

The Christian Science Monitor – 29.05.2014

By Fred Weir

Minus Ukraine, will new Eurasian Union live up to Putin's dreams?

Чи може втілити мрії Путіна Євразійський союз без України?

29 травня в Астані був офіційно створений очолюваний Москвою економічний союз, який в кінцевому підсумку має намір змагатися з ЄС. Однак навіть його гарячі прихильники визнають, що новий альянс народився не під щасливою зіркою, передає кореспондент The Christian Science Monitor Фред Вейр.

<http://www.csmonitor.com/World/Europe/2014/0529/Minus-Ukraine-will-new-Eurasian-Union-live-up-to-Putin-s-dreams>

Moscow

The Moscow-led economic alliance that hopes to eventually rival the European Union was officially created Thursday. But even some of its biggest boosters admit that it's being born under a very dark cloud, despite the economic promise of a bloc with a combined \$2.7 trillion gross domestic product.

Ukraine's protracted turmoil has effectively blocked its once-expected participation. And the broader political fallout from Ukraine – both in the form of sanctions against Russia and of Russia's annexation of Crimea – is giving pause to the founding and prospective members of the Eurasian Economic Union.

"This Eurasian Union comes with a lot of built-in problems that are not going away anytime soon," says Alexander Kononov, president of the independent Institute of Strategic Assessments in Moscow.

The "epoch-making" treaty signed by Presidents Vladimir Putin of Russia, Alexander Lukashenko of Belarus, and Nursultan Nazarbayev of Kazakhstan will launch, from Jan. 1, 2015, a resource-rich free trade zone of 170 million consumers.

Dynamic economics

It's the key project of Mr. Putin's presidency. Though he denies it's an attempt to reinvent the old USSR, it is nevertheless a signal that Russia is back as the head of an

economic bloc – one that could eventually expand to include several more former Soviet republics.

On paper, the new union has huge economic potential. Russia's efforts to pivot away from its biggest trading partner, the EU, toward China and other booming east Asian economies, could not only blunt the impact of Western sanctions but could also attract Chinese investment into the union.

Tatiana Valovaya, the Russian government minister who oversees the Eurasian Union project, says that the customs union adopted in 2010 between Russia, Kazakhstan, and Belarus has been an immense success. Not only has trade between the three partners more than doubled in that time, but she says the biggest part of it is manufactured goods and engineering products, in contrast to Russia's energy-focused trade with Europe.

"We're very satisfied," Ms. Valovaya says. "Trade among the customs union members has increased much more rapidly than with third countries, and all the conditions for much more rapid growth are present."

Political troubles

As recently as last December there were good reasons to hope that Ukraine, the industrial heartland and breadbasket of the former Soviet Union, might be at today's signing ceremony in Astana, the ultramodern capital of Kazakhstan. Instead, Ukraine sees its economic future with the EU and not with Russia.

"It's a real problem. It looks like Ukraine has been captured by the US and the EU, which will prevent it from joining the Eurasian Union for as long as this present government holds power in Kiev," says Sergei Markov, a frequent adviser to Putin.

Worse, the threat of broader Western sanctions against Russia over its Ukraine policies could chill its integration of Kazakhstan and Belarus because they want to avoid being caught in the sanctions net.

"And other [former Soviet] countries that have indicated a wish to join the union, such as Armenia and Kyrgyzstan, will be watching carefully and probably postponing their decisions," says Mr. Markov.

He claims that the fallout from Ukraine could even benefit the union, by drawing the three presidents – Putin, Lukashenko, and Nazarbayev – closer together. All are at odds with Western powers whom the Kremlin blames for fomenting revolution in Ukraine. "These three leaders have good reasons to stick together," he says.

The annexation complication

But Russia's annexation of Crimea, a Russian-majority Ukrainian province, in March could drive a wedge between Moscow and its economic partners, particularly Kazakhstan.

When the USSR collapsed in 1991, it broke up according to internal borders drawn by successive Soviet leaders, often without much logic. In annexing Crimea, Putin said he was correcting a mistaken "gift" of the territory to Ukraine in 1954.

Soviet leaders, perhaps aiming to dilute ethnic populations, also included a large Russian-populated territory into northern Kazakhstan, where about 3.5 million of them still live.

"Putin has announced his dream to gather Russian-speakers back together into the Russian lands, and this can be a big problem," says Mr. Kononov.

He says Kazakhstan is concerned that members of its Russian-populated north – which locals call 'southern Siberia' – could follow the same path as Crimea.

"After all, if Putin could annex Crimea, why not start redrawing borders elsewhere?"