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## THE SOUTH CAUCASUS BETWEEN THE EU AND THE EURASIAN UNION

*Special Editor: Iris Kempe*

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## The Eurasian Union and the European Union Redefining their Neighborhood: The Case of the South Caucasus

Iris Kempe, Berlin

### Abstract

The European Union and the Eurasian Union both are having an impact on the future strategic development of Wider Europe. The three states of the South Caucasus are indicating low interest in joining the Eurasian Union, but at the same time it is not clear if the EU is able to offer a strategic alternative. Better defining Russian–EU relations should include a focus on new founding principles for Wider Europe, as well as an end to the current rivalry in the joint neighborhood, supplanted by cooperation and modernization. Solving the current negative perception of the South Caucasus should be seen as a litmus test.

### The South Caucasus Between Russia and the EU

2013 is a crucial year for redefining the European neighborhood between Russia and the European Union in general, and because of regional developments for the South Caucasus in particular. Since the downfall of the Soviet Union and the “big bang” eastern enlargement of the European Union in 2004, the countries that straddle East and West between the EU and the Russian Federation, and that once belonged to the Soviet Union, have become a strategic challenge for Russia, the EU and the countries themselves. Romania and Bulgaria are the latest countries to join the European Union, while other countries such as, first and foremost, Ukraine, but also Moldova and Georgia have expressed interest in joining the EU. The EU, suffering from a financial crisis that has become a crisis of integration, has not been able to offer more than a European neighborhood policy perspective. The further development of Wider Europe has depended very much on the political and economic transformation in the neighborhood countries.

On the other hand, Putin’s Russia considers the states of the former Soviet Union, whose collapse Putin characterized in 2005 as the greatest disaster of the 20<sup>th</sup> century, Russia’s so-called “near abroad.” Since Putin was re-elected to a third term in March 2012, his system has increasingly engaged in normative rivalry with the EU in the strategically undefined but shared neighborhood.<sup>1</sup> While the Commonwealth of Independent States never had much integration in the sphere of economics, the Eurasian Customs Union signed in 2007 and the Eurasian Economic Union, which is to be started in 2015, represent more of a strategic challenge for the EU in the post-Soviet neighborhood, as well as a strategic choice for the neighboring countries.

From the perspective of defining global power,

<sup>1</sup> Rilka Dragneva, Katarzyna Wolzok: *Russia, the Eurasian Customs Union and the EU: Cooperation, Stagnation or Rivalry*, Chatham House briefing paper, August 2012.

Ukraine, which is suffering from domestic political crises and depends on Russian energy, is seen as the test case for conflicts between Russia and the European Union. Each of the other neighboring countries is challenged to position itself in the struggle between the Russian and EU strategic offers. Domestic transformation is the crucial signal about a country’s choice. In this case, the countries of the South Caucasus have demonstrated individual success stories but remain political risks. The Russian–Georgian war in August 2008 showed how far the worst-case scenario can go.

The armed conflict of August 2008 was the most aggressive conflict between the Russian and Western presence in the joint neighborhood. For that reason, Georgia, Armenia and Azerbaijan can be seen as another test case of cooperation and/or stagnation of the EU’s neighborhood policy, and the Russian-driven Customs Union. The presidential elections in 2013 in all three countries of the South Caucasus are a further test of how they will develop within Wider Europe. Therefore the current process of connecting Armenia, Azerbaijan and Georgia with European institutions and actors requires more knowledge and background information to come to a differentiated assessment. Key questions to debate are whether the EU will be able to enlarge further or will be able to offer its European neighbors an attractive alternative. On the other hand, one has to see to what extent the Eurasian Union is an alternative, and, last but not least, which framework of integration offers more opportunities for the neighboring countries and what the countries of the South Caucasus can offer Wider Europe. The following sections will analyze the strategies of the different actors.

### Eastern Partnership. More For More, But No Way Beyond

Because of its previous success stories of deepening and enlarging integration, the European Union is the most important actor shaping the European neighborhood. Deepening European integration often results from devel-

opments in the European neighborhood. The Russian–Georgian war in August 2008 was a strategic wake-up call, indicating, in particular, the limits and challenges of the capacities of the EU’s external action. In creating the Eastern Partnership (EaP) as a response, for the first time in European eastern policy-making, an initiative developed under the leadership of a new EU member state (Poland) jointly with an old EU member state (Sweden), and in December 2008 the European Commission adopted their plan. Furthermore, the EaP differs from previous initiatives, such as the European Neighborhood Policy, European Neighborhood Plus, and the Eastern Dimension by concentrating exclusively on the eastern neighbors. The six EaP countries—Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine—are trying to overcome the threefold challenges of a political and economic transition and at the same time create a nation state. The eastern neighbors are also dedicated to joining the EU. Altogether this is a process requiring the interest and input of a broad spectrum of actors. At the same time, the European institutions have to propose new options of cooperation, but are unable to offer the gold medal of membership.

The EaP summit that takes place every second year assesses the current situation as well as providing future benchmarks. The founding summit took place during the Czech presidency in 2009 in Prague, followed by the Polish summit in 2011, and the upcoming Lithuanian summit in November 2013, which will be in Vilnius.

After its founding, the EaP has been caught up by shortcomings of transition in the neighboring countries. The European Commission viewed Ukraine and later Moldova as the European frontrunners, but both countries have been suffering from domestic crises and unable to meet European standards. Reacting to regional developments, the Commission decided to run EaP on the principles of “more for more.” Even if joining the Union is still on the agenda of some neighboring countries, supported by some EU member states as well, further enlargement of the Union towards its Eastern neighbors is prevented by the shortcomings of transformation and the lack of strategic offers from the EU that go beyond EaP. Nevertheless, EaP remains a strategic priority for EU external relations and one should see the Vilnius summit as the next signpost. The outcome of the third EaP Summit will be of crucial importance for EaP policy. Its success depends to a significant extent upon results of the EaP Road Map implementation.

### **Eurasian Economic Union. De-Colonization of the Soviet Empire**

Since the collapse of the Soviet Union in December 1991, Russia’s highest regional priority has been to build a new form of integration based on economic ties and geopo-

litical presence to strengthen Russia’s global influence. Throughout the period, the Russian government has had problems accepting the collapse of the Soviet Union and developing a strategy to de-colonize the Soviet empire. The first reaction was creating the Commonwealth of Independent States (CIS), which lacks mechanism of economic integration and quickly lost momentum and common tasks. Based on the negative CIS experience, Russia, Kazakhstan and Belarus have continued to work on integration projects mostly based on the EU and on a customs union. In 2000, when Putin took over political power, he initiated the Eurasian Economic Community. Despite the development of an institutional regime, old problems persisted. The legal framework remained fragmented, mostly based on bilateral agreements with Russia. It was no wonder that none of the South Caucasian countries joined the integration projects. With Putin gaining power, this development has been continuing. In July 2012 the Eurasian Economic Commission (EEC) replaced the Eurasian Economic Community.<sup>2</sup> In comparison with its predecessor, the Eurasian Economic Commission became more powerful based on common customs tariffs, a common customs code and a joint commission that has so far ratified 850 acts. However, economic cooperation within the Eurasian Economic Commission and joining the WTO became a contradiction of integration interests, though ultimately Russia decided in favor of joining the WTO.

Overall, the two integration scenarios, the EU and the EEC expressed regional and global interests. Since Russia did ultimately join the WTO, the contradiction was solved in favor of Russia having to fulfill WTO regulations. If the previous post-Soviet regional intuitions were asymmetric, allowing Russia to use its superior bargaining power, the ECU is the first step toward supranationalism. The votes in the Commission are weighted as follows: Russia, 57%, Belarus and Kazakhstan 21.5% each. Since certain decisions have to be taken by qualified majority, Russia needs another partner, but the two others cannot decide against Russia. The current idea is developing the EEC further into a Eurasian Economic Union, with the EEU modeled on the principles of the European Union. In economic terms the EEC has a certain attractiveness, but crucial points are unclear: processes of decision making as well as personnel responsibility.

From a political perspective, Putin has been using post-Soviet integration as an instrument for demonstrating global political power, as well as economic integration to overcome the trauma of the breakdown of the

2 Alexandra Powlochnikow: Die Zollunion zwischen Belarus, Kasachstan und Russland – Motive Entwicklungen und Perspektiven, SWP Arbeitspapier FG 5, 2012, Nr. 01.

Soviet Union without clearly defining the game of integration. Furthermore, the EEC is the vehicle through which Russia increasingly engages in normative rivalry with the EU in the so-called “shared neighborhood” and in bilateral relation with the EU. Since the EU–Russia summit in June 2012 in St. Petersburg, Putin has been setting a precondition to advance negotiations between the EU and the EEC, which would have an impact on EU trade relations with Russia. The EU lacks contact persons in the EEC. That would also mean that the EU has to create new principles to sign a founding agreement with Russia, which has a strong impact on the European neighborhood. On the occasion of the December 2012 EU–Russia summit in Brussels, Tatiana Valovaya, representing the Eurasian Economic Commission supported by Russia’s ambassador to the EU, Vladimir Chizhov, suggested that it would only be possible to create a “common economic space” between the EU and the Eurasian Union, and not between the EU and Russia.

The system Putin is offering the Eurasian Union is an integration project as an alternative to the EU’s neighborhood policy.<sup>3</sup> While the EU is offering the Deep and Comprehensive Free Trade Agreement, Russia is promoting short-term economic benefits such as cheaper gas. Nevertheless, the neighboring countries seem savvy enough to realize that the principal benefactor would be Russia, and therefore are prepared to go through the long haul with the EU, which would bring bigger economic gains and more room for political maneuver, including a European institutional perspective and economic integration into the world market.

### The Position of the South Caucasus Countries

In general terms the three countries of the South Caucasus are part of the undefined strategic area between the EU and Russia. The future development of Wider Europe depends on the attractiveness of the Russian and European offers, as well as on the self-definition of the European neighborhood countries. The criteria include the progress and failure of democratic transformation, and the self-identification of networks of the political and economic elite. The brand of economic integration is less attractive in the South Caucasus than in Central Asia or the Western CIS countries, such as Ukraine or Belarus, because in the South Caucasus Russia’s political and cultural presence is getting weaker: ethnic Russians make up less than 2 percent of the population in each country of the region; Russian education is increasingly less attractive, with both Azerbaijan and Georgia

implementing state education programs to support overseas education in U.S. and European universities. Russian as the “lingua franca” lost its importance in favor of regional languages and/or Western foreign languages. Armenia is the only case where Russian is still widely spoken. Because of the strong impact of Western funding offering academic options to study abroad, the new generation of thinkers in the South Caucasus is increasingly westernized in terms of cultural and educational affiliation, and is consequently much less interested in Russian contacts.<sup>4</sup>

Georgia sees the Eurasian Union as a reunion of the Soviet Union. Economic integration is used as expressing Russian pressure to increase its power. Furthermore, the consequences of the August war, such as having no diplomatic relations and the imposition of trade blockades, made the EAU a non-starter for Georgia. At the same time, the EU has not been able to offer more than the principles of Eastern partnership, so far not perceiving Georgia as a front runner of the six Eastern Partnership countries, and remaining concerned about the ethno-territorial conflicts in Abkhazia and South Ossetia. One still has to observe the results and impact of the upcoming presidential elections, which might bring the current Prime Minister Bidzina Ivanishvili to the top office. Even if Ivanishvili is expressing interest in “normalizing relations” with Russia, his foreign policy priority is still Euro-Atlantic integration. Therefore he will not limit his room for maneuver by joining the EAU.

The political elite of Azerbaijan has little confidence in the EAU, not seeing many benefits for Azerbaijan, but at the same time not being interested in damaging relations with Russia.

Armenia is heavily dependent on Russia, but in economic and sometimes even political terms there is interest in European integration. As a result, the Armenian elite is divided between the opposition, which wants less dependence on Russia and more integration with Europe, and the ruling elite, acknowledging dependence on Russia, but interested in European financial aid. Broadly speaking, the Armenian interest in the EAU is more concentrated on the potential geopolitical impact of solving the Nargorno-Karabakh conflict. However in the run-up to presidential elections, Russian-backed politicians supported Putin’s idea.

