THE POLITICAL ECONOMY OF EURASIAN REGIONALISM

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Abstract

The regional integration process among the post-Soviet states is a source of rich empirical data for regionalism scholars and a difficult puzzle at the same time. The interest in the region increased in the beginning of the 1990s when various theories were generated and tested, but, after a decade of ink-on-paper regional agreements, some analysts concluded on the failure of regional arrangements among the post-Soviet states. However, the recent developments, such as the establishment of the Belarus, Kazakhstan, and Russia Customs Union in 2010 and the Eurasian Economic Union in 2015, renewed the interest of the scholars and policy-makers in the integration processes in the region.

The key purpose of the study is to understand the motives of the various actors (i.e., political elites, businesses, nationalist forces) involved in the process of region-building in Central Eurasia. It is argued that the application of the rationalist approaches based on material incentives is not sufficient to understand the choices of the actors to support or oppose the Eurasian regionalism project, and one should consider ideational factors that inform the actors’ preferences.

The study builds on the contemporary critical constructivist theories and the New Regionalism Approach in particular, which view regionalism as a political landscape under construction that is characterised by several interrelated dimensions and a variety of actors. In exploring the motives of the actors in Belarus, Kazakhstan, and Russia, the study distinguishes among three main interrelated dimensions of Eurasian regionalism: regionalism as a trade bloc; developmental regionalism; and regionalism as an identity project.
Abstrak


Tujuan utama kajian ini adalah untuk memahami motif pelbagai pelaku iaitu golongan elit politik, perniagaan, dan kumpulan nasionalis yang terlibat dalam proses pembinaan kerjasama serantau di rantau Eurasia Tengah. Antara hujah yang diutarkan ialah pendekatan rasionalis berasaskan insentif material yang telah diguna pakai sebenarnya adalah tidak memadai untuk memahami pilihan pelaku-pelaku samada yang menyokong atau menentang projek regionalisme Eurasia. Faktor ideasional yang mempunyai pertalian dengan kecenderungan pelaku perlu juga diambil kira.
Kajian ini telah mengambil dan mengunapakai teori konstruktivis kritikal kotemporari (contemporary critical contructive theory) khususnya Pendekatan Regionalisme Baharu sebagai asas dalam analisi kajian ini dan berpandangan bahawa regionalisme di rantau Eurasia merupa suatu landskap politik yang sedang dibangunkan dengan bercirikan beberapa dimensi saling berhubungan dan dengan pelaku yang berbagai-bagai. Untuk meneliti motif pelaku di Belarus, Kazakhstan dan Rusia, kajian ini telah membezakan tiga dimensi saling berhubungan utama untuk regionalisme Eurasia: regionalisme sebagai blok perdagangan; regionalisme pembangunan; dan regionalisme sebagai projek jati diri.
Acknowledgements

The author gratefully acknowledges the Central European University Summer School program ‘Comparative Regionalisms: Changing Forms of Governance in Asia, Africa and the Americas and the Effects on the World Order -2012’ and UNU CRIS – CISS conference ‘Cooperation, Integration and Alliances: Regional and Global Perspectives, Challenges and Solutions’, 19-21 June, 2013 that provided wonderful opportunity to meet experts in the field and receive comments on different stages of research that resulted in this thesis. Special thanks to my supervisor, Dr. Mohamed Aslam Gulam Hassan, who provided constant support and motivation during my candidature period. I also deeply appreciate the assistance of Dr. Andrew Grant from Queen’s University, Dr. Mikhail Molchanov from St. Thomas University, Dr. Galym Zhussipbek from Suleyman Demirel University Almaty, and Dr. Alex Grigorescu from Loyola University Chicago for careful reading and providing valuable feedback on the conference papers that were part of my PhD research. The scholarships by Centre of International Programs – ‘Bolashak’ and Malaysian Ministry of Education helped to concentrate efforts on research and to write this article. The author also appreciates the help of Rosemi Mederos and Jon Harrison in proofreading the thesis and the respondents in research centres and universities in Belarus, Kazakhstan, and Russia, who devoted their time for interviews that provided important insights for research. Last but not least, heartfelt thanks to my parents, my wife - Assel, and our son – Kassym for their support and patience.
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<th>Description</th>
</tr>
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<tbody>
<tr>
<td>AFTA</td>
<td>ASEAN Free Trade Area</td>
</tr>
<tr>
<td>AOPK</td>
<td>Assembly of the People of Kazakhstan</td>
</tr>
<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
</tr>
<tr>
<td>APR</td>
<td>Agrarian Party of Russia</td>
</tr>
<tr>
<td>ARF</td>
<td>ASEAN Regional Forum</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
</tr>
<tr>
<td>BKR CU</td>
<td>Belarus, Kazakhstan, and Russia Customs Union</td>
</tr>
<tr>
<td>BKR SES</td>
<td>Belarus, Kazakhstan, and Russia Single Economic Space</td>
</tr>
<tr>
<td>CET</td>
<td>Common External Tariff</td>
</tr>
<tr>
<td>CFDP</td>
<td>Council on Foreign and Defence Policy</td>
</tr>
<tr>
<td>CGE</td>
<td>Computable General Equilibrium</td>
</tr>
<tr>
<td>CIS</td>
<td>Commonwealth of Independent States</td>
</tr>
<tr>
<td>CPRF</td>
<td>Communist Party of Russian Federation</td>
</tr>
<tr>
<td>CST</td>
<td>Collective Security Treaty</td>
</tr>
<tr>
<td>CSTO</td>
<td>Collective Security Treaty Organization</td>
</tr>
<tr>
<td>CU</td>
<td>Customs Union</td>
</tr>
<tr>
<td>EAEC</td>
<td>Eurasian Economic Commission</td>
</tr>
<tr>
<td>EDB</td>
<td>Eurasian Development Bank</td>
</tr>
<tr>
<td>EEU</td>
<td>Eurasian Economic Union</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>EurAsEC</td>
<td>Eurasian Economic Community</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FSU</td>
<td>Former Soviet Union</td>
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<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
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<tr>
<td>GRP</td>
<td>Gross Regional Product</td>
</tr>
<tr>
<td>GTAP</td>
<td>Global Trade Analysis Project</td>
</tr>
<tr>
<td>GUAM</td>
<td>The title of the regional organisation is formed from the first letters of the member states: Georgia, Ukraine, Azerbaijan, Moldova</td>
</tr>
<tr>
<td>IPE</td>
<td>International Political Economy</td>
</tr>
<tr>
<td>IR</td>
<td>International relations</td>
</tr>
<tr>
<td>LDPR</td>
<td>Liberal Democratic Party of Russia</td>
</tr>
<tr>
<td>MNE</td>
<td>Multinational Enterprise</td>
</tr>
<tr>
<td>MSU</td>
<td>Moscow State University</td>
</tr>
<tr>
<td>NAFTA</td>
<td>North American Free Trade Agreement</td>
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<tr>
<td>Acronym</td>
<td>Definition</td>
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<tr>
<td>---------</td>
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<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
</tr>
<tr>
<td>NRA</td>
<td>New Regionalism Approach</td>
</tr>
<tr>
<td>NTBs</td>
<td>Non-tariff barriers</td>
</tr>
<tr>
<td>PRES</td>
<td>Party of Russian Unity and Accord</td>
</tr>
<tr>
<td>RAS</td>
<td>Russian Academy of Science</td>
</tr>
<tr>
<td>RCA</td>
<td>Revealed Comparative Advantage</td>
</tr>
<tr>
<td>ROW</td>
<td>rest of the world</td>
</tr>
<tr>
<td>RSCT</td>
<td>Regional Security Complex Theory</td>
</tr>
<tr>
<td>RTA</td>
<td>Regional Trade Agreement</td>
</tr>
<tr>
<td>SCO</td>
<td>Shanghai Cooperation Organization</td>
</tr>
<tr>
<td>SES</td>
<td>Single Economic Space</td>
</tr>
<tr>
<td>SOE</td>
<td>State Owned Enterprises</td>
</tr>
<tr>
<td>TC</td>
<td>Trade Complementarity</td>
</tr>
<tr>
<td>TEU</td>
<td>twenty-feet equivalent units</td>
</tr>
<tr>
<td>TI</td>
<td>Trade Intensity</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
</tr>
<tr>
<td>WOA</td>
<td>World Order Approaches</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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</table>
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CHAPTER 1. INTRODUCTION

1.1 Introduction

The progress in establishing regional economic institutions between Belarus, Kazakhstan, and Russia since 2010 renewed the interest of the scholars and policy-makers around the world in the regionalisation processes among the post-Soviet states. Hillary Clinton went so far as to warn about the re-Sovietisation of the region, and such comments are not uncommon (Gearan, 2013). These kinds of comments were mostly based on Vladimir Putin’s seminal article on the future of Eurasian integration where Putin, who was the Prime Minister of Russia at the time the article was published, stated that:

First, none of this entails any kind of revival of the Soviet Union. It would be naïve to try to revive or emulate something that has been consigned to history. But these times call for close integration based on new values and a new political and economic foundation (Putin, 2011).

The concerns raised by Hillary Clinton and the optimism of Putin have some ground as the era of ink-on-paper agreements among the post-Soviet states was left behind by the establishment of the Belarus, Kazakhstan, Russia Customs Union (BKR CU) in 2010 and the Belarus, Kazakhstan, Russia Single Economic Space (BKR SES) in 2012. The adoption of the Common External Tariff (CET) scheme and the removal of the customs borders between the members of the BKR CU were among the notable results of the regional integration. Although the economic cooperation in form of the Free Trade Areas (FTAs) is widespread, only a few regional arrangements—such as the European Union (EU), Mercosur, and, recently, the BKR CU—were able to adopt the CET schemes. Despite the plans revealed by Putin that cover political and value dimensions and the progress in institutionalisation of the economic relations, the re-
sovietisation claim seems too strong, at least at the current stage. However, it would be naïve to claim that the BKR SES or Eurasian Economic Union (EEU) are motivated only by the economic pragmatism.

### 1.2 Research Problem

The main purpose of this study is to assess the possible motives of the actors (i.e., political elites, businesses, nationalist forces) in Belarus, Kazakhstan, and Russia in promoting the regional economic integration or so-called Eurasian regionalism. Although the literature on regional integration processes among the post-Soviet states is voluminous, it is characterised by ‘the dominance of the geopolitical prism and traditional balance of power approach to the study of the post-Soviet space’ (Qoraboyev, 2010, p. 206). This study is an attempt to apply contemporary regionalism theories, the New Regionalism Approach (NRA) in particular, that emphasize the limitations of the rationalist approaches that assign pre-given interests to so-called rational actors. Instead, the NRA focuses on the understanding of how interests are constructed. Such constructivist approach of the NRA is presented by paraphrasing Wendt (1992) and arguing that ‘regionalism is what actors make of it’ (Söderbaum, 2004, p. 44).

The contemporary or new regionalism theories, including the NRA, emerged in the late 1990s to explain the changing nature of the regional projects after the Cold War era. They proposed both ontological and epistemological revisions of the state-centric regional integration studies. An ontological revision is concerned with the definition of the region. In the new regionalism literature, the region is viewed as a social construct rather than being defined based on the membership in regional organisations or geographical position (Hettne, 2005; Hettne & Söderbaum, 2000; Lombaerde, Söderbaum, Langenhove, & Baert, 2010). An epistemological revision of how to study
regions includes the shift from rationalist perspectives to approaches based on critical International Political Economy (IPE) and social constructivism (Hettne & Söderbaum, 2000; Söderbaum, 2004).

The NRA also operates with terms such as regionalisation, regionalism, and region’s actorship capability to distinguish between processes, projects, and outcomes in making or unmaking regions. The term regionalisation in the NRA refers to a process, taking place within a certain geographical space, which leads to the higher convergence and cohesion between the integrating units. This process is multidimensional and includes political, economic, security, and socio-cultural dimensions. The regionalisation can take place spontaneously, or it can be driven by a regionalism project, which is a political commitment and an ideology to increase cohesion among units in a particular geographical space (Fawcett, 2005; Hettne & Söderbaum, 2000). In other words, regionalism concerns the ideas, identities and ideologies related to a regional project (Bøås, Marchand, & Shaw, 2003). The cohesion among integrating units may also reach a degree when a region, represented by regional organisation, may act as a distinct actor in international relations (Hettne & Söderbaum, 2000).

The following understanding of the regionalisation and regionalism concepts is presented by Fredrick Söderbaum, one of the main contributors to the NRA:

In this way regionalization is seen as an instrument to change existing structures, take advantage of new opportunities that arise as well as to create bonds of identity and community. According to this perspective actors engage in regionalism not only on the basis of material incentives and resources (including power capability, routine behaviour or ‘economic man’) but they are also motivated by ideas and identities. In essence, what regionalizing actors do depends on who they are, their world views, who other actors are, as well as the quality of their interaction. (Söderbaum, 2004, p. 45)
Based on the NRA, this study explores the regionalisation process among the post-Soviet states that is driven by the Eurasian regionalism project. It is argued that actors (i.e., political elites, businesses, nationalist forces) in Belarus, Kazakhstan, and Russia are engaged in Eurasian regionalism not only being motivated by material factors, but also informed by their ideas and identities. These ideas and identities, which are constantly changing in the process of interaction, shape the progress and content of the regionalisation. Two broad categories of ideas that inform actors’ foreign policy choices in the framework of Eurasian regionalism can be distinguished.

First, the choice of national economic development strategies and foreign economic partners is influenced by economic ideas of actors in integrating countries. The economic ideas refer to ‘causal beliefs’ about how to achieve a particular goal, such as an economic development (Darden, 2009). This approach is different from exploring the dynamic effects of regional integration based on the economic theories of regionalism. In analysing the dynamic effects, the dominant economic theories refer to certain assumptions about causal relationships between trade liberalisation and industrial restructuring, and such assumptions can be used to predict possible outcomes of regional integration. However, in this study, it is argued that, although these dominant economic theories about causality can hold in many situations, the actors in integrating countries may have different ideas about the causal relationships between trade liberalisation and industrial restructuring and about how economics work in general.

Second, alongside economic ideas, the choice of foreign economic partners is influenced by the representations of the partners (i.e., Russia), region (i.e., Eurasia), and certain concepts (i.e., Eurasianism, Silk Road) that emerge in the process of nation-building in each of the integrating countries. Representations refer to how a particular
country or region is represented or identified in a nation-building discourse. Representations have political implications because they influence attitudes towards particular states and justify particular actions, such as the establishment of a regional institution. If, in the process of nation-building, actors in a state X represent a neighbouring state Y as a threat, and such representation becomes widely accepted, it will undermine the establishment of a regional institution between X and Y.

The representations of Russia and the contest over national identity in Kazakhstan were the most important factors that changed the position of a country from pursuing multidimensional, including a political aspect, integration project in the 1990s to limiting Eurasian regionalism only to economic dimension in the late 2000s. While Russia in the 1990s was viewed in Kazakhstan as the country under transition towards becoming a normal country, or, as it was put forward by its former Foreign Minister Kozyrev in 1992, becoming ‘normal great power’, the events in the second half of the 2000s showed that Russia is becoming more ambitious (Kozyrev, 1992, p. 12). In its turn, the change in Russian position towards Eurasian regionalism from passive stance in the 1990s towards enormous activism by the end of the 2000s also can be explained by exploring nation-building and representations of the post-Soviet states in Russia.

Moreover, building on the NRA concepts of regionness and actorness, the study provides an assessment of whether the establishment of the BKR CU and the EEU that contributed to higher degree of cohesiveness or regionness among Belarus, Kazakhstan, and Russia may lead to emergence of a region with actorship capability.

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1 For detailed discussion of representations, see Dunn (2004); Neumann (2004).
2 ‘Actorship capability’ refers to the capability to act as a distinct actor in international relations (Hettne, 2011).
1.3 Overview of regional arrangements among post-Soviet states

This study focuses on three post-Soviet states, namely Belarus, Kazakhstan, and Russia, which have established the BKR CU and BKR SES and plan to form the Eurasian Economic Union (EEU) in 2015. These three countries form a core of the regional economic integration project, so-called Eurasian regionalism, which is open to other post-Soviet states as well.

The largest member of the BKR CU is Russia, a resource-rich country with a population of 143.5 million people and 2012 GDP per capital of USD 14,037.\(^3\) Russia faced economic problems in the 1990s, and, at that time, the state was passive in promoting regional economic integration. For example, Russia signed the Commonwealth of Independent States Free Trade Agreement (CIS FTA) in 1994, but the country’s parliament did not ratify the agreement. It was not until Russia gained strength economically in the early 2000s when the country, headed by Putin, started to show greater interest in regional economic arrangements. Despite the 6.9% average growth rate from 1999 to 2008, Russia’s economy is vulnerable to external shocks due to high dependence on the oil and gas sector\(^4\). With 12% of global output in oil and about 20% of the world’s total gas production, more than half of the Russian budget is financed through oil and gas revenues (Aron, 2013).

Kazakhstan is the second largest economy among the post-Soviet states with a population of 16.8 million people and 2012 GDP per capita of USD 12,116.\(^5\) Nazarbayev, the president of the Republic of Kazakhstan since its independence, is considered to be the initiator of Eurasian regionalism project. During the Soviet period, the ruling Communist Party introduced specialisation among Soviet Republics, and

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\(^4\) GDP average growth rate calculation is based on World Bank GDP data.

Central Asian Soviet Republics, including Kazakhstan, were among the resource suppliers to the industrially strong Belarus, Russia, and Ukraine. Therefore, Kazakhstan had a weak industrial base after the breakup of the Soviet Union. However, by the late 1990s, the country was able to grow economically through attraction of foreign direct investment (FDI), primarily to resource sectors.

As in Russia, among the main priorities of the Kazakh government nowadays is the diversification of the country’s economy that highly depends on natural resources. It should be noted that, in the 1990s, the main export routes of natural resources from Kazakhstan, which is a landlocked country, to consumers in Europe were only through Russia. However, the completion of the Atasu-Alashankou oil pipeline from Western Kazakhstan to China in 2009 and the investments in Caspian Sea ports to transport oil by tankers have decreased the dependence of Kazakhstan on Russia in exporting natural resources.

Belarus is the fifth largest economy by output among the post-Soviet states. The population of the country is 9.5 million people and the GDP is per capita USD 6,685, as for 2012. Belarus was considered one of the most industrially developed republics of the Soviet Union, and the country inherited the strong industrial base after the collapse of the USSR. However, some of these industrial facilities that were mostly built during the Soviet period are not efficient due to the high-energy intensity of production. Although Belarus still exports its industrial output, such as tractors, harvesting machines, and refrigerators, to Russia and other post-Soviet states, these exports can be maintained only by continuous access to state subsidies and cheap oil and gas from Russia.

---

Unlike Kazakhstan and Russia, Belarus has not implemented full-scale market reforms, and the country maintains some elements of command economy that existed before the collapse of Soviet Union. In its foreign economic policy, Belarus always privileged Russia and the talks about the Union State between Belarus and Russia started in the second half of the 1990s. The Union State was intended to integrate Russia and Belarus both politically and economically. However, the different positions of Moscow and Minsk, related to the Union State governance, limited the implementation of the project.

Table 1-1 provides basic economic, demographic, and trade indicators of three countries under consideration.

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP (in current USD)</th>
<th>Population</th>
<th>Share of country in trade within the BKR CU (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belarus</td>
<td>63,267,017,440</td>
<td>9,464,000</td>
<td>24.9</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>203,520,610,288</td>
<td>16,791,425</td>
<td>10.0</td>
</tr>
<tr>
<td>Russia</td>
<td>2,014,774,938,342</td>
<td>143,533,000</td>
<td>65.1</td>
</tr>
</tbody>
</table>


Although Belarus, Kazakhstan, and Russia cooperated within various regional arrangements that covered issues of trade and security, Russia adopted an active stance towards regional economic integration only by the end of the 2000s. The BKR CU was established in January 2010, and, by the summer of the same year, three countries adopted common customs legislation. The BKR CU member countries also abolished customs control on their borders with each other by July 2011. Another step towards integration was made in 2012 through establishment of the BKR SES. The BKR SES was built on BKR CU base, but envisaged further integration through removal of non-tariff barriers. The Eurasian Economic Commission (EAEC), the supra-national body of the EEU, was formed in 2012.
The competencies of the EAEC include international trade policy-making through changes in the CET levels and implementation of anti-dumping and countervailing measures on the behalf of the BKR CU members. The EAEC consists of a Council and Board of the Commission. The Council of the EAEC is an intergovernmental body that consists of three deputy-prime ministers, one from each member state. Each deputy-prime minister has one-third of votes, and the decision making of the Council of the EAEC is based on consensus. The Board of the EAEC, which is an executive body, functions as a supranational body and consists of nine Directors, three from each member country, who are not formally responsible to national governments. The decisions are made based on simple majority or two-thirds of votes.\(^7\)

The BKR CU was not established in a vacuum. Belarus, Kazakhstan, and Russia were able to switch from cooperation to integration after a long process of successes and failures in their previous attempts to establish a working regional organisation. All regional integration initiatives that started in the mid-1990s and served as stepping-stones to establish the EEU in 2015 can be considered as part of one project, so-called Eurasian regionalism. Eurasian regionalism was first proposed by Nazarbayev, president of Kazakhstan, in 1994 as the initiative to create a workable regional organisation to facilitate economic relations between former Soviet states and to establish stability in the region. Nazarbayev identified four basic principles for the Eurasian integration: (1) economic pragmatism; (2) voluntarily nature; (3) common efforts to maintain stability in the region; and (4) multi-speed integration.\(^8\) The economic pragmatism principle refers to the condition when only economic interests of

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\(^7\) The information on the EAEC here and in the next sections is based on its structure prior to Armenia’s accession to the EEU.

the partners, without inclusion of political and security integration agendas, drive regional integration. The emphasis on the voluntary nature of regionalism is the attempt to exclude the force regionalisation through carrot-and-stick policy. The multi-speed integration principle refers to the deepening of the integration among few interested countries, which will become the core of a region, and, at the same time, the pursuit of regional cooperation with other post-Soviet states, thus creating several tiers of integration.

The first step to realise this Eurasian regionalism initiative was the customs union agreement among Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan that was signed in 1995. However, the customs union agreement of 1995 was not fully implemented as the signing countries were not able to agree on CET. Russia at that time was also reluctant in supporting the Eurasian regionalism initiative (Molchanov, 2014). However, the agreement was a stepping-stone for further cooperation. The Eurasian Economic Community (EurAsEC) was established in 2000 by the same five countries. The EurAsEC functioned as a dialogue platform to handle a variety of issues related to trade, migration, and culture. Two important institutions, the EurAsEC Anti-crisis Fund and the EurAsEC Court, still operate in the framework of the EurAsEC. The EurAsEC Anti-crisis Fund was established in 2009 with contributions mainly from Kazakhstan and Russia. The fund has already channelled billions of dollars to Belarus to help the country in overcoming the currency crisis of 2011. The EurAsEC Court, which is the EEU court since the 1st January of 2015, that started functioning by the end of 2012 is the judicial branch of the BKR SES, and the court has the right to examine and overrule the decisions made by the EAEC.

Another important step that contributed to the establishment of the BKR CU was the concept of the Single Economic Space (SES Concept) that was agreed upon by
Belarus, Kazakhstan, Russia, and Ukraine in 2003 in the framework of the EurAsEC. The SES Concept was based on the multi-speed integration idea, which implied that the previously mentioned four countries will advance with deeper forms of integration, and it was hoped that other CIS countries would join the core four in the future. During the Yalta Summit in May 2004, Nazarbayev proposed a direct move to the customs union, but Ukraine’s leadership insisted on the free-trade zone as the initial stage to implement the SES Concept (Vinokurov, 2007). In the same year, the Orange Revolution\(^9\) in Ukraine brought to power pro-European Yushenko as president and Timoshenko as prime minister, and the SES Concept negotiations with Ukraine as a member were frozen.

All of these previously mentioned initiatives, such as the customs union agreement of 1995, the EurAsEC, and the SES Concept, were important stepping-stones for the establishment of the BKR CU in 2010 and the EEU in 2015. It should be noted that by 2010, before the establishment of the BKR CU and adoption of the CET, most of the trade flows between Belarus, Kazakhstan, and Russia were already subject to zero tariffs due to the multilateral and bilateral agreements among these states.\(^10\)

1.4 Limitations of the previous studies

A typical rationalist explanation of progress in Russia-centred regional integration presents Russia as a hegemon that tries to increase its influence in near abroad\(^11\) using carrot and stick. Although there are some forces in Russia with neo-imperial ambitions, the previously mentioned simplistic interpretation of the progress in Russia-centred regional integration misses some important issues, such as the role of

\(^9\) Orange revolution refers to protests that took place in Ukraine from November 2004 to January 2005 after the presidential elections. The protester denied accepting the results of elections that were claimed to be influenced by corruption and electoral fraud.


\(^11\) The term near abroad is widely used in Russian academia and refers to the FSU states.
development and security considerations not only in Russia but also in Belarus and Kazakhstan (Molchanov, 2012). Alongside development and security issues, the formation of national identities should be considered in analysing regional integration among the post-Soviet states.

A hegemonic state may use regional institutions to promote its agenda and cement its power. However, weaker states may also be interested in the establishment of a regional institution to constrain the powerful hegemon by rules and procedures or to ‘tie down Gulliver’ (Hurrel, 2005, p. 50). For instance, Belarus and Kazakhstan were open to deeper integration with Russia from the beginning of the 1990s and were among the initiators of the regional integration project.

Another typical interpretation of the post-Soviet regional integration is often presented by scholars in Russia who argue that integration is a necessity due to high interdependence among the former Soviet Union (FSU) states (Libman, 2012). The progress in regional integration between Russia and its neighbours, Belarus and Kazakhstan, cannot be simply explained by interdependence because there are other post-Soviet states that highly depend on Russia both in economics and security, but their relations with Russia are primarily bilateral.

Some scholars used protective regionalism or regime security approaches and argued that the elites of weak states in Central Asia with patrimonial authoritarian regimes are likely to be engaged in regionalism games or in ‘virtual regionalism’ with Russia in order to secure their regimes and oppose ‘external’ good governance and pro-democracy agendas (Allison, 2004, 2008; Collins, 2009). However, these studies fail to recognise the variety of governance styles adopted by Central Asian states. For example, regime in Kazakhstan is more open to good governance agenda comparing to some

12 Patrimonial authoritarianism refers to a political system where authoritarian leader or group of people in power, so-called patrons, maintain their power through distribution of economic resources to loyal supporters, so-called clients.
more authoritarian regimes in Central Asia, but at the same time, the country pursues regional integration with Russia.

There were also calculations of economic benefits carried out by experts in the World Bank and Eurasian Development Bank (EDB) based on partial equilibrium and other models. However, the results of these calculations are contrary to each other due to differences in approaches and assumptions. Although these studies provide some inference on economic rationale for Belarus, Kazakhstan, and Russia in pursuing regional integration, the differences in their outcomes show that the economic benefits are not the only motives for integration.

1.5 Outline of the study

The thesis is constructed as follows: Chapter 2 reviews the literature on regional integration among the post-Soviet states. Chapter 3 presents theoretical and conceptual framework of the study. Although the study applies the NRA, the critical constructivist approach that emphasizes the role of agency and ideas in regionalisation processes, one analytical chapter of the thesis is based on natural trading partners theory, that is rationalist framework rooted in customs union theory. This analytical chapter (Chapter 4) and the theoretical conceptual framework for it are added into the thesis to test whether the governments of Belarus, Kazakhstan, and Russia were mainly driven by expectations of gains from trade liberalisation in establishing the BKR CU. Economic theories are applied because the progress in regional integration among post-Soviet states was recorded mainly in economic dimension. Remaining chapters are based on the constructivist theories and explore the region-building process among Belarus, Kazakhstan, and Russia. Chapter 5 discusses the ideas and identities shared by actors in

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13 The study by World Bank experts expects possible negatives effects from establishment of the customs union among post-Soviet states (Micholopoulos & Tarr, 2004), and a study by experts in EDB and other institutions in Russia and Ukraine argues that regional integration will generate positive effects (Ivanter et al., 2012).
the BKR CU member states that inform their actions in supporting or opposing Eurasian regionalism. Chapter 6 is the last analytical chapter that provides an assessment of whether the increasing levels of regionness among the post-Soviet states caused by the establishment and upgrading of the regional institutions will lead to emergence of a region with actorship capability or not. In making conclusions about actorship capability the study considers such factors as level of institutionalisation, regional identity, and consistency of the member states’ policies. Chapter 6 draws on national identity formation processes and development policies in each county, which are discussed in chapter 5, in order to make conclusions about regional identity and coherence within institutions established by the post-Soviet states.
CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

This chapter presents the review of literature on the post-Soviet regionalism. The first section of this chapter contains a review of studies, which were undertaken to measure the economic benefits of regional integration among post-Soviet countries. The second section presents a review of studies that applied IR theories, including neofunctionalism, intergovernmentalism, neoliberal institutionalism, constructivism, and contemporary regionalism theories.

2.2 Literature on assessment of economic effects

Regional economic integration among post-Soviet countries has not attracted significant attention from researchers working on international trade and economics. The lack of literature with economic analysis is reasonable, due to the fact, that the steps towards significant trade liberalisation among post-Soviet countries were made only recently with the establishment of the Customs Union among Belarus, Kazakhstan, and Russia in 2010.

One of the earlier assessments of regional economic integration among CIS countries was done by a group of World Bank experts. They used the simple partial equilibrium model to measure the possible outcomes from the establishment of the customs union (CU) among the CIS members. The experts concluded that it will result in the negative dynamic effects due to reduced competition from the rest of the world and lock in old Soviet Union technologies, while the static effects will be mixed depending on the countries’ pre-customs union tariff levels and sizes of economies (Michalopoulos & Tarr, 1997; Michalopoulos & Tarr, 2004). The small country with low pre-CU tariff levels was found to have welfare losses from trade diversion from the
more efficient third-country producers to less efficient producers in customs union member countries if higher common external tariffs were adopted. According to Michalopoulos and Tarr (1997), the tariff revenues of a small country after adoption of the high external tariffs are unlikely to compensate the losses from the increase in tariff-free imports from customs union members. Kazakhstan fits such a definition of a small country. The country had lower tariffs in 2009, before joining the BKR CU. However, the establishment of the BKR CU and the adoption of the CET in January 1, 2010, have only partially proved the predictions by experts of the World Bank. The increase in import tariffs of Kazakhstan had insignificantly decreased imports from third countries, mainly from China, and there was no significant increase in imports from the BKR CU member states (Plekhanov & Isakova, 2012). Moreover, contrary to predictions, the tariff revenues of Kazakhstan after joining the BKR CU have shown a tendency to increase.

Another study by Tumbarello (2005), which is based on a simple partial equilibrium model that simulated welfare effects of a customs union among the EurAsEC members, reaches the same conclusion as in Micholopoulos and Tarr (2004) concerning welfare effects. The consumers in countries with more liberal pre-CU trade regimes (Kazakhstan, Kyrgyz Republic and Tajikistan) will bear the cost of trade diversion due to switching from the low-cost third-country producers to higher-cost producers in customs union member economies (Belarus and Russia). Tumbarello also discusses the issue of what should come first: the World Trade Organization (WTO) or the EurAsEC customs union (Tumbarello, 2005). The author concludes that countries should first join the WTO and later form a customs union in order to avoid delays in accession to the WTO and prevent the adoption of a protectionist common external tariff. It should be noted that the CET levels introduced in 2010 by the establishment of the BKR CU were not overly protective, as was expected by the experts of the
international organisations. Moreover, the Agreement on the Customs Union’s Functioning within a Multilateral Trade System, signed in 2011, lays legal grounds for fulfilment of obligations of the BKR CU members to the WTO in case of their accession\textsuperscript{14}. This document clearly prioritizes the commitments made by members in accession to the WTO over the BKR CU regulations.

A more recent study by Vinhas de Souza (2011), which uses a computable general equilibrium (CGE) model based on Global Trade Analysis Project (GTAP), indicates that trade-diverting effects of the BKR CU will be higher than trade-creating effects. Although this conclusion is similar to the results of previous studies by Micholopoulos and Tarr (2004) and Tumbarello (2005), the main difference is in the distribution of welfare effects among current members of CU, namely Belarus, Kazakhstan, and Russia. The previous studies predicted negative effects for countries with more liberal pre-CU trade regimes, such as Kazakhstan. However, Vinhas de Souza (2011) predicts that Kazakhstan may experience the least GDP reduction among partners in CUs equal to 0.54\% and Belarus may lose almost 2.77\% of GDP.

In measuring the dynamic effects from integration, such as the possible diffusion of technology, studies often treat technology as easily codified and transferable in a multilateral free-trade environment. This argument is often criticized on the grounds that technology, which forms the competitive advantage of companies, is highly protected and cannot be easily transferred (Amsden, 2003).

On the contrary to the studies by World Bank and IMF experts, which were previously discussed, the recent report issued by the EDB, a regional development bank mainly sponsored by governments of Russia and Kazakhstan in 2006, indicates that deepening of the regional integration among four main economies in the post-Soviet

\textsuperscript{14} The English version of the agreement is available at http://ec.europa.eu/food/international/trade/docs/decision_87_eurasec_en.pdf
area (i.e., Belarus, Kazakhstan, Russia and Ukraine) will render positive effects for all participating countries (Ivanter et al., 2012). The improvements in terms of trade, cooperation in production, and adjustments in technological development are expected to result in the total GDP of all countries to be 2.5% higher by the end of 2030 than in absence of the integration. However, Ivanter et al. (2012) also acknowledge the limitations of their study, such as extrapolation of GDP growth and future technological improvement trends.

The contradictions in the reports by the World Bank and the EDB on the possible effects of the regional integration among post-Soviet countries arise from differences in approaches and assumptions. Alongside the analyses of country-wide welfare effects, there are studies conducted to consider the effects of regional integration on cross-border regions in particular.

Taking into account the 7,513 km length of the Kazakhstan-Russia border, the issue of cross-border cooperation between countries received special attention in studies of regional integration. The border areas of two countries include seven regions in Kazakhstan and twelve regions in Russia with a total population of 32 million people and a combined Gross Regional Product (GRP) of USD 300 billion (Limonov, Oding, Kadochnikov, Savulkin, & Anisimov, 2012). However, the research in this area showed the lack of functional linkages and the absence of bottom-up pressure, when cooperation among border-regions serves as driving force for the integration among countries.

In analysing top-down effects, such as the impact of economic integration between Kazakhstan and Russia on trade and other economic indicators of the border regions, the establishment of the BKR CU and the BKR SES has not resulted in significant trade and structural changes in cross-border region’s interaction. Russian border regions’ trade share in Russia’s total international trade was stable from 2007 to
2012 at the range of 14–15% and decreased to 12% in 2011. Kazakhstan border regions’ trade share in Kazakhstan’s total international trade was 40% in 2007 and, after a period of increase in 2008–2010, came to the same share of 40% in 2012 The structure of trade among border regions also remained stable, and it is dominated by trade in mineral resources. While shares and structures of trade remain stable, there is substantial growth in mutual investments among border regions that grew from USD 1,156 million in 2009 to USD 4,335 million in 2012. However, the analysis of correlation between values of GRP of Kazakhstan–Russia border regions and GDP values of two countries based on Spearman’s rank correlation coefficient showed that 19 border regions from both sides cannot be considered a functional macro-region at the moment due to the short-term nature of mutual investments and lack of changes in the structure of trade that is dominated by natural resources (Limonov et al., 2012).

Among the reasons that accounted for the low impact of regional integration on cross-border relations and the lack of functional interdependencies among border regions, the researchers stress the highly centralized decision-making in both countries that limits local or regional level initiatives (Limonov et al., 2012; Vardomski, 2008; Vinokurov & Libman, 2012).

In general, the literature on possible economic effects of the regional economic integration among post-Soviet states is scarce, and most of the studies discussed here were published in the form of working papers or reports. The lack of interest in economic effects may also be due to the fact that many researchers believe that regional integration in the framework of the BKR CU and BKR SES is primarily driven by geopolitical and domestic political economy considerations rather than economic benefits. The next section presents a review of the literature on regional integration in
international relations (IR) based on their evolution since the 1950s and discusses the studies that applied these approaches in the case of the post-Soviet regionalism.

2.3 Eurasian regionalism through the prism of IR theories

Neofunctionalism was one of the first theories in studying regional arrangements to argue that increased interdependencies lead to progress in regional integration from lower to higher levels of cooperation and to regional institution building (Gehring, 1996). Moreover, in explaining the post-WWII progress of regional integration in Western Europe, the ‘environmental patterns’ of such domination of pluralism, high levels of economic and industrial development, and the ideological homogeneity were deemed important by neofunctionalist. According to Haas (1958), political spill-over is caused by spill-over in the interdependent sectors of national economies.

The progress of the European integration in the post-war period, which first started as a functional cooperation in coal and steel sectors, supported the neofunctionalist argument. However, the period of Euro-sclerosis from the mid-1960s led to the reconsideration of neofunctionalism by its main contributor, Ernst B. Haas, who stated that ‘theory of regional integration ought to be subordinated to a general theory of interdependence’ (Haas, 1976, p. 199). According to the complex interdependence and neoliberal institutionalism perspectives, which are rooted in neofunctionalism, regional institutions or regimes are established by states in order to cope with growing interdependencies and these institutions, once created, facilitate further linkages (Keohane, 1984; Keohane & Nye, 1989).

The neofunctional reading of post-Soviet integration can be found in Obydenkova (2011), who argues that the background conditions or environmental patterns were not enough for successful integration in the post-Soviet area. The existence of the myriads of the functional networks developed during the communist
rule did not result in integration after the collapse of the USSR. The differences in the transition paths and in the levels of economic development hindered the progress of integration (Obydenkova, 2011).

Kubicek (2009), who applied the interdependence theories to explain regional integration among post-Soviet states, argues that application of neoliberal institutionalism can be problematic in the case of post-Soviet experience because interdependence does not always cause the interest in cooperation. The case of post-Soviet disintegration shows that the high levels of interdependencies among CIS economies did not create the interest in establishing a regional organisation because these interdependencies were often viewed as the negative legacy of the Soviet Union and were not the results of the voluntary integration during the communist rule (Kubicek, 2009). Moreover, the specialization of the Soviet republics, where southern and eastern parts of the USSR (i.e., Central Asian republics) acted as the resources suppliers for the industrialized western and northern parts (i.e., Belarus and Ukraine), could not serve as the basis for cooperation, as it has created inequalities in development.

