

# ➤ Russia's Eurasian Integration Policies

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**The Eurasian economic integration regime is a new attempt by Russia and other countries of the region to create a new association, not through conquest, but by building common institutions and norms. After the collapse of the Soviet Union, Russia needed to adjust to new geostrategic realities, and to find new ways of promoting its interests in its immediate periphery. At the same time, during the 1990s the Russian government and state authorities attempted to act as if the country still had a leading role in world politics, seeking to influence the crisis in Yugoslavia and to show that the country's economic malaise need not translate into the deterioration of its military power and diplomatic clout.**

Many of these actions have sought to 'soft-balance' the United States – now the sole, and in its self-image, 'unique', superpower. The first half of the 1990s was marked by Russian attempts to establish friendly relations with the US, even if Moscow had to accept the role of junior partner. However, in the mid-1990s, the Russian policymakers came to the conclusion that Russia could never become a full and equal member of the Western community. Moreover, they interpreted NATO expansion as a sign that the West has not abandoned its Cold War strategy of containment.

As a result, Russian policy shifted. Moscow opposed NATO's decision to bomb Serbia in 1999, leading to a significant cooling of relations with the West. From this period onwards, dialogue and cooperation on a range of issues became increasingly difficult, as Moscow sought to resist what it saw as the West seeking to dictate its will internationally. Yet it became clear that Russia was too weak both economically and politically to rebuild its disintegrated empire and swiftly return to great power status. Nevertheless, Russia remained dissatisfied with the role of junior partner to the West, and endeavoured to progressively regain its erstwhile influence.

## THE LONG ROAD BACK TO (RE)INTEGRATION

Russia's relegation from global to regional power is interpreted in Moscow as directly following from the loss of territories and allies that the collapse of the Soviet Union entailed.<sup>1</sup> In the late-1980s, Russia lost the majority of its allies of the former Warsaw Pact as Communist governments were forced from power. At the same time, and even more significantly, Russia was shaken by internal conflicts (both political and military) and eventually lost more than 20 percent of the territory it controlled in the Soviet Empire, almost half of the population of the USSR, and several important geostrategic assets (including Crimea and resource-rich regions of Caucasus and Central Asia). Fourteen sovereign states were created (or recovered independence) in Eastern Europe, the Caucasus and Central Asia. A much-weakened Russia was thus faced with the task of forging a new place in the world, and particularly in the Eurasian region.

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<sup>1</sup> <http://news.kremlin.ru/news/20603>

In this context, one strategy was to try to regain political control over former Soviet states, and to reassert Russia's claims to regional hegemony. However, Russian authorities made very few attempts to do so, and the countries of the Commonwealth of Independent States (CIS) created in 1991 were not uppermost in Russia's foreign policy thinking. Though official discourse persistently presented the CIS region as the priority of Moscow's diplomacy, in reality European and, soon after, Asian dimensions, have been of much greater importance. In the 1990s Russia was satisfied with a CIS structure that simulated intensive political dialogue, something that was perceived positively by the electorate and improved the image of state authorities. In reality Russia's influence in the post-Soviet space remained limited to the mediation of a few military conflicts (Nagorno-Karabakh, Transnistria), and even then only succeeded in freezing them and maintaining the status quo, rather than establishing lasting settlements.

However, the price of supporting that political dialogue was high. Despite the serious economic difficulties Russia was experiencing during 1990s, as part of a number of bilateral agreements with CIS states Russia committed itself to discount prices for its raw material exports (including energy products), whilst leaving its market, the largest in the CIS, open for import goods that were not competitive enough to enter Western markets.<sup>2</sup> So, in CIS and integration formats (the Union State of Russia and Belarus, for example), economic components *de facto* prevailed over political ones, and again not in favour of Russia.

Indeed, the main priorities of Russian foreign policy at that time lay outside its neighbourhood. The government was actively fostering relations with Western European states and the US, as if in an attempt to fill the vacuum of the previous decades. This trend was further reinforced by a number of internal processes (including economic liberalisation, privatisation and structural reforms) that brought Russia much closer to the West than to its post-Soviet neighbours. Thus during the 1990s it was with *Western* partners that Russia sought integration and cooperation, to the detriment of its historical and economic links to the CIS-countries.

This uncommon situation began to change in the early 2000s as the Russia-EU relationship became increasingly zero-sum. There had been little progress on issues of potential cooperation from the late 1990s, as a multitude of talks and meetings failed to lead to any results. The Russian government, who sought to approach the dialogue with the EU as a conversation of equal partners, lacked understanding about the prospects of these relations. Neither side discussed the institutional forms of their possible economic and political rapprochement.