The reality in the South Caucasus illustrates bottlenecks to the Eurasian Union based on a mixture between the Putin system’s interest in rebuilding economic cooperation guided by Russia among the members of the former Soviet Union, and Putin’s intention to increase Rus-

3 Vladimir Putin: Novyi integratsionnyi proekt dlya Evrazii – budushchee, kotoroe rozhdetsya segodnya, *Izvestiya*, 3.10.2012

4 Zaur Shirriye: Russia pushes for Eurasian integration across CIS. *Today’s Zaman/ Universal*, 26.7.2012.

sian political status as a global player. In practical terms integration is not thought through and more based on Russian dominance than on mutual interest in integration. Therefore, the countries of the South Caucasus are not interested in joining the EAU, but at the same time one still has to observe whether the EU is able to

offer a strategic alternative. Setting Russian–EU relations should include new founding principles for Wider Europe, as well as an end to the current rivalry in the joint neighborhood, supplanted by joint cooperation and modernization. Solving the current negative perception of the South Caucasus should be seen as a litmus test.

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## Is the South Caucasus a Region?

Temuri Yakobashvili, Tbilisi

### **Abstract**

The South Caucasus is a neighborhood rather than a region because the three countries located there have different threat perceptions, see their wellbeing in varying ways, and have contrasting visions of themselves. Avoiding the temptation to view the South Caucasus as a region will help Western countries develop more effective policies toward the region.

### **Different Visions**

The imperial world was diverse, but simple to grasp all the same, since the number of actors in international affairs was limited to a handful of empires. The post-imperial world produced a multiplicity of independent and newly-created states, but the cold war that followed after the defeat of fascism still divided the world into “politically likeminded” areas. These areas were not necessary geographic but political or ideological, hence all aspects of otherwise normal trade and cooperation were subjugated to supreme political interests.

From the collapse of the Soviet Union until end of the 20<sup>th</sup> century, most of the countries of the former blocs gained real independence and, in most cases, shed the influence of the former metropolises. In many cases independence was largely defined through differentiation from immediate neighbors. Those that were blessed with sea access aspired to regional integration projects, and those that were landlocked aspired to some kind of balance, or so called “multi-vectoral” foreign policies. The inertia of the 19<sup>th</sup> and much of the 20<sup>th</sup> century to deal with smaller countries in certain groupings or regions persists into the 21<sup>st</sup> century. European and American decision makers still refer to foreign-policy mental maps with big countries and geographic regions. Unfortunately, this convenience often entails wrong assumptions or unrealistic expectations from

those nations that constitute the regions.

The designation of a region often assumes that countries of that particular area share a common vision of the future or that they aspire to interdependency as a prerequisite for stability and economic development. Hence many efforts are directed to “regional cooperation” even in cases when countries of the region are openly in conflict, or have different visions of their immediate or long-term futures.

The South Caucasus is a perfect example. It used to be more than a mere region; in 1918 it existed as the Transcaucasian Democratic Federative Republic—which lasted only one month!

Thucydides describes human motivations as driven by three factors: fear (*phobos*), gain or self-interest (*kerdos*) and common belief (*doxa*). The same motivations are true for countries, which represent a highly organized form of humans, with motivations inherited from humans.

A close look at the three countries of the South Caucasus “region”—Georgia, Armenia, and Azerbaijan—reveals basic differences.

### **Fear (*Phobos*)**

All three countries have different threat perceptions. For Georgia, the primary threat comes from the Russian Federation, which still occupies the two provinces of Abkhazia and Tskhinvali Region/South Ossetia. Having Rus-

sian troops just 40 miles from the capital, Tbilisi, makes this sort of threat assumption very real. Georgia has openly declared its aspiration and policy to join NATO and seeks its security in the North Atlantic Treaty's Article 5. Meanwhile, neighboring Armenia considers as its enemies Turkey (due to the tragic memories of 1915 in the Ottoman Empire) or Azerbaijan, which lost control of Nagorno Karabakh and adjacent territories to Armenia. As long as the Nagorno Karabakh conflict is not resolved, full-fledged military confrontation with Azerbaijan cannot be discounted. As a guarantee of its sovereignty and stability, Armenia hosts a Russian military base and is a member of the CSTO, the Russocentric collective-security organization created to counter NATO. As for Azerbaijan, a threat is still related to the possibility of renewed conflict with Armenia and with active Russian engagement, as well as from Iran, which is becoming increasingly aggressive toward its northern neighbor and which is home to a large population of ethnic Azeris. Azerbaijan recently rid itself of the Russian presence at the Gabala surveillance station, and does not have a declared desire to be a member of any regional security organization. Azerbaijan and Turkey have signed a special agreement (almost modeled after the Russian–Armenian agreement) on military collaboration and security assistance in case of external military confrontation. Azerbaijan also openly employs a policy to match its military budget with the entire state budget of Armenia.

Bottom line—all three countries of the South Caucasus have different threat perceptions and are differently addressing their phobias.

### Gain/Self Interest (*Kerdos*)

The three republics of the South Caucasus differently perceive their wellbeing and these differences are surely reflected in their foreign-policy priorities.

Again, Georgia has a clearly declared goal to join the European Union and pragmatic considerations are driven by its belief that, to paraphrase one Baltic diplomat, “if NATO is about life, the EU is about the good life.” Georgia strives to fully exploit its geographic advantage (as a gateway to eight land-locked countries: Armenia, Azerbaijan, five Central Asian countries, and Afghanistan). It seeks to access the European market for its products (especially with politically motivated restrictions from the RF). The Georgian concept of prosperity is very much a European (or American) lifestyle.

Armenia, with its complicated relations with two neighbors, Azerbaijan and Turkey, has limited options for international trade and sees itself differently in the economic mapping of the South Caucasus. Its trade routes are limited to Georgian ports and the narrow Megri corridor to Iran. It is effectively disenfranchised

from the main regional infrastructure projects, like the Baku–Supsa and Baku–Tbilisi–Ceyhan oil pipelines, and the Baku–Tbilisi–Erzurum gas pipelines, as well as from constructing railroads or highways. Its economic hardship is reflected in its rapidly shrinking population. Hence the most popular notion of wellbeing is still related to outside powers: the Armenian Diaspora, remittances, and the possibility to emigrate either to Russia or to the United States, where Armenian communities are well organized and well established.

Azerbaijan's driving engine for wellbeing is surely its hydrocarbon sector. Accordingly, its main concerns are the production and safe distribution of oil and gas. Hydrocarbon revenues make Azerbaijan's the fastest growing economy in the South Caucasus, and robust infrastructure projects inside the country create much-needed jobs for those who are not directly engaged in the oil and gas sectors. Under such conditions, Azerbaijan is not attracted to any regional integration projects and feels comfortable in staying away from institutions that (among other things) may require fundamental revision of income distribution patterns.

Bottom line—all three countries of the South Caucasus have different notions of self advantage and do not necessarily link their well being with regional cooperation, at least within the triangle of Armenia, Azerbaijan, and Georgia.

### Common Belief (*Doxa*)

Self-reflection is one of the building blocks of foreign policies of the SC countries. Georgians see themselves as Europeans and the European Union is the logical destination for the Georgian statehood project. There is no internal debate about Georgia's European identity and even those who advocate for better relations with Russia see it as more a European state than an Asian one. Any form of institutional approximation with the EU is not seen as an endgame, but rather just another step toward full integration.

Armenians, due to the abovementioned geographic constraints and historic or political factors, heavily rely on partnership with the Russian Federation and their membership in political or economic projects will almost by default coincide with Russocentric ones, whether the Commonwealth of Independent States (CIS) or the Eurasian Union. Nearly monoethnic, Christian Armenia has very few choices where to seek affiliation, unless something dramatic happens to Russia or Georgian membership in NATO and the EU membership prospect becomes a reality. That may change calculations for Armenia but these developments are not in their hands.

Azerbaijan, the only country in the world with a predominantly Muslim population but entirely secular poli-

tics, is not shying away from any organizations based on Islamic faith (the Organization of Islamic Cooperation, for example). At the same time, for Azerbaijan neither the EU nor the CIS/Eurasian Union represent attractive political or economic integration models. Political self-sufficiency and active international trade are the main heralds of Azerbaijan's foreign policy. History and faith merely serve as useful tools for definition of its self-identity but have no influence on foreign policy priorities, and it should not be surprising that Israel is a significant partner in many areas.

Bottom line—common beliefs, whether religious, historical, or originating from national mythology, drive all three countries in different directions and they seek different places for self-identification.

### Conclusion

We conclude that the countries of the South Caucasus have different threat perceptions, see their wellbeing differently, and seek different institutions for self-reflection. All motivating factors differ and one should ask how can we consider the South Caucasus as a political region and how can we expect from these countries the same as we were expecting from the Baltic region, Balkans, Visegrad group, etc.? Wise people say that love is not looking to each other but rather looking in the same direction. Surely countries of the South Caucasus do not share (at least currently) the same vision for their futures.

If the South Caucasus is not a region than what is it and how should it be handled? Of course geography is still the common denominator and it dictates an obvious answer—the **South Caucasus is a neighborhood**. Neighbors may differ in all three motivations but still

remain neighborly. Some will interact closely with each other and some will not.

If we examine how other, external players are treating this “region,” we'll soon discover that it is treated exactly as a neighborhood.

All three countries of the South Caucasus are part of the EU's Eastern Neighborhood Program. The Russian Federation calls the South Caucasus its “near abroad,” basically considering it and (stating it loudly as in some cases) as its backyard. “Transcaucasus” clearly refers to a neighborhood rather than a region.

Turkey still has a declared policy of “zero problems with all neighbors.” So neighbors, again and not a region. Surely Turkey considers itself simultaneously part of Europe and part of Asia, part of the Balkans, the Caucasus, and the Middle East. Hence for Turkey region is a much larger notion than the South Caucasus and neighborhood is the right term.

Of course all these explanatory troubles were aimed at one basic task—to define what kind of policy is relevant for the South Caucasus and what is not. Expecting from countries of the neighborhood robust regional cooperation is a pipe dream often carried out by self-declared wise-man NGOs, whose influence on policy making is close to zero. Western policy toward these NGOs should be to direct their efforts to domestic transformation and creating and debating policy options for domestic and international audiences.

Western policy toward the neighborhood is a subject for a separate article, but the aim here is to avoid the commonly-made “regionalism trap” and to compel new approaches.

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## The Eurasian Union: An Experiment in Finding a Place in the New World

Fyodor Lukyanov, Moscow

### Abstract

Russia's leadership is strongly attached to the idea of rebuilding the economic ties that existed in the former Soviet Union. Although many critics denounce this idea as a reflection of Russian imperialism, it represents a Russian attempt to build a structure similar to the European Union in Eurasia. However, many obstacles remain to the establishment of such an organization, including the authoritarian nature of the regimes involved.

### Integration: Popular with the Russian Leadership

Those who analyze the behavior of Russia in the international arena are often convinced that the major moving force in Russian politics is an imperial ambition, and particularly aspirations to somehow recreate a politico-economic entity in the place of former USSR (or earlier—the Russian Empire). Accordingly, whenever a project on this territory sets the goal of integration, it is automatically proclaimed to be a step towards the restoration of the Soviet Union.

It is hard to argue against the fact that the collapse of the USSR seriously traumatized Russia's ruling class and the major part of the country's population. Unlike the majority of empires, which at the time of collapse lost their overseas territories while keeping their national core, Russia has no clear definition of its core, and some of the territories that were lost in the process of disintegration are conceived by its population as related to the core of the country and thus rightly belonging to the Russian state legacy. Finally, the fact that for the first time in history, Russians became a divided nation, and that with the collapse of the unified country, 25 million ethnic Russians, without changing their geographical location have changed their citizenship, is underestimated by those who study post-Soviet Russian politics.

From the very beginning, the idea of integration was quite popular among the Russian leadership. In reality, however, it never transcended the rhetorical framework. Boris Yeltsin, for example, did not want to go down in history as the destroyer of a unified country, and the project of creating the Union State of Belarus and Russia was clearly meant to demonstrate that the first president himself began collecting the lands back together. Further attempts to pursue institutional forms of integration ultimately ended up as nothing more than loudly-proclaimed declarations.

The Customs Union proposed by President Vladimir Putin in 2009 and confirmed during his election campaign in 2011–2012 could be viewed as the first attempt to offer an economically justifiable integration model that is attractive to others. Initially, one of the motives was the desire to catalyze the stagnated negotiations with

the World Trade Organization (WTO). Moscow made it clear that if it was not allowed to participate in global economic integration, it would find another way out—regional economic integration. At first, this caused significant confusion, especially since Russia declared that all further negotiations about the WTO were to be held through the Customs Union, which is not provided for in WTO procedures. However, eventually everything settled down: Russia entered the WTO while the Customs Union developed on its own.

### Clearing Up Misunderstandings

There are a lot of misunderstandings surrounding the project, starting with the confusion coming from its name: starting in 2015, the Customs Union will switch its name to the Eurasian Union. Advocates of Eurasian ideology, who consider Russia to be a unique civilization counterpoised to Europe and having as its mission the unification of the vast territories of Eurasia, are inspired by Putin's idea. These sentiments, however, have no relevance to reality: the project is not about denying European approaches, which would have been natural to a true Eurasianist, but rather about borrowing these approaches and adapting them to Russia and its environs.

