

# BACKGROUND

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## Russia's Eurasian Union Could Endanger the Neighborhood and U.S. Interests

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### Abstract

*The formation of a Eurasian Union (EAU) is the next in a series of Russian initiatives to reassert control over the former Soviet space. The Eurasian Union of Russia, Kazakhstan, and Belarus, if it follows the course that Russia will set, could threaten regional stability and undermine economic and political freedom in Eastern Europe and Central Asia. The EAU will also likely influence the sovereignty, independence, and political orientation of neighboring countries. The U.S. should work with its allies and friends in Europe and Asia to balance the Russian geopolitical offensive and protect U.S. and Western interests.*

In the fall of 2011, Russian President Vladimir Putin proposed forming a Eurasian Union (EAU) with Kazakhstan and Belarus. In November 2011, the presidents of these three countries signed an agreement to launch the Eurasian Union and make it fully operational by 2015.

Stretching from the Polish border to the Pacific, the length of the former Soviet Union, the new Eurasian Union will be the nucleus of a larger transnational entity. Russia, Kazakhstan, and Belarus are uniting their economies, legal systems, and customs services to create a stronger Eurasian global player. They are coordinating their militaries through the Collective Security Treaty Organization (CSTO), and Putin is pushing for more coordination of their security services. This geopolitical consolidation will likely affect their neighbors' sovereignty, independence, and political orientation. Armenia, Georgia, Kyrgyzstan, Moldova, Tajikistan, and Ukraine

### KEY POINTS

- The formation of a Eurasian Union (EAU) is the next in a series of Russian initiatives to reassert control over the former Soviet space. The EAU could threaten regional stability and undermine economic and political freedom in Eastern Europe and Central Asia.
- Moscow promotes bilateral and regional integration to keep its neighbors in Russia's orbit, strengthening Russian influence over their politics and constraining their ability to develop relations with outside powers.
- The U.S. should prepare for involvement in the heart of Eurasia after the drawdown of U.S. and NATO troops in Afghanistan. The U.S. should not abandon the field to Russia or China.
- Washington should work with regional powers bilaterally and with its allies, from Japan and Korea, to Turkey and the European powers multilaterally, particularly to prevent the Eurasian Union from closing market access and expanding state sectors.
- The U.S. should also boost regional geopolitical, linguistic, religious, and historical expertise in the U.S. government.

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MAP 1



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may be considered for future membership in the Eurasian Union.

A Eurasian Union that evolves into a Russian sphere of influence would adopt a mercantilist approach to the global economy. It will likely monopolize regional security, could threaten regional stability, and undermine economic and political freedom in Central Asia and beyond. U.S. policy should hedge against such efforts and make the case that an open economic environment offers a greater prospect for regional development. Such an approach would serve U.S. interests and create a better environment for a peaceful and prosperous Central Asia. The U.S. should organize an interagency effort to promote good governance and rule-based market economics as well as to combat efforts to close markets to the West.

### **The Eurasian Union: Putin's Top Geopolitical Priority**

Vladimir Putin famously said in 2005 that the collapse of the Soviet Union was the greatest geopolitical catastrophe of the 20th century and a genuine tragedy for the Russian people.<sup>1</sup> While focusing on the post-Soviet erosion of Russian power and the rise of the U.S., NATO, China, and India on the global stage, the Russian leader disregarded the quest of the 14 former Soviet states for independence. In an article in *Izvestia* in October 2011, Putin proposed forming a Eurasian Union as part of his presidential election campaign.<sup>2</sup> He envisioned integrating Russia and ultimately all of the former Soviet republics, except the Baltic states, by removing barriers to the flow of goods and people within a common economic space and by harmonizing domestic and external policies and legislation. He wrote:

1. Associated Press, "Putin: Soviet Collapse a 'Genuine Tragedy,'" MSNBC, April 4, 2005, [http://www.msnbc.msn.com/id/7632057/ns/world\\_news/t/putin-soviet-collapse-genuine-tragedy/](http://www.msnbc.msn.com/id/7632057/ns/world_news/t/putin-soviet-collapse-genuine-tragedy/) (accessed April 24, 2013).  
2. Vladimir Putin, "A New Integration Project for Eurasia: The Future in the Making," *Izvestia*, October 3, 2011, <http://www.russianmission.eu/en/news/article-prime-minister-vladimir-putin-new-integration-project-eurasia-future-making-izvestia-3-> (accessed April 24, 2013).

It is crucial that the Common Economic Space [the precursor of the Eurasian Union] is rooted in coordinated action in key institutional areas such as: macroeconomics, ensuring competition, technical regulations, agricultural subsidies, transport, and natural monopolies tariffs. Later, this framework will also include common visa and migration policies, allowing border controls between our states to be lifted. In fact, we are adapting the experience of the Schengen [visa] Agreement that benefits Europeans as well as everyone who comes to work, study, or holiday in the EU.<sup>3</sup>

The high-level leadership, speed, large staff, and considerable funding set the Eurasian Union apart from past integration efforts. In 2010, Russia, Kazakhstan, and Belarus implemented a uniform external customs tariff and adopted a customs code. In 2011, they lifted internal border controls. In July 2012, they inaugurated the Single Economic Space and a Eurasian Economic Commission in Moscow to administer it. The commission is headed by Victor Khristenko, former Russian Vice Premier and Minister of Industry and Energy, and 85 percent of its personnel are citizens of Russia. The presidents of Russia, Belarus, and Kazakhstan signed the agreement to launch the Eurasian Union in November 2011. It will be fully functional in 2015, and then, as Khristenko said, “longer-term action” can be considered, presumably leading to further integration.<sup>4</sup>

### **Not Like the European Union**

The Eurasian Union is based on two major documents: the Customs Code and the Codified Agreement on the Customs Union and Common Economic Space, which spell out the legal rules and norms for the functioning of a common market. This is a major break with past integration efforts, which generated hundreds of vague, fragmented agreements that largely remained unimplemented.