While there are only a few studies based on functional links, geopolitical explanations of the post-Soviet regionalism dominate the literature on this topic. Intergovernmentalism explains the institutionalization on the regional level as the outcome of the bargaining between states in the region based on the convergence of their interests. Large states may gain the loyalty of small states through provision of side payments (Mattli, 1999). Russia’s policies to push integration among the post-Soviet countries using energy politics and its transit potential shows that it is not only

Vinokurov (2007) lists such measures as the decision to exempt oil and gas exports to Ukraine, Belarus, and Kazakhstan from VAT in order to realize the SES initiative and the provision of the armaments to CSTO members at domestic prices to preserve its influence in security issues. The cost of the VAT exemption measure is estimated to be around USD 1.17 billion in 2005 alone.
the economic pragmatism but also geopolitical objectives, such as the reassertion of Russia’s zone of influence, that were important (Trenin, 2009; Vinokurov, 2007).

Russia-driven post-Soviet regionalism is also viewed as Russia’s efforts to gain great power status through increased influence in its ‘near abroad’. Wallander (2007, p. 113) states that ‘neoimperial Russia would seek wealth, power, and security through a position of strength vis-à-vis the West, as well as other powers, such as Iran and China, by exercising power over dependent neocolonies, primarily the former Soviet state’. However, in his view, the neoimperialist explanation for Russian regional initiatives is flawed. The neoimperialism for Russia becomes an impossible alternative since globalization and increased interdependencies made it difficult to pursue isolationist policies vis-à-vis global and other major powers. Wallander (2007:26) finds that transimperialism or ‘the extension of Russian patrimonial authoritarianism into a globalized world’ can better explain the Russian policy in dealing with foreign elites.

In his literature review of the CIS and Central Asia regional integration studies, Libman (2012) notes that there is a trend in literature to view regional integration in post-Soviet geography as an attempt of the regime in Russia to create a network of authoritarian states in neighbouring countries rather than viewing it as the neoimperial ambitions of Russia to dominate in its near abroad. This switch from a geopolitical approach to a comparative politics field is apparent in the above-mentioned study of Russian foreign policy by Wallander (2007). The protective regionalism or regime security approaches used in the studies of the regional integration in Central Asia and in explaining the role of Russia in this region also prove this tendency. According to these approaches, the elites of weak states in Central Asia with patrimonial authoritarian regimes are likely to be engaged in regionalism games or in ‘virtual regionalism’ in order to secure their regimes and oppose ‘external’ good governance and pro-
democracy agendas (Allison, 2004, 2008; Collins, 2009). The same line of argument is present in Roeder (1997) who argues that some leaders in the post-Soviet region choose to delegate some part of their state’s sovereignty to Russia to stand against internal oppositional forces and maintain their own political survival. For Russia, this sovereignty/regime security trade-off provides a good opportunity to establish its own hegemony over post-Soviet states.

Although regime security and protective regionalism approaches point out the role of the regimes in regionalisation processes, the authors of such studies often treat Central Asia as a homogeneous unit, despite the significant differences in approaches to governance adopted by the regimes in the region. Libman (2011) allows for a more heterogeneous set of actors in the post-Soviet space and uses a matrix that identifies the levels of regime consolidation and the perceptions of the political integration as the factors for different types of motivations for regional integration. According to this matrix, the high level of regime consolidation and perceived high possibility of political integration will result in ‘integration games’ and conflicts. The highly consolidated regimes will not be interested in delegating authority to regional bodies and they may imitate activism in pursuing regional initiatives (Libman, 2011). This explanation could explain the regional initiatives among post-Soviet states before 2010. However, the establishment of the BKR CU among the most consolidated post-Soviet regimes calls for other explanations.

Moreover, the focus of the protective regionalism literature on the regime security concept often comes at the cost of underestimation of the economic and development dimensions in regional initiatives. The developmental regionalism concept, which includes analysis of domestic political and economic factors, can be helpful in understanding the recent regional integration processes in the post-Soviet
area. Nesadurai (2003) explains the temporary preferences for regional capital owners in ASEAN Free Trade Area (AFTA) framework as an attempt of the ASEAN member states’ elites to maintain the support from domestic social forces (local capitalists). According to such economic realism explanations, the developmental states in Southeast Asia, which show a high commitment to development in order to legitimize their regimes, would use regionalism as a tool for gaining consent of domestic actors.

The neofunctionalist, intergovermentalistic, and domestic political economy perspectives discussed above are based on the assumptions that actors, states or regimes, are rational and act based on some pre-given objectives or interests. However, this rational-actor assumption was criticised from institutionalist and constructivist positions. The constructivist literature on regional integration has experienced growth since the end of the 1990s, which reflects the ‘constructivist turn’ in international relations.

Some studies used constructivism alongside rationalist assumptions. The neorealist power distribution and bounded territoriality premises were utilized in the Regional Security Complex Theory (RSCT) in a blend with constructivism to explain the formation and dissolution of the regions based on the sectoral securitization principle (Buzan & Wæver, 2003). According to the RSCT, the states can be located within regional security complexes or constellations based on their security interdependencies (Buzan & Wæver, 2003). While material factors such as power distribution are important, RSCT also uses securitisation theory to explain security interdependencies. The constructivist explanation of the regionalism in Southeast Asia can be found in Acharya (2009). In analysing ASEAN, Acharya (2009) used security communities framework that was earlier developed by Deutsch (1961).

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16 This term was used in (Checkel, 1998).
The constructivist scholarship also influenced the studies of regional integration among post-Soviet states, and three studies can be distinguished due to their firm theoretical groundings and rich empirical data. These three studies emphasize the role of ideas in shaping foreign economic policies of post-Soviet states regarding regional integration (Abdelal, 2001; Darden, 2009; Tsygankov, 2001). Some of the questions posed by Rawi Abdelal in his ‘National Purpose in the World Economy, Keith Darden in his ‘Economic Liberalism and Its Rivals’, and Andrei P. Tsygankov in his ‘Pathways after Empire’ are related to the questions in this study and are related to motives of the post-Soviet states in joining or avoiding Russia-centred regional arrangements.

The first decade after the collapse of the Soviet Union was decisive for newly independent states that, despite their common Soviet experience, have chosen different pathways. Some states, like Belarus and Kazakhstan, pursued regional integration with Russia in the framework of the CIS and other regional organisations, such as the EurAsEC and CSTO. Other states, like Turkmenistan, decided on neutrality or, as in the case of Ukraine and Uzbekistan, kept low-profile relations with post-Soviet counterparts. Baltic States never joined the CIS, distanced themselves from Russia, and made a decisive move towards joining the EU. The attempt of constructivist scholars was to explain the diversity of foreign policy choices among post-Soviet states by ideational factors, such as nationalist ideas and identities, because the rationalist perspectives that can explain the choice of one state fail when it comes to explaining the choice of the another. Therefore, a more detailed review of the above constructivism-based studies is provided here in order to place the main argument of this thesis, to show how it differs from existing constructivist literature, and to outline the contribution of the thesis to the literature.
Rawi Abdelal used the nationalism factor as the main explanatory variable for foreign policy choices regarding regional economic integration. According to him, post-Soviet states chose to integrate with Russia or with Europe depending on the outcome of the political and ideological struggle between former communist elites and emerging nationalist forces (Abdelal, 2001). Those states, where former communists were able to marginalize nationalists, tried to re-integrate with Russia. Abdelal (2001) includes Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan to the group where ex-communist elites were able to marginalize nationalists. In those states where ex-communists have adopted the nationalists’ agenda, as it happened in Baltic States, the governments started to distance themselves from Russia and re-orient to Europe. And the last group of states includes Azerbaijan, Georgia, Moldova, and Ukraine, where nationalists and ex-communists entered bargaining and the governments were not able to make a clear choice between Russia-centred or European integration projects.

Andrei Tsygankov also argues that post-Soviet states’ choices to re-integrate with ex-metropole or ex-Empire, that is Russia, or to shift away from any Russia-centred regional integration projects can be explained based on their national identities (Tsygankov, 2001). Applying a constructivist perspective, he argues that the states with strong national identities, so-called independents, such as Baltic States, viewed the close cooperation with the former Empire as the threat and these states minimized economic relations with ex-metropole and joined world trading system. Those states with weak national identities—so-called loyalists, such as Belarus, Kazakhstan, and Kyrgyzstan—viewed re-uniting with ex-metropole as a security priority. They chose regional integration among post-Soviet states and ‘showed little desire to search for new economic partners’ (Tsygankov, 2001, p. 3). Tsygankov supports his argument based on cases of Belarus, Latvia, and Ukraine. Ukraine’s national identity is categorized as
being between strong Baltic and weak national identity of Belarus that resulted in low commitment of Ukraine to both European and post-Soviet regional institutions.

Although the studies by Tsygankov (2001) and Abdelal (2001) have differences in approaching national identity, both authors tend to view nationalism or national identity more in ethnic terms and as opposing to Russia, which is viewed by nationalist forces as an ex-Empire and a threat. This tendency can be justified by the processes that took place in the 1990s in Ukraine, Latvia, and Lithuania where the ethnic nationalism prevailed in the nation-building process and, as in the case of Latvia, it resulted in granting non-citizen status to some ethnic groups, including Russians. However, national identity, if it’s not defined in ethnic terms, can be strong and, at the same time, inclusive of Russia and Russians. What is true for Ukraine, and it was well presented in both studies under review, may not apply for Kazakhstan where nationalism is not always associated with anti-Russian rhetoric. The nationalism and anti-imperialism are also strong in Kazakhstan, but it has a different nature and is not directed to today’s Russia per se, but towards totalitarian regimes of the past or towards particular policies and politicians of today’s Russia. The alternative explanation to post-Soviet states’ foreign policy choices in regards to joining a regional institution with Russia’s membership will not seek answers in the strength or weakness of national identity but will focus on the issue of whether the development of national identity followed an inclusive or exclusive path. For example, Ronald Suny describes how Kazakh leadership deployed discourses and policies to avoid conflict in multinational state and focus on civic identity despite aspirations of virulent nationalists (Suny, 2000).

Moreover, both Abdelal (2001) and Tsygankov (2001) do not question the identity formation within Russia that influenced its position towards regional integration among post-Soviet states. Abdelal describes Russia’s position as ‘its government openly
sought to dominate politics in the former Soviet Union’ (Abdelal, 2001, p. 3). It should be noted that Tsygankov provides a complete constructivist account of identity formation in Russia in other works\textsuperscript{17}. However, when it comes to explaining regional integration among post-Soviet states, Russia is treated as a state with stable interest in promoting regional integration in its near abroad. This raises a few concerns. If Russia was always interested in post-Soviet Russia-centred regional integration, why didn’t its parliament ratify the CIS Free Trade Agreement signed in 1994, and why did it show little support to proposals by Nazarbayev, concerning Eurasian Union, and Lukashenko, related to Union State, that were made in the 1990s? It was only in 2009 when Russia showed an active stance in promoting regional integration among post-Soviet states, and, as a result, the BKR CU was established in 2010 and CIS FTA among eight countries was signed in 2011.

The third study under review that tries to solve the same puzzle of foreign economic policy choices of post-Soviet states is more recent work by Darden (2009). Darden’s approach is similar to those of Abdelal (2001) and Tsygankov (2001) in emphasizing on ideational factors, but he focuses on the role of economic ideas and puts forward a new Theory of International Order, which is rooted in a constructivist perspective. However, Darden is critical of holistic constructivism or structuralist ‘top-down’ approach, which proposes that intersubjective meanings of international structure shared by members of international society influence individual states’ preferences without questioning how these intersubjective meanings were constructed in the first place (Darden, 2009). His approach to the role of ideas is ‘bottom-up’, when ideas first aggregate at a state level and then may dominate international level. The Theory of International Order states that changes in international order—such as the move towards autarky in a period between two World Wars, progress of multilateral trade

\textsuperscript{17} Tsygankov (2006a); (Tsygankov, 2012)
liberalization by the end of the twentieth century, or the preference of regional institutions—happen as a result of the aggregation of individual governments’ choices, which are based on economic ideas (Darden, 2009).

According to the Theory of International Order, the actors have abstract goals, such as material welfare, and causal ideas, such as beliefs about how a goal of material welfare can be achieved (Darden, 2009). Actors’ preferences are influenced by their beliefs or, in other words, by their interpretation of causal relationships. If actors believe that economic growth is best achieved through the promotion of a competition and free trade, then the preference will be given to joining the world trade system. On the other hand, if actors question the positive effects of a competition and free trade, they will prefer protective regional institutions or autarky. In his test of the theory on the case of post-Soviet states, Darden (2009) treats integration with the world trade systems and the establishment of the regional institutions among post-Soviet states as opposing policy choices. However, it should be noted that the agreements on the customs union among post-Soviet states signed in the 1990s and the establishment of the BKR CU in 2010 did not stipulate high protection or any opposition to the WTO. The negotiations related to regional integration in the framework of the EurAsEC or the BKR CU were always viewed as complementary to the world trade system, and the legislation of the BKR CU gives priority to the WTO rules over the rules of the BKR CU.

The Theory of International Order expands the applicability of constructivist framework and provides analytical tools to explain the formation of state preferences. In particular, when it comes to questions of what actors’ ideas are important and should be focused on, Darden (2009) proposes accountability, accessibility, and state control over the information criteria that is used in this study. In countries with a lower degree of

18 On the contrary, the legal framework of the BKR CU complies with the WTO regulations. In the case when one of the BKR CU members joins the WTO, the CET scheme of the BKR CU will be adjusted according to that country’s commitments to the WTO.
accountability and higher degree of state control over information, the ideas of top executives and state-sanctioned experts matter the most. On the other hand, in countries with a higher degree of accountability and less state control, popular opinion, ideas of party elites, and ideas of the NGOs should be widely used. For example, the studies by Furman (2007) and the EDB Integration Barometer project are attempts to explain the link between popular opinion and regional integration in the post-Soviet states.

The constructivism’s emphasis on the role of the ideas, norms and identities also serves as a metatheoretical foundation for the new regionalism theories (Hettne & Söderbaum, 2000). New regionalism is a broad concept widely used in international relations and public administration disciplines. In international relations, it refers to the emergence of new regional arrangements and the widening and deepening of the existing ones in the late 1980s. The launch of Asia-Pacific Economic Cooperation (APEC) in 1989, the signing of the North American Free Trade Agreement (NAFTA) in 1994, the establishment of the ASEAN Regional Forum (ARF) in 1993, and the deepening of European integration through the Maastricht treaty signed in 1993 are parts of the new wave of regionalism or so-called new regionalism that emerged with the end of the Cold War. Alongside the diversity of regional organisations, four important characteristics of the new regionalism can be identified (Hurrell, 1995). First, the new wave of regionalism was characterised by North/South regionalism, such as in the case of NAFTA. Second, the levels of institutionalisation varied significantly among the regional organisations, thus avoiding the bureaucratic structures of the traditional international organisations. Third, the new regionalism, which was influenced by the new post-Cold War environment and changes in global economy, developed as a multidimensional phenomenon, driven by security, political and economic

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19 For an Integration Barometer study carried out by Eurasian Development Bank, see (Zadorin, Maltseva, Moysov, Halkina, & Shubina, 2013).
considerations. Fourth, there was an increased interest in issues of regional identity and belonging in many parts of the world.

The emergence of the new regionalism as a phenomenon with different characteristics has triggered the evolution of theoretical approaches, so-called new regionalism theories, to understand it. The new regionalism theories presented in the literature review part here and used as the conceptual framework for this study refer to a more specific but rich body of literature presented in such edited collections as ‘Theories of New Regionalism’ and ‘The Ashgate Research Companion to Regionalisms’ (Shaw, Grant, & Cornelissen, 2012; Söderbaum & Shaw, 2003).

According to many contributors to the new regionalism theories, the earlier debate on regional integration, which includes neofunctionalism, intergovernmentalism, neoliberal institutionalism, suffers from drawing too much attention on a state as the main actor in regionalization processes and from using the case of European integration as the benchmark for assessing the success or failure of the regional projects in other parts of the world. Despite the variety of new regionalism approaches, they all contain the following central features that make them different from the mainstream perspectives to regional integration: the analysis is skewed towards the process of region building and the regions are approached as social constructions; the informal patterns of region building and the role of non-state actors are viewed as important; globalization and regionalization processes are considered to be strongly interrelated; the need for inter-disciplinary approaches is stressed due to the multidimensional nature of regionalisation projects (Hettne & Söderbaum, 2008; Hurrell, 1995; Lombaerde et al., 2010; Shaw et al., 2012; Söderbaum & Shaw, 2003).

The new regionalism theories and the NRA in particular view regions as social constructs. The process of regionalisation driven by certain regionalism ideology may
increase or decrease the levels of regionness in some geographical areas. The concept of regionness is central in the NRA, and it can be understood in analogy with stateness or nationness. The region can be identified by making judgments about the degree of a particular area’s distinctiveness as a territorial subsystem from the rest of the international system or, in other words, by analysing its degree of regionness (Hettne & Söderbaum, 2000).

While there is no normative point on whether regionalism is anticipated, NRA refers to some normative values inherited in critical theories in IPE and development theory. New regionalism scholars in general favour the projects that contribute to a high involvement of civil society and empowerment of the weak. Also, the recent trend is to emphasize on human security agenda alongside other traditional and non-traditional security issues.

The new regionalism theories attracted critique from various camps in International Relations and Area Studies. EU studies scholars argue that the new regionalism literature does not benefit from a wide range of the tools developed within EU studies and avoids using the EU as the case for the theory building (Warleigh-Lack, 2006; Warleigh-Lack & Rosamond, 2010). The new regionalism approaches are also criticized for their underestimation of the role of a state (Acharya & Johnston, 2007, p. 10). Gomez Mera (2009) concludes that MERCOSUR is primarily a state-led project with strong economic reasoning and suggests that new regionalism approaches alone are not enough to explain the regionalization in the case of South America, and they should be complemented with mainstream theories.

Some of the critiques were not accepted, as in the case of the underestimation of the role of state (Shaw et al., 2012, p. 9). The new regionalism theories treat a state as one among many other actors in the regionalization process that might be viewed as the
underestimation if compared to state-centric analysis of mainstream IR theories. Buzan (2003) contributing to the ‘Theories of New Regionalism’ collection updated the words in his definition of security complexes from ‘set of states’ to ‘set of units’ in order to bring the constructivist element into analysis and to avoid the state-centrism. However, his analysis recognizes the importance of states as the main actors in the regional security complexes.

Some of the criticisms were noted and addressed in recent studies by new regionalism scholars. Hettne and Söderbaum (2008) proposed the elimination of distinction between new and old regionalism and argued for using terms ‘the earlier debate’ and ‘the recent debate’ instead. The former includes studies of regional integration, with a focus on Europe, which are state-centric and favour multilateralism, and the latter covers the regionalism studies, which are informed by the globalization process and consider the role of non-state actors as well. However, even this distinction is being revised in the recent joint studies that are co-authored by scholars from both new regionalism and EU studies. As a result of the fact that the new regionalism approaches emphasize the exogenous dimension of regionalism (globalization-regionalization relationship) and the endogenous dimension is strongly articulated in the EU studies, both fields can benefit from dialogue and interaction (Söderbaum & Sbragia, 2010).

2.4 Conclusion

The scholars studying post-Soviet regionalism employ the variety of theoretical approaches, which are not limited to those provided in this study\textsuperscript{20}. Table 2-1 presents the summary of the literature on regional integration among post-Soviet states.

\textsuperscript{20} For detailed literature review on regional integration in the CIS and Central Asia, see Libman (2012).
Although the literature on the post-Soviet regional integration is abundant, the case of the regionalisation among the post-Soviet states is almost missing in the studies based on the new regionalism theories. One may argue as Gomez Mera (2009) in the case of the MERCOSUR that the regionalism projects pursued by post-Soviet states are purely state-led projects where geopolitical rivalry is of utmost importance, thus leaving little room for the new regionalism approaches. However, taking into account the richness of the recent debate on regionalism and the progress in constructivist scholarship, it is argued that the contemporary regionalism approaches may shed light on important aspects of the regionalization processes among post-Soviet states.

Table 2-1. Summary of literature on regional integration among post-Soviet countries

<table>
<thead>
<tr>
<th>Approach</th>
<th>Conclusions (in brackets: main goals of reviewed studies)</th>
<th>Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic theories of regionalism</strong></td>
<td>(Economic effects) Mixed static effects: trade diversion in countries with lower pre-CET levels. Negative dynamic effects due to locking in old Soviet technology</td>
<td>(Michalopoulos &amp; Tarr, 1997; Micholopoulos &amp; Tarr, 2004; Tumbarello, 2005; Vinhas de Souza, 2011)</td>
</tr>
<tr>
<td>CGE or Simple Partial Equilibrium models</td>
<td>(Economic effects) Regional integration contributes to GDP growth of all BKR SES members. It also has positive structural effects leading to diversification of resource-based economies.</td>
<td>(Ivanter et al., 2012)</td>
</tr>
<tr>
<td>Macroeconomic modelling</td>
<td>(Economic effects) Regional integration contributes to GDP growth of all BKR SES members. It also has positive structural effects leading to diversification of resource-based economies.</td>
<td>(Ivanter et al., 2012)</td>
</tr>
<tr>
<td>Functional links among cross-border regions</td>
<td>(Assessing cross-border cooperation) Kazakhstan and Russia cross-border regions cannot be considered as functional macro-region</td>
<td>(Limonov et al., 2012)</td>
</tr>
<tr>
<td><strong>Rationalist theories in IR</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neofunctionalism</td>
<td>(testing theory) The existence of the myriads of functional networks developed during the communist rule did not result in integration after the collapse of USSR.</td>
<td>(Obydenkova, 2011)</td>
</tr>
<tr>
<td>Neoliberal institutionalism, interdependence</td>
<td>(testing theory) Interdependence does not always cause interest in cooperation. High levels of interdependencies among CIS economies did not</td>
<td>(Kubicek, 2009)</td>
</tr>
</tbody>
</table>

21 For examples of studies of post-Soviet regionalism that adopt some of the premises of the new regionalism theories, see Qoraboyev (2010) and Molchanov (2009).
<table>
<thead>
<tr>
<th>Approach</th>
<th>Conclusions (in brackets: main goals of reviewed studies)</th>
<th>Studies</th>
</tr>
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<tbody>
<tr>
<td>theories</td>
<td>create interest in an international organisation because these interdependencies were often viewed as the negative legacy of the Soviet Union and were not the results of the voluntary integration during the communist rule</td>
<td>(Allison, 2004, 2008; Buzan &amp; Wæver, 2003; Collins, 2009; Libman, 2011; Roeder, 1997; Trenin, 2009; Wallander, 2007)</td>
</tr>
<tr>
<td>Intergovermentality, protective regionalism, Regional Security Complex theories</td>
<td>(<strong>explaining motives</strong>) Russia is interested in regional integration among post-Soviet states in order to reassert its zone of influence. Other post-Soviet states interested in securing themselves from threats. Authoritarian leaders want to protect their regimes through regional cooperation.</td>
<td>(Allison, 2004, 2008; Buzan &amp; Wæver, 2003; Collins, 2009; Libman, 2011; Roeder, 1997; Trenin, 2009; Wallander, 2007)</td>
</tr>
</tbody>
</table>

**Constructivist approaches in IPE**

| Constructivism (nationalism/regionalism nexus) | (**explaining motives**) The states where nationalists are marginalized or states with weak national identity tend to pursue Russia-centred regional integration. | (Abdelal, 2001; Tsygankov, 2001) |
| Constructivism (role of economic ideas) | (**explaining motives**) States where actors believe in the importance of industrial policies, limited competition, large state-owned enterprises, and specialized industrial complexes, which require maintenance of functional links between post-Soviet states, tend to pursue Russia-centred regional integration. | (Darden, 2009) |
| New Regionalism Theories | (**explaining motives**) Post-Soviet countries pursue regional integration in order to increase bargaining power of each member in dealing with international organisations. The perceptions of sovereignty and hegemony in post-Soviet states influence their stances towards Eurasian regionalism. | (Molchanov, 2009, 2012; Qoraboyev, 2010) |
CHAPTER 3. THEORETICAL AND CONCEPTUAL FRAMEWORK

3.1 Introduction

The key purpose of the study is to understand the motives of the various actors (i.e., political elites, businesses, nationalist forces) involved in the process of region-building. It is argued that the application of the rationalist approaches, based on material incentives, is not sufficient to understand the choices of the actors to support or oppose particular regionalism project, and one should consider ideational factors that inform the actors’ preferences.

The study builds on the contemporary critical constructivist theories, the NRA in particular that views regionalism as a ‘political landscape in the making, characterised by several interrelated dimensions, many actors (including the region itself) and several interacting levels of society’ (Hettne, 2005, p. 550). In exploring the motives of the actors in the Belarus, Kazakhstan, and Russia, the study distinguishes among three main interrelated dimensions of Eurasian regionalism: (1) regionalism as a trade bloc; (2) developmental regionalism; and (3) regionalism as identity project. Alongside exploration of the motives for integration, the study draws on the regional actorship concept used in the NRA to present an analysis of how interplay of different motives shapes region’s capability to act as an actor in international relations.

The research questions and the approach adopted in this study are presented in Research Methodology and Conceptual Framework sections. The Theoretical Framework section discusses the literature that was used to develop the conceptual framework of the study.
3.2 Research Methodology

3.2.1 Research Statement

The regionalisation process among the post-Soviet countries is a source of rich empirical data for regionalism scholars and a difficult puzzle at the same time. The interest in the region increased at the beginning of the 1990s, when various theories were generated and tested, but after a decade of ink-on-paper regional agreements some analysts concluded on failure of regional integration among the post-Soviet states.\(^\text{22}\) However, the recent developments, such as the establishment of the BKR CU and BKR SES, renewed the interest of the scholars and policy-makers in the processes in the region.

The establishment of the BKR CU in 2010 can be considered the turning point that changed the character of economic relations among three post-Soviet states from cooperative to integrationist. This study uses disciplined interpretative case method to explain the motives of the actors in Belarus, Kazakhstan, and Russia in their pursuing Eurasian regionalism. This method is used to interpret or explain particular events based on existing theory, where an author can also suggest improvements to the theory (Odell, 2004). As argued by John Odell:

> The more explicit and systematic the use of theoretical concepts, the more powerful the application. Although this method may not test a theory, the case study shows that one or more known theories can be extended to account for a new event. (Odell, 2004, p. 58)

The progress in building regional institutions among post-Soviet states, such as the establishment of the BKR CU and BKR SES and plans for the EEU among Belarus, Kazakhstan, and Russia, can be considered a series of events in the framework of

\(^{22}\) For example, (Kubicek, 2009; Obydenkova, 2010).
Eurasian regionalism or as an empirical puzzle to be explained. This study applies the NRA to explain the regionalisation processes among the post-Soviet states, which were mostly studied from the prism of geopolitics. The NRA and other constructivist approaches in regionalism studies view regions as social constructions that are mostly constructed by region-builders or particular actors with certain motives (Neumann, 1994; Söderbaum, 2004). In constructing a region and pursuing a regionalism project, the actors are motivated by material incentives, ideas, and identities (Söderbaum, 2004). The regionalism project may result in a higher degree of regionness or cohesiveness among integrating states, which, in turn, leads to emergence of a region with actorship capability (Hettne & Söderbaum, 2000). Based on the previously mentioned concepts of the NRA, this thesis tries to answer two questions:

1. What are the possible motives of the actors in the Belarus, Kazakhstan, and Russia in pursuing Eurasian regionalism?

2. Is there a possibility that the progress in building regional institutions among the post-Soviet states will result in an emergence of a region, represented by a regional organisation, as a distinct actor in international relations?

The first question is a search for motives of the actors in the BKR CU states in their support of Eurasian regionalism. The motives of the actors in Belarus, Kazakhstan, and Russia are explored by distinguishing among three main interrelated dimensions of Eurasian regionalism, including trade, economic development, and identity aspects.

The BKR CU and the BKR SES are mainly trade liberalisation arrangements that were established to facilitate trade between the partners through decreasing tariff and non-tariff barriers to trade. The trade liberalisation renders positive effects when partners are natural trading partners (Kandogan, 2008; Schiff, 2001). If the partners are
not natural trading partners but they pursue regional economic integration, it signals the existence of other motives.

While viewing the Eurasian regionalism as a trade liberalisation project is based on rationalist framework, the search for development and identity related motives is made through application of constructivist approaches. It is argued that foreign economic policy choices of the actors in Belarus, Kazakhstan, and Russia are mainly informed by the dominant economic ideas and representations of partner states, region, and certain concepts, such as Eurasianism, in each country under consideration.

First, the choice of national economic development strategies and regional foreign economic partners is influenced by economic ideas of the actors in the integrating countries. Economic ideas here refer to ‘causal beliefs’ about how to achieve a particular goal, such as economic development (Darden, 2009). This approach is different from exploring the dynamic effects of regional integration based on economic theories of regionalism. In an analysis of the dynamic effects, the dominant economic theories refer to the certain assumptions about causal relationships between trade liberalisation and industrial restructuring, and these assumptions can be used to predict possible outcomes of regional integration. However, in this study, it is argued that, although these dominant theories about causality can hold in many situations, the actors in integrating countries may have different ideas about the causal relationships between trade liberalisation and industrial restructuring and about how economics work in general.

Second, alongside economic ideas, the choice of the foreign economic partners is influenced by the representations of the partners (i.e., Russia), region (i.e., Eurasia), and certain concepts (i.e., Eurasianism, Silk Road) that emerge in the process of nation-building in each of the integrating countries. Representations refer to how particular
country is represented in a nation-building discourse. Representations have political implications because they influence attitudes towards particular states and justify particular actions (Dunn, 2004), such as an establishment of a regional institution. If, in process of nation-building, actors in a state X represent a neighbouring state Y as a threat, and such representation becomes widely accepted, it will undermine the establishment of regional institutions between X and Y.

Whereas the first question is an exploration of the motives for regional economic integration, the second question addresses the issue of how the progress of Eurasian regionalism has influenced the level of cohesiveness among members of the BKR SES. The process of regionalisation, as in the case of the regionalisation driven by Eurasian regionalism, leads to increased regionness, ‘which implies that a geographical area is transformed from a passive object (an arena) to an active subject (an actor) that is increasingly capable of articulating the transnational interests of the emerging region’ (Hettne, 2005, p. 555). In exploring the cohesiveness of the region or its actorship capability, the study draws on the analysis of the regional institutions’ competencies and their relations with organisations outside the region, the negotiation process for the establishment of the EEU, and the discourse on region-building.

The data for the case study is collected from the various sources depending on the issues addressed. To test the economic rationale for regional integration, the trade data is collected from the United Nations Conference on Trade and Development (UNCTAD) database, the International Trade Centre Trade Map trade statistics, and the BKR SES member countries statistical agencies. The data is analysed based on the trade intensity, trade complementarity, and relative competitive advantage (RCA) indices.

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23 For detailed discussion of representations see Dunn (2004); Neumann (2004)
To capture the role of ideational factors in Eurasian regionalism, the study explores the discourse in the Belarus, Kazakhstan, and Russia. The primary sources of data for the discourse analysis are the semi-structured interviews and texts (speeches, declarations, treaties, charters, strategy and policy documents, statistical data). The secondary sources are the scholarly articles, reports, and newspaper articles.

The semi-structured interviews were conducted mainly with experts whose research areas include the issue of the regional integration among post-Soviet states. Although these interviews serve as the source of primary data, the main goals in conducting the interviews with experts were (1) to avoid selection bias when researcher may choose sources that support the favoured theory and (2) to assess the alternative interpretations. The interviews were conducted in Almaty, Astana, Minsk, and Moscow with the staff of academic institutions and independent experts. Some interviews were conducted via Skype and with the consent of respondents were recorded using Evaer software.

As the main drivers of the Eurasian regionalism are political elites, the ‘integration speak’\(^{24}\) accomplished by them is analysed based on the primary data from their speeches and articles authored by them and published in newspapers, particularly the exchange of views on Eurasian Union between Putin, Lukashenko and Nazarbayev published in Izvestia newspaper in 2011. Moreover, the personal interviews with representatives of the business associations and civil society groups published in newspapers or online news portals are also part of primary sources of data for discourse analysis.

\(^{24}\) Integration speak consists of written or spoken forms of how various issues on regional integration are presented by actors (Langenhove, 2011).
3.2.2 Objectives of Research

The first objective of this study is to explore the processes of regionalisation among the post-Soviet states and explain the motives of the actors in pursuing regional integration by applying contemporary critical constructivist regionalism theories, the NRA in particular. The study focuses on Eurasian regionalism, the project that has resulted in the establishment of the BKR CU and BKR SES. Belarus, Kazakhstan, and Russia have agreed to establish common customs territory with the CET scheme and have already removed customs borders between each other. This regional integration project is often viewed through the lens of rationalist theories and the geopolitical explanations are dominant (Qoraboyev, 2010). As discussed previously in the introduction and literature review parts, the rationalist theories provide only partial understanding of Eurasian regionalism and overlook the importance of meanings assigned by state and non-state actors to the concepts and geographical spaces. This study applies critical constructivist theories in the regionalism studies field and tries to provide a more complete explanation of the motives of Russia’s neighbours in supporting regional integration and helps to understand the changes in Russia’s and other post-Soviet state’s attitude towards regional arrangements since the beginning of the 1990s.

The second objective is to contribute to the comparative regionalism studies field by drawing comparisons in economic and security dimensions with other regional blocs, the EU and ASEAN in particular. In analysing the possibility for an emergence of a region as distinct actor in international relations, the study (Chapter 6) draws upon literature that discusses the actorship capabilities of the EU and ASEAN. The references to the EU are widely used as Eurasian regionalism, and, to some extent, follows the European model. Moreover, the detailed description of the regionalisation processes
among the post-Soviet states presented here may serve as a source of empirical data for further comparative studies.

3.3 Theoretical Framework

This theoretical framework part consists of two sections. The first section presents the evolution of theories of economic integration with a focus on natural trading partners theory. Although this study is based on the critical constructivist framework, the first analytical chapter builds on natural trading partners theory, a rationalist framework, to test whether application of such approaches can explain the establishment of the EEU. The second section discusses the NRA and other constructivist approaches that are applied in this study. The section also contains improvements suggested to the NRA with references to other constructivist and discursive theories.

3.3.1 Theories of economic integration

The traditional view of customs unions in the 19th and first half of the 20th century was as a move towards free trade, and the regional arrangements were approached through the lens of a classical free trade paradigm (Gavin & Lombaerde, 2005). In summarizing the literature on customs unions in his seminal contribution in 1950, Viner (1999, p. 105) noted that both free-traders and protectionists were favourable to the customs unions. However, he challenged this view and argued that customs unions may have trade-diverting or trade-creating effects. For free-traders, a customs union is good if its establishment results in a switch from goods supplied from higher money-cost sources to lower money-cost sources, which happens in cases when the average tariff levels for third countries are lowered with the introduction of common external tariff (Viner, 1999, p. 113).
While Viner emphasized on trade-creation and trade-diverting effects or production effects of customs unions, Lipsey (1957) wrote about the importance of consumption effects of an economic integration because, under some circumstances, a trade-diverting customs union may generate positive welfare effects\textsuperscript{25}. The judgement about the effectiveness of a customs union can be made based on welfare analysis, which takes into account a combination of production and consumption effects (Lipsey, 1957). The establishment of a customs union may lead to an increase in volumes of international trade (trade expansion) due to decreases in trade barriers among partners (Meade, 1955). According to the previously mentioned studies the positive welfare effects are expected when a customs union leads to trade expansion and trade-creation exceeds trade-diversion.

Building on the customs union theory discussions in Viner (1999), Lipsey (1960), and Johnson (1962), Wonnacot and Lutz (as cited in Bhagwati et al. (1999, p. 57) proposed the natural trading partner concept and identified the following two criteria for natural partners:

Trade creation is likely to be great, and trade diversion small, if the prospective members of an FTA are natural trading partners. Several points are relevant:

- Are the prospective members already major trading partners? If so, the FTA will be reinforcing natural trading partners, not artificially diverting them.

- Are the prospective members close geographically? Groupings of distant nations may be economically inefficient because of the high transportation costs.

However, these initial trade volume and geographical proximity criteria were criticised in later studies. Schiff (2001) argued that both of the previous definitions are not fully applicable and proposed his definition of natural trading partners based on

\textsuperscript{25} After the establishment of a customs union particular country’s welfare may increase as the result of cheaper imports from partner economy (due to removal of tariff component of price for partner’s goods), although the producers in the partner country may not possess a competitive advantage in comparison to producers in third, non-member, countries.
trade complementarity in which PTA is likely to generate positive results if each member imports what other members export and if partners in a regional arrangement have different export structures.

The welfare analysis based on customs union theory captures only short-term effects of the economic integration, and it is based on a perfect competition assumption. However, under condition of imperfect markets and the existence of such externalities as economies of scale and product differentiation, one should take into account long-term restructuring or dynamic effects of economic integration (Jovanović, 1998).

Regional economic integration leads to enlarged markets where firms relocate or concentrate their production in order to cut costs. The monetary or pecuniary effects of such relocation are lower prices for final and intermediate goods. The non-pecuniary benefits in form of the technological progress are results of technological spillovers. Moreover, the economic integration increases competition among the companies in partner economies, thus leading to modernization in a quest for customers. These kind of economies of scale effects are discussed in detail by Balassa (1967); Krugman (1980). Although economies of scale effects may result in benefits, they are associated with a reduction in the number of competitors in the market when national oligopolistic structures are removed just to be replaced by the regional oligopolies or monopolies. Given the assumption that monopolies and oligopolies have less intention to cut prices, the positive effects from regional economic integration depend on the effectiveness of the regional competition policies (Gavin & Lombaerde, 2005).

The classical analysis based on comparative advantage framework may explain the patterns of inter-industry trade between countries with different factor endowments in which countries specialise in sectors in which they are most competitive. However, this approach fails to explain the existence of intra-industry trade or trade between
countries in similar goods. The theory and measurements of intra-industry trade were developed in studies by Grubel (1970); Grubel and Lloyd (1975), and this issue attracted significant attention from scholars. The positive effects from enlarged markets in cases of regional economic integration are greater if the trade among partners is mainly intra-industry (Krugman, 1981). The integration among partners with dominant intra-industry trade patterns does not cause income-distribution problems and results in less adjustment costs, whereas, in cases of dominance of inter-industry trade patterns, there will be a lot of winner and loser industries in integrating economies.

