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Holding-Together Regionalism: 20 Years of Post-Soviet Integration

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Post-Soviet Space, Central Asia and Eurasia

The nature of holding-together regionalism dictates the initial composition of countries participating in a regional agreement and establishes borders which participants perceive as being, in some senses, natural and reasonable. This has probably been less applicable to former African colonies but is extremely pronounced in case of the FSU. The post-Soviet space inherited its borders from the Russian Empire: almost all nations of the FSU (with the exception of Western Ukraine, which has been part of the Hapsburg monarchy) have been part of a single state for at least one and a half centuries. However, as we have already described, these initially 'natural' spaces lose their coherence over time. This then erodes the foundation for the HTI. The situation is somewhat better in Africa, where post-colonial regionalism partially coincided with existing geographical borders between parts of the continent (these borders did not necessarily reflect cultural and religious divisions, but that is also true for the borders between independent states). In the post-Soviet space, which comprises countries with very different cultures and which lean towards different extra-regional poles of influence (Turkey, the EU, China, Romania and so on) the problem of fragmentation will have a fundamental impact on HTI.

A challenge any HTI faces is the transformation from a holding-together union into a new structure that does not necessarily justify its existence by maintaining pre-existing links. This naturally implies going beyond the borders of the original political entity and including countries and territories originally 'outside' the region – and therefore changing the definition of the region itself. This has happened not only with the African CEMAC and UEMOA but also with the Commonwealth of Nations, which currently includes states that have never been British colonies. But identifying the 'natural' region for integration is a difficult

task. For the post-Soviet space, this transformation of the HTI into a new form of regionalism is influenced greatly by the increase in economic linkages throughout the Eurasian continent, connecting in particular the countries of East and South Asia, Europe, Turkey and the FSU. Ultimately, therefore, the development of post-Soviet regionalism could be described as a transformation *from post-Soviet into Eurasian integration*. This transformation could include one or several of the following aspects:

1. In the narrowest sense, it implies participation of countries outside the FSU in regional integration projects comprising many, or all, post-Soviet countries.
2. A somewhat broader concept implies *post-Soviet regionalism is designed specially* to allow its members to participate in extra-regional integration groupings. In this context, regionalism in the FSU should be designed as a flexible and open structure reflecting the notion of New Regionalism rather than as a 'Eurasian EU' mimicking 'Fortress Europe'. Post-Soviet regionalism would also allow its members to participate in other integration projects. Finally, in terms of its relations with more advanced regional groupings, such as the EU, post-Soviet regionalism could adjust its *aquis*, where feasible, to European standards.
3. Eurasian integration can incorporate inter-regionalism, that is, interaction between post-Soviet regional integration groupings and extra-regional integration groupings. To date, the weakness of FSU regionalism has rendered this interaction superfluous, but as the CU advances this situation could change.

We investigate Eurasian trans-continental links in our book on *Eurasian Integration*, published concurrently by Palgrave Macmillan. In this chapter, however, we will briefly discuss the implications for post-Soviet integration of Eurasian regionalism.

Northern and Central Eurasia

There are five macroregions, albeit with occasionally blurred borders, covering the whole Eurasian landmass. We argue that the proper geographical definition for the former Soviet Union is *Northern and Central Eurasia*. Simply keeping the terms 'former Soviet Union' or the 'post-Soviet space' is not, in our opinion, a realistic option in the long run. These terms are temporary in their genesis and character as they relate

