Institutions for Peaceful Eurasia

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Russian and Chinese initiatives in Central Eurasia are neither separate nor mutually exclusive — in fact, Eurasian integration and the Silk Road Economic Belt (SREB) are complementary. The successful linkage or “conjunction” of these projects depends on the creation of mutual respect and political trust between Russia and China. Both states are equally interested in maintaining Central Asia as a stable, safe and non-competitive space for fruitful cooperation. However, systematic and consistent work between the Eurasian Economic Union (EEU) and China is required to create stronger and more effective institutional foundations for cooperation.

To develop these foundations, the power of the Eurasian Economic Commission (EEC) must be enhanced and extended to new areas and a special institution for intergovernmental cooperation must be established to promote multilateral dialogue in the day-to-day work of decision-makers and experts at all levels. A strengthened EEC would also support the development of a common EEU position on China. Only on this basis will the EEU be able to develop the infrastructure and investment programmes necessary to strengthen trade with states in the SREB. The complexity of this agenda demands careful technical preparation and EEU members must be willing to compromise if they are to receive meaningful benefits.

Key words: integration; Eurasian Economic Union; EEU; Silk Road Economic Belt; Central Asia; Eurasian Economic Commission

Theoretical Considerations

There are two main views of the potential implications of what is referred to as the conjunction of the Eurasian Economic Union (EEU) and the Silk Road Economic Belt (SREB. According to one view, the respective initiatives launched by Russia and China have fundamentally different functions and therefore concern about a competitive dynamic between them is unfounded. The second view takes this further by characterizing these projects as complementary insofar as each seeks to make Central Eurasia a stable and secure place — this is not surprising given that this area includes China’s Xinjiang Uygur Autonomous Region and Russia’s Ural Mountains and Central Siberia. In this context, this article suggests a model for cooperation to limit the external destabilizing influences that have increased after 2001.

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The first view responds to concerns raised about the potential for competition between the EEU and the SREB. Such concerns are based on the record of competition between Russia and the European Union in the so-called “common neighbourhood region,” which includes western countries of the former Soviet Union [Moshes, 2009]. Russia and the EU each sought to strengthen economic ties with the newly independent states by removing tariff and non-tariff trade barriers, promoting industrial cooperation and creating common labour markets [Haukkala, 2009, pp. 4–5]. Most economic barriers have been already removed among the members of the Commonwealth of Independent States (CIS) [Zarorgski, 2012]. This model of cooperation is very close to what has been established within the EEU [De Micco, 2015].

The strengthening of relations with Russia presumed full entry into the Eurasian integration project [Äslund, 2013, pp. 4–5] while the closer relations with Europe though its eastern policy came with privileges but not membership in the EU. However, both the Eurasian initiative and the EU’s integration policy were aimed at profit maximization and neither allowed states to participate in any integration bloc but its own (McKay, Armegnol and Pineau, 2005, pp. 14–15]. For this reason, the Eastern European states had to choose — a reality that introduced a competitive dynamic between the EU and Russia.

In contrast, in Central Asia, Russia’s EEU and China’s SREB operate according to different priorities. The EEU seeks to develop members’ economies by creating favourable conditions for business and investment through the free movement of goods, services, capital and people [EEC, 2015]. The Chinese initiative is focused on attracting large-scale investments [Bordachev, 2015]. These processes are not mutually exclusive, and neither China nor Russia requires prospective partners to choose one or the other. However, systematic and consistent work must be done by the EEU and China to build a strong and effective institutional structure to take advantage of the intersection between their projects.

The second view sees that, more than simply being non-competitive, the EEU and SREB are actually complementary to the extent that both Russia and China are equally interested in maintaining stability and security in Central Asia. For both countries potential destabilization in the region poses a common threat that may be overcome only through a rational positive-sum game.

In this context, there are several challenges that China and Russia must cooperatively manage. First, there is potential for increased social and political tension in the region. In Eastern European countries internal conflict is often the result of rivalry among global actors; in Central Asia countries tension results from domestic factors such as unstable government institutions, poverty, religious extremism and proximity to Afghanistan [Malashenko, 2013, pp. 16–18]. Both Russia and China have a clear and common interest in cooperation in light of this potential [Keohane, Nye, 1977, pp. 3–19].

