

**CIS: FROM THE “CIVILIZED DIVORCE”
TO THE EURASIAN UNION THE EVOLUTION
OF THE RUSSIAN INTEGRATION POLICY
IN THE POST-SOVIET SPACE**

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Abstract. *This paper summarizes 20 years of CIS's existence in an attempt to argue that this community of states, as result of the “civilized change of the region”, is a step in the process of building an “Integrated union”. The effectiveness of such a reorganization of the post-Soviet space is connected with Russia's rapid and continuous postindustrial change. Also it is related to a strategy which contains a correct view on the dynamics of cooperation – reward / punishment – in business (gas, oil and energy) and the conclusions drawn from the “painful process of recognition of Russia's own interests in the post-Soviet space” – the space of “a mini-model of the world“, of multiethnic and multicultural type, to which have been applied unique liberal reforms.*

Keywords: *reorganization of the post-Soviet space, indicators of a regional power, integrated union, integration with multiple speeds, strategy of cooperation, stable subject of international relations.*

The present and future of Russia as a state, regional power and international entity to some extent depends on its relations with the immediate environment – the former Soviet Republics and the present New Independent States (NIS). The period of more than 20 years of the CIS existence is an obvious reason to analyze the situation inside the Commonwealth and its prospects. If we look at the situation from the world-historical point of view, this period could certainly not be deemed very long. But if we take as axiomatic Putin's assumption that the USSR break-up was the “greatest geopolitical disaster”, this period may be deemed to take a particular place in both the Russian history and the world politics. And the part of the CIS in overcoming this disaster requires an objective expert analysis. We should find out whether it was really just a way of a “civilized divorce” (if so, the CIS is near to become needless) or it was the groundwork for civilized modification of the territory to construct an integrated union.

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These 20 years have clearly shown that the CIS has not become and for some reasons could not have become a modified replacement of the USSR. It is also not similar to the European Union. But it is too early to discuss its dissolution as the CIS still performs its function of political club of the leading Post-Soviet States regardless of the fact that it has been constantly losing its power to mitigate conflicts between CIS members. The Commonwealth celebrated its anniversary in a reduced version. Georgia resigned from the CIS in August 2009, but decided to continue to be bound by provisions of 70 treaties and agreements signed by the CIS to the extent it is admissible for countries not being CIS members. The Ukraine is not a full member of the CIS *de jure* as it has not signed the CIS Charter.

The establishment of the CIS helped each Republic to freely choose its own way and the optimal model of national development and economic improvement according to national traditions and interests as they are interpreted by the political elite. The CIS accounts for 10% of the international production capacity and 25% of the explored natural resources of the world, including 7% of the world oil reserves and 40% of natural gas. The total GDP of the Commonwealth grew in 2010 to more than \$1 trn compared to \$350 bn in 1994. In terms of area and population the Commonwealth of Independent States (CIS) is almost equal to the former USSR (98% of area and 95% of population). The strategic parity between Russia being the leading State of the CIS and the USA being the major world power was acknowledged in 2010.

However by some indicators the CIS considerably yields to the other contemporary regional powers. According to experts, the total CIS share of global GDP is about 3%, while the EU and NAFTA have 26%, APEC (without NAFTA members) – 29%. An equal gap may be observed in the field of global investments (the CIS – 3%) and government expenditures (the CIS – 1.5-2%).

Today it is obvious that reorganization of the Post-Soviet Space might succeed only as a part of a complex multilevel strategic development concept reflecting the whole variety of demands of the Commonwealth nations and strongly correlated to the results of specific reforms and to corrections of the tactical targets. The success of such strategy to a large extent is a function of rapidity and continuity of postindustrial modification of Russia and its transformation into an independent center of regional integration.

Initially Russia tried to establish economic relations with former Soviet Republics following the concept of “the near abroad countries” provided for an automatic renewal of the specific relations between them, especially in the field of economy. But a short time later this inertial approach revealed to be unrealistic. The Russian Government underestimated the emerging economic interests of the Independent States, the ambitions of the political elites related to the external policy that quite often were not equal to the interests of the Russian Federation. But the most critical point is that the Russian Government could not take a correct view on the disintegrating power of the market-oriented reforms.