At the same time, the Western powers embarked on a more determined policy course in Eastern Europe, seeking to expand both the EU and NATO to the states of the former Soviet Union. These 'enlargements' were perceived by the majority of Russian leaders as threatening to Russia's economic interests, political influence and military security. EU enlargement negotiations at the time encompassed ten states, including five Eastern European countries – Czech Republic, Hungary, Poland, Slovakia and Slovenia – and three former USSR countries – Estonia, Latvia, Lithuania. All would eventually be admitted in 2004. NATO extended its influence to the east as well: in 1999 Hungary, Poland and the Czech Republic were accepted as new members of the organisation, followed by Bulgaria, Latvia, Lithuania, Romania, Slovakia, Slovenia and Estonia in 2004.

While Russia may have felt helpless to prevent the enlargement of the Western economic, political and military space, in the early part of the decade it was acquiring the means to change its role of a minor partner in the dialogue with the EU and US and pursue a more independent foreign policy. Rising energy prices generated increased state revenues, allowing Moscow to begin to restore the economic damage of the 1990s. More importantly, the growing expenditures of other countries on oil and natural gas turned Russia into an important energy actor, not only regionally, but also globally.

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<sup>2</sup> Agreement on relations in the field of trade and economic cooperation (14 February 1992); Agreement on the principles of the customs policy (13 March 1992); Treaty on Economic Union (ES) (September 24, 1993); Agreement on the establishment of a free trade area (FTA) (15 April 1994); Agreement on the Customs Union and the Common Economic Space (16 February 1999).

The combination of its perceived exclusion from Western decision-making and the energy boom meant that, at the beginning of the 2000s, Russian policymakers came to the view that great powers do not dissolve in some other integration projects, but forge their own. Seeing little prospect for political cooperation (or some form of economic integration) with Western partners, the Kremlin began to shift its foreign policy priorities and worked to re-establish Russia's political influence in the post-Soviet space. This was confirmed in the Foreign Policy Concept of the Russian Federation, issued in 2000, in which 'ensuring conformity of multilateral and bilateral cooperation with the member states of the Commonwealth of Independent States' became the country's key regional priority<sup>3</sup>.

## REINTEGRATION EFFORTS

Initially, in the early 2000s, Russia embarked on a bout of backstage diplomacy in an attempt to 'bring back' the 'lost' states. It employed economic accords concluded back in the 1990s that were favourable first and foremost for the CIS states, but not Russia, and tried to ask for a certain political alignment after given economic benefits.<sup>4</sup>

Other reintegration instruments were also proposed by the Russian government, some of which even implied that some of the new independent states might become part of Russia. Such a scenario was suggested by Putin to Belarusian President Alexander Lukashenko in 2004 as an alternative to a Union State of Russia and Belarus.<sup>5</sup> At the same time, Moscow sought to institutionalise cooperation in the economic and defence spheres, initiating two regional organisations: the Eurasian Economic Community (EurAsEC) and the Collective Security Treaty Organization (CSTO).

Despite these initiatives, it quickly became obvious to the Russian authorities that the political elites of the CIS states were not only unwilling to move closer to Russia and create common integration formats, but were actively attempting to avoid the restoration of Russian influence. Some of the CIS countries that possessed enough internal resources and were economically independent from Russia (e.g. Kazakhstan, Azerbaijan) were able to accomplish this more successfully than others, which nonetheless sought to diversify their economic ties in order to decrease their dependence on Russia (e.g. Belarus, Ukraine).

As a result, in 2002-2003 Russia began a process of elevating geoeconomics in its foreign policy, in order to prioritise economic interests over issues of ideology and history in its relations with the CIS states. In particular, unable to extract any political dividends from its economic subsidies to neighbouring states, Russian leaders started to gradually increase prices for oil and natural gas, and revise the terms of bilateral trade and economic agreements. What was simplistically perceived in the West as Russian economic 'pressure' on the post-Soviet countries was therefore not purely political, but was seen by Russian policymakers as a way to redress the imbalance of earlier accords.

The policy of reducing subsidies for post-Soviet countries was reflected in President Putin's rhetoric of separating 'flies and cutlets'.<sup>6</sup> This meant that Russia was still ready to pay a price for reintegration, but only if such a reintegration actually took place. In other words, Moscow was no longer prepared to believe the promises of post-Soviet leaders, and was to cease providing economic support unless it could see concrete returns on that investment.