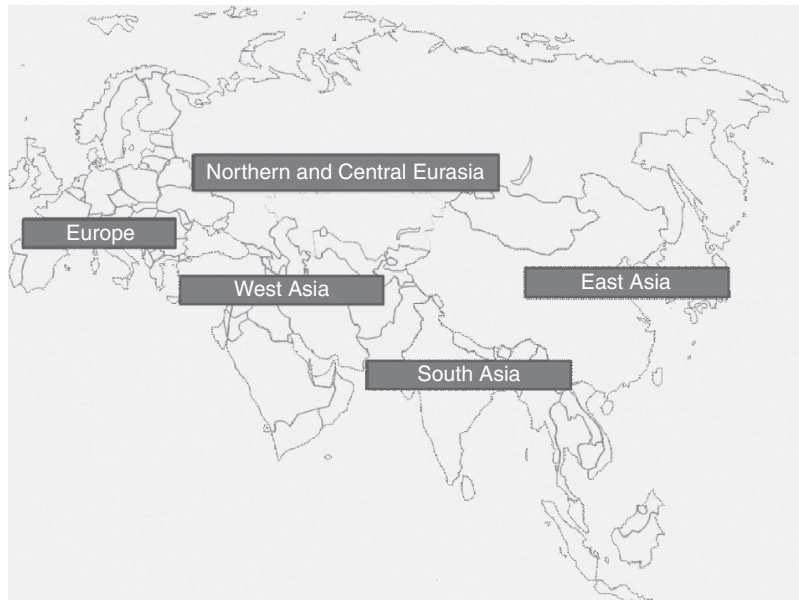


Figure 18.1 Macroregions of Eurasia

to the region's past, not its present or future. To find an approximate equivalent, it would be like calling Africa the 'post-colonial region' or Austria, Hungary, the Czech Republic, Slovakia, Slovenia, and their neighbouring states the 'former Austro-Hungarian Empire'. We therefore strongly prefer to use the geographical connotation and choose 'Northern and Central Eurasia' as a more correct, neutral and forward-looking term for this region (Figure 18.1).

Advantages of Eurasian integration

Although the long-term sustainability of the HTI model is questionable, this does not necessarily imply that widening the group of participants or taking extra-regional integration groupings into account makes HTI more viable. For the FSU, however, transition from post-Soviet to Eurasian integration becomes an attractive option in four principal ways. Firstly, Eurasian regionalism goes some way to resolving the problem of asymmetry which plagues post-Soviet regionalism. Secondly, Eurasian integration is more compatible with the structure of economic links in the region. Thirdly, it could serve as a transmission

channel for better institutions and practices. Lastly, Eurasian integration is necessary if the economic potential of the post-Soviet space is to be fully realized.

As we have mentioned before, asymmetry (specifically weak asymmetry) is one of the greatest obstacles to the development of post-Soviet regionalism. If the number of participants decreases, but Russia remains among them, asymmetry increases (since there is no longer the option of smaller states forming a coalition against Russian dominance), and the future of regional integration becomes even more problematic. However, *increasing* the number of participants reduces the problem of asymmetry. Smaller states can manoeuvre between larger participants, therefore political risks for them become smaller, and they are more likely to join the regional integration agreement. Since the market of the regional integration group also becomes larger, this creates additional incentives for smaller countries.

Furthermore, although economic interdependence in the FSU is extensive, it would be incorrect to state that the participation of post-Soviet states in regionalization processes in Eurasia stops at the borders of the former Soviet Union. On the contrary, for the most prominent country of the post-Soviet space – Russia – *relatively* the most important trade and investment partner for the last two decades has been the European Union. The economic links between Russia and China are growing very fast in terms of trade and investment as well as for migration (in Siberian regions Chinese labour migration is as significant as migration from the FSU, and in the late 2000s the new trend of temporary labour migration from Russia to China emerged). For Central Asian countries (especially Kazakhstan and Kyrgyzstan), the importance of China as a trade and investment partner is even higher. Ukraine and Moldova, meanwhile, are economically linked to the EU and also consider European integration as an important goal. Therefore, opening up borders in the FSU may create incentives for economic growth, but if this coincides with closing borders to extra-regional partners, the negative effects of this could predominate. In terms of positive integration, any attempt to govern economic relations in the FSU without extra-regional partners is likely to create a gap between jurisdictional boundaries and market boundaries, which, in an environment where rule of law is weak, is problematic.¹

