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Eastern interest in Eurasian economic deal

By Philip Iglauer

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While Russia's relationships with the United States and Europe are frayed over the conflict in Ukraine, the newly minted Eurasian Economic Union (EEU), made official during a signing ceremony in Astana, Kazakhstan, on May 29, will surely tighten Russia's ties with former Soviet republics.

But the real winner of the trilateral agreement between Belarus, Russia and Kazakhstan will likely be the last of these. The could boost economic growth in the Central Asian nation and, by extension, benefit foreign investors, including South Korean companies with facilities in Kazakhstan.

"First of all, [the EEU] provides access to a common market of over 170 million people. Second, after signing the agreement, our expectation is that by 2030 the economy of the member states will expand by an additional 25%," Kazakh Ambassador to South Korea Dulat Bakishev said.

Bakishev said he expects the pact to generate additional growth worth US\$600 billion in the next 15 years and that the EEU will develop into an open economic community. "Kazakhstan will remain a reliable bridge between Europe and a growing Asia."

Countries with investment in Kazakhstan have also welcomed the deal. South Korea, which has developed extensive bilateral economic and energy links with Astana in recent years, has poured more than \$4 billion into projects and signed agreements totaling more than \$10 billion.

"Our government wants to expand relations with continental countries, and many Korean companies already anticipated a Eurasian formation," said Hanyang University professor Eeom Gu-ho. "The EEU will surely benefit the member states and Korea in the long term."

Eeom, who heads Hanyang University's Asia-Pacific Research Center, said that although the Ukraine crisis likely will make South Korea approach the union more cautiously, in the long term, as Asia's fourth-largest economy, it must form constructive relationships with Russia and Central Asian nations.

The main stumbling block for Kazakhstan in agreeing to the EEU, some two decades after the end of the USSR, had been concerns over sovereignty that have been heightened by Moscow's actions in Ukraine. These had helped critics of the pact frame it as a backdoor bid by a resurgent Russia to recreate the Soviet Union.

Bakishev has sought to allay those concerns. "This union does not have any 'super national' authority over the head of state and over Kazakhstan in particular," he said. "We will continue working on expanding our cooperation with other states. Our accession to the EEU will not affect bilateral relations with other countries or multilateral agreements signed by Kazakhstan."

Kazakhstan attracted about \$100 billion in investment from 2009-2012, with its top investor being the European Union. While the deal has some critics in Kazakhstan, it was widely supported by the business community there which sees increased foreign investment as a result of the EEU boosting development projects in the landlocked country.

South Korean President Park Geun-hye is looking to Kazakhstan as an important partner in her ambitious "Eurasian Initiative", which seeks to connect transportation, electrical, gas and oil links from Western Europe to East Asia. That initiative echoes China's long-standing "New Silk Road Project".

Lower export costs among Kazakhstan, Belarus and Russia fit into these two plans. It also helps South Korean companies seeking to ship to Russia from Kazakhstan.

Park is widely rumored to be planning a state visit to Kazakhstan this month, although the government has yet to announce a travel schedule.

Plans for a presidential visit were also discussed on the sidelines of the eighth Korea-Central Asia Cooperation Forum in Seoul in April, when a Kazakh delegation headed by Deputy Foreign Minister Yerzhan Ashikbayev arrived in South Korea to participate. Park also met with Kazakh President Nursultan Nazarbayev on the sidelines of the Group of 20 Summit in St Petersburg, Russia, in September 2013, when they discussed a South Korean state visit.

It would be Park's first to the Central Asian nation. Her predecessor, Lee Myung-bak, visited Kazakhstan three times during his term in office.

The presidents of Armenia and Kyrgyzstan attended the Astana signing ceremony for the EEU. Armenia's accession bid should be finalized by July 1 while Kyrgyzstan could finalize its bid by the end of the year.

The economic grouping has a combined gross domestic product of \$2.6 trillion. The group is expected to expand to five member states when it goes into effect on January 1, 2015, beyond its current three members.

Eurasia is fast becoming a strategic region, a sentiment underscored by the Kazakh envoy with a simple declaration: "Korean companies in Kazakhstan will be able to use the potential of this much larger market," Bakishev said.