-Russian candidate, supported by the main opposition forces considered legitimate in the West, would mount a challenge to its power, all the while possibly coordinating with disloyal forces within the regime itself.

Importantly, this occurred at the time that tycoon Bidzina Ivanishvili mounted a successful challenge to President Saakashvili of Georgia. Baku, much like Saakashvili does, appeared to see Ivanishvili as a Russian stooge, in all probability more so than is warranted. Yet for Baku, the organization of UAOR was seen as following a script Moscow had been implementing in areas as diverse as Kyrgyzstan and Georgia.

During 2012 and 2013, a series of meetings were organized in Moscow and in Dagestan to raise awareness of the situation of the Lezgin, Avar, and Talysh ethnic minorities in northern and southern Azerbaijan, respectively. Diaspora organizations were created for minority groups that had traditionally been silent; indeed, it is generally accepted that the issue of Lezgin and Talysh separatism, which reared its head briefly in 1993, are almost entirely creations of the Russian special services. This was the case in 1993, when ethnic Talysh colonel Aliakram Hümbatov established a brief Talysh separatist movement in southern Azerbaijan; he was routed by local people and imprisoned. But in September
2013, he visited Nagorno-Karabakh after inaugurating a program of Talysh studies at Yerevan State University—the timing hardly being a coincidence.

Moscow played the minority card and used UAOR as a lever against Aliyev throughout 2013; all this led up to a grand state visit by Putin to Baku in September 2013, accompanied by six ministers and two gunboats. Following the visit, the intense Russian pressure seemed to stop, for reasons that remain unclear. Putin seemed to leave the visit without any clear achievements, though it is likely that Aliyev made assurances to obtain a reprieve in Russian subversive efforts.

In sum, Moscow has levers to use against Azerbaijan; but has not used these levers to the full extent, certainly not compared to Kyrgyzstan, Moldova, Georgia, or Ukraine. This is to a large extent the result of diverging policy choices: Azerbaijan has refused to liberalize its political system in the way those three countries have. While they calculated that liberalization was necessary to obtain western support, Azerbaijani leaders seem to have drawn the opposite conclusion: the liberalization would expose too many vulnerabilities that could be exploited by Moscow, especially in a situation where skepticism of western willingness and capability to counter Russian pressure appeared increasingly doubtful. Unfortunately, hindsight has proven this calculation right.

**The Road Ahead**

Azerbaijan is unique in the Eastern European context in that it has rejected both closer integration with the EU and closer integration with Russia. In the short term, this policy has certainly been successful: Azerbaijan has avoided finding itself in Vladimir Putin’s headlights, and has been able to stave off Russian pressure, even though Azerbaijan has been even more distant from Russian integration schemes than have Moldova or Ukraine, card-carrying signatories to Association Agreement with the EU. The question for Baku, of course, is whether going it alone is a sustainable strategy in the long term. Azerbaijan is betting on its energy resources providing it with the ability to withstand political and economic shocks to the system, and to enable it to maintain this independent course in the medium to long term.

But it is not a policy of choice; in fact, it represents a move from alignment with the West toward non-alignment, a move that must be considered a partial
success for Russia’s bullying. Earlier, Azerbaijan has indicated considerable interest in integration with western institutions. But a combination of disappointment and skepticism set in, as Baku watched a gradual western disengagement from the security affairs of the region, a growing international unwillingness to address the Armenian-Azerbaijani conflict, and American and European policies of appeasement of Vladimir Putin’s Russia, which led to their disastrously logical consequences in Ukraine in early 2014. In parallel, the U.S.-Azerbaijani bilateral relationship has deteriorated considerably, making matters worse. In this situation, Azerbaijan’s leadership has made the most of its precarious position.

In the longer term, the question is if Azerbaijan can avoid making a choice. Its energy bonanza will not last forever, and within the coming decade, countries now embarking on Association Agreements with the EU may be on their way to membership, while those under the Russian yoke may have effectively lost the remnants of their sovereignty. Azerbaijan has embarked on a policy of non-alignment, but has so far not spent substantial energy on making common cause with other countries resisting the Eurasian Union project, such as Turkmenistan and Uzbekistan.

Whether there will be room for a small, independent country rejecting either option will depend largely on the longevity of Mr. Putin’s project.
Uzbekistan and Turkmenistan: Staying Away

S. Frederick Starr

The only two states in Central Asia that have been consistently skeptical, if not hostile, towards Putin’s geopolitical plans and projects have been Uzbekistan and Turkmenistan. Their reasons for doing so are clear, but the future success of their independent stances is not. Only time will tell whether they represent alternative models for the future of the entire region based on full-blown national self-government and coordination rather than “integration,” or temporary outliers in a process that eventually embraces nearly all the former Soviet Union.

Why Consider Uzbekistan and Turkmenistan Together?

As recently as a decade ago it would have been astonishing to consider the fates of Turkmenistan and Uzbekistan as somehow related. After all, Uzbekistan has the region’s largest population (approximately 30 million) while Turkmenistan (barely over 5 million) the smallest. Uzbekistan has the region’s largest military force and Turkmenistan one of the smallest. And Uzbekistan inherited from Soviet times the largest establishment of heavy industry, while Turkmenistan began with the smallest. Related to this, while the Uzbek economy was and remains the most diversified in the region, Turkmenistan’s continues to be based overwhelmingly on the export of one product, natural gas.

Past and current political history presents the same picture of contrasts. Whereas the territory of Uzbekistan hosted the three strongest regional emirates of the past half millennium, Turkmenistan in those centuries was dominated by nomadic and semi-nomadic tribes. In Soviet times Uzbekistan was the political and economic hub of all Central Asia while Turkmenistan had both the weakest identity and smallest political role.
Above all, the grouping together of these two countries would have seemed astonishing because of their mutual antipathy. No sooner did the Uzbeks arrive in Central Asia in the thirteenth century than they began settling in the region’s ancient cities, with their capital at Bukhara. This put them into frontal conflict with the nomadic Turkmen tribes, many of which survived by marauding urban-based caravans. This hostility continued into Soviet times, and was quick to reappear after both states became independent.

Joint participation in the construction of a gas pipeline from Turkmenistan to China via Uzbekistan and Kazakhstan broke this ancient pattern of enmity. Both countries suffered under Gazprom’s monopolistic control over the export of their valuable natural gas. When in 1998 Russian Prime Minister Viktor Chernomyrdin cut off the export of gas from Turkmenistan, it became a matter of life and death for that country. Then President Saparmurad Niyazov proposed an alternative pipeline to China and Uzbekistan readily agreed to participate in the project, and for the same reasons. In a remarkable turnabout, the two countries and their leaders have maintained cordial relations since planning for the new pipeline began in 2005. Today, their relationship is the closest between any two states in the region.

This amity is based on more than good will. Turkmenistan and Uzbekistan maintain the most statist economies in the region, even as their governments have worked hardest to build an ethos of national unity based on a new patriotism. This is the easier because the titular nationalities in both countries constitute the largest percentage of any countries in Central Asia. In gestures directed against what they openly call Russian colonialism, both Latinized their alphabets (the only states in the region to do so) and have marginalized the Russian language. Not surprisingly, they are the recipients of the greatest and most relentless pressure from Moscow.

**Putin’s Levers against Tashkent and Ashgabat**

The Kremlin has a wide range of levers it can use against Tashkent and Ashgabat, and the capacity to wield them in a coordinated manner. These range from the use of public diplomacy to formidable economic weapons. On the former, it can raise charges for Uzbek or Turkmen students studying at Russian universities, and it can fill the Uzbek and Turkmen airwaves with anti-
Karimov and anti-Berdymukhamedov propaganda without fear of contradiction, since western TV is inaccessible. Moreover, it is almost certainly using the Federal Security Service (the former KGB) to take advantage of Karimov’s problems with his daughter Gulnara and her troubles with Swiss law over charges of money laundering and with European law over the TeliaSonera affair.

In Turkmenistan, Moscow demonstrated the potency of its intelligence arm during the period when the late Turkmen Foreign Minister and Ambassador to Beijing, Boris Shikhmuradov, took refuge under FSB protection in Moscow. Putin in this case failed to unseat President Niyazov, but he will not hesitate to pursue the same ends with different means today.

Economic pressures against the recalcitrant Central Asian states can take many forms. Restrictions on Uzbek and Turkmen guest workers in Russia could send tens of thousands of them home, where the local economy cannot reabsorb them. It can cut back Russian investments and bilateral trade with Uzbekistan. And it can take active measures against Western investors and investments in that country. With respect to Turkmenistan, it can push Iran to seize the initiative in supplying Pakistan and India with gas; create access problems at Turkmenistan’s expanded Black Sea port of Turkmenbashi; and use other methods to thwart Turkmenistan’s efforts to become a key segment of the emerging Southern Corridor from Hanoi to Hamburg via India, Pakistan, Afghanistan, and Turkmenistan. Parallel with these negative pressures, Moscow can also wield various tools for attracting both countries, notably favorable terms of trade, investments, and favorable treatment of guest workers.

Even before the Customs Union was conceived, Russia was not shy about championing protectionism. Prime Minister Chernomyrdin did not bother to seek cover from the Customs Union when he cut off the re-transmission of Turkmen gas to Europe on the grounds that “Europe does not want your gas.” Now, though, in January 2014, the Customs Union has moved against General Motors’ Matiz and Nexia plant in Uzbekistan’s Ferghana Valley. It required that all imported cars have anti-lock braking, at least one air bag, daylight headlights, etc. Neither of the GM vehicles currently being exported to Russia from Uzbekistan had these features. This means that overnight, GM lost the market for the third of its production that it exported to Kazakhstan and Russia in 2013.
It is possible that GM can sell these vehicles within Uzbekistan, but GM will have lost valuable hard currency and Uzbekistan's foreign trade will have suffered a blow.