The key institution is the Eurasian Commission, which was launched in July 2012. Similar to the Commission of the European Union, its main

responsibility is to ensure smooth operation of the common market by enforcing rules and regulations and to carry out initiatives for further integration. The commission has jurisdiction over tariff and non-tariff regulation (e.g., sanitary controls), customs administration, technical regulation, competition policy, energy, transport, intellectual property protection, migration, and other areas.

The commission’s employees are formally “supranational bureaucrats” who supposedly take no instructions from their member states and act in the interests of the EAU as a whole. The commission’s headquarters is located in downtown Moscow, although its future headquarters might be relocated to Astana upon Kazakhstan’s insistence. Unlike the EU, the EAU Commission will make decisions by majority vote, not by consensus. Of course, Russia will dominate the decision-making process with its 57 percent vote, while Belarus and Kazakhstan have 21.5 percent each.

### **The Military Dimension**

The Eurasian Union can be seen as a “soft power”—primarily economic—project. Russia hopes to translate its relatively large population, power, wealth, and size into greater influence around its periphery. With 600 years of empire building behind them, the Russian leaders are well aware that they must back up this influence with a hard power (military and security) component. The Collective Security Treaty Organization (CSTO) charter signed in 2002 entered into force in 2006, when its members appointed a secretary general to lead the organization. The CSTO includes the other Customs Union members—Belarus and Kazakhstan—as well as several potential members: Armenia, Kyrgyzstan, and Tajikistan. Uzbekistan withdrew from the treaty in July 2012.

As a military alliance, the CSTO is dominated by the Russian armed forces, which maintain military bases in Armenia, Kyrgyzstan, and Tajikistan. Russia also controlled until recently the Gabala radar station in Azerbaijan; three military bases in Abkhazia and one base in South Ossetia, regions of Georgia that are occupied by Russia; ground forces

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3. Ibid.

4. Roman Mamonov and Polina Chernitsa, “Viktor Khristenko: EEU to Promote Interests of Russia, Belarus and Kazakhstan,” *The Voice of Russia*, November 19, 2011, <http://english.ruvr.ru/2011/11/19/60655893.html> (accessed April 24, 2013), and BBC News, “Russia Sees Union with Belarus and Kazakhstan by 2015,” November 18, 2011, <http://www.bbc.co.uk/news/world-europe-15790452> (accessed April 24, 2013).

## Integration in the Post-Soviet Space

- 1991 **Commonwealth of Independent States (CIS)** is created as a successor to the USSR, but lacks any supranational powers. The CIS provides a venue for the member states' officials to meet regularly to discuss matters of interest.
- 1996 **Russia-Belarus Union State Treaty** keeps Belarus firmly in the Russian orbit. Russia grants Belarus privileged access to its market, provides subsidies, and allows Belarusian citizens to work and live in Russia without a visa.
- 1996 **CIS Customs Union is created.** Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan are members. Border controls and internal tariffs remained.
- 2000 **Eurasian Economic Community (EurAsEC)** replaces the dysfunctional CIS Customs Union. Its major goal is to harmonize economic and social policies that would ultimately enable the formation of a common economic space. The EurAsEC is headed by a general secretary and has an integration committee consisting of councils over special areas (e.g., transport council, customs council, and export controls).
- 2002 **Collective Security Treaty Organization (CSTO)** charter is adopted and includes Russia, Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan. Formally a military alliance, the CSTO primarily serves as Russia's vehicle to retain access for its armed forces to the post-Soviet space and to deepen military ties.
- 2007 **Eurasian Customs Union** treaty is signed by Russia, Belarus, and Kazakhstan.
- 2010 **Belarus-Russia-Kazakhstan Customs Union** goes into effect on January 1, 2010, with the introduction of uniform customs tariffs, with exceptions. A unified customs code enters into force.
- 2011 *July 1.* Customs Union members eliminate internal border controls.  
*November 18.* **Eurasian Union** created by the presidents of Russia, Belarus, and Kazakhstan.
- 2012 *July 1.* **Single Economic Space** is inaugurated.  
*July 1.* **Eurasian Economic Commission** begins work.  
*July.* Uzbekistan withdraws from the EurAsEC.
- 2015 **Eurasian Economic Union** is scheduled to become fully operational.

in Transnistria, Moldova; an infantry division in Tajikistan; and a naval base in Sevastopol, Ukraine. The Russian Federation is currently spending \$800 billion to reform and rearm the military, which will force the CSTO to adapt the alliance to the context of Eurasian integration.<sup>5</sup>

In February 2009, the CSTO agreed to form the Rapid Reaction Forces (KSOR), a permanent combat-ready military component for crisis response.

As one military expert writes, the alliance is moving toward establishing a unified command and empowering the Joint Chief of Staff in charge of CSTO military forces, effectively creating a military arm of the Eurasian Union.<sup>6</sup> Russia's airborne forces, which constitute the majority of KSOR troops, are expanding from 7,500 to 20,000 troops by 2017. The Russian Defense Ministry nominated General Vladimir Shamanov, the popular commander of

5. Bruce Pannier, "Putin Proposes Vast Rearmament," Radio Free Europe/Radio Liberty, February 20, 2012, [http://www.rferl.org/content/putin\\_military\\_russia\\_rearmament\\_reform/24489479.html](http://www.rferl.org/content/putin_military_russia_rearmament_reform/24489479.html) (accessed April 24, 2013).

6. Roger McDermott, "The Kremlin, General Shamanov and Transforming the CSTO," *Eurasia Daily Monitor*, October 2, 2012, [http://www.jamestown.org/programs/edm/single/?tx\\_ttnews%5Btt\\_news%5D=39918&cHash=11c5894c8c26c39101fe6a89ab698ba2](http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=39918&cHash=11c5894c8c26c39101fe6a89ab698ba2) (accessed April 24, 2013).

