On 4 October 2011, in an article in Izvestia, Russia’s then prime minister Vladimir Putin laid out what is likely to be a founding stone of Russia’s policies for his possible next two terms in office, that is, until 2024. The article, as the heading states, outlines a ‘new integration project for Eurasia’ and envisages the creation of a ‘Eurasian Union’ by 2015. The project thus extends ideas which the Russian premier had advanced in Minsk on 12 May 2011, at meeting of Interstate Council of the Eurasian Economic Community (EurAsEC) which brings together Russia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. In reference to the Customs Union forged between three members of EurAsEC, that is, Russia, Belarus and Kazakhstan, Putin said that an agreement should be signed on the creation of a Eurasian Economic Union. Discussions should start on a draft declaration that would lay out the principles on which the economic union should be based. ‘By 1 January 2013’, he demanded, ‘all preparations for the signing of the agreement on Eurasian Economic Union must be accomplished.’ He predicted that the level of integration between the economies of the member states of the new union would be higher than in EurAsEC. ‘Starting 1 January 2012, a common market [Single Economic Space – SES] with unified legislation, free movement of capital, goods, services and labour force should start working [under the EurAsEC] -- and in future its economic policy in key spheres will also be coordinated.’

These ideas were spelled out and expanded in his Izvestia article. On the basis of the Customs Union and the Single Economic Space, ‘a full-fledged economic union should be created’, he wrote, and with this, with the foundation of the Eurasian Union, ‘we are setting ourselves an ambitious goal, to reach a next and higher level of integration […] a qualitatively higher level of integration’. The membership of the Customs Union and the SES ‘should gradually be expanded by the full inclusion of Kyrgyzstan and Tajikistan’. The Eurasian Union, like the European Union to which Putin referred several times in his article, would rest on four pillars. Not only goods, capital and labor would be able to move freely in the union but economic and monetary policy of its member states would be coordinated. Portions of
southern territory should be surrendered to a supranational body and this, presumably, would eventually extend to the political realm.1

Putin’s frequent reference to the European Union, including terminological parallels, is striking. Thus, for instance, the Single Economic Space can be seen as a reformulation of the EU’s Single European Act of 1987, which set the objective of establishing a Single Market in Europe by 1992. Similarly, the creation of a Eurasian Economic Commission (see below) conveys the notion that some replica of the EU Commission had been founded. Furthermore, Putin asserted that in the process of building the Eurasian Union, Russia would draw on the experience of the Union, thereby obviating the need for internal border controls. He also attempted to dispel the notion that the Eurasian Union in any way constituted a competitive Union, arguing that entry into the Eurasian Union allows each of its participants more quickly and from stronger positions to integrate into Europe.2

Putin reminded potential skeptics that as early as 2003 the EU and Russia had agreed to coordinate their respective rules of economic management and build a common economic space ‘from Lisbon to Vladivostok’. In the further development of this idea, he continued, Moscow had proposed to extend the principles of free trade and to think about the harmonization of economic activities and more mature forms of integration, about the construction of common policies in the sphere of industry, technology, energy, education and science – and, finally, the abolition of visa requirements. These proposals were actively being discussed now with the EU.

Based on economic logic and balanced partnership, Putin concluded, ‘the Eurasian Union and the EU are able to create real conditions for a change of the geo-political and geo-economic configuration of the whole continent’. As if to dispel doubt as to the seriousness of the endeavor and presumably in full realization of the fact that previous integration attempts had not led very far, Putin asserted that ‘society and entrepreneurs of our countries [Russia, Belarus and Kazakhstan] consider the [Eurasian Union] integration project not as bureaucratic games played at the highest levels but as an absolutely live organism’.3

Indeed, some steps have been taken to give life to the project. Thus, at the summit of the members of the Customs Union in Moscow on 18 November and 19 December 2011, the three presidents signed several agreements for the creation of a Single Economic Space, which eventually is to be renamed Eurasian Union. By February 2012, seventeen agreements had been concluded, including first and foremost the establishment of a Eurasian Economic Commission (EEC). The EEC absorbs the Customs Union’s Commission on trade while assuming wider responsibilities. Its structure consists of a Permanent Council, composed of deputy prime ministers of the three countries, and an Executive Committee, whose members are ministers or their deputies of the economic ministries of the member states. Decisions are to be taken by consensus. The Commission is to deal with ‘trade regimes with third countries, monetary, energy and competition policy, regulation of the activities of state monopolies, industrial and agricultural subsidies, procurement, transport and migration problems, the functioning of financial markets and other questions. In total, the Commission will have more than 170 functions’.4