Russia can easily invent and apply other restrictions to prevent Uzbek goods such as fruits and vegetables from entering its market. Considering that Russian-Uzbek bilateral trade reached $7 billion in 2013, this is a very potent tool indeed. To the extent that Russia applies such restrictions through the Customs Union mechanism, it can effectively thwart trade between Uzbekistan and Kazakhstan as well. In the summer of 2013 Kazakhstan and Uzbekistan signed a Strategic Partnership Agreement which they sealed with the exchange of large-scale trade delegations. Russia now has the tools to thwart such activity.

Since the opening of the Turkmenistan-China gas pipeline, Russia's tools for bringing a recalcitrant Turkmenistan to heel are more limited, but still potent. In 2009 it registered its displeasure with Turkmenistan’s opening to the West by blowing up the main Turkmenistan-Russia gas transmission line. Russia can also close its market to Turkmenistan’s emerging canned produce industry, refuse to transit Turkmen cotton to Baltic ports, and continue to threaten Ashgabat if the latter proposes to send gas westward. And it can discourage western firms in fields as diverse as farm equipment and scientific gear for hospitals from entering the Turkmen (or Uzbek) market.

Putin has yet harsher tools at hand that can be applied against both countries. In order to punish Lithuania for standing up to Moscow, he denied entrance to the Russian market for goods coming from the Lithuanian port of Klaipeda in March 2014. The EU has yet to respond seriously to this body blow to the Lithuanian economy. Similarly, Russia could wait until the U.S. has finished shipping army gear from Afghanistan over the Northern Distribution Network (NDN) and then close off this major north-south artery through Uzbekistan. Russia already supports the construction of a new railroad to Afghanistan via Kazakhstan, Kyrgyzstan and Tajikistan, which are aligned with Putin’s emerging Eurasian Union. This would marginalize Uzbekistan’s role in the emerging North-South trade. Considering that Uzbekistan still exports a large part of its cotton crop through Russia to the Baltic, this step could have grave consequences for Tashkent. There is no evidence that Uzbekistan cotton exporters have an effective contingency plan with which they could respond to such a devastating
measure, although the best prospect is via Turkmenistan’s new port at Turkmenbashi and thence to Baku, Turkey, and the West. Turkmenistan, meanwhile, anticipating such a move by Moscow and reducing its vulnerability, has already shifted the export of a significant part of its cotton crop from Russia to Turkey.

Finally, it should be noted that Russia has already begun to play the “water and electricity card” against both Uzbekistan and Turkmenistan. Thanks to a combination of pressure and bribes dating back half a decade, Moscow now owns the emerging Kambarata hydropower plant and effectively controls the Toktogul reservoir and power plant, both in Kyrgyzstan. Moreover, it has maneuvered, unsuccessfully for now, to control Tajikistan’s main power plant and reservoir as well. Thanks to this, it has the power to cripple Uzbek agriculture by cutting off its water supply during crucial phases of the growing season, and to damage Turkmen farming as well.

How Turkmenistan and Uzbekistan Have Responded to the EEU

Turkmenistan has based its refusal even to consider joining the Eurasian Economic Union, as well as the related Collective Security Treaty Organization and its military alliance, on its non-aligned posture, which is enshrined in the country’s founding documents. In 1992 the United Nations recognized Turkmenistan’s “permanent neutrality.”

Uzbekistan from the outset noted that with a majority of the seats in the Eurasian Union’s ruling institutions, Russians would dominate the new organization. This and other features convinced them that the true goal of the Eurasian Union was political, not economic, and on this basis refused to join. It joined the Collective Security Treaty Organization at its founding but suspended its membership in 1999. While Tashkent re-joined in 2006, it terminated its membership in 2013 on the grounds that the CSTO was ineffective and controlled by Moscow. An important reason for the withdrawal is that Moscow was using the CSTO as a tool for installing a military base in the Kyrgyz sector of the Ferghana valley, a move that Tashkent adamantly opposes. During the second Kyrgyz revolution in 2010, President Karimov succeeded in gaining China’s
support for his stance on Putin’s Ferghana base, at which Putin allowed the matter to lapse.¹

It is often said, incorrectly, that the governments of Turkmenistan and Uzbekistan are inward-looking, reclusive, and isolationist. There have been periods since independence when this was true. Now, however, both are reaching out to new investors and new markets. For both countries, China is at the top of the list. Both have signed major trade agreements with China. So as not to be dependent on the one existing east-west railroad line to China via Customs Union member Kazakhstan, Uzbekistan is pushing hard to build a more direct route to Chinese territory across the Tien Shan Mountains via Kyrgyzstan. Even though Kyrgyzstan is scheduled to become a member of the Customs Union and the EAU as soon as its parliament ratifies the agreement, it is assumed that China will not allow Moscow or the EAU to interdict trade along this sub-corridor. Both Uzbekistan and Turkmenistan have welcomed major investments from Chinese industries, which come with ready access to the Chinese market.

This was met by China’s economic outreach to them, which has been so effective as to pose the prospect of substituting Russian economic domination of their economies with massive interventions by China. Both countries, meanwhile, have therefore worked to expand trade and investment contacts with Europe, Turkey, and especially with South and East Asia, including India, Pakistan, Japan, Indonesia and South Korea.

**Uzbekistan’s and Turkmenistan’s Responses: Too Little and Too Late?**

For now, there is good reason to be skeptical about the long-term effectiveness of Uzbekistan’s and Turkmenistan’s efforts to hedge pressures from Moscow. They have been most effective in enlisting China as a partner to balance Russia’s economic and political power. But China has to date been as reticent in the political and security areas as it has been eager in the field of investments and economic ties. To be sure, economic links are a form of political power, as dramatically demonstrated by the geopolitical impact of the Turkmenistan-China

gas pipeline. But China has hesitated to respond directly to Putin’s growing political assertiveness in the region.

This began to change in the summer of 2013, when China issued a statement that tacitly endorsed the joint statement by President Karimov and his Kazakh counterpart, President Nazarbayev, announcing a “Strategic Partnership agreement” between them which asserted that no issues regarding the future of Central Asia could be taken without consulting them both, as the leaders of the two most powerful countries in the region. China’s response was to issue a general affirmation of the importance of sovereignty and self-government in Central Asia. While this could only be read as a rebuke to Mr. Putin, the Chinese government has as yet no institutional means of backing up its affirmation of sovereignty in Central Asia. Russia can veto anything China may propose through the Shanghai Cooperation Organization and it lacks other institutional instruments through which it could take action. For now, China is well-positioned to balance Russia’s pretensions in the region but lacks a ready means for transforming its economic presence in the region into political power.

With respect to Europe and America, the strategies of Turkmenistan and Uzbekistan for dealing with Putin and his Eurasian Union project call for a host of quiet defensive actions rather than grand initiatives. This may be due to the fact that even though the two countries have struck useful deals with the West in what might be called the area of “soft security,” they continue to be constrained by European and American perceptions of their record in the area of democratization and human rights. The fact that President Karimov had to cancel (officially described as a postponement) a planned visit to the Czech Republic in February 2014 due to these concerns speaks for itself. Turkmenistan’s president Berdymukhamedov has been even more cautious in venturing abroad, preferring trips to Southeast Asia and China to travels in the West, out of fear of the same form of reprisals. Whatever the justification for Western concerns over the records of Turkmenistan and Uzbekistan in the spheres of human rights, democratization, and religious freedom, such instances reflect the extent

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to which the foreign policies of both Turkmenistan and Uzbekistan are con-strained by their actions domestically.

The strategic defensive actions that Uzbekistan and Turkmenistan have undertaken may in the end prove effective. But for the time being it appears that they stand the risk of being sufficient to arouse Putin’s anger but insufficient to thwart the actions that may arise from that anger.

**The U.S. Response: Singing Out of Tune in Two Keys**

The United States in 2014 finds itself tugged in two directions on both Turkmenistan and Uzbekistan. It needs the Northern Distribution Network through Uzbekistan, Kazakhstan, and Russia, in order to evacuate war materiel and other equipment from Afghanistan. And it needs Turkmenistan as the western outlet for road and railroad corridor through Afghanistan to Pakistan and India that is essential for the economic viability of post-Karzai Afghanistan. Realizing that Russia could easily suspend transport along the NDN route, Washington has begun making alternative plans, even as it works actively with Tashkent and Moscow to keep the NDN open. And while the U.S. has made clear its support for the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, it has yet to translate that support into effective action. As of this writing, there is hope that Chevron will sign on as the key international energy company to develop the route, but the deal has yet to be closed, let alone financed. Unless the U.S. takes a more pro-active role, which must necessarily involve the White House, it will fail.

At the same time, the Obama administration has proclaimed a “pivot to Asia” and taken numerous steps to reduce its longer-term involvement with Uzbekistan, Turkmenistan, and Central Asia as a whole.

With respect to both its short and long-term interests in Uzbekistan, U.S. actions are constrained by Congressional legislation on human rights, democratization, and freedom of religion. True, it has the possibility to issue waivers, which it has done frequently, most recently with respect to Uzbekistan in February 2014. This present waiver will expire on September, 30, 2015. In Turkmenistan, after years of very publicly censuring the government’s actions in the fields of human rights and religious freedom, the U.S. in 2013 adopted a quieter approach, which was bearing fruit. But a recent bilateral meeting, an otherwise
highly productive session in Ashgabat in February 2014, was nearly destroyed by a sustained outburst from a representative of the State Department’s Office of Religious Freedom.

In short, even with waivers and efforts by the State Department to proceed in a less public and confrontational manner, U.S. legislation on human rights, freedom of religion, and democratization—and the manner in which that legislation has been implemented by the Department of State—hangs like a sword of Damocles over Tashkent and Ashgabat and over U.S.-Uzbekistan and U.S.-Turkmenistan relations as a whole. The American dilemma is that its interests and affirmations draw it simultaneously in two directions. This is not in itself bad, if it had a serious strategy for integrating or phasing them. Such a strategy would have to begin, as the U.S. began in 1776 and as U.S. policy affirmed after the breakup of the USSR, by affirming sovereignty and by backing that affirmation with decisive and effective actions. The U.S. would have to reach a clear understanding with both countries that the pursuit of this policy will require both to make steady progress in other fields of concern to Washington, specifically human rights, religious freedom, and democratization. The only way such an understanding can be reached is if each country’s progress is measured in terms of steady advances, rather than the attainment of some absolute level. If the U.S. can content itself with deliberate progress on the part of the other party, i.e., a long-term and strategic approach, rather than demanding an immediate transformation (which would be impossible), and if it is prepared to proceed through steady negotiation rather than through public abuse and confrontation, it can bring its two goals into harmony.