Alongside economies of scale and intra-industry trade considerations, policy-makers often refer to the attraction of FDI as a motive for regional economic integration. There is a strong link between FDI and the economies of scale argument because investors may not locate production in small markets. In this case, the market expansion effect of the regional integration may help small countries to attract multinational enterprises (MNEs). It is difficult to measure to what extent the establishment of the regional economic bloc affects FDI due to the existence of various ways in which regional arrangements may influence the location of FDI (Levy-Yeyati, Stein, & Daude, 2003). Velde and Bezemer (2006) have measured the effects of the trade and investment provisions in regional trade agreements (RTAs) on FDI using regression model. The results of their analysis show that all seven regional blocs\textsuperscript{26} under study benefit from additional FDI. On a regional level, RTAs with more trade and investment provisions attract more investments, and, on a country level, the larger countries attract higher levels of FDI than smaller members of RTAs.

Moreover, in order to capture the dynamic effects of the regional economic integration over time, some researchers apply a CGE model. Although the CGE models

\textsuperscript{26} These RTAs are ANDEAN, ASEAN, CARICOM, COMESA, MERCOSUR, NAFTA, and SADC.
allow for many variables to be analysed at once, the results derived from such models may vary significantly depending on model assumptions used by researchers.

In applying economic theories to test economic rationale for states to form a regional economic institution, the study applies a natural trading partners theory that is rooted in the customs union theory presented previously. The natural trading partners theory considers many aspects of interaction among states such as trade patterns, geographic proximity, infrastructure and historical ties. Michaely (2004) notes that ethnic, cultural, and linguistic affinities are also important in defining natural partners as in the case of Russian population in the former Soviet Union countries. The natural trading partners concept is based on the proposition that ‘liberalisation of trade with natural trading partners is more likely to be trade creating among partners and less likely to divert trade form non-partners’ (Kandogan, 2008:9).

In this study, the emphasis is made on trade patterns among the BKR CU member states, and the natural trading partner analysis is performed by calculation of intra-regional trade share, trade intensity (TI), trade complementarity (TC), and revealed comparative advantage (RCA) indices. Although there are more sophisticated methods to measure the effects from regional integration, such as the general equilibrium model and other models that simulate real-world scenarios, these models often suffer from the lack of data and subjectivity of assumptions inherited in analysis. The use of complex modelling does not provide clear answer to the question of whether the trade liberalisation among partners is economically sensible as it is evident from the differences between conclusions of the studies published by the World Bank, which

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27 It should be noted that necessary, but unavailable, data for such models is often entered or extrapolated based on researcher’s assumptions.
28 See Micholopoulos and Tarr (2004); Vinhas de Souza (2011).
predict negative effects of the BKR CU, and by the EDB\textsuperscript{29}, in which positive results from the establishment of the BKR CU are anticipated.

This study uses a simple yet indicative approach to check for economic rationale underlying the economic integration in the framework of the BKR CU with focus on trade flows among the partners. The natural trading partners are defined based on trade volumes and trade complementarity.

Wonnacott and Lutz, and Summers defined natural partners as having high initial trade volumes, as cited in Kandogan (2008, p. 141). This definition was criticised on the grounds that possible tariff losses in the case of trade liberalisation among partners with high trade volumes may lead to welfare losses (Bhagwati et al., 1999). However, in the case of BKR CU, there are no direct tariff revenue losses because the partners eliminated tariffs for trade among them in the 1990s\textsuperscript{30}. A more sophisticated trade complementarity definition was proposed by Schiff (2001), who argues that RTA is likely to generate positive results if each member imports what other members export.

In this study, to assess whether Belarus, Kazakhstan, and Russia are ‘right partners’ or ‘natural trading partners,’ the following indices and method are used: the Intra-regional Trade Shares, Intra-regional Trade Intensity, Trade Complementarity index, and the match between top import categories of one member of the BKR CU with the corresponding RCA indices of other members.

The intra-regional trade share indicates the importance of the regional organisation for partners by measuring the concentration of trade in a region. However, this measurement is highly influenced by the size of the region. The larger regional organisation will tend to have higher trade shares compared to an organisation with few

\textsuperscript{29} See Ivanter et al. (2012).

\textsuperscript{30} The serious tariff losses may occur in cases of significant changes in imports sources, when partners’ imports from third countries will drop dramatically.
members. The Intra-regional Trade Shares are calculated based on the following formula\(^{31}\):

\[
\text{Intra-regional Trade Share}_i = \frac{T_{ii}}{T_{iw}}
\]

where \(T_{ii}\) is equal to total trade of the region \(i\) (exports plus imports) and \(T_{iw}\) is equal to total trade of the region \(i\) with the world.

The Intra-regional Trade Intensity provides a better inference on the concentration of a trade in a region than Intra-regional Trade shares do because it corrects for the region’s size bias. The Intra-regional Trade Intensity was proposed in studies by and it is calculated using the following formula\(^ {32}\):

\[
\text{Intra-Regional Trade Intensity} = \frac{[T_{ii} / T_{wi}]}{[T_{iw} / T_w]}
\]

where \(T_{ii}\) refers to the total trade of region \(i\)

\(T_{iw}\) = is equal to total trade of the region \(i\) with the world and \(T_w\) is equal to total world trade

Alongside the trade concentration, Schiff (2001) proposed a method to identify natural trade partners based on trade complementarity. Trade complementarity index measures whether the imports of a member of a regional organisation match the exports of another member. The TC index is measured based on the following formula\(^ {33}\):

\[
\text{TC index} = 1 - \left\{ \sum_g \text{abs} \left( \frac{M_{ig}}{M_i} - \frac{X_{eg}}{X_e} \right) \right\} / 2
\]

where \(M_{ig}\) refers to imports of good \(g\) by country \(i\);

\(M_i\) is equal to total imports of country \(i\)

\(^{31}\) The discussion on the applicability of the intraregional trade shares can be found in Frankel et al. (1997)

\(^{32}\) The similar formula was used in studies by Drysdale and Garnaut (1982); Frankel et al. (1997); Kojima (1964)

\(^{33}\) The formula of TC is adopted from studies by Schiff (2001) and Michaely (2004).
\(X_{eg}\) is equal to exports of good \(g\) by country \(e\)

\(X_e\) is equal to total exports by country \(e\)

The value of the TC index is in range between 0 and 1. The null indicates no overlap or a situation when a country does not import anything exported by another country. The unity indicates perfect match of imports and exports or a situation when one country exports what the other imports. Therefore, a higher value of the TC index suggests better complementarity and more favourable prospects of a regional arrangement.

Another way to assess complementarity and the potential of the regional arrangement to avoid significant trade diversion is to identify important import items of a particular BKR SES member state and to assess whether other partners are the efficient exporters of these items. The efficiency of exports can be measured using the RCA index introduced by Balassa (1965). The similar method of matching imports of particular goods of one member of regional organisation with the corresponding RCA indices of other members to make inference on whether the countries are natural partners was used in a study of South Asian economies by Kandogan (2008).

### 3.3.2 Political economy theories

From the variety of approaches in the recent debate or new regionalism literature, this study employs the NRA developed and applied in the studies by Grant and Söderbaum (2003); Hettne (2005); Hettne and Inotai (1994); Hettne and Söderbaum (2000, 2008); Hettne et al. (2008).

Contributors to the new regionalism theories argue that the earlier theories of regional integration put too much emphasis on a state as the main actor in regionalization processes or often apply the European integration case to assess the
success or failure of other regional projects. Such an Eurocentric approach of integration theories leads to the conclusion that most of the regional projects outside Europe are failed ones due to their low level of institutionalization.

Although the new regionalism literature contains the variety of different approaches to study regionalisation processes, they all contain the central features that differentiate them from mainstream perspectives to regional integration. First, the ontological approach of the new regionalism theories is to view regions as social constructs not as given units that are defined by membership in certain regional organisation. Second, the informal patterns of region-building and the role of non-state actors are viewed as important in shaping the regional projects. Third, new regionalism theories pay considerable attention to the influence of the globalization on regionalization processes and consider these two processes to be strongly interrelated. Fourth, the central feature of the new regionalism theories is their emphasis on the multidimensional—including economic, security, and socio-political dimensions—analysis of the regionalisms (Hettne & Söderbaum, 2008; Hurrell, 1995; Lombaerde et al., 2010; Shaw et al., 2012; Söderbaum & Shaw, 2003).

The new regionalism theories, and the NRA in particular, use different terminology from traditional regional integration theories to underline the nuances in its approach in studying regions. Instead of the term ‘regional integration’, which often refers to state-led integration process, the NRA uses the ‘term regionalisation’ that refers to a process taking place within a certain geographical space that leads to higher convergence and cohesion between the integrating units. This process is multidimensional and includes political, economic, security, and socio-cultural dimensions. The regionalization can take place spontaneously, or it can be driven by a regionalism project, which is a political commitment and an ideology to increase
cohesion among units in a particular geographical space (Fawcett, 2005; Hettne & Söderbaum, 2000).

The main focus of the NRA is to understand the content of regionalisms and motivations of different actors in pursuing region-building. In exploring the content of the regionalisms, the NRA uses critical questioning of why a particular regionalism project is being carried on and for whose interests. The main meta-theoretical foundations of the NRA in its research programme are the critical IPE and social constructivist approaches (Hettne & Söderbaum, 2000).

In its critical aspect, the NRA builds on critical IPE, referring to contributions by Cox (1996); Gamble and Payne (1996); Murphy and Tooze (1991), which aim ‘to understand and contribute to structural/social transformation and emancipation, with a particular emphasis on the impact and consequences of asymmetric power relations, patterns of dominance and hegemony’ (Söderbaum, 2004, p. 39).

While the earlier versions of the NRA and World Order Approaches (WOA) emphasized the regionalisation/globalisation nexus theorizing the systemic context of the regionalisms, the later studies based on the NRA shifted attention from the structure to the agency, actors and strategies of the regionalisms (Söderbaum, 2004, p. 40). An emphasis on the agency and actors in regionalisation processes increased the influence of the constructivist perspectives on the NRA implying the rejection of pre-given interest-driven rational actor analysis and focusing on the explanation of how interests occur. Söderbaum presents this constructivist position by paraphrasing Wendt (1992) and arguing that ‘regionalism is what actors make of it’ (Söderbaum, 2004, p. 44).

Based on meta-theoretical postulates which include critical IPE and social constructivism, the NRA offers the following understanding of regionalisation and regionalism:
In this way regionalization is seen as an instrument to change existing structures, take advantage of new opportunities that arise as well as to create bonds of identity and community. According to this perspective actors engage in regionalism not only on the basis of material incentives and resources (including power capability, routine behaviour or ‘economic man’) but they are also motivated by ideas and identities. In essence, what regionalizing actors do depends on who they are, their world views, who other actors are, as well as the quality of their interaction. (Söderbaum, 2004, p. 45)

The NRA focus on the agency of regionalisms necessitates ‘in-depth knowledge of how actors think of themselves, their motivations, identities and strategies, as well as how they are influenced by other actors and their contextual surroundings’ (Söderbaum, 2004, p. 4). Based on the previously mentioned central features of the NRA and contemporary regionalism theories, the following part of this section suggests improvements based on the constructivist and discursive approaches that will help to explain the endogenous dimension of Eurasian regionalism and understand the motives of the actors and content of the regionalisation processes among post-Soviet states.

First, the NRA views regions as social constructions. Iver Neumann, in his chapter for the Theories of New Regionalism book, states that one should ask questions about ‘how and why the existence of a given region was postulated in the first place, who perpetuates its existence with what intentions, and how students of regions, by including and excluding certain areas and peoples from a given region, are putting their knowledge at the service of its perpetuation or transformation’ (Neumann, 2003, p. 162). The regions are constructed through discursive process or so-called integration speak that consists of written or spoken forms of how various issues on regional integration are presented by actors (Langenhove, 2011, p. 7).

In understanding how regions are made or unmade, the region-building approach explores interests and motives ‘where they are formulated, i.e. in discourse’ rather than operating with a given set of interests (Neumann, 1994, p. 59). The understanding of
regionalisation processes requires the analysis of ideas that inform formation of preferences and interests of actors.

Formal processes of building regional institutions or informal regionalism projects are informed by ideas and identities. Two broad interrelated categories of ideas can be distinguished in analysing their role in region-building: economic ideas and representations.

The economic ideas here refer to ‘causal beliefs’ about how to achieve particular goal, for instance, economic development (Darden, 2009). This approach is different from the rationalist perspectives to regional integration, such as the analysis of dynamic effects. The economist employing the rationalist approach will assume that, under certain conditions, trade liberalisation within the region results in long-term structural or, in other words, dynamic effects, such as increased inflow of FDI. However, this assumption or thesis about the causal relationship between trade liberalisation and FDI may not be universally accepted and policy-makers may have their own ideas about causality. These ideas about causal relationships inform the preferences of actors over political outcomes, such as the establishment of regional organisation or the adoption of a particular economic system (Darden, 2009).

The importance of ideas in forming preferences is also acknowledged by Ha-Joon Chang, influential political economist and expert in the East Asian development experience, who proposes the following definition of an industrial policy: ‘a policy aimed at particular industries (and firms as their components) to achieve the outcomes that are perceived by the state to be efficient for the economy as a whole’(Chang, 2003, p. 112). The phrase ‘perceived by the state’ in this definition emphasizes the role of human agency and ideas in building institutions for development and rejects the assumption that people’s actions are ‘determined by their “objective” economic
interests’ (Chang, 2007, p. 28). State and non-state actors in a particular country may have different perceptions about the efficient outcomes, and such perceptions inform the choice of institutions, including international institutions.

Representation or historical representation ‘refers to how the object of inquiry (X) has been represented over time and space’ (Dunn, 2004, p. 79). In the case of regionalisation, X can be a partner country, region as a whole, or a particular concept—i.e., Eurasianism or Pan-Americanism. Representations may not directly determine an action, such as an establishment of regional organisation. However, representations certainly inform such actions or, put differently, representations have political implications because they make certain actions possible and make other actions unthinkable (Dunn, 2004).

Representations, such as why Y considers X a threat, can be captured through discourse analysis because a discourse that maintains some degree of regularity can act as a pre-condition for an action or constrain certain actions (Neumann, 2004). Dominant representations of reality and alternative representations are present in discourse (Neumann, 2004). The focus on representations and discourses does not come at the expense of material practises or facts because they are closely inter-related (Dunn, 2004). Representations produced by discourse help to understand a meaning that actors assign to material facts or practises. For instance, the concept of Eurasianism as understood by Russian nationalists informs their calls for Russian civilising missions and expansion of its sphere of influence while the pro-reformist forces in Russia, so-called westernizers, might view Eurasian or post-Soviet integration as deterring Russia’s modernization and abandoning the economic and political reforms (Clunan, 2009; Tsygankov, 2006b). In Kazakhstan, the concept of Eurasianism can be associated
with inclusive nation-building and addressing the issue of inter-ethnic relations (Abzhaparova, 2011).

The emergence of representations of the regions, states, and particular concepts is part of the nation-building process that results in formation of societies’ collective identities. Collective or national identities, in turn, influence the governments’ foreign economic policy choices (Abdelal, 2001, p. 2). National identity changes over time as one or more competing nationalist ideas gain dominance for some period of time (Abdelal, 2001). Therefore, regionalism projects are highly influenced by the contest over the content of national identity.

Second, the NRA stresses the importance to study relationship between regionalisation and globalisation. Contributors to new regionalism theories challenge any simplification of globalisation/regionalisation nexus (Hettne, 2005; Söderbaum & Sbragia, 2010). The NRA also refers to the concept of ‘double movement’ introduced by Karl Polanyi where the increasing role of market on a global level represents the first movement, which is followed by political intervention or the second movement for blunting negative influences of too much reliance on market forces (Polanyi, 1957). According to Hettne and Söderbaum (2008), regionalism can be part of the first movement with a neoliberal face as well as part of the second movement with an interventionist nature. In a contemporary global political economy, the institutionalization of the market system on a global scale can be viewed as the basic feature of the globalist project. This neoliberally informed project generates various responses, and, among others, the voices of the dissatisfied with the market fundamentalism and calling for political regulations are heard stronger all over the world. In some cases, these calls for intervention, and socially oriented policies can be articulated through the regionalism projects around the world.
However, it does not imply that the globalization is part of the first and the regionalization is part of the second movement. The contest of social and political forces over the content of globalization and regionalization determines the nature of these processes (Söderbaum & Sbraigia, 2010). The economic difficulties in Russia during the 1990s were mostly associated with neoliberal reforms and led to the decline of the pro-liberal reformist agenda and the rise of nationalism and anti-western sentiments.

Third, the NRA puts forward an idea that region, represented by a regional organisation, can act as a distinct actor in international relations. The process of regionalisation leads to increased regionness, ‘which implies that a geographical area is transformed from a passive object (an arena) to an active subject (an actor) that is increasingly capable of articulating the transnational interests of the emerging region’ (Hettne, 2005, p. 555). Langenhove also notes that ‘regions are not states, but they can act “as if” they were a state’ (Langenhove, 2011, p. 69).

Hettne et al. (2008) identify three components that constitute the regional actorship or the capability of a region to act as an actor in international relations: (1) regionness, which refers to the level of internal cohesiveness in terms of identity (we feel), institutionalisation (regional institutions), and interaction in different fields; (2) presence, which includes a region’s weight in terms of demography, economics, military, and ideology; (3) actorness, which is defined as ‘the capacity to act purposively to shape outcomes in the external world’.

Wunderlich (2012), drawing on the contributions by Hettne (2011), Bretherton and Vogler (2006), and Doidge (2008), argues that the EU is not sui generis; therefore, it is possible to compare the highly institutionalized EU with other less institutionalized regional organisations, such as the ASEAN.
3.4 Conceptual Framework

The main purpose of this study is to understand the motives of actors in Belarus, Kazakhstan, and Russia engaged in Eurasian regionalism project. It is argued that the application of the contemporary regionalism theories, the NRA in particular, allows better for a understanding of regionalisation processes among post-Soviet states, including the formation of EEU. The strength of the NRA lies in its ability to consider the role of material and ideational factors, state and non-state actors. The conceptual framework of the study is developed based on the NRA and its meta-theoretical foundations, such as IPE and social constructivism.

Björn Hettne, one of the main contributors to the NRA, argues that ‘the new regionalism must be seen as a new political landscape in the making, characterised by several interrelated dimensions, many actors (including the region itself) and several interacting levels of society’ (Hettne, 2005, p. 550). In exploring the motives of the actors in the Belarus, Kazakhstan, and Russia, the study distinguishes among three main interrelated dimensions of Eurasian regionalism: (1) regionalism as a trade bloc; (2) developmental regionalism; and (3) regionalism as identity project.

The BKR CU is a trade bloc with CET levels coordinated by the EAEC, the supra-national body of the organisation. However, the studies by World Bank and local experts question the economic rationale for the formation of the trade bloc between Belarus, Kazakhstan, and Russia. This study draws upon the natural trading partners concept in order to assess whether the actors in the BKR CU member states are motivated by calculations of the benefits from trade liberalisation on the regional level.

Developmental regionalism refers to an attempt by countries to increase complementarity and capacity of their economies through trade agreements and regional

\[\text{For example, Khusainov (2011); Micholopoulos and Tarr (2004).}\]
development strategies (Hettne, 2005). This study explores the link between Eurasian regionalism and development discourse and practises in each of the BKR CU member states.

Regionalism as an identity project refers to promotion of regional integration as part of identity politics. Collective identity building within the country or on a regional level is never a complete project with a variety of actors (i.e., nationalists, liberals, statists) in each society promoting their own reading of national or regional identity. In the contest over the content of national or regional identity, the actors form and promote the representations of ‘Self’ and ‘Others’, which, provided that they are widely accepted in society, influence foreign policy choices of a state. Actors may promote regionalism with the goal of gaining particular status or re-defining identity of a region. Figure 3.2 shows the conceptual framework of the study.

Alongside the exploration of the motives for pursuing Eurasian regionalism, the study also explores whether the increased cohesiveness, that is institutionalisation of economic relations through the establishment of the BKR CU and the SES, caused by Eurasian regionalism has resulted in the emergence of a region with actorship capability. Dimensions, regionness, and actor capabilities of a region are all integral parts of the approach proposed by the NRA to study the regionalisms (Hettne, 2005; Hettne & Söderbaum, 2000).
The new regionalism approach favours a multidisciplinary approach to studying regionalisation processes. According to NRA, regionalism projects are influenced by both endogenous and exogenous factors. In this study, the focus is shifted towards analysis of endogenous factors, such as the role of economic ideas and representations of the partners in each of the BKR member states. However, the study acknowledges that ideas that mainly develop on a domestic level are informed by external or structural changes, such as changes in the perceptions of state-market relationship and the concepts of sovereignty on a global level.

The NRA and other constructivist approaches in regionalism studies view regions as social constructs that are mostly constructed by region-builders or particular
actors with certain motives (Neumann, 1994, 2003; Söderbaum, 2004). The political elites of Belarus, Kazakhstan, and Russia supported or opposed by non-state actors, such as nationalist forces and business associations, pursue a Eurasian regionalism project. As argued in the NRA, in constructing the region and pursuing a regionalism project, the actors are motivated by material incentives, ideas and identities (Söderbaum, 2004). Although the BKR CU or the EEU are mainly trade liberalisation projects, the explanations of motives of actors in establishing these organisations based on material incentives alone is not sufficient. The influence of ideational factors, such as the meanings associated with the concepts of Eurasianism, Europe, Silk Road, economic development, and the representations of the partners in each of the BKR SES member states, should be taken into consideration as well. Based on material incentives and ideational factors, the actors develop their stances on how the regional integration should proceed or, in other words, what should be the content of Eurasian regionalism. In some areas, namely economics, the actors’ views may converge, thus leading to a higher degree of cohesiveness or regionness. The higher degree of regionness, in its turn, may lead to an emergence of a region with actorship capability (Hettne & Söderbaum, 2000).

Based on these previously mentioned concepts in the NRA, the conceptual framework of the study is divided into two main sections. The first section refers to the natural trading partners theory to assess material incentives of the actors. The analysis in Chapter 4 is based on the conceptual framework presented in the first section. The second section provides a conceptual basis for exploration of the ideational factors, such as economic ideas and representations of the partners in a nation-building process in Belarus, Kazakhstan, and Russia. Although NRA considers both material incentives and ideational factors, the approach favours constructivist perspective and prioritizes the role of ideas. Alongside the search for motives, the second section builds on concepts of
actorness, presences, and regionness proposed by the NRA and provides the framework for assessment of whether the Eurasian regionalism may lead to an emergence of a region with actorship capability.

3.4.1 Eurasian regionalism as a trade bloc

This study draws upon the natural trading partners concept in order to assess whether the actors in the BKR CU member states were motivated by calculations of the benefits from trade liberalisation on the regional level. The natural trading partner concept is based on a hypothesis that regional economic integration is likely to be welfare enhancing if the members of a trade liberalising arrangement are ‘natural trading partners’ (Bhagwati, Krishna, & Panagariya, 1999). Wonnacott, Lutz, and Summers defined natural trading partners as having high initial trade volumes (as cited in Kandogan (2008, p. 141). Geographical proximity and factors, such as cultural and language similarities, are also deemed important indicators in defining natural partners (Frankel, Stein, & Wei, 1997; Krugman, 1991). Later, Schiff (2001) argued that both of the previous definitions should be complemented and proposed his definition of natural trading partners based on trade complementarity in which PTA is likely to generate positive effects if each member imports what other members export and if the partners have dissimilar export structures. The Figure 3-1 shows the conceptual framework for testing economic rationale of the actors in the BKR CU members states.
To assess whether the BKR CU members are natural trading partners, the trade indices that indicate trade concentration and complementarity (i.e., trade intensity index, trade complementarity index, RCA) are calculated.

The actors in Belarus, Kazakhstan, and Russia will be motivated to pursue regional economic integration if they expect positive welfare effects from regional integration. The inference on possible welfare effects can be made through application of natural trading partners concept. To fit the definition of the natural trading partners, the trade patterns of the members of regional organisation should have the following characteristics: the intraregional trade shares and trade intensity are high, which implies that countries mostly trade with each other; the trade complementarity is high or, in other words, the members export goods that are imported by other members; and the export similarity is low.

### 3.4.2 Political economy of Eurasian regionalism: developmental regionalism or identity project

Analysis of possible benefits from trade liberalisation may not provide an answer for motives of the actors, as not all countries may gain from integration. Moreover, the attempts to pursue integration in political and security dimensions show...
that trade liberalisation is not an end per se. The second analytical chapter (Chapter 5) continues the search for motives and explores whether the Eurasian regionalism is primarily pursued as a developmental project or as an identity project. The analysis of discourses and practises related to Eurasian regionalism in Belarus, Kazakhstan, and Russia helps to identify which objectives are given priority in each country. If a country’s participation in Eurasian regionalism is motivated by developmental goals, there should be an explicit link between regionalism and domestic developmental discourse and practise. In some cases—i.e., Russia—the discourse on Eurasian regionalism is part of aspirations and foreign policy to achieve and maintain of Great Power status and establish multipolar world with limited place for debating the implication of Eurasian integration for country’s economic development. Therefore, in such a case, it is safe to say that the Eurasian regionalism is part of an identity project that is influenced by debate over national identity within Russia. The developmental objectives and the quest for status can also be reconciled as in the case of Kazakhstan, where discourse on Eurasian regionalism is used to construct an identity that addresses certain issues in nation-building and, at the same time, it is part of export-oriented economic development strategy.

3.4.2.1 Eurasian regionalism as a developmental project

In analysing the role of economic ideas, it is argued that various actors’ (i.e., political elites, businesses, think tanks) motives in supporting or opposing Eurasian regionalism are influenced by their perceptions of the right path for economic development. The economic ideas here refer to ‘causal beliefs’ about how to achieve a particular goal, for instance, economic development (Darden, 2009). This approach is different from the rationalist perspectives to regional integration, such as the analysis of

35 Developmental practise refers to implementation of policies, such as industrial policy.
dynamic effects. The economist employing the rationalist approach will assume that, under certain conditions, trade liberalisation within the region results in long-term structural or, in other words, dynamic effects, such as increased inflow of FDI. However, this assumption or thesis about the causal relationship between trade liberalisation and FDI may not be universally accepted and policy-makers may have their own ideas about causality. These ideas about causal relationships inform the preferences of actors over political outcomes, such as the establishment of regional organisation or the adoption of a particular economic system (Darden, 2009).

The importance of ideas in forming preferences is also acknowledged by Ha-Joon Chang, influential political economist and expert in the East Asian development experience, who proposes the following definition of an industrial policy: ‘a policy aimed at particular industries (and firms as their components) to achieve the outcomes that are perceived by the state to be efficient for the economy as a whole’ (Chang, 2003, p. 112). This definition emphasizes the role of human agency and of ideas in building institutions for development (Chang, 2007, p. 28). States or actors in a particular country may have different perceptions of efficient outcomes, and such perceptions inform the choice of institutions, including international institutions.

In the case of the regionalisation among post-Soviet states, the study explores how economic ideas of the actors in Belarus, Kazakhstan, and Russia inform their support or opposition to Eurasian regionalism. For instance, Belarus depends on Russia both in imports of energy resources and exports of manufactured goods and agricultural products, which may lead to the conclusion that material incentives are the main factors for economic integration with Russia. However, other post-Soviet states, which are depended on Russia almost to the same degree as Belarus, have chosen the path of integration with Europe or minimised any institutionalisation of the economic relations
with Russia. Why do almost the same economic conditions result in different choices? The answer can be found in the consideration of economic ideas in Belarus.

Belarus leadership believes that the transformation to market economy will ruin their economy and destabilise the country and that a state-based economy is the best way to achieve economic development. Therefore, Belarus distances itself from Europe, which demands market and political reforms, and favours Russia, which exercises less pressure in terms of the transformation to market economy.

3.4.2.2 Regionalism as an identity project

Whereas Belarus, Kazakhstan, and Russia have agreed to further economic integration, the socio-political and security dimensions of Eurasian regionalism remains highly contested. The differences in the stances towards socio-political and security dimensions among the members of the EEU can be explained by the identities formed in the process of nation-building in these states. National identity formation is never a complete project, and societies continuously develop their own identities and identify other societies. These identities also have ‘economic consequences’ or, in other words, they influence the choice of the international institutions (Abdelal, 2001, p. 2).

It is argued that, in the process of forming national identity, actors in the post-Soviet states develop the representations of other states (i.e., neighbouring states) and of particular concepts (i.e., Eurasianism) and that these representations informs their actions, namely to establish regional organisation. Representation ‘refer to how the object of inquiry (X) has been represented over time and space’ (Dunn, 2004, p. 79). In this study, X or the object of inquiry depends on the country under consideration. For instance, in Kazakhstan, the actions of actors are mainly informed by competing representations of Russia and Eurasianism. Kazakhstan, or any other post-Soviet state, is unlikely to establish regional organisation, where Russia is a member, with a supra-
national body if the representation of Russia as a threat is dominant in the country. In his study of identity debate in a period from Perestroika of late 1980s till the mid-2000s, Tsygankov (2006b) identifies three major schools of thought—i.e., westernist, statist, and civilizationist—that influenced the foreign policy choices of the USSR and Russia. Each of these schools of thought has its view or representation of West and post-Soviet space and suggests strategies according to these representations. In exploring these representations and their relationship with the actions, the following considerations are important.

First, the actions, such as the establishment of the regional organisation, are not fully determined by representations and identities. However, the representations certainly inform such actions or, put differently, representations have political implications because they make certain actions possible and make other actions unthinkable (Dunn, 2004).

Second, the representations, such as why Y considering X as a threat, can be captured through discourse analysis because a discourse that maintains some degree of regularity can act as a precondition for an action or constrain certain actions (Neumann, 2004). Dominant representations of reality and alternative representations are present in discourse (Neumann, 2004). Therefore, the discourse analysis in the case of each country, namely Belarus, Kazakhstan, and Russia, starts with mapping these dominant representations that are produced by the actors when they refer to Eurasian regionalism.

Third, the focus on representations and discourses does not come at the expense of material practises or facts because they are closely interrelated (Dunn, 2003). Representations produced by discourse help to understand a meaning that actors assign to material facts or practises. Russian activism in Crimea and East Ukraine can be viewed and presented as a defence of human rights and self-determination, or,
alternatively, it can be viewed as a violation of sovereignty and a sign of growing imperial ambitions. In the same way, for instance, the concept of Eurasianism as understood by Russian civilizational nationalists informs their calls for a Russian civilising mission and expansion of its sphere of influence. Whereas, Nazarbayev and academia in Kazakhstan view Eurasianism as a way of blunting ultra-nationalism and forming inclusive regional identity based on existing interdependencies and cultural heritage.

The actors in the BKR SES member states utilise existing and produce new representations/identities in their support or opposition to Eurasian regionalism.

3.4.3 The region’s actorship capability

One of the important developments in the regional studies field since the 1990s is the assessment of the regions, represented by regional organisations, as possible actors in international relations. The process of regionalisation, as in the case of the regionalisation driven by Eurasian regionalism, leads to increased regionness, ‘which implies that a geographical area is transformed from a passive object (an arena) to an active subject (an actor) that is increasingly capable of articulating the transnational interests of the emerging region’ (Hettne, 2005, p. 555). Langenhove (2011, p. 69) notes that ‘regions are not states, but they can act “as if” they were a state’.

In Chapter 6, the actorship capability of the emerging Eurasian Integration Space is assessed by drawing upon the NRA. Hettne, Söderbaum, and Stalgren (2008) identify three components that constitute the regional actorship or the capability of a region to behave as an actor in international relations: (1) regionness which refers to the level of internal cohesiveness in terms of institutionalisation (regional institutions) and identity (‘we’ feelings); (2) presence which includes a region’s weight in terms of demography,
economics, military power, and ideology; and (3) actorness, which is defined as ‘the capacity to act purposively to shape outcomes in the external world’.

### 3.4.3.1 Regionness

In assessing the regionness or internal cohesiveness of a region Hettne and Söderbaum (2000) propose classification into five levels or stages of regionness from regional social space – that is, the lowest level in which a region is populated by non-related groups – to a regional institutionalised polity such as the EU. Their classification of the regions is based on the levels of social interaction, institutionalisation, and the existence of collective identities (Hettne & Söderbaum, 2000). This study assesses the level of regionness based on its two components, which are: (1) level of institutionalisation and (2) regional identity.

First, the level of institutionalisation is one of the key factors that influence regionness and the actorship capability of a region. A region needs to possess some form of institutionalisation, formal and/or informal, in order to emerge as an international actor (Wunderlich, 2012). A region with a fixed and permanent decision-making structure, so-called institutionalised polity, has stronger actorship capability (Hettne et al., 2008).

Second, the construction of a strong regional identity or, in other words, the emergence of ‘we’ feelings among people in a region, will lead to external actorship (Hettne, 2011). Regional identity can be understood as ‘the meaning that people attribute to (geographic) spaces (e.g. states, micro-regions, macro-regions), to persons seen as representing those spaces (including their duties and rights), as well as to the interactions between them’ (Slocum & Langenhove, 2003, p. 3). The meanings that

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36 Hettne (2005) acknowledges that the evolution of regionalism might not follow this five stage model and that the model mainly serves a heuristic purpose.
people attribute to spaces or regional identity can be explored through the concept of *representations* that refers to how particular space is represented in a discourse (Dunn, 2004; Neumann, 2004). Identities and representations are interrelated: ‘identities refer to shared representations of a collective self as reflected in public debate, political symbols, collective memories, and elite competition for power’ (Checkel & Katzenstein, 2009, p. 4).

### 3.4.3.2 Presence

Hettne et al. (2008) argue that the very existence of the EU gives it influence as an external actor due to its demographic, economic, military, and ideological weight. ‘Presence does not denote purposive external action, rather it is a consequence of being’ and reflects the external audiences’ understanding of a region’s identity and internal priorities and policies (Bretherton & Vogler, 2006, p. 26). Size matters; for example, the region that has strong economic weight will have a stronger influence not only in economics but also in other aspects of international relations. Presence also includes the scope of external activities of a region, such as providing economic aid to other parts of the world or dependence of the external parties on a regional market. The region’s or regional organisation’s capacity to act depends on its presence. However, the presence itself does not lead to actorship capability, as in the case of the North American Free Trade Agreement (NAFTA), which has a strong economic presence but lacks strong internal cohesiveness and actorness (Hettne et al., 2008).

### 3.4.3.3 Actorness

Hettne (2005) defines *actorness* as the capability of a region, in some cases having legal personality, to influence external environments. The region may have different degrees of actorness in different fields (e.g. trade, security, and development) of its external relations. In assessing the actorness, the NRA builds on four basic

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requirements for actorness identified by Bretherton and Vogler (2006, p. 28), which are: (1) shared commitment to a set of overarching values and principles; (2) domestic legitimation of decision processes and priorities relating to external policy; (3) the ability to identify priorities and formulate consistent (refers to the degree of congruence between external policies of the member states) and coherent (refers to the level of coordination of regional policies) policies; (4) the availability of, and capacity to utilize, policy instruments such as diplomacy, economic tools, and military means.

The three components previously discussed – regioness, presence, and actorness – are interrelated and their interplay defines a region’s actorship capability. This analytical framework is used to explore whether the increased levels of cohesiveness among Belarus, Kazakhstan, and Russia, particularly the establishment of the EEU, the reforms of the CSTO, and intensification of integration-speak may result in the emergence of a region as a distinct actor in international relations. Before exploring the actorship capability of a region in the making, the so-called Eurasian Integration Space, the next section provides an overview of regionalisation processes among post-Soviet states since the beginning of the 1990s.

3.5 Conclusion

The key purposes of the study is to explore the motives of the various actors (i.e., political elites, businesses, nationalist forces) in Belarus, Kazakhstan, and Russia and understand the content of Eurasian regionalism. The study applies the NRA, critical constructivist approach and suggests some improvements to it referring to social constructivist and discursive theories. It is argued that, to understand regionalisation processes, one should consider the role of economic ideas and representations rather than solely relying on rationalist explanation based on pre-given interests and generalised assumptions. However, before switching to analytical chapters that apply
critical-constructivist framework, the first analytical chapter of the thesis presents the overview of recent development in economic integration and the test of the economic rationale for the EEU based on natural trading partners theory.
CHAPTER 4. ECONOMIC RATIONALE OF EURASIAN REGIONALISM

4.1 Introduction

The goal of this chapter is to assess whether the recent success in institutionalisation of economic relations among Belarus, Kazakhstan, and Russia—that is, the establishment of the BKR CU and BKR SES—can be explained based on economic rationale.

The first section of this chapter presents the details of the changes in tariff and non-tariff barriers after the establishment of the BKR CU. The second section contains the assessment of an economic rationale in regional economic integration. The analysis is based on trade statistics prior and after the establishment of the BKR CU in 2010. The chapter addresses the first research question of whether Belarus, Kazakhstan, and Russia are natural trading partners that are motivated by welfare gains in their pursuit of the Eurasian regionalism or not.

4.2 Changes in market access to Belarus, Kazakhstan, and Russia in 2010–2013

The talks on the establishment of the customs union among CIS member states started in the middle of the 1990s. The customs union agreement was signed by Belarus, Kazakhstan, and Russia in 1995. Kyrgyzstan joined the group in 1996, and Tajikistan in 1999. However, the parties failed to agree on the CET scheme. The trade liberalisation or, to be exact, the avoidance of protectionist tariffs among the post-Soviet countries after the collapse of the USSR was mainly maintained through bilateral free trade agreements rather than multilateral framework. 37 The breakthrough in regional economic integration happened in 2009, when Belarus, Kazakhstan, and Russia agreed on CET scheme and made commitments to eliminate large number of non-tariff

barriers, to remove customs borders, and to unify some of the macroeconomic policies in the near future through the establishment of the customs union and SES.

So, the establishment of the BKR CU in 2010 did not bring significant changes in tariffs for trade among the CU members, due to existence of bilateral FTAs signed in the 1990s. The major changes in market access were caused by the implementation of the CET scheme, which is in effect since January 1, 2010, that mostly influenced the access to the BKR CU members’ markets by the third countries.

