

# Russia and the Eurasian Economic Union: Between Bilateral and Multilateral Relations

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The Eurasian Economic Union (EAEU) was the first relatively successful attempt to establish strong multilateral institutions for post-Soviet regional integration. Officially, the Eurasian Economic Union was launched on 1 January, 2015 with the treaty signed on 29 May, 2014 by the leaders of Russia, Kazakhstan and Belarus. In 2015, Armenia and Kyrgyzstan joined the Union. The EAEU was formed on the basis of the previously functioning Customs Union (2010) and the Common Economic Space (2012). The institutions of the EAEU include the Eurasian Economic Commission (EEC), a permanent supranational body consisting of two representatives from each member state, the Eurasian Intergovernmental Council, consisting of the prime ministers of member states, the EAEU Supreme Council, consisting of the heads of state, and the Court of Justice.

Experts see evidence of the Union's success in the greater scope of supranationalism compared to all previous post-Soviet integration projects, and in the nature of the Union's multilateral institutions, which are based on the formal recognition of the equal status of all members of the Union (Dragneva and Wolczuk 2017: 6–7; Popescu 2014: 11; Vinokurov 2017). In addition, the EAEU successfully negotiates free trade and economic agreements with other countries, including China (Perovic 2018).

The institutional design of the Union is described as an outcome of a series of unexpected compromises (e.g. Czerewacz-Filipowicz and Konopelko 2017). The question then arises of why the Russian leadership should be interested in expansion of the Union's scope of supranationality and

in equal status for all members of the Union, when the other member states are much smaller and asymmetrically depend on economic ties with Russia. Overall, it remains unclear why Russia has agreed to build a new strong multilateral institution in the post-Soviet space, as arguably it could obtain better deals through bilateral bargains with much weaker counterparts.

We argue that Russia, as a rising power and the strongest in Eurasia, is likely to benefit more from bilateral bargains than from multilateral arrangements in the region. Successful bilateral cooperation (bargaining) with Russia is also the preferable choice for Russia's counterparts in the post-Soviet space. The leaders of other post-Soviet nations do not trust Moscow, and are reluctant to delegate national sovereignty to integration projects dominated by Russia. The specifics of the multilateral compromise adopted for the EAEU grant smaller member states an opportunity to be more successful in bilateral bargains with Russia. Overall, the choice of the Russian leadership to build a new strong institutional form of multilateral relations (in the form of the EAEU) *reduces* Russia's relative power in the post-Soviet space.

After the Soviet Union's collapse, the "bilateralization of relations" was the core principle of Russian foreign policy towards the post-Soviet states and European neighbors. With the EAEU, the Kremlin has moved away from the strategy of bilateralization, while being aware that such a union is unlikely to promote Russian economic and political dominance in the region, at least compared to what would be attainable through bilateral deals. The

creation of the Union was costly for Russia: in fact, the other members agreed to enter the Union on condition of receiving substantial concessions from Russia. The maintenance of the Union requires Russia to consent to more compromises and endless economic subsidies. At the same time, the post-Soviet countries with EAEU membership have gained opportunities to act more independently from Russia and even to “blackmail” Russia with the threat of leaving the Union.

Why did Russia make such a disadvantageous decision? In our view, it was the Ukrainian crisis of spring 2014 that created incentives for the Russian leadership to accept the institutional compromises necessary to initiate the Eurasian Economic Union. After the annexation of Crimea, Putin urgently needed another “success story” for the domestic audience in the face of growing international isolation and a stagnating economy. This gave the leaders of Kazakhstan and Belarus, the countries with the longest record of participation in Russia-centered integration projects in the post-Soviet space and the founding members of the EAEU, a chance to exploit the momentum of Russian weakness. Put simply, the Kremlin had to pay a considerable price for the opportunity to declare the quick success of the Eurasian Union—a project of significant value for Russian domestic politics in 2014.

### **Russia’s incentives for bilateral and multilateral cooperation in the post-Soviet space**

Numerous attempts to promote post-Soviet integration have been launched since the dissolution of the Soviet Union. In practice,

however, all these projects have been primarily focused on supporting bilateral relations between Russia and its counterparts. Overall, at least 29 regional organizations have been formed by the post-Soviet nations, and 14 of them were still functioning as of 2015 (Gast 2017). Practically all these projects shared one distinctive feature: they were centered around Russia and thus provided a very limited level of authority delegation to multilateral institutions (Gast 2017). Formal multilateral institutions served as a facade that concealed the true basis of regional post-Soviet integration projects—bilateral relations connecting each of the member countries with Russia.

Interestingly, Russia did not even invest much effort in maintaining this facade. The Russian leadership has repeatedly declared that it considers multilateral cooperation to be unacceptably restrictive for Russia as a “Great Power.” For instance, then-minister of defense Sergey Ivanov stated that Russia did not want to be tied down in its relations with post-Soviet nations by multilateral arrangements (*Nezavisimaya Gazeta* on 7 February, 2001, p. 5, as cited in Nygren 2007: 29). *The Strategy for Russia: Agenda for the President - 2000*<sup>i</sup> asserted that Russian policy towards post-Soviet states should be based “on bilateral relations with a strong position on defending [Russian] national economic interests...” (Karaganov et al., 2000: 99). Thus, bilateralism is much more compatible with Russia’s geopolitical ambitions than multilateralism.

