

A stylized map of Eurasia composed of a grid of dots. The dots are mostly grey, with several red dots highlighting specific regions: one in the northwest (Belarus), one in the north-central (Russia), one in the south-central (Kazakhstan), and one in the southeast (Russia).

The Eurasian Economic Union

Analyses and Perspectives from
Belarus, Kazakhstan, and Russia

FELIX HETT AND SUSANNE SZKOLA (ED.)

February 2015

- On the 1st of January 2015, the agreement on the Eurasian Economic Union (EEU) entered into force. This ushers in the next stage of the integration project of Belarus, Kazakhstan, and Russia that was established in 2007, and which looks to the European Union as a model in many aspects. This publication brings together four perspectives from the three member states of the EEU, which together sharpen the vision on the emerging trends and contradictions in the Eurasian integration process.
- Within the EEU there exists a tension between deepening and enlargement. After a series of unsuccessful attempts to integrate the post-soviet region under Russian leadership, the EEU represents the most serious approach to achieve this goal. However, the economic side of things is currently threatened to be swept under the wheels of a rapid expansion dominated by geopolitics. In this way, the EEU could suffer the fate of its predecessors – that to a large extent only exist on paper.
- The economic calculus dominates the smaller – in terms of economic power and population numbers – EEU states of Kazakhstan and Belarus. Both countries want to achieve economic gains without sacrificing any sovereignty. Minsk and Astana have rejected suggestions from Russia of political integration.



Contents

Foreword	3
<i>Felix Hett and Susanne Szkola</i>	
Caught between the Economy and Geopolitics	4
<i>Andrey Zagorski</i>	
Expansion and Free Trade	8
<i>Elena Kuzmina</i>	
Kazakhstan: Economic Integration without Relinquishing Sovereignty	11
<i>Dossym Satpayev</i>	
Belarus: Muted Integration Euphoria	15
<i>Arseniy Sivickiy</i>	
Authors	20

Foreword

On the 1st of January 2015, the Agreement on the Eurasian Economic Union (EEU) entered into force. This ushers in the next stage of the integration project of Belarus, Kazakhstan, and Russia that was established in 2007, and which looks to the European Union as a model in many aspects. With the establishment of a customs union in 2010, the appointment of a Eurasian economic commission in Moscow in 2012, and the signing of the agreement on the EEU on the 29th of May 2014 the fundamental pillars have been built.

Global interest in the EEU grew over the course of the conflict in Ukraine, the starting point for which in the eyes of many observers was the integration rivalry between the customs union and the EU over Ukraine. Regarding this increase in interest, the dominating interpretation in the EU has consigned the EEU as part of Russia's, and its president's, Vladimir Putin's, personal geopolitical project, far removed from any economically-rational perspective.

In the present publication, four perspectives from three member states of the EEU have been drawn together, which together sharpen the vision on the emerging trends of the Eurasian integration process – and its numerous contradictions.

Andrey Zagorski (Moscow) takes the tension between deepening and enlarging the EEU as the central theme in his article. After a series of unsuccessful attempts under Russian leadership to integrate the post-soviet region, the EEU presents the most serious path to achieving this goal. However, the economic side of things is currently threatened to be swept under the wheels of a rapid ex-

pansion dominated by geopolitics. In this way, the EEU could suffer the fate of its predecessors – that to a large extent only exist on paper.

Elena Kuzmina (Moscow) sees the expansion of the EEU around Kyrgyzstan, Armenia, and Tajikistan in a clearly more positive light, especially with regards to the potential economic advantages. Furthermore, Kuzmina discusses the possibility of a free trade agreement between the EEU and Vietnam and Turkey.

Two further articles concern themselves with the viewpoints of the much smaller – in terms of economic power and population number – EEU member states, Kazakhstan and Belarus. Both countries strictly limit the impact of the integration project on their economies – Minsk and Astana have rejected suggestions from Russia of political integration. The economic calculus reigns supreme.

Dossym Satpayev (Almaty) analyses the growing unease in the Kazakh community surrounding the integration project and Russian intentions. It remains open as to how far the Eurasian integration direction of the country would progress under a possible new president.

Arseniy Sivickiys (Minsk) perspective on the EEU hinges on clear differences of interest in the design of the EEU contract and its implementation, and asserts a position that is as sceptical for Belarus as it is for Kazakhstan. Furthermore, he thoroughly describes the position on the EEU of various actor groups within the country, and how it became possible, also through the crisis in Ukraine, to assert national interests against Russia.

Felix Hett & Susanne Szkola

Caught between the Economy and Geopolitics

Andrey Zagorski

The formation of the EEU comprising Russia, Belarus, and Kazakhstan is one of the foremost priorities in Russian politics. The progress that has been achieved in a short period of time (completion of the customs union in 2011, formation of the Eurasian commission of the unified economic area in 2012, the signing of the contract on the Eurasian Economic Union in May 2014, as well as the preparations for the rulings on expanding the union to other states) is often held up as an example of the efficiency and attractiveness of post-Soviet integration.

In Russia, the establishment of the EEU is viewed above all else as a geopolitical project. The EEU is called upon to:

- provide a much sought-after alternative to associating with the European Union;
- become a second (Euro-Asian as well as Euro-Atlantic) pillar in the pan-European security architecture and to;
- demonstrate Russia's role as the uncontested regional power.

The attractiveness of the EEU for its further member states is analysed against the background of the *possible profit* to the new states. Alongside the voting in of particular agreements, the initiators of the EEU-formation promised *major effects on the economy*, which were to occur within just five years.

Proof of the *»advantage beyond all doubt«* of the integration with Russia can be found in the *»explosive growth«*, to use the words of Putin's advisor, Sergey Glazyev, in the reciprocal trade of the EEU member states in 2011.

The fact that the EEU is still so young means that for now there can be no thorough appraisal of the promise that was made a few years ago. In light of the dazzling predictions, the real effects on the economy of the union formation do, however, seem rather modest to date. The Eurasian Economic Union has a very weak economic basis, whilst an accelerated expansion of the EEU could even negate the modest achievements made up to now.

What Distinguishes the EEU from its Predecessor Organisations?

The Eurasian Economic Union is not the first integration project of its kind in the post-soviet region:

- In 1993 a contract detailing the formation of an economic union made up of 12 member states in the Commonwealth of Independent States (CIS) was signed.
- In 1995, Belarus, Kazakhstan, and Russia signed an agreement on the formation of a customs union, which Kyrgyzstan joined in 1996, and Tajikistan in 1999. In 2000 this project was turned into a Eurasian Economic Community (EEC).

Both projects were meant to realise what today is being sought for in connection with the EEU: the establishment of a free trade zone, the founding of a customs and payments union, as well as a uniform economic area, and, in the future, even a monetary union. All of these goals, however, have not yet been reached.

Among the far-reaching structural deficits, which hinder the integration of the post-soviet states, is a particularity of both agreements, which meant that in reality, neither an economic nor customs union was sought. Both of these contracts concerned themselves only with *»road maps«*, which merely marked out stages and aims of integration. The accordant, normative basis necessary for the realisation of these goals was yet to be brought into existence. This very complex set of rules was supposed to be encompassed in dozens of agreements, which needed to be developed, signed, and ratified. But neither the CIS economic union, nor the EEC were up to the task, thanks to the different interests and divergent positions of their member states.