4.2.1 Tariff level changes - Common External Tariff

The negotiations over the CET levels were heated in 2009 after the announcement of its implementation in 2010, leaving many interested parties (i.e., local businesses) out of the negotiation process due to strong political will to avoid any slowdown in integration. However, the establishment of the EurAsEC in 2000 and the talks over the SES Concept in the first half of the 2000s contributed to relatively smooth adoption of the CET by the BKR CU members in 2010.

The table 4.1 shows the percentage of changes in tariff lines after the implementation of the CET in January 1, 2010. In terms of the number of tariff lines, Kazakhstan decreased 45% of its total tariff lines, while tariff lines in Belarus and Russia, in large part, remained unchanged.

Table 4-1. The percentage of changes in tariff lines of the CU members after the introduction of the CET in 2010 compared to the previous year (Eurasian Commission 2012)

<table>
<thead>
<tr>
<th></th>
<th>Invariable</th>
<th>Increase</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belarus</td>
<td>75%</td>
<td>7%</td>
<td>18%</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>45%</td>
<td>10%</td>
<td>45%</td>
</tr>
<tr>
<td>Russia</td>
<td>82%</td>
<td>14%</td>
<td>4%</td>
</tr>
</tbody>
</table>
However, when changes in simple average of tariff rates (MFN applied) are considered, Kazakhstan has experienced the significant increase in its tariff rates from 5.9 in 2009 to 9.2 in 2010 after the CET was implemented. Belarus’ and Russia’s simple average tariff rates were almost the same prior to the implementation of the CET scheme and have slightly decreased with the establishment of the BKR CU. Figure 4-1 shows these changes in simple average tariff rates. The data for simple average tariff rates in this study is obtained from annual World Tariff Profiles published jointly by WTO, ITC and UNCTAD. The adoption of the CET scheme in 2010 lowered simple average tariff rates for trade between Belarus, Russia, and the rest of the world (ROW) and slightly increased simple average tariff rates for trade between Kazakhstan and ROW.

![Figure 4-1. Changes in simple average of tariff rates, all products](source)


The increase in simple average tariff rates of Kazakhstan was mainly caused by the increase in tariff rates for transport equipment to bring them to Belarus and Russian levels.\(^{38}\) The producers of the transport equipment have strong lobbies in Belarus and

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\(^{38}\) Harmonized System nomenclature, 4-digit level: Ch. 86 (except 8608), 8701–08 (except 870821), 8711–14, 8716, 8801–03, Ch. 89.
Russia where the machinery sector is considered a strategic one. Belarus mostly produces industrial machinery. However, its protection level in transport equipment category was lower than in Russia due to low-import duties for imports of passenger cars, while Russia kept higher tariffs in both industrial machinery and passenger car categories. Kazakhstan, which was mostly importing transport equipment from non-BKR CU member countries, had to embrace higher tariff rates for transport equipment, with some transition period. The average tariff rates in transport equipment category are presented in figure 4-2 indicating significant upward adjustment in case of import duties in Kazakhstan, which was met with criticism in the country, especially from car dealers and consumers, due to an increase in passenger car prices.

![Figure 4-2. Simple average of tariff rates, transport equipment](image)

**Source:** World Tariff Profiles 2010, 2011, 2012 by WTO, ITC, UNCTAD

The average tariff rates have increased in other categories for Kazakhstan but to a lesser degree than in the case of transport equipment, due to convergence of trade policies among the BKR CU members and to harmonisation processes prior to 2009 that were undertaken in the framework of the EurAsEC. For example, in the dairy products category, which was among important issues during CET negotiations due to its

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39 The implementation of CET tariffs for passenger cars in Belarus and Kazakhstan were delayed until July 1, 2011.
importance for members and particularly for Belarus⁴⁰, the countries had almost similar tariff rates prior to the CET implementation. The average tariff rates in the dairy products category are presented in figure 4-3, which shows convergence among the BKR CU members in terms of import duties in this category.⁴¹ In this category as in other categories, the main change caused the launch of the BKR CU and BKR SES was the progress in elimination of non-tariff barriers, such as ongoing unification of technical standards, sanitary and phytosanitary measures, and removal of customs control.

![Figure 4-3. Simple average of tariff rates, Dairy products](source:image)

**Source:** World Tariff Profiles 2010, 2011, 2012 by WTO, ITC, UNCTAD

### 4.2.2 Changes in non-tariff barriers

Belarus, Kazakhstan, and Russia had bilateral free trade agreements in effect prior to the establishment of BKR CU. These free trade agreements facilitated tariff-free trade between members. However, exporters in Belarus, Kazakhstan, and Russia have

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⁴⁰There was a so-called ‘Milk War’ between Belarus and Russia in the summer of 2009 caused by a Russian ban on about 1,200 milk and dairy products from Belarus. It is estimated that Russia accounts for more than 90% of exports by the dairy industry in Belarus (Barry, 2009).

⁴¹Harmonized System nomenclature 2007. 4-digit level items from 0401 to 0406
been long complaining about the existence of non-tariff barriers (NTBs) that significantly increase the cost of trade. The World Bank report on the possible effects of the BKR CU on Kazakhstan discusses the issue of non-tariff barriers elimination among the CU members as the main challenge for the organisation due to slow progress in this respect as of spring 2011.42

The non-tariff barriers to trade can be classified into three categories: (1) NTBs on imports, including import quotas, prohibitions, licensing, and customs procedures; (2) NTBs on exports, including export taxes, subsidies, quotas, and prohibitions; (3) behind-the-border NTBs, such as technical, health, labour and environmental standards and regulations, internal taxes and charges (Staiger, 2012).

As for the first two categories of the NTBs, which are applied at the border, the establishment of the BKR SES has a significant effect as the customs borders between Belarus, Kazakhstan, and Russia were removed by July 1, 2011. The removal of customs borders between the BKR SES members has led to the strengthening of the external customs border, most notably the Kazakhstan–China and Kazakhstan–Kyrgyzstan borders. As part of the agreements, Russian Federal Customs Service officers are present as the inspectors on Belarus and Kazakhstan borders with third countries.

The elimination of the behind-the-border NTBs, which are major obstacles to trade between BKR SES members, is a work in progress for the EAEC and the governments of the member states. The EAEC supervises and coordinates the elimination of these NTBs in three important areas:

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The first area is the unification of technical regulations among the BKR SES members. The ‘Agreement on Common Principles and Rules of Technical Regulations in the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation’ signed in 2010 provides framework for unification of the technical regulations within the customs union territory. The technical regulations of the BKR CU for the particular product categories are approved by the EAEC and have a direct effect on territories of all the CU members replacing the national technical regulations. As of July 7, 2013, the EAEC, previously Customs Union Commission, has approved 31 technical regulations mostly related to food products, electrical equipment, and transport equipment.

The second area in elimination of the NTBs is the ‘Agreement on Mutual Recognition of Accreditation of Certification (conformity attestation) Bodies and Testing Laboratories (centers) Performing Conformity Attestation’ signed in 2009. This agreement is important to support the implementation of the common technical regulations and in cutting costs for certification, because it eliminates costly attestation of the exporters by importing country regulatory bodies. Moreover, the Eurasian Conformity mark, which can be issued by national accreditation bodies, was introduced in 2011 to indicate the goods conformity to the BKR CU technical regulations.

The third area is the harmonisation of the sanitary and phytosanitary norms, which can be often used by regulatory bodies to restrict imports. The ‘Uniform sanitary and epidemiological and hygienic requirements for products subject to sanitary and epidemiological supervision (control)’ were approved by the CU Commission on May 28, 2010, and these requirements prevail over national legislation of the member

43 Available in Russian from the EAEC website: www.eurasiancommission.org
44 Available in Russian from Eurasian Economic Commission website www.eurasiancommission.org
countries. The sanitary and phytosanitary requirements are also included in technical regulations, and the conformity to these requirements can be certified by recognised national accreditation bodies.

The progress in elimination of the NTBs to intra-regional trade is the major change brought by the establishment of the BKR CU and SES in terms of intra-regional trade.

Based on the changes discussed above, the analysis of trade flows among BKR CU members from 2005 to 2011 is presented in the following section. The analysis employs basic trade indices employed in policy-making. These indices provide enough information to understand whether the trade-based calculations can be considered a basic motive for the pursuit of the Eurasian regionalism.

4.3 Belarus, Kazakhstan, and Russia: Are They Natural Trading Partners?

This study applies the natural trading partners theory in order to assess whether the actors in the BKR CU member states were motivated by calculations of the benefits from trade liberalisation on the regional level. The natural trading partner theory is based on a hypothesis that regional economic integration is likely to be welfare-enhancing if the members of a trade liberalising arrangement are ‘natural trading partners’ (Bhagwati et al., 1999).

To assess whether Belarus, Kazakhstan, and Russia are ‘right partners’ or ‘natural trading partners,’ the following indices and method are used: the Intra-regional Trade Shares, Intra-regional Trade Intensity, Trade Complementarity index, and the match between top imports categories of one member of the BKR CU with the corresponding RCA indices of other members.

45 The English version of the requirements is available from http://ec.europa.eu/food/international/trade/sps_requirements_en.htm
The analysis is based on evolution of trade from 2005 to 2013. This period is selected based on availability of statistical data, and it covers five years before the establishment of the BKR CU in 2010 and four years after its establishment.

4.3.1 Trade concentration

Trade liberalisation among natural trading partners or among prospective members with high mutual trade volumes is expected to generate positive welfare effects. Figure 4-4 reports the intra-regional trade shares based on trade statistics from United Nations Commodity Trade Statistics Database. In the tables and graphs in this chapter and appendices, the EEU 3 abbreviation is used to refer to the first three members of the EEU, namely Belarus (BY), Kazakhstan (KZ), and Russia (RU).

![Intra-regional trade shares of ASEAN, EEU 3, CIS, and EU27](image)

**Figure 4-4. Intra-regional trade shares of ASEAN, EEU 3, CIS, and EU27**

**Source:** Author calculations based on UNCTAD trade data

Although the intra-regional trade share index provides some information, it is difficult to do comparisons based on it due to size bias (Frankel et al., 1997). EU with
its 27 members and ASEAN with 10 members will tend to have higher intra-regional trade shares than EEU with three members (EEU 3), as for beginning of the 2015.

The more indicative measure of regional trade concentration is the regional trade intensity index, which measures the importance of trade among members in comparison to their trade with the ROW. The intra-regional trade intensity is calculated by dividing the intra-regional trade share by the share of the region’s total trade in the world trade. The larger is the numerator, the larger is regional concentration of trade.

Figure 4-5 shows intra-regional trade intensity indices for the ASEAN, CIS, EU, and EEU 3. The intra-regional trade intensity of the CIS had been falling and reached ASEAN level in 2011. The intra-regional trade intensity of the EEU 3, the three members of which are also members of the CIS, follows the CIS trend.

![Diagram showing intra-regional trade intensity indices for ASEAN, CIS, EU, and EEU 3.](image)

**Figure 4-5. Intra-regional trade intensity indices of ASEAN, EEU3, CIS, and EU**

*Source: Author calculations based on UNCTAD trade data*

As evident from Figure 4-5, the establishment of the BKR CU and the implementation of CET on January 1, 2010, might have contributed to stabilisation of intra-regional trade intensity among Belarus, Kazakhstan, and Russia. Although there
can exist many other factors influencing trade flows, the information in figure 4-6 shows that the CET scheme’s role was decisive because the imports of Kazakhstan from EEU 3 partners had risen significantly compared to Belarus and Russia. As it was mentioned previously, the average tariff rates of Kazakhstan had increased from 5.9 to 9.2 with the implementation of the CET while the average tariff rates of Belarus and Russia did not change much.

Figure 4-6 also indicates that Belarus and, to lesser extent, Kazakhstan are dependent on imports from other members of the EEU 3, primarily from Russia. The total trade between Belarus and Kazakhstan was equal to USD 763 million in 2011—that is, is 1.2% of total intra-regional trade—and this is a small figure compared to Russia–Belarus or Russia–azakhstan total trade volumes, which were USD 38,276 million and USD 23,800 million, respectively—that is, 60.9% and 37.9% of total intra-regional trade.
On the export side, figure 4-7 below reports the shares of the EEU 3 members in total exports of each partner. It indicates that Belarus exports are mostly directed towards the EEU 3 member markets, mostly to Russia. Kazakhstan and Russia, on the other hand, mostly export to countries outside the region.

![Figure 4-7. Share of the EEU 3 members in total exports of each partner](image)

Source: Author calculations based on UNCTAD trade data

The trade data discussed previously shows that Russia is a natural partner for Belarus, and further trade liberalisation in the form of the elimination of non-tariff barriers will decrease the costs associated with trade between Belarus and Russia, which, in turn, may result in trade expansion.

Alongside the volumes of trade, the export and import structures also provide important information on possible effects from regional integration. The more diversified the exports of partners, the higher the benefits from regional integration since the diversity in export structure increases the potential of trade with partner economies (Michaely, 2004; Yeats, 1998). Figure 4-8 presents export structures of EEU 3 members in trade within the region in 2011. Exports of Russia to other EEU 3
members are highly concentrated in mineral fuels category. Kazakhstan mainly exports crude materials and mineral fuels. Belarus has more diversified export structure, and it exports mainly machinery and transport equipment, manufactured goods, and food and live animals to other EEU 3 members.

![Figure 4-8. The structure of the partners’ exports to other members of the EEU 3 in 2011](image)

**Source:** Author calculations based on ITC Trade Map database

Although the information on trade volumes and trade structures provides some inference as to whether Belarus, Kazakhstan, and Russia are natural trading partners, the better results are obtained when this kind of analysis is complemented with the test for trade complementarity, which is presented in the next sub-section.

### 4.3.2 Trade Complementarity

The trade flows among the members of the regional organisation are complementary if: (1) the exports of particular member match the imports of regional...
partners that can be measured by the trade complementarity (TC) index; and (2) the particular member is an efficient exporter of products imported by other members where efficiency can be assessed using RCA index.\textsuperscript{46}

This study uses TC index that measures the compatibility of exports of each individual EEU 3 member with the imports of partner countries. Table 4-3 shows TC indices for Belarus, Kazakhstan, and Russia based on UNCTAD Merchandise Trade Matrix, 3-digit SITC REV.3. The highest level of trade complementarity is between Russia and Belarus. Russia’s exports tend to match Belarus imports. This can be due to Belarus’s dependence on imports of oil and gas from Russia. Belarus’s exports also match the imports of other EEU 3 members. Trade complementarity between Kazakhstan and Russia is very low. Although some experts expects that Kazakhstan will benefit from easier market access to largest economy in the region – Russia, the low level of complementary between these two economies suggests that regional arrangement is unlikely to boost Kazakhstan exports. In the case of Belarus, the country exports what other EEU 3 members import and further trade liberalisation in the framework of Eurasian regionalism will help it to secure the access to markets of Kazakhstan and Russia.

\textbf{Table 4-2. Trade complementarity for Belarus, Kazakhstan, and Russia}

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>BY-KZ</td>
<td>0.43</td>
<td>0.42</td>
<td>0.43</td>
<td>0.39</td>
<td>0.38</td>
<td>0.40</td>
<td>0.43</td>
<td>0.40</td>
<td>0.45</td>
</tr>
<tr>
<td>BY-RU</td>
<td>0.37</td>
<td>0.36</td>
<td>0.37</td>
<td>0.36</td>
<td>0.36</td>
<td>0.40</td>
<td>0.37</td>
<td>0.36</td>
<td>0.40</td>
</tr>
<tr>
<td>KZ-BY</td>
<td>0.42</td>
<td>0.42</td>
<td>0.41</td>
<td>0.41</td>
<td>0.41</td>
<td>0.35</td>
<td>0.38</td>
<td>0.35</td>
<td>0.33</td>
</tr>
<tr>
<td>KZ-RU</td>
<td>0.10</td>
<td>0.10</td>
<td>0.09</td>
<td>0.10</td>
<td>0.09</td>
<td>0.08</td>
<td>0.10</td>
<td>0.09</td>
<td>0.09</td>
</tr>
<tr>
<td>RU-BY</td>
<td>0.58</td>
<td>0.56</td>
<td>0.58</td>
<td>0.56</td>
<td>0.61</td>
<td>0.55</td>
<td>0.61</td>
<td>0.56</td>
<td>0.48</td>
</tr>
<tr>
<td>RU-KZ</td>
<td>0.28</td>
<td>0.28</td>
<td>0.28</td>
<td>0.29</td>
<td>0.27</td>
<td>0.26</td>
<td>0.26</td>
<td>0.23</td>
<td>0.24</td>
</tr>
</tbody>
</table>

Source: Author calculations based on UNCTAD Trade data.

\textsuperscript{46}The similar assessment can be found in Nihal Pitigala’s study of trade patterns among South Asian states (Pitigala, 2005).
Another way to assess complementarity and the potential of the regional arrangement to avoid significant trade diversion is to identify important import items of a particular EEU 3 member state and to assess whether other partners are the efficient exporters of these items. The inference into efficiency can be made using the RCA index. The RCA index, introduced by Balassa (1965), is calculated by taking the ratio of a country’s share of a particular commodity in that country’s total exports to the share of world exports of that commodity in total world exports. The RCA indices for this study were calculated based on statistics from ITC Trade Map using HS 4-digit aggregation level. The information on top 20 import categories of each EEU 3 member state and the RCA indices of partners for these categories are presented in tables 4-4–4-6.

Table 4-4 shows that Belarus mostly imports crude petroleum oils and petroleum gases in which Russia has the comparative advantage. The more detailed version of table 4-4 with the changes in the RCA indices in Kazakhstan and Russia over five-year period can be found in Appendix C. In general, Kazakhstan and Russia have comparative advantage in natural resources and metals that are imported by Belarus. In items such as cars or parts and accessories of motor vehicles, partners of Belarus in the EEU do not possess comparative advantage. Moreover, Kazakhstan and Russia have comparative advantage only in six and seven categories, respectively, of Belarus top 20 import items. Taking into account that Kazakhstan and Russia need to diversify their exports, which heavily depend on oil and gas, and that Belarus imports oil and gas from Russia at prices below the market prices, it is very unlikely that the EEU will boost exports of Kazakhstan and Russia to Belarus.
Table 4-3. Belarus’s top 20 import categories and corresponding RCA indices of Kazakhstan and Russia (based on HS, 4-digit categories)

<table>
<thead>
<tr>
<th>Product code</th>
<th>Product label</th>
<th>Value in 2011</th>
<th>RCA KZ 2011</th>
<th>RCA RU 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>All products</td>
<td>45747069</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'2709</td>
<td>Crude petroleum oils</td>
<td>9387514</td>
<td>7.11</td>
<td>4.08</td>
</tr>
<tr>
<td>'2711</td>
<td>Petroleum gases</td>
<td>5434445</td>
<td>2.40</td>
<td>0.64</td>
</tr>
<tr>
<td>'2710</td>
<td>Petroleum oils, not crude</td>
<td>3487396</td>
<td>0.53</td>
<td>3.66</td>
</tr>
<tr>
<td>'9999</td>
<td>Commodities not elsewhere specified</td>
<td>2557424</td>
<td>0.00</td>
<td>5.24</td>
</tr>
<tr>
<td>'7204</td>
<td>Ferrous waste and scrap; remelting scrap ingots or iron or steel</td>
<td>580263</td>
<td>0.85</td>
<td>0.95</td>
</tr>
<tr>
<td>'8703</td>
<td>Cars (incl. station wagon)</td>
<td>571858</td>
<td>0.00</td>
<td>0.03</td>
</tr>
<tr>
<td>'8408</td>
<td>Diesel or semi-diesel engines</td>
<td>468264</td>
<td>0.01</td>
<td>0.05</td>
</tr>
<tr>
<td>'3004</td>
<td>Medicament mixtures (not 3002, 3005, 3006), put in dosage</td>
<td>417422</td>
<td>0.01</td>
<td>0.03</td>
</tr>
<tr>
<td>'2716</td>
<td>Electrical energy</td>
<td>351861</td>
<td>0.16</td>
<td>1.08</td>
</tr>
<tr>
<td>'7208</td>
<td>Flat-rolled products of iron/non-al/s width&gt;=600mm/hr,not clad</td>
<td>351763</td>
<td>2.61</td>
<td>2.25</td>
</tr>
<tr>
<td>'8708</td>
<td>Parts &amp; access of motor vehicles</td>
<td>342265</td>
<td>0.00</td>
<td>0.03</td>
</tr>
<tr>
<td>'1701</td>
<td>Cane or beet sugar and chemically pure sucrose, in solid form</td>
<td>340703</td>
<td>0.04</td>
<td>0.06</td>
</tr>
<tr>
<td>'4002</td>
<td>Synthetic rubber&amp;factice from oil</td>
<td>259290</td>
<td>0.00</td>
<td>3.87</td>
</tr>
<tr>
<td>'0203</td>
<td>Meat of swine, fresh, chilled or frozen</td>
<td>251889</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>'8517</td>
<td>Electric app for line telephony, incl curr line system</td>
<td>241764</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>'8544</td>
<td>Insulated wire/cable</td>
<td>234899</td>
<td>0.01</td>
<td>0.09</td>
</tr>
<tr>
<td>'7209</td>
<td>Flat-rolled prod of iron/non-alloy steel wd&gt;=600mm,cr,not clad</td>
<td>220634</td>
<td>4.50</td>
<td>1.14</td>
</tr>
<tr>
<td>'7210</td>
<td>Flat-rolled prod of iron or non-al/wd&gt;=600mm,clad, plated or coated</td>
<td>209059</td>
<td>2.60</td>
<td>0.15</td>
</tr>
<tr>
<td>'7225</td>
<td>Flat-rolled products of other alloy steel, of a width of 600mm or more</td>
<td>205410</td>
<td>0.15</td>
<td>0.88</td>
</tr>
<tr>
<td>'7408</td>
<td>Copper wire</td>
<td>202498</td>
<td>1.83</td>
<td>4.92</td>
</tr>
</tbody>
</table>

Source: Author calculations based on ITC Trade Map database

As for Kazakhstan’s imports (see table 4-5), Russia has comparative advantage only in three of 20 items: crude petroleum oils; petroleum oils, not crude; and parts of railway or tramway locomotives or rolling stock. Taking into account the plans of Kazakhstan to use tolling agreements with China to decrease its dependence on imports of petroleum products from Russia and its emerging railway industry, the imports from Russia in these categories may be subject to further decline.\cite{Source:} Belarus, which has more diversified export structure than other partners, possesses a comparative advantage in six of the top 20 items imported by Kazakhstan. These items include commercial vehicles and transportation equipment sales, which are likely to improve because the tariff lines for transportation equipment from ROW in Kazakhstan were increased with

\cite{Source:} One and half million tons of Kazakh crude oil to be sent to China within tolling contracts. (2013, June 10). Tengrinews. Retrieved February 12, 2014, from http://en.tengrinews.kz
the implementation of the CET. The CET implementation may also lead to trade diversion because consumers of transportation equipment in Kazakhstan will switch from more efficient producers from third countries to producers in Belarus and Russia. The more detailed version of the table 4-5 with the changes in the RCA indices in Belarus and Russia over a five-year period can be found in Appendix D.

Table 4-4. Kazakhstan’s top 20 import categories and corresponding RCA indices of Belarus and Russia

<table>
<thead>
<tr>
<th>Product code</th>
<th>Product label</th>
<th>Value in 2011</th>
<th>RCA BY 2011</th>
<th>RCA RU 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>All products</td>
<td>38038705</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'2709</td>
<td>Crude petroleum oils</td>
<td>2502419</td>
<td>0.37</td>
<td>4.08</td>
</tr>
<tr>
<td>'2710</td>
<td>Petroleum oils, not crude</td>
<td>1379459</td>
<td>5.94</td>
<td>3.66</td>
</tr>
<tr>
<td>'9017</td>
<td>Drawing, marking-out / mathematical calculating inst</td>
<td>970724</td>
<td>0.08</td>
<td>0.03</td>
</tr>
<tr>
<td>'8606</td>
<td>Railway or tramway goods vans &amp; wagons, not self-propelled</td>
<td>949097</td>
<td>0.87</td>
<td>0.21</td>
</tr>
<tr>
<td>'8517</td>
<td>Electric app for line telephony, incl curr line system</td>
<td>836568</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>'3004</td>
<td>Medicament mixtures (not 3002, 3005, 3006), put in dosage</td>
<td>776922</td>
<td>0.16</td>
<td>0.03</td>
</tr>
<tr>
<td>'8703</td>
<td>Cars (incl. station wagon)</td>
<td>654441</td>
<td>0.06</td>
<td>0.03</td>
</tr>
<tr>
<td>'8471</td>
<td>Automatic data processing machines; optical reader, etc</td>
<td>599140</td>
<td>0.01</td>
<td>0.02</td>
</tr>
<tr>
<td>'7304</td>
<td>Tubes, pipes and hollow profiles, seamless, or iron or steel</td>
<td>495703</td>
<td>1.59</td>
<td>0.57</td>
</tr>
<tr>
<td>'8414</td>
<td>Air, vacuum pumps; hoods incorp a fan</td>
<td>453959</td>
<td>0.61</td>
<td>0.04</td>
</tr>
<tr>
<td>'8704</td>
<td>Trucks, motor vehicles for the transport of goods</td>
<td>410137</td>
<td>5.38</td>
<td>0.10</td>
</tr>
<tr>
<td>'8544</td>
<td>Insulated wire/cable</td>
<td>399235</td>
<td>1.08</td>
<td>0.09</td>
</tr>
<tr>
<td>'8481</td>
<td>Tap, cock, valve for pipe, tank for the like, incl pressure reducing valve</td>
<td>395024</td>
<td>0.29</td>
<td>0.10</td>
</tr>
<tr>
<td>'4011</td>
<td>New pneumatic tires, of rubber</td>
<td>386122</td>
<td>3.22</td>
<td>0.36</td>
</tr>
<tr>
<td>'8429</td>
<td>Self-propelled bulldozer, angledozer, grader, excavator, etc</td>
<td>371558</td>
<td>0.95</td>
<td>0.09</td>
</tr>
<tr>
<td>'1701</td>
<td>Cane or beet sugar and chemically pure sucrose, in solid form</td>
<td>345625</td>
<td>3.91</td>
<td>0.06</td>
</tr>
<tr>
<td>'8607</td>
<td>Parts of railway or tramway locomotives or rolling-stock</td>
<td>339686</td>
<td>0.39</td>
<td>1.01</td>
</tr>
<tr>
<td>'8413</td>
<td>Pumps for liquids; liquid elevators</td>
<td>311745</td>
<td>0.53</td>
<td>0.12</td>
</tr>
<tr>
<td>'2704</td>
<td>Coke &amp; semi coke of, coal, lignite, peat; retort carbon</td>
<td>310034</td>
<td>0.00</td>
<td>2.19</td>
</tr>
<tr>
<td>'2711</td>
<td>Petroleum gases</td>
<td>303350</td>
<td>0.36</td>
<td>0.64</td>
</tr>
</tbody>
</table>

Source: Author calculations based on ITC Trade Map database

Russia accounts for 81% of the region’s total imports and the success of the regional integration depends on whether other EEU 3 members may increase their exports to Russia. When Russian imports are matched with RCA indices of Belarus and Kazakhstan (see table 4-6), it is likely that the regional economic integration with Russia will benefit Belarus, which has comparative advantage in five of 20 of the top Russian import categories, including food products and transportation equipment. Kazakhstan has a comparative advantage in only one item and is less likely to become a

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48 ROW refers here to all countries except Belarus, Kazakhstan, and Russia.
49 The percentage is calculated based on trade statistics from UNCTAD for 2011.
significant and efficient supplier to the Russian market. The more detailed version of table 4-6 with the changes in the RCA indices in Belarus and Kazakhstan over a five-year period can be found in Appendix E.

Table 4-5. Russia’s top 20 import categories and corresponding RCA indices of Belarus and Kazakhstan

<table>
<thead>
<tr>
<th>Code</th>
<th>Product label</th>
<th>Imported value in 2011</th>
<th>RCA BY 2011</th>
<th>RCA KZ 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>All products</td>
<td>284736888</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8703</td>
<td>Cars (incl. station wagon)</td>
<td>18591699</td>
<td>0.06</td>
<td>0.00</td>
</tr>
<tr>
<td>3004</td>
<td>Medicament mixtures (not 3002, 3005, 3006), put in dosage</td>
<td>10835930</td>
<td>0.16</td>
<td>0.01</td>
</tr>
<tr>
<td>8708</td>
<td>Parts &amp; access of motor vehicles</td>
<td>8788059</td>
<td>0.45</td>
<td>0.00</td>
</tr>
<tr>
<td>8517</td>
<td>Electric app for line telephony, incl curr line system</td>
<td>7737914</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>9909</td>
<td>Commodities not elsewhere specified</td>
<td>6784895</td>
<td>0.94</td>
<td>0.00</td>
</tr>
<tr>
<td>8471</td>
<td>Automatic data processing machines; optical reader, etc</td>
<td>5262640</td>
<td>0.01</td>
<td>0.06</td>
</tr>
<tr>
<td>2710</td>
<td>Petroleum oils, not crude</td>
<td>3632067</td>
<td>5.94</td>
<td>0.53</td>
</tr>
<tr>
<td>8429</td>
<td>Self-propelled bulldozer, angledozer, grader, excavator, etc</td>
<td>3176816</td>
<td>0.95</td>
<td>0.03</td>
</tr>
<tr>
<td>8707</td>
<td>Bodies for motor vehicles</td>
<td>2927583</td>
<td>0.81</td>
<td>0.00</td>
</tr>
<tr>
<td>8606</td>
<td>Railway or tramway goods vans &amp; wagons, not self-propelled</td>
<td>2730174</td>
<td>0.87</td>
<td>1.15</td>
</tr>
<tr>
<td>8479</td>
<td>Machines &amp; mech appl having indiv functions, nes</td>
<td>2529584</td>
<td>0.15</td>
<td>0.01</td>
</tr>
<tr>
<td>8704</td>
<td>Trucks, motor vehicles for the transport of goods</td>
<td>2511645</td>
<td>5.38</td>
<td>0.01</td>
</tr>
<tr>
<td>8419</td>
<td>Machinery, plant/ lab, involving a change of temp ex heating, cooking, etc</td>
<td>2420881</td>
<td>0.24</td>
<td>0.01</td>
</tr>
<tr>
<td>8529</td>
<td>Part suitable for use solely/ prnc with televisions, recept app</td>
<td>2369660</td>
<td>0.03</td>
<td>0.00</td>
</tr>
<tr>
<td>8701</td>
<td>Tractors (other than tractors of heading no 87.09)</td>
<td>2269013</td>
<td>11.39</td>
<td>0.01</td>
</tr>
<tr>
<td>9018</td>
<td>Electro-medical apparatus (electro-cardiographs, infra-red ray app, sy</td>
<td>2263812</td>
<td>0.36</td>
<td>0.00</td>
</tr>
<tr>
<td>0202</td>
<td>Meat of bovine animals, frozen</td>
<td>2235045</td>
<td>3.31</td>
<td>0.00</td>
</tr>
<tr>
<td>6403</td>
<td>Footwear, upper of leather</td>
<td>2189989</td>
<td>0.18</td>
<td>0.09</td>
</tr>
<tr>
<td>0203</td>
<td>Meat of swine, fresh, chilled or frozen</td>
<td>2138323</td>
<td>2.71</td>
<td>0.00</td>
</tr>
<tr>
<td>8421</td>
<td>Centrifuges, incl centrifugal dryers; filtering/purifying machinery</td>
<td>2055939</td>
<td>0.19</td>
<td>0.01</td>
</tr>
</tbody>
</table>

Source: Author calculations based on ITC Trade Map database

4.4 Conclusion

In order to address the central issue of this study—that is, exploring the motives of actors in the region in pursuing Eurasian regionalism—this chapter explores the influence of economic rationale for regional economic integration. The aim was to assess whether the economic integration among Belarus, Kazakhstan, and Russia is motivated by possible welfare effects. The analysis in this chapter is based on a premise that regional economic integration is likely to be welfare-enhancing if the members of a potential trade bloc are ‘natural trading partners’ (Bhagwati et al., 1999). It should be
noted that there was no attempt to explore the possible implications of regionalisation on partners’ economies by using CGE or other comprehensive models. Instead, the study draws upon the widely used concepts and trade indices in trade theory to make an inference about the desirability of trade liberalisation among Belarus, Kazakhstan, and Russia.

In the case of the regional economic integration among Belarus, Kazakhstan, and Russia, the implementation of the CET scheme since 2010 and the ongoing process on non-tariff barriers elimination are major changes brought by the establishment of the BKR CU in 2010 and the BKR SES in 2012. The introduction of the CET scheme has resulted in a significant increase in average tariff rates of Kazakhstan while average tariff levels of Russia were slightly lowered. The partners have also started to eliminate non-tariff barriers to trade, including the removal of customs borders and harmonisation of standards and regulations. These changes in tariff levels and non-tariff barriers may have a different implication on partners, and some inference can be made through analysis of trade volumes and trade complementarity within the region.

Trade volumes indicate that trade intensity among Belarus, Kazakhstan, and Russia is higher compared to trade intensities of EU and ASEAN. Belarus’s trade with Russia is disproportionately high, so Russia is the most important or natural partner of Belarus. Trade volumes between Russia and Kazakhstan or Belarus and Kazakhstan are not so high as to suggest that they are natural partners.

The complementarity test leads to the same conclusions as in the case of trade volumes. Trade between Russia and Belarus indicates complementarity. The highest level of complementarity is observed in Russia’s exports that tend to match imports by Belarus. Moreover, Belarus and Russia’s exports structures are less similar, which is another indication of trade creation potential in the case of trade liberalisation between
two economies. Trade between Belarus and Kazakhstan also shows some degree of complementarity. However, the geographical remoteness limits trade creation potential. Trade between Kazakhstan and Russia has a very low degree of complementarity. Kazakhstan’s exports do not match imports by Russia, and both countries’ exports structures are strikingly similar, implying that they cannot be considered natural partners.

To summarize, the analysis of trade patterns of the EEU 3 members suggests that economic rationale may serve as an important motive for Belarus to pursue regional integration with Kazakhstan and Russia. Through regional arrangement, Belarus secures the access to Russia, its main export market, and may increase exports to Kazakhstan through regional arrangements. As for Kazakhstan, the implementation of the CET causes trade diversion from efficient producers from non-member countries to less efficient ones in the EEU 3 member states, particularly in imports of transportation equipment. Moreover, Kazakhstan is less likely to increase exports to Russia because the exports of Kazakhstan and Russia are competitive rather than complementary. So, Kazakhstan should have motives other than trade in pursuing Eurasian regionalism. As for Russia, Kazakhstan and Belarus are small markets where it mainly exports natural resources. Russia may increase exports of commercial and passenger vehicles to Belarus and mainly to Kazakhstan through pushing the CET tariff lines for transportation equipment to higher levels. However, these kinds of protectionist initiatives are strongly rejected by Kazakhstan and inconsistent with Russia’s commitments to the WTO. Therefore, it is also unlikely that Russia is mainly motivated by trade calculations.

Although the analysis of trade patterns reveals that the EEU members cannot be considered natural trading partners, it should not lead to the conclusion that economic rationale is totally absent. The degree of integration suggests the existence of long-term
developmental goals. However, the analysis of long-term or, in other words, dynamic effects, from regional integration, which is rooted on assumption of neoclassical economics, will hardly shed light on these goals because the actors in the EEU member states have different ideas of how to achieve economic development. Alongside the economic ideas on development, the identity politics within each EEU member state also contributes to its stance towards Eurasian regionalism. The dominance of developmental goals over identity politics in pursuing regional integration leads to a project that can be classified as developmental regionalism. On the contrary, identity politics may dominate when influencing a state’s foreign economic policy by putting developmental goals on secondary positions and often requiring material sacrifices. In the latter case, the regionalism project can be described as an identity project.

While European regionalism has found synergy between building democratic and security community identity with developmental goals, the Eurasian regionalism is associated with the promotion of controversial identities that have dubious implications on regional development and security. The next chapter offers an analysis of discourse on Eurasian regionalism to explore the motives of state and non-state actors in promoting or opposing the Eurasian Union idea. The exploration of motives of the actors in Belarus, Kazakhstan, and Russia will contribute to an understanding of the nature of Eurasian regionalism and the region being constructed by Central Eurasian states.
CHAPTER 5. DEVELOPMENTAL REGIONALISM OR IDENTITY PROJECT?

5.1 Introduction

The analysis of the trade patterns in the previous chapter reveals that only Belarus can be considered to be motivated by possible positive welfare effects from trade liberalisation within the BKR CU. However, in the long-term, Belarus may further increase its dependence on Russia in exports of its manufactured products and in imports of cheap oil and gas. As for Kazakhstan and Russia, they are hardly motivated by trade-based calculations, as the effects of the trade liberalisation for these countries are controversial.

This chapter continues the search for motives and tries to provide an answer to the question of whether Eurasian regionalism is primarily pursued as a part of developmental regionalism or as an identity project. The analysis of discourses and practices related to Eurasian regionalism in Belarus, Kazakhstan, and Russia helps to identify which objectives are given priority in each country.

Developmental regionalism refers to an attempt of a set of countries to increase complementarity and capacity of their economies through trade agreements and regional development strategies (Hettne, 2005). If a country’s participation in Eurasian regionalism is motivated by developmental goals, there should be an explicit link between regionalism and domestic developmental discourse and practice.

Regionalism as an identity project refers to promotion of regional integration as part of identity politics. Collective identity building within the country or on a regional level is never a complete project with a variety of actors (i.e., nationalists, liberals, statists) in each society promoting their own reading of national or regional identity. In the contest over the content of national or regional identity, the actors form and promote
the representations of ‘Self’ and ‘Others’, which, provided that they are widely accepted in society, influence foreign policy choices of a state. Actors may promote regionalism with the goal of gaining particular status or re-defining identity of a region.⁵⁰

In the case of Russia, the discourse on Eurasian regionalism is part of aspirations and foreign policy to achieve and maintain the Great Power status and establish a multipolar world. There is very limited debate on the possible implications of Eurasian regionalism on a country’s economic development. Therefore, in such a case, it is safe to say that the Eurasian regionalism for Russia is part of an identity project. In the case of Kazakhstan, the developmental objectives and the quest for a status are reconciled. The discourse on Eurasian regionalism in Kazakhstan is used to address issues in nation-building, and, at the same time, it is part of an export-oriented economic development strategy.