Such an approach is the only way it can find a willing partner in either Uzbekistan or Turkmenistan. Stated differently, such an approach is the only way in which the U.S. can effectively advance its other affirmation, namely the protection of territorial integrity, sovereignty, and self-government. As of this writing, Washington lacks an approach that will harmonize its two affirmations and enable it to work effectively with either Uzbekistan or Turkmenistan. The failure of the U.S. government to solve this “Rubik’s Cube” leaves Washington without any real response to Putin’s Eurasian Union project in either Uzbekistan or Turkmenistan, or in Central Asia as a whole. For years, its ambassadors were stating that Central Asian countries, as sovereign states, were free to enter
into whatever international arrangements they wished and that the U.S. would not interfere. Now that it is slowly coming to understand the nature of Putin’s grand scheme, it is having second thoughts. But these have yet to be translated into the kind of strategy Uzbekistan and Turkmenistan need, or that would justify any longer-term U.S. commitment in Central Asia.

At the present moment, Uzbekistan and Turkmenistan are the main bellwethers for stability and instability in Central Asia as a whole. As the two states with the greatest interest in, and capacity for, taking an independent stance vis-à-vis Putin’s geopolitical adventure, they are carefully watched by all their regional neighbors. Like them, they value their trade with Russia, which for each country is valued at approximately $7 billion per annum. Unlike them, they have chosen an independent path and have the strength and resources for now to pursue it.

One thing is evident: if either or both of these countries are pressured into joining the Eurasian Union, it will unleash powerful forces of instability throughout the region. However much Washington may wish to “pivot” to East Asia, it will eventually find itself drawn back to Central Asia, not as an emerging region rich with promise, but as a cultural zone at odds with its former imperial ruler and with itself. In short, the United States cannot avoid accepting its responsibilities as a major power.

At the present moment it is unclear whether Uzbekistan and Turkmenistan, too, will be drawn into the Eurasian Economic Union, remain outliers constantly under pressure from Moscow, or become beacons of sovereignty, self-determination, coordination and cooperation in the region, as opposed to being pawns in a new great power game initiated by Moscow. Only the latter course will allow them to develop freely, and to advance in the areas of democratization and human rights. The outcome will be determined as much by the action, or inaction, of the United States and Europe as by their own efforts, however resolute they have been, or may be in the coming period.
Challenges from the East: China

Slavomír Horák

Over the past decade, Central Asia has come to be dominated by two regional powers—Russia and China. While Russia has been exerting its influence in the region since tsarist times, China first started to return in force at the turn of the new century. It seemed that China’s rise would spur confrontation between the two powers as their interests lay in the same, or at least similar, sectors—particularly regarding the economy and energy security. However, this has not yet been the case.

Instead, the development in Central Asia and adjacent regions has gathered both powers around several common pursuits—reducing instability in Afghanistan, combating the incursions of Islamic radical groups as well as dealing with the Afghan narcotics trade. China and Russia also share dissatisfaction with the continuous presence of third parties in Central Asia. The American military base in Manas airport close to Bishkek has been a particular target of discontent.

Russia has been forced to acknowledge the Chinese influence in the region for several reasons. Firstly, Russia and China share many interests on the global scene, and accept each other’s presence in Central Asia—unlike the presence of the U.S. or EU, which they have accepted only conditionally and temporarily. Russia is also aware of its inability to compete with growing levels of Chinese capital in the Central Asian markets, while China has not interfered significantly with traditional Russian tools of regional control—such as in the military, political and cultural spheres. Rather, China works to promote its long-run influence in these spheres, hoping to avoid confrontation with Russia.

Thus, China and Russia have so far proven able to find co-operative, rather than confrontational, approaches to the control of Central Asia. China is not openly challenging Russia’s traditional spheres of influence, while Russia is un-
able to compete with Chinese influence elsewhere. Moscow also needs Chinese support—or at least to avoid Chinese opposition—in other issues of regional (e.g. Georgia 2008 and Ukraine 2014) and global character (e.g. Syria and the UN Security Council). While this has been successful on the global stage, it has been less so regionally. In the case of Georgia in particular, China tacitly opposed Russia’s actions and provided cover for Central Asia’s leaders to refrain from supporting Russia. In Ukraine, China has been less outspoken, but stayed clear of supporting Russia. Consequently, Sino-Russian relations in Central Asia are a reflection of the two countries’ general relationship—and their regional relationship is directly related to their relationship on the global scene.

At the same time, attempts to subject the region to Russian or Chinese dominance is complicated by the increasing difficulty of applying an overall regional strategy. The five former Soviet republics have drifted far from each other after the dissolution of the USSR. Currently, they have different—and even contradictory—foreign and internal policies, economic strategies, and even social structures. In addition, they demonstrate approaches to their neighbors that often shun cooperation and promote isolation, particularly in the cases of Uzbekistan and Turkmenistan. This considerably reduces their potential for regional cooperation, let alone integration. Accordingly, their approaches to Russia and China also differ considerably depending on local conditions, the actual geopolitical situation, and the level of interest from other outside players toward the region. The Chinese, and in recent times also Russian, approach has mostly been based on bilateral relations rather than an encompassing regional strategy—which further hinders regional integration.

This chapter focuses on the growing Chinese engagement in Central Asia, on both a bilateral and multilateral level, and its consequences for Russian politics in general, and for the Customs (and subsequently Eurasian) Union in particular. The recent Russian-Ukrainian crisis seriously stimulated the discussion about the future role of a Sino-Russian “condominium” in Central Asia. It seems that the stability of this axis is far from being disrupted, although more
cautious attitudes from the Central Asian countries could push them closer to their eastern partner’s embrace. Generally, this chapter argues that both countries are trying to avoid any serious clashes of interests in the region, for reasons that will be further discussed.

**A Growing Chinese Presence in Central Asia**

The new borders that emerged after the dissolution of the USSR have shaped Beijing’s foreign policy toward Central Asia, especially as the region has strong ethnic and cultural linkages to China’s westernmost province of Xinjiang. Economic growth in China has enabled large investments in Xinjiang, which was declared a priority following the victory of the Communist Party in 1949.

Central Asia was initially considered to be Russia’s playground, while Chinese investments focused on Xinjiang. The Chinese approach was non-confrontational toward Russian interests, instead looking to improve diplomatic relations (the mutual recognition of all states), to gain legitimacy on the international scene after the 1989 massacres, and to resolve border issues with Russia and Central Asian states.

The Enduring Freedom operation in Afghanistan and the subsequent deployment of U.S. military bases in Central Asia (Uzbekistan and Kyrgyzstan) in and after 2001 sparked a more activist Chinese regional policy. The Central Asian states’ demand for investment and capital flows without political strings attached related to their domestic governance, coupled with China’s domestic demand for energy generated not least by the industrial development of Xinjiang, produced the conditions necessary for an increase in Chinese influence in the region. Other aspects that contributed to China’s growing interest in the region include:

- Russia proved unable to control the region from a geopolitical point of view, allowing the deployment of Western and in particular U.S. troops.
- China faced a growing demand for energy at the same time as complications emerged regarding the supply of Middle Eastern energy exports, due to the Iraq campaign and sanctions against Iran in the early 2000s. The geographically easily accessible resources in Central Asia, although
underdeveloped, could substitute in part for a drop in energy imports from the Persian Gulf.

- While China grew and gained the means to invest abroad, Central Asian demand for investment increased, in order to replace old Soviet equipment and infrastructure. Russia and other geopolitical players were only partly able to meet these demands, and were thus unable to retain their influence.

The interconnectedness of politics, business (either state or semi-state owned) and culture in China as well as a growing ability to persuade Central Asian elites into cooperating with China had positive effects and contributed to China’s success in the region. Chinese policy supported Chinese business and supplied the credit needed by the Central Asian states. Central Asian leaders desperately needed Chinese capital in order to satisfy the demands of the ruling class and their developing economies. In addition, the massive investments in Xinjiang started to bear fruit as the neighboring Central Asian states became the principal consumers of its production. Although Central Asia has only played a marginal role in the entirety of Chinese business, it has been essential for Xinjiang’s trade. Xinjiang has also served as the main channel for inland and coastal Chinese products to reach Central Asia. Meanwhile, Chinese goods flowing into the region have completely changed the Central Asian bazaars, which have traditionally relied on imports from the north.

Consequently, China has become the principal partner in trade and investment for all Central Asian states (if not the largest, it is by no means less than the second-largest trading partner). Table 1 compares the increasing role of China’s trade with Central Asia to Russia’s diminishing share of the same—although China alone cannot be said to have toppled Russia from its pedestal. Kyrgyzstan remains the only country with a strong Russian presence with a potential for deeper Russian involvement. Recent Russian investment projects and a prospective decrease of re-exports from China to CIS countries due to the expected admission of Kyrgyzstan into the Eurasian Union are the main reason for the increasing trade between Russia and Kyrgyzstan.