Institutional problems in the FSU, which we have identified as one of the key stumbling blocks for regional integration, also militate in favour of Eurasian integration, and particularly for the fostering of closer links between European and post-Soviet regionalism. This is

especially important if the format of Eurasian integration implies close links to the European Union. Taking the experience and the position of extra-regional players into account can be instrumental in the import of institutions and transmission of best practice (in fact, the European Union supports cross-border cooperation among its Eastern neighbours precisely for this purpose). This is particularly important because of the numerous 'pseudo-integration' effects generated by post-Soviet regionalism – especially the 'protective integration' logic, which has heavily influenced and perverted the idea of regionalism in the FSU, turning it into a mechanism which prevents rather than facilitates the diffusion of efficient institutional practices.

Finally, as we have discussed before, the economic potential of the post-Soviet space can be fully realized only if extra-regional players are involved. This is particularly the case for the FSU transport infrastructure, which is much more valuable if it is linked to the transport infrastructure of China and Europe. In the same way, the post-Soviet electricity market could be more efficient as part of the Eurasian power utilities market. Furthermore, the Eurasian integration format is likely to be much more resilient to the risks of hold-up associated with interdependency in Eurasian energy supply networks: for example, dependencies between Russia and Europe, Central Asia and Russia, and (potentially) Russia and China.

The problems of transition to Eurasian integration

Eurasian integration, however, could precipitate some undesirable consequences for post-Soviet regional integration projects. To involve extra-regional partners destroys one of the main advantages of post-Soviet regionalism so far – the shared Soviet heritage of the participating countries. This leads firstly to much higher negotiating costs: while Russian is currently treated as the 'natural' language of communication in the FSU,² any extra-regional partner would make it impossible to use Russian as the official language. The political elites of extra-regional countries would be likely to have different traditions and habits, which would also make negotiations more difficult. Over time, the capital of a shared history disappears, and this problem becomes less significant – but for now at least it is substantial.

Furthermore, widening the membership of post-Soviet regional integration groups also increases the heterogeneity of the participants' preferences. Eurasian countries are very different in terms of their political, economic, historic and institutional characteristics – much more

so than the post-Soviet states. In the Eurasian context, this gives rise to an additional problem: Eurasian integration is likely to be based on the interaction of large countries, which generally find it very difficult to maintain the required levels of commitment given the multiplicity of their economic goals and integration initiatives. China, for example, is currently involved in regional projects in Northeast Asia (the Great Tumen Initiative), East and Southeast Asia (ASEAN+3, the Great Mekong Region) and Central Asia (SCO, the Great Altai Region). Russia has systematically neglected the need to develop political and economic ties with China and has paid much more attention to Europe.

A possible solution to this problem involves conceptualizing Eurasian integration not as a single project but rather as a network of smaller and partly overlapping integration areas pursuing specific objectives. This approach could ultimately be implemented through sub-national integration, although, as mentioned above, political centralization in Russia and Kazakhstan prevents full utilization of the potential of this channel of cooperation. Moreover, this approach is clearly incompatible with the 'Eurasian EU' idea, which until recently has guided post-Soviet regionalism: the SES-4 attempt to distance itself from this notion has been unsuccessful, and it is not clear whether the CU will follow the same path (we consider this problem below). Asian integration initiatives, with their more restricted scope and their focus on infrastructure rather than on norm-setting, are more compatible with this approach of overlapping integration areas; however, most of them are currently underdeveloped.