This chapter presents analysis of the discourse and policies related to the Eurasian regionalism in Belarus, Kazakhstan, and Russia, treating each country as a separate case. Each case starts with the introductory section that explains the country’s stance towards Eurasian regionalism. The second section presents the sources for each case study, and it is followed by several sections that provide analysis of how national identity construction process and economic ideas influence each country’s stance towards regional integration. The findings related to motives of the particular country are summarized at the end of the each case and an overall conclusion is provided at the end of the chapter.

⁵⁰For the role of aspirations, status, and honour in foreign policy, see Clunan (2009); Tsygankov (2012).
5.2 Kazakhstan

5.2.1 Kazakhstan as initiator of Eurasian regionalism

Kazakhstan’s case is presented first as the word ‘Eurasian’ was initially proposed as a possible name for regional organisation—‘Eurasian Union’ by Nursultan Nazarbayev, the President of Kazakhstan. Nazarbayev is considered a main initiator of the project who continuously uses ‘Eurasian’ as a discursive tool. The leadership of Kazakhstan was supportive of regional integration among the post-Soviet countries since the collapse of the USSR. The CIS treaty was signed in Almaty, former capital city of the independent Kazakhstan. The Eurasian Union proposal was made by Nazarbayev in 1994 in Moscow State University, in a period when Russian leadership was reluctant to undertake a serious regional integration project in the post-Soviet geography. Kazakhstan was among the founding members of the CST in 1992, the customs union agreement of 1995, and EurAsEC in 2000. Nazarbayev proposed a direct move to customs union during the SES negotiations among Belarus, Kazakhstan, Russia, and Ukraine in 2003 (Vinokurov, 2007). Symbolically, the Eurasian Economic Union Treaty was signed in Astana, new capital of Kazakhstan, marking the role of the Kazakh leadership in promoting Eurasian regionalism.

It is difficult to explain such an active position of Kazakh leadership in supporting Eurasian regionalism for over two decades based on dependence on Russia or as a part of regime security, as its often presented in literature.51 Kazakhstan was highly dependent on Russia in terms of export routes, energy supplies, and internal stability in the beginning of the 1990s. However, by the mid-2000s, the country was able to diversify its export routes, stabilise its internal energy market, and gain support

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51 The regime security approach suggests that authoritarian regimes in Central Asia are engaged in virtual regionalism with Russia and other states in order to protect their regimes from external pressure for political reforms. For regime security argument, see Allison (2008); Collins (2009).
for the state from its multiethnic population, but despite these developments, Kazakh leadership did not reconsider its stance towards Eurasian regionalism.

The Kazakhstan case in this chapter provides an explanation for activism of Kazakh leadership in promoting Eurasian regionalism and argues that such activism is part of its internal and external identity building and developmental project. As an identity project for internal consumption, the Eurasian regionalism indicates the practise of inclusive nation-building and addresses the concerns of Russians, the second biggest ethnic group in Kazakhstan (Abzhaparova, 2011). Externally, Eurasian regionalism serves two main purposes. First, Eurasian regionalism is part of managing relations with Russia on more or less equal basis through multilateral institutions rather than depending on bilateral bargaining. Eurasian regionalism, to some degree, neutralizes the attempts of nationalists in Russia to use the Russian ethnic minority issues as justification for support of separatism in Kazakhstan.

Second, being a ‘Eurasian state’ is a discursive tool to position Kazakhstan at the centre of the continent rather than accepting external positioning of a country as the part of the unstable region or the chessboard for great powers.\textsuperscript{52} The ‘Eurasian state’ narrative also justifies the multi-vector foreign policy pursued by leadership of Kazakhstan since the early 1990s. Moreover, alongside with identity construction, the Eurasian regionalism is part of the discourse on economic development that emphasises the utilisation of a country’s transit potential and the attraction of foreign investment to support industrial policy (Sultanbek Akimov, personal communication, September 20, 2013). Before the elaboration of these arguments, the next part presents the sources used for analysis of the Kazakhstan case.

\textsuperscript{52} Similar arguments are presented in studies by Genté (2010); Qoraboyev (2010).
5.2.2 Whose ideas matter?

The second constitution of Kazakhstan passed in 1995 cemented the power of the president by declaring Kazakhstan a presidential republic. The constitution of 1995 established the dominance of executive power, which includes the government and the presidential administration. The presidential administration became the most powerful political institution by 2001 (Cummings, 2005). In analysing perceptions of economic development and how they are related to Eurasian regionalism, the discourse generated by President Nazarbayev is a primary source.

Although Kazakhstan’s strong presidential state system is similar to those in Belarus and some Central Asian states, there are considerable differences in governance. Kazakhstan can be classified as a soft-authoritarian state where leadership emphasises on persuasion in governing, not coercion (Schatz, 2009; Schatz & Maltseva, 2012). The state-society relationship is characterized by ‘managing society via incentives and arms-length regulation within the framework of market competition’ rather than penetration of the state in all aspect of social life (Adams & Rustemova, 2009, p. 1250). The policy-making process in Kazakhstan is more inclusive of popular opinion, and the range of actors participating in formulating national and foreign economic policies is much broader compared to some more authoritarian post-Soviet states. Therefore, the ideas of state apparatus, state sanctioned or influential independent experts, and organized lobby groups are also included in our analysis.

5.2.3 Eurasian regionalism as identity project

The interviews with experts in Kazakhstan made it clear that the Eurasian regionalism is a top-down project with little input from business or civil society at a strategic level (Expert in the Administration of the President, personal communication, August, 2012; Sultan Akimbekov, personal communication, September 20, 2013;
Andrei Chebotarev, personal communication, September 9, 2014). Therefore the discourse generated by top leadership related to Eurasian regionalism is given priority in Kazakhstan case.

As a newly independent state, Kazakhstan faced significant challenges in the 1990s that include the landlocked position, the separatist potential within the multiethnic society, and the proximity to conflict zones and ambitious superpowers. This section analyses how the ‘Eurasian’ discourse and practise of Eurasian regionalism have being used by Kazakh leadership to address the challenges to the territorial integrity arising from separatist sentiments and the threats from a location near to conflict zones and between super powers. The next section presents the role of Eurasian initiatives in an attempt to turn the country’s landlocked position in Central Eurasia to a potential for economic development.

One of the biggest challenges, particularly in the first years of independence, that still preserves its importance was the reluctance of nationalist forces in Russia to accept territorial integrity of Kazakhstan due to sizeable population of ethnic Russians concentrated in the north of Kazakhstan.\(^3\) Although there were no significant cases of calls for autonomy or joining Russia, their separatist potential was significant if nurtured from outside. There were serious tensions between Kazakhstan and Russia on issues of Russians in Kazakhstan and territorial integrity of a country in the early 1990s (Hanks, 2009). While the executive branch of the Russian state was dominated by reformists oriented towards the integration with the West with little interest in the CIS, the members of the overwhelmingly nationalist Russian Supreme Soviet, which was later transformed into the State Duma of Russian Federation, often made statements that

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3. According to the last census of the USSR undertaken in 1989, the share of ethnic Russians was 37.8% of the total population of the Kazakh Soviet Socialist Republic, which made them the second largest ethnic group. The share of ethnic Kazakhs was 39.7% of the total population, slightly higher than the Russians. The surveys in the 1990s also showed that a large portion of Russian population in Kazakhstan was supportive of Russian government (Hanks, 2009).
questioned the sovereignty of Kazakhstan. Alongside the statements by individual members of the State Duma, such as ultra-right nationalist Vladimir Zhirinovsky, the State Duma adopted two official statements related to the infringements of rights and freedoms of Russian compatriots in Kazakhstan in 1995. During the seminar on foreign policy and international trade organised in Almaty in 1996, Omirserik Kasenov, director of the Kazakhstan Institute for Strategic Research under the President of Kazakhstan (KISR), noted that Russia from time to time shows ‘unhealthy interest to conditions of Russians in Kazakhstan’ (Razumov, 1996).

Kazakhstan was not an exception among the post-Soviet states that have a sizable Russian minority and experienced external pressure. For example, the share of ethnic Russians in Latvia was 34% of the total population according to the last USSR census made in 1989 (Schwartz, 1991). Despite the existence of a sizable non-titular population, the Latvian nationalist forces, which thought to limit dependence on Russia and achieve membership status in the EU, dominated the identity debate in Latvia by the early 1990s (Tsygankov, 2001). The dominance of the nationalist rhetoric led to adoption of exclusionary policies that distinguished between Latvia’s heterogeneous population. The Latvian state adopted the ‘Law on the Status of Former USSR Citizens Who are not Citizens of Latvia or Any Other State’ in 1995 that recognised those who migrated to Latvia after Soviet occupation of 1940, mostly Russian immigrants, as non-citizens.

Kazakhstan leadership opted for another, more inclusive, approach in dealing with the multiethnic population. The bilingualism and dual citizenship issues were heavily debated in the early 1990s. In the context of threats to territorial integrity, particularly coming from northern provinces neighbouring with Russia, the leadership

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54 The official statements are available in Russian at http://base.garant.ru/6189048/
55 The text of the law is available at http://www.humanrights.lv
privileged the affiliation to the state rather than nation (Cummings, 2005). In trying to accommodate the wishes of Kazakh nationalists calling for greater placement of Kazakh culture and language in public spaces and to win the loyalty of Russian-speaking ethnic groups, the state ‘found itself between a rock and a hard place, neither opting fully for a “nationalizing”, nor a “civic” option’ (Dave, 2007, p. 139). To complement the formation of strong affiliation to the state among all ethnic groups, the leadership also launched the ‘Eurasian’ identity project (Spehr & Kassenova, 2012).

The Eurasian identity was thought to address both internal and external issues or, in other words, as noted by Aida Abzhaparova, ‘the official practices including integrative “internal” (Kazakhs and Russians) and integrative “external (Kazakhstan and Russia) practices are actively disciplined by the official discursive commitment to Eurasia’ (Abzhaparova, 2011, p. 5). In his speech to the Assembly of the People of Kazakhstan (AOPK) in 1995, Nazarbayev referred to the link between national and foreign policy and stressed that the idea of an Eurasian Union ‘alongside other issue[s], provides a civilised solution for intra-national and international problems and contradictions’ (Nysanbayev & Dunayev, 2010, p. 41). In continuation of his speech, Nazarbayev mentioned the problems to be solved by an Eurasian Union initiative such as the establishment of the ‘neighbourly relations between Russia and Kazakhstan’ and the agreements on ‘legal statuses of our citizens residing in each country’ (Nysanbayev & Dunayev, 2010, p. 41).

Alongside the use of ‘Eurasian Union’ to manage relations with Russia, the positioning of Kazakhstan as an ‘Eurasian’ state served a foreign policy objective directed to avoid becoming an object of geopolitical games of superpowers through positioning the country as an active subject of international relations. Régis Genté,

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56 The AOPK is the non-governmental organisation led by Nazarbayev. The AOPK consists of representatives from more than 120 ethnic groups in Kazakhstan, and coordinates the activities of related cultural centres. Moreover, the AOPK nominates nine members to the Majilis, the lower house of the Parliament of Kazakhstan.
commenting on Kazakhstan chairmanship in OSCE and Eurasian narrative, notes that ‘as far as international relations go, “Eurasism” serves not just to keep big brother Russia at bay but also to form the new republic’s geopolitical ambitions, its foreign policy objectives and its official posture on the world scene’ (Genté, 2010). The discursive use of ‘Eurasian’ in Kazakhstan is not strictly limited to the would-be EEU or the existing EurAsEC but also serves as justification for its multi-vector policy. In his book with its telling title, ‘In the Centre of Eurasia’, Nazarbayev writes that the move of capital from Almaty to Astana would emphasize country’s openness to equal partnership with North and South, East and West’ (Nazarbayev, 2010, p. 26).

Eurasian initiatives of Kazakh leadership were also linked to its development policy. The discourse on economic development in Kazakhstan privileges a market-friendly and export-oriented ‘East Asian model’, which requires the reconstruction of the ‘Silk Road’ to bring the region at the centre of economic life of the continent that is possible only through the pursuit of the ‘Eurasian’ integration as an open regionalism project. The interplay between these discursive elements is the subject of the next section.

5.2.4 Landlocked country or transit hub: Eurasian regionalism in development discourse

The landlocked position of Kazakhstan alongside the dependence on Russia in terms of export routes and trade in the first decade of independence necessitated the maintenance of the free trade regime and cooperation with neighbouring post-Soviet states (Anuar Buranbayev, personal communication, August 28, 2013). Kazakhstan and Russia share one the longest land borders in the world and energy export routes of Kazakhstan in the 1990s were mostly controlled by Russia. It was only by the mid-2000s when the country was able to diversify its export routes to some extent. The
Atasu-Alashankou oil pipeline, one of the major oil pipelines to export Kazakhstan oil directly to China, started to operate in 2006. The landlocked position was a serious limitation for a development model chosen by Kazakh leadership that are articulate in Nazarbayev’s Address to the Nation in 1997. This Address set long-term development goals, referred to strategies for their achievement, and was highly publicised as ‘Kazakhstan 2030 Development Strategy’ (Kazakhstan 2030). This grand strategy, Kazakhstan 2030, served as the guideline for other government strategies, and programs have being implemented since the end of the 1990s until 2013.

As the benchmark for development policies, Nazarbayev and many executive figures in Kazakhstan refer to the East Asian development model. Referring to achievements of so-called Asian Tigers, South Korea, Taiwan, and Singapore, in transformation from poorest to prosperous industrial countries, Nazarbayev states that he is ‘sure that by the year of 2030 Kazakhstan would have become a Central-Asian Snow Leopard and would serve a fine example to be followed by other developing countries’.

The introduction of the Kazakhstan 2030 strategy and the direct control over its implementation by the Presidential Administration showed commitment of Kazakh leadership to the state-led economic development that is routed in developmental state model. The developmental state concept is based on East Asian countries’ experiences that adopted unique model of public-private relations where state with efficient bureaucracy disciplines the market to promote economic development (Chang, 2006; C. Johnson, 1999; Öniş, 1991).

58 Kazakhstan 2030 was updated to Kazakhstan 2050 in 2013.
To achieve goals set in Kazakhstan 2030, comprehensive administrative and legal reforms were carried out in the second half of the 1990s, and they were continued in the 2000s. Significant reduction of the number of regional units, ministries, committees, and civil servants in general was undertaken as part of the implementation of Kazakhstan 2030’s grand strategy. The number of public employees has decreased from over 1 million in 1994 to 102,000 in 2006 (Ibrayeva & Nezhina, 2013). Kazakhstan leadership has shown a tendency to adopt a model of bureaucratic-developmental state since the mid-1990s by undertaking the administrative and legal reforms, such as the reduction of a number of ministries and committees, the establishment of Civil Service Agency to coordinate recruitment and promotion of civil servants, and the improvements in property rights protection and contract enforcement, Kazakhstan (Geiss, 2012).

The industrial policy of Kazakhstan is also informed by the East Asian model of selecting clusters and particular sectors to channel state support. The industrial development strategies—such as the Strategy of Industrial and Innovation Development for 2003-2015, the Project for Diversification of Kazakhstan’s Economy through Cluster Development in Non-Extraction Sectors and the State Program of Accelerated Industrial and Innovative Development for 2010–2014—set the institutional framework for state-market relationship. Among the institutional changes adopted to reach goals set by these strategies were the establishment of the National Innovation Fund, Development Bank of Kazakhstan, Entrepreneurship Development Fund ‘Damu’ that manage the allocation of state funds to support the private sector.60 The importance of the development agenda is also emphasized by the fact that Minister of Industry and Innovative Technologies and Minister of Finance also serve as deputy Prime Ministers.

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60 Damu is development in Kazakh language
Despite the wide range of state development institutions, most of them play a market-enhancing role by providing alternative sources of finance and expertise for the private sector. For example, Development Bank of Kazakhstan directly provides medium-term and long-term loans for large projects in non-resource sectors, and Entrepreneurship Development Fund ‘Damu’ manages the channelling of state funds to small and medium businesses through commercial bank loans.

Although the role of state initiated development institutions is constantly growing, Kazakhstan leadership, informed by the East Asian experience and global transformation, emphasizes on the importance of FDI in attracting capital and expertise for economic development. The availability of the oil and gas reserves and governments’ focus on protection of foreign investors made Kazakhstan a leading destination for FDI in CIS.

The emphasis on the pro-active role of state and foreign investment in perceptions of economic development has not changed since the mid-1990s. Presenting the Strategy ‘Kazakhstan 2030’ as part of the Address to Nation in 1997, Nazarbayev noted that ‘Our strategy of healthy economic growth rests on a strong market economy, an active part played by the state and attraction of significant foreign investments thereto’.\(^6\) In updating the long-term goals in the Strategy ‘Kazakhstan – 2050’ presented in Address to Nation in 2012, Nazarbayev states: ‘Our model is based on a proactive role of the government in attracting foreign capital. To date we have attracted over $160 billion of foreign investment’.\(^6\)

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The economic ideas that emphasize the FDI-based, export-led growth model and transit potential are of utmost importance in understanding the relationship between Kazakhstan’s stance towards regional integration and its leaderships’ perceptions of economic development. In its attempt to develop an industrial base and attract FDI in non-resource sectors, one of challenges of Kazakhstan is its small market size (Anuar Buranbayev, personal communication, August 28, 2013). With a population of about 16 million people, Kazakhstan will find it difficult to convince both local and foreign investors to invest in industrial projects if only local market is targeted. Therefore, the access to export markets is crucial for the success of economic development policies (Sultan Akimbekov, personal communication, September 20, 2013).

Alongside the emphasis on FDI and export-led growth, the idea that utilisation of region’s transit potential will be among the main factors for economic development informs the active stance of Kazakhstan in the promotion of Eurasian regionalism. In explaining his motives in proposing the idea of an Eurasian Union, Nazarbayev states that:

It goes without saying, that in future the system of trade, financial flows and migration of people between Europe and Asia would be on the rise. Actually it is the very reason, apart from politically stabilizing factors, which prompted me to advance and to further develop the idea of Eurasianism, which has, I am sure, a bright strategic future.63

The role of bridge and transit potential is also informed by the representations of the Silk Road, an ancient trade route that connected Asia and Europe for more than a millennium. This trade route was an important source of development for the civilisations that emerged in Central Asia. The establishment of sea routes, connecting Asian and European countries that started with the European colonisation has led to the

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deterioration of the Silk Road and civilisations that were benefiting from this trade route. Building on this historical background, there is an understanding that the regional integration among Central Eurasian countries will contribute to the development of all countries if they are able to increase transit of goods from East Asia to Western Europe through their territories (Expert in President Administration of RK, personal communication, July 20, 2011). These ideas are also expressed by Nazarbayev who states that ‘Single-handed, Kazakhstan, as any other contiguous country, is unable to realize its profitable transit potential. It must be done jointly, in close and mutually advantageous cooperation’. 64

The experts in EDB also supported these ideas and included the issue among the main research areas of the EDB research division. According to a study conducted by EDB, the utilisation of transit potential is very important due to the increasing trade between Asia Pacific Region and Europe that is expected to exceed USD 1 trillion by 2015 (Vinokurov, Jadraliyev, & Shcherbanin, 2009). Currently, the trade between these two regions occurs mostly by sea routes through the Suez Canal. However, the overland route through the post-Soviet countries can be very competitive by offering 2–2.5 times faster delivery times. The physical and non-physical barriers prevent the utilisation of such transit potential. Physical barriers include insufficient quality of roads and the depreciation of railroad and road vehicles. Non-physical barriers or man-made barriers are long customs procedures and differences in transit tariffs and requirements (Vinokurov et al., 2009).

The elimination of customs borders between Belarus, Kazakhstan, and Russia in 2011, the harmonisation of transit requirements, the unification of transit tariffs through agreements on railway and pipeline transportation in some cases, and the investments in

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road and railroad construction are part of the reduction of previously mentioned physical and non-physical barriers. The implementation of these measures has already resulted in increased transit of goods through Kazakhstan. The estimates suggest that, by 2015, the transhipment through the Dostyk-Alashankou border crossing point between China and Kazakhstan will reach 730,000 twenty-feet equivalent units (TEU), which is about 2.5 times higher than in 2009, when the transhipment slightly exceeded 200,000 TEUs.65

5.2.5 Growing Eurasia-scepticism in Kazakhstan

Alongside the discourse generated by statesmen and experts close to government, there are different interpretations of the role of Eurasian regionalism in economic development. While the economic development paradigm adopted by the Kazakhstan leadership is not challenged in principle neither by experts nor the business community, the stance of the state towards the economic integration with Russia is often criticised by businessmen and experts. These critical assessments are informed by representations of Russia as the large partner with inefficient economy and widespread corruption that will negatively influence the welfare of various actors in Kazakhstan. In this context, the Eurasian regionalism is presented as a tool for expansion of Russian business, and Kazakhstan is identified as a country that will import Russian economic problems and eventually will lose from integration.

Olzhas Khudaibergenov, director of Macroeconomic Research Centre in Astana, argues that Kazakhstan receives no benefits from economic integration with Russia: ‘the corruption is higher in Russia and its economy is not effective. As the result, Russia faces problems when oil prices drop below 100 USD per barrel. However, Kazakhstan will face the same problems if price drops below 60 USD per barrel’ (Khudaibergenov,

65 TEU is the measure of standard container.
Alongside importing Russian problems, Kazakhstan, as the member of the BKR CU, will be involved and negatively affected by disputes between Russia and other economies in the world (Khudaibergenov Olzhas, personal communication, November 19, 2013).

The opponents of the Eurasian regionalism emphasize the vulnerability of the businesses in Kazakhstan to the expansion of Russian companies. ‘The share of products from Russia and Belarus is increasing and they dominate the market. Kazakh consumers buy the cheaper products. Thus we can kill our production’ (Askarov, 2013). In the dairy products sector, the main concern of local producers is the sales of counterfeit dairy products from Russia and Belarus that are often labelled as milk products but contain cheaper vegetable fats instead of natural ingredients.66

The BKR CU is also presented as a cause of inflation. The price of gasoline sold as A-92 in Russia were 33.4% higher than in Kazakhstan before the removal of the customs borders between the countries in 2011 (Voitsehovskii, 2011). The commitments of Kazakhstan in the unification of tariffs and the absence of customs borders leads to an increase in prices of gasoline to reach the Russian levels. The introduction of the CET has also increased the price of cars imported from third countries due to the adoption of more protective Russian tariffs.

The criticism of the Eurasian integration was mostly directed towards specific issues, such as an increase in tariffs for transportation equipment or importing inflation from Russia, in the first years of the BKR CU functioning (Andrey Chebotarev, personal communication, September 9, 2013). However, starting from the end of 2013 when Russia switched to assertive foreign policy towards Ukraine, the Eurasia-

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scepticism in Kazakhstan moved from arguments of economic character to the issues of security. So-called national patriots that were previously cautious towards economic integration with Russia presented the further progress of Eurasian integration as a threat to the sovereignty of Kazakhstan. The arguments of national-patriots were strengthened by the statements of the member of the Russian State Duma, Vladimir Zhirinovsky, who made references about the possibility of Central Asian Federal District within Russian Federation, and the former leader of Russia’s National Bolshevik Party, Eduard Limonov, who suggested an expansion of Russian territories to include northern regions in Kazakhstan (Voloshin, 2014).

The referendum in Crimea with support of ‘polite’ military groups without any insignia and Crimea’s accession to Russia were interpreted by Eurasia-sceptics as ruining post-Soviet security that was partly based on The Budapest Memorandum on Security Assurances.67 The propaganda in Russian media for separatism in Ukraine and against the country’s European choice further increased the support for a cautious approach to Eurasian regionalism, and the various discussion platforms in Kazakhstan started to discuss the issue of information security, particularly the dependence of opinion in Kazakhstan on Russian media sources. Such developments in post-Soviet geography resulted in calls to reevaluate Kazakhstan’s positive stance towards Eurasian integration and denouncing the signing of the Eurasian Union Treaty planned for May 29, 2014. The Eurasia-scepticism was too strong to be ignored, and the months before and after the signing of the Eurasian Economic Union Treaty, the headlines of the media in Kazakhstan were giving statements by the President of Kazakhstan and other officials

67 The treaty included the assurances by Russia, the United Kingdom, and the United States against threats to territorial integrity of Belarus, Kazakhstan, and Ukraine as these countries gave up the possession of nuclear weapons and joined the Treaty of Non-Proliferation of Nuclear Weapons.
that reassured the economic nature of integration and the possibility of stepping back if sovereignty of the country was threatened (Satubaldina, 2014).

5.2.6 The motives of the actors in Kazakhstan in promoting/opposing Eurasian regionalism

In the case of Kazakhstan, the experts refer to Eurasian regionalism as the presidential top-down project. The motives for integration are observable in a discourse generated by Kazakhs leadership, particularly by Nazarbayev. The ‘Eurasian’ initiatives mostly serve as a discursive tool that is thought to address several issues, including the containment of potential conflicts in the process of nation-building, the justification for multi-vector foreign policy, and the advancement of the implementation of the development strategy.

Given the two-decade long discursive formation of an ‘Eurasian’ space with an attempt to realise the integrationist project, the integration is clearly pushed from the top with little chance to reverse it, despite the growing Eurasia-scepticism in the country. However, the internal opposition to Eurasian regionalism in Kazakhstan and the recent turns in Russian foreign policy towards reassertion of its zone of influence, led to the fine-tuning of the Kazakhstan’s stance towards Eurasian regionalism. While the Eurasian Union project proposed by Nazarbayev in 1994 privileged the economic aspect allowing for possible political integration, the official rhetoric of the last four years fully rejects political integration and leaves room only for economic dimension.

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5.3 Russia

5.3.1 Turns in Russian policy towards Eurasian regionalism

Turns in Russian policy towards regional integration among post-Soviet countries can be divided into several periods. During the first period from 1991 to the mid-1990s, Russia’s foreign policy focused on integration into global institutions and relations with other post-Soviet states were mostly limited to managing the legacy of the Soviet army, including nuclear weapons stationed in near abroad. The second period from the mid-1990s to the mid-2000s was characterised by a growing interest in having more influence over post-Soviet states, mostly through bilateral relations with the inclination towards establishing multilateral regional institutions in the beginning of the 2000s. The third period from the mid-2000s to the present is characterised by the dominance of Great Power narrative and a more ambitious foreign policy in asserting its zone of influence in its near abroad through promoting Russia-centred regional organisations.

These turns in Russian policy towards post-Soviet geography can be explained by changes in its national identity. The detailed description of national identity debate in Russia with major schools of thought involved and the influence of this debate on Russian foreign policy is presented in Tsygankov (2006b). This study draws on some conclusion by Tsygankov (2006b) and further elaborates on the relationship between the representations of other post-Soviet states in Russian identity debate and the Kremlin’s policy towards Eurasian regionalism. The motives for Russia’s neglect of the regional integration among post-Soviet states in the beginning of the 1990s and its ambitions in building political and economic union with Belarus and Kazakhstan in the late 2000s can be found in the ongoing debates on ‘What is Russia?’ and ‘What should be the place of Russia in global affairs?’
The next part of the Russia subchapter presents the main schools of thought or positions in Russian debate over its identity. The identification of positions (i.e., westernist, statist, and civilisationist, which are explained in next section) is based on constructivist literature that traces the history of identity debate in Russia and its implications on foreign policy. The last part of the subchapter links the contest over Russia’s national identity among the main positions to the Russian policy towards post-Soviet geography and Eurasian regionalism in particular. The discourse on economic development and modernisation through Eurasian regionalism is very insignificant compared to identity politics that mainly informs foreign economic policy.

5.3.2 Whose ideas matter?

Russia is also characterized by the concentration of power in the president’s office (Sakwa, 2011). Although Russia is a semi-presidential state *de jure*, it can be considered a super-presidential *de facto* (Gaman-Golutvina, 2013, p. 243). While Yeltsin’s presidency from 1991 to 1999 was the period of greater independence and influence of local governors and oligarchs, Putin’s presidency since 1999 is associated with an ever-growing role of president in foreign and domestic affairs, leaving less room for decision-making on a local level. Alongside the president, the central government executives, party leaders, and some academic institutions are also important actors that contribute to the policymaking in Russia.

5.3.3 Identity politics and Eurasian regionalism

When asked about main motives for Russia’s active stance in establishing BKR CU and promoting Eurasian regionalism, the interviewees at research institutions in Russia emphasized the primacy of political and geopolitical reasons over economic rationale. Some experts identified Russia’s motives as an attempt ‘to prevent the disintegration in post-Soviet geography by providing alternative’ and ‘to become part of
international system and create an image of a country that can build institutions similar to European ones’ (Ekaterina Furman and Mark Simon, personal communication, September 12, 2013). The political or geopolitical motives prevail over economic ones in recent Russian activism in promoting Eurasian regionalism because it was realised that the country is losing its influence in the post-Soviet geography, and the rebuilding of its influence requires ‘an attractive alternative’ for the post-Soviet states (Aleksei Vlasov, personal communication, September 11, 2013; Zarina Dadabayeva, personal communication, September 12, 2013; Marina Lapenko, personal communication, August 21, 2013).

Some experts also stressed the importance of a debate between westernizers and Eurasianists in shaping Russian foreign economic policy (Zarina Dadabayeva, personal communication, September 12, 2013). The constructivist literature on Russian foreign policy identifies three main schools of thought or positions (i.e., westernist, statists, and civilisationist) that are involved in the debate over identity of Russia and can be considered to be ideal types to assist the analysis of ideas. First, the westernist position stresses on modernisation of Russia through adherence to principles of democracy, freedoms, human rights, and market economy and advocates integration with Western (Euro-Atlantic) political and economic institutions (Tsygankov, 2006b). The integration with the post-Soviet states, particularly political integration, is undesirable for westernizers, as it can slow down modernisation of Russia (Clunan, 2009; Tsygankov, 2006b). The discourse generated by westernizers emphasizes such concepts as ‘modernisation’, ‘democratic reforms’, ‘market economy’, and ‘Russia is Western/European country’. Second, the Statist position advocates for a strong centralised state that would revive Russia’s Great Power status on international arena (Clunan, 2009; Tsygankov, 2006b). For statists, the integration with post-Soviet states is necessary to cement the leading role of Russia in the region and to construct multi-polar
world order (Clunan, 2009). Statists usually operate with such concepts as ‘multipolar world’, ‘strong state’, ‘state support’, and ‘patriotism’. Third, the civilisationist position views Russia as a distinct civilisation that is usually defined in opposition to the West (Neumann, 1996; Tsygankov, 2006b). Civilisationist or civilisational nationalists are reluctant to accept Russia in its current borders and argue for an expansionist foreign policy that will result in the creation of Eurasian/Russian Empire/Confederation, at least within the borders of the former Soviet Union (Verkhovskii & Pain, 2012). The concepts of ‘special path’, ‘Third Rome’, ‘Russian world’, ‘Eurasian civilisation’, and ‘will of nation’ are the conceptual tools often used in the discourse generated by civilizational nationalists.

The rest of this section builds on primary and secondary sources in order to explain the turns in Russian policy towards regional integration among post-Soviet countries, including the Foreign Policy Concepts of the Russian Federation, the publications and interviews by the country’s presidents, foreign ministers, and leaders of parties and movements, and the semi-structured interviews with experts in research centers in Russia conducted in September 2013. The explanation mostly focuses on debate among various positions in debate over the content of national identity where each position justifies the need for a certain approach to post-Soviet affairs based on their worldviews and economic ideas.

As it was stated previously, Russian policy towards regional integration among post-Soviet countries can be divided into three periods since the collapse of the USSR. The study primarily focuses on the third period when Russia became extremely active in improving the existing regional arrangements, such as the CSTO and CIS FTA, and in establishing new organisations, such as the BKR CU and the EEU. However, a brief

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69 The terms ‘civilisationist’ and ‘civilisational nationalist’ are used in this interchangeably.
discussion of previous periods is presented to support the argument on relationship between identity and foreign policy.

5.3.4 Post-Soviet integration as ballast for modernizing Russia: 1991 to mid-1990s

The first period from 1991 to the mid-1990s is associated with Russian efforts to integrate into global institutions and join the club of democratic states with very low interest in promoting economic integration among post-Soviet states. The lack of interest in post-Soviet regionalism can be explained by the relatively strong position of the westernizers that thought to establish closer partnership with West before pursuing cooperation with the non-Western societies (Tsygankov, 2006b). It was a period when liberal forces in Russia were able to gain dominance in the executive branch of the state and implement radical political and economic reforms, or, as noted by Tsygankov (2006b, p. 69), it was a brief ‘Westernist momentum’ in Russia’s post-Soviet history (p. 69).

In his 1992 speech to UN Security Council, Boris Yeltsin articulated change in Russian foreign policy as follows:

Russia considers the United States and the West not as mere partners but rather as allies… we reject any subordination of foreign policy to pure ideology or ideological doctrines. Our principles are clear and simple: supremacy of democracy, human rights and freedoms, legal and moral standards.70

Russia started to join international organisations, such as the IMF, and intensified interaction with European institutions and OECD, which was thought to ‘help establish Russia as a reliable partner in the community of civilized states’ (Kozyrev, 1992, p. 9). Andrei Kozyrev, pro-liberal Russian foreign minister from 1991 to 1996, made remarks about Russia’s great power aspiration in addressing the West but

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70 Boris Yeltsin’s Speech to the U.N. Security Council with UN-Summit 1992, Associated Press, January 31
in a way different from civilisation nationalists: ‘No doubt Russia will not cease to be a
great power. But it will be a normal great power….Whose interests understandable to
democratic countries’ (Kozyrev, 1992, p. 10).

The radical changes were also made in the economic dimension. Russia’s fast
transition from planned to market economy is often contrasted with the Chinese
gradualist model (Woo, 1994). The young reformers, such as Yegor Gaidar and his
team, promoted a radical liberalisation and privatisation program or so-called ‘shock
therapy’ in the beginning of the 1990s because they feared that people from the old
regime will block the reforms (Clarke, 2007). In his interview to PBS, Gaidar stated:
‘First of all we had to solve the crisis brought about by the collapse of the old system
and to replace it with a new system, and, if at all possible, to do so that the changes
would be irreversible’ (Gaidar, 2000).

The initial stage of reforms in 1992 included liberalisation of 90% of prices, the
devaluation of the ruble, and the budget deficit reduction from 31% of GDP in 1991 to
1.5% in the first quarter of the 1992 (Woo, 1994). The privatisation of the SOEs was
extensive and about 70% of the SOEs went to private hands through voucher
privatisation implemented from 1992 to 1994. This period is associated with dominance
of the liberal ideas and belief in the private sector’s potential for restructuring of the
inefficient economy.

Pro-liberal forces in Russia, so-called westernizers, prioritised modernisation
goals over geopolitics and mostly focused on strengthening the relations with the West
while maintaining some interaction, mostly in security dimension, with other post-
Soviet states within CIS platform. Although CIS goals included deep economic
integration, in practice, Russia focused on limited number of issues that primarily

Ye 71  Gaidar is a liberal economist who led the economic policy from 1991 to late 1993 holding different positions in government, such as ministry of economy, ministry of finance, and prime minister.
consisted of avoiding large civil conflicts in near abroad and dealing with Soviet military legacy in the form of nuclear arms and military bases. The first Foreign Minister Kozyrev was often criticised for prioritising the integration with the West over maintaining influence in its near abroad that, according to Eurasianists and some Statists, would establish Russia as distinct Eurasian power (Clunan, 2009). Westernizers never completely dominated the debate on ‘what is Russia’ with their project of modernised and democratic Russia, even in the period when the executive power was mostly staffed with pro-democratic forces. They were effectively challenged and constrained by the dominance of the civilisational nationalists and statist in the legislative branch of Russian state.

The period between 1991 and October 1993 was characterised by political instability in Russia due to open conflicts between the legislative branch, which was dominated by pro-communist and anti-western forces, and the executive branch, which was headed by Yeltsin, who often compromised by installing less reformative figures in the Cabinet. For example, the Supreme Soviet, legislative body of the Russian Federation that continued its existence after the collapse of the USSR until October 1993, blocked candidacy of the pro-liberal reformist Yegor Gaidar for the Prime minister post in 1992 that resulted in the nomination of a compromising figure, Viktor Chernomyrdin. However, the confrontation between reformist and conservative forces continued and led to constitutional crisis that resulted in the dissolution of the Supreme Soviet by use of tanks in October of 1993.

The first elections for State Duma, the first post-Soviet Russia parliament held in December 1993, brought little success to westernizers in taking control over the legislative body. Instead, the positions of statist and civilisationists were further cemented by the success of the Liberal Democratic Party of Russia (LDPR) led by
Vladimir Zhirinovsky in parliamentary elections and a significant number of seats going to the Communist Party of Russian Federation (CPRF) and the Agrarian Party of Russia (APR).\textsuperscript{72} The anti-reformist bloc of the LDPR, CPRF, and APR gained 43.31\% of votes while the reformist parties, including the Russia’s Choice led by Gaidar, and the Party of Russian Unity and Accord (PRES), headed by Sergei Shahrai, received only support of 34.21\% of voters (Sakwa, 1995).

Despite the success of anti-reformist forces in parliamentary elections, the market reform were continued, but the foreign policy underwent a reevaluation because civilisational nationalists’ view of Russia as distinct and morally superior civilisation (compared to technologically superior West) and statists’ emphasis on strong state to defend national interests necessitated abandoning the strategy of integrating into the West and focusing on reestablishing greater influence of Russia in its near abroad.

For example, civilisational nationalism is observable in the LDPR leader Zhirinovsky’s position, who was writing in 1993 that ‘Future access of Russia to the coasts of the Indian ocean and the Mediterranean sea is the real solution for the salvation of the Russian nation’ (Zhirinovsky, 2007, p. 7). Gennady Zyuganov, the leader of the CPRF that won 1996 and 1999 parliamentary elections, unsurprisingly regrets the dissolution of the USSR and emphasizes the continuity between the Soviet Union and Russian Federation by his interchangeable use of ‘Soviet Union or Great Russia’ (Zyuganov, 2006, p. 10). The pro-communist civilisational nationalists within and outside CPRF, so-called red patriots, see ‘the special civilisation’ as an empire inside the borders of the former Soviet Union’ (Verkhovskii & Pain, 2012, p. 59).