In this respect, the EEU is different to its predecessor organisations. Thanks to its limited circle of participants of only three states, it is possible to develop a comprehensive set of rules in a short amount of time, in the form of more than a hundred contracts and agreements that should guarantee the functioning of the customs union and the uniform economic area. In spite of all the gaps in



the current base set of rules, all exceptions in the coordinated procedural framework, all the time-limited special conditions, in spite of all promises of returning in the future to discuss particularly pressing questions, the EEU represents the first integration project in the post-soviet region that actually has an *acquis*.

This positive distinguishing feature, however, proves itself to be a serious disadvantage when we come to the issue of the EEU expanding to include more member states. It was nice and easy to ascribe to the earlier »road maps« of the post-soviet integration plans, because they did not commit anyone to anything concrete. The furnishing of the EEU with an extensive set of rules changes the situation, in that it sets the bar considerably higher for all the states interested in joining. They cannot just commit themselves to the established goals set out in the founding treaty, but they must also take all the valid obligations into account. This means that several dozen contracts and agreements, including the mandatory provisions of the unified customs tariff for all EEU member states must be considered.

This situation places politics today in a very serious dilemma. If the candidates are not willing or are not able to accept the relevant obligations in their entirety in order to

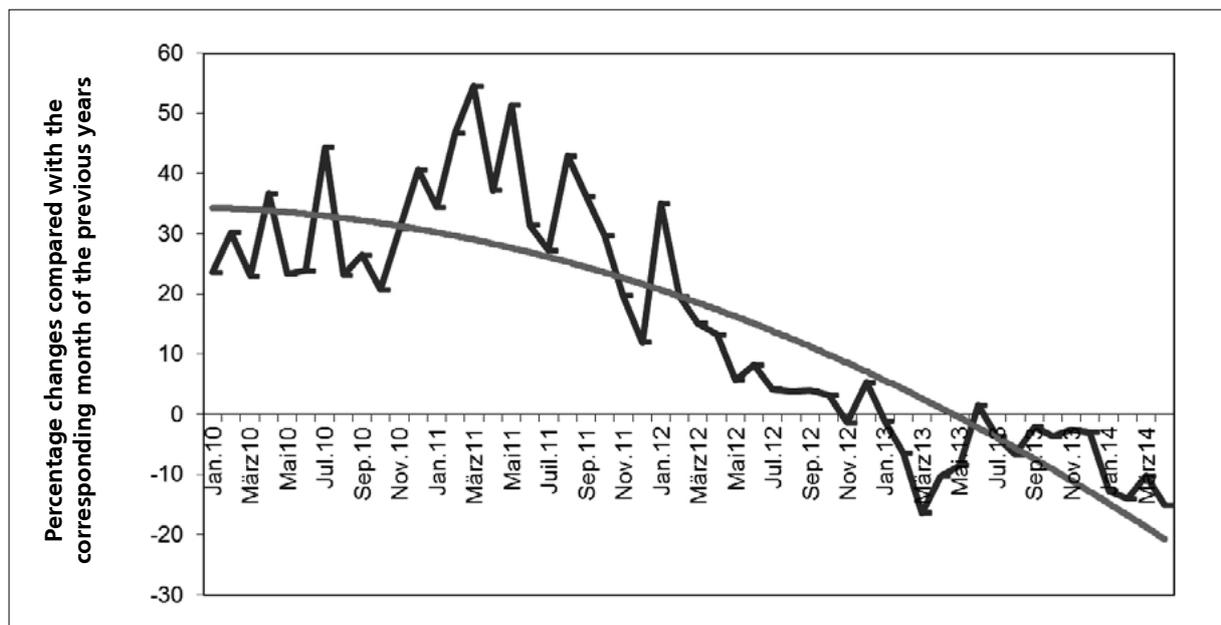
join the union, one would be well-advised to deny them entry in the interest of protecting the integrity of the EEU. On the other hand, one might be forced to accept them under special conditions, and so accept the fact that the new member states will not accept all the rules, but just those that they find acceptable in joining the union.

This particular solution has, however, a markedly political character. It would serve the sole purpose of demonstrating the attractiveness of post-soviet integration, advance the consolidation of the neighbouring states with Russia as a magnet and thereby remove these countries the economic alternative of associating with the European Union (also with China, insofar as this concerns the countries of central Asia). At the same time, this solution would dissolve the integrity of the already existing »uniform economic area« and further weaken its already limited impact on the economy.

The Effect on the Economy

The amount of reciprocal trade between the member states of the EEU is not particularly significant. The lion's share of economic exchange between EEU members falls to third countries.

Figure 1: Monthly Trends in Reciprocal Trade between EEU Member States in 2010–2014



Source: Statistical data of the Eurasian Economic Commission 2010–2014



In 2010–2013, only 12 percent of the total foreign trade in EEU states was allotted to internal trade within the union. The only exception is Belarus, for whom Russia was the most important economic partner, even before the foundation of the EEU. Nearly half of its trading volume was in EEU internal trade. As far as Russia’s foreign trade is concerned, the amount that was with EEU states lies between 7 and 7.5 percent (statistics of the Eurasian Economic Commission for the years 2010–2014).

Within the short period of its existence, the dismantling of trade barriers between EEU member states has not resulted in the expected Economic Miracle. The effect of an »explosive development« of reciprocal trade in the context of the EEU has proved itself to be extremely short-lived. Indeed, reciprocal trade did in fact increase a great deal between March and October in 2011, so in the closing stage of the formation of the customs union. Following a further short growth-phase at the start of 2012, the situation stagnated; and then, since 2013, there was an ongoing period of continuous decrease right through to today.

Within the last four years, only Belarus has managed to expand its trade with EEU member countries (in fact, exclusively with Russia). In Russia’s case, the trade turnover

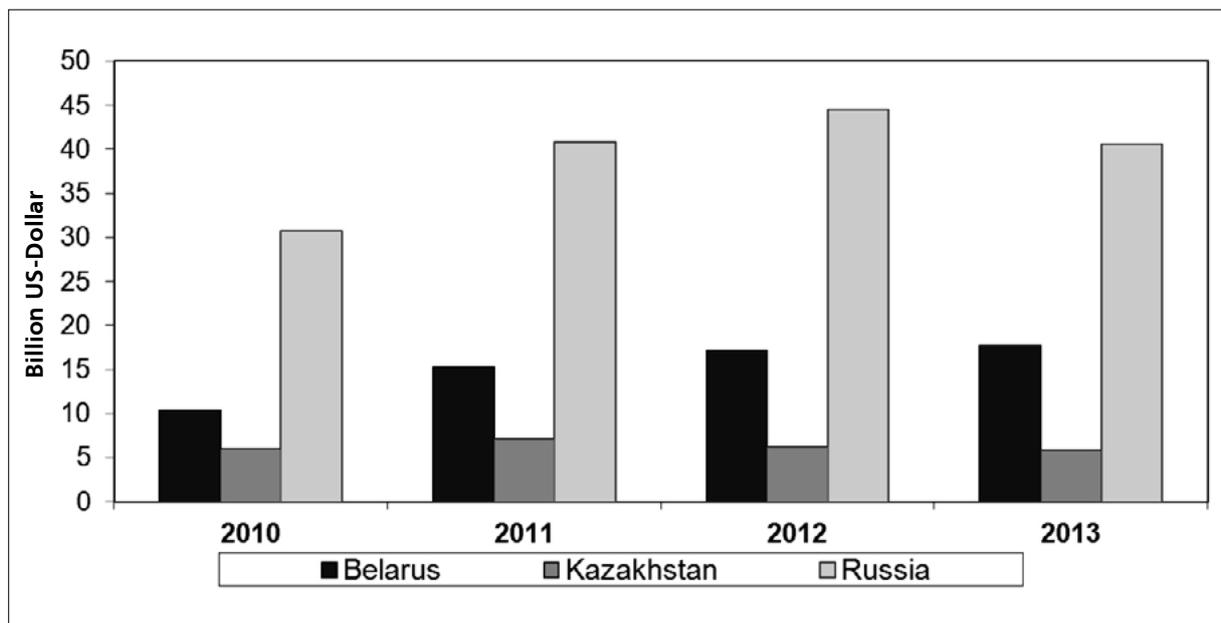
with EEU-partners in 2013 was somewhat below that in 2011, whilst for Kazakhstan, the trade turnover with EEU-member states (that is to say with Russia, because no more than 1 percent of trade volume was with Belarus) in 2013 was under the value for 2010. Within the first four months of 2014, Kazakhstan’s trade with the remaining EEU member states had shrunk by another quarter in comparison with the same period in the previous year.