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<sup>3</sup> <http://www.fas.org/nuke/guide/russia/doctrine/econcept.htm>, <http://www.scrf.gov.ru/documents/99.html>

<sup>4</sup> These previously provided economic benefits included free access of goods from the CIS countries to the Russian market and the ability to import Russian resources. The latter has become especially significant since the beginning of the 2000s, due to the rise in world prices for oil, natural gas and other raw materials. Many CIS countries have been able to import these resources at prices below global market level, with the consequence that Russian companies and the state budget (which receives export duties) lost income.

<sup>5</sup> <http://kommersant.ru/doc/451190>

<sup>6</sup> In Russian, this phrase means 'to deal with each class of problems separately'.

However, efforts towards the reintegration of the post-Soviet space soon started to come up against non-economic challenges. A decade of independence had established democratic norms in many CIS states, and Russia, having supported authoritarian political regimes in the region, was not viewed as an acceptable integration centre, especially in comparison with the EU. The antipathy towards Russia within some political parties was so strong that once in government some were only too willing to let bilateral relations with Russia deteriorate. This was the case for instance in Ukraine under Yushchenko, even though a large number of Ukrainians didn't support his plans to join the EU and NATO,<sup>7</sup> and the Ukrainian economy suffered from the breakdown in relations with the Kremlin.<sup>8</sup> There were other examples: in Georgia, President Saakashvili's opposition to Moscow eventually culminated in the Russo-Georgian war of August 2008, which saw Georgia lose a substantial part of its territory (the provinces of South Ossetia and Abkhazia). In Kyrgyzstan, President Bakiev, having intensified military cooperation with the US at the expense of ties with Russia, was deposed after a popular revolt.

In the view of Russian policymakers, the EU – Russia's main competitor in the region – sought to capitalise on this context. Democratisation processes within the post-Soviet space and the anti-Russian sentiment among some political forces were seen by the EU as an opportunity to further reinforce its presence in the East. Driven primarily by Poland and Sweden, who saw a greater EU interest in Eastern Europe as a way to play a greater role in the organisation, a series of free trade agreements sought to bring the EU and the post-Soviet countries closer together. These instruments were united in the 'Eastern Partnership' initiative launched in 2009 and designed to facilitate cooperation between the EU and six post-Soviet countries (i.e. Azerbaijan, Armenia, Belarus, Georgia, Moldova and Ukraine).

However, the EU was not ready to subsidise transitional post-Soviet economies to any substantive degree, not least since several of its member states were experiencing financial difficulties at that time. However, the EU was able to provide significant technical support, providing advice on political and economic reforms, approving countries' applications to join the World Trade Organization and assisting in securing IMF stand-by loans. Even authoritarian Belarus, which had strong economic ties with Russia and very poor political contacts with European countries, joined the Eastern Partnership, viewing it as a promising balancing mechanism against Russian influence in the region.

## REACTIVE INTEGRATION: THE EURASIAN UNION

It's difficult to say for sure what direction Russian policies towards the region would have taken if the EU hadn't launched the Eastern Partnership. Although Russian authorities were obviously unhappy with the anti-Russian rhetoric of some of the new leaders in the post-Soviet space, Moscow nevertheless tried to have a dialogue with those countries and to find a balance of interests.<sup>9</sup> Yet following the outbreak of the so-called 'colour revolutions' (Orange in Ukraine, Tulip in Kyrgyzstan and Rose in Georgia) and the formation of anti-Russian governments in Ukraine and Georgia, Russia shifted its regional policy in the 2006-2010 period. Interpreting Western policies as an attempt to undermine regional countries' political links with Russia, the Kremlin felt compelled to create an integration project of its own, with a strong structure to guarantee Moscow's influence over its old allies. Throughout the 2000s, the EU had steadily increased its criticism of Vladimir Putin's regime in areas such as human rights and freedom of the press, fuelling the perception that the Eastern Partnership was an anti-Russian initiative that could push Russia outside Europe and turn it into

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7 See the following poll data: [http://www.uceps.org/ukr/poll.php?poll\\_id=726](http://www.uceps.org/ukr/poll.php?poll_id=726); [http://www.uceps.org/ukr/poll.php?poll\\_id=751](http://www.uceps.org/ukr/poll.php?poll_id=751); [http://www.uceps.org/ukr/poll.php?poll\\_id=387](http://www.uceps.org/ukr/poll.php?poll_id=387); [http://www.uceps.org/ukr/poll.php?poll\\_id=305](http://www.uceps.org/ukr/poll.php?poll_id=305).