Furthermore, the economic rationale for Russia to promote multilateral cooperation in Eurasia is also doubtful (Tarr 2012; Kassenova 2013; Aslund 2016).<sup>ii</sup> In fact, there is no evidence that the EAEU could

enlarge Russia's economic power. As Libman (2017: 88–89) argues, “The pooling of economic resources through the EAEU hardly improves the economic potential of the Russian economy.” On the other hand, Libman (2017) and Libman and Vinokurov (2018) provide evidence that “The EAEU is associated with an extensive redistribution mechanism in favor of *smaller* countries” (Libman 2017: 91) (emphasis added). According to Krickovic (2014: 505), “These states will undoubtedly play an important role in the integration process and Russia will have to appeal to their interests and concerns.”

In Russia, foreign policy currently plays an important instrumental role: it is the main tool for domestic consensus and mobilization (Busygina 2018), and so the re-integration of the post-Soviet space was and is an important element of Russian domestic politics. According to Gleb Pavlovsky, a former adviser to Putin and currently the head of a political think tank, every Russian national election campaign since 1996 has been accompanied by declarations of intentions to significantly push forward the re-integration of the post-Soviet space (cited in Halbach 2012). The electoral campaign promises were often supplemented by specific steps aimed to show voters yet another success of post-Soviet re-integration. For instance, in 1996, three months before the presidential elections in Russia, Boris Yeltsin and the leaders of Belarus, Kazakhstan and the Kyrgyz Republic signed the Treaty on Deepening Integration. The Treaty on the Creation of a Union State of Russia and Belarus was signed on 8 December, 1999—11 days prior to the important parliamentary vote that served as an informal primary for the presidential ballot to replace Yeltsin. In

September 2003, Putin and the leaders of Ukraine, Belarus, and Kazakhstan signed the agreement to form a single economic space. The agreement was ratified by all four countries in spring 2004. Duma elections were held on 7 December, 2003, followed by the presidential elections in March 2004. In October 2007, the post-Soviet leaders signed the Agreement Establishing an Integrated Customs Territory and Formation of a Customs Union. Legislative elections were held on 2 December, 2007.

The launching of the Eurasian Union project in fall 2011 was also part of electoral campaigning. In September 2011, Vladimir Putin announced that the incumbent President Medvedev would not run for re-election, allowing him (Putin) to again occupy presidential office. Two weeks later, Putin declared that during his next term as president he would bring ex-Soviet states into a “Eurasian Union.” The leaders of Belarus and Kazakhstan promptly voiced their support for the Union; Russian media reported that leaders of some other post-Soviet nations also expressed interest in the idea. One month later, on 18 November, 2011, the presidents of Belarus, Kazakhstan, and Russia signed a declaration setting the target of establishing the “Eurasian Economic Union” by January 1, 2015.

In 2011, most experts did not expect the Eurasian Union project to result in any significant developments, at least until the next electoral cycle (2017–2018). The negotiations to form the Union incrementally developed through non-transparent bilateral bargains with potential members, including Ukraine.

## **What changed after Crimea and the Ukrainian crisis?**

The situation changed drastically after Russia's annexation of Crimea and further escalation of the Ukrainian crisis in spring 2014. The Ukrainian crisis played the role of a catalyst, placing the goal of overcoming growing international isolation on the agenda of the Russian leadership. Thus, the urgent creation of the EAEU became Russia's priority. Most likely, the Russian leadership anticipated that the annexation of Crimea would cause a negative international reaction, but if so, it evidently underestimated its scale. After Crimea, the Kremlin faced not only increasing international isolation but also a stagnating economy. Both factors demanded domestic consolidation of the nation and the quick launch of an ambitious multilateral project in Eurasia. The Eurasian Union served this purpose.

On the other hand, the Crimea crisis has magnified the fears of smaller post-Soviet states vis-à-vis Moscow. The annexation of Crimea and Russia's support of the insurgents in Eastern Ukraine indicate that the borders of the post-Soviet states are still not fixed and that Russia is ready to use both brutal military force and "soft" political influence to support a Russian-speaking population against its neighbors. The issue of the Russian-speaking population is most acute for Kazakhstan, with its significant (more than 20 percent) minority of ethnic Russians in the north of the country. After the annexation of Crimea, the post-Soviet states lost whatever trust they still had in Moscow and, in particular, deemed the risks of accepting membership of a union dominated by Russia to have significantly increased.

The presidents of Kazakhstan and Belarus appeared to have adopted the strategy of postponing the launch of the Eurasian Union, while the Russian leadership urgently needed the deal in order to demonstrate the success of national foreign policy to the domestic audience. Importantly, the Ukrainian crisis has demonstrated that applying too much pressure on the post-Soviet leaders is dangerous and could provoke political instability, with unpredictable outcomes. Thus, in order to make the leaders of Belarus and Kazakhstan sign the founding treaty, Moscow had to grant them substantial concessions. It had to agree to greater institutional capacity of the Union being established, and also grant economic concessions to the potential members individually.