Second, Russia and China perceive a common interest in cooperation due to their geographical proximity in a potentially explosive region. Kazakhstan and Central Asia share borders with China’s Xinjiang Uygur Autonomous Region and Russia’s Ural Mountains and Central Siberia. Russia and China have little option but to cooperate to resolve issues in these areas. Because the United States and Europe do not perceive conflicts in this region to be central to their own national interests, the US considers the situation in Eurasia in terms of a geo-strategic partnership with Moscow and Beijing [Rumer, 2014].

Third, because other powers do not consider Eurasia to be in the sphere of their national interests, their actions in the region could have grave and destabilizing consequences [Keohane and Nye, 1977, pp. 3–19]. For this reason, Russia and China share an interest in preventing interventions by outside actors. Furthermore, actions by Central Asian republics in pursuit of their own interests could provoke tensions between China and Russia that can only be managed by cooperation [Skriba, 2014].
Fourth, Russia and China both have an interest in the stability of Central Asian states. The EU has also tried to promote stability in Central Asia, and after 2007 it launched its neighbourhood policy—a Eurocentric attempt to transform states through promulgation of the EU’s practices and norms [Grant, 2011, pp. 9–11; see also European Union External Action, 2016]. Russia and China do not try to change Central Asian states. Instead, they work to promote stability in part by trying to dampen conflict [Rumer, 2006, pp. 3–7].

Thus, there is great potential for cooperation between Russia and China both theoretically and practically. Russia and China are united in their desire to keep Central Asia stable and peaceful. The transformation of global economic governance seems irreversible, with the emergence of large transcontinental organizations [Tellis, 2015]. These two Eurasian powers thus have no alternative but to move towards further convergence. It remains for both to determine the optimal institutional format to support Central Eurasia’s emergence as a “community of common interests and values.”

Historical Background

The Silk Road Economic Belt initiative (丝绸之路经济带) was first announced by Chinese president Xi Jinping in September 2013 at the Nazarbayev University in Astana, Kazakhstan [Valdai Discussion Club, 2015, p. 35]. However, this early expression of the Silk Road initiative contained little tangible content. Consequently, contradictory interpretations emerged with considerable differences of opinion [Denisov, 2015]. Nevertheless, it was clear with this announcement that China intended to challenge the dominance of the United States and its allies in pursuit of a regional and global agenda. In November 2014, a new investment fund with working capital of $40 billion was created to finance land and maritime Silk Road projects [Valdai Discussion Club, 2015, p. 36].

The main goal of the SREB is to support China’s internal development. Traditionally, China has used diplomacy to eliminate external obstacles to its domestic agenda [Valdai Discussion Club, 2015, p. 36]. Chinese foreign policy has become more forceful—illustrated, for example, by China’s involvement in conflicts in the East and South China seas. At the same time, there have been concerns expressed by Central Asian states about China’s increasing economic presence in the region [Schreer, 2014]. In this context, presented by the leadership as a new source of economic growth, better living conditions and stability, and as an instrument to prevent the spread of Islam in Central Asia, the SREB may reassure China’s neighbours [Schreer, 2014]. With Kazakhstan and Kyrgyzstan actively supporting Russia’s Eurasian integration project, China would like to secure the participation of Central Asian states in its Silk Road initiative.

In light of these considerations, two questions emerge. First, will Russia and China cooperate or compete with each other? Second, how can they become partners?

Fears of rivalry between the EEU and SREB are based on Russia’s record of competition rather than cooperation with the European Union and the United States in Eastern Europe. By the early 2010s, Moscow and Brussels had failed to reach a compromise on European integration, forcing six post-Soviet states to align themselves with the economic bloc they believed could provide them with the greatest benefits [Skrriba, 2014]. While Belarus and Armenia quickly chose to pursue integration with Russia, Moldova and especially Ukraine rejected Russia as a key partner and, as a result, suffered serious economic and political consequences. The internal problems in these two countries fuelled ongoing tension between Russia and the EU to the point that constructive dialogue between the European and Eurasian economic groups remains virtually impossible. Fortunately, at present, political relations between Russia and China in
Central Asia are not conflictual, and neither country has voiced concerns about the foreign policy position of the other.