The main difference between previous integration attempts and Putin’s current ‘new integration project for Eurasia’ is the introduction of the principle of supranationality. This, at least, is how president Medvedev portrayed the change. When he, together with his Belarusian and Kazakh counterparts, Alexander Lukashenko and Nursultan Nazarbayev, signed the instruments for the creation of the EEC on 19 December 2011, he reported that, ‘as the most important step towards the construction of the Single Economic Space and the Eurasian […] Union, we have now established the Eurasian [Economic] Commission … and [thereby] the first truly supranational body to foster integration’.5

Putin’s initiative raises numerous questions. What are the probable objectives of the Eurasian Union proposal? Who is to benefit? What are the likely chances of its realization? Finally, how credible are Putin’s claims that his project in no
way contradicted the European choice of any prospective applicant; that its members could from stronger positions even more quickly integrate into Europe; and that the two organizations would in harmonious parallel development and coordinated action advance the principles of free trade and common regulatory systems to create a common economic space ‘from Lisbon to Vladivostok’?

**Purposes of the project**

As with almost any major initiative in international politics and economics, Putin’s proposal evidently is to serve several distinct but mutually reinforcing purposes. The first pertains to domestic politics. On 24 September 2011, at a congress of Putin’s United Russia party, the pretence of ‘tandem democracy’ was abandoned: Putin announced that he would run again in the 4 March 2012 presidential elections and that, if victorious, Medvedev would return to the premiership – an arrangement, as the then still premier unashamedly admitted, that had been made in 2007 since the question as to who should be head of state was simply one of ‘political expediency’. Thus, the launching of the Eurasian Union project little more than one week later can be taken as an election campaign manifesto.

A second major purpose is connected with Russia’s competitive relationship with the EU on post-Soviet space. The timing may be accidental yet Putin’s ‘new integration project for Eurasia’ was launched less than a week after the summit conference of the heads of state and government of the EU and the Eastern Partnership countries (minus a high-level representation from Belarus) in Warsaw. In any case, the project fits seamlessly into the Kremlin’s policy of counteracting the attractiveness and influence of the EU and Russia’s attempts at preserving what it regards as its sphere of influence in the ‘common neighborhood’ in Europe.

A third purpose can be considered to be the counterpart to the European dimension of the project, that is, an attempt to secure a Russian sphere of influence in Central Asia and to counteract and limit the economic dominance that is slipping away from Moscow as the Chinese presence in the countries of this region is growing and the Central Asian countries increase their trade with China, especially in the energy sphere. This purpose is indicated, among others, by Putin’s above-mentioned explicit reference to Kyrgyzstan and Tajikistan as the next possible members of the Customs Union and the SES. As far back as 1994, Nazarbayev had proposed a ‘Eurasian Union’ which would have included the three Slavic states of Russia, Ukraine and Belarus, Moldova and Georgia, and the five post-Soviet Central Asian states minus Tajikistan (then in the midst of a civil war). The idea was rejected by Uzbekistan’s president Islam Karimov, however, and was never implemented despite Nazarbayev’s repeated tabling of the proposal at various CIS summits.

The second of the three possible purposes must be regarded as the most important of the three. This interpretation is justified by the fact that without Ukraine and definite refusals by Moldova and Georgia, as well as the disinterest of Armenia and Azerbaijan, the Eurasian Union could more likely be called a Central Asian Union with a Belarusian appendix. Indeed, given the successful utilization of Belarus’s international isolation and its growing dependency on Russia and the pressures which the Kremlin has exerted on president Viktor Yanukovych ever since his assumption of office in February 2010 to enter into the trilateral Customs Union and participate in the SES, it is obvious that, in Putin’s calculations, Ukraine is the linchpin of the Eurasian Union project.

For this reason, in accordance with the purposes of the present publication series, the focus will be limited to the consideration of the European dimension of the project. This concerns in particular Russia’s policies towards Belarus and Ukraine.

**Belarus in Putin’s Eurasian project**

In the Kremlin’s perspective, Belarus remains an inalienable part of Russia’s geostrategic glacis in relation to NATO, which, as the most recent version of the country’s military doctrine asserts, continues to constitute one of the ‘main dangers’ for Russian security. It is an important transit country for Russia’s road and rail connections to Kaliningrad and for oil and gas exports to the European market. It is an actor on all stages of the Russian and Eurasian integration theatre – in the Constitutional Union Russia-Belarus, the CIS, EurAsEC, the Customs Union and SES, and the Collective Security Treaty Organization (CSTO).

