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Master's Thesis of International Relations

**Peculiarities of Eurasian
regionalism: two models, one region**

February 2019

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Peculiarities of Eurasian regionalism:
two models, one region

Explaining different levels of achievement of the
EAEU and the SCO in Eurasia

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Abstract

The current paper compares two cases – the EAEU and the SCO – as two formats of regionalism operating in one region. The main puzzle of Eurasian region-building is why post-Soviet states, despite being closely interconnected for almost a century, have had such a hard time to regionalize after achieving independence. The two main regional projects active in the region are great examples of two established approaches – the integrative regionalism of the EU and the cooperative (or soft) Asian regionalism.

The Asian format of region-building correlates to and is influenced by the Chinese preconception of regional and international politics of the “Good Neighbor.” This decidedly non-Western theoretical and practical approach defines goals, structure, and functioning of Asian regional initiatives, with ASEAN and SCO being prominent examples. On the other hand, the Russian approach to regionalism can be seen as typical for the country’s dual identity and incorporates both Western and Eastern values and practices.

Since their inception, the two organizations have been similar in their goals but drastically different by nature – the EAEU from the start has been modeled after the “ideal” case of the EU, while the SCO has followed the Asian format. Today, their objectives and aims are more and more alike, although their structural and legal means remain drastically different. Moreover, both organizations struggle to find their role on the international stage and need to learn from each other’s successes and failures to become important actors in the international arena.

The two models can show how ideational views of regional leaders are reflected in the functioning of different structures, and how effective each format is in tackling region-specific issues.

Key words: Eurasia, regionalism, regional integration, Sino-Russian relations, international organizations, Shanghai Cooperation Organization, Eurasian Economic Union

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Introduction

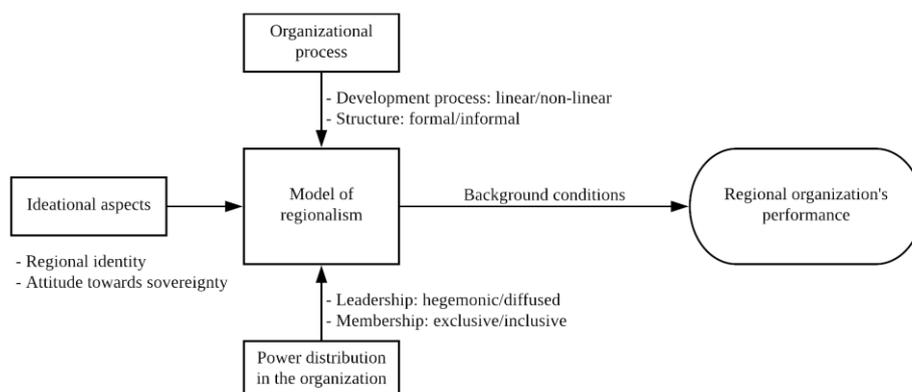
After the disintegration of the Soviet Union, the global political order has faced a significant challenge: with the end of bipolarity and disappearance of one of the two leading superpowers, a new type of power relations began to emerge. Those power shifts largely shaped the development of the former Soviet republics – after 1991, the newly independent states faced many specific economic, political, social, and territorial issues. Regional institutional void together with rich resource capabilities and weak internal governance made post-Soviet states a focus of struggle for influence between all major powers. Russia and China, as well as other actors such as the US and the EU, expressed their interest in the Central Asian region as an important geostrategic location. As a result, a number of regional initiatives have sprung up in the last decade.

Two major powers of Eurasia, China and Russia, both engaged in region-building initiatives to tackle common security issues, foster economic development, regulate and establish new types of relations among participants, and ensure their position in the region and globally. The current paper focuses on the comparison between two regional organizations – the Eurasian Union and the Shanghai Cooperation Organization – in order to establish the preconditions for sustainable regionalism in Eurasia. Eurasia as a region is defined as a socio-political concept rather than a geographic entity and is reminiscent of the geopolitical notion of “Heartland,” proposed by Halford Mackinder in “The Geographical Pivot of History,” roughly spanning Russia, China, and Central Asia¹. The research aims to answer two interconnected questions: what explains the variation in achievements of two regional initiatives – the EAEU and the SCO, and which specific elements of the two models of regionalism are responsible for specific outcomes.

In order to answer the questions mentioned above, the paper adopts the new regionalism approach and focuses on both Western and non-Western view of theory

¹ H.J. Mackinder, “The Geographical Pivot of History,” *The Geographical Journal*, Vol. 23, No.4, April 1904, pp. 421-437

and practice of regionalism. The paper proposes a framework for comparison of regional organizations based on three key dimensions: ideational, organizational, and that of power distribution. The research findings suggest that values and ideas adopted by regional leaders account for their choice of a region-building model. Power distribution in the organization effects relations among its members and tactics employed by all regional actors. Hegemonic leadership in a highly formalized system leads to low level of representation of middle and small powers, which increases consensus-finding costs among participants – a problem that is more effectively dealt with in a system with diffused leadership, emphasis on bilateral over multilateral, and more flexible decision-making mechanisms. However, once the consensus is reached, the organization of the EAEU type has more instruments to enforce compliance and see the implementation of the agreements through than the informal organization of the SCO type. Thus, the hypothesis of the paper is that in the context of great power asymmetries and in regions where countries are still actively involved in state- and identity-building, less institutionalized Asian model of regionalism achieves higher levels of achievement in the economic sphere, while more institutionalized Western model of regionalism achieves higher levels of achievement in the security sphere.



This hypothesis correlates with the practical findings that show that the Eurasian Union project has encountered significant problems since its implementation, but once the main positions have been agreed upon, it proceeded quickly to the next steps. In the economic aspect, the EAEU insofar fails to deliver on its promises of market integration and policy harmonization among members. As

the analysis of economic indices shows, there has been an observable trend towards disintegration that, though slowed down, has not yet been overcome. On the other hand, the SCO shows promising results significantly increasing bilateral trade volumes between member states, implementing large-scale energy, manufacturing, and infrastructure projects, and attracting investments.

However, there seems to be an inverse relationship between the looseness of structure and level of achievement in the security area. A regional leader with a strong will and sufficient material resources operating through a formal framework of security cooperation seems necessary for designing and enforcing cohesive regional security policy. This can be observed in the difference between achievements of the two regional security substructures of the Eurasian Union and the SCO – the CSTO and RATS SCO – in such areas as anti-terrorism, fight against drug-, arms- and human trafficking, and prevention of international crime.

On a theoretical level, the paper aims to contribute to the academic discussion of the phenomenon of regional integration and its variances. The proposed framework for comparison and evaluation of non-Western regional organizations has implications for the literature on comparative regionalism globally, beyond the European experience. An overview of the existing literature shows an obvious EU-bias of the majority of regionalism research and can be attributed to the general Western dominance in the IR theory.

Organized regionalism as understood by the modern academia is a relatively new field of study and can be roughly divided into three waves: old regionalism, new regionalism, and the modern-day turn to comparative regionalism. The shift in the academic focus coincides with the real-life developments in regionalism, which moved from trade and security cooperation in a narrow pool of European countries to more multi-dimensional forms of politically and ideologically oriented regionalisms in the post-hegemonic world².

The traditional, or “old regionalism,” theories were dominated by the functionalist and neofunctionalist thinking. David Mitrany, B ́a Balassa, Ernst Haas,

² M. Telò (ed.), *European Union and New Regionalism. Regional Actors and Global Governance in a Post-Hegemonic Era* (Aldershot: Ashgate, 2001)

Philippe Schmitter, Joseph Nye, Karl Deutsch have all contributed to the modern understanding of the process of regional integration, its drivers, and background conditions³. The functionalist approach to region-building presupposes a gradual movement towards more unity from technical areas to the areas of customs tariffs, trade, and politics, with the aim to create a full-fledged economic union. The cases of the Eurasian Union and the SCO show the limitations of such an approach. The SCO is an influential regional organization that does not follow the functionalist logic and presents a case of a decidedly non-Western regionalism. The EAEU, despite being a direct replica of the EU, has also shown results that the traditional theories of regionalism fail to predict. Thus, the integration trends on the post-Soviet space show better results in more advanced factor markets (e.g., labor and production) than in the areas of trade and finance (the first step in the Balassa scheme of integration).

New regionalism evolved in the 1970s with the emergence of other forms of regionalism around the world, marking the change from the traditional European-centered regionalism to a more inclusive one. Major regional organizations outside Europe, such as Mercosur, ASEAN, the Arab League, and ECOWAS, had to deal with new challenging issues as external and internal security, nuclear nonproliferation, disarmament, territorial disputes, domestic political stability, illegal migration, terrorism, and drug trafficking. At the same time, most states were not ready to delegate political authority to regional organizations. It resulted in the proliferation of intergovernmentalist, constructivist, political economy, and other critical approaches. Andrew Moravcsik, Stanley Hoffman, Bjorn Hettne, Frederick

³ D. Mitrany, *A Working Peace System: An Argument for the Functional Development of International Organization* (London: Royal Institute of Foreign Affairs, 1943); E. Haas, *The Uniting of Europe: Political, Social, and Economic Forces, 1950-1957* (Stanford, CA: Stanford University Press, 1958); E. Haas, "International Integration: The European and the Universal Process," *International Organization*, 24:4, 1961; E. Haas, *Beyond the Nation-State: Functionalism and International Organization* (Stanford CA: Stanford University Press, 1964); J. Nye, *Peace in Parts: Integration and Conflict in Regional Organization* (Boston: Little, Brown, 1971); Ph. Schmitter, "A Revised Theory of Regional Integration," *International Organization*, 24:4, 1970; K. Deutsch et al., *Political Community and the North Atlantic Area: International Organization in the Light of Historical Experience* (Princeton, NJ: Princeton University Press, 1957)

Söderbaum, Andrew Hurrell, Edward Mansfield, Helen Milner, Peter Katzenstein, Amitav Acharya, and others proposed more society- and state-oriented explanations of regionalism and criticized EU-centered approaches⁴.

However, the new regionalism body of research, while providing more detailed insight into the mechanisms of regionalism, still suffers from the predominance of Western thinking and is limited to the liberal-democratic values. For example, the “failure” of most non-European regional initiatives is often attributed to the lack of democracy in the region⁵. By exploring the background conditions in Eurasia, it becomes evident that the region has more in common with post-colonial regions than with Europe. The comparison between two different regional structures in a non-democratic region with large power disparities between countries (many of which are still engaged in the process of identity- and state-building) can help identify main barriers to successful region-building in regions with similar backgrounds.

The main issue of comparative regionalism remains the EU bias and lack of a rigorous comparative framework. Leading experts in regionalism, such as Finn Laursen, Tanja Börzel, Luk van Langenhove, Amitav Acharya, Mario Telò and others, underline the importance of comparative efforts, but the phenomenon of

⁴ A. Moravcsik, “Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach,” *Journal of Common Market Studies*, 31:4, 1993; J. de Melo and A. Panagariya (eds.), *New Dimensions in Regional Integration* (Cambridge: Cambridge University Press, 1995); L. Fawcett and A. Hurrell, *Regionalism in World Politics: Regional Organization and International Order* (Oxford: Oxford University Press, 1995); B. Hettne et al., *Globalism and the New Regionalism* (Basingstoke: Palgrave Macmillan, 1999); E. Mansfield and H. Milner (eds.), *The Political Economy of Regionalism* (New York: Columbia University Press, 1997); M. Schulz (eds.), *Regionalization in a Globalizing World: A Comparative Perspective on Actors, Forms and Processes* (London: Zed Books, 2001); F. Söderbaum and T. Shaw, (eds.), *Theories of New Regionalism* (Basingstoke: Palgrave Macmillan, 2003); P. Katzenstein, *A World of Regions: Asia and Europe in the American Imperium* (Ithaca, NY: Cornell University Press, 2005)

⁵ W. Mattli, “Explaining Regional Integration Outcomes,” *Journal of European Public Policy*, 6:1, 1999; W. Mattli, *The Logic of Regional Integration* (Cambridge: Cambridge University Press, 1999); E. Haas, “International Integration: The European and the Universal Process,” *International Organization*, 15:3, 1961; E. Haas and Ph. Schmitter, “Economics and Differential Patterns of Integration. Projections About Unity in Latin America,” *International Organization*, 18:4, 1964

Eurasian regionalism remains under-studied⁶. The program works of E. Vinokurov and A. Libman, A. Podberezkin, Yu. Kosov and A. Toropygin, K. Meshcheryakov and E. Treshchekov, A. Leclercq, R. Alisson, R. Dragneva and K. Wolczuk, A. Acharya, M. Molchanov provide extensive research into the history, challenges, and prospects of Eurasian regionalism⁷. The main focus of the existing research has been mostly on the matter of regional identity and state-building, preconditions for regionalism, and existing barriers to its success.

However, there have been few comparative works that explore the functioning and limitations of different regional models already existing in Eurasia. Comparative efforts have been largely limited to the EAEU/EU and SCO/ASEAN studies, and rarely include a more data-centered practical analysis. The current paper

⁶ F. Laursen (ed.), *Comparative Regional Integration: Theoretical Perspectives* (Farnham: Ashgate, 2003); T. Shaw et al., *The Ashgate Research Companion to Regionalisms* (Farnham: Ashgate, 2011); L. Van Langenhove, *Building Regions: The Regionalization of the World Order* (Farnham: Ashgate, 2011); A. Acharya, "Comparative Regionalism: A Field Whose Time Has Come?" *The International Spectator: Italian Journal of International Affairs*, 47:1, 2012; L. Fioramonti (ed.), *Regions and Crises: New Challenges for Contemporary Regionalisms* (Basingstoke: Palgrave Macmillan, 2012); T. Bärzel and T. Risse (eds.), *The Oxford Handbook of Comparative Regionalism* (Oxford: Oxford University Press, 2016)

⁷ E. Vinokurov and A. Libman, *Eurasian Integration: Challenges of Transcontinental Regionalism* (London: Palgrave Macmillan, 2012); E. Vinokurov and A. Libman, *Evraziyskaya Kontinentalnaya Integratsiya* [Eurasian Continental Integration] (Saint Petersburg, 2012); A. Podberezkin, K. Borishpolets, and O. Podberezkina, *Evraziya i Rossiya* [Eurasia and Russia] (Moscow: MGIMO Universitet, 2013); Yu. Kosov and A. Toropygin, *Sodruzhestvo Nezavisimykh Gosudarstv. Integratsiya, Parlamentskaya Dipomatiya i Konflikty* [CIS: Integration, Parliamentary Diplomacy and Conflicts] (Moscow: Aspekt Press, 2012); K. Meshcheryakov, *Integratsionnye Protsessy na Postsovetskoy Prostranstve i Uchastie v nikh Rossii* [Integration Processes on the Post-Soviet Space and Russian Participation in Them] (Saint Petersburg, 2012); E. Treshchenkov and K. Meshcheryakov, *Evraziyskaya Integratsiya i Rossiya* [Eurasian Integration and Russia] (Saint Petersburg: Skifiya-print, 2014); A. Leclercq, *Russkoye Vliyaniye v Evrazii: Geopoliticheskaya Istoriya ot Stanovleniya Gosudarstva do Vremen Putina* [Russian Influence in Eurasia: Geopolitical History from the State Foundation to Putin] (Alpina Publisher, 2014); R. Alisson, "Virtual Regionalism, Regional Structures and Regime Security in Central Asia," *Central Asia Survey* 27:2, 2008; R. Dragneva and K. Wolczuk, *Eurasian Economic Integration. Law, Policy and Politics* (Edward Elgar, 2013); M. Molchanov, *Eurasian Regionalisms and Russian Foreign Policy* (Routledge, 2016)

aims to breach this gap and provide a comprehensive, up-to-date overview of the performances of the two organizations during the same period of time and in the same issue-areas. Moreover, the paper builds upon the idea that all Russian-led regional initiatives since the 1990-s have been part of a single continuous process and not just a string of unrelated failed/abandoned attempts (suggested by M. Molchanov in “Eurasian Regionalisms and Russian Foreign Policy”). By proving that Moscow has adopted the Western functional approach to region-building typical of the initial stages of the European integration project, it shows that Russia has followed a consistent implementation strategy leading to the establishment of the Eurasian Economic Union, and, in prospect, the full-fledged Eurasian Union.

For the stated research purposes, the Chinese and Russian views on regionalism are also taken into account. China views region-building as part of its soft power strategy and the Good Neighbor policy. It emphasizes the importance of communities of practice and a multilateral approach to foreign affairs. From the Chinese perspective, the aim of regionalism is not integration, but, instead, increased cooperation between states based on the shared values of respect for sovereignty, non-interference, and good neighborliness. For Russia, regionalism is viewed through the prism of its relations with the former Soviet republics and as a counter to the Western influence in its traditional zones of interest.

On a practical level, the paper aims to investigate the performance of the two approaches to region-building under the same conditions and determine specific structural impediments to their functioning. The Western model, based on the European Union experience, is built around formal bureaucratic structures and legalistic decision-making mechanisms and aims at economic (and, potentially, political) integration, while the Asian model tends to favor multi-faceted regional cooperation and relies on “discreetness, informality, pragmatism, consensus-building, and non-confrontational bargaining styles.”⁸ In the paper, the two models are referred to as “integrative regionalism” and “cooperative regionalism,”

⁸ A. Acharya, “Ideas, Identity and Institution-building: From the “ASEAN Way” to the “Asia-Pacific Way?” *The Pacific Review*, 10:3, p. 329

respectively, a distinction that has been first introduced in relation to the African regionalism⁹ and has since been used in comparative regionalism research¹⁰.

Most regional initiatives around the world follow one or the other model, or a combination of the two. For example, Mercosur has been based on the common market model of the European Community and has an embryonic institutional structure resembling that of the EU¹¹. Majority of African regional organizations have also adopted the EU-type of institutionalized regionalism, the most prominent being the African Union, which borrowed the early pillar structure of the EU. ASEAN and the SCO are the primary examples of the Asian “soft regionalism” model, and the comparison of the two different approaches to region-building and their functioning in Eurasia can have important implications for other regional organizations globally.

⁹ J.E. Okolo, “Integrative and Cooperative Regionalism: The Economic Community of West African States,” *International Organization*, 1985, 9:1, pp. 121-153

¹⁰ Ph. Schmitter, “Regional Cooperation and Region Integration: Concepts, Measurements and a Bit of Theory,” *European University Institute*, January 2007; A. Acharya, *Whose Ideas Matter? Agency and Power in Asian Regionalism*, Ithaca, London: Cornell University Press, 2009

¹¹ A. Malamud, “Presidentialism and Mercosur: A Hidden Cause for a Successful Experience,” in F. Laursen (ed.), *Comparative Regional Integration. Theoretical Perspectives*, Aldershot: Ashgate, 2003, p.56

Chapter 1

Theoretical and historical background of Eurasian regionalism

1.1 Regionalism: main theories and their limitations

Regionalism in its many forms has been present in international relations since the first attempts at economic, military, and cultural cooperation between states. However, as a separate study, regionalism became an integral part of the IR theory only with the establishment of the European Communities in post-War Europe. During the last decades, the radical changes in the global order have given rise to a plethora of complex formats of regional cooperation and integration. Faced with globalization, increased economic interdependence, the rise of non-state actors, and the emergence of new non-traditional security threats, the world has become “the world of regions.”¹² A brief overview of the most influential theories will help identify the main trends in theory and practice of region-building, as well as show their shortcomings and limitations.

David Mitrany became the first to explain the process of integration in his program work “A Working Peace System. An Argument for the Functional Development of International Organization.” He introduced the concept of a “spillover effect,” according to which cooperation in one field would lead to cooperation in other areas¹³. The early functionalist approach identified two main areas where the spillover process is most likely to occur: sectoral (e.g., from coal and steel to energy, agriculture, transport, and economic policy harmonization, or from the customs union to monetary union) and political (e.g., from policy coordination

¹² P. Katzenstein, *A World of Regions: Asia and Europe in the American Imperium* (Ithaca, NY: Cornell University Press, 2005)

¹³ D. Mitrany, *A Working Peace System: An Argument for the Functional Development of International Organization* (London: Royal Institute of Foreign Affairs, 1943)

to centralized governance). Later on, neofunctionalists added the concept of a geographic spillover, according to which increased cooperation between a group of states will influence other states to join or risk being cut off from the shared benefits. The idea of a spillover became the theoretical basis for the Community method of functional integration proposed by the founding fathers of the European Community – Jean Monnet and Robert Schuman.

By developing the functionalist ideas proposed by Mitrany, Ernst Haas became the most influential proponent of the neofunctionalist approach. In “The Uniting of Europe,” Haas focused on the specific issues of the European integration, such as political structure, leadership, supranational governance, and suggested that “political integration is the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations, and political activities toward a new center, whose institutions possess or demand jurisdiction over the pre-existing national states.”¹⁴ This way, the existence of supranational institutions became the key aspect of European regionalism, and delegation of decision-making powers to a central authority has since been seen as a necessary step for integration.

At the same time, American-Hungarian economist B ěa Balassa proposed to view integration as a gradual process towards greater economic and political unity. Balassa believed that with the increase of economic integration, trade barriers between markets diminish, forming supranational common markets. With the free movement of economic factors across national borders, such common markets naturally generate demand for further integration, not only economic (via monetary unions) but also political (via common policies and governing institutions). Therefore, he suggested that all economic communities naturally evolve into political unions over time. The so-called Balassa scheme of integration identifies five stages of international economic integration from lowest to highest: from free trade zone to customs union, common market, economic and currency union, and, finally, full economic union¹⁵. This model has been widely used in later comparative

¹⁴ E. Haas, *The Uniting of Europe: Political, Social, and Economic Forces, 1950-1957* (Stanford, CA: Stanford University Press, 1958), p. 16

¹⁵ B. Balassa, *The Theory of Economic Integration* (London: Allen, 1961), p.41

efforts and became the reason to measure other cases against that of the European Union – the most advanced stage on the Balassa integration scale.

The functionalist thinking was applied to the offset of integration processes in Europe and, while generating several influential theories explaining the drivers and the process of regionalism, had soon faced a major stumbling block. The French empty chair crisis of 1965 had significantly hindered both predicted geographic and political spillover. This had resulted in the rise of intergovernmentalism, which viewed national interests as the main factors influencing regional politics. Prominent intergovernmentalist Stanley Hoffmann criticized neofunctionalism and argued that integration is possible only in the area of “low politics” (i.e., economics and social policy), while in the area of “high politics” (i.e., foreign policy, defense, and security) national interests will prevail, and governments will not transfer authority to supranational institutions¹⁶. With the signing of the Single European Act in 1987, the focus from supranational authority had moved to intergovernmental cooperation and inter-state bargaining.

Most rationalist approaches agree that differences in outcomes of regionalism processes depend on the degree of economic interdependence, power asymmetries between countries, and levels of uncertainty between actors¹⁷. However, by relying on liberal democracy and advanced market economy as context conditions, many Western integration theories limit themselves to a narrow pool of OECD countries. They find a correlation between geographic proximity, democracy, and high levels of economic interdependence, but fail to explain non-economic types of regionalism in non-democratic, economically less interdependent settings. The case

¹⁶ S. Hoffmann, “Obstinate or Obsolete? The Fate of the Nation-State and the Case of Western Europe”, in M. Eilstrup-Sangiovanni, ed., *Debates on European Integration: A Reader* (Basingstoke: Palgrave Macmillan, 2005), pp. 143-158

¹⁷ E. Mansfield and H. Milner (eds.), *The Political Economy of Regionalism* (New York: Columbia University Press, 1997); W. Mattli, “Explaining Regional Integration Outcomes,” *Journal of European Public Policy*, 6:1, 1999; W. Mattli, *The Logic of Regional Integration* (Cambridge: Cambridge University Press, 1999); A. Moravcsik, *The Choice for Europe: Social Purpose and State Power from Rome to Maastricht* (Ithaca: Cornell University Press, 1998); A. Stone-Sweet and W. Sandholtz, *European Integration and Supranational Governance* (Oxford: Oxford University Press, 1998)

of the Central Asian states and the continuous attempts at Eurasian regionalism also prove the insufficiency of the rationalist theories in explaining non-European region-building¹⁸.

The theory of “regime-boosting regionalism” became one of the most prominent attempts to address the existing theoretical gap. In the absence of economic interdependence and liberal democracy, countries can still choose to engage in region-building in order to delegate some of the more complicated political decisions to a regional authority, thus mitigating related domestic risks. The ruling elites turn to regionalism not only to deal with security threats or economic issues but also to boost their image, as a means to prove the regime’s legitimacy¹⁹. This political rationale is often viewed as one of the main drivers for regionalism in Africa, Latin America, East Asia, and other regions lacking in economic interdependence and democratic governance²⁰. The theory has significantly contributed to the understanding of non-European regionalism and to a great extent has answered the question of why many Eurasian countries seek to join various regional initiatives even without readily apparent economic benefits.

The new attitude towards international relations gained prominence with the fall of the Soviet Union and the end of the bipolarity. Emerging powers strived to create own structures that would help them integrate with or altogether circumvent Western practices. “The post-Cold War period is not a story of gradual modernization and progressive integration that connects the world uniformly to the benefit of all. Instead, it enables a distinct alternative to conflict and assimilation, whereby rising powers are increasingly “routing around” the West. By preferentially

¹⁸ E. Haas, “International Integration: The European and the Universal Process,” *International Organization*, 15:3, 1961; E. Haas and Ph. Schmitter, “Economics and Differential Patterns of Integration. Projections About Unity in Latin America,” *International Organization*, 18:4, 1964

¹⁹ F. Söderbaum, “Modes of Regional Governance in Africa: Neoliberalism, Sovereignty Boosting, and Shadow Networks,” *Global Governance*, 10:4, 2004; S. Levitsky and L. Way, *Competitive Authoritarianism: Hybrid Regimes after the Cold War* (Cambridge: Cambridge University Press, 2010)

²⁰ Ph. De Lombaerde, “Theorizing Latin American Regionalism in the 21st Century,” *Federalisme Regionalisme*, Vol. 16, 2016; B. Ross-Larson et al., *Assessing Regional Integration in Africa* (Addis Ababa, Ethiopia: Economic Commission for Africa, 2004)

deepening ties amongst themselves, and in so doing loosening relatively the ties that bind them to the international system centered in the West, rising powers are building an alternative system of international politics whose endpoint is neither conflict nor assimilation with the West. It is to make the West [...] increasingly irrelevant.”²¹

In the context of Eurasian integration, it is possible to single out two major approaches to region-building currently active on the post-Soviet space: Western integrative regionalism and Asian cooperative regionalism. The Eurasian Union, modeled after the European Union, is a highly institutionalized organization possessing medium to high levels of authority pooling and authority delegation (supranational and intergovernmental elements of governance) with a formalized decision-making mechanism and binding nature of the majority of agreements. The Shanghai Cooperation Organization, on the other hand, offers a more informal model of a “community of practice” – also known as cooperative regionalism, or “soft regionalism.”²² Promoted by China, the Asian model reflects the general Chinese approach to international relations.