Entry of Armenia and Kyrgyzstan

The main focus in the discussion about new member countries joining the EEU (this discussion was conducted – with varying degrees of success – since the end of 2011 with Kyrgyzstan and since the end of 2013 with Armenia) is, as expected, the question of conditions of accession.

The entry of Kyrgyzstan to the EEU could, according to estimations, have negative effects primarily on the light and garment industries of the republic, in that it would result in the loss of thousands of jobs. For this reason, the idea of establishing a special fund for financing the development of new, labour intensive production sites in

Figure 2: Reciprocal Trade Between Member States of the EEU 2010–2013



Source: Statistical data of the Euro-Asian Economic Commission (EEC 2010–2014).



Kyrgyzstan became a central question in the accession negotiations. Ultimately, after the approval of the »road map« of its joining the EEU, Russia provided Kyrgyzstan with 1.2 billion USD in May 2014, in order for it to set up a special development fund, and as a bond to help it implement the »road map«.

The question of joining the EEU was also connected with special conditions for Armenia. Namely, the possibility of a price reduction for transporting Russian natural gas and rough diamonds, as well as the expectation that the Armenian rail network will be modernised with the help of Russian investments.

The main problem, however, on the path to Kyrgyzstan and Armenia joining the EEU was the question of exceptions to the uniform tariffs of the customs union, which would move both countries to using lower import tariffs. The reason for this is that Kyrgyzstan and Armenia already agreed to the conditions of the World Trade Organisation, which are different to the tariffs of the customs union.

After quite controversial discussions with regards this question, the EEU states apparently made a political decision concerning the accession candidates. Article 42.6 in the May 2014 signed treaty on the foundation of the Eurasian Economic Union permits acceded states to use lower import duty rates after their accession than those specified through the uniform customs tariff. However, the contract prohibits the re-export of items imported at the lower import duty rate to other EEU member states without the difference in price being equalised. It is difficult to say today how this system will work. It would, however, be perfectly possible that it might result in a restoration, or rather, continuation, of the albeit informal customs controls at the borders between member states of the EEU.

Concluding Observations

The economic advantages of the Eurasian Economic Union for its member states have in no way been proven, and require more serious evidence. At the same time, the current discussion about an expansion of the EEU's circle of participants, which is quite clearly being carried out against the backdrop of competition with EU politics of the Eastern Partnership (above all Russia in-

creasingly so), leads to politically-motivated decisions being made, instead of economically-grounded decisions, which would allow the integrity in the context of the EEU's developed set of regulations to be protected. This confronts the EEU with the danger of the platform it established in recent years sinking. The latter could lead to a situation where the EEU would suffer the fate of its predecessor organisations, which were eventually paralysed during the implementation of the envisioned integration plans by similar political decisions lacking in economic rationality.

Expansion and Free Trade

Elena Kuzmina

The contract concerning the Eurasian Economic Union (EEU) allows for the possibility of widening the circle of its member states. Presently, there are two possible variants of collaboration of individual states with the EEU: either a *full EEU-membership* (Kyrgyzstan, Armenia, Tajikistan) or the *establishment of a free trade area* (Vietnam, Turkey) with the EEU. There are currently interested parties for both variants.

The EEU Accession Candidates and their Pre-accession: Kyrgyzstan and Armenia

Both Kyrgyzstan and Armenia have indicated their intention to join the EEU. Although the dates for EEU-accession during the Summit meeting in May 2014 in Astana were set as July 2014 for the EEU-accession of Armenia, and January 2015 for Kyrgyzstan, both countries are currently unable to join the EEU thanks to their economic problems. They require either a transitional period, or an associated membership in order to join the EEU. Each country has its own economic situation, which means that it seems impossible to speak of a standardised, with regards time and legislation, integration of both countries.

During the negotiations, Kyrgyzstan requested material assistance and the granting of a preferential period for its markets, »Dordoj« and »Kara-Suu«. With regards these questions, the opinions of the various member states of the customs union differ. A resolution here is particularly important for Russia, because this country would be affected the most by an extension of the set deadlines for the regulation of Chinese re-exports via Kyrgyzstan. Astana and Minsk are not presently ready to accommodate Moscow. Russia, as the main sponsor of the Eurasian project, would be forced to appear open to concessions and additional costs. In the meantime, Moscow has provided Bishkek with 1.2 billion Dollars in order to build phytosanitary and customs infrastructure necessary for the accession to the customs union.¹

1. Kyrgyzstan already enjoys preferential treatment in the context of the free trade area of the Community of Independent States, and receives petroleum products from Russia at a reduced price as compensation for the fulfilment of its duties regarding the removal of the US military base »Manas«.

For Yerevan, Armenia's integration into the EEU creates new possibilities in the areas of economic development and the improvement of social standards. These include not only the fast-acting positive effects of a reduction in gas prices (around 140 million USD per year), but also the customs tariff increases, the abolition of export duties on rough diamonds, and potential investments in oil refineries; as well as more long-term effects, such as changing the perspective on Armenia into a destination for commerce, transport, transit, and the reconstruction of industrial plants with the attached results in social development.

Aside from these, there exist, however, a number of objective factors, which put the brakes on Armenia's accession to the union. These factors are to a great extent political in nature, and indeed concern the far from clear relationship between Russia and Georgia, as well as the issue of Nagorno-Karabakh.

Preparations in Tajikistan

When experts and politicians talk about the expansion of the union, they also mention Tajikistan, which to this day has not given a clear answer to the question of whether it wants to join the Eurasian Economic Union. Regarding this question, expert reviews are carried out regularly in the republic. The accession of Tajikistan to the EEU would result in a number of positive consequences for the republic. On the one hand, the preservation and expansion of the volume of exports; on the other, the legal protection of questions of labour migration (with an increase in pay for migrants of approximately 9–28 percent and a growth in transfers of money of approximately 15–25 percent), as well as solving the lack in capital and know-how.

Tajikistan's customs tariffs are not too far removed from the tariffs of the customs union. Therefore, its accession to the EEU could be carried out efficiently and would result in no substantial reorientation of its trade. However, in the initial period, the positive economic effect of Tajikistan's accession to the customs union – if one accepts

the estimations of the Eurasian development bank – would fall rather short, because of the high transport costs. There is also the further issue of a lack of a homogeneous opinion among the ruling elite on the appropriateness of the accession to the customs union. The not very good-neighbourly economic and political relations with Uzbekistan, along with the regulation of border disputes with Kyrgyzstan play a prominent role here – problems that have only worsened in recent years.