Russia's airborne troops, to be the next CSTO Chief of Staff.<sup>7</sup>

The CSTO has sought partnerships with NATO and the U.N. to boost its legitimacy, but its overtures to Washington have been unsuccessful, as the White House has been careful to avoid legitimizing Russia's presence in the post-Soviet space.<sup>8</sup>

### Russia's Eurasian Vocation

Geographically, Russia has been a Eurasian power since its conquests of Central Asia, Siberia, and the Far East in the 16th–19th centuries.<sup>9</sup> The Russian Empire undertook numerous campaigns to gain territories in the Caucasus and Central Asia, taking Georgia, Armenia, and Azerbaijan from the Ottomans and the Persian Empire and bringing to heel the khanates of Khiva, Khorezm, and Bukhara in the 19th century.<sup>10</sup> However, Eurasianism as a political ideology emerged after the Russian Revolution of 1917. The Russian émigré thinkers formulated a third way for Russia between East and West and between capitalism and socialism. The idea never fully developed due to the predominance of Leninism.

Debate on Eurasianism reemerged following the Soviet collapse in 1991, dividing those who favored integration with Western Europe and the U.S. and those who argued that Russia should focus on dominating Ukraine, Belarus, and the Eurasian “heartland,” including Central Asia and the Caucasus, in opposition to the West.

In the 1990s the newly formed Commonwealth of Independent States (CIS) had little supranational power and participation was lukewarm. Declining

Russian influence over the post-Soviet space alarmed Kremlin strategists who feared that Russian security would suffer if Russia failed to regain some clout there, possibly leading to NATO membership by such countries as Ukraine and Georgia.

Yevgeny Primakov, who served as director of Russia's Foreign Intelligence Service (1991–1996), foreign minister (1996–1998), and prime minister (1998–1999) envisioned the emergence of a multipolar world, in which American influence would be first diluted and then opposed. He envisaged future integration of the CIS countries with Russia. He also actively supported and personally managed Russia's collaboration with anti-Western states—such as Iraq, Iran, and China—to promote a multipolar international order.<sup>11</sup> The 1996 treaty of integration with Belarus, which created the Union State, was post-communist Russia's first major foreign policy step to reintegrate the former empire.

In the 2000s, rising energy prices enabled Russia's resurgence in the neighborhood and on the world stage. In October 2000, Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan formed the Eurasian Economic Community (EurAsEC) with the declared goal of creating a customs union and single economic space.<sup>12</sup>

Today, Moscow opposes Western attempts to reach out to the post-Soviet countries. Russia was even upset with the EU's Eastern Partnership program, which was launched in 2009 to facilitate relations with post-Soviet states. President Dmitry Medvedev called for a “sphere of privileged influence” in the aftermath of the 2008 Georgia war, and

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7. Robert Tilford, “Russia to Double Size of Airborne Forces over the Next 7 Years,” *Examiner.com*, August 24, 2012, <http://www.examiner.com/article/russia-to-double-size-of-airborne-forces-over-the-next-7-years> (accessed April 24, 2013), and RIA Novosti, “Obyedinennyi shtab ODKB mozhет vozglavит komanduyushii VDV” (VDV's commander might head CSTO's chief of staff), September 21, 2012, [http://www22.ria.ru/defense\\_safety/20120921/755633021.html?ria=99obek6lvrs69ujf9pr9a2vgcmqo66ji](http://www22.ria.ru/defense_safety/20120921/755633021.html?ria=99obek6lvrs69ujf9pr9a2vgcmqo66ji) (accessed April 24, 2013).
  8. Vladimir Socor, “The UN Accepts CSTO as a Regional Security Organization,” *Eurasia Daily Monitor*, March 19, 2010, [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=36177](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=36177) (accessed April 24, 2013).
  9. Fausiya Bayramova, “Zavoevanie Sibirskogo Hanstva: Novyi Vzglad” (The conquest of the Siberian khanate: new perspective), *MTSS.ru*, May 20, 2008, [http://www.mtss.ru/?page=/f\\_bajram/zav\\_sib\\_han](http://www.mtss.ru/?page=/f_bajram/zav_sib_han) (accessed April 24, 2013).
  10. Olivier Roy, *The New Central Asia: The Creation of Nations* (New York: New York University Press, 2005), pp. 25–27.
  11. Ariel Cohen, “The ‘Primakov Doctrine’: Russia's Zero-Sum Game with the United States,” *Heritage Foundation F.Y.I.* No. 167, December 15, 1997, <http://www.heritage.org/research/reports/1997/12/the-primakov-doctrine-russias-zero-sum-game-with-the-united-states>.
  12. Dmitry Glumskov, “Evrazijskaja integracija reshila ne ischezat” (Eurasian integration moves forward), *Kommersant*, January 26, 2002, <http://www.kommersant.ru/doc/307538> (accessed April 24, 2013).

his half-baked proposal of a treaty on European security failed to find support in the West.<sup>13</sup>

Vladimir Putin's promotion of the Eurasian Union in the fall of 2011 is a multipronged and strategic move aimed at:

1. Creating an independent pole in the perceived global multipolar system, consolidating the Eastern Slavic and Christian Orthodox demographic core with the industrial and natural resources potential of Kazakhstan;
2. Meeting the Chinese economic challenges, primarily in Central Asia; and
3. Opposing the Islamist expansion into Central Asia, the North Caucasus, Siberia, the Urals, and the Volga region.

### Russia Turning East

Russia is also undertaking its own "pivot to Asia" for political and economic reasons. First, the Putin administration is tired of the Western leaders "lecturing" them about political freedoms and human rights. Second, as Russian trade with the EU stagnates and business with the U.S. remains abnormally low due to hostility, analysts point to the Kremlin spending \$20 billion to host foreign delegations at the recent Asia-Pacific Economic Cooperation (APEC) forum in Vladivostok as a sign that Russia is turning away from recession-stricken Europe and toward Asia.<sup>14</sup> Although the EU accounts for 50 percent of Russian foreign trade and is a major cultural influence and tourism destination, in 2012, China surpassed Germany as Russia's top trading partner for the first time.<sup>15</sup> Russia's Far Eastern and Siberian Federal

Districts, which share land borders with China, Kazakhstan, and Mongolia, account for 66 percent of Russia's territory. With Asia's growing importance, it is understandable that Eurasian integration is strategically appealing to the Russian leadership.