For Beijing, region-building is part of its broader “Good Neighbor” international policy²³. In 1993, Chinese Prime Minister Li Peng emphasized that the “active development of beneficial and friendly relations with neighboring states, in striving for a peaceful and tranquil surrounding environment is an important aspect of our country’s foreign affairs work.”²⁴ This statement outlines the Chinese position as “a good [global] neighbor” intent on building and supporting “prosperous neighborhoods.”²⁵

Firstly, the “Good Neighbor Policy” has been part of China’s foreign policy for a long time. Initially oriented at communist developing countries, this policy has developed into a strategy for countering the attempts to influence China through

²¹ N. Barma et al., “A World Without the West,” *The National Interest*, 7:8, 2007, p. 23

²² B.M. Smitienko, *Integratsionnye Processy v Stranah SNG: Tendencii, Problemy i Perspektivy* [Integration Processes in the CIS: Tendencies, Problems, and Perspectives] (M.; Minsk; Donetsk; Samarkand: Finakademiya: 2008);

²³ C. Chung, “The Good Neighbor Policy,” *China*, 7:1, 2009, pp. 107–108

²⁴ C. Chung, 2009, p. 111

²⁵ J. Ramo, *The Beijing Consensus* (London: Foreign Policy Center, 2004), p. 52

demands for “westernization” and “transformation.”²⁶ Unlike its Western counterpart, the Chinese approach to regionalism does not presuppose the existence of good and bad practices (read: democratic and non-democratic)²⁷. Rather, it encourages the process of acting together. By sharing the values of peaceful development, non-interference in the domestic affairs of states, and respect for their national sovereignty²⁸, states form so-called “communities of practice.”²⁹

Secondly, faced with growing instability and regional security threats, China views regionalism as a form of “chaos-management”³⁰ – an effective way to safeguard its interests and adapt to the complexity of international processes. In other words, regional arrangements offer flexible frameworks to organize regional practices and interactions that China can utilize to its benefit.

Thirdly, regionalism has offered China a platform to mitigate the fears of its neighbors in regards to its growing economic dominance and active international policies. The principle of “make friends in every quarter, trade goods, learn from each other and enjoy respectful interactions”³¹ is best evident in China’s willingness to participate in numerous bilateral and multilateral agreements regionally and globally. The idea of “peaceful coexistence” became key to most China-led regional initiatives and is embodied in the Shanghai Spirit guiding the SCO. China should, as Jiang Zemin put it, “build trust, decrease trouble, develop cooperation, and avoid confrontation.”³²

Unlike Western and Asian counterparts, Russian integration theory is a relatively new field of study that started to develop in the late 1970-s and gained prominence only after the disintegration of the USSR. The founder of Russian integration theory Yury Shishkov notes that “unlike our Western counterparts,

²⁶ F. Wang, “Preservation, Prosperity, and Power,” *Journal of Contemporary China*, 14:45, 2005, p. 672; R. Foot, “Chinese Strategies,” *International Affairs*, 82:1, 2006, p. 77

²⁷ C. Harders and M. Legrenzi (eds.), *Beyond Regionalism* (Aldershot: Ashgate, 2008)

²⁸ V. Pouliot, “The Logic of Practicality,” *International Organization*, 62:2, 2008, p. 269

²⁹ J. Borrie (ed.), *Alternative Approaches to Multilateralism* (Geneva: UNDIR, 2005), p. 15

³⁰ J. Ramo, 2004, p. 12

³¹ G. R. Barmé, “China’s Flat Earth,” *China Quarterly*, 197:1, 2009, p. 81

³² J. Ramo, 2004, p. 39

Russian integration theorists from the very beginning [...] has viewed integration as a complex, multi-dimensional historical process that is first accomplished in economically, technically, and politically developed regions and then spreads over to other countries and regions as they reach the necessary levels of development.”³³ While incorporating the Western concept of spillover, Russian integration studies also acknowledge the importance of historical process and the right of each country to follow its own course of development, making it closer in spirit to the Asian and, in particular, Chinese principles of respect for autonomy and non-interference.

Russian integration theory scholars have mainly focused on the issues of post-Soviet state-building, development of new inter-state relations, and the establishment of independent links with the members of the global community. The most prominent authors of Russian regionalism are N. Shumsky, E. Chistyakov, H. Timmermann, R. Grinberg, and Yu. Yenin³⁴. E. Pivovar in “Post-Soviet Space: Alternatives for Integration” and L. Kosikova with “Russian Integration Projects on the Post-Soviet Space” made the biggest theoretical contributions towards the study of alternative regional models in Russia and Eurasia, underlining the importance of maintaining the CIS format and increasing regional cooperation.

The scope of Eurasian regionalism draws attention to the fact that there is a growing need to engage different disciplines and approaches in the theoretical

³³ Yu. Shishkov, “Otechestvennaya istoriya regionalnoy integracii: opyt proshlogo i vzglyad v budushee” [National History of Regional Integration: Past and Future], *Global Economy and International Relations*, Vol.4, 2006, pp. 55-56

³⁴ N. Shumsky, *Regionalnye Ekonomicheskie Ob'edineniya Post-Sovetskih Gosudarstv* [Regional Economic Blocs in the Post-Soviet States] (Belorusskaya Nauka, 2010); N. Shumsky, “Ekonomicheskaya integratsiya gosudarstv Sodruzhestva: vozmozhnosty i perspektivy” [Economic Integration of the CIS: Opportunities and Perspectives], *Voprosy Ekonomiki*, Vol. 6, 2003; E. Chistyakov and V. Shulga, “Integratsionnyi potentsial i ego rol' v razvitii mirokhozyaistvennykh svyazei” [Integration Potential and Its Role in Creating World Economic Ties], *Ekonomist*, Vol. 6, 1998; H. Timmermann, “Processy desintegratsii i reorganizatsii SNG” [Process of Disintegration and Reorganization of the CIS], *Mirovaya Ekonomika i Mezhdunarodnye Otnosheniya*, Vol. 4, 1998; R. Grinberg, “Evraziiskii Soyuz: Hrupkie nadezhdy” [Eurasian Union: Fragile Hopes], *Mezhdunarodnaya Ekonomika*, Vol. 1, 2013; Yu. Yenin, *Mezhdunarodnye Integratsionnye Ob'edineniya: Opyt, Problemy, Perspektivy: Posobiye* [International Integration Blocs: Experience, Problems, Perspectives. Manual] (Minsk: MITSO, 2006)

dialogue beyond Western experience. “If we are to improve IRT [International Relations theory] as a whole, the Western IRT needs to be challenged not just from within, but also from outside the West.”³⁵ The paper acknowledges the importance of non-Western international agency and includes the Chinese and Russian theories to avoid the problem of “explaining away non-Western dynamics by superimposing Western categories.”³⁶

The traditional concept of regionalism presupposes a gradual movement from a relatively disconnected region towards a greater unity through increased interactions between people, businesses, communities, and states³⁷. However, Eurasian regionalism is non-linear and shows different levels of achievement for each step. Moreover, Eurasian regionalism is characterized by the process of regional restructuring typical of all post-colonial regions. That is why viewed through the European lens, most Eurasian initiatives can be deemed failed: the Commonwealth of Independent States (CIS); the Economic Cooperation Organization (ECO); the Eurasian Economic Community (EurAsEc); the Single Economic Space (SES); the Central Asia Regional Economic Cooperation Initiative (CAREC); the Central Asian Cooperation Organization (CACO); The Special Program for the Economies of Central Asia (SPECA) etc., have either disintegrated or failed to reach the goals set by the EU.

Comparing the cases of EAEU and the SCO – the most prominent regional organizations in Eurasia – provides great insight into the operation of two non-Western entities. Without falling back to the EU experience, it becomes possible to analyze the performance of the two formats against their own set goals and to identify specific instruments responsible for specific outcomes in the areas of economy and security.

³⁵A. Acharya and B. Buzan, “Why Is There No non-Western IR Theory,” *International Relations of the Asia Pacific*, 7:3, 2007, p.288

³⁶ P. Bilgin, “Thinking Past Western IR,” *Third World Quarterly*, 29:1, 2008, p. 11

³⁷ A. Hurrel, “Explaining the Resurgence of Regionalism in World Politics,” *Review of International Studies*, 21:4, 1995, pp. 331–358

1.2 Methodology

Regionalism is an evolving discipline, and it is important to clarify the operational definitions used in the paper to avoid theoretical ambiguity. The central concept of regionalism is that of the “region” itself. The paper acknowledges the complex nature of the term and aims to incorporate both geographic and political dimensions in its approach. From the neofunctionalist perspective, regions can be defined as “a limited number of states linked together by a geographical relationship and by a degree of mutual interdependence.”³⁸ Constructivists conceive of regions as dynamic discursive constructs formed as a result of political and social interaction between states³⁹. According to Hemmer and Katzenstein, “regions are political creations and not fixed by geography.”⁴⁰ At the same time, the political dimension of the region can include a variety of common practices, from economic interdependence to security cooperation⁴¹. The current paper also borrows from the region-building approach (RBA) proposed by Irving Neumann, according to which regions are constructed by political actors who engage in certain regional projects as part of their geopolitical agenda⁴². In the context of the current paper, the Eurasian region is identified as an area of former Soviet republics in Central Asia plus region-builders Russia and China. The overlapping participants of the two organizations also support the idea that both the SCO and the EAEU aim to create similar and geographically comparable Eurasian communities as a result of their region-building efforts.

³⁸ J. Nye, *Pan Africanism and East African Integration* (Cambridge, MA: Harvard University Press, 1965), p.7

³⁹ P. Katzenstein, *A World of Regions: Asia and Europe in the American Imperium* (Ithaca, NY: Cornell University Press, 2005)

⁴⁰ C. Hemmer and P. Katzenstein, “Why is There no NATO in Asia? Collective Identity, Regionalism, and the Origins of Multilateralism,” *International Organization*, 56:3, 2002, p.575

⁴¹ B. Buzan and O. Waever, *Regions and Powers. The Structure of International Security* (Cambridge: Cambridge University Press, 2003)

⁴² I. Neumann, “A Region-Building Approach to Northern Europe,” *Review of International Studies*, 20:1, 1994, pp. 53-74

Table 1.1: Country participation in the SCO and the EAEU

	Armenia	Belarus	China	India	Kazakhstan	Kyrgyzstan	Pakistan	Russia	Tajikistan	Uzbekistan
EAEU	x	x			x	x		x	potential	potential
SCO	partner	observer	x	x	x	x	x	x	x	x

Apart from geographical and membership overlap, the two regional organizations share similar background conditions. The period under investigation is the end of the 1990s until present – the Shanghai Cooperation Organization project started in 1996 in the form of the Shanghai Five, the same year as the Eurasian Economic Community (predecessor of the EAEU) was conceived. It is important to clarify that the EAEU under its current name and in its current form is a new organization, as its establishment treaty was signed on 29 May 2014 and came into force on 1 January 2015. However, the steps toward creating the Eurasian Union project based on the EU model have been taken since the early 1990s. To this aim, in 1994 the CIS members signed the free trade area, customs union, payment union, and economic union treaties (not implemented). After the creation of the Eurasian Economic Community and the signing of the Treaty on Increased Integration in the Economic and Humanitarian Fields in 1996 between Russia, Belarus and Kazakhstan, later joined by Kyrgyzstan, Tajikistan, and, temporarily, Uzbekistan, the CIS has slowly shifted its focus from Eurasian integration towards humanitarian and social issues, as well as sector-specific coordination. The organizational process, functions, and goals of the CIS make it incomparable to the EAEU and the SCO.

Thirdly, additionally to covering comparable geographic areas and facing similar challenges, the two regional organizations share the same strategic goals. As stated in the program documents of the SCO and the Eurasian Union – the SCO Charter, the Treaty on Establishment of the EurAsEc, the Charter of the CSTO, and the Treaty on Establishment of the Eurasian Economic Union, the main aims of the organizations are as following:

Eurasian Union:

- “to create proper conditions for sustainable economic development of the Member States in order to improve the living standards of their population;”
- “to ensure comprehensive modernization, cooperation and competitiveness of national economies within the global economy;”⁴³
- “to strengthen peace and international and regional security and stability;”
- “to coordinate and harmonize their efforts in combating international terrorism and extremism, the illicit traffic in narcotic drugs, psychotropic substances and arms, organized transnational crime, illegal migration and other threats to the security of the Member States.”⁴⁴

SCO:

- “facilitating comprehensive and balanced economic growth, social and cultural development in the region through joint actions on the basis of equal partnership aimed at steady increase of living standards and improvement of living conditions of the peoples of the Member States;”
- “encouraging efficient regional cooperation in such areas as politics, trade and economy, defense, law enforcement, environment protection, culture, science and technology, education, energy, transport, credit and finance, and also other areas of common interest;”
- “coordinating approaches to integration into the global economy;”
- “development of multifaceted cooperation in the maintenance and strengthening of peace, security and stability in the region and promotion of a new democratic, fair and rational political and economic international order;”
- “joint combating terrorism, separatism and extremism in all their manifestations, fighting against illicit narcotics and arms trafficking and other types of transnational criminal activity, and also illegal migration.”⁴⁵

⁴³ Treaty on the Eurasian Economic Union

[http://www.un.org/en/ga/sixth/70/docs/treaty_on_eeu.pdf], Accessed: April 2018

⁴⁴ Charter of the Collective Security Treaty Organization [http://www.odkb-csto.org/documents/detail.php?ELEMENT_ID=1896], Accessed: April 2018

⁴⁵ Charter of the Shanghai Cooperation Organization [<http://eng.sectsco.org>], Accessed: April 2018

Another important theoretical distinction should be drawn between the notions of regionalism and regionalization. Regionalization presupposes an increase in a cross-border flow of goods, labor, and capital (often a bottom-up process influenced by private interests of non-state actors), while the concept of regionalism defines a purposeful process of region-building initiated by governments of the states in the region. Though both processes exist and develop in Eurasia simultaneously, the issue of regionalization and its correlation to regionalism falls outside of the scope of the current research but presents a compelling topic for further inquiries.

The paper aims to identify specific features of each model that account for specific outcomes and for this end introduces an integrated theoretical framework for comparison of regional organizations along three key dimensions: ideational, organizational, and distribution of power. Each dimension corresponds with particular practical instruments for region-building and leads to different outcomes. The research findings suggest that high level of institutionalization together with hegemonic leadership increases consensus-finding costs but enforces compliance by all members once the decision has been made, while a looser structure with diffused leadership decreases time requirements for reaching bilateral agreements at the cost of weaker implementation of common regional initiatives.

The flexible structure, diffused leadership, and open membership of the Asian model (the SCO) allow for more targeted economic projects and bilateral initiatives, creating more favorable conditions for economic cooperation. By allowing other regional powers in the organization, the SCO reduces power disparity and encourages smaller players to participate, creating more strategic space for negotiations and reducing the sense of threat. However, due to the lack of structure and a strong center that can enforce compliance with agreements, coordinate joint efforts, and secure the military budget, the SCO has insofar achieved only limited success in its security agenda.

On the other hand, formalized institutional set-up and binding nature of agreements of the Eurasian Union hinder economic projects, and bilateral projects are often done outside of the official format to avoid the qualified majority decision-making process. The existence of one historic regional center – Russia – increases the sense of threat for smaller participants, hindering meaningful economic

integration. At the same time, the centralized structure and set procedural mechanisms of the organization help establish strong security and military cooperation by enforcing common policies, coordinating activities, and pushing further military cooperation.

The organizational processes and functioning of the two regional initiatives are directly influenced by the two different set of values of their regional leaders. Ideational underpinnings of the EAEU and the SCO share some similarities, such as adherence to the principles of non-interference and respect for sovereignty, but differ in their philosophic and pragmatic approaches. The ideas of “Eurasianism” and “Shanghai Spirit” have played an important role in the formation of the organizations and can help clarify the reasons for preferred regional models of the EAEU and the SCO.

The main part of the paper aims to define and “unpack” the two regional models. By identifying the features typical of each model of regionalism and tracing them in the selected cases, it proves that the EAEU and the SCO are, indeed, representative of the two general approaches to regionalism. It also establishes concrete instruments used by regional leaders and other participants to tackle region-specific issues under the selected formal frameworks. Practical evaluation of the levels of achievement for each organization in the areas of security and economy is conducted according to their stated goals and with the use of available information from the official sources, such as the Eurasian Development Bank Integration Research Center, the World Bank, the IMF, the Eurasian Commission Statistics Database, UN COMTRADE, SCO and EAEU websites, and local government statistical sources. General performance evaluation is conducted based on such qualitative indicators as institutional integrity of the organizations, attractiveness to members, availability of resources, and convergence of interests of the participants.

1.3 Preconditions for regional integration in Eurasia

One of the most interesting issues in Eurasian regionalism is the fact that despite strong economic, infrastructural, and social ties shared by the post-Soviet states providing favorable background conditions for integration, most regional initiatives have insofar had limited success. The comparative aspect of this study will help identify structural impediments to the process while taking into account two approaches to region-building – Western (based on the European experience) and Asian (based on the ASEAN Way and the Chinese concept of regional politics). Since both organizations share similar background conditions, it is important to identify the areas where cooperation has been deemed the most prospective by all actors.

After the disintegration of the Soviet Union, most of the newly independent states were faced with the same problems: re-shaping of infrastructure, production, social and political ties; re-establishing country borders; managing environmental and security issues; dealing with resource distribution; preventing extremism, terrorism, and drug-trafficking, as well as creating a functioning government and state identity. Many of those problems have been historically resolved through cooperation, and the existing interdependence promoted the attempts at further region-building. Resource scarcity and limited access to the global markets and trade routes made it vital for the post-Soviet states, and especially Central Asian states, to turn to regionalism.

In 2005, the UN conducted an analysis evaluating potential benefits of regionalism in Central Asia. Among the main advantages, the report mentioned greater regional stability, better investment climate, increased cooperation in the areas of education and knowledge-sharing, and more effective management of resource networks and environmental risks. On the other hand, among the greatest potential risks it listed civil war and regional conflicts, insufficient capabilities to

fight the spread of HIV/AIDS and react to natural disasters, decreased mobility of the population and capital, and interrupted production networks⁴⁶.

The obvious benefits of integration became the main drivers for promoting regionalism in Eurasia, the notion supported by the Western integration theory. Neofunctionalism, in particular, aimed to establish a universal framework to explain the correlation between background conditions and outcomes of regionalism initiatives in Europe and beyond⁴⁷. Initially applied to the offset of the European project, neofunctionalism viewed regional integration as a gradual process where already integrated sectors push forward integration in connected sectors (or functions), creating a spillover effect⁴⁸.

The theory outlines three main aspects of integration: functional spillover, political spillover, and the creating of supranational organizations. Based on this framework, Ernst Haas distinguished three main background conditions for regional integration. These included social structure, economic and industrial development, and ideological patterns. This way, the success of the European Union could be explained by its homogeneity along those parameters. At the same time, “countries dominated by a non-pluralistic social structure are poor candidates for participation in the integration process.”⁴⁹ Judged by the Haas model, the background conditions for Eurasian regionalism are mixed: the countries share common language and

⁴⁶ UNDP: Central Asia Human Development Report (Bratislava: Slovak Republic, 2005), pp. 205-206 [UNDP: Central Asia Human Development Report], Accessed: June 2018

⁴⁷ E. Haas and Ph. Schmitter, “Economics and Differential Patterns of Integration. Projections about Unity in Latin America,” *International Organization*, 18:4, 1964, pp. 259–299; A. Moravcsik, *The Choice for Europe: Social Purpose and State Power from Rome to Maastricht* (Ithaca: Cornell University Press, 1998)

⁴⁸ E. Haas and Ph. Schmitter, “Economics and Differential Patterns of Integration. Projections about Unity in Latin America,” *International Organization*, 18:4, 1964, pp. 259–299; E. Haas, *Beyond the Nation-State. Functionalism and International Organization* (Stanford: Stanford University Press, 1964); Ph. Schmitter, “A Revised Theory of Regional Integration,” *International Organization*, 24:4, 1970, pp. 836–868.

⁴⁹ E. Haas, “International Integration: The European and the Universal Process,” *International Organization*, 15:3, 1961, pp. 366–392.

historical context, use well-established trade, production, and infrastructure links, but vary in social, geographic, demographic, and economic aspects.

The background conditions for Eurasian regionalism are best defined by two factors: power asymmetry between countries in the region and the process of regional-re-structuring. However, “power” is a very broad concept in IR, covering a large area of country’s capabilities from military strength⁵⁰ to material, political, and ideational resources⁵¹. Moreover, regional actors can be divided into great powers (major global powers) and a significant group of middle powers (countries influential on the regional level). In Eurasian context, there are two great powers that are also traditional regional leaders – namely, China and Russia⁵². With the inclusion of India and Pakistan in the SCO in 2017, the region has grown to include a third great power and a new middle power, respectively.

Though the definition and the listing of current great powers are contested, the main criteria for identifying them are: ability to influence world diplomacy, internal cohesion enabling effective state action, economic dominance, and military strength capable of competing with other major powers in a conventional war⁵³. Regional powers should also possess large populations and high GDP relative to other countries in the region, as well as bear a special responsibility over regional security and stability. As can be seen in the table below, Russia and China have absolute dominance in terms of economic and military power.

⁵⁰ J. Mearsheimer, *The Tragedy of Great Power Politics* (London: W. W. Norton, 2001), p. 56

⁵¹ A. Tellis et al., *Measuring National Power in the Postindustrial Age: Analyst’s Handbook* (Santa Monica CA: RAND Corporation, 2000); D. Lake, “American Hegemony and the Future of East-West Relations,” *International Studies Perspective* 7:1, 2006; J. Nye, *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004)

⁵² A. Lennon and A. Kozłowski (eds.), *Global Powers in the 21st Century: Strategies and Relations* (Cambridge, Massachusetts: MIT Press, 2008)

⁵³ A. Hurrell, “Hegemony, Liberalism, and Global Order: What Space for Would-be Great Powers?” *International Affairs*, 82:1, 2006, pp. 1-19

Table 2.1: Economic disparities between China, Russia and the post-Soviet states in 1991 and 2017 (in current US\$)⁵⁴

Country	GDP (billion USD)		Export of goods and services (billion USD)		Total reserves (including gold, billion USD)	Foreign Debt (as % of GDP)	Population (million)	Military strength (Global Firepower Index #)
	1991	2017	1991	2017	2017	2017	2017	2017
Armenia	2	11	0.8	4.4	2.3	91.2%	2.9	93
Azerbaijan	8	40	4	19.8	6.6	22%	9.8	58
Belarus	18	54	6	36.2	7.3	68.5%	9.5	49
China	383	12 237	55.5	2 417.8	3 325.6	14%	1 386.3	3
Georgia	6	15	1.7	7.6	3	113.8%	3.7	82
Kazakhstan	24	159	NA	NA	30.7	96.3%	18	55
Kyrgyzstan	2	7	0.9	7.6	2.1	107.3%	6.2	108
Moldova	NA	8	NA	3.4	NA	85.7%	3.5	NA
Mongolia	2	11	1.2	6.8	3	240.5%	3	87
Russia	517	1 577	68.7	410.7	432.7	32.8%	144.5	2
Tajikistan	2	7	0.8	1.1	1.3	32.7%	8.9	112
Turkmenistan	3	42	1.2	NA	NA	NA	5.7	86
Ukraine	77	112	20.2	53.7	18	102.9%	44.8	30
Uzbekistan	13	48	4.8	13.9	NA	NA	32.3	48

⁵⁴ World Bank Database [<https://data.worldbank.org/>]; Global Firepower Index [<https://www.globalfirepower.com>], Accessed: September 2018

Eurasia is an asymmetric region, with significant geographic, demographic, and economic disparities between countries, especially compared to such regional leaders as Russia and China. Moreover, the region is still undergoing the process of regional re-structuring typical of most post-colonial countries. The same background conditions and time of implementation allow to control for these variables when comparing the performance of the SCO and the EAEU and makes it possible to focus on the ideational, structural, and power dimensions instead. Analyzing Chinese and Russian interests and strategies in Central Asia is also vital for understanding the role of a leader in shaping the region.

Chapter 2

Russia and the Eurasian Union: the case of “integrative regionalism”

The development of the most prominent of Eurasian regionalisms – the Eurasian Union, – went through several phases and was largely influenced by the European experience (at least formally). The first preparatory steps for the Union’s implementation were made in 1994-1999, when it was first officially proposed and the first treaties were signed (1995 Customs Union Treaty, 1996 Treaty on Increased Integration in the Economic and Humanitarian Fields, 1999 Treaty on the Customs Union and the Single Economic Space Treaty). However, the real start of the Russian-led integration project happened in 2000 with the establishment of the Eurasian Economic Community (EurAsEc) between Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan. The proper steps for setting a regional organization of the European format were made only after that, with the introduction of the Eurasian Union action plan in 2003 and the signing of the first CIS FTA agreement and the CIS Member States Strategy of Cooperation. It can be said that in practice the Eurasian Union has adopted the functional approach typical of the initial stage of European region-building and attempted to follow the gradual Balassa scheme of integration. The case of the European Union has set an example for the newly-independent states in the region, and with the existing infrastructural, economic, and cultural ties it seemed that it was the most optimal model to emulate.

The evolution and functioning of the European Community and the European Union was best described by E. Haas, who proposed to view regional integration through the prism of “how and why states cease to be fully sovereign, how and why they voluntarily join with their neighbors and thus lose the attributes of sovereignty, while at the same time acquiring new means for resolving the

conflicts which may arise between them.”⁵⁵ This means that some of the state competencies are carried over to the supranational institutions, which should lead to integration in economic, political, security, and other spheres.

European regionalism started in production sector with the creation of the European Coal and Steel Community, moved on to the economic sphere, and resulted in the establishment of a common market, a customs union, and a monetary union, accompanied by common economic policies. The main peculiarity of the EU project has been the balanced governance system where regional middle powers (the initial Benelux signatories) and such regional leaders as Germany and France had similar weight in the new initiatives. The European Coal and Steel Community Treaty was signed by Germany, France, Italy, Belgium, Luxembourg, and the Netherlands in 1951 and laid the foundations for the future European integration efforts. The Treaty established the five main institutions of the European integration framework, namely: Special Council of Ministers (the Council of Ministers), High Authority (the European Commission), Common Assembly (the European Parliament), Consultative Committee (the Economic and Social Committee), and Court of Justice.

The EU is federalist in nature, and its successful functioning relies on the equality of its diverse members. To this effect, the Union’s founders have put in place multiple mechanisms preventing the emergence of a strong permanent center. These mechanisms include the combination of supranational and intergovernmental elements, a qualified majority voting system in the Council, and balanced appointment procedures in the EU institutions⁵⁶.

However, the European Community had encountered difficulties in the political and security fields, particularly in the areas of international affairs and defense. The “three pillars” structure of the European Union, created in 1992 with the signing of the Treaty of Maastricht, was specifically designed to address these

⁵⁵ E. Haas, “Reflections on the Joy and Anguish of Pre-theorizing,” *International Organization*, 1970, p. 610

⁵⁶ S. Bunse, *Small States and EU Governance: Leadership Through the Council Presidency* (Oxford: Palgrave Macmillan, 2009), p.202

issues by including both intergovernmental and supranational elements. The first pillar – European Communities (EC) – included the bodies of the ECSC, EEC and EURATOM and acted as a supranational authority in such areas as customs union and single market, education and culture, social policy, immigration, agriculture, nuclear energy, and coal and steel industry. The second pillar – Common Foreign and Security Policy (CFSP) – was designed as a looser format of intergovernmental cooperation in the areas of “high politics”, including foreign policy, human rights, common security and defense policy, and peacekeeping. The third pillar – Police and Judicial Cooperation in Criminal Matters (PJCCM) – also supposed intergovernmental cooperation in matters of border control, terrorism, weapons and drug trafficking, and fight against organized international crime. In 2009 the Treaty of Lisbon abolished the traditional “three pillar” structure and substituted it with the new merged legal personality of the EU. However, the organizational process of the Union still incorporates both supranational and intergovernmental elements of governance and is instead divided into competences: exclusive (supranational), shared (intergovernmental), and supporting.