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Table 1. Russia and China’s Share of Central Asian Countries’ Total Trade (2000-2012)

<table>
<thead>
<tr>
<th></th>
<th>Kazakhstan</th>
<th>Kyrgyzstan</th>
<th>Tajikistan</th>
<th>Turkmenistan</th>
<th>Uzbekistan</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Export</td>
<td>Import</td>
<td>Export</td>
<td>Import</td>
<td>Export</td>
</tr>
<tr>
<td>2000</td>
<td>25.5 %</td>
<td>46.3 %</td>
<td>24.8 %</td>
<td>23.4 %</td>
<td>57.9 %</td>
</tr>
<tr>
<td></td>
<td>24.8 %</td>
<td>23.4 %</td>
<td>57.9 %</td>
<td>31.8 %</td>
<td>4.29 %</td>
</tr>
<tr>
<td>2008</td>
<td>9.6 %</td>
<td>41.0 %</td>
<td>27.9 %</td>
<td>5.9 %</td>
<td>20.8 %</td>
</tr>
<tr>
<td></td>
<td>12.1 %</td>
<td>15.0 %</td>
<td>3.5 %</td>
<td>65.7 %</td>
<td>2.0 %</td>
</tr>
<tr>
<td></td>
<td>5.6 %</td>
<td>16.9 %</td>
<td>19.4 %</td>
<td>21.7 %</td>
<td>20.3 %</td>
</tr>
<tr>
<td></td>
<td>24.5 %</td>
<td>48.7 %</td>
<td>10.2 %</td>
<td>50.0 %</td>
<td>5.3 %</td>
</tr>
<tr>
<td></td>
<td>10.0 %</td>
<td>31.8 %</td>
<td>15.5 %</td>
<td>17.9 %</td>
<td>4.4 %</td>
</tr>
<tr>
<td>2012</td>
<td>21.2 %</td>
<td>26.8 %</td>
<td>7.4 %</td>
<td>56.5 %</td>
<td>9.6 %</td>
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<td></td>
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<td>21.2 %</td>
<td>15.5 %</td>
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</tbody>
</table>

Data Sources: EU Commission Trade Statistics, Observatory of Economic Complexity

With the launch of massive infrastructural projects during the last ten years, China has also replaced Russia (and the West in the case of Kazakhstan) as the main importer of Central Asian energy reserves, particularly Kazakhstan’s oil and Turkmenistan’s gas. The old Soviet system of pipelines suffers from a lack of investments and Western countries are hesitant to extend their involvement in Central Asian energy infrastructure. Thus, as the China-oriented network of pipelines expands, exports are shifting eastward. For instance, while the majority of Turkmen gas flowed to Russia in 2008, more than half of Turkmenistan’s exports—mainly consisting of gas—were directed to China four years later. While Turkmen gas exports to Russia shrunk rapidly, China completed a large system of pipelines from Eastern Turkmenistan. Uzbekistan also joined the
scheme, while limiting domestic consumption of gas and reducing gas exports to Russia. In this context, China’s increasingly dominant economic position in the region has steadily turned it into a major geopolitical player.

The September 2013 decision regarding the fourth line of the Turkmenistan-China pipeline through Tajikistan and Kyrgyzstan should stimulate and secure stability in Central Asia.³ (The TAPI pipeline from Turkmenistan through Afghanistan to Pakistan and India has a similar purpose, promoting “stability through investments.”) Regional stability could be easy to achieve, as the Central Asian states are relatively peaceful in relation to one other, despite some tensions.

In sum, Chinese capital coupled with a consistent and predictable Chinese approach to the countries of Central Asia has turned China into the region’s most important player. No other country—Russia included—has been willing to compete with China’s flow of capital into the region.

**Multilateral Co-operation between a Clumsy Eurasian Union and a Flexible SCO?**

From Moscow’s point of view, there are several good reasons for further Russian integration with the former Soviet republics. For instance, as documented in Stephen Blank’s contribution to this volume, there is an irredentist view that the old Soviet lands should be reunited, and that integration would boost economic growth. Moreover, there is a geopolitical aspect to further integration between Russia and key Eurasian states (Kazakhstan, Ukraine and Belarus) and other states willing to integrate with Russia (Armenia, Kyrgyzstan and Tajikistan), as Russian influence is challenged on several fronts.

To the West, Russia views the European Union and NATO as threats to Russian interests as they have attracted several post-Soviet countries, such as those in the Baltics, Eastern Europe, and the South Caucasus. While Belarus is currently under Russian influence, Moscow views Ukraine as a key battlefield in the struggle to increase Russia’s geopolitical sphere of influence. In this context, Russia feels that it is expedient to use hard power to counter European or American soft power—especially as it suffers few costs as a consequence. The opera-

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tion in Crimea and in the Eastern Ukraine can thus be interpreted not only as a reaction to the latest developments in Kiev, but also as Russia testing the ability of European and American soft power to challenge Russian hard power.

To the East, by contrast, Chinese soft power has already surmounted Russia’s potential for hard power. Moreover, using hard power in this region is problematic and the consequences for the internal stability of the region and Russia itself are quite unpredictable. Chinese interests are much stronger and firmer than the EU’s position and interests in Ukraine. Moscow has few ideological or economic tools with which to challenge China. Russia is only able to contain the growing Chinese presence in Central Asia through two key measures: first, to maintain tight political ties with Central Asian states and Kazakhstan in particular; and second, to uphold its influence in the security and military sphere. In this context, the CSTO and the Eurasian Union projects fulfill the aim of decelerating Chinese penetration into a traditionally Russian area.

However, in Central Asia, the Eurasian Union can only slow down, but not stop, the growth of Chinese influence in the region, as local states in fact consider Russia a counterbalance to their growing dependence on China. In the case of Kazakhstan, the strategy has been partially fruitful, as shown in Table 1. Kyrgyzstan is the only country in the region whose imports from China are about to decrease, especially if it joins the Eurasian Union. However, Kyrgyzstan is—from the Chinese perspective—a marginal state with few useful resources.

Regarding Russia’s military influence, the real abilities of the CSTO (and the purely Russian units) to operate in Central Asia has yet to be proven. Indeed, during the 2010 crisis in southern Kyrgyzstan, the CSTO proved ineffective. As is the case with economic relations, a bilateral axis rather than multilateral integration seems more effective. Maintaining Central Asian states’ reliance upon Russian military equipment seems to be a vital task for future security and military integration. However, Russia’s efforts to strengthen the Tajik and Kyrgyz

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armies constitute an attempt to keep potential threats from Afghanistan inside Central Asia, and far from Russia’s borders, rather than boosting the integration progress.

From a Chinese perspective, a Russian commitment to regional security keeps the area stable and paves the way for further Chinese involvement. In case of a serious crisis in Central Asia that would threaten Chinese interests, China would probably be forced to intervene in the region regardless of the CSTO or any other Russian-Central Asian military co-operation mechanism. Currently, however, China has little interest in questioning Russia’s military dominance. Instead, Chinese efforts are aimed at preventing any instability through soft power measures, such as through investments in pipelines, based on the assumption that pipelines through Central Asia will force the regimes to cooperate rather than to confront each other. Thus, Russia is considered to be the military guarantor of stability, even though its ability to conduct mass operations in any Central Asian country is highly limited. As a result, Russia securitizes the area, while China focuses on business.

China has no need to create a formal institution for integration. Even the Shanghai Cooperation Organization (SCO), led by China and balanced by Russia, is, in the Chinese view, more of a platform for the development of bilateral relations in the region rather than a multilateral organ. Apart from supporting bilateral relations, Beijing believes that the SCO’s most important task is the resolution of problems between China, Russia and Central Asia. Recently, China updated its own project of economic cooperation and proposed the creation of a Silk Road Economic Belt, with which to counterbalance the U.S. New Silk Road Strategy as well as the Eurasian Economic Union. It would aim to

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7 International Crisis Group, China’s Central Asia Problem, Crisis Group Asia Report No. 244, 2013, February 2013.
include the Central Asian and, prospectively, the Caucasian states, in long-term economic co-operation. However, the project is not intended to create another clumsy formalized institution such as the Eurasian Union. It is based on economic and, consequently, political and social networking or community building through flexible informal and bilateral ties favorable to China’s interests.

Transport became one of the most important tools to undermine Russian positions in Central Asia. China is highly involved in building or reconstructing roads all over Central Asia resulting the reorientation of transport flow from north to the east. Tajikistan, for example, was connected internally with Chinese help and the road leading to the Tajik-Chinese border in the Pamir mountains is being improved on both sides of the border. Kazakhstan or Uzbekistan rail tracks were also improved (among others) with Chinese help and new cars, buses, trucks as well as railway engines and carriages have been replacing old Soviet or Russian equipment. Consequently, China is going to secure the maintenance service to its side for a long time ahead. Central Asia, particularly Kazakhstan, is one of the territories for a future high-speed rail bridge between China and Europe. However, we have to bear in mind that Central Asia is just one and not the exclusive direction of Chinese transport expansion. Moreover, Chinese strategy for land export corridors looks to both Central Asia and Russia as one region. It means that the development of Central Asian–Russian transport ties is in accordance with Chinese interests as well.

In general, Chinese plans in Central Asia do not formally interfere with Russia’s plans for further formalized integration. China does not intend to oppose any Russian-led integration in Central Asia, if it does not challenge China’s economic involvement in the region. Beijing would not welcome any deeper engagement in Central Asian intraregional affairs, as they want China’s main focus to be on commerce. On the contrary, letting Russia secure stability in the region saves China a lot of trouble, and lets China work toward its economic goals. This strategy seems to be much more effective than Russia’s efforts to maintain its position in the region through the cumbersome Eurasian integration project with its geopolitical rhetoric.

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China and Central Asia after Ukraine

Following the accession of Crimea in March 2014 and the emergence of the conflict in Eastern Ukraine, Russia continues to work toward establishing a new post-post-Soviet order. Russia’s actions fully confirm its intention to reorder the former Soviet borders according to its own needs using any political, economic and military means possible. Moreover, the Russian position has tended to be intolerant toward the multi-vector policy of its Central Asian allies, based on the idea that “either you are with us and support us, or you are against us.”¹⁰ Several Central Asian states are about to go along with, and submit to, Russia’s strategy. The extremely cautious reactions by the Central Asian countries to Russian actions in Ukraine (especially in the countries closest or most dependent on Russia—i.e. Kazakhstan, Kyrgyzstan, and Tajikistan) shows their vulnerability to Russia, which is due to their economies being highly integrated with Russia’s, and perhaps most importantly, that much of the Kyrgyz, Tajik and Uzbek labor forces depend on Russia’s economic and migration policies.