\textsuperscript{72} LDPR can be classified as a nationalist party that argues for a strong centralised state and Russian dominance in the post-Soviet geography and beyond (Sakwa, 1995). Zhirinovsky, the leader of the party, often makes controversial statements related to territorial claims, and he is declared as persona non-grata by Kyrgyzstan and Ukraine and as ‘undesirable to entry’ by Kazakhstan.
In a reformist camp, there was also a switch from westernist a statist position. Sergei Shakhrai and Alexandr Shokhin, the Deputy Prime Ministers with support of Sergei Stankevich, a political advisor to Yeltsin, and Prime Minister Viktor Chernomyrdin, formed the Party of Russian Unity and Accord (PRES) in 1993, which was often referred to as ‘the party of Russian Statehood’ (Sakwa, 1995, p. 201). The leaders of the PRES argued for greater role of the state in the economy and stronger links with the CIS. The turn of reformist into statist also indicated the shift in the state position. As noted by an expert on Russian identity debate Iver Neumann, the state ‘by allowing certain positions and crowding out others, and by moving its own position between them, it does seem to aspire, not only to defining the limits of the debate but also to defining and occupying its centre’ (Neumann, 1996, p. 4). The popularity of anti-western nationalist LDPR and CPRF calling for a stronger focus on post-Soviet affairs and decreasing support for reformers that support integration with the West caused the move of the state towards the centre of debate between westernism and anti-reformists by adopting a statist position by 1993.

Yeltsin and Kozyrev changed pro-Western narrative to more balanced statements towards the end of 1992 (Tsygankov, 2006b). The notable change in foreign policy occurred in 1995 when statist Evgeni Primakov was appointed the Foreign Minister instead of Kozyrev. Such changes in identity debate towards statist position can be explained by domestic and international conditions of those times. Among the domestic factors were the dissatisfaction with market reforms, so-called shock therapy, and inability to accept new realities, such as the loss of Great Power status. On an international level, the West was unprepared—and to some extent unwilling—to accept Russia with its heated internal debate. The West, particularly the United States, is often blamed for not providing both moral and material support for Russian reformers in the crucial period of between 1991 and 1993 (Shevtsova, 2010). It was a period when
radical political and economic reforms in Russia were constrained by financial difficulties and suspicion from international actors. The Western support came only after 1993, when westernisers’ influence had decreased or they adopted statist position (Tsygankov, 2006b).

5.3.5 Post-Soviet integration as part of Russian multi-polar world initiative: mid-1990s to mid-2000s

The mid-1990s was the beginning of a new (second) period in relations with the West and the post-Soviet states, which is associated by the dominance of statist position. Starting from 1993 to the mid-2000s, Russia tries to find the appropriate formula to keep post-Soviet states in its orbit with less harm to its relations with West. The first formula tried during the Yeltsin-Primakov (1995–1999) period was based on bilateral relations and declarative regional arrangements with membership of almost all the post-Soviet states. The declarative character of post-Soviet regionalism in the second half of the 1990s can be explained by the fact that progress in Russia’s relations with other post-Soviet states was not a goal per se, but rather a means for Russia to return its significance in global politics, which is reflected in the Strategic Course of Russia with CIS Member States. The CIS Strategic Course of 1995 was approved in September 14, 1995, and it emphasized the need to improve relations with the CIS member as ‘the important factor for inclusion of Russia into international political and economic structures’.

The CIS dimension was part of a larger so-called Primakov Doctrine that shaped Russian foreign policy since the mid-1990s. Primakov criticised post-Cold War unipolarity and promoted the idea of a multipolar world order without direct

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confrontation with the United States but through building alliances with China and India and recovering Russia’s ‘role as a center of influence over the post-Soviet space’ (Laruelle, 2010, p. 157).

The strategy of building a triangle of China-India-Russia to balance the United States had little success in the 1990s, and Russia was able only to improve the bilateral cooperation with two Asian powers (Blank, 2008). In post-Soviet affairs, Russia showed low enthusiasm in accepting the Eurasian Union initiative offered by Nazarbayev in 1994 and limited itself only to bilateral FTAs with the CIS members. Although Belarus, Kazakhstan, and Russia signed the Customs Union Agreement in 1995 (later Kyrgyzstan and Tajikistan joined the agreement), the countries failed to agree on common external tariff levels and other issues pertaining to the functioning of a customs union. In security dimensions, Azerbaijan, Ukraine, and Uzbekistan left the CST in 1999, which was signed in 1994 for a five-year period, marking another failure in Russia-centred regional arrangements. Russia itself was suffering economic decline that resulted in financial crisis and default on foreign debt in 1998.

Alongside external factors, such as China’s re-engagement with global economy and the post-Soviet states’ struggle to strengthen sovereignty, the failure of the Primakov’s Doctrine was highly influenced by internal identity debate. First, statists like Primakov and Chernomyrdin, partly inspired by civilisational nationalism position, emphasized Russian dominance not only in their speeches but also in their state strategies. The CIS Strategic Course of 1995 indicates that the main task is ‘to strengthen the role of Russia as leading power in forming new system of the international political and economic relations in the post-Soviet space’ ("Strategic Course of Russia," 1995). Such a statement is strikingly different from the formulation used in later documents, such as the Concept of the Foreign Policy of 2013 where
‘Russia forges friendly relations with each of the CIS Member States on the basis of equality, mutual benefit, respect for and consideration of each other’s interests’. The indication of Russian ambitions for regional dominance in official documents of the 1990s might result from negligence of the post-Soviet states’ aspirations for sovereignty, and ‘there is no other choice for them (post-Soviet states)’ attitude widespread in the 1990s (Valovaya, 2005). Moreover, the lack of support from economic and financial authorities that were mostly in favour of western direction resulted in low commitment of Russia or ‘fiscal veto on CIS integration’ (Hale, 1997).

As indicated by Tatyana Valovaya, the member of the EAEC, the Kremlin policy towards CIS in the 1990s was associated with sudden turns from one extreme of considering post-Soviet neighbours as a burden to another extreme of viewing them as almost ‘former colonies’ that are too dependent on Russia, and it was not before 2000 that Russia switched to a pragmatic approach (Valovaya, 2005). The failures of the 1990s caused the reconsideration of the post-Soviet affairs policy and adoption of another approach. The new approach, or the second formula, was tried during the first presidential term of Putin (2000–2004). Instead of Primakov’s Doctrine of leadership role in the CIS, it favoured multi-speed integration among interested post-Soviet states with emphasis on economic pragmatism.

The westernist and statist experts and politicians under the umbrella of the Council on Foreign and Defense Policy (CFDP), a non-governmental think tank, issued the Strategy for Russia: Agenda for President-2000 where they called to abandon strategy of balancing the United States and focus on state-building and economic interests (Karaganov, Averchev, Adamshin, Belkin, & Pushkov, 2000). The CFDP

75 ‘There is no other choice for them’ (‘kuda oni denutsya’ in Russian) attitude towards post-Soviet states refers to the thinking that the post-Soviet states are too dependent on Russia and will stay in its orbit without special efforts from Russian side.
document stated that the unipolar world order ‘will transform in something else without our efforts’ (Karaganov et al., 2000, p. 91). Russian policy towards FSU states it should be based ‘on bilateral relations with strong position in defending national economic interests…turning debts (of other FSU states) into property (of Russia)’ and promoting bottom-up integration (Karaganov et al., 2000, p. 99).

Although the foreign policy concept adopted in 2000 borrowed from a more informal Primakov’s Doctrine, the emphasis on promoting ‘multipolar world order’, its language on relations with CIS members included the concept of ‘multispeed integration’. Russian foreign policy towards the CIS in the beginning of 2000s reconciled with Nazarbayev’s 1994 proposal on Eurasian Union that envisaged the formation of a strong regional organisation based on multispeed integration and economic pragmatism.

The convergence of foreign economic policies of two major regional actors, Kazakhstan and Russia, led to the formation of the EurAsEC in 2000 among Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, and Russia. The EurAsEC included members with different levels of development, Kyrgyzstan’s and Tajikistan’s GDP per capita were very low compared to other members in 2000, and the difference increased over time. Taking into account such differences in levels of development and the importance of including Ukraine into Russia-centred regional project, the SES Concept negotiations were launched in the beginning of the 2000s.

Ukraine is a significant economic partner for Russia that supplies key components for military industry of Russia (legacy of USSR resource allocation

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77 Nazarbayev’s Eurasian Union proposal is available in Russian at Nazarbayev (2003).

strategy) and provides transit routes for Russian gas sales to Europe. There was a plan to form a common market or SES among Belarus, Kazakhstan, Russia, and also Ukraine, which was tilting towards Europe since its independence. The SES Concept negotiated by 2003 can be viewed as the response of Russia to Ukraine’s European choice by providing an alternative regional project, that to some extent resembled the EU approach to economic integration. However, the Orange revolution of 2004 cemented the pro-Western orientation of Ukraine and made unthinkable the establishment of the SES with Ukraine as a member.

The Orange revolution—which was considered part of a series of velvet revolutions in the post-Soviet states, including Rose revolution in Georgia in 2003 and Tulip revolution in Kyrgyzstan in 2005—was critical in changing balances in Russian identity debate and the country’s foreign policy towards its near abroad. It triggered the re-evaluation of Russia’s foreign policy and signalled the beginning of the third period (from the mid-2000s to present) in Russia’s policy towards post-Soviet states that is associated with growing influence of a civilisational nationalist position in the Russian identity debate. As argued by (Vinokurov, 2007), the beginning of Putin’s second term in power—that is, 2004—the foreign policy towards post-Soviet states switched from cost-benefit calculations to reassertion of zone of influence in near abroad.

5.3.6 Don’t play in my backyard: the rise of civilisational nationalism, mid-2000s to present

The series of colour revolutions increased concerns of revolution inside Russia itself (Duncan, 2012). Nationwide mass protests in Russia and opposition leaders flirting with revolutionary politics in 2005 alongside the latent mass dissatisfaction led to preventive measures by Kremlin that included the pressure on oppositional institutions, the search for state ideology, and the mobilisation of managed youth
organisation such as ‘Nashi’ (Horvath, 2011). While implementing these preventive measures, the state position in identity debate tilted towards civilisational nationalism.

First, the colour revolutions were viewed as ‘regime change’ strategy promoted by the West to destabilise Russia (Tsygankov, 2006b). As the response, the civilisational nationalist concept of the ‘special path’ for Russia was used by the Kremlin officials in introducing the concept of ‘sovereign democracy’ (Verkhovskii & Pain, 2012). According to Vladislav Surkov, the first deputy head of presidential administration, the centralisation of power, the personification of political institutions, and the idealisation, which leads to messianic projects such as Third Rome, are features Russian political culture (Surkov, 2007). He claims that the sovereign democracy best fits Russian context and its political culture because ‘it justifies centralisation’ of power; it is ‘personified as it interprets the course of President Putin’; and it is idealised enough to consolidate human capital for developing culture and civilisation (Surkov, 2007). When asked about the ‘sovereign democracy’, Putin reflected that such concepts were worth discussion and ‘Russia cannot exist without defending its sovereignty’; however, ‘we do see attempts to use the lexicon of democracy to influence our domestic and foreign policy. I think that this does damage and that it is not the right course of action’.79

Second, the Kremlin changed strategy towards nationalist forces. Although Russia experienced economic growth since 2000 due to increasing prices for oil and gas and improvements in tax collections, the latent corruption and inequalities in development leave room for protest potential. In the context of low civic activism in general, the nationalist forces were most successful in consolidating Russians for political actions. The nationalist forces that developed in the beginning of the 2000s

79 The Presidential Press and Information Office (Meeting with Members of the Valdai International Discussion Club 2007, September 14).
were not directly in opposition to Kremlin, however, with slogans ‘Russia for Russians’ they threatened stability and could lead to resurgence of separatist movements in ethnic republics of Russia (Verkhovskii, 2010). Kremlin tried to manage the rise of ethnic nationalism by creating the Rodina bloc in 2003 that would attract nationalists’ votes because nationalist LDPR and CPRF were mostly viewed as more loyal to Kremlin rather than to their nationalist ideologies (Verkhovskii & Pain, 2012). But after the Orange revolution, it was difficult to control the oppositional sentiments among ‘managed’ nationalists as they started to flirt with revolutionary slogans (Horvath, 2011).\footnote{Some experts also view the reforms in 2005 towards monetization of benefits—that is, providing limited cash transfers to pensioners and other socially vulnerable groups instead of such benefits as free public transportation—in Russia as a turning point in Rodina’s relationship with Russian authorities (Horvath, 2011; Laruelle, 2009).}

Dmitry Rogozin, who was a chairperson of Rodina bloc and vice-speaker of State Duma in the mid-2000s, in his interview to Ukrainian Glavred newspaper argued that ‘Russia nowadays resembles Ukraine of 2003–2004’ or, in other words, the pre-revolutionary Ukraine (Yahno, 2005). Considering these tendencies, the state position moved towards canalising the oppositional force of ethnic nationalism into civilisational form of nationalism that is supportive of regime stability and strong state. Such transformation in state position that happened in the mid-2000s can be observed on the evolution of the Rodina bloc.

The Rodina bloc, that is often claimed to be created by Kremlin political technologists, was supported by 9.02% of voters and received 37 seats in 2003 elections for State Duma.\footnote{Election results available on official web-site of the Central Election Committee at http://gd2003.cikrf.ru/gd2003/gdr4_engl.html} The bloc was a consolidation of Russian nationalists that included such movements as Russian Communities Congress, For Holly Russia, For Russia Holly, Union of Orthodox Citizens, Eurasia, National-Patriotic Forces of Russia, etc.\footnote{The pre-election program of the Rodian Bloc with names and organisations involved is available in Russian on Central election Committee web-site at http://gd2003.cikrf.ru/gd2003/way/76798712} Initially supported by Kremlin in 2003, the strengthening of bloc in later years was
accepted as a threat, and it was banned from participation in local elections in Moscow and other cities in Russia due to an extremist video clip used in election campaign in 2005. After internal divides within Rodina bloc, some of its parties were merged and transformed into the Spravedlivaya Rossiya (Just Russia) party in 2006, which is considered part of Kremlin’s attempt to create a second party loyal to the regime (March, 2009).

Despite the authorities’ pressure and subsequent transformation of the Rodina bloc, its key figures escaped marginalisation. On the contrary, they received important positions in the executive branch, but, instead of consolidating nationalists, they switched to promoting Russian Eurasian and multipolar world initiatives. For example, Dmitry Rogozin, chairman of Rodina bloc in 2004, served as Russia’s envoy to NATO from 2008 until 2011 and was appointed a Deputy Prime-Minister responsible for the defence industry in 2011. Another leader of Rodina, Sergei Glazyev served as the Deputy Secretary General of the EurAsEC in 2008, the Secretary General of the Customs Union Commission from 2009 until 2011 and was appointed the advisor to the President in 2012 with responsibilities to coordinate regional integration among the post-Soviet states.

Although there are significant differences in views and approaches among the former leaders of the Rodina bloc, the leaders of neo-Eurasianist movement, nationalist LDPR, and CPRF, they are declared non-grata persons or prosecuted in one or several post-Soviet states due to their questioning of the existing borders, expansionist statements, and activism in support of separatism in near abroad. It should be noted that authorities in Russia are not consistent supporters of the the views of ‘radical defenders of civilizational nationalism’, including Dugin inspired neo-Eurasianists, the orthodox

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83 Dmitry Rogozin was also appointed as a Special Presidential Representative to Transnistria.
fundamentalists, and the red patriots, that see Russia or expanded Russia as a distinct Eurasian civilisation with a special path (Verkhovskii & Pain, 2012). However, many in Russian political establishment, so-called conservatives, frequently appropriate ideas of radical defenders of civilizational nationalism (Verkhovskii & Pain, 2012).

Since the mid-2000s, the Kremlin’s flirtation with civilisational nationalism, which intensified after the series of coloured revolutions, started to influence its foreign policy. The consolidation of power in the Presidential Administration and the economic growth fuelled by oil and gas exports also contributed to ambitions of reasserting the so-called Russian zone of influence by strengthening post-Soviet regional institutions and minimising the presence of the EU and United States in its near abroad. While strengthening cooperation within EurAsEC by fostering the establishment of the BKR CU and Eurasian Union or putting CIS FTA into work might seem to be pragmatic steps in defending national economic interests or achieving some geopolitical goals, the way it is presented and promoted shows the rise of civilisational nationalism in Russia and influence of their vocabulary on the country’s foreign policy.

First, civilisational nationalists, including pro-Communist red patriots and neo-Eurasianists, usually define Eurasian/Russian (extended Russia within borders of former Soviet Union) civilisation by presenting it as a better alternative to liberal Euro-Atlantic or ‘American’ empire (Verkhovskii & Pain, 2012). The anti-western sentiment is the cornerstone of civilisational nationalism, and the democratic/western choice of the Eurasian’ states is considered the loss of their sovereignty because it happens against the will of their people. The influence of these sentiments is observable in comments by the Russian Ministry of Foreign affairs that presented the statements by the EU and the United States in the beginning of the 2014 regarding the possible use of sanctions against Ukrainian authorities in the case of police abuse on Maidan as ‘the examples of
the active connivance of the United States and the EU in the coup d’état in Kiev, acting against the political independence and sovereignty of Ukraine’. Russia, according to its officials, should be involved as the third party in any of the post-Soviet state’s negotiation when choosing regional partners. Otherwise, the choice made by a post-Soviet state ‘ignoring the opinion of the people of these countries’ will not be a ‘sovereign’ decision as in the case of Ukraine, where in order ‘not to tear apart Ukrainian society’, the EU should have listened to Russia and agreed on ‘trilateral consultations with the participation of Russia, the European Union and Ukraine’.

Second, civilisational nationalists and some part of statists in Russia refuse to accept Ukraine as a sovereign and unitary state. Dugin, leader of the neo-Eurasianist movement, argues that ‘further existence of unitary Ukraine is unallowable’ and that the country should join Russia-centred regional projects accepting a Russian dominant role, or its existence as a sovereign state should be reconsidered by partitioning it into several regions (Dugin, 2000, p. 149). Konstantin Zatulin, head of the CIS Institute and a deputy chairman of the Duma’s CIS Affairs Committee from 2008–2011, questioned the 1998 Treaty on Amity, Cooperation, and Partnership between Russia and Ukraine because it was cementing Ukraine claims on Crimea, which is the ‘example of state theft’ (Zatulin, 1999). The stance of the Russian state related to the status of Crimea and eastern regions of Ukraine after ousting of the Viktor Yanukovich seems to be highly influenced by the civilisational nationalist position that was captured and summarized by Zbigniew Brzezinski as ‘without Ukraine, Russia ceases to be a Eurasian empire’ (Brzezinski, 2007, p. 49).

85 Press-service of Russian Ministry of Foreign Affairs (Speech by the Russian Foreign Minister, Sergey Lavrov, and his answers to questions during the First Forum of Young Diplomats of the CIS Countries 2014, April 25).
The role of civilisational nationalism and cross-fertilisation of nationalist and official discourse in the case of the Russia–Georgia conflict of 2008 is presented in the study by Luke March, who argues that discourse and activities of nationalists have contributed to Moscow’s hard-line response and ‘arguably increased Russia incentives to use conflict to teach the West and Georgia a lesson and to show that it demanded respect as a regional and global player’ (March, 2009).

Alongside utilising separatist sentiments in neighbouring countries, including Georgia and Ukraine, in order to reverse their Western choices, Russia started to show its high commitment to building strong regional organisations for institutionalising relations with post-Soviet states in the second half of the 2000s. It was necessary for Russia ‘to provide alternative’ to the extending EU and NATO, and to growing influence of China (Ekaterina Furman and Mark Simon, personal communication, September 12, 2013; Alexey Vlasov, personal communication, September 11, 2013; Zarina Dadabayeva, personal communication, September 12, 2013).

As a prime minister of Russia in 2009, Putin offered to his counterparts in Belarus and Kazakhstan to intensify the decade-long negotiations on the customs union and establish it by 2010 (Masimov, 2011). The economic rationale for further trade liberalisation between three countries was mostly presented to utilise existing interdependencies (Alexey Vlasov, personal communication, September 11, 2013; Andrey Suzdaltsev, personal communication, September 12, 2013). Their civil society, scholars, and businesses had a very limited time frame in which to analyse and discuss possible consequences. Only a few years later, in the beginning of the 2010s, the issue of the BKR CU was included in two major development strategy proposals generated by academia for Russian Cabinet and President.
The first proposal that came from liberal economists upon request from the Russian Cabinet was the Strategy 2020: New Model of Growth – New Social Policy (Strategy 2020) that was introduced in 2012. The Strategy 2020 favours a model where the state provides equal rules of the game for the participants in the market and improves business climate to attract investments. It rejects an idea where the state selects ‘favourite’ industries and companies to provide them special conditions in terms of easier access to finance and tax holidays (Mau & Kuzminov, 2013, p. 10). The authors of Strategy 2020 argue that ‘Successful reintegration project in CIS will create conditions for regional expansion of competitive Russian businesses’ (Mau & Kuzminov, 2013, p. 837). Other benefits of the Eurasian regionalism listed in the Strategy 2020 include commercialisation of Russia’s transit potential, coordination of activities on key commodities markets, and potential for diversification of exports. For liberal economists, ideally, post-Soviet regionalism should complement the European integration programs of the post-Soviet states. The cooperation with the EU will necessitate transmission of European institutions and harmonisation of standards and benefit cooperation among post-Soviet states by contributing to trust-building and reducing the fears of Russian dominance (Vinokurov, 2012).

The second proposal was prepared by adherents of a strong state role in economy upon Putin’s request in 2012. Sergey Glazyev, an advisor to the President was appointed to coordinate the project that involved more than 30 scholars from the Russian Academy of Science (RAS) and the Moscow State University (MSU). Contrary to the Strategy 2020, the report by the RAS and the MSU scholars, ‘Russia on the Way to Modern, Dynamic, and Effective Economy’ (Glazyev’s report), links the economic development to the active role of the state in subsidizing innovative companies in

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86 More than 1,000 experts, grouped into 21 expert groups, worked to develop a strategy under the supervision of Yaroslav I. Kuzmin, rector of HSE, and Vladimir Mau, rector of RANEPA.
selected sectors (Nekipelov, Ivanter, & Glazyev, 2013). The authors of the report view markets of the BKR CU members as the destination for high value added by Russian products. Currently, Russian exports mostly consist of natural resources; however, according to the predictions in Glazyev’s report, if the right strategy is chosen, Russia will increase the share of high value added by goods in its exports, and post-Soviet integration partners will become a stepping-stone for export expansion to third countries. The report states ‘It is crucial for mechanisms of regional integration in CIS and the BKR CU, which have important political elements, to fully realise its economic potential that is maintaining access to markets for high technology and innovative goods produced in Russia’ (Nekipelov et al., 2013, p. 82).

Although there are some similarities between the previously mentioned two views, the Strategy 2020 is mainly influenced by the ideas that open regionalism creates more space for competition and technological development, which is possible through adoption of market-friendly policies. Whereas, the Glazyev’s report informed by the ideas that economic development can be achieved through the establishment of the protected region that serves as a market for Russian high-tech products and innovative goods, which can be produced in the future if the state pursues selective industrial policies.

Putin’s seminal article on an Eurasian Union referred to the Eurasian regionalism as an open regionalism project that is part of ‘Greater Europe’ and will help to establish a free trade area or even more integrated territory from ‘Lisbon to Vladivostok’ (Putin 2011). Such statements of Putin had several underlying reasons, such as the strong position of westernizers in economic policy-making, pressures from other BKR CU members, particularly Kazakhstan that pursues trade openness, and the

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87 The newspapers in Russia often refer to the document in Russian as ‘doklad Glazyeva’ or Glazyev’s report in English.
attempt to involve Ukraine and other participants of the EU Eastern Partnership initiative into the would-be Eurasian Union. Although Putin mentioned openness and non-contradiction between Eurasian and to pro-European stances of ‘some of our neighbours’ (i.e. Ukraine), his position was not clearly articulated as he combined the criticism of the principle of free trade that is ‘itself in deep crisis’ with the readiness to establish the FTA between the EU and would-be Eurasian Union based on this principle and to disseminate it from the ‘Atlantic to the Pacific Oceans’ (Putin 2011). The promise of openness attracted little attention from neighbours of Russia due to contradictions in the article itself and protective measures being implemented towards them.88 The neighbouring states were more concerned about the ‘call for close integration based on new values and a new political and economic foundation’ in Putin’s vision of Eurasian Union (Putin 2011).

In assessing what these ‘new values’ are and the emphasis on political integration in Putin’s article, it should be noted that there are two main positions related to the ‘values’. First is the westernizers’ position to embrace values that focus on freedoms, human rights, democracy, and free market that requires closer cooperation with the West, including the EU and the United States. Second is that the civilizational nationalists’ position rejects the western values and claims that Eurasian/Russian values are superior and should serve as a base for Russia’s increased influence in the post-Soviet region and beyond. The statements of Russian political establishment related to promotion of political- and value-based integration with post-Soviet states often borrow from the vocabulary of civilisational nationalists. For example, Putin stated that Kazakhstan will gain from Eurasian integration as the integration ‘will allow the

88 Russia mostly imposed non-tariff barriers to prevent imports from Ukraine, Belarus, and other post-Soviet states. The implementation of these measures coincided with the foreign policy turns of neighboring states that were unfavorable for Russia.
country to stay within the borders of the so-called Russian World”.\textsuperscript{89} Whereas the statements on strengthening the economic relations among the post-Soviet states draw on the EU model borrow from discourse generated by westernizers.

For example, Igor Shuvalov, deputy prime minister and Russian representative in the EAEC Council, argues that the EU serves as the inspiration for Eurasian economic integration. Taking into account supremacy of the WTO rules over the BKR CU legislation when the BKR CU member states have to fulfil the commitments made during the accession to the WTO, it is safe to say that the economic dimension of the Eurasian regionalism is mostly influenced by westernizers position.\textsuperscript{90} On the contrary, the adherents of civilisational nationalism in Russia criticise the strong emphasis on economic relations and argue for the need to include the political and value dimensions. Yuri Shuvalov, head of the Russian State Duma department for public relations and interaction with mass media, offers ‘Eurasianism’ as ideology of Eurasian regionalism and states that ‘it is not right to give priority to the economic aspect of the Eurasian integration’.\textsuperscript{91} Although their calls for establishing Eurasian parliament and inclusion of other political issues on the agenda of the EEU were rejected by Belarus and Kazakhstan, some members of Russian State Duma supported by young civilisational nationalists promote the idea of political integration and ‘Eurasianist’ values through initiatives, such as Eurasian Youth Parliament.


\textsuperscript{90} The Agreement on Customs Union’s functioning in the framework of international trade system, Russia-Belarus-Kazakhstan signed on 19 May 2011 is available at http://tsouz.ru/MGS/MGS-15/Pages/P-87.aspx

\textsuperscript{91} Confederation of Social Forces for Eurasian Integration (Yuri Shuvalov: Ne sovsem pravilno stavit ekonomicheski aspect evraziiskoi integratsii na pervoe mesto 2012).
5.3.7 The motives of the actors in Russia in promoting/opposing Eurasian Regionalism

In the case of Russia, Eurasian regionalism seems to be less influenced by developmental goals, and the state’s policy towards regional integration is highly influenced by the identity debate. The activism of Russia in pursuing institutionalisation of relations with post-Soviet states through establishment of the regional organisations influenced by notions of ‘Great Russia’ and ‘multi-polar world’ that necessitate greater influence in its neighbourhood, which often represented as ‘near abroad’ or ‘zone of influence’. Such an activism increased in the second half of the 2000s when it became clear that the country lost its influence in the post-Soviet geography and the series of the velvet revolutions also affected the power distribution within Russia. The official discourse in Russia since the mid-2000s often refers to the ideas and vocabulary of civilisational nationalism that is observable in Russian position in Georgia and Ukraine conflicts.

Although the vocabulary of civilizational nationalists is clearly observable in the Russian interpretation of conflict in Ukraine, in building the Eurasian Economic Union, which was initially proposed as ‘Eurasian Union’, the need to find compromises with other members of the regional project and the influence of the westernizers in the economic policy making of Russia led to cautious use of ‘Russian World’ or ‘Great Russia’ constructs. The notions of ‘equal partnership’ and ‘economic integration only’ promoted by leadership of Kazakhstan are more common in the official discourse generated by Russian counterparts. However, the rise of civilisational nationalism since the mid-2000s, its radical (i.e., neo-Eurasianism) and mild (i.e., conservative forces

92 ‘Near abroad’ is translation of Russian ‘blijnee zarubej’e’ and ‘zone of influence is translation of ‘sfera vliyaniya’.
referring to Great Power Russia) versions, leads to growing mistrust in Russia’s ‘true’ or stated goals in pursuing Eurasian regionalism.

5.4 Belarus

5.4.1 Belarus special relations with Russia

Unlike Kazakhstan and Russia, which are geographically located in Europe and Asia, if the Urals are considered the boundary, Belarus is a European country. It can be due to this reason that the concept of ‘Eurasia’ occupies little space in an intellectual and official discourse of the country. Eurasian enters discourse in Belarus usually when referring to official names of the regional organisation, such as the EurAsEC and the would be Eurasian Economic Union. Belarus participation in the post-Soviet or Eurasian regional institutions is part of the country’s strategy of integration (some would call it integration games or virtual integration) with Russia that was adopted in the early 1990s.

After gaining its independence, the identity debate of Belarus was dominated by anti-reformist forces, so-called *nomenklatura*, including the former communists, industrialists, and military. The nomenclature was reluctant to pursue closer cooperation with Europe as it required significant pro-market and pro-democracy reforms. The closer relations with Russia promised access to energy resources and known markets without large-scale reforms. Although the reformist forces, such as Belarus National Front, which initially united all democrats and even some rank-and-file communist party members, had strong presence in legislature and public debate in the early 1990s, the divides among reformists and the rise of Lukashenka undermined changes in politics and economics (Silitski, 2003).
With Alexandr Lukashenko coming to power, relations between Belarus and Russia were among the main priorities of Belarusian President. The union project between two countries that first started as an initiative for monetary union in 1993 culminated in the signing of the Russia-Belarus Union Treaty on April 2, 1997. The Russia-Belarus Union is a very ambitious project with a goal to create a confederation between two countries with the common currency, foreign policy, and even citizenship (Libman & Vinokurov, 2012). Although the project contributes to dense cooperation between Russia and Belarus, the controversies on how to build the Union are still in place and issues of common currency, foreign policy and citizenship are far from actual implementation. Alongside pursuing the Russia-Belarus Union project, Belarus participates in multilateral regional institutions, including the EurAsEC, the CSTO, the BKR CU, and of the would be EEU.

Belarus participation in Eurasian regionalism and its special relations with Russia in the framework of the Russia-Belarus Union cannot be explained simply by interdependence. The national identity formation and the worldviews of Belarus President Lukashenka play significant roles in the country’s stance towards Eurasian regionalism. Many experts on Belarus note that, in the first years of independence, Belarusian society had ‘difficulty in thinking of itself as an entity apart from Russia’ (Zaprudnik, 2003, p. 112). The integration with Russia is part of Belarus’ leaders attempt to ‘preserve existing socio-economic model’ that largely depends on state support and cheap energy resources from Russia (Alexandr Tihomirov, personal communication, September 17, 2014).\(^3\) The existing socio-economic model with dominant role of state in economics and relative stability helps to maintain the status

\(^3\) The current socio-economic model of Belarus is described in the next section. Its main elements are the central role of state in the distribution of resources. The state controls the prices, controls the wages in state and to some extent in private enterprises, provides huge subsidies to local firms, uses protective (mostly non-tariff measures) in international trade, and provides minimum social benefits to society.
5.4.2 Whose ideas matter?

In analysing the economic ideas that influence the current development strategies and institutional framework in Belarus, the discourse generated by President Lukashenko and his team is considered to be in first place. Alexandr Lukashenko has introduced a super-presidential system through referendum in 1996, significantly weakening the system of checks and balances introduced in the beginning of the 1990s (Rontoyanni & Korosteleva, 2005; Way, 2011). The concentration of power and control over traditional media resources led to dominance of political leadership’s ideas on economic development over the other alternatives. The most popular media outlets, such as TV channels and main newspapers, present the views of the Belarus leadership, which favours state capitalism, and often criticise the market-oriented model as a failure.

The alternative discourse that also paves the way in Belarus mostly through the Internet is generated by the opposition leaders and independent economist in Belarus and those in institutions outside Belarus who mostly support the transition to market economy and identify the cracks in the current statist model94.

5.4.3 Choosing president, choosing conservative path

Belarus is a unique case among post-Soviet states. The country preserved many elements of the Soviet past, including architecture, state symbols, coverage of events, and attitudes. In 1994, Belarus has reinstalled the Soviet time flag. The country has very little record in transition to market economy and still contains elements of command

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94 In the case of Belarus, it should be noted that many experts who write about the politics and economics of Belarus have established or joined institutions in neighboring countries.
economy, such as the plans, the price controls in most of the sectors of economy, and 
the government control over private enterprises. Belarus is still one of the most 
industrialised economies in the CIS, and the shelves of its supermarkets are filled with 
local products, which is rarely the case in other former Soviet Union states. The republic 
is often criticised for undemocratic practices, politically motivated repressions, and lack 
of freedom of speech. At the same time, it is a very stable place with non-existent ethnic 
conflicts and very low crime rates. It can be argued that this choice was made in 1994 
when Lukashenka won the ‘the only free and fair presidential elections ever conducted 
in Belarus’ (Ioffe, 2011, p. 223).

The first presidential elections and the events before it provide an understanding 
of Belarus politics and economics. The fairness of the 1994 presidential elections, 
except in the cases of using the administrative power to discredit Lukashenka, is rarely 
disputed. These elections were characterized by the winner-take-all situation the 
Constitution adopted before the elections replaced parliamentary system with a 
presidential republic. The 1994 Constitution was initiated and promoted by the 
nomenklatura that wanted to end the rivalry with reformists by installing its candidate, 
Vyacheslav Kebich, who served as a Prime Minister at that time, as president (Silitski, 
2003). The chances of Vyacheslav Kebich were high given the administrative power in 
hands of his supporters, nomenklatura, and his close ties with Moscow. However, the 
Belarusian society, tired of the 1991–1994 period of stagnation and widespread 
corruption, had chosen a fresh candidate who promised bright future and to be tough 
on corruption. Given the Lukashenka ability to reach masses and his previous position 
as a chairman of the anti-corruption commission in the legislature, he was able to attract 
mass support and won elections in the second round, receiving 80.4% of votes (Silitski, 
2003).
The first pre-election program of Lukashenka clearly outlined the course of the country that has been followed for almost two decades since his election in 1994. His major promises were to solve economic problems, fight corruption, and re-establish ties with former USSR states, Russia and Ukraine in particular. In economic policy, Lukashenka promised very strict state control over prices, including the use of a criminal code for punishing ‘speculators’; state regulations of wages; large social benefits; direct state control over the state enterprises; controls over the interest rates according to state development priorities and selective industrial policies; strict foreign exchange controls and limitations to capital mobility; import substitution policy, particularly in the agricultural sector; and free education. The promises to fight corruption included purging the security and judiciary system; investing in security forces; and tightening the laws for malfeasance. Such programs, which was later implemented in full, cannot co-exist with pro-European foreign policy in nature, so the focus on Russia is easy to explain.

In Russia, Lukashenka found supporters among civilisational nationalists, pro-Communists forces and part of statists. He had very good relations with the prominent members of the Russian State Duma that was dominated by anti-reformist forces. Therefore, the ambitious Russia-Belarus integration initiative by Belarus leadership found some support in Russia. However, the Russia-Belarus Union Treaty signed in 1996 was declarative with no clause that will clearly define the legal status of this arrangement (Nesvetailova, 2003). Belarus’ side initially viewed it as a strong union headed by leaders elected by people of two states. For Belarus, it could be loss of sovereignty, but there was a chance that ‘Lukashenka—the man of “stability and order”—appealed to many Russians and Belarusians as a potential leader for the new interstate formation’ (Nesvetailova, 2003, p. 161). For Russia, particularly for

‘democrat’ Yeltsin, except for the anti-reformist forces in Russian State Duma, Lukashenka was an ‘awkward partner’, and Moscow tried to maintain relations but with minimum political and economic commitments (Krivosheev, 2003, p. 171). Putin’s rise to power further diminished the chance for Lukashenka to become the president of the Russia-Belarus Union if such a situation would take place, so the post-2000 relations between Belarus and Russia were mostly associated with deeper military integration within the Russia-Belarus Union and Belarus trying to gain maximum economic benefits of Russia’s geopolitical ambitions. The next section explains the socio-economic model adopted by Belarus in the mid-1990s and links it Eurasian regionalism drawing on post-2000 discourse and secondary sources on Belarus.

5.4.4 Perceptions of economic development and Eurasian regionalism

The Chinese model is often presented by Lukashenko and his allies as the benchmark for the Belarus economy. In an edited volume that attempts to classify the post-communist states according to varieties of capitalism, Belarus is presented as the country possessing the features of state capitalism and placed in the same section as China (Korosteleva, 2007).

After the short period of reform towards building a market economy in the beginning of the 1990s, the transformation was reversed in the middle of the 1990s after Lukashenko came to power. Lukashenko continuously emphasizes the role of state rather than private markets in his speeches. In his Address to the National Assembly in 2002, Lukashenko stated:

Foreign advisers would suggest but one choice to all the ex-USSR republics—boundless liberalization, sweeping shock therapy. The wise Belarusian people, after having tried several years of anarchy, rejected the foreign proposals. It chose its own

road of development—the road of gradual progress, evolution, preservation of order and legality, the road without destructions and social conflicts…. Today, the Belarusian model of socio-economic development is recognized by many. It includes the following distinctive features: constant rise of efficiency of the state authorities in managing socio-economic processes, multistructural nature of economy achieved through development of all forms of ownership, vigorous social policy, integration with the Commonwealth of Independent States participating states, with Russia first of all.97

The ‘managing of socio-economic processes’ by state authorities and the so-called ‘gradual process’, as stated by Lukashenko, were actually adopted in Belarus where government has been implementing full employment policy through stimulation of aggregate demand, the selective industrial subsidies, and such practices as an extensive state control over prices, salaries, and foreign exchange transactions since the second half of 1990s. Belarus with its state-capitalism type of economy had shown high growth rates of about 7.5% in average from 1997 to 2008 and many people in Belarus perceived this development model as the successful one (Korosteleva, 2011). The quotation above is taken from a speech delivered by Lukashenko in 2002 when comparing Russia and Kazakhstan, which adopted market friendly policies and experienced economic decline in the 1990s, the Belarus economy was doing pretty well.