### In 2012, China surpassed Germany as Russia's top trading partner.

### The Drivers for Eurasian Union

To date, the Eurasian Union is the most serious attempt by post-communist Russia to recreate a deeply integrated sphere of influence. The Russian elites already refer to it as *Bolshaya strana* (the Big Country). While Vladimir Putin states that the Eurasian Union is not an attempt to restore what did not work in the past but to achieve greater integration based on new values, politics, and economy, the project appears to head straight for the past—to Soviet-like integration.<sup>16</sup>

This comes at a cost to Russia and Eurasia's partners. The proposed union will likely divert its trade away from the rest of the world. According to one World Bank study, Kazakhstan actually lost real income per capita in 2011, mostly due to the Customs Union's higher external tariffs, which hinder trade diversification.<sup>17</sup>

The Eurasian Union may also harm the economies of neighboring non-members. Russia has been courting Armenia, Kyrgyzstan, Tajikistan, and Ukraine to join the organization, but Azerbaijan and Georgia have clearly indicated that they will not become members.

13. Andrew E. Kramer, "Russia Claims Its Sphere of Influence in the World," *The New York Times*, August 31, 2008, <http://www.nytimes.com/2008/09/01/world/europe/01russia.html> (accessed April 24, 2013). See also Richard Weitz, "The Rise and Fall of Medvedev's European Security Treaty," *The German Marshall Fund of the United States*, May 29, 2012, <http://www.gmfus.org/archives/the-rise-and-fall-of-medvedevs-european-security-treaty/> (accessed April 26, 2013).

14. Pavel Felgenhauer, "After APEC Summit in Vladivostok, Moscow Declares War on EU," *Eurasia Daily Monitor*, September 13, 2012, [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=39840](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=39840) (accessed April 26, 2013).

15. Xinhua, "China Becomes Russia's Top Trading Partner," *China Daily*, September 26, 2012, [http://www.chinadaily.com.cn/china/2012-09/26/content\\_15782932.htm](http://www.chinadaily.com.cn/china/2012-09/26/content_15782932.htm) (accessed April 26, 2013).

16. Yuriy Krupnov, "Novaja bol'shaja strana. Evrazijskij sojuz—edinaja civilizacija, mnogo gosudarstv" (New big country. Eurasian Union—one civilization, many states), *KM.ru*, September 28, 2012, <http://www.km.ru/spetsproekty/2012/09/28/strategii-razvitiya-rossii/693480-novaya-bolshaya-strana-evraziiskii-soyuz-e> (accessed April 26, 2013).

17. The World Bank, "Kazakhstan in the Customs Union: Losses or Gains," April 18, 2012, <http://www.worldbank.org/en/news/2012/04/18/kazakhstan-in-the-customs-union-losses-or-gains> (accessed May 3, 2013).

The Eurasian project flows not only from Russia's preoccupation with influence and prestige in the post-Soviet space, but also from Russia's need to adapt to the changing international environment. Thus, the Russians are apprehensive about the expected U.S. pullout from Afghanistan in 2014 and are determined to maintain security in the region. Russia's goals in Central Asia include containing radical Islam and fighting narcotics trafficking.

**Containment of Islamic Fundamentalism and Fighting Narcotics Trafficking.** Russia is facing an Islamist insurgency in the North Caucasus that threatens to turn the whole region into a haven for international terrorism. Following the American departure from Afghanistan in 2014, a surge of extremists from Afghanistan into Central Asia and from the North Caucasus into the rest of Russia would be Moscow's worst nightmare. Russia currently has the 201st Division (approximately 7,000 personnel) in Tajikistan, the Kant airbase in Kyrgyzstan, and the 102st Military Base (approximately 3,000 personnel) in Gyumri, Armenia. Russia intends to build a major counterterrorism center in Osh, Kyrgyzstan. The CSTO's efforts are directed at reforming and integrating allied forces, including air defenses, and making them compatible and interoperable; boosting weapons sales; conducting training and exercises; and expanding its network of military bases. A major \$800 billion military reform program is aimed at creating well-equipped mobile brigades capable of fast response to local and regional conflicts.<sup>18</sup>

Insurgency, cross-border infiltration, and smuggling are especially acute in Tajikistan, which shares a porous 800-mile border with Afghanistan. This long border is the major avenue for smuggling Afghan drugs to Russia and Europe. In Russia, which has approximately 2.5 million heroin addicts, drugs have become a health disaster.

**Building a Sphere of Influence.** Russia is striving to create a sphere of influence in Eurasia,

making it more difficult for foreign powers, especially the U.S. and China, to operate in Central Asia, the Caucasus, or the western tier of the Commonwealth of Independent States (Belarus, Moldova, and Ukraine). The Kremlin was frightened by "color revolutions" in Ukraine and Georgia and views them as U.S.-led conspiracies aimed at undermining Russian influence. Furthermore, some nationalists and Eurasianists view the revolutions as rehearsals by pro-American political forces to topple the current regime in Russia.

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The Kremlin has supported the NATO military mission in Afghanistan, but Moscow (and Beijing) have never been comfortable with the U.S. military presence in Central Asia. The Kremlin pressured Kyrgyzstan to close the Manas Air Base at Bishkek's international airport in 2008 and 2010 in exchange for discounted loans of over \$1 billion. Kyrgyzstan promised to shut the base, but never did because Russia failed to provide the loans.<sup>19</sup>

Russia's strategic and defense partnership with Kazakhstan is of crucial importance. Moscow views the Kazakh territory as a buffer separating the mostly unguarded 5,000-kilometer Russian frontier from instability originating in other Muslim-populated states in Central Asia and beyond. By 2013, Astana and Moscow plan to integrate their common air and missile defense command with Russia's latest S-400 "Triumph" missile defense systems deployed in Kazakhstan.<sup>20</sup>

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18. Jim Nichol, "Russian Military Reform and Defense Policy," Congressional Research Service Report for Congress, August 24, 2011, <http://www.fas.org/sgp/crs/row/R42006.pdf> (accessed April 26, 2013).

19. Michael Schwartz, "New Leader Says U.S. Base in Kyrgyzstan Will Be Shut," *The New York Times*, November 1, 2011, <http://www.nytimes.com/2011/11/02/world/asia/kyrgyzstan-says-united-states-manas-air-base-will-close.html> (accessed April 26, 2013).