However, at the same time, Russia’s policy is also a double-edged sword. Migration from Kyrgyzstan, Tajikistan and Uzbekistan is Russia’s main tool with which to keep these states in its orbit. Economic integration also plays a role, but it is not comparable to China’s. Thus, this kind of formal integration does not harm the Chinese strategy in the region. Furthermore, for Russia to play the “ethnic card” is counterproductive as the countries with Russian communities (Kazakhstan and Kyrgyzstan) have expressed their loyalty to Russia and have a policy of maximal tolerance towards their Russian-speaking minorities, despite some debates in Kyrgyzstan and the latent nationalistic moods amongst both ethnic majorities. Meanwhile, Turkmenistan has recently drifted toward China, while the local Russian community has, thus far, been of little interest to Moscow. Uzbekistan, centrally situated, maintains a cautious approach toward both powers, but has clearly sought to distance itself from Moscow’s orbit, for example by leaving the CSTO in 2012-13 and rejecting any notion of Eurasian integration.

Thus, the crisis in Ukraine does not produce any need for Beijing to change its strategy in the region. The Russian-Chinese axis in Central Asia has led to a

balance between the two countries, and created common interests vis-à-vis third parties (the U.S. in particular). The two countries have not had to directly challenge one another in the region. Moreover, the two countries have taken a common stance on the problems facing Afghanistan post-2014. However, China will be less ready to pay attention to Russian interests in the region after the events in Ukraine when it comes to defending its own interests in the region. At the same time, its stated support for the sovereignty of its neighbors in internal affairs (unless it does not harm Chinese interests) ensures that China is seen as a more secure partner than Russia, which demonstrated its will to challenge the existing sovereignty of any post-Soviet country, as the examples of Georgia and Ukraine suggest. This factor forces Central Asian elites to look on Russia more cautiously and gives substantial advantages to Beijing.\textsuperscript{11}

\textbf{Conclusions}

On the one hand, Russia emphasizes formal, clumsy, and inefficient structures. On the other, China, with its consistent strategy of flexible, non-political involvement respectful of local sovereignty, and a growing network of contacts, poses a real challenge to Russia’s plans for regional integration.

Despite the fact that Russia is the politically, culturally and militarily dominant power in Central Asia, China’s economic influence—which can be translated into political or geopolitical influence—will force Russia to further surrender its position in the region. Russia is able to partially slow down the process by working toward further integration and/or by playing the migration card. However, the growing nationalistic mood in Russia, the potential for economic problems following the sanctions, and formal and informal pressure from Russian authorities, could induce some Central Asian migrants to return to their homelands. However, such processes could cause social unrest in Tajikistan, Uzbekistan and/or Kyrgyzstan, with unpredictable results for both powers. Russia’s economic problems may cause the countries of the Eurasian Union to once again look toward diversifying their economies, thus moving away from Russia. It is clear that Russia has lost its position as the premier partner for the

Central Asian countries, although it remains an important trading partner for most states. Today, Chinese money determines most of the international relations in the area. Through its vast credit, grant, and investment policy, China is increasingly able to resolve local and regional political issues. Central Asian states, dependent on Chinese money, will become more and more willing to resolve issues with their neighbors under Chinese supervision, as China's threats of halting the flow of money carry significant weight. Russia's role in these kinds of disputes will decrease as its focus on military superiority and nationalistic harassment cannot match China's soft power. Russia will, however, work hard to keep its regional influence.

The usefulness of Russia's dominance in military and security spheres is questionable. Russia has proven unwilling to get involved militarily in regional or internal conflicts in Central Asia. In this situation the only winner (if any) of unrest could be China, since such crises would expose the hollowness of Russia's power, and Beijing would use make sure that its laboriously constructed infrastructure in the region remains stable.

China is likely to view Russia as a useful, albeit less powerful, regional player. Thud, together they are able to contain any other external power intending to establish itself in Central Asia, thus reducing the harm to Chinese and Russian interests. Secondly, Russian military supplies contribute to the strengthening of the political status quo, although the supplies could also be used for internal clashes in case of regime change (the issue is particularly important in Uzbekistan and Kazakhstan). Third, Russia's increasing investments in sectors that are not on Beijing's radar (Manas International Airport, hydropower stations, oil and gas in Tajikistan and Kyrgyzstan) enable further Chinese involvement in key energy resources. Finally, Russia is vital in containing a potential humanitarian crisis in the region through its reception of labor migrants from Uzbekistan, Tajikistan and Kyrgyzstan (Turkmenistan relies on migration to Turkey, while Kazakhstan is a net importer of labor force). Increased Russian restrictions on migration, or a weaker Russian economy, could plunge the above-mentioned countries into turmoil.

In sum, China focuses on Central Asia's most important exports—energy—while also marketing its own production in the region. Investments in infrastructure should support the interregional exchange of Chinese goods and, in
perspective, promote the transcontinental trade through the region (with Kazakhstan as the most reliable partner). Russia has only, through its regional integration projects, been able to partially contain China’s economic rise in Central Asia. Despite some competition, China and Russia are creating a regional order in which their interests are aligned. Their common goals include, above all, the maintenance of the regional status quo, as well as preventing the interference of any third parties and co-operation in potential post-2014 Afghanistan problems. They have little interest in directly impeding each other’s progress in most sectors. If, for some reason, Russia would fail to take responsibility for the military and political situation in Central Asia, China would likely step in to secure its assets in the region through the exertion of soft power. However, the Central Asian states can expect support neither from Russia nor China in case of challenges to their internal security (such as Islamic radicalism or regime change) unless the particular issue has significant effects on China’s or Russia’s interests.
The European Union: Eastern Partnership vs. Eurasian Union

Svante E. Cornell

For more than a decade, the European Union has been wrestling with the issue of its Eastern Neighborhood. It was at pains at how to define this neighborhood, what importance to assign to it, and what, if anything, to offer to its countries. Suffering from “enlargement fatigue” after the big-bang enlargement of 2004-7, and a deep financial crisis in the following years, the EU’s appetite for large projects in its East has been limited, to say the least. Many influential member states accorded priority to the Mediterranean—as illustrated by the pompous launch of the Union of the Mediterranean in July 2008, just before the onset of the financial crisis. By contrast, a Polish-Swedish proposal for the Eastern Partnership presented in May 2008 appeared stillborn. Yet in spite of the depth of the financial crisis, the EU mobilized in the fall of 2008 to create this institutionalized partnership program, which was launched at a Prague summit in May 2009. This fact encapsulates the Eastern Partnership’s intrinsic dilemma: most European leaders never intended it to be a direct challenge to Moscow, but this was its unavoidable result. The one event that led the Eastern Partnership to be created was Russia’s invasion of Georgia; most diplomats involved in its launch agree that in its absence, it certainly would not have been created at that time. Its main supporters certainly understood the strategic implications of the project; but most EU leaders appear to have gone along with it reluctantly, and largely in order to do “something” in the Eastern Neighborhood. This was particularly the case as the hard line against Moscow’s invasion disintegrated within weeks of the European Council’s September 1, 2008 summit, which put much of EU-Russia relations on hold.

1 An earlier version of this chapter appeared as “Underestimating Yourself: the EU and the Political Realities of the Eastern Neighbourhood,” European View, vol. 13, p. 115-123.
The creation of the Eastern Partnership was nevertheless an important factor accelerating Vladimir Putin’s forceful promotion of the Eurasia Union project. Indeed, it preceded it: the Eurasian Customs Union did not enter into force until 2010, and Putin did not seriously launch the Eurasia Union project until 2011. Thus, the EU’s initiative was not a response to Russia, but a trigger for it. As will be seen, the Eastern Partnership is a typical EU “soft power” instrument, and based entirely on the voluntary transformation of societies and governing structures toward a common European model. Whereas Russia immediately interpreted the project as an attempt of the EU to create a “sphere of influence,” this was never the case. That is most readily illustrated by the Armenian case: the EU certainly is not trying to bully anyone into an Association Agreement, seeing how Armenia simply walked away. And yet, Moscow was unable to match this soft power—being forced first into bullying and then once again into armed conflict to halt the westward march of its western neighbors.

What, then, is to be made of the EU’s relationship to the Eurasian Union? The Ukraine crisis has generated substantial criticism and commentary, which has gone so far as to blame the crisis on the EU’s alleged mishandling of the Eastern Neighborhood. That assessment misses the point that the Eurasia Union project was, in part, a response to the Eastern Partnership. Further, the criticism is overblown and unfair, as the crisis was created entirely by Russia’s hostile behavior toward former Soviet states and its leadership’s pursuit of Eurasian empire. Yet there is a serious argument to be made that the EU has been less than fully equipped to handle the political realities of the Eastern neighborhood.

Lessons of Foresight: Did Europe Underestimate Itself?
The Eastern Partnership has been subjected considerable ridicule; but given the circumstances of its creation, it has been a very successful instrument—and in some ways, it is this success that forced the Russian leadership to take unprecedented measures to halt it, measures that carry dire consequences for Russia’s place in the world. This outcome appears to have taken European leaders by surprise. It should not have.

Indeed, it is a legitimate question why European leaders failed to foresee that Vladimir Putin’s Russian government would be ready to use military force to prevent Ukraine from going down a road of European integration. Both
Ukraine’s importance to Russia, and its willingness to use force in its neighborhood, have been widely documented. Indeed, going back to the fateful NATO Summit in Bucharest in 2008, Vladimir Putin told then U.S. President George W. Bush that “Ukraine is not even a state,” and that “part of its territories are Eastern Europe, but the greater part is a gift from us.”

He then added that if Ukraine joined NATO, “the very existence of the state could find itself under threat.”

A few months later, Russian forces invaded Georgia, the other country that had sought closer ties to NATO at the Bucharest summit. This invasion took European leaders by surprise, and prompted the rapid intervention of French president Nicolas Sarkozy to negotiate a flawed but important cease-fire. Initially, many European leaders were willing to give the Georgia at least a significant share of the blame. Georgian President Mikheil Saakashvili was viewed by many European leaders—especially German Chancellor Angela Merkel—as an unpredictable hothead, and Saakashvili’s decision to launch a defensive strike against Russian forces moving into Georgian territory led to a long debate on whether Georgia, rather than Russia, had started the war. Research carried out since then shows unequivocally that the invasion had been planned and provoked by Russia.