There exist two intentions behind the usage of the term 'Eurasian': on the one hand, it emphasizes the difference from the already existing European Union (hence the term "Eurasian"), but on the other hand, it demonstrates the connection and similarities between the organizational principles of the two unions. Moreover, observers constantly note that the Eurasian Union is not an enclosed structure, but rather one of the elements of a future unified space, extending from Lisbon to Pusan and bringing together all markets, from Europe to the Pacific. Therefore, the goal is contrary to that of isolation.

The Eurasian Union as the development of the Customs Union is an applied undertaking. Its goal is to broaden the markets and reconstruct some of the productive chains demolished by the fall of the Soviet Union, by means of implementing on this territory the principles of European integration from the second half of the twentieth century. The deep crisis of the European



Union plays the role of a catalyst, since the EU is and will be forced to deal with its domestic problems, thus paying little attention to the adjoining states. Russia has an opportunity to lower the level of competition, especially since the idea itself is quite rational and promising.

By the way, unlike the Europeans, the Russians never demanded that their partners reject participation in other projects. Integration within the framework of the Customs Union is viewed as a step on the way to further and wider integration. It is the European Commission that insists on exclusive membership and which more than once gave Ukraine an ultimatum to choose whether it is with Russia or with Europe.

It is quite significant that this vision of Eurasian integration, which is conveyed by all program documents starting with Putin's article, is not in the least understood in Europe. And the cause of this misunderstanding is not a lack of faith in Moscow's sincerity, but in the psychology of European integration as such, which does not allow for alternative centers of unification. In the opinion of the EU, the only possible and correct form for the economic consolidation of European and Eurasian territories is that which has Brussels as its center and which essentially implies the gradual spread of the EU's normative base into even more territories. The Europeans disregard the idea that on the territory of Eurasia there could exist several compatible integration projects developing in separate ways and eventually coming to form some kind of a network by means of gradual interfusion and interweaving. Such an idea is considered to be an element of Russian propaganda.

### **Moscow's Intentions**

Meanwhile, Moscow is taking this idea seriously. In the vision of Russian strategists, the future phase in the development of globalization will have a distinctive regional character. And it is not a coincidence that the main ideas under discussion are the Transatlantic Free Trade Area (USA and EU) and Trans-Pacific Partnership (USA and its allies in Asia-Pacific region). In the future, both of these projects are quite compatible; however, they contradict the idea of global free trade because the preferential regional association creates special conditions for its own members over outsiders. Essentially, this is an institutionalization of the split, which led to the dead-end of the WTO's Doha Development Round. It is possible that in the future these regional associations will develop their own rules of interaction, based on new grounds this time.

Russia claims to be an independent pole in the multipolar international system. However, there are certain doubts concerning Russia's ability to be a counterweight to such trading spheres as China's economic zone or the

unified trade and economic system around the U.S. It is probable that at some point in the future Russia will be forced to join one of the global alliances, and for that reason it needs to strengthen its positions as much as possible. Consolidating a sphere of economic gravitation on the adjoining territories, involving at the minimum the former Soviet Republics, is a natural way to do this.

### **Obstacles to Development**

The idea of the project is currently in the embryo phase, and it is unclear whether any developments will follow. The weakest part of the project is the regimes of the participant countries: all three are grounded on a strong authoritarian-type personality. Sooner or later, the regimes will inevitably come to an end, which might undermine the legitimacy of the project. In this scenario, the fate of the project will depend on the strength of economic interdependence achieved by that time, so that for any type of government, withdrawing from the Union would result in heavy expenses rather than increased safety.

There is no final vision of what the optimal membership of Eurasian Union would look like. A post-Soviet approach suggests that it should unite all former Soviet republics. However, this approach reflects inertia more than anything else: essentially, it manifests the remaining nostalgic sentiments for the USSR. Moreover, it is obvious that some countries on the territory of the former USSR would never join any kind of union, among them Turkmenistan and Azerbaijan, both rich in natural resources, and also Uzbekistan. However, the sentiments to unite all of the former Soviet Republics are still very strong. Besides, the offer to integrate more with Russia becomes a sort of loyalty test for countries like Moldova and Kyrgyzstan.

An approach based on pragmatic estimates of costs and benefits is much more realistic. It comes from the idea that a country's membership in the Union should give it clear benefits. From this follows the necessity to establish defined membership criteria, similar to those of the European Union, the fulfillment of which is required for joining. In other words, the initiator-countries have the power to choose whom they want to admit. From this point of view, the accession of Kyrgyzstan or Tajikistan is unlikely, even though they have the right to apply for membership as existing members of EurASEC (The Customs Union is being built on its basis), for such expansion might bring the Union more problems than benefits.

From the political point of view, there are several countries whose membership could be favorable to Russia, but only if the Union ultimately has a large membership. Among these are Moldova and Georgia. The

entrance of Kishinev would only be welcomed if Ukraine joins also. And Georgia's entrance—as a symbol of Russia's return to the Caucasus—could open the way for Armenia. On their own, however, these countries have little value for the Union.

Ukraine, of course, is a special case. Objectively, this country is extremely important: in addition to being a significant part of a formerly unified energy network, it has a large market, potentially powerful manufacturing base, agriculture, and a highly-skilled work force. However, in practice, these economic advantages are seriously underdeveloped. While the economic situation is far from great, politically Ukraine could potentially undermine the Union's emerging structure. Participation in an integration union with Russia causes the debates in Ukraine and polarizes Ukrainian society. Therefore, even if Kyiv did manage to enter the Union (which would be a purely political decision, for no calculations of economic benefits work in this context), Ukraine would become a constant source of conflicts and tensions within the Eurasian Union. In the best-case scenario, it would play the role of Great Britain in the EU, in the worst—of Uzbekistan in the Collective Security Treaty Organization (CSTO). The trajectory of the development of the entire project will be defined by the decision whether to fight for the Ukrainian membership. The temptation is great since the participation of Ukraine would significantly increase the influence and value of the Union. But the potential costs are great as well—the membership of Kyiv could simply block further development.

### Conclusion

Despite the fact that the Eurasian Union is the first serious project of integration after years of fake attempts,

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the project is still not at an irreversible stage. Regardless of the common opinion that the Customs/Eurasian Union is an instrument of Russian politics only, the decisions made by the Eurasian Economic Committee—the executive body of the Union—are based on consensus. Moreover, all three current members of the Union—Russia, Belarus and Kazakhstan—have an equal number of votes, three each. This marks a significant shift in the attitude of Moscow. No more than ten years ago Vladimir Putin sought to integrate with Minsk in the proportion 97 to 3, that is, with political rights proportional to the sizes of the economies. Russia has understood that integration is impossible without guaranteeing the basic equality of rights, the only alternative being to use force to compel the countries into the union and keep them there at gunpoint. Many Russians consider this situation unfair; yet, there is no other alternative.

The Eurasian Union is not what it seems to be from the outside. It is not a political embodiment of the “great steppe” in the spirit of the philosopher Lev Gumilev, neither is it a reincarnation of the USSR: it is only to some extent an alternative to the European Union. If the project continues—and the political will concerned with its promotion is quite strong—then, possibly, its shell will be filled with more concrete substance, while the potential benefits will push the participants to define a coherent philosophical framework. Meanwhile, the Eurasian Union is a curious experiment by means of which Russia and its neighbors are searching for their place in a rapidly changing world.

*Translated from the Russian by Evgenia Olimpiewa*

## The Eurasian Union: A View from Armenia

Richard Giragosian, Yerevan

### Abstract

Armenia has traditionally been over-dependent on Russia, but it has so far refused to join the Eurasian Union project. While seeking to maintain a strong relationship with Russia, it has established closer ties with the European Union and hopes soon to sign an Association Agreement and a Deep and Comprehensive Free Trade Agreement.

### Introduction

Since its independence in the wake of the collapse of the Soviet Union, Armenia has struggled to overcome a daunting set of challenges, ranging from the inherent limits of its small size and landlocked geography to a virtual “state of war” with Azerbaijan over the unresolved Nagorno Karabagh conflict. Equally daunting, Armenia embarked on a difficult path of state-building, bolstered by ambitious economic and political reforms. For much of the past two decades, Armenia sought to maximize its strategic options, based on the imperative to surmount the deeper threat of isolation, exacerbated by the closure of two of the country’s four borders.

At the same time, Armenia’s “strategic partnership” with Russia has been largely one-sided, limited by its inherent lack of parity, as Armenia has most often received insufficient dividends from this relationship. Over time, the gradual expansion of Russian power and influence has only enhanced Armenia’s over-dependence on Russia. Although close relations with Russia are essential for Armenia over the longer term, the asymmetry of the bilateral relationship has become increasingly evident. Moreover, after a questionable “asset-for-debt” agreement between Armenia and Russia in 2002–2003, whereby Russia acquired several key strategic enterprises, Russia has gained control over key sectors of the Armenian economy, including much of the country’s energy sector, and its sole nuclear power plant, after securing the consent of overly-compliant Armenian officials. More recently, Russia has also widened its economic leverage by taking over the Armenian railway network, acquiring a significant share in the mining sector and gaining a serious share in the country’s telecommunications sector.

### The “Eurasian Union”

But more recently, a new challenge to Armenia has emerged, as Russia is now increasing efforts to launch its “Eurasian Union” project of broader reintegration within the former Soviet area. Against a backdrop of a steady extension of Russian power and influence, the Eurasian Union represents a further attempt by Russia to consolidate its power and influence within the “near

abroad,” a Russian term for the former Soviet states.<sup>1</sup> For Russia, the concept of the “Eurasian Union” represents an attempt to consolidate Russian measures aimed at integrating the states within the near abroad. The move is a natural expansion of existing Russian-led projects of reintegration, based on the Commonwealth of Independent States (CIS), but further building on both the Russian-dominated “Eurasian Customs Union” and the “Common Economic Space.”<sup>2</sup>

Yet in many ways, the concept of the Eurasian Union is both incoherent and undefined, marked more by its lack of practical benefits and absence of substance. And even the potential economic incentive for states to enter the Eurasian Union is fairly weak. For example, in the cases of Belarus and Kazakhstan, membership would offer rather meager and marginal economic benefits, while gains from the Union would mostly accrue to Russia. While Russian attempts to institutionalize the reintegration of economic, trade and transport within the near abroad is not new, the timing of this project does represent a Russian response to shifting geopolitical circumstances.

### An Opportunity or a Threat?

For Russia, the Eurasian Union is a clear reaction to a recent trend of greater European Union (EU) engagement along Russia’s periphery, and a response to the effectiveness of the EU Eastern Partnership program,<sup>3</sup>

1 The “near abroad,” or *blizhneye zarubezhye* (ближнее зарубежье), has generally been elevated to a concept of a Russian “sphere of influence” over and within the former Soviet states; also referred to as the “post-Soviet space.” For more on the concept of “near abroad,” see: Porter, Bruce and Carol Saivetz, “The Once and Future Empire: Russia and the Near Abroad.” *The Washington Quarterly* 17 (1994), 75–90.

2 First launched in 2011, the “Eurasian Customs Union” is composed of Belarus, Kazakhstan and Russia, although in April 2013, Kyrgyzstan has also expressed interest in joining. Those three states also formed the “Common Economic Space” in January 2012, a mechanism to “allow the free movement of capital, labor, goods and services.”

3 Since its launch in May 2008, the Eastern Partnership (EaP) is an ambitious project initiated by Poland and Sweden that seeks to forge closer relations with six key former Soviet states, including Armenia, Azerbaijan, Georgia, Belarus, Moldova and Ukraine, as part of the European Neighborhood Policy (ENP).

which has already been bolstered by ongoing negotiations between the EU and several key states over Association Agreements and Deep and Comprehensive Free Trade Agreements (DCFTAs).<sup>4</sup> But the Western reaction to the Eurasian Union has been mixed, with Brussels and Washington taking different approaches.