20. RIA Novosti, "Russia, Kazakhstan to Combine Air Defense," July 11, 2012, [http://en.rian.ru/military\\_news/20120711/174548551.html](http://en.rian.ru/military_news/20120711/174548551.html) (accessed April 26, 2013).

and they are calling for active military cooperation within the CSTO.<sup>21</sup>

**Control of Natural Resources and Key Infrastructure.** The Eurasian Union is modeled after the 19th century customs and currency unions, which were at the heart of spheres of influence in Central Europe. Whether the proposed union has a sound foundation and the potential to promote stability and prosperity in the post-Soviet space is debatable. To a significant degree, its success will depend on Russia's willingness to play by the rules and to act as an impartial and reliable partner, not as a hegemon which manipulates the organization for its own gains.

Of course, Russia's imperial past and endemic corruption undermine its trustworthiness and economic leadership. Russia ranks an abysmal 133rd in Transparency International's Corruption Perceptions Index, 112th in the World Bank's Doing Business index, and 139th in the Heritage Foundation's *Index of Economic Freedom*.<sup>22</sup> Its history of conquest, exploitation, and hardball politics with its neighbors does not help and sometimes backfires.<sup>23</sup> That history makes it difficult to see how Russia can effectively and cooperatively lead a supranational rule-based economic organization. Similarly, doubts remain about Russia's capacity to manage the region with complex interethnic relations and interstate issues, especially given its serious domestic Islamist insurgency problem and recent nationalistic and Christian Orthodox revival.<sup>24</sup>

The Eurasian Union will help Russia retain privileged access to resources and help to pull the post-Soviet states' economies into a closer Russian orbit. Central Asia is rich in natural resources,

especially energy, including oil, gas, coal, and uranium. Russian firms have invested heavily in the Kazakh energy sector and are active across the post-Soviet space.

In the West, Moscow has worked to obstruct the EU-backed Nabucco pipeline from Azerbaijan, which would bypass Russia, and has so far derailed the Trans-Caspian gas pipeline, which would bring Turkmen gas to Europe. The Nord Stream gas pipeline to Germany and the planned South Stream pipeline to European markets are part of Russia's strategy to bypass transit countries in Europe, especially Ukraine, and enhance Europe's dependency on energy supplies from Russia. The Eurasian Union includes an energy commission that will make it easier for Russia to promote and impose pipelines based on Moscow's preferences.

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## The Central Asia–China gas pipeline from Turkmenistan via Uzbekistan and Kazakhstan, constructed in 2009, has undermined Russia's monopoly over energy exports from Central Asia.

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However, when competing with China over natural resources, Moscow has not seen great success. For example, the Central Asia–China gas pipeline from Turkmenistan via Uzbekistan and Kazakhstan, constructed in 2009, has undermined Russia's monopoly over energy exports from Central Asia. China already controls a large portion of Kazakhstan's energy sector and is the principal importer of Turkmen gas.<sup>25</sup> To counter this trend, Russia hopes

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21. Georgiy Voloshin, "Russia and Kazakhstan Pledge to Renew Strategic Partnership amid Growing Dissatisfaction with Customs Union," *Eurasia Daily Monitor*, October 19, 2012, [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews\[tt\\_news\]=40000&tx\\_ttnews\[backPid\]=7&cHash=5d9b558eedf393ad89f5974c8d83fee3](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=40000&tx_ttnews[backPid]=7&cHash=5d9b558eedf393ad89f5974c8d83fee3) (accessed April 26, 2013).
  22. Transparency International, "Corruption Perceptions Index 2012," 2012, <http://cpi.transparency.org/cpi2012/results/> (accessed May 2, 2013); World Bank Group, "Ease of Doing Business in the Russian Federation," 2013, <http://www.doingbusiness.org/data/exploreeconomies/russia> (accessed May 2, 2013); and "Country Rankings," in Terry Miller, Kim R. Holmes, and Edwin J. Feulner, *2013 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2013), p. 371, <http://www.heritage.org/index/country/russia>.
  23. Ariel Cohen, *Russian Imperialism: Development and Crisis* (Westport, CT: Praeger, 1998), pp. 164–166.
  24. Ariel Cohen, "A Threat to the West: The Rise of Islamist Insurgency in the Northern Caucasus and Russia's Inadequate Response," Heritage Foundation *Background* No. 2643, March 26, 2012, <http://www.heritage.org/research/reports/2012/03/a-threat-to-the-west-the-rise-of-islamist-insurgency-in-the-northern-caucasus>.
  25. Katherine Hardin, "Kazakhstan's Energy Sector Since Independence: Two Decades of Growth and Challenges Ahead?" Atlantic Council *Issue Brief*, January 27, 2012, [http://www.acus.org/files/publication\\_pdfs/403/012712\\_ACUS\\_Eurasia\\_Hardin.pdf](http://www.acus.org/files/publication_pdfs/403/012712_ACUS_Eurasia_Hardin.pdf) (accessed April 26, 2013).

that the Eurasian Union would strengthen its grip on Central Asia.

**Promotion of Transportation Routes via Russia.** Russia wants to become a major transit country for commodities and finished goods transported between Asia and Europe. The abolition of customs controls between Russia, Belarus, and Kazakhstan will help to increase transit between China and Western Europe. Thus, Moscow views the possibility of major land connections between China and the West via Central Asia (bypassing Russia) as a threat to Russian interests.

Russia faces challenges because China is willing to finance and build expensive transport infrastructure in the region. China has been expanding and upgrading its railroads to the Kazakh border, building free trade zones in Kazakhstan,<sup>26</sup> and exploring new routes through Kyrgyzstan, Tajikistan, and Uzbekistan. Construction of a railroad from China to Iran and to Turkey and Western Europe may become feasible in the foreseeable future.