However, by the end of the 2000s, the inefficiencies of Belarus’ economic model became more obvious. The global economic crisis that hit Russia and European countries, major export markets of Belarus, resulted in decreased demand for Belarus products abroad and reversed the inflows of FDI into Belarus economy (Korosteleva, 2011).

Alongside the global economic crisis, the most important challenge for current socio-economic model of Belarus came from changes in Russian energy policy in 2006

and 2007. The cheap energy supplies from Russia helped to sustain energy intensive Soviet-time factories in Belarus and to provide utilities to population at low prices. Moreover, Belarus oil refineries generated huge profits from buying cheap oil from Russia and re-exporting oil products to Europe. However, in the second half of the 2000s, Russia required a payment for its cheap energy supplies in the form of shares in major Belarus companies and, upon reluctance on the part of Belarus, has started to increase the prices of resources. Belarus, which benefited from huge energy subsidies in the form of cheap gas and oil from Russia, had to face the 4.5 times increase in cost of resources from Russia from 2006 to 2011 (Ioffe & Yarashevich, 2011).

The crisis of 2011 in Belarus showed that it becomes more and more difficult to sustain this state-based model due to structural inefficiencies. State-owned enterprises that account for 55% of Belarus’ GDP and provide two-thirds of jobs in a country that finds it difficult to compete with producers from third countries and within the BKR SES (Favaro, Smits, & Bakanova, 2012). The high growth rates from 1995 to 2006 were possible due to the preferential access to Russian market (Favaro et al., 2012) and cheap energy supplies (Ioffe & Yarashevich, 2011).

Although the cracks of the current state capitalism model became more obvious after the crisis and Belarus leadership had to borrow billions of dollars to compensate its current account deficit and maintain the state support of economy, it is hard to say that the dominant perceptions of economic development has changed in the recent years. It should be noted that, by the end of the 2000s, Belarus government made some steps towards transformation to market economy, such as the elimination of Golden Share rule and plans to privatize about 500 state enterprises. But these efforts were far from restructuring the economy, and they were abandoned later through introducing other

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98 ‘Golden share’ rule was introduced in 1997 and provided the government with veto and managerial appointment rights in joint-stock companies, even in cases in which the state is not a major shareholder. This rule privileged government over private shareholders.
forms of control or by setting high prices for the state assets. Lukashenko’s speech in 2012 after the turmoil of 2011, when country experienced two digit rates of inflation and food shortages, shows that leadership still believes in the necessity to sustain current socio-economic model:

We cannot surrender everything to the market. We should have and will have wise control over prices. Prices will not be allowed to run amok. We are gradually moving towards more relaxed pricing practices but we need a golden mean now. Absolutely strict pricing leads to shortages and drain of commodities from Belarus. Meanwhile, the so-called free market can lead to profiteering that affects common people.99

If the current regime in Belarus wants to sustain the socio-economic model based on state capitalism and to provide welfare to people to gain support, it should secure the access to cheap energy supplies and export markets for manufactured products that are losing their competitiveness due to lack of innovations and reliance on state subsidies. In the 1990s these goals were reached through Lukashenko’s pro-active role in promoting Union State with Russia. Although leadership of Russia and Belarus viewed the future of the Union State differently, the integration games provided Belarus with access to both Russian cheap energy supplies and the Russian market. However, in the beginning of the 2000s, Putin took a pragmatic stance towards relations between Belarus and Russia and pressed for more commitments from Belarus (Vinokurov, 2007). These commitments included institutionalisation of relations with Russia and privatisation of key Belarus enterprises with privileges for Russian companies in purchasing them. The price was too high for Belarus to agree, but reliance on Russia forced compromises. What has being going on in the framework of the BKR CU and BKR SES since 2009 is the continuation of the bargaining between the leaderships of

99 Press Service of the President of the Republic of Belarus (State of the Nation Address to the Belarusian people and the National Assembly of the Republic of Belarus 2012, May 8).
Russia and Belarus started at the end of the 1990s, which is informed by Belarus leadership’s economic ideas.

5.4.5 The motives of the actors in Belarus in promoting/opposing Eurasian regionalism

To summarize, the Belarus leadership’s commitment to Eurasian regionalism is informed by the economic ideas that state-capitalism is a better alternative to the market economy in providing welfare for the people of Belarus and maintaining stability of the regime. The expressions and speeches by Lukashenko and his team related to Eurasian regionalism are mainly directed to gain support for the current populist state-based socio-economic model, which is the basis for survival of the current regime in Belarus.

Lukashenko more often identifies BKR SES members states as ‘equal partners’, as is the case in his article in Izvestia, which was a response to Putin’s seminal publication on Eurasian Union: ‘Only equality of partners, including equality in conditions for economies with equal access to energy and transportation systems, will allow creating firm basis for our union’. However, ‘equality’ in this context implies that the BKR SES members have to supply oil and gas to Belarus without applying export taxes or using prices set for these commodities in countries of origin. The tasks to be accomplished by stressing ‘equality’ are clear from the statements by Lukashenko made in 2012 after signing the energy agreements with Russia:

In 2012 we started to work on an equal footing with our partners in the Customs Union. Roughly equal. This is not what it was a year or two years ago. Political leadership of the country resolved the main issue: the price for natural gas, the main energy source coming into the country, was halved. The issues of cooperation with the Russian Federation in oil supplies were settled as well. The agreements on

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100 O sudbah nashei integratsii [On destinies of our integration]. Izvestia newspaper, 2011, October 17).
energy prices are not charity or subsidies as opposition tries to picture it. These are basic conditions for the operation in the Single Economic Space.\textsuperscript{101}

The agreements that regulate pricing and tariff policies of oil, oil products, and gas in mutual trade among the BKR CU members were made in 2010, and they stipulate non-application of export quotas and export duties for trade in these commodities within the customs territory\textsuperscript{102}. Taking into account that Russia implements high export duty for oil, which was equal to 379.8 USD per ton as of August 2013 (Rudnitsk, 2013), and that Russia supplies Belarus with gas at domestic prices of 167 USD per cubic meter while the average price for Europe is 400 USD, these agreements, which are planned to be fully implemented by 2025, are one of the important motives for Belarus in joining the BKR CU and planned EEU.\textsuperscript{103}

The alternative discourse, generated mostly by opposition leaders, independent experts, and think tanks outside Belarus favours a market economy and identifies the BKR CU as the organisation that helps the current regime maintain its power by focusing on short-term benefits rather than undertaking necessary reforms.(Leonid Zlotnikov, personal communication, September 16, 2013; Preiherman (2012). This discourse is mainly informed by the idea that a decrease in state control over economy and adoption of market-friendly reforms is a must for long-term development.

\textsuperscript{101} Energy deal with Russia neither charity or subsidy, Lukashenko says. Belarusian Telegraph Agency. 2012, May 8.

\textsuperscript{102} These agreements are the ‘Agreement on the order of organizing, managing, functioning and development of common oil and oil-products markets of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation’ signed on December 9, 2010. and the ‘Agreement on the rules of access to natural monopolies in the sphere of gas transmission via gas transport system, including the basics of price formation and tariff policy’ signed on December 9, 2010. The Russian versions of these agreements are available at \url{http://www.eurasiancommission.org/ru/docs/}

\textsuperscript{103} Russia to offer domestic gas price to Belarus by 2014. (2011, November 25). RIA NOVOSTI. Retrieved from \url{http://en.ria.ru/world/20111125/169032805.html}
5.5 Conclusion

This chapter explores the influence of identity debate and economic ideas shared by dominant actors in Belarus, Kazakhstan, and Russia on the countries’ stance towards Eurasian regionalism. Eurasian regionalism is hardly a developmental regionalism project, as it is highly influenced by a very controversial identity debate, mainly ongoing in Russia. The developmental goals are not absent, but the actors’ perceptions of how economic development should be pursued are different.

The discourse and policies in Russia related to Eurasian regionalism show the secondary nature of developmental goals and the priority of regional integration as an identity project. The turns in Russian foreign policy from a very passive role in post-Soviet regional integration in the early 1990s to putting it in the centre of its foreign affairs can be explained by the identity debate among main schools of thought or positions within Russia. In the early 1990s, the westernist position was dominant in offering the content of Russian national identity. The Westernizers thought of Russia as part of Western civilisation and chose the modernisation route through democratic and market reforms. For them, integration with post-Soviet states could hinder the process of modernisation as it required material resources and could change the westernist course. However, the economic crisis and the high social costs of market reforms, so-called ‘shock therapy’, decreased the support for westernizers paving way for dominance of the Statist that a adopted more balanced approach in foreign affairs, and some progress in post-Soviet integration took place. The pace of reforms, particularly of political reforms, was slowed down in Russia as the Statists prioritised the identity of Great Power Russia over the modern and democratic Russia. However, the velvet revolutions in Russia’s neighbourhood led to fears of the possibility of regime change in Russia itself, which in turn led to the strengthening of the civilisational nationalist
position. The civilisational nationalists view Russia as a unique civilisation that should rule over the post-Soviet geography and beyond. Although the state didn’t adopt such an extreme position as Civilisational nationalists, the period from the mid-2000s to the present is associated with the diffusion of the Civilisation nationalist vocabulary, related to territorial claims and goals of the state, into the official discourse, which is observable in concepts of ‘sovereign democracy, Russian stance towards Ukraine.

The Russian activism in pursuing Eurasian regionalism since the late 2000s is also influenced by the shift in identity debate towards civilisational nationalism. However, it should be noted that the building of the regional economic institutions such as the EEU, although influenced and supported by the civilisational nationalists, progresses along the ideas shared by westernists in Russia as they are influential in economic policy-making of Russia and leadership of Kazakhstan, which supports an open regionalism project without anti-Western identity component.

In Kazakhstan, the ‘Eurasian’ initiatives mostly serve as a discursive tool that is thought to address several issues, including the containment of potential conflicts in the process of nation-building, the justification for multi-vector foreign policy, and the advancement of the implementation of the development strategy. While the Eurasian Union project proposed by Nazarbayev in 1994 privileged the economic aspect but also allowed for possible political integration, the official rhetoric of the last four years fully rejects political integration and leaves room only for economic dimension. The representations of Russia and the contest over national identity in Kazakhstan were the most important factors that changed the position of a country from pursuing multidimensional, including a political aspect, integration project in the 1990s to limiting Eurasian regionalism to economic dimension in the late 2000s. While Russia in the 1990s was viewed in Kazakhstan as the country under transition towards a normal
country or, as it was put forward its former Foreign Minister Kozyrev in 1992, becoming a ‘normal great power’, the events in the second half of the 2000s showed that Russia is becoming more ambitious. From the late 1990s until the present, the developmental objectives play an important role in the Kazakh leadership’s active position in promoting Eurasian regionalism. Such an active position is informed by beliefs that regional integration among Central Eurasian states will help to attract FDI in non-resource sectors in the short-term, and, in the long-term, it will serve as an export market for an industrial base under construction. The representations of the Silk Road and the idea that reemergence of a similar trade route will boost economy also inform the preferences of the actors in Kazakhstan.

The Belarus leadership’s commitment to Eurasian regionalism is mainly informed by the economic ideas that state-capitalism is a better alternative to market economy in providing welfare for the people of Belarus and maintaining stability of the regime. The identity debate is limited and is mostly related to Russia-Belarus relations rather than Eurasian regionalism. The expressions and speeches by Lukashenko and his team related to Eurasian regionalism are mainly directed to gain support for the current populist state-based socio-economic model, which is the basis for survival of the current regime in Belarus. This socio-economic model can be sustained through the participation in the Eurasian regionalism project, which brings cheap energy resources and opens access to the markets of Russia and Kazakhstan. These economic ideas inform the position of Belarus in negotiation process with other BKR CU members, where Belarus insists on the removal of any intra-regional barriers to trade with natural resources, agricultural and manufactured products and proposes a more protective measure for third-country producers.
CHAPTER 6. EURASIAN UNION: ACTOR IN THE MAKING?

6.1 Introduction

The contemporary regionalism theories have significantly contributed to the understanding of the regionalisation processes around the world. The field of regional studies is no longer Eurocentric nor dominated by state-centric approaches. The recent studies on regionalism also show the tendency to view regions and regional organisations as distinct actors in global affairs. Hettne (2011) argues that the internal cohesiveness of a region shapes its ability to act as an actor vis-à-vis the external world. He uses Europe’s case to show how the interplay between regionness, presence, and actoriness allows for the viewing of the European Union (EU) as a global actor. Wunderlich (2012), drawing on the contributions by Hettne (2011), Bretherton and Vogler (2006), and Doidge (2008), argues that the EU is not *sui generis*; therefore, it is possible to compare the highly institutionalized EU with other less institutionalized regional organisations, such as the Association of Southeast Asian Nations (ASEAN).

This chapter of the study seeks to contribute to these discussions of the regions’ actorship capabilities by exploring regionalisation in post-Soviet geography driven by Eurasian regionalism. The term *regionalism* here is based on the New Regionalism Approach (NRA) and is defined as a political commitment and body of ideas and objectives, with an aim towards transforming a particular geographical area into a cohesive region\(^\text{104}\). The *regionalisation*, which is a multidimensional process that includes political, economic, security, and socio-cultural dimensions and takes place within certain geographical space and leads to a higher convergence and cohesion between the integrating units, can occur spontaneously or can be driven by the regionalism project (Grant & Söderbaum, 2003; Hettne & Söderbaum, 2000).

\(^{104}\) For the New Regionalism Approach see Grant and Söderbaum (2003); Hettne (2005, 2011); Hettne and Söderbaum (2000, 2008); Hettne et al. (2008); Söderbaum (2004); Söderbaum and Langenhove (2006).
The theoretical framework adopted here proposes that particular geography should not be considered as a ‘given’ region and focuses on the process in which regions are constructed or deconstructed. However, it does not mean the rejection of boundaries and delimitations. According to the NRA, the degree of regionness or cohesion between integrating units plays an important role in defining the region in the making (Hettne, 2005). In this study, the region under construction is referred to as the Eurasian Integration Space\(^{105}\) in which the core trio consisting of Belarus, Kazakhstan, and Russia pursue deeper regional integration and other post-Soviet states, most notably members and observers of the Eurasian Economic Community (EurAsEC), are actively engaged.

In the framework of the Eurasian regionalism, Belarus, Kazakhstan, and Russia have formed regional organisations, including EurAsEC; the Belarus, Kazakhstan, and Russia Customs Union (BKR CU); the Belarus, Kazakhstan, and Russia Single Economic Space (BKR SES); and the Collective Security Treaty Organization (CSTO) and have established a supra-national institution, the Eurasian Economic Commission (EAEC). The Board of the EAEC, which is the supra-national body of the EEU, has some important competencies, including coordinating and setting common trade and competition policies and, to some extent, the unification of the macroeconomic policies.\(^{106}\) Belarus, Kazakhstan, and Russia also approved the plans to establish the Eurasian Economic Union in 2015 and decided to follow the EU path toward institutionalization of their economic relations. Moreover, in his seminal article on Eurasian integration, Putin (2011) stated the need to establish the Eurasian Union ‘on a

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\(^{105}\) This term was introduced by Qoraboyev (2010)

\(^{106}\) The Board of the EAEC consists of nine members, three from each member country, with one vote each. The members of the Board do not formally report to their country governments and act should independently. The decisions are made based on the consensus or qualified majority of two-thirds. However, there are limitations on the supra-national status of the EAEC. The Board of the EAEC is overseen by the Council of the EAEC, that is inter-governmental body with three officials (deputy prime-ministers) from each member country. The Council of the EAEC has a consensus-based decision-making system, and it can change or reject the decisions by the Board of the EAEC.
new political and economic basis and a new system of values’. Based on these developments in the institutionalisation of regional integration among the post-Soviet states and building upon the discourse on Eurasian regionalism, this paper explores the potentials and limits of the actorship capability of the region as represented by the EEU, the EAEC, and CSTO).

Although it may be early at this stage to talk about the EEU as a distinct actor in international relations, the recent developments in the regionalisation suggest that the internal cohesiveness, particularly among Belarus, Kazakhstan, and Russia, has increased and that the region, at least in the economic dimension, is an actor in the making.

6.2 Regionalisation processes among post-Soviet states

A voluntary nature and consensus-building rather than coercion are important characteristics in constructing regional actorship (Hettne et al., 2008). In the past, the societies living in post-Soviet geography were unified mainly on the basis of coercion by Tsarist Russia and its successor, the communist regime. This historical background has a double-edged effect on the regionalisation processes among the post-Soviet regionalism. The coercive regionalism of the past – that is, under Tsarist Russia and later under the communist regime – has resulted in the following: the creation of a common language space (the Russian language still maintains a dominant position in many of the post-Soviet states), increased economic and infrastructural interdependencies, and some common perceptions and identities that tend to support regionalism. On the other hand, the construction of the Russian and later of the Soviet Empire had destructive effects on local cultures, languages, and identities. These destructive effects are often invoked in discourse to limit the processes of regional integration, particularly of Russia-centred integration.
The regional integration among the post-Soviet states since the collapse of the USSR has been influenced by this historical baggage, which contains both potentials and obstacles for regionalism. The establishment of the Commonwealth of Independent States (CIS) in 1991 by twelve former Soviet states was more an effort to manage a ‘divorce’ than an attempt to reintegrate. Despite the fact that many studies view it as a failure, the CIS has served its role as a dialogue platform. Moreover, the CIS framework provided ground for the establishment of the inter-parliamentary assembly, for maintaining the visa-free regime within the region, for running the MIR TV channel broadcast in the CIS member states, and for other important regional arrangements. However, the broad membership and the divergence of interests within the CIS limited the commitments made by the states in furthering regional integration. For example, the free trade agreement signed by CIS member states in 1994 was ratified by only a few parliaments in the region.

In the security dimension, the Collective Security Treaty (CST) was signed in 1992 by Armenia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan. Azerbaijan, Belarus, and Georgia joined in 1993, and the treaty went into effect in 1994. However, the CST was signed for only a five-year period and Azerbaijan, Georgia, and Uzbekistan ended their membership in 1999.

The failures to deepen the regional integration within CIS and CST in the early 1990s and the changes on global and regional levels in the late 1990s and early 2000s (i.e., the Global War on Terrorism, failures of market reforms in many post-Soviet countries, eastward expansion of NATO) have significantly influenced approaches to regionalism among post-Soviet countries. Instead of the wide membership and limited commitment approach of post-Soviet regionalism projects like CIS and CST, two major regionalism projects emerged in the second half of the 1990s: (1) Eurasian regionalism and (2) Western-oriented regionalism.
Western-oriented regionalism was an attempt by some post-Soviet countries to integrate into the West. The EU and the United States were the main supporters of this regionalism project. Azerbaijan, Georgia, Moldova, and Ukraine established GUAM in 1997.\(^\text{107}\) To reflect its political and economic aspects, the organisation was officially renamed the Organization for Democracy and Economic Development – GUAM (ODED-GUAM) in 2006. ODED-GUAM promotes a deepening of integration with the EU, and its members also actively participate in the European Eastern Partnership Program.

Each state in this bloc has its own reasons for joining ODED-GUAM, which is pro-Western and the only regional organisation established by post-Soviet states with no Russian participation. Although the adoption of Western standards of democracy and good governance are stated among the main reasons for the establishment of ODED-GUAM, it is often argued that the organisation is an exclusive arrangement to limit Russia’s influence in the region (Libman, 2007; Sakwa & Webber, 1999; Tsygankov, 2006a). Russia’s position in the Nagorno-Karabakh conflict and its involvement in South Ossetia and Abkhazia made it an uneasy partner for Azerbaijan and Georgia. As for Ukraine and Moldova, the exclusive nature of ODED-GUAM can be explained by the existence of strong anti-imperialist sentiments in Ukraine and Moldova’s worries about Russia’s involvement in Transnistria.

GUAM experienced some periods of activism in the middle of the 2000s but, in general, the organisation had limited impact in addressing the economic and security issues in the region (Dinesen & Wivel, 2014; Malek, 2013). Gower (2014) argues that despite the limited success of GUAM, it reflected an ideological shift that served as a stepping stone for the European Eastern Partnership Program.

\(^{107}\) The word GUAM is made up of the first letters of the member states: Georgia, Ukraine, Azerbaijan, Moldova
Eurasian regionalism was first proposed by the president of Kazakhstan, Nursultan Nazarbayev in 1994 as an initiative to create a workable regional organisation to facilitate economic relations between former Soviet states, and to establish stability in the region. Nazarbayev identified four basic principles for Eurasian integration: (1) economic pragmatism; (2) voluntarily nature; (3) common efforts to maintain stability in the region; and (4) multi-speed integration ("Regionalnaia integratsia," 2004, April 02). The first step towards such regional arrangements was made in 1995 by the signing of the Customs Union agreement among Belarus, Kazakhstan, and Russia (these countries were later joined by Kyrgyzstan and Tajikistan). However, the states that signed the agreement failed to eliminate non-tariff barriers or find a compromise on common external tariff levels.

Although the Customs Union agreement of 1995 was not fully implemented, it became a stepping stone for the establishment of EurAsEC by Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan in 2000. Armenia, Moldova, and Ukraine received observer status in this organisation. As a further step in regional integration, the concept of the Single Economic Space (SES Concept) was agreed upon by Belarus, Kazakhstan, Russia, and Ukraine in 2003 in the framework of EurAsEC.108 The SES Concept was based on the multi-speed integration idea, which implied that the previously mentioned four countries would advance with deeper forms of integration, and it was hoped that other CIS countries would join the core four in the future. During the Yalta Summit in May 2004, Nazarbayev proposed a direct move to the customs union, but Ukraine’s leadership insisted on the free-trade zone as the initial stage to implement the SES Concept (Vinokurov, 2007). In the same year, the Orange Revolution in Ukraine brought to power the pro-Europeans Viktor Yushchenko as president and Yulia

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Tymoshenko as prime minister, and the SES Concept negotiations with Ukraine as a member were frozen.

The SES Concept was revived in 2009, but only among three core countries. Belarus, Kazakhstan, and Russia agreed to establish the BKR CU in 2010 and the BKR SES in 2012. This time, the three countries were able to agree on a common external tariff (CET) scheme, which has been in effect since January 1, 2010. Customs control between these three countries was abolished by July 2011. The BKR SES among Belarus, Kazakhstan, and Russia was established on January 1, 2012. The EAEC, a supranational body of the BKR SES and the BKR CU, started to function in the same year. The core three have also signed the EEU Treaty that led to the establishment of the EEU in 2015.

Despite Ukraine’s reluctance to continue with the implementation of the SES Concept of 2003, attempts to involve Ukraine in Eurasian regionalism projects continued. Ukraine’s choice to tilt towards the EU in the mid of the 2000s was considered as a geopolitical threat by the Russian leadership. The victory of pro-Russian Viktor Yanukovich in the presidential election of 2010 provided a vital opportunity for Russia to reverse Ukraine’s move towards Europe. A series of events which included promises of cheap gas deals and long-term loans by Russia culminated in the Vilnius Summit on November 29, 2013, when Ukraine refused to sign the planned Association Agreement (AA) with the EU. Michael Emerson identifies three main reasons for failure of the AA: the EU’s insistence on AA with inadequate balance between incentives and obligations for Ukraine; Putin’s determination to torpedo the AA, and Yanukovych’s attempts to play geopolitical games that made him and Ukraine Putin’s hostages (Emerson, 2014a). The failure to achieve AA between Ukraine and the EU and

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109 Belarus, Russia, and Kazakhstan signed an ‘Agreement on the establishment of the common customs territory and the customs union’ in 2007; however, this agreement did not have specific dates. The dates of the establishment of the BKR CU were clear only in 2009.
the events that followed, such as Crimea’s ‘choice’ to join Russia, have left little chance for Russia to have Ukraine as a full member for the planned Eurasian Economic Union.

Ukraine-Russia relations will be shaped based on the outcome of the ongoing political crisis in Ukraine. In the case of more predictable partners, i.e. Belarus and Kazakhstan, Russia is pushing forward the issue of political integration through the establishment of a Eurasian parliament with direct elections. However, Belarus and Kazakhstan have shown lack of support and have even opposed the idea of political integration at this stage or in the near future (Akhmatova, 2012).

Figure 6-1 provides the information on membership of the post-Soviet states in the regional organisations. The figure indicates the existence of two regionalism projects in post-Soviet geography and the multi-speed integration formula of Eurasian regionalism. Belarus, Kazakhstan, and Russia form the core trio, or the first tier, of the most integrated countries in the framework of Eurasian regionalism. The next tier is the Eurasian-Five, that is, the core trio plus Kyrgyzstan and Tajikistan. These five countries are members of EurAsEC in the economic dimension and of CSTO in the security dimension. Armenia, Moldova, and Ukraine also participate in Eurasian regionalism alongside the Eurasian-Five, but their participation is limited to observer status in EurAsEC and by membership in the CIS Free Trade Agreement (CIS-FTA) signed in 2011. Armenia, which is also a member of CSTO, is more inclined toward Eurasian regionalism and joined the EEU on January 2, 2015, while Moldova and Ukraine, alongside Eurasian regionalism, actively participate in Western-oriented regionalism projects and are members of GUAM and the European Eastern Partnership Program. Following the conflict over status of Crimea between Russia and Ukraine, Ukraine’s

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Foreign Ministry indicated its dissatisfaction with the CIS, but the country has not ended its membership in CIS FTA.\(^{112}\) Only Turkmenistan and Uzbekistan mostly stay out of two regionalism projects.

**Figure 6-1. Membership of the post-Soviet countries in regional organisations**

This paper focuses on the regionalisation processes among Belarus, Kazakhstan, and Russia, which are the core trio of states pursuing Eurasian regionalism. The actorship capability of the region in the making of the Eurasian Integration Space, which is being constructed by the actors in these core trio states, is assessed by exploring economic and security dimensions of Eurasian regionalism. In each of these two dimensions, the issues of the region’s presence, regionnness, and actorness are discussed. Although Armenia and Kyrgyzstan joined the EEU in 2015, they were not among the founding members of the previous arrangements, such as the BKR CU, and

the countries accepted the rules and norms that were shaped by the core trio, Belarus, Kazakhstan, and Russia.

Armenia heavily relies on Russia and views its larger neighbour as the main security provider. However, in terms of economic cooperation and political reforms, the country tilted towards Europe until September 2013. The Armenian case was a ‘silent Europeanization’ since the country has implemented political and economic reforms in line with demands from the EU but it never showed interest in full membership and was modest in expressing achievements in pro-European reforms (Delcour 2014). Otherwise, the reforms could be interpreted as loosening strategic security alliance with Russia.

Russia’s growing ambitions in the post-Soviet area since the mid-2000s also influenced Armenia’s foreign policy. As Armenia made significant progress in joining European economic initiatives, Russia sent clear signals to reverse the process using existing interdependencies. Increase in gas prices and in shipments of heavy weapons to Azerbaijan worth of one billion USD in 2013, combined with visit of Putin to Baku in the same year, are considered as detrimental factors for Armenian foreign economic policy turn from European to Eurasian direction (Grigoryan 2013).

In September 2013, when Armenia was already to conclude an Association Agreement (AA) and a Deep and Comprehensive Free-Trade Area (DCFTA) with the EU, Serzh Sargsyan, president of Armenia, announced country’s readiness to join the EEU. Such a turn in Armenian foreign economic policy led to controversial responses in Armenian society. But the over-reliance on Russia in securing its sovereignty and in access to resources left little choice for a country, which has a burden of ongoing territorial dispute with Azerbaijan. The dispute over Nagorno-Karabah region and the growing military expenditure of Azerbaijan, the oil-rich claimant, seriously restrains Armenia’s ability to make important foreign policy decision without Russia’s consent.
As for Kyrgyzstan, which also joined the EEU in 2015, the debates within the country are more of socio-economic character. Prior to the establishment of the BKR CU, Kyrgyz economy benefited from re-exports of Chinese products mainly to the post-Soviet states’ markets. Even after significant drop of re-exports in 2010 according to estimates their value was about 13% of country’s GDP (Mogilevskii 2012). Kyrgyzstan’s membership in the WTO and liberal trade regime allowed low tariff imports of manufactured goods from China. These imported goods were later exported to the markets of the EurAsEC members, mainly Russia and Kazakhstan, benefitting from bilateral and multilateral free trade agreements within the EurAsEC. However, the establishment of the BKR CU led to serious decline in re-exports from Kyrgyz Republic due to changes in rules of origin requirements and in customs procedures. Russia went so far as to keep its customs officers on Kazakhstan-China and Kazakhstan-Kyrgyzstan borders in order to address the issue of re-exports. Moreover, Kazakhstan and Russia were main destinations for exports of agricultural products and manufactured goods, garment industry output in particular, produced in Kyrgyz Republic. Therefore, the access to markets of the BKR CU members was important for Kyrgyz economy and country became the part of the common customs territory by joining the EEU in 2015.

Another key issue for Kyrgyzstan is the access to Russian and Kazakh labour markets as the remittances from the Kyrgyz migrants in these countries are main source of income for large portion of Kyrgyz population.\textsuperscript{113} Although migration issues are part of national competence and are not regulated on the regional level by the EEU, the experts often view migration policy as a leverage for Moscow in promoting Russia-centred regional projects. It is difficult to argue that Russia used such a leverage in case of Kyrgyz Republic accession to the EEU due to a number of reasons. First, Kyrgyzstan was interested in cooperation with Russia and Kazakhstan since 1990s and market

access to these countries is crucial for country’s economy. Second, Russian economy showed growth in the 2000s but the population was in decline. This situation necessitated the attraction of migrants for variety of jobs within Russia. Unlike Armenia, Kyrgyzstan is relatively free of pressing security issues that can be used by external actors as a leverage to change Kyrgyz foreign economic policy, but the country has limited opportunity to re-orient its economy to other than the EEU markets due to its geographical position.

Taking into account that the EEU norms were mainly shaped by its core three members, the rest of the chapter focuses on discussion of the discourse and foreign policy of Belarus, Kazakhstan, and Russia.

6.3 Economics of Eurasian regionalism

The establishment of the BKR CU in 2010 and the BKR SES in 2012, the adoption of the Common External Tariff (CET) scheme, and the removal of the customs borders between the members of the BKR CU were among the notable developments in regionalisation among post-Soviet states in recent years. Although economic cooperation in the form of the Free Trade Areas (FTAs) is widespread, only a few regional arrangements such as the EU, Mercosur, and recently the BKR CU were able to adopt the CET schemes. The next step is the establishment of the EEU between Belarus, Kazakhstan, and Russia in 2015. The EEU treaty was signed on May 19, 2014 and the previous agreements on the BKR CU and the BKR SES are incorporated in this treaty.\(^{114}\) The aim of this section is to assess whether the EEU may emerge as a distinct actor in international trade and economics. In discussing the components of actorship (regionness, presence, and actorness) the study often refers to comparisons with the EU and the ASEAN.

\(^{114}\) The text of the EEU treaty in Russian is available on official website of the EAEC at http://eurasiancommission.org
6.3.1 Regionness

The regionness component of the EEU is explored based on two interrelated aspects: (1) institutionalisation and (2) regional identity. These two aspect are interrelated as the institutional framework, formal or informal, leads to higher cohesiveness in a region through facilitation of social communication and common values and norms (Hettne et al., 2008).

First, in its institutional aspect, the structure of the EEU is more similar to EU institutional design. The major differences are the degree of supranationalism, the range of competencies delivered to the regional level, and the tools available for regional organisation to realise these competencies.

The highest decision-making body of the EEU is the Supreme Eurasian Economic Council (SEEC) which provides strategic direction for the integration as in the case of the European Council\textsuperscript{115}. Both the European Council and the SEEC can be described as supreme political authorities. However, based on the treaties signed and ratified by member states, the SEEC partly performs the legislative function by approving the decisions and legislative proposals of the EAEC. The legislation that delivers new competencies from national to regional level is subject to ratification by national parliaments after the approval of the SEEC. The legislative function in the EU is performed by the European Parliament and Council of the European Union (EU Council). The EU Council consists of national ministers of member states and acts in a fashion similar to the upper house of a national parliament. In the BKR SES there is no parliament, but the Council of the EAEC, which consists of deputy prime-ministers of the member states, performs a function of reviewing the legislative proposals and decisions made by the Board of the EAEC and makes recommendations for the SEEC.

\textsuperscript{115} The SEEC meets at the level of heads of the BKR member states once a year and at the level of the prime ministers twice a year.
The Board of the EAEC, an executive body of the EEU, performs similar functions as the European Commission in relation to its exclusive competencies such as the international trade and competition issues. The list of exclusive competencies of the EAEC is much shorter than that of the European Commission. While the work of the European Commission is organized by Directorates-General headed by Commissioners, the EAEC has the Departments which report to the members of the Board.

Second, alongside the progress in institutionalisation, the higher levels of regionness require the development of regional identity. The absence of shared values and norms on the regional level will hinder the actorship capability even of a highly institutionalised region. In explaining the levels of regionness Hettne et al. (2008) link the emergence of a region as a community to the capacity of a regional organisational framework to facilitate the formation of common identity and social trust at the regional level.

For example, the EU is often identified as a model and exporter of values such as democratic political culture and the respect for the rule of law and universal human rights that are included in the aquis communautaire (Bretherton & Vogler, 2006; Wunderlich, 2012). The distinct feature of the EU is also the idea of ‘pooling of sovereignty’ and ‘the willingness to impinge on state sovereignty’ in cases of human rights violations (Manners, 2002, p. 252). The EU can also be distinguished by its supranationalism in building regional institutions and its emphasis on formal rules and a legal framework. In relation to trade, immigration and border controls, the EU is identified as a ‘fortress’ that protects member states from ‘unfair trading practices of others and illegal cross-border activities’ (Bretherton & Vogler, 2006, p. 58).

In contrast to the EU approach of pooling of sovereignty, relying on supranational institutions, and emphasizing formal rules, ASEAN is identified as a sovereignty enhancing intergovernmental organisation that relies on informal and
consensus-based decision-making mechanisms. In its more than forty years of existence ASEAN developed particular regional norms, the so-called ‘ASEAN Way’, such as non-interference in the internal affairs of its members, respect for sovereignty, restraint from using force, wide consultations, and consensus building (Acharya, 2009; Stubbs, 2008).

Post-Soviet regionalism has a very short history of twenty years and it is often identified as ‘ink on paper’, ‘virtual’, and ‘failed’ regionalism (Allison, 2008, p. 185; Kubicek, 2009, p. 237; Libman & Vinokurov, 2012, p. 66). One of the reasons for lack of the regional identity is absence of a proper name to describe the post-Soviet space (Libman & Vinokurov, 2012). Regional identity is unlikely to be formed under CIS brand, while the term ‘Eurasian’ has better chances as it is promoted by major centres of integration in the region - Russia and Kazakhstan. However, the meaning of ‘Eurasian’ is highly contested within and outside the region.

To date, there are several proposals for what is ‘Eurasian’ or what it should be. In this contest of ideas over the content of Eurasian regionalism, the most influential proposal came from Nazarbayev, president of Kazakhstan, who identified Eurasian integration as a voluntarily project among interested states based on economic pragmatism and equality of sovereign partners with the goal of promoting stability and development in the region ("Regionalnaia integratsia," 2004, April 02).

The actual progress in regional integration, such as the establishment of the BKR CU and the EEU, among the core trio of Eurasian regionalism, Belarus, Kazakhstan, and Russia, to some extent follows the proposal by Nazarbayev. The EEU Treaty emphasizes the equality of partners and the economic nature of integration. The EEU membership criteria, which can be used to assess identity formation, contain a very general requirement for candidates to ‘share the EEU goals and norms’. 
Although the norms indicated in the EEU Treaty and proposed by Nazarbayev remind one of the ASEAN Way, there are differences in perceptions of sovereignty that allow creation of supranational institutions such as EAEC and EEU Court. The intensity and level of debates over the treaties that govern regional integration also show the tendency towards formal arrangements. These norms of sovereignty, economic pragmatism, voluntary integration, and equality of partners imply that members of the EEU delegate some competencies only in trade and macroeconomic policy-making to the regional level in order to strengthen their sovereignty in the face of challenges posed by growing global economic instabilities; but states preserve competencies in matters of security and politics at the national level. These norms can be grouped under the concept of ‘pragmatic Eurasianism’ that acknowledges the need for Western style economic modernisation but pays limited attention to ideology and politics (Vinokurov & Libman, 2012). Pragmatic Eurasianism is not Russia-centred or limited to the post-Soviet region; it is open to Europe and Asia and in this respect it is compatible with the idea of ‘Greater Eurasia’, that is, the promotion of a continent-wide cooperation (Emerson, 2014b).

However, these norms enshrined in pragmatic Eurasianism are not shared by all major actors in the region thus undermining their acceptance as the cornerstones of regional identity under formation. For example, Russian negotiators constantly tried to include security (i.e. articles on border protection) and political (i.e. articles on future regional parliament) issues in the EEU treaty. These attempts by Russian officials and statements of some high-level members of the Russian government and parliament, which are part of identity debate within Russia, led to another identification of Eurasian regionalism by national-patriots in near abroad and some western policy-makers as a project for re-Sovietisation of the region or restoring of the Russian Empire.116

116 Putin proposed the Eurasian Union with political and value dimensions in his 2011. Other Russian officials also showed their disappointment that integration happens only in economic dimension and proposed coverage of other
meaning of ‘Eurasian’ is also contested by so-called Eurasianists in Russia, such as Alexandr Dugin, who praise Eurasian regionalism but contrary to the ‘pragmatic Eurasianism’ they envisage an emergence of an anti-Western bloc centred on Russian civilisation.

6.3.2 Presence

One of the most significant sources of the EU’s external influence is its presence as the Single Market in which the European Commission acts as gatekeeper (Bretherton & Vogler, 2006). The establishment of the BKR CU in 2010 also resulted in the creation of a single customs territory and access to the markets of three member states, which in total have a population of 170 million people. It is mostly controlled at the regional level through the competencies delegated to the EAEC. The exclusive competencies of the EAEC include competition and trade policies that enable it to retain control over trade in goods between the EEU members and third countries.

The enlargement of the EEU through accession of Kyrgyzstan and Armenia have slightly increased the presence, but it may lead to decreased actorness of the EEU due to consensus-based decision making in the SEEC and very liberal trade policies pursued by new members.

