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Eurasian Economic Union and the Difficulties of Integration: The Case of South Ossetia and Abkhazia

Elizaveta Egorova and Ivan Babin *

“And here comes in the question whether it is better to be loved rather than feared, or feared rather than loved.”
Niccolò Machiavelli, The Prince

Introduction

The Ukrainian crisis of 2013, followed by the annexation of Crimea, has redistributed the balance of power among the political players of the world arena. Moreover, since Putin’s return to the presidency in 2012, the concept of a shared neighborhood between the Russian Federation and the European Union (EU) becomes a strategic challenge not only for both but foremost for those post-Soviet republics struggling between two strategic decisions: to accept Russian protection or to choose Western development. ¹

The aim of this paper is to shed light on the forthcoming 2015 Eurasian Economic Union’s (EEU) economic and political perspectives, on South Ossetia and Abkhazia’s economic attractiveness, the sentiment inside those breakaway regions of Georgia and the Russian Federation standpoint in resolving or maintaining the situation in the disputed territories.

Originating in 2009, the Eurasian Customs Union or Customs Union of Belarus, Kazakhstan, and Russia (CU) came into existence on 1 January 2010 as an attempt to establish a defensible economic integration model. However, the EEU was also enthused by the creation of the Eastern Partnership (EaP), an initiative of the European Union to establish closer ties with the six post-Soviet countries in Eastern Europe and the South

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Caucasus (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine), designed to promote regional stability between the EU and its Eastern neighbors through trade and economic agreements, and democratic institutions building.2 Aimed at supporting these countries in overcoming economic and political challenges, the EaP was perceived by the Russian government as a platform for the European Union’s (EU) enlargement, close to Russia’s borders and its strategic “near abroad,” thereby threatening Russia’s national, geopolitical and security interests.

Since 1990, Russia has openly resisted any North Atlantic Treaty Organization (NATO) expansion towards its periphery3 and reemphasized this rhetoric several times: in 2004 when Georgia declared its intention of Euro-Atlantic integration; during the war in South Ossetia in 2008 by “sending a strong message to Ukraine that its insistence on NATO membership may lead to war and/or its dismemberment”4; and, most recently, when Ukraine’s fomented domestic crisis over the European Trade Association Agreement resulted in Putin’s annexation of the Crimean peninsula as a means of securing Russia’s strategic naval base in Sevastopol.5

Ukraine’s importance to Russia has always been considered critical, even before the dissolution of the Soviet Union in 1991. Therefore Ukraine’s choice to take a European path has meaningfully reshaped Putin’s concept of the EEU integration.6

At the very beginning, the EEU was regarded as an economic foundation for prosperous shared dividends, a project of broader reintegration within the former Soviet area to cement Russia’s influence within the “near abroad” and as a direct response to the EaP activities. Today, however, we face a new geopolitical reality in which Russia may amend the EEU with political and military agreements in order to tip the balance of power in the region in its favor and secure its borders. Nonetheless, this scenario is a critical topic when hypothesizing about Russia’s possible reaction towards a rapidly changing foreign context.

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Eurasian Economic Union: Perspectives and Drawbacks

On 1 January 2015 the EEU, an economic bloc comprised of Armenia, Belarus, Kazakhstan and Russia, was launched. Founded on the basis of the CU, the EEU will continue the policy of reducing tariff barriers, establishing free trade zones in all economic sectors among member states, facilitating trade and allowing the free movement of goods and services. In addition, all members must adopt common external and internal economic and trade policies, free movement of citizens and capital and possibly a common currency.\(^7\) Putin views the EEU as an efficient alternative to the EU, a choice the remaining post-Soviet republics should eagerly select. However, the international expert community doubts that the EEU is capable of becoming a center of economic power.\(^8\) For example, Richard Giragosyan describes the concept of the EEU as “incoherent and undefined, marked with its lack of practical benefits and absence of substance.”\(^9\)

Moreover, Belarus and Kazakhstan are unconvinced regarding the union’s enlargement and of Russia’s sincere intentions to preserve this bloc from politicization.\(^10\) Outside is Kyrgyzstan, negotiating the roadmap to access the new bloc.\(^11\) At the same time, muddying the waters, there is an active discussion in the Russian government on the creation of free economic trade zone with Vietnam, Israel, India and Egypt.\(^12\) This curious mix of minor and major emerging national economies, is comprised of countries that are already major arms trading partners of Russia.\(^13\)

It is inevitable that the EEU will grow deeper and wider, thereby facing certain difficulties such as the balance of votes among members. For example, with loyal Armenia’s accession to the EEU, Russia has essentially secured a second vote, thus two out of four votes, increasing its ability to counter or at least match possible resistance from Belarus and Kazakhstan.\(^14\)

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\(^10\) The President of Kasakhstan Spoke against the Politization of the Eurasian Union (President Kazakhstana vystupil protiv politizatsii Evraziiskogo Soyuza), http://gorchakovfund.ru/news/9709.