The outlines of the Russian policy in the CIS were laid down in 1995 in the document titled “The strategic course of Russia with respect to members of the

Commonwealth of Independent States". According to this document "the main objective of the Russian policy with regard to the CIS is to establish a union of states integrated economically and politically that will be able to pretend to a rightful place in the world community". But some countries found "The Strategic course..." doubtful. Representatives of Ukraine, Uzbekistan and Georgia expressed severe criticism of the document considering it an intervention in their internal affairs and diktat on the part of Russia. The Ukraine Government has repeatedly declared that "the CIS is an instrument of a civilized divorce of the former Soviet Republics" and for Ukraine itself it is a stage of integration into European institutions. At the same time the Trans-Caucasian Republics involved in religious and ethnic conflicts did not agree on that issue. Georgia and Azerbaijan distanced themselves from Russia, while Armenia, being supported by Russia militarily, decided to continue the cooperation. In Central Asia the most remarkable were the multi-directional foreign policy position of Uzbekistan and a specific position of Turkmenia which decided not to join alliances of any sort. The Trans/Nistrrian conflict forced Moldavia to take an uncertain position.

That is why in 1996 the Russian Government proposed a project of "multi-speed integration", provided that at each stage of integration (the free trade zone, customs union, common market etc) only those CIS countries would be allowed to cooperate that had expressed readiness to do so. Later they may be joined by other states, and the most advanced states may pass to the next level of integration.

So, during the first decade after the USSR break-up the Russian policy within the CIS was very inconsistent. The Russian Government tried to find compromise forms of cooperation between Russia and other CIS members in order to keep mutual trade and production cooperation at a certain level, and to support Russian manufacturers and CIS consumers. But such policy required granting subsidies at the expense of Russia. According to Yu. V. Shishkov, implicit or explicit subsidization of the "near abroad" caused 3-4% annual fall in Russia's GDP and did not directly promote economic and political integration of the States with the leading role of Russia.

The business became a new factor in the development of the cooperation between the CIS countries at the beginning of 21st century. Being a stand-alone activity the business started developing its own strategies of cooperation with "the near abroad". The style for the new relations was set by Russian gas, oil and energy companies occupied by the big business. Gas prices became an efficient reward/penalty tool applied to former Soviet Republics depending on the degree of their loyalty to Russia.

So, the policy towards CIS members was developed by Russia gradually by trial and error during the painful process of recognition of its interests in the Post-Soviet Space. The main feature of this space is that it has been representing a mini-model of the globe. You may find here postindustrial islands and wide areas partially or completely untouched by civilization. Industrially developed regions are neighboring here to uncultured or even uninhabited lands. This is a flash point where all interests and all values of the North, South, East and West have been clashing and where the Orthodox Church, Islam and Buddhism have been interacting.

The worst mistake of the Russian reformers was that they developed their reforms on the single liberal basis ignoring the multicultural and multiethnic character of the Post-Soviet Space. From the very beginning it was a weak point of the transformation strategies applied to the majority of the CIS countries. Today it is obvious that the main integration element of the Commonwealth has failed and driven out by the EurAsEC which promoted the establishment of the Customs Union and due to which since January 1, 2012 the Common Free Market Zone started functioning. But V.V. Putin in his announcement given in October 2011 said that “the future that begins today” would be the establishment of the Eurasian Economic Community.

According to the initial plan, the new regional union will join Russia, Belarus and Kazakhstan. It is also open for other CIS members, especially for Kirghizia and Tajikistan which have already declared their willingness to join; the Customs Union being the first stage of the Eurasian Community formation. But it is obvious that the principal objective of this initiative is Ukraine being actively fought for by Europe and the USA. It appears that Ukraine is not interested (and is not able) to definitely join any integration bloc and would prefer to benefit from cooperation with both West and East. The problem is that neither the Customs Union (and future Eurasian Community) nor the EU are going to give to Ukraine such opportunity referring to the fact that at this stage the obligations of Ukraine to those integration blocs may conflict with each other.

But now the Governments of the States oriented to other vectors of development are not perfectly sure if the Eurasian Community will be established on general integration principals to become an integral part of the Greater Europe (“joining the Eurasian Community will accelerate and facilitate integration of each member into the European Community”).

The majority of experts believe that the integration promotion measures developed by the CIS are not sufficient as the opportunities of mutual trade are limited. In order to jointly employ these measures in the context of the SCO it is necessary to develop programs of strategic significance. Otherwise, according to the Russian economist A. Barkovsky, “the CIS being isolated from the general globalization process will not manage to pass between Scylla and Caribides represented by the EU and China”.

It appears that at this stage to properly develop and coordinate general rules for trading cooperation is much less important than to find common interests and to secure investments to realize some large projects that like hoops will bind strategic interests of the majority of the CIS and SCO members.