The influence Russia has over Belarusian policies is considerable. The most important instrument with which it has been exerted is the Lukashenko regime’s dependency on its eastern neighbor. This concerns trade and economic relations in general but more specifically energy. Russia covers all of Belarus’s gas needs and 90 per cent of its oil consumption. The petrochemical industry and parts of the chemical industry, which supply a major share of the Belarusian state budget, in turn, too, are dependent on Russian oil imports.
The political nature of the Kremlin’s economic policies towards Belarus has been evident in the preferential treatment the country has received in the form of low prices for oil and gas. For many years, Moscow did not even protest that Minsk refined the cheap oil it received in its petrochemical complexes and sold it for hard currency on the world market, notably to Europe. It was only in May 2006 that the Russian government reconsidered its approach. President Putin at that point in time signed a decree on trade, economic, financial and credit policies towards Belarus, according to which any kind of direct or indirect subsidization of the Belarusian economy had to be stopped. The decree marked the beginning of a new and harder approach, according to which the Lukashenko regime could continue to receive subsidies only by complying with Russian political and economic demands, in the latter sphere notably by selling state assets.

Putin’s decree, however, was implemented only in part. Thus, independent Belarusian experts have calculated that the volume of Russian subsidies in the fuel sector in 2010 still amounted to $4.6 billion (8 per cent of the Belarusian GDP), of which $3 billion were accounted for by the delivery of gas and $1.6 billion of oil. Lukashenko’s figures are similar. The benefits which Belarus derives from Russian oil and gas subsidies amounted to $4 billion, he said, and this would make it possible for the country to achieve a foreign account surplus of $1.5 billion in 2012. Putin, too, has participated in the numbers game. On 25 November 2011, at a session of the Supreme Soviet of the Russia-Belarus Union in Moscow, he announced that starting from January 2012 the price of gas sold to Belarus would be lowered from $244 per thousand cubic meters (tcm) to $164. Presumably using the price charged by Gazprom to European customers in the range of about $415, Putin concluded: ‘This means that at least $2 billion [annually] will stay in Belarus.’ Furthermore, beginning in 2014 the country would only have to pay Russian domestic gas prices. As for oil, until 9 December 2010, Belarus was paying Russian domestic prices but only for the volume that it needed for its own consumption. On that day, Lukashenko signed an agreement (which probably persuaded him that it was ‘safe’ to break off relations with the West ten days later), allowing Belarus to buy any amount of oil at Russian internal market prices. In principle, in accordance with the agreement, the country has had to pay taxes into Russian budget for exported refining products. In practice, however, Minsk is circumventing the requirement. In order to avoid paying taxes, it is exporting fuel in the guise of solvent.

What this adds up to is that, in addition to loans which the Russian government has promised to extend for the construction of a nuclear power plant, the benefits accruing to Belarus from the November 2011 package deal and other bonuses amount to more than $14 billion.

For Belarus, however, Gazprom’s (i.e. the Russian government’s) subsidization comes at a heavy economic and political price. Thus, in December 2006 Lukashenko had to agree to the sale of up to US$ 2.5 billion worth of stock of various state assets and 50% of Gazprom’s Belarusian counterpart, the state-owned Beltransgaz corporation. On 25 November 2011, Belarus felt constrained to consent to the transfer of the remaining 50% of Beltransgaz to Gazprom for another $2.5 billion. As a result, Gazprom is now in control of approximately 20% of the gas transit to Europe and, as will be seen below, is making determined attempts to gain control over the remaining 80% of the gas transportation network through Ukraine.

There is, however, also an irrefutable link between Russia’s subsidization of Belarus and Putin’s ‘new integration project for Eurasia.’ The Russian premier made this quite clear when he explained the benefits extended to the Lukashenko regime by saying: ‘The price rebates on natural gas granted to Belarus are integration discounts.’ This clarification also serves to answer the question as to whether the Customs Union, SES and the Eurasian Union project can be said to have primarily economic or political rationales. Undoubtedly, it is the latter rationale.

This is confirmed by the many asymmetries in the position and policies of the two countries. For Lukashenko, given his self-inflicted isolation vis-à-vis the West, continued Russian subsidization is an inalienable condition for the survival of the Belarusian economy and, most likely, his regime. However, the overall trade relationship with Russia is also of asymmetrical importance. Whereas the foreign trade sector in Belarus generates 60 per cent of GDP, that of Russia accounts for well below 20%; and whereas intra-Customs Union trade amounts to close to 50% of Belarus’s foreign trade, that share is only about 7% for Russia. Furthermore, given recurrent significant deficits in Belarus’s foreign trade with Russia, the attendant accumulation of debt vis-à-vis Russia and Belarus’s obsolete and uncompetitive economic structure, it is likely that the Lukashenko regime will have to transfer even more and ever more of its assets to Russia. This could include the state railways,
oil refineries and Belaruskali, one of the world’s biggest producers of fertilizer.

