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Putin's and Russian-led Eurasian Economic Union: A hybrid half-economics and half-political "Janus Bifrons"

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ABSTRACT

The Eurasian Economic Union is an institution formalized in January 2015 for the purpose of regional economic integration; it includes five countries: Russia, Kazakhstan, Belarus, Armenia, and Kyrgyzstan, and may include Mongolia and Tajikistan in the future. With a GDP of $1.59 trillion in 2015, an industrial production of $1.3 trillion in 2014, and population of almost 200 million as of 2016, the EEAU could represent a geopolitical success that supports both Putin's ambitious political agenda and the Union's economic prospects. Although the efforts of this Union are ongoing and long-term success is not certain, the Russia-led Eurasian Economic Union can be considered a hybrid half-economics and half-political "Janus Bifrons" that serves as a powerful illustration of what Putin envisions for the post-Soviet space. Despite promising steps so far, more should be done toward the achievement of economic development and balanced opportunity for all Eurasian countries. Russia's longstanding role within the Union, as well as its power and political motivations, are all considerations that must be accounted for.

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1. Introduction

Since the fall of the Soviet Union, the new Russian ruling class has endeavored to design a novel framework for the Eurasian region with a view that ensures stability and political autonomy in both domestic and foreign policy in to compete economically in the international economy. In 1991, the Commonwealth of Independent States (CIS) – a regional organization that coordinates trade, finance, lawmaking, and security in the post-Soviet space – served mainly to fill the political vacuum caused by the collapse of the Soviet Union (Sergi, 2011). During the 1990s, the Eurasian integration process was slow, and numerous treaties were signed by CIS member states (mostly on bilateral bases) to settle on a regional-type trading bloc. Although many ambitious efforts existed to this point, a feasible plan did not exist until the ideation of a Eurasian Economic Union.

To promote further cooperation, the Eurasian Economic Community (EurAsEC) was founded in 2000 to shore up a common market and the Eurasian Customs Union subsequently came into existence on January 1, 2010. In October 2011, the Russian President Vladimir Putin announced his plan to create a Eurasian Union – a hybrid half-economics and half-political "Janus Bifrons" (An ancient Roman deity, guardian of doorways and gates and protector of the state

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in time of war. Janus was usually represented as having two faces, since he looks both to the future and to the past.) I say – a reference to the President of Kazakhstan, Nursultan Nazarbayev, who first mentioned the idea of creating a union in central Asia during a speech given at Moscow State University in May 1994. Irrespective of the plan's origins, on November 18, 2011, the Presidents of Belarus, Kazakhstan, and Russia signed an agreement setting a landmark goal of establishing the Eurasian Union by 2015. A single market with established on January 1, 2012, and the Eurasian Economic Union (EEAU) was eventually established on January 1, 2015.

On the net, all EEAU member states project that their benefits outweigh the risks in terms of improvements to their living conditions. Although the establishment of the EEAU is ongoing, the EEAU theoretically provides an economic space in which movement of goods, services, capital, and labor are free, positive-sum benefits are distributed to all members, economic and monetary policies are harmonized, and single currency area may result in the long-term. A Customs Union is now viewed as a springboard for the subsequent transition to more intensive forms of regional integration. Once the agreements have been adopted, the resulting platform creates new opportunities for companies of the member countries to choose where to register their business, where to pass customs clearance, and which market to serve with their goods and services. The factors that will propel this region into success include common technological targets, common infrastructure, and common development systems. For example, structural homogeneity will drive integration because the countries share similar objectives. Consider the fact that the nuclear energy sectors of Kazakhstan and Russia are linked through the mining and enriching process and are also linked through engineering projects and pharmaceuticals (Kirkham, 2016). Similarly, Russia and Belarus are linked through military equipment development and railway car engineering while Belarus and Kazakhstan are linked through real-tank construction. Factors that may prevent regional success include discrepancies in the size of the economies, discrepancies in political regimes, and major divergences in monetary and fiscal policy approaches. For example, Russia accounts for the vast majority of the Union's GDP and therefore might pressure other countries in the Union to integrate in ways that are beneficial to it. Although regional economic integration is the endorsed long-term objective, the sustainability of such plans is uncertain given that the EEAU's strength as a geopolitical actor remains to be seen. Importantly, there are also negotiations between the EEAU and non-members; for example, Iran and the EEAU are now in the midst of discussions related to free trade zones.

After this introduction, Section 2 will summarize and explore existing research on the Union, Section 3 will discuss geopolitical considerations that drive and complicate the Union's existence, Section 4 will expand upon the geo-economics of member states and how conditions have changed as a result of the Union's establishment, and Section 5 will discuss post-Union patterns of economic integration. These sections are followed by thoughts on the uncertain future of the Union.

2. Literature review

Existing research has pointed to the discrepancy between the EEAU's publicly stated economic objectives versus its unstated power-driven objectives. For example, although the economic benefits of a single market is an incentive for all members, Russian leadership seems to also have unstated political objectives. For example, Russia's invasion of Ukraine is reflective of the fact that that enlargement might be a significant driving force for the country. The power dynamics will undoubtedly have been, and will continue to be, driven at least in part by the relative size of each country. The differences in economic size are rather stark, as shown in Figure 1 below (Kirkham, 2016):

Outside of the Union, Russian leadership has felt directly threatened by the Western world's hegemonic status, and it also seems concerned about China's position as a "rising power whose economic capabilities far exceed those of a weaker Russia" (Wilson, 2016). Despite the fact that Russia has been strengthening its relation with China and has been mostly cordial with the Western world, its desire to regain and expand its power is unmistakable. To begin with, Russia has reason to be concerned about the regional influence of other countries. For example, China has paid billions of dollars for Kazakhstan's oil fields and has additionally lent the country just as much. Similarly, China has transferred some of its military equipment to Kyrgyzstan while Russia reneged on promises to assisted Kyrgyzstan's energy sector. The fact that countries such as China may gain control over Eurasian economies is undoubtedly alarming to Russia, and serves as a major reason the country hopes to salvage its

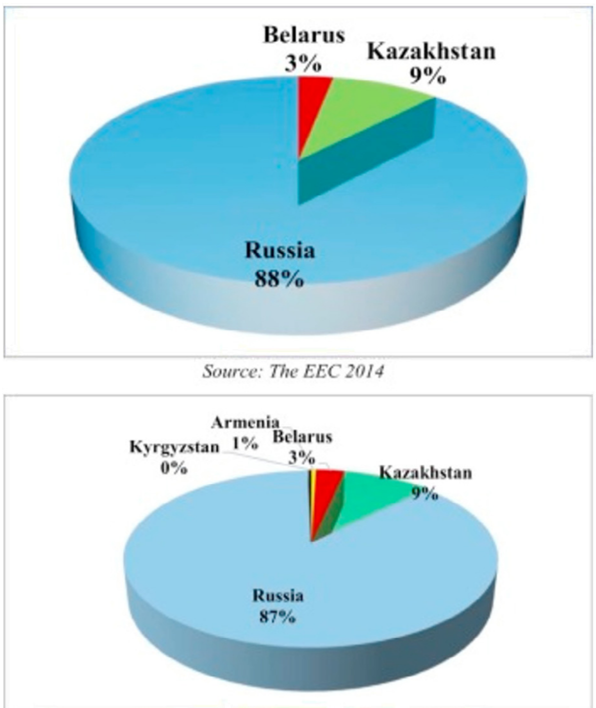

Fig. 1. (1) CU GDP in 2013, % of total of $2.39 trillion (2) EEAU GDP in 2014, % of the total of $2.41 trillion. Source: Kirkham, 2016, p 120.

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