Just as in the case of Bucharest, however, Russian intentions are best described by its own leaders. In 2011, then President Dmitry Medvedev told Russian troops that “If the war against Georgia had not happened … several countries would join NATO.”

If that did not make matters clear enough, Vladimir Putin himself in 2012 stated that the invasion had been planned since 2006, and that Russia had trained South Ossetian militias for the conflict.

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6 Pavel Felgenhauer, “Putin Confirms the Invasion of Georgia was Preplanned,” Eurasia Daily Monitor, vol. 9 no. 152, August 9, 2012.
The potential implications for Ukraine were understood much earlier than that. A week after the Russian invasion of Georgia, U.S. Ambassador to NATO Kurt Volker sent a cable to Washington recalling Putin’s statements in Bucharest and what they portended for Ukraine if the invasion of Georgia did not lead to significant consequences. In such a scenario, “this may only embolden Russia to increase its bullying behavior towards Ukraine and others in the neighborhood.” In 2009, Ukrainian officials were already speaking of the increasingly harsh Russian rhetoric on Ukraine, including “aggressive conversations . . . concerning Ukraine and the dividing of its territory . . . at various levels of the Russian political, military and secret-service leadership.”

This, then, was known in Western capitals, as was the increasingly assertive Russian plan to build a Eurasian Union on the foundations of the Customs Union that includes Russia, Belarus and Kazakhstan. The centrality of Ukraine to any such plans was equally well understood. If these facts were all known, why did Western leaders fail to foresee the evolution of events in Ukraine?

This is all the more relevant since the events in Ukraine were preceded by the capitulation of Armenia. In August 2013, Putin, along with six ministers and a portion of Russia’s Caspian Fleet, visited Baku. The next month, clearly capitalizing on Armenian fears of a change in Russian policy on the unresolved Armenian–Azerbaijani territorial conflict, Putin forced Armenian President Serzh Sargsyan to make a 180-degree turn, giving up his plans to initial an Association Agreement with the EU and pledging instead to join the Eurasian Union. (This is covered in detail in Armen Grigoryan’s contribution to this volume.) Clearly, the European integration drive threatened to reverse Moscow’s tacit endorsement of Armenia’s military conquest of Azerbaijani territories. As one analyst put it, “the implication is that the Russians threatened to end military aid to Armenia and sell more weapons to Azerbaijan,” as well as threatening Sargsyan’s own position in power. Sargsyan would have taken such threats very seriously given that Moscow had helped to overthrow Kyrgyz President

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7 Goodman, “Warning Signs Ignored.”
8 Marson, “Putin to the West: Hands off Ukraine.”
Kurmanbek Bakiyev in 2010 when the latter reneged on a pledge to expel the U.S. from the Manas air base outside Bishkek.¹⁰

One simple answer to Western surprise lies in the unforeseen developments in Ukraine. Even before November 2013, cynical observers did not believe Ukrainian President Viktor Yanukovych was sincere about his stated intention to sign an Association Agreement at the Vilnius Summit of the Eastern Partnership. Many believed he was simply seeking better terms from Moscow by courting the EU. Few expected that Yanukovych’s decision not to sign the Agreement would lead to massive demonstrations in Kyiv, lasting for weeks in sub-zero temperatures. More likely, European leaders were fully prepared to allow Ukraine—like Armenia before it—to submit to Russian control, and only the determination of the Ukrainian people to live in a normal, European country halted that scenario. Indeed, had the second Ukrainian revolution not occurred, Moscow would have had neither a reason for nor an opportunity to make its land grab in Crimea, nor to launch an engineered revolt in the Donbass. And had Yanukovych signed the agreement in Vilnius, Russia would certainly have retaliated, but it is less certain that its response would have included military action.

Fundamentally Incompatible: the Eastern Partnership and Russian Spheres of Influence

An important question remains: did European leaders understand the political and ideological ramifications of the Eastern Partnership that they were gradually building? Many commentators have noted the contrast between the Euro-fatigue in European capitals and the young Ukrainians who were willing to risk death for the idea of Europe. Similarly, there appears to have been a widespread misreading of Russian perceptions of the EU. Indeed, the traditional understanding—in both Russia and Europe—had been that NATO enlargement was a red flag for Moscow, but that Russian leaders cared considerably less about the EU. To many Europeans, this perspective was a remnant of Moscow’s territorial and Cold War attitude: NATO meant U.S. security guarantees, and there-

fore was seen as directly hostile to Russia; the EU was seen as being focused on “soft issues,” and therefore less problematic.

Once again, the statements of Russian leaders are telling. In March 2009, Russian Foreign Minister Sergei Lavrov rhetorically asked “what is the Eastern Partnership, if not an attempt to extend the EU’s sphere of influence?” This statement was prescient in indicating that Moscow no longer saw the EU as a soft politics actor, but increasingly as a force threatening Russia’s own ambitions in its neighborhood. This requires a more detailed discussion of the differences between Russian and European ambitions.

As most contributions to this volume make clear, the Russian ambition for integration in the post-Soviet space is diametrically different from that of the EU. Whether through its Collective Security Treaty Organization or the projected Eurasian Union, Moscow’s clear aim is to restrict the sovereignty of Soviet successor states, and ensure that their foreign as well as domestic policies are indexed on Moscow’s approval and consent. In other words, Russia aims to create a “sphere of privileged interests,” as President Medvedev declared following the invasion of Georgia—and which was the gist of the “Draft Treaty on European Security” that Medvedev proposed to NATO in the aftermath of the war.¹²

There is a fundamental incompatibility between the EU’s Eastern Partnership and the Russian plans for a Eurasian Union. The EU’s Eastern Partnership essentially offers the EU’s eastern neighbors support and assistance in the event that they choose to reform their political and economic systems on the basis of the EU’s acquis communautaire. These reforms are not easy and in some cases are likely to be unpopular, but carry the promise of building accountable and democratic state institutions, based on the rule of law—and inclusion in the EU’s common market. While the Eastern Partnership does not preclude eventual EU membership, it does not promise it either: it is entirely silent on the matter. And despite this absence of a membership perspective—which means states could implement reforms, but fail to gain a seat at the table determining the

rules of the game—it has acted as a powerful force of attraction for the states in the region—save Belarus and oil-rich Azerbaijan.

The vision of the Eastern Partnership has far-reaching implications. A state integrating with the EU and building stable institutions would have a government accountable to its people rather than to Moscow; entailing that where the interests of the people and Moscow do not coincide, the government would necessarily choose the interests of the people.

As a result, such a state could not be part of a Russian sphere of influence, which would require subjugation to Moscow. Indeed, for a country to be part of the Russian sphere of influence it cannot have strong, accountable and legitimate state institutions. Instead, it must be authoritarian, weak, corrupt, fragile and, if possible, have deep internal or external tensions that give Moscow the opportunity to manipulate social forces against one another, and the state the ability to maintain control. Political scientist Thomas Ambrosio makes this point clearly in his book *Authoritarian Backlash: Russian Resistance to Democratization in the Former Soviet Union*, in which he outlines what he considers Russia’s strategy in the post-Soviet space: one focused, among other factors, on “bolstering” authoritarian rule in post-Soviet states, and “subverting” efforts at democratic state-building in those, such as Ukraine, Georgia and Moldova, going down such a path. This explains Moscow’s policies of maintaining unresolved conflicts in Georgia and Moldova and between Armenia and Azerbaijan; and its clear intention to create such a stalemate in eastern Ukraine.

Thus, the Russian sphere of influence is incompatible not only with the form of European integration envisaged by the Eastern Partnership, but at a more fundamental level with the type of countries that the EU’s instruments would help to create. Where European leaders want a stable neighborhood, Russia seeks an unstable one; where Europe seeks to develop accountability, Russia undermines it. Thus, the competition between Russia and Europe is not only geopolitical; it is fundamentally ideological.

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This fundamental ideological incompatibility between European and Russian aims is an element that European leaders have failed to internalize: that is, that the very notion, not of EU integration, but of the internalization of the EU acquis by the states in the eastern neighborhood constitutes a mortal threat to the imperial ambitions that lie at the heart of Putinism. Indeed, European leaders often not only state but appear to believe in the rhetoric that stable and democratic countries in the “shared neighborhood” with Russia would be in Russia’s interest.

Yet while that may objectively be the case, it is not in the interest of the Putin regime, or what it defines as Russian interests. Instead, the Putin regime views the stabilization and democratization of these countries as a threat not only to its foreign policy ambitions, but to its domestic system of governance. This is particularly the case for Ukraine and to a lesser extent Georgia, countries that occupy an importance place in the Russian identity and imagination. The Baltic States were considered “Western” and could be let go without any direct implications for Russia. But if Ukraine, in particular, were to develop into a modern, stable and democratic state on the European model, this would have enormous reverberations for Russia itself. If the closely related Ukrainians were living in such an environment, why would Russians accept the kleptocratic authoritarianism of the Putin regime? Thus, it is a matter of priority in Russian foreign policy to ensure that Ukraine—and Georgia—do not become democratic states, and that, instead, their “color revolutions” are portrayed as failures that have brought “fascists” to power and exacerbated the poor living conditions of their citizens.

**Europe’s Problem: Dealing with Russia’s Asymmetric Challenge**

European leaders also misread another element of the politics of the eastern neighborhood: the unresolved conflicts, often called the “frozen conflicts.” When Europeans think of Nagorno-Karabakh, Abkhazia, South Ossetia and Transnistria, they may accept that Russia is meddling in these conflicts, but mostly view them as fundamentally local conflicts that have to be resolved locally, involving the “parties” to the conflicts—and Russia has not traditionally been seen as a party to them. However, even if these conflicts indeed began as local conflicts, they rapidly transformed into primarily geopolitical conflicts, as
Russia’s policy has been the decisive force in maintaining their lack of resolution through controlled instability. Furthermore, since at least 2004, Moscow has invested considerable resources into taking direct control of the separatist authorities in Transnistria, Abkhazia and South Ossetia. As for Nagorno-Karabakh, Moscow has, through its influence in Yerevan, mainly worked to achieve the same objective. The implication of this is that the conflicts are no longer solvable on the local level, and that Russia is not an arbiter but a direct party to them. Yet European powers still pay lip service to mechanisms of resolution that date to a different reality, that of the 1990s. The one exception is Georgia: following the 2008 war, the EU and the U.S. defined Russia as a party to the conflict, and thus to the Geneva discussions meant to manage it. Russia, of course, strenuously denies being a party to the conflict, which it argues is between Georgia on the one hand and Abkhazia and South Ossetia on the other.  

