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## The Geopolitics of the Eurasian Economic Union

### The "Soft Power" Strategy

by ERIC DRAITSER

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The deal signed last week by Russia, Belarus, and Kazakhstan to create a Eurasian Economic Union is yet another countermeasure against US and European attempts to isolate Russia. By moving towards closer economic cooperation, Russia hopes to build, piecemeal if necessary, a common Eurasian economic space that will ultimately rival the US and Europe in terms of economic influence.

However, the ultimate goal of this sort of cooperation goes far beyond just economic power. Rather, Russia is the key facilitator of a series of multilateral arrangements created in the last fifteen years that Putin (and much of the world) hopes will ultimately move the world towards a multipolar global order. While this is undoubtedly on the agenda for Russia and its ally Belarus, Kazakhstan is a complicated partner as it is deeply involved with the West in terms of business, investment, education, and a number of other critical areas.

The Eurasian Economic Union (EEU) presents a host of possibilities for economic cooperation and development. From energy reserves to the all important pipeline infrastructure, the new arrangement will, over time, have a greater and greater impact on energy exports and consumption both in Europe and Asia as China looks to further secure its energy future.

Moreover, the EEU will impact vital trade routes and commercial and private transportation options, in addition to promoting political, military, and security cooperation among the members, and in the region generally. Essentially then, the EEU should be understood as yet another blow to US hegemony in Asia and the former Soviet space.

### **Regional Economic Impact**

The establishment of the EEU will undoubtedly have a significant regional impact, and quite possibly a global one. As the economic ties between Russia and China continue to develop, as evidenced by the recent massive energy deal signed by the two countries, the impact of this agreement grows in importance.

Both Russia and Kazakhstan will be significant energy suppliers to China, the world's leading consumer of energy. In fact, earlier this year the Chinese government announced that oil imports via the China-Kazakhstan oil pipeline reached record highs in 2013, having increased 14 percent from 2012. In addition, the recent Russian-Chinese gas deal creates the prospect of still greater pipeline connections that will cement Russia's place within China's strategic and economic future. Not only is there likely to be a new pipeline connecting Russia's Far East with China's northeast region, but initial preparations are already being made for the construction of the Altai Pipeline, which will bring Russia's gas to China's Xinjiang province in the western portion of the country.

Essentially then, the geography of the deal is such that Russia and China will be physically linked both from east and west, creating a symbiotic relationship within which other forms of cooperation will flourish. Of course, Kazakhstan could have a major role to play in this scenario being that it is conveniently situated across the border from Russia's Altai region. However, considering Kazakhstan's status as a net energy exporter, it seems unlikely that Russia would be interested in promoting the energy development of a potential rival in the Chinese market. That being said, Kazakhstan has the potential to greatly benefit from China's rekindling of the New Silk Road project.

Chinese news agency Xinhua recently published a revealing look into Beijing's vision for the New Silk Road project. The authors noted that the project will bring "new opportunities and a new future to China and every country along the road that is seeking to develop," with the ultimate goal being an "economic cooperation area." While this bold and far-reaching plan still requires massive preparatory work, the establishment of the EEU will only help the project. Beijing's vision of the New Silk Road being a space for "more capital convergence and currency integration" fits nicely with the attempt to use the newly founded EEU to move towards regional economic integration in Central Asia. With Kazakhstan being a central part of both the New Silk Road and EEU, it seems likely that each will benefit from the development of the other.

Of particular significance is the fact that Russia and China recently signed a deal to bypass the US dollar in bilateral debt settlements and payments. The "Agreement on Cooperation" signed between Russia's VTB and the Bank of China is the opening salvo in a burgeoning currency cooperation relationship between the two countries which will ultimately lead to increased economic and financial independence from the West. With the establishment of the EEU, the

ruble is quickly becoming a critical currency in Central Asia, while the yuan continues to grow in its regional and global importance. In particular, Beijing envisions the yuan as becoming a dominant currency all along the New Silk Road.

With the convergence of these two multilateral arrangements, cooperation on currency issues becomes of central importance. Naturally, this should be understood as a significant blow to dollar dominance and, consequently, US hegemony throughout the Eurasian land mass.

An additional area of cooperation that takes on geopolitical significance is that of space exploration. Specifically, the Russian space program has long been using the Baikonur space center in Kazakhstan as its space launch hub. In 2013, negotiations between the countries established a three year roadmap on the cooperative use of the facility. With the Chinese becoming increasingly ambitious in terms of their space program, and the recent decision by NASA to end cooperation with Roscosmos, the Russian space agency, it would seem a natural fit for Russia and China to move towards more cooperation, while Russia and Kazakhstan continue as partners. With the EEU and Silk Road providing the framework, a new strategic alignment emerges in the area of space exploration. Naturally, the US, dependent as it is on Russia for travel to space, comes out the loser in the scenario.