Differentiated Conditions of Admission as the Root of the Problem

Difficulties with the admission of new members also arise due to a lack of standardised conditions and requirements for countries seeking membership. This allows the member states to negotiate new privileges for themselves during the discussions on expanding the EEU. This is, for example, how Kazakhstan managed to oppose the accession of Kyrgyzstan to the customs union for so long. In the case of extending the borders of the customs union, Kazakhstan would lose part of its customs revenue, mainly through customs clearance of goods that enter the EEU from China through the territory of Kyrgyzstan. Only after the moving of numerous trading centres of the Kyrgyzstani market »Durdoj« into the Kazakh border area trading centre »Chorgos«, did Astana give up its opposition of its Kyrgyzstani neighbour's accession.

Although the president of Belarus, Alexander Lukashenko, has no reason to worry about any damages to his own national economy through Armenia's accession, he still justifies the extension of accession deadlines with the need to move the union to a high-quality level. The reality is that he is trying to exploit Russia's wish that both EEU candidates be integrated with a full membership to his own advantage in the bilateral economic relations with Moscow. Minsk, like Astana, would also like to avoid a diminution of its customs revenue where possible.

Free trade agreement with the EEU

Vietnam

With regards the wish of several countries to sign a free trade agreement with the customs union, it should be emphasised, that this is at present only being discussed officially with Vietnam.

According to a statement from the deputy economic minister of Vietnam, Tran Quoc Khanh, the partners have already agreed on all questions of exchange of investment and services. The document itself could be signed by the end of 2014, according to the deputy minister for economic development of the Russian Federation, Alexej Lichatschov.

One mustn't forget that the discussions are being held with the approval of ASEAN, because under the ASEAN charter, no member state may establish a free trade area with another state without approval from the other member states of this bloc, as well as from the leaders of the association. The Russians assume that the establishment of a free trade area with Vietnam would not only result in a significant development of both side's investment volume and their bilateral trade relationships (in 2013, the trading turnover between the two countries totalled only 4 billion USD), but would also act as a »bridge«, in the sense of an active advancement of economic relationships between the member states of the customs union and the other ASEAN member states. Furthermore, the Vietnamese would like to see modernisation of their port and rail network, as well as the building of a new, large-scale railway line between Vietnam and Laos. One should not underestimate the role of geopolitical considerations in these negotiations. Vietnam is clamped between China and the USA, including their allies (Japan, South Korea, Taiwan). Vietnam is trying to develop its cooperation with third powers, without joining one side or the other. Russia and the other member states of the Eurasian Economic Union would very much like to see the expansion of their flow of goods into East Asia.

Turkey

In November 2013, the Turkish Prime Minister, Recep Tayyip Erdogan, also announced that his country wants to join the customs union. In terms of economic interests, the customs union member states seem to be inclined to welcome the accession of Turkey to the union. The motivation to use Turkey's accession to transport part of the Russian and Kazakh hydrocarbons into the European Union via Turkey is a very strong economic incentive. Meanwhile, the main stream of these hydrocarbons flows into China, which is set to increase in the future, in view of the contracts finalised in 2013–2014 with the People's Republic of China. Only Russia is in the position to increase its transport of gas into Europe via Turkey.



Furthermore, Turkey has expressed a no less considerable interest in expanding mutual cooperation in the area of nuclear energy. As a result, the building of the first Turkish nuclear plant in the province of Mersin has been arranged. The main contractor is Russia, which with an investment volume of 22 billion USD is simultaneously the main investor in this large-scale construction project.

Turkey's interests seem entirely justified from a geopolitical point of view. This could namely be interpreted as the Turkish response to the European Union's refusal to see Turkey as an equal partner. Ankara's positions regarding many questions of world and regional politics match the equivalent positions of the current customs union members. If Moscow were to offer a clear cooperation programme on utilising the Eurasian Economic Union's potential, Turkey could begin the process of creating a free trade area, and possibly also a more extensive form of mutual cooperation. The most sensitive areas in this development could prove to be firstly the relationship between Armenia and Turkey, and secondly the confrontation between western countries and Russia in the context of the Ukrainian question.

of questions of transport and commerce stability; the legalisation of a significant amount of work force migration, which previously lay in a grey area. The issue of a potential equalisation across the entire region of Eurasia with the Chinese economic expansion could also be an important consequence of the Eurasian integration process.

Conclusion

It is probably still far too early to seriously consider the roles of other countries (such as India, Israel, Egypt, or New Zealand), who have also announced their interest in signing a contract about creating a free trade area with the customs union. It is not so much economic interests as political questions, often tinted with confrontation, such as the Ukrainian problem, the questions regarding the Middle East, etc., which hinder a coming together of the parties in question.

Regardless of any difficulties of an economic or political nature, which stand in the way of applicant countries joining the customs union and/or the EEU, or which hinder negotiations about agreeing a common free trade area, the increase in Eurasian integration has more positive than negative results for the parties involved. The positive effects of expansion, which occur automatically for members of the EEU and/or customs union, are plain to see. These positive effects of expansion include primarily the consolidation of reciprocal trade relationships; the expansion of sales markets; the regulation

Kazakhstan: Economic Integration Without Relinquishing Sovereignty

Dossym Satpayev

Of the three founding members of the EEU, it is in particular Kazakhstan's president, Nursultan Nazarbayev, who has positioned himself as the father of the integration project. It was he who first formulated the idea of an »Eurasian Union« during a speech at the University of Moscow on the 29th of March 1994. In light of this, Nazarbayev has an emotional tie to the EEU and sees it as his personal victory. Despite this, the original suggestion awoke no interest in the former Soviet Republics at the time.

The situation changed when Vladimir Putin took up office. He saw the post-soviet area as a sphere of vital geopolitical and geo-economic interest for Russia. During his annual address to the people of Kazakhstan in February 2007, Nazarbayev restated the urgency of creating a Eurasian Economic Union. Then, in October 2007, Kazakhstan, Russia, and Belarus signed an agreement about the establishment of a uniform customs territory and the formation of a customs union (CU). On the 1st of July 2010, a uniform customs code for the territories of Kazakhstan and Russia was introduced, and on the 6th of July 2010, for the whole territory of the customs union. In 2011, the presidents of the three countries signed a declaration on Eurasian economic integration, which came into force in January 2012, based on 17 international contracts, which formed the foundation of the Common Economic Area (CEA). In February 2012, in the context of this integration project, the first supranational structure of the Eurasian Economic Union, which was – formally – not an ancillary part of the CU or the CEA member governments, was brought into effect.

Institutional and Functional Particularities

According to Kazakh leadership, the EEU is the next step on the path to economic integration, following on from the creation of a free trade zone within the CIS, the formation of the customs union, and the Common Economic Area.

* This is a summary of: Satpajew, Dossym (2014): Die Eurasische Wirtschaftsunion als geopolitisches Instrument und Wirtschaftsraum. Eine Analyse aus Kasachstan., *FES Perspektive*; <http://library.fes.de/pdf-files/td-moe/10810.pdf>.