More specifically, as noted analyst Olga Shumylo-Tapiola, a visiting scholar at Carnegie Europe in Brussels, stated in an October 2012 event at the EU-Russia Centre in Brussels, the driving vision behind the Eurasian Union also stems from Russia's long-standing desire to be accepted by the EU as more of an equal partner. The success of the project now depends on three factors: whether Ukraine would lean towards the EU by completing an association agreement or join the Eurasian Union, to what degree Belarus and Kazakhstan can influence decision-making within the process, and lastly, how the EU would deal with Russia, and if European suspicion of Russia would limit opportunities for cooperation with Moscow.<sup>5</sup> The US position differs from such European acceptance of the Eurasian Union as an opportunity rather than a threat, however. Most notably, in December 2012, US Secretary of State Hillary Clinton warned that the Eurasian Union represented not only a bid to seek greater economic integration in Eurasia, but was also "a move to re-Sovietize the region."<sup>6</sup>

Nevertheless, for each of the former Soviet states, the main determinant of their position on the Eurasian Union will depend more on their own national interests, and less on the Western response, although they will also be impacted by any serious Russian pressure on them to join. And although Ukraine is much more of a strategic priority for Russia's bid to forge the Eurasian Union, Armenia's handling of this issue will also be significant, both in terms of the future course of the close Armenian–Russian relationship and also as a test of Russian resolve. Further, despite the marginal role of Armenia within the development of the Eurasian Union,

any blatant Armenian reluctance to cede to Russian pressure may suggest a degree of Russian weakness when dealing with other prospective members.

### Balancing Between Russia and the West

In the face of both the inherent trend of Armenian overdependence on Russia and the serious degree of Russian power and influence in Armenia, the pressure from Moscow for Yerevan to join the Eurasian Union seems overwhelming. Yet Armenia has consistently resisted and rebuffed the Russian overtures, demonstrating a surprising degree of political will and insisting on defending its own independence. Although the Armenian response to the Eurasian Union seems to represent an uncharacteristic reversal of its traditional subservience to Russia, in strategic terms, Armenia has consistently defended its own interests, but in the case of Russia, only in cases of paramount importance. For example, in the broader context of foreign policy, Armenia has always pursued a "small state" strategy of pursuing policies designed to maximize its options and expand its room to maneuver amid much larger regional powers.

More specifically, for much of the past decade, Armenian foreign policy has successfully bridged the division between its "strategic partnership" with Russia and its deepening of ties and orientation with the West. This particular foreign policy, termed "complementarity," incorporates Armenia's strategic imperative of security, based on a reliance on its strategic alliance with Russia and a positive relationship with Iran, while simultaneously expanding its role within Western and Euro-Atlantic security structures. Moreover, this policy of complementarity, although seemingly contradictory, is in fact a natural result of Armenia's historical and geopolitical considerations. The strategic partnership with Russia is both rooted in history and necessity, especially given the closure of the country's Turkish and Azerbaijani borders, which has forced Armenia to look beyond its traditional trade and export routes, thereby encouraging ties with Iran. Although these inherently contradictory impulses have at times seemed insurmountable, the Armenian policy of complementarity offers an enhanced degree of security based on accommodating and exploiting the interests of traditionally competing powers.

In the military security area, Armenia's "strategic partnership" with Russia offers an essential security umbrella, especially critical given the constant threat of war from Azerbaijan. Yet even with the lack of parity in the relationship, Armenia has forged a degree of flexibility within the constraints of its mounting overdependence on Russia. In the defense sector, for example, Armenia continues to deepen ties with the West, through both bilateral agreements with a wide range of countries

4 The European Union's Deep and Comprehensive Free Trade Agreement (DCFTA) represents more than a standard free trade agreement, covering not only the liberalization of trade in all areas, by lifting customs barriers and trade quotas, but also the harmonization of partner countries' trade-related legislation with EU standards and the *acquis communautaire*. Membership in the World Trade Organization (WTO) is a precondition for entering negotiations on the DCFTA, which means that Azerbaijan and Belarus, which are not WTO members, are ineligible to enter into negotiations on a DCFTA with the EU. For more, see: [www.easternpartnership.org/content/eap-s-bilateral-dimension](http://www.easternpartnership.org/content/eap-s-bilateral-dimension)

5 Shumylo-Tapiola's comments were from an EU-Russia Centre panel discussion, "Putin's Dream—The Eurasia Union," held on 23 October 2012. [www.eu-russiacentre.org/eu-russiacentre-news/putins-dream-eurasia-union.html](http://www.eu-russiacentre.org/eu-russiacentre-news/putins-dream-eurasia-union.html)

6 "Clinton Calls Eurasian Integration an Effort to Re-Sovietize," Radio Free Europe/Radio Liberty (RFE/RL), December 7, 2012.

(France, Germany, Greece, the United States, etc.) and within the context of institutional cooperation within the NATO Partnership for Peace (PfP) program. At the same time, as the only member of the Collective Security Treaty Organization (CSTO) in the South Caucasus and as the only country in the region to host a Russian military base, Armenia has simultaneously maintained its strategic military and security relationship with Russia.

This trend in military and security reform has also tended to enhance the effectiveness of complementarity, modeled on the same foreign policy of balancing the inherent contradictory impulses of a “strategic alliance” with Russia with a pro-Western orientation. This too has only bolstered Armenia’s strategic significance to the West while also elevating its value as Russia’s reliable regional ally. Although Armenia remains fully reliant on Russian arms and discounted weapons stocks obtained through the CSTO, in terms of operational training, doctrine and modernization, Armenian defense reforms have adopted a firmly pro-Western perspective. Yet Armenia has been careful not to trigger Russian concern over Armenia’s apparent Westward shift, however, and has repeatedly ruled out any aspirations for full NATO membership and has consistently reiterated its commitment to maintaining the Armenian–Russian strategic relationship while only increasing the country’s active participation within the Russian-led CSTO security bloc.

### Armenia’s Western Embrace

Beyond the political and military-security dimensions of the Armenian–Russian relationship, an additional aspect of Armenia’s policy of complementarity is rooted in the deepening of ties with the United States and its integration with the West. And more recently, this embrace of the West has resulted in a notable achievement, as Armenia is now set to conclude an “Association Agreement” and complete negotiations over a “Deep and Comprehensive Free Trade Agreement” (DCFTA) with the European Union (EU). This is particularly important for Armenia in light of the impact of the global economic and financial crises, which triggered a severe economic downturn in Armenia, and after several years of double-digit economic growth ended abruptly. And with these agreements nearing fruition, Armenia is especially hopeful for a new opportunity to draw closer to Europe and, more specifically, to benefit from greater

integration with European markets.<sup>7</sup>

To date, the Armenian leadership has followed a cautious policy of fulfilling its obligations within the negotiations with the European Union while prudently avoiding any direct dissent with Russian goals. For example, in a Russian media interview, Armenian Prime Minister Tigran Sarkisian noted that the country’s reluctance to join the Russian-led Customs Union was rooted in several factors. First, the absence of common borders with Russia, or with Belarus and Kazakhstan, the two other members of the Customs Union, posed a logical impediment to such a move. Second, the prime minister explained that “the structure of the Armenian economy is very different from that of the economies of the Customs Union’s countries that have substantial deposits of energy resources and pursue a policy of supporting domestic manufacturers through quite high customs duties.” He further noted that “on the whole, the level of such duties in the Customs Union is twice as high as those levied in Armenia,” adding that as “Armenia was one of the first CIS countries to join the World Trade Organization” (WTO), such a switch to the Russian-dominated Customs Union would be very complicated, if not impossible.<sup>8</sup>

Clearly, the main issue is the practical contradiction between the European Union and the Customs Union, as the foundation for the Eurasian Union. As Armenia recognizes the overwhelming advantage from a Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU, it also accepts the warning of the EU’s foreign and security policy chief, Catherine Ashton, who clearly stated that Armenian membership in the Customs Union “would not be compatible.”

### Eurasia or Europe: Forced to Choose?

But Armenia may face greater pressure from Russia to commit to the Eurasian Union. Such Russian pressure may be a predictable, but belated response to Armenia’s deepening ties with the European Union. From a broader perspective, Moscow may adopt a harder line against Armenia, and more assertively challenge Armenian aspirations, in order to both send a strong message deterring other former Soviet states from pursuing a similar course and to try to halt or at least hinder greater EU engagement in the region. Thus, the real test for Armenia will be how to respond to Russia’s Eurasian Union while still concluding its agreements with the European Union.

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7 Armenia is widely expected to successfully complete the negotiations and sign both the Association Agreement and the “Deep and Comprehensive Free Trade Agreement (DCFTA) at the EU Summit set for November 2013 in Vilnius, Lithuania.

8 Danielian, Emil, “Prime Minister Cites another Hurdle To Armenian Entry Into Russian Bloc,” Radio Free Europe/Radio Liberty’s (RFE/RL) Armenian Service, February 4, 2013.

## Considering Accession to the Eurasian Economic Union: For Azerbaijan, Disadvantages Outweigh Advantages

Vugar Bayramov, Azerbaijan

### Abstract

This article weighs the costs and benefits of Azerbaijan joining the Eurasian Economic Union. In analyzing the advantages and disadvantages, the author discusses the economic and social features of accession and concludes that such a move is unlikely given the high political and economic price Azerbaijan would pay. This article was prepared by the Center for Economic and Social Development.

### A New Economic Union

The Eurasian Economic Union (EEU) is an economic integration project, similar to the European Union, proposed by the Russian Federation (RF) in late 2011. The EEU is an extension of existing integrative projects of Belarus, Russia, Kazakhstan and other countries (namely, the Commonwealth of Independent States (CIS), Collective Security Treaty Organization (CSTO), and especially the Customs Union (CU) and Common Economic Space (CES) and would be a kind of supervising commission for the members. The CIS and CSTO cover almost all former USSR countries. The CU and CES, however, were established only between Russia, Kazakhstan, and Belarus in 2010, and the EEU would be a further-integrated model of the CU.

Azerbaijani experts generally regard the EEU as an attempt to re-establish the Soviet Union. This view is supported by the Russian Federation's intentions to establish this integrative project with post-Soviet countries. Because of their negative experience of development as part of the Soviet Union and the economic turmoil faced after gaining independence in the wake of its collapse, Azerbaijanis tend to be wary, if not frightened, of the project.

However, in our view, it is naïve to consider this project as a re-establishment of the Soviet Union. Rather, the project should be considered a tool for Russia to secure its geopolitical interests in neighboring countries. The Russian Federation understands and respects the negative feelings associated with the Soviet Union. Thus in order to influence the post-Soviet countries, Russia considered the Eurasian Economic Union as a more attainable goal, instead of re-establishing the Soviet Union.

According to economic integration classifications, the Eurasian Economic Union is an economic union, rather than a free trade agreement or customs union, and is characterized as a union whose members have:

- established free trade zones among themselves in all economic sectors;
- common external economic and trade policies towards non-member countries;
- common internal policies;

- no customs check points;
- free movement of goods and services;
- unrestricted movement of citizens and capital;
- and, in most cases, a common currency<sup>1</sup>.

### Advantages of Accession

The foremost advantage of Azerbaijan's accession to the EEU would be the likely increase in trade turnover. According to an analysis of the European Bank for Reconstruction and Development (EBRD), Kazakhstan, Belarus and Russia all experienced growth of trade turnover with Customs Union members after creation of the Union. This is a logical consequence of lowering tariffs for CU member countries. It is worth highlighting that the decline in trade turnover in 2009 due to the global financial crisis recovered after two years of accession to the CU. While it is debatable whether this recovery was mainly due to accession to the CU, we should consider that it is impossible to speculate about Kazakhstan's development trends if it had not acceded to the CU. In any case, the CU members experienced an increase in trade turnover, and almost certainly Azerbaijan would also experience similar benefits. For a country having oil exports of more than 90% of its total exports, this could be a good opportunity to diversify the economy.

The increased trade turnover would also increase the income generated by exporting companies, if we believe in the calculations of the EBRD. However, this point is widely debated because of the uncertainty of revenue distribution. It is unknown whether the increased revenue generation experienced by CU countries was due to economies of scale (exporting large quantities at low cost) or due to exports at relatively high prices to non-member countries. However, the latter argument can be debated as well: relatively high prices can hamper sales by making production uncompetitive. Considering these points, the implications of any projected increase

<sup>1</sup> Establishment of a common currency deepens the economic integration and creates monetary union on the basis of economic union. The adoption of a single currency in the EEU, however, is questionable at this point, as there are no official claims. Despite this, the adoption is expected.

in trade turnover for state and private revenues should be regarded with caution. According to EBRD calculations, the revenues of Kazakhstan increased after accession to the CU, which could be the case for Azerbaijan as well.

Increased trade turnover and revenues are not the only advantages provided by the CU to its members. The CU and also Eurasian Economic Union require decreasing trade tariffs. This would lower government intervention in the economy. In a market economy, interventions create more losses than benefits to the economy. According to economic theory, government interventions create a deadweight loss in the economy. In other words, the benefits of trade barriers, taxes and other distortions are exceeded by the total negative consequences of those trade barriers and taxes to the economy. By reducing the deadweight losses, the Eurasian Economic Union would benefit Azerbaijan's economy.