Not to be forgotten in the context of the EEU is Belarus, a former Soviet Republic and longtime close ally of Russia. Although Belarus is in some ways the forgotten player in this geopolitical calculus, the country actually holds a tremendous amount of strategic importance for Russia. Perhaps most principally, Belarus represents a crucial link in Russia's energy supply network to Europe. The Yamal-Europe pipeline, which transports roughly 20 percent of Russia's European gas exports, was purchased by Gazprom in 2011. Seen as a means diversifying its European energy delivery infrastructure away from total reliance on Ukrainian pipelines, the move has physically linked Russia and Belarus which, from the Belarusian perspective, makes Russia its principal market and strategic ally.

Additionally, Belarus is a major exporter of heavy machinery, particularly dump trucks, tractors, and other machines critical for industrial manufacturing and construction. With Russia as its principal customer, Belarus could stand to benefit greatly from increased economic partnership within the EEU. Specifically, trade restrictions, currency issues, debt settlement, and other significant obstacles could either be eliminated or greatly reduced such that Minsk could stand to gain tremendously from the new arrangement. Given its status as a pariah within the EU economic space, Belarusian President Lukashenko likely sees the EEU as a positive step towards both economic stability and gaining leverage over Europe in terms of negotiations and sanctions.

### **The Kazakhstan Question**

With the establishment of the EEU, Kazakhstan is poised to become an even more important player on the world stage. Aside from its already well known strategic energy reserves and mineral deposits, Kazakhstan's geography makes it a critical link for both China and Russia in Central Asia. So, it would seem then that the country has a clear road to economic prosperity, one paved by Russia and China. However, a closer examination of the country's geopolitical and

financial alignment reveals that, rather than a full-fledged, “no strings attached” economic partner, Kazakhstan has positioned itself as both friend and possible foe.

While it would seem that Kazakhstan would be a natural ally of Russia and China, with a bright economic future in the context of Eurasian development, the reality is that the Nazarbayev regime has deeply intertwined itself with the West through various institutions and organs of finance capital. Both the US Agency for International Development (USAID) and US Chamber of Commerce are well-connected in the country, with long-standing relationships with key figures in Kazakhstan’s government. In fact, USAID facilitated the creation of the US-Kazakhstan Public-Private Economic Partnership Initiative (PPEPI). As the PPEPI’s report notes, “The PPEPI Program was developed as a policy reform initiative in order to promote ongoing dialogue between senior-level government officials and leaders in the business community...PPEPI has fostered discussion and provided recommendations on many of the key challenges that Kazakhstan faces as it strengthens and diversifies its economy.”

A close examination of the PPEPI, along with the “pro-business” activities and membership of the American Chamber of Commerce in Kazakhstan, illustrates quite clearly the fact that western finance capital is deeply rooted in the country, with influence and connections extending to the highest levels of the government. Perhaps nothing demonstrates these concrete connections better than the recent appointment of Azamat Oinarov to head the Kazakhstan Public-Private Partnership Center. As the former Deputy Defense Minister for Economics and Finance, Oinarov represents what could be regarded as the “revolving door” between Kazakhstan’s government and the institutions and organs of western finance capital. Serving as essentially a liaison between western business interests and the Nazarbayev government, Oinarov is merely one of many bureaucrats whose primary function is to maintain the presence and profitability of western corporations in the country.

The influence of western finance capital in Kazakhstan does not stop with the business community. In fact, one of the most critical aspects of the US-Western presence in the country is the widely acclaimed Nazarbayev University, established as a centerpiece in the new capital of Astana. The university was conceived, designed, partially financed, staffed, and launched under the guidance of a number of prominent US universities, including Carnegie Mellon University, Cambridge University, Harvard University (Kennedy School of Government), and many others. However, it is the leadership and guidance provided by the World Bank that truly made Nazarbayev University a reality.

As investigative reporter Steve Horn wrote for CounterPunch in late 2012:

“The World Bank in late-2007 proposed plans to upgrade and “commercialize” [Kazakhstan’s] research and development efforts. Part of the Bank’s blueprint called for the creation of a network of university-housed, market-oriented research and development centers based primarily on U.S. models. Subsequent World Bank proposals for the revamping of the country’s technical and vocational education followed suit...NU arose via a number of direct initiatives closely coordinated by the World Bank, these days re-branded as the “Knowledge Bank” set on a mission to eliminate global poverty through market-centric “education reform” efforts akin to those occurring in the U.S.”