The conclusion is unambiguous: Belarus’s ‘supranational’ integration in the framework of the Eurasian Economic Commission and the projected Eurasian Union has very little to do with the voluntary rendering of sovereignty but much with its involuntary loss and subordination to the Kremlin’s power.

Russia under Putin has applied its policies towards Belarus to its relations with Ukraine.

**Ukraine as the main target of Putin’s Eurasian project**

The most important country in the rivalry between Russia and the EU on the European post-Soviet space undoubtedly is Ukraine. This is because of many factors, including its large territory, with 603,628 square kilometers the second biggest country on the European continent after Russia; its large population of 46 million inhabitants; its strategically important location as a littoral state at the Black Sea and bordering on several EU member states; its role as a transit country for Russian gas, with – before the completion of the Nord Stream pipeline – about 80% of the Russian gas destined for Europe passing through its territory; the politically, militarily and economically important Russian Black Sea Fleet in the Crimea whose presence the new government under Yanukovych in April 2010 agreed to extend until 2042; the large number of Russian minorities in the eastern parts of the country and the Crimea, accounting for 17 per cent of the country’s population; the several centuries of being part with Russia in one single state; the cultural affinities with Russian being the lingua franca in most of the country, with the wide-spread use of Russian language books, journals and films as well as access to the Russian national television programs.

During Putin’s second term in office, the Kremlin managed to avert the perceived dangers of the Orange Revolution. Foremost, these had concerned the possibility that Ukraine would embark on a consistent and comprehensive reform program and give substance to the European choice its leaders, president Viktor Yushchenko and Yulia Tymoshenko, had proclaimed. Instead, the leadership fell apart, reform efforts stalled, the economy suffered from the global economic crisis and the population turned indifferent and apathetic. These trends combined to return the leader of the Blue camp, Viktor Yanukovych, to political prominence and power in the second round of the presidential elections in February 2010.

Assumptions were widespread initially that the ‘pro-Russian’ president and his ‘Russian’ prime minister, Mykola Azarov, would abandon the European orientation and embark on a policy of integration with Russia. Surprisingly, however, Yanukovych’s ‘inaugural’ trip abroad was not to Moscow but to Brussels where he declared on 1 March that ‘European integration is a key priority in our foreign policy, and this is also a key element in our strategy for the social and economic reforms we are going to carry out’. At the time, negotiations concerning the EU-Ukraine Association Agreement and – in the EU perspective – its inalienable and integral part, the Deep and Comprehensive Free Trade Area (DFCTA) had been making progress. By the time, when the Russian premier launched the Eurasian project in the following year, the negotiations were close to a successful conclusion, and, indeed, a little more than two weeks later, the EU and Ukraine announced that a final document had been agreed upon.

The importance of the Association Agreement lies in the fact that it provides a new legal framework, replacing the existing Partnership and Cooperation Agreement of 1998. Its 160 pages of text amount to a comprehensive reform agenda for Ukraine, covering governance and sector cooperation in areas such as energy, transport, environmental protection, equal rights, consumer protection, education, training and youth as well as cultural cooperation. The regulatory approximation covers about 70 per cent of the EU’s acquis communautaire and, if ratified and carried out, would contribute to Ukraine’s closer integration with the EU’s Internal Market. In essence, it would put Ukraine on a par with Norway or Switzerland in terms of compliance with EU single market laws.

At the time of Putin’s initiative, however, it was uncertain when the Agreement would be initialed, let alone whether and when it would be signed and ratified. In October 2011, after the negotiations had been concluded, there had still been hopes in Brussels and Kyiv that the text could be initialed at the EU-Ukraine summit planned for 19 December but these turned out to be unfounded. Holding up the process were domestic political developments in Ukraine, with the EU taking the position that the fate of the Association Agreement and the DCFTA hinged on the reversal of the conviction of former prime minister Tymoshenko and other previous ministers and high-ranking officials of ‘Orange’ governments, and the holding of free and fair parliamentary elections on 28 October 2012.
Given the impasse in EU-Ukraine relations, it was to be expected that the Kremlin would increase its efforts to draw Kyiv away from the EU and persuade it to join the competitive Russian project of the Customs Union, the SES and ultimately the Eurasian Union. Such efforts, however, have not been made in the pursuit of Putin’s notion that membership in the Eurasian Union were compatible with the European choice of post-Soviet countries. They have rather been conducted under Medvedev’s premise that ‘If Ukraine were to take the road of European integration, it would be more difficult for the country to integrate with the Single Economic Space and the Customs Union. You cannot at the same time sit on two chairs.’