In order to attract other post-Soviet countries to join the EEU, Russia offers a wide array of subsidies to prospective members including liberalization and the opening of its labor market, which is substantial for the socio-economic stability of migrants, as well an increase in trade turnover and revenues. Nonetheless, the EEU, Putin’s personal project, is still at an early development stage. There were 15 republics in the Union of Soviet Republics between 1956 and 1991. It is not yet clear what the optimal number of members for the EEU would be, especially taking into consideration the intransience of natural resource-rich Azerbaijan, Turkmenistan and Uzbekistan to any Russian integration project.\(^\text{15}\)

Likewise, with the rapid enlargement of the EEU comes the constant need for financial aid and subsidies from the older to the newest member states. The intended viable economic benefit and prosperity of the founding members may wear away over time.\(^\text{16}\)

In the light of the Ukrainian crisis, the Western sanctions against Russian companies and officials and Russia’s brittle economy, the EEU’s enlargement may cost the Kremlin more than initially expected.

**Economic Attractiveness and the Sentiment inside the Breakaway Regions: The Case of South Ossetia and Abkhazia**

When analyzing the breakaway regions of South Ossetia and Abkhazia, it is crucial to differentiate between the regions. The genesis, routes and history of their conflicts with Georgia and their relations with Russia are dissimilar. The regions cannot be viewed and evaluated symmetrically, nor can they be treated as one domain. There is a fundamental diversity between these two semi-recognized territories that has to be considered as a cornerstone to any study or approach.\(^\text{17}\)

Georgian political expert, Ivlian Khaindrava, emphasizes a substantial difference between the South Ossetian and the Abkhazian national projects. The South Ossetian project can be characterized as an “irredentical”; it is designed to “join and reunite with North Ossetia and resolve the problem of divided peoples.” The first “brick of aspiration” was cemented on 26 October 2013 with a signed agreement between the governments of South Ossetia and the Republic of North Ossetia-Alania of the Russian Federation on socio-economic, scientific, technological and cultural cooperation. In contrast, there is no desire in Abkhazia to join any part of the Russian Federation. The Abkhazian

\(^\text{15}\) Lukyanov, “Eurasian Union,” 9.


national project rests on the idea of the creation of an Abkhazian independent state for Abkhaz people.18

South Ossetia

Political and economic experts in South Ossetia highlight certain domestic issues affecting the region. Among them are a degraded economy, poor social and political development, ruined and inefficient infrastructure, corruption and youth unemployment.19 More specifically, Yuri Vazagov, a journalist from South Ossetia, notes the lack of potential competitiveness and the economic unattractiveness of the republic. The “political-military context (the region’s division into political-military blocs) and the threat of systematic destabilization in the Caucasus considerably narrow the corridor for prospective economic projects.” 20

Despite the recognition of South Ossetia’s independence by Russia and four other UN Member States, the deplorable lack of socio-economic development is unchanged. Moreover, extensive financing was received for the development of these programs, yet they were neither developed nor implemented.21

South Ossetia’s determination to integrate with North Ossetia and Russia, the Republic of North Ossetia-Alania being a federal subject of Russia (a republic), is widely expressed among the governmental officials of the region. Today, a proposed treaty on “alliance and integration” between South Ossetia and Russia is on the negotiation table. Anatoly Bibilov, President of the Parliament of South Ossetia, illustrating the leading goal of bilateral relations, explains that for the leading United Ossetia party, “joining the Russian Federation is the ideal.” 22

The South Ossetian government’s encouragement of a national sentiment for the reunion of the Ossetian peoples also fosters a hope for the inclusion of South Ossetia into a Russia-led economic integration project, a project supported by the republic. Dmitry Medoev, Ambassador of South Ossetia to the Russian Federation, underlined that “together with the EEU project, a fundamental policy of achieving a new level of integration and security in the post-Soviet space was proclaimed, as well as the creation of an auspicious environment for profound development for each member-state.” 23