6.3.3 Actorness

Actorness requires ‘the ability to formulate and implement external policy’ (Bretherton & Vogler, 2006, p. 211). In the case of the EU, the actorness concept can be explored based on delimitation between national and regional competencies (Hettne et al., 2008). Competencies delivered from national to regional level can serve as the indicators of the scope of a regional organisation’s policies that are considered legitimate by member states. The establishment of the BKR CU in 2010 and delegation dimensions, including the establishment of Eurasian parliament. After Izvestia published Putin’s article on Eurasian integration, Hillary Clinton identified the project as re-Sovietisation of the region (Gearan, 2013).
of authority in tariff policy to the Customs Union Commission, predecessor of the EAEC, was the first step in building actorness of the organisation. The EEU approach to regional integration resembles to some extent the EU model of distinguishing among three levels of competencies: 1) EEU competencies; 2) coordination of policies in the framework of the EEU; 3) seeking coordination of policies according to main goals and norms of the EEU.117

The first level, the EEU competencies that include tariff policy and technical and customs regulations, are areas of external economic relations in which Belarus, Kazakhstan, and Russia have agreed to pursue consistent policies. Consistency refers to the compatibility of member states’ bilateral external polices with the policies of the regional organisation, which is one of the requirement of actorness alongside the availability of policy instruments to realize those policies (Bretherton & Vogler, 2006). In the above mentioned three areas, the EAEC has policy instruments such as setting CET levels, implementing anti-dumping and countervailing measures, and developing regional technical standards in order to maintain consistent policies in trade in goods.

On other levels where member states have agreed to coordinate and follow the EEU goals and norms, consistency is problematic. The trade in services and foreign investment issues are coordinated, but they remain an exclusive national competency of member states.118 The limitations of the EAEC competencies can be explained by difficulties in ensuring consistency among states with different economic systems. Belarus still preserves some elements of a command economy (i.e. price controls, employment requirements, and state control over private enterprises), while Kazakhstan pursues pro-market policies.119 These differences lead to lack of coherence in

119 The classification of economic systems of the post-Soviet states is available at Charman (2007); Korosteleva (2007).
identification and prioritisation of external policies. The EEU treaty tries to address this situation by stipulating macroeconomic requirements and setting three main indicators: 1) budget deficits should be less than 3% of GDP; 2) public debt should be less than 50% of GDP; 3) the difference in inflation rates among member states should be less than 5%. These requirements can be a challenge for Belarus, while Kazakhstan and Russia do not face any difficulty in conforming to them. As regards policy instruments of the EEU designed to ensure the coordination of macroeconomic policies among member states, they are limited to monitoring and providing recommendations only.

To summarize the discussion on actorship capability in the trade dimension: the competencies of the EAEC, the decision-making structure within the EEU, and the discourse on Eurasian regionalism suggest that in trade policy the region has been developing its actor capability. In their assessment of EU actorness, Bretherton and Vogler (2006) also note that the trade dimension was the oldest and most effective indicator of the EU as an actor.

6.4 Security dimension of Eurasian regionalism

The link between regionalism and security can be established by identifying security problems and analysing regional responses to them (Stadtmüller, 2005). The evolution of security arrangements in post-Soviet geography is related to the issues that were viewed as security problems by the state and non-state actors in the region.

In the 1990s, the security arrangements established in post-Soviet geography primarily addressed traditional security issues, such as avoiding inter-state conflicts, deterring outside military intervention, and solving border disputes. The CST, which came into effect in 1994, addressed the threat of inter-state conflicts in the region and possible military intervention from outside the region. In later years, some countries

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preferred to address these security issues not through Russia-centred security arrangements but through NATO, which was actively moving eastward. The Shanghai Five mechanism, which included four post-Soviet countries (Russia, Kazakhstan, Tajikistan, and Kyrgyzstan) and China, was established in 1996. The border demarcation between China and the Central Asian states was ongoing at that time, and so the Shanghai Five mechanism treaties included the Treaty on Deepening Military Trust in Border Regions and the Treaty on Reduction of Military Forces in Border Regions, both of which were designed to address this issue effectively and to build mutual trust among member states.

However, the evolution of these security arrangements in the 2000s, such as the transformation of CST into CSTO and of the Shanghai Five mechanism into the Shanghai Cooperation Organisation (SCO) with a wider spectrum of security issues needing to be addressed, shows that member states changed their perceptions of threats. As noted in Buzan and Wæver (2003, p. 409), Russian securitisation under Putin placed emphasis on terrorism, which allowed Russia to widen the security agenda covered by the framework of the CSTO.

After the events of 9/11, which triggered the Global War on Terrorism, the threats of terrorism and drug trafficking were considered existential and requiring regional responses. The CSTO, established in 2002, widened its spectrum of security issues to include fighting international terrorism and extremism, illegal drug and arms trafficking, organized transnational crime, and illegal migration. The SCO charter

signed in 2002 also indicates changes in threat perceptions and lists the same security issues as in the CSTO charter.\textsuperscript{122}

The perception of terrorism, drug trafficking, and transnational crime as threats converge among the state and non-state actors in the region. However, the degree of regional response and strengths of regional security organisations such as the CSTO and the SCO depends on the importance of the Eurasian vector for regional actors in addressing these threats.

This study focuses on CSTO actorship capability insofar as this organisation can be considered part of the Eurasian regionalism promoted by the post-Soviet states, particularly Russia and Kazakhstan. Although CSTO and SCO address similar security problems, SCO is primarily a China-led organisation that fosters security cooperation among its members (Lo, 2009).

6.4.1 Regionness

The common characteristic of regional security institutions around the world, including those in Europe, Southeast Asia, and Central Eurasia, is their intergovernmental nature. While European states and to some extent Belarus, Kazakhstan, and Russia have delivered some partial authority to the regional level in the economic dimension through establishment of supra-national institutions, the authority in security issues remains mostly at a national level.

In Southeast Asia the security issues are addressed in a more informal way through wide consultations within the framework of ASEAN. The adoption of the ASEAN Charter led to the establishment of a pillar system based on three communities,

including the ASEAN Political-Security Community. The ASEAN Political-Security Council, an intergovernmental body that comprises foreign ministers of ASEAN member states, coordinates regional initiatives under the Political-Security Community and is supported by related departments in the ASEAN Secretariat and National Secretariats.

European institutions in the security dimension were revised several times since the introduction of the Common Foreign and Security Policy (CFSP) in 1993. The Lisbon Treaty that entered into force in 2009 strengthened the regional component in addressing security issues. The High Representative, who is appointed by the European Council and approved by the European Parliament, chairs the Foreign Affairs Council and serves as a Vice President of the European Commission. Consolidation of these functions in addition to support by the European External Action Service (EEAS) allows the High Representative/Vice President of the European Commission (HR/VP) to better coordinate EU security policies.

In Central Eurasia, the main institutional changes happened at the beginning of the 2000s when the CST, a mutual defence organisation, was transformed into the CSTO, a multifunctional security organisation with two permanent bodies – the CSTO Secretariat and the Joint Staff. The highest decision making body of the CSTO is the Council that comprises heads of the state of member states with one vote for each member and consensus-based decision making. The CSTO has its own military forces – a Collective Rapid Reaction Force of about 20,000 troops, and a Collective Peacekeeping Force comprising 3,600 troops.

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In the security dimension, the EU, ASEAN and the CSTO have similarities regarding decision-making structures that are intergovernmental in nature. However, these organisations are different with respect to shared norms and identities.

The EU is often identified as a ‘security community, where war is no longer an option for resolving conflicts’ (Hettne et al., 2008, p. 38). Unlike NATO, the EU approach to security de-emphasizes the role of military action and stresses the civilian or ‘soft power’ approach in addressing threats (Bretherton & Vogler, 2006).

ASEAN can be a candidate for a security community with its norms of non-interference, consensus-based decision making, and wide consultations. ASEAN can be viewed as a ‘nascent’ security community with a more than three decades-long history of settling disputes without the use of force (Acharya, 2009, p. 208). However, ‘security in the region seems more evident than community’ (Emmerson, 2005, p. 181).

Unlike the situation in the EU or the ASEAN, the security cooperation among post-Soviet states, including the cooperation among the CSTO members, has not resulted in shared norms and some form of collective identity. Russia is the main initiator and catalyst of security arrangements in post-Soviet geography. Its size, military might, ambitions for great power status, and overall dominant position in the region play a dual role. Russia can be viewed by neighbours as a security provider and a threat at the same time. Therefore, the security dimension of Eurasian regionalism is characterized by the emphasis on sovereignty and pluralism by the states participating in Russia-centred security organisations. Although some post-Soviet states actively cooperate with Russia in Eurasian security organisations, they often show lack of support for the Russian foreign policy agenda, as was the case in Russia’s failure to convince other CSTO members to recognise sovereignty of Abkhazia and South Ossetia in 2008, and the status change of Crimea in 2014.126

126 None of the post-Soviet countries, including Belarus and Kazakhstan, have supported Russia in recognizing the independence of Abkhazia and South Ossetia. Kazakhstan and Kyrgyzstan have also shown a lack of support for the
Russia’s role as a great power or pole in a multipolar world, as viewed by Putin, largely depends on its influence in the Russian ‘near abroad’. The CSTO is often viewed as a tool by which Russia provides an alternative to NATO’s security provision mechanism. The long-term military presence of NATO in Central Asia and NATO’s activism in the post-Soviet area in general are defined as security problems in Russia (Vasilyevna, 2007). However, the Central Asian countries such as Kyrgyzstan and Tajikistan, which host Russian and US military bases at the same time, do not view the presence of NATO or the United States as a security problem.

Seen from the perspective of the Central Asian countries, the multi-vectoral approach to security, as opposed to sticking to Russia, is viewed as a more viable alternative. The survey among experts in Kazakhstan lists CSTO, SCO and NATO as the most important organisations for Kazakhstan’s security. Although Kazakhstan can be considered a main strategic ally of Russia alongside Belarus, the country manages to hold both CSTO and NATO military exercises on its territory.

It is also difficult to describe the region represented by the CSTO as an emerging security community due to the lack of trust among its component societies. Although the CSTO Charter stresses respect for sovereignty as a primary principle, and the intervention in any member state’s internal affairs as possible only upon the request of that state, these norms are challenged by growing ‘great power’ and civilizational nationalism in Russia, which are discussed in chapter 5. The efforts of Russia to protect its Russian compatriots abroad, which are articulated in Russia’s foreign policy documents and the country’s activism in Crimea and East Ukraine, influence the

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127 In Russia, the term ‘near abroad’ refers to post-Soviet countries.
128 Reiting mejdunarodnyih i mejgosudarstvennyih organizatsii s uchastiem Kazakhstana [Ranking of International organisations in which Kazakhstan is a member]. (2012, October 2) Retrieved December 9, 2012, from http://agencyrating.kz/rating-organizaciya/
representations of Russia in its near abroad. Pictures of the Russian bear having Ukraine as a meal and eyeing other post-Soviet states are not uncommon in the local press and social networks in post-Soviet states.

6.4.2 Presence

In considering the presence component of regional actorship, the most important factor is the status assigned by external parties to the regional organisation, influenced by the meanings about what a regional organisation ‘is and what it does’ (Bretherton & Vogler, 2006, p. 26). In the security dimension, the post-Soviet states have not created a region represented by a regional organisation that is widely accepted by external parties. Russia’s military might and active foreign policy provoke reactions and create expectations from other actors in international relations that are conditions for strong presence (Hettne, 2011). However, other members of the CSTO are often reluctant to accept Russia’s position and develop a common response as a region, thus limiting or even preventing the emergence of the region as an actor in the security dimension.

6.4.3 Actorness

There were some attempts, mainly initiated by Russia, to increase the cohesiveness within the CSTO and develop a common foreign policy. Discussions on a common foreign policy started in 2011 when there was an attempt to define the list of foreign policy issues in which the views of CSTO members converged (Kucera, 2011). During a meeting in Bishkek on May 27, 2013, the CSTO member states’ ministers of foreign affairs issued a joint statement on foreign policy issues, including the Syrian conflict and the NATO antimissile system in Europe.129 Another important document that significantly contributes to the actorness of the CSTO is the ‘Protocol on the Location of Military Installations in Collective Security Treaty Organization Member

States’, which requires any CSTO member to obtain the consent of all other CSTO members before placing military bases and other military infrastructure of non-members (i.e. NATO and US bases) on its territory.

Alongside the ability to formulate external policies, actorness requires the existence of instruments to implement these policies (Bretherton & Vogler, 2006). The coordination of the foreign policies that have intensified since 2011 resulted in several joint statements by the foreign ministers of the CSTO member states on issues related to the conflicts in Syria and Afghanistan. These joint statements are major diplomatic instruments on a regional level to show the common position of CSTO members on particular foreign policy issues. The CSTO also has the potential to use its joint military forces within and outside the region if approved by all members. There have been no military operations carried out by CSTO members that would allow some conclusions to be drawn about their military effectiveness. However, the CSTO actively deploys its collective military forces in annual exercises and operations to limit drug trafficking and illegal migration. For example, the anti-drug operation ‘Kanal’ (Channel in Russian) is carried out on an annual basis to stop drug trafficking and attracts observers from a number of countries, including China, Pakistan, the United States, and Iran, as well as international organisations such as Interpol (Nikitina, 2012).

Despite attempts by Russia to improve cohesiveness within the CSTO framework, the external actorness of the organisation remains weak. Russia’s great power status or aspiration for this status necessitates an active foreign policy, including the adoption of positions that do not always serve the interests of other CSTO members. It is possible to adopt common positions on those issues where interests converge, but it

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130 The Joint Statements of the CSTO are available in Russian at http://www.odkb-csto.org/documents/
is too early to expect the adoption of a common foreign policy, or to talk about regional actorship in the security dimension.

6.5 Conclusion

This chapter explores the recent developments in regionalisation among Belarus, Kazakhstan, and Russia, including the establishment of the BKR CU, the EEU, and the measures adopted to increase the effectiveness of the CSTO and assesses whether the region (represented by these organisations) can be considered an actor in international systems, or at least as an actor in the making. The region’s actorship capability in economic and security dimensions is assessed based on contemporary regionalism theories.

In the economic dimension, the discourse on regional integration indicates a consensus among political elites to strengthen the regional economic institutions with some elements of supranationalism. The active stance of political leadership in three states led to the institutionalisation of economic relations through the establishment of the BKR CU, the BKR SES, and the EEU. The formation of the common customs territory and the establishment of the EAEC, the supranational body of the EEU, with competencies to negotiate CET levels and to implement countervailing and antidumping measures have significantly contributed to the region’s actorness. These developments suggest that the region can be considered an emerging trade and economic actor. However, the progress of integration may slow down when partners will have to implement the most sensitive issues, such as the harmonization of transportation tariffs, the removal of export tariffs on mineral resources, and the reduction of non-tariff barriers in practice. These sensitive issues were about to delay the signing of the EEU treaty on May 29, 2014, but the heads of state of Belarus, Kazakhstan, and Russia were able to compromise and agree to certain transition periods for establishing common energy and transportation markets.
In the security dimension, Russia plays a dominant role and pushes forward deeper forms of integration within the framework of the CSTO. There were a few developments in recent years that have improved the actoriness of the organisation – such as the establishment of the Collective Rapid Reaction Force (CRRF), the formulation of joint statements on foreign policy issues, and the agreement on obtaining partners’ consent to permit the establishment of military bases by non-members (i.e., NATO and the US). However, the general formulations in joint foreign policy statements and the possibility of establishing foreign military bases under different names, such as US Transit Centre in Kyrgyzstan, limit the effectiveness of these documents. Moreover, the multi-vectoral foreign policy approaches adopted by Russia’s counterparts in the CSTO make the Eurasian/Russian vector only one of the alternatives in addressing security problems, thus limiting the development of the region as a security actor and even posing questions of whether this is desirable.

Alongside economic and security dimensions, the region’s internal cohesiveness and external actoriness depend on political structures and identity issues. Both the politics and identity of Eurasian regionalism are highly contested issues among actors (e.g., political elites, nationalist forces) in the region. It can be concluded that the future of Eurasian regionalism depends on the result of the contest over its content and on the answers to the following questions: How will regionalism and nationalism be reconciled? Will Russia accept and sustain the position of being one among equal partners? What common values will be adopted by regional actors? Finally, will integration in the economic dimension, which has advanced ahead of other dimensions, bring benefits to the societies in partner economies?
CHAPTER 7. CONCLUSION

This thesis explores the regionalisation processes among post-Soviet states, particularly Belarus, Kazakhstan, and Russia, that form the core of Eurasian regionalism project that resulted in the establishment of the EEU. The main goal of the thesis is to understand the motives of the actors in these three states for pursuing such a consequential and ambitious regional project. The theoretical conceptual framework of the study builds on the contemporary critical constructivist theories, the NRA in particular. The motives of the actors are explored in three dimensions: (1) regionalism as a trade block; (2) developmental regionalism; and (3) regionalism as identity project.

The BKR CU is a trade block with CET levels coordinated by the EAEC, the supra-national body of the organisation. The EEU Treaty signed in May 2014 was not a major breakthrough and has only codified previous agreements on CU and SES. The analysis based on the natural trading partners concept (Chapter 4) confirms the arguments by World Bank and local experts that question the economic rationale for the formation of the trade block between Belarus, Kazakhstan, and Russia. Kazakhstan and Russia, two major economies in the regional block, have competitive export structures and it is unlikely that further trade liberalisation will result in significant trade creation or expansion. Belarus might increase its dependence on Russia, both in goods imports and exports. Moreover, the economic system of Belarus contains many elements of command economy that makes it difficult to gain from increased competition on regional market.

Actors in Belarus, Kazakhstan, and Russia might have expected long-term developmental effects from economic integration rather than short-term effects from trade creation and expansion. Developmental regionalism refers to an attempt by

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131 For example, Khusainov (2011); Micholopoulos and Tarr (2004).
countries to increase complementarity and capacity of their economies through trade agreements and regional development strategies (Hettne, 2005). The exploration of the link between Eurasian regionalism and development discourse and practices in each of the BKR CU member states reveal that only Kazakhstan prioritises the opportunities from regional integration in discourse and policy-making. The Eurasian regionalism topic occupies some space in Russian developmental strategies. However, experts in Russia expect that country may benefit from regional integration among post-Soviet states in some future time, when it will be able to produce high-value added products. For Belarus, Eurasian regionalism is an instrument to maintain access to market and energy resources of Russia rather than part of some long-term economic development strategy.

Although benefits from trade liberalisation and developmental goals may serve as a motive for integration, the Eurasian regionalism seems to be pursued more as identity project or, in other words, as a project to gain particular status (i.e., Great Power, Eurasian state). The primacy of identity-related motives is observable in Russia. The aspirations of Great Power status were always present and shared by variety of actors in Russia, including civilizational nationalists and statist. The regional leadership is essential to be accepted as such Power, but by the mid-2000s, particularly after the Velvet revolutions in the post-Soviet states, it became clear that Russia’s influence in the region is being diminished. Informed by these external developments and threatened by the growing influence of nationalist forces inside the country, Russian leadership started to flirt with civilisational nationalism. For civilisational nationalists Russia, or Russian World, which includes post-Soviet states and beyond, is a unique civilisation different from West. They anticipate stronger economic and political integration among post-Soviet states as step forward in defining the borders of Russian World. Although the official foreign policy towards post-Soviet affairs, which mostly focuses on
protection of the rights of compatriots and promotion of multi-polar world order through regional leadership, did not fully adopt civilisationist position, the civilisational nationalists’ vocabulary, related to territorial claims and goals of the state, has entered the official discourse since the mid-2000. Such an influence is observable in concepts of ‘sovereign democracy’ and Russia’s stance towards Ukraine.

It is argued that such changes in Russian identity debate informed the Russian activism in pursuing Eurasian regionalism since the late 2000s. However, it should be noted that the building of the regional economic institutions, such as the EEU, although informed by the civilisational nationalist position, progresses along the ideas shared by the westernizers in Russia, as they are influential in the economic policy-making, and leadership of Kazakhstan that supports open regionalism project without an anti-Western identity component.132

In Kazakhstan, alongside the developmental goals, the Eurasian regionalism is also pursued as part of the identity project. Nazarbayev and some experts in Kazakhstan view Eurasianism as a way of forming inclusive regional and national identity based on existing interdependencies and cultural heritage. The reading of Eurasianism in Kazakhstan, so-called pragmatic Eurasianism, is different from Russian philosophical reading and free of an anti-Western component, and rejects the building of some form of ‘special’ civilisation around Russian nation.

Alongside the exploration of the motives for pursuing Eurasian regionalism, the study also explores whether the increased cohesiveness—that is, institutionalisation of economic relations through the establishment of the BKR CU and the SES—caused by Eurasian regionalism has resulted in the emergence of a region with actorship capability. Dimensions, regionness, and actor capabilities of a region are all integral

132 The Westernizers view Russia as part of Western civilisation and argue for reforms towards liberal democracy and market economy.
parts of the approach proposed by the NRA to study the regionalisms (Hettne, 2005; Hettne & Söderbaum, 2000). Based on components of actorship, such as regionness, presence, and actorness, it is argued that the region represented by the EEC has potential for becoming an actor in the trade dimension while the emergence of actorship capability in the security dimension, represented by the CSTO, is hardly possible. However, the emergence of the region as actor in trade largely depends on the formation of regional identity. Given the almost opposing interpretations of what is ‘Eurasian’ in Russia and Kazakhstan and different motives in pursuing Eurasian regionalism, the emergence of regional identity in the near future is questionable.
REFERENCES


List of Publications and Papers Presented


Russia in the Pursuit of Eurasian Integration: Developmental Regionalism or Identity Project? A paper is presented at ISA Global South Caucus Conference 2015 ‘Voices from Outside: Re-shaping International Relations Theory and Practice in an Era of Global Transformation’. January 8th-10th, Singapore Management University, Singapore

The Content of the Eurasian Regionalism: Eurasian Union or Eurasian Economic Union? The paper presented at *International Studies Association 55th Annual Convention*. Toronto, Canada, March 24-29, 2014

Appendices
APPENDIX A. Questions for the semi-structured interview

Economic dimension

1. In recent years, we see the success of Eurasian integration mainly in the economic dimension. Do you think these developments are motivated by economic pragmatism (e.g., increasing mutual trade, attraction of FDI, industrial upgrading). What are motives for integration in general?

2. Are there huge differences in economic systems among the members of the BKR SES? What is the relationship between national development strategies and Eurasian regionalism?

3. What actors are promoting or opposing the Eurasian regionalism?

4. How do you evaluate the degree of economic integration in the framework of Eurasian regionalism (in comparison with the EU, NAFTA, and AFTA)? Can the EEU become an actor in international relations?

Socio-political dimension

5. What are motives for promoting or opposing the political integration in the framework of the EEU?

6. What state and non-state actors contribute to discourse on political integration?

7. What is the influence of Eurasianism (i.e., traditional Eurasianism, neo-Eurasianism, Nazarbayev’s Eurasianism) and other concepts on regional integration processes in the framework of Eurasian regionalism?

8. What is the relationship between regionalism and nationalism in the BKR SES member states?

9. How do you evaluate the current degree of political cooperation? How do you see the future of Eurasian regionalism in the socio-political dimension?

Security dimension

10. What are the motives of actors in promoting or opposing the security dimension of Eurasian regionalism?

11. How do you evaluate the current degree of security cooperation? How do you see the future of Eurasian regionalism in security dimension?
APPENDIX B. The list of interviewees

Alexey Vlasov, Director of Analytical Centre for Research of Socio-Political Processes in the post-Soviet Geography, Moscow State University, Moscow, Russia

Alexandr Tihomirov, researcher at Belarus State University, Minsk, Belarus

Andrey Chebotarev, Director of Strategiya Research Institute, Almaty, Kazakhstan

Andrey Suzdaltsev, Deputy Dean, Faculty of World Economy and International Affairs, Higher School of Economics, Moscow, Russia

Anonymous Interviewee, Expert in the Administration of the President of Republic of Kazakhstan, Astana, Kazakhstan

Anuar Buranbayev, independent expert, Astana, Kazakhstan

Bulat Khusainov, Head of Globalisation and Regional Integration Research Department, Institute of Economic Research, Almaty, Kazakhstan

Ekaterina Furman, Head of Sector on Political Processes in the post-Soviet Geography, Russian Academy of Sciences, Moscow, Russia

Kanat Berentayev, independent expert, Almaty, Kazakhstan

Leonid Vardomski, Head of post-Soviet Studies Centre at Russian Academy of Sciences, Moscow, Russia

Leonid Zlontnikov, independent expert, Minsk, Belarus

Marina Lapenko, Director of the CIS Studies Centre, Saratov State University, Saratov, Russia
Mark Simon, researcher at the Post-Soviet Studies Centre, Russian Academy of Sciences, Moscow, Russia

Olzhas Khudaibergenov, independent expert, Almaty, Kazakhstan

Sara Alpysbayeva, Economic Research Institute, Astana, Kazakhstan

Sultan Akimbekov, Director of Institute of World Economics and Politics, Almaty, Kazakhstan

Tatyana Vertinskaya, Head of World Economy and Foreign Economic Relations Department, Institute of Economic, Belarus Academy of Sciences, Minsk, Belarus

Vyacheslav Yarosheivich, Director of Council of Europe Information Point, Minsk Belarus

Yuliya Nikitina, researcher at MGIMO [Moscow State Institute of International Relations], Moscow, Russia

Zarina Dadabayeva, researcher at post-Soviet Studies Centre, Russian Academy of Sciences, Moscow, Russia
APPENDIX C. Map of Eurasia

Source: The University of Texas Libraries, The University of Texas at Austin
http://www.lib.utexas.edu/maps/middle_east_and_asia/eurasia-pol-2006.jpg
APPENDIX D. Belarus’s top 20 import categories in 2011 and corresponding RCA indices of Kazakhstan and Russia from 2007–2011

<table>
<thead>
<tr>
<th>Product code</th>
<th>Product label</th>
<th>Value in 2011</th>
<th>Percentage in 2011</th>
<th>RCA values of Kazakhstan exports</th>
<th>RCA values of Russia exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>All products</td>
<td>45747069</td>
<td>100.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2709</td>
<td>Crude petroleum oils</td>
<td>9387514</td>
<td>20.5%</td>
<td>7.81</td>
<td>6.55</td>
</tr>
<tr>
<td>2711</td>
<td>Petroleum gases</td>
<td>5434445</td>
<td>11.9%</td>
<td>1.43</td>
<td>1.34</td>
</tr>
<tr>
<td>2710</td>
<td>Petroleum oils, not crude</td>
<td>3487396</td>
<td>7.6%</td>
<td>0.73</td>
<td>0.57</td>
</tr>
<tr>
<td>9999</td>
<td>Commodities not elsewhere specified</td>
<td>2557424</td>
<td>5.6%</td>
<td>0.00</td>
<td>0.02</td>
</tr>
<tr>
<td>7204</td>
<td>Ferrous waste and scrap; remelting scrap ingots or iron or steel</td>
<td>580263</td>
<td>1.3%</td>
<td>2.35</td>
<td>2.55</td>
</tr>
<tr>
<td>8703</td>
<td>Cars (incl. station wagon)</td>
<td>571858</td>
<td>1.3%</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>8408</td>
<td>Diesel or semi-diesel engines</td>
<td>468264</td>
<td>1.0%</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>3004</td>
<td>Medicament mixtures (not 3002, 3005, 3006), put in dosage</td>
<td>417422</td>
<td>0.9%</td>
<td>0.02</td>
<td>0.01</td>
</tr>
<tr>
<td>2716</td>
<td>Electrical energy</td>
<td>351861</td>
<td>0.8%</td>
<td>0.53</td>
<td>0.20</td>
</tr>
<tr>
<td>7208</td>
<td>Flat-rolled products of iron/non-alloy steel of a width of 600mm or more, not clad</td>
<td>351763</td>
<td>0.8%</td>
<td>2.87</td>
<td>2.27</td>
</tr>
<tr>
<td>8708</td>
<td>Parts &amp; accessories of motor vehicles</td>
<td>342265</td>
<td>0.7%</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1701</td>
<td>Cane or beet sugar and chemically pure sucrose, in solid form</td>
<td>340703</td>
<td>0.7%</td>
<td>0.26</td>
<td>0.12</td>
</tr>
<tr>
<td>4002</td>
<td>Synthetic rubber and furnish from oil</td>
<td>259290</td>
<td>0.6%</td>
<td>0.00</td>
<td>0.01</td>
</tr>
<tr>
<td>0203</td>
<td>Meat of swine, fresh, chilled or frozen</td>
<td>251889</td>
<td>0.6%</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>8517</td>
<td>Electric app for line telephony, incl curr line system</td>
<td>241764</td>
<td>0.5%</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>8544</td>
<td>Insulated wire/cable</td>
<td>234899</td>
<td>0.5%</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>7209</td>
<td>Flat-rolled products of non-alloy steel of a width of 600mm or more, not clad</td>
<td>220634</td>
<td>0.5%</td>
<td>6.14</td>
<td>4.79</td>
</tr>
<tr>
<td>7210</td>
<td>Flat-rolled products of iron or non-alloy steel of a width of 600mm, clad, plated or coated</td>
<td>209059</td>
<td>0.5%</td>
<td>3.79</td>
<td>3.01</td>
</tr>
<tr>
<td>7225</td>
<td>Flat-rolled products of other alloy steel, of a width of 600mm or more</td>
<td>205410</td>
<td>0.4%</td>
<td>0.55</td>
<td>0.41</td>
</tr>
<tr>
<td>7408</td>
<td>Copper wire</td>
<td>202498</td>
<td>0.4%</td>
<td>2.55</td>
<td>3.03</td>
</tr>
</tbody>
</table>
APPENDIX E. Kazakhstan’s top 20 import categories in 2011 and corresponding RCA indices of Belarus and Russia from 2007–2011

<table>
<thead>
<tr>
<th>Product code</th>
<th>Product label</th>
<th>Value in 2011</th>
<th>Percentage in 2011</th>
<th>RCA values of Belarus exports</th>
<th>RCA values of Russia exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>All products</td>
<td>38038705</td>
<td>100.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'2709</td>
<td>Crude petroleum oils</td>
<td>2502419</td>
<td>6.6%</td>
<td>0.26</td>
<td>0.32</td>
</tr>
<tr>
<td>'2710</td>
<td>Petroleum oils, not crude</td>
<td>1379459</td>
<td>3.6%</td>
<td>7.97</td>
<td>6.72</td>
</tr>
<tr>
<td>'9017</td>
<td>Drawing, marking-out / mathematical calculating inst</td>
<td>970724</td>
<td>2.6%</td>
<td>0.04</td>
<td>0.02</td>
</tr>
<tr>
<td>'8606</td>
<td>Railway or tramway goods vans &amp; wagons, not self-propelled</td>
<td>949097</td>
<td>2.5%</td>
<td>1.96</td>
<td>1.06</td>
</tr>
<tr>
<td>'8517</td>
<td>Electric app for line telephony, incl curr line system</td>
<td>836568</td>
<td>2.2%</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>'3004</td>
<td>Medicament mixtures (not 3002, 3005, 3006), put in dosage</td>
<td>776922</td>
<td>2.0%</td>
<td>0.12</td>
<td>0.12</td>
</tr>
<tr>
<td>'8703</td>
<td>Cars (incl. station wagon)</td>
<td>654441</td>
<td>1.7%</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>'8471</td>
<td>Automatic data processing machines, optical reader, etc</td>
<td>599140</td>
<td>1.6%</td>
<td>0.02</td>
<td>0.01</td>
</tr>
<tr>
<td>'7304</td>
<td>Tubes, pipes and hollow profiles, seamless, or iron or steel</td>
<td>495703</td>
<td>1.3%</td>
<td>0.03</td>
<td>0.42</td>
</tr>
<tr>
<td>'8414</td>
<td>Air, vacuum pumps; hoods incorp a fan</td>
<td>453959</td>
<td>1.2%</td>
<td>0.77</td>
<td>0.72</td>
</tr>
<tr>
<td>'8704</td>
<td>Trucks, motor vehicles for the transport of goods</td>
<td>410137</td>
<td>1.1%</td>
<td>4.73</td>
<td>4.10</td>
</tr>
<tr>
<td>'8544</td>
<td>Insulated wire/cable</td>
<td>399235</td>
<td>1.0%</td>
<td>1.29</td>
<td>1.12</td>
</tr>
<tr>
<td>'8481</td>
<td>Tap, cock, valve for pipe, tank for the like, incl pressure reducing valve</td>
<td>395024</td>
<td>1.0%</td>
<td>0.34</td>
<td>0.26</td>
</tr>
<tr>
<td>'4011</td>
<td>New pneumatic tires, of rubber</td>
<td>386122</td>
<td>1.0%</td>
<td>4.87</td>
<td>4.01</td>
</tr>
<tr>
<td>'8429</td>
<td>Self-propelled bulldozer, angledozer, grader, excavator, etc</td>
<td>371558</td>
<td>1.0%</td>
<td>1.72</td>
<td>1.43</td>
</tr>
<tr>
<td>'1701</td>
<td>Cane or beet sugar and chemically pure sucrose, in solid form</td>
<td>345625</td>
<td>0.9%</td>
<td>4.19</td>
<td>4.25</td>
</tr>
<tr>
<td>'8607</td>
<td>Parts of railway or tramway locomotives or rolling-stock</td>
<td>339686</td>
<td>0.9%</td>
<td>0.41</td>
<td>0.44</td>
</tr>
<tr>
<td>'8413</td>
<td>Pumps for liquids; liquid elevators</td>
<td>311745</td>
<td>0.8%</td>
<td>0.82</td>
<td>0.60</td>
</tr>
<tr>
<td>'2704</td>
<td>Coke &amp; semicoke of coal, lignite, peat; retort carbon</td>
<td>310034</td>
<td>0.8%</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>'2711</td>
<td>Petroleum gases</td>
<td>303350</td>
<td>0.8%</td>
<td>0.50</td>
<td>0.40</td>
</tr>
</tbody>
</table>
APPENDIX F. Russia’s top 20 import categories in 2011 and corresponding RCA indices of Belarus and Kazakhstan from 2007–2011

<table>
<thead>
<tr>
<th>Product code</th>
<th>Product label</th>
<th>Value in 2011</th>
<th>Percentage in 2011</th>
<th>RCA values of Belarus exports</th>
<th>RCA values of Kazakhstan exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>All products</td>
<td>284736888</td>
<td>100.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'8703</td>
<td>Cars (incl. station wagon)</td>
<td>18591699</td>
<td>6.5%</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>'3004</td>
<td>Medicament mixtures (not 3002, 3005, 3006), put in dosage</td>
<td>10835930</td>
<td>3.8%</td>
<td>0.12</td>
<td>0.12</td>
</tr>
<tr>
<td>'8708</td>
<td>Parts &amp; access of motor vehicles</td>
<td>8788059</td>
<td>3.1%</td>
<td>0.61</td>
<td>0.52</td>
</tr>
<tr>
<td>'8517</td>
<td>Electric app for line telephony, incl curr line system</td>
<td>7737914</td>
<td>2.7%</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>'9999</td>
<td>Commodities not elsewhere specified</td>
<td>6784895</td>
<td>2.4%</td>
<td>0.53</td>
<td>0.45</td>
</tr>
<tr>
<td>'8471</td>
<td>Automatic data processing machines; optical reader, etc</td>
<td>5262640</td>
<td>1.8%</td>
<td>0.02</td>
<td>0.01</td>
</tr>
<tr>
<td>'2710</td>
<td>Petroleum oils, not crude</td>
<td>3632067</td>
<td>1.3%</td>
<td>7.97</td>
<td>6.72</td>
</tr>
<tr>
<td>'8429</td>
<td>Self-propelled bulldozer, angledozer, grader, excavator, etc</td>
<td>3176816</td>
<td>1.1%</td>
<td>1.72</td>
<td>1.43</td>
</tr>
<tr>
<td>'8707</td>
<td>Bodies for motor vehicles</td>
<td>2927583</td>
<td>1.0%</td>
<td>1.18</td>
<td>0.79</td>
</tr>
<tr>
<td>'8606</td>
<td>Railway or tramway goods vans &amp; wagons, not self-propelled</td>
<td>2730174</td>
<td>1.0%</td>
<td>1.96</td>
<td>1.06</td>
</tr>
<tr>
<td>'8479</td>
<td>Machines &amp; mech appl having indiv functions, nes</td>
<td>2529584</td>
<td>0.9%</td>
<td>0.14</td>
<td>0.17</td>
</tr>
<tr>
<td>'8704</td>
<td>Trucks, motor vehicles for the transport of goods</td>
<td>2511645</td>
<td>0.9%</td>
<td>4.73</td>
<td>4.10</td>
</tr>
<tr>
<td>'8419</td>
<td>Machinery, plant/lab, involving a change of temp ex heating, cooking, etc</td>
<td>2420881</td>
<td>0.9%</td>
<td>0.23</td>
<td>0.17</td>
</tr>
<tr>
<td>'8529</td>
<td>Part suitable for use solely/princ with televisions, recpt app</td>
<td>2369660</td>
<td>0.8%</td>
<td>0.03</td>
<td>0.02</td>
</tr>
<tr>
<td>'8701</td>
<td>Tractors (other than tractors of heading no 87.09)</td>
<td>2269013</td>
<td>0.8%</td>
<td>14.94</td>
<td>12.14</td>
</tr>
<tr>
<td>'9018</td>
<td>Electro-medical apparatus (electro-cardiographs, infra-red ray app, sy</td>
<td>2263812</td>
<td>0.8%</td>
<td>0.47</td>
<td>0.43</td>
</tr>
<tr>
<td>'0202</td>
<td>Meat of bovine animals, frozen</td>
<td>2235045</td>
<td>0.8%</td>
<td>6.84</td>
<td>4.66</td>
</tr>
<tr>
<td>'6403</td>
<td>Footwear, upper of leather</td>
<td>2189989</td>
<td>0.8%</td>
<td>0.39</td>
<td>0.31</td>
</tr>
<tr>
<td>'0203</td>
<td>Meat of swine, fresh, chilled or frozen</td>
<td>2138323</td>
<td>0.8%</td>
<td>0.99</td>
<td>1.90</td>
</tr>
<tr>
<td>'8421</td>
<td>Centrifuges, incl centrifugal dryers; filtering/purifying machinery</td>
<td>2055939</td>
<td>0.7%</td>
<td>0.21</td>
<td>0.15</td>
</tr>
</tbody>
</table>