The pattern of persuasion and pressure, which the Kremlin has applied in accordance with this premise, has followed the Belarusian model. As in its relations with its western neighbor, Moscow has utilized its southwestern neighbor’s structural economic weaknesses, its high energy use per unit of GDP produced, the dependence of the economy, notably the chemical and the steel sectors, on low energy prices to maintain international competitiveness and thus in total the extreme dependence of Ukraine on cheap Russian oil and gas deliveries. That dependence is being reinforced by the high income which Ukraine has been able to derive from the transit fees for the shipment of Russian gas to EU-Europe.

It is this dependence, not the congruence of security interests, that lies at the root of the agreements concluded between the two countries in Kharkiv on 21 April 2010. These concerned, as mentioned, the extension of the lease for the Russian Black Sea Fleet from its projected expiration in 2017 for another 25 years, that is, until 2042, in exchange for price reductions on natural gas deliveries from Russia. The existing agreement on gas, with a duration of ten years, had been negotiated in Moscow in 2009 between then prime ministers Putin and Tymoshenko, the latter subsequently to be sent to prison.

Given the base price of $450 per tcm of natural gas according to the 2009 Moscow agreement, Yanukovych estimated savings of $40 billion over the ten-year period.

It seemed as if Yanukovych had extracted significant concessions and at least until 2020 substantially mitigated the burden of the ‘exorbitant’ gas prices. However, the Kharkiv agreement merely confirmed and solidified the problem. In just two years, from the first quarter of 2010 to the first quarter of 2012, notwithstanding the April 2010 modifications, quarterly gas prices rose from $230 to $416 per tcm of natural gas. (For the period from the first quarter in 2011 to the first quarter in 2012 see Table 1.)

Table 1 -- Price per 1000 Cubic Meters of Russian Gas for Ukraine, Q1 2011- Q1 2012

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<th>Q1 2011</th>
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Kyiv has desperately attempted to persuade Moscow to revise the pricing formula so as to lower the price to a range of between $230 and $250. It felt justified in that effort not least because of the fact that in January 2012 Gazprom had yielded to pressure from European gas companies and agreed to price discounts for them. The problem for the Yanukovych government has been compounded by the issue of volumes. Because of the high gas prices, Kyiv has announced that it would at most import 27 billion cubic meters (bcm) of gas from Russia in 2012, as compared to 40 bcm in the preceding year. However, the existing agreement does not provide for such unilateral reductions. No matter whether Kyiv uses the gas, it would have to pay for 33 bcm.

Russia has assumed a tough bargaining position. It has also clarified its ultimate objectives. Significant concessions would be forthcoming only if Ukraine, following the Belarusian precedent, were to agree to sell Naftohaz and thereby yield control over the transit pipeline network as well as join the Customs Union and SES. Gazprom chief Aleksey Miller has already named a price for the pipeline network, its worth according to his estimates amounting to no more than $20 billion.  

Part of Moscow’s pressure on Kyiv has been its pipeline projects to bypass Ukraine. As early as March 2010, that is, even before the Kharkiv agreements, Putin stated that ‘we are working both on the Nord Stream as well as the South Stream project’ and that these projects ‘have lowered our interest in joint work on Ukraine’s gas transportation network’, adding almost as if in an afterthought that the Russian interest, in principle, still existed.  

The commissioning of the first branch of Nord Stream on 8 November 2011, however, has only marginally changed the transit volumes flowing through Ukraine. This is because of the fact that in 2011...
Gazprom concluded new contracts for the delivery of 22 bcm (billion cubic meters) of natural gas. Subtraction of this volume from the maximum capacity of Nord Stream of 27.5 bcm leaves only 5.5 bcm as the possible volume of gas by which the transit through Ukraine could be reduced. The second branch is scheduled to be completed by autumn 2012 but its full capacity of 55 bcm will not be reached before 2015. Only then can Nord Stream be expected to lead to a significant reduction of the Ukrainian gas transit volume. The main danger to Ukrainian gas transit, however, is Russia’s South Stream project in conjunction with Nord Stream. If the southern pipeline were to be completed, it could displace 63 bcm of the Ukrainian gas transit volume. The total displacement, therefore, could amount to 108 bcm which would be more than the transit volumes of 2010 (95.4 bcm) or 2011 (104 bcm) and deprive provide Naftogaz of between $1.3 and $1.5 billion in net gas transit profit.