Moreover, if the EEU were to adopt a single currency, it would harmonize the economic development of member countries and decrease the risk associated with currency fluctuations. A single currency in the EEU could be a good harmonization tool to level prices for goods and services among member countries.

Last but not least, accession to the EEU would facilitate free movement of capital and labor. By gaining access to the Eurasian Economic Union, citizens of Azerbaijan would be eligible to live, work, and study at any member country of the Eurasian Economic Union.

In a nutshell, accession to the Eurasian Economic Union would increase wealth by fostering trade and revenue and decreasing deadweight loss. It would also promote harmonization of economic trends across countries and allow free movement of the factors of production. However, there are several disadvantages of accession.

### Disadvantages of Accession

The EEU is expected to harmonize the energy policies of member countries, which would require a uniform internal energy policy among members and external policy towards non-members. This would prevent Azerbaijan from implementing its energy strategy (namely, *vis-à-vis* the EU) independently of other EEU members. Such dependency is unfamiliar to Azerbaijan, which has, to date, controlled its own policy to meet EU demands for energy. Considering that the European Union continues to seek ways to diversify its energy supplies, harmonizing energy strategies and joining at least two other energy suppliers (Russia and Kazakhstan) is not in Azerbaijan's interests. Azerbaijan's inability to dictate its own energy policy would make it hard for the EU to consider it a reliable partner.

The EEU would also adopt a common external economic policy towards non-member countries. Accord-

ingly, if Azerbaijan were to accede to the EEU, it would need to comply with this policy. Because Azerbaijan has several strategic economic partners who are not expected to accede to the EEU in the short or mid-term (for example, Turkey, Italy, the EU, and USA), the uniform external policy dictated by the EEU would hamper Azerbaijan's economic ties with these partners. Building the equivalent economic ties with the Eurasian Economic Union members after accession would be a time-consuming and difficult process.

Moreover, due to the Nagorno Karabakh War a vast number of Azerbaijanis blame Russia for the loss of their lands. In their view, Russia was the reason for economic downturns, political instability, and war in the early and mid-1990s. Such a large part of the population in Azerbaijan experienced these turmoil years and have negative feelings associated with Russia. Now, the Russian Federation announced itself as the successor to the Soviet Union. Integrative projects with the Russian Federation generate fear of a return to the turmoil in Azerbaijan that followed the collapse of the Soviet Union and was accompanied by massive economic losses. From this point of view, the Government of Azerbaijan might face internal pressure if it decided to accede to the EEU. This pressure would be tremendous if it were to accede to the EEU without solving the Nagorno Karabakh conflict.

Another disadvantage for Azerbaijan would be the loss of control over its natural resources. The common internal energy policy of the Union would force the member countries to share benefits from the natural resources with the other member countries. From Azerbaijan's perspective, it would lose control of its reserves, and the Union would be allowed to use one nation's wealth for the benefit of other nations. Historically, Azerbaijan claimed itself as economically profitable during Soviet times. The policy of the Soviet Union to develop unprofitable economies with the resources of profitable ones caused Azerbaijan's economy to suffer and remain under-developed. Due to this, loss of control over its resources and using its wealth to benefit other members of EEU is again associated with negative emotions in Azerbaijan. Moreover, the accumulated total value of petrodollars in Azerbaijan is USD 34.3 billion. After accession to the EEU, the money reserves held by the Central Bank of Azerbaijan to maintain the stability of the Azerbaijani manat would not be required anymore, so it could add those reserves of the Central Bank (USD 11.9 billion) to oil fund reserves to calculate how much money Azerbaijan's accession to the Union would benefit other member countries. The sum is equal to USD 46.2 billion (!). Politically, it would be very hard to spend these reserves on the Union.

In short, accession to the EEU has several disadvan-

tages: loss of control over oil reserves and money, loss of independence in setting economic and energy policy, particularly with respect to the European Union, and damage of reputation in strategic partners.

### Conclusion

Although there may be economic benefits to Azerbaijan's accession to the Eurasian Economic Union, there are substantial political and economic disadvantages associated with it. Moreover, many of the would-be benefits of accession are already enjoyed by Azerbaijan. There already is a visa-free regime<sup>2</sup> between Azerbaijan and post-Soviet countries within the framework of the CIS, so there is no additional benefit to accession in this regard. Tariffs and trade barriers can be lowered by the government even without the EEU, which would eliminate deadweight loss and foster foreign trade.

Thus, there are almost no unique economic benefits of accession to the Union. However, EEU members, especially Russia, have political tools to influence Azerbaijan. Officially, around 600 thousand Azerbaijanis (unofficially, around 2 million) live and work in Russia. If Russia forced them to close their businesses and move to Azerbaijan, this would create substantial challenges for Azerbaijan's economy. Especially since 2013 is a presidential election year in Azerbaijan, Rus-

sia may consider this as a very influential tool. Pre-empting such steps by Russian officials requires either Azerbaijan's accession to the EEU or influential diplomatic moves of Azerbaijani diplomats to indirectly address the threat. Azerbaijan's accession to the EEU would also be in the interest of the existing members. In the event of accession, Azerbaijan should use its tools to secure as many exemptions as possible. For example, to maintain its cooperative links with the EU and Turkey, especially in energy issues, Azerbaijan should get an exemption to opt out of the EEU's common energy policy. These exemptions could be similar to those of the UK when joining the European Union.

Russia should also consider the social situation in Azerbaijan. A huge portion of the population blame Russia for the conflict Azerbaijan is currently involved in. Thus, Russia should either make sure the population trusts it, or help the sides reach a conclusion of the conflict.

Azerbaijan's accession to the Eurasian Economic Union would be very challenging to achieve, due to the aforementioned political, economic, and social factors. However, considering the Union members have or will have some influential tools, Azerbaijan may join the Union. If it does, the UK's experience joining the EU should be considered.

### About the Author

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2 One should note the visa-free regime of EEU allows work and study of citizens, apart from free movement of factors of production. This is contrasted to the visa-free regime of CIS countries which only allows free movement of factors of production.



## Azerbaijan and the Eurasian Union: Costs and Benefits

Anar Valiyev, Baku

### Abstract

Overall, Azerbaijan has maintained its distance from Russian integration projects. While the newly forming Eurasian Union may have some economic and political benefits for the country, the costs in terms of sovereignty and the ability to maintain an independent energy policy outweigh such advantages.

### Skeptical View of Integration Projects

For the entire period of its independence, Azerbaijan skeptically viewed all integration processes in the former Soviet Union space. In most of the cases, official Baku interpreted these processes as Russian ambitions to restore its dominance in the Eurasian region. Despite the fact that Azerbaijan voluntarily joined the Commonwealth Independent States (CIS) in 1993, Baku did not have warm feeling for this organization, considering it little more than a Moscow-led project. Nevertheless, Azerbaijan did not join the Customs Union, Common Economic Space or Collective Security Treaty Organization (CSTO). Thus, Azerbaijani experts and the general public saw the decision to create a Eurasian Union as an attempt to assure Russia a dominant role in the region by bringing all the above-mentioned organizations under one umbrella. The fact that President Vladimir Putin returned to the Kremlin in 2012 on the wave of promises to strengthen integration processes shows that the Russian political establishment seriously thinks about such a scenario.

In Azerbaijan, the official position toward joining Eurasian Union is balanced. The authorities clearly stated that they are not interested in a customs union or joining any other organization led by Russia. For instance, Aydin Aliyev, the head of the Azerbaijan State Customs Committee stated that Azerbaijan does not intend to join the Eurasian Customs Union. Moreover, Azerbaijan, along with Uzbekistan and Turkmenistan, also did not join the new Treaty on the Free Trade Area, signed on October 18, 2011 by the heads of government of eight Commonwealth member-states. Meanwhile, the political establishment tries to avoid openly irritating Russia and does not take steps that could harm bilateral relations.

On December 5, 2012, Turkmenistan's capital of Ashgabat hosted a summit of the Commonwealth of Independent States (CIS) heads of state. At the forum, it was expected that the Russian president would try to persuade the hesitating CIS leaders to join the Eurasian Union. The president of Azerbaijan did not attend this forum, however. Instead of President Ilham Aliyev, Prime Minister Arthur Rasizade represented Baku at the summit. During the forum, Putin told the other

participants that Moscow is ready to take into consideration the interests of the CIS countries during the G20 and G8 meetings to be held in Russia in 2013 and 2014, respectively. By such a statement the Russian president send a signal that Russia would formulate and deliver unified message to the world powers.

During the forum, the heads of state also discussed free trade. Russian presidential aide Yuriy Ushakov noted that the CIS agreement on free trade is already working in Belarus, Ukraine, and Armenia, and would enter into force in Kazakhstan and Moldova. Meanwhile, Kyrgyzstan and Tajikistan would ratify the agreement in the near future. The Russian side specifically mentioned that the document is open for other partners as well, including Azerbaijan and Turkmenistan. Moscow tried to focus mostly on economic issues, mentioning that the trade turnover of CIS countries in 2011 grew by 36 percent compared to 2010 and reached \$281 billion. Nevertheless, Ushakov did not mention that CIS exports to the European Union between 2000 and 2010 increased by approximately 160 percent, including an 882-percent growth from Azerbaijan. Moreover, EU exports to the CIS grew by 266 percent during the same period. And Azerbaijan, in particular, saw its imports from the EU rise by 550 percent.

The absence of Azerbaijan's president at the summit was notable and surprising. The official reason for Aliyev's nonattendance was attributed to the Azerbaijani president's overly busy schedule. Even a telephone call from Putin could not persuade Aliyev to join the summit. The message from Baku was clear. Baku will not blindly follow the Russian policy. If during the first years of its independence, Azerbaijan needed the CIS forums, now Azerbaijan has grown stronger and does not need to follow Moscow. Baku perfectly understood that Russia uses the CIS forum to advance the Eurasian Union. The CIS is slowly becoming Moscow's tool for bringing its members into the range of Russian-led projects. By abstaining from the forum, Aliyev expressed his denunciation of such Eurasian "integration" processes. Interestingly, on the day of the summit, US Secretary of State Hillary Clinton stated that the United States is trying to prevent Russia from recreating a new version of the Soviet Union, specifically mentioning the Customs and Eurasian unions.

### Benefits of Accession

Despite the negative attitude of Azerbaijan's political establishment toward the Eurasian Union, there are several benefits Azerbaijan can gain from joining. First, accession would solve the problem of Azerbaijani laborers in Russia. According to Russia's 2002 national census, 621,500 ethnic Azerbaijanis live in fifty-five administrative entities of the Russian Federation, which makes them the thirteenth-largest ethnic minority in the country. Russian law enforcement bodies and the Azerbaijani Embassy in Moscow believe that the actual number of ethnic Azerbaijanis in Russia is much higher; some modest estimates place their number between 1.3 million and 1.8 million. These estimates also include seasonal workers or Azerbaijanis who live in Russia on a temporary basis.

According to Ruslan Grinberg, director of the Institute of Economics of the Russian Academy of Science, private remittances sent from Russia to Azerbaijan are somewhere between U.S.\$1.8 billion and \$2.4 billion every year. This figure comprises almost one-seventh of Azerbaijan's budget or 15–20 percent of the spending of the average Azerbaijani family. The loss of these remittances could increase the poverty in Azerbaijan and financially strain the government's social security system (See recommended readings).

Russia frequently uses the labor migration card to exert pressure on neighboring countries to behave "properly." The case of deportation of Georgian labor migrants in 2006–2008 is a vivid example. By joining the Eurasian Union, Azerbaijan would prevent the Russian establishment from using this card as a tool. Moreover, the free movement of labor would allow Baku to decrease unemployment and underemployment.

Second, accession to the Union would allow Azerbaijani goods and services to enter the Russian and other markets freely and at lower cost. It would definitely increase Azerbaijani exports, especially seasonal fruits, vegetables and other agricultural products. In 2011, Azerbaijani exports to CIS countries totaled \$2.9 billion, a 40% increase in comparison with 2011.

Third, if the Eurasian Union adopts a single currency, it would soften and harmonize the economic development of the country and decrease the risk of currency fluctuations.

Fourth, despite the economic nature of the union, political benefits would also follow. Russia would have little interest in destabilizing Azerbaijan, and could help to solve some problems. For example, Moscow might speed up the solution of the status of the Caspian Sea since most of the littoral states (four out of five) would be members of Eurasian Union. Last but not least, some analysts hope that Russia would help Azerbaijan to solve

the Karabakh conflict. There are certain expectations that Moscow would pressure Armenia to free the occupied territories and agree to Azerbaijani terms.