Functionalist thinking was prevalent at the initial stages of establishment and development of the European Union and it was a logical step to adopt it at the offset of the Eurasian integration process. The plan for the Eurasian Union has followed the step-by-step model of integration proposed by B. Balassa. At the first stage of integration, a Preferential Trade Area (PTA) or Free Trade Area (FTA) is formed, enabling the free movement of manufactured goods between member states. The first working FTA in the Eurasian space was created in 2003 between Belarus, Russia, Kazakhstan, and Ukraine, and a new, more comprehensive FTA Agreement between Russia, Ukraine, Belarus, Uzbekistan, Moldova, Armenia, Kyrgyzstan, Kazakhstan, and Tajikistan was signed in October 2011 under the CIS.

Establishment of the Customs Union is considered the second stage of economic integration. It means that no customs duties or economic restrictions should apply for the trade flows in the common space. The Treaty on the Establishment of the Customs Union was signed by the Presidents of Belarus, Kazakhstan, and Russia in October 2007 and by January 2010 the necessary legal framework for the functioning of the Union was ready. As a result, Russia, Belarus, and Kazakhstan imposed a common customs tariff and became a single legal entity

in international trade. The authority was delegated to the Commission of the Customs Union, which was in charge of establishing import duty rates, introducing commodity nomenclature and tariff quotas, conducting investigations, and taking other necessary regulatory steps. By July 2010, the members of the Customs Union signed the Unified Customs Code which introduced the unified system of customs regulations and procedures on the territory of the three country members. By July 2011, all customs checks at internal borders between Belarus, Kazakhstan, and Russia were abolished and the establishment of the single customs area was complete. The establishment of the Customs Union created a single market of 170 million consumers, a unified customs code and tariffs, unified foreign trade and customs regulations, and a unified legal framework for technical regulations.

However, the move to the next stages of economic integration – monetary, economic, and political union – has proved to be more challenging both on paper and in practice. During the meeting of the Intergovernmental Council of the Eurasian Economic Space in Minsk in May 2011, President Putin outlined main vectors of the Russian regional policy for the next two presidential terms and emphasized the importance of the creation of the Eurasian Union on the basis of the already operational Single Economic Space and Customs Union. Putin called for a new step in regional cooperation – “the creation of a full-fledged economic union, [...] achieving a quantitatively new level of integration,”⁵⁷ following the European Union example.

In December 2009, the Supreme Body of the Customs Union approved a plan of action to create the Single Economic Space (SES) of Belarus, Kazakhstan, and Russia. The main goal of the SES was to achieve the so-called “four freedoms”, i.e. the free movement of goods, capital, services, and people within its territory. The legal framework of the SES consisted of agreements coordinating policies in key sectors of the economy: macroeconomics, the financial sector, transportation, energy, trade, industry, agriculture, intellectual property and so on.

⁵⁷ V. Putin, “A new integration project for Eurasia: The future in the making,” *Izvestia Daily*, 4 October 2011

The project of the Single Economic Space Declaration has clear parallels to the Single Europe Act of 1987, which also set an objective for establishing a single market by 1992. Similarly, the Eurasian Commission is based on the European Commission. However, President Putin mentioned that even though Russia will borrow from the European experience in its region-building, it will also learn from the mistakes of the Western model and will take into consideration other, non-Western formats. The Eurasian Union also presupposes the creation of a common visa and migration policy similar to that of the Schengen Agreement. Putin criticized the popular opinion that the EAEU is a rival of the EU and did not exclude potential cooperation between the two organizations as “joining the Eurasian Union provides all of its members to integrate with Europe faster and from stronger positions.”⁵⁸ This position goes back to the agreement between the EU and Russia to coordinate economic policies and create a common economic space “from Lisbon to Vladivostok” during the 2003 St. Petersburg International Economic Summit. Despite current tensions between the EU and Russia, the project of such economic zone has been discussed in Moscow and is still seen as a potential vector of development for the EAEU⁵⁹.

By December 2011, the leaders of Russia, Kazakhstan and Belarus had signed a number of agreements to establish the Single Economic Space, later to be re-named into the Eurasian Economic Union. By February 2012, member states had approved a package of 17 basic SES agreements and created the Eurasian Economic Commission – the main regulatory body of the union endowed with more authority than the Customs Union Commission, which it substituted. The EEC is a supranational body and its decisions are obligatory for execution for the member states. The structure of the commission consists of the Council of Prime Ministers and the Executive Board of ministers with 2 representatives for each country and one Chairman of the Commission Board. Similar to the European Commission, the EEC’s activities are divided into functional areas and are supervised by the members of the Board. Currently, there are 23 Departments in the EEC structure, mostly

⁵⁸ V. Putin, 2011

⁵⁹ St. Petersburg International Economic Forum 2016 Talks between V. Putin, J-C. Juncker and M. Renzi [en.special.kremlin.ru/events/president/transcripts/52298], Accessed: May 2018

covering industrial and economic sectors. Advisory committees inside the departments are tasked with preparing proposals for the EEC Board and holding consultations with representatives of the national authorities and local business communities.

The Eurasian Economic Union Treaty was signed on 29 May 2014 during the meeting of the Supreme Eurasian Economic Council in Astana and entered into force in January 2015. The framework and contents of the EEU Treaty closely correspond with the European Economic Community Treaty signed in Rome in 1957. Similar to the Treaty of Rome, the EAEU Treaty outlines the establishing of a customs union and a common market for goods, services, labor, and capital, and provides an extended transition period in some of the more sensitive sectors. Thus, elimination of trade barriers in the common market of medications and medical products was accomplished only in 2018, while the goal for a common market of electricity is set for 2019, and for a common market of natural gas, oil, and oil products – for 2025. Just like the Treaty of Rome, the EAEU Treaty has no references to the common Eurasian values. In the case of the European Union, the first mention of the principles of freedom, democracy, and respect for human rights appeared only in the 1992 Treaty of Maastricht, and a more detailed list of common values appeared even later, in the Lisbon Treaty of 2007. However, that does not mean that there is no ideational aspect to the Eurasian Union. The spirit of “Eurasianism” and the concept of “Greater Eurasia” play an important part in creation and development of the EAEU.

In present, the EAEU is a fully-fledged international body with a legal personality and backed by an extensive institutional set-up. The organization’s structure is defined in its Treaty and consists of the Supreme Eurasian Economic Council, the Eurasian Intergovernmental Council, the Eurasian Economic Commission, and the Court of the Eurasian Union⁶⁰. The chairmanship in the main three permanent bodies – the Supreme Council, the Intergovernmental Council, and the Commission – is rotated alphabetically (Russian alphabet) every calendar year.

⁶⁰ Treaty on the Eurasian Economic Union, p.9

[http://www.un.org/en/ga/sixth/70/docs/treaty_on_eeu.pdf], Accessed: April 2018

The Supreme Eurasian Council is the main political body of the EAEU and consists of the heads of the member states. The Supreme Council gathers at least once a year to discuss the strategy of the Union, the critical policy areas, and the future plans of the organization. All decision-making is consensual. The structure and functioning of the Eurasian Council are largely borrowed from the European Council, which also defines the general political agenda and vector for development of the EU⁶¹.

The Eurasian Intergovernmental Council is composed of the heads of governments of the member states. The prime ministers gather at least twice a year and have an annual rotating presidency similar to that of the Council of the European Union. The decisions of the Intergovernmental Council cover topics in 10 areas related to the financial and economic activity of the Union, from the enforcement of the EAEU Treaty to the approval of the EAEU budget⁶². In comparison, the Council of the European Union, the main decision-making body of the EU together with the European Parliament, covers a much wider range of issues from health and consumer affairs, to environment, education, and so on⁶³.

The only supranational regulatory body of the EAEU is the Eurasian Economic Commission. The Commission is one of the best functioning parts of the Union, equipped with a significant amount of staff and organization budget. The EEC has supranational competencies in over 140 issue areas, most importantly – customs regulations. The main executive part of the Commission is the Board, which consists of 10 members – two ministers representing each member state.

The decisions of the EEC have to be approved by the qualified majority of the members (not by consensus) and are irreversible. As such, Russia has only 20% vote share, despite accounting for the 87% of the Union's total GDP. This signals a vital change in the regionalism approach adopted by the Russian government in

⁶¹ Treaty on European Union, Article 15 [https://eur-lex.europa.eu/resource.html?uri=cellar:2bf140bf-a3f8-4ab2-b506-fd71826e6da6.0023.02/DOC_1&format=PDF], Accessed: May 2018

⁶² Treaty on the Eurasian Economic Union, Article 16 [http://www.un.org/en/ga/sixth/70/docs/treaty_on_eeu.pdf], Accessed: April 2018

⁶³ Treaty on European Union, Article 16 [https://eur-lex.europa.eu/resource.html?uri=cellar:2bf140bf-a3f8-4ab2-b506-fd71826e6da6.0023.02/DOC_1&format=PDF], Accessed: April 2018

comparison to the earlier attempts. For example, the Eurasian Customs Union decision-making process was based on a weighted voting system where Russia had a 55% share of the votes, more than the 45% Belarus and Kazakhstan had combined⁶⁴. This skewed voting system ensured that with the 2/3 majority of votes required no motion could be passed without Russian consent. At present, the “one country, one vote” system creates more favorable conditions for negotiations between member states as Russia can be easily outvoted by representatives of other countries. All things considered, the Board of the EEC can be compared to the European Union’s College of Commissioners, consisting of one commissioner for each member state.

The Court of the EAEU forms the judicial branch of the Union and was conceived as an independent dispute-settling organ. Though inspired by the Court of Justice of the European Union, the EAEU still lacks the autonomy and power of its European counterpart. However, the establishment of the Court has been a crucial step in developing Eurasian integration. Learning from the European experience and the troubles it faced at the initial stages of its development⁶⁵, the EAEU has been concerned about its legal personality from the start. The EAEU Treaty takes care of most issues regarding international rights of the union, including the right to engage in international cooperation with states, international organizations, and other entities, as well as the right to conclude international treaties⁶⁶. The Court, on the other hand, is necessary to ensure the compliance with the EAEU’s legal regulations and to give legitimacy to the organization. An effective dispute resolution mechanism capable of producing directly applicable, legally binding rulings on contested issues is vital for increasing the reliability of the new Eurasian regional initiative.

⁶⁴ T. Bordachev, A. Kazakova, and A. Skriba, “Institutions for a Peaceful Eurasia,” *International Organizations Research Journal*, 11:2, 2016, pp.24-39

⁶⁵ Jaap W. de Zwaan, “The legal personality of the European Communities and the European Union,” *Netherlands Yearbook of International Law*, 1999, pp. 75-113; Ramses A. Wessel, “Revisiting the International Legal Status of the EU,” *European Foreign Affairs Review*, 2000, pp. 506-537

⁶⁶ Treaty on the Eurasian Economic Union, Article 7

[http://www.un.org/en/ga/sixth/70/docs/treaty_on_eeu.pdf], Accessed: April 2018

The analysis shows that the organizational process of the Union follows the basic principles of the European-type of balanced governance with a set of supranational and intergovernmental institutions and lacks only the democratic dimension in the form of the Parliament (though the idea has been proposed by Russia⁶⁷). Moreover, the institutional structure of the EAEU is more hierarchical than that of the EU. However, it is important to keep in mind that it is impossible to draw a direct comparison between two organizations at the current stage of their development since the EAEU has been fully established only in 2015, and the EU has been functioning for over 60 years.

Additional to the institutional framework outlined in the Treaty, the EAEU is also supported by the Eurasian Development Bank (EDB) and the Eurasian Fund for Stabilization and Development (ESDF). The EDB is a legitimate international financial institution aiming to promote mutual trade and to encourage mutual investment projects. With the predicted 4.85 billion USD of investment until the year 2026, the EDB is set to become the main financial body of the EAEU⁶⁸. The ESDF acts as a financial stabilizer of the Union. With a budget of over 8.5 billion USD, its main task is to serve as a last resort lender and a crisis management tool of the EAEU. In the financial sector, the Union also plans to create a financial regulating body by 2025 with the headquarters in Almaty, Kazakhstan⁶⁹.

As can be seen, the institutional and legal framework of the Eurasian Economic Union is a very close replica of that of the European Union, with only a few region-specific modifications. Unlike previous attempts at Eurasian region-building led by Russia, the current version of the Eurasian Union has come closest to setting and managing a full-fledged integration project. The main steps have been the establishment of the Eurasian Economic Commission with the modified equal-share voting process and directly applicable rulings. Following from the institutional

⁶⁷ R. Dragneva and K. Wolczuk (eds.), *Eurasian Economic Integration: Law, Policy and Politics* (Edward Elgar, Cheltenham, 2013)

⁶⁸ Eurasian Development Bank Annual Report 2016 [<https://eabr.org/en/investors/information-disclosure/annual-report/#tab2016>], Accessed: September 2018

⁶⁹ Eurasian Economic Commission Report 2015 [<http://www.eurasiancommission.org/en/Pages/library.aspx>], Accessed: September 2018

analysis, the key features of the European model of regionalism adopted by Eurasian Union are:

1. Step-by-step implementation process following the Balassa scheme of integration
2. High level of institutionalization with supranational and intergovernmental elements of governance
3. Medium/High level of authority delegation and authority pooling
4. Qualified majority decision-making, multilateral over bilateral
5. Autonomous judicial body
6. Permanent, legally binding nature of agreements and rulings

2.1 The CSTO and the security agenda of the Eurasian Union

Collective security is an important aspect of regional cooperation. Taking into account the religious, ethnic, and historical tensions in the Eurasian region, security became one of the top priorities for the newly independent states. Collective security is supposed to help peacefully reconcile potential political and economic disagreements, provide stable conditions for regional development and coordinate joint efforts in battling international terrorism and other non-traditional security threats. On the Eurasian Union space, the issues of security are mainly under the mandate of the CSTO (though CIS is also involved in humanitarian and peace-keeping activities).

The Collective Security Treaty became the first collective security mechanism on the post-Soviet space, a successor to the Warsaw Pact after the disintegration of the USSR. The development of the CSTO can be divided into three stages: formation of national armies (1992-2002), active institution building (2002-2008), and present-day stable military cooperation.

Collective Security Treaty was signed on May 15, 1992, by the leaders of Russia, Armenia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. The Treaty was joined by Azerbaijan, Belarus, and Georgia in 1993, and the document came into effect in 1994. The Treaty stated its goals as peace-keeping, maintaining a

regional balance by preventing military alliances, and coordinating joint reaction to possible security threats⁷⁰. As the main countermeasures to the emerging threats (to security, sovereignty, territorial integrity or international peace), the Treaty suggested “joint consultations for the purpose of their positions coordination” and “assistance to the Member States with the elimination of the arisen menace”⁷¹. In practice, it meant that in case of aggression towards any of the Member States, all the rest of the parties of the Treaty should provide sufficient aid in accordance with their right to collective defense as stated by Article 51 of the UN Statute (Article 4 of the Treaty).

During its initial phase, the role of the CST was nominal. The main goal of the mechanism was to fill in the security gap left after the collapse of the USSR. The newly independent states viewed each other as threats due to unresolved border issues and general regional instability, and the CST was seen as a platform to address these issues without the use of force through security guarantees and joint agreements.

By the end of the first five-year tenure of the Treaty, it became obvious that the existing security project did not possess the resources to react to the newly emerged regional issues. Out of the initial nine countries who signed the CST, Azerbaijan, Georgia, and Uzbekistan chose to withdraw and look for other security alternatives. Azerbaijan did not consider the defense union important enough to even send its defense minister to the CST summits, and Georgia was wary of putting itself into dependent position so soon after gaining independence⁷². Uzbekistan had also been inconsistent in its collective security behavior. Though Uzbekistan’s leader was one of the initiators of the CST and even suggested the creation of a shared army, the country did not prolong its membership in the Treaty and shortly after joined the GUAM bloc (GUAM members Ukraine and Moldavia had no interest in the CST

⁷⁰ Collective Security Treaty. May 15. 1992 [http://odkb-csto.org/documents/detail.php?ELEMENT_ID=1897], Accessed: August 2018

⁷¹ Collective Security Treaty. May 15. 1992 [http://odkb-csto.org/documents/detail.php?ELEMENT_ID=1897], Accessed: August 2018

⁷² N. Vasilyeva and M. Lagutina, “The Russian Project of Eurasian Integration: Geopolitical Prospects”, *Political Science*, 2016, p.44

from the start). In 2006, Uzbekistan re-entered the organization after the Andijon events only to withdraw again in 2012.

In 2002, the six countries that stayed for the second tenure – the core EurAsEc-3 countries (Russia, Belarus, and Kazakhstan) plus Armenia, Kyrgyzstan and Tajikistan, agreed to create the Collective Security Treaty Organization. The main document of the CSTO became the Charter of the Collective Security Treaty Organization, signed October 7, 2002. The Charter reinforced the CSTO's commitment to creating "favorable and stable conditions for the full development of the Member States of the Treaty" and ensuring their "safety, sovereignty and territorial integrity."⁷³ Thus, the CSTO can be seen as part of the complex measures to establish the full-fledged Eurasian Union. The upgraded CSTO mechanism included consolidation of collective security forces across three main dimensions: East-European (Russia – Belarus), Caucasian (Russia – Armenia), and Central Asian (Russia – Kazakhstan – Kyrgyzstan – Tajikistan).

The evaluation of the CSTO performance shows that despite being a strong competitor to other regional security initiatives (most notably, NATO program "Partnership for Peace"), the organization is severely hindered by the diverging interests of its members. Russian involvement is shaped by its national interests and global challenges such as the situation in Ukraine, conflicts in the Middle East, and confrontation with NATO. At the same time, other member states are more focused on strictly regional matters: water issues and political situation in Afghanistan for Central Asian states, the threat of repeating the Ukrainian scenario for Belarus, or Karabakh issue for Armenia. The difference in priorities has also been named as one of the reasons for Uzbekistan's inconsistent policy towards its CSTO membership.

Another difficulty stems from the mixed nature of the security regime on the post-Soviet space. CSTO can be defined as a security complex, or "a set of units whose major processes of securitization, de-securitization, or both, are so interlinked that their security problems cannot reasonably be analyzed or resolved apart from

⁷³ Charter of the Collective Security Treaty Organization [http://www.odkb-csto.org/documents/detail.php?ELEMENT_ID=1896], Accessed: April 2018

one another.”⁷⁴ This is a similar process to the general “falling apart – coming together” tendency observed on the Eurasian space. As in other cases of post-colonial region-building, the CSTO is “an odd mix of security regime, conflict formation, and an attempt to install the hegemonic regime.”⁷⁵

Performance-wise, the CSTO has most importantly managed to establish a working collective security platform that boasts numerous successful joint operations, military exercises, and crime-fighting activities in dozens of different security fields. Since its inception, the CSTO mechanisms have been tried out in real-life situations during crisis situations in autumn 1996 and summer 2008 in Afghanistan, and in 1999 and 2000 to neutralize terrorist groupings in the south of Kyrgyzstan and Tajikistan.

As stated in Article 1 of the Treaty, the CSTO views conflict resolution and crisis response as its main task. However, the Treaty explicitly mentions that “the Member States shall [...] abstain from the use of force or threat by force in the interstate relations” and “shall undertake to settle all disagreements among themselves and other states by peaceful means.”⁷⁶ Seen this way, the peaceful orientation and principle of non-involvement into domestic affairs of the CSTO is not a necessarily marker of the organization’s ineffectiveness (as cited by Azerbaijan, Georgia, and Uzbekistan as justification for their withdrawal from the treaty in 1999⁷⁷). However, the criticism showed the need for more decisive actions and resulted in the creation of four types of collective forces to face different threats. Alongside fostering practical and technical military cooperation, the CSTO has also formed relevant organs to combat terrorism, drug trafficking, illegal migration, and other non-traditional security threats.

⁷⁴ B. Buzan and O. Waeber, *Regions and Powers: The Structure of International Security* (New York: Cambridge University Press, 2003), p.44

⁷⁵ B. Buzan and O. Waeber, 2003, p.471

⁷⁶ Collective Security Treaty [http://odkb-csto.org/documents/detail.php?ELEMENT_ID=1897], Accessed: December 2017

⁷⁷ Y. Nikitina, “The Collective Security Treaty Organization Through the Looking-Glass,” *Problems of Post-Communism*, 59:3, 2012, p. 43

Despite several setbacks following the establishment of the organization, the CSTO has managed to forge a functioning institutional framework enabling it to enforce necessary collective security mechanisms. The structure of the organization is outlined in the Charter and consists of the bodies in charge of political management, permanent working bodies, and auxiliary organs for special tasks. The highest body of the organization is the Council on Collective Security (CCS). It is composed of the heads of member states and is in charge of setting the regional security agenda, adopting important decisions, and coordinating joint activities in the region. Between the CCS sessions, all intermediary actions are overseen by the Permanent Council, consisting of appointed representatives.

The CSTO also has several consultative-executive bodies for each of its functions: the Council of Ministers of Foreign Affairs (CMFA) in charge of coordinating joint activities in the field of foreign policy; the Council of Ministers of Defense (CMD) in the field of military policy, military construction, and cooperation in military technology; and the Committee of Secretaries of the Security Council (CSSC) in the field of guaranteeing national security. One of the two permanent bodies of the organization and the highest administrative organ is the Secretariat, headed by the appointed Secretary-General. The Secretariat is in charge of organizational, analytical, informational, and consultative support for the activities of the CSTO. The Joint Staff of the CSTO is the permanent military headquarters of the organization responsible for drafting proposals and enforcing military solutions. Coordination groups and special working groups can be formed temporarily or permanently under the CSTO to tackle specific issues, including Afghanistan working group, crises resolution council, counter-terrorism committee, and others.

Military cooperation and conflict resolution are one of the main tasks of the CSTO. The preparation of the collective security system's forces is coordinated by the ministers of defense of the member states and consists of periodic training drills. The main joint combined-corps exercises of the organization – “Rubezh” (Frontier), have been held annually since 2004. Since 2017, the CSTO has launched a new format of joint games – “Boevoye Bratstvo” (Combat Brotherhood), which includes a multi-step scenario from conflict resolution to post-conflict peace-building. The exercise is designed to coordinate and train multiple units from recon to Collective

Rapid Deployment Forces in Central Asia, Collective Peacekeeping Forces, and Collective Quick Response Forces. Since 2019, the “Boevoye Bratstvo” exercise will be further expanded to include the CSTO logistical forces training program “Echelon.”⁷⁸

To more effectively deal with regional conflicts, the CSTO has introduced the peacekeeping forces in 2011. The Agreement on CSTO Peacekeeping stipulates that the organization’s 4,000 peacekeepers can be deployed either in the CSTO region at the request of a member-state or in another region under the UN mandate. Legally, the CSTO can take part only in classic peace-keeping operations and only with the official permission of the state under Chapter 6 of the UN Charter. However, this restriction is in line with the general Russian disapproval of peace-enforcement missions and the regional policy of non-intervention and respect for sovereignty⁷⁹.

Member states assign peacekeeping units on a permanent basis, which are, in turn, used to form the Collective Peacekeeping Forces for special operations. The CPF contingent includes military, police, and civilian personnel, trained according to the CSTO programs and equipped with compatible weapons and communications equipment. Joint exercises of the CPF “Nerushimoye Bratstvo” (Unbreakable Brotherhood) are conducted annually since 2012.

In the area of counter-terrorism, the increasing tensions in Afghanistan urged the CST members to create the Collective Rapid Deployment Forces (CRDF) for Central Asia in 2001. The CRFD was designed to fight terrorist and extremist insurgencies and became the only regional group of forces able to react to the Afghan threat. Since then, international terrorism has been one of the top-priority aspects of collective security activities. Cooperation in this sphere is regulated by the CSTO Secretariat’s Department for Combating Challenges and Threats. In 2005, the CSSC established the additional Working Group of Experts for Questions Related to the Fight Against International Terrorism and Extremism. The group holds regular

⁷⁸ I. Petrov, “Echelon vstanet v stroi: V ucheniih edinoi armii stran ODKB vperve primut uchastie tyloviki,” [<https://rg.ru/2018/2018/05/23/v-ucheniih-edinoj-armii-stran-odkb-vperve-primut-uchastie-tyloviki.html>], Accessed May 2018

⁷⁹ A. Rozanov and A. Douhan, “Collective Security Treaty Organization,” *The Geneva Centre for the Democratic Control of Armed Forces*, Geneva – Minsk, 2013

consultations at the level of heads of counter-terrorism agencies of the member states. Since its inception, the working group has adopted a number of agreements on personnel training, equipment provision, and has drawn up a collective list of recognized terrorist and extremist organizations. The anti-terrorist activities of the CSTO follow the UN Global Counter-Terrorism Strategy and are coordinated with the UN Security Council's Counter-Terrorism Committee (CTC), the Action Against Terrorism Unit (ATU) of the OSCE, and the UN Office on Drugs and Crime (UNODC). On a practical level, the organization holds annual anti-terrorist exercises of the CRDF in order to reduce extremist activities in the Central Asian region.

Additionally, in 2009 the CSTO members decided to launch another type of collective forces, the Collective Quick Response Forces (CQRF). The 18.000 group covers a wider range of threats from terrorism, extremism, drug trafficking and organized crime to military aggression, emergencies and natural disasters, with the exception of interstate conflicts. Joint exercises of the CQRF "Vzaimodeistviye" (Interaction) are held annually since 2009. Additionally, the special tactical military exercise of the CSTO member states' police enforcement units under the CQRF "Cobalt" takes place every year since 2010.

The most recent collective security group of the CSTO became the Collective Air Force, established by the Council on December 23, 2014. The CAF include military transport and combat aviation and is aimed at providing air support for CSTO's land operations. The CAF exercises "Vozdushny Most" (Air Bridge) became part of the "Boevoye Bratstvo" joint military training program for the first time in 2018. The total amount of collective forces of the SCO is approximately 30000 staff and several thousand units of equipment, the largest grouping being the Collective Quick Response Forces with 18 000 – 21 000 people.

Practical results of joint CSTO operations are more obvious in the areas of drug trafficking and illegal migration prevention. The main anti-drug operation of the CSTO "Kanal" (Channel) has been held regularly since 2003 with the participation of units from the member states' drug-enforcement bodies, interior and border police, customs, national security, and intelligence. The aim of the operation is to uncover and disrupt drug-trafficking routes from Afghanistan, prevent

smuggling of synthetic drugs from European countries, stop the illegal trade of precursor chemicals, and to undermine the economic foundations of the drugs trade.

“Kanal” is a multi-phase operation of an unprecedented scale: apart from the relevant CSTO units, it has involved law-enforcement agencies from Afghanistan, Azerbaijan, Bulgaria, China, Colombia, Estonia, Finland, Germany, Iran, Latvia, Lithuania, Mongolia, Pakistan, Poland, Romania, Spain, Syria, Turkey, Turkmenistan, Ukraine, USA, and Venezuela, as well as international institutions such as the OSCE, Interpol, UN Office on Drugs and Crime (UNODC), the Eurasian Group on Combating Money Laundering (EAG) and Financing of Terrorism (EAG), and Central Asian Regional Information and Coordination Centre for Combating Illicit Trafficking of Narcotic Drugs, Psychotropic Substances and their Precursors (CARICC)⁸⁰. In 15 years since its establishment, “Kanal” operation managed to intercept over 300 tons of narcotics and 600 tons of precursors, initiated over 60 000 criminal proceedings, seized over 15 000 firearms and 450 000 munitions⁸¹. The CSTO also conducts joint training exercises “Grom” (Thunder) as part of the collective fight against international drug-trafficking since 2012.

Since 2007, the CSTO has also increased its efforts in combating illegal migration and human trafficking. The CSTO Action Plan on Fighting Illegal Migration of 2009 outlined the formation of a collective immigration database and harmonization of legislation in the sphere of counteracting illegal migration and human trafficking. The special operations under the code name “Nelegal” (Illegal) have been held regularly since 2013 with the support of the migration services and law-enforcement agencies of the CSTO member states. The operation helped identify several hundred thousand violations of the immigration regulations, close several big channels of human trafficking, and detect over 1000 international fugitives⁸².