The pressure exerted on Ukraine fits Gazprom’s strategy to gain a monopoly position in the gas transportation network in Eastern Europe, exclude EU and EU member state competition and improve Gazprom’s share in the downstream supply on the European market. One of the many indications of that strategy is Russia’s opposition to trilateral (EU-Russia-Ukraine) arrangements for the modernization of Ukraine’s gas industry infrastructure, including the country’s transit network. This was demonstrated by Moscow’s reaction to the Memorandum of Understanding reached between the EU Commission, the government of Ukraine, the World Bank, the European Bank for Reconstruction and Development (EBRD), and the European Investment Bank (EIB) in Brussels in March 2009 to spend $3.5 billion for the modernization of the Ukrainian gas transit network. Ukrainian prime minister Azarov expressed his ‘hope that Russia will also be interested in modernizing the pipeline, now that Ukraine has begun to implement the project with its European partners’. Contrary to such hopes, Putin reacted with extreme anger, stating that ‘efforts to increase gas supplies, gas that is Russian in origin, are meaningless’, and warned that ‘if Russia’s interests were to be ignored, we would be forced to review our relationship with our partners’. In February 2012, at an international security conference, Yanukovych resurrected the idea. However, it would seem that the Kremlin is determined to bend any trilateral gas pipeline configuration into one single pipeline that is exclusively Russian.

Moscow’s ambitions, furthermore, go beyond the control of the Ukrainian gas infrastructure and transportation. Six months after the Kharkiv agreements Putin und Azarov as well as chief economic officials signed a number of sectoral agreements. These included, among others, a treaty on the cooperation of state enterprises in the organization and production of nuclear fuel on the basis of Russian technology; a memorandum concerning the exploration and production of gas in the Donets basin; and an agreement about the creation of the Russian-Ukrainian joint venture to merge the Ukrainian Antonov aircraft state enterprise with the Russian United Aircraft Corporation.

As such agreements serve to underline, the Kremlin is pursuing various forms of ‘integration’ in its claimed sphere of interest to maximize Russia’s influence and, if possible, control. Formal membership of Ukraine in the Customs Union, and SES and the projected Eurasian Union may not be in reach but ‘creeping’ integration may be.

On 18 October 2011, for instance, Ukraine signed on to the new version of the CIS free trade agreement. On that occasion, the government’s special representative for cooperation with Russia, the CIS and EurAsEC, Valery Muntiyan, asserted that it would be possible in the current year also to conclude an agreement on the free exchange of services in the CIS. Such an agreement evidently carries the risk of a de facto membership in the Customs Union and the SES. Furthermore, although there is some approximation of technical standards of EurAsEC to those of the EU, nevertheless there are differences, and it is difficult to see how two standards in one country can exist side by side. Yet the idea of ‘integration’ into two single market blocs has officially been proclaimed by high-ranking Ukrainian representatives to be the policy aim of the government. President Yanukovych has stated that ‘Ukraine and the Customs Union countries are engaged in a normal and respectful dialogue. There is no conflict between us. We are engaged in dialogue ... [and] if the Customs Union meets [our] national interests, we will decide then.’ Similarly, Ukrainian Security Council Secretary Andrei Klyuyev wanted to ‘confirm one more time our intention to develop cooperation with the Customs Union in the Three-plus-One [Russia, Belarus and Kazakhstan plus Ukraine] format. This format does not rule out full membership of our state in this association [the Customs Union]."
Conclusions and policy implications

Putin’s ‘new integration project for Eurasia’ marks yet another stage in the configurations and reconfigurations of integration and cooperation on post-Soviet space. The ostensible purpose of this initiative is economic. Its primary objectives, however, are geopolitical, and these are to be achieved in large part by economic means. Whereas the project can be interpreted as having had a domestic political dimension in the context of the parliamentary and presidential elections of 2012 and to serve as a framework within which to counteract rising Chinese economic and political influence in Central Asia, its main direction nevertheless is Europe. In that area, the Customs Union and SES, with Putin’s Eurasian Union as the ultimate goal to be achieved (unrealistically) by 2015, can be considered to be the organizational and institutional counterparts to the EU’s European Neighbourhood Policy (ENP) and its eastern dimension, the Eastern Partnership. They are to counteract the ‘new generation’ of EU trade agreements which Brussels has defined to be ‘deep and comprehensive’, including far-reaching regulatory approximation and the creation of compatible ‘technical’ norms. The DCFTAs come in a package with superimposed association agreements, which in turn constitute far-reaching reform agendas and incorporate non-technical norms (values), including principles of good governance and, ‘above all, the most essential values – human rights and fundamental freedoms’.