It is written in the EEU treaty that all agreements at the highest level of the EEU can only be made with the consensus based on the rule, »one nation – one voice«. This means that even when only one state, via its representative, votes against a decision in the supranational committee, it won't be counted. This involves the functioning of such administrative bodies of the EEU as the Supreme Eurasian Economic Council. The heads of state and economic councils of the three governments belong to this body, which in turn are joined by the Prime Minister and the councillor of the Eurasian Economic Commission. The councillor of the Eurasian Economic Commission is the deputy Prime Minister. The committees of the EEU are financed by proportional contributions from the member states. Russia pays a contribution of 87.97 percent of the total budget, Kazakhstan 7.33 percent, and Belarus 4.7 percent. The current total budget of the EEU is 6.6 billion Rouble (139.6 million Euros, as of June 2014).

Regardless of the diplomatic demonstration of agreement in many areas of the EEU's constitution, there exists a big problem affecting all three parties at once, which could limit the activities of the Eurasian Economic Union: from the very beginning of their collective activities, Russia, Kazakhstan, and Belarus had different goals for their participation in the integration project.

One Union, Different Goals

A famous story by the Russian playwright, Ivan Krylov, tells the story of a swan, a crab, and a pike, who all try to carry a wagon, but it does not work because each one is pulling the cart in a different direction. One could observe a similar situation at the start of the customs union and the common economic area. The EEU could, to all appearances, be confronted with a similar problem.

For Russia, the creation of the EEU is not so much an economic project, but rather a geopolitical one that is intended to consolidate its role as leading power. Moscow is concerned about strengthening its position in the post-soviet region, where the reallocation of spheres of influence has entered a more active phase. Four countries

are engaged in this reallocation: Russia, Turkey, China, and the USA. Russia wants to strengthen its position in this process in two regional blocks: the Collective Security Treaty Organisation (CSTO) and the EEU, which are not so much intended to act as counterweights to the USA, but to Turkey and China. Ankara advocates a hastening of the union of the Turkic-speaking world, and is trying at the same time to secure its role as one of the new, Muslim centres in the modernisation of Islam. Furthermore, Halil Akinci, the general secretary of the council of Turkic-speaking countries, stated that these countries could found a customs union. With regards China, the founding of the EEU is a mechanism for Russia to curtail China's economic activities in central Asia. It is not surprising that Moscow is currently putting concrete pressure on Bishkek, and supports a hastening of Kyrgyzstan's accession to the Eurasian project. The next candidate could be Tajikistan.

Consequently for Moscow, in contrast with Kazakhstan, the participation in the founding of the EEU is not so much part of a desire to rebuild the Soviet Union, but much more an effort to establish a regional bloc, where Moscow will play the primary role. This is supported by the fact that Russia has persistently tried to speed up the formation of a political alliance between the three states since the formation of the customs union and the common economic area, as well as during the preparation of the treaty on founding the EEU.

The president of the Russian State Duma, Sergy Naryshkin, originally argued, among other things, for the creation of a Eurasian Parliament on the basis of direct, democratic voting. But this idea did not find support in Astana or in Minsk. Then, on the 24th of October 2013, during a meeting of the Chief Eurasian Economic Council, the President of Kazakhstan warned of a politicisation of the Eurasian Economic Commission. These accusations were built on the fact that apart from the dominance in numbers by the Russian members of the commission, they also regularly participate in Russian government meetings, although they shouldn't be subordinated to this executive body of power.

It is interesting that shortly before the signing of the treaty on the founding of the Eurasian Union in Astana, some Kazakh officials confirmed once more that there were suggestions of a political character in the first versions of the treaty. These were removed because of pressure from the Kazakh side.

Kazakhstan's Aims

From the beginning, Kazakh leadership has stressed that the future Eurasian Union would only have an economic orientation, without any interference from political sovereignty. President Nursultan Nazarbayev stressed this in particular in his article, »The Eurasian Union: from the idea to future history«, which appeared in 2011 in the Russian newspaper, *Izvestiya*, after a similar article by the Russian President, Vladimir Putin, was published. In this article, the Kazakh president stressed the intention of integration on the basis of economic pragmatism, as well as the voluntary nature of this; and the unification on the basis of equal rights, non-interference, and upholding of state sovereignty, as well as of national borders. Furthermore, there should not be any devolution of political sovereignty. This was reinforced by him once more during the signing of the treaty on the Eurasian Economic Union on the 29th of May 2014 in Astana. Thanks to Kazakh initiatives, there was also a point on the upholding of particularities of the political systems in member states added to the functional principles of the EEU, so that closer integration wouldn't involve the need to change the political systems. It is the view of Kazakh leadership, that the creation of the EEU will help the country to strengthen its position between the regional blocks and multinational corporations, under the conditions of an intensified, global competition. This is why the creation of the Eurasian Economic Union can be officially seen as a way of achieving the following economic goals:

- The Kazakh economy gaining access to the markets of the EEU with a population of 170 million people.
- Mobilising the cross-border trade with Russia (27 million people live in the twelve regions of Russia that border Kazakhstan).
- Kazakh corporations being able to access markets for government contracts in Russia and Belarus, which are valued at 198 billion US dollars each year.
- Creating not only regional, but global transport and logistics routes, which will bring the trade flows of Europe and Asia together through Kazakhstan; as well as reduced transport costs, because Kazakh carriers will be allowed equal access to the railway infrastructure in Russia and Belarus.
- Creating a uniform area for the free transport of capital, services, and work. Simplification of the procedures for obtaining employment in EEU countries.
- Forming a single financial market by 2025.

- Securing access to energy infrastructure, as well as transport systems for gas, oil, and oil products by 2025, on the basis of a single market for oil and gas.

Political Risks for Kazakhstan

Kazakhstan's domestic and foreign policies are highly personalised. For President Nursultan Nazarbayev, the EEU is part of the realisation of his political ambitions. But will his successor share these ambitions? And most importantly: how will Russia react to the Kazakh politician who will replace Nursultan Nazarbayev? Will this be a partnership of equals, or will Moscow try to influence Kazakh leadership, like it sometimes did with Alexander Lukashenko?

There is always the possibility in Kazakhstan of a situation where in the medium-term, political forces come to power that want to change the rules of the game. For example, they might decide to leave the EEU, or end their membership of the CSTO, like in the case of Uzbekistan. Officially, Kazakhstan can of course leave the Eurasian Economic Union. Article 118 of the Treaty on the founding of the EEU states that every member state has the right to remove itself from this regional organisation. The incidents in Ukraine – that was also seen to be invited to join the customs union – have shown the very real danger of the pressure on countries that Russia perceives as zones of important geopolitical interest. Among these is Kazakhstan; a state bordering Russia with a high percentage of Russian-speakers in its population. Furthermore, there could be problems as a result of Russia's presence in the Aerospace Centre, Baikonur, or in the leased military proving grounds in Kazakhstan.

According to official statistics, the number of inhabitants in Kazakhstan has grown to more than 17 million in the last ten years. The largest proportion of the population is made up of the Kazakhs at more than 64 percent. The increase in the number of Kazakhs in the last ten years is ascribed to natural growth, as well as waves of Oralman immigrants (ethnic Kazakhs, who live abroad) into the republic. If the number of Kazakhs, including the Kazakh-speaking youth, increases, then the number of members of ethnic minorities will, by contrast, decrease. If this trend in growth in the Kazakh population continues, then the future position of the majority of Kazakh citizens on the integration projects with Russia may deteriorate.