⁸⁰ N. Bordyuzha, “The Collective Security Treaty Organization: A Brief Overview”

[<http://www.odkb-csto.org>], Accessed: December 2017

⁸¹ Official information from the CSTO Press Service [<http://www.odkb-csto.org/ksopn/list.php>], Accessed October 2018

⁸² Official information from the CSTO Press Service [<http://www.odkb-csto.org/ksopn/list.php>], Accessed October 2018

In regards to other non-traditional security threats, the CSTO has taken preventive measures to ensure collective information security and adopted the Joint Action Plan on the formation of information-security systems of the member states in September 2008. The interaction between special units of security agencies and police forces of the member states has been coordinated through the annual “Proxy” operation since 2009.

To conclude, the CSTO’s performance varies greatly depending on its stage of development, expectations of the participants, and stated goals. Since its inception, it has been military dominated by one country – Russia (900 000 active personnel, 66.3 billion USD military budget against 200 000 active personnel⁸³ and 2.5 billion USD military budget⁸⁴ of all the rest of the CSTO members together), and the rest of the regional actors have heavily depended on the Russian aid. During the first stage of its development, the CSTO functioned as a consultative organ aimed at deterring external and internal aggression. Most newly-independent states in the region were focused on organizing their national military capabilities and did not view collective security as a priority. After the escalation in Afghanistan, the 9/11 and rise of international terrorism, the need for a more formalized military cooperation mechanism became obvious. From 2002 to 2008, the CSTO underwent an intense institution-building phase and became a full-fledged collective security organization of the NATO type with its own special forces, command centers, and budget. From 2002 till present, the CSTO has successfully conducted multiple joint military exercises and operations in the key areas of regional security.

At the same time, the CSTO cannot boast any military field operations and is often accused of being ineffective when dealing with regional conflicts. The most obvious cases are the Kyrgyz revolution in 2005, ethnic clashes in South Kyrgyzstan in June 2010, the Zhanaozen riot in Kazakhstan in December 2011, and the Gorno-Badakhshan clashes in Tajikistan in July 2012. However, the reluctance of the CSTO

⁸³ The Military Balance 2018 [<https://www.iiss.org/publications/the-military-balance/the-military-balance-2018>], Accessed: October 2018

⁸⁴ Stockholm International Peace Research Institute SIPRI [<https://sipri.org>], IMF [<https://www.imf.org/en/Data>] and International Institute for Strategic Studies [<https://www.iiss.org>], Accessed: October 2018

to intervene with internal security threats of its member states is a result of its legal policy and is in line with the general course of Eurasian regional politics⁸⁵. Another possible explanation for the ineffectiveness of the CSTO in certain areas is its decision-making process. The organization has not only to receive an official request for intervention but also obtain consensus from all presidents of its member-states. The different expectations and goals of the member states can obstruct the CSTO's efforts to create a consistent collective security strategy. Therefore, the main barrier to the CSTO's effectiveness is the political will of its leaders, and having a strong regional power in charge can be more beneficial than not.

2.2 Economic achievements of the Eurasian Union

Alongside pressuring security issues, the post-Soviet space had faced a range of economic problems that could be resolved only on the regional level. The necessity of economic cooperation has been recognized by most leaders of the newly independent states, and a number of steps had been undertaken to create a beneficial financial and trade partnership. The main goal of those initiatives became the creation of a payment union – the plan that suffered a major setback with the 1998 crisis of the ruble. The economic crisis of the 1990s affected all of the post-Soviet countries and hindered the development of most region-building attempts on the Eurasian space, from the “Ruble Zone” currency union, to the Commonwealth of Independent States (CIS), the Eurasian Economic Community, and the Union of Russia and Belarus⁸⁶.

Despite the objective failure of the economic initiatives of the 1990-s, the talks about the creation of a “common economic space” continued between Russia, Ukraine, Belarus, and Kazakhstan. On October 10, 2000, presidents of Belarus,

⁸⁵ A. Acharya and A. Johnston (eds.), *Crafting Cooperation: Regional Institutions in Comparative Perspective* (Cambridge University Press, NY, 2007), pp. 255-268.

⁸⁶ M. Olcott et al., *Getting it Wrong: Regional Cooperation and the Commonwealth of Independent States* (Washington DC: Carnegie Endowment for International Peace, 1999)

Kazakhstan, Kyrgyzstan, Russia, and Tajikistan signed the Treaty on the Establishment of the Eurasian Economic Community (EurAsEC) in Astana, Kazakhstan. Over 100 agreements were signed under the aegis of the new entity, preparing the institutional set-up for a larger Eurasian integration initiative. Another benchmark meeting happened on 23 February 2003, in the Moscow suburb of Novo-Ogarevo, where Presidents of Belarus, Kazakhstan, Russia, and Ukraine signed the treaty guaranteeing the creation of the Single Economic Space together with the first CIS FTA agreement. The action plan suggested a number of steps aimed at the establishment of a supranational trade and customs body and set the base for the institutional development of the future Eurasian Economic Union.

Another setback was encountered after the Orange Revolution in 2004, when Viktor Yushchenko's victory in the Ukrainian presidential elections annulled the previous vote of the Ukrainian Parliament in favor of the joint economic space (on May 23, 2003, Verkhovna Rada cast 266 votes for and 51 against the project). Instead, Yushchenko showed renewed interest in the Ukrainian membership in the EU and considered the European ambitions of his country incompatible with the Russian-led regional plans.

The development of the Eurasian initiative in 2007 continued already without Ukraine, when the presidents of Russia, Belarus, and Kazakhstan signed the Agreement on the Establishment of the Customs Union and approved a two-year implementation plan. Upon expiry of the two-year preparation period, on December 19, 2009, leaders of Belarus, Russia, and Kazakhstan met in Almaty to sign the Joint Statement on the Establishment of the Customs Union. The Common Customs Tariff went into force in 2010 and by 2011, the Customs Union was already working at full capacity with over 70 international treaties and 900 regulations. On January 1, 2012, a package of 17 key agreements was added to form the regulatory basis for the Single Economic Space (SES). On January 1, 2015, the Eurasian Economic Union Treaty finally came into effect. Armenia acceded to the EAEU on January 2, 2015, and Kyrgyzstan on May 8, 2015.

On a practical level, the most comprehensive way to measure the effectiveness of the economic aspect of Eurasian integration is proposed by the Eurasian Development Bank project – the System of Indicators of Eurasian

Integration (SIEI). Together with the EDB Integration Barometer – a regular report on the public opinions about the integration efforts – the SIEI offers a wide-scale statistical overview of the EAEU’s performance. Each edition of the SIEI presents an analysis of long-term integration trends on the post-Soviet space starting from 1999.

The SIEI data utilizes nine indices of regional integration relating to trade and labor movement, including measurements of trade by sector: agricultural (trade in grain), energy (trade in electricity), and education (mobility of students), as well as evaluation of macroeconomic convergence in regards to monetary policy, fiscal policy, and financial policy. All indices are measured relative to the size of the economy (GDP) or the population of the member states. The only exception is the general trade index, which is measured as an average of the intra-regional trade to total foreign trade turnover and to GDP⁸⁷.

The SIEI data also includes a set of variables analyzing the economic convergence between member states, which can serve as an indirect measure of market integration. The convergence reflects the changes in the gap between key indicators of economies and economic policies of the EAEU members. The dataset evaluates macroeconomic indicators, monetary, fiscal, and financial policies. Institutional cooperation is evaluated for the periods available using expert polls carried out by the Eurasian Development Bank and independent organizations as part of the bigger Eurasian Integration Evaluation project. To analyze dynamic effects of the integration process, the data is compared between several key time points: 1999 (conditions before establishment of EurAsEc), 2008 (aftermath of the first wave of integration initiatives and conditions before establishment of the Customs Union), 2012 (results of the CU and preconditions for establishment of the SES).

⁸⁷ E. Vinokurov et al., “EDB System of Indicators of Eurasian Indicators”, in Philippe De Lombaerde, Edgar J. Saucedo Acosta (eds.), *Indicator-Based Monitoring of Regional Economic Integration: Fourth World Report on Regional Integration* (Cham: Springer International Publishing: Imprint: Springer, 2017)

Table 2.2: Dynamics of Integration and Convergence Indices for the EAEU current Member States in relation to the core EurAsEc-3 countries for 1999-2008 and 2009-2012⁸⁸

	Armenia		Belarus		Kazakhstan		Kyrgyzstan		Russia	
	1999-2008	2009-2012	1999-2008	2009-2012	1999-2008	2009-2012	1999-2008	2009-2012	1999-2008	2009-2012
Mutual Trade Index	3.15	-1.48	-77.05	3.516	-4.32	-0.53	19.13	4.33	-1.77	-0.16
Labor Migration Index	29.23	-12.7	0.02	0.000	0.57	-0.42	35.33	-16.93	0.06	-0.001
Energy Integration Index	0.000	0.000	-219.5	-0.57	-205.2	-2.4	-128.8	1.64	-23.9	-0.5
Agricultural Integration Index	-84.36	-6.36	-34.04	1.29	-9.66	0.2	-42.5	-0.86	-1.97	0.03
Education Integration Index	623.3	-103	1107.3	131.6	252.86	215.6	854.09	108.56	112.24	-11.4
Macroeconomic Convergence Index	-0.33	-0.13	1.31	0.32	0.69	0.08	-0.21	0.06	0.451	-0.23
Monetary Policy Convergence	-0.18	0.018	-1.69	2.65	-0.9	0.85	0.28	0.73	-0.39	1.43
Finance Policy Convergence	-2.177	-0.38	-0.45	1.6	-0.12	0.52	1.3	-1.63	-0.17	0.8
Fiscal Policy Convergence	-1.1	-0.49	N/A	-0.44	0.01	-0.28	-0.09	0.97	0.55	0.01

⁸⁸ EABR The System of Indicators of Eurasian Integration I-II

[<https://eabr.org/en/analytics/integration-research/cii-reports/>], Accessed: August 2018

The general disintegration trend can be observed from 1999 to 2012. The decline in intra-regional economic activity despite the proliferation of integration projects in the last decade can be explained by many factors, both external and internal. Among the most important ones are the re-orientation of post-Soviet states towards non-CIS trade, focus on domestic development over establishing cross-border links, internal policies of reducing regional dependency, and general economic instability in the region⁸⁹. The index dynamics reflect the issues that the integration processes in Eurasia have to face. So far, the disintegration trends of the early 2000-s seem to have been slowed down but are not yet overcome: the intra-regional indices reduced during 1999-2008, then stabilized in 2009-2011 and rose slightly in 2012, setting promising conditions for further integration under the EAEU.

In the areas of labor migration and student mobility, the situation seems to be reversed. It has to be noted that it is hard to evaluate the real migration flows on the post-Soviet space since a significant part of those is semi-legal or illegal. Despite the shortcomings of official data on migration, it is still evident that both student and worker mobility has continued to increase since 1999. For example, the formal index of labor migration for 2009-2011 shows an almost 50% decrease for the majority of countries, but according to expert appraisals, the volume of illegal migration to Russia has only increased⁹⁰. The main recipient of foreign students in the Eurasian space, though, continues to be Russia, with the main donors being Belarus and Kazakhstan.

Continued economic disintegration accompanied by the increase in labor and student flows is a peculiar outcome that runs contrary to the standard Balassa scheme of integration. The EU regional-building experience suggests that trade integration is the first step in regional integration, while integration in factor markets is a more advanced stage of the process. High levels of labor flows in the region are the result of relatively loose immigration policies, visa-free or weakly regulated

⁸⁹ “EABR System of Indicators of Eurasian Indicators II, Analytical Summary,” Centre for Integration Studies: Saint Petersburg, 2014

⁹⁰ “EABR System of Indicators of Eurasian Indicators II, Analytical Summary,” Centre for Integration Studies: Saint Petersburg, 2014, p.10

movement of post-Soviet citizens across borders, and weak employment legislation. Additionally, it is easier for governments to regulate trade transactions than migration, especially with the long shared borders of country members and traditionally strong ties between people in neighboring states. Even though informal border trade is significant in individual sub-regions, it is relatively small on the general regional level and substantially smaller than informal immigration⁹¹. It is also important to note that the calculation of the indices does not take into account labor and student outflows to countries outside of the region, thus limiting the analytical potential of the dataset. Moreover, while the cross-border trade indices are evaluated in relation to the GDP, cross-border labor and student flows are evaluated relative to population size, which, unlike GDP, has remained virtually constant.

In regards to economic convergence, there is no easily identifiable trend. The indicators show various levels of divergence-convergence across policies and country members, which further supports the statement that EAEU economies have shown quite low levels of integration despite numerous attempts at regionalism. The adopted European model of regionalism that presupposes a gradual step-by-step process of economic convergence leading to integration in other areas has proved inefficient in the Eurasian context. By 2012, the performance of the EurAsEc and Customs Union as preparatory steps for the establishment of a full-fledged Economic Union achieved only limited success. Economic divergence has well-documented negative effects on the potential intraregional cooperation, including increasing consensus-finding costs and redistribution issues⁹². Despite some more favorable trends for further integration, including the growth of labor and student flows and

⁹¹ E. Vinokurov and A. Libman, "Regional Integration Trends in the Post-Soviet Space: Results of Quantitative Analysis," *Problems of Economic Transition*, 53:12, 2011, p.43-58

⁹² W. Mayer, "Theoretical Considerations on Negotiated Tariff Adjustments," *Oxford Economic Papers*, Vol. 33, 1981, pp.135-153; H. Jensen, "Sustaining Policy Coordination between Economies of Different Size," *Journal of International Economics*, 36:3-4, 1994; K. Fung and P. Schneider, "Asymmetric Integration," *International Journal of Applied Economics*, 2, 2006, pp. 83-110; A. Libman, "Russian Federalism and Post-Soviet Integration: Divergence of Development Paths," *Europe-Asia Studies*, 63:8, 2011, pp.1323-1355

some convergence in banking and monetary policies, the Eurasian regional project has insofar failed to reach its stated goals.

*Table 2.3: The dynamics of economic development of the EAEU 2015 - 2017*⁹³

	2010	2011	2012	2013	2014	2015	2016	2017
GDP (billion USD)	1 728.9	2 142.1	2 271.7	2 628.2	2 404.9	1 631.6	1 489.8	1 810.8
GDP Growth (average %)	4.26	5.78	3.46	4.6	2.84	0.34	0.58	4
Foreign Trade Turnover (billion USD)	686.3	910.7	939.3	937.6	873.1	579.3	509.4	633.8
Mutual Trade Turnover (billion USD)	41.1	63.1	68.5	69.2	63.1	45.6	42.9	54.1
Regional Trade (% from Total Trade)	5.6	6.47	6.8	6.87	6.74	7.2	7.76	7.86

With the establishment of the Eurasian Economic Union in 2015, the general disintegration trend has slightly slowed down. Most country-members suffered from the 2008 financial crisis, 2014 oil prices collapse and sanctions regime against Russia. From 2015, all major economic indicators of the EAEU dropped significantly, including GDP (from 1729bln USD in 2010 and the peak of 2608bln USD in 2013, down to 1608bln USD in 2015 and 1489bln USD in 2016, even with inclusion of Armenia and Kyrgyzstan). However, the trend does not look that devastating when measured in PPP rather than GDP. The effects of the Russian ruble devaluation in 2015-2016 spilled over to other EAEU members and influenced GDP and trade parameters. At the same time, the PPP of the countries (measured in local currencies) took only a slight dip in 2015 and picked up soon after: from 3399bln USD in 2010

⁹³ World Bank [<https://data.worldbank.org>], IMF [<https://www.imf.org/en/Data>], UN COMTRADE [<https://comtrade.un.org>], IMF Trade Map [<https://www.trademap.org/Index.aspx?AspxAutoDetectCookieSupport=1>], Accessed: November 2018

the total PPP of the EAEU increased to 4385bln USD in 2013, fell to 4070bln USD in 2016 and climbed back up to 4227bln USD in 2017. Trade volumes of the EAEU countries also decreased as a result of the ruble devaluation and sanctions regime. Thus, in comparison to the total of 993bln USD of foreign trade turnover and 64bln USD of mutual trade in 2013, the indicators fell to 579bln USD and 45bln USD, respectively, in 2015, and 509bln USD and 42bln USD in 2016⁹⁴.

However, the situation started to stabilize in 2017 and has continued the positive growth into 2018. In 2017, the total GDP of the EAEU amounted to 1.810bln USD and the results of the first half of 2018 also showed positive GDP dynamics among the EAEU states. Armenia (7%) and Kazakhstan (4.9%) are among the leaders of economic growth in 2018, followed by Belarus (3.9%), Russia (1.8%), and Kyrgyzstan (-0.8)⁹⁵. Foreign trade of the EAEU in 2017 reached 633bln USD, showing a 24.4% growth compared to 2016. The volume of trade with non-EAEU countries for the first half of 2018 (January-August) also shows a 22% increase over the similar period of 2017, amounting to 484bln USD. Mutual trade turnover between Eurasian Union country members surged to 54bln USD in 2017 and in the H1 of 2018 grew by 13.5% compared to the H1 of 2017. However, the positive trend in economic parameters of the EAEU countries coincides with the growing oil prices and may not be a direct result of the Union's activities. Crude oil prices fell from 98.89 USD per barrel in 2014 to as low as 43.74 in 2016, but started steadily climbing up from 2017 and are now around 73USD per barrel. Russia and Kazakhstan heavily depend on oil exports and the oil price fluctuations bear major effects on the countries' economies and the EAEU in general. At the same time, the amount of intra-regional trade grew since 2010, which points to some positive influence of the EAEU agreements.

⁹⁴ Eurasian Commission Statistics Database

[http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/fin_stat/statistical_publications/Pages/default.aspx], Accessed: October 2018

⁹⁵ Eurasian Commission Statistics Database

[http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/fin_stat/statistical_publications/Pages/default.aspx], Accessed: October 2018

2.3 Performance evaluation of the Eurasian Union

The step-by-step Western model of regionalism has been developing on the Eurasian space since 1994. However, despite favorable background conditions and pre-existing close economic, political, production, and social ties between post-Soviet countries, the classic Balassa scheme of integration was met with resistance. The turn to the EU and NATO of the Baltic States, Ukraine, Georgia, and (temporarily) Uzbekistan, shows limited political importance of the Russian regional initiative. The neofunctionalist theory of sectoral, political, and geographical spillover also does not seem applicable to the Eurasian regional-building efforts. Experts in Eurasian integration name three main barriers to successful integration in the region: different national interests and levels of economic development; the rivalry between Uzbekistan and Kazakhstan; and fear of supranational institutions⁹⁶.

From the economic perspective, the EAEU has moved through three stages of development – the failed “false start” in 1994-1999, the preparatory step of 2000-2012, and the present period of actual functioning. From 1994 to 2012, the disintegration trend on the Eurasian space has been noticeable, and even though it seems to have stabilized in the recent years, it is far from overcome. First of all, the highly institutionalized structure of the Eurasian Union slows down decision-making under the conditions of great power asymmetries and differing political goals of member states. Secondly, the hegemonic threat from Russia makes existing and potential members unwilling to enter legally binding agreements under the EAEU framework. At the same time, the centralized nature of the Eurasian Union model is conducive to better cooperation in the security area. As a regional hegemon, Russia bears most of the organization’s financial burden, at the same time providing its superior arms to the CSTO partners at domestic prices, coordinating joint operations, and projecting its power in the region. Russia has the will and the ability to enforce the common security agenda and possesses enough resources to timely react to potential threats.

⁹⁶ M. Rakhimov, “Security Issues and Regional Cooperation in Central Eurasia,” *Journal of Democratization and Human Rights*, Tashkent, Uzbekistan, Vol.4, 2006, pp.64-65

If Russia continues to follow the EU model, it will inevitably have to face the problem where the need for more supranational institutions will be met with desire of the member states to preserve national sovereignty. Most of the problems of the Eurasian Union development so far stem from the difference between the goals of the member states (including Russia and its declared policy of multilateralism and respect for the state autonomy) and the demands of the European model of regionalism. Further integration towards monetary and full economic union requires ceding of sovereignty to supranational institutions, which seems unlikely in the current political and social climate in Eurasia. As all members seek to minimize their commitments and maximize flexibility under the common structure, it is evident that the EAEU has to re-think some of tactics to increase its effectiveness.

Moreover, there are some cardinal differences between the EAEU and the EU that need to be addressed before any meaningful changes can be made. Most importantly, the Eurasian Union needs to consider more the role of middle powers in the organization and provide better representation in its governing and agenda-setting bodies. Establishing a Parliament and developing a mechanism of checks-and-balances to ensure equality under the EAEU framework could become the first steps to addressing the existing limitations of the Russian-led regional initiative.

However, the organization has insofar shown a promising capacity for institutional change since its official establishment in 2000. The initial EurAsEc project was seen as moderately promising by both participants and observers⁹⁷. It introduced a weighted voting and financing system, which, while potentially increasing the decision-making effectiveness of the project compared to the consensus-based CIS, also created two serious problems for its members. First of all, smaller countries were reluctant to join EurAsEc in fear of Russian hegemonic influence. At the same time, Russian investment was seen as too costly compared to any potential benefits such support of regional partners could provide. This perception can be traced by to the Soviet times when political elites and the population were critical of trading wealth for political influence⁹⁸. This way, the

⁹⁷ G. Gleason, *Markets and Politics in Central Asia (Economies in Transition to the Market)*, (Abingdon, Oxon; New York: Routledge, 2003)

⁹⁸ A. Libman, 2011, p.10.

reluctance of all parties to actively participate in region-building for purely political reasons can be easily understood.

For the next ten years, the development of the Eurasian project has received mixed reactions. On the one hand, the economic achievements of the union pre-2015 were moderate at best, with better results in the security aspect. Membership-wise, EurAsEc had also proven lackluster. Apart from the core three countries of Belarus, Russia, and Kazakhstan, the new Eurasian project was alternately joined by Tajikistan, Ukraine, Uzbekistan, Armenia, and Kyrgyzstan, with only Armenia and Kyrgyzstan staying on. Rapprochement with other post-Soviet states was mostly temporary and relied on a variety of external factors. For example, Uzbekistan chose to join EurAsEc in 2006 after the Andijon incident that caused worsening of its relations with the EU and the US and withdrew its membership in 2008 due to “unacceptable” arrangement of the legal base of the Union⁹⁹.

While many post-Soviet states were unwilling to take on full partnership liabilities under the Eurasian Union framework, they showed mild interest in participating as observers. Thus, in May 2002, the Republic of Moldova and Ukraine were granted observer status at the EurAsEc and were followed in 2003 by Armenia. In 2003, the Eurasian Economic Community received the observer status in the General Assembly of the United Nations. In 2004, EurAsEc members established the Eurasian Money Laundering and Terrorism Financing Prevention group in partnership with China in the joint effort to boost security in the region. By 2005, EurAsEC was joined with the Organization of Central-Asian Cooperation because of their overlapping membership. In 2006, Russia and Kazakhstan established the Eurasian Development Bank (EDB) in Almaty as a regional development bank for the Eurasian space. Since then, the EDB has functioned as a financial body of the Union, funding regional projects and conducting integration research.

The ultimate trial for the already struggling EurAsEc became the establishment of the Customs Union. Russia, Belarus, and Kazakhstan agreed to coordinate their efforts in order to create a working customs union by 2010. For this,

⁹⁹ President Karimov’s official letter of explanation to the EurAsEc Integration Committee of October 2006 [<http://enews.fergananews.com/articles/2477>], Accessed: May 2018

the three countries had to unify their WTO accession strategies in 2009 and work out issues on the common tariffs. The latter caused tensions between Russia and Belarus over the tariffs for oil and oil refinery products, resulting in long-term worsening of relations between the two countries. Over the past few years, the Russian-Belorussian energy dispute has escalated into a profound crisis stretching over almost all areas of cooperation between them.

Despite internal tensions, the Customs Union started operation in 2010 and in 2015 the Eurasian Economic Union of Belarus, Russia, and Kazakhstan was established. The same year, Armenia and Kyrgyzstan also joined the EAEU, and the newly established union signed the FTA agreement with Vietnam effective from 2016. In 2017, Russian Foreign Minister Sergei Lavrov suggested that around 50 countries expressed their intention to cooperate with the Eurasian Union¹⁰⁰. China¹⁰¹ and Iran¹⁰², following several years of negotiations, have signed trade agreements with the EAEU in 2018. Turkey¹⁰³, Israel¹⁰⁴, India¹⁰⁵, and Serbia¹⁰⁶ have also shown interest in closer cooperation with the EAEU, including entering a PTA or FTA agreement. Apart from attracting new partners worldwide, the Eurasian Union is also

¹⁰⁰ “Some 50 Countries Willing to Cooperate With Eurasian Economic Union – Lavrov”

[<https://sputniknews.com/politics/201701251049988771-lavrov-eaeu-cooperation/>], Accessed: May 2018

¹⁰¹ “China signs trade deal with Eurasian Economic Union”

[<http://www.chinadaily.com.cn/a/201805/18/WS5afe4aaba3103f6866ee941b.html>] , Accessed: May 2018

¹⁰² “Interim Agreement signed between the EAEU and Iran enabling formation of free trade area”

[<http://www.eurasiancommission.org/en/nae/news/Pages/17-05-2018-1.aspx>] , Accessed: May 2018

¹⁰³ “Turkey May Create Free Trade Zone with Eurasian Customs Union – Development Minister”

[<https://sputniknews.com/politics/20140719191039085-Turkey-May-Create-Free-Trade-Zone-with-Eurasian-Customs-Union-/>], Accessed: May 2018

¹⁰⁴ “Israel, EAEU Resume Talks on Free Trade Agreement – Israeli Ambassador in Russia”

[<https://sputniknews.com/world/201804241063842865-israel-russia-eaeu-talks/>], Accessed: May 2018

¹⁰⁵ “A Free Trade Area Agreement between the EAEU and India will contribute to the growth of the economies of the Union countries with the rates higher than the average ones”

[<http://www.eurasiancommission.org/en/nae/news/Pages/2-06-2017-6.aspx>] , Accessed: May 2018

¹⁰⁶ “Russia wants to include Serbia in EEU free trade zone – Putin”

[<https://www.rt.com/business/413728-eeu-serbia-free-trade/>], Accessed: May 2018

interested in incorporating former Soviet states into its structure. At present, only Mongolia¹⁰⁷, Syria¹⁰⁸, and Tajikistan¹⁰⁹ have expressed their willingness to join the EAEU in the future. Moreover, breakaway regions of Abkhazia¹¹⁰, South Ossetia, Transnistria, Luhansk, and Donetsk¹¹¹ have also mentioned their desire to work closely with the Eurasian Union and potentially become its members. Uzbekistan under the new president Shavkat Mirziyoyev is still considering the pros and cons of joining the Union, but has already started the process of harmonizing import tariffs with the EAEU norms¹¹².