Ukraine, as argued above, although nowhere mentioned in Putin’s Eurasian project, is really its main focus. This is the case because if the EU and Ukraine were finally to sign the completed EU-Ukraine Association Agreement with the DCFTA as its integral part, and the EU member states and Kyiv were to ratify it, the country in essence would have abandoned its ambiguous and vacillating course of ‘multivectoralism’ and steered a clear course towards European integration. It is such a decidedly European orientation that Moscow has attempted to prevent.

Furthermore, it is because of this policy that the ‘strategic partnership’, proclaimed to form the basis of the EU-Russian relationship, has failed to materialize. This applies to the relationship in international affairs in general but it is patently and painfully evident on post-Soviet space. In Europe, in the ‘common neighborhood’ or, as it is stated more blandly and soberly in the EU-Russia Road Map for the Common Space of External Security, the ‘regions adjacent to the EU and Russian borders’, the reality of the relationship is that of competition. Two diametrically opposed concepts lie at the basis of the relations. One is that of ‘Wider Europe’, with a ‘ring of friends’ to be nevertheless ‘integrated’ into EU-Europe by their accepting European values and major parts of the EU’s acquis communautaire, the other that could be called ‘Wider Russia’, that is, the establishment of a Russian sphere of interest where values are secondary but Moscow’s influence and control preeminent.

The reality of competition also serves to explain the fact that the EU-Russia ‘partnership’ does not extend to the post-Soviet space. Whereas there have been a number of joint EU-Russian projects, with EU institutions, several of its member states and Russia participating, there is, to this author’s knowledge, not a single major cooperative venture that would bring together the EU, Russia and one of the countries of the ‘common neighborhood’. It is also evident that joint EU-Russia initiatives to solve any of the ‘frozen conflicts’ on post-Soviet space have either not been attempted or, when such attempts were made, have produced no results.

To that extent, the reality of the Customs Union and the vision of the Eurasian Union merely confirm Russia’s clarification of its approach as codified more than a decade ago. This concerns Russia’s Medium-Term Strategy for the Development of Relations with the EU that was conveyed to the EU troika by then prime minister Putin at the EU-Russia summit in Helsinki in October 1999. The document referred to Russia as the ‘largest country of the CIS’ endowed with a special ‘status and advantages of a Euro-Asian state’; it claimed that EU enlargement had an ‘ambivalent impact’ on EU-Russia cooperation; it asserted Russia’s ‘right to refuse agreement to the extension of the [EU-Russia] PCA [Partnership and Cooperation Agreement]’ to EU candidate countries; it threatened to ‘oppose any attempts to hamper economic integration in the CIS’; it rejected the establishment of ‘“special relations” by the EU with individual CIS countries to the detriment of Russian interests’; and it wanted ‘to use the positive experience of integration in the EU with a view to consolidating and developing integration processes in the CIS’.

The consistency of the Russian approach from prime minister Putin’s medium-term ‘strategy’ of October 1999 to prime minister Putin’s Eurasian Union ‘project’ of October 2011, as a comparison of the two programmatic statements shows, is indeed striking. This raises the question as to the policy implications for EU as well as non-EU European countries.
Based on the diagnosis that criticism of Russia’s internal affairs, notably the restoration of authoritarian and centralizing features of the ‘Putin system’, were ‘counterproductive’ the policy advice provided by some influential Western analysts has been for governments to adopt a ‘pragmatic’ stance and concentrate on ‘interests’ rather than values.\(^4\) Such an approach, according to this perspective, was appropriate not only in relation to Russia but also to the other countries of the post-Soviet space, including the Six of the EU’s Eastern Partnership.