Another problem results from the overall weakness of post-Soviet regionalism. Up to now, post-Soviet integration structures have had a poor reputation among the post-Soviet countries themselves and their extra-regional partners. In other words, there are few, if any, incentives for China or the EU to give serious consideration to their relationships with very weak structures like the CIS or the old EurAsEC. *The situation could change dramatically as the CU becomes more established, and acquires sufficient governance capabilities to become a serious partner in inter-regionalism.*

Three spaces of post-Soviet regionalism

The situation for regionalization, that is, the spontaneous bottom-up development of trans-continental links, is entirely different. The last decade has been a period of increasing interdependency between Eurasian countries and of growing trade, investment and migration

flows. But the 'darker side' of integration has also gained ground – trafficking in drugs, weapons and humans, and the spread of diseases. Today, Eurasian countries are also more likely to encounter cross-border problems which require their joint attention – for example, in the area of ecology – simply because of rapid economic growth and industrialization. Therefore, the development of regionalization in Eurasia – as in the post-Soviet space – outperforms the progress of regionalism.

Treating Eurasian integration as a system of overlapping functional integration spaces³ raises other questions: how would individual spaces be structured? How can the existing institutional structure of post-Soviet regionalism be reformed to be pertinent to spaces of actual regionalization without changing their structure and membership? In which cases might regional projects be constructed without being guided by the borders of the ex-USSR? There are no unambiguous answers to these questions, and certainly no answers that can be given *ex ante*: it is only through competition between various integration initiatives and experimentation with different formats and membership that the optimal scope of regionalism can be determined (assuming, ideally, that the extent of regionalization and regionalism coincide). However, we are able to make some tentative suggestions in this field based on our analysis of regionalization in the FSU.

It is possible to distinguish between three spaces of post-Soviet integration, depending on their cross-border links. Designing regionalism based on FSU borders would certainly be suboptimal from the point of view of large-scale FDI and trade links pursued by developing Russian multinationals. Russian companies heavily invest in European countries (even more heavily in Central and Eastern Europe, which are now part of the EU), and the EU is Russia's main trading partner. Therefore, this is an area where the broader participation of Eurasian countries could be advantageous. For small-scale informal trade networks, however, the FSU is suboptimal, but so is a broad coalition of Eurasian countries. Currently the Eurasian continent is witnessing the emergence of several integrated areas connected by informal trade: one links Central Asia with Western China and Russia's border regions, another is being formed in the post-Soviet Caucasus and Turkey. The optimal scenario in such cases is to concentrate on sub-national cooperation in these smaller areas of 'microregionalization'.⁴ Finally, where migration is concerned, the FSU is already an integrated region. There are two significant exceptions: migration from Moldova to Romania and increasing migration in both directions between China and Russia. Therefore, designing new governance institutions for migration in the FSU context would

be an efficient option; however, any such initiative should clearly take into account possible extra-regional factors (for example, the problem of illegal migration into the EU), possibly through the mechanism of inter-regionalism.

The transformation of post-Soviet into Eurasian integration, therefore, has both 'horizontal' and 'vertical' dimensions. Its horizontal progression involves the establishment of free trade and investment flows at the Eurasian level by a broad coalition of countries (the energy trade is potentially a good example of this: in fact, the Energy Charter Treaty is attempting to implement this framework, but because of resistance from Russia – it has so far been unsuccessful). Framework agreements on migration within the FSU and inter-regional initiatives in the area of migration (especially with the EU) are also good potential examples. With regard to the vertical progression of integration, several overlapping regional initiatives relating to infrastructure (for example, transport corridors), local trade problems, and environmental issues, partly established by sub-national governments, should emerge in different sub-regions of the FSU with the involvement of extra-regional partners.

Until now, post-Soviet integration has not been very compatible with this mode of operating: there is no common framework for migration, since the CES agreement on labour migration does not cover the key emigration countries. More importantly, the CU's efforts to liberalize trade have not been coordinated with extra-regional partners, which could become a source of conflict in this structure and limit its ability to embrace other FSU countries because of diverging interests.