Yet the Eastern Partnership is virtually silent on the unresolved conflicts. This stems in part from a desire by the EU not to get embroiled in these conflicts; yet the consequence is that the EU is trying to contribute to the development of its eastern neighbors without addressing the single most important issue halting their development, which provides Moscow with ample instruments to undermine their development and Western integration. Indeed, one clear reason for the invasion of Georgia was that Moscow believed Western powers would never admit countries with disputed borders and unresolved conflicts on their territories into their organizations. Thus, Moscow thought that the invasion of Georgia had killed Georgia’s NATO aspirations, and statements by some European leaders seemed to corroborate that view. In the same vein, it is likely that Moscow manufactured the crisis in Crimea with exactly the same purpose, but this time to stop Ukrainian EU membership.

In sum, while the EU promises “more for more” in terms of assistance for reforms, Russia offers another incentive: it essentially tells the countries of the eastern neighborhood that if they opt for European integration, Russia will not

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only wreck their economies, but physically tear their countries apart. This threat has been made in private but is also increasingly being made in public. To note only a very recent example, Putin ideologue Alexander Dugin reacted to Azerbaijan’s pro-Kyiv vote in the UN General Assembly in April 2014 by noting that “an Azerbaijan hostile to Russia will instantly cease its existence.” To clarify the point, Dugin explained that “the only guarantee of the territorial integrity of all the post-Soviet states is Russia itself . . . In a confrontation with Moscow, not one post-Soviet state will exist in its current borders.” Simply put, European leaders have not been able to think up a response to this type of threat. In a sense, the EU and Russia are operating on different frequencies, in ways that prevent the EU from effectively mitigating Russia’s actions.

**Conclusion**

If the EU is to succeed in its aims in the Eastern Partnership, it will need to find ways to rise to this challenge. The inherent problem is that hard security and deterrence is not the EU’s mission; thus the response cannot be exclusively an EU one.

To begin with, therefore, the future of the EU’s eastern neighborhood depends on effective institutional cooperation between the EU and NATO, and on the revitalization of the transatlantic link. Indeed, a hard power response to Russia will be needed, and only NATO can provide that, given U.S. backing.

Any response must begin with recognition that European aims in the eastern neighborhood cannot be achieved while the most serious challenges to the survival and development of partner states there are ignored or neglected. Instead, Europe and the U.S. must engage on the very core issues of sovereignty and security that the unresolved conflicts have created.

The response to Putin must be regional: it must be focused on shoring up the fledgling states along Russia’s periphery, particularly those affected by unresolved conflicts. While providing security guarantees for these states might not be realistic at present, the EU and NATO could begin by making it clear that the unresolved conflicts will not be held against these states if they fulfil crite-

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ria for membership. There is an obvious precedent for this: West Germany, of course, had a sizeable unresolved conflict that did not prejudice its membership of either organization, and similar arrangements were made for the overseas territories of several European states.\textsuperscript{18}

The EU has levers at its disposal. It is a party in some form to the negotiations of all the unresolved conflicts—except Crimea, where such mechanisms have yet to be established. The 5+2 format over Transnistria, the Minsk Group over Nagorno-Karabakh and the Geneva discussions over Georgia’s conflicts all provide avenues for clear and concerted European engagement. This will not magically lead to a resolution of the conflicts, but would indicate that Europe is now taking these issues seriously.

In cooperation with the U.S. and NATO, the EU also has the capability to engage more deeply in the security sector with Azerbaijan, Georgia, Moldova and Ukraine, as well as with Kazakhstan and other Central Asian states. Such steps would reassure these countries, and ensure that Moscow understands that there is no implicit acceptance of a Russian “sphere of privileged interests,” to use Medvedev’s terminology.

Practical measures are also of key importance. In Georgia, the deployment of an EU Monitoring Mission following the 2008 war helped to counter Russian provocations and neutralized Russian efforts to manufacture local crises or throw unfounded accusations at Georgia. It has done little to address the unresolved conflicts, but it is a powerful tool in containing these conflicts and reassuring the Georgian leadership. Similar missions could be deployed in Moldova and could feature in Armenian–Azerbaijani negotiations. Moreover, the population of the unrecognized territories lives in an information vacuum, dominated by the propaganda of Russian official news. Countering that information monopoly and providing unbiased news coverage of regional and international developments for these populations is an important long-term goal.

In the final analysis, a key element in any effort to contain Putin’s expansionism is to counteract his manipulation of unresolved conflicts. That means taking the victims of his policies seriously and helping to shore up their sovereignty and security. Taking steps to address frozen conflicts would register at least

\textsuperscript{18} Wilson, “Completing Europe: Georgia’s path to NATO.”
as much as any freezing of assets—and by making Eastern Europe safer, it would also help to prevent the next Crimea crisis.
Out of Focus: The U.S. Response to Putinism

S. Frederick Starr

From the outset, Putin’s Eurasian Economic Union, and the larger political-security project of which it as core element, presented themselves as a kind of litmus test for America’s understanding of post-Soviet Russia’s development as a whole. Throughout the period down to the 2014 Ukraine crisis Washington chose to view the EEU in the only way it could be understood within the framework of the existing and positive policy towards Russia, namely, as a largely economic arrangement entered into by sovereign states on their own volition. This hypothesis survived the appearance of massive evidence to the contrary, because the larger paradigm of post-Soviet Russia as a partner, albeit a somewhat difficult one, remained intact. Only when the three cornerstones of that paradigm were cast in doubt did a more critical perspective emerge. This coincided with the spring 2014 crisis in Ukraine. Even then, the response to events was hesitant and uncertain. As a result, the U.S. government has neither defined nor embraced an alternative paradigm, as a result of which its response to the EEU and Putin’s larger project remains, with respect to strategy, out of focus.

Russia as a Partner

During the 1990s the U.S. was quick to recognize the new post-Soviet states and to declare the preservation of their sovereignty as a prime strategic goal. For this reason Washington strongly backed NATO expansion into Eastern Europe, NATO’s Partnership for Peace program in Central Asia, and the Baku-Tbilisi-Ceyhan pipeline in the Caucasus. At the same time, it worked to foster amicable relations with Russia, supporting the creation of a NATO-Russia dialogue and western investment in Russia and throughout the post-Soviet sphere. It occurred to few Americans that many members of the old Russian elite might
view all this as leading to the diminution of Russia as a great power and even as an attack on its sovereignty. The American approach made good sense in terms of politics and economics but no sense at all in the tortured and brooding realm of Russian psychology.

Against this background, it is no surprise that Washington had no difficulty accepting the establishment of the Commonwealth of Independent States or the reassertion of Russia’s military presence into Armenia, Tajikistan, or Sevastopol in Crimea. The key, in Washington’s view, was that all such arrangements were entered into voluntarily by sovereign states. Washington could simultaneously support the accession of Russia and the newly independent states into the World Trade Organization as just one more manifestation of an emerging post-Soviet world of free markets, self-government, and pluralism.

The attack on the World Trade Center on September 11, 2001, did not change this. Russia was to be commended for using its armed forces to prevent the incursion of militants from Afghanistan into Central Asia, and also for fighting the drug trade throughout the region. Never mind that few, if any, radical Islamists penetrated Central Asia from Afghanistan after 2001 and that more than a few elements of the Russian army itself were actively involved in the drug trade at the Afghan border of Tajikistan. When it became necessary to transport military goods into Afghanistan via the so-called Northern Distribution Network through Russia, and for Russian oil companies to provision the NATO base at Manas, Kyrgyzstan, the alignment of interests between Moscow and Washington seemed complete.

It took the Rose Revolution in Georgia in November 2003 to shake this structure. The “Orange” revolution in November 2004-January 2005 constituted a further tremor, as did the “Tulip revolution” in Kyrgyzstan in March 2005. Viewed from Moscow, these events constituted a single and well-coordinated conspiracy by the West to undermine pro-Moscow regimes in the name of “democracy” and self-government. In retrospect, it is now clear that these all threw Putin and members of his circle on the defensive. The result was not long in coming. On April 24, 2005, Putin announced to the Russian people that the collapse of the USSR was nothing less than “the greatest geopolitical catastrophe of the century.”
It was in this mood that Putin crystalized a bevy of dour ruminations rooted in a Spenglerian sense of impending doom into a coherent revanchist strategy. Such a strategy, he realized, could refocus the energies of the Russian civil and military elite onto a grand project that was totally independent of Russia’s progress, or lack of progress, towards democracy and an open market economy.

Putin’s first steps towards implementing this strategy caused barely a ripple in American official thinking, focused as it was on the campaign in Afghanistan. Having defined Russia as an ally, Washington was not about to jeopardize what it wanted to believe was a strategic asset by criticizing Putin. As a result, Washington chose to ignore Putin’s advice to all leaders of Central Asia that they not enter into arrangements with Washington without obtaining his prior approval. Putin could demand to join the newly established Central Asia Union and then, having done so, close it down in favor of a new grouping dominated by Moscow—all without a murmur from Washington. And Russia could make similar strategic moves in the Caucasus and Eastern Europe (particularly in Transnistria) without eliciting a serious American response.

The Russian invasion of Georgia in 2008 repeated this pattern of non-response from Washington. Earlier that year, the Bush Administration failed to realize the consequences of its support for Kosovo’s unilateral declaration of independence, although Russian leaders had made it clear that the response would come in Georgia. In a similar vein, the U.S. did push for a NATO Membership Action Plan to be given to Georgia and Ukraine at that year’s Budapest Summit, but failed to grasp the consequences of failing to bring that about—in spite of Putin’s personal quip to President Bush during that Summit that “Ukraine is not even a state.”