One example of Russia's new approach is Rossotrudnichestvo, Russia's arm for the outreach to Russian-speakers and co-ethnics, which was set up in 2008 and is headed by Konstantin Kosachev. The agency's mission is to reach out to and work with Russian-speaking communities and other groups living in Russia's periphery to nurture positive views of Russia and to promote the Eurasian Union.<sup>27</sup> In addition to television broadcasting, Russia uses university education and training of bureaucrats and security elites to tie its peripheral neighbors to Moscow. In September 2012, Russian Foreign Minister Sergei Lavrov urged Rossotrudnichestvo to work more actively to encourage inter-CIS cooperation in humanitarian efforts, proposing to double the number of student scholarships—currently

10,000 per year—that Russia gives to foreigners, especially those from friendly countries. He also spoke of the need to promote the Russian language and to protect the “legitimate rights of compatriots.” Rossotrudnichestvo is the leading platform in advancing Russian soft power abroad, including in the Eurasian Union.<sup>28</sup>

### The International Reaction

Attitudes toward Russia's supranational design vary widely in the region.

**Central Asia.** Although Kazakhstan has been the staunchest supporter of Russia's integration projects, many in Kazakhstan are skeptical of the idea, and some Kazakh economic sectors, such as chemicals and agriculture, may suffer from greater competition with Russia firms. However, Kazakhstan is weary of China's growing clout and does not want to alienate Russia, yet it wants to keep concessions at a minimum and limit integration to economic matters.<sup>29</sup>

Kyrgyzstan and Tajikistan have signaled interest in the Eurasian Union membership, but have made no commitments. Their exports markets, migrant workers, and the need for Russian and Kazakh investment are the main motivations for joining the Eurasian Union. Kyrgyz and Tajik elites know that the Customs Union and the potential Eurasian Union would make Russia an even more significant stakeholder in their domestic affairs; hence, they are uncertain.<sup>30</sup> Neutral Turkmenistan and Uzbekistan have been pursuing policies of economic and strategic emancipation from Moscow. Uzbekistan's Islam Karimov took Uzbekistan out of the CSTO in 2012 and shows no enthusiasm for Moscow's integration projects.

**South Caucasus.** Armenia may consider joining the Customs Union because of its economic

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26. Richard Weitz, “Kazakhstan–China Transportation Opportunities and Challenges,” *Eurasia Daily Monitor*, February 20, 2012, [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews\[tt\\_news\]=39036](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=39036) (accessed April 26, 2013).
  27. Dumitru Minzarari, “Soft Power with an Iron Fist: Putin Administration to Change the Face of Russia's Foreign Policy Toward Its Neighbors,” *Eurasia Daily Monitor*, September 10, 2012, [http://www.jamestown.org/programs/edm/single/?tx\\_ttnews%5Btt\\_news%5D=39821&tx\\_ttnews%5BbackPid%5D=27&cHash=c8710b741dc06d2bf242a63359e5f26a](http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=39821&tx_ttnews%5BbackPid%5D=27&cHash=c8710b741dc06d2bf242a63359e5f26a) (accessed April 26, 2013).
  28. Sergei Lavrov, “Rossotrudnichestvo Plays Key Role in the Russian Language Program,” speech at a meeting of Russian Science and Culture and representatives of the Federal Agency for CIS Affairs, Compatriots Living Abroad and International Humanitarian Cooperation, Moscow, September 3, 2012, <http://www.russkiymir.ru/russkiymir/en/publications/articles/article0292.html> (accessed April 26, 2013).
  29. Katharina Hoffman, “Eurasian Union—a New Name for an Old Integration Agenda,” *Russian Analytical Digest*, No. 112, April 20, 2012, pp. 2–4, <http://www.css.ethz.ch/publications/pdfs/RAD-112.pdf> (accessed April 26, 2013).
  30. Marlène Laruelle, “When the ‘Near Abroad’ Looks at Russia: The Eurasian Union Project as Seen from the Southern Republics,” *Russian Analytical Digest*, April 20, 2012, pp. 8–11, <http://www.css.ethz.ch/publications/pdfs/RAD-112-8-11.pdf> (accessed April 26, 2013).

dependence on Moscow. Russia is Armenia's main trading partner and controls 80 percent of its energy resources. Moscow also has a 49-year agreement to station troops at the Gyumri military base. However, while Serge Sargsyan has praised the Eurasian Union, the dominant policy is nonetheless "not to rush" any such development.<sup>31</sup>

Azerbaijan President Ilham Alyev has expressed no interest in the Eurasian Union or the Customs Union because they offer no benefits to Azerbaijan's economy and are incompatible with Azerbaijan's pro-Western orientation.

Georgia withdrew from the Commonwealth of Independent States during the brief military conflict with Russia in August 2008. The Georgian situation remains unclear after the victory by the Georgia Dream coalition, led by billionaire Bidzina Ivanishvili. Yet it is difficult to imagine that Tbilisi would warm up to membership in the Eurasian Union.

**Ukraine.** Ukraine is one non-member of the Customs Union that Russia sees a strategic imperative to rope into the organization. Moscow is trying to lure Kyiv by offering heavily discounted gas prices.<sup>32</sup> However, pro-Russian politicians in Kyiv are unsure whether to embrace the union. Ukraine is a partner country within the European Neighborhood Policy. Kyiv is also seeking to sign an EU Association Agreement with important trade benefits.

**The EU Members.** EU policies in Eurasia have lacked clear goals, a strategic focus, and able leadership. The EU Commission and other EU institutions have adopted the "wait and see" approach toward the region, particularly toward the Eurasian Union, because some in Europe still regard geopolitics as a dirty word. As one writer noted, the Eurasian Union seems to be designed in parallel with the European Union, rather than in harmony with it, thus closing the door to Eurasia's integration into the EU.<sup>33</sup>

**China.** China has typically remained tight-lipped. It has neither opposed nor endorsed the

Eurasian Union. China does not see the Eurasian Union as a significant concern because China is already highly invested in Central Asia, especially in energy, and can ensure that its interests are properly protected. If the Eurasian Union promotes stability in the region, China welcomes it because stability promotes greater economic cooperation.<sup>34</sup> On the other hand, Belarus and Ukraine would remain in Russia's orbit, while China selectively pursues its business goals there.

### Why the Eurasian Union Matters for the U.S. and the West

A new authoritarian, anti-Western, mercantilist Russian sphere of influence would recreate the dynamics of the 19th century Great Game between the Romanov Empire and the British Empire and of the 20th century Cold War. It could deny NATO and the U.S. strategic access to air, land, and sea lanes, or control them, as Moscow did during the Afghanistan campaign. This is not what the U.S. and NATO want.

