Russia, Kazakhstan, Belarus Create Eurasian Economic Union

by William Jones

June 2—In a move that shows just how ridiculous the efforts of the U.S. and European Commission to "isolate" Russia through the imposition of punitive economic sanctions are, the leaders of Russia, Kazakhstan, and Belarus met in Astana, Kazakhstan May 29, and signed a document creating the Eurasian Economic Union (EEU). According to Russian President Vladimir Putin, the Union will encompass 170 million people in a common trade area, which "includes one-fifth of the world's gas reserves and almost 15% of the world's oil reserves." The treaty is to go into effect on Jan. 1, 2015.

The idea of the Eurasian Economic Union as a center for global economic development was long in the making. The idea was first proposed in 1994 by Kazakhstan's President Nursultan Nazarbayev, and has been pursued steadily by Putin, as well as the other two signatories to the treaty.

The formal process began with the establishment of a Eurasian Customs Union between Russia, Belarus, and Kazakhstan in 2010; that was followed by the inauguration of a Single Economic Space in 2012. In their November 2011 Declaration on Eurasian Economic Integration, the three heads of state charted a schedule for the establishment of the Union in 2015.

Despite its being glossed over in the international media as, at one extreme, merely a free-trade zone or, at the other, reconstitution of the Soviet Union, the EEU's potential for Eurasia and the world is far more promising than either of those constructs. Academician Sergei Glazyev, who oversaw negotiations for the Customs Union in 2007-10, and is now Putin's advisor on Eurasian integration, is a leading proponent of freeing Russia and its economic partners from the strictures of monetarist dogmas, in favor of real economic development. In addition, finalization of the EEU Treaty has coincided with Russia's own "Asia pivot"—Moscow's push to upgrade its economic relations with the Asia-Pacific Region. Some in Russia, such as the authors of the Valdai Club's latest, February 2014 "Toward the Great Ocean" report on Russia-Pacific relations, argue that "financial and human resources may not be enough for the two projects," i.e., both Eurasian integration and participation in Asia-Pacific economic processes, but Putin has always presented them as complementary.

Although China is not involved directly in the EEU, and is pursuing its own policy of a new Silk Road Economic Belt in the region, announced by Chinese President Xi Jinping last August, Putin and Xi explicitly agreed at their Shanghai summit in May, that both the EEU and the New Silk Road were avenues toward a system of growth and development for the entire continent. They stressed, in particular, cooperation between two projects for creating a new and viable transportation grid, as the basis for an increased flow of goods and services.

A Historic Agreement

"The Treaty we signed," President Putin told reporters at the press conference of the three signatories on May 29, "is one of truly epoch-making, historic importance. It opens up the broadest possible prospects for economic development and improvement of the welfare of the citizens of our countries. Russia, Belarus, and Kazakhstan are moving to a fundamentally new level of cooperation, creating a common area in which there will be free movement of goods, services, capital, and labor. Our three countries will be able to conduct a coordinated policy in key economic areas such as energy, industry, agriculture, and transport. This has been complex, or, to put it more precisely, very difficult work. . . .

"Major economic players are already directly interested in this association. Wherever I go, whomever I

speak with, everybody wants to know how to arrange their relations with the future Eurasian Union."

Putin also pointed to the global significance of the creation of the Union. "The geographical position permits us to create transport-logistic routes of not only regional, but also global importance that permit attracting massive trade flows in Europe and Asia."

"A new geopolitical reality of the 21st Century is born," Nazarbayev said. "We're creating a fundamentally new model for good neighborly relations and interaction between peoples in the great Eurasian space."

Yuri Ushakov, Putin's national security advisor, said that the treaty consisted of two parts. The first outlines the goals and objectives of Eurasian integration and establishes the status of the EEU as a full-fledged international organization; the second part regulates the mechanisms of economic cooperation.

Presidential Press and Information Office

Despite efforts of those in the West to "isolate" Russia, the leaders of three Eurasian nations—(left to right) Lukashenka (Belarus), Nazarbayev (Kazakhstan), and Putin (Russia), signed a document May 29, creating a Eurasian Economic Union, encompassing enormous natural gas and oil reserves.

Putin's Concept

Putin presented his concept of the future EEU, which is contrary to an attempt to "recreate" the Soviet Union, in an October 2011 article published in the daily *Izvestia*. Days after revealing his intention to run for re-election as President, then-Prime Minister Putin emphasized that as Russia, Belarus, Kazakhstan, and other post-Soviet countries which might join a Eurasian Union, reintegrated their economic ties, they would seek to become a bridge between Europe and the Asia-Pacific region.