A realist perspective on international relations theory holds that small- and medium-sized countries tend to exploit security issues for their own benefit [Walt, 2009]. However, as such states seek closer relations with more powerful states as a way to resolve their own internal problems, they may disrupt a regional balance of power [David, 1991; Miller and Toritsyn, 2005; Schweller, 1994]. For this reason, while relations between Russia and China in Central Asia are not currently competitive, Central Asian states pursuing their own self-interest could undermine Russia–China relations and also the potential conjunction of the EEU and SREB.

There are many examples of precisely this pattern of behaviour in the post-Soviet space in the last 25 years. Several members of the EU’s Eastern Partnership (EaP) – Belarus and Ukraine in particular, but also Georgia and Moldova – actively manipulated both Russia and the EU in pursuit of economic benefits, and welcomed the US foreign policy presence in the region as a way to inflame tension between Russia and the EU. For this reason, Russia began to develop the EEU to respond to the EU’s integration efforts in the region.

Even prior to the establishment of the EEU, integration was underway in the post-Soviet space. Moscow had tried, with some success, to prevent the dissolution of economic ties within the CIS, and to restore ties that had been destroyed. Russia and Belarus especially developed a solid record cooperation. While they did not achieve full economic integration or a common currency, Russia and Belarus established a single customs territory and also introduced the free movement of labour.

Nevertheless, increasing conflicts in the region (largely related to oil and gas prices) underscored for the CIS states the necessity of developing a fundamentally new approach to achieving sustainable economic growth. Building on the model for institutional cooperation in the post-Soviet space established by the EU’s Eastern Partnership, Russia, Belarus and Kazakhstan established a customs union in 2010. Two years later, they established the Common Economic Space providing for the free movement of people, goods, services and capital among members. In 2014 Armenia joined both the customs union and the Common Economic Space. Integration was further entrenched with the creation in 2015 of the EEU and the ascension of Kyrgyzstan in the same year. To date, the process leading to the establishment of the EEU has been the region’s strongest integration experience in many years.

The founding treaty of the EEU created a new supranational body, the Eurasian Economic Commission (EEC). Members agreed to proceed with the harmonization of economic policy in the long-term, with additional goals and steps to be established.

Even though the EEU has become an alternative to the “deep and comprehensive free trade areas” established by the EU, it has not helped to stabilize Eastern Europe nor has it improved Russia–EU relations. The EEC is not recognized by the European Commission, which continues to deal with EEU states directly and separately. At the same time, the Eurasian economic project blocks de jure the opportunity for CIS states to participate in several economic groups while laying the foundation for trade and industrial cooperation among countries.

In contrast to the strained relationship between Russia and the EU caused by their respective economic projects, relations between Russia and China are potentially cooperative. The EEU and SREB initiatives do not contradict one another, and Russia and China do not have any fundamental geo-political disputes. In fact, assuming that a number of outstanding issues are resolved, the conjunction or linkage of these projects could actually work to reduce potential risks in the region. This raises the importance of identifying EEU institutions and instruments to support the conjunction of these two integrative processes.
Institutions of the EEU

The EEU is governed by four bodies whose competence and functions are established by the treaty. The Supreme Eurasian Economic Council determines the strategic direction of ongoing EEU development and is composed of members’ heads of state. Deputy prime ministers of EEU members participate in a secondary forum, the Eurasian Intergovernmental Council, to coordinate the management and implementation of the treaty. The treaty also establishes the Court of the EEU to serve as a mechanism for dispute resolution and to provide judicial interpretation of the treaty and other international agreements [EEC, 2015]. The EEC is the EEU’s only permanent supranational regulatory body, and is responsible for ongoing Eurasian economic integration and the resolution of outstanding technical issues.

