

Pragmatism, Not Politicization Finding the right way to work with the Eurasian Economic Union

by Stefan Meister

All aspects of EU-Russian relations have become politicized and “securitized” in light of the situation in Ukraine. This has confined communication with Russia to a few problematic topics and is limiting opportunities for exchange. But cooperation between the EU and the Eurasian Economic Union (EEU) can be improved – not through overblown politicization but rather by concentrating on the pragmatic, economic alignment of technical standards and norms as well as by improving the EU’s economic relations with each of the EEU’s participating states.

The Purpose of the EEU

Against the backdrop of the Ukraine crisis – and the EU’s crisis with Russia – Germany has seen a debate develop on the urgency of establishing new forums for dialogue with Moscow in order to explore possible opportunities for cooperation with Russian leadership on “soft” matters. These should above all help smooth out differences over the common neighborhood. A central proposal here is for dialogue between the EU and the Eurasian Economic Union (EEU) to help open new channels of communication with Russia; in this way negotiations should become possible for breaking down differences between the EEU (which now includes the Eurasian Customs Union) on the one hand and the Deep and Comprehensive Free-Trade Area (DCFTA) between the EU and Ukraine on the other; one hopes in this way to use economic institutions to improve contacts with Russia and at least partially defuse the political tension over Ukraine.

The Eurasian Customs Union (founded in 2010 with Belarus, Kazakhstan, and Russia and incorporated into the EEU on January 1, 2015) had from the outset been conceived as a counter model to the EU and its economic

instruments. Russian President Vladimir Putin designed it to create a Russian-dominated economic zone for the post-Soviet realm, one that could negotiate on an equal footing with the EU within a shared economic area stretching from Vladivostok to Lisbon. Ukraine – as the second most populous country in the region – was essential to this process of Eurasian integration. At the same time, it became quite clear that this project offered the founding countries of Belarus, Kazakhstan, and Russia only limited perspectives for economic development. It primarily creates advantages through a bilateral system of rewards from Moscow in exchange for simultaneously accepting Russia hegemony.

The economies of both Russia and Kazakhstan are based primarily on the export of raw materials and are marked by an overall lack of technological innovation. While Belarus happens to benefit from the EEU the most in economic terms – due to its greater access to the Russian market and those of the other participating states

– these advantages are nonetheless limited due to the fact that close economic ties to Russia already exist within the framework of the bilateral Union State of Russia and Belarus. Here, too, a fundamental difference between the EEU and the EU becomes apparent: integration in the EU takes place voluntarily rather than on the basis of Russia's carrot-and-stick incentives. Economically strapped Belarus profits in particular from low oil and gas prices and is able to broker additional customs revenue as a precondition for joining the EEU. Armenia was above all able to secure Russia's security-related support with regard to its conflict with Azerbaijan.

Geopolitics versus Integration

In the context of the conflict surrounding Ukraine, the Eurasian Customs Union/ EEU is increasingly being developed as a geopolitical project to counter EU influence in the region – and decreasingly seen as a building block for an economic area to be shared with the EU. The Russian argument stressing the advantages of the EEU for Ukraine, in comparison with the DCFTA, and the either/or choice to be made between the two “spheres of integration” is loaded with political significance, whereas the economic basis was entirely absent. Kiev can trade as freely with Russia – within the framework of the Commonwealth of Independent States Free Trade Agreement (CISFTA), which Ukraine joined in 2011 – as it can with the EU, within the DCFTA framework. It would of course be naïve to believe that, with the EEU, Russian leaders have created a multilateral institution in order to bring about a balancing of interests over the common neighborhood – let alone Ukraine. To view the EEU as an entity on a par equal to the EU would ultimately legitimize not only Russian practices of pressuring other countries but would also recognize Russia's hegemony in the region.

At the same time, since Russia's annexation of Crimea and Moscow's substantial support for the war in eastern Ukraine, it is particularly clear that the states participating in this integration project – above all Belarus and Kazakhstan – are distancing themselves from Moscow. They have opted out of any kind of political integration. Russia has tried to use the EEU to test the geopolitical operability of the new institution. In doing so it has failed to achieve support from the other two founding states to stick with the 2014 sanctions against the West and Ukraine – and in reaction to this, it has at least temporarily reduced imports from these two countries. Russia's unilateral policy

and its increasing tendency to instrumentalize the EEU is weakening the Eurasian Customs Union, which had until then been the greatest achievement of Eurasian integration.

The Significance for the EU

The EU must acknowledge that the Eurasian Customs Union and the EEU represent the most successful attempt to date at a Russian-led integration process in the post-Soviet realm. The creation of a multilateral institution – complete with a court of justice and a Eurasian Commission, the coordination of customs duties, and a variety of common standards – promotes the economic integration of participating states. Even if there remain a great many long-term differences among the participating states, and even if Russia's political pressure to integrate necessarily means that its institutional underpinning still lags behind, it is in the interest of Germany and the EU to develop its relations with the EEU, as this will in turn influence the EU's economic relations with the individual EEU member states. This could even be advantageous to the EU, since an arrangement with a single institution will free it from the need to set up individual trade agreements with each of the member states.

It is also becoming clear that, notwithstanding Russian economic and political dominance, the institutions of the Customs Union/ EEU have developed a certain dynamic of their own, to the point where the interests of Russian leaders do not always prevail. Kazakhstan in particular has more room for maneuver vis-à-vis Russia, due to its relative political stability and the success of an economy financed by raw materials. It maintains relations with all of its neighbors. Despite the many conflicts, it should be recalled that Russia is already a member of the World Trade Organization (WTO) and that Kazakhstan's membership is also expected by the end of the year. This will increase the pressure on other participating countries to strive for membership as well and, in doing so, to promote the institutionalization of economic relations within international frameworks and to promote integration in the global economy. The EU should actively support the WTO entry of all EEU members. In doing so it will strengthen it as a multilateral institution. In stark comparison, we see the EEU's relatively low economic power, its limited market in terms of population, its low potential for innovation, and its dependence on a Russian market that is itself in deep recession.

Politicization versus Pragmatism

In the context of the crisis in Ukraine and the politicization of all matters relating to EU-Russian relations, Germany and the EU should not commit the error of inflating the value of the EEU by politicizing it but should, rather, seek out ways of furthering pragmatic, technical relations. The EU's strengths lie in its ability to negotiate technical standards and break down the barriers that separate the EU as an economic zone from a Russia-dominated Eurasian Customs Union – not in political bargaining with Moscow.

These strengths and strategies could in the long term resolve compatibility problems with the EEU through the alignment of standards between Ukraine and the EU within the framework of the DCFTA, without inflating these institutions in political terms. Many potential conflicts between DCFTA and the Customs Union relating to Ukraine could be clarified within the WTO's framework if all of the involved parties were willing to do so.

It is in the interest of Kazakhstan and Belarus to balance Russia within the EEU and to develop their relations

with the EU, with other partners, as well as on multilateral and bilateral levels. The dominance of Ukrainian matters in EU-EEU relations runs counter to these goals and will only strengthen those powers within Russia that strive for further "securitization" of relations and the restriction of relations with the EU.

If it makes the mistake of overemphasizing these matters, Germany and the EU will see an additional channel of communication in an area of common interest become both weakened and politicized. Pragmatic institutionalization would be a far more meaningful way of countering the current lack of dialogue in relations. In this case, we should leave it to experts and not to the grand policy makers.

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