The attitude of the population towards the Eurasian Union project has also remained optimistic. Though after a decade since the collapse of the Soviet Union majority of people did not believe in recreation of the USSR (68% in Russia, 76% in Belarus and 71% in Ukraine), the regret over its dissolution remained high among the majority of the population (83% of people over 60 and 44% of the people between 18 and 24). The general support of the post-Soviet integration continued to be high, but more people started to view Russian participation in its regional projects as ineffective, with only 37% finding it beneficial, 22% expecting both benefits and harm, and 11% considering it harmful. The main aspect of public skepticism was migration policy, and by 2006, the majority of respondents from Russia, Ukraine, Kazakhstan, and Belarus spoke against providing access to domestic markets for the

¹⁰⁷ “Mongolia considering joining Eurasian Economic Union”

[<http://m.eng.belta.by/economics/view/mongolia-considering-joining-eurasian-economic-union-93949-2016/>], Accessed: May 2018

¹⁰⁸ “Syria wants to join Russia-led Eurasian Economic Union – Prime Minister”

[<https://www.rt.com/business/310337-halqi-syria-russia-eeu/>], Accessed: May 2018

¹⁰⁹ “Tajikistan Still Considering Engagement With the Eurasian Economic Union”

[<https://thediplomat.com/2018/04/tajikistan-still-considering-engagement-with-the-eurasian-economic-union/>], Accessed: May 2018

¹¹⁰ “Russia to Pocket Abkhazia?” [<https://eurasianet.org/russia-to-pocket-abkhazia/>], Accessed: May 2018

¹¹¹ S. Frederick Starr and Svante E. Cornell (eds.), “Putin’s Grand Strategy: The Eurasian Union and Its Discontents,” *Central Asia-Caucasus Institute*, Silk Road Studies Program, 2014

¹¹² “Reforming Customs, Uzbekistan Nods Toward the Eurasian Economic Union”

[<https://thediplomat.com/2018/04/reforming-customs-uzbekistan-nods-toward-the-eurasian-economic-union/>], Accessed: June 2018

foreign labor or selling domestic assets to foreign investors¹¹³. Even though the majority of the population of the post-Soviet space did not have high expectations of the Eurasian regional initiative prior to the establishment of the EAEU, they did not reject it either.

Since 2012, the Eurasian Development Bank together with the Eurasian Monitor Consortium has launched an annual survey the Integration Barometer. The renewed project monitors foreign policy, foreign trade, and socio-cultural preferences of the citizens of the EAEU member states. The 2016 poll showed that the generally positive attitude towards the creation of the Eurasian Union has been consistent. However, several of the previously existing negative trends have also persevered. Thus, the declining support of the Russian population (from 78% in 2015 to 68% in 2017) shows that people continue to see regional integration as not beneficial for Russia. A similar trend has been also found in Kyrgyzstan (86% to 83%), Kazakhstan (80% to 76%), and Armenia (56% in 2015 to 46% in 2016 and 50% in 2017). Despite political tensions over energy tariffs, Belarus was the only country that showed slightly increased support for the EAEU membership, if only temporarily (60% in 2015 to 63% in 2016, but dropped to 56% in 2017). The growing discontent has been followed by the growing indifference of respondents towards the Union, led by Armenia (33%), Belarus (28%), and Russia (25%). Out of the potential members, Tajikistan citizens continue to show the highest percentage of support for the accession to the EAEU – 72% in 2015 and 69% in 2017. In Moldova, the share of Eurasian Union supporters rests at around 50%, while the number of opponents has decreased from 29% to 25% (but increased compared to 7% in 2012). Uzbekistan also proved to have quite a high level of support for the EAEU accession with at least 67% of respondents voting in favor¹¹⁴.

Overall, the Eurasian Union enjoys rather high levels of support from the citizens of the member states, but support among other post-Soviet states is mostly declining. Support for the EAEU in Ukraine dropped from 57% in 2012 to 19% in 2015 (no data for 2016 and onwards), and from 38% to 22% in Azerbaijan. At the

¹¹³ Eurasian Monitor 2006 [<http://eurasiamonitor.org>], Accessed: October 2018

¹¹⁴ EDB Centre for Integration Studies: EDB Integration Barometer 2017. Report No. 40. (Saint Petersburg: Eurasian Development Bank, 2017)

same time, the Eurasian regional initiative has gained pace in attracting global partners since its successful establishment of the Customs Union, Single Economic Space, and Eurasian Economic Union. Together with the predominantly positive feedback from the population and continuing talks of further integration with the former Soviet republics, the EAEU has a rather strong potential for further development and has proven to be resilient in the generally unstable regional climate.

Chapter 3

The SCO and Chinese regional politics: the case of “cooperative regionalism”

With the inclusion of non-Western approaches to the theory of regionalism, it became evident that the benefits of regional integration are not as universally acknowledged as previously thought. Cooperation has started to be viewed as another possible outcome of regionalism and a viable alternative to integration in cases where countries are not ready to cede their sovereignty (especially in post-colonial regions). By viewing the EU as one of many cases in the world of growing interdependence, Asian IR theory has introduced the concept of “soft regionalism.”

Soft regionalism, as opposed to the Western “hard regionalism,” presupposes the existence of loose cooperation structures in regions that are reluctant to adopt the legally binding, formalized EU model. By applying strategies of open regionalism, countries come together based on common interests in a type of pragmatic cooperation that excludes legally-binding agreements and is not limited to a geographically defined space. Compared to the European model of regionalism, Asian soft regionalism employs instruments of market-driven cooperation, does not presuppose institutionalization, and is an open form of inter-regional interaction.

The main reason institutionalization has not been adopted as a leading strategy by Asian countries is the perceived threat to their sovereignty. It is a position typical of all post-colonial countries that have worked hard to establish their global agency and identity. From this perspective, the lack of Western political and economic formalized integration is not necessarily a weakness and facilitates the creation of new mutually beneficial and flexible cooperation networks without imposing a threat to the members’ political autonomy. Moreover, in regions with significant power asymmetries, smaller countries are reluctant to put their trust in regional institutions that could be dominated by a regional hegemon.

At the same time, Western integration theory often refers to the lack of “truly democratic structures”¹¹⁵ in the regions where the EU model was unsuccessful or abandoned altogether. While this is a viable opinion, it does not change the fact that in a non-democratic, non-Western context other types of regionalism may be preferred.

Asian regionalism is often linked to the ASEAN and Chinese region-building initiatives in Asia. Beijing has a distinct view of international relations and international order, and, as an aspiring global power and a regional hegemon, has been persistent in trying to re-shape the world according to its principles. Chinese initiative in establishing and developing the Shanghai Cooperation Organization (SCO) is an excellent example of China's model of loosely institutionalized region-building. Beijing's increasing interest in Central Asia after the fall of the Soviet Union, as well as the improvement in the Sino-Russian relations, made the SCO an ideal mechanism for pursuing Chinese interests in the region. The Sino-Russian regional organization is guided by the principles forged in the process of the Shanghai Five development, the so-called “Shanghai Spirit,” and involves “mutual trust, mutual benefit, equality, joint consultations, respect for cultural diversity and aspiration for collective development.”¹¹⁶

Considering the achievements of the Chinese approach in Central Asia during the 1990s, with the gradual de-escalation of border issues and the success of the “Shanghai Five” format, Beijing decided to take the lead and to establish the Shanghai Cooperation Organization formally. At the fifth summit of the “Shanghai Five” in Dushanbe in July 2000, Chinese President Jiang Zemin suggested transforming the annual summits of the Five into a permanent platform of regional cooperation¹¹⁷. The new organization included China, Russia, Kazakhstan, Tajikistan, and Uzbekistan and was conceived as a security forum with future

¹¹⁵ A. Berkofsky, “Comparing EU and Asian Integration Processes: The EU a Role Model for Asia?” European Policy Center, 2005

¹¹⁶ Declaration on the Establishment of the Shanghai Cooperation Organization, p.2 [http://www.ecrats.com/en/normative_documents/2006], Accessed: August 2018

¹¹⁷ Ying Ma, *Regionalism and Developing Countries* (Beijing: Zhongguo Shehui Kexue Chubanshe, 2002), p. 216

potential for economic, energy, and other types of cooperation. On June 15, 2001, the six heads of state signed the Declaration on the Establishment of the SCO and the Shanghai Convention on the Combat of Terrorism, Separatism, and Extremism. On June 7, 2002, at the scheduled meeting of the organization in St. Petersburg, the members signed the Charter of the SCO.

The main task of the SCO was to de-escalate military tensions and to encourage members to refrain from the use of force against one another. As stated in the Declaration on Establishment, the SCO aimed at “strengthening mutual trust, friendship and good neighborliness between member states; encouraging effective cooperation between them in the political, trade, economic, scientific, technical, cultural, educational, energy, transport, environmental and other fields; making joint efforts to maintain and ensure peace, security and stability in the region and establishing new, democratic, just and rational international political and economic order.”¹¹⁸

Apart from the generally unstable security situation after the disintegration of the USSR, regional cooperation in Central Asia was complicated by the fact that most post-Soviet states have been reluctant to cede their sovereign decision-making powers to a supranational governing body. As a result, China had to find a way to develop a mechanism able to adequately address regional security issues without threatening the autonomy of the member states. As Lanteigne put it, “SCO represents one of the first cases of China taking the lead to develop a regional regime. Moreover, the SCO has allowed China to refine and develop its new security concept, multilateral security cooperation based on community building rather than formal alliances.”¹¹⁹ The SCO shows strong adherence to the principles of sovereignty, non-interference in internal affairs, and openness – to the extent that the Declaration on

¹¹⁸ Declaration on the Establishment of the Shanghai Cooperation Organization, p.1 [http://www.ecrats.com/en/normative_documents/2006], Accessed: November 2017

¹¹⁹ M. Lanteigne, *China and International Institutions: Alternate Paths to Global Power* (London: Routledge, 2005), p. 116

Establishment specifically mentions the “non-use or threat of use of military force and renunciation of unilateral superiority in neighboring areas.”¹²⁰

The creation of the SCO was heavily influenced by the rapprochement of the Central Asian republics with the EU and NATO after the 9/11. With the increased interest from the US and Europe towards Central Asia, the Central Asian leaders acquired more strategic space in their choice of partners. The decision of several Central Asian countries to allow the deployment of the US troops on their territories near the Chinese border in 2001 threatened the existence of the Shanghai format and demonstrated the ineffectiveness of the existing mechanisms of security cooperation¹²¹. It proved that most post-Soviet states still treat the traditional regional powers with suspicion and would prefer to rely on external actors to provide security assistance and reduce their dependence on Russia and, increasingly, China. Recognizing this weakness, Beijing pushed forward its model of regionalism as an adaptive and flexible alternative to the Russian and Western projects.

Unlike the EU-type model of regional organization, the SCO has aimed to enhance cooperation between member states without interfering in individual states’ foreign or domestic policies. This approach, with its focus on promoting shared values and practices, helped mitigate the sense of unease that many post-Soviet states shared in regards to the regional leaders and enabled those states to join the SCO despite lingering suspicions. Achieving cooperation and establishing a line of communication between vastly different countries with deeply-rooted issues are some of the most significant achievements of the SCO.

One of the main peculiarities of the Asian type of regionalism is the “soft” multilateral approach that is typical of the SCO. “Beijing is opting for a policy of engagement, making use of its powerful position in the region to offer political and economic support in the hopes of creating an atmosphere of great peace and

¹²⁰ Declaration on the Establishment of the Shanghai Cooperation Organization, p.2
[http://www.ecrats.com/en/normative_documents/2006/], Accessed: November 2017

¹²¹ Zheng, Yu. (ed.), *Cooperation and Competition: China, Russia and U.S. in Central Asia 1991-2007* (Beijing: Social Sciences Academic Press, 2007), pp. 62-63

stability.”¹²² Specialists in Chinese regional politics have called the SCO one of the most dynamic frameworks for regionalism in Central Asia¹²³. Indeed, from the early stages, the SCO became the platform for bilateral summits and annual joint meetings of heads of state and prime ministers, allowing for complex negotiations in a variety of sensitive issues. In May 2002, President of Tajikistan Emomali Rahmon visited China, and the two states released a joint statement promoting partnership and peaceful cooperation. In June 2002, after bilateral talks between Kyrgyzstan and China at the Summit Meeting of the SCO in St. Petersburg, President Akayev paid a working visit to China where two countries concluded a treaty of cooperation. In December 2002, president of Kazakhstan Nazarbayev also signed a cooperation treaty with China during his visit. In July 2005, Chinese President Hu Jintao returned the visit, and the two countries concluded a strategic partnership agreement. In June 2004 and May 2005, the heads of state of China and Uzbekistan exchanged visits and signed a treaty of friendship and cooperation.

However, in practice, the Central Asian states have continued to be wary of the Chinese influence in the region, notwithstanding Beijing’s attempts to alleviate those concerns. Despite bringing the countries together and successfully implementing many bilateral and some multilateral projects, the SCO has failed to achieve any full-fledged common policy. For example, one of China’s practical priorities – the creation of a free trade area, - has not yet received the necessary support from the member states. It can be said that despite the SCO’s impressive role in socializing Eurasian powers and aligning them with the Chinese strategic outlook, most states are still reluctant to grant China access to the region, similar to the problem Russia faces with its EAEU initiatives. As Oldberg points out, “just like the Russians, or perhaps even more, the Central Asian nations are afraid of the growing

¹²² M. Lanteigne, *China and International Institutions: Alternate Paths to Global Power* (London: Routledge, 2005), p. 116

¹²³ H. Zhao, “SCO at 5,” *CEFAQ*, 2006; Pan Guang, “China in the Shanghai Cooperation Organization,” in Gungwu and Yongnian (eds.), *China and the New International Order* (London and New York: Routledge, 2008)

Chinese economic strength [...] and have therefore opposed the Chinese wish for a free trade.”¹²⁴

Acknowledging power asymmetries and diverging interests of the countries in the region, China has assumed the position where it encourages shared agreements instead of shared policies. The SCO has become one of the most prominent examples of China’s multilateral approach to regionalism based on principles of loose institutionalism, non-interference in the domestic affairs of states, and creation of a common framework of normative understandings. Pan goes as far as to claim that “the current Chinese diplomatic principle of befriending and benefiting neighbors has been based firmly on this SCO success story and other related experiences.”¹²⁵ That is why the functioning of the SCO is so important for understanding China’s regional strategies, while the values and principles behind the “Shanghai Spirit” outline the new type of non-Western “soft regionalism.”

At present, the structure of the SCO includes several intergovernmental councils and working groups, with the Heads of State Council (HSC) in charge. The HSC is the main decision-making body of the SCO and consists of annual meetings of the leaders of the member states, who adopt guidelines and decisions on the most critical issues of the organization. The SCO Heads of Government Council (HGC) also meets once a year to establish the organization’s budget, discuss multilateral policies of the SCO, and to settle urgent economic and other matters. Additionally to the HSC and the HGC, the organization possesses a complex mechanism of meetings at the level of heads of parliament; secretaries of Security Councils; ministers of foreign affairs, defense, emergency situations, economy, transport, culture, education, and healthcare; heads of law enforcement agencies, supreme and arbitration courts; and prosecutor generals. The central coordination body of the SCO is the Council of National Coordinators of SCO Member States (CNC). There are only two permanent bodies in the organization – the SCO Secretariat with headquarters in Beijing and the Executive Committee of the Regional Anti-Terrorist Structure (RATS) in Tashkent. The Secretariat is the primary executive organ of the

¹²⁴ I. Oldberg, “The Shanghai Cooperation Organization,” *SDRA*, 2007, p. 35

¹²⁵ Pan Guang, “China in the Shanghai Cooperation Organization,” in Gungwu and Yongnian (eds.), *China and the New International Order* (London and New York: Routledge, 2008), p. 253

SCO as it deals with the implementation of organizational decisions, promotion of information, and management of internal activities. Other coordination and discussion bodies of the SCO include the SCO Interbank Consortium, SCO Business Council, SCO Forum, SCO Youth Council, and SCO Energy Club.

The weak institutional and legal structure of the SCO does not impede its functioning and is a conscious step towards creating a flexible cooperation mechanism in Eurasia. To this effect, the SCO law aims to ensure the member states' sovereignty and actively avoids creation of legally-binding decision-making procedures or supranational governance structures¹²⁶. Bilateralism is the main feature of the organization, where institutional and legal arrangements between countries vary and together form a loose, multi-level construct. To sum up, the "cooperative regionalism" model, as opposed to the Western integrative one, presupposes the existence of the following features:

1. Non-linear development process aimed at mutually beneficial cooperation in specific issues
2. Intergovernmental, informal cooperation mechanisms (forums, negotiations, meetings)
3. Low levels of authority delegation and authority pooling
4. No ties to a particular geographic region
5. No legally binding decision-making processes, bilateral over multilateral
6. Adherence to the principle of non-interference into domestic affairs

¹²⁶ D. Sutter, "The Shanghai Cooperation Organization: The Chinese Practice of International Law," *Zuercher Studien Zum Oeffentlichen Recht* 232, Zuerich: Schulthess Verlag, 2015, p. 673

3.1 Security challenges of the RATS SCO

Initially, the SCO was established as a security organization of a new format. Even though it has later become famous for its economic achievements, the primary goal of the organization was and continues to be security and stability in the region. However, unlike other organizations with similar aims active in the region (including the CSTO, NATO, and OSCE), the SCO has a particular definition of what constitutes a threat. The critical element of the SCO became the term “fight against the three evils”, promoted by the Chinese government and defined in the Charter of the SCO as “joint combating of terrorism, separatism and extremism in all their manifestations, fighting against illicit narcotics and arms trafficking and other types of transnational criminal activity, and also illegal migration.”¹²⁷ The “three evils” of terrorism, separatism, and extremism became the basis for the operation of the SCO in the area of security, with no mentioning of any collective defense or foreign policy coordination mechanisms (unlike the CSTO).

At the same time, the primary concern of China after the disintegration of the USSR was the demarcation of the shared borders with the post-Soviet states. The first step became the settlement of border disputes and demilitarization of the common borders. The Shanghai Five format of informal security cooperation was successful enough in addressing these issues (Agreement of Sino-Kazakhstan Border of 1994 with additional settlements in 1997 and 1998; Agreement of Sino-Kyrgyz Border of 1996 with supplementary agreement in 1999; Agreements of Sino-Tajikistan Border of 1999 and 2002), but was insufficient for the emerging non-traditional security threats such as the rise of Taliban, extremism and terrorism, increased drug and human trafficking, civil unrest in Tajikistan, the Afghanistan crisis. The need for a more formalized security format was realized in the form of the Shanghai Cooperation Organization and the Regional Anti-Terrorist Structure.

The RATS SCO was established in 2004 with headquarters in Tashkent and, together with the SCO Secretariat in Beijing, became the institutional backbone of

¹²⁷ Charter of the Shanghai Cooperation Organization, Article 1, p.2 [<http://eng.sectSCO.org>], Accessed: April 2018

the organization. The main goals and activities of the RATS are stated in the two program documents – the Shanghai Convention on Fight Against Terrorism of 2001 and the Agreement Between State Members of the Shanghai Cooperation Organization on Regional Anti-Terrorist Structure of 2002. The primary goal of the structure is to provide “assistance to coordination and to interaction of competent authorities of the Parties in fight against terrorism, separatism, and extremism.”¹²⁸ Special attention is paid to internal stability of the member states, as the Shanghai Convention on Fight Against Terrorism document explicitly mentions “violation of territorial integrity of the state” and “forcible seizure of power or violent deduction of the power, and [...] violent change of the constitutional system of the state” in its definition of separatism and extremism. This specific clause has earned the SCO the nickname of a “dictators’ club”¹²⁹ and shows the importance of maintaining the status quo for the involved parties.

Majority of the SCO security instruments are focused on the policies of protection and deterrence. With regard to protection, the organization is primarily concerned with the three internal threats – the “three evils” of terrorism, separatism, and extremism. The Regional Anti-Terrorist Structure (RATS) deals with the anti-terrorist agenda of the SCO, while deterrence function is performed by the regular military exercises of the member states “Mirnaya Missiya” (Peace Mission) since 2005.

The performance of the SCO in its security agenda can be best evaluated in its anti-terrorist and crime-preventing efforts. Unlike the CSTO, the SCO does not have a mutual assistance clause and collective forces, but it still holds regular joint military exercises “Peace Mission” on a roughly biannual basis, as well as a number of smaller-scale operations. Most drills have anti-terrorism and anti-extremism agenda, at least nominally, but include training in conventional warfare. The “Peace Missions” were held in 2005, 2007, 2009, 2010, 2012, 2013, 2014, 2016, and the

¹²⁸ Agreement Between State Members of the Shanghai Cooperation Organization on Regional Anti-Terrorist Structure, Article 3 [<http://eng.sectesco.org>], Accessed: September 2018

¹²⁹ P. Brookes, “Club for Dictators: An Ugly Agenda for Asia,” The Heritage Foundation, 2006 [<https://www.heritage.org/defense/commentary/club-dictators-ugly-agenda-asia>], Accessed: March 2018

most recent – in August 2018. The number of troops has varied from 1000 to 10000, and the scenarios involved identifying, collecting intelligence, and neutralizing potential terrorists. However, the definition of terrorists and the details of such scenarios significantly differ from those pursued by Western security organizations (e.g., the OSCE and NATO) and the CSTO. The “Peace Mission 2014” was carried against a group of supporters of a separatist movement in country X and “Peace Mission 2018” targeted a terrorist group planning a violent regime change in an unnamed Central Asian country and establishment of a new state – “The Great Caliphate.”¹³⁰ Though military cooperation of the SCO members has not yet yielded any practical results, the geopolitical message of such exercises is evident.

Apart from “Peace Missions,” the SCO has also successfully set up a platform for public security consultations between Defense Ministers, Interior Ministers, National Security Council Secretaries, Prosecutor General, and Chief Justices of the Supreme Courts of the member states. A number of more targeted bilateral and multilateral anti-terrorist drills, such as “Coalition” and “Coordination,” as well as regular exercises for law-enforcement authorities “Anti-Terror”, “Solidarity,” and “Tianshan” constitute the security backbone of the SCO deterrence and protection activities. The games under the Anti-terror series are usually conducted under the RATS SCO, are limited to a particular area, and do not include conventional warfare.

By the end of 2018, there has been 14 bilateral and multilateral counter-terrorism military exercises and over 15 smaller-scale law-enforcement training drills, and their frequency has increased from one every second year to several per year¹³¹. China and Russia have participated in most SCO drills, followed by Kazakhstan, Kyrgyzstan, and Tajikistan. The largest bilateral drills under the SCO aegis were conducted between China and Russia, but the majority of the exercises have been multilateral and have included at least one of the two regional powers.

¹³⁰ “Armii SHOS Unichtozhili Terroristov v Centralnoi Asii” (SCO Forces Defeat Terrorists in Central Asia) [<https://ru.sputniknews.kz/society/20180830/7040167/organizationSHOS.html>], Accessed: September 2018

¹³¹ M. de Haas, “War Games of the Shanghai Cooperation Organization and the Collective Security Treaty Organization: Drills on the Move!” *The Journal of Slavic Military Studies*, 29:3, 2016, p. 382

Another important aspect of the SCO functioning is the intelligence exchange and extradition mechanism. By 2017, the SCO had reportedly prevented over 600 terror plots, neutralized over 400 terrorist training camps and 1700 members of international terrorist organizations, as well as extradited over 500 terrorists under RATS coordination. The authorities of the member states also managed to reveal over 600 illegal weapons bases and confiscated more than 10.000 units of weaponry and 50 tons of explosives¹³². The main activities in combating terrorism and extremism are outlined in the program documents of the SCO: the Shanghai Convention on Combating Terrorism, Separatism, and Extremism, the SCO Convention against Terrorism and the SCO Cooperation Program for Combating Terrorism, Separatism, and Extremism for 2016-2018 (short-term strategy)¹³³. The members pledge to further cooperate in the spheres of anti-extremism and counter-terrorism following the UN conventions and resolutions. However, the SCO has not yet managed to expand its activities beyond coordinated border control and intelligence sharing.

The same problem exists concerning the drug- and human-trafficking agenda of the SCO. Despite the traditional pledges of the SCO to provide an effective strategy to counter the drug threat in Eurasia, the actual results remain ambiguous. Since 2012, the SCO has implemented a three-tier intra-organizational mechanism for cooperation between member states' anti-drug agencies. The mechanism includes joint expert and executive consultations aimed at preventing illegal drug trafficking in the region, neutralizing transnational crime rings, and blocking the channels for the delivery of precursors. According to the report of the Secretary-General of the SCO Rashid Alimov, from 2011 to 2017 the relevant authorities of the SCO member states managed to confiscate over 3000 tons of narcotics, accounting for nearly 40% of all marijuana and heroin confiscated in Eurasia over

¹³² "The Role of the Shanghai Cooperation Organization in Counteracting Threats to Peace and Security," *UN Chronicle*, 2017 [<https://unchronicle.un.org/article/role-shanghai-cooperation-organization-counteracting-threats-peace-and-security>], Accessed: June 2018

¹³³ The Astana Declaration of the Heads of State of the Shanghai Cooperation Organization, 2017, p. 4 [<http://eng.sectsc.org>], Accessed: September 2018

this period¹³⁴. At the same time, the SCO lacks common policies and does not facilitate joint multilateral efforts in combating illegal drug- and human trafficking by limiting its activities to the areas of consultations, information exchange, and border control.

The main barrier to effective security cooperation under the SCO framework is the divergence of interests between member states. The diffused leadership of the SCO prevents the organization from creating and enforcing a cohesive security strategy. From the start, Russia has viewed the SCO mainly as a political-military cooperation platform, while China has pursued an increasingly economic agenda (until the start of the Belt and Road initiative)¹³⁵. At the same time, both Russia and China have opposed the rapprochement of Central Asian members with the West despite the professed principles of “non-interference.” The Astana Declaration of 2005 voiced those concerns by stating that “the Member States deem it necessary for the relevant participating states of the antiterrorist coalition to set a deadline for the temporary use of said infrastructure and presence of their military contingents in the territory of the SCO member states.”¹³⁶ The difference in opinions renders the organization ineffective, both in military cooperation and in its joint crime-combating activities. Similar to the CSTO, the SCO has failed to react to regional challenges as shown by the organization’s inaction and lack of general consensus concerning the 2005 and 2010 uprisings in Kyrgyzstan, and the 2008 military action in Georgia¹³⁷. In its counter-terrorism agenda, the SCO provides limited data on the practical results of its joint operations and focuses mostly on information exchange and personnel training.

¹³⁴ R. Alimov, Speech at the 61st Session of the UN Commission on Narcotic Drugs, 2018 [<http://rus.sectsco.org/news/20180517/426438.html>], Accessed: October 2018

¹³⁵ N. Contessi, “China, Russia and the Leadership of the SCO: A Tacit Deal Scenario,” *China and Eurasia Forum Quarterly*, 8:4, 2010, p. 103.

¹³⁶ The Astana Declaration of the Shanghai Cooperation Organization, 2005 [<http://eng.sectsco.org>], Accessed: September 2018

¹³⁷ R. Weitz, “Shanghai Summit Fails to Yield NATO-Style Defense Agreement,” *Journal of Slavic Military Studies*, 2006, pp. 41–42.

3.2 Economic achievements of the SCO

Despite initially being a regional security bloc, the SCO has gradually expanded its agenda to cover the areas of economics, energy, and transport. However, the SCO does not follow the Western model of economic integration in which maximum unification is achieved through delegating a significant part of sovereignty to supranational institutions. On the contrary, the organization's consensus type of decision-making emphasizes the equality of all participants regardless of their size and power.

Economic cooperation with Central Asia has been Beijing's top priority since the very inception of the SCO and ran contrary to Russia's interests in the region, which viewed the SCO as an exclusively political-military organization. The disagreement about the future development of the organization led to a two-year-long deadlock from 2006 to 2008, until Russia and China struck a compromise and initiated further economic talks. However, most of China's multilateral economic initiatives under the SCO were not passed, including the Free Trade Area idea actively pushed by Beijing from 2003 by 2007, along with the SCO Development Bank, Food Security Cooperation Mechanism, E-Commerce Platform, and other proposals.