Although the EEC is responsible for the consistent and continued work of the EEU, its ability to act is heavily constrained by members’ rights. The heads of state on the Supreme Council make key decisions and approve the composition of the EEC’s board. They also define the EEU’s priorities, determine its budget and undertake negotiations on behalf of the EEU with other states. The Supreme Council also appoints judges to the court and directs the work of the Intergovernmental Council [EEC, 2015]. Thus, in various ways members are able to exercise significant influence on the work done and decisions taken by the EEC.

Limiting the Supreme Council’s ability to influence the other institutions of the EEU would enhance multilateral decision-making, allowing for greater input by all EEU participants. However, the council’s dominance in the EEU reflects members’ traditional domestic patterns of political governance and institutional management, in which the head of state plays a determining role [Roberts, Marin, Moshes et al., 2014, pp. 15–16]. Moves to diminish the role of the heads of state within the EEU would meet with serious resistance because of the significant economic asymmetry and ineffective institutions within the EEU [Vilpisauskas, Ališauskas and Kasčiūnas, et al., 2012, p. 22]. Russia would certainly resist any reduction of its influence over the EEC, and Belarus would have to restructure its national economy to conform to the EEU’s declared economic goals [Wisniewska, 2013, p. 40].

Furthermore, although the governance structure of the EEU combines national and supranational instruments, strong common legislative and executive bodies are not possible at present. While the EU organizational structure could serve as a model, simply reproducing that structure without taking into account the specificity and asymmetry of economic development in the EEU runs the risk of supporting nominal rather than genuine integration. The centralization of decision-making power in the Supreme Council allows for closer coordination and streamlined problem-solving capacity. Although there is a risk of bilateralism, with only five members there nevertheless is reasonable potential to reconcile national interests through multilateral consultation. However, as long as the Supreme Council retains its current level of control, the success of the EEU’s regional economic integration policies will depend directly on the quality of its members’ political and economic governance [Dragneva and Wloczuk, 2014, p. 15].

Despite these limitations, the EEU’s system of governance represents a departure from previous attempts to integrate the post-Soviet space to the extent that it appears to be sustainable and has well-crafted instruments to manage and control the process. Members have declared their willingness to implement duties according to international law and the rules of the World Trade Organization [Dragneva and Wloczuk, 2012, p. 5]. An important factor in the success of Eurasian integration thus far has been the establishment of a court to settle disputes within the EEU. Furthermore, decisions taken by the EEC automatically become a part of members’ domestic law after 30 days; this principle of direct effect makes the EEU’s laws directly applicable to members’ territories.
Under the customs union, votes were distributed unevenly among members, with Russia having more votes (57) than Belarus and Kazakhstan combined (43). In contrast, the EEU’s “one country, one vote” governance structure receives favourable reviews and indicates Russia’s commitment to the principle of equality even while it is the accepted leader of the group [Atilgan, Baumann, Brakel, et al, 2014, p. 9].

Finally, the structure of the EEU promotes interaction at lower levels between the heads of government and representatives of national departments, experts and scholars. This multi-level decision-making process is intended to ensure the broad and meaningful representation of members’ interests.

There is room for improvement – greater independence for the court and a more effective EEC with enhanced powers could unlock the full potential of the EEU’s institutions. This would also protect Russia against accusations that it is imposing its own interests and would allow the EEU to engage various experts in collective decision-making processes. However, on the whole, the current structure of EEU meets the interests of its members. The Supreme Council provides close cooperation within the EEU and gives impetus to its development using the EEC’s substantial technical support. This institutional framework facilitates an inclusive agenda and structured negotiations. Together, the EEU bodies create opportunities for members to listen to each other and to develop a common position that serves the national interests of all. For this reason, in October 2015 the Supreme Council made the EEC responsible for developing a roadmap for the conjunction of the EEU and SREB.

To date, no meaningful steps towards this goal have been taken. The lack of intergovernmental interaction within the EEU has made it difficult for members to articulate a strong and coordinated approach to relations with China that could replace the established pattern of bilateral relations.