The other problem is that Post-Soviet States are suspicious (in many cases for no good reason) about integration initiatives of Russia interpreting them as an attempt to undermine their sovereignty. As the main integration benefit Russia tries to get is hydrocarbon or, more specifically, its low prices, the political leaders of some Independent States tend to apply the policy of energy supply security as a condition of the sovereignty protection. Under such conditions it is not easy to employ integration measures based on hydrocarbons. Actually Russia has been trying to apply the integration model developed by the Council

for Mutual Economic Assistance (CMEA) and based on the principle "energy resources against integration": the USSR supplied raw materials and fuel at prices lower than international market could offer and bought in exchange manufactured articles of quality lower than offered by Western countries. During the period 1970–1984 the budget of such assistance lent by the USSR to CMEA members amounted to \$196 bn.

In the 1990s the new Russian Government applied the socialist integration model to CIS countries without wavering. But the energy abundant CIS countries rejected the proposed cooperation model interpreted by them as an attempt to limit their right to dispose of their own resources. Facing resistance (that might be reasonable or provoked by political preferences of the government leaders as in the case of Ukraine)) to its integration plans and the permanent nonpayment problem Russia started redirecting the export of energy carriers to solvent European consumers. The share of the CIS in the volume of gas exports from Russia reduced to 31% in 2000 and 23% in 2005 compared to 41% in 1994.

At the same time the energy policy of Russia in CIS countries was far from being non-commercial. The energy abundant CIS countries, for which transit through Russia was the only way to export their hydrocarbons, facing the tough pricing policy applied to them by Russia, were forced to seek alternative export channels. Facing eventual transport blockade, used by Ukraine and to some extent by Belarus as a racket tool, Russian Government, in its turn, has built or is going to build gas pipelines outside these countries (to replace BTS, Blue, North and South Streams).

The energy policy of Russia towards CIS countries sharply changed in the mid 2000s when on the back of upsurge in oil prices President Putin announced a new political objective of Russia – to become a leader of the world energy market. In order to support their intention to pass to global level, Russian political leaders promised to apply to CIS countries a pragmatic approach the main feature of which would be "Europeanization of oil prices". This means that since 2006 the oil prices would have gradually come to a level applied to EU energy buyers. At the same time there was issued a law under which the exclusive right for Russian gas exports was granted to OAO Gazprom of which the state became the majority shareholder in 2005. During the period 2005–2007 Gazprom raised natural gas prices under agreements with CIS and Baltic states more than 2.3 times. Let us remind you that for non-CIS states the prices grew 1.4 times. This price increase was to some extent politically conditioned. The Gazprom management acknowledged that the pricing depended on the degree of success in cooperation. The gas export price gap under agreements between Russia and CIS countries exceeds 1/3. Superficial examination suggests that establishment of the Customs Union might be a sign of return to the model "energy resources against integration". Russia yielded to demands of Belarus related to abolishment of the oil tax (on condition that Beltransgaz company would be privatized) and promised to help Ukraine to save \$8 bn annually at the expense of the gas supplies (on condition that Ukraine would join the Customs Union).

But redirecting the policy in such a way Russian Government does not take into account that the world energy market is undergoing significant changes. On the other side, energy sources as an integration tool have proved to be inefficient as the interests of the energy exporters and importers have not been balanced even up to the present day.

The other factor impeding the integration process is the difference between political systems of the CIS countries conditioned by the deep contrast between their culture and history and lack of experience in establishing their own national identity. Among other similar problems we may point the following:

- lack of experience often accompanied by excessive nationalism of the ruling elites of CIS countries;
- tribal interests of business groups;
- failures in transition to the market economy etc.

Integration efforts of the political and military sector have not brought any definite results. By the 20th anniversary of the Collective Security Treaty Organization (CSTO) it has been revealed that activities of this organization have been impeded for a long time by some obstacles. The efficiency and significance of CSTO as a tool to provide security in CIS countries is limited by two factors:

- firstly, there are deep contradictions between the member countries undermining mutual confidence and impeding their integration at the political and military level;
- secondly, the main security threat does not come from outside. It is just a hypothesis that they may be attacked by other countries. However all of them face a lot of security threats of non-military character.

Lately the political and military cooperation has been accelerated with some stimuli. CIS countries, first of all the Central Asia region, were alarmed by two revolutions that took place in Kirghizia (in 2005 and 2010). Perhaps that is why the countries have approved the proposal to extend the rights of CSTO and to grant it new rights to defend the territory not only against outside enemies but also against inside enemies who might make attempts to undermine sovereignty and territorial integrity of the member countries. Incompleteness of the political and legal base prevented the Organization from responding to the call by the Kirghizia Government concerned about a possible break-up of the country that might have happened in June 2010.