The role of the World Bank, along with some of the most prestigious universities and powerful corporations in the western world, in establishing and administering Nazarbayev University, is an obvious indication of the tremendous influence these institutions wield inside Kazakhstan. Moreover, the implications for the future of the country are quite ominous indeed. As an entire generation receives their “westernized” education from Nazarbayev University, the logical outcome will be an entire generation of young leaders whose professional and academic connections will all be rooted in western institutions. This does not bode well for the notion of Kazakhstan as a reliable partner for the EEU and China’s Silk Road.

### **How Will the West Respond?**

Undoubtedly, Washington and its European allies see the establishment of the EEU as a worrisome development. And so, the region and the world should prepare for some sort of a counter-measure against this growing independence. Specifically, the United States is likely to employ all the weapons of soft power at its disposal to derail, or at least stymie, the EEU and the Eurasian project generally.

One likely response will take the form of destabilization of China’s western territory of Xinjiang. Populated predominantly by the Uighur people (Muslims belonging to the Turkic ethnic group), the region has experienced intermittent violence for decades, with terrorism becoming the principal destabilizing force in recent years. In particular, the organization known as the East Turkestan Islamic Movement (ETIM) has been responsible for dozens of acts of terror in the last two decades. However, the terrorism is merely one critical part of the broader US attempt to pry Xinjiang from the Chinese or, at the very least, make it too volatile and dangerous to be developed economically as Beijing intends.

Xinjiang figures prominently in Beijing’s development plans. First and foremost, Xinjiang, with its regional capital of Urumqi, is an all-important land bridge in the New Silk Road project. Linking China with neighboring Kazakhstan and, ultimately, with Turkey, the region takes on great importance as both a transit hub and point of origin for Chinese exports to the West. Additionally, Xinjiang’s capital of Urumqi is the likely candidate for the Chinese end of the Altai Pipeline discussed above. As an industrial center geographically near to all of China’s partners and neighbors to the West, Urumqi becomes a linchpin in the broader Chinese strategic calculus.

With the obvious importance of Xinjiang to China’s long-term plans, the US presence in the region takes on added significance. In particular, the US has a formidable “soft power” presence in the region through its long-standing financial support of a number of anti-Chinese NGOs and other organizations. Specifically, the US has spent millions of dollars in Xinjiang through its National Endowment for Democracy (NED), supporting ostensibly “human rights” organizations and watchdogs such as the International Uyghur Human Rights and Democracy Foundation, the International Uyghur PEN Club, the Uyghur American Association, and the World Uyghur Congress. Each of these organizations, dependent for their existence on US funding, is fanatically anti-Chinese and agitate for secession and “self-determination.” They have been at the epicenter of all social unrest in the region, with a representative of the World Uyghur Congress going so far as to justify the recent terror attack in Kunming which killed 33 by saying that “[China’s] policies provoked ‘extreme measures’ in response.”

With Kazakhstan and China moving closer via the Shanghai Cooperation Organization (SCO), and Kazakhstan now part of the EEU, it would seem quite likely that a new outbreak of violence in Xinjiang might be just what the imperial doctor ordered. Moreover, one could easily imagine a rapid proliferation of the ETIM threat in the region, as it receives tacit political support from the US-funded Uighur organizations. Such a move would effectively block any attempts to build pipelines, rail links, and other critical infrastructure for the New Silk Road and Russia-China pipelines.

On the other side of the border from Xinjiang sits Kazakhstan which, like its neighbor, is deeply penetrated by organs of US soft power. The NED funds a wide array of NGOs throughout the country, including the infamous International Republican Institute and National Democratic Institute, along with other organizations with innocuous-sounding names like the Kazakhstan International Bureau of Human Rights and Rule of Law. Because these organizations are deeply entrenched in the country, the US is able to wield tremendous influence within Kazakh civil society, making it a de facto weapon against the government should the need arise. This is of course part of the long-standing “soft power” strategy that the US has deftly employed all over the world, from Latin America to Eastern Europe.

Renowned author and columnist Pepe Escobar recently published a landmark piece entitled “The Birth of a Eurasian Century?” in which he examined the world-historical turning point that is the Sino-Russian partnership which extends far beyond simply gas and pipelines. Escobar wrote, “The now symbiotic China-Russia strategic alliance – with the possibility of extending towards Iran – is the fundamental fact on the ground in the young 21st century. It will extrapolate across the BRICS, the Shanghai Cooperation Organization, the Collective Security Treaty Organization and the Non-Aligned Movement.” This transformation, once thought of as a future trend, has now become an inescapable geopolitical reality. The establishment of the Eurasian Economic Union is merely another manifestation of the new global order. However, Russia and China, along with their allies and partners, would do well to note that the West is not going to cede its hegemonic position without a fight. What exactly that fight will look like remains to be seen.