### Disadvantages of Accession

Disadvantages of accession, nevertheless, outweigh the benefits. First, the economic aspects of the Eurasian Union could be detrimental rather than beneficial. Accession to the Union may harm the Azerbaijani economy much more than anybody else's. Currently, the greatest portion of Azerbaijani exports are energy resources. In dollar values, non-oil exports, including agriculture, make up only 8–10 percent. Opening Azerbaijani markets to cheap products from Russia, Ukraine or Belarus would destroy Azerbaijan's agriculture sector and the burgeoning related industries, such as food processing. The country then would fall into the trap of the "resource curse" under which the majority of the country's revenues would be spent for imports. In its turn, such an outcome would increase prices for products and the government salary subsidies would not be able to keep pace. Such a situation would additionally increase social tensions. Imports from the CIS countries are also growing and totaled \$2.5 bn in 2011 and \$2.05 bn in 2010. The lion's share of imports are food and agricultural products.

The second most important disadvantage of joining the Eurasian Union would be losing the country's independence in deciding its own energy policy. A recent study conducted by the Baku-based Center for Economic and Social Development found that an Eurasian Union common policy is expected to harmonize the energy policies of its member states. Thus, the union would require a uniform domestic energy policy among members and external policy towards nonmembers. Such a requirement would undermine the basic principle of Azerbaijan's energy strategy. Thus, Russia would be able to dictate the price of natural gas for the European Union and non-EU members. The EU would then become more heavily dependent on Russia for its gas supply. Azerbaijan would not be able separately to negotiate either the price or the routes of delivering gas. Making the Eurasian Union some kind of gas OPEC, Russia would significantly increase its economic benefits as well as those for Azerbaijan. However, the political price for such a move would be high. Moreover, by unifying its energy policy with the Eurasian Union (i.e. Russia), Azerbaijan would seriously harm relations with long-standing allies, such as Turkey, who was a crucial partner in difficult periods for Azerbaijan.

Third, joining the Eurasian Union would detrimentally affect Azerbaijan's political development. It is no secret that authoritarian governments would consti-

tute the Eurasian Union, forming an entity in which there will be no place for the rule of law or a vibrant civil society. Each member would be interested in keeping authoritarian tendencies in the other countries. By joining the Eurasian Union, Azerbaijan will throw itself back into the club of authoritarian countries that would negatively affect civil society, party politics and the rule of law. Azerbaijan then would lose the opportunity of ever joining the European Union and moving closer to European values

Fourth, it is hard to expect that Azerbaijani society in general would accept joining the Russian-led Eurasian Union. The wounds from the Karabakh war are still fresh in the country and many people in Azerbaijan consider Moscow as the main initiator of the conflict. Moreover, it is hard to expect that Russia would help Azerbaijan solve the Karabakh conflict on Baku's terms since doing so would provoke Armenian opposition. The Azerbaijani public would hardly understand a government decision to join the Eurasian Union if Moscow does not offer anything serious in return. In fact the Azerbaijani public would consider such a union an attempt to resurrect the Soviet Union.

The last but not least disadvantage would be the evolving dominance of Russia in this union. Russia will dominate the decision-making and push for decisions benefiting Russia only. Sooner or later this organization would incorporate political and military components, turning into some kind of symbiosis of NATO and the EU. Such a new political-military alliance, with Azerbaijan on the frontline, would make the country a battleground for geopolitical games again.

#### *About the Author*

Anar Valiyev is Assistant Professor and Dean of the School of Public International Affairs at the Azerbaijan Diplomatic Academy. The views and opinions expressed in this article are those of the author and do not necessarily reflect the official policy or position of any agency of the Azerbaijani government.

#### *Recommended Readings*

- Valiyev, Anar. (2011) "Azerbaijan–Russia Relations after the Five-Day War: Friendship, Enmity or Pragmatism," *Turkish Policy Quarterly*, 2011, Volume 10, Number 3.
- Valiyev, Anar, (2009) "Victim of War of Ideologies: Azerbaijan after the Russia–Georgian War," *Demokratizatsiya*, Volume 17, Number 3, Summer 2009.
- Center for Economic and Social Development (2012). "Considering Accession to the Eurasian Economic Union: For Azerbaijan, Disadvantages Outweigh Advantages: Independent Economic Assessment.

## **Conclusion**

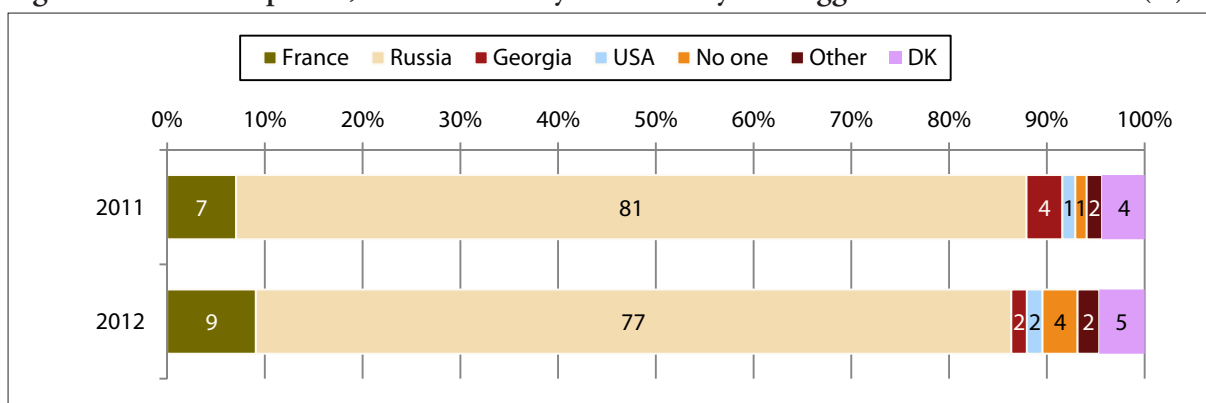
Russia will definitely use all possible tools to bring Azerbaijan into the Eurasian Union. The Russian arsenal may include the standard set of actions, including deportation of labor migrants; a transportation blockade under the accusation that Azerbaijan aides radicals in the North Caucasus; an escalation of tensions on the frontline in Karabakh as well as military threats to Azerbaijan either on the Caspian Sea or along the land border. Azerbaijan, in this case, would sustain tremendous pressure. It is hard to expect that either the EU or U.S. would intervene to help Azerbaijan or ease the pressure. As usual the West would try to pacify Russia without delivering strong messages to Putin's regime. In this case Baku would be left alone together with Georgia to become the last hurdle for Russia neo-imperialistic ambitions. Azerbaijan, in this case, may lose a lot if Russian pressure continues.

Thus, the political establishment should be very careful and cautious in its actions. The country should drag out the decision as long as possible, hoping that internal problems within the Eurasian Union bury the union before it emerges. One of the potential solutions could be Azerbaijan's signing an Associate Agreement with the Eurasian Union that would allow the country to enjoy some benefits without taking on the full range of obligations. Additionally, Baku may seek to opt out from the common energy policy, allowing the country independently to decide its fate. Azerbaijan may choose either the British or Norwegian model in its relations with the EU. In this case, Azerbaijan would be able to satisfy Russian ambitions, but would be able to keep its sovereignty.

OPINION POLL

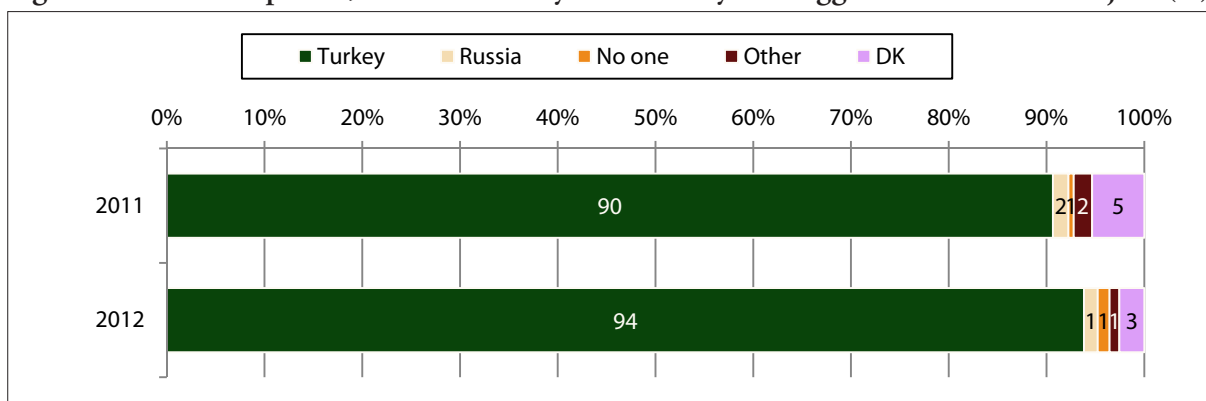
## Friends and Enemies. How the Population of the Three South Caucasus States Perceives Other Countries

Figure 1a: In Your Opinion, Which Country Is Currently the Biggest Friend of Armenia? (%)



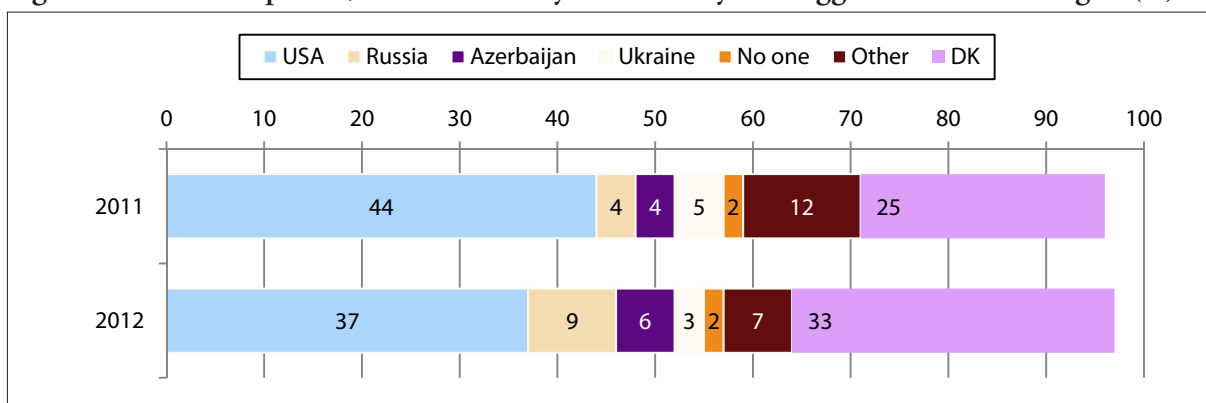
Source: Caucasus Research Resource Centers. Caucasus Barometer 2012 (representative nationwide sample excluding territories affected by military conflicts)

Figure 1b: In Your Opinion, Which Country Is Currently the Biggest Friend of Azerbaijan? (%)



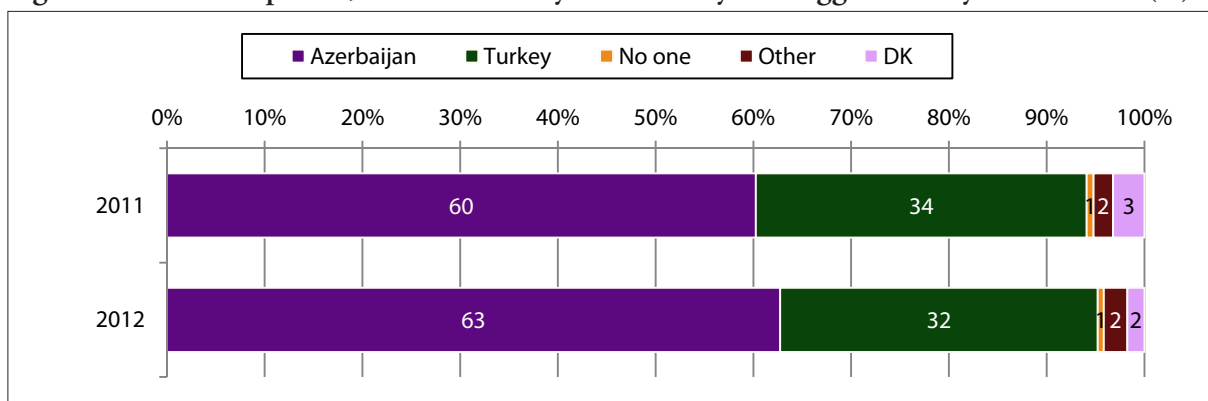
Source: Caucasus Research Resource Centers. Caucasus Barometer 2012 (representative nationwide sample excluding territories affected by military conflicts)

Figure 1c: In Your Opinion, Which Country Is Currently the Biggest Friend of Georgia? (%)