Moscow is already demanding an end to the U.S. presence in Central Asia. It wants American forces out of the Manas Transit Center in Kyrgyzstan. Russia is also pressuring Ukraine to join the Customs Union and the Eurasian Union, which would effectively foreclose Ukraine's European integration and future NATO membership. The geopolitical level playing field is a *sine qua non* of American political engagement, just as Washington does not seriously oppose Moscow's current deep economic involvement in Cuba and Venezuela.

Russia uses all elements of state power in Eurasia, while the U.S. and its allies limit themselves primarily to diplomacy. Speaking to the Federal Security Service command on February 14, 2013, Putin ordered the counterintelligence service to "deal" with opponents of post-Soviet integration, including in cyberspace. He equated "extremists" with "terrorists," opening the door to covert action operations

31. Ibid.

32. RosBiznesKonsalting, "Rossiya zavlekayet Ukrainu v Tamozhennyi dosyuz deshevym gazom" (Russia lures Ukraine into the customs union with cheap gas), October 9, 2012, <http://top.rbc.ru/economics/09/10/2012/673456.shtml> (accessed April 26, 2013).

33. Rika Dragneva and Kataryna Wolczuk, "Russia, the Eurasian Customs Union and the EU: Cooperation, Stagnation or Rivalry," Chatham House *Briefing Paper*, August 2012, [http://www.chathamhouse.org/sites/default/files/public/Research/Russia%20and%20Eurasia/0812bp\\_dragnevawolczuk.pdf](http://www.chathamhouse.org/sites/default/files/public/Research/Russia%20and%20Eurasia/0812bp_dragnevawolczuk.pdf) (accessed April 26, 2013).

34. Wang Liu, "Russia's Eurasian Union Strategy and Its Impact on Sino-Russian Relations and SCO," *Contemporary International Relations*, Vol. 22, No. 3 (May-June 2012), <http://www.cicir.ac.cn/english/ArticleView.aspx?nid=4092> (accessed April 26, 2013).

TABLE 1

## Central Asian Trade with Russia and China, 2010

RUSSIA									
	IMPORTS FROM RUSSIA			EXPORTS TO RUSSIA			TOTAL TRADE WITH RUSSIA		
	<i>In Millions of Euros</i>	<i>% Total Imports</i>	<i>Russia's Rank</i>	<i>In Millions of Euros</i>	<i>% Total Exports</i>	<i>Russia's Rank</i>	<i>In Millions of Euros</i>	<i>% Total Trade</i>	<i>Russia's Rank</i>
Kazakhstan	4,238.4	18.7%	3	1,780.8	4.9%	3	6,019.2	10.3%	3
Kyrgyzstan	810.4	15.0%	2	268.7	32.1%	1	1,079.1	17.3%	2
Tajikistan	646.8	32.3%	1	76.9	8.5%	3	723.7	24.9%	1
Turkmenistan	600.6	14.2%	3	101.9	4.0%	8	702.5	10.3%	4
Uzbekistan	1,382.8	21.4%	1	1,047.8	24.1%	1	2,430.6	22.5%	1

  

CHINA									
	IMPORTS FROM CHINA			EXPORTS TO CHINA			TOTAL TRADE WITH CHINA		
	<i>In Millions of Euros</i>	<i>% Total Imports</i>	<i>China's Rank</i>	<i>In Millions of Euros</i>	<i>% Total Exports</i>	<i>China's Rank</i>	<i>In Millions of Euros</i>	<i>% Total Trade</i>	<i>China's Rank</i>
Kazakhstan	7,724.3	34.1%	1	7,579.7	21.1%	2	15,304.1	26.1%	2
Kyrgyzstan	3,391.2	62.7%	1	48.0	5.7%	4	3,439.3	55.0%	1
Tajikistan	180.6	9.0%	4	335.5	37.3%	1	516.1	17.8%	2
Turkmenistan	434.6	10.2%	4	722.4	28.4%	1	1,157.1	17.0%	2
Uzbekistan	978.9	15.2%	4	889.7	20.5%	2	1,868.6	17.3%	2

Source: European Commission, Bilateral Relations, Countries and Regions, <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries-and-regions/> (accessed November 13, 2012).

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against those who do not share his vision of Russian tutelage, from the Polish border to the Pacific.<sup>35</sup>

The future of the Eurasian Union holds many unknowns. For example, Russia is unlikely to reverse the gradual decline of Russia's economic influence in Central Asia and the Caucasus. Russia has already lost economic ground to China and will likely continue to do so because it lacks comparative advantages in most sectors except energy, military, and nuclear industries. (See Table 1.)

Today, Moscow's attempts to define the rules of the Eurasian geopolitical game are adversely affecting U.S. interests. The Kremlin is excluding American security and economic interests by using force, covert action, corruption, and non-customs trade barriers and by undermining the rule of law.

Russia will attempt to construct its own ideology and define its sphere of influence in opposition to free market, liberal values and their champions—Europe and the U.S.

This need not happen. It is in the interests of the United States and the peoples of Russia and Eurasia to ensure that values of personal and economic freedom flow freely and are not subverted by expansion of Islamist radicalism or by authoritarian powers, such as Russia and China. The West should be concerned that liberty may suffer from Russia's quasi-imperialist agenda in the post-Soviet space. Since the fall of 2011, the Russian government has criminalized unauthorized protests, expanded the definition of espionage, and made it harder for nongovernmental organizations (NGOs)—especially those

35. "Sotseti ne budut raskachivat' lodku" (Social networks will not rock the boat), Gazeta.Ru, February 14, 2013, [http://www.gazeta.ru/politics/2013/02/14\\_a\\_4966865.shtml](http://www.gazeta.ru/politics/2013/02/14_a_4966865.shtml) (accessed April 26, 2013).

with foreign financing—to operate within the country.<sup>36</sup> One can predict that the suppression of democratic values, organizations, and activists will be one of the Eurasian Union’s principal priorities.