Also in the Fall of 2011, in an address to the United Russia Party Congress, Putin declared that the formation of the Union would be just as historic as the establishment of the European Union, but would "avoid … unnecessary bureaucratic structures."

Discussing the future prospects of this project, Putin stressed that it is not a "revival of the Soviet Union." Rather, he wrote, "These times call for close integration based on new values and a new political and economic foundation. We suggest a powerful supranational association, capable of becoming one of the poles in the modern world and serving as an efficient bridge between Europe and the dynamic Asia-Pacific region."

Putin's concept has not changed. Speaking to reporters after the Astana signing, he said: "It is important that the transfer of certain specific functions to the EEU's supranational bodies will in no way infringe the sovereignty of our countries. Integration processes are mutually beneficial, as is already been shown in practice. Economic ties between Russia, Belarus and Kazakhstan are expanding, while the composition of trade is improving, with high-tech products accounting for a greater share.… Today we discussed in detail, how to use the potential of the EEU to build up flows of goods and investment, as well as to expand industrial and technological cooperation."

Nazarbayev, in his remarks at the press conference, differentiated the EEU from the disaster-ridden European Union (using more diplomatic language) and brought out the new organization's continental dimensions: "One of the main goals is to unite the opportunities of each of these nations for joint modernization and increasing the competitiveness of our states.… None of the participating nations should undergo deindustrialization, and no national economy should experience a decline of its traditional industrial sectors or agricul-

ture. These are the lessons of the European economy's recession. World experience shows that integration means, first and foremost, long-term, stable conditions for economic development and new opportunities for citizens' prosperity. We view the Eurasian Economic Union as an open economic community, seamlessly woven into global ties as a reliable bridge between Europe and fast-growing Asia."

Putin mentioned plans for further cooperation with Vietnam, China, Israel, and India.

A May 22 article in the French language RIA Novosti, on the occasion of the Putin-Xi summit in Shanghai, provided further insight into the development model the Russians are pursuing. Author Alexander Andreyev wrote that for Russia, Asia includes Japan, India, and the countries of the Association of Southeast Asian Nations (ASEAN). Cooperation among all these nations would create what Andreyev called a Eurasian "economic spine," involving the construction of a pipeline network, the modernization of the Trans-Siberian and Baikal-Amur Mainline railroads, and the development of transcontinental commercial routes such as the Northern Sea Route along the Arctic coast.

Andreyev noted that Igor Sechin, CEO of the state-owned oil company Rosneft, promotes this concept, which calls for making Chinese or other companies strategic partners in an overall development policy, rather than merely consumers of Russian raw materials. This so-called "integral model" envisions joint investment, spanning the entire technological chain from exploitation of raw materials to transport.

While the EEU treaty language is still tinged with the monetarist bias of "financial markets," the success of such an integration will require a basic shift to a Hamiltonian credit policy, as outlined by Lyndon LaRouche.

Academician Glazyev's current proposals point in that direction.[1]

Deals Include Nuclear Power

It appeared that Russia was pushing for greater political—and perhaps military—coordination among the three as well, but Kazakhstan was insistent that the Union remain concentrated on the economic plane. The Kazakh President apparently feels most at ease when he can maintain a balancing act among all of his partners, between Russia and China, on the one hand, and between Russia and the West, on the other. This attitude has made him vulnerable, however, to Western "carrots" held out by the London financial crowd.

But they have not succeeded in swaying Nazarbayev from his commitment to close collaboration with Kazakhstan's neighbors. The wisdom of that decision was seen in the signing of a Russia-Kazakhstan nuclear agreement, during bilateral talks while Putin was in Astana for the EEU signing. Russia's state-owned firm Rosatom is committed to building a new nuclear power plant in Kazakhstan and assisting the country, one of the world's biggest producers of uranium, in nuclear fuel processing and refinement, as well making the fuel assemblies that are loaded into a reactor. Kazakhstan has a 10% stake in the Rosatom-led International Uranium Enrichment Center at Angarsk in Siberia.

Russia's nuclear expertise is crucial to the high-technology thrust of the new economic arrangements, and has played a major role in its recent economic outreach elsewhere in Asia, including deals to export floating nuclear power plants as well as standard reactors.

Belarus was reportedly disappointed that oil and energy are not yet covered by the EEU trade agreements. Belarus buys oil from Russia at Russia's internal price, which is about half the average world price, and then produces refined petroleum products for export. Until recently, Belarus had to pay customs duties on its Russian oil imports of up to $4 billion per year, but it has negotiated to subtract $1.5 billion from that sum for next year. A common market in energy, however, is scheduled to come into effect only in 2025.

Moscow will be the site of the Union's headquarters, while the EEU court will be based in Belarus, and the financial regulator in Kazakhstan.