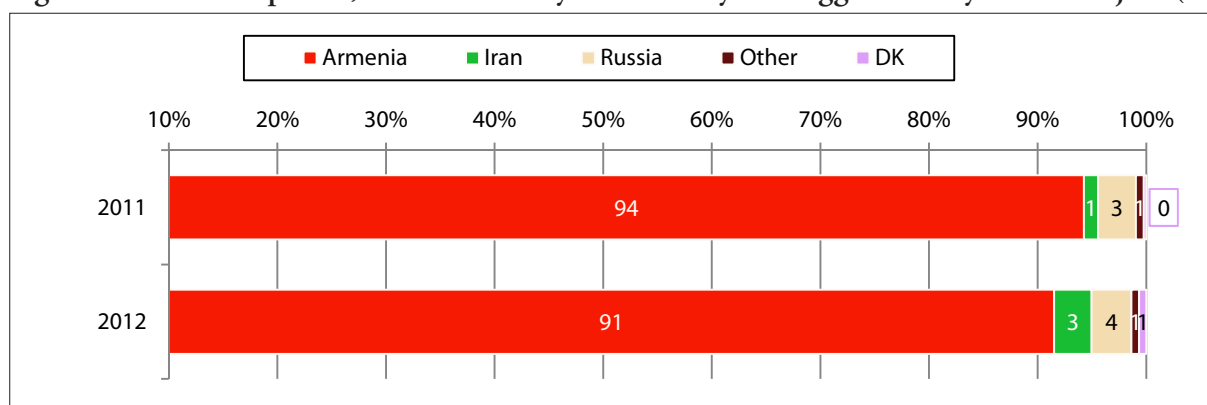
Source: Caucasus Research Resource Centers. Caucasus Barometer 2012 (representative nationwide sample excluding territories affected by military conflicts)

**Figure 2a: In Your Opinion, Which Country Is Currently the Biggest Enemy of Armenia? (%)**



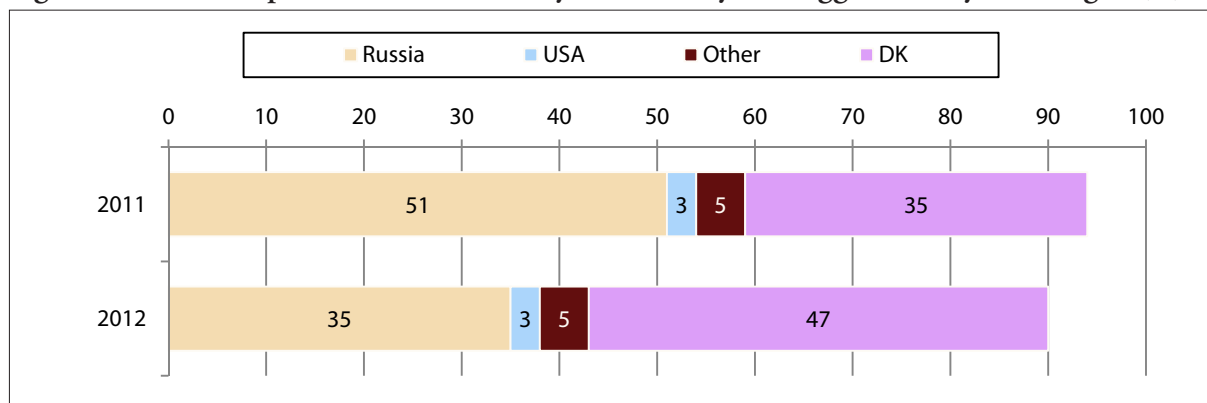
Source: Caucasus Research Resource Centers. Caucasus Barometer 2012 (representative nationwide sample excluding territories affected by military conflicts)

**Figure 2b: In Your Opinion, Which Country Is Currently the Biggest Enemy of Azerbaijan? (%)**



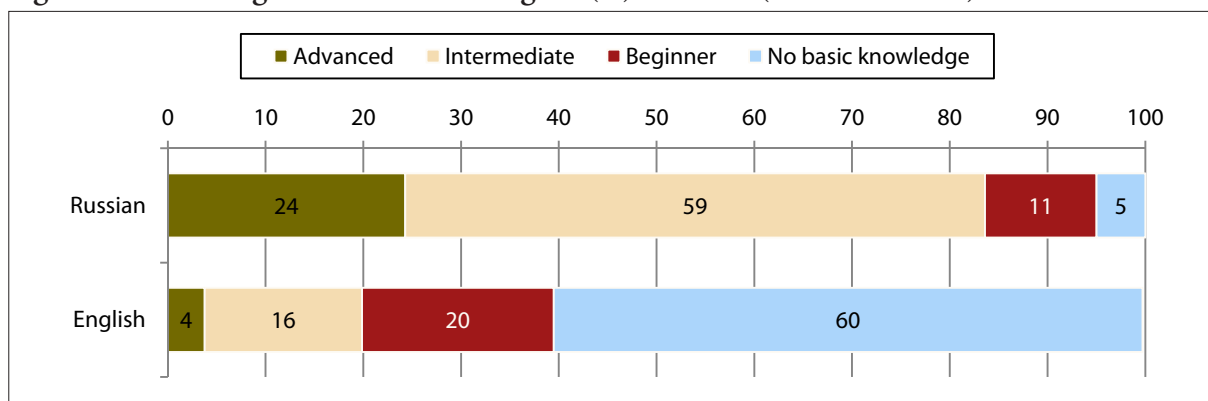
Source: Caucasus Research Resource Centers. Caucasus Barometer 2012 (representative nationwide sample excluding territories affected by military conflicts)

**Figure 2c: In Your Opinion, Which Country Is Currently the Biggest Enemy of Georgia? (%)**



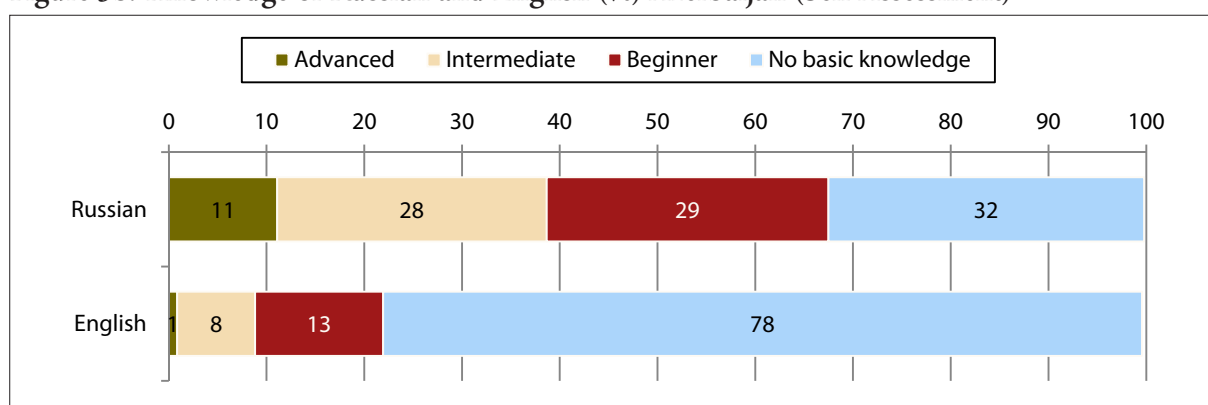
Source: Caucasus Research Resource Centers. Caucasus Barometer 2012 (representative nationwide sample excluding territories affected by military conflicts)

Figure 3a: Knowledge of Russian and English (%) Armenia (Self-Assessment)



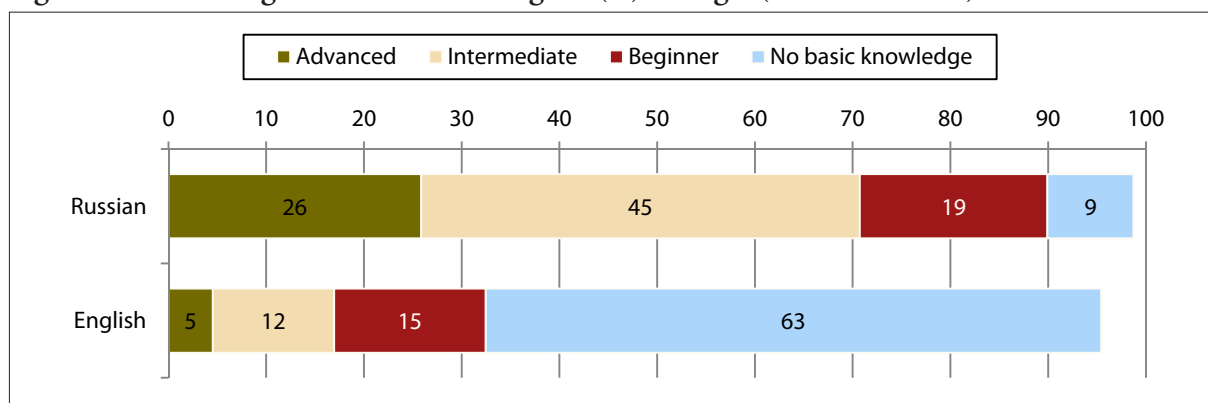
Source: Caucasus Research Resource Centers. Caucasus Barometer 2012 (representative nationwide sample excluding territories affected by military conflicts)

Figure 3b: Knowledge of Russian and English (%) Azerbaijan (Self-Assessment)



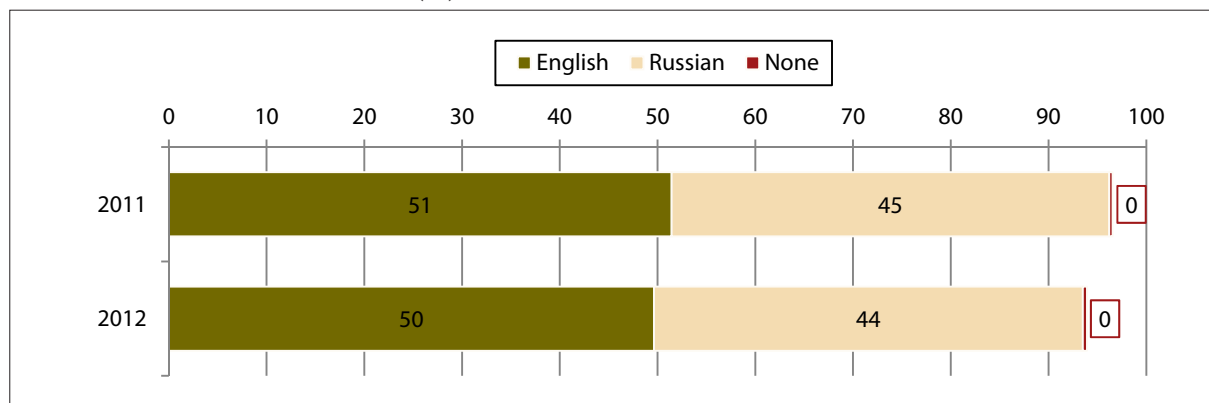
Source: Caucasus Research Resource Centers. Caucasus Barometer 2012 (representative nationwide sample excluding territories affected by military conflicts)

Figure 3c: Knowledge of Russian and English (%) Georgia (Self-Assessment)



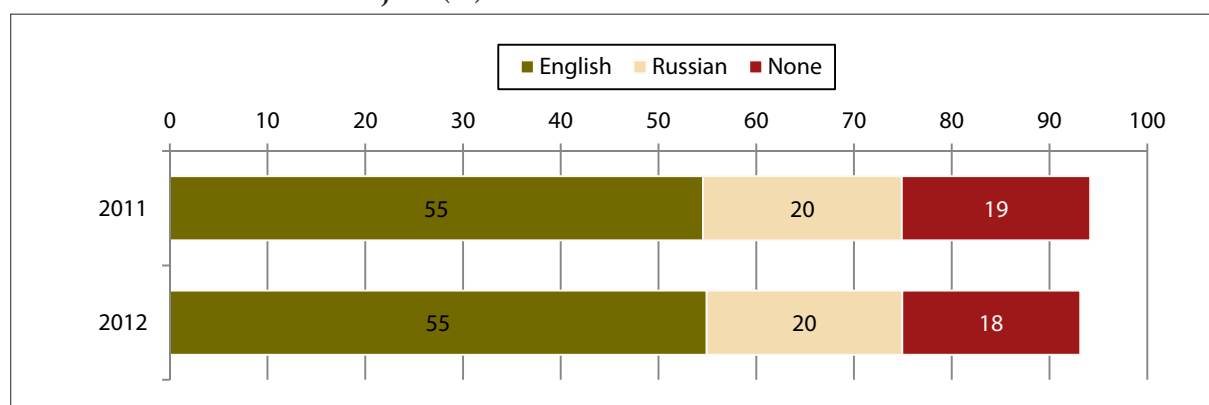
Source: Caucasus Research Resource Centers. Caucasus Barometer 2012 (representative nationwide sample excluding territories affected by military conflicts)