All of this leads to a social political basis for national-patriotic feelings, some of which already have a clear anti-Russian character. Kazakhstan is the only country in the context of the EEU, in which there is a very heated discussion between proponents and opponents of integration with Russia. Optimists, including many members of ethnic minorities, above all Russians living in Kazakhstan, believe that it is necessary to participate in the integration processes with Russia, not only to survive in hard competition with other countries, but also with transnational companies. In addition, neutral experts believe that Kazakhstan must cooperate economically in light of the tough global competition with its neighbours in the formerly soviet region. They are, however, against any political unions.

The sceptics can be divided into two groups: the politicians and the economists. The former argue against the creation of a Eurasian Union with the following arguments: Eurasian integration is a Russian imperialist project and an attempt to rebuild the Soviet Union with the result that Kazakhstan loses its independence. There are also concerns that the involvement of Kazakhstan in the EEU could strike a blow against multi-vector foreign policy. The events in Ukraine were an alarming indication of the real possibility that Kazakhstan's room for diplomatic manoeuvre could be diminished. Many expected more flexibility from Astana with regards the Crimean question. After Kazakhstan did not recognise the independence of South Ossetia and Abkhazia in 2008, it abstained from the UN General Assembly vote on the invalidity of the referendum on the Crimea. Astana accepted the referendum on the Crimea as an »expression of free will by the population« and expressed »understanding of Russia's decision«. It is entirely possible that the deciding difference between 2008 and 2014 is that Kazakhstan did not belong to the customs union six years ago. That is why there are discussions in the country about how the traditional multi-vector politics, which have for a long time established a certain balance between the geopolitical powers, can be reconciled with the integration processes of the EEU.

The economists among the sceptics are of the opinion that the optimal model for Kazakhstan's foreign policy is not economic integration with individual states, but rather cooperation with various states in different directions in the context of a »distanced partnership«. Water and energy, for instance, in cooperation with Central Asia and China, transport and logistics with Russia and China, or innovations also with the EU and the USA.



Within the customs union, Kazakhstan could not increase its exports, in contrast with Russia and Belarus. It is becoming clear that Kazakhstan, already an appendage of raw materials in the world economy, has become an appendage of raw materials in the customs union. Furthermore, it is as yet unclear how the creation of the EEU fits with Kazakhstan's forced, industrially-innovative development programme, where the focus is not so much on the restoration of old economic relations with Russia and Belarus, which were destroyed by the collapse of the Soviet Union, but rather on the development of new and innovative directions, which could attract foreign investors. If one puts these first steps together, it should be understood that economic integration does not automatically lead to GDP growth, nor does it raise living standards of the population, because many of these indicators are to a great extent dependent on the efficacy of the economic policy within each individual country in the region. At the same time there exists the danger of a stronger player becoming the money lender to weaker member states, thanks to the economic disproportions in the development of the various countries.



Belarus: Muted Integration Euphoria

Arseniy Sivickiy

Introduction

The final version of the agreement on the Eurasian Economic Union from the 29th of May 2014 distinguishes itself clearly from its original drafts. Over the course of negotiations, the parties factored out all disputed matters. In this way, only the parties' attempts to secure the free movement of goods, services, capitals, and work forces, as well as to lead coordinated, balanced, and uniform politics in certain economic sectors are held to. All of Russia's attempts at giving Eurasian integration a political dimension have been blocked by Belarus and Kazakhstan. Thanks to their efforts, all clauses that didn't have a clear purpose of economic integration were removed from the treaty – such as border protection, common citizenship, or the coordination of foreign and security policies.

The Ukraine-crisis also impacted the revision of the treaty. Russia was forced to agree to the demands of its integration partners. In this way, Belarus was able to successfully enforce its national interests, as well as a whole host of economic preferences on Russia, in the form of the gradual abolition of export duty on crude oil. However, the willingness and facility of the parties to fully comply with their duties in the EEU treaty and the further bilateral treaties on Eurasian integration remains questionable.

Shared Interests, Divergent Strategies

The endeavours set out in the preamble of the EEU treaty correspond to the most part with the shared interests of the participants in Eurasian integration. The most important goals of the EEU are:

1. A stable development of the member states' national economies and an improvement in living standards.
2. The formation of a single market for goods, services, capital, and work force.
3. A comprehensive modernisation and strengthening of the national economies' ability to compete in the global market.

In spite of these logical and comprehensible shared interests, the motivations behind the participation of the individual stakeholders in the Eurasian project are divergent. It is clear to see that the EEU is a geopolitical project for Russia. Russia appeared as the main initiator and motor behind the Eurasian integration process and has the highest economic stake among the participants. In contrast with Kazakhstan, and especially with Belarus, for whom the Russian economy is an important sales market, Russia does not view the markets of these two countries as particularly important. However, the Kremlin is prepared to finance collective projects and to supply significant credit, as well as to grant reduced energy prices to the countries who want to join the EEU. The planned integration of Armenia, Kyrgyzstan, and Tajikistan to the EEU could cause additional social and economic problems (increased influx of cheap labour), and a whole host of security risks (drug smuggling, illegal migration, terrorist threats) within Russia. In spite of this, Russia is undertaking such activities, which prove that the geopolitical motivation is stronger than the arguments for economic integration.

Belarus's participation in the Eurasian integration process is attributable mainly to wide economic cooperation and is caused by the mutual dependency of Russia and Belarus. Russia is not only the provider of cheap energy resources (167 US dollars for 1,000m³ of natural gas, duty free transport of crude oil for domestic consumption), but also the most important sales market, where approximately 90 percent of Belarusian food and 70 percent of all industry products are sold. With the signing of the customs union with Russia in 2010, Belarus obtains not only a discounted price of gas, but also credit of 10 billion US dollars in order to build Belarusian nuclear power plants. Furthermore, this package included suggestions of deepening the industry cooperation between Belarusian and Russian corporations, which were substantiated by Russian credit of 2 billion US dollars.

Shortly before the signing of the EEU treaty, Belarus also moved to abolish export duty on crude oil between Russia and Belarus. (Instead, from 2017, export duties of 3.5 billion USD have been set aside in Belarus's state budget).

In light of this, Belarus's key goals are geared towards accessing an expanded common market and the energy preferences on the part of Russia. Belarus successfully achieved these goals in the process of the founding of the EEU. The most important question is, whether the Kremlin will stick to its word in the future, whilst the Russian economy is negatively impacted by substantial sanctions in the context of the Ukrainian crisis.

Swan, Crab, and Pike?¹ – Economic and Political Differences between the Member States

Different social and economic developments in the member states of the uniform economic area, as well as different market-economy transformations in their national economies form a serious obstacle to the successful implementation of the EEU project. Russia and Kazakhstan, which are recognised internationally as market economies, lie way ahead in comparison with Belarus, whose economy is dominated by the state. The national economies of Russia and Kazakhstan are oriented distinctly towards raw materials. Belarus inherited a developed manufacturing industry from the Soviet Union. The business and investment climate differs in a similar way between these countries. In the ratings list, »Doing Business 2014«, Belarus sits below 189 countries on spot 63, Kazakhstan on spot 50, and Russia is ranked 92nd. In the Eurasian troika, it is only Russia who is a member of the World Trade Organisation (WTO) since 2012, and thereby opens up access to third countries not only to its internal market, but also to the overall market of the uniform economic area. In the future this could lead to the suppression of Belarusian goods from the Russian market and partly to the reduction of its export volumes.

Threats to Belarus's Independence?