Immediate Prospects

The EEU intends to expand even before the treaty signed May 29 goes into effect. The Presidents of Armenia and Kyrgyzstan attended the talks in Astana. Armenia announced plans to finalize the terms of its accession to the EEU by June 15. Kyrgyzstan intends to do so by the end of the year, giving the EEU five member-countries when it begins to operate. Azerbaijan and Tajikistan have expressed interest, as has Turkey, which has seen the door slammed in its face by the European Union.

1. See *EIR*, May 2, 2014.

Russia has put considerable effort into attracting Ukraine into the Eurasian integration process. Glazyev, a native of Ukraine, worked intensely in 2011-13 to organize greater cooperation between the Customs Union and the future EEU. He and Putin attended a Summer 2013 conference in Kiev to promote these possibilities. Closer Eurasian integration was resisted by Ukrainian governments, under pressure from the West to opt for free-trade relations with the European Union, for over a decade. Nonetheless, because of the historical interface of Ukraine's economy with Russia's, the issue of Ukraine's Eurasian relations did not disappear.

Indeed, when in November 2013, Ukraine suspended work on an Association Agreement with the European Union, then-Prime Minister Mykola Azarov's cabinet invoked "Ukraine's national security interests," announcing that it would study ways "that restore its lost production capacities and areas of trade and economic cooperation with the Russian Federation and other CIS members," and to revive negotiations with the (Eurasian) Customs Union, in particular—that is, with the three countries that have now formally established the EEU.

At the May 29 press conference in Astana, Belarusian President Alexander Lukashenka spoke to Ukraine's situation. Talking about the "long and difficult" process of organizing the EEU, he said: "We lost some along the way. I mean Ukraine in the time of [President Leonid] Kuchma (1995-2004), which also started this heavy labor with us. But, unfortunately, it was too much for Ukraine to handle. But, I am certain that, sooner or later, the leaders of Ukraine will realize where their country's happiness lies."

While Ukraine is presently being provided with some immediate financial assistance, by the U.S. and the EU, in their attempt to use it as a wedge against Russia, the long-term prospects for Ukraine as an appendage of the European Union are quite dim. As Ukrainian political leader Natalia Vitrenko pointed out in her presentation to the Schiller Institute conference in Berlin last year, the problems Ukraine will have in the EU are overwhelming.

"Our energy cost per unit of GDP are quadruple the EU average, so our companies will simply go bankrupt under these conditions," Vitrenko said. "Ukraine would experience more problems from being in the EU than Cyprus, Greece, Spain, Italy, or Portugal have. If Ukraine joins the Eurasian Customs Union, however, its GDP will increase by an amount in the range of 1.5 to 6%; that's what President Putin told President Yanukovych last month. The Russian Academy's Institute for National Economic Forecasting has projected that if Ukraine joins the Customs Union, the Ukrainian economy will gain $7 billion annually, and its export will increase by 60%, or $9 billion annually."

British Huff and Puff

As for the London financial crowd, the formation of the Eurasian Union represents another nail in their own coffin. But they will not go quietly.

Naturally, the London *Economist*, speaking for its oligarchical masters and the Queen herself, takes the point. In its May 30 edition, under the headline "Where Three Is a Crowd"—apparently an attempt to depict the EEU as a very small achievement—the *Economist* asserts that the EEU "was supposed to be a counterweight to the European Union and the West, but that is now looking unlikely." The long months of negotiations that went into creating the EEU, the *Economist* claims, were due to the fact that the leaders of Belarus and Kazakhstan, "had put the brakes on a project that many call Mr. Putin's attempt to rebuild the Soviet Union."

How could Belarus and Kazakhstan possibly benefit from the EEU, the *Economist* bellows, adding that Lukashenka of Belarus and Nazarbayev of Kazakhstan "have shown concern that tying themselves to an imperialistic Russia, whose economy has been subjected to economic sanctions and is starting to drift into recession, may not be in their best interests."

Of course, this oligarchic mouthpiece rants, the EEU as an alternative to the EU makes sense "for a certain type of post-Soviet leader. After all, most of them are uninterested in political reform; no one is hounding them for change." Correct. They are not interested in the genocidal IMF "reforms" and austerity dictates currently being imposed on Ukraine. The *Economist* is very upset that the EEU will grow, and that countries like Armenia and Kyrgyzstan, "undeterred by Russia's aggression," are preparing to join at "lightning speed."

So the world must be prepared for more provocations—and the danger of war—until these gentlemen, who believe it is their right to rule the world, are safely bankrupted by return of Glass-Steagall and the creation of a Hamiltonian credit system.