The advice ought to be rejected. The EU is not only a community of interests but also one of values. To delete values from Europe’s approach to Russia and the post-Soviet states would be detrimental not only to the interests of the EU and its member states but also to Russia. That government’s major concern at present is ‘modernization’ but it is highly doubtful that the creation of a Eurasian Union with the preferences of Russia ruling supreme in such a construct (and ‘integration’ meaning essentially subordination) will in any way expedite the realization of that interest. Russia has, for that reason, forged a plethora of ‘modernization partnerships’ with the EU and many of its member states. Modernization in that country or its neighbors, however, cannot be achieved without a value-based approach that calls for democratic processes and institutions, a law-based state, a free market economy with fair competition and a civil society.\(^4\)

It is entirely appropriate then, as indeed the most recent ENP review and its advocacy of a ‘new response to a changing neighbourhood’ emphasizes, that greater rather than lesser efforts should be made to give substance to this approach. The policies to be pursued are ‘to provide support to partners engaged in building deep democracy – the kind that lasts because the right to vote is accompanied by rights to exercise free speech, form competing political parties, receive impartial justice from independent judges, security from accountable police and army forces, access to a competent and non-corrupt civil service — and other civil and human rights that many Europeans take for granted’.\(^4\)

Endnotes

1 ‘Новый интеграционный проект для Евразии — будущее, которое рождается сегодня’, http://www.izvestia.ru/news/502761#. The target date of 2015, however, was not mentioned by Putin in the article but two weeks later, on 19.10. 2011, on the occasion of the conclusion of a CIS free trade agreement, modifying the existing agreement; see Юрий Панченко, ‘Киев


3 ‘Новый интеграционный проект’ [op. cit., fn. 1]. Putin, however, did not spell out anything related to the political dimension of his integration project but limited his exposé to economic issues.

4 To drive home the point about avoiding mistakes, then president Dmitry Medvedev asserted that the Eurasian Union would, of course, be open to new member states but Russia would carefully to pick and choose them in order to avoid such mistakes as the EU having accepted Greece. That had been like ‘buying a cat in a sack’; ‘Д. Медведев: Евразийский союз — это не Евросоюз, не кот в мешке’, Rbc.ru, 18 November 2011; http://top.rbc.ru/politics/18/11/2011/625793.shtml.

5 ‘Новый интеграционный проект’ [op. cit., fn. 1].


18 ‘Путин: Белоруссия будет получать газ’ [op. cit., fn. 15; italics added by the author].
20 Even Gerhard Schröder in his then capacity as German Chancellor, not known for his geopolitical or geostategic thinking, recognised in the context of the controversies over the outcome of the 2004 presidential elections: ‘At issue is not only Ukraine but this is also a matter of spheres of influence.’ Discussion in the German Bundestag concerning the situation in Ukraine on 24 November 2004; Bundestag.de, 24 November 2004, www.bundestag.de.
21 Azarov was born in 1947 in Kaluga, Russia. He attended Moscow State University where he received a doctorate in 1971 and moved to Ukraine on a permanent basis only in 1984.
25 In October 2011, a Ukrainian court sentenced Tymoshenko to seven years in prison for abuse of office in relation to the 2009 gas deal. The judge ruled that the former prime minister had exceeded her authority ‘for criminal ends’ by railroadring the Ukrainian state gas corporation Naftogaz into signing the agreement with Gazprom. Not only did the EU and the United States react sharply to the verdict and the sentence but also Russia. Russian prime minister Vladimir Putin, speaking on a visit to Beijing, said it could jeopardize energy relations between the two former Soviet states, while the foreign ministry said it had detected an ‘obvious anti-Russian subtext‘ in the outcome; ‘Україна Jails Tymoshenko for 7 Years, Irks EU, Russia‘, Reuters, 11 October 2011, http://www.reuters.com/article/2011/10/11/us-ukraine-tymoshenko-idUSL5E7LB0OQ20111011.


31 To explain these figures, Bohdan Sokolovsky, a Ukrainian gas expert and former energy envoy to ex-president Viktor Yushchenko, has stated that, in 2010, for instance, Ukraine received $3 billion in gas transit revenue for the 95 bcm it shipped to Europe but $1.6 billion was used to buy extra gas to support its compressor stations; ‘Ukraine faces huge gas transit losses by 2015’[op. cit., fn. 30].


36 Панченко, ‘Киев движется к экономической интеграции’[op. cit., fn. 1].

37 This is the opinion, for instance, of the first deputy chairman of the Ukrainian parliament’s committee for finance, banking, tax and customs policy; ibid.


39 Statement by Andrei Klyuyev at a EU-Ukraine conference in Brussels on 27 February 2012; ibid.


42 A prime example of such policy advice in Germany is Alexander Rahr of the Deutsche Gesellschaft für Auswärtige Politik (DGAP) in Berlin. The quotes are from a book presentation with laudatio by the former German foreign minister, Frank-Walter Steinmeier, on 27 September 2011 at the DGAP.


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