8 Most notably, Moscow increased prices for Russian natural gas exports to Ukraine.

9 For example, before 2008 – 2009 Russia had regular contacts with Georgia and Ukraine on presidential and governmental level.

an ordinary Asian country.<sup>10</sup> The new integration initiative was thus intended to avoid a scenario in which Russia lost the European post-Soviet space (Eastern Europe and Caucasus) and ended up confined as a junior partner of the European Union.

Thus Russia not only wished to maintain and strengthen its control over the post-Soviet area, it also *had* to do that in response to the changing regional situation. Whilst economic pressure could restore the balance of interests between Russia and its neighbours, it also increased the danger of destabilising political regimes and potentially bringing anti-Russian forces to power. Consequently, the key issue for Russia was how to simultaneously defend its interests and create a basis for reintegration of the post-Soviet space without losing it completely.

This dilemma prompted Moscow to pursue two courses of action. Whilst Russian leaders maintained economic and political dialogue in the framework of existing institutions – insisting for instance that the CIS should be preserved despite all the discussion about its ineffectiveness – at the same time Russia abandoned all efforts to develop those same institutions. The CIS was allowed to remain a weak forum, designed only for discussions of pressing issues among heads of state, and comparable to the British Commonwealth as an essentially ceremonial organisation for countries sharing common history, language and traditions. In time the EurAsEC also proved to be inefficient. Of the Eurasian integration formats of the 1990s, only the CSTO remained pertinent at the beginning of the 21<sup>st</sup> Century.<sup>11</sup>

Instead, Russia sought to build a fundamentally new integration regime – the economic union of Eurasian independent states, or Eurasian Economic Union. In 2010 a Customs Union encompassing Belarus, Kazakhstan and Russia was launched, and in 2012 the same three countries created a Common Economic Space. In May 2013, Kyrgyzstan and Ukraine announced that they would cooperate with both organisations, and in September 2013 Armenia stated its intention to join the Unions as the fourth member.

Russia's new Eurasian policy since the late 2000s can be described in the following terms:

1. The creation of new institutions that give proper weight to Russian interests and make Russia's partners respect concluded agreements.
2. An emphasis on the economic dimension of cooperation.
3. Adherence to the principle of equality. In the Eurasian Economic Commission – the supreme regulatory body of the Customs Union and the Common Economic Space – all the member states have equal number of votes. There is no guarantee though that with the deepening of integration this principle will not be altered.
4. Preserving subsidies and other economic and commercial preferences for the countries participating in Eurasian integration, in exchange for reciprocal economic, diplomatic or military concessions.
5. Placing economic pressure on states that adopted an anti-Russian stance ('energy wars' with Ukraine in 2008-2009, limited trade with Georgia from 2008-2013) or that refused to participate in Eurasian integration (trade limitations for Ukraine in 2013, Kyrgyzstan in 2009). Prices for Russian resources to these countries have been increased to market level, while their access to the Russian market was limited and tightened.

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<sup>10</sup> <http://vz.ru/news/2014/4/11/681602.html>

<sup>11</sup> [http://www.eabr.org/general/scripts/stat.php?doc=/general/upload/docs/publication/magazine/no1\\_2011/n1\\_2011\\_2.pdf](http://www.eabr.org/general/scripts/stat.php?doc=/general/upload/docs/publication/magazine/no1_2011/n1_2011_2.pdf)

This new Eurasian integration strategy failed to bring Russia any significant economic benefits, and there are no guarantees that such benefits will materialise in the future. Yet for Moscow, Eurasian *economic* integration is first and foremost a *political* project. This means that Russia's Eurasian policy must be understood in a much wider context than Eurasian integration itself. It enables Russia's claims to great power status in the world, ensures its regional security, and creates new opportunities for strengthening its influence and control over post-Soviet territory. Eurasian integration has therefore become a key objective in the new 2013 Foreign Policy Concept of the Russian Federation, which explicitly pledges 'to support the Eurasian economic integration process... towards the transformation of the Eurasian Economic Community and the establishment of the Eurasian Economic Union'.<sup>12</sup>

## REGIONS AND (GREAT) POWERS

In Russian policymakers' understanding of international relations, great power status has never been directly connected to economic performance or national welfare, but is instead conferred by the ability to use national power to enforce Russian interests. Regional influence is a prerequisite for this view. Yet some major obstacles stand in the way of the prospects of Eurasian integration as an instrument to augment Russia's international standing. The elites of the former Soviet states, including those in Russia, are extremely egotistical. Eurasian integration is often characterised by reference to memories of the Soviet era: some support integration by appealing to a 'glorious past' (which becomes ever less appropriate with every change in government); others see in it the spectre of a 'prison of the people' (a view which is actively exploited by external opponents).