Perspectives of Central Asia

Among the sub-regions of the FSU, Central Asia (which in our definition comprises five post-Soviet republics) is both a key proponent of post-Soviet regionalism and a key potential beneficiary of Eurasian integration. Central Asian states continued to support the unity of the Soviet Union until the very last moment; nationalist movements in these states, although they do exist, are much weaker than in the Baltic states, Moldova, Ukraine or Georgia. Central Asia is still connected to the FSU economically – in fact, Central Asian states are more dependent on their economic links with Russia and the FSU than they are on each other (according to the SIEI, interdependence is decreasing for Central Asia in both respects, but the links between Central Asian states deteriorate more rapidly than those between Central Asian states and the rest

of the FSU).⁵ The Central Asian countries are uniquely landlocked, not only in the FSU but in the world (given their position at the centre of the largest continental landmass on Earth); on the other hand, their exports are now concentrated in the commodities (metals, oil and gas, grain for Kazakhstan), which need to be sold on global markets; so maintaining closer economic integration in the FSU in order to gain access to markets elsewhere is particularly important for Central Asia.

However, Central Asian states have also been strongly influenced by emerging trans-continental links – both positive and negative. In the early 1990s, Turkey made a bid to become the dominant power among the Turkic republics of the FSU; although this attempt was unsuccessful, Turkey remains an important cultural and economic power in Central Asia. Turkey, Iran and the Central Asian states belong to the Economic Cooperation Organization (ECO), which is a loose alliance with no well-defined agenda. Furthermore, since the middle of the last decade, China has been penetrating markets in Central Asia through trade (formal and informal networks), investment (especially in oil and gas) and intergovernmental lending. The negative effects of Eurasian regionalization for Central Asia are linked to its proximity to Afghanistan making it one of the main drug trafficking routes in Eurasia.

Over the last few decades, Central Asia has witnessed the establishment of a number of successful international organizations, including post-Soviet states and extra-regional partners. One example we have already mentioned is the SCO, which, although it has been unable to pursue a successful economic integration agenda, was instrumental in solving border disputes in the region. Another example is CAREC, an initiative focusing on infrastructure and trade facilitation. Purely 'Central Asian' regionalism has so far been unsuccessful; the Central Asian Cooperation Organization, an integration alliance between Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan, did not survive as a stand-alone organization and merged with the EurAsEC.

Looked at from another perspective, Central Asia epitomizes the problems and difficulties encountered by Eurasian integration. Firstly, the Central Asian autocracies are among the most repressive in the FSU, and therefore Central Asian regionalism has been more successful in its pursuit of protective integration⁶ than it has in establishing true economic cooperation: in this respect only the interaction between Kazakhstan and Kyrgyzstan is in any way a positive example; conversely, the rivalry between Kazakhstan and Uzbekistan has had a strong negative impact on regional cooperation. In Uzbekistan and Turkmenistan, failure to implement economic reforms has proved yet another obstacle

to regional cooperation; these countries have kept the Soviet centralized planning system and predominantly state-owned assets (Russia and Belarus encountered similar problems – the Belarussian government has been extremely reluctant to yield control over state-owned enterprises to Russian investors).

Furthermore, successful economic cooperation in Central Asia requires the involvement of Russia *and* China – the two dominant economic partners in the region – one with its enduring historical influence and the other with its increasing economic involvement in Central Asia. However, there is not one regional cooperation agreement functioning in the *economic* arena that includes both Russia and China. The obstacles are numerous and include contradictions and misunderstandings between Russian and Chinese leaders. Indeed, it is our impression that the need to involve both Russia and China in Central Asia is often overlooked by international donors (which are heavily influencing the CAREC) and by Russia (in designing the CU and EurAsEC – the possible negative effect of the CU on Kazakhstan–China trade is one of the greatest concerns of those who have analysed the new regional integration project). Integration attempts appear either to ignore the links with either one of these countries or threaten to disrupt them – with disastrous consequences for Central Asian economies.

To conclude, Eurasian integration promises to resolve many of the problems of post-Soviet regionalism: ultimately, it could transform HTI into a new model of regional integration which is less dependent on a shared past. However, whether this transformation can ultimately be implemented is questionable: we have listed an impressive array of problems, which could prevent intergovernmental cooperation in spite of economic Eurasian regionalization and strengthening transcontinental economic links.