### What Should the U.S. Do About the Eurasian Union?

The Bush and Obama Administrations have viewed the region almost exclusively through the prism of Operation Enduring Freedom, particularly through building the Northern Distribution Network, a supply system for the NATO contingent in Afghanistan. This may have been necessary, but it is not suitable for future U.S. policies.

The U.S. should develop a hedge that would protect its national interests in the Central Asian and other former Soviet countries and promote constructive development. It would also be to Russia’s benefit if her neighbors developed into functioning, prosperous states in partnership with the U.S. Such ties could open avenues for economic and security cooperation, bringing jobs and business opportunities to American firms, and peaceful civic and economic development to peoples of the region. In fiscal year 2011, the United States gave \$47 million<sup>37</sup> to Eurasian countries and \$50 million<sup>38</sup> to Eastern European countries. The vast majority came from the U.S. Department of State and the U.S. Agency for International Development (USAID). Aid from the Department of Defense and the Department of Energy is comparatively low and inconsistent, fluctuating greatly from 2001 to 2011. The majority of the money from State and USAID goes to “stabilization operations and security sector reform.”<sup>39</sup>

However, following the U.S. withdrawal from Afghanistan, Washington will be in a much weaker position to promote development in a region where violent Islamism, poor governance, corruption, and drug trafficking are growing problems.

To remain geopolitically relevant in the 21st-century Eastern Hemisphere geopolitics, the Obama Administration should:

- **Prepare for involvement in the heart of Eurasia** after the drawdown of the U.S. and NATO troops in Afghanistan. The U.S. should not abandon the field to Moscow or to Beijing, its de facto regional competitor.
- **Combine the Central Asia/Afghanistan and Russia interagency task forces.** The combined task force, coordinated by the National Security Council, should systematically analyze U.S. strategic priorities and formulate long-term U.S. policies in Russia and Eurasia, including opposition to Moscow’s neo-imperialist policies. The task force should develop and integrate the Eurasian strategy, including the New Silk Road strategy, with the “pivot to Asia” approach. To date, this effort is lacking. Such an interagency approach would span the Departments of Defense, State (including USAID), Energy, and Commerce and the intelligence community. Despite declining budgets, the U.S. should put in place intelligence and Special Operations platforms and contingencies to collect critical information and surgically fight violent Islamist threats in Central Asia past 2014. The United States should also develop an NGO component to promote good governance, rule-based market economics, individual rights, and media freedom.
- **Boost regional geopolitical, linguistic, religious, and historical expertise in the U.S. government,** while taking into account limited budgetary resources. Since the end of the Cold War, regional expertise has declined in the intelligence community, the military, and the State Department. While America should remember that geography and history dictate that these countries maintain good relations with Russia and China, Washington should not see these triangular ties as a zero-sum game. It should appreciate and encourage the “multi-vector policies” of the Central Asian states, while reaching out

36. Ariel Cohen, “Putin’s New ‘Fortress Russia,’” *The New York Times*, October 19, 2012, <http://www.nytimes.com/2012/10/19/opinion/putins-new-fortress-russia.html> (accessed April 26, 2013).

37. U.S. Agency for International Development, Economic Analysis and Data Services, “United States Economic Assistance to Eurasia (not specified), FY2001 to FY2011,” foreign assistance database, <http://gbk.eads.usaidallnet.gov/> (accessed April 26, 2013).

38. U.S. Agency for International Development, Economic Analysis and Data Services, “United States Economic Assistance to Eastern Europe (not specified), FY2001 to FY2011,” foreign assistance database, <http://gbk.eads.usaidallnet.gov/> (accessed April 26, 2013).

39. ForeignAssistance.gov, “Foreign Assistance by Country Office,” <http://foreignassistance.gov/CountryIntro.aspx> (accessed April 26, 2013).

to secular nationalists and pro-Western circles. Thus, the U.S. and its allies should resist Russia's strong-arm tactics to carve out a 19th century-style sphere of influence.

- **Promote continuous bilateral U.S. involvement in Eurasia.** This includes strengthening bilateral diplomatic, political-military, and economic partnerships and regional cooperation with key states, especially Azerbaijan, Georgia, Kazakhstan, Ukraine, and Uzbekistan. Strengthening these cooperative relations should be America's top priority in the region.
- **Expand economic and political freedom through international organizations.** The U.S. should work through the Organization for Security and Cooperation in Europe, World Trade Organization, and other institutions to protest Moscow's strong-arm tactics in imposing the Single Economic Space and Eurasian Union integration and to draw attention to Russia's quasi-imperial policies.
- **Emphasize economic freedom.** The U.S. should work to prevent the Eurasian Union from closing market access and expanding state sectors. The U.S. should oppose exclusion of U.S. weapons sales and limitations on investments in energy and other natural resources, which is already happening in Russia. The U.S. should also oppose non-tariff barriers through WTO adjudication procedures and condition Russia's OECD accession on economic transparency and the rule of law for all Customs Union members.
- **Employ U.S. public diplomacy tools,** including international broadcasting and exchanges, to communicate the pre-tested key messages to elite and mass audiences in the region.

## Conclusion

Despite Moscow's efforts to impose its will, the domination-bound, post-imperial mindset in Moscow will likely undermine economic and political integration through the Eurasian Union. This mindset makes it difficult for Russia to contemplate a truly voluntary, mutually beneficial integration or to allow its neighbors to prioritize relations with the U.S., EU, or China. Moscow promotes bilateral and regional integration to keep its neighbors in Russia's orbit, strengthening Russian influence over their politics and constraining their ability to develop relations with outside powers.

Success in Central Asia may encourage Moscow to expand its control over the Caucasus and Eastern Europe, threatening the independence and pro-Western orientation of Azerbaijan, Georgia, and Ukraine—and even the Baltic states.

While some amount of Russian presence underpinning regional trade and development may be unavoidable to prevent the meltdown of weak and failing states into religious or narcotics-driven civil wars and anarchy, it is not in America's interest to encourage unencumbered Russian hegemony in Eurasia for the reasons of regional and global balance of power. The U.S. should act multilaterally with its European allies, Japan, India, South Korea, and its Eurasian partners to balance the Russian geopolitical offensive.

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