Traditionally, institutions operate to create common interests among members and to make their behaviour more predictable by establishing fixed policies and procedures [Hall and Taylor, 1996, pp. 10–13]. For this reason, the EEU and China should work to create an effective institutional foundation for the conjunction between the EEU and SREB, and the further integration of the Eurasian region [Bordachev, Ostrovskaya and Skriba, 2013].

**Institutional Framework of the EEU – SREB Conjunction**

Institutions help to reconcile interests of their members and provide a platform for consistent decision-making and multilateral negotiation. Effective and flexible institutions will be required to support EEU-China cooperation and to advance the Eurasian integration process in the long-term.

Currently, the EEC has limited ability to pursue cooperation with China. It is empowered to initiate preparations for a preferential trade agreement (PTA) with China, but unable to launch negotiations in the spheres of trade and services, finance or investment. The EEU and its counterparts need a large-scale transport and logistics system (see [EEC, 2015, art. 114, para. 1–2]). Furthermore, an active EEC is also necessary to protect investors’ rights and their finance assurance.

Therefore, it makes sense to think about expanding the EEC’s power in the fields of transport and investment. Doing so would allow members to formulate a common approach to a broad range of issues, and would prevent uncoordinated bilateral interactions with China. Only the Supreme Council can amend the treaty to increase the EEC’s role in the negotiation process on the conjunction of the EEU and SREB. It is also important to establish a permanent EEU intergovernmental committee of deputy prime ministers responsible for Eurasian integration to
provide a forum to negotiate technical issues related to cooperation with China, in addition to delegating more power to the EEC.

Such an intergovernmental committee is especially important because the conjunction of Russian and Chinese initiatives must take account of many areas, including trade cooperation, infrastructure and investment projects. Theoretically, this should lead to a gradual harmonization of technical regulations and mutual recognition of technical standards. To protect investors’ rights, it may also be necessary to establish a new court of arbitration to ensure cooperation on labour migration issues (including the protection of migrants’ social rights) and to guarantee their freedom of movement within the EEU and China. To carry out such a complex agenda serious technical preparation is required, and EEU countries must be prepared to compromise to secure the full benefits of cooperation.

The experience of the EU illustrates how institutions can effectively promote cooperation. The principle of “concrete achievements to create a de facto solidarity” established in the Schuman Declaration and Monnet plan has helped to build a set of institutions that have given concrete form to the political idea of European integration [European Union, 2016]. At present, no issue in Europe can be resolved without the participation of the European Commission or other EU institutions and agencies. For instance, the European Regional Development Fund, the European Social Fund and the Cohesion Fund all have roles in the implementation of regional policy tasks. The creation of the Economic and Monetary Fund was possible via establishment of the European Central Bank. A common foreign and security policy required the creation of the European External Action Service and the post of the EU’s high representative.

To support EEU and SREB integration, a promising strategy may be to secure two separate agreements, one between the EEU and its members and a second between the EEU members and China. This format would expand the scope of cooperation to areas in which all parties have not yet cooperated, and would take into account the priorities of individual EEU countries. The need for decisive action is underscored by the growing interest of India, Iran, Pakistan and other countries in the SREB; common EEU-Chinese institutions would allow the EEU states to raise necessary investments from other countries.

Thus, the successful implementation of the EEU – SREB conjunction depends on two important developments. First, the power and authority of the EEC must be extended to new areas. Second, a special institution for intergovernmental cooperation must be established. This institution would be a platform for multilateral dialogue to support the ongoing day-to-day work of decision-makers and experts. This mechanism would also help formulate the position and policy of EEU countries towards China.

On the whole, an EEU-China agreement would be politically significant as the question of the EEU’s international personality would finally be resolved. It would also demand a new approach to the European Union given the distinct interests and limitations of EEU members.

In conclusion, the so-called institutionalization of EEU-China relations would finally make Eurasian cooperation irreversible. Moreover, it would promote the further development of the EEU itself while also cementing closer ties with China built on mutual respect and political trust (Simmons and Martin, 2002). The history of the EU demonstrates the benefits of integration and it is now time to build a community of common interests and values in Eurasia.
References