However, despite disagreements between the two leaders of the organization, the economic agenda has gradually gained prominence and came to the forefront of the organization's activities. The 2004 Council laid grounds to the further economic cooperation between the SCO member states outlined in the Action Plan for the Program of Multilateral Economic Cooperation. The plan included over 100 projects in the energy, transport, telecommunications, agriculture, production of household appliances, light and textile industry, tourism, and water and ecology sectors. During the same meeting, Wen Jiabao also proposed the creation of a Free Trade Zone among the SCO countries. It was decided to postpone the FTA talks temporarily, but

the establishment of a trade zone on the SCO space was included in the long-term development plan until 2020¹³⁸.

The SCO legal economic framework consists of 122 documents facilitating interaction between parties in trade, banking, finance and investment, manufacturing, agriculture, transport, telecommunications, customs, and tourism. The current vector of cooperation under the SCO framework is outlined in the Program of Multilateral Trade and Economic Cooperation of the SCO Member States adopted in 2003 and the List of Measures for Further Development of Project Activities within the SCO in 2017-2021.

Unlike the EAEU, it is hard to measure the practical indicators of SCO performance. First of all, the SCO is not aimed at full economic integration, but rather supposes a gradual increase in bilateral cooperation and trade between member states. Thus, the indicators used to evaluate the macroeconomic convergence between member states in the EAEU are not applicable in the case of the SCO. Secondly, instead of pursuing common policies, the SCO model fosters bilateral projects. There is no single executive body in the SCO, but a complex multi-level system of meetings, forums, and consultations for each separate issue. Consequently, the indicators for convergence of monetary and fiscal policies will also be excluded from the evaluation.

Same indicators measuring economic cooperation as for the EAEU will be applied: total GDP of the SCO, PPP, foreign trade turnover with third countries, and mutual trade between SCO countries. The mutual trade data will also be provided for the most prominent pairings to get a better measure of bilateral trade dynamics. The period measured will be 2001-present day, with static points for 2001 (conditions before establishment of the SCO), 2008 (first enlargement of the SCO with inclusion of India, Pakistan, and Iran as observers), and 2012 (second enlargement of the organization with inclusion of Sri-Lanka, Belarus, and Afghanistan as observers; conditions before accession of Pakistan and India as full-fledged members), and 2013 through to 2017 (most recent results).

¹³⁸ Li Jinfeng and Wu Hongwei (eds.), *Strategy for Security in East Asia: Shanghai Cooperation Organization* (Social Sciences Academic Press, China, 2016), p.93

Table 2.3: Dynamics of the SCO economic development 2001-2017 (+ India and Pakistan in 2017)

	2001	2008	2012	2013	2014	2015	2016	2017
GDP (billion USD)	1 680	6 430	11 041	12 172	12 776	12 695	12 690	14 035
GDP Growth Rate (average %)	7.76	7.25	5.33	6.98	5.12	3.86	4.43	5.21
Foreign Trade Turnover (billion USD)	658	3 313	4 710	5 141	5 197	4 469	4 128	5 477
Mutual Trade Turnover (billion USD)	14	114	157	155	153	109	110	217
Regional Trade (% from Total Trade)	2.08	3.3	3.2	2.9	2.85	2.38	2.59	3.8

Overall, economic cooperation under the SCO maintains stable growth rates, with several setbacks suffered in 2008-2009 due to the global crisis (affected all SCO countries), the oil price collapse in 2014 (affected oil exporters), and sanctions regime against Russia after the Ukraine conflict (mainly affected Russia). China has remained the largest trade partner of the SCO countries, with the trade volumes picking up majorly after 2001. China – Kazakhstan trade in goods increased 13 times from 1.28 billion USD in 2001 to 17.5 in 2008, and 25.6 in 2012¹³⁹. The largest share of the intra-regional trade turnover is still between Russia and China, growing from 10.6 billion USD in 2001, to 56.8 in 2008, and 88.1 in 2012. By 2013, the total volume of mutual trade turnover between SCO countries exceeded 150 billion USD, with over half of it being between Russia and China. However, the share of intra-regional trade in the total trade turnover of the SCO members is still rather low – only around 3%.

¹³⁹ UN COMTRADE Database [<https://comtrade.un.org>] and International Trade Center Trade Map [<https://www.trademap.org/Index.aspx>], Accessed: September 2018

Table 2.4: Dynamics of bilateral trade volumes between China and the SCO members 2010-2017¹⁴⁰

	2001	2008	2012	2013	2014	2015	2016	2017
China - Russia	10.6	56.8	88.1	89.2	95.1	67.9	69.5	84.2
China - Kazakhstan	1.28	17.5	25.6	28.5	22.4	14.2	10.1	17.8
China - Kyrgyzstan	0.1	9.3	5	5	5.2	4.3	5.6	5.4
China - Tajikistan	0.01	1.4	1.8	1.9	2.5	1.8	1.7	1.3
China - Uzbekistan	0.05	1.6	2.7	4.5	4.3	3.4	3.6	4.2
China - India	3.6	51.7	66.4	65.3	70.5	71.5	70.1	84.3
China - Pakistan	1.4	7	12.3	14.2	15.9	18.8	19.1	20

In 2014, the trade turnover between Russia and China was on the track to reach the 100bln USD mark and totaled approximately 96bln USD as reported by the Chinese Customs Department. After the oil price collapse from 115 USD per barrel in June 2014 to less than 35 USD in February 2016, the economies of Central Asia and Russia suffered a noticeable blow, aggravated by the sanctions regime imposed on one of the two big regional powers – Russia. As can be seen in the table, these factors had a negative influence on the economic growth of the most SCO countries and impeded bilateral trade between the members.

The negative trend started in 2015 when the volume of Chinese exports to Russia fell by 34% in 2016 compared to 32.9 billion USD and the trade turnover between the two countries decreased further by 27.8% to 64.2 billion USD. In 2017 with the inclusion of India and Pakistan, the intraregional trade started to stabilize and showed an improvement over the previous two years, reaching unprecedented 217.6 billion USD as reported by China’s Ministry of Commerce.

¹⁴⁰ UN COMTRADE Database [<https://comtrade.un.org>], Accessed: August 2018

Sino-Russian relations continue to be the backbone of the organization. The two countries set the goal to reach 80 billion trade turnover by the end of 2017, and are confident that the 100 billion USD mark will be reached in 2018-2019¹⁴¹. Long-term plans also include boosting bilateral trade with China to 200 billion USD by 2024¹⁴². However, despite the recent worsening of relations between Russia and its Western partners, the EU remains Russia's leading trade partner, with China accounting for only 15% of the country's total trade revenue. Trade with the SCO partners also accounts for barely over 5% of China's total turnover. To increase bilateral economic cooperation under the SCO format, the two countries have established a "payment versus payment" (PVP) system for mutual trade in Chinese yuan and Russian ruble and set a Russian-Chinese 68 billion yuan (over \$10 billion) investment fund. The inclusion of the two new members has also yielded visible results: in 2015-2017, India-Russia trade turnover has increased from 6.1 billion USD to 10 billion USD, India-China from 71.5 billion USD to 84.3 billion USD, and total trade between India and the SCO countries grew from 80.1 billion USD to 98.8 billion USD. Pakistan has also shown a positive trend in trade volumes with its SCO partners, totaling 20 billion USD in 2017 compared to 12.9 billion USD in 2015 in bilateral trade with China.

The SCO's economic activities have expanded over the years to cover areas from trade to energy, transportation, manufacturing, agriculture, and IT. The main tools for such cooperation remain large-scale bilateral projects and investments. The biggest bilateral projects in energy include the "Power of Siberia Pipeline" and the Yamal LNG gas pipeline, the extension of the Skovorodino-Daqing oil pipeline between China and Russia, the 2228km Atyrau-Alashankou oil pipeline between China and Kazakhstan, and the extension of the eastern corridor of the Kazakhstan – Uzbekistan pipeline. All in all, the four lines of the China-Central Asia Pipeline are expected to supply up to 80 billion cubic meters of gas per year by 2020. The major infrastructure projects also include the Lianyungang-Hamburg railway

¹⁴¹ "China's Trade with Russia Will Soon Reach 100 Billion" [<https://www.rt.com/business/421780-russia-china-trade-turnover/>], Accessed: November 2018

¹⁴² "Russia Plans to Boost Trade with China to 200bn USD by 2024"

[<https://www.rt.com/business/439594-russia-china-trade-turnover/>], Accessed: November 2018

through Kazakhstan (considered the main competitor to the Trans-Siberian railway¹⁴³) and the 770-km Moscow-Kazan High-Speed Railway with the potential to connect Moscow to Beijing¹⁴⁴ (the joint venture China's CRRC and Russia's Ural Locomotives enterprise).

China is also the largest investor into the SCO economies. From 2001 to 2012, the volume of Chinese investments increased 21 times (over 22bln USD). At the beginning of 2006, China's cumulative investment in Central Asia amounted to almost 7bln USD, mainly in oil and gas, transportation, telecommunications, agriculture, railways, electricity generation plants and equipment, urban infrastructural projects, and engineering sectors. Majority of the investments is provided through the Asian Development Bank. Directly through the SCO China opened a 10bln USD credit line to the member states for economic development and maintaining financial stability after the 2008 crisis. In 2011, the Export-Import Bank of China raised the credit amount to 12bln USD and realized over 50 socio-economic projects in the region. After the signing of the SCO Agreement on International Road Transportation Facilitation and the start of the BRI, the increased connectivity lead to a 20.7% trade growth between China and the SCO members in Q1 of 2018 compared to the same period in 2017, and China's cumulative investment into the SCO members has reached 84bln USD¹⁴⁵.

Despite the enlargement of the SCO membership and existing disagreements between its core members, the organization's flexible structure provides strategic space for bilateral negotiations, joint consultations, and further deepening of economic cooperation. With the launch of the Belt and Road initiative, China and Russia have reached a compromise about the main vectors of the SCO development.

¹⁴³ Logistics Performance Index, The World Bank [<http://www.lpisurvey.worldbank.org>]; The Networked Readiness Index 2013, World Economic Forum [http://www3.weforum.org/docs/GITR/2013/GITR_OverallRankings_2013.pdf], Accessed: September 2018

¹⁴⁴ "Will the Moscow-Kazan High Speed Train Route Connect Through To Beijing?" [<https://www.russia-briefing.com/news/will-moscow-kazan-high-speed-train-route-connect-beijing.html/>], Accessed: September 2018

¹⁴⁵ "Economic Watch: SCO in closer ties with Belt and Road Initiative," *Xinhua*, 09 June 2018 [http://www.xinhuanet.com/english/2018-06/09/c_137241789.htm], Accessed: September 2018

At present, the SCO functions as an effective platform for the coordination of large-scale trade, production, infrastructure, and energy projects. China views economic cooperation as key to establishing peace and security in the region, while Russia sees anti-terrorist joint activities as the priority. India has also expressed its opposition to the BRI and Chinese economic ambitions in the region¹⁴⁶. However, the focus on bilateral relations allows finding solutions to specific problems for each country in the region.

3.3 Performance evaluation of the SCO

Western experts often view the weak institutional and legal structure of the SCO as a barrier towards successful regional cooperation. However, the “soft regionalism” approach of the organization makes it resilient to the challenges of the highly volatile region. Despite dealing with fundamental tactical disagreements among the regional leaders – Russia and China, and, most recently, India, – the SCO has developed to become a significant regional and global entity. The loose structure and consensus-finding decision-making mechanism have allowed the organization to adapt to the differing goals of its members.

The SCO performance can be seen as a dynamic process, where the agenda and governing rules evolve to cover new members, new issues, and new goals. Over the years, the SCO has broadened its spheres of activity from tradition security and border regulation to cyber-security, economic and cultural cooperation, energy, infrastructure, tourism, and more. The SCO as a representative of the non-Western type of regionalism is a consultative and coordinative organization. Such approach to region-building, centered around creating common understandings and strategies rather than policies, has proved to be economically more efficient than that of the EAEU. The mixture of bilateral and multilateral cooperation in specific issue-areas

¹⁴⁶ “India Breaks Ranks with SCO, Refuses to Endorse China's Belt Road Initiative” [https://thewire.in/diplomacy/india-breaks-ranks-with-sco-refuses-to-endorse-chinas-belt-road-initiative], Accessed: August 2018

has allowed countries to participate in projects they are interested in and has reduced the fears to become dominated by one of the regional leaders.

However, the loose structure and open regionalism of SCO have had more positive effects on cooperation in economic sphere than in security. The lack of a strong center capable of ensuring budget funding, enforcing cohesive security agenda, and forging single security policy in the region limits the SCO activities to coordination and exchange of information. While such loose cooperation is inherent to the style of governance and functioning of the Asian regionalism model, elements of a more structured security organization may be necessary for further development of the SCO.

At the same time, the SCO is often seen by its members as a platform to promote their national interests in the region and is an important geopolitical tool in Eurasia. It provides its members with unique economic and security opportunities, and serves as a hedging instrument for the middle and small powers. The stated goal of the SCO to fight the “three evils” of terrorism, extremism, and separatism aligns well with the aims of non-democratic governments of the majority of the SCO members. As the theory of “regime-boosting regionalism” predicts, in non-democratic setting leaders look to regional organizations to boost their image and enhance their legitimacy domestically and globally. For the unstable Central Asian states, the SCO with its specific goal of preventing separatism and violent regime change provides a platform for establishing cooperation with like-minded partners. Two of the regional leaders – China and Russia – have used the SCO to promote their anti-Western agenda through the “Peace Mission” exercises, while the recently joined India and Pakistan have viewed the joined drills as an opportunity to mend relations. So far, the most significant strategic achievement for Sino-Russia cooperation under the SCO framework has been the 2005 joint declaration forcing the US to withdraw its military bases from Uzbekistan and Kyrgyzstan.

The members of the SCO share similar domestic problems and face same regional threats. Externally, the rise of Taliban and the uneasy proximity to Afghanistan have put to the forefront the problems of illegal drug- and human trafficking, extremism and international terrorism. Domestically, most countries in the region have long-standing border conflicts, tense relations with ethnic minorities,

and semi-autocratic regimes with the Western-backed opposition. Russia faces separatist and extremist movement in Chechnya and Dagestan regions, China has tense relations with Tibet, Taiwan, and Xinjiang; India and Pakistan have a conflict over Kashmir, Uzbekistan and Kyrgyzstan have violent disputes over the Fergana Valley, and a number of other smaller-scale domestic and border disputes. The wave of “Color Revolutions” on the post-Soviet space further underlined the geopolitical need for the SCO. After the 2003 “Rose Revolution” in Georgia and 2004 “Orange Revolution” in Ukraine, Central Asian governments turned to the SCO for support. Already in 2005, after the Andijon incident in Uzbekistan, both China¹⁴⁷ and Russia¹⁴⁸ backed President Karimov in the midst of the Western disapproval.

For China, the SCO is a useful instrument to promote its regional interests, get access to the energy resources and markets of Central Asia, coordinate its global strategies with Russia, and stabilize the neighboring countries through increased economic cooperation. Moreover, in recent years, the SCO became an important platform for the establishment of the Belt and Road economic zone. For Russia, participation in the SCO is a necessary step to maintain its regional influence and to hedge against China. Negotiating through the SCO mechanisms, the two regional leaders can balance their interests and strategies in Eurasia. In the SCO, Russia has enough influence to curb Chinese economic initiatives (for example, blocking the SCO FTA plans and promoting the political-military cooperation under the organization). At the same time, China has also exerted its power to limit Russian activities, for example, by placing a tacit moratorium on accepting new members from 2006 to 2010¹⁴⁹.

¹⁴⁷ “China Backs Uzbek, Splitting with U.S. on Crackdown,” *The New York Times*, 25 May 2005 [https://www.nytimes.com/2005/05/25/world/europe/china-backs-uzbek-splitting-with-us-on-crackdown.html], Accessed: July 2018

¹⁴⁸ “Vladimir Putin Opravdal Doverie Islama Karimova” (Vladimir Putin Lived Up to the Expectations of Islam Karimov), *Kommersant* [https://www.kommersant.ru/doc/587878], Accessed: August 2018

¹⁴⁹ I. Denisov, and I. Safranchuk, “Four Problems of the SCO in Connection with Its Enlargement,” *Russian Politics and Law* 54, 5:6, 2016, pp. 494 – 515.

The SCO is seen by both Russia and China as a platform to coordinate their Eurasian region-building efforts: China's Belt and Road initiative (BRI) and Russia's Eurasian Union project. The complementary nature of the SCO and the BRI is especially evident in the energy and infrastructure projects spearheaded by China in Central Asia. For Russia, the SCO is a window to spread its Eurasian ambitions to the rest of Asia, especially India (one of Russia's biggest arms trade partners¹⁵⁰), Pakistan, and ASEAN countries. Russian leadership sees the organization as "a natural negotiating venue for this partnership, provided that it is infused with more energy and openness and turned from a purely regional organization into an organization of organizations and a discussion forum."¹⁵¹

For India, joining the SCO gives access not only to new markets but also to a non-Pakistan centered security platform. Similar to the rest of the members, India is interested in the stable and peaceful development of the region and curbing the threat from Afghanistan, at the same time promoting its image as a global power. Additionally, all SCO members expect India to play a role of the balancer between China and Russia¹⁵², promoting inclusiveness of the decision-making processes under the SCO.

For other members of the SCO, the organization provides necessary balancing opportunities to establish mutually beneficial relations with regional powers of China, Russia, and India. At the same time, the SCO membership helps Central Asia states develop multilateral international relations and enter negotiations with the Western countries and organizations from a stronger bargaining position. Moreover, the SCO projects increase the connectivity of the Eurasian continent, opening new markets and fostering economic development in the landlocked, poorly connected regions. For Pakistan, in particular, the SCO allows to avoid international

¹⁵⁰ Stockholm International Peace Research Institute Database

[<http://armstrade.sipri.org/armstrade/page/values.php>], Accessed: October 2018

¹⁵¹ V. Putin, "Toward the Great Ocean - 5: From the Turn to The East to Greater Eurasia," *Valdai Discussion Club Report*. Moscow: Valdai Discussion Club, 2017

¹⁵² "India may play role of balancer between Russia and China at SCO"

[<https://economictimes.indiatimes.com/news/defence/india-may-play-role-of-balancer-between-russia-and-china-at-sco/articleshow/64487287.cms>], Accessed: August 2018

isolation and opens access to an influential platform to voice its interests and concerns.

Outside of the region, the SCO has also managed to establish working ties with prominent international and regional organizations. The SCO follows the pragmatic goal-oriented approach in its external relations by engaging with potential partners exclusively in the areas of its interests. The SCO's international partners include the UN agencies and regional organizations where Russia and China are members (e.g., CIS, EAEU, ASEAN, ECO, ICRC, Interpol) and are typically regulated in the form of Memorandums of Understanding. Cooperation with the relevant agencies of the UN has been the priority of SCO's external relations since its establishment. In 2004, the SCO gained the status of observer and since then has had the right to participate in the sessions of the UN General Assembly.

Regarding the organization's attractiveness to new members, the SCO has also proved to be a successful organization. At present, the most important achievement of the SCO has been the inclusion of Pakistan and India during the 2017 SCO Summit in Astana. Out of the eight current members of the SCO, there are four nuclear powers Russia, China, India, and Pakistan – half of the world's nuclear club. The talks of Iran moving from observer to full member status have also been on the recent agenda of the SCO summits after the removal of the UN sanctions in 2016¹⁵³.

¹⁵³ "Could the SCO Expand into the Middle East?" *The Diplomat*, February 2018
[<https://thediplomat.com/2018/02/could-the-sco-expand-into-the-middle-east/>], Accessed: February 2018

Chapter 4

Comparing the two models of regionalism

After analyzing the performance of the two regional organizations in relation to the same issues in the security and economic areas, it becomes evident that despite pursuing similar goals, the EAEU and the SCO show remarkably different results. The two regional leaders chose two contrasting approaches to region-building, which naturally accounts for the differences in the levels of their achievement. However, a comprehensive comparison between the two organizations is necessary to identify the specific features of each model responsible for the observed outcomes.

Before introducing the comparative framework, it is important to analyze the main strategies employed by Russia and China in Central Asia outside of the formalized formats. Regional policies of the two powers have historically influenced the development of the Eurasian region. After the 1991, the search for its post-USSR identity became the primary vector of Russia's policy. The concept of Greater Eurasia and the central role of Russia as a bridge between Asia and Europe has been a major part of Moscow's state- and region-building in the last decades¹⁵⁴. Russia has actively tried to present itself as a European country by propelling several integration initiatives modeled after the EU in the post-Soviet space. At the same time, Russia has also been active in the Chinese-led formats as part of its "Turn to the East" politics. This dichotomy is evident in the organization and functioning of the biggest Russian-led regional project – the Eurasian Union.

Historically, Central Asia used to be in the sphere of interest of the Russian Empire and, later, the Soviet Union. After the disintegration of the USSR, the Chinese government immediately recognized the Russian Federation and the other fourteen republics and became one of the first partners for the newly-independent states. China started to actively pursue its interests in Central Asia offering loans and credits, organizing visits and meetings, and establishing economic ties with the

¹⁵⁴ S. Karaganov, "From East to West, or Greater Eurasia," [<https://eng.globalaffairs.ru/pubcol/From-East-to-West-or-Greater-Eurasia-18440>], Accessed: July 2018

region. By 1993, leaders of the former Soviet republics were visiting Beijing almost monthly¹⁵⁵ and by 1994, then-Premier Li Peng had himself visited Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, and Mongolia. In 1996, President Jiang Zemin also came for a visit to Uzbekistan, Kyrgyzstan, and Kazakhstan, where countries signed joint statements of cooperation with China.

These visits point to the importance of Central Asia for the Chinese regional politics. On the one hand, China immediately recognized the threat that the break of the Soviet Union meant for the regional security (especially in the context of the Afghanistan war and the 1992 civil war in Tajikistan). The spillover of regional conflict and spread of religious extremism could easily destabilize the situation in the Xinjiang province, as well as complicate already tense relations with Taiwan¹⁵⁶.

On the other hand, China was concerned with its still ongoing border issues and their settlement became another important drive for regional cooperation between the countries. Thus, after signing the first agreement with Russia concerning the eastern section of the border in 1991, Beijing on one side and Russia, Kazakhstan, Kyrgyzstan and Tajikistan on the other, began intense border negotiations. In 1994, China signed a border agreement with Kazakhstan during Premier Li's visit, and in 1996 – with Kyrgyzstan during President Jiang's visit. The negotiations with Tajikistan turned out to be the most challenging, mostly due to the size of the disputed territories – over 28,000 square kilometers, or about 20% of Tajikistan's total area, and were further complicated by the unstable situation in the country after the civil war¹⁵⁷.

It was against this background of border negotiations and demilitarization talks that the heads of states of China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan started the “Shanghai Five” format in April 1996. The main purpose of the new platform was to create a diplomatic dialogue between the countries and to establish favorable conditions for the stable development of mutual relations. The

¹⁵⁵ Qu Xing, “Shilun Dong'ou Jubian he Sulian Jieti Hou de Zhingguo Duiwai Zhengce” [Discussion of China's Foreign Policy since the Radical Changes in Eastern Europe and the Disintegration of the Soviet Union], *Journal of Foreign Affairs College*, 37, 1994, p. 21

¹⁵⁶ R. Sutter, *China's Rise* (Lanham, MD: Rowman and Littlefield, 2005), pp. 249 – 253

¹⁵⁷ A. Sodiqov, “Tajikistan Cedes Disputed Land to China,” *Eurasia Daily Monitor*, 8:16, 2011

first order of business was to reduce militarization of borders, and the five governments agreed to notify each other of any military activities in the border vicinity as well as to decrease the number of deployed troops to a maximum of 134.000 within the 100km radius of the shared border¹⁵⁸.

In 1997, China and Kazakhstan signed two historical 9.5 billion USD agreements for the development of oil and gas fields and construction of over 3000 kilometers of pipelines to China and Iran¹⁵⁹. This event marked a new era of relations in the region and for the first decade outlined the main area of bilateral cooperation. Together with the growth of non-border security issues, the so-called “three evils” - extremism, separatism, and terrorism, – the increased energy trade enforced the need for deeper cooperation between all actors in the region.

Last, but not least, in line with the USA’s policy of “containment” of China, Beijing became wary of the growing Western military presence in Central Asia. After the 1997 military exercise in Kazakhstan and Uzbekistan sponsored by the Partnership for Peace, the Chinese government became increasingly concerned with the Russian weakening in the region and potential expansion of NATO into the post-Soviet space¹⁶⁰. Better cooperation with Central Asia and Russia in international affairs and maintaining the balance of power in the region became another vector of Chinese regional politics in Eurasia. By 1998, China and the Central Asian republics showed a united front by condemning the Indian nuclear test, and in 1999 jointly advocated for state sovereignty and non-intervention during the Kosovo conflict¹⁶¹. The common concern for Afghanistan resulted in the proposition of a “six plus two” format – a mechanism of peaceful regulation within the UN framework with the participation of China, Uzbekistan, Tajikistan, Turkmenistan, Pakistan, and Iran plus

¹⁵⁸ Center of SCO Studies, 2003, p. 1

¹⁵⁹ R. Sutter, *Chinese Policy Priorities and Their Implications for the United States* (Lanham, MD: Rowman & Littlefield, 2000), p. 142

¹⁶⁰ Guang Wan, “Meiguo de Xin Zhong Ya Zhanlue” [The U.S. New Central Asian Strategy], *Xiandai Guoji Guanxi [Contemporary International Relations]*, 11, 1997, pp. 13-16.

¹⁶¹ I. Komissina and A. Kurtov, “Kitai i Centralnaya Asia: Problemy i Perspektivy Sotrudnichestva” [China and Central Asia: Problems and Perspectives of Cooperation], *Novaya Evraziya: Rossiya i Strany Blizhnego Zarubeshiya*, 2003, p. 31

the USA and Russia. In 1998, the “Shanghai Five” also agreed with Kyrgyzstan’s proposal to create a joint anti-terrorism center for coordination.

China continued to support various regional security initiatives proposed by the Central Asian republics, including the Asian Mutual Cooperation and Confidence Measures Conference initiated by Kazakhstan, the Tashkent Forum on Central Asian Security and Cooperation Issues, the Dialogue on the Central Asian Nuclear-free Zone proposed by Uzbekistan in 1993, and the Lake Issyk-Kul Forum called for by Kyrgyzstan in 1995. These gestures of support, as well as the growing importance of the annual summits of the “Shanghai Five”, became the basis for the establishment of the Shanghai Cooperation Organization, and the issues faced by the region became an integral part of the mission of the new organization.

Russia has also shown interest in Central Asia despite being weakened by the disintegration of the USSR and internal restructuring processes. The new Union was initially established by Russia, Belarus, and Ukraine in 1991, and by 1993 all of the post-Soviet states except for the Baltic States had joined it. Under the Commonwealth of Independent States (CIS) Russia tried to apply a new format of region-building and maintain its influence in the region. The main document of the CIS – the Charter of the Commonwealth, adopted on 22 January 1993, outlines political and economic goals of the organization reminiscent of the Chinese principles of good neighborliness. The Charter states that the CIS is “based on principles of sovereign equality of all its members” and aims at “further development and strengthening of the relationships of friendship, good neighborhood, inter-ethnic harmony, trust, mutual understanding, and mutually advantageous cooperation among the Member States.”¹⁶²

However, while the premises and the idea behind the union are similar to that of the Shanghai format, the practical implementation of the Russian project was very different. Since the CIS Charter stated only the general goals of the union, the most important issues became the formalization of economic and security cooperation between the countries. The Economic Union Treaty of 1993 became the basis for future initiatives for economic cooperation between former Soviet states,

¹⁶² Charter of the CIS [<http://www.cis.minsk.by/>], Accessed: April 2018

while the Collective Security Treaty of 1994 became the basis for military cooperation.