The outgoing Bush administration did contribute to halting the invasion of Georgia by its decision to send humanitarian aid through military channels, and by rapidly flying the cream of the Georgian army home from Iraq in spite of the objections of Moscow, which by then controlled Georgian airspace. One of its final decisions before the incoming Obama Administration took office was the signing of the U.S.-Georgia Charter on Strategic Partnership, which remains a useful instrument.
The Predictable Failure of the “Reset” Policy

However, the principled strategic response of the new Obama administration to Russia’s unprecedented territorial grab by military force was to declare the now-notorious “Reset” policy. According to this fanciful project, Obama himself would dissuade Putin from further such adventures by the sheer force of the presidential personality. Never mind that leaders from throughout the former Soviet Union were forcefully expressing their concerns over Russian behavior to U.S. ambassadors, and supporting their arguments with case after case of Russian pressure and strong-armed tactics in the economic, political and security spheres. Washington, it was believed, would negotiate over the heads of the new states of Eastern Europe, the Caucasus and Central Asia and achieve a new world order which none of those states could achieve on their own.

American officials were aware of these concerns, but dismissed them. President Obama and Vice President Joe Biden stated repeatedly that the reset does not come at the expense of other countries. Vice President Biden stated in Tbilisi in July 2009 that President Obama had asked him to travel to the country “to send an unequivocal, clear, [and] simple message’ that U.S. efforts to reset relations with Russia would not come at the expense of ties with Georgia.”

A senior Defense Department official clarified the Administration’s perspective:

We don’t accept a zero-sum frame, but this is a frame that everyone keeps trying to force on the United States, that American perspectives on Eurasia, on Europe, on arms control must be zero sum. We don’t think they’re zero sum.... we think that we can cooperate with Russia and engage with Russia and also affirm that countries in Europe and Eurasia can have successful, prosperous, secure futures as well.

This official added that:

the same set of rules and norms by which Russia exists in the international community and commands our respect, as it does, apply to Russia's neighbors. And that's really the basic principle, that the United States expects Russia to

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abide by the same rules of the game that Russia expects the rest of the international community to approach Russia with.”

The problem, simply put, is that this expectation did not play out. And when it did not, American officials did not respond, did not alter the “Reset” policy. Instead, the fear of the Reset’s critics became reality: American officials appeared to calibrate their every move in the region to the expected Russian reaction, and desisted from initiatives that would “irritate Moscow.”

In fairness, the “Reset” policy was launched at a time when a consensus reigned that Russia itself had appeared to take on a new and more conciliatory tone toward the West. Having taken a serious hit in the financial crisis, and with the more amenable Dmitry Medvedev as President, Russia moved to resolve a decades-old dispute with Norway on maritime boundaries, to patch up its longstanding differences with Poland, and working with NATO on a compromise on missile defense. Moscow appeared to reciprocate the “Reset” policy, cooperating with the U.S. on Iran sanctions and logistics to Afghanistan. Simply put, the Russia of 2009 seemed very different from that of 2008.

That, in turn, strengthened the assumptions of the Obama Administration that the problem had been American policies, not Russia. The Bush Administration, the new U.S. administration felt, had been unnecessarily anti-Russian, and Russian misbehavior in the former Soviet space was a reaction to perceived American inroads in areas where Russia had “legitimate interests.” That was a misinterpretation of Bush Administration policies, which were similarly naïve about Russia in the early days, but that is not the point here. Rather, the point is that the Obama Administration assumed that if Washington took a step back in the post-Soviet space, so would Moscow. But reality was the opposite: whatever happened in other areas, the post-Soviet space is one area where Russian policies did not change. As the contributions to this volume make clear, Putin benefited from American disengagement in Eastern Europe, the South Caucasus and

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Central Asia to intensify his efforts to restore Russian pre-eminent influence everywhere.³

From the outset, Russian leaders did not hide that their primary interest in the “Reset” was to achieve American recognition for what Medvedev had termed a “zone of privileged interests.” American leaders maintained they would never accept this; but Putin drew inference from Washington’s actions rather than Washington’s rhetoric. By 2011, if not earlier, Moscow concluded that Obama’s “Reset” policy did constitute an implicit acceptance of Russia’s exclusive sphere of influence. Certainly, American officials would never admit that, and would argue the opposite; but the fact that they deferred to Moscow on their initiatives across Eurasia suggested that they did.

As a result, the “Reset” policy backfired spectacularly. Far from ushering in a Russian policy that respected the sovereignty of its neighbors, the Reset brought about the exact opposite: a boost for Russian revisionists that concluded that they had a green light to restore Russian control over the former Soviet Union.

Meanwhile, the European Union a more pro-active course. As discussed in the chapter of this volume devoted to the EU, Brussels chose to brush aside all political and geo-strategic concerns in Moscow and establish its Eastern Partnership. To the West, this project seemed to advance, if at all, through the turgid bureaucratic measures that were all too typical of Brussels. To Putin, however, the partnership was nothing less than a further step in the process that began with the expansion of NATO membership to Eastern Europe and the Baltic countries. Left unchecked, it would not only destroy Putin’s scheme to build a new Eurasian bloc but would directly threaten Putin’s program to reorient Russian domestic policy—and Russian identity and psychology—around his grand external project.

Russia’s more aggressive actions in its neighborhood over the previous half-decade had not gone unnoticed in Washington. However, the combination of the focus on Afghanistan and the hopes implicit in the “Reset” effectively prevented the U.S. from acting on its concerns. This engendered deep but unex-

pressed frustration in some quarters within the Obama Administration. Finally, on December 6, 2012, Secretary of State Hillary Clinton, in one of her last public utterances before leaving her post, declared, “Let’s make no mistake about it. We know what the goal (of the EEU) is and we are trying to figure out effective ways to slow down or prevent it.”

It was well and good for a departing Secretary of State to attack the EEU as an “effort to re-Sovietize” the former Soviet space, but quite another matter to translate that insight into policy. In fact, nothing was done. Not only did Clinton’s outburst not go beyond the seventh floor of the State Department, it found no resonance either in the National Security Council or in the White House. This important fact was duly noted by the FSB and Russian policymakers, which served to embolden them further—particularly as Clinton’s successor failed to uphold her rhetorical resistance to Russian neo-imperialism.

**Excuses for Inaction**

The details of Washington’s response to Moscow’s heavy-handed moves against Kyiv need not concern us here. But two general features are to be noted. First, many members of the Obama Administration, echoing statements of such leading pundits as Tom Friedman of the *New York Times*, contended that Putin’s project was doomed to fail, and would in the end do more damage to Russia itself than to its neighbors. Never mind that in the interval between Putin’s current actions in Ukraine and the ultimate collapse of his dreams, immeasurable damage could be done to Russia’s neighbors in the Baltic area, Eastern Europe, the Caucasus, and Central Asia. What might otherwise have been an important insight thus became an excuse for inaction. Many in America turned what might otherwise have been an important (but unprovable) hypothesis about the future into an operational doctrine that held that “We do not need to take strong action because History itself will bring Putin’s project to naught.”

Second, because of this, it was concluded that any kind of military response to military action is unwarranted, and that the best rejoinder would be through the

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economic sphere, i.e., through sanctions. That the first sanctions were directed against individuals rather than the Russian state suggests that as of that point the U.S. did not take Putin seriously. It remains to be seen whether further sanctions will provide any kind of brake on Putin’s larger project.

Third, if Putin’s efforts are doomed in the end, there is no need to devise a larger strategy to meet them, one that embraces the various sovereign states threatened by Moscow’s multi-sided campaign of subversion. Of course, this happily Panglossian posture leaves all of America’s erstwhile friends throughout the region in the lurch. Why provide defensive arms to Georgia, which has already seen itself invaded and its territories stolen, if in the end Putin will fail? Why, for the same reason, should the U.S. do anything if India, Israel, or other countries choose to close their eyes to recent events and open bilateral relations with the EEU? Two possible answers to such questions suggest themselves: the U.S. will remain on the sidelines either because the present policy of sanctions will in the end succeed, or, as Stratfor has argued, the U.S. lacks the “resources to double down on Russia.”

Viewed from the perspective of Moscow, the reconsolidation of what is believed to be Russia’s historic territory is akin to Bismarck’s historic consolidation of the German states in the nineteenth century. True, such a grand mission may involve coercion and the use of force but this is inevitable in any great geostrategic project. It also recalls Trotsky’s use of the Red Army to reconquer former tsarist territories during the Russian Civil War, the only historical precedent for a European empire to be reconstructed after it collapsed. America, in this view, is doubly naïve: itself the product of continental conquest, it now fails to appreciate the great forces of destiny as they operate in today’s world. As an otherwise sober Russian pundit, Dmitri Trenin, surveys the scene in 2014, he concludes that the U.S. government is hostile to any enhancement of Russia’s presence in the Former Soviet Union, “whether it is economic, cultural, or any other influence.”

It is fashionable in some quarters in the West to argue that Putin’s grand project, involving economic, political, military, and cultural elements, is the last

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emanation of nineteenth century geopolitics. As of this writing, it is equally plausible to conclude that it represents the first manifestation of a new kind of geopolitics, steeped in the world of Bismarck and of Alexander III but adapted to a new century and to the possibilities of irregular warfare that the new technologies make possible. At some future date it will be possible to adjudicate between these two hypotheses. For now, it is clear that the struggle that burst into the open in Georgia in 2008, extended to Putin’s effort to gain a military base in south Kyrgyzstan in 2010, and is now manifest in Ukraine and other territories in Eastern Europe, the Caucasus, and Central Asia, represents a direct challenge to fundamental values concerning sovereignty, self-determination, and self-government which the U.S. and Euro-Atlantic world hold to be universal and fully applicable in the twenty-first century. For the time being, it appears that Mr. Putin has a strategy for achieving his ends while the U.S. is still in denial over the need for a counter-strategy.
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