20 Ibid.
21 Ibid.
23 Conference in the Diplomatic Academy on the Twentieth Anniversary of CIS. Report of the Ambassador Extraordinary and Plenipotentiary D.N. Medoev, “South Ossetia – Russia: Choice and Solutions” (Konferentsiya v Diplomaticheskoi akademii k dvadtsatлетiyu obrazovaniya SNG. Doklad Cherezvychainogo i Polnomochnogo Posla D.N. Medoeva: “Yuz-
Interestingly, the idea that “in order to avoid a conflict of interests, the great “geopolitical unions” seek to resolve their aggravated contradictions at the expense of “coercive decomposition of the post-Soviet space,” while the subsequent division of the “post-Soviet-Russian” is still intact among South Ossetia’s echelons and echoes the Russian attitude of all classes.” Moreover, South Ossetia’s self-perception of being Russia’s “strategic vulnerable point, which if triggered, may initiate the process of decomposition” was articulated in the Ambassador’s report and reflected the national rhetoric of both peoples.

Furthermore, a status of “exclusivity” is attributed to the Russian-South Ossetian relationship that provides an assurance that the republic will receive economic, political and moral support. Thus, Russia undertook the mission of being a security guarantor and protector of South Ossetia from any external military intervention in the region.

While the friendly sentiment of the reunion of the Ossetian peoples and joining the Russian Federation persists inside the breakaway region, the Russian perception of South Ossetia’s foreign policy direction slightly differs. According to a 2014 poll conducted by the Russian Levada Center, a majority of the Russian population insists that South Ossetia has to be an independent state (51%) rather than a part of Russia (24%) or a part of Georgia (8%). Describing South Ossetia, the majority of respondents named it as an independent state (55%), fewer regarded it as a part of Russia (22%) and even fewer associated it with being a part of Georgia (11%). However, some experts expressed the opinion that the independence of South Ossetia is not taken seriously, not only in Moscow, but also not earnestly even in Tskhinvali. The future development of South Ossetia’s integration trajectory hangs enigmatically in the air.

24 Ibid.
25 Ibid.
29 “Ideas of Erasian Integration of South Ossetia and Re-unification with North Ossetia Discussed in Vladikavkaz (Idei evraziiskoi integratsii Yuzhnoi Ossetii i vossoedineniya s Sever-
What do you think, should South Ossetia be a part of Georgia, a part of Russia or an independent state? (*)

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The poll indicated with (*) was conducted on 18–21 July 2014 on a Russian representative sampling of urban and rural populations among 1600 people aged 18 and older in 134 communities in 46 regions of Russia. The distribution of responses is given in percentage of the total number of respondents, together with data from previous surveys. The statistical error of the data from these studies did not exceed 3.4%.
Abkhazia

The aforementioned state of South Ossetia’s economic unattractiveness is incomparable to Abkhazia’s potential of being an economic self-sufficient republic. Unlike land-locked South Ossetia, Abkhazia’s key advantage lies in its access to the Black Sea, making it less dependent on Russia and open to international trade. However, its socio-economic, political-military, infrastructure and agricultural development require significant improvement.

In the last two years, the semi-recognized territory has experienced moderate economic growth. Russia’s donations to Abkhazia comprise 25% of the republic’s annual budget. Moreover, the support to the breakaway region spreads far beyond the subsidies and includes financing of infrastructure programs such as roads, governmental buildings, schools and agriculture. Today, the republic’s government admits an urgent need for the implementation of political, economic and social reforms to overcome the crisis in its society.

Abkhazia’s unwavering trajectory towards independence is the nation’s most meaningful maxim. It appears in every quarter as the motto for civil society’s strengthening and mobilization. Unlike South Ossetia, Abkhazia is wary of Russia: “There is no interest to become an appendix of the Adler region of Sochi.” A widespread anxiety is associated with the population’s feeling of being less independent after Russia’s recognition of their republic. The Kremlin’s intention to monopolize and dominate in every sector is the foundation of Abkhazian fears of being “swallowed” by Russia.

Yet both neighbors recognize mutual benefit in their alliance. Russia provides security and economic guarantees to Abkhazia in exchange for ensuring Russia’s geopolitical and national interests and maintaining the balance of power in the South Caucasus region.

In October 2014, Sukhumi was offered a treaty of “alliance and integration” with Moscow. However, Abkhazia’s government altered the treaty and returned it to Russia for the settlement stage as a treaty on “alliance and strategic partnership.” Its key pillars touch upon the creation of a “shared security framework,” the establishment of a Joint Group of Forces from the Russian Federation’s and Abkhazia’s armed forces to repel aggression (Abkhazia corrected it to “integration of select troops into the Joint Group of Forces”), harmonization of Abkhazia’s customs laws with the EEU and, finally, the formation of a shared social and economic space. Additional alterations to the treaty

by Abkhazia’s government send a strong and important message: Abkhazia wishes to safeguard its domain from Russian dominance.