The creation of the EAEU as multilateral agreement has had very significant implications for the bilateral relations between Russia and smaller members of the Union. In fact, the development of multilateral relations has not improved, but relatively weakened Russia's position in bilateral relations with other members of the Union. The balance in bilateral relations has been shifted in favor of smaller states, resulting in the expectation that these states will seek to maintain the new beneficial status quo and support the Union, while trying at the same time to block the strengthening of Russia's domination within the EAEU and its further geographic enlargement.

## **The “After Crimea” effect: new opportunities for smaller members of the Union**

In order to involve smaller countries in a common multilateral agreement and to obtain their consent at precisely the right moment for Moscow, which was critically important, the Russian leadership had to make significant economic concessions to each potential member individually, and Russia provided each candidate with convincing incentives for accession.

Even more important, however, was that after Moscow decided to proceed with the EAEU in spring 2014, Russia’s counterparts gained the opportunity to use the threat of leaving the Union to achieve an advantage in their bilateral relations with Moscow. Threats of such a kind were all the more effective after Russia failed to incorporate Ukraine into the Union. Now the Kremlin could not afford to lose *any* member of the Union as it would inevitably undermine the credibility of the whole project and destroy Russia’s image not only as Great Power but even as a Regional Power. The threat of exit was directly used by smaller members to define the limits of Eurasian integration and force Moscow to accept them.

From the very beginning, the leaders of smaller nations upheld the idea of the limited and non-political nature of the Union. In this respect, the position of

Kazakhstan’s President Nazarbayev is indicative. The leader of Kazakhstan sees the Union as “open economic association” and does not exclude the possibility of Kazakhstan having to leave the EAEU: “If the rules set forth in the agreement are not followed, Kazakhstan has the right to withdraw from the Eurasian Economic Union. I have said this before and I am saying this again. Kazakhstan will not be part of organizations that pose a threat to our independence. Our independence is our dearest treasure, which our grandfathers fought for. First of all, we will never surrender it to anyone, and secondly, we will do our best to protect it”.<sup>1</sup> In fact, since 1994 Nazarbayev has consistently defended the principle of equal rights for all member countries as the only possibility for an integrationist scheme in the post-Soviet space.<sup>2</sup>

The leaders of other EAEU members also did not hesitate to make statements about their possible withdrawal from the Eurasian initiative,<sup>3</sup> and in November 2017 the Armenian parliament even commenced hearings on the issue of withdrawal from the Union.<sup>4</sup> For Belarusian president Lukashenka, the imperative conditions of Belarus’s membership in the EAEU include the protection of national interests and the principle of equality of all partners. As he stated, “The reliability and longevity of the new mechanism are ultimately determined by whether it provides a full protection of

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<sup>1</sup> [https://en.tengrinews.kz/politics\\_sub/Kazakhstan-may-leave-EEU-if-its-interests-are-infringed-255722/](https://en.tengrinews.kz/politics_sub/Kazakhstan-may-leave-EEU-if-its-interests-are-infringed-255722/)

<sup>2</sup> A Cautiously Happy Kazakhstan: Eurasian Economic Union Implications  
<https://carnegie.ru/commentary/56273>

<sup>3</sup> <https://ru.sputnik.kg/economy/20171027/1036029469/vyjdet-li-kyrgyzstan-iz-eaehs-otvet-ministra-ehkonomiki.html>;  
<https://regnum.ru/news/2233858.html>

<sup>4</sup> <https://365info.kz/2017/11/vyjdet-li-armeniya-iz-eaes/>



the interests of its participants. It is necessary to clearly realize that any infringements of their rights, which may seem small today, will create cracks tomorrow, which will destroy first the trust, and then the new structure created by an incredible common effort. ... But only the equality of partners, including the equality of business conditions with equal access to a single energy and transport system will create a reliable basis for our Union".<sup>5</sup>

### **Conclusion**

Until the EAEU, Russia refused to be constrained within post-Soviet integration projects as would be expected from a member of a common regional regime. After the Ukrainian crisis, by relying on the growth in their bargaining leverage vis-à-vis Moscow, Belarus and Kazakhstan have obtained significant concessions from Russia (Vieira 2016). Thus, institutionally, the EAEU's balance became more unfavorable to Russia than all previous regional organizations in the post-Soviet space.

There is every reason to expect that bilateral relations between the smaller EAEU members and Russia will retain priority over multilateral relations in the future. One important question, however, is whether smaller states will be able to maintain the advantage they have achieved in bilateral relations with Russia. It seems that the

reasonable strategy for achieving this goal would be to cooperate, and confront Russia from a consolidated position. So far, such efforts at increased cooperation have not been observed. It would be natural to expect not enhanced cooperation between the smaller EAEU members in order to exert collective pressure on Russia, but rather attempts to obtain as much as possible from Russia through bilateral relations individually, while simultaneously developing relations with other external powerful actors.

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<sup>5</sup> <https://iz.ru/news/504081>

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