Also, the public mood in Russia is changing: a growing arrogance is emerging, along with indifferent and even negative attitudes to the neighbours with whom Russia shares a common historical destiny. Many Russian intellectuals and politicians prefer to dissociate themselves from the former Soviet countries and call for the introduction of visa barriers, especially against countries of Central Asia that are in difficult economic and political situations. From a domestic political perspective, these calls are both convincing and timely. But in terms of global economic competitiveness, integration is the only viable option for Russia. It is necessary to create more efficient and better governed labour markets, and to release regional economies from the grip of organised crime. Those who call for visa regimes neglect the fact that Russian economic influence in the region is itself coming under challenge from Beijing, and that the countries of the region increasingly have a choice to make between Chinese and Russian business interests.

## CONCLUSION

In the last few years Russia has proceeded to reconceptualise its neighbouring region from post-Soviet to *Eurasian*. Russia's new Eurasian policy seeks to create a new form of integration with the CIS countries (and potentially with other countries as well), culminating in the launch of the Eurasian Economic Union in 2015. This policy was triggered by the 'colour revolutions' of the early 2000s and developed in reaction to the EU's regional policies in order to consolidate Russia's position as a great power.

However, the future of Eurasian integration is uncertain. The project leaves Russia reliant on two states – Belarus and Kazakhstan – that have been governed by authoritarian regimes for the last twenty years and which have had little policy stability on integration issues. This casts a shadow on the viability of the Eurasian integration project as whole. It makes Eurasian integration – which is central to the image of their country – Russian elites want to project – potentially vulnerable from within.

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<sup>12</sup> [http://www.mid.ru/brp\\_4.nsf/0/76389FEC168189ED44257B2E0039B16D](http://www.mid.ru/brp_4.nsf/0/76389FEC168189ED44257B2E0039B16D)

In this context, the main challenge that Russia faces today is the risk that its authoritarian partners will only selectively participate in the integration process. Yet Russia has no option but to proceed with these states: alternative pro-Russian political forces in post-Soviet states simply do not exist. Over the last two decades Russia has expended too much energy cultivating links with existing authorities while it should have attempted to develop its soft power and make itself more attractive for business and a new generation of citizens in CIS countries.

The impasse between Russia and the West following the Ukraine crisis is likely to lead Russia to intensify its efforts to consolidate the institutional and legal foundations of integration in order to ensure the success of the Customs Union and Eurasian Economic Union. To ensure that anti-Russian forces do not take power in Minsk, Russia should meet its Belarusian and Kazakh partners halfway and transfer as much regulatory activity as possible to the supranational level. Today, the prospects for deeper Eurasian integration remain limited, while widening its scope depends on the internal political development of post-Soviet countries. Russia should nonetheless work towards these ends through a series of steps.

First, Russia should step up talks with Armenia and Kyrgyzstan. It should also support the transfer of responsibility for many trade and economic issues (including those related to Ukraine) to the Eurasian Economic Commission. At the very least, Russia should involve the Commission's chairman in all meetings conducted by Astana, Minsk and Moscow with foreign partners at the highest level. It is also time for Moscow to stop positioning the Eurasian project exclusively as a foreign policy initiative of the Russian Federation.

In Crimea, Russia has shown that it can defend its interests with an iron fist, if necessary. This is a convincing argument for Russia's reliability as an ally and seriousness as an enemy for the country's partners in Eurasia and further afield.<sup>13</sup> But alongside its hard power, Russia needs to invest in soft power in order to become a more attractive integration centre. The creation of certain quasi-governmental organisations such as the Gorchakov Fund, which has a mission to advertise Eurasian integration, is a first step in this direction. Yet so far these attempts have met with little success, and former Soviet states continue to look for an alternative to the Eurasian project.

Yet for all the challenges Eurasian integration faces, by launching this project Moscow passed a point of no return. Russia has demonstrated that it is ready to relinquish the ideological legacy of the Soviet past, but at the same time has signalled that it will fight for the return of its great power status and the influence lost at the end of the 20<sup>th</sup> Century. Regaining geopolitical control over the post-Soviet space through the Eurasian project is thus more a means than an end in itself. The region and the world should hope that the progress of institutional and legal structures will help to make this regulative integration a genuine one. ■

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<sup>13</sup> For example, Lukashenko said in April 2014 that the EU had abandoned Ukraine in the Crimea crisis, and characterised Russia as Belarus' only ally. <http://news.tut.by/politics/394925.html>; [http://naviny.by/rubrics/politic/2014/04/22/ic\\_news\\_112\\_435061/](http://naviny.by/rubrics/politic/2014/04/22/ic_news_112_435061/)