**Figure 4a: Which Foreign Language, If Any, Do You Think Should Be Mandatory In Secondary Schools Of Armenia? (%)**



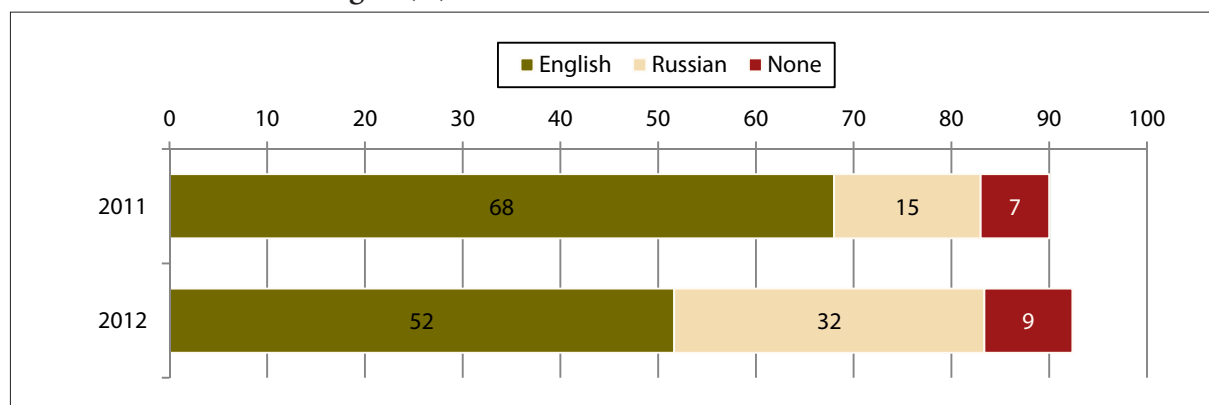
Source: Caucasus Research Resource Centers. *Caucasus Barometer 2012* (representative nationwide sample excluding territories affected by military conflicts)

**Figure 4b: Which Foreign Language, If Any, Do You Think Should Be Mandatory In Secondary Schools Of Azerbaijan? (%)**



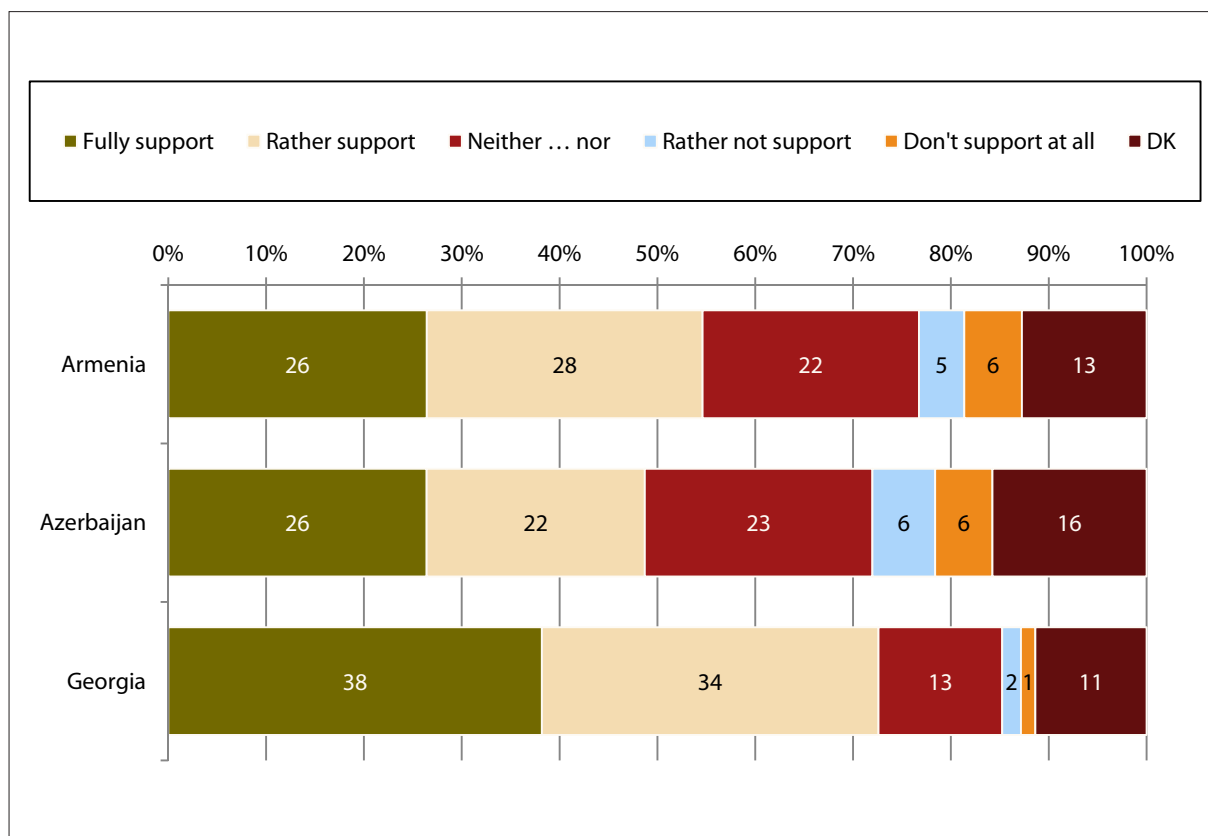
Source: Caucasus Research Resource Centers. *Caucasus Barometer 2012* (representative nationwide sample excluding territories affected by military conflicts)

**Figure 4c: Which Foreign Language, If Any, Do You Think Should Be Mandatory In Secondary Schools Of Georgia? (%)**



Source: Caucasus Research Resource Centers. *Caucasus Barometer 2012* (representative nationwide sample excluding territories affected by military conflicts)

Figure 5: To What Extent Would You Support [Our Country's] Membership in the European Union?



Source: Caucasus Research Resource Centers. *Caucasus Barometer 2012* (representative nationwide sample excluding territories affected by military conflicts)



## CHRONICLE

## From 8 May to 24 June 2013

8 May 2013	Armenian President Serzh Sarkisian visits the disputed region of Nagorno-Karabakh to mark the 68 <sup>th</sup> anniversary of the end of World War II
8 May 2013	FBI Director Robert Mueller visits Georgia and meets with Georgian Prime Minister Bidzina Ivanishvili to discuss law-enforcement cooperation between the United States and Georgia, in particular against international crime and terrorism
11 May 2013	Georgian Defense Minister Irakli Alasania meets with his Turkish counterpart İsmet Yılmaz in Istanbul to discuss bilateral cooperation between the two countries in the defense sphere
12 May 2013	First Deputy Interior Minister Gela Khvedelidze is arrested in Georgia and charged with breach of privacy over the leaking of a sex video purportedly featuring a man who had criticized him
13 May 2013	Belarus President Alexander Lukashenko meets with Armenian President Serzh Sarkisian during a visit to Armenia to discuss bilateral relations, including trade and economic issues, the Collective Security Treaty Organization (CSTO) and Armenia's experience in nuclear energy
14 May 2013	Azerbaijan starts military exercises near the disputed region of Nagorno Karabakh
14 May 2013	The Russian Defense Minister Sergei Shoigu visits a military base near Gudauta in the breakaway region of Abkhazia
14 May 2013	The Azerbaijani Parliament approves a law making online "libel" criminal and allowing harsh punishment for cases of slander
16 May 2013	The Patriarch of the Georgian Orthodox Church Ilia II calls on the authorities to ban a gay rights rally planned for 17 May in Tbilisi
17 May 2013	Violent scenes occur in Tbilisi after thousands of Orthodox activists derail the plan of a gay rights group to hold a rally to celebrate the International Day against Homophobia
19 May 2013	An Azerbaijani scholar and her driver are freed following three weeks in custody in Iran
21 May 2013	Former Prime Minister Vano Merabishvili and the former healthcare minister Zurab Tchiaberashvili are arrested in Georgia on charges of allegedly mispending public funds during the electoral campaign of the United National Movement party as well as embezzlement charges against Merabishvili dating from the time when he served as Interior Minister
23 May 2013	The Georgian Interior Ministry says that two clerics of the Georgian Orthodox Church are charged in connection with violent acts when a gay rights rally was disrupted on 17 May
26 May 2013	Georgian President Mikheil Saakashvili marks the country's Independence Day by visiting Georgian troops serving in the Helmand province in Afghanistan
28 May 2013	Prince Charles visits Armenia and attends charitable events dedicated to the preservation of the country's cultural heritage
1 June 2013	The Head of the Georgian Orthodox Church Patriarch Ilia II appeals to Russian President Vladimir Putin over the reported shift of the South Ossetian administrative border line deeper into Georgian territory
3 June 2013	A Georgian platoon in Kabul serving previously under French command continue their service under US command as French troops are gradually pulling out of Afghanistan
2 June 2013	Krzysztof Lisek, a Polish member of a European Parliament delegation, visits former Georgian Prime Minister Vano Merabishvili in jail
5 June 2013	The Georgian Prime Minister's special representative for relations with Russia Zurab Abashidze meets with Russian Deputy Foreign Minister Grigory Karasin in Prague in the framework of an informal dialogue about the restoration of Russian-Georgian bilateral relations focused on economic, trade, humanitarian and cultural issues
6 June 2013	Seven Georgian soldiers are killed and nine wounded during a truck attack in Afghanistan
7 June 2013	The ruling New Azerbaijan Party nominates incumbent Azerbaijani President İlham Aliyev to run as presidential candidate in the upcoming elections in October 2013
11 June 2013	Georgian President Mikheil Saakashvili convenes a session of the National Security Council to discuss the 6 June attacks on Georgian soldiers in Afghanistan and the release of a "jihad threat" video against Georgia with Prime Minister Bidzina Ivanishvili declaring that he will not attend the session
12 June 2013	Russian President Vladimir Putin says that Russia is prepared to restore relations with Georgia "in full scale" and calls for cooperation between the security services of the two countries

12 June 2013	Georgian Defence Minister Irakli Alasania announces the closure of two bases for Georgian troops in Afghanistan during a visit to the country and following the death of ten Georgian soldiers
12 June 2013	Former Georgian parliament speaker Nino Burjanadze announces that she will run as candidate during the presidential elections in Georgia in October 2013
13 June 2013	The Tbilisi City Court orders the pre-trial detention of two suspects originating from Dagestan and arrested by the Georgian Interior Ministry's Anti-Terrorism Center on charges of illegal arms possession
13 June 2013	Russia's deputy foreign minister Grigory Karasin says that the easing, but not lifting of visa rules for Georgian citizens travelling to Russia is being envisaged
15 June 2013	Georgia resumes wine exports to Russia following a seven-year break
17 June 2013	The Georgian Interior Ministry says that a large arms cache that was set up under the previous authorities is unearthed in the region of Samegrelo
17 June 2013	Georgian Defense Minister Irakli Alasania visits Azerbaijan to discuss bilateral military cooperation between the two countries
17 June 2013	The lawyer of former Georgian Prime Minister Vano Merabishvili, Giorgi Chiviashvili, says that his client has begun a hunger strike as he demands a TV set in his prison cell
19 June 2013	The US Millennium Challenge Corporation (MCC) approves a five-year 140 million US dollar program to boost the Georgian education sector, while the former program was mainly focused on infrastructure development
24 June 2013	Georgian Prime Minister Bidzina Ivanisvili starts a two-day visit to Israel

*Compiled by Lili Di Puppo*

*For the full chronicle since 2009 see [www.laender-analysen.de/cad](http://www.laender-analysen.de/cad)*

**ABOUT THE CAUCASUS ANALYTICAL DIGEST**

Editors: Lili Di Puppò, Iris Kempe, Matthias Neumann, Robert Orttung, Natia Mestvirishvili, Jeronim Perović, Heiko Pleines

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Founded in 1982, the Research Centre for East European Studies (Forschungsstelle Osteuropa) at the University of Bremen is dedicated to the interdisciplinary analysis of socialist and post-socialist developments in the countries of Central and Eastern Europe. The major focus is on the role of dissent, opposition and civil society in their historic, political, sociological and cultural dimensions. With a unique archive on dissident culture under socialism and with an extensive collection of publications on Central and Eastern Europe, the Research Centre regularly hosts visiting scholars from all over the world.

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**Resource Security Institute**

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