Shortly after the decision to found the Eurasian Economic Union, Russian government representatives and experts began actively to force the thesis that the primary danger to the Eurasian Union lies in the lack of a stable foundation for integration, disregarding the political will of the three acting heads of state. That (suppos-

edly) leads to the existence of a high risk situation – as soon as they depart from the political scene, the Eurasian Project will potentially fall apart. This is why Russia made suggestions to form a Eurasian parliament and to introduce the office of an EEU general secretary. That should supposedly advance a shared Eurasian political identity under the elite of the three countries, especially Kazakhstan and Belarus, and thereby contribute to the stability of the project.

From this argument comes the assumption that every economic integration leads to political integration – analogous, for example, to the EU. However, Belarus and Kazakhstan forcefully insist on the inadmissibility of EEU politicisation, and block Russia's suggestions of forming a Eurasian parliament, because they see it as a direct threat to their national sovereignty.

All the member states of the customs union, the uniform economic area, and the future Eurasian Economic Union should cede part of their economic sovereignty to the supranational level. The Eurasian Economic Commission (EEC) was formed in 2012 for this purpose. Upon voting, each member of the EEC council has one voice each; there are nine members in total, whereby each member country has three delegates. Decisions of the council must have a 2/3 majority in order to be passed. The most important responsibilities of the EEC include the charging and distribution of import duties, the establishment of trade procedures with third countries, and the competition policy. The decisions made through the EEC count as binding legislation in the EEU member states' territories. In spite of the formal principle of equality in the EEC, the interests of Belarus and Kazakhstan are affected by Russia, which can be traced back to the quotas oriented towards population size in the organisational and staff structures of the EEC. Russian representatives dominate the EEC apparatus today, making up 84 percent of the total numbers of workers; Kazakhstan and Belarus make up 10 and 6 percent. Under these circumstances, Belarus is suffering from a total lack of financial, organisational, intellectual, and other resources, in order to adequately participate in the integration processes, assert its own interests, as well as to pursue and realise the tasks necessary for this. This distribution of the quota is unsuitable for the qualitative and effective implementation of national interests, but it lies in the nature of things, if you rely on the principle of proportional representation.

1. The Russian fable mentioned already in the previous article tells of these three animals, who don't meet their goal, because they can't come to an agreement.

During the preparation of the EEU treaty, Belarus could have established all the important positions necessary in order to protect its national sovereignty (no shared currency and no shared parliament). However, the dominance of Russia in the organisational and staffing spheres in the EEC gives rise to the fear that this structure will serve Russia's interests above all else in practice. Against the backdrop of the crisis in Ukraine, Russia has postponed an answer to the question of political integration of the EEU, in order to avoid frightening its allies, who already reacted sensitively to events in the region. But sooner or later the crisis in Ukraine will be over. Then the Kremlin will once again take up the idea of urgent political integration in the context of the EEU.

The Crisis in Ukraine: Consequences for Belarus

From the beginning of the Ukrainian crisis, the positions of Minsk, Moscow, and Astana with regards recognising the Crimea referendum did not tally. These differences of opinion on actions regarding Ukraine have persisted right through to today. The Ukrainian crisis has had a two-pronged effect on the development of Eurasian integration processes.

On the one hand, it laid bare a serious lack of trust between Moscow, Minsk, and Astana. One should not forget here that Belarus and Russia are also members of a »Union State« – that they exercise coordinated foreign and security policies, have a shared regional task organisation, and are members of the Collective Security Treaty Organisation (like Kazakhstan). The admission of the Crimea to the Russian Federation (and consequently to the state and customs union) was, however, decided by the Kremlin alone. The consultations that followed in the context of union structures and the Collective Security Treaty Organisation possessed a formal character and could not have any effect. This actuality demonstrates a lack of trust between the integration partners (previous consultations were not carried out due to possible information leaks on the sides of the allies) and suggest that Moscow does not consider it necessary to take the position of its allies into account. This behaviour may prove to be more damaging than helpful to the integration project when one considers the economic and military-political interdependence of Russia and the other post-soviet states – especially in the context of Eurasian

integration processes. Belarus's and Kazakhstan' being prepared in the medium-term to surrender part of their political sovereignty after the Crimea-Ukraine-Crisis to a hypothetical Eurasian supranational superstructure now seems very unlikely. For it is clear: if the EEU were already today a political alliance, then the sanctions would apply to all integration partners.

On the other hand, the Crimea-Ukraine crisis strengthened Belarus's and Kazakhstan's position in the EEU negotiations. Under the complex foreign policy circumstances which surfaced after the annexation of the Crimea, Russia could not afford to let the signing of the EEU treaty fall through, so it had to come to terms with many of Belarus's and Kazakhstan's demands. However, with the settlement of the dispute in Ukraine, the Kremlin will place political questions on the agenda of Eurasian integration. Because of Minsk's not totally loyal relationship to Moscow with regards to the Ukraine crisis, the Kremlin's financial support could be reduced, especially because the economic position of Russia will anyway worsen thanks to the pressure of sanctions from the West. After Belarus fully joins the EEU and the Eurasian treaty is ratified, exiting this integration collective will be practically impossible. According to the EEU treaty, this step of other member states agreeing follows the formula »consensus without the vote of the state that wants to leave the EEU«. Should Belarus not want to fulfil the duties of integration that it accepted under the EEU, the economic and political situation in Belarus will fall into danger of being destabilised as a result of the pressure from Russia, similar to the situation in Ukraine.

Under these circumstances, Belarus will clearly continue its see-saw policy between West and East, in order to reduce its political and economic dependency on the Kremlin. This will, however, need to be tackled more carefully than it has been in the past.

Self-image Project or Long-term Advantages?

Despite the caution with which the political elite of Belarus and Kazakhstan approach further integration in the context of the EEU, the Eurasian project is supported a great deal by the societies in these countries. According to the study, »Integration Barometer 2013« of the Eurasian Bank for Development, the societal support for the

customs union and the uniform economic area amounts to 65 percent in Belarus, 73 percent in Kazakhstan, and 67 percent in Russia. This contributes to the stability and steadfastness of the Eurasian project even in the case of a change of president. The support of significant members of the political elite in Belarus and Kazakhstan for Eurasian integration can also be added to these figures.

According to surveys from June 2014 by the Independent Institute for Socio-Economic and Political Studies in Lithuania, pro-European sentiment in Belarusian society has decreased. Instead, pro-Russian sentiment even in the context of the crisis in Ukraine increased. In a hypothetical referendum on the choice between a union with Russia or joining the EU, 46.9 percent of those asked would choose the first option, and 33.1 percent the second.

Support for integration with Russia in Belarusian society is, therefore, relatively high. Should it come to a power shift in Belarus, pro-Russian and pro-Eurasian oriented political forces have a stable social foundation. This would no doubt influence the building of a new political landscape in Belarus. The pro-Eurasian direction in Belarus's foreign policy will continue in any case in the medium-term to be stronger than the pro-European direction.

Opponents and Supporters of the EEU: Portraits and Arguments

Besides the state powers, the supporters of Eurasian integration in Belarus are mainly civil society organisations that are connected to the Russian federal agency, Rossostrudnichestvo. In 2012, these forces attempted to form a »Eurasian People's Union« (EPU) as an associated structure of the pro-Putin movement, »the All-Russian National Front« (ANF). The ANF's mission is to »realise Russia's special responsibility towards the freedom and honour of all Russian citizens living abroad, regardless of their political and national identity«. But the EPU was never officially registered and does not participate in societal and political life in Belarus today.