The Economic Union Treaty was aimed at “forming favorable conditions for stable development of economies of the Member States in order to improve the standard of living of their population; creating common economic space based on market relationships; ensuring equal opportunities and guarantees for all economic entities; implement mutually beneficial projects; and cooperating in solving ecological problems and disaster prevention.”¹⁶³ The main practical goals became the establishment of the full-fledged free trade zone and an economic union between member states. In 1994, the leader of the Republic of Kazakhstan Nursultan Nazarbayev proposed the creation of an economic union on the Eurasian space¹⁶⁴. In 1995, Kazakhstan, Belarus, and Russia signed the Agreement on the Customs Union that aimed to effectively remove obstacles to free economic interactions between countries and to ensure free trade and fair competition. By the late 1990s, the trend for formalized Eurasian regionalism has started to take shape.

The cases of the EAEU and the SCO present a unique opportunity to compare not only two different regional structures but two different philosophic and political views. Russian-led initiative adopts formal aspects of the European Union and applies it in the Eurasian context. While it is possible to say that the EAEU emulated the form of the EU but failed to incorporate its deeper values, the main principles of its development are still reminiscent of the Western approach. The format of regionalism suggested by China is, on the other hand, informed by the values of Asian pragmatism and aims to “to promote, or at least reinforce, the norm of sovereignty.”¹⁶⁵ The principles of economic and political integration prevail in Russian region-building theory and practice, following functionalist and neo-functionalist theories of spillover and the 5-step Balassa scheme of integration. The

¹⁶³ Economic Union Treaty [<http://www.cis.minsk.by/>], Accessed April 2018

¹⁶⁴ President of Kazakhstan Nursultan Nazarbayev on Eurasian integration, from 1994 Speech at the Moscow State University [http://www.eaeunion.org/upload/iblock/006/1994_1_1.jpg], Accessed: March 2017

¹⁶⁵ M. Moore, “China Extends Influence into Central Asia,” *Telegraph*, 18 October, 2008, p.43

essential part of China’s regional efforts are the principles of respect for sovereignty and non-interference¹⁶⁶.

Comparison between the two organizations can be organized along key parameters present in both regional models. The integrated framework takes into account the main points made by the leading theoretical approaches and allows to conduct a side-by-side comparison of the two regional formats in relation to their key aspects. Such an approach was suggested by L. Fioramonti and F. Mattheis in their comparative analysis of the European Union and the African Union. By highlighting key elements and contested themes of the traditional and new regionalism, they proposed the following dimensions for comparison: the process of integration (linear or non-linear), institutional structures (formal or informal), leadership (state-centric and diffused), membership (inclusive or exclusive), drivers (economic integration or social cohesion), attitude to sovereignty (pooling or delegation), and the type of regional identity (geographic or socially constructed)¹⁶⁷. Applied to the case of Eurasian regionalism, it allows to identify observable elements in the proposed tripartite framework of ideational/organizational/power distribution dimensions and to conduct a comprehensive analysis of two different regional structures.

Table 3: Comparison of the organizational processes of the EAEU and the SCO

Dimension	Variable	SCO	EAEU
Ideational	Approach to Sovereignty	<p>Low levels of delegation and low levels of pooling of authority</p> <p>Levels of cooperation, non-binding agreements, consensual decision-making, no supranational institutions</p>	<p>Medium levels of delegation and medium levels of pooling of authority</p> <p>Legally binding agreements, common decision-making based on qualified majority rule, dispute settlement mechanism</p>

¹⁶⁶ J. Kurlantzick, *Charm Offensive: How China’s Soft Power is Transforming the World* (Yale: Yale University Press, 2007), p.44

¹⁶⁷ L. Fioramonti and F. Mattheis, “Is Africa Really Following Europe? An Integrated Framework for Comparative Regionalism,” *JCMS: Journal of Common Market Studies*, 54:3, 2016, pp.674-690

	Regional Identity	Shanghai Spirit (Asian pragmatism)	Eurasianism (Western formalism)
		Principles of “mutual trust, mutual benefit, equality, consultations, respect for the diversity of cultures and aspiration toward common development.”	
Organizational	Development Process	<p>Non-linear</p> <p>Confidence building measures adopted by China, Russia and the newly independent Central Asian states following the dissolution of the Soviet Union</p> <p>From cooperation in security to cooperation in such areas as trade, science, technology, culture, energy, environment, and so on.</p>	<p>Linear</p> <p>Eurasian Union project proposed in 1994</p> <p>Follows a standard linear Balassa scheme of integration: FTA (2003 and 2011) – Customs Union (false start in 1995, working in 2010) – Common Economic Space (EurAsEc in 2000 and SES in 2012) – Eurasian Union (2015)</p>
	Institutional Design	<p>Informal</p> <p>Evolved from semi-formal meetings of Shanghai Five into the full-fledged international organization in 2001</p> <p>Only two permanent bodies: SCO Secretariat and RATS, no common governing institutions</p> <p>Intergovernmental informal governance</p>	<p>Formal</p> <p>Formalized institutional structure with elements of supranational and intergovernmental governance</p> <p>Supranational body: Eurasian Economic Commission</p> <p>Executive branch: Board of the EEC, Eurasian Intergovernmental Council</p> <p>Regulatory branch: EEC, Supreme Eurasian Council</p> <p>Judicial branch: Court of the Eurasian Union</p>

Power Distribution	Membership	<p style="text-align: center;">Inclusive</p> <p>“Open regionalism” based on inclusiveness and non-discrimination (to accommodate various levels of power and maturity, as well as different political orientations of members)</p> <p>No geographic limitations: region is shaped through common practices, not common borders</p> <p>Communities of practice</p>	<p style="text-align: center;">Exclusive</p> <p>Accession possible only to the states “that share its [EAEU] aims and principles, on terms agreed by the Member States.”¹⁶⁸</p> <p>The decision on membership is reached based on the preparedness of the candidate to take on obligations of the EAEU law</p> <p>The Program of Actions for Accession to the EAEU</p>
	Regional Leadership	<p style="text-align: center;">Diffused</p> <p>Includes several regional leaders: China, Russia, India</p> <p>Medium level of representation of middle powers</p>	<p style="text-align: center;">Hegemonic</p> <p>One dominant regional leader – Russia</p> <p>Low level of representation of middle powers</p>

4.1 Ideational dimension: Eurasianism and the Shanghai Spirit

Russian identity and international relations have been for centuries shaped by the tension between the West and the East, influenced by the country’s geographical and cultural position between Europe and Asia. The issue of the country’s civilizational choice came to the forefront of Russia’s political history with the clear break with tradition initiated by Peter the Great in the 18th century and had over time engaged some of the greatest Russian minds from F. Dostoevsky to S. Soloviev, N. Danilevskii, K. Aksakov, N. Gumilev and many others. The long-

¹⁶⁸ Treaty on the Eurasian Economic Union, Article 108

[https://www.wto.org/english/thewto_e/acc_e/kaz_e/WTACCKAZ85_LEG_1.pdf], Accessed:

October 2018

lasting argument between the so-called Slavophiles and the Westernizers has contributed to the duality of Russia's national identity and largely shaped the idea of the "Russian Way" – a special mission of the country in the world history. The traces of this debate can be found in the theoretical, philosophical, and practical aspects of the modern Eurasian Union project and the underlying spirit of Eurasianism.

As a state identity core, Eurasianism was proposed by both political (E. Primakov, A. Kozyrev) and intellectual (N. Gumilev, A. Dugin) elites as an alternative to the communist ideology after the fall of the USSR. During the 1991 referendum on the future of the Soviet Union, nearly 80% of population of the nine Soviet republics voted for preserving the Union as a federation of equal states¹⁶⁹. The results showed that the majority of people on the post-Soviet space still considered themselves as part of the regional community. Faced with the necessity to promote a new national idea capable of uniting Russia's multicultural and multiethnic population, Russian leadership turned to the Eurasian idea in earnest. The principles underlying the Eurasian Union and Vladimir Putin's geopolitical strategy of "Turn to the East" are often associated with the works of Russian philosopher Alexander Dugin and his understanding of Eurasianism. President Putin explicitly addresses the plans for "Greater Eurasia" and building of a common Eurasian identity in his program statement on the creation of the Eurasian Union in the article "A New Integration Project for Eurasia: The Future in the Making" published by *Izvestia* newspaper on 3 October 2011.

Dugin has presented an extensive body of work consisting of over 30 books and textbooks on the geopolitics and philosophy of Eurasianism. The most comprehensive view of the current course of Russian Eurasian politics is presented in "The Fourth Political Theory" published in 2009 (English translation available from 2012). Even though the principles of Eurasianism are not explicitly mentioned in the official documents of the Eurasian Union, including the Treaty on the Establishment of the EAEU (any mention of common identity is altogether absent,

¹⁶⁹ "Об итогах референдума СССР, состоявшегося 17 марта 1991 года" [Results of the Referendum on the Future of the Soviet Union of 17 March, 1991], *Izvestia*, 1991

apart from the general principles of non-interference and respect for sovereignty), Dugin's influence is evident.

Eurasianism is conservative in spirit. However, in Dugin's understanding, Eurasian conservatism does not merely aim to preserve the status quo but is, in fact, "the alternative to modernity [...] taken from [...] societies historically co-existing with Western civilization, but geographically and culturally different from it."¹⁷⁰ From this perspective, Eurasianism is close to the Chinese perspective on the global order. Both ideas suggest the transformative nature of their countries' geopolitical agenda and their place in the world. By rejecting the universalism of Western norms and values, Eurasianism proposes a new model of historical development based on internal values of each culture. The idea that Eurasian Union can become one of such alternative models is key to understanding the strategic goals of the Russian project. Eurasianism strongly suggests the existence of the "foundational values of the peoples of Inner Eurasia as a basis for their civilizational commonality."¹⁷¹

Western scholars often see the Eurasian project as restrictive and incompatible with other forms of international cooperation¹⁷². The Ukrainian crisis is often cited as an example of the anti-Western orientation of the Eurasian Union, and the following conflict is seen as a reaction to the pro-European choice of the country¹⁷³. However, it can be argued that Eurasian Union is seen as a viable option by the non-democratic regimes as it encourages multilateral cooperation without the democratization and liberalization demands inherent to the Western concept of regionalism. The attractiveness of the Eurasian idea accounts for the persistence of Eurasian integration efforts despite numerous failures and existing conflicts of interest.

¹⁷⁰ A. Dugin, *The Fourth Political Theory* (London: Arktos, 2012), p.99

¹⁷¹ Yu. Popkov, Speech at the All-Russian Scientific-Practical Conference of Young Scholars and Students on the topic of the "Eurasian Project: The Eurasian Idea Yesterday, Today, and Tomorrow"

¹⁷² M. Laruelle, *Russian Eurasianism: An Ideology of Empire* (Baltimore: The Johns Hopkins University Press, 2008)

¹⁷³ R. Dragneva and K. Wolczuk, *Ukraine Between the EU and Russia: The Integration Challenge* (London: Palgrave Macmillan, 2015)

Russia views its Eurasian project as a practical instrument for its historic transformative mission, as well as a pragmatic tool to ensure its continuing influence regionally and globally. For other countries in the Union, Eurasianism as an ideational basis is broad enough to support the multilateral vector of their economic and political development¹⁷⁴. As one of the many regional initiatives active on the larger Eurasian space, Eurasian Union provides an additional platform for negotiating and balancing for its member states. Russia does promote its geopolitical vision through the EAEU, but it is limited and does not prevent other countries from following independent foreign policy. For example, all members except for Belarus have entered the WTO under individual conditions¹⁷⁵, Russia's closest partners Belarus and Kazakhstan chose to assume a neutral role in the Ukrainian conflict and proposed to act as mediators between the two countries¹⁷⁶, Belarus applied for the IMF loans, and Kazakhstan increased its economic relations with the EU and China¹⁷⁷. Moreover, Belarus – the country most economically dependent on Russia (in 2017, Russia accounted for 43.9% of Belarus' total volume of exports)¹⁷⁸ – was also one of the first to support the newly inaugurated President Poroshenko¹⁷⁹ and refused to join Russian embargo on European and American goods applied as a response to the Western sanctions. The idea of the Eurasian Union itself was first officially proposed by Nursultan Nazarbayev in 1994, recognizing Russia's importance in military, material, and political support of the new Kazakh state-

¹⁷⁴ A. Dugin, "A Multipolar World and Russian Foreign Policy," *International Affairs*, No. 6, 2012, pp. 141-145

¹⁷⁵ V. Movchan and M. Emerson, "The Eurasian Economic Union's Problematic Customs Union," *Swedish International Development Cooperation Agency*, 2018, p.5

¹⁷⁶ "Minsk and Astana are Trying to Conciliate Moscow and Kiev" [<http://www.vedomosti.ru/opinion/articles/2014/12/23/missiya-i-komissiya>], Accessed: July 2018

¹⁷⁷ N. Nazarbaev, "The Next Chapter in Kazakhstan-EU Relations," *The Wall Street Journal*, 7 October 2014; "Kazakhstan, China: Close Neighbors that Build Mutually Beneficial Ties," *Astana Times*, 5 May 2014

¹⁷⁸ "Belarus-Russia Trade" [<https://eng.belta.by/infographica/view/belarus-russia-trade-3392/>], Accessed: August 2018

¹⁷⁹ "Lukashenko: Belarus Will Always Help Ukraine" [<http://korrespondent.net/ukraine/politics/3458947-lukashenko-belarus-vsehda-pomozhet-ukrayne>], Accessed: August 2018

building. For the newly joined Armenia and Kyrgyzstan, the EAEU membership has both practical and ideational implications. Armenia has always had strong cultural and religious ties to Russia – the shared Orthodox faith and close spiritual identity promoted the idea of more formalized cooperation under the Eurasian Union framework. For Kyrgyzstan, joining the Eurasian Union has been of a more pragmatic nature, but it suffices to say that over 70% of the country’s population have supported the decision¹⁸⁰.

However, Eurasianism also has its roots in Western thought and borrows from philosophical works of predominantly European thinkers, such as Heidegger and Derrida in their critique of modernity. The West-East duality of Russian identity and politics is evident in the practical application of the Eurasian idea and the chosen model for its implementation. Elites see Russia as a European power and have continuously sought to strengthen the country’s relations with its Western partners. The EAEU and the EU are supposed to be of a complementary nature, part of a larger Eurasian integration process covering the space from Lisbon to Vladivostok¹⁸¹. To achieve this vision, Russia has adopted a markedly Western functionalist approach to its region-building efforts. It can be seen in the EU-type of the institutional and theoretical set-up of the Eurasian Union. This aspect of Eurasianism sets it apart from the decidedly non-Western concept of the Shanghai Spirit.

Similar to the Eurasian Union, SCO is guided by the principles of mutual trust, non-interference, and respect, collectively known as the Shanghai Spirit. However, the ideas underpinning the Chinese-led organization have a more pronounced non-Western nature and correlate closely to the famous ASEAN Way. Both SCO and ASEAN contest Western norms and practices of liberal-democratic institutionalized integration and emphasize the values of non-intervention and

¹⁸⁰ E. Vinokurov, “Eurasian Economic Union: Current State and Preliminary Results,” *Russian Journal of Economics*, 3:1, 2017, pp. 54-70

¹⁸¹ V. Putin, “A New Integration Project for Eurasia: The Future in The Making,” *Izvestia*, 3 October 2011

respect for sovereignty¹⁸² (often seen as pro-authoritarian by Western scholars¹⁸³). ASEAN and SCO are consensual systems of informal cooperation, as opposed to more formalized and binding structure of European integration, and together form the basis for Asian approach to regionalism.

The ASEAN Way and the Shanghai Spirit share many ideational similarities allowing to study Asian regionalism as a separate phenomenon with own underlying values, norms, structure, and theory. The Way was founded on the four principles similar to those expressed in the SCO Charter: sovereignty, non-interference, bilateral economic cooperation, and consensual decision-making based on multi-level consultations mechanism¹⁸⁴. In the region with high power disparities, this model is especially preferred as it allows all members to voice their opinions from the position of equals¹⁸⁵. The attractiveness of the spirit of the ASEAN Way for China is its discrete and informal nature, which is best suited for applying the “soft regionalism” approach that lies at the base of Beijing’s regional politics. Moreover, the bilateral consultations between members and China take place through various cooperation mechanisms without Western influence, allowing Beijing to use its economic strength to the best advantage.

The main difference between ASEAN and SCO is China’s role in the two. While China is an active partner of ASEAN, it is not one of the founders and has limited influence in the internal functioning of the organization. However, under the SCO framework, China can more effectively promote its geopolitical views and domestic values in Eurasia. The Shanghai Spirit projects values of non-use of force and non-interference in domestic affairs of states, mostly to protect China’s interests

¹⁸² S. Aris, “*The Shanghai Cooperation Organization: ‘Tackling the Three Evils’. A Regional Response to Non-traditional Security Challenges or an Anti-Western Bloc?*” (Journal of Europe-Asia Studies, 61:3, 2009)

¹⁸³ T. Ambarosio, “Catching the ‘Shanghai Spirit’: How the Shanghai Cooperation Organization Promotes Authoritarian Norms in Central Asia,” *Europe Asia Studies*, 2008

¹⁸⁴ H. Katsumata, “Reconstruction of Diplomatic Norms in Southeast Asia: The Case for Strict Adherence to the “ASEAN Way” *Contemporary Southeast Asia: A Journal Of International and Strategic Affairs*, 25:1, 2003

¹⁸⁵ M. Beeson, “ASEAN’s Ways: Still Fit for Purpose?” *Cambridge Review of International Affairs*, 22:3, 2009, pp. 333-343

in Xinjiang and Taiwan. However, unlike ASEAN, SCO allows Beijing to be more assertive in its external relations on the right of the regional leader and main driving power behind the organization. In contrast, China's vocal territorial claims in Vietnam and Philippines slowed down cooperation with ASEAN and served as grounds for conflict¹⁸⁶.

The main pillars of the Shanghai Spirit – “mutual trust, mutual benefit, equality, consultation, respect for multi-civilizations, [and] striving for common development”¹⁸⁷ – have been readily accepted by Central Asian elites seeking to diversify their international policies and safeguard newly gained independence (while maintaining their non-democratic regimes). The long-term goals of “peaceful and harmonious development of the region”¹⁸⁸ presuppose Beijing's active economic involvement in Central Asia. Secretary-General Zhang Deguang thus surmised the transformative nature of the SCO regional model: “[the Shanghai Spirit] is a consolidating component, a source of unity and spiritual power, [...] a common concept of security, a civilization formula, a concept of development and a system of values.”¹⁸⁹ Moreover, both Eurasianism and the Shanghai Spirit emphasize the importance of diversity and the right of each country to follow their course of development without interference. Official documents of the SCO often mention that “different cultures should progress together, borrowing the best each of them has to offer, and strive for the common while leaving their differences aside.”¹⁹⁰

¹⁸⁶ F. Zhu, “Does the Crimea Issue Presage Cold War II?” *China Today*, 63:5, 2014, pp. 20-21; M. Swaine, “Trouble in Taiwan,” *Foreign Affairs*, 83:2, 2004, pp. 39-49; P. Junwu, “Territorial Dispute between China and Vietnam in the South China Sea: A Chinese Lawyer's Perspective,” *Journal of East Asia and International Law*, 5:1, 2012, pp. 213-234

¹⁸⁷ Declaration on Establishment of Shanghai Cooperation Organization, 15 June 2001 [www.sectSCO.org/html/00088.html], Accessed: April 2018

¹⁸⁸ S. Aris, “The Shanghai Cooperation Organization: ‘Tackling the Three Evils’. A Regional Response to Non-traditional Security Challenges or an Anti-Western Bloc?” *Journal of Europe-Asia Studies*, 61:3, 2009, p. 457

¹⁸⁹ “Press Conference by Secretary-General Zhang Deguang on the Eve of the Fifth Anniversary Summit of the SCO,” 6 June 2006 [www.sectSCO.org/html/01006.html], Accessed: April 2018

¹⁹⁰ “Moscow Declaration of Heads of Member States of Shanghai Cooperation Organization,” May 2003 [www.sectSCO.org/html/00015.html], Accessed: April 2008

Despite similarities between the Shanghai Spirit and Eurasianism, there are some crucial differences. Most importantly, Russia continues viewing itself as a European country, with the whole idea of Eurasianism supporting this claim and suggesting that Russia should become the bridge between the West and the East. The Shanghai Spirit, on the other hand, presents a full alternative to the European and Western way.

Driven by Eurasianism, the Eurasian Union aims to incorporate the best parts of both Asian and European experience, and combines the functional approach to region-building typical of the initial stage of development of the European Union with the Asian values of non-interference and respect for sovereignty. This dichotomy is typical of the Russian identity and has historically dictated its international policy. It also accounts for the perseverance of the Eurasian ambitions of the country, but, at the same time, prevents Russia from consistently following one course of action. This is evident in the development of the Eurasian Union project: despite several false starts and failures, Russia managed to implement its regional initiative, but has encountered major problems in furthering either integration (as it requires democratization and liberalization) or cooperation (as it requires “soft” approach and focus on economic interdependence).

China’s approach to region-building is marked by a more pragmatic outlook. Before engaging in the SCO, Beijing had gained experience in Asian regional cooperation through the ASEAN mechanism and following the ASEAN Way. Despite existing tensions over territorial claims and general wariness of Chinese economic domination, Beijing continues to maintain beneficial multi-level cooperation and to project its “soft power” in the region. By applying similar principles to the Central Asian context, China has developed own cooperation platform that is more suited for pursuing its interests in Eurasia. Unlike the philosophically-entrenched Eurasianism, the concept of the Shanghai Spirit has more explicit pragmatic roots: namely, ensuring regime survival and opposing the promotion of liberal-democratic Western norms¹⁹¹.

¹⁹¹ A. Acharya, “Democratization and the Prospects for Participatory Regionalism in Southeast Asia,” *Third World Quarterly*, 24:2, 2003, p. 375

The ideational similarities and differences between two organizations explain the preferred models of regionalism chosen by Russia and China. The philosophic, messianic idea of Eurasianism is harder to put into concise words, and, as such, is altogether absent from any official EAEU documents. Moreover, the Eurasian idea is subject to multiple interpretations depending on the philosophical and political positions it is approached from. It also accounts for, on the one hand, the endurance of Russia's Eurasian ambitions and the strong political will of the country to pursue the Eurasian Union initiatives, but, on the other hand, also accounts for its rigid structure and lack of flexibility.

More pragmatic Shanghai Spirit concept is more adaptive to the new challenges and can be shaped by the interests of China and other participants. Just like the ASEAN Way, it allows the SCO to adopt mechanisms best suited for providing concrete solutions. Thus, facing the demand for further integration, ASEAN has reformed its structure to give more power to the General Secretariat and launched a third-party dispute settlement mechanism. In 2011, ASEAN took further steps towards deeper integration in the region and formed the Regional Comprehensive Economic Partnership (RCEP), consolidating the existing ASEAN FTAs¹⁹². Similarly, the more informal mechanism of the Shanghai Five was reorganized into a more institutionalized organization in the face of new security and economic challenges. This adaptability to new issues is one of the biggest advantages of the SCO regional model over that of the EAEU.

¹⁹² M. Beeson and D. Stone, "The European Union's Model's Influence in Asia after the Global Financial Crisis," *European Journal of East-Asian Studies*, 12:2, 2013, pp. 167-190

4.2 Organizational dimension

The ideas behind the creation and development of regional initiatives in many ways influence the preferred practical approaches and instruments employed by region-builders. In the cases of Russia and China, the underlying values promoted by the philosophy of Eurasianism and the concept of the Shanghai Spirit have shaped the chosen organizational structure of the EAEU and the SCO, respectively.

Majority of realists focus on the correction between institutional design and power relations among members. From this perspective, balancing behavior and the role of regional leaders become key to understanding the differences in regional structures around the world. Regional organizations can be understood in terms of power distribution inside them, with intergovernmentalism and supranationalism being the two distinct outcomes. This distinction roughly correlates with the two outcomes of regionalism – cooperation and integration, respectively. Depending on their values and background conditions, countries choose their preferred model and engage either in pooling or delegation of authority. As defined by Keohane and Hoffmann, pooling as an instrument supposes “sharing the capability of making decisions among governments, through a process of qualified majority rule.”¹⁹³ Delegation, on the other hand, involves “a conditional grant of authority from a principal an agent that empowers the latter to act on behalf of the former.”¹⁹⁴ The European Union scales high in delegation and medium-high in pooling¹⁹⁵ as a case of a regional integration model with a mixture of intergovernmental and supranational governance. The Eurasian Union also scores medium to high in pooling and delegation, even though the prominence of supranational institutions in its practical functioning is not evident. In contrast, the SCO scales low both in pooling and in delegation, which correlates with the informal, loose structure of the

¹⁹³ R. Keohane and S. Hoffmann, *The New European Community: Decision-making and Institutional Change* (Boulder, CO: Westview Press, 1991), p.7

¹⁹⁴ D. Hawkins et al., *Delegation and Agency in International Organizations* (Cambridge: Cambridge University Press, 2006), p.7

¹⁹⁵ T. Lenz and G. Marks, “Regional Institutional Design” in T. Börzel and T. Risse, *The Oxford Book of Comparative Regionalism* (Oxford University Press, 2016), p. 515

organization favoring bilateral consultations and multilateral coordination over any type formalized decision-making.

Institutional approaches view organizations as functional solutions to common problems, where higher levels of interdependence produce tighter forms of cooperation and integration¹⁹⁶. By this logic, the supranational nature of the European Union is the direct result of the close economic ties between its members. Neo-liberal and political-economy theories identify internal and external factors influencing the choice of regional structures but are limited to liberal democracy context in their explanatory power. In the cases of the EAEU and the SCO, the countries in the region have close infrastructural, economic, military, and social ties to Russia and are increasingly economically dependent on China, but chose to participate in both tight and loose regional formats.

Constructivists believe that identity and shared norms play a vital role in the establishment and development of regional organizations. As discussed in the previous subchapter on the ideational aspect of the SCO and the Eurasian Union, the countries reinforce common principles of respect for sovereignty, equality, and non-interference in domestic affairs. These shared values expressed in the concepts of Eurasianism and the Shanghai Spirit influence the countries' choice of preferred regional formats.

The Eurasian Union project aimed to imitate the step-by-step process of development as detailed by Balassa and observed in the gradual institutionalization of the European Union. Starting by trying to eliminate trade barriers between members, Russia expected to further cooperation and integration in the areas of economic policies, politics, production, and security following the functionalist logic of spillover. However, the pre-existing conditions on the post-Soviet space made such efforts redundant. First of all, the countries already had strong social, political, labor, production, and trade networks established under the USSR. This accounts for the current discrepancy between low levels of economic integration – as proved by the continuing disintegration trend observed by the Eurasian Development Bank

¹⁹⁶ R. Keohane, *After Hegemony: Cooperation and Discord in the World Economy* (Princeton, NJ: Princeton University Press, 1984)

reports – but high levels of labor and student mobility, a further step in the Balassa scheme. Second, the post-colonial nature of the region hindered the process of spillover as most post-Soviet countries are wary of Russia's hegemony and seek to diversify their international and trade relations to acquire more strategic space for negotiation and bargaining.

On the other hand, the SCO has assumed an opposite approach to development. Starting as an informal platform for meetings in the sphere of border demilitarization and conflict prevention, it has adapted its agenda and structure to better address new challenges. With the official establishment of the SCO, the organization has expanded its area of interest from security to trade, energy, infrastructure, production, tourism, education, and IT. The flexibility of the organization's design allows to create working groups of experts in specific issues, hold consultation and coordination meetings between all levels of national governance, and devise common strategies based on the consensual decision-making mechanisms. The fluid process of the SCO's development has made it more resilient to conflicting views of its members, diverging interests of the regional actors, and to the emergence of new pressing issues.