The “Arab spring” of 2011 shook the confidence of the leaders of the Central Asia countries in their position and promoted further institutionalization of CSTO with regard to the Charter provision on collective defense in case of aggression against one of the Organization members. Therefore, as early as in summer 2011 CSTO members signed agreements on status and mobilization of the Collective Rapid Reaction Force (CRRF). President of Belarus A. Lukashenko, who presided the Organization when the agreements were signed, has announced that CRRF might be mobilized to prevent insurrections in countries that are CSTO members.

Meanwhile all CIS countries urged by security concerns are increasing their defense spending. This figure is rising much faster than the GDP growth being reported. First of all the leaders of CIS countries are concerned about a potential escalation of international and non-international armed conflicts. Russia provides direct and indirect military support to CSTO members, selling them Russian weapons and military equipment at inside prices. Russia remains the main financial provider for the Collective Rapid Reaction Force, though in 2011 it reduced spending on collective security and peace efforts to RUR0.5 bn compared to RUR7.7 bn in 2010 that is more than 15 times.

After a lapse of almost 20 years since the Soviet Union collapse the foreign policy of the CIS remains inconsistent. From the very beginning the Russian Government treated CIS and Baltic states as the "near abroad" or "quasi abroad" overestimating their economic dependence on Russia ("they have nowhere to go"). Just a bit later, in 1993, the United States saw that Russia was not able to control the new States and for the first time announced that the Post-Soviet Space should not be deemed an area of exclusive interests of Russia. As a result the CIS split into two groups of countries: pro-Russian (Belarus, Kazakhstan, Kirghizia) and pro-Western (GUAM).

Since the early 2000s both Russia and foreign countries have intensified their fighting for the Post-Soviet Space. Having proposed a strategic partnership program, Russia formed the EurAsEC, tried to intensify establishment of a federal state with Belarus, granted to Ukraine a subsidy of about \$1bn in order to promote Ukraine's joining to the Common Free Market Zone. Meanwhile GUAM also intensifies its activities. The fighting for Ukraine finished with the "orange revolution" that caused change in the Ukrainian foreign policy character: from multi-directional to pronounced anti-Russian. The CIS members get more skeptical of the CIS future.

Russia still declares its leading role in the CIS specified in the Foreign policy concept issued in 2008. However in actual practice this statement seems doubtful. During the financial crisis of 2008-2009 Russia held the worst position among CIS countries (except for Ukraine). Its financial capacities revealed to be insufficient to support its partners and confederates. The Five-Day-War with Georgia (2008) considerably undermined the image of Russia in the eyes of the West. None of the CIS countries has acknowledged independence of Abkhazia and South Ossetia in order not to complicate relations with their non-CIS partners (USA, EU, IMF).

At the same time both Russia and other CIS members realize that they will not be able to modernize their economies without intensive cooperation with Western countries. In this respect Russia apparently tries to find common interest with the West projecting the establishment of a common economic space with EU and having independently joined WTO (initially Russia planned to join WTO in association with Belarus and Kazakhstan).

As the national policies of other CIS countries became stronger their leaders sought for alternative centers of support choosing those closer to them in terms of culture, or more economically fruitful, or able to free them from the influence of Russia.

These objective and subjective factors were often closely interwoven, and the out-of-region players often used the new States as a tool to achieve their political objectives. As a result all CIS countries now try to politically correctly emphasize the multi-directional character of their foreign policy. And such behavior seems to be quite consistent as the CIS is influenced by three dynamically developing civilizations – West European, Islamic and Chinese. The political leaders of CIS countries treat the multi-directional foreign policy as a tool to provide favorable external environment to resolve problems in domestic policy.

Under contemporary conditions of globalization it is almost impossible to distinguish between foreign policy, economic affairs and modernization objectives – the issues topical for all CIS members. This factor deeply influences their choice related to foreign policy priorities. In this context Russia seems to be not very attractive both in terms of economy (as Russia directs its economy towards raw materials it is not expected to join large integration projects) and of internal political processes, (behavior of the elites). Unfavorable economic climate prevents Russia from realizing large investment projects. The share of the CIS in Russian foreign trade turnover is only 13-14%.

CIS countries still remain highly dependent on Russia in terms of economy. They still seek cooperation with Russian companies, still need Russian energy resources and broad Russian sales market. Nevertheless CIS countries are ready to cooperate with and integrate into Russia only to the extent it does not threaten their sovereignty. As before their main objective is to keep and increase their independence. The political leaders of Ukraine, Moldavia, Georgia and other CIS countries suppose that it is precisely the Russian policy towards them that threatens their independence above all, referring to the methods of economic cooperation applied by Russia, substitution of state interests by interests of Gazprom, “forcing” to integration, historically conditioned offences, ideological disagreements etc.