Among the political parties, those that stand for the Eurasian integration of Belarus are the formal oppositional Liberal Democrats Party, the Republican Work and Justice Party, and the Communist Party (the last two are represented in parliament). Their most important argu-

ments include first and foremost the economic advantages of being an EEU member: reduced energy prices, shared infrastructure and industry projects, entry to the Russian and Kazakh markets, and increased prosperity of the population. From a political perspective, the EEU member states could – from the view of the supporters of Eurasian integration – increase their status in the international arena against the West; secure additional protection from the pressure in terms of foreign policy and economy by the western states; strengthen national security and internal stability against possible »colour revolutions«. With the help of Eurasian integration, Belarus also strengthens – according to this argument – its cultural-civilisational relationship with Russia.

The opposition to Eurasian integration in Belarus is generally made up of civil society organisations and political parties of an oppositional character², which traditionally see integration with Europe as the priority in foreign policy for Belarus. In the same way, the Belarusian National Platform for the Civil Society Forum of the Eastern Partnership, which includes more than 90 different civil society organisations and initiatives, made a special declaration that meant it refused to sign the EEU treaty by Alexander Lukashenko. From their perspective, the EEU damages Belarus's national interests and removes a whole host of geopolitical and civil choices, especially with regards a closer and perspective cooperation with the EU, and the potential of the Eastern Partnership. In addition, they see the EEU as an alliance of »outsiders« that cannot form a serious counterweight to the EU – neither economically, nor institutionally or politically. Participating in integration processes with Russia during its actual military aggression in Ukraine would damage Belarus's reputation and interests in its relations with its southern neighbours.

The above mentioned supporters and opponents of Eurasian integration are relatively marginalised in their influence on policy-making in Belarus, thanks to their limited possibilities. That is why the analysis of the views on Eurasian integration processes through the Belarusian nomenclature seems more plausible here. A definite supporter of Eurasian integration is the leadership of the Belarusian fuel and energy complex, whose prosperity

2. For example, the Belarusian People's Front (BNF), the Party of Christian Democrats (BHD), the United Civil Party (OGP), the Conservative-Christian Party BNG, the Belarusian Social-Democratic Gramada (BSDG), among others.

in the shared projects in the area of crude oil refining depends on Russia. Some of the supporters of integration can be found in the Council of Ministers of Belarus, which enjoys political support from the Kremlin; and the leaders of the Presidential Administration, and the liberal wing of government, above all the Ministry of Economics, which sees integration as a way to modernise the Belarusian economy.

The heads of Belarusian mechanical engineering (the ministry for industry) and the military-industrial complex hold an inconsistent position, as they perceive the danger of their assets being taken over by Russian investors in integration. However, Belarusian mechanical engineering will not survive without the help of the Russian market. The fact that directors of state-owned enterprises recommend Eurasian integration is linked to their interest in expanding the market, or to possible participation in privatising these enterprises through Russian capital.

Players on the IT side of things support reining in integration – they are active and successful on international markets, and are not interested in the inclusion of Russian capital along with competitors. Transport and logistics companies are just as uninterested in an increase in competition. Part of the Presidential Administration in the political establishment – the part charged with political/technical issues – also takes a sceptical view of integration processes, along with the Ministry for Information, the Chairmen of both parliamentary chambers, the head of the Ministry for foreign policy, and some of the Governors. This camp is also made up of large employers, who view the expansion of Russian capital as a threat to the existing political system in Belarus – the guarantee of success for their business. Aleksandr Lukashenko himself takes a similar position, as he wants to avoid an increase in integration on a political level, and wants to balance out the influence of Russian capital through other players.

Potential and Perspectives from the Position of Belarus

Before signing the EEU treaty in Astana, Lukashenko declared that it was not the treaty that Belarus had been expecting and that was originally declared by the integration partners, above all Russia. Belarus's position

was to start the EEU from 2015 without exceptions or any limitations on reciprocal trade. The most sensitive area for Belarus is the exceptions with regards crude oil and crude oil products (crude oil export duties). Minsk points out the Russian annual budget on export duties on crude oil at 3.5–4 billion USD. Despite a certain dissatisfaction with the text of the EEU treaty, Belarus still managed to link the treaty with the abolition of these tolls on a bilateral basis (with Russia).

The further potential of the EEU from the perspective of Belarus, is the implementation of shared infrastructure and industry projects, the inclusion of foreign investment in order to found production facilities in Belarus, and entry to the market with 170 million people.

Belarus regards its participation in Eurasian integration projects as a tool for modernising and strengthening its competitiveness, above all through the founding of transnational companies. At the moment, Belarus is implementing a project to build a nuclear power plant in cooperation with Russia, which will produce 2,400 megawatts (projected value at 10 billion US dollars). Under the aegis of the alliance of states, a road map for implementing five projects in the area of industrial cooperation was drawn up, which provides the foundation for shared holdings on the basis of »MAZ« and »KamAZ«, »Grodnoazot« and »Eurochim«, »Peleng« and »Roskosmos«, »Integral« and »Roselektronik«, »MSKT« and »Rostekhnologii«. In 2013, Russia provided credit of 2 billion US dollars as a means to these ends. On the whole, Russia seeks to expand cooperation-relationships with Belarus in sectors such as mechanical engineering, military-industrial complexes, the aerospace industry, and telecommunication, which will no doubt positively affect the Belarusian economy. But at the moment, these intentions are only of a declaratory nature. On the one hand, delays in the implementing of integration projects in industry, and on the other hand, targeted policies of Russian state leadership to localise assembly production of foreign manufacturers in Russia form threats to medium-term industry development in Belarus. For Belarus, this could lead to loss of economic assets, a significant reduction of jobs, and to a worsening of the general socio-economic state of the population. In light of this, Belarus is trying to develop similar forms of cooperation with other states. This is how the project for constructing a Chinese-Belarusian industrial estate in Minsk was developed.



Authors

Elena Kuzminais is a political scientist and head of the Sector for Economic Development in Post-soviet States at the Institute for Economy at the Russian Academy of Sciences in Moscow.

Dossym Satpayev is the director of the Risk Assessment Group, founder of the Alliance of Analytical Organisations in Kazakhstan, and analytical observer for www.forbes.kz.

Arseniy Sivickiyis is the head of the Centre for Strategic and Foreign Policy Studies in Minsk.

Andrey Zagorski is the head of the Department for Disarmament and Conflict Settlement in the Centre for International Security of the Institute for World Economy and International Relations in the Russian Academy of Sciences (IMEMO RAN), as well as professor at the Moscow State Institute for International Relations (MGIMO-university).



About the editors

Felix Hett is desk officer for Belarus, the Russian Federation, and Ukraine, in the Department of Central and Eastern Europe at the Friedrich-Ebert-Stiftung, Berlin.

Susanne Szkola was an intern in the Department of Central and Eastern Europe from October to December 2014.

Imprint

Friedrich-Ebert-Stiftung | Division for International Dialogue
Hiroshimastr. 28 | 10785 Berlin | Germany

Responsible:
Dr Reinhard Krumm, Head, Division for International Dialogue

Phone: ++49-30-269-35-7726 | Fax: ++49-30-269-35-9250
<http://www.fes.de/international/moe>

Contact:
osteuropa@fes.de

Commercial use of all media published by the Friedrich-Ebert-Stiftung (FES) is not permitted without the written consent of the FES.

The views expressed in this publication are not necessarily those of the Friedrich-Ebert-Stiftung.

This publication is printed on paper from sustainable forestry.



ISBN
978-3-95861-064-4