Consequently, there is certain anger among Russian political elites at Abkhazia’s attempts to show its independence. Moreover, in light of Russia’s economic volatility, the Federation’s population is irritated about the subsidies paid to the breakaway regions. Similarly to the case of South Ossetia, Russians’ perception of Abkhazia as an independent state as well as its choice to be an independent state, rather than a part of Russia or a part of Georgia, has increased within the last several years.

What do you think, should Abkhazia be a part of Georgia, a part of Russia, or an independent state? (*)

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35 Khaindrava, Asimmetry, 24.
36 Russians on the Status of Abkhazia and South Ossetia (Rossiyane o statuse Abkhazii i Yuzhnoi Ossetii), Press Release, Levada Center, 21 August 2014.
37 Ibid.
Do you think that Russia is doing right by providing financial aid to Abkhazia and South Ossetia?

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Although Abkhazia has expressed strong interest in joining the CU and its successor, the EEU, as reflected in the recent report on bilateral relations by Minister of Foreign Affairs Viacheslav Chirikba, Russian experts doubt this scenario will become a reality.

Conclusion

Although there is active discussion in the Abkhazian and South Ossetian breakaway regions in favor of joining the CU and the EEU, there is neither a corresponding ambition nor a clear understanding among the founding member states of these unions of how to accomplish such scenarios in the foreseeable future.

Russia’s enthusiasm to actively promote Abkhazia and South Ossetia’s independence in the world community has slightly waned. While the status of semi-recognized republics grants the Kremlin an “exclusive” position in the regions, this luxury has a hefty price tag. Physically, the Abkhazian and South Ossetian territories play crucial roles in Russia’s strategic geopolitical interests. Both republics are used as outposts for Rus-

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40 Markedonov, Russia and Abkhazia.
sian forces to maintain the balance of power in the South Caucasus. Georgia’s persistent rhetoric on its Euro-Atlantic aspirations only fortifies Russia’s roles in South Ossetia and Abkhazia. Therefore, the Georgian-Ossetian and Georgian-Abkhazian “frozen conflicts” are unlikely to be resolved in the near future without Russia’s direct interest.

The South Caucasus has become a stage for geopolitical and economic battles between Eurasian Moscow-led and Western Brussels-led blocs. Moreover, Russia’s strategic “near abroad” is also facing challenges (e.g. Ukraine and Moldova). The ongoing Ukrainian crisis, which developed from domestic Ukrainian disagreements over Kiev’s decision to adopt a full-scale “competition” strategy toward geopolitical influence, demonstrated Russia’s firm resolve to defend its strategic geopolitical interests in its periphery. Feodor Voitolovsky, a Russian political scientist, emphasized that today’s crisis between Russia and the West is acute and deep. Neither the attack on Yugoslavia in 1999 nor the Russian-Georgian conflict in 2008 instigated such coldness in relations between Moscow and Washington as we observe today.41

Therefore, taking the changed geopolitical context into consideration, the strategic importance of the EEU to Russia has increased significantly. In order to have an accurate assessment of the EEU’s efficiency and its future developments, it is vital to monitor the motives of its member states and prospective members with regard to compatibility, economic development and political stability. The cases of South Ossetia and Abkhazia demonstrate the difficulties of joining the EEU. Although both republics have strong security ties and a shared border with their major benefactor, Russia, neither Russia nor other EEU member states have shown a willingness to assist the republics in their accession processes. However, if the balance of power shifts away from Russia in the South Caucasus, Moscow would strongly encourage South Ossetia and Abkhazia to proceed with the Russian-led integration projects.

41 Interview with an Expert: “By worsening the relations with Russia, it won’t be possible to normalize the situation in Ukraine” (Intervyu s ekspertom: “Ukhudshaya otnosheniya s Rossiei, normalizovat situatsiyu na Ukraine ne ydastsiya”), Lenta.ru, 16 May 2014, http://lenta.ru/articles/2014/05/16/usacrisis/.
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By worsening the relations with Russia, it won’t be possible to normalize the situation in Ukraine (Ukhudshaya otnosheniya s Rossiei, normalizovat situatsiyu na Ukraine ne ydastysya) In Interview with an Expert. Lenta.ru, 2014.

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