But it is also apparent that CIS and the Baltic states tend to balance relations with Russia at both political and economic level. The 20-year-period of independence has revealed that political leaders of CIS countries often used anti-Russian statements just to support the national identity and strengthen their leading position. After all these years it is time to reasonably weigh all advantages and disadvantages of cooperation with Russia. Applying this approach, defined by experts as “selective partnership principle”, any CIS country may cooperate with Russia only to the extent it is fruitful for this country.

So, even a quick glance at the foreign activity of former Soviet Republics made us come to the conclusion that their formation as stable subjects of international relations is still in progress and their choice of foreign activity direction is not final. Being an object of competitive fighting between strong out-of-region players, these countries gradually replace expressly the pro-Russian orientation by the principle of “selective partnership” with Russia. At the same time anti-Russian moods are becoming a thing of the past (or are at least reducing) being replaced by (or combined with) the development of economic relations in those fields that are of interest to Post-Soviet States.

But hopes of leaders of CIS countries for close cooperation with European institutions, NATO and USA, are also rather uncertain. Firstly, Western countries also find themselves in economic crisis. Secondly, the new States are not ready to be strictly governed by European standards and to respect European values that is to cooperate with European countries in any respect and not only in order to get profit. Enlargement of the European Union by joining East European countries and the growing role of NATO in the East actually made the CIS to play the role of:

- shared neighborhood area bordering to Western countries and Russia;
- area of their cooperation and competition;
- field where their strategic interests clash.

This situation necessarily provoked serious political mistakes on the part of the Russian Government. Manipulating gas prices in favor of Gazprom, Kremlin significantly influenced the decision of Russian CIS neighbors to "escape". Making attempts to cooperate with integrated institutions of the EU, Russia put aside its integration project within the CIS. Many unfavorable situations and geopolitical threats to the CIS were caused by the failure of Russia to compensate for its temporary weakness and limited foreign resources by highly efficient and reasonable diplomatic measures able to resist disintegration of the Russian territory.

Therefore, the main objectives of the Russian foreign policy within the CIS are to:

- stabilize the situation in the CIS at political, economic, social, military and other levels;
- help CIS members to become economically and politically stable strategic partners of Russia;
- develop efficient methods to jointly counter threats; to develop a collective security system based, first of all, on Collective security treaty organization (CSTO);
- resolve shared problems and realize joint projects, taking into account mutual interests;
- accelerate unification of rules and regulations, first of all related to economy; to develop an efficient payment system;
- extend cooperation and establish financial and industrial groups;
- increase investments in CIS markets;
- extend multilateral cooperation between constituent entities of the Russian Federation and administrative-territorial units of its CIS neighbors;
- protect rights and interests of compatriots in CIS countries;
- develop common approaches to deal with international issues; to coordinate international activity.

President Putin's initiative to establish the Eurasian community will become a new stage in the CIS development. The project described above is to unlock the full integration potential of CIS members that for various reasons has not been unlocked. At the international level the Eurasian community may significantly strengthen the positions of Russia in the Post-Soviet Space as the centre of Eurasian integration area and a global influence actor. In terms of geopolitics this initiative may impede attempts of the European Union and APEC to restore

the “Great Silk Road” and join their markets beyond Russia pushing it further and further away from commercial and other communications.

The framework condition for the Eurasian Community is the modernization of Russia. Let us underline that modernization is precisely the cause of integration and not its consequence. On the other side if the Russian economy is modernized, new competitive manufacturers are established and new products for export markets are produced, the principal export market for Russia will be the CIS market where it will be easier for Russian companies to succeed than anywhere else. In the coming years the type of regional integration of Post-Soviet States will firstly depend on the dynamics of technological modernization of the Russian economy and the degree of mutual support provided by all CIS members to each other in the course of modernization.

Considering the political inertness typical of Russia owing to its enormous territories, national traditions of state administration and the disappointment in the results of the radical reforms carried out in the 1990s absolutely reasonably rejected by the masses we do not have reasons to hope for immediate results of the integration and modernization projects. But it does not mean that Russia loses its leading role in the Post-Soviet Space. Playing the same role it just changes its behavior from a charitably patronizing to a pragmatically contractual one. According to the latest available information, approximately 50 countries one way or another expressed their interest in cooperation with the Eurasian Economic Community. We dare to hope that it will become a solid foundation for the Eurasian Community representing the final stage of the integration trend in postindustrial developed countries of the North hemisphere and a living proof of the global economy formation.