The process of development correlates to the preferred institutional design of the organizations and is largely shaped by the ideas and values lying at the base of the regional models. The functionalist approach applied to the offset of European integration and borrowed by Russia in its regional project presupposes creation of a formalized, set structure of intergovernmental and supranational institutions. The strive towards more institutionalization can be observed in the change of the name of the Eurasian project from Eurasian Economic Community to Eurasian Economic Union in 2014 (mimicking the shift from European Community to European Union in the 1990s). Similar to the EU, the EAEU is governed by the supranational Commission and has an independent dispute-setting authority in the form of the Eurasian Court, and includes intergovernmental mechanisms such as the Supreme Council, of Heads of State and Intergovernmental Council of Prime Ministers.

The SCO, on the other hand, has a loose architecture with only two permanent bodies – the Secretariat and RATS, and consists of a multi-level mechanism for intergovernmental meetings, summits, bilateral consultations, and working groups. The informal adaptive design of the SCO makes it decisively different from the EU model but has proven to be productive in the context of Eurasia,

fostering bilateral trade, enhancing cooperation in manufacturing and energy projects, and decreasing military tensions in contested regions. However, while consensual decision-making through informal cooperation channels ensures high levels of compliance, it also increases time and financial costs necessary to achieve agreements. Set qualified-majority decision-making procedures of the EAEU, on the other hand, are hard to implement, but once established, considerably expedite the process (though ensuring compliance with agreements continues to be problematic). At the same time, once the structure had been established, it is more likely to survive as the bureaucratic costs of its dismemberment would be higher than that of maintaining¹⁹⁷.

4.3 Power distribution

Understanding the role of leadership is essential for understanding regionalism and its development from both realist and constructivist perspectives. As a sociopolitical entity, the region is constructed by a variety of state and non-state actors and is shaped by their agendas. From a realist perspective, the existence of a regional hegemon is necessary for the creation of regional formations. Superior resource capabilities and strong political will allow regional powers to shape regions and enforce region-wide policies to pursue their interests¹⁹⁸. Even the proponents of a more bottom-up approach to regionalism (also known as regionalization)¹⁹⁹ agree that power matters in the establishment of regional order.

Several terms can be used to describe influential actors on the regional level. S. Destradi suggests that not all regional powers are, by default, regional leaders. Regional powers are states that geographically belong to the region, possess superior

¹⁹⁷ A. Libman, "Eurasian Economic Union: Between Perception and Reality" [<http://neweasterneurope.eu/2018/01/09/8767/>], Accessed: November 2018

¹⁹⁸ P. Katzenstein, *A World of Regions: Asia and Europe in the American Imperium* (Ithaca: Cornell University Press, 2005)

¹⁹⁹ A. Acharya, "The Emerging Regional Architecture of World Politics," *World Politics*, 59:4, 2007, pp. 629–652

power capabilities, and exercise a certain level of influence on regional matters²⁰⁰. However, the existence of a regional power is not a sufficient condition for the emergence of regionalism. What distinguishes a regional leader from a regional power is the political will and tactics employed. Thus, a true regional leader should aim at creating a cooperative and multilateral type of regional order and have the capabilities to do that.

Drawing the analogy to the hegemonic stability theory, realism presupposes that in order to fulfill its regional leadership role, a country has to possess preponderant material capabilities in the region²⁰¹. In Eurasia, the evident regional powers are China and Russia – possessing superior armies, production and resource base, geographic and demographic size, and economic power. As the countries' persistent efforts in region-building have proven, they both have the necessary political will to become regional leaders. Constructivists have argued that political will and material capabilities are not enough to consider a country a regional leader and have introduced the concept of authority, or legitimacy²⁰². To summarize, a regional leader is a regional power with leadership ambitions and material capabilities that can be used for political leverage, recognized by other states in the region as such.

In the case of the EAEU, one of the main problems for its effective functioning has been the apparent predominance of Russia in the region. The centralized, formalized nature of the organization's institutional design has cemented the country's position as a regional leader. While Russia has assumed the majority of material and political costs (e.g., Russia covers from 40% to 87.9%²⁰³ of the

²⁰⁰ S. Destradi, "Regional Powers and Their Strategies: Empire, Hegemony, and Leadership," *Review of International Studies*, 36:4, 2010, p. 904.

²⁰¹ R. Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981); Ch. Kindleberger, *The World in Depression 1929–1939* (Berkeley, LA: University of California Press, 1973)

²⁰² D. Nolte, "How to Compare Regional Powers: Analytical Concepts and Research Topics," *Review of International Studies*, 36:4, 2010, pp. 881–901; D. Flemes, "Regional Power South Africa," *Journal of Contemporary African Studies*, 27:2, 2009, p. 140

²⁰³ Decision of the Supreme Council of the Eurasian Union on the Budget Quotas of the Member States

budget of the organization, and has allocated additional 1.2 billion USD to help Kyrgyzstan's transition to the EAEU²⁰⁴) of establishing the regional project and has proved willing to take on the regional leadership role, its ambitions have threatened lesser powers in the region and lowered the attractiveness of the Union.

The institutional set-up of the Eurasian project follows that of the European Union but fails to ensure equality inside its framework. The EU has a balanced system in which a complex mechanism of representation, agenda-setting, voting and veto rights benefits smaller states and prevents the emergence of a regional hegemon. At the same time, the two of the most largest initial members of the European Union – Germany and France – have been at the center of European integration for decades and often spearhead the Union's development²⁰⁵. The Franco-German leadership has created an equilibrium inside the EU framework, allowing other state and non-state actors to take leading roles in specific issue-areas (the UK, Italy, Benelux alliance, business associations, and NGOs)²⁰⁶.

The EAEU structure does implement some of the checks-and-balances present in the EU, such as qualified majority voting mechanism and rotating appointment procedures, but in the absence of a second regional leader capable of balancing out Russian dominance, the Eurasian project will most likely continue to be hindered by its leadership type. Moreover, the tightly regulated membership of

[<http://www.eurasiancommission.org/ru/docs/projects/Lists/ProjectsList/Attachments/201/3%20приложение%202.pdf>], Accessed: November 2018

²⁰⁴ “Russia to Allot \$1.2 billion to Help Kyrgyzstan in Accession to Customs Union”

[<http://tass.com/economy/734052> [<http://tass.com/economy/734052>], Accessed: November 2018

²⁰⁵ A. Cooley and H. Spruyt, *Contracting States: Sovereign Transfers in International Relations* (Princeton, NJ: Princeton University Press, 2009)

²⁰⁶ M. Loriaux, “Realism and Reconciliation: France, Germany and the European Union,” in E. Kapstein and M. Mastanduno (eds.), *Unipolar Politics: Realism and State Strategies after the Cold War* (New York: Columbia University Press, 1999); A. Hurrell, “Regionalism in Theoretical Perspective,” in L. Fawcett and A. Hurrell (eds.), *Regionalism in World Politics: Regional Organization and International Order* (New York: Oxford University Press, 1995); L. Hooghe and G. Marks, *Multi-level Governance and European Integration* (Lanham, MD: Rowman and Littlefield Publishers, 2001)

the organization limits the possibilities of other regional actors to influence the system from the inside.

On the other hand, the SCO has only recently admitted a third regional power and an aspiring regional leader – India – to the organization by granting it membership together with Pakistan in 2017. The loose structure and open membership of the SCO allow for a more balanced approach to decision-making either bilaterally or in a 2+/3+ format (also found in the ASEAN+ framework). The two of the initial members and co-founders of the SCO, Russia, and China, have pursued their geopolitical interests and regional leadership ambitions through the organization, and their often conflicting goals have created an equilibrium similar to that of the EU. Smaller states can choose to align themselves with one of the regional leaders or create an alliance with a regional middle power to negotiate and bargain for the most beneficial conditions. The flexible consultations of the 2+ format (e.g., China + Russia + interested party or China/Russia + two interested parties) enable countries to engage in dialogue with regional leaders from a more advantageous position.

The role of a regional leader is a contested topic in regionalist literature, but great powers undoubtedly have an immense influence on the regions they aim to construct. In the cases of the EAEU and the SCO, positions and geopolitical ambitions of Russia and China have to a large extent shaped their regional initiatives. The inclusion of a third regional power/potential leader to the SCO, the further development of the SCO platform presents a compelling study case for students of regionalism and has the potential to cast more light in the issue of leadership and its influence on the functioning regional organizations. There are two possible ways the SCO can continue: either the recent enlargement will boost the organization's international legitimacy, yield increased economic and security benefits, and prove the effectiveness of the Asian model of regionalism; or India and Pakistan's membership will only exacerbate already existing issues of the model and increase decision-making costs to such an extent that cooperation under the SCO will become impossible.

Conclusion

The current paper has aimed to compare two different regional models operating in one region and to answer the question of which elements are responsible for the differences in their levels of achievement. In the course of the research, additional related questions have been discovered and analyzed, namely which features are inherent to two major types of regionalism – Western and Asian, which norms and values they project, and how we can identify particular organizations as representative of one or another. By “unpacking” each general approach to regionalism and looking into their theoretical, historical, and practical underpinnings, it became possible to define the Eurasian Union as a case of Western integrative regionalism and the Shanghai Cooperation Organization as a case of Asian cooperative regionalism.

Russian-led Eurasian Union project was first officially proposed in 1994 and suffered through several initial setbacks and failures until the establishment of the Eurasian Economic Community (EurAsEc) in 2000. After the disintegration of the USSR, Russian foreign policy was focused on rapprochement with Europe and the USA, but the severe economic and political crisis of the 1990-s had led to general disillusionment with the West and prompted re-emergence of the Eurasian idea. Since the late 1990-s, Eurasianism, as envisioned by Russian philosopher A. Dugin, became the ideational basis for Russia’s foreign and domestic policies.

Russia has emulated the successful EU model and adopted the functionalist/neofunctionalist approach predominant at the initial stage of European integration. The establishment process defined by D. Mitrany, B. Balassa, E. Haas, and others, presupposed a step-by-step movement from trade liberalization to the customs union, common market, monetary union, and full economic union. Demand for further integration should come from the spillover effect, where close ties in one area should lead to more interdependence in other areas and push countries to supranational forms of governance. The institutional design of the EAEU also resembles that of the EU, combining supranational and intergovernmental elements and an independent dispute-settling authority.

The main difference between the two organizations, apart from different background conditions and different levels of implementation, is the role of middle powers. Hegemonic leadership and under-developed mechanisms of representation with the notable lack of Parliament and cohesive law of the Union (*acquis communautaire*) increase the threat of domination and hinder consensus-finding process under the EAEU framework. The observed disintegration threat, clear dependence of the most economic indicators of the Union on the economy of Russia, lowering trust of the population are among the main issues facing Russian regional project.

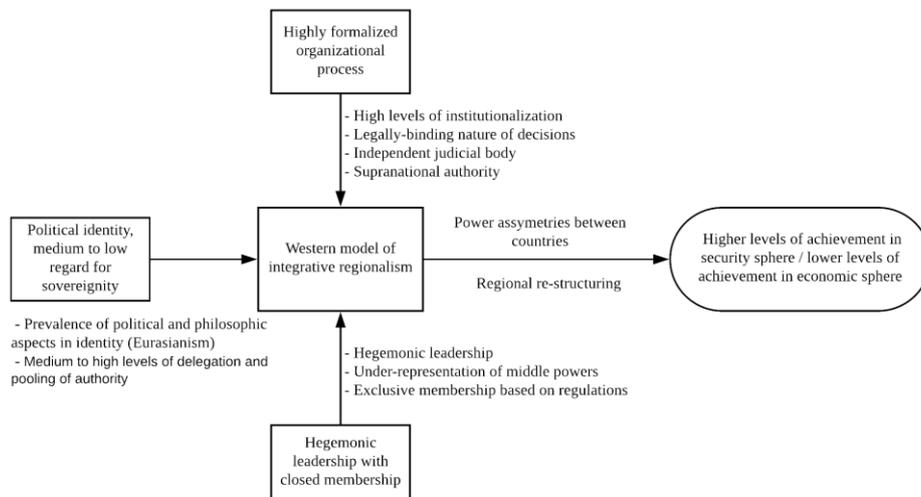
The Shanghai Cooperation Organization is a regional organization led by China and infused with Chinese values. The Shanghai Spirit is reminiscent of the ASEAN Way, promoting principles of respect for sovereignty, non-interference, and peaceful cooperation between countries. The main difference with the ASEAN, however, is the leading role of China in the SCO. Unlike a political and philosophic Eurasianism, Shanghai Spirit is a more pragmatic approach to establishing a regional community of like-minded, non-democratic countries. China views SCO as a political tool to advance its economic and security interests in Central Asia, and its domestic issues play an important role in the norms Beijing chooses to project.

The highly pragmatic nature of the organization makes it adaptable to change, as evidenced by the move towards more institutionalization and broadening of the SCO's agenda from border demilitarization to non-traditional security threats, trade, energy, tourism, education, infrastructure, and IT. The SCO has proved effective in dealing with specific issues through a complex mechanism of informal negotiations, consultations, and meetings at all levels from that of heads of state to ministers and expert groups. However, the organization's recent enlargement not only proves the SCO's attractiveness but also highlights one of the key issues of its functioning: namely, the lack of enforcement instruments and cohesive regional strategy in the absence of a prominent regional leader.

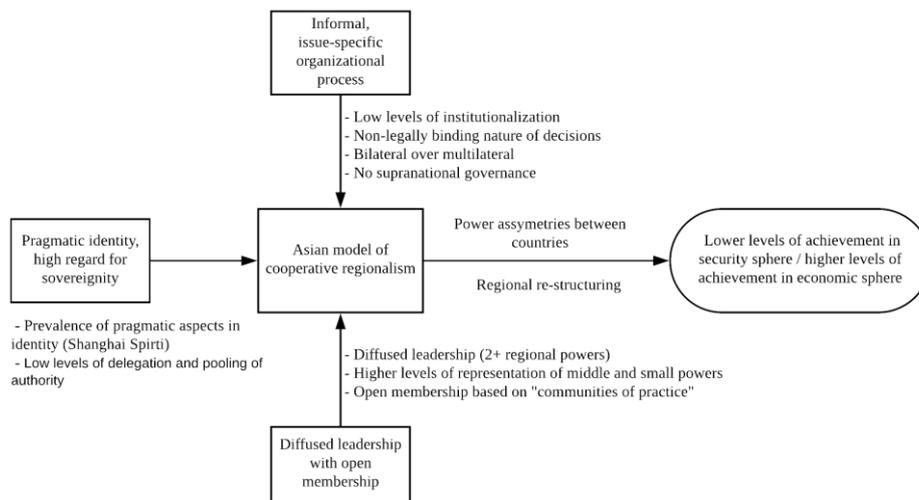
To answer the stated question of why the two regional formats have reached different levels of achievement, the paper has introduced a three-dimensional comparative framework. Under same background conditions (that of regional restructuring and power asymmetries), the two markedly different regional models

have yielded different results in the key areas of economy and security. The comparison has allowed establishing the specific elements of each model responsible for the specific outcomes.

In the case of the EAEU, the highly formalized institutional set-up with bureaucratic decision-making procedures, supranational governance, and preference of multilateral over bilateral of the Western integrative model of regionalism significantly increase consensus-finding costs but simplifies enforcement once the decision has been made. In practice, it means that members are wary of Russian dominance and are unwilling to enter legally-binding economic agreements under the organization. However, Russia's central role in the security sphere promotes cooperation and allows to conduct joint operations, devise cohesive joint policies and timely react to collective challenges.



On the other hand, the adaptive informal structure of the Asian cooperative regionalism and the SCO promotes bilateral economic ties and encourages smaller countries to participate without fearing domination by one regional sponsor. Moreover, some members specifically join the organization to balance against China and other regional leaders. However, the lack of a central authority capable of enforcing compliance with agreements significantly limits the SCO's performance in the security area.



The EAEU and the SCO have a significant overlap in membership and competencies and are promoted by two regional powers – Russia and China. Though the two countries currently enjoy good partnership relations, there is a possibility that their interests will eventually clash²⁰⁷. It leads to two potential scenarios of development of interrelations between the two organizations: competitive and complementary. Under the competitive scenario, Russia and China will continue to promote their increasingly divergent interests in Central Asia through their regional initiatives, forcing members to choose who they want to align with. Judging by varying levels of achievement of the EAEU and the SCO in economic and security fields, it is possible that one organization will dominate in one area and slowly take over other organization’s role in another.

On the other hand, if the Eurasian Union and the SCO continue to coexist and co-develop, there is a high chance that the two will become complementary mechanisms for ensuring peaceful cooperation in the region, especially since they present different approaches to region-building. The past SCO experience has shown that Russia and China can find compromise even when their interests are diametrically opposite (as in the issues of security or economic focus of the SCO and

²⁰⁷ “China and Russia in Central Asia: Rivalries and Resonance”

[<https://thediplomat.com/2017/07/china-and-russia-in-central-asia-rivalries-and-resonance/>],

Accessed: October 2018

its enlargement). President Xi Jinping has recently re-emphasized the importance of cooperation and “complementarity of our respective development strategies”²⁰⁸ during the joint press conference of SCO members in Qingdao.

Moreover, regionalism is a complex mechanism driven not only by a single will of a regional leader but also by converging interests of all the participants²⁰⁹. The existence of two regional organizations is beneficial to smaller states as it presents alternatives and provides more opportunities for balancing. Based on the above-mentioned considerations, several theories can be applied to predict the prospects of the EAEU – SCO relations, the most prominent being the theory of institutional balancing and interregionalism.

The institutional balancing model was developed on the basis of the neo-realist balance of power theory and neo-liberal interdependence theory. It suggests that states choose to engage in multilateral initiatives to “counter pressures or threats through initiating, utilizing, and dominating multilateral institutions.”²¹⁰ Institutional balancing is a strategy of “soft balancing,” and is more likely to be utilized by countries than traditional hard balancing in regions with high levels of interdependence. Judging by the main instruments of soft balancing, such as cooperative military exercises, limited arms build-up, and cooperation in regional institutions²¹¹, it is possible to identify membership in the EAEU and the SCO as part of institutional balancing. Kai He defined three types of institutional balancing – inclusive, exclusive, and inter-institutional²¹². He predicted that in a multipolar

²⁰⁸ Remarks by H.E. Xi Jinping, President of the People's Republic of China, at the SCO Joint Press Conference. Qingdao, June 10, 2018 [http://www.xinhuanet.com/english/2018-06/10/c_137244578.htm], Accessed: October 2018

²⁰⁹ M. Telò (ed.), *European Union and New Regionalism. Regional Actors and Global Governance in a Post-Hegemonic Era* (Aldershot: Ashgate, 2001)

²¹⁰ Kai He, “Institutional Balancing and International Relations Theory: Economic Interdependence and Balance of Power Strategies in Southeast Asia,” *European Journal of International Relations*, 14:3, 2008, p. 492

²¹¹ T. V. Paul et al. (eds.), *Balance of Power: Theory and Practice in the 21st Century* (Stanford, CA: Stanford University Press, 2004), p.3

²¹² Kai He, “Contested Regional Orders and Institutional Balancing in the Asia Pacific,” *International Politics*, 52:2, 2015, pp. 208 – 222

world, states would be more likely to engage in inclusive institutional balancing, i.e., seeking to keep targeted countries in the organization and build shared norms in order to pursue their interests in the multilateral institution²¹³.

On the other hand, during the transition period, the challenged country would prefer to keep the challenger out of its spheres of interest and would thus tend to follow exclusive institutional balancing strategies²¹⁴. As a challenger to the existing global order, China employs both types of institutional balancing to establish its influence and legitimacy on the international stage. Beijing's active participation in ASEAN+, SCO, BRI, and other multilateral initiatives makes it unlikely that China will abandon the SCO any time soon. For other participants, institutional balancing strategy also offers significant opportunities to hedge against any risks they would otherwise encounter if aligned with a single power. The theory seems to support the author's personal view that the EAEU and the SCO will continue to co-exist as their potential benefits outweigh their downsides for the regional leaders and the rest of the participants alike.

Interregionalism is a fairly recent phenomenon gaining prominence in the era of new regionalism and dealing specifically with region-to-region relations. The logic driving interregionalism is similar to that behind inter-institutional balancing strategy employed by regional actors. First elaborated in the 2001 edition of "European Union and New Regionalism. Regional Actors and Global Governance in a Post-Hegemonic Era," interregionalism suggested that in the post-hegemonic world at the absence (or at least weakening) of traditional centralized state power and faced with the increasing complexity of globalization, countries participate in regional formations to bargain collectively with other regions and external actors²¹⁵.

²¹³ Kai He, "Institutional Balancing and International Relations Theory: Economic Interdependence and Balance of Power Strategies in Southeast Asia," *European Journal of International Relations*, 14:3, 2008, p. 493

²¹⁴ Kai He, "Role Conceptions, Order Transition and Institutional Balancing in the Asia-Pacific: a New Theoretical Framework," *Australian Journal of International Affairs*, 72:2, 2018

²¹⁵ M. Telò (ed.), *European Union and New Regionalism. Regional Actors and Global Governance in a Post-Hegemonic Era* (Aldershot: Ashgate, 2001)

The theory was further explored by L. Van Langenhove and F. Söderbaum²¹⁶, who proposed to view interregionalism as a significant level of international governance. Since both the EAEU and the SCO have legal personalities and the right to sign treaties with third parties, and – most importantly, with other regional formations and international organizations (EAEU – ASEAN MoU²¹⁷, negotiations on the EAEU observer status in WTO²¹⁸ and the UN²¹⁹, EAEU – East African Community negotiations²²⁰, observer status of the SCO in the UN General Assembly²²¹, SCO – ASEAN MoU, SCO – CSTO and CIS MoU²²², SCO – UNESCO Draft MoU²²³, SCO – ECO MoU²²⁴, SCO – ICRC MoU²²⁵) – they can certainly be considered parts of a

²¹⁶ F. Söderbaum, P. Stålgren, and L. Van Langenhove, “*The EU as a Global Actor and the Dynamics of Interregionalism: a Comparative Analysis*” (Journal of European Integration, 27:3, 2005), pp.365-380; F. Söderbaum and L. Van Langenhove, “*Introduction: The EU as a Global Actor and the Role of Interregionalism*” (Journal of European Integration, 27:3, 2005), pp.249-262

²¹⁷ “*ASEAN and the Eurasian Economic Commission Sign a Memorandum of Understanding on Economic Cooperation*” [<https://asean.org/asean-eurasian-economic-commission-sign-memorandum-understanding-economic-cooperation/>]

²¹⁸ “*Eurasian Economic Union Could Get WTO Observer Status in Two Years, Says EEC Chief*” [<https://armenpress.am/eng/news/948621.html>]

²¹⁹ Observer Status for the Eurasian Economic Union in the General Assembly [http://www.un.org/en/ga/sixth/73/eurasian_econ_union.shtml]

²²⁰ “*EAEU – EAC: Development of the Dialogue between Regional Integration Formations*” [<http://www.eurasiancommission.org/ru/nae/news/Pages/14-03-18-1.aspx>], Accessed: October 2018

²²¹ Observer Status for the Shanghai Cooperation Organization in the General Assembly [<http://digitallibrary.un.org/record/536170>], Accessed: June 2018

²²² The Memorandum of Understanding Between the Secretariat of the Collective Security Treaty Organization and the Secretariat of the Shanghai Cooperation Organization [<http://cis-legislation.com/document.fwx?rgn=46847>], Accessed: June 2018

²²³ Draft Memorandum of Understanding on Cooperation Between UNESCO and the Secretariat of the Shanghai Cooperation Organization [<http://unesdoc.unesco.org/images/0026/002616/261624E.pdf>], Accessed: October 2018

²²⁴ The Memorandum of Understanding Between the Secretariat of Shanghai Cooperation Organization and the Secretariat of Economic Cooperation Organization [http://www.eco.int/parameters/eco/modules/cdk/upload/content/general_content/3717/15092520153970jconqqgvoecli3qgpt38bna22.pdf], Accessed: November 2018

²²⁵ “*Shanghai Cooperation Organization and ICRC Step up Their Humanitarian Dialogue*” [<https://www.icrc.org/en/document/shanghai-cooperation-organization-and-icrc-step-their-humanitarian-dialogue>], Accessed: November 2018

system of interregional governance. The two organizations can take on the role of collective actors and are seen as such by external powers when negotiating FTAs, cooperation agreements, and other types of cooperative action. With the growing movement towards multipolarity and “the world of regions,”²²⁶ the continued coexistence of the EAEU and the SCO as independent actors deeply integrated in the international order is most likely.

Despite existing potential for rivalry stemming from the clashing interests of Russia and China in the region, the prospects of the two organizations seem to lean towards more complementarity and partnership. With the active implementation of the Belt and Road initiative, China needs a platform for coordinating its actions with Russia and other regional actors. For Russia, membership in the SCO allows to balance against China and to have some influence over Chinese ambitions in Eurasia. For other regional actors, joining both organizations opens access to bigger markets and helps diversify their trade, security, and foreign policies while hedging against potential domination risks. Strategies of institutional balancing and intraregional bargaining are potent tools for all members of regional formations, and it is unlikely that the EAEU and the SCO will be abandoned. Additionally, “soft balancing” decreases the need for and possibility of open rivalry and prioritizes more cooperative and compromise-finding tactics.

However, as the analysis of organizational performance has shown, both the EAEU and the SCO have internal issues limiting their prospects for future development. Finding a balance between the width of membership and depth of commitments, between higher institutionalization and structural flexibility, as well as between consensus-finding costs and enforcement seems to be of the immediate importance for the two regional organizations. The current paper has identified the specific features responsible for certain outcomes and offers insight into possible vectors of change at the structural and tactical levels.

²²⁶ P. Katzenstein, *A World of Regions: Asia and Europe in the American Imperium* (Ithaca: Cornell University Press, 2005)

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국문초록

본 연구는 유라시아 경제 연합과 상하이협력기구를 같은 지역에서 운영되는 지역주의 형태의 예로서 비교한다. 거의 100 년간 한 국가였던 독립국가들이 소련 붕괴 이후 상호간 관계를 맺는 것이 왜 그렇게 힘들었는지 매우 궁금하다. 두 모델 즉, 통합적인 유라시아 경제 연합과 협력적인 상하이협력기구를 활용하며 이 두 가지 지역주의 형태의 대표적인 표상, 조직, 체계적인 측면을 발견 및 분석한다. 이 목표를 이루기 위하여 새로운 이론적인 틀을 만들고 종합적인 기구의 업적을 비교연구 한다.

아시아 지역 형성은 중국 선린 외교 정책의 영향을 받았다. 비서양 지역주의의 이론적이며 실질적인 접근 형태를 ASEAN 과 SCO 의 예를 통해 목적과 구조 및 작동의 관점으로 나누어 정의한다. 반면에 러시아 지역주의는 유럽과 아시아의 가치와 전략을 혼합한 이중적 정체성을 지닌 방식이라고 볼 수 있다.

유라시아 경제 연합은 EU 를 본보기로 활용했고 상하이협력기구는 아시아 지역주의 형태를 표방했다. 최근엔 이 두 기구의 목표와 의도가 더 유사해졌는데 구조와 법적 수단은 아직까지는 매우 상이하다. 더욱이 유라시아 경제연합과 상하이협력기구는 서로의 성과과 실책을 연구하며 국제무대에서 자리잡도록 노력하고 있다.

주요어: 지역주의, 중아시아 계발, 지역통합, 중러 관계, 국제기관, 상하이협